

Reserve Fund Analysis Report
New Study With Site Visit
Deer Ridge Estates
Azle, TX



Report #: 9178
Inspection Date: December, 11 2016
For Year Beginning: January, 1 2017
For Year Ending: December, 31 2017
Date Prepared: August, 12 2017
Prepared by: Richard Hamilton RS, PRA



August, 12 2017

Deer Ridge Estates
Antler Ridge Dr.
Azle, TX 76020

Dear Manager and Board,

After careful review of the property, component assets and current funding for Deer Ridge Estates the following information is available.

Community Association Reserves has been retained by Deer Ridge Estates to prepare a Reserve Study. The purpose of this Reserve Study is to evaluate the common-area components for major repair, maintenance and replacement items that are the responsibility of the Deer Ridge Estates. This Reserve Study provides a limited scope evaluation of the existing condition and remaining life of the common area components. The Reserve Study also includes estimated costs for the major repair, maintenance and replacement of these items to enable the Association to establish an adequate level of reserve funds for the upkeep of the property.

The community consists of 268 units and the total number of components included in the Reserve Study is 24. The site inspection was completed on December, 11 2016.

The projected beginning reserve fund balance is \$95,440.00 as of January, 1 2017. Your Ideal Fund balance is \$678,556.92, which represents the total dollar value of the deterioration of the assets we identified in this report. We find the association to be approximately 14% funded. See the detailed narrative for further information regarding funded positions.

In order to continue to strengthen or maintain the account fund, we suggest adopting reserve contribution adjustments as recommended to cover the rate of inflation. If the contributions fall and the reserve fund drops below a 70% percent funded level, then the community may find its self in a situation where special assessments, deferred maintenance, and lower property values are likely at some point in the future.

Summary of Recommendations:

Plan Option	Annual \$ Contrib.	Contribution \$ Per Unit%	Ending Funded	Recommended Special Assmnt
Current Contribution			-222%	None
100% Funded	\$160,000.00	\$597.01	100%	None
70% Threshold	\$146,200.00	\$545.52	70%	None
Baseline Funding	\$131,300.00	\$489.93	36%	None

Three plan models are presented in detail in the full report. Above, is a summary of the plans. Community Association Reserves recommends that the Board adopt a **100% Funding Plan** whenever possible, but a 70% Threshold alternative will be presented if the current financial position of the community does not allow for full funding.

Part II of the report will provide full detail of each plan and its long term effects for the Association Members.

As you review the report and detail information, please feel free to contact our office with any questions that may arise.

Sincerely,



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The Reserve Study Process

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

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

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

The Component Analysis

Determination of what constitutes a reserve component is dependent on a number of factors. A four-part test is generally used to distinguish a reserve item from an operational or maintenance expense. A component is included as a reserve item only if it satisfies ALL criteria outlined below:

- It is the Association's responsibility to maintain.
- It has a predictable useful service life.
- Its useful life fits within the projection period.
- Its cost for repair or replacement meets a pre-determined threshold amount.

The components of that an Association includes in its reserve funding plan are also dependent on the type of project, the construction properties and the Association's applicable governing documents and state statutes.

Component Useful Life

The useful life of a reserve component relates to the number of years it is expected to last, given reasonable care and maintenance. The prediction of reserve and building component life can be no more than an informed estimate based upon information made available at the time of the site visit. Consideration is given to vendor recommendations, material warranty information provided at the time of the report's development, along with other published sources. The data and service life estimates in this report are based on information gathered from various groups and industry sources as outlined below:

- Historical data from the Association;
- Community Managers, Board Members and Service Personnel;
- Manufacturer recommendations and industry standards;

- Published sources of service life data;
- Manufacturers and suppliers data.

Component Remaining Useful Life

The remaining life of a reserve component refers to the number of years left before an item's expected repair or replacement. A component's remaining life is contingent upon the following factors:

- Age/years in service;
- Physical condition;
- Frequency and quality of inspections and maintenance;
- General use;
- Environment, impact of weather and building location;
- Installation methods that meets or exceed industry standards;
- Design and quality of materials used.

In addition to deterioration or anticipated failure of a component, the longevity may be impacted by obsolescence. The accuracy of the estimate is contingent upon reliable information made available at the time of the report. It is important to note that even with the highest degree of diligence and experience, outcomes will vary, and no guarantee can be given as to the timing or service life of the reserve components. All service life assessments in this report are based on the assumption that maintenance is carried out in accordance with manufacturer's recommendations and installation instructions, together with industry standards of workmanship. Consideration is given to visible design and signs of improper installation of components that will have an impact upon the anticipated service life of the component.

The Financial Analysis

An Association, like any business entity, must prepare financially for the replacement and repair of its assets. Reserve study funding analysis is an important part of the annual budget process. Reserve funding should be reviewed at least annually to help determine the annual assessment to be charged to members. The following elements are used in the financial analysis.

Recommended Funding Rate

We advocate a program of regular reserve fund contributions and promote a gradual means of reserving for future repair and replacement expenses. Recommended contributions are set at a level where they require only minor annual increases. The rate is designed to distribute the anticipated cost of common property ownership equitably between all members over the entire projection period.

Fully Funded Balance

The Fully Funded balance is equal to the total depreciable cost of all the Association's reserve components. It is determined by dividing each reserve component's cost by its useful life, and multiplying that by the number of years the component has been in service (effectively its age). The recommendations in this report are based upon a Fully Funded plan, which sets the goal of achieving one hundred percent fully funded reserves by the end of the 30-year projection period. ***We recommend full funding as we feel that this approach best provides a solid platform to address future needs***, thus dramatically reducing the need for special assessments or major contribution increases.

Percent Funded

An Association's reserve fund status is assessed by comparing the ratio of actual or projected funds

available versus how much they should have saved. The result is presented as a percentage and is commonly known as "percent funded". Percent funded is calculated by dividing the Association's current reserve fund balance by the fully funded balance. This equation is an industry measure of how well prepared an Association is to meet its current and future repair and replacement obligations. Percent funded highlights the strength of the association's reserve account in relation to the anticipated costs of repair and replacement.

Reserve Component Cost

Current cost estimates for reserve components are derived from a variety of sources but typically are based on the latest local vendor pricing acquired from regional contractors and suppliers. When needed, additional information and cost data is sourced from national construction estimators. All cost estimates formulated from national estimators are based upon the latest specific geographical information for the area. Future cost estimates are determined by applying the assumed annual inflation rate to the current cost of each component.

Inflation Rate

The effect of inflation on the cost of reserve components is a key factor in the financial projections. Historically, the cost of construction materials and labor rise at a higher rate than that experienced by the general economy. We have chosen to use an inflationary multiplier that is somewhat higher than the current general consumer index for inflation. The rate used is based upon the historical average of inflation over the last 30 years. This rate reflects a realistic appreciation of future costs for reserve components and assists the Association in adequately budgeting for increasing cost.

Interest Rate

The interest rate used in this report is formulated on a conservative rate of return. Unless otherwise advised by the Association, an assumed net interest rate of 1.00% is used. We offer no guarantee or opinion in relation to investment decisions made by the Association or the rate of return achieved.

Current Reserve Fund Balance

The analysis, recommendations, and financial projections made within this report are heavily reliant on information provided by the Association and its representatives. The starting reserve fund balance (current or projected) and member contribution totals are supplied by these sources. This information has not been audited nor have the financial projections or recommendations.

Reserve Plan Goals

According to National Reserve Study Standards, there are four Funding Principles to balance in developing your Reserve Funding Plan.

- Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects in a timely manner.
- Second, a stable contribution is because it keeps these naturally irregular expenses from unsettling the budget.
- Reserve contributions that are evenly distributed over current and future owners enable each owner to pay their fair share of the association's Reserve expenses over the years.
- And finally, we develop a plan that is fiscally responsible and safe for Board members to recommend to their association.

Remember, it is the Board's duty to provide for the ongoing care of the common areas. Board members invite liability exposure when Reserve contributions are inadequate to offset ongoing common area deterioration.

The Reserve Funding Plan must provide adequate funds when they are expected to be required at a future point in time. If \$100,000 is needed in five years for a new roof, the Funding Plan should yield a Reserve Balance of at least \$100,000 in that year. Because associations are corporations and their members expect and deserve the corporation to be run in a stable manner, it is important that the budget be designed for year to year stability. Large assessment changes from year to year indicate instability, and homeowners deserve a degree of stability in order to plan their own budgets.

Reserve Funding and Risk

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

Adequacy is measured in a two-step process:

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

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

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

Measuring your Reserves by Percent Funded tells how well prepared your association is for upcoming Reserve expenses.

Summary of the Financial Analysis

Current Fully Funded Balance: \$678,556.92
Current Reserve Fund Balance: \$95,440.00
Current Percent Funded: 14%
Current Contribution Annual: Per Unit:

There are three basic funding 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, consult with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements.

The three funding plans and descriptions of each are detailed below. Associations will need to update their reserve studies more or less frequently depending on the funding strategy they select.

- **Full funding (Recommended)** —The goal of this funding strategy is to attain and maintain the reserves at or near 100 percent. For example, if an association has a component with a 10-year life and a \$10,000 replacement cost, it should have \$3,000 set aside for its replacement after three years ($\$10,000 \div 10 \text{ years} = \$1,000 \text{ per year} \times 3 \text{ years} = \$3,000$). In this case, \$3,000 equals full funding.

Target Contribution Annually: \$160,000.00 **Per Unit:** \$597.01

- **Threshold funding (Alternative)**—This method is based on the baseline funding concept. The minimum reserve cash balance in threshold funding; however, is set at a predetermined percentage of the required dollar amount. We will generally attempt to place the association funding between 65% and 75% funded, which will place them in a "strong" funding position. Using the previous example, if an association has a component with a 10-year life and a \$10,000 replacement cost, it should have \$3,000 set aside for its replacement after three years to achieve 100% funding. In the case of a 70% funding threshold, \$2,100 ($\$3,000 \times 70\%$) would need to be set aside to achieve the funding goal.

Target Contribution Annually: \$146,200.00 **Per Unit:** \$545.52

- **Baseline funding (Not Recommended)** —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 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. Associations can implement this funding method more safely by conducting annual reserve updates that include field observations. *Because this strategy presents significant risk to the association, we do not include it as a part of our report.*

Target Contribution Annually: \$131,300.00 **Per Unit:** \$489.93

It is up to the Board to select a plan that best suits the association and its long term goals. For comparison purposes, we have included a **Current Assessment Funding** plan, which is a projection of the association's financial health based on the plan in place without modification. This can be a base of comparison when selecting a plan. It may also demonstrate why change is needed.

Deer Ridge Estates
 Azle, TX
Current Assessment Funding Summary

Report Date	August 12, 2017
Account Number	9178
Version	3.0
Budget Year Beginning	January 01, 2017
Budget Year Ending	December 31, 2017
Total Units	268

<i>Report Parameters</i>	
Inflation	2.80%
Annual Assessment Increase	3.00%
Interest Rate on Reserve Deposit	1.00%
2017 Beginning Balance	\$95,440

Current Assessment Funding Summary

This is the community's **current funding plan**, based upon your current Reserve Contribution. This analysis will be used as a base comparison to the Fully Funded plan (100% Funding) and the Threshold plan (70% Funding) to offer a comparison of the study results and their effects upon the community and contributions.

In this summary, we have used the current level of Reserve Contributions and completed a full 30-year analysis based upon our component findings.

<i>Current Assessment Funding Model Summary of Calculations</i>	
No Required Annual Contribution	
Average Net Annual Interest Earned	<u>\$769.90</u>
Total Annual Allocation to Reserves	<u>\$769.90</u>

**Deer Ridge Estates
Current Assessment Funding Projection**

Beginning Balance: \$95,440

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2017	2,410,058		770	18,450	77,760	810,687	10%
2018	2,477,540			163,021	-85,261	801,597	-11%
2019	2,546,911				-85,261	963,639	-9%
2020	2,618,225			116,677	-201,938	1,014,185	-20%
2021	2,691,535				-201,938	1,190,107	-17%
2022	2,766,898			1,033	-202,971	1,374,024	-15%
2023	2,844,371			21,775	-224,746	1,546,014	-15%
2024	2,924,013			16,864	-241,610	1,732,233	-14%
2025	3,005,886			133,952	-375,562	1,807,788	-21%
2026	3,090,050			210,844	-586,406	1,811,027	-32%
2027	3,176,572			2,241	-588,646	2,033,543	-29%
2028	3,265,516			1,016	-589,663	2,268,423	-26%
2029	3,356,950			943,928	-1,533,591	1,545,578	-99%
2030	3,450,945			153,785	-1,687,376	1,619,912	-104%
2031	3,547,571				-1,687,376	1,859,714	-91%
2032	3,646,903			8,928	-1,696,304	2,102,498	-81%
2033	3,749,017				-1,696,304	2,366,854	-72%
2034	3,853,989			258,628	-1,954,932	2,378,497	-82%
2035	3,961,901			206,885	-2,161,817	2,449,572	-88%
2036	4,072,834			11,179	-2,172,996	2,729,903	-80%
2037	4,186,873				-2,172,996	3,035,826	-72%
2038	4,304,106			1,339	-2,174,335	3,355,364	-65%
2039	4,424,621			328,672	-2,503,007	3,353,957	-75%
2040	4,548,510			1,572,100	-4,075,107	2,081,056	-196%
2041	4,675,868			900,228	-4,975,335	1,470,179	-338%
2042	4,806,793			318,180	-5,293,515	1,447,719	-366%
2043	4,941,383				-5,293,515	1,759,096	-301%
2044	5,079,742			21,130	-5,314,645	2,065,054	-257%
2045	5,221,974			232,708	-5,547,353	2,169,872	-256%
2046	5,368,190			16,739	-5,564,092	2,507,656	-222%

Deer Ridge Estates
Azle, TX
100% Component Funding Summary

Report Date	August 12, 2017
Account Number	9178
Version	3.0
Budget Year Beginning	January 01, 2017
Budget Year Ending	December 31, 2017
Total Units	268

<i>Report Parameters</i>	
Inflation	2.80%
Interest Rate on Reserve Deposit	1.00%
2017 Beginning Balance	\$95,440

100% Funding Summary

The 100% funding plan, also called the fully funded plan, is based upon the "fairest" funding method. This plan anticipates that for each dollar of deterioration that occurs within the community, the current membership that is benefiting from those assets will place one dollar in the bank to offset that deterioration.

This analysis is our **recommended funding level**. It will present the least risk to the association members and ensure a strong financial position in the future.

<i>100% Funding Model Summary of Calculations</i>	
Required Annual Contribution	\$160,000.00
<i>\$597.01 per unit annually</i>	
Average Net Annual Interest Earned	<u>\$2,369.90</u>
Total Annual Allocation to Reserves	\$162,369.90
<i>\$605.86 per unit annually</i>	

**Deer Ridge Estates
100% Component Funding Projection**

Beginning Balance: \$95,440

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2017	2,410,058	160,000	2,370	18,450	239,360	810,687	30%
2018	2,477,540	164,800	2,411	163,021	243,550	801,597	30%
2019	2,546,911	169,744	4,133		417,427	963,639	43%
2020	2,618,225	174,836	4,756	116,677	480,343	1,014,185	47%
2021	2,691,535	180,081	6,604		667,028	1,190,107	56%
2022	2,766,898	185,484	8,515	1,033	859,994	1,374,024	63%
2023	2,844,371	191,048	10,293	21,775	1,039,560	1,546,014	67%
2024	2,924,013	196,780	12,195	16,864	1,231,670	1,732,233	71%
2025	3,005,886	202,683	13,004	133,952	1,313,406	1,807,788	73%
2026	3,090,050	208,764	13,113	210,844	1,324,439	1,811,027	73%
2027	3,176,572	215,027	15,372	2,241	1,552,597	2,033,543	76%
2028	3,265,516	221,477	17,731	1,016	1,790,789	2,268,423	79%
2029	3,356,950	228,122	10,750	943,928	1,085,733	1,545,578	70%
2030	3,450,945	234,965	11,669	153,785	1,178,582	1,619,912	73%
2031	3,547,571	242,014	14,206		1,434,802	1,859,714	77%
2032	3,646,903	249,275	16,751	8,928	1,691,900	2,102,498	80%
2033	3,749,017	256,753	19,487		1,968,140	2,366,854	83%
2034	3,853,989	264,456	19,740	258,628	1,993,707	2,378,497	84%
2035	3,961,901	272,389	20,592	206,885	2,079,804	2,449,572	85%
2036	4,072,834	280,561	23,492	11,179	2,372,678	2,729,903	87%
2037	4,186,873	288,978	26,617		2,688,272	3,035,826	89%
2038	4,304,106	297,647	29,846	1,339	3,014,425	3,355,364	90%
2039	4,424,621	306,577	29,923	328,672	3,022,254	3,353,957	90%
2040	4,548,510	315,774	17,659	1,572,100	1,783,587	2,081,056	86%
2041	4,675,868	325,247	12,086	900,228	1,220,692	1,470,179	83%
2042	4,806,793	335,004	12,375	318,180	1,249,892	1,447,719	86%
2043	4,941,383	345,055	15,949		1,610,896	1,759,096	92%
2044	5,079,742	355,406	19,452	21,130	1,964,624	2,065,054	95%
2045	5,221,974	366,068	20,980	232,708	2,118,964	2,169,872	98%
2046	5,368,190	377,050	24,793	16,739	2,504,068	2,507,656	100%

Deer Ridge Estates
Azle, TX
70% Threshold Funding Summary

Report Date	August 12, 2017
Account Number	9178
Version	3.0
Budget Year Beginning	January 01, 2017
Budget Year Ending	December 31, 2017
Total Units	268

<i>Report Parameters</i>	
Inflation	2.80%
Interest Rate on Reserve Deposit	1.00%
2017 Beginning Balance	\$95,440

70% Funding Summary

The 70% funding plan, also called the threshold funded plan, is based upon a modified funding method. This plan anticipates that for each dollar of deterioration that occurs within the community, the current membership that is benefiting from those assets will place seventy cents in the bank to offset that deterioration.

This analysis is **an alternative funding level** which seeks to keep the association in a strong financial position, but does present a bit of risk. If components experience a failure earlier than anticipated due to influences outside of the community's control (such as workmanship or weather) the members may be placed in a position where a special assessment is required to make repairs. It also pushes a portion of deterioration down the road to a membership that has not fully benefited from a particular asset.

70% Threshold Funding Model Summary of Calculations

Required Annual Contribution	\$146,200.00
<i>\$545.52 per unit annually</i>	
Average Net Annual Interest Earned	<u>\$2,231.90</u>
Total Annual Allocation to Reserves	\$148,431.90
<i>\$553.85 per unit annually</i>	

**Deer Ridge Estates
70% Threshold Funding Projection**

Beginning Balance: \$95,440

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2017	2,410,058	146,200	2,232	18,450	225,422	810,687	28%
2018	2,477,540	150,586	2,130	163,021	215,117	801,597	27%
2019	2,546,911	155,104	3,702		373,923	963,639	39%
2020	2,618,225	159,757	4,170	116,677	421,173	1,014,185	42%
2021	2,691,535	164,549	5,857		591,579	1,190,107	50%
2022	2,766,898	169,486	7,600	1,033	767,632	1,374,024	56%
2023	2,844,371	174,570	9,204	21,775	929,632	1,546,014	60%
2024	2,924,013	179,808	10,926	16,864	1,103,501	1,732,233	64%
2025	3,005,886	185,202	11,548	133,952	1,166,298	1,807,788	65%
2026	3,090,050	190,758	11,462	210,844	1,157,675	1,811,027	64%
2027	3,176,572	196,481	13,519	2,241	1,365,434	2,033,543	67%
2028	3,265,516	202,375	15,668	1,016	1,582,460	2,268,423	70%
2029	3,356,950	208,446	8,470	943,928	855,449	1,545,578	55%
2030	3,450,945	214,700	9,164	153,785	925,527	1,619,912	57%
2031	3,547,571	221,141	11,467		1,158,134	1,859,714	62%
2032	3,646,903	227,775	13,770	8,928	1,390,751	2,102,498	66%
2033	3,749,017	234,608	16,254		1,641,612	2,366,854	69%
2034	3,853,989	241,646	16,246	258,628	1,640,877	2,378,497	69%
2035	3,961,901	248,896	16,829	206,885	1,699,716	2,449,572	69%
2036	4,072,834	256,363	19,449	11,179	1,964,349	2,729,903	72%
2037	4,186,873	264,053	22,284		2,250,687	3,035,826	74%
2038	4,304,106	271,975	25,213	1,339	2,546,535	3,355,364	76%
2039	4,424,621	280,134	24,980	328,672	2,522,978	3,353,957	75%
2040	4,548,510	288,538	12,394	1,572,100	1,251,811	2,081,056	60%
2041	4,675,868	297,194	6,488	900,228	655,265	1,470,179	45%
2042	4,806,793	306,110	6,432	318,180	649,627	1,447,719	45%
2043	4,941,383	315,294	9,649		974,570	1,759,096	55%
2044	5,079,742	324,752	12,782	21,130	1,290,975	2,065,054	63%
2045	5,221,974	334,495	13,928	232,708	1,406,689	2,169,872	65%
2046	5,368,190	344,530	17,345	16,739	1,751,825	2,507,656	70%

Deer Ridge Estates
Azle, TX
Baseline Funding Summary

Report Date	August 12, 2017
Account Number	9178
Version	3.0
Budget Year Beginning	January 01, 2017
Budget Year Ending	December 31, 2017
Total Units	268

<i>Report Parameters</i>	
Inflation	2.80%
Interest Rate on Reserve Deposit	1.00%
Contingency	3.00%
2017 Beginning Balance	\$95,440

Baseline Funding Summary

The baseline funding plan is a modified funding method and it is generally **NOT recommended** that the community embark upon this program.

This analysis is **an alternative funding level** which seeks to keep the reserve fund from dropping below zero at any point in time over the course of the study period. This plan present significant risk. If components experience the smallest failure earlier than anticipated, or repair or replacement pricing is greater than anticipated, the members will be placed in a position where a special assessment is required to make repairs.

This plan should only be used for associations that are severely underfunded as a temporary stepping stone into a more stable plan.

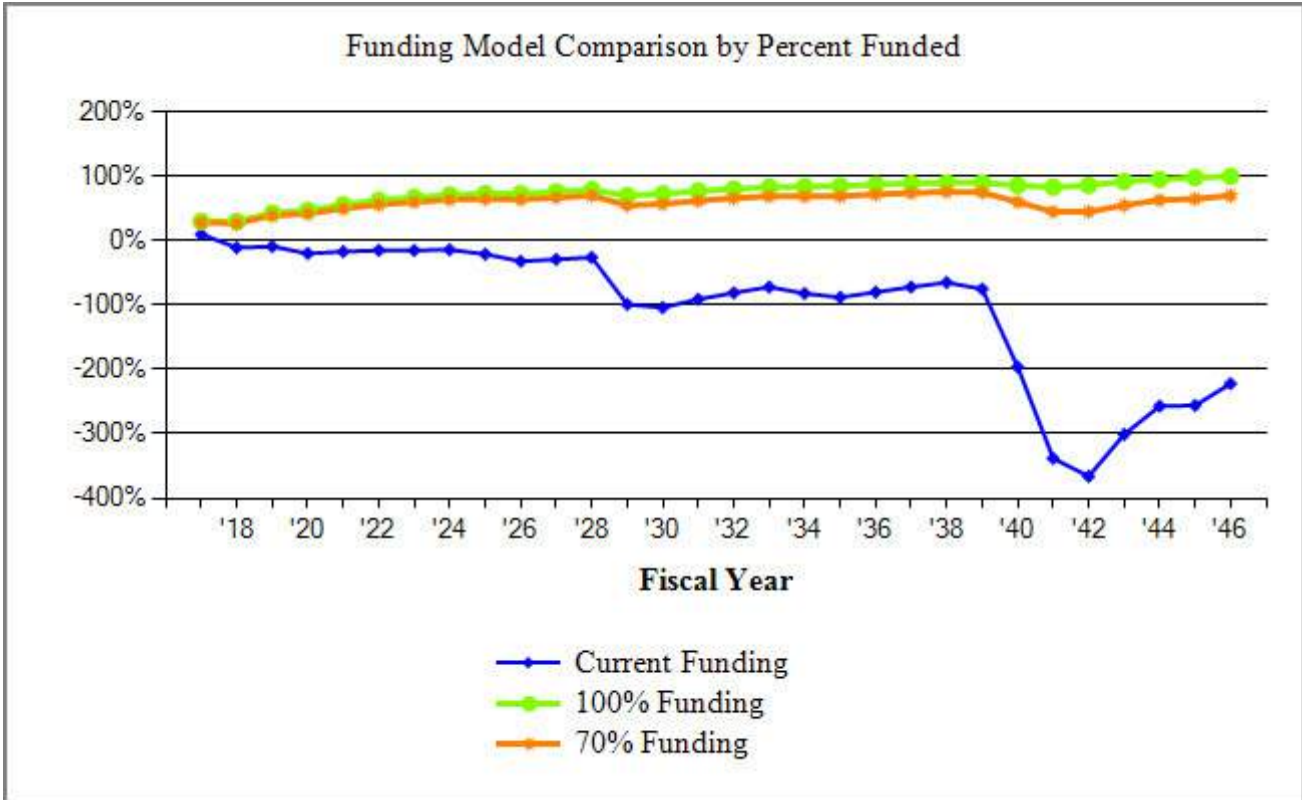
<i>Baseline Funding Model Summary of Calculations</i>	
Required Annual Contribution <i>\$489.93 per unit annually</i>	\$131,300.00
Average Net Annual Interest Earned	<u>\$2,082.90</u>
Total Annual Allocation to Reserves <i>\$497.70 per unit annually</i>	\$133,382.90

**Deer Ridge Estates
Baseline Funding Projection**

Beginning Balance: \$95,440

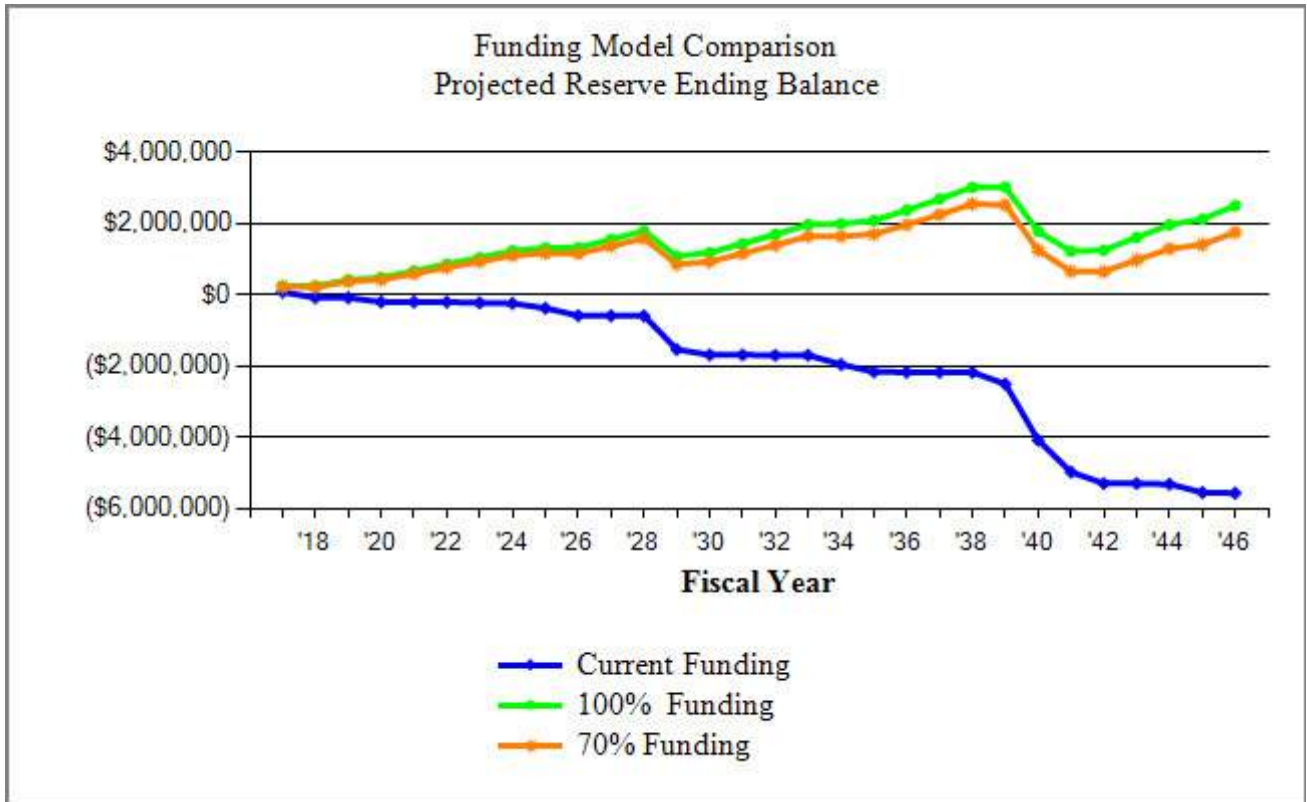
Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2017	2,410,058	131,300	2,083	18,450	210,373	835,760	25%
2018	2,477,540	135,239	1,826	163,021	184,417	826,388	22%
2019	2,546,911	139,296	3,237		326,950	993,443	33%
2020	2,618,225	143,475	3,537	116,677	357,286	1,045,551	34%
2021	2,691,535	147,779	5,051		510,116	1,226,915	42%
2022	2,766,898	152,213	6,613	1,033	667,908	1,416,519	47%
2023	2,844,371	156,779	8,029	21,775	810,942	1,593,829	51%
2024	2,924,013	161,482	9,556	16,864	965,116	1,785,808	54%
2025	3,005,886	166,327	9,975	133,952	1,007,465	1,863,699	54%
2026	3,090,050	171,317	9,679	210,844	977,618	1,867,038	52%
2027	3,176,572	176,456	11,518	2,241	1,163,352	2,096,436	55%
2028	3,265,516	181,750	13,441	1,016	1,357,526	2,338,580	58%
2029	3,356,950	187,202	6,008	943,928	606,809	1,593,379	38%
2030	3,450,945	192,818	6,458	153,785	652,300	1,670,012	39%
2031	3,547,571	198,603	8,509		859,412	1,917,231	45%
2032	3,646,903	204,561	10,550	8,928	1,065,596	2,167,524	49%
2033	3,749,017	210,698	12,763		1,289,057	2,440,056	53%
2034	3,853,989	217,019	12,474	258,628	1,259,922	2,452,059	51%
2035	3,961,901	223,529	12,766	206,885	1,289,332	2,525,332	51%
2036	4,072,834	230,235	15,084	11,179	1,523,473	2,814,333	54%
2037	4,186,873	237,142	17,606		1,778,221	3,129,718	57%
2038	4,304,106	244,257	20,211	1,339	2,041,350	3,459,138	59%
2039	4,424,621	251,584	19,643	328,672	1,983,905	3,457,687	57%
2040	4,548,510	259,132	6,709	1,572,100	677,647	2,145,419	32%
2041	4,675,868	266,906	443	900,228	44,767	1,515,648	3%
2042	4,806,793	274,913	15	318,180	1,516	1,492,494	0%
2043	4,941,383	283,160	2,847		287,523	1,813,501	16%
2044	5,079,742	291,655	5,580	21,130	563,629	2,128,922	26%
2045	5,221,974	300,405	6,313	232,708	637,639	2,236,982	29%
2046	5,368,190	309,417	9,303	16,739	939,620	2,585,212	36%

**Deer Ridge Estates
Funding Comparison by Percent Funded**



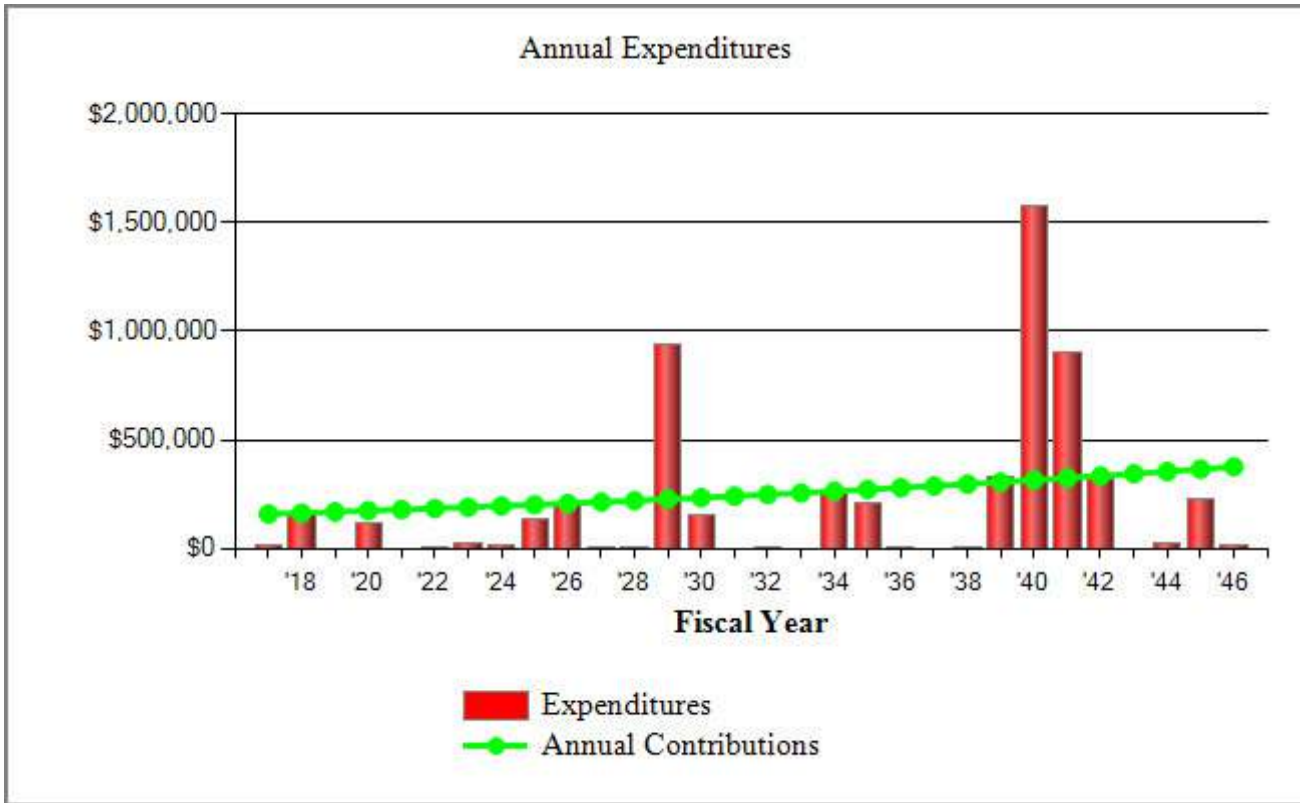
The chart above compares the three funding plans (Current Assessment Funding, Threshold Funding and 100% Component Funding) by the percent funded over 30 years. This allows your association to view and then choose the funding model that might best fit your community’s needs.

**Deer Ridge Estates
Funding Reserve Ending Balance Comparison Chart**



The chart above compares the projected annual reserve fund ending balances for the three funding plans (Current Assessment Funding, Threshold Funding and 100% Component Funding) over the 30 year period.

**Deer Ridge Estates
Plan Annual Expenses VS 100% Component Funding Assessment**



The Annual Expenditures graph demonstrates how the plan seeks to "flatten out" the periodic spikes that occur over time. This aids the Association in proper budget planning while ensuring funds are available to meet the future financial needs.

**Deer Ridge Estates
Annual Expenditure Spreadsheet**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Beginning Balance	95,440	239,360	243,550	417,427	480,343	667,028	859,994	1,039,560	1,231,670	1,313,406
Annual Assessment	160,000	164,800	169,744	174,836	180,081	185,484	191,048	196,780	202,683	208,764
Interest Earned	2,370	2,411	4,133	4,756	6,604	8,515	10,293	12,195	13,004	13,113
Expenditures	18,450	163,021		116,677		1,033	21,775	16,864	133,952	210,844
Fully Funded Reserves	810,687	801,597	963,639	1,014,185	1,190,107	1,374,024	1,546,014	1,732,233	1,807,788	1,811,027
Percent Fully Funded	30%	30%	43%	47%	56%	63%	67%	71%	73%	73%
Ending Balance	239,360	243,550	417,427	480,343	667,028	859,994	1,039,560	1,231,670	1,313,406	1,324,439

Description

Concrete - Replace (partial)									6,236	
Asphalt Streets Antler Dr. - Replace		162,250								202,362
Asphalt Streets Phase 1,2,3 - Replace										
Asphalt Streets Phase 4 - Replace										
Asphalt Streets Phase 5&6 - Replace										
Asphalt Streets Phase 7&8 - Replace										
Asphalt - Sealcoat				100,381					115,244	
Metal Fence - Replace										
Metal Gates - Replace										
Metal Fence - Paint	18,450						21,775			
Call System - Replace										
Gate Operators - Replace								7,158		
Security System - Replace						1,033				
Entrance Building - Refurbish								6,066		
Exterior Surfaces - Repaint				2,173						
Metal Roof - Replace										
Monument Sign - Refurbish									6,236	
Stone Walls/Pillars - Refurbish									6,236	
Lighting - Replace	<i>Unfunded</i>									
Irrigation System - Replace (partial)				3,259						
Trees/Vegetation - Replace (partial)				10,864						
Drainage - Maintain								3,640		
Signage - Replace (partial)		771								
Street Lights - Paint										8,481
Year Total:	18,450	163,021		116,677		1,033	21,775	16,864	133,952	210,844

**Deer Ridge Estates
Annual Expenditure Spreadsheet**

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Beginning Balance	1,324,439	1,552,597	1,790,789	1,085,733	1,178,582	1,434,802	1,691,900	1,968,140	1,993,707	2,079,804
Annual Assessment	215,027	221,477	228,122	234,965	242,014	249,275	256,753	264,456	272,389	280,561
Interest Earned	15,372	17,731	10,750	11,669	14,206	16,751	19,487	19,740	20,592	23,492
Expenditures	2,241	1,016	943,928	153,785		8,928		258,628	206,885	11,179
Fully Funded Reserves	2,033,543	2,268,423	1,545,578	1,619,912	1,859,714	2,102,498	2,366,854	2,378,497	2,449,572	2,729,903
Percent Fully Funded	76%	79%	70%	73%	77%	80%	83%	84%	85%	87%
Ending Balance	1,552,597	1,790,789	1,085,733	1,178,582	1,434,802	1,691,900	1,968,140	1,993,707	2,079,804	2,372,678

Description

Concrete - Replace (partial)									8,220	
Asphalt Streets Antler Dr. - Replace								252,391		
Asphalt Streets Phase 1,2,3 - Replace			918,229							
Asphalt Streets Phase 4 - Replace										
Asphalt Streets Phase 5&6 - Replace										
Asphalt Streets Phase 7&8 - Replace										
Asphalt - Sealcoat				132,307					151,897	
Metal Fence - Replace										
Metal Gates - Replace										
Metal Fence - Paint			25,699						30,330	
Call System - Replace	2,241									
Gate Operators - Replace						8,928				
Security System - Replace								1,439		
Entrance Building - Refurbish										
Exterior Surfaces - Repaint				2,864						
Metal Roof Roof - Replace										
Monument Sign - Refurbish									8,220	
Stone Walls/Pillars - Refurbish									8,220	
Lighting - Replace	<i>Unfunded</i>									
Irrigation System - Replace (partial)				4,296						
Trees/Vegetation - Replace (partial)				14,319						
Drainage - Maintain								4,797		
Signage - Replace (partial)		1,016								
Street Lights - Paint										11,179
Year Total:	2,241	1,016	943,928	153,785		8,928		258,628	206,885	11,179

**Deer Ridge Estates
Annual Expenditure Spreadsheet**

	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Beginning Balance	2,372,678	2,688,272	3,014,425	3,022,254	1,783,587	1,220,692	1,249,892	1,610,896	1,964,624	2,118,964
Annual Assessment	288,978	297,647	306,577	315,774	325,247	335,004	345,055	355,406	366,068	377,050
Interest Earned	26,617	29,846	29,923	17,659	12,086	12,375	15,949	19,452	20,980	24,793
Expenditures		1,339	328,672	1,572,100	900,228	318,180		21,130	232,708	16,739
Fully Funded Reserves	3,035,826	3,355,364	3,353,957	2,081,056	1,470,179	1,447,719	1,759,096	2,065,054	2,169,872	2,507,656
Percent Fully Funded	89%	90%	90%	86%	83%	86%	92%	95%	98%	100%
Ending Balance	2,688,272	3,014,425	3,022,254	1,783,587	1,220,692	1,249,892	1,610,896	1,964,624	2,118,964	2,504,068

Description

Concrete - Replace (partial)									10,834	
Asphalt Streets Antler Dr. - Replace						314,789				
Asphalt Streets Phase 1,2,3 - Replace										
Asphalt Streets Phase 4 - Replace			326,101							
Asphalt Streets Phase 5&6 - Replace				1,358,268						
Asphalt Streets Phase 7&8 - Replace					864,433					
Asphalt - Sealcoat				174,387					200,207	
Metal Fence - Replace										
Metal Gates - Replace			2,570							
Metal Fence - Paint					35,796					
Call System - Replace						3,391				
Gate Operators - Replace				11,135						
Security System - Replace										2,005
Entrance Building - Refurbish								10,539		
Exterior Surfaces - Repaint				3,775						
Metal Roof Roof - Replace								4,268		
Monument Sign - Refurbish									10,834	
Stone Walls/Pillars - Refurbish									10,834	
Lighting - Replace	<i>Unfunded</i>									
Irrigation System - Replace (partial)				5,662						
Trees/Vegetation - Replace (partial)				18,873						
Drainage - Maintain								6,323		
Signage - Replace (partial)		1,339								
Street Lights - Paint										14,734
Year Total:		1,339	328,672	1,572,100	900,228	318,180		21,130	232,708	16,739

**Deer Ridge Estates
Annual Projects Detail**

Description	Expenditures
Replacement Year 2017	
Metal Fence - Paint	18,450
Total for 2017	<u>\$18,450</u>
Replacement Year 2018	
Asphalt Streets Antler Dr. - Replace	162,250
Signage - Replace (partial)	771
Total for 2018	<u>\$163,021</u>
<i>No Replacement in 2019</i>	
Replacement Year 2020	
Asphalt - Sealcoat	100,381
Exterior Surfaces - Repaint	2,173
Irrigation System - Replace (partial)	3,259
Trees/Vegetation - Replace (partial)	10,864
Total for 2020	<u>\$116,677</u>
<i>No Replacement in 2021</i>	
Replacement Year 2022	
Security System - Replace	1,033
Total for 2022	<u>\$1,033</u>
Replacement Year 2023	
Metal Fence - Paint	21,775
Total for 2023	<u>\$21,775</u>
Replacement Year 2024	
Gate Operators - Replace	7,158
Drainage - Maintain	3,640
Entrance Building - Refurbish	6,066
Total for 2024	<u>\$16,864</u>
Replacement Year 2025	
Asphalt - Sealcoat	115,244
Concrete - Replace (partial)	6,236
Monument Sign - Refurbish	6,236

**Deer Ridge Estates
Annual Projects Detail**

Description	Expenditures
<i>Replacement Year 2025 continued...</i>	
Stone Walls/Pillars - Refurbish	6,236
Total for 2025	\$133,952
Replacement Year 2026	
Asphalt Streets Antler Dr. - Replace	202,362
Street Lights - Paint	8,481
Total for 2026	\$210,844
Replacement Year 2027	
Call System - Replace	2,241
Total for 2027	\$2,241
Replacement Year 2028	
Signage - Replace (partial)	1,016
Total for 2028	\$1,016
Replacement Year 2029	
Metal Fence - Paint	25,699
Asphalt Streets Phase 1,2,3 - Replace	918,229
Total for 2029	\$943,928
Replacement Year 2030	
Asphalt - Sealcoat	132,307
Exterior Surfaces - Repaint	2,864
Irrigation System - Replace (partial)	4,296
Trees/Vegetation - Replace (partial)	14,319
Total for 2030	\$153,785
<i>No Replacement in 2031</i>	
Replacement Year 2032	
Gate Operators - Replace	8,928
Total for 2032	\$8,928
<i>No Replacement in 2033</i>	
Replacement Year 2034	
Asphalt Streets Antler Dr. - Replace	252,391

**Deer Ridge Estates
Annual Projects Detail**

Description	Expenditures
<i>Replacement Year 2034 continued...</i>	
Drainage - Maintain	4,797
Security System - Replace	1,439
Total for 2034	\$258,628
Replacement Year 2035	
Asphalt - Sealcoat	151,897
Metal Fence - Paint	30,330
Concrete - Replace (partial)	8,220
Monument Sign - Refurbish	8,220
Stone Walls/Pillars - Refurbish	8,220
Total for 2035	\$206,885
Replacement Year 2036	
Street Lights - Paint	11,179
Total for 2036	\$11,179
<i>No Replacement in 2037</i>	
Replacement Year 2038	
Signage - Replace (partial)	1,339
Total for 2038	\$1,339
Replacement Year 2039	
Asphalt Streets Phase 4 - Replace	326,101
Metal Gates - Replace	2,570
Total for 2039	\$328,672
Replacement Year 2040	
Asphalt - Sealcoat	174,387
Gate Operators - Replace	11,135
Exterior Surfaces - Repaint	3,775
Irrigation System - Replace (partial)	5,662
Trees/Vegetation - Replace (partial)	18,873
Asphalt Streets Phase 5&6 - Replace	1,358,268
Total for 2040	\$1,572,100
Replacement Year 2041	
Metal Fence - Paint	35,796

**Deer Ridge Estates
Annual Projects Detail**

Description	Expenditures
<i>Replacement Year 2041 continued...</i>	
Asphalt Streets Phase 7&8 - Replace	864,433
Total for 2041	<u>\$900,228</u>
Replacement Year 2042	
Asphalt Streets Antler Dr. - Replace	314,789
Call System - Replace	3,391
Total for 2042	<u>\$318,180</u>
<i>No Replacement in 2043</i>	
Replacement Year 2044	
Drainage - Maintain	6,323
Entrance Building - Refurbish	10,539
Metal Roof Roof - Replace	4,268
Total for 2044	<u>\$21,130</u>
Replacement Year 2045	
Asphalt - Sealcoat	200,207
Concrete - Replace (partial)	10,834
Monument Sign - Refurbish	10,834
Stone Walls/Pillars - Refurbish	10,834
Total for 2045	<u>\$232,708</u>
Replacement Year 2046	
Street Lights - Paint	14,734
Security System - Replace	2,005
Total for 2046	<u>\$16,739</u>

**Deer Ridge Estates
Inventory Summary Report**

Report Date August 12, 2017
 Beginning Fiscal Year January 01, 2017
 Account Number 9178

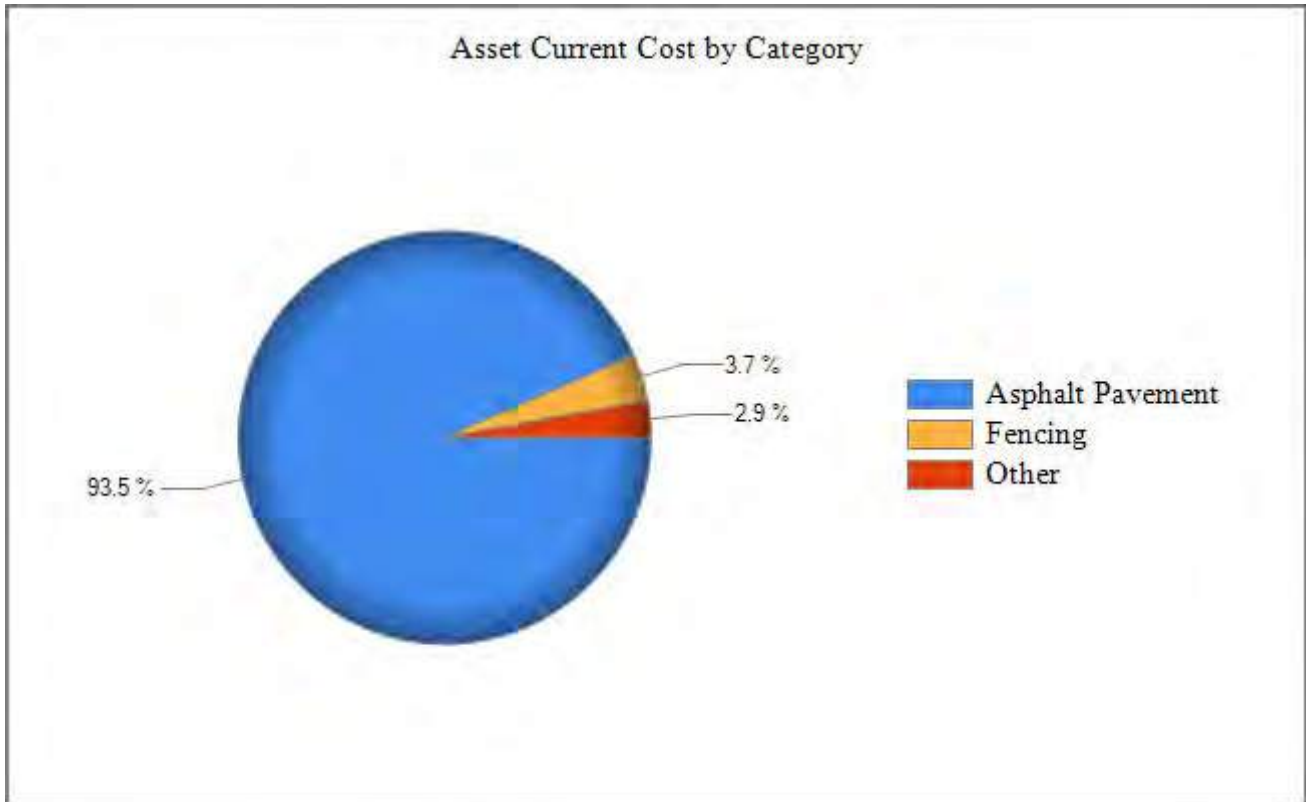
Version Number 3.0

Description	Replacement Year	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Concrete - Replace (partial)	2025	5,000	10	0	8	6,236	1 @	5,000.00
Asphalt Streets Antler Dr. - Replace	2018	157,831	8	0	1	162,250	273300 @	1.75
Asphalt Streets Phase 1,2,3 - Replace	2029	659,225	25	0	12	918,229	376700 @	1.75
Asphalt Streets Phase 4 - Replace	2039	177,625	25	0	22	326,101	101500 @	1.75
Asphalt Streets Phase 5&6 - Replace	2040	719,687	25	0	23	1,358,268	411250 @	1.75
Asphalt Streets Phase 7&8 - Replace	2041	445,550	25	0	24	864,433	254600 @	1.75
Asphalt - Sealcoat	2020	92,400	5	0	3	100,381	400000 @	0.20
Metal Fence - Replace	2049	82,000	45	0	32	198,424	4100 @	20.00
Metal Gates - Replace	2039	1,400	30	0	22	2,570	4 @	350.00
Metal Fence - Paint	2017	18,450	6	0	0	18,450	4100 @	4.50
Call System - Replace	2027	1,700	15	0	10	2,241	1 @	1,700.00
Gate Operators - Replace	2024	5,900	8	0	7	7,158	4 @	2,950.00
Security System - Replace	2022	900	12	0	5	1,033	1 @	900.00
Entrance Building - Refurbish	2024	5,000	20	0	7	6,066	1 @	5,000.00
Exterior Surfaces - Repaint	2020	2,000	10	0	3	2,173	1 @	2,000.00
Metal Roof Roof - Replace	2044	2,025	40	0	27	4,268	450 @	4.50
Monument Sign - Refurbish	2025	5,000	10	0	8	6,236	2 @	2,500.00
Stone Walls/Pillars - Refurbish	2025	5,000	10	0	8	6,236	1 @	5,000.00
Lighting - Replace	<i>Unfunded</i>							
Irrigation System - Replace (partial)	2020	3,000	10	0	3	3,259	1 @	3,000.00
Trees/Vegetation - Replace (partial)	2020	10,000	10	0	3	10,864	1 @	10,000.00
Drainage - Maintain	2024	3,000	10	0	7	3,640	1 @	3,000.00
Signage - Replace (partial)	2018	750	10	0	1	771	15 @	100.00
Street Lights - Paint	2026	6,615	10	0	9	8,481	49 @	135.00

**Deer Ridge Estates
Inventory By Remaining Life**

Description	Remaining Life	Replacement Year	Fully Funded Reserves
Metal Fence - Paint	0	2017	18,450
Asphalt Streets Antler Dr. - Replace	1	2018	138,102
Signage - Replace (partial)	1	2018	675
Asphalt - Sealcoat	3	2020	36,960
Exterior Surfaces - Repaint	3	2020	1,400
Irrigation System - Replace (partial)	3	2020	2,100
Trees/Vegetation - Replace (partial)	3	2020	7,000
Security System - Replace	5	2022	525
Drainage - Maintain	7	2024	900
Entrance Building - Refurbish	7	2024	3,250
Gate Operators - Replace	7	2024	737
Concrete - Replace (partial)	8	2025	1,000
Monument Sign - Refurbish	8	2025	1,000
Stone Walls/Pillars - Refurbish	8	2025	1,000
Street Lights - Paint	9	2026	661
Call System - Replace	10	2027	567
Asphalt Streets Phase 1,2,3 - Replace	12	2029	342,797
Asphalt Streets Phase 4 - Replace	22	2039	21,315
Metal Gates - Replace	22	2039	373
Asphalt Streets Phase 5&6 - Replace	23	2040	57,575
Asphalt Streets Phase 7&8 - Replace	24	2041	17,822
Metal Roof Roof - Replace	27	2044	658
Metal Fence - Replace	32	2049	23,689
Lighting - Replace		Unfunded	

Deer Ridge Estates
Asset Current Cost by Category



The **Asset Cost By Category** chart assists the Association in identifying those components that have a high financial significance. The more time and effort that is spent with those significant items, the better off the fund will be in the long run. The implementation of a proper maintenance plan that will add even a few more years to the life of a significant component can have a dramatic effect on the overall plan.

**Deer Ridge Estates
Asset Index**

Description	Replacement	Page
Concrete - Replace (partial)	2025	3-11
Asphalt Streets Antler Dr. - Replace	2018	3-6
Asphalt Streets Phase 1,2,3 - Replace	2029	3-7
Asphalt Streets Phase 4 - Replace	2039	3-8
Asphalt Streets Phase 5&6 - Replace	2040	3-9
Asphalt Streets Phase 7&8 - Replace	2041	3-10
Asphalt - Sealcoat	2020	3-5
Metal Fence - Replace	2049	3-14
Metal Gates - Replace	2039	3-15
Metal Fence - Paint	2017	3-13
Call System - Replace	2027	3-18
Gate Operators - Replace	2024	3-20
Security System - Replace	2022	3-21
Entrance Building - Refurbish	2024	3-19
Exterior Surfaces - Repaint	2020	3-28
Metal Roof Roof - Replace	2044	3-12
Monument Sign - Refurbish	2025	3-25
Stone Walls/Pillars - Refurbish	2025	3-16
Lighting - Replace	Unfunded	3-17
Irrigation System - Replace (partial)	2020	3-22
Trees/Vegetation - Replace (partial)	2020	3-23
Drainage - Maintain	2024	3-24
Signage - Replace (partial)	2018	3-26
Street Lights - Paint	2026	3-27
Total Funded Assets	23	
Total Unfunded Assets	<u>1</u>	
Total Assets	24	

**Deer Ridge Estates
Component Inventory Detail**

Asphalt - Sealcoat - 2020

		1,400,000 GSF	@ \$0.20
		Asset Cost	\$92,400.00
		Percent Replacement	33%
		Future Cost	\$100,380.95
Placed in Service	Asphalt Pavement		
Useful Life	April 2015		
Replacement Year	5		
Remaining Life	2020		
	3		



Low Cost = \$0.15/GSF

High Cost = \$0.25/GSF

Asphalt surface ranges from good to poor condition, with replacement work recommended over a continuous five year cycle. Plan on a regular application of an impervious surface treatment for the long-term care of asphalt paving. The primary reason to seal coat asphalt pavement is to protect the pavement from the deteriorating effects of sun and water. When an asphalt pavement is exposed to sun, wind and water, the asphalt oxidizes (hardens). This causes the pavement to become more brittle. As a result, the pavement will crack because it is unable to bend and flex when exposed to traffic and temperature changes. A seal coat combats this situation by providing a barrier which not only slows down the oxidation process, but also helps the pavement to shed water, preventing it from entering the underlying base material. Seal coat also provides uniform appearance, concealing the inevitable patching and repairs, which accumulate over time. Seal coat ultimately extends useful life of asphalt, postponing the asphalt resurfacing, which can be one of the larger cost items in the reserve study. See previous component for asphalt resurfacing costs. Repair asphalt before seal coating. Surface preparation and weather, during and following application, is key to lasting performance. Installations of seal coat are affected greatly by weather conditions. The ideal conditions are a warm, sunny day with low humidity. Rain can cause major problems when seal coating. Seal coating should never be done when showers are threatening. Apply two coats or flood application of a quality asphalt emulsion. Fill cracks and clean oil stains promptly in between cycles as routine maintenance.

**Deer Ridge Estates
Component Inventory Detail**

Asphalt Streets Antler Dr. - Replace - 2018

		273,300 GSF	@ \$1.75
		Asset Cost	\$157,830.75
		Percent Replacement	33%
		Future Cost	\$162,250.01
Placed in Service	Asphalt Pavement		
Useful Life	April 2010		
Replacement Year	8		
Remaining Life	2018		
	1		



Low Cost = \$1.50/GSF

High Cost = \$2.00/GSF

Antler Ridge is the main thoroughfare through the community, and will require a separate cycle due to the amount of homeowner and construction traffic. Plan to resurface (mill and replace) at roughly the time frame indicated. Funding anticipates replacing approximately 33% per cycle every 10 years for a total asphalt life of 25 years. If repairs are not needed or not needed as extensively as budgeted during a particular cycle, it is important to allow the funds to accumulate for future needs.

**Deer Ridge Estates
Component Inventory Detail**

Asphalt Streets Phase 1,2,3 - Replace - 2029

		376,700 GSF	@ \$1.75
		Asset Cost	\$659,225.00
		Percent Replacement	100%
		Future Cost	\$918,229.08
Placed in Service	Asphalt Pavement		
Useful Life	April 2004		
Replacement Year	25		
Remaining Life	2029		
	12		



Low Cost = \$1.50/GSF

High Cost = \$2.00/GSF

Asphalt ranges from good to fair/poor (damaged) condition throughout with edge failures noted in many areas. Plan on regular cycles of seal and repair (see component #1005 Asphalt - Seal Coat), which is recommended for maximum useful life. Plan to resurface (mill and replace) at roughly the time frame indicated. If repairs are not needed or not needed as extensively as budgeted during a particular cycle, it is important to allow the funds to accumulate for future needs.

**Deer Ridge Estates
Component Inventory Detail**

Asphalt Streets Phase 4 - Replace - 2039

	101,500 GSF	@ \$1.75
	Asset Cost	\$177,625.00
	Percent Replacement	100%
	Future Cost	\$326,101.36

	Asphalt Pavement
Placed in Service	April 2014
Useful Life	25
Replacement Year	2039
Remaining Life	22



Low Cost = \$1.50/GSF

High Cost = \$2.00/GSF

Asphalt ranges from good to fair/poor (damaged) condition throughout with edge failures noted in many areas. Plan on regular cycles of seal and repair (see component #1005 Asphalt - Seal Coat), which is recommended for maximum useful life. Plan to resurface (mill and replace) at roughly the time frame indicated. If repairs are not needed or not needed as extensively as budgeted during a particular cycle, it is important to allow the funds to accumulate for future needs.

**Deer Ridge Estates
Component Inventory Detail**

Asphalt Streets Phase 5&6 - Replace - 2040

		411,250 GSF	@ \$1.75
		Asset Cost	\$719,687.50
		Percent Replacement	100%
		Future Cost	\$1,358,268.40
Placed in Service	Asphalt Pavement		
Useful Life	April 2015		
Replacement Year	25		
Remaining Life	2040		
	23		



Low Cost = \$1.50/GSF

High Cost = \$2.00/GSF

Asphalt ranges from good to fair/poor (damaged) condition throughout with edge failures noted in many areas. Plan on regular cycles of seal and repair (see component #1005 Asphalt - Seal Coat), which is recommended for maximum useful life. Plan to resurface (mill and replace) at roughly the time frame indicated. If repairs are not needed or not needed as extensively as budgeted during a particular cycle, it is important to allow the funds to accumulate for future needs.

**Deer Ridge Estates
Component Inventory Detail**

Asphalt Streets Phase 7&8 - Replace - 2041

		254,600 GSF	@ \$1.75
		Asset Cost	\$445,550.00
		Percent Replacement	100%
		Future Cost	\$864,432.72
Placed in Service	Asphalt Pavement		
Useful Life	April 2016		
Replacement Year	25		
Remaining Life	2041		
	24		



Low Cost = \$1.50/GSF

High Cost = \$2.00/GSF

Asphalt ranges from good to fair/poor (damaged) condition throughout with edge failures noted in many areas. Plan on regular cycles of seal and repair (see component #1005 Asphalt - Seal Coat), which is recommended for maximum useful life. Plan to resurface (mill and replace) at roughly the time frame indicated. If repairs are not needed or not needed as extensively as budgeted during a particular cycle, it is important to allow the funds to accumulate for future needs.

**Deer Ridge Estates
Component Inventory Detail**

Concrete - Replace (partial) - 2025

		1 Allowance	@ \$5,000.00
		Asset Cost	\$5,000.00
		Percent Replacement	100%
		Future Cost	\$6,236.13
Placed in Service	Concrete		
Useful Life	April 2015		
Replacement Year	10		
Remaining Life	2025		
	8		



Low Cost = \$5.00/GSF

High Cost = \$6.00/GSF

Concrete is in overall good condition with isolated areas of cracking and chipping. Recommend repairing any trip/fall hazards immediately and inspect regularly for any damage. Repair and replace concrete to mitigate any subsurface moisture which will accelerate deterioration. Funding is to replace sections of concrete as needed, with no anticipation of replacing all concrete at one time. Funding anticipates replacing a portion of the concrete per cycle.

**Deer Ridge Estates
Component Inventory Detail**

Metal Roof Roof - Replace - 2044

		450 GSF	@ \$4.50
		Asset Cost	\$2,025.00
		Percent Replacement	100%
		Future Cost	\$4,268.14
	Roofing		
Placed in Service	April 2004		
Useful Life	40		
Replacement Year	2044		
Remaining Life	27		



Low Cost - \$4/GSF

High Cost - \$5/GSF

The standing seam metal roof appears in overall good condition with no noted areas of rust, damage or loss of coating. Recommend yearly inspections by a qualified roofer to ensure proper maintenance, repair any damage, and verify if deterioration is consistent with expectations.

**Deer Ridge Estates
Component Inventory Detail**

Metal Fence - Paint - 2017

		4,100 lin. ft.	@ \$4.50
		Asset Cost	\$18,450.00
		Percent Replacement	100%
		Future Cost	\$18,450.00
	Painting, Exterior		
Placed in Service	April 2011		
Useful Life	6		
Replacement Year	2017		
Remaining Life	0		



Low Cost = \$4/LF



High Cost = \$5/LF

Metal fencing surface ranges from good to poor condition. Metal surfaces have a powder coated finish that when damaged will require restoring and protecting surface from moisture. Due to prohibitive costs of removing fence to re-powder coat, funding anticipates regular cycles of paint, utilizing a high quality exterior metal surface product. Remove rust and treat these areas with a rust inhibitor prior to painting.

**Deer Ridge Estates
Component Inventory Detail**

Metal Fence - Replace - 2049

		4,100 lin. ft.	@ \$20.00
		Asset Cost	\$82,000.00
		Percent Replacement	100%
		Future Cost	\$198,423.69
	Fencing		
Placed in Service	April 2004		
Useful Life	45		
Replacement Year	2049		
Remaining Life	32		



Low Cost = \$15/LF

High Cost = \$25/LF

Metal rail fence is in overall good condition with limited signs of rust and/or damage. Funding is based on maintaining fence by regularly treating rust and painting. Recommend periodic inspections to identify and treat or remove and replace damaged areas in order to maintain fence integrity.

**Deer Ridge Estates
Component Inventory Detail**

Metal Gates - Replace - 2039

		4 Each	@ \$350.00
		Asset Cost	\$1,400.00
		Percent Replacement	100%
		Future Cost	\$2,570.26
Placed in Service	Fencing		
	April 2009		
Useful Life	30		
Replacement Year	2039		
Remaining Life	22		



Low Cost = \$45/LF

High Cost = \$65/LF

Metal gates are in overall good condition with limited signs of rust and/or damage. Tube gates are generally quite inexpensive, however these are modified with decorative features. Funding anticipates replacement with a similar style. Recommend regular inspections to identify and treat or remove rust damaged areas in order to maintain integrity.

**Deer Ridge Estates
Component Inventory Detail**

Stone Walls/Pillars - Refurbish - 2025

		1 Allowance	@ \$5,000.00
		Asset Cost	\$5,000.00
		Percent Replacement	100%
		Future Cost	\$6,236.13
Placed in Service	Fencing		
Useful Life	April 2015		
Replacement Year	10		
Remaining Life	2025		
	8		



Low Cost = \$4,000/each

High Cost = \$6,000/each

The stone retaining walls and fence pillars are in overall good condition with some minimal signs of cracked, loose grout and movement. Anticipate regrouting and repairing areas as needed. Moisture intrusion will accerlerate deterioration of both grout and stone.

**Deer Ridge Estates
Component Inventory Detail**

Lighting - Replace

		2 Each	
		Asset Cost	
		Percent Replacement	100%
		Future Cost	
	Lighting, Exterior		
Placed in Service	April 2009		
Useful Life	10		
Replacement Year	2019		
Remaining Life	2		



Low Cost - \$150/each

High Cost - \$200/each

Light inventory includes limited landscape flood lights at the gate area. Anticipate replacing items and funding through the operating budget. No reserve funding is necessary for this component.

**Deer Ridge Estates
Component Inventory Detail**

Call System - Replace - 2027

		1 Each	@ \$1,700.00
		Asset Cost	\$1,700.00
		Percent Replacement	100%
		Future Cost	\$2,240.68
Placed in Service	Entry Systems		
Useful Life	April 2012		
Replacement Year	15		
Remaining Life	2027		
	10		



Low Cost - \$1,600/each

High Cost - \$1,800/each

The callbox/entry system is reported to be operating properly. Funding anticipates replacing system due to age, changes in technologies and exposure to the elements.

**Deer Ridge Estates
Component Inventory Detail**

Entrance Building - Refurbish - 2024

		1 Each	@ \$5,000.00
		Asset Cost	\$5,000.00
		Percent Replacement	100%
		Future Cost	\$6,066.27
Placed in Service	Entry Systems		
Useful Life	April 2004		
Replacement Year	20		
Remaining Life	2024		
	7		



Low Cost - \$4,000/each

High Cost - \$6,000/each

The entrance building is decorative with stone wall areas and a metal roof. walls and metal surfaces are in overall good condition. Funding is to repoint stone surfaces and replace lighting to maintain community appearance.

**Deer Ridge Estates
Component Inventory Detail**

Gate Operators - Replace - 2024

		4 Each	@ \$2,950.00
		Asset Cost	\$5,900.00
		Percent Replacement	50%
		Future Cost	\$7,158.20
Placed in Service	Entry Systems		
Useful Life	April 2016		
Replacement Year	8		
Remaining Life	2024		
	7		



Low Cost - \$2,300/each

High Cost - \$2,800/each

The Ramset gate operators appear in overall good condition and receive limited use. It was reported that the two exit openers were replaced in 2016. Funding is to replace a portion of the units due to wear and changes in technologies.

**Deer Ridge Estates
Component Inventory Detail**

Security System - Replace - 2022

		1 Each	@ \$900.00
		Asset Cost	\$900.00
		Percent Replacement	100%
		Future Cost	\$1,033.26
Placed in Service	Security		
Useful Life	January 2010		
Replacement Year	12		
Remaining Life	2022		
	5		



Low Cost - \$800/each

High Cost - \$1,000/each

The small security system with (2) cameras, monitors the entrance area and is reported to be operating properly. Anticipate replacement due to age and changes in technologies.

**Deer Ridge Estates
Component Inventory Detail**

Irrigation System - Replace (partial) - 2020

	1 Allowance	@ \$3,000.00
	Asset Cost	\$3,000.00
	Percent Replacement	100%
Landscape and Equipment	Future Cost	\$3,259.12
Placed in Service		
Useful Life		10
Replacement Year		2020
Remaining Life		3

Low Cost - \$2,000/each High Cost - \$4,000/each

Irrigation system is typically repaired on an as-needed basis as part of the landscape contract. Occasionally, extensive repair and replacement of large sections of the irrigation system are necessary as provided herein. Anticipate an allowance to repair sections of the irrigation system or higher cost components such as clocks and backflow prevention devices.

**Deer Ridge Estates
Component Inventory Detail**

Trees/Vegetation - Replace (partial) - 2020

	1 Allowance	@ \$10,000.00
	Asset Cost	\$10,000.00
	Percent Replacement	100%
	Future Cost	\$10,863.74
Landscape and Equipment		
Placed in Service	April 2010	
Useful Life	10	
Replacement Year	2020	
Remaining Life	3	



Low Cost - \$8,000/each

High Cost - \$12,000/each

The limited trees and vegetation are mature and appear in overall good condition. Funding is for ongoing replacement of trees and vegetation due to winter kill and disease.

**Deer Ridge Estates
Component Inventory Detail**

Drainage - Maintain - 2024

		1 Allowance	@ \$3,000.00
		Asset Cost	\$3,000.00
		Percent Replacement	100%
		Future Cost	\$3,639.76
	General Common Area		
Placed in Service	January 2014		
Useful Life	10		
Replacement Year	2024		
Remaining Life	7		



Low Cost - \$2,000/each

High Cost - \$4,000/each

It is assumed that the majority of the swale system is the responsibility of the Homeowner. However, there are limited sections that run under streets and across open space that we have assumed the HOA will maintain. Funding is for periodic cleaning as well as limited concrete replacement and stone accent repairs.

**Deer Ridge Estates
Component Inventory Detail**

Monument Sign - Refurbish - 2025

		2 Each	@ \$2,500.00
		Asset Cost	\$5,000.00
		Percent Replacement	100%
		Future Cost	\$6,236.13
	General Common Area		
Placed in Service	April 2015		
Useful Life	10		
Replacement Year	2025		
Remaining Life	8		



Low Cost - \$2,000/each

High Cost - \$3,000/each

The monument signs are in good condition overall. Anticipate repairing or refurbishing stonework and lettering on a cyclical basis with no anticipation of replacing the entire sign.

**Deer Ridge Estates
Component Inventory Detail**

Signage - Replace (partial) - 2018

		15 Each	@ \$100.00
		Asset Cost	\$750.00
		Percent Replacement	50%
		Future Cost	\$771.00
	General Common Area		
Placed in Service	January 2008		
Useful Life	10		
Replacement Year	2018		
Remaining Life	1		



Low Cost - \$75/each



High Cost - \$125/each

Signs appear in overall good condition with some fading evident in the older sections of the community. Funding is to anticipate replacement on a cyclical basis to maintain function as well as property's appearance and aesthetics. No anticipation for complete replacement of all signs at the same time.

**Deer Ridge Estates
Component Inventory Detail**

Street Lights - Paint - 2026

		49 Each	@ \$135.00
		Asset Cost	\$6,615.00
		Percent Replacement	100%
		Future Cost	\$8,481.41
	General Common Area		
Placed in Service	January 2016		
Useful Life	10		
Replacement Year	2026		
Remaining Life	9		



Low Cost - \$1,000/each

High Cost - \$1,400/each

Poles appear in good condition with no noted rusting or damage. Recommend poles be inspected and maintained by painting on a regular basis.

**Deer Ridge Estates
Component Inventory Detail**

Exterior Surfaces - Repaint - 2020

1 Allowance	@ \$2,000.00
Asset Cost	\$2,000.00
Percent Replacement	100%
Future Cost	\$2,172.75

	Exterior Finishes
Placed in Service	April 2010
Useful Life	10
Replacement Year	2020
Remaining Life	3



Low Cost - \$1,500/each

High Cost - \$2,500/each

Paint is in generally good condition with some areas showing signs of fading, peeling, dry and missing or cracked caulking. Recommend caulking around areas of wood to stone transition. Preventing moisture penetration via cracks (wood shrinking around transitions) is key in ensuring a full useful life.

Implementing your Study (A Board's Planning Tool)

Your Reserve Study results may be simple or complex. In most cases, the results require a minor adjustment to the contribution, often offset by the reclassification of work from the operating budget to the reserve budget. In some cases however, the reserve study results can be complex, requiring the development of a *strategic plan* that may take several years to implement.

In either case, communication is the key. Most Association Members are aware of the strengths and weaknesses of their community, even if they are never publically discussed. We have found very little resistance to even the most difficult plans if communicated properly.

Generally the Board can successfully implement the study in these four easy steps:

Step 1: Board Meeting

The Board of Directors has the responsibility to do what is in the best interest of the Association and has significant influence; therefore, the first step is for the Board to meet. This meeting should discuss the results of the reserve study. Invite the Association Manager to attend. The purpose of this meeting should be for the Board to better understand the financial position and the upcoming reserve requirements of the Association. This includes understanding what most influences the results of the Reserve Study

Step 2: Make a Plan

The Board should then create a plan to determine how best to manage the Association's common area assets and financial position. Using this Reserve Study as a guide, the Board should make the adjustments required to meet the needs of the Association and its members. This includes setting the Reserve Contribution amount.

Step 3: Association Meeting

After the Board has determined the best course of action, present it to the Association. This allows them to ask questions and understand the direction the community will be heading. This is by far the most important step. Communicating with owners the reasons why will help significantly. Additionally, this brings confidence in the leadership of the Board and unity among the Association members.

Step 4: Update and Adjust

This Reserve Study is a one year document. It needs to be updated and adjusted annually. Additionally, we recommend regular reviews of your plan. Assess progress and make adjustments as necessary. As already mentioned, we recommend communicating regular updates to the Association members. Whether a major project is underway or postponed for various reasons, the membership will appreciate the update. The purpose of this Reserve Study is to help your community succeed. That only works when you are proactive and consistent.

There are 4 keys to implementing your plan effectively:

- be persistent
- make incremental changes
- monitor & implement your plan continuously
- keep your eye on the ball

Consistently using these keys will help you follow your plan and achieve your goals.

Tips on Presenting the Results

Often, the Association Members will be presented with bad news in the form of significant increases or special

assessments. In our experience, it is best to have an impartial party such as your Reserve Provider present the results. This allows the facts to be presented without having to deal with blame or accusations of delivering an "agenda". If you wish to proceed on your own, this outline has been successful:

- Be positive! A positive energetic presentation will help to reduce stress
- Clearly explain the reserve process
- Highlight the concepts of "fairness" and "paying for what is being used" rather than referring to component replacements as future purchass
- Highlight the concept of ongoing deterioration. There's nothing anyone can to do stop it!
- Explain how you got to your position without pointing fingers
- Assure the Members that you are on the right path
- Remember, there's only 3 ways to pay for reserve projects: increase in dues; special assessments or a loss in value due to deferred maintenance. One of the three must be met.

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 the 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.

After we have a Reserve Study completed, what do we do with it?

Step 1: Board Meeting

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There are 4 keys to implementing your plan effectively:

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- make incremental changes
- monitor & implement your plan continuously
- keep your eye on the ball

Consistently using these keys will help you follow your plan and achieve your goals.

How often do we update or review the Reserve Study?

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 Study 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. Deterioration rates and repair/replacement costs may vary from causes that are unforeseen. Earned interest rates may vary from year to year.

These variations could alter the content of the Reserve Study. Therefore, this analysis should be reviewed annually, and a property inspection should be conducted at least once every three years.

Is it the law to have a Reserve Study conducted?

The Government requires reserve analyses in approximately 20 States. Even if it is not currently governed by your State, the chances are very good that the documents of the association require the association to have a reserve fund established. This doesn't mean a Reserve Study is required, but how are you going to know you have enough funds in the account if you don't have the proper information? Some associations look at the reserve fund and think that \$50,000 is a lot of money and they are in good shape. What they don't know is that the roof is going to need to be replaced within 5 years, and the cost of the roof is going to exceed \$75,000. So while \$50,000 sounds like a lot of money, in reality it won't even cover the cost of a roof, let alone all the other amenities the association is responsible to maintain.

What is a "Reserve Component" versus an "Operating Component"?

A "Reserve" component is an item that is the responsibility of the association to maintain, has a limited useful life, predictable remaining useful life, typically occurs on a cyclical basis that exceeds 1 year, and costs above a minimum threshold amount. 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.

What are the grey areas 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.

What happens during the Property Inspection?

The Property Inspection 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 inspecting the property. In addition, common area assets may have been reported to Community Association Reserves 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 inspection. We did not destroy any landscape work, building walls, or perform any methods of intrusive investigation during the inspection. In these cases, information may have been obtained by contacting the contractor or vendor that has worked on the property.

What is the Financial Analysis?

We projected the starting balance by taking the most recent balance statement, adding expected reserve contributions for the rest of the fiscal year, and subtracting any pending projects that will be paid for before the end of the current fiscal 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 is considered a “fair” financial position. The majority of associations fall into this category. 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 is considered a “strong” financial position. This indicates financial strength of a reserve fund and every attempt to maintain this level should be a goal of the association.

100% Funded is considered an “ideal” financial position. This means that the association has the exact amount of funds in the reserve account.

Definition of Terms Used

A reserve study contains a number of industry-related terms and phrases. To help you better understand the reserve study process and reports, we've provided definitions for the most commonly used terms.

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 - The 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) predictable remaining useful life expectancies, 4) above a minimum threshold cost, 5) as required by local codes.

Component Assessment and Valuation - The task of estimating useful life, remaining useful life, and repair or replacement costs for the reserve components. This task is accomplished either with or without on-site visual observations, based on the level of service selected by the client.

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, review of established association precedents and discussion with appropriate association representative(s) of the association or cooperative.

Component Method - A method of developing a reserve funding plan where the total contribution is based on the sum of contributions for individual components. See "cash flow method".

Condition Assessment - The task of evaluating the current condition of the component based on observed or reported characteristics.

Current Replacement Cost - See "replacement cost".

Deficit - An actual (or projected) reserve balance less than the fully funded balance. The opposite would be a surplus.

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.

Field Inspection - A site visit which includes a visual inspection of all components. In cases where plans of the property are unavailable, it would also include the quantity survey.

Financial Analysis - The portion of a 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 a reserve study.

Fully Funded - 100% funded. When the actual (or projected) reserve balance is equal to the fully funded balance.

Fully Funded Balance (FFB) - Total accrued depreciation. 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 summed together for an association total. Two formulae can be utilized, depending on the provider's sensitivity to interest and inflation effects. Note: both yield identical results when interest and inflation are equivalent.

$FFB = \text{Current Cost} \times \text{Effective Age} / \text{Useful Life}$

or

$FFB = (Current\ Cost\ X\ Effective\ Age / Useful\ Life) + [(Current\ Cost\ X\ Effective\ Age / Useful\ Life) / (1 + Interest\ Rate) ^ Remaining\ Life] - [(Current\ Cost\ X\ Effective\ Age / Useful\ Life) / (1 + Inflation\ Rate) ^ Remaining\ Life]$

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 cash balance above zero.

Full Funding - Setting a reserve funding goal of attaining and maintaining reserves at or near 100% funded.

Statutory Funding - Establishing a reserve funding goal of setting aside the specific minimum amount of reserves required by local statutes.

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 "fully funding."

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 fully funded 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 "zero" 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 that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as reserves, reserve accounts, cash reserves. Based upon information provided and not audited.

Reserve Study Provider - An individual that prepares reserve studies.

Reserve Study - A budget planning tool which 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.

Responsible Charge - A reserve specialist in responsible charge of a reserve study shall render regular and effective supervision to those individuals performing services which directly and materially affect the quality and competence

rendered by the reserve specialist. A reserve specialist shall maintain such records as are reasonably necessary to establish that the reserve specialist exercised regular and effective supervision of a reserve study of which he was in responsible charge. A reserve specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

1. The regular and continuous absence from principal office premises from which professional services are rendered; expect for performance of field work or presence in a field office maintained exclusively for a specific project;
2. The failure to personally inspect or review the work of subordinates where necessary and appropriate;
3. The rendering of a limited, cursory or perfunctory review of plans or projects in lieu of an appropriate detailed review;
4. The failure to personally be available on a reasonable basis or with adequate advance notice for consultation and inspection where circumstances require personal availability.

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 greater than the fully funded balance. See "deficit. "

Useful Life (UL) - Total useful life or depreciable life. The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.

Disclosures and Limitations

Community Association Reserves has relied upon certain information provided by Association representatives in the performance of this reserve study. Such information includes, but is not necessarily limited to, financial data, identification or quantification of common area components, and historical maintenance information. Such information is deemed reliable by Community Association Reserves. 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, specialists and independent contractors, the Community Associations Institute, 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 and the McGraw Hill Book Company. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of the preparation of reserve analysis studies.

The reserve study is a reflection of information provided to Community Association Reserves and this report has been assembled for use by the Association. This report has not been audited, nor subjected to a forensic or quality analysis, or background checks of historical records.

The reserve balance projected in this report is based upon information provided by the Association to Community Association Reserves, and was not audited.

Information provided to Community Association Reserves by the Association about reserve projects is considered reliable. The onsite visit cannot be considered a project audit or a quality visit. No forensic or destructive testing was completed.

Neither Community Association Reserves, nor its owners individually have other relationships with the Association that would represent a conflict of interest.

Your Community Association Reserves, Reserve Specialist is Richard Hamilton, RS. Mr. Hamilton has been preparing reserve studies and capital budgets since 1986, and has performed hundreds of reserve studies. His reserve study experience encompasses all types of reserve studies, including condominium, townhome, master home owner, business park, resort, hotel and timeshare associations.

Mr. Hamilton holds the Reserve Specialist (RS) designation issued by the CAI, the National Community Association Institute, and is a member of the CAI. Mr. Hamilton also holds the designation of Professional Reserve Analyst (PRA) issued by the Association of Professional Reserve Analysts (APRA).

Mr. Hamilton has worked as a Controller for a large real estate investment and management firm, and possesses the skills directly applicable to preparation of a financial forecast for future major repairs and replacements. The skill-set involved in the above described experience and designations represent the skills most directly applicable to evaluation of existing facilities for purposes of a reserve study.

The site visit includes observations of all visible common area components, unless otherwise indicated on the detail component listing. No destructive testing was performed.

We are not aware of any material issues which, if not disclosed, would cause a significant distortion of the Association's reserve status or funding plan.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and each estimated useful life will approximate that of the norm per industry standards and/or manufacture specifications used. In some cases, estimates may have been used on assets which have an indeterminable but potential liability to the association.

Members Summary

Deer Ridge Estates
2017 - 2046

Number of Components Identified:	24
Fully Funded Balance Begin Fiscal Year:	\$678,556.92
Reserve Fund Balance Begin Fiscal Year:	\$95,440.00
Percent Fully Funded:	14%

Current Annual Contribution:
Current Contribution Per Unit:

Full (100%) Funding Annual Contribution

Recommended Contribution #1:	\$160,000.00
Assessment Per Unit #1:	\$597.01

Threshold (70%) Funding Annual Contribution

Recommended Contribution #2:	\$146,200.00
Assessment Per Unit #2:	\$545.52

Special Assessments (Annual)

Levied Year #1:	None
Levied Year #2:	None
Levied Year #3:	None
Levied Year #4:	None
Levied Year #5:	None

Projected Expenditures, Year #1:	\$18,450.00
Projected Expenditures, Year #2:	\$163,021.01
Projected Expenditures, Year #3:	
Projected Expenditures, Year #4:	\$116,676.56
Projected Expenditures, Year #5:	

**Deer Ridge Estates
Member's Inventory Summary**

Description	Replacement Year	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Concrete - Replace (partial)	2025	5,000	10	0	8	6,236	1 @	5,000.00
Asphalt Streets Antler Dr. - Replace	2018	157,831	8	0	1	162,250	273300 @	1.75
Asphalt Streets Phase 1,2,3 - Replace	2029	659,225	25	0	12	918,229	376700 @	1.75
Asphalt Streets Phase 4 - Replace	2039	177,625	25	0	22	326,101	101500 @	1.75
Asphalt Streets Phase 5&6 - Replace	2040	719,687	25	0	23	1,358,268	411250 @	1.75
Asphalt Streets Phase 7&8 - Replace	2041	445,550	25	0	24	864,433	254600 @	1.75
Asphalt - Sealcoat	2020	92,400	5	0	3	100,381	400000 @	0.20
Metal Fence - Replace	2049	82,000	45	0	32	198,424	4100 @	20.00
Metal Gates - Replace	2039	1,400	30	0	22	2,570	4 @	350.00
Metal Fence - Paint	2017	18,450	6	0	0	18,450	4100 @	4.50
Call System - Replace	2027	1,700	15	0	10	2,241	1 @	1,700.00
Gate Operators - Replace	2024	5,900	8	0	7	7,158	4 @	2,950.00
Security System - Replace	2022	900	12	0	5	1,033	1 @	900.00
Entrance Building - Refurbish	2024	5,000	20	0	7	6,066	1 @	5,000.00
Exterior Surfaces - Repaint	2020	2,000	10	0	3	2,173	1 @	2,000.00
Metal Roof Roof - Replace	2044	2,025	40	0	27	4,268	450 @	4.50
Monument Sign - Refurbish	2025	5,000	10	0	8	6,236	2 @	2,500.00
Stone Walls/Pillars - Refurbish	2025	5,000	10	0	8	6,236	1 @	5,000.00
Lighting - Replace	<i>Unfunded</i>							
Irrigation System - Replace (partial)	2020	3,000	10	0	3	3,259	1 @	3,000.00
Trees/Vegetation - Replace (partial)	2020	10,000	10	0	3	10,864	1 @	10,000.00
Drainage - Maintain	2024	3,000	10	0	7	3,640	1 @	3,000.00
Signage - Replace (partial)	2018	750	10	0	1	771	15 @	100.00
Street Lights - Paint	2026	6,615	10	0	9	8,481	49 @	135.00

Deer Ridge Estates

Street Summary

Phase	Street Name	Length	Width	Area	Phase Total
	1 Deer Stream Ct	1,622	24	38,928	
	1 Rattling Antler Ct	3,121	24	74,904	
	1 Crosshair Ct	1,185	24	28,440	
	1 Wappit Dr	1,269	24	30,456	
					172,728
	2 Blacktail Ln	2,764	24	66,336	
	2 Sika Ct	614	20	12,280	
	2 Deertail Dr	883	24	21,192	
	2 Blacktail Ct	652	20	13,040	
					112,848
	3 Blacktail Dr	630	24	15,120	
	3 Deerchase Ct	1,701	24	40,824	
	3 Antler Ridge Ct	1,467	24	35,208	
					91,152
	4 Rasha Dr	833	24	19,992	
	4 Bedding Ln	623	30	18,690	
	4 Maral Ln	587	24	14,088	
	4 Browtine Way	1,624	30	48,720	
					101,490
	5/6 Wapiti Dr	3,016	30	90,480	
	5/6 Woodlot Ln	1,015	27	27,405	
	5/6 Deergrove Tr	1,429	30	42,870	
	5/6 Follow Dr	8,350	30	250,500	
					411,255
	7 Marshal Ln	2,301	30	69,030	
	7 Stand Ln	444	30	13,320	
	7 Hartley Way	1,239	30	37,170	
	7 Fawna Dr	459	30	13,770	
					133,290
	8 Fawna Dr	1,894	30	56,820	
	8 Hartley Way	2,150	30	64,500	
					121,320
MAIN	Antler Ridge	9,111	30	273,330	
					273,330
Total Roads					1,417,413