



April 28, 2015

Stratton Flats Master Association
Attn: Kristin Chalfant
The Pauls Corporation
270 Saint Paul St, Suite 300
Denver, CO 80206

Regarding: Completed Reserve Analysis (Stratton Flats Master Association #5587)

Dear Kristin:

Per your request, please find enclosed (1) color copy of the Reserve Study. Additionally, a compact disc has been provided for the association's files. We recommend that you view all photographs on the disc, which were taken during our property site observation.

While it has been our goal to provide you with a document that is both easy to read and understand, it is also our intention to provide a complete and accurate Report. In reviewing this final document, if you find any errors or omissions, please inform us immediately so we may revise the report. There were not any requested changes in the report from reviewing the first draft that was mailed out March 2, 2015. If any adjustments are required due to a change in the association's philosophies, this can be accomplished at our standard rate of \$150 per hour.

Now that you have received the Reserve Analysis, use it as a tool to assist you in establishing your budget, as well as an advanced warning for upcoming projects. This report should be reviewed at least once a year for obtaining proposals in advance of pending projects, and to make sure the Reserve funds are in line with projections. The outcome of this report should be conveyed with the property owners as to the status of the Reserve fund. The property owners should also know what the Board of Directors plans are to improve or maintain the Reserve fund.

Remember, just like any major line item in the budget, it is important to review the Reserve Fund status and contribution rate each year as the budget planning process begins. We look forward to working together in the future to assist the Board of Directors in planning their budgets.

Sincerely,

Eric Vogt, CMCA, AMS
Project Manager

Stratton Flats Master Association

Junes Drive and Sunny Ave

Gypsum, CO 81637



Level 1, Premium Reserve Analysis

Report Period – 1/01/2015-12/31/2015



Client Reference Number - 9092

Property Type –Single Family Development

Number of Units – N/A

Fiscal Year End – December 31

Final
Version

Date of Property Observation –January 9, 2015

Project Manager - Eric Vogt, CMCA, AMS

Main Contact Person - Ms. Kristin Chalfant, Developer Representative

Report was prepared on - Friday, April 24, 2015

P.O. Box 1762 • Castle Rock, CO 80104 • Phone (303) 790-7572 • Fax (303) 688-3083
www.aspenrs.com

Table of Contents

SECTION 1:

Introduction to Reserve Analysis	page 1
General Information and Answers to FAQ's	page 2-3
Summary of Reserve Analysis	page 4

SECTION 2:

Physical Analysis (Photographic)	page 1-13
---	-----------

SECTION 3:

Financial Analysis	
a) Funding Summary	page 1
b) Percent Funded – Graph	page 2
c) Asset Inventory List	page 3
d) Significant Components Table.....	page 4
e) Significant Components – Graph	page 5
f) Yearly Summary Table	page 6
g) Yearly Contributions – Graph	page 7
h) Component Funding Information	page 8
i) Yearly Cash Flow Table	page 9
j) Projected Expenditures Year by Year – Graph	page 10
k) Projected Expenditures Year by Year	page 11

SECTION 4:

Glossary of Terms and Definitions	page 1-2
--	----------

Introduction to the Reserve Analysis –

The elected officials of this association made a wise decision to invest in a Reserve Analysis to get a better understanding of the status of the Reserve funds. This Analysis will be a valuable tool to assist the Board of Directors in making the decision to which the dues are derived. Typically, the Reserve contribution makes up 15% - 40% of the association's total budget. Therefore, Reserves is considered to be a significant part of the overall monthly association payment.

Every association conducts its business within a budget. There are typically two main parts to this budget, Operating and Reserves. The Operating budget includes all expenses that are fixed on an annual basis. These would include management fees, maintenance fees, utilities, etc. The Reserves is primarily made up of Capital Replacement items such as asphalt, roofing, fencing, mechanical equipment, etc., that do not normally occur on an annual basis.

The Reserve Analysis is also broken down into two different parts, the Physical Analysis and the Financial Analysis. The Physical Analysis is information regarding the physical status and replacement cost of major common area components that the association is responsible to maintain. It is important to understand that while the Component Inventory will remain relatively "stable" from year to year, the Condition Assessment and Life/Valuation Estimates will most likely vary from year to year. You can find this information in the **Asset Inventory Section** (Section 2) of this Reserve Analysis. The **Financial Analysis Section** is the evaluation of the association's Reserve balance, income, and expenses. This is made up of a finding of the clients current Reserve Fund Status (measured as Percent Funded) and a recommendation for an appropriate Reserve Allocation rate (also known as the Funding Plan). You can find this information in Section 3 (pages 1 – 13) of this Reserve Analysis.

The purpose of this Reserve Analysis is to provide an educated estimate as to what the Reserve Allocation needs to be. The detailed schedules will serve as an advanced warning that major projects will need to be addressed in the future. This will allow the Board of Directors to have ample timing to obtain competitive estimates and bids that will result in cost savings to the individual homeowners. This will also ensure the physical well being of the property and ultimately enhance each owner's investment, while limiting the possibility of unexpected major projects that may lead to Special Assessments.

It is important for the client, homeowners, and potential future homeowners to understand that the information contained in this analysis is based on estimates and assumptions gathered from various sources. Estimated life expectancies and cycles are based upon conditions that were readily visible and accessible at time of the observation. No destructive or intrusive methods (such as entering the walls to inspect the condition of electrical wiring, plumbing lines, and telephone wires) were performed. In addition, environmental hazards (such as lead paint, asbestos, radon, etc.), construction defects, and acts of nature have not been investigated in the preparation of this report. If problem areas were revealed, a reasonable effort has been made to include these items within the report. While every effort has been made to ensure accurate results, this report reflects the judgment of Aspen Reserve Specialties and should not be construed as a guarantee or assurance of predicting future events.

General Information and Answers to Frequently Asked Questions –

Why is it important to perform a Reserve Study?

As previously mentioned, the Reserve allocation makes up a significant portion of the total monthly dues. This report provides the essential information that is needed to guide the Board of Directors in establishing the budget in order to run the daily operations of your association. It is suggested that a third party professionally prepare a Reserve Study since there is no vested interest in the property. Also, a professional knows what to look for and how to properly develop an accurate and reliable component list.

Now that we have “it”, what do we do with “it”?

Hopefully, you will not look at this report and think it is too cumbersome to understand. Our intention is to make this Reserve Analysis very easy to read and understand. Please take the time to review it carefully and make sure the “main ingredients” (asset information) are complete and accurate. If there are any inaccuracies, please inform us immediately so we may revise the report.

Once you feel the report is an accurate tool to work from, use it to help establish your budget for the upcoming fiscal year. The Reserve allocation makes up a significant portion of the total monthly dues and this report should help you determine the correct amount of money to go into the Reserve fund. Additionally, the Reserve Study should act as a guide to obtain proposals in advance of pending normal maintenance and replacement projects. This will give you an opportunity to shop around for the best price available.

The Reserve Study should be readily available for Real Estate agents, brokerage firms, and lending institutions for potential future homeowners. As the importance of Reserves becomes more of a household term, people are requesting homeowners associations to reveal the strength of the Reserve fund prior to purchasing a condominium or townhome.

How often do we update or review “it”?

Unfortunately, there is a misconception that these reports are good for an extended period of time since the report has projections for the next 30 years. Just like any major line item in the budget, the Reserve Analysis should be reviewed *each year before* the budget is established. Invariably, some assumptions have to be made during the compilation of this analysis. Anticipated events may not materialize and unpredictable circumstances could occur. Aging rates and repair/replacement costs will vary from causes that are unforeseen. Earned interest rates may vary from year to year. These variations could alter the content of the Reserve Analysis. Therefore, this analysis should be reviewed annually, and a property observation should be conducted at least once every three years.

Is it the law to have a Reserve Study conducted?

The Government requires reserve analyses in approximately 20 states. The State of Colorado currently requires all associations to adopt a Reserve policy, but does not currently enforce a Reserve Study is completed. Despite enacting this current law, the chances are also very good the documents of the association require the association to have a Reserve fund established. This may not mean a Reserve Analysis is required, but how are you going to know there are enough funds in the account if you don't have the proper information? Hypothetically, some associations look at the Reserve fund and think \$50,000 is a lot of money and they are in good shape. What they don't know is the roof will 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 makes an asset a “Reserve” item versus an “Operating” item?

A “Reserve” asset is an item that is the responsibility of the association to maintain, has a limited Useful Life, predictable Remaining Useful Life expectancies, typically occurs on a cyclical basis that exceeds 1 year, and costs above a minimum threshold cost. An “operating” expense is typically a fixed expense that occurs on an annual basis. For instance, minor repairs to a roof for damage caused by high winds or other weather elements would be considered an “operating” expense. However, if the entire roof needs to be replaced because it has reached the end of its life expectancy, then the replacement would be considered a Reserve expense.

The GREY area of “maintenance” items that are often seen in a Reserve Study –

One of the most popular questions revolves around major “maintenance” items, such as painting the buildings or seal coating the asphalt. You may hear from your accountant that since painting or seal coating is not replacing a “capital” item, then it cannot be considered a Reserve issue. However, it is the opinion of several major Reserve Study providers that these items are considered to be major expenses that occur on a cyclical basis. Therefore, it makes it very difficult to ignore a major expense that meets the criteria to be considered a Reserve component. Once explained in this context, many accountants tend to agree and will include any expenses, such as these examples, as a Reserve component.

The Property Observation –

The Property Observation was conducted following a review of the documents that were established by the developer identifying all common area assets. In some cases, the Board of Directors at some point may have revised the documents. In either case, the most current set of documents was reviewed prior to inspecting the property. In addition, common area assets may have been reported to Aspen Reserve Specialties by the client, or by other parties.

Estimated life expectancies and life cycles are based upon conditions that were readily accessible and visible at the time of the observation. We did not destroy any landscape work, building walls, or perform any methods of intrusive investigation during the observation. In these cases, information may have been obtained by contacting the contractor or vendor that has worked on the property.

The Reserve Fund Analysis –

We projected the starting balance from taking the most recent balance statement, adding expected Reserve contributions for the rest of the year, and subtracting any pending projects for the rest of the year. We compared this number to the ideal Reserve Balance and arrived at the Percent funded level. Measures of strength are as follows:

0% - 30% Funded – Is considered to be a “weak” financial position. Associations that fall into this category are subject to Special Assessments and deferred maintenance, which could lead to lower property values. If the association is in this position, actions should be taken to improve the financial strength of the Reserve Fund.

31% - 69% Funded – The majority of associations are considered to be in this “fair” financial position. While this doesn’t represent financial strength and stability, the likelihood of Special Assessments and deferred maintenance is diminished. Effort should be taken to continue strengthening the financial position of the Reserve fund.

70% - 99% Funded – This indicates financial strength of a Reserve fund and every attempt to maintain this level should be a goal of the association.

100% Funded – This is the ideal amount of Reserve funding. This means that the association has the exact amount of funds in the Reserve account that should be at any given time.

Summary of Stratton Flats Master Association - Association ID # - 09092

Projected Starting Balance as of January 1, 2015 –	\$0
Ideal Reserve Balance as of January 1, 2015 –	\$101,121
Percent Funded as of January 1, 2015 –	0%
Current Monthly Reserve Allocation –	\$0
Recommended Monthly Reserve Allocation –	\$2,600
Minimum Monthly Reserve Allocation –	\$2,460
Recommended Special Assessments -	\$0

Information to complete this Reserve Analysis was gathered during a property observation of the common area elements on January 19, 2015. In addition, we obtained information by contacting local vendors and contractors, as well as communicating with property representatives (board member/manager). To the best of our knowledge, the conclusions and suggestions of this report are considered reliable and accurate insofar as the information obtained from these sources.

This property is a master association that is currently planned to be comprised of a townhome community, a condominium community and single family homes. It currently contains 44 single family homes and 16 townhomes with an additional 6 townhomes under construction with occupancy planned for 2015. Construction originally began in 2007 with the initial developer going under shortly after construction began. Initial construction included several roadways, and associated infrastructure, about half of the currently constructed single family homes and some townhomes. Development of the property began again in 2013 with new single family homes and townhomes constructed. It appears that average to above average quality products were used at time of construction. Association maintenance responsibilities include an extensive irrigation system that includes a pond, the single family home front yards and streets, walkways common area landscaping not included in the townhome and condominium properties. Since the property is still relatively new, there have not been any Reserve projects completed. Please refer to the Projected Reserve Expenditures portion of the Financial Analysis section for a list of when components are supposed to be addressed.

In reviewing the 2014 budget and financial statements, it does not appear that any money has been budgeted or set aside in a separate reserve account. Therefore, the association's reserve account is at 0% of the ideal fully funded balance. As a result of the information contained in this report, we find it necessary to recommend establishing a periodic reserve fund transfer (ideally monthly) effective immediately. As you will see on page one of the Financial Analysis, we recommend establishing a reserve contribution of \$2,600 per month (currently represents an average increase of \$39.39/month to current units), followed by nominal annual increases of 4.50% thereafter to help offset the effects of inflation. It should be noted that the pro rata share of each unit owner will decrease with every unit that is built. By following the recommendation, the plan will maintain the reserve account in a positive manner, while gradually increasing to a fully funded position within the thirty-year period.

In the percent Funded graph, you will see we have also provided a "Minimum Reserve Contribution" of \$2,460 per month. If the reserve contribution falls below this rate, then the reserve fund will fall into a situation where additional Special Assessments, deferred maintenance, and lower property values are possible at some point in the future. The minimum Reserve allocation follows the "Threshold Theory" of reserve funding where the percent funded status is not allowed to dip below 30% funded at any point during the thirty-year period.

This was provided for one purpose only, to show the association how small the difference is between the two scenarios and how it would not make financial sense to contribute less money (approximately \$2.12 per unit per month in this case) to the reserve fund to only stay above a certain threshold. As you can see, the difference between the two scenarios is considered to be minimal, and based on the risk, we strongly suggest the Recommended Monthly Reserve Allocation is followed.

Comp #: 401 Asphalt - Major Overlay



Observations:

- The drive asphalt appeared to be in good to fair condition, at time of observation, with nothing significant worth noting. As asphalt ages, oxidation occurs, cracking begins and leads to spalling, potholes, and sinking/rising.
- With proper maintenance, including, but not limited to, annual crack sealing and regularly scheduled surface applications like seal coating, slurry sealing and patching, these surfaces will last for some time.
- Please use the funds from 402 to help fund for the milling and overlay outlined in this component.

Location: **Throughout Property**

General Notes:

Quantity: **Approx. 99,260 GSF**

Life Expectancy: **24 Remaining Life: 17**

Best Cost: **\$209,140**

\$1.75/GSF; Estimate for milling and 2" overlay

Worst Cost: **\$239,020**

\$2.00/GSF; Higher estimate for more repairs

Source of Information: Cost Database

Asphalt Drive Surfaces -
Sunny Avenue - approx. 27,385 GSF
Stratton Circle - approx. 28,505 GSF
Falcon Lane - approx. 11,905 GSF
Nighthawk Way - approx. 10,680 GSF
Nighthawk Circle - approx. 20,785 GSF

Comp #: 402 Asphalt - Surface Application



Observations:

- The asphalt surfaces appeared to be in fair to good condition at time of observation with oxidation and cracks noted.
- Typically, in this region, with reported traffic patterns and snow removal techniques, asphalt surfaces need to have regular surface preparation to ensure the longest possible useful life. This can range from seal coats to IR patching.
- The cost and frequency of application will need to be adjusted in updates to match existing conditions.

Location: **Throughout Property**

Quantity: **Approx. 99,260 GSF**

Life Expectancy: **6** **Remaining Life:** **5**

Best Cost: **\$17,865**

\$0.18/GSF; Estimate for surface treatment

Worst Cost: **\$21,835**

\$0.22/GSF; Higher estimate for some repairs

Source of Information: Cost Database

General Notes:

Asphalt Drive Surfaces -
Sunny Avenue - approx. 27,385 GSF
Stratton Circle - approx. 28,505 GSF
Falcon Lane - approx. 11,905 GSF
Nighthawk Way - approx. 10,680 GSF
Nighthawk Circle - approx. 20,785 GSF

Comp #: 403 Drive Concrete - Repair/Replace



Observations:

- The concrete drive surfaces appeared to be in fair to good condition at time of observation with minimal cracking, spalling or other forms of advanced deterioration note during observation.
- Due to different rates of deterioration based on location and traffic patterns, it's difficult to predict when, where and to what degree the concrete will need replacement. We recommend an allowance be provided to make repairs.
- Updates will need to adjust the quantity and frequency of repair to match existing conditions.

Location: **Throughout Property**

General Notes:

Quantity: **Approx. 23,080 GSF**

- Concrete Drive Surfaces -**
- Curb & Gutter -**
- Sunny Avenue - approx. 6,515 GSF**
- Stratton Circle - approx. 4,070 GSF**
- Falcon Lane - approx. 1,990 GSF**
- Nighthawk Way - approx. 1,780 GSF**
- Nighthawk Circle - approx. 6,805 GSF**
- Drain Pans -**
- Sunny Avenue - approx. 1,920 GSF**

Life Expectancy: **6** **Remaining Life:** **5**

Best Cost: **\$11,540**

Allowance to remove and replace 5% of area

Worst Cost: **\$13,850**

Higher allowance for more repairs

Source of Information: Cost Database

Comp #: 601 Walk Concrete - Repair



Observations:

- During observation, the walk concrete appeared to be in good to fair condition with minimal deterioration noted.
- As with drive concrete, it's difficult to predict failure in concrete surfaces. As such, we recommend that an allowance be provided to repair or replace a portion of the walk concrete periodically.
- As the concrete ages, deterioration will accelerate and the quantity and frequency of these repairs will need to be adjusted to align with current conditions. This work should be scheduled with other concrete work for best cost.

Location: **Throughout Property**

General Notes:

Quantity: **Approx. 34,745 GSF**

Concrete Walk Surfaces -
Sunny Avenue* - approx. 16,280 GSF
Stratton Circle - approx. 7,405 GSF**
Falcon Lane - approx. 4,960 GSF**
Nighthawk Circle - approx. 1,010 GSF
Detention Pond - approx. 5,090 GSF

* - Large portions don't receive snow removal.
 ** - Some of this concrete is newly poured.

Life Expectancy: **6** Remaining Life: **5**

Best Cost: **\$13,920**

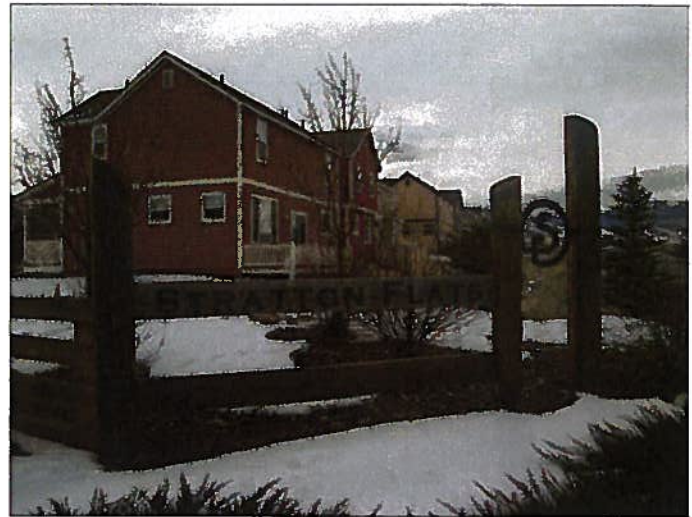
Allowance to remove/replace or repair 5% of area

Worst Cost: **\$17,400**

Higher allowance for more repairs

Source of Information: Cost Database

Comp #: 801 Monument - Rebuild



Observations:

- The monuments appeared to be in good condition with no exposed metal surfaces, or rotting, noted during observation.
- It is recommended that funding is provided to replace monuments periodically to enhance curb appeal and improve branding of the community. The current funding level is to make slight improvements to the existing asset. Funding should be adjusted based on the desires of the

Location: Sunny Avenue & Jules Drive

Quantity: (2) Monuments

Life Expectancy: 20 **Remaining Life:** 13

Best Cost: \$1,500

Estimate to replace monuments with similar

Worst Cost: \$3,000

Higher estimate for upgraded monument

Source of Information: Cost Database

General Notes:

Entry Monuments -
Vertically driven "telephone poles"; tops cut on bias.
Landscaping timbers to provide depth and massing.
Rough hewn timbers for fencing.
7" tall lettering for Stratton Flats
18" diameter brand with association logo.

Comp #: 1001 Wood Fencing - Replace



Observations:

- The fencing appeared to be in good condition at time of observation.
- At this point, the declaration is silent to the maintenance responsibilities of these assets. As such, we are considering them to be part of the single family sites and the responsibility of the owner.
- It is recommended that the maintenance responsibility is specifically addressed by the declarant, during the declarant control period, or by the board, through resolution.

Location: **Single Family Home Backyards**

General Notes:

Quantity: **Extensive**

Life Expectancy: **N/A** **Remaining Life:**

Best Cost: **\$0**

Worst Cost: **\$0**

Source of Information:

Comp #: 1003 Chain Link Fencing - Replace



Observations:

- The security fence surrounding the irrigation pond was not observed during site visit.
- It is recommended that funding be provided to replace this fence when the irrigation pond is replaced. Repairs to the fence should be made as needed with operating funds.

Location: Irrigation Pond

Quantity: Approx. 615 LF

Life Expectancy: 50 Remaining Life: 43

Best Cost: \$21,525
\$35/LF; Estimate to replace with similar

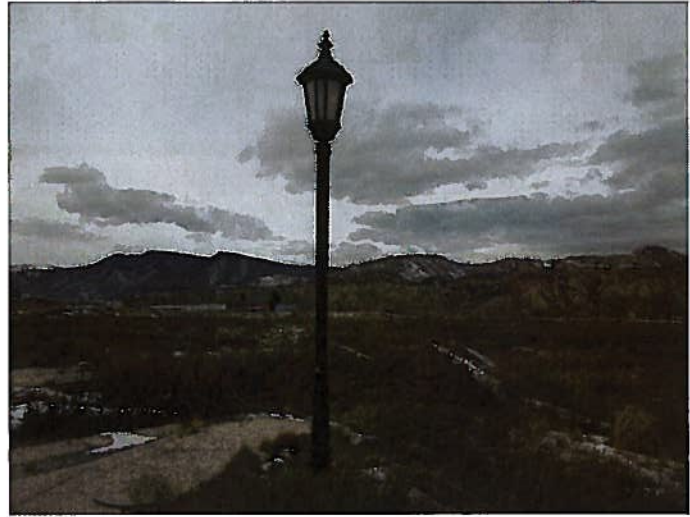
Worst Cost: \$24,600
\$40/LF: Higher estimate for groundwork

Source of Information: Cost Database

General Notes:

**Security Fence -
6' chain link fence
(2) - 6' gates to allow vehicular access**

Comp #: 1609 Street Lights - Replace



Observations:

- The lights appeared to be in good condition during observation with no issues noted. It was reported that all lights are functioning properly as lights weren't observed during dark hours.
- Though the streetlights have been numbered for town management, it was reported that the town has not accepted responsibility for the lights. As such, funding should be provided to replace all lights in the future.
- If new, town acceptable, lighting is installed in future phases, these lights should be replaced and funding changed.

Location: **Throughout Property**

General Notes:

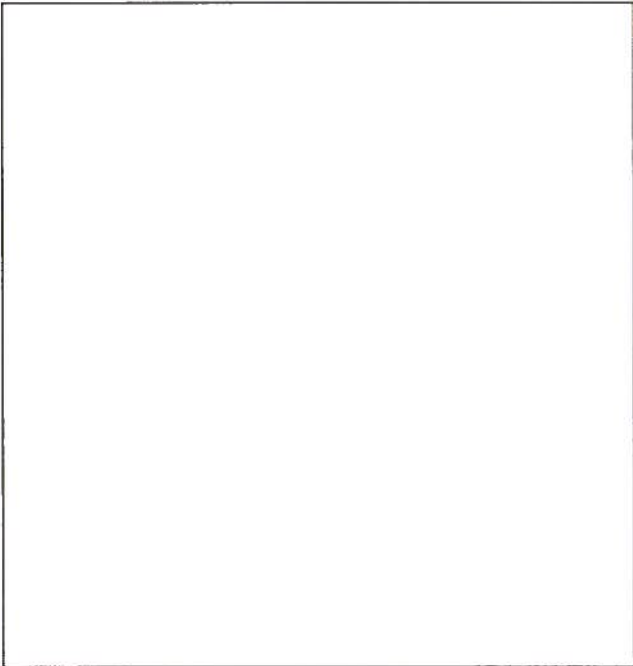
Quantity: **(12) Streetlights**

Life Expectancy: **25** **Remaining Life:** **18**

Best Cost: **\$6,000**
\$500/light; estimate to replace with similar

Worst Cost: **\$6,600**
\$550/light; higher est. for better quality

Source of Information: Cost Database



Comp #: 1701 Irrigation System - Rebuild



Observations:

- The irrigation system was not observed due to time of year when property was visited.
- It was reported that the irrigation system installed by the original developer has significant issues that need to be addressed. However, these issues are being addressed and the new developer is installing a quality product.
- It is recommended that funds are provided to perform major repairs to the originally installed system until the current issues are remedied. After that, funding is necessary to make repairs to an aging, and deteriorating, system.

Location: **Throughout Property**

General Notes:

Quantity: **Extensive**

**Irrigation System -
All common areas throughout property.
Front yards of single family homes.**

Life Expectancy: **10** **Remaining Life:** **2**

Best Cost: **\$10,000**

Estimate for major repairs and renovating system

Worst Cost: **\$11,000**

Higher estimate for more labor or repairs

Source of Information: Research with contractor

Comp #: 1703 Irrigation Controllers - Replace



Observations:

- The irrigation controllers appeared to be in good condition at time of observation with no current problems noted or reported. Controllers weren't observed in operation due to time of year during site observation.
- It was reported that the first controller installed was improperly grounded and burnt through 2 controllers shortly after installation. This problem was fixed and the controller should have an average useful life of 10 years.
- Updates will need to address when new controllers are installed and adjust replacement cycles.

Location: **See Notes**

General Notes:

Quantity: **(2) Controllers**

Life Expectancy: Remaining Life: **2**

Best Cost: **\$500**

Estimate to replace with a similar controller

Worst Cost: **\$2,000**

Higher estimate for ET controller

Source of Information: Research with contractor

**Irrigation Controllers -
 SW corner of Sunny and Stratton -
 (1) Hunter Controller
 S side of undeveloped portion of Nighthawk Cir
 (1) Hunter Controller**

Comp #: 1704 Irrigation Pond - Replace Liner



Observations:

- It was reported that a covered liner was installed. However, observations showed an exposed liner surrounding all shores. This is typical in that covered liners are seldom maintained properly, drastically reducing the life of the liner.
- Proper maintenance includes, among other things, ensuring this liner is always covered with 12" of earth to prevent UV degradation. The useful life of approx. 50 years could be reduced to 30 - 35 years if not maintained.
- It is recommended that a UV resistant liner is installed to reduce ongoing maintenance costs.

Location: North Edge of Property

Quantity: (1) Irrigation Pond

Life Expectancy: 35 Remaining Life: 28

Best Cost: \$48,000

Estimate to completely remove/replace liner

Worst Cost: \$60,000

Higher estimate to perform repairs to substrate

Source of Information: Research with contractor

General Notes:

Irrigation Pond -
Surface Area - approx. 12,000 GSF
Perimeter - approx. 500 LF
Depth - approx. 12 LF

Estimated Liner Size - approx. 24,000 GSF

Perimeter Fence* -
Length - approx. 615 LF
Gates - (2) 6' wide gates to allow vehicular access.

Comp #: 1705 Irrigation Pumps - Replace



Observations:

- The pumps were not observed in operation during site visit due to time of year.
- It was reported that only 2 of the 3 pumps are operable at this point. However, it was reported that the current irrigation system functions normally with only one pump needed to provide adequate pressure and volume.
- As the system is designed to operate with 3 pumps, it is recommended that 1 pump is replaced every 3 years. This provides for pump replacement every 9 and staggers their replacement to allow for regular replacement.

Location: **Irrigation Pond**

General Notes:

Quantity: **(3) Pumps**

**Irrigation Pumps -
(3) - 15-20 HP pumps**

Life Expectancy: **3** **Remaining Life:** **0**

Best Cost: **\$2,500**

NOTE: (1) of the pumps is inoperable

Estimate to replace (1) pump every 3 years

Worst Cost: **\$3,000**

Higher estimate for more repairs/upgrades

Source of Information: Research with contractor

Comp #: 1801 Groundcover/Plantings - Replenish



Observations:

- The landscaping currently installed throughout the property is new and appears to be taking. All observed landscaping was seen while dormant, but no problems were reported.
- It is recommended that funding be provided to replace dead/dying, or make improvements to, landscaping periodically to ensure a good curb appeal and take advantage of more drought tolerant species as time passes.
- Funding levels and frequency can be adjusted based on the desires of the association.

Location: **Throughout Property**

General Notes:

Quantity: **Extensive**

Landscaping -
Native and drought tolerant species.
Turf areas with pockets of groundcover and bushes.
All common areas throughout property.
Front yards of single family homes.

Life Expectancy: **10** **Remaining Life:** **10**

Best Cost: **\$5,000**

Allowance to replace/improve landscaping

Worst Cost: **\$6,000**

Higher allowance for more replacement/improvement

Source of Information: Cost Database

Funding Summary For Stratton Flats Master Association

Beginning Assumptions

Financial Information Source	Research With Client
# of units	66
Fiscal Year End	December 31, 2015
Monthly Dues from 2014 budget	\$4,320.00
Monthly Reserve Allocation from 2015 Budget	\$0.00
Projected Starting Reserve Balance (as of 1/1/2015)	\$0
Reserve Balance: Average Per Unit	\$0
Ideal Starting Reserve Balance (as of 1/1/2015)	\$101,121
Ideal Reserve Balance: Average Per Unit	\$1,532

Economic Factors

Past 20 year Average Inflation Rate (Based on CCI)	4.50%
Current Average Interest Rate	1.00%

Current Reserve Status

Current Balance as a % of Ideal Balance	0%
---	----

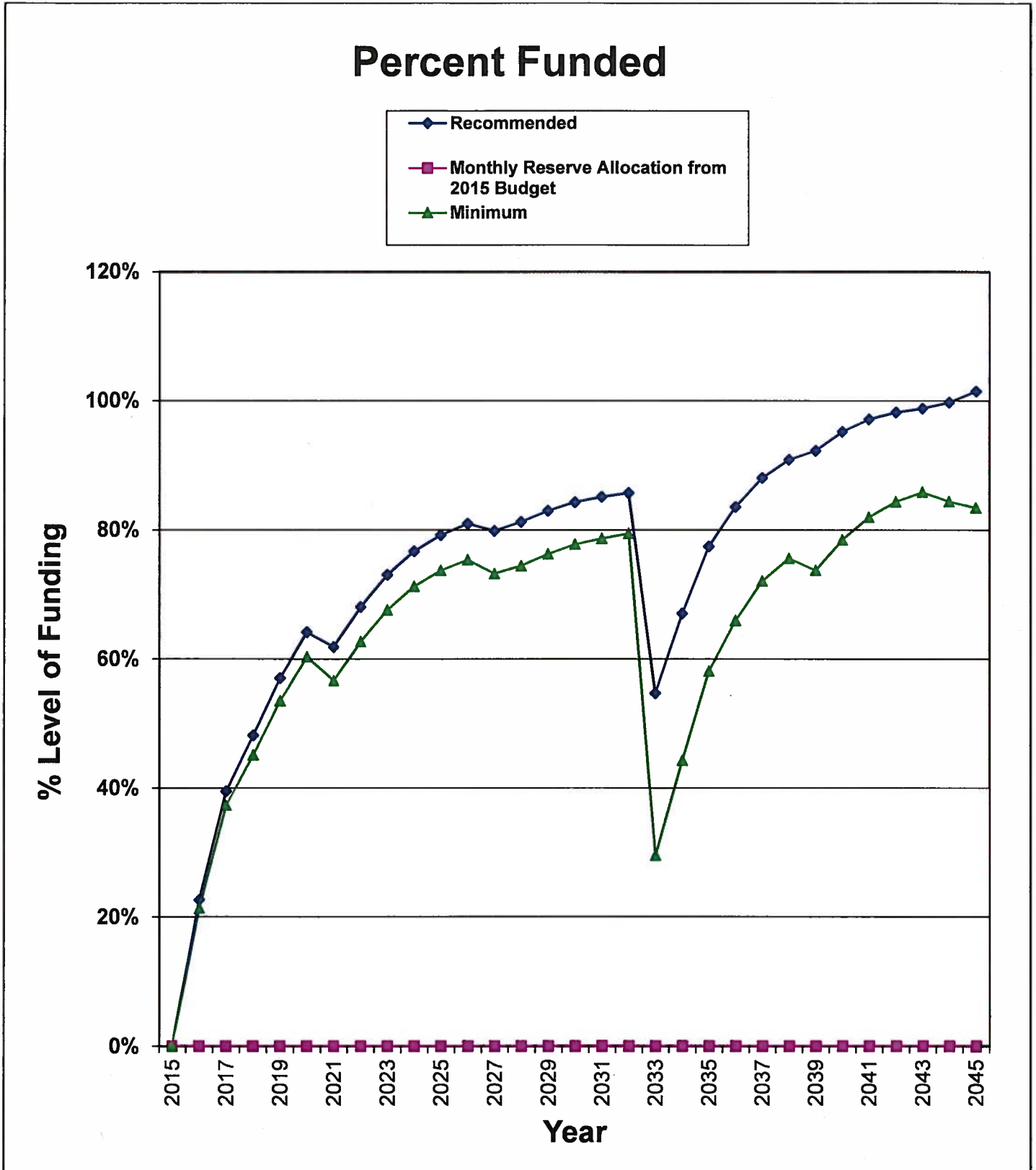
Recommendations for 2015 Fiscal Year

Monthly Reserve Allocation	\$2,600
Per Unit	\$39.39
Minimum Monthly Reserve Allocation	\$2,460
Per Unit	\$37.27
Primary Annual Increases	4.50%
# of Years	30
Special Assessment	\$0
Per Unit	\$0

Changes From Prior Year (2014 to 2015)

Increase/Decrease to Reserve Allocation	\$2,600
as Percentage	0%
Average Per Unit	\$39.39

Percent Funded Graph For Stratton Flats Master Association



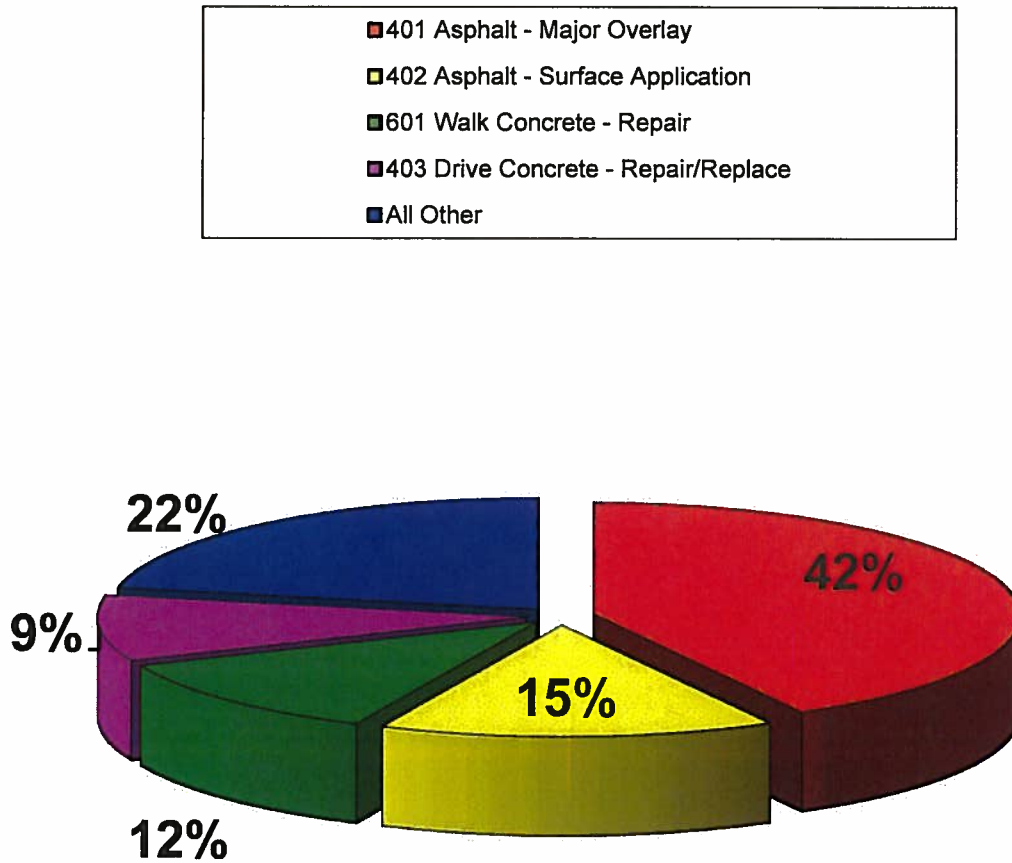
Component Inventory for Stratton Flats Master Association

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Drive Materials	401	Asphalt - Major Overlay	24	17	\$209,140	\$239,020
	402	Asphalt - Surface Application	6	5	\$17,865	\$21,835
	403	Drive Concrete - Repair/Replace	6	5	\$11,540	\$13,850
Decking	601	Walk Concrete - Repair	6	5	\$13,920	\$17,400
Prop. Identification	801	Monument - Rebuild	20	13	\$1,500	\$3,000
Fencing/Walls	1001	Wood Fencing - Replace	N/A		\$0	\$0
	1003	Chain Link Fencing - Replace	50	43	\$21,525	\$24,600
Light Fixtures	1609	Street Lights - Replace	25	18	\$6,000	\$6,600
Irrig. System	1701	Irrigation System - Rebuild	10	2	\$10,000	\$11,000
	1703	Irrigation Controllers - Replace		2	\$500	\$2,000
	1704	Irrigation Pond - Replace Liner	35	28	\$48,000	\$60,000
	1705	Irrigation Pumps - Replace	3	0	\$2,500	\$3,000
Landscaping	1801	Groundcover/Plantings - Replenish	10	10	\$5,000	\$6,000

Significant Components For Stratton Flats Master Association

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
401	Asphalt - Major Overlay	24	17	\$224,080	\$9,337	41.9510%
402	Asphalt - Surface Application	6	5	\$19,850	\$3,308	14.8648%
403	Drive Concrete - Repair/Replace	6	5	\$12,695	\$2,116	9.5068%
601	Walk Concrete - Repair	6	5	\$15,660	\$2,610	11.7271%
801	Monument - Rebuild	20	13	\$2,250	\$113	0.5055%
1003	Chain Link Fencing - Replace	50	43	\$23,063	\$461	2.0725%
1609	Street Lights - Replace	25	18	\$6,300	\$252	1.1323%
1701	Irrigation System - Rebuild	10	2	\$10,500	\$1,050	4.7178%
1704	Irrigation Pond - Replace Liner	35	28	\$54,000	\$1,543	6.9323%
1705	Irrigation Pumps - Replace	3	0	\$2,750	\$917	4.1187%
1801	Groundcover/Plantings - Replenish	10	10	\$5,500	\$550	2.4712%

Significant Components Graph For Stratton Flats Master Association



Asset ID	Asset Name	UL	RUL	Average Curr. Cost	Significance: (Curr Cost/UL)	
					As \$	As %
401	Asphalt - Major Overlay	24	17	\$224,080	\$9,337	42%
402	Asphalt - Surface Application	6	5	\$19,850	\$3,308	15%
601	Walk Concrete - Repair	6	5	\$15,660	\$2,610	12%
403	Drive Concrete - Repair/Replace	6	5	\$12,695	\$2,116	10%
All Other	See Expanded Table on Page 4 For Additional Breakdown				\$4,885	22%

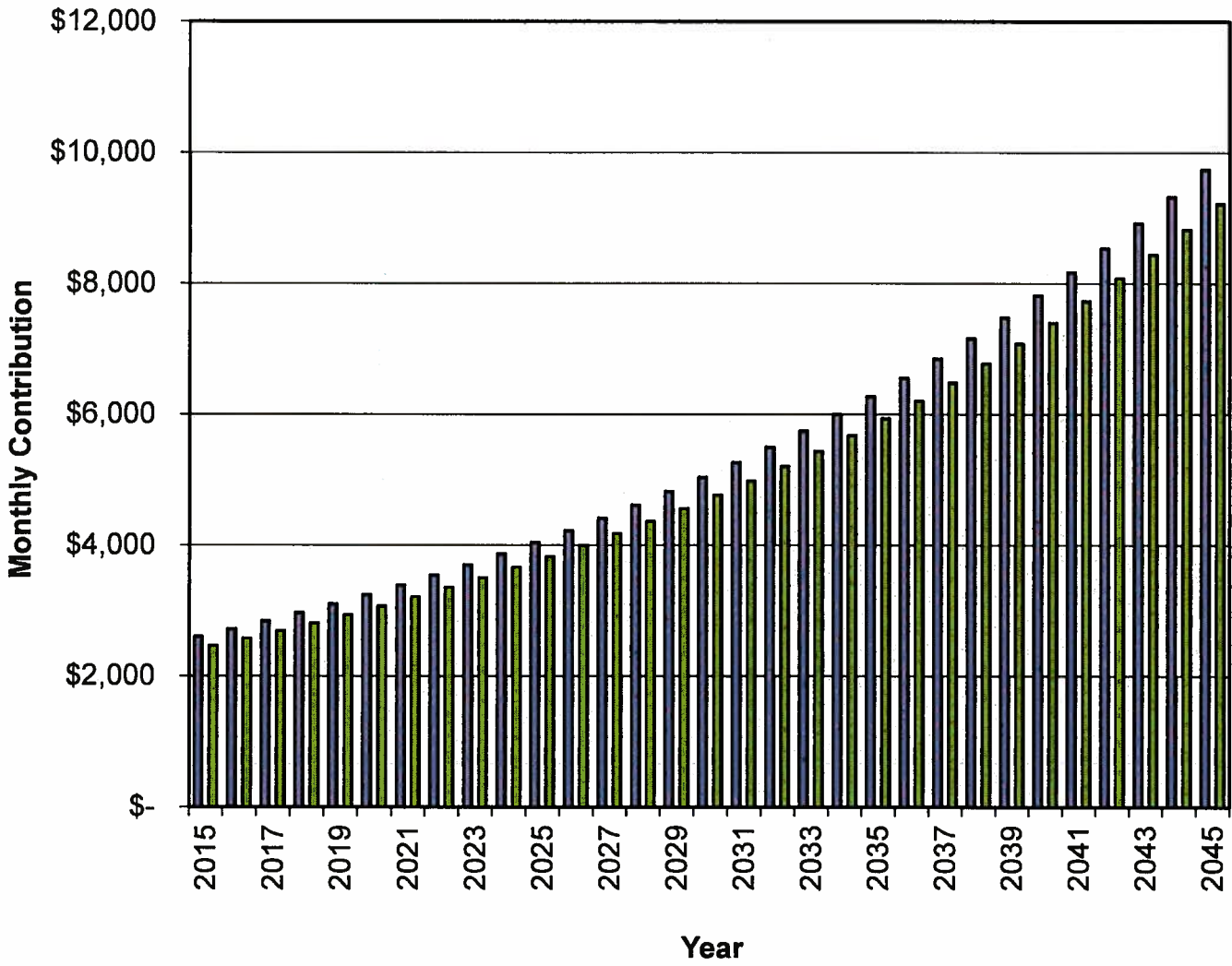
Yearly Summary For Stratton Flats Master Association

Fiscal Year	Fully Funded Start Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Rec. Special Ass'mnt	Interest Income	Reserve Expenses
2015	\$101,121	\$0	0%	\$31,200	\$0	\$143	\$2,750
2016	\$126,055	\$28,593	23%	\$32,604	\$0	\$451	\$0
2017	\$156,032	\$61,648	40%	\$34,071	\$0	\$733	\$11,466
2018	\$176,469	\$84,986	48%	\$35,604	\$0	\$1,017	\$3,138
2019	\$207,672	\$118,469	57%	\$37,207	\$0	\$1,377	\$0
2020	\$244,752	\$157,052	64%	\$38,881	\$0	\$1,471	\$60,072
2021	\$221,974	\$137,332	62%	\$40,631	\$0	\$1,566	\$3,581
2022	\$258,508	\$175,947	68%	\$42,459	\$0	\$1,981	\$0
2023	\$301,791	\$220,387	73%	\$44,370	\$0	\$2,437	\$0
2024	\$348,446	\$267,193	77%	\$46,366	\$0	\$2,897	\$4,087
2025	\$394,419	\$312,369	79%	\$48,453	\$0	\$3,339	\$8,541
2026	\$439,360	\$355,619	81%	\$50,633	\$0	\$3,434	\$78,230
2027	\$415,125	\$331,457	80%	\$52,912	\$0	\$3,483	\$22,470
2028	\$449,766	\$365,380	81%	\$55,293	\$0	\$3,928	\$3,987
2029	\$507,056	\$420,614	83%	\$57,781	\$0	\$4,516	\$0
2030	\$572,946	\$482,910	84%	\$60,381	\$0	\$5,128	\$5,322
2031	\$638,177	\$543,097	85%	\$63,098	\$0	\$5,773	\$0
2032	\$713,930	\$611,968	86%	\$65,937	\$0	\$3,589	\$575,441
2033	\$193,874	\$106,053	55%	\$68,905	\$0	\$1,311	\$19,987
2034	\$233,076	\$156,282	67%	\$72,005	\$0	\$1,932	\$0
2035	\$297,239	\$230,219	77%	\$75,245	\$0	\$2,624	\$13,264
2036	\$352,845	\$294,824	84%	\$78,632	\$0	\$3,322	\$6,931
2037	\$420,095	\$369,846	88%	\$82,170	\$0	\$3,989	\$27,653
2038	\$471,354	\$428,352	91%	\$85,868	\$0	\$4,068	\$132,668
2039	\$417,936	\$385,620	92%	\$89,732	\$0	\$4,285	\$7,909
2040	\$495,367	\$471,727	95%	\$93,770	\$0	\$5,210	\$0
2041	\$587,558	\$570,707	97%	\$97,989	\$0	\$6,225	\$0
2042	\$687,043	\$674,922	98%	\$102,399	\$0	\$7,249	\$9,026
2043	\$784,860	\$775,544	99%	\$107,007	\$0	\$7,398	\$185,204
2044	\$706,407	\$704,745	100%	\$111,822	\$0	\$6,774	\$172,768

Reserve Contributions For Stratton Flats Master Association

Reserve Contributions

Recommended Current Minimum



Component Funding Information For Stratton Flats Master Association

ID	Component Name	Ave Current Cost	Ideal Balance	Current Fund Balance	Monthly
401	Asphalt - Major Overlay	\$224,080	\$65,357	\$0	\$1,090.73
402	Asphalt - Surface Application	\$19,850	\$3,308	\$0	\$386.49
403	Drive Concrete - Repair/Replace	\$12,695	\$2,116	\$0	\$247.18
601	Walk Concrete - Repair	\$15,660	\$2,610	\$0	\$304.91
801	Monument - Rebuild	\$2,250	\$788	\$0	\$13.14
1003	Chain Link Fencing - Replace	\$23,063	\$3,229	\$0	\$53.88
1609	Street Lights - Replace	\$6,300	\$1,764	\$0	\$29.44
1701	Irrigation System - Rebuild	\$10,500	\$8,400	\$0	\$122.66
1704	Irrigation Pond - Replace Liner	\$54,000	\$10,800	\$0	\$180.24
1705	Irrigation Pumps - Replace	\$2,750	\$2,750	\$0	\$107.09
1801	Groundcover/Plantings - Replenish	\$5,500	\$0	\$0	\$64.25

Yearly Cash Flow For Stratton Flats Master Association

Year	2015	2016	2017	2018	2019
Starting Balance	\$0	\$28,593	\$61,648	\$84,986	\$118,469
<i>Reserve Income</i>	\$31,200	\$32,604	\$34,071	\$35,604	\$37,207
<i>Interest Earnings</i>	\$143	\$451	\$733	\$1,017	\$1,377
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$81,343	\$61,648	\$96,452	\$121,607	\$157,052
Reserve Expenditures	\$2,750	\$0	\$11,466	\$3,138	\$0
Ending Balance	\$28,593	\$61,648	\$84,986	\$118,469	\$157,052

Year	2020	2021	2022	2023	2024
Starting Balance	\$157,052	\$137,332	\$175,947	\$220,387	\$267,193
<i>Reserve Income</i>	\$38,881	\$40,631	\$42,459	\$44,370	\$46,366
<i>Interest Earnings</i>	\$1,471	\$1,566	\$1,981	\$2,437	\$2,897
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$197,404	\$179,529	\$220,387	\$267,193	\$316,456
Reserve Expenditures	\$60,072	\$3,581	\$0	\$0	\$4,087
Ending Balance	\$137,332	\$175,947	\$220,387	\$267,193	\$312,369

Year	2025	2026	2027	2028	2029
Starting Balance	\$312,369	\$355,619	\$331,457	\$365,380	\$420,614
<i>Reserve Income</i>	\$48,453	\$50,633	\$52,912	\$55,298	\$57,781
<i>Interest Earnings</i>	\$3,339	\$3,434	\$3,483	\$3,928	\$4,516
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$364,161	\$409,686	\$387,851	\$424,601	\$482,910
Reserve Expenditures	\$8,541	\$78,230	\$22,470	\$3,987	\$0
Ending Balance	\$355,619	\$331,457	\$365,380	\$420,614	\$482,910

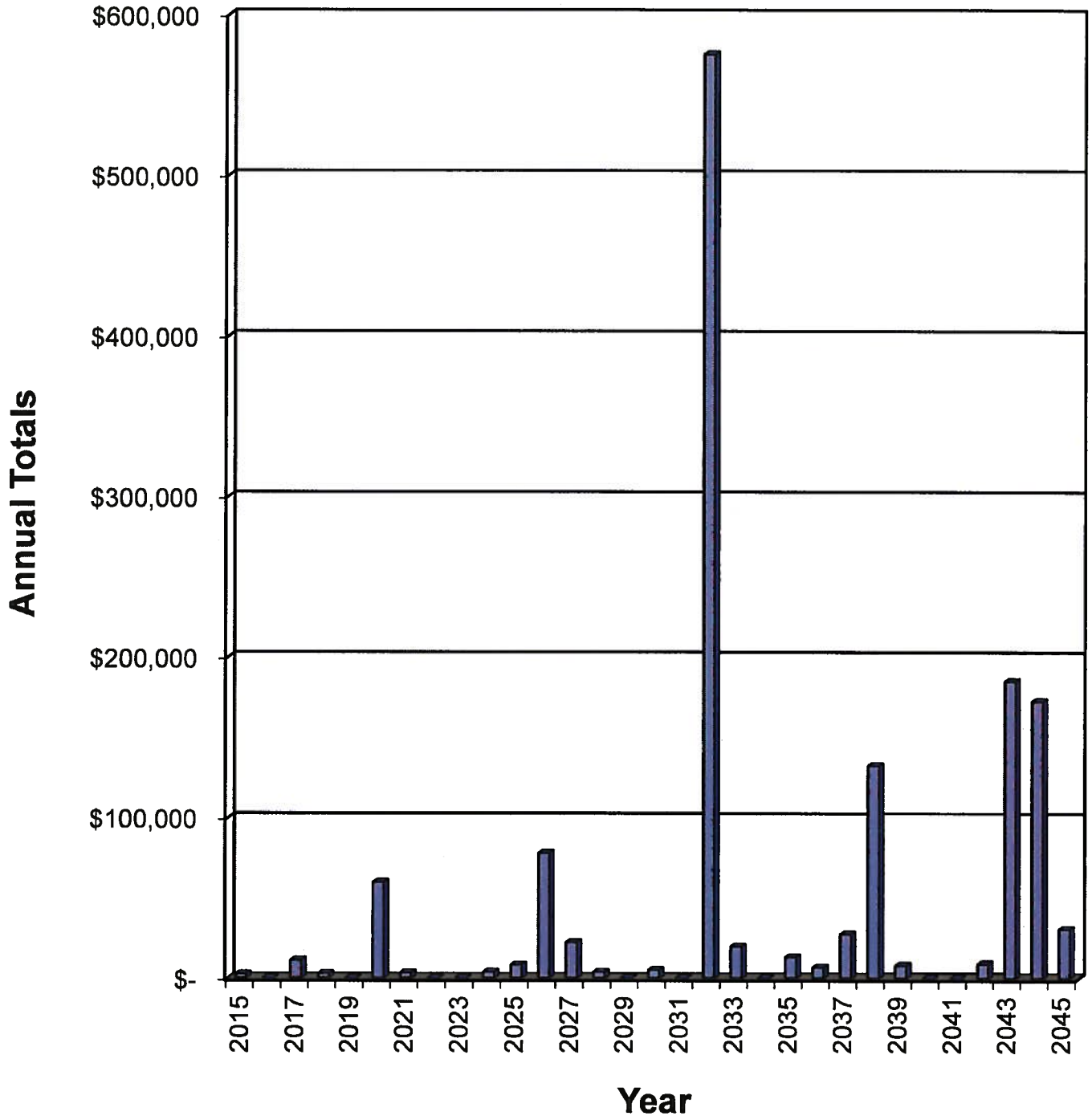
Year	2030	2031	2032	2033	2034
Starting Balance	\$482,910	\$543,097	\$611,968	\$106,053	\$156,282
<i>Reserve Income</i>	\$60,381	\$63,098	\$65,937	\$68,905	\$72,005
<i>Interest Earnings</i>	\$5,128	\$5,773	\$3,589	\$1,311	\$1,932
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$548,419	\$611,968	\$681,493	\$176,268	\$230,219
Reserve Expenditures	\$5,322	\$0	\$575,441	\$19,987	\$0
Ending Balance	\$543,097	\$611,968	\$106,053	\$156,282	\$230,219

Year	2035	2036	2037	2038	2039
Starting Balance	\$230,219	\$294,824	\$369,846	\$428,352	\$385,620
<i>Reserve Income</i>	\$75,245	\$78,632	\$82,170	\$85,868	\$89,732
<i>Interest Earnings</i>	\$2,624	\$3,322	\$3,989	\$4,068	\$4,285
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$308,088	\$376,777	\$456,006	\$518,288	\$479,636
Reserve Expenditures	\$13,264	\$6,931	\$27,653	\$132,668	\$7,909
Ending Balance	\$294,824	\$369,846	\$428,352	\$385,620	\$471,727

Year	2040	2041	2042	2043	2044
Starting Balance	\$471,727	\$570,707	\$674,922	\$775,544	\$704,745
<i>Reserve Income</i>	\$93,770	\$97,989	\$102,399	\$107,007	\$111,822
<i>Interest Earnings</i>	\$5,210	\$6,225	\$7,249	\$7,398	\$6,774
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$570,707	\$674,922	\$784,570	\$889,949	\$823,341
Reserve Expenditures	\$0	\$0	\$9,026	\$185,204	\$172,768
Ending Balance	\$570,707	\$674,922	\$775,544	\$704,745	\$650,572

Yearly Expenditures Graph For Stratton Flats Master Association

Reserve Expenditures



Projected Reserve Expenditures For Stratton Flats Master Association

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2015	1705	Irrigation Pumps - Replace	\$2,750	\$2,750
2016		No Expenditures Projected		\$0
2017	1701	Irrigation System - Rebuild	\$11,466	\$11,466
2018	1705	Irrigation Pumps - Replace	\$3,138	\$3,138
2019		No Expenditures Projected		\$0
2020	402	Asphalt - Surface Application	\$24,737	
	403	Drive Concrete - Repair/Replace	\$15,820	
	601	Walk Concrete - Repair	\$19,515	\$60,072
2021	1705	Irrigation Pumps - Replace	\$3,581	\$3,581
2022		No Expenditures Projected		\$0
2023		No Expenditures Projected		\$0
2024	1705	Irrigation Pumps - Replace	\$4,087	\$4,087
2025	1801	Groundcover/Plantings - Replenish	\$8,541	\$8,541
2026	402	Asphalt - Surface Application	\$32,214	
	403	Drive Concrete - Repair/Replace	\$20,602	
	601	Walk Concrete - Repair	\$25,414	\$78,230
2027	1701	Irrigation System - Rebuild	\$17,807	
	1705	Irrigation Pumps - Replace	\$4,664	\$22,470
2028	801	Monument - Rebuild	\$3,987	\$3,987
2029		No Expenditures Projected		\$0
2030	1705	Irrigation Pumps - Replace	\$5,322	\$5,322
2031		No Expenditures Projected		\$0
2032	401	Asphalt - Major Overlay	\$473,565	
	402	Asphalt - Surface Application	\$41,951	
	403	Drive Concrete - Repair/Replace	\$26,829	
	601	Walk Concrete - Repair	\$33,095	\$575,441
2033	1609	Street Lights - Replace	\$13,913	
	1705	Irrigation Pumps - Replace	\$6,073	\$19,987
2034		No Expenditures Projected		\$0
2035	1801	Groundcover/Plantings - Replenish	\$13,264	\$13,264
2036	1705	Irrigation Pumps - Replace	\$6,931	\$6,931
2037	1701	Irrigation System - Rebuild	\$27,653	\$27,653
2038	402	Asphalt - Surface Application	\$54,631	
	403	Drive Concrete - Repair/Replace	\$34,939	
	601	Walk Concrete - Repair	\$43,099	\$132,668
2039	1705	Irrigation Pumps - Replace	\$7,909	\$7,909
2040		No Expenditures Projected		\$0
2041		No Expenditures Projected		\$0
2042	1705	Irrigation Pumps - Replace	\$9,026	\$9,026
2043	1704	Irrigation Pond - Replace Liner	\$185,204	\$185,204
2044	402	Asphalt - Surface Application	\$71,143	
	403	Drive Concrete - Repair/Replace	\$45,499	
	601	Walk Concrete - Repair	\$56,126	\$172,768
2045	1705	Irrigation Pumps - Replace	\$10,300	
	1801	Groundcover/Plantings - Replenish	\$20,599	\$30,899

Glossary of Commonly used Words and Phrases (provided by the National Reserve Study Standards of the Community Associations Institute)

Asset or Component – Individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association Responsibility, 2) with limited Useful Life expectancies, 3) have predictable Remaining Life expectancies, 4) above a minimum threshold cost, and 5) required by local codes.

Cash Flow Method – A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

Component Inventory – The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representatives.

Deficit – An actual (or projected) Reserve Balance, which is less than the Fully Funded Balance.

Effective Age – The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

Financial Analysis – The portion of the Reserve Study where current status of the Reserves (Measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of the Reserve Study.

Component Full Funding – When the actual (or projected) cumulative Reserve balance for all components is equal to the Fully Funded Balance.

Fully Fund Balance (aka – Ideal Balance) – An indicator against which Actual (or projected) Reserve Balance can be compared. The Reserve balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This number is calculated for each component, and then summed together for an association total.

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

Fund Status – The status of the Reserve Fund as compared to an established benchmark, such as percent funding.

Funding Goals – Independent of methodology utilized, the following represent the basic categories of Funding Plan Goals.

- **Baseline Funding:** Establishing a Reserve funding goal of keeping the Reserve Balance above zero.
- **Component Full Funding:** Setting a Reserve funding goal of attaining and maintaining cumulative Reserves at or near 100% funded.
- **Threshold Funding:** Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than the “Component Fully Funding” method.

Funding Plan – An associations plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

Funding Principles –

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

Life and Valuation Estimates – The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

Percent Funded – The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the *actual* (or *projected*) Reserve Balance to the accrued *Fund Balance*, expressed as a percentage.

Physical Analysis – The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

Remaining Useful Life (RUL) – Also referred to as “Remaining Life” (RL). The estimated time, in years, that a reserve component can be expected to *continue* to serve its intended function. Projects anticipated to occur in the initial year have “0” Remaining Useful Life.

Replacement Cost – The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during that particular year.

Reserve Balance – Actual or projected funds as of a particular point in time (typically the beginning of the fiscal year) that the association has identified for use to defray the future repair or replacement of those major components in which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. This is based upon information provided and is not audited.

Reserve Provider – An individual that prepares Reserve Studies. Also known as *Aspen Reserve Specialists*.

Reserve Study – A budget-planning tool that identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: The Physical Analysis and the Financial Analysis.

Special Assessment – An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by governing documents or local statutes.

Surplus – An actual (or projected) Reserve Balance that is greater than the Fully Funded Balance.

Useful Life (UL) – Also known as “Life Expectancy”, or “Depreciable Life”. The estimated time, in years, that a Reserve component can be expected to serve its intended function if properly constructed and maintained in its present application or installation.

