



Reserve Study 2016
ABC Condominium Association

ABC City, Florida



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Important Information

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This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors, assorted vendors, specialist and independent contractors, the Community Association Institute, and various construction pricing and scheduling manuals including, but not limited to: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator, Dodge Cost Manual and McGraw-Hill Professional. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of property management and reserve study preparation.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and that each estimated useful life will approximate that of the norm per industry standards and/or manufacturer's specifications. In some cases, estimates may have been used on assets, which have an indeterminable but potential liability to the association. The decision for the inclusion of these as well as all assets considered is left to the client.

We recommend that your reserve analysis study be updated on an annual basis due to fluctuating interest rates, inflationary changes, and the unpredictable nature of the lives of many of the assets under consideration. All of the information collected during our inspection of the association and computations made subsequently in preparing this reserve analysis study are retained in our computer files. Therefore, annual updates may be completed quickly and inexpensively each year.

Staebler Appraisal and Consulting would like to thank you for using our services. We invite you to call us at any time, should you have questions, comments or need assistance. In addition, any of the parameters and estimates used in this study may be changed at your request, after which we will provide a revised study. Updates and revisions will be provided on an hourly consulting basis at \$125/hour.

This reserve analysis study is provided as an aid for planning purposes and not as an accounting tool. Since it deals with events yet to take place, there is no assurance that the results enumerated within it will, in fact, occur as described.

Part I Introduction

Preparing the annual budget and overseeing the association's finances are perhaps the most important responsibilities of board members. The annual operating and reserve budgets reflect the planning and goals of the association and set the level and quality of service for all of the association's activities.

Please keep in mind, a reserve study aides and guides the association in making decisions for the future upkeep of the property. However, major components like roof and waterproofing/painting are less likely to be changed than other components like fences or landscape for example. The replacement of a fence can be a cosmetic decision and the board might decide together with the analyst to postpone a replacement. The reserve study you ordered includes one set of changes after meeting with the board.

Funding Options

When a major repair or replacement is required in a community, an association has essentially four options available to address the expenditure:

The first, and only logical means that the Board of Directors has to ensure its ability to maintain the assets for which it is obligated, is by assessing an adequate level of reserves as part of the regular membership assessment, thereby distributing the cost of the replacements uniformly over the entire membership. The community is not only comprised of present members, but also future members. Any decision by the Board of Directors to adopt a calculation method or funding plan which would disproportionately burden future members in order to make up for past reserve deficits, would be a breach of its fiduciary responsibility to those future members. Unlike individuals determining their own course of action, the board is responsible to the "community" as a whole.

Whereas, if the association was setting aside reserves for this purpose, using the vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof, for example, to accumulate the necessary moneys. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The second option is for the association to acquire a loan from a lending institution in order to effect the required repairs. In many cases, banks will lend to an association using "future homeowner assessments" as collateral for the loan. With this method, the current board is pledging the future assets of an association. They are also incurring the additional expense of interest fees along with the original principal amount. In the case of a \$150,000 roofing replacement, the association may be required to pay back the loan over a three to five year period, with interest.

The third option, too often used, is simply to defer the required repair or replacement. This option, which is not recommended, can create an environment of declining property values due to expanding lists of deferred maintenance items and the association's financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the association by making it difficult, or even impossible, for potential buyers to obtain financing from lenders. Increasingly, lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association itself, a prospective purchaser, or for an individual within such an association.

The fourth option is to pass a "special assessment" to the membership in an amount required to cover the expenditure. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure, if necessary. However, an association considering a special assessment cannot guarantee that an assessment, when needed, will be passed. Consequently, the association cannot guarantee its ability to perform the required repairs or replacements to those major components for which it is obligated when the need arises. Additionally, while relatively new communities require very little in the way of major "reserve" expenditures, associations reaching 12 to 15 years of age and older, find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, could be devastating to an association's overall budget.

Types of Reserve Studies

Most reserve studies fit into one of three categories:

- Full Reserve Study
- Update with site inspection
- Update without site inspection

In a Full Reserve Study, the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a "fund status" and "funding plan".

In an Update with site inspection, the reserve provider conducts a component inventory (verification only, not quantification unless new components have been added to the inventory), a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both the "fund status and "funding plan."

In an Update without site inspection, the reserve provider conducts life and valuation estimates to determine the "fund status" and "funding plan."

The Reserve Study: A Physical and a Financial Analysis

There are two components of a reserve study: a physical analysis and a financial analysis.

Physical Analysis

During the physical analysis, a reserve study provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates.

Developing a Component List

The budget process begins with full inventory of all the major components for which the association is responsible. The determination of whether an expense should be labeled as operational, reserve, or excluded altogether is sometimes subjective. Since this labeling may have a major impact on the financial plans of the association, subjective determinations should be minimized. We suggest the following considerations when labeling an expense.

Operational Expenses

Occur at least annually, no matter how large the expense, and can be budgeted for effectively each year. They are characterized as being reasonably predictable, both in terms of frequency and cost. Operational expenses include all minor expenses, which would not otherwise adversely affect an operational budget from one year to the next.

Examples of *operational expenses* include:

Utilities, Bank Service Charges, Accounting, Electricity, Dues & Publications, Reserve Study, Gas Licenses, Permits & Fees, Repair Expenses, Water, Insurance(s), Tile Roof Repairs, Telephone Services, Equipment Repairs, Cable, TV, Landscaping, Minor Concrete Repairs, Administrative, Pool, Maintenance Operating Contingency, Supplies and Street Sweeping.

Reserve Expenses

These are major expenses that occur other than annually, and which must be budgeted for in advance in order to ensure the availability of the necessary funds in time for their use. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets that have an indeterminable but potential liability that may be demonstrated as a likely occurrence. They are expenses that, when incurred, would have a significant effect on the smooth operation of the budgetary process from one year to the next, if they were not reserved for in advance. Examples of reserve expenses include:

- Roof Replacements
- Park/Play Equipment
- Painting Pool
- Spa Re-plastering
- Deck Resurfacing
- Pool Equipment Replacement
- Fencing Replacement
- Pool Furniture Replacement
- Asphalt Seal Coating
- Tennis Court Resurfacing
- Asphalt Repairs
- Lighting Replacement
- Asphalt Overlays
- Insurance(s)
- Equipment Replacement
- Reserve Study
- Interior Furnishings

Budgeting is Normally Excluded for:

Repairs or replacements of assets which are deemed to have an estimated useful life equal to or exceeding the estimated useful life of the facility or community itself, or exceeding the legal life of the community as defined in an association's governing documents. Examples include the complete replacement of elevators, tile roofs, wiring and plumbing. Also excluded are insignificant expenses that may be covered either by an operating or reserve contingency, or otherwise in a general maintenance fund. Expenses that are necessitated by acts of nature, accidents or other occurrences that are more properly insured for, rather than reserved for, are also excluded.

Financial Analysis

The financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent fully funded) to determine a recommendation for the appropriate reserve contribution rate in the future, known as the "funding plan".

Preparing the Reserve Study

Once the reserve assets have been identified and quantified, their respective replacement costs, useful lives and remaining lives must be assigned so that a funding schedule can be constructed. Replacement costs and useful lives can be found in published manuals such as construction estimators, appraisal handbooks, and valuation guides. Remaining lives are calculated from the useful lives and ages of assets and adjusted according to conditions such as design, manufactured quality, usage, exposure to the elements and maintenance history.

By following the recommendations of an effective reserve study, the association should avoid any major shortfalls. However, to remain accurate, the report should be updated on an annual basis to reflect such changes as shifts in economic parameters, additions of phases or assets, or expenditures of reserve funds. The association can assist in simplifying the reserve analysis update process by keeping accurate records of these changes throughout the year.

Update Frequency

Does the association's reserve study need updating? If the answer to one or more of the following questions is yes, the association should strongly consider conducting a new study of updating the existing study:

- Has the association added or replaced any significant common element in the last year?
- Has unseasonable weather, lack of maintenance or other circumstances damaged or caused extreme wear and tear on any common elements?
- Has the association deviated from the scheduled replacements?
- Has the association contributed to or drawn on reserve funds other than as scheduled?
- Is the association's objective baseline funding?
- Have there been any technological advances or improved product development that might result in a component change? (also: law changes, for example sprinkler retrofitting)
- Does the current reserve fund balance does not match what was projected?
- Have any components reached the end of their useful lives earlier than projected?

Funding Methods

From the simplest to the most complex, reserve analysis providers use many different computational processes to calculate reserve requirements. However, there are two basic processes identified as industry standards: the cash flow method and the component method.

The cash flow method develops 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 actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a "window" in which all future anticipated replacement costs are computed, based upon the individual lives of the components under consideration. The Threshold and the Current Assessment funding models are based upon the cash flow method.

The component method develops a reserve-funding plan where the total contribution is based upon the sum of contributions for individual components. The component method is the more conservative of the two funding options, and assures that the

association will achieve and maintain an ideal level of reserve over time. This method also allows for computations on individual components in the analysis. The Component Funding model is based upon the component methodology.

Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are four basic strategies from which most associations select. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association's need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable.

Full Funding---Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each year. At the end of three years, one would expect three-tenths of the replacement cost to have accumulated, and if so, that component would be "fully-funded." This model is important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. This formula represents a snapshot in time and is based upon current replacement cost, independent of future inflationary or investment factors:

Fully Funded Reserves = Age divided by Useful Life the results multiplied by Current Replacement Cost

When an association's total accumulated reserves for all components meet this criterion, its reserves are considered "fully-funded."

The Component Funding Model (or Straight-Line Method)

This is a straight-line funding model. It distributes the cash reserves to individual reserve components and then calculates what the reserve assessment and interest contribution (minus taxes) should be, again by each reserve component. The current annual assessment is then determined by summing all the individual component assessments, hence the name "Component Funding Model". This is the most conservative funding model.

The Threshold Funding Model (Minimum Funding or Cash, or Pooling Method)

The goal of this funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balance overall does not drop below zero during the projected period. An association using this funding method must understand that even a minor reduction in a component's remaining useful life can result in a deficit in the reserve cash balance. This method is based upon the cash flow funding concept.

The Current Assessment Funding Model (displays the current financial situation)

This method is also based upon the cash flow funding concept. The initial reserve assessment is set at the association's current fiscal year funding level and a 30-year projection is calculated to illustrate the adequacy of the current funding over time.

Component Funding Model Distribution of Accumulated Reserves

The "Distribution of Accumulated Reserves Report" is a "Component Funding Model" calculation. This distribution does not apply to the cash flow funding models. When calculating reserves based upon the component methodology, a beginning reserve balance must be allocated for each of the individual components considered in the analysis, before the individual calculations can be completed. When this distribution is not available, or of sufficient detail, the following method is suggested for allocating reserves:

The first step the program performs in this process is subtracting, from the total accumulated reserves, any amounts for assets that have predetermined (fixed) reserve balances. The user can "fix" the accumulated reserve balance within the program on the individual asset's detail page. If, by error, these amounts total more than the amount of funds available, then the remaining assets are adjusted accordingly. A provision for a contingency reserve is then deducted by the determined percentage used, and if there are sufficient remaining funds available.

The second step is to identify the ideal level of reserves for each asset. As indicated in the prior section, this is accomplished by evaluating the component's age proportionate to its estimated useful life and current replacement cost. Again, the equation used is as follows:

$$\text{Fully Funded Reserves} = (\text{Age/Useful Life}) \times \text{Current Replacement Cost}$$

The Reserve Analyst© software program performs the above calculations to the actual month the component was placed-in-service. The program projects that the accumulation of necessary reserves for repairs or replacements will be available on the first day of the fiscal year in which they are scheduled to occur.

The next step the program performs is to arrange all of the assets used in the study in ascending order by remaining life, and alphabetically within each grouping of remaining life items. These assets are then assigned their respective ideal level of reserves until the amount of funds available is depleted, or until all assets are appropriately funded.

If any assets are assigned a zero remaining life (scheduled for replacement in the current fiscal year), then the amount assigned equals the current replacement cost and funding begins for the next cycle of replacement. If there are insufficient funds available to accomplish this, then the software automatically adjusts the zero remaining life items to one year, and that asset assumes its new grouping position alphabetically in the final printed report.

If, at the completion of this task, there are additional moneys that have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such and are not factored into any of the report computations. If, at the end of this assignment process there are designated excess funds, they can be used to offset the monthly contribution requirements recommended, or used in any other manner the client may desire.

Assigning the reserves in this manner defers the make-up period for any under-funding over the longest remaining life of all assets under consideration, thereby minimizing the impact of any deficiency. For example, if the report indicates an under funding of \$50,000, this under-funding will be assigned to components with the longest remaining lives in order to give more time to "replenish" the account. If the \$50,000 under-funding were to be assigned to short remaining life items, the impact would be felt immediately. If the reserves are under-funded, the monthly contribution requirements, as outlined in this report, can be expected to be higher than normal. In future years, as individual assets are replaced, the funding requirements will return to their normal levels. In the case of a large deficiency, a special assessment may be considered. The program can easily generate revised reports outlining how the monthly contributions would be affected by such an adjustment, or by any other changes that may be under consideration.

Funding Reserves

Three assessment and contribution figures are provided in the report, the "Monthly Reserve Assessment Required", the "Average Net Monthly Interest Earned" contribution and the "Total Monthly Allocation to Reserves." The association should allocate the "Monthly Reserve Assessment Required" amount to reserves each month when the interest earned on the reserves is left in the reserve accounts as part of the contribution. Any interest earned on reserve deposits, must be left in reserves and only amounts set aside for taxes should be removed.

The second alternative is to allocate the "Total Monthly Allocation" to reserves (this is the member assessment plus the anticipated interest earned for the fiscal year). This method assumes that all interest earned will be assigned directly as operating income. This allocation takes into consideration the anticipated interest earned on accumulated reserves regardless of whether or not it is actually earned. When taxes are paid, the amount due will be taken directly from the association's operating accounts as the reserve accounts are allocated only those moneys net of taxes.

Part II

Users' Guide to your Reserve Analysis Study

Part II of your report contains the reserve analysis study for your association. There are seven types of reports in the study as described below.

Report Summaries

The Report Summary for all funding models lists all of the parameters that were used in calculating the report as well as the summary of your reserve analysis study.

Index Reports

The Distribution of Accumulated Reserves report lists all assets in remaining life order. It also identifies the ideal level of reserves that should have accumulated for the association as well as the actual reserves available. This information is valid only for the "Component Funding Model" calculation.

The Component Listing/Summary lists all assets by category (i.e. roofing, painting, lighting, etc.) together with their remaining life, current cost, monthly reserve contribution, and net monthly allocation.

Detail Reports

The Detail Report itemizes each asset and lists all measurements, current and future costs, and calculations for that asset. Provisions for percentage replacements, salvage values, and one-time replacements can also be utilized. These reports can be sorted by category or group.

The numerical listings for each asset are enhanced by extensive narrative detailing factors such as design, manufactured quality, usage, exposure to elements and maintenance history.

The Reserve Analyst© Detail Index is an alphabetical listing of all assets, together with the page number of the asset's detail report, the projected replacement year, and the asset number.

Projections

Thirty-year projections add to the usefulness of your reserve analysis study.

Definitions

Report I.D.

Includes the Report Date (example: November 15, 1992), Account Number (example: 9773), and Version (example: 1.0). Please use this information (displayed on the summary page) when referencing your report.

Budget Year Beginning/Ending

The budgetary year for which the report is prepared. For associations with fiscal years ending December 31st, the monthly contribution figures indicated are for the 12-month period beginning 1/1/20xx and ending 12/31/20xx.

Number of Units and/or Phases

If applicable, the number of units and/or phases included in this version of the report.

Inflation

This figure is used to approximate the future cost to repair or replace each component in the report. The current cost for each component is compounded on an annual basis by the number of remaining years to replacement, and the total is used in calculating the monthly reserve contribution that will be necessary to accumulate the required funds in time for replacement.

Annual Assessment Increase

This represents the percentage rate at which the association will increase its assessment to reserves at the end of each year. For example, in order to accumulate \$10,000 in 10 years, you could set aside \$1,000 per year. As an alternative, you could set aside \$795 the first year and increase that amount by 5% each year until the year of replacement. In either case you arrive at the same amount. The idea is that you start setting aside a lower amount and increase that number each year in accordance with the planned percentage. Ideally this figure should be equal to the rate of inflation. It can, however, be used to aide those associations that have not set aside appropriate reserves in the past, by making the initial year's allocation less formidable.

Investment Yield Before Taxes

The average interest rate anticipated by the association based upon its current investment practices.

Taxes on Interest Yield

The estimated percentage of interest income that will be set aside to pay income taxes on the interest earned.

Projected Reserve Balance

The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. This is based upon information provided and not audited.

Percent Fully Funded

The ratio, at the beginning of the fiscal year, of the actual (or projected) reserve balance to the calculated fully funded balance, expressed as a percentage.

Phase Increment Detail and/or Age

Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

Monthly Assessment

The assessment to reserves required by the association each month.

Interest Contribution (After Taxes)

The interest that should be earned on the reserves, net of taxes, based upon their beginning reserve balance and monthly contributions for one year. This figure is averaged for budgeting purposes.

Total Monthly Allocation

The sum of the monthly assessment and interest contribution figures.

Group and Category

The report may be prepared and sorted either by group (location, building, phase, etc.) or by category (roofing, painting, etc.). The standard report printing format is by category.

Percentage of Replacement or Repairs

In some cases, an asset may not be replaced in its entirety or the cost may be shared with a second party. Examples are budgeting for a percentage of replacement of streets over a period of time, or sharing the expense to replace a common wall with a neighboring party.

Placed-In-Service Date

The month and year that the asset was placed-in-service. This may be the construction date, the first escrow closure date in a given phase, or the date of the last servicing or replacement. If the placed-in service date is not known, the date can also be used by the analyst to estimate the effective age. For example if a component is estimated to be 15 years and we write the year 2013, the components placed-in-service date would be 1998.

Estimated Useful Life

The estimated useful life of an asset based upon industry standards, manufacturer specifications, visual inspection, location, usage, association standards and prior history. All of these factors are taken into consideration when tailoring the estimated useful life

to the particular asset. For example, the carpeting in a hallway or elevator (a heavy traffic area) will not have the same life as the identical carpeting in a seldom-used meeting room or office.

Adjustment to Useful Life

Once the useful life is determined, it may be adjusted, up or down, by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

Estimated Remaining Life

This calculation is completed internally based upon the report's fiscal year date and the date the asset was placed-in-service.

Replacement Year

The year that the asset is scheduled to be replaced. The appropriate funds will be available by the first day of the fiscal year for which replacement is anticipated.

Annual Fixed Reserves

An optional figure which, if used, will override the normal process of allocating reserves to each asset.

Fixed Assessment

An optional figure which, if used, will override all calculations and set the assessment at this amount. This assessment can be set for monthly, quarterly or annually as necessary.

Salvage Value

The salvage value of the asset at the time of replacement, if applicable.

One-Time Replacement

Notation if the asset is to be replaced on a one-time basis.

Current Replacement Cost

The estimated replacement cost effective at the beginning of the fiscal year for which the report is being prepared

Future Replacement Cost

The estimated cost to repair or replace the asset at the end of its estimated useful life based upon the current replacement cost and inflation.

Component Inventory

The task of selecting and qualifying reserve components. This task can be accomplished through on-site visual, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s).

A Multi-Purpose Tool

Your Report is an important part of your association's budgetary process. Following its recommendations should ensure the association's smooth budgetary transitions from one fiscal year to the next, and either decrease or eliminate the need for "special assessments".

In addition, your reserve study serves a variety of useful purposes:

Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding. A reserve analysis study is required by your accountant during the preparation of the association's annual audit.

The reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners. Loans secured by the Federal Housing Administration (FHA) will not underwrite loans for associations if not at least 10% of the assessments are assigned to the reserve fund. Whether a community has sufficient reserves in place or not can make or break a sale of a residential unit.

Your Report is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements. Your Report is a tool that can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated.

Since the reserve analysis study includes measurements and cost estimates of the client's assets, the detail reports may be used to evaluate the accuracy and price of contractor bids when assets are due to be repaired or replaced.

The reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.

Your Report provides a record of the time, cost, and quantities of past reserve replacements. At times the association's management company and board of directors are transitory which may result in the loss of these important records.

Condo Association Example
 ABC City, Florida
RA Current Assessment Funding Model Summary

Report Date	December 03, 2015
Budget Year Beginning	January 01, 2016
Budget Year Ending	December 31, 2016
Total Units	60

Report Parameters	
Inflation	3.00%
Annual Assessment Increase	3.00%
Interest Rate on Reserve Deposit	1.10%
Contingency	3.00%
2016 Beginning Balance	\$198,027.00

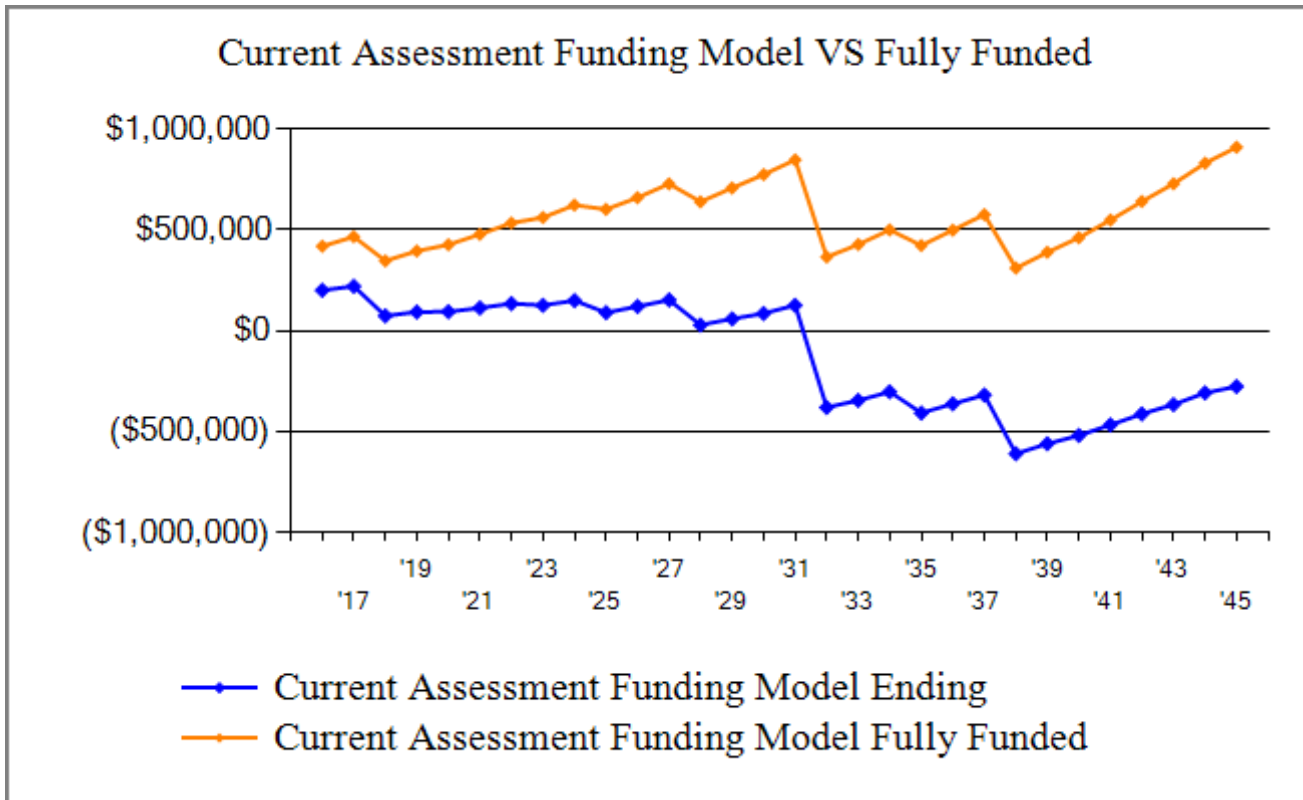
Current Assessment Funding Model Summary of Calculations	
Required monthly Contribution	\$2,092.92
<i>\$34.88 per unit monthly</i>	
Average Net Month Interest Earned	<u>\$172.28</u>
Total monthly Allocation to Reserves	\$2,265.20
<i>\$37.75 per unit monthly</i>	

Condo Association Example
RA Current Assessment Funding Model Projection

Beginning Balance: \$198,027

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2016	703,720	25,115	2,067	24,610	200,599	418,786	48%
2017	707,723	25,868	2,281	8,240	220,509	466,040	47%
2018	728,955	26,645	673	174,051	73,775	346,526	21%
2019	750,824	27,444	883	8,742	93,360	395,227	24%
2020	773,348	28,267	887	28,419	94,095	426,523	22%
2021	796,549	29,115	1,091	11,129	113,173	478,044	24%
2022	820,445	29,989	1,325	9,552	134,934	534,242	25%
2023	845,059	30,888	1,226	40,709	126,340	561,558	22%
2024	870,410	31,815	1,475	10,134	149,495	622,811	24%
2025	896,523	32,769	817	93,357	89,725	601,751	15%
2026	916,699	33,752	1,149	4,032	120,595	659,986	18%
2027	944,200	34,765	1,495	4,153	152,702	728,310	21%
2028	972,526	35,808	133	160,056	28,587	639,542	4%
2029	1,001,702	36,882	462	6,755	59,176	707,785	8%
2030	1,031,753	37,989	748	12,101	85,811	774,245	11%
2031	1,058,031	39,128	1,183		126,122	847,268	15%
2032	1,089,772	40,302		546,483	-380,058	365,554	-104%
2033	1,122,465	41,511		6,777	-345,324	427,474	-81%
2034	1,156,139	42,757			-302,567	499,976	-61%
2035	1,190,823	44,039		149,048	-407,576	422,787	-96%
2036	1,226,548	45,360			-362,215	498,783	-73%
2037	1,263,345	46,721		2,976	-318,470	575,890	-55%
2038	1,301,245	48,123		339,265	-609,613	310,577	-196%
2039	1,340,282	49,567			-560,046	389,077	-144%
2040	1,380,491	51,054		10,164	-519,156	461,530	-112%
2041	1,421,906	52,585			-466,571	548,773	-85%
2042	1,464,563	54,163			-412,408	640,834	-64%
2043	1,508,500	55,788		9,107	-365,728	728,537	-50%
2044	1,553,755	57,461			-308,267	830,596	-37%
2045	1,600,367	59,185		27,336	-276,418	909,940	-30%

Condo Association Example
RA Current Assessment Funding Model VS Fully Funded Chart



The Current Assessment Funding Model is based on the current annual assessment, parameters, and reserve fund balance. Because it is calculated using the current annual assessment, it will give the accurate projection of how well the association is funded for the next 30 years of planned reserve expenditures.

Condo Association Example
 ABC City, Florida
RA Threshold Funding Model Summary

Report Date	December 03, 2015
Budget Year Beginning	January 01, 2016
Budget Year Ending	December 31, 2016
Total Units	60

Report Parameters	
Inflation	3.00%
Annual Assessment Increase	3.00%
Interest Rate on Reserve Deposit	1.10%
Contingency	3.00%
2016 Beginning Balance	\$198,027.00

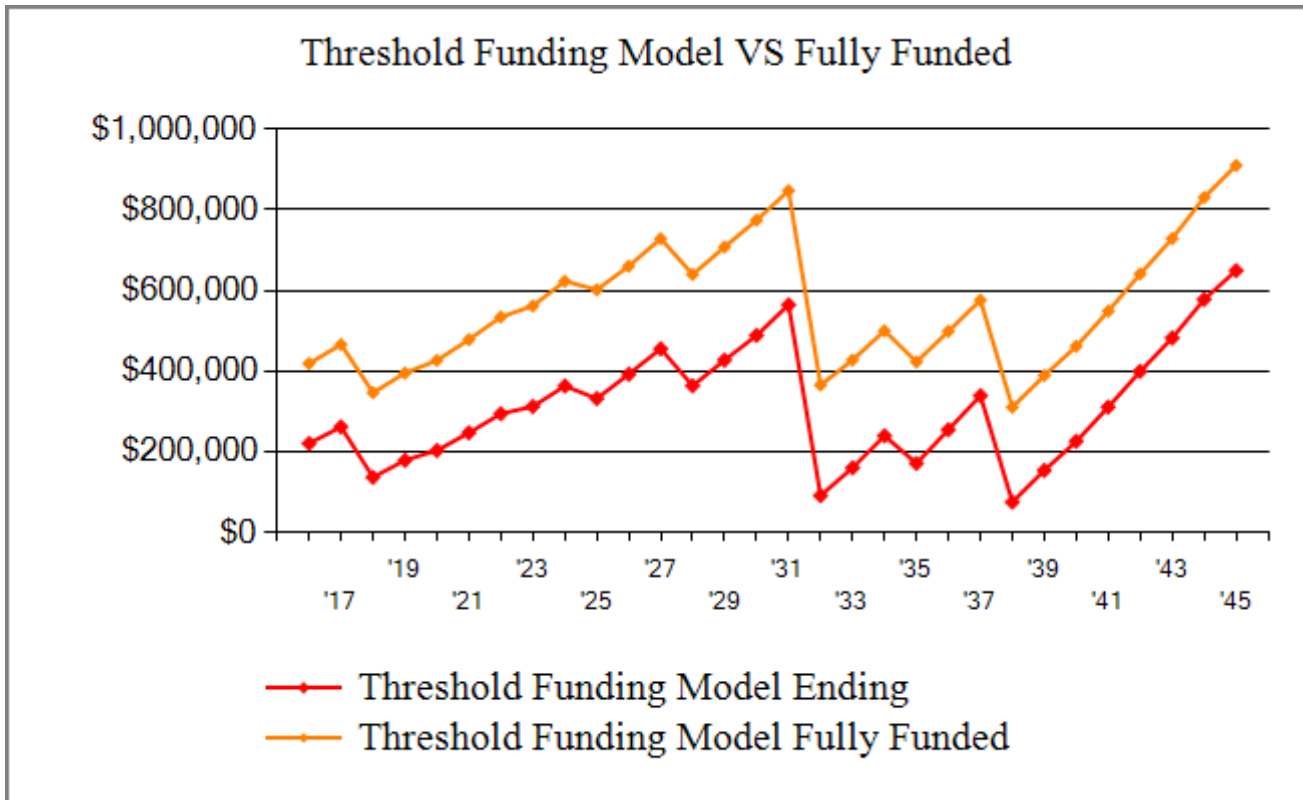
Threshold Funding Model Summary of Calculations	
Required monthly Contribution	\$3,761.67
<i>\$62.69 per unit monthly</i>	
Average Net Month Interest Earned	<u>\$182.26</u>
Total monthly Allocation to Reserves	\$3,943.93
<i>\$65.73 per unit monthly</i>	

**Condo Association Example
RA Threshold Funding Model Projection**

Beginning Balance: \$198,027

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2016	703,720	45,140	2,187	24,610	220,744	418,786	53%
2017	707,723	46,494	2,627	8,240	261,626	466,040	56%
2018	728,955	47,889	1,254	174,051	136,718	346,526	39%
2019	750,824	49,326	1,710	8,742	179,012	395,227	45%
2020	773,348	50,805	1,969	28,419	203,367	426,523	48%
2021	796,549	52,330	2,438	11,129	247,005	478,044	52%
2022	820,445	53,900	2,947	9,552	294,300	534,242	55%
2023	845,059	55,517	3,136	40,709	312,243	561,558	56%
2024	870,410	57,182	3,682	10,134	362,973	622,811	58%
2025	896,523	58,897	3,333	93,357	331,847	601,751	55%
2026	916,699	60,664	3,987	4,032	392,466	659,986	59%
2027	944,200	62,484	4,667	4,153	455,465	728,310	63%
2028	972,526	64,359	3,651	160,056	363,418	639,542	57%
2029	1,001,702	66,290	4,339	6,755	427,292	707,785	60%
2030	1,031,753	68,278	4,998	12,101	488,468	774,245	63%
2031	1,058,031	70,327	5,821		564,616	847,268	67%
2032	1,089,772	72,436	634	546,483	91,203	365,554	25%
2033	1,122,465	74,610	1,379	6,777	160,415	427,474	38%
2034	1,156,139	76,848	2,233		239,496	499,976	48%
2035	1,190,823	79,153	1,473	149,048	171,074	422,787	40%
2036	1,226,548	81,528	2,379		254,981	498,783	51%
2037	1,263,345	83,974	3,288	2,976	339,267	575,890	59%
2038	1,301,245	75,106	449	339,265	75,556	310,577	24%
2039	1,340,282	77,359	1,298		154,213	389,077	40%
2040	1,380,491	79,680	2,069	10,164	225,798	461,530	49%
2041	1,421,906	82,070	2,987		310,855	548,773	57%
2042	1,464,563	84,532	3,942		399,329	640,834	62%
2043	1,508,500	87,068	4,835	9,107	482,125	728,537	66%
2044	1,553,755	89,680	5,866		577,671	830,596	70%
2045	1,600,367	92,371	6,637	27,336	649,342	909,940	71%

**Condo Association Example
RA Threshold Funding Model VS Fully Funded Chart**



The **Threshold Funding Model** calculates the minimum reserve assessments, with the restriction that the reserve balance is not allowed to go below \$0 or other predetermined threshold, during the period of time examined. All funds for planned reserve expenditures will be available on the first day of each fiscal year. The **Threshold Funding Model** allows the client to choose the level of conservative funding they desire by choosing the threshold dollar amount.

Condo Association Example
 ABC City, Florida
RA Component Funding Model Summary

Report Date	December 03, 2015
Budget Year Beginning	January 01, 2016
Budget Year Ending	December 31, 2016
Total Units	60

Report Parameters	
Inflation	3.00%
Interest Rate on Reserve Deposit	1.10%
Contingency	3.00%
2016 Beginning Balance	\$198,027.00

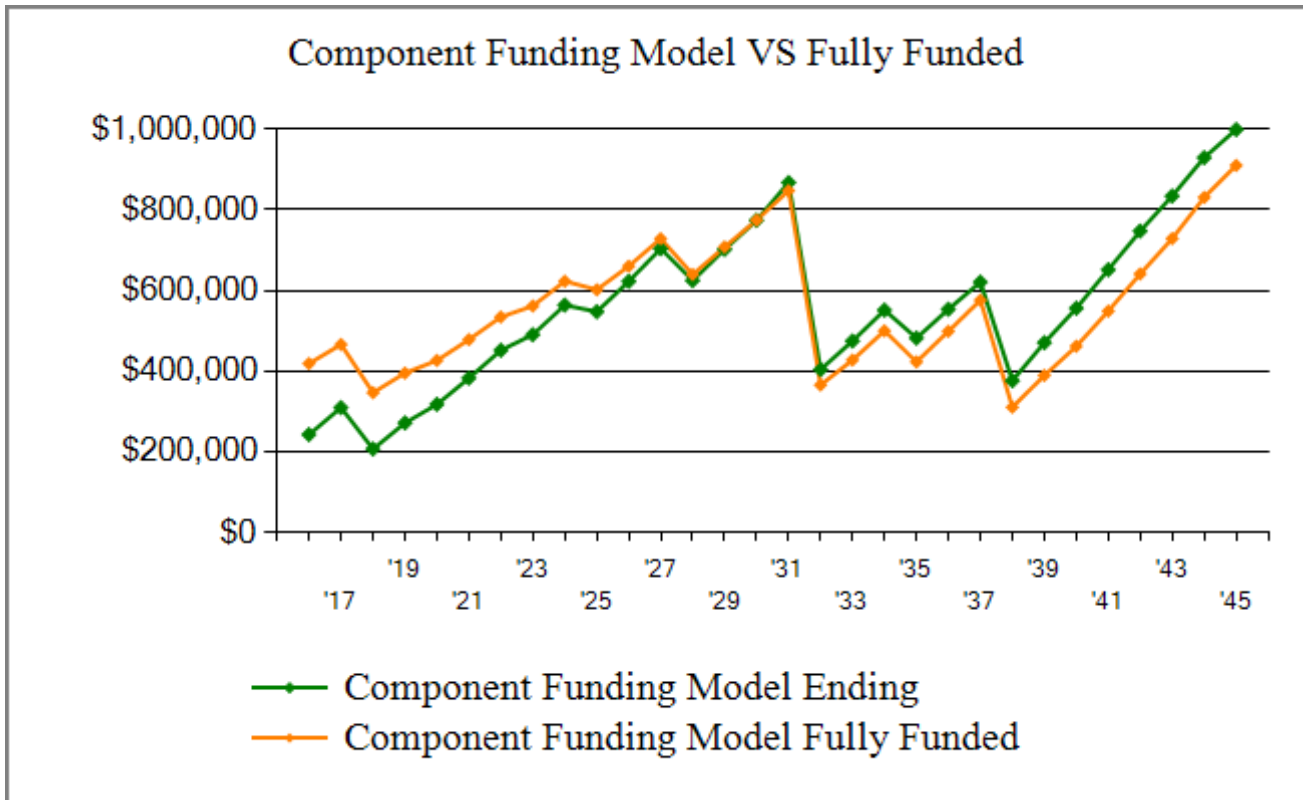
Component Funding Model Summary of Calculations	
Required monthly Contribution	\$5,585.17
<i>\$93.09 per unit monthly</i>	
Average Net Month Interest Earned	<u>\$193.16</u>
Total monthly Allocation to Reserves	\$5,778.33
<i>\$96.31 per unit monthly</i>	

**Condo Association Example
RA Component Funding Model Projection**

Beginning Balance: \$198,027

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2016	703,720	67,022	2,318	24,610	242,757	418,786	58%
2017	707,723	72,102	3,024	8,240	309,643	466,040	66%
2018	728,955	69,424	1,914	174,051	206,929	346,526	60%
2019	750,824	70,725	2,614	8,742	271,526	395,227	69%
2020	773,348	71,339	3,114	28,419	317,561	426,523	74%
2021	796,549	72,343	3,820	11,129	382,595	478,044	80%
2022	820,445	74,050	4,567	9,552	451,660	534,242	85%
2023	845,059	74,465	4,989	40,709	490,405	561,558	87%
2024	870,410	77,479	5,773	10,134	563,522	622,811	90%
2025	896,523	71,416	5,625	93,357	547,207	601,751	91%
2026	916,699	72,859	6,441	4,032	622,475	659,986	94%
2027	944,200	77,694	7,300	4,153	703,317	728,310	97%
2028	972,526	74,781	6,453	160,056	624,495	639,542	98%
2029	1,001,702	76,732	7,288	6,755	701,760	707,785	99%
2030	1,031,753	76,090	8,080	12,101	773,829	774,245	100%
2031	1,058,031	84,587	9,061		867,477	847,268	102%
2032	1,089,772	78,963	4,021	546,483	403,978	365,554	111%
2033	1,122,465	72,618	4,825	6,777	474,645	427,474	111%
2034	1,156,139	70,821	5,671		551,137	499,976	110%
2035	1,190,823	75,011	4,894	149,048	481,994	422,787	114%
2036	1,226,548	65,810	5,722		553,526	498,783	111%
2037	1,263,345	63,521	6,466	2,976	620,536	575,890	108%
2038	1,301,245	91,297	3,655	339,265	376,223	310,577	121%
2039	1,340,282	89,502	4,694		470,420	389,077	121%
2040	1,380,491	89,864	5,626	10,164	555,746	461,530	120%
2041	1,421,906	89,004	6,676		651,426	548,773	119%
2042	1,464,563	87,941	7,728		747,095	640,834	117%
2043	1,508,500	87,380	8,681	9,107	834,049	728,537	114%
2044	1,553,755	85,298	9,731		929,078	830,596	112%
2045	1,600,367	86,499	10,486	27,336	998,727	909,940	110%

Condo Association Example
RA Component Funding Model VS Fully Funded Chart



The **Component Funding Model's** long-term objective is to provide a plan to a fully funded reserve position over the longest period of time practical. This is the most conservative funding model.

Condo Association Example
RA Component Funding Model Assessment & Category Summary

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
Streets/Asphalt							
Asphalt, mill and repave	2018	20	8	2	46,800	43,457	43,457
Streets/Asphalt - Total					<u>\$46,800</u>	<u>\$43,457</u>	<u>\$43,457</u>
Roofing							
Roof Condo Buildings	2032	25	0	16	253,750	0	91,350
Roof Garage Buildings	2032	25	0	16	84,000	0	30,240
Roof Pool Building	2032	25	0	16	<u>2,800</u>	0	<u>1,008</u>
Roofing - Total					<u>\$340,550</u>		<u>\$122,598</u>
Painting							
Painting Condo Buildings	2018	10	0	2	72,900	58,320	58,320
Painting Garage Buildings	2018	10	0	2	35,400	28,320	28,320
Painting Pool Building	2018	10	0	2	<u>960</u>	<u>768</u>	<u>768</u>
Painting - Total					<u>\$109,260</u>	<u>\$87,408</u>	<u>\$87,408</u>
Lighting							
Yard Lamps (25 post and 10 on columns)	2020	30	0	4	<u>12,250</u>	<u>10,617</u>	<u>10,617</u>
Lighting - Total					<u>\$12,250</u>	<u>\$10,617</u>	<u>\$10,617</u>
Recreation/Pool							
Pool - Equipment	2020	10	0	4	5,000	3,000	3,000
Pool - Fence	2025	35	0	9	7,950	0	5,906
Pool - Heater	2023	10	0	7	4,100	1,230	1,230
Pool - Paver Deck	2025	35	0	9	25,600	0	19,017
Pool - Resurface	2023	15	0	7	<u>21,000</u>	<u>11,200</u>	<u>11,200</u>
Recreation/Pool - Total					<u>\$63,650</u>	<u>\$15,430</u>	<u>\$40,353</u>
Grounds Components							
Landscape	2016	1	0	0	3,000	3,000	3,000
Sump Pumps	2021	8	0	5	<u>1,600</u>	<u>600</u>	<u>600</u>
Grounds Components - Total					<u>\$4,600</u>	<u>\$3,600</u>	<u>\$3,600</u>
Gutters and Downspouts							
Gutters and Downspouts for the Garage Buil..	2016	25	1	0	<u>9,460</u>	<u>9,460</u>	<u>9,460</u>
Gutters and Downspouts - Total					<u>\$9,460</u>	<u>\$9,460</u>	<u>\$9,460</u>
Mailboxes							
Mailboxes	2025	35	0	9	<u>20,000</u>	<u>8,964</u>	<u>14,857</u>
Mailboxes - Total					<u>\$20,000</u>	<u>\$8,964</u>	<u>\$14,857</u>
Plumbing							
Fire Alarm / Sprinkler Upgrade	2025	10	0	9	10,000	1,000	1,000
Plumbing Stacks	2035	45	0	19	<u>75,000</u>	<u>0</u>	<u>43,333</u>
Plumbing - Total					<u>\$85,000</u>	<u>\$1,000</u>	<u>\$44,333</u>

Condo Association Example
RA Component Funding Model Assessment & Category Summary

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
Concrete Restoration							
Concrete Restoration	2016	1	0	0	5,000	5,000	5,000
Garage Buildings Trim	2016	25	1	0	<u>7,150</u>	<u>7,150</u>	<u>7,150</u>
Concrete Restoration - Total					<u>\$12,150</u>	<u>\$12,150</u>	<u>\$12,150</u>
Total Asset Summary					<u><u>\$703,720</u></u>	<u><u>\$192,086</u></u>	<u><u>\$388,833</u></u>
Contingency at 3.00%						<u>\$5,941</u>	<u>\$12,026</u>
Summary Total						<u>\$198,027</u>	<u>\$400,859</u>

Percent Fully Funded	49%
Current Average Liability per Unit (Total Units: 60)	-\$3,381

Condo Association Example
RA Distribution of Accumulated Reserves

Description	Remaining Life	Replacement Year	Assigned Reserves	Fully Funded Reserves
Concrete Restoration	0	2016	5,000	5,000
Garage Buildings Trim	0	2016	7,150	7,150
Gutters and Downspouts for the Garage Bui..	0	2016	9,460	9,460
Landscape	0	2016	3,000	3,000
Asphalt, mill and repave	2	2018	43,457	43,457
Painting Condo Buildings	2	2018	58,320	58,320
Painting Garage Buildings	2	2018	28,320	28,320
Painting Pool Building	2	2018	768	768
Pool - Equipment	4	2020	3,000	3,000
Yard Lamps (25 post and 10 on columns)	4	2020	10,617	10,617
Sump Pumps	5	2021	600	600
Pool - Heater	7	2023	1,230	1,230
Pool - Resurface	7	2023	11,200	11,200
Fire Alarm / Sprinkler Upgrade	9	2025	1,000	1,000
Mailboxes	9	2025	* 8,964	14,857
Pool - Fence	9	2025		5,906
Pool - Paver Deck	9	2025		19,017
Roof Condo Buildings	16	2032		91,350
Roof Garage Buildings	16	2032		30,240
Roof Pool Building	16	2032		1,008
Plumbing Stacks	19	2035		43,333
Total Asset Summary			<u>\$192,086</u>	<u>\$388,833</u>
Contingency at 3.00%			<u>\$5,941</u>	<u>\$12,026</u>
Summary Total			<u>\$198,027</u>	<u>\$400,859</u>

Percent Fully Funded	49%
Current Average Liability per Unit (Total Units: 60)	-\$3,381

'' Indicates Partially Funded*

**Condo Association Example
RA Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2016	
Concrete Restoration	5,000
Garage Buildings Trim	7,150
Gutters and Downspouts for the Garage Buildings	9,460
Landscape	3,000
Total for 2016	\$24,610
Replacement Year 2017	
Concrete Restoration	5,150
Landscape	3,090
Total for 2017	\$8,240
Replacement Year 2018	
Asphalt, mill and repave	49,650
Concrete Restoration	5,304
Landscape	3,183
Painting Condo Buildings	77,340
Painting Garage Buildings	37,556
Painting Pool Building	1,018
Total for 2018	\$174,051
Replacement Year 2019	
Concrete Restoration	5,464
Landscape	3,278
Total for 2019	\$8,742
Replacement Year 2020	
Concrete Restoration	5,628
Landscape	3,377
Pool - Equipment	5,628
Yard Lamps (25 post and 10 on columns)	13,787
Total for 2020	\$28,419
Replacement Year 2021	
Concrete Restoration	5,796
Landscape	3,478
Sump Pumps	1,855
Total for 2021	\$11,129

**Condo Association Example
RA Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2022	
Concrete Restoration	5,970
Landscape	3,582
Total for 2022	<u>\$9,552</u>
Replacement Year 2023	
Concrete Restoration	6,149
Landscape	3,690
Pool - Heater	5,042
Pool - Resurface	25,827
Total for 2023	<u>\$40,709</u>
Replacement Year 2024	
Concrete Restoration	6,334
Landscape	3,800
Total for 2024	<u>\$10,134</u>
Replacement Year 2025	
Concrete Restoration	6,524
Fire Alarm / Sprinkler Upgrade	13,048
Landscape	3,914
Mailboxes	26,095
Pool - Fence	10,373
Pool - Paver Deck	33,402
Total for 2025	<u>\$93,357</u>
Replacement Year 2026	
Landscape	4,032
Total for 2026	<u>\$4,032</u>
Replacement Year 2027	
Landscape	4,153
Total for 2027	<u>\$4,153</u>
Replacement Year 2028	
Landscape	4,277
Painting Condo Buildings	103,938
Painting Garage Buildings	50,472

**Condo Association Example
RA Annual Expenditure Detail**

Description	Expenditures
<i>Replacement Year 2028 continued...</i>	
Painting Pool Building	1,369
Total for 2028	\$160,056
Replacement Year 2029	
Landscape	4,406
Sump Pumps	2,350
Total for 2029	\$6,755
Replacement Year 2030	
Landscape	4,538
Pool - Equipment	7,563
Total for 2030	\$12,101
<i>No Replacement in 2031</i>	
Replacement Year 2032	
Roof Condo Buildings	407,194
Roof Garage Buildings	134,795
Roof Pool Building	4,493
Total for 2032	\$546,483
Replacement Year 2033	
Pool - Heater	6,777
Total for 2033	\$6,777
<i>No Replacement in 2034</i>	
Replacement Year 2035	
Fire Alarm / Sprinkler Upgrade	17,535
Plumbing Stacks	131,513
Total for 2035	\$149,048
<i>No Replacement in 2036</i>	
Replacement Year 2037	
Sump Pumps	2,976
Total for 2037	\$2,976

**Condo Association Example
RA Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2038	
Asphalt, mill and repave	89,674
Painting Condo Buildings	139,684
Painting Garage Buildings	67,830
Painting Pool Building	1,839
Pool - Resurface	40,238
Total for 2038	<u>\$339,265</u>
 <i>No Replacement in 2039</i>	
Replacement Year 2040	
Pool - Equipment	10,164
Total for 2040	<u>\$10,164</u>
 <i>No Replacement in 2041</i>	
<i>No Replacement in 2042</i>	
Replacement Year 2043	
Pool - Heater	9,107
Total for 2043	<u>\$9,107</u>
 <i>No Replacement in 2044</i>	
Replacement Year 2045	
Fire Alarm / Sprinkler Upgrade	23,566
Sump Pumps	3,771
Total for 2045	<u>\$27,336</u>

**Condo Association Example
RA Detail Report by Category**

Asphalt, mill and repave - 2018

		3,900 SY	@ \$12.00
Asset ID	1021	Asset Cost	\$46,800.00
		Percent Replacement	100%
	Streets/Asphalt	Future Cost	\$49,650.12
Placed in Service	January 1990	Assigned Reserves	\$43,457.14
Useful Life	20		
Adjustment	8	Monthly Assessment	\$198.07
Replacement Year	2018	Interest Contribution	<u>\$41.22</u>
Remaining Life	2	Reserve Allocation	\$239.30



The asphalt is 25 years old, surpassing the useful life of 20 years. The condition is less than average and the sealcoating project in 2013 just masked the condition.

We recommend to monitor the situation of the asphalt and consider milling and repaving as soon as possible. To get some benefits from the sealcoating investment, we scheduled this work for 2018. Moving the date ahead or not will be at the discretion of the board.

Once the association decided to go ahead with the mill/repave project, the reserve study should then be adjusted to reflect subsequent sealcoating two years after mill/repave and from there every 6 years to extend the life of the asphalt beyond the 20-year useful life.

**Condo Association Example
RA Detail Report by Category**

Streets/Asphalt - Total Current Cost	\$46,800
Assigned Reserves	\$43,457
Fully Funded Reserves	\$43,457

**Condo Association Example
RA Detail Report by Category**

Roof Condo Buildings - 2032

		725 SQ	@ \$350.00
Asset ID	1001	Asset Cost	\$253,750.00
		Percent Replacement	100%
	Roofing	Future Cost	\$407,194.26
Placed in Service	January 2007	Assigned Reserves	<i>none</i>
Useful Life	25		
Replacement Year	2032	Monthly Assessment	\$1,783.73
Remaining Life	16	Interest Contribution	<u>\$10.66</u>
		Reserve Allocation	\$1,794.39



According to the association the last reroof was in 2007. We assume a 25-year shingle roof, which would require a replacement in 2032.

**Condo Association Example
RA Detail Report by Category**

Roof Garage Buildings - 2032

		240 SQ	@ \$350.00
Asset ID	1003	Asset Cost	\$84,000.00
		Percent Replacement	100%
	Roofing	Future Cost	\$134,795.34
Placed in Service	January 2007	Assigned Reserves	<i>none</i>
Useful Life	25		
Replacement Year	2032	Monthly Assessment	\$590.48
Remaining Life	16	Interest Contribution	<u>\$3.53</u>
		Reserve Allocation	\$594.01



According to the association the last reroof was in 2007. We assume a 25-year shingle roof, which would require a replacement in 2032.

**Condo Association Example
RA Detail Report by Category**

Roof Pool Building - 2032

		8 SQ	@ \$350.00
Asset ID	1004	Asset Cost	\$2,800.00
		Percent Replacement	100%
	Roofing	Future Cost	\$4,493.18
Placed in Service	January 2007	Assigned Reserves	<i>none</i>
Useful Life	25		
Replacement Year	2032	Monthly Assessment	\$19.68
Remaining Life	16	Interest Contribution	<u>\$0.12</u>
		Reserve Allocation	\$19.80



According to the association the last reroof was in 2007. We assume a 25-year shingle roof, which would require a replacement in 2032.

**Condo Association Example
RA Detail Report by Category**

Roofing - Total Current Cost	\$340,550
Assigned Reserves	\$0
Fully Funded Reserves	\$122,598

**Condo Association Example
RA Detail Report by Category**

Painting Condo Buildings - 2018

		60,750 SF	@ \$1.20
Asset ID	1005	Asset Cost	\$72,900.00
		Percent Replacement	100%
	Painting	Future Cost	\$77,339.61
Placed in Service	January 2008	Assigned Reserves	\$58,320.00
Useful Life	10		
Replacement Year	2018	Monthly Assessment	\$671.63
Remaining Life	2	Interest Contribution	<u>\$57.75</u>
		Reserve Allocation	\$729.38



The association will have financial advantages consolidating the buildings into one paint account. Furthermore, it is not a good practice to divide the paint job into two or more sections. Have the body and the trim painted at the same time, by the same painter, with the same material, under one contract with warranty for material and labor. This is true for condo and garage buildings.

**Condo Association Example
RA Detail Report by Category**

Painting Garage Buildings - 2018

		29,500 SF	@ \$1.20
Asset ID	1006	Asset Cost	\$35,400.00
		Percent Replacement	100%
	Painting	Future Cost	\$37,555.86
Placed in Service	January 2008	Assigned Reserves	\$28,320.00
Useful Life	10		
Replacement Year	2018	Monthly Assessment	\$326.14
Remaining Life	2	Interest Contribution	<u>\$28.04</u>
		Reserve Allocation	\$354.18



The association will have financial advantages consolidating the buildings into one paint account. Furthermore, it is not a good practice to divide the paint job into two or more sections. Have the body and the trim painted at the same time, by the same painter, with the same material, under one contract with warranty for material and labor. This is true for condo and garage buildings.

**Condo Association Example
RA Detail Report by Category**

Painting Pool Building - 2018

		800 SF	@ \$1.20
Asset ID	1007	Asset Cost	\$960.00
		Percent Replacement	100%
	Painting	Future Cost	\$1,018.46
Placed in Service	January 2008	Assigned Reserves	\$768.00
Useful Life	10		
Replacement Year	2018	Monthly Assessment	\$8.84
Remaining Life	2	Interest Contribution	<u>\$0.76</u>
		Reserve Allocation	\$9.60



**Condo Association Example
RA Detail Report by Category**

Painting - Total Current Cost	\$109,260
Assigned Reserves	\$87,408
Fully Funded Reserves	\$87,408

**Condo Association Example
RA Detail Report by Category**

Yard Lamps (25 post and 10 on columns) - 2020

		35 each	@ \$350.00
Asset ID	1012	Asset Cost	\$12,250.00
		Percent Replacement	100%
	Lighting	Future Cost	\$13,787.48
Placed in Service	January 1990	Assigned Reserves	\$10,616.67
Useful Life	30		
Replacement Year	2020	Monthly Assessment	\$50.47
Remaining Life	4	Interest Contribution	<u>\$10.08</u>
		Reserve Allocation	\$60.56



The useful life of this type of lamp is 30-35 years depending on exposure to the elements and maintenance. Cosmetic consideration will have an impact on the replacement decision.

If the lights would be replaced when failing, one after the other, this asset would probably be more a consideration for the operating budget, however, when replacing all together this asset is high enough to be included in the reserves.

**Condo Association Example
RA Detail Report by Category**

Lighting - Total Current Cost	\$12,250
Assigned Reserves	\$10,617
Fully Funded Reserves	\$10,617

**Condo Association Example
RA Detail Report by Category**

Pool - Equipment - 2020

		1 each	@ \$5,000.00
Asset ID	1015	Asset Cost	\$5,000.00
		Percent Replacement	100%
	Recreation/Pool	Future Cost	\$5,627.54
Placed in Service	January 2010	Assigned Reserves	\$3,000.00
Useful Life	10		
Replacement Year	2020	Monthly Assessment	\$46.71
Remaining Life	4	Interest Contribution	<u>\$3.04</u>
		Reserve Allocation	\$49.75



We suggest to reserve \$5,000 every 10 years for pool equipment. It is impossible to predict which parts will have to be replaced at what point in time. We set the date in service to 2010 to have funds available at any given time.

**Condo Association Example
RA Detail Report by Category**

Pool - Fence - 2025

		265 SF	@ \$30.00
Asset ID	1018	Asset Cost	\$7,950.00
		Percent Replacement	100%
	Recreation/Pool	Future Cost	\$10,372.95
Placed in Service	January 1990	Assigned Reserves	<i>none</i>
Useful Life	35		
Replacement Year	2025	Monthly Assessment	\$84.02
Remaining Life	9	Interest Contribution	<u>\$0.50</u>
		Reserve Allocation	\$84.53



An aluminum fence can last for a very long time. Upon inspection we found the fence in average condition with a peeling surface. Replacing the fence will be foremost a cosmetic decision. We estimate a useful life of 30-35 years.

**Condo Association Example
RA Detail Report by Category**

Pool - Heater - 2023

		1 each	@ \$4,100.00
Asset ID	1016	Asset Cost	\$4,100.00
		Percent Replacement	100%
	Recreation/Pool	Future Cost	\$5,042.48
Placed in Service	January 2013	Assigned Reserves	\$1,230.00
Useful Life	10		
Replacement Year	2023	Monthly Assessment	\$39.11
Remaining Life	7	Interest Contribution	<u>\$1.37</u>
		Reserve Allocation	\$40.48



**Condo Association Example
RA Detail Report by Category**

Pool - Paver Deck - 2025

		3,200 SF	@ \$8.00
Asset ID	1017	Asset Cost	\$25,600.00
		Percent Replacement	100%
	Recreation/Pool	Future Cost	\$33,402.19
Placed in Service	January 1990	Assigned Reserves	<i>none</i>
Useful Life	35		
Replacement Year	2025	Monthly Assessment	\$270.57
Remaining Life	9	Interest Contribution	<u>\$1.62</u>
		Reserve Allocation	\$272.18



Although one might think pavers are put on the ground for eternity, after several pressure wash actions, the pavers tend to deteriorate over time and become unappealing. Therefore we recommend to reserve funds for replacement. The useful life is 30-35 years and we used here 35 years. Should the pavers have to be replaced sooner, the reserve study can be adjusted at any time.

**Condo Association Example
RA Detail Report by Category**

Pool - Resurface - 2023

		1,400 SF	@ \$15.00
Asset ID	1014	Asset Cost	\$21,000.00
		Percent Replacement	100%
	Recreation/Pool	Future Cost	\$25,827.35
Placed in Service	January 2008	Assigned Reserves	\$11,200.00
Useful Life	15		
Replacement Year	2023	Monthly Assessment	\$144.61
Remaining Life	7	Interest Contribution	<u>\$11.18</u>
		Reserve Allocation	\$155.79



**Condo Association Example
RA Detail Report by Category**

Recreation/Pool - Total Current Cost	\$63,650
Assigned Reserves	\$15,430
Fully Funded Reserves	\$40,353

**Condo Association Example
RA Detail Report by Category**

Landscape - 2016

		1 lumpsum	@ \$3,000.00
Asset ID	1019	Asset Cost	\$3,000.00
		Percent Replacement	100%
	Grounds Components	Future Cost	\$3,000.00
Placed in Service	January 2015	Assigned Reserves	\$3,000.00
Useful Life	1		
Replacement Year	2016	Monthly Assessment	\$235.49
Remaining Life	0	Interest Contribution	<u>\$1.41</u>
		Reserve Allocation	\$236.90



Usually neglected in reserve studies, landscaping is an important asset giving the first impression when entering a subdivision. Shrubs and bushes deteriorate usually after 30 years of life and many associations start replacing landscape at this point in time. Upon inspection we found the landscape to be in good condition. We recommend to start building funds for the future with \$3,000 per year. If used in any given year replenish the funds, otherwise leave earmarked.

**Condo Association Example
RA Detail Report by Category**

Sump Pumps - 2021

		2 each	@ \$800.00
Asset ID	1020	Asset Cost	\$1,600.00
		Percent Replacement	100%
	Grounds Components	Future Cost	\$1,854.84
Placed in Service	January 2013	Assigned Reserves	\$600.00
Useful Life	8		
Replacement Year	2021	Monthly Assessment	\$18.20
Remaining Life	5	Interest Contribution	<u>\$0.66</u>
		Reserve Allocation	\$18.86



**Condo Association Example
RA Detail Report by Category**

Grounds Components - Total Current Cost	\$4,600
Assigned Reserves	\$3,600
Fully Funded Reserves	\$3,600

**Condo Association Example
RA Detail Report by Category**

Gutters and Downspouts for the Garage Buildings - 2016

		860 L.F.	@ \$11.00
Asset ID	1023	Asset Cost	\$9,460.00
		Percent Replacement	100%
	Gutters and Downspouts	Future Cost	\$9,460.00
Placed in Service	January 1990	Assigned Reserves	\$9,460.00
Useful Life	25		
Adjustment	1	Monthly Assessment	No Assessment
Replacement Year	2016	Interest Contribution	
Remaining Life	0	Reserve Allocation	



Installation of gutters and downspouts to prevent future damage to the stucco and trim bands.

This asset was included as a one-time expense.

This component was estimated based on our workfiles. The association should obtain bids to determine accurate cost, which can vary based on specifications of the trade.

**Condo Association Example
RA Detail Report by Category**

Gutters and Downspouts - Total Current Cost	\$9,460
Assigned Reserves	\$9,460
Fully Funded Reserves	\$9,460

**Condo Association Example
RA Detail Report by Category**

Mailboxes - 2025

		5 each	@ \$4,000.00
Asset ID	1013	Asset Cost	\$20,000.00
		Percent Replacement	100%
	Mailboxes	Future Cost	\$26,095.46
Placed in Service	January 1990	Assigned Reserves	\$8,964.38
Useful Life	35		
Replacement Year	2025	Monthly Assessment	\$131.21
Remaining Life	9	Interest Contribution	<u>\$9.04</u>
		Reserve Allocation	\$140.26



The mailboxes are comprised of a 12-unit letter USPS receptacle, a 2-parcel outdoor locker and one letter box. Together, with delivery and installation, this asset is about \$4,000 per building.

**Condo Association Example
RA Detail Report by Category**

Mailboxes - Total Current Cost	\$20,000
Assigned Reserves	\$8,964
Fully Funded Reserves	\$14,857

**Condo Association Example
RA Detail Report by Category**

Fire Alarm / Sprinkler Upgrade - 2025

Asset ID	1010	5 buildings	@ \$2,000.00
		Asset Cost	\$10,000.00
		Percent Replacement	100%
	Plumbing	Future Cost	\$13,047.73
Placed in Service	June 2015	Assigned Reserves	\$1,000.00
Useful Life	10		
Replacement Year	2025	Monthly Assessment	\$96.75
Remaining Life	9	Interest Contribution	<u>\$1.50</u>
		Reserve Allocation	\$98.25



Based on discussions with the board president this component was included to reserve for repair/replacement of fire sprinkler lines. \$2,000/building/10 years.

**Condo Association Example
RA Detail Report by Category**

Plumbing Stacks - 2035

		30 stacks	@ \$2,500.00
Asset ID	1011	Asset Cost	\$75,000.00
		Percent Replacement	100%
	Plumbing	Future Cost	\$131,512.95
Placed in Service	January 1990	Assigned Reserves	<i>none</i>
Useful Life	45		
Replacement Year	2035	Monthly Assessment	\$476.95
Remaining Life	19	Interest Contribution	<u>\$2.85</u>
		Reserve Allocation	\$479.80



To reserve for plumbing an association has two choices:

1. Hire a plumbing company to CCTV the stacks and evaluate the condition and then take preventive care action like cleaning out the stacks every 15 years. To accurately determine the cost, bids would have to be obtained.
2. Reserve an amount per stack with a total life of 45 years and face the repairs/replacements when the time comes.

I highly recommend option 1. After having bids on CCTV and cleaning, the reserve study can be adjusted accordingly. Usually the cost for option 1 is lower than for option 2.

Please contact Bill Konkol with SPT for a bid or comparable vendors.

**Condo Association Example
RA Detail Report by Category**

Plumbing - Total Current Cost	\$85,000
Assigned Reserves	\$1,000
Fully Funded Reserves	\$44,333

**Condo Association Example
RA Detail Report by Category**

Concrete Restoration - 2016

		1 lumpsum	@ \$5,000.00
Asset ID	1009	Asset Cost	\$5,000.00
		Percent Replacement	100%
	Concrete Restoration	Future Cost	\$5,000.00
Placed in Service	January 2015	Assigned Reserves	\$5,000.00
Useful Life	1		
Replacement Year	2016	Monthly Assessment	\$392.49
Remaining Life	0	Interest Contribution	<u>\$2.35</u>
		Reserve Allocation	\$394.83



The association should build reserves for concrete restoration. The current problems at the garage doors seem superficial and the repairs most likely will be accomplished by a painter. However, when buildings age we often face rebar problems through moisture and/or water intrusion, defects in porch and balcony areas and alike. Therefore we reserve \$5,000 per year for ten years to build reserves for concrete restoration. Should, over the years, the necessity for this component change, adjustments have to be made.

**Condo Association Example
RA Detail Report by Category**

Garage Buildings Trim - 2016

Asset ID	1022	715 L.F.	@ \$10.00
		Asset Cost	\$7,150.00
		Percent Replacement	100%
Concrete Restoration		Future Cost	\$7,150.00
Placed in Service	January 1990	Assigned Reserves	\$7,150.00
Useful Life	25		
Adjustment	1	Monthly Assessment	No Assessment
Replacement Year	2016	Interest Contribution	
Remaining Life	0	Reserve Allocation	



285 LF per garage building = 2,850 LF

Information from the board shows that about 20 - 25% of the trim bands is damaged.

25% of 2,850 = 715 LF rounded

This asset was included as a one-time repair.

This component was estimated based on our workfiles. The association should obtain bids to determine accurate cost, which can vary based on specifications of the trade.

**Condo Association Example
RA Detail Report by Category**

Concrete Restoration - Total Current Cost	\$12,150
Assigned Reserves	\$12,150
Fully Funded Reserves	\$12,150

**Condo Association Example
RA Detail Report by Category**

Detail Report Summary

Total of All Assets

Assigned Reserves	\$192,086.19
Monthly Contribution	\$5,585.17
Monthly Interest	\$187.69
Monthly Allocation	\$5,772.86

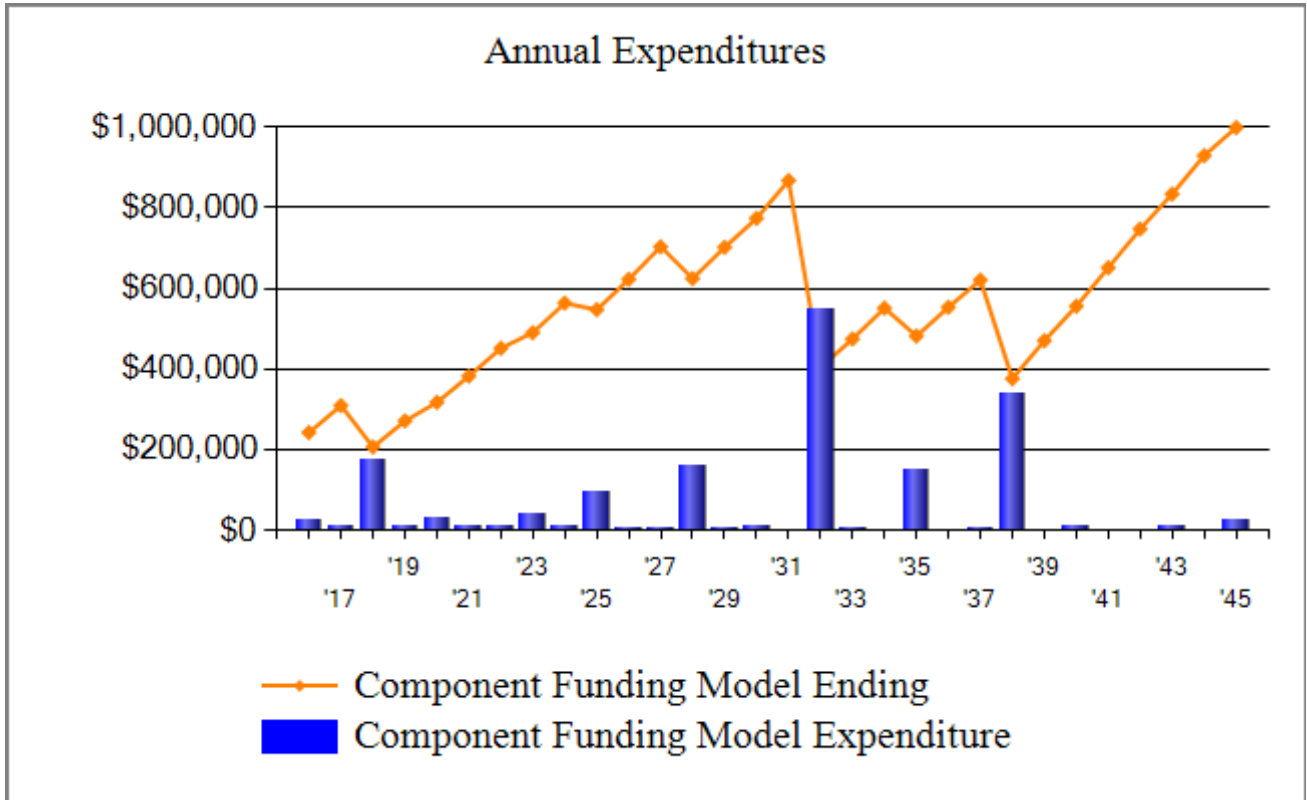
Contingency at 3.00%

Assigned Reserves	\$5,940.81
Monthly Contribution	\$172.74
Monthly Interest	\$5.80
Monthly Allocation	\$178.54

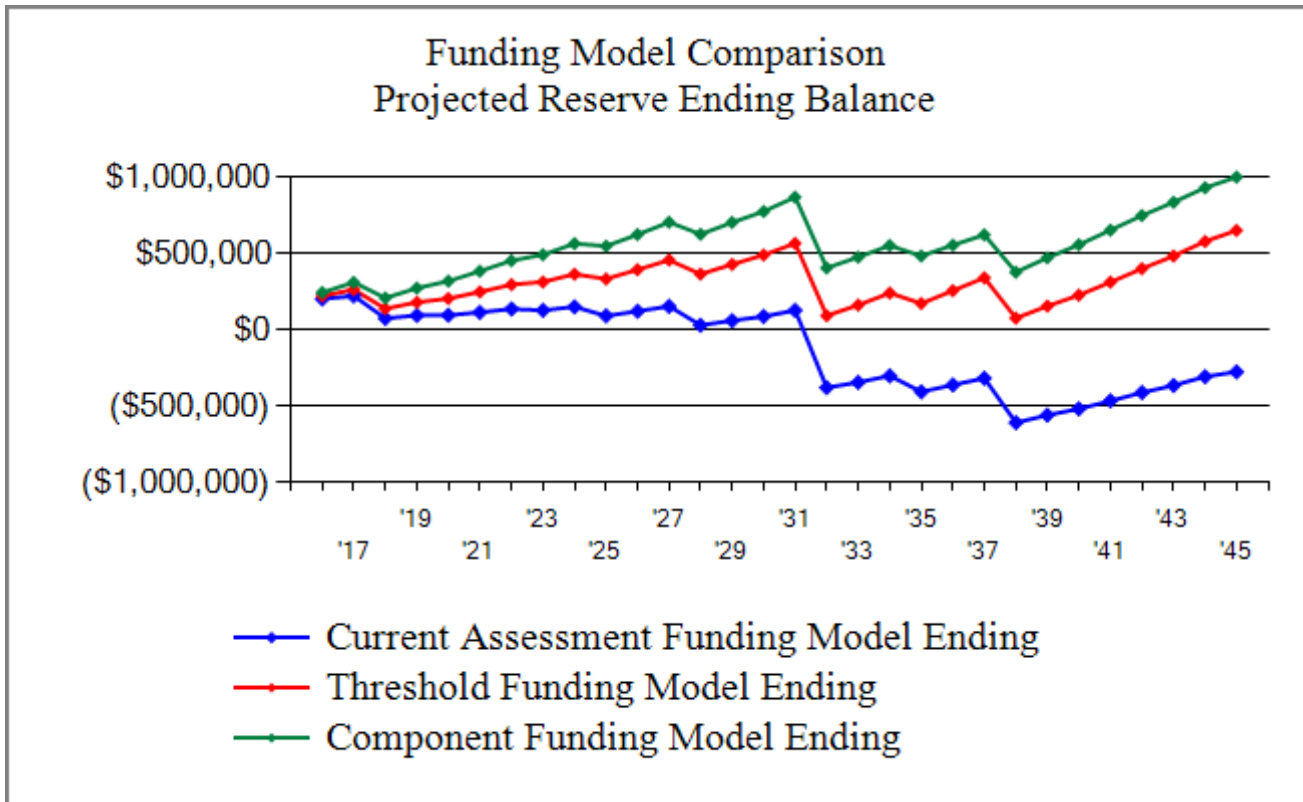
Grand Total

Assigned Reserves	\$198,027.00
Monthly Contribution	\$5,757.91
Monthly Interest	\$193.49
Monthly Allocation	\$5,951.40

Condo Association Example
RA Annual Expenditure Chart

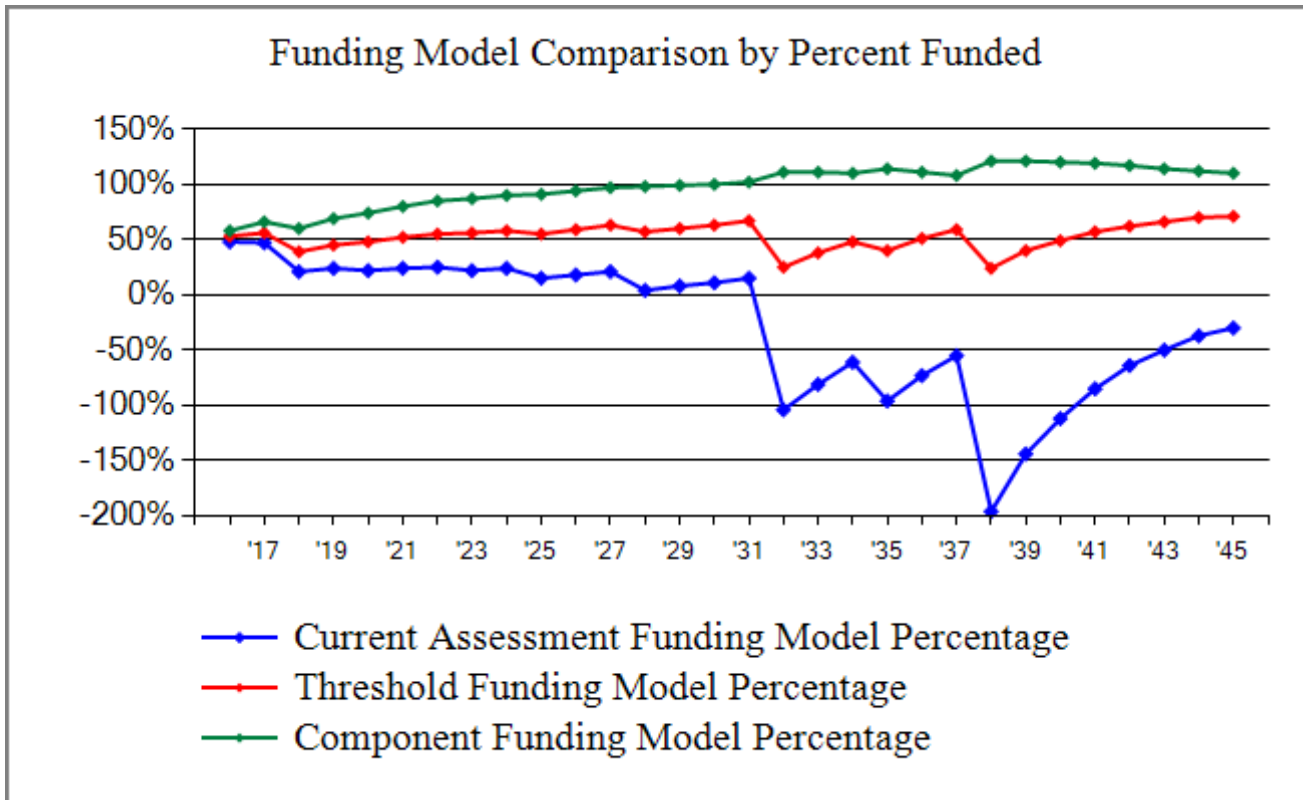


Condo Association Example
RA Funding Model Reserve Ending Balance Comparison Chart



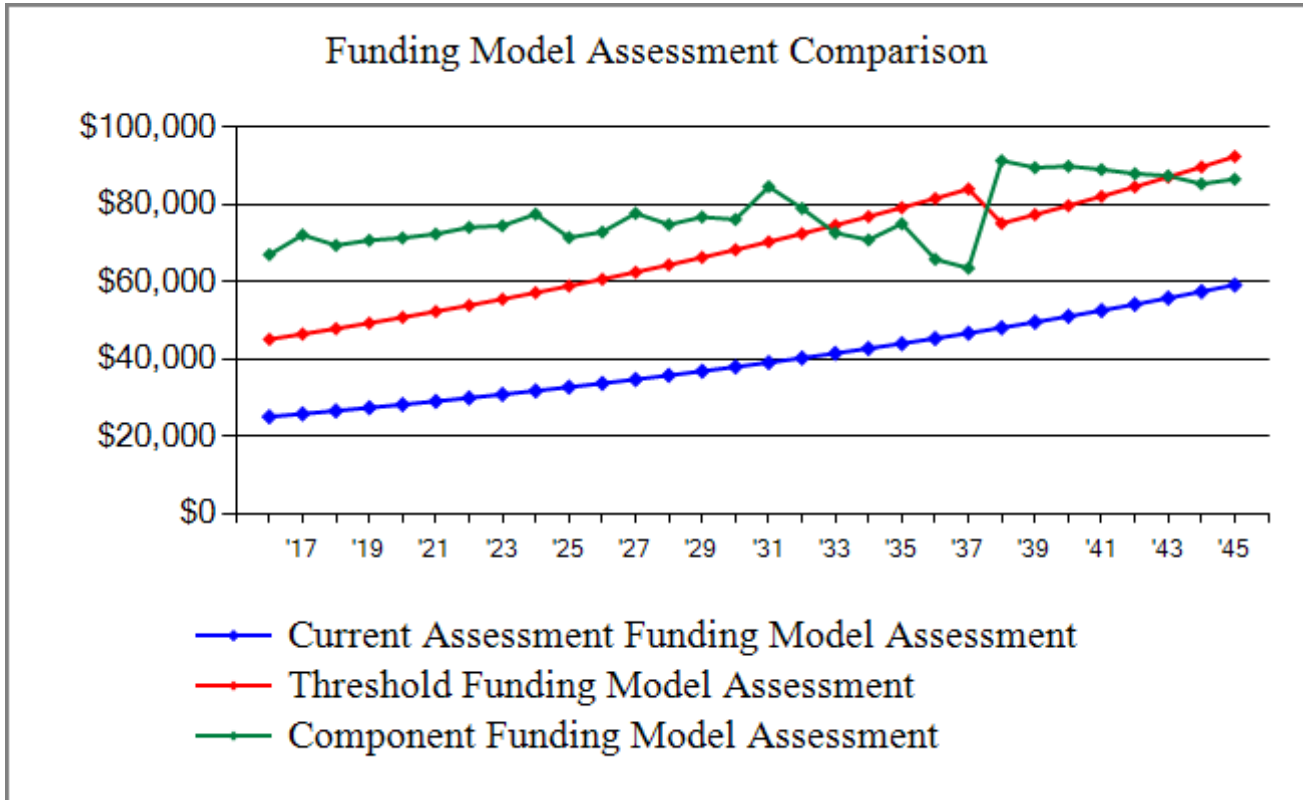
The chart above compares the projected reserve ending balances of the three funding models (Current Assessment Funding Model, Threshold Funding Model and Component Funding Model) over 30 years.

Condo Association Example
RA Funding Model Comparison by Percent Funded



The chart above compares the three funding models (Current Assessment Funding Model, Threshold Funding Model and Component Funding Model) by the percentage fully funded over 30 years. This allows your association to view and then choose the funding model that might best fit your community's needs.

Condo Association Example
RA Funding Model Assessment Comparison Chart



The chart above compares the annual assessment of the three funding models (Current Assessment Funding Model, Threshold Funding Model and Component Funding Model) over 30 years.

**Condo Association Example
RA Spread Sheet**

Description	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Asphalt, mill and repave			49,650							
Concrete Restoration	5,000	5,150	5,304	5,464	5,628	5,796	5,970	6,149	6,334	6,524
Fire Alarm / Sprinkler Upgrade										13,048
Garage Buildings Trim	7,150									
Gutters and Downspouts for the Garage Buildi..	9,460									
Landscape	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914
Mailboxes										26,095
Painting Condo Buildings			77,340							
Painting Garage Buildings			37,556							
Painting Pool Building			1,018							
Plumbing Stacks										
Pool - Equipment					5,628					
Pool - Fence										10,373
Pool - Heater								5,042		
Pool - Paver Deck										33,402
Pool - Resurface								25,827		
Roof Condo Buildings										
Roof Garage Buildings										
Roof Pool Building										
Sump Pumps						1,855				
Yard Lamps (25 post and 10 on columns)					13,787					
Year Total:	24,610	8,240	174,051	8,742	28,419	11,129	9,552	40,709	10,134	93,357

**Condo Association Example
RA Spread Sheet**

Description	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Asphalt, mill and repave										
Concrete Restoration										
Fire Alarm / Sprinkler Upgrade										17,535
Garage Buildings Trim										
Gutters and Downspouts for the Garage Buildi..										
Landscape	4,032	4,153	4,277	4,406	4,538					
Mailboxes										
Painting Condo Buildings			103,938							
Painting Garage Buildings			50,472							
Painting Pool Building			1,369							
Plumbing Stacks										131,513
Pool - Equipment					7,563					
Pool - Fence										
Pool - Heater								6,777		
Pool - Paver Deck										
Pool - Resurface										
Roof Condo Buildings							407,194			
Roof Garage Buildings							134,795			
Roof Pool Building							4,493			
Sump Pumps				2,350						
Yard Lamps (25 post and 10 on columns)										
Year Total:	4,032	4,153	160,056	6,755	12,101		546,483	6,777		149,048

**Condo Association Example
RA Spread Sheet**

Description	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Asphalt, mill and repave			89,674							
Concrete Restoration										
Fire Alarm / Sprinkler Upgrade										23,566
Garage Buildings Trim										
Gutters and Downspouts for the Garage Buildi..										
Landscape										
Mailboxes										
Painting Condo Buildings			139,684							
Painting Garage Buildings			67,830							
Painting Pool Building			1,839							
Plumbing Stacks										
Pool - Equipment					10,164					
Pool - Fence										
Pool - Heater								9,107		
Pool - Paver Deck										
Pool - Resurface			40,238							
Roof Condo Buildings										
Roof Garage Buildings										
Roof Pool Building										
Sump Pumps		2,976								3,771
Yard Lamps (25 post and 10 on columns)										
Year Total:		2,976	339,265		10,164			9,107		27,336