

# RESERVE STUDY Sample Report

Florida



SAMPL...ribution

# RESERVE STUDY REPORT

Homeowner's Association, Inc.

Date of Site Visit:

## SAMPLE – pool of funds

### **PURPOSE OF THE FULL RESERVE STUDY :**

To provide the basis for the necessary funding to maintain, repair and replace those reserve components/assets which are the Association's responsibility.

### **SCOPE OF THE FULL RESERVE STUDY :**

Identify and examine specific components for all of the reserve category needs analysis and use the **Pool of Funds Funding** for future reserve financial analysis with an on-site inspection. Included in this reserve study are the following component items: Roofing, Painting, Paving, Clubhouse, Pool & Recreation, Restore & Replacements, and other common area assets/components. The Study will quantify the individual components by actual field measurements and a visual inspection where possible. Establish current cost estimates for replacement using Marshall & Swift Valuation Service, National Plumbing & HVAC Estimator, Means Building Construction Cost Data, Trade Service Electrical Price Guide, and local contractors. Identify the normal life expectancy for each component. Estimate each component's remaining useful life through non-destructive methods. Calculate the normal annual contribution over the normal life expectancy. Establish the current 100% reserve requirement. Complete the reserve funding analysis and calculate the reserve deficit or overage. Make calculations to amortize any cash flow deficits over the twenty-year analysis by using the pool of funds method of funding reserves. The Study will also adjust the normal annual contributions to include amortized deficit funding, if needed, to meet all anticipated expenditures over the next twenty years.

### **CERTIFICATION:**

I hereby certify that I have no interest, present or contemplated, in the property, and that neither the assignment to complete this study nor the fee derived there from is contingent upon its results. I have personally inspected the property, unless otherwise noted in the report, and to the best of my knowledge and belief, all statements and data in this report are true, subject to any contingent limiting conditions noted herein.

This report is furnished at your request in strict confidence by us as your agent for your exclusive use. The report is not to be construed as a guarantee or warranty, expressed or implied, of the property or the equipment therein or of their fitness for a particular purpose.

This report is made under the guidelines of the American Institute of Certified Public Accountants, the Community Associations Institute guidelines, and the Professional Reserve Specialists Code of ethics.

---

senior reserve analyst

## INTRODUCTION

J. R. FRAZER, INC.(Reserve Studies and Valuation Services) was retained by the Association to prepare a reserve analysis of the common areas for the purpose of developing a repair and replacement needs plan and a funding analysis. The site inspection work was completed by \_\_\_\_\_ - senior reserve analyst.

The statutory requirement for condominium associations simply states reserves must be 100% funded for roofing, painting and paving, plus any other items in which the cost to maintain, repair or replace those items exceeds \$10,000. This homeowner's association while not a condo association, feels it is prudent and fiduciarily incumbent upon them to have a Reserve Analysis and accordingly has elected to engage an independent specialist to prepare a reserve schedule for inclusion in the association's budget. Our reserve study includes all reserve fund categories and all reserve components with a twenty-year cash flow analysis.

The reserve program is designed to provide all or part of the funds necessary to pay for maintaining, repairing and replacing the capital improvements of the Association. Not every circumstance can be accounted for future loss possibilities such as catastrophic disasters. At the request of the board this reserve study may include reserves for uninsurable losses due to a catastrophe. These losses may be caused by flooding, lightning, hurricanes, or un-named windstorms and may include damage to such uninsurable items as landscaping or improvements excluded from windstorm insurance.

The analysis which follows uses the straight-line component method to determine the physical analysis or the needs of the Association, a pool of funds method, and a twenty-year cash flow analysis with a minimum threshold to complete the financial analysis and reserve funding requirements. The physical analysis data includes those components that are included in the reserve study and the calculation of the necessary reserves are based upon straight line funding by establishing estimated remaining useful lives, the quantity of units which are obtained through independent research, existing maintenance records, site inspections, and verification of historical replacement cost of the components in the analysis. Because inflation cannot be accurately predicted, replacement costs herein are at current construction cost.

## PURPOSE OF RESERVES

Reserves are monies budgeted, collected and set aside for replacement or deferred maintenance. The establishment of reserve accounts begins with the developer and or the board who has a fiduciary capacity and responsibility for the establishment of an association's budget. The board has established the reserve accounts in this study for the future replacement or deferred maintenance of the common areas.

Community associations have become aware of the necessity of reserves being included in the budget. Without adequate reserves, owners may be subject to either special assessments or may not be able to repair or replace the common area assets. Reserve funds enable an association to maintain the common areas with a reduced risk of special assessments and minimize the impact of financial challenges. The establishment of 100% reserve funding accomplishes the following.

Establishes and preserves reserves for a strong financial position to meet future expenditures.

Reserves reduce the potential for special assessments.

All owners share the expenses of the association equally by paying their share of the cost while living in the community.

Adequate funding is the key to reserves. Just having reserve funds doesn't make a community's financial future strong. Reserves must be set at an annual goal of 100% funding to accomplish all of the goals of an association/community.

There will be times however, when natural disasters such as flood, hurricanes, windstorms, and frost can cause considerable damage to uninsurable property. These events should also be a consideration of the board and a reserve fund established to meet these natural disasters or adopt a policy of special assessments.

## NAVIGATING & UNDERSTANDING THIS REPORT

### **Reserve Summary Section – (B1 & B2 pages):**

This section summarizes the entire report providing the grand total for the Current Replacement Cost, Normal Annual Contribution, Current Reserve Requirement, Association’s Current Reserve “Fund Balance”, Fund Deficit and the Contribution needed for the next budget year. For definitions of terminology, such as Current Reserve Requirement, please see “Definitions” section located at the end of this report.

Please Note: The Normal Annual Contribution and the Annual Contribution for next year might be different depending upon your current reserve balance and expenses related to projects that will materialize over the next 1 to 5 years.

The Normal Life and Remaining Life in the Reserve Summary page are ranges of actual life. The actual Normal Life and Remaining Life for each individual reserve component are contained in the Reserve Analysis pages (C pages).

The Summary B2 page provides the association’s current year contribution and the Annual Contribution for the next 9 years adding in any deficit amounts that might have occurred during the funding analysis located on the D pages of this report. In this section, we have added the normal annual contribution with any deficit amounts that were needed in order to maintain a positive balance in your reserve account.

### **Reserve Analysis Section - (C pages):**

This section provides a detailed breakdown of the component items into each reserve category. The reserve component items are further broken down to provide individual unit cost, number of units, normal life, estimated remaining life, annual contribution for that component item and the current reserve requirement (dollar amount that should be in reserves as of the date of this report). This section is sometimes referenced as the calculation pages of the reserve study.

### **Reserve Funding Analysis – (D pages):**

In this section, broken down by year, are all of the expenses that will occur for the next 20 years with the year-end fund balance. It is in this section under “amortized deficit” that will show the additional money needed to the Normal Annual Contribution in order to maintain a positive balance in the reserve account and to pay for the required replacement of component items. The amortized deficit column can vary year by year. In any given year, if a fund balance falls below the

minimum fund balance (ie. \$2,500 - \$50,000) an amount is added to bring the fund balance to the stated minimum balance. This amount then is divided into the preceding years to spread out the deficit, hence not creating a burden in any given year. To further clarify..., if the minimum fund balance is \$5,000 and then in year 5 the association's fund balance is a negative \$1,500, then \$6,500 will be needed to bring the fund balance to \$5,000. This \$6,500 deficit will then be divided by the 5 preceding years adding \$1,000 a year to the normal annual contribution.

**Photo Section:**

This section provides photographs of most of the component items listed in this reserve study – but not all. It does not provide photographs of problem areas, though they may be observable in the photographs – such as cracking on the asphalt paving.

**Financial & Other Documentation:**

This section provides some of the information your association and or manager has provided to us in order to prepare this report. It includes items such as the association's Balance Sheet, Profit & Loss Statements, Budget Statements, Questionnaire, Maintenance Contracts, etc.

**Definitions and Consulting Contractors:**

This section provides the definition of terms that are used in this report to better help the reader understand the scope of this report. Also, in this section are names and phone numbers of contractors we have developed relationships with over the last 20 years. We cannot guarantee their workmanship nor do we have a preference to any one contractor. We recommend interviewing at least 3 contractors and depending upon the company you choose to work with, obtain a copy of their license and insurance prior to signing any agreements. If you have a problem with anyone on this list, please feel free to give us a call – it is only your feedback that allows our contractors to remain on our list. It is for your convenience.



## GENERAL ANALYST RECOMMENDATIONS

1. We recommend making the stated 2019 annual contribution. The 2019 contribution is made up of the Normal Annual Contribution plus a required amortized deficit amount (if needed) to meet anticipated cash flows over the next twenty years. By funding the recommended year 2019 contribution using the pool of funds funding method, the Association should be able to pay future reserve expenditures with adequate contributions from the reserve funds.

The Normal Annual Contribution represents the replacement cost divided by the number of years of useful life.

2. We recommend income generated within the reserves remain in the reserves. This is the most positive method to combat inflation. Our financial analysis indicates interest generated by reserve funds will help offset a portion of inflation cost. This system of compounding interest allows the Association to control some reserve increases, but should be updated at a minimum of every two years. If the interest is not allocated back into reserves the Association can expect future deficits and possible special assessments.

3. The association's current reserve schedule may not have been complete in identifying all the needs of the association. We have added components and recommend the association reserve for all components in this reserve study. In some cases, we might have combined certain reserve categories to help simplify and or improve budgeting methods.

4. All expenditures are based upon a cash flow analysis with the pool of funds method to meet expenses. This allows all funds in each reserve category to be used for paying any appropriate component or components which may suddenly and un-expectedly need to be repaired or replaced. This system of funding provides adequate funding for the future reserve expenses. We strongly recommend annual updates of the reserve study in order to maintain adequate funding levels.

## SPECIAL NOTES

Information supplied by the Association includes a copy of the financial reports, reserves questionnaire and a copy of the current reserve budget.

As a result of the study, if the current reserve fund balance is less than the current 100% reserve requirement, you have a funding deficit. If the fund balance is greater than the reserve requirement, you have a funding overage.

When the association's current reserve fund balance is less than the current 100% reserve requirement, additional funds may be added to the normal annual contribution if current funding levels will not meet the projected twenty-year cash flow analysis. This will allow the funding deficit to be paid down over a period of years within the twenty-year period.

All funding deficits in this study are amortized based upon the cash flow analysis. This amortized amount is added to the normal annual contribution yielding the new contribution. **Additional funds over the Normal Annual Contribution ARE needed at this time to meet minimal threshold funding requirements and anticipated expenditures.**

**Please review the D pages of this report to see when and in what category the funding deficit occurs.**

The goal is to meet anticipated reserve expenditures over the next twenty years and maintain a positive cash baseline.

When a current reserve fund balance is greater than the current 100% reserve requirement, the funding deficit tables calculate the number of years and dollars by which the overage should be paid down. This method of amortizing overages and deficits will maintain a more stable level of funding and reduces fluctuations.

All reserve amounts change yearly with increased cost of materials, increased cost of labor, building code changes, and investment income. We do not add for inflation or interest. These items are difficult to predict and can mislead the user of the report. Instead we use current cost with no inflation and no interest. Some cost increase will be taken care of by interest, but we recommend annual updates to adjust for increased cost. These economic changes will have an impact on your reserve fund and your ability to provide for future expenses.



In addition, depending on how you decide to allocate future funding, and whether or not you opt to fund at recommend levels, these decisions will also impact the status of the reserve fund. In order to ensure continued adequate funding we strongly recommend annual updates to adjust for increased cost, adjustments to estimated remaining life, reserve spending, and changes in your funding allocations. The only way to maintain accurate reserves and reduce the need for special assessments would be to update your reserve study annually.

\*\*\*\*\*

This association's financial strength is below average at the current 0% to 30% reserve level of funding. This association is 21% funded. The association's risk of special assessments is 37% - 75% during any one yearly period.

## **Other information regarding the financial situation of the association as observed and calculated by the reserve analyst.**

The J. R. Frazer firm recommends an increase to the annual reserve contribution. The increased annual reserve contribution will be a more accurate reserve budget number which can benefit the entire association and allow current owners to pay the current cost which is their fair share of future cost to maintain the assets of the Association.

## CONDITIONS OF RESERVE STUDY

Unless otherwise stated, this evaluation is subject to the following conditions:

J. R. Frazer, a reserve specialty firm, has not formed a legal opinion as to what components may be included or are the responsibility of the association. We therefore assume no responsibility in the determination of which components and their related cost may be excluded from the reserve study application.

Information as to the association's responsibilities has been obtained from the client in discussions or a review of the documents. We make no guarantee nor assume liability for the accuracy of any data, financial statements or fund balances supplied by the client, opinions, or estimates as furnished by others that we used in formulating this evaluation. Any changes to our reports resulting from missing information or misinformation will be added to the report at an expense equal to our hourly fee rate.

The dimensions and quantities were gathered either by actual physical measurements, review of construction plans, or supplied by the association. All previous measurements and quantifications are deemed accurate for future use and updates.

Neither all nor any part of the contents of the association's reserve study report shall be conveyed to another reserve specialist, estimator, valuation person, or the public through advertising, news, or other media without the written consent and approval of myself.

The valuation includes a description of the premises. Our assessment of the physical condition of the improvements described within has been based upon visual inspection without destructive intrusions. No warranty is made and no liability is assumed for the soundness of the structure or its components. The Association should consider additional inspection for any safety concerns or hidden defects. The valuations derived and expressed within is not applicable to any other property regardless of similarity. The valuation is as of the date specified.

The values provided in this analysis are derived and based upon cost during common and normal economic conditions. These values do not reflect the significant impact on cost which may occur as a result of supply shortages and demand increases which are typically created as a result of disasters such as hurricanes, windstorms, etc. All updates are based upon the previous validated data.

This analysis represents my opinion based on accepted valuation systems and reserve methodology as to the values of the described property. As stated in the report, it has in no way been contingent upon the report of predetermined or specified value, nor has compensation for this reserve analysis report been contingent upon the value of the property considered.

Report completed by:  
J. R. FRAZER, INC.

6615 W. Boynton Beach Blvd. #360  
Boynton Beach, FL 33437  
561-488-3012

# Homeowner's Association, Inc.

Florida

\* POOL OF FUNDS

## 2018 RESERVE SUMMARY

Fiscal Year runs January 1st to December 31st

RESERVE CATEGORY	REPLACEMENT COST	NORMAL LIFE (YEARS)	REMAIN LIFE (YEARS)	NORMAL ANNUAL CONTRIBUTION	CURRENT RESERVE REQUIREMENT	FUND BALANCE 1/31/18	FUND (DEFICIT) OVERAGE	2019 CONTRIBUTION	MONTHLY CONTRIBUTION
A. Roofing	35,750	5 - 15	1 - 3	2,750	28,600	*	*	*	*
B. Paving	616,610	15 - 60	3 - 48	24,679	324,375	*	*	*	*
C. Painting	29,345	7 - 14	1 - 1	2,549	26,809	*	*	*	*
D. Clubhouse	225,845	8 - 30	2 - 20	12,028	105,987	*	*	*	*
E. Pool & Recreation Areas	144,937	8 - 30	1 - 20	9,112	97,479	*	*	*	*
F. Restore & Replacements	327,134	0 - 30	0 - 20	15,124	135,688	*	*	*	*

SAMPLE - Not for Re-distribution

Pool of Funds

150,200

TOTAL	\$ 1,379,621	Life range of years for summary purpose only, see actual estimated years in "C" pages.		\$ 66,242	\$ 718,938	\$ 150,200	\$ (568,738)	\$ 74,041	\$ 6,170
-------	--------------	--	--	-----------	------------	------------	--------------	-----------	----------

# Homeowner's Association, Inc.

Florida

## SNAPSHOT RESERVE FORECAST

RESERVE CATEGORY	Yr. 2018 Contribution	Yr. 2019 Contribution	Yr. 2020 Contribution	Yr. 2021 Contribution	Yr. 2022 Contribution	Yr. 2023 Contribution	Yr. 2024 Contribution	Yr. 2025 Contribution	Yr. 2026 Contribution	Yr. 2027 Contribution
Pool of Funds	52,000	74,041	74,041	74,040	66,242	66,242	66,242	66,242	66,242	66,242
TOTAL	\$52,000	\$74,041	\$74,041	\$74,040	\$66,242	\$66,242	\$66,242	\$66,242	\$66,242	\$66,242

SAMPLE - Not for Re-distribution

# 2018 RESERVE ANALYSIS

## Homeowner's Association, Inc.

Reserve Category	Component Items	Quantity Units	Unit Cost \$	Replacement Cost \$	Normal Life	Remaining Life	Normal Annual Contribution	Current Reserve Requirement
<b>A. Roofing</b>								
	<b>1 - Shingle Roofs:</b>							
	a - replace clubhouse roof	10,200	3.00	\$30,600	15	3	\$2,040	\$24,480
	b - replace gatehouse roof	800	3.00	\$2,400	15	3	\$160	\$1,920
	<b>2 - Other:</b>							
	a - general repairs / surveys / misc.	11,000	0.25	\$2,750	5	1	\$550	\$2,200
<b>A. Roofing Total</b>				<b>\$35,750</b>	<b>15</b>	<b>3</b>	<b>\$2,750</b>	<b>\$28,600</b>

SAMPLE - Not for Re-distribution

# 2018 RESERVE ANALYSIS

## Homeowner's Association, Inc.

Reserve Category	Component Items	Quantity Units	Unit Cost \$	Replacement Cost \$	Normal Life	Remaining Life	Normal Annual Contribution	Current Reserve Requirement
<b>B. Paving</b>								
<b>1 - Asphalt &amp; Milling:</b>								
	a - asphalt / milling clubhouse parking lot	4,350	13.25	\$57,638	20	3	\$2,882	\$48,994
	b - asphalt / milling gatehouse parking lot	1,650	13.25	\$21,863	20	12	\$1,093	\$8,744
	c - asphalt / milling gatehouse area roads	3,850	13.25	\$51,013	20	12	\$2,551	\$20,408
	d - asphalt / milling community roads	15,400	11.00	\$169,400	20	3	\$8,470	\$143,990
<b>2 - Curbs:</b>								
	a - repair / replace curbs	2,200	10.00	\$22,000	30	21	\$733	\$6,597
<b>3 - Sidewalks:</b>								
	a - repair / replace sidewalks	16,100	5.90	\$94,990	55	45	\$1,727	\$17,270
<b>4 - Pavers:</b>								
	a - replace clubhouse & pool area pavers	18,800	5.30	\$99,640	24	14	\$4,152	\$41,520
<b>5 - Drainage:</b>								
	a - replace roadway storm drains	18	4,000.00	\$72,000	60	48	\$1,200	\$14,400
<b>6 - Other:</b>								
	a - general repairs / surveys / misc.	62,368	0.45	\$28,066	15	3	\$1,871	\$22,452
<b>B. Paving Total</b>				<b>\$616,610</b>	<b>60</b>	<b>48</b>	<b>\$24,679</b>	<b>\$324,375</b>



# 2018 RESERVE ANALYSIS

## Homeowner's Association, Inc.

Reserve Category	Component Items	Quantity Units	Unit Cost \$	Replacement Cost \$	Normal Life	Remaining Life	Normal Annual Contribution	Current Reserve Requirement
<b>C. Painting</b>								
<b>1 - Exterior Painting:</b>								
	a - paint clubhouse	6,200	0.72	\$4,464	7	1	\$638	\$3,828
	b - paint gatehouse	920	0.72	\$662	7	1	\$95	\$570
<b>2 - Paint Gates &amp; Fences:</b>								
	a - paint pool area fences	2,600	6.75	\$17,550	14	1	\$1,254	\$16,302
	b - paint playground fences	750	6.75	\$5,063	14	1	\$362	\$4,706
	c - paint main entry gates	50	8.10	\$405	14	1	\$29	\$377
<b>3 - Paint Other:</b>								
	a - paint basketball goal posts	4	125.00	\$500	7	1	\$71	\$426
	b - paint entry feature monument	324	0.72	\$233	7	1	\$33	\$198
	c - paint dumpster area walls	650	0.72	\$468	7	1	\$67	\$402
<b>C. Painting Total</b>				<b>\$29,345</b>	<b>14</b>	<b>1</b>	<b>\$2,549</b>	<b>\$26,809</b>

# 2018 RESERVE ANALYSIS

## Homeowner's Association, Inc.

Reserve Category	Component Items	Quantity Units	Unit Cost \$	Replacement Cost \$	Normal Life	Remaining Life	Normal Annual Contribution	Current Reserve Requirement
<b>D. Clubhouse</b>								
<b>1 - Lobby Areas &amp; Hallways:</b>								
	a - replace floor tiles	2,400	10.25	\$24,600	20	11	\$1,230	\$11,070
	b - paint interior walls	3,800	0.72	\$2,736	14	5	\$195	\$1,755
	c - furniture & décor allowance	1	32,000.00	\$32,000	15	8	\$2,133	\$14,931
	d - replace sound system & speakers	1	2,800.00	\$2,800	8	2	\$350	\$2,100
<b>2 - Office:</b>								
	a - replace carpet	22	48.00	\$1,056	15	6	\$70	\$630
	b - paint interior walls	580	0.72	\$418	14	5	\$30	\$270
	c - furniture & décor allowance	1	1,800.00	\$1,800	15	4	\$120	\$1,320
<b>3 - Kitchen &amp; Bar Area:</b>								
	a - replace floor tiles	190	10.25	\$1,948	20	11	\$97	\$873
	b - paint interior walls	400	0.72	\$288	14	5	\$21	\$189
	c - replace cabinets	30	650.00	\$19,500	20	11	\$975	\$8,775
	d - replace appliances	1	2,800.00	\$2,800	15	6	\$187	\$1,683
<b>4 - Fitness Room:</b>								
	a - replace carpet	79	48.00	\$3,792	15	6	\$253	\$2,277
	b - paint interior walls	1,200	0.72	\$864	14	5	\$62	\$558
	c - replace equipment & media	1	34,000.00	\$34,000	15	6	\$2,267	\$20,403
	d - furniture & décor allowance	1	2,200.00	\$2,200	15	6	\$147	\$1,323
<b>5 - Kids Play Room:</b>								
	a - replace carpet	34	48.00	\$1,632	15	6	\$109	\$981
	b - paint interior walls	980	0.72	\$706	14	5	\$50	\$450
	c - furniture & décor allowance	1	3,500.00	\$3,500	15	6	\$233	\$2,097
<b>6 - Restrooms:</b>								
	a - renovate women's restroom	1	38,000.00	\$38,000	30	20	\$1,267	\$12,670

# 2018 RESERVE ANALYSIS

## Homeowner's Association, Inc.

Reserve Category	Component Items	Quantity Units	Unit Cost \$	Replacement Cost \$	Normal Life	Remaining Life	Normal Annual Contribution	Current Reserve Requirement
D. Clubhc	b - renovate men's restroom	1	32,000.00	\$32,000	30	20	\$1,067	\$10,670
	<b>7 - Utility Room:</b>							
	a - replace floor tiles	100	10.25	\$1,025	20	11	\$51	\$459
	b - paint interior walls	320	0.72	\$230	14	5	\$16	\$144
	<b>8 - Other:</b>							
	a - replace interior lighting	88	125.00	\$11,000	20	11	\$550	\$4,950
	b - replace exterior lighting	11	250.00	\$2,750	15	2	\$183	\$2,379
	c - replace interior ceiling fans	6	275.00	\$1,650	15	6	\$110	\$990
	d - replace exterior ceiling fans	6	425.00	\$2,550	10	2	\$255	\$2,040
<b>D. Clubhouse Total</b>				<b>\$225,845</b>	<b>30</b>	<b>20</b>	<b>\$12,028</b>	<b>\$105,987</b>

# 2018 RESERVE ANALYSIS

## Homeowner's Association, Inc.

Reserve Category	Component Items	Quantity Units	Unit Cost \$	Replacement Cost \$	Normal Life	Remaining Life	Normal Annual Contribution	Current Reserve Requirement
<b>E. Pool &amp; Recreation Areas</b>								
<b>1 - Resurface Pool:</b>								
	a - resurface pool	3,700	6.50	\$24,050	12	2	\$2,004	\$20,040
	b - replace tiles	240	18.00	\$4,320	12	2	\$360	\$3,600
	c - replace paver coping	240	5.30	\$1,272	24	14	\$53	\$530
<b>2 - Pool Equipment:</b>								
	a - replace 5hp pump 12	1	3,700.00	\$3,700	10	4	\$370	\$2,220
	b - replace 1.5hp pump 07	1	950.00	\$950	8	1	\$119	\$833
	c - replace 10hp pump 17	1	4,700.00	\$4,700	20	19	\$235	\$235
	d - replace chemical feeders 17	2	550.00	\$1,100	8	7	\$138	\$138
	e - replace filter grids	65	38.00	\$2,470	12	2	\$206	\$2,060
	f - replace heaters	3	5,700.00	\$17,100	12	1	\$1,425	\$15,675
	g - replace equipment housing covers	2	4,500.00	\$9,000	20	10	\$450	\$4,500
<b>3 - Pool Furniture:</b>								
	a - replace pool furniture	1	10,675.00	\$10,675	15	2	\$712	\$9,256
<b>4 - Playground:</b>								
	a - replace playground equipment	1	26,000.00	\$26,000	20	5	\$1,300	\$19,500
<b>5 - Basketball Court:</b>								
	a - restore basketball court surface	1	5,600.00	\$5,600	15	1	\$373	\$5,222
	b - replace basketball backboards	4	3,500.00	\$14,000	20	10	\$700	\$7,000
	c - replace basketball goal post	4	1,800.00	\$7,200	30	20	\$240	\$2,400
	d - replace basketball court pole lights	4	3,200.00	\$12,800	30	20	\$427	\$4,270
<b>E. Pool &amp; Recreation Areas Total</b>				<b>\$144,937</b>	<b>30</b>	<b>20</b>	<b>\$9,112</b>	<b>\$97,479</b>

# 2018 RESERVE ANALYSIS

## Homeowner's Association, Inc.

Reserve Category	Component Items	Quantity Units	Unit Cost \$	Replacement Cost \$	Normal Life	Remaining Life	Normal Annual Contribution	Current Reserve Requirement
<b>F. Restore &amp; Replacements</b>								
<b>1 - Irrigation Pump Station:</b>								
	a - replace 7.5hp pump 06	3	4,300.00	\$12,900	15	1	\$860	\$12,040
	c - replace controller	1	2,800.00	\$2,800	20	10	\$140	\$1,400
	d - replace expansion tank	1	900.00	\$900	15	5	\$60	\$600
	e - electrical & plumbing upgrades	1	2,500.00	\$2,500	15	1	\$167	\$2,338
<b>2 - Air Conditioning Equipment:</b>								
	a - replace clubhouse 3 ton condenser 07	1	3,700.00	\$3,700	15	10	\$247	\$1,235
	b - replace clubhouse 3 ton condenser 07	1	3,700.00	\$3,700	15	10	\$247	\$1,235
	c - replace clubhouse 3 ton condenser 07	1	3,700.00	\$3,700	15	10	\$247	\$1,235
	d - replace clubhouse 3 ton air handler 07	1	1,600.00	\$1,600	30	20	\$53	\$530
	e - replace clubhouse 3 ton air handler 07	1	1,600.00	\$1,600	30	20	\$53	\$530
	f - replace clubhouse 3 ton air handler 07	1	1,600.00	\$1,600	30	20	\$53	\$530
<b>3 - Fences:</b>								
	a - replace split rail fencing	1,188	18.00	\$21,384	20	5	\$1,069	\$16,035
	b - replace pool area fencing	2,600	55.00	\$143,000	30	20	\$4,767	\$47,670
	c - replace playground fencing	750	55.00	\$41,250	30	20	\$1,375	\$13,750
	d - replace metal entry gates 07	50	275.00	\$13,750	20	10	\$688	\$6,880
	e - replace dumpster gate	1	675.00	\$675	20	10	\$34	\$340
<b>4 - Gates:</b>								

# 2018 RESERVE ANALYSIS

## Homeowner's Association, Inc.

Reserve Category	Component Items	Quantity Units	Unit Cost \$	Replacement Cost \$	Normal Life	Remaining Life	Normal Annual Contribution	Current Reserve Requirement
F. Restor	a - replace main entry gate motor	1	4,700.00	\$4,700	15	5	\$313	\$3,130
	b - replace main entry gate motor	1	4,700.00	\$4,700	15	5	\$313	\$3,130
	c - replace main entry gate motor	1	4,700.00	\$4,700	15	5	\$313	\$3,130
	<b>5 - Entry Feature</b>							
	a - entry feature renovation	1	30,000.00	\$30,000	30	20	\$1,000	\$10,000
	<b>6 - Gatehouse</b>							
	a - replace cameras	18	1,200.00	\$21,600	8	6	\$2,700	\$5,400
	b - replace gatehouse exterior lighting	3	375.00	\$1,125	15	1	\$75	\$1,050
	c - Gatehouse interiors NOT included - inaccessible	0	0.00	\$0	0	0	\$0	\$0
	<b>7 - Other:</b>							
	a - replace exterior benches	4	750.00	\$3,000	15	5	\$200	\$2,000
	b - replace exterior trash receptacles	3	750.00	\$2,250	15	5	\$150	\$1,500
<b>F. Restore &amp; Replacements Total</b>				<b>\$327,134</b>	<b>30</b>	<b>20</b>	<b>\$15,124</b>	<b>\$135,688</b>
<b>Grand Total</b>		<b>177,392</b>	<b>300,828.00</b>	<b>\$1,379,621</b>	<b>60</b>	<b>48</b>	<b>\$66,242</b>	<b>\$718,938</b>



# RESERVE FUNDING ANALYSIS

Homeowner's Association, Inc.

		1/31/18	CURRENT			FUND					
		FUND	RESERVE			OVERAGE					
		BALANCE	REQUIRE			(DEFICIT)					
		\$150,200	\$718,938			(\$568,738)			Minimum Fund Balance: \$10,000		
<u>Financial Year Runs January 1st to December 31st</u>											
POOL OF FUNDS											
		ACCOUNT			YEARLY	NORMAL			EQUALS		
YEAR	BALANCE	COMPONENT EXPENSE ITEMS BY YEAR			EXPENSE	PLUS	ANNUAL	PLUS	AMORTIZED	YEARLY	FUND
									DEFICIT	CONTRI-	ENDING
									BUTION	BALANCE	
2018		150,200			0	11 months remain	47,667		0	47,667	\$197,867
2019	1	197,867	a - general repairs / surveys / misc. a - paint clubhouse b - paint gatehouse a - paint pool area fences b - paint playground fences c - paint main entry gates a - paint basketball goal posts b - paint entry feature monument c - paint dumpster area walls b - replace 1.5hp pump 07 f - replace heaters a - restore basketball court surface a - replace 7.5hp pump 06 e - electrical & plumbing upgrades b - replace gatehouse exterior lighting			72,270		66,242	7,799	74,041	\$199,638
2020	2	199,638	d - replace sound system & speakers b - replace exterior lighting d - replace exterior ceiling fans a - resurface pool b - replace tiles e - replace filter grids a - replace pool furniture			49,615		66,242	7,799	74,041	\$224,064
2021	3	224,064	a - replace clubhouse roof b - replace gatehouse roof a - asphalt / milling clubhouse parking lot d - asphalt / milling community roads a - general repairs / surveys / misc.			288,104		66,242	7,798	74,040	\$10,000
2022	4	10,000	c - furniture & décor allowance a - replace 5hp pump 12			5,500		66,242	0	66,242	\$70,742

POOL OF FUNDS									EQUALS	
		ACCOUNT		YEARLY		NORMAL		AMORTIZED	YEARLY	FUND
	YEAR	BALANCE	COMPONENT EXPENSE ITEMS BY YEAR	EXPENSE	PLUS	ANNUAL	PLUS	DEFICIT	CONTRI-	ENDING
						CONTRIBUT			BUTION	BALANCE
2023	5	70,742	b - paint interior walls a - replace playground equipment d - replace expansion tank a - replace split rail fencing a - replace main entry gate motor b - replace main entry gate motor c - replace main entry gate motor a - replace exterior benches b - replace exterior trash receptacles	72,876		66,242		0	66,242	\$64,108
2024	6	64,108	a - general repairs / surveys / misc. a - replace carpet d - replace appliances c - replace equipment & media d - furniture & décor allowance c - furniture & décor allowance c - replace interior ceiling fans a - replace cameras	74,980		66,242		0	66,242	\$55,370
2025	7	55,370	d - replace chemical feeders 17	1,100		66,242		0	66,242	\$120,512
2026	8	120,512	a - paint clubhouse b - paint gatehouse a - paint basketball goal posts b - paint entry feature monument c - paint dumpster area walls c - furniture & décor allowance	38,327		66,242		0	66,242	\$148,427
2027	9	148,427	b - replace 1.5hp pump 07	950		66,242		0	66,242	\$213,719
2028	10	213,719	d - replace sound system & speakers g - replace equipment housing covers b - replace basketball backboards c - replace controller a - replace clubhouse 3 ton condenser 07 b - replace clubhouse 3 ton condenser 07 c - replace clubhouse 3 ton condenser 07 d - replace metal entry gates 07 e - replace dumpster gate	54,125		66,242		0	66,242	\$225,836
2029	11	225,836	a - general repairs / surveys / misc. a - replace floor tiles c - replace cabinets a - replace interior lighting	60,823		66,242		0	66,242	\$231,255
2030	12	231,255	b - asphalt / milling gatehouse parking lot c - asphalt / milling gatehouse area roads d - replace exterior ceiling fans	75,426		66,242		0	66,242	\$222,071

POOL OF FUNDS									EQUALS	
		ACCOUNT		YEARLY		NORMAL		AMORTIZED	YEARLY	FUND
	YEAR	BALANCE	COMPONENT EXPENSE ITEMS BY YEAR	EXPENSE	PLUS	ANNUAL	PLUS	DEFICIT	CONTRI-	ENDING
						CONTRIBUT			BUTION	BALANCE
2031	13	222,071	f - replace heaters	17,100		66,242		0	66,242	\$271,213
2032	14	271,213	a - replace clubhouse & pool area pavers a - resurface pool b - replace tiles c - replace paver coping a - replace 5hp pump 12 e - replace filter grids a - replace cameras	157,052		66,242		0	66,242	\$180,403
2033	15	180,403	a - paint clubhouse b - paint gatehouse a - paint pool area fences b - paint playground fences c - paint main entry gates a - paint basketball goal posts b - paint entry feature monument c - paint dumpster area walls d - replace chemical feeders 17	30,445		66,242		0	66,242	\$216,200
2034	16	216,200	a - general repairs / surveys / misc. a - restore basketball court surface a - replace 7.5hp pump 06 e - electrical & plumbing upgrades b - replace gatehouse exterior lighting	24,875		66,242		0	66,242	\$257,567
2035	17	257,567	b - replace exterior lighting b - replace 1.5hp pump 07 a - replace pool furniture	14,375		66,242		0	66,242	\$309,434
2036	18	309,434	a - replace clubhouse roof b - replace gatehouse roof a - general repairs / surveys / misc. d - replace sound system & speakers	63,866		66,242		0	66,242	\$311,810
2037	19	311,810	b - paint interior walls; c - furniture & décor allowance; c - replace 10hp pump 17	11,742		66,242		0	66,242	\$366,310

POOL OF FUNDS									EQUALS	
		ACCOUNT		YEARLY		NORMAL		AMORTIZED	YEARLY	FUND
	YEAR	BALANCE	COMPONENT EXPENSE ITEMS BY YEAR	EXPENSE	PLUS	ANNUAL	PLUS	DEFICIT	CONTRI-	ENDING
						CONTRIBUT			BUTION	BALANCE
2038	20	366,310	a - renovate women's restroom b - renovate men's restroom c - replace basketball goal post d - replace basketball court pole lights d - replace expansion tank d - replace clubhouse 3 ton air handler 07 e - replace clubhouse 3 ton air handler 07 f - replace clubhouse 3 ton air handler 07 b - replace pool area fencing c - replace playground fencing a - replace main entry gate motor b - replace main entry gate motor c - replace main entry gate motor a - entry feature renovation a - replace exterior benches b - replace exterior trash receptacles	329,300		66,242		0	66,242	\$103,252
END			TWENTY YEAR REPAIR / REPLACEMENT PROJECTIONS							

SAMPLE - Not for Re-distribution

**This section contains the photos  
of the components/assets taken  
during the site visit.**

SAMPLE - Not for Re-distribution

**This section contains the  
financials and the current/last  
year's budget provided by the  
SAMPLE association.**



## Definitions

**Baseline Funding:** Under the Reserve Funding Analysis (D pages) portion of the reserve study, this funding methodology establishes a funding goal within each reserve category or pooling of reserve funds above the zero dollar mark. For example, it will set a minimum fund balance ranging anywhere from \$2,500 to \$100,000 for your reserve account depending upon the size of your association. Whenever your fund balance in any given year falls below this amount, a dollar amount is added to the normal annual contribution to keep you above this minimum balance.

**Cash Flow Method:** A method of developing a reserve funding plan that establishes a contribution to the reserve fund which is then calculated to offset the annual expenditures/cost from the reserve fund balances. Sometimes a variety of reserve funding plans is tested against the schedule of anticipated reserve expenses until the desired funding level is attained.

**Component Full Funding:** Under the Reserve Funding Analysis (D pages) portion of the reserve study, this funding methodology establishes a funding goal of attaining and maintaining cumulative reserves at or near the 100% reserve requirement.

**Component Inventory:** Component/Asset inventories is a list of the qualified individual components to be included in the reserve study. This task should be developed through an on-site visual inspections, observations, and review of the association documents/contracts/invoices.

**Component Items:** The individual line item/fixed asset in the Reserve Analysis section (C pages) of the reserve study to be developed or updated in both the physical analysis and financial analysis portions of the reserve study. The individual components/assets (ie, pool resurfacing, pool equipment, pool furniture) make up the main reserve category (ie. Swimming Pools & Spa). Typically, reserve components are the association's responsibility and have limited useful lives plus predictable remaining useful life expectancies.

**Components Method:** This is an alternative reserve funding plan where the total contribution is based on the sum of all contributions for the individual components.

**Condition Assessment:** The task of evaluating each individual component's current condition based upon actual observation, reported characteristics, and historical data.

**Current Reserve Requirement:** The amount of money the association should have today or by year end in the reserve account to meet ALL current and future replacement and maintenance of assets/component items. For example, if the total replacement cost of a roof is \$100,000 for a 20 year roof, in the 5th year, the association would have a current reserve requirement of \$25,000. This is referred to as "100% funded" or "fully funded". This happens rarely and exists when the actual reserve fund balances equal the 100% funded reserve requirement. Actual reserve fund is the current dollar balance in the association's reserve account.

**Deficit:** A deficit is an actual or projected reserve balance which is less than the 100% reserve requirement. The opposite of a deficit is a surplus. Deficits are typically balanced over future years with the new calculated normal annual contribution, but in some cases additional amortized amounts do have to be added to the normal annual contribution in order to achieve a minimum funding balance.

**Effective Age:** Effective age is the difference between the normal life and useful remaining life. The effective age is not always equal to the actual age since some components age irregularly. The irregular age is caused by weather, type of product designed by the manufacturer, workmanship, etc.

**Financial Analysis / Reserve Funding Analysis:** This portion of the reserve study is where the current reserve funding balance is compared to the amount of funds needed and the recommended reserve contributions are established. In some cases, adjustments are made when the fund balance falls below the minimum fund balance (\$2,500 - \$100,000) and an amount is then added to the normal annual contribution to obtain the new recommended reserve contribution.

**Funding Plan:** The funding plan is an association's plan to provide future funds in order to meet anticipated future expenditures. Each plan must have sufficient funds on hand when each expenditure occurs.

**Minimum Fund Balance:** An amount used (\$2,500 to \$100,000), to maintain a minimum fund balance for the association's reserve account on an annual basis. This amount varies depending upon the size and quantity of

assets/components owned by the association. It will also depend upon whether or not the pool of funds method and or the restricted method is used by the association.

**Normal Annual Contribution:** This is calculated by taking the replacement cost of a component item and dividing it by the normal life of the component item/asset. This is the minimum amount that should be collected by the association on an annual basis for reserves to meet all future replacement/maintenance of long term component items/assets. Additional amounts can be added to the normal annual contribution when the association's fund balance falls below the minimum fund balance. In this case, a deficit amount is added to the normal annual contribution in order to ensure adequate funding is available to meet future expenses/costs.

**Normal Life:** This is calculated by using industry standards, manufacturer warranties and or the actual observed useful life pertaining to a specific association's location within a region. For example, the normal life expectancy of a 10 year warranted exterior paint might only be 7 years on a building located on the beach in south Florida.

**Physical Analysis / Reserve Analysis:** This is the first portion of the reserve study where the components are inventoried, quantified, life expectancies are estimated, replacement costs are established, normal annual contributions are calculated, and current 100% reserve requirements are established.

**Pool of Funds Method:** This reserve funding method uses a general pool of reserve dollars to fund all reserve categories which encompasses individual component items/assets. No reserve funds are restricted to certain categories or components. The reserve funds still remain restricted for reserve expenditures and cannot be used for operating expenses. The association pays for all replacements/maintenance of reserve assets from 1 large pool of funds.

**Remaining Life / Remaining Useful Life:** Remaining useful life represents the estimated years that a reserve component/asset can be expected to perform its intended functions before the replacement of that component item(s). The task of estimating the number of years is performed by the reserve specialist.

**Replacement Cost:** The cost of repairing or replacing a component to its full or original functional condition. The current replacement cost would be the estimated actual cost to complete the repair or replacement at the

current point in time the reserve study is being completed. Even though we reference the word “actual cost”, please keep in mind that the replacement cost is still an estimate and can change depending upon market conditions, upgrades, and or the vendor/contractor used by the association.

**Reserve Categories:** The main asset category(s) that are created by the association and or the reserve analyst to help develop and categorize the association’s component items/assets... ie. Roofing, Painting, Painting, etc.

**Reserve Study:** A reserve study contains two parts commonly referred to as the physical analysis and a financial analysis. The reserve study is a short and long term budgeting tool which identifies the current conditions of the assets against the current contribution and the current fund balance. The study establishes a financial plan to meet future anticipated major expenditures.

**Special Assessment:** A special assessment is an assessment levied on the association members in addition to the normal assessments. These types of assessments can occur either if the association does not have sufficient funds to pay for the replacement of major assets and or can be due to large future projects such as club house interior renovations. Special assessments should be avoided when possible, because it is normally met with disfavor among the association members.

**Surplus:** A surplus is an actual or projected reserve balance which is greater than the current 100% reserve requirement.

**Threshold Funding:** Under the financial/reserve funding analysis section, this funding methodology establishes a funding goal within each reserve category or pooling of reserve funds above a pre-selected dollar amount.

PRODUCT & MATERAIL  
PRICING ~ DESCRIPTIONS ~ LONGEVITY  
RESOURCE

Marshall Swift Publications, monthly pricing up dates,

“Marshall Valuation Service Manual” a national authoritative pricing guide for developing replacement cost, insurable values, equipment cost, depreciation, and normal useful lives on nearly every type of equipment or improved property.

Core Logic Marshall & Swift/Boeckh Commercial Valuation System,

“BVS - Commercial Software”. This on line software is a national authoritative pricing guide for developing replacement cost valuation of commercial and agricultural properties, quarterly updates.

\* Additional Resources include listing of local consulting contractors.