

The Enclave at Meadow Hills Homeowners' Association

Version 1.0



**2019 Reserve Study | Funding Analysis
Plan and Policy**

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REVISION HISTORY

Date	Version Number	Description	Author
07/15/2018	Version 0.1	2019 Reserve Study & Funding Analysis – Plan and Policy (1 st Draft)	Mary Hill
09/21/2018	Version 0.2	2019 Reserve Study & Funding Analysis – Plan and Policy (1 st Draft)	Mary Hill
12/03/2018	Version 0.3	2019 Reserve Study & Funding Analysis – Plan and Policy (2 nd Draft)	Mary Hill
01/03/2019	Version 0.4	2019 Reserve Study & Funding Analysis – Plan and Policy (3 rd Draft)	Mary Hill
01/20/2019	Version 0.5	2019 Reserve Study & Funding Analysis – Plan and Policy (4 th Draft)	Mary Hill
02/02/2019	Version 1.0	2019 Reserve Study & Funding Analysis – Plan and Policy (Final)	Mary Hill

1. EXECUTIVE SUMMARY

1.1. Introduction

One of the primary duties of the Enclave Board of Directors (whose service is voluntary) is the preparation and management of the annual budget. The annual budget process must, at a minimum, address two areas; operating funds and reserve funds. The net result is a determination of the annual assessment to be charged to homeowners, which will consist of an operating dues fee and a reserve dues fee.

The operating budget is intended to provide for all annually recurring expenses of our Association, including routine maintenance and upkeep of common areas. Such routine maintenance is the basis of a preventive maintenance plan, and to a large degree, will dictate the timing and amount of future expenditures of reserve funds. The normal budget process is to estimate the required expenditures for our Association's governance, landscape services, business, utilities, repair and maintenance activities, then determine the dues fee required to provide for those costs. By its nature, this is geared to an annual cycle.

Historically, the portion of the annual budget related to reserves (i.e. Fence Fund – Cash Reserves) has consisted of reserve income from previous years' retained earnings and special assessments. Because of the multi-year approach of the reserve budget, the reserve study itself is a budget tool used to determine the funding amount. The current year reserve assessment amount is simply extracted from the 30-year reserve funding plan and inserted into the annual budget. A reserve study funding plan is an integral part of the annual budget process and overall financial plan. The association's funding policy establishes how these reserve funds are to be handled and/ or invested, and later dispersed for major repairs and replacements. Reserve funds that are accumulated by an association generally earn interest, and should be expended as approved by the board only for major repairs and replacements of the common area reserve components, and not used for any other purpose.

1.1.1. Reserve Study Purpose & Desired Outcomes

This "Reserve Study" assists our Board of Directors by providing the input data needed to determine the appropriate amount of money to assess homeowners. Specifically, the report provides a 30-year reserve funding plan to assure an equitable assessment structure to provide for the non-annual major repairs and replacements of common area "Reserve Components". This report is a financial projection that is based upon an evaluation and inspection of the common area components.

Because a reserve study is a projection of future events, it necessarily is based upon a number of assumptions. The reserve study process is an exercise in refining those assumptions to those most likely to occur. Future events occurring near term are inherently more predictable than those occurring long term. That is why it is important to perform annual updates to this Reserve Study; to periodically update and refine the assumptions based on the passage of time and actual maintenance activities that have occurred.

The desired outcome from this effort is to determine and reaffirm that the annual contribution rate made by the collective Association is adequate to meet its Reserve accrual liabilities for the upcoming maintenance and replacement cycle for common area component; and avoid relying on special assessments. Also, it aims to educate homeowners that income from dues and special assessments for the "Reserve Fund" are foremost accrued and allocated to counterbalance current deterioration of common area components; then, prudently managed, invested and dispersed for maintenance and replacement expenditures in the future. Ideally, if this process and tool is employed correctly and evaluated annually, an even sustainable level of contributions can be established to maintain an "optimal balance" in a Reserve Fund over the timeline this study examines.

1.1.2. Reserve Study Funding Principles

There are four Funding Principles that were considered in developing this "Reserve Fund plan". The first objective is to design a plan that provides sufficient cash flow to perform necessary projects on-time. Secondly, a stable contribution rate is desirable because it is a hallmark of a proactive plan. Third, reserve fund contributions that are evenly distributed over the years, enable homeowners to budget and make stable contributions in order to fund the property's replacement expenses (this means we resort to special assessments only when all other options have been exhausted). And finally, to develop a plan that is fiscally responsible and manageable.

Note: Definitions for terms in "Parentheses" can be found in APPENDIX L: Common Terms.

1.1.3. Reserve Study Common Mistakes

According to experts, by far the top five challenges “Why Homeowners’ Associations struggle with reserve budgeting” are as follows:

1. Inaccurate and incomplete component list – If the component list and their associated maintenance costs are not identified, adequate budgeting is not possible. Also, when a component’s regular preventive maintenance is deferred or neglected, its useful life will be shortened.
2. Looking at past budget and maintenance to predict future costs – With age, the rate of deterioration tends to accelerate as does the level of maintenance required – thus, underestimating cost projections is likely.
3. Ignoring inflation – assuming interest has a greater positive impact – Cumulative inflation impacts the total cost of all components and erodes future purchasing power (i.e. 3% compound inflation equals a doubling of costs every 23.45 years!); interest rates remain low making it harder to keep pace with rising costs, and interest earned only impacts the actual “Reserve Account Balance” (i.e. savings @ 1.5% APY).
4. Not increasing the association dues to offset future expenditures – Every year the allocation rate doesn’t keep pace with inflation and counterbalance the rate of deterioration, increases the probability of a fiscal shortfall leading to unpredictable and disproportionate special assessments in the future.
5. Doing Nothing! Deterioration to common areas works against a budget 24/7 – 365 days a year. Expenses get more expensive when ignored/deferred and homeowners pay the cost – one way or another.

1.1.4. Reserve Study Applied Best Practices

After considering each of the above common mistakes, the Board applied the following best practices with the intent of avoiding these pitfalls, as follows:

1. Comprehensive “component list”– Because the life expectancy of the perimeter fence depends upon regular preventive maintenance, it is important that periodic staining (every five years) and routine repairs (every three years) are conducted to extend its’ life as long as possible.
2. Accurate estimates for future expenditures – To improve accuracy, the Board had professionals’ inspect the condition (to estimate remaining useful life), and provided cost estimates for the perimeter fence maintenance and replacement (details for masonry columns and north entrance wall are still pending).
3. Accounting for inflationary impact – Cost projections for maintenance and future replacement costs were calculated using national-standard projections for inflation (i.e. Consumer Price Index – C.P.I.).
4. Stable contribution rate to keep pace – Adequate income and a stable contribution rate to offset the irregular replacement expenses helps balance out the cash flow needs and avoid special assessments.
6. Proactively Doing the “Fair” Thing! As physical components age and deteriorate, it is critical to accumulate financial assets to keep the two “in balance” – this is the fair and right thing to do.

1.1.5. Other Best Practice Considerations

Which Physical Common Area Components are covered by a Reserve Fund?

There is a national-standard four-part test to determine which expenses should be funded using reserve funds.

1. First, it must be a common area maintenance responsibility
2. Second, the component must have a limited life
3. Third, the limited life must be predictable (or it by definition is not a “surprise” which cannot be accurately anticipated)
4. Fourth, the component must be above a minimum threshold cost ($\geq 5\%$ of the annual budget). This limits “Reserve Components” to only major, predictable expenses.

Within this framework, it is inappropriate to include “lifetime” components, unpredictable expenses handled by insured loss (such as damage due to fire, flood, or earthquake), and expenses more appropriately handled from the operating budget or an emergency fund.

From a best practices perspective, should the HOA spend Reserve Funds for maintenance?

Yes, according to National Reserve Study Standards (NRSS), if that maintenance is predictable (like staining the perimeter fence); or if that maintenance effort extends the “Remaining Useful Life” of the component by

delaying the replacement (like repairing the fence or mortar on masonry columns), then it is advisable to include these elements in the Reserve Fund.

Secondly, if the upkeep and maintenance of the components are neglected (i.e. north entrance wall, masonry columns, and perimeter fence), they will not attain their full useful life. Consequently, the components will need to be replaced earlier and the replacement cost will need to be collected over a shorter period of time. This would lead to unpredictable and disproportionate special assessments in the future.

What about tax guidelines that say staining and masonry repairs are not projects?

These are tax guidelines, not reserve study guidelines. Prepare your taxes per IRS guidelines, and prepare your reserve study according to National Reserve Study Standards (NRSS) and Colorado State guidelines.

1.2. Statutory Reason and Justification for a Reserve Study

The Board of Directors has specific statutory duties required by our HOA Governing Documents and the Colorado Common Interest Ownership Act (“CCIOA”) regarding reserve funds etc., see excerpts below:

COLORADO COMMON INTEREST OWNERSHIP ACT: CO Rev Stat § 38-33.3-209.5 (2016)

To promote responsible governance, associations shall adopt policies, procedures, and rules and regulations concerning the investment of reserve funds. A board has an obligation to invest and manage reserve funds in a prudent and responsible fiduciary manner and must have a policy in place to address:

“It shall be the responsibility of the Board of Directors to create, maintain and manage adequate reserve funds to provide for the timely and orderly repair and replacement of the common area components so as to minimize the risk to the homeowners of a special assessment, deferred maintenance, or unfunded losses”.

(IX) “When the association has a reserve study prepared for the portions of the community maintained, repaired, replaced, and improved by the association; whether there is a funding plan for any work recommended by the reserve study and, if so, the projected sources of funding for the work; and whether the reserve study is based on a physical analysis and financial analysis. For the purposes of this subparagraph (IX), an internally conducted reserve study shall be sufficient”.

Justification for conducting a reserve study:

- Boards are legally responsible for the stewardship of common area components
- Reserve expenses are inevitable & predictable
- Reserve expenses get more expensive when ignored/deferred
- Homeowners pay the cost – one way or another
- Homeowners benefit from the curb appeal which enhances resale values within our community

In recognition of this responsibility, on June 18, 2018, Enclave HOA Treasure, Mary Hill undertook the challenge of formulating this comprehensive “Reserve Study” – physical analysis, “Funding Analysis” – financial analysis, to develop an initial “Reserve Fund Plan” and “Reserve Fund Policy” with the objective to:

- Assess the current condition and initiate a process to maximize the “Useful Life” of common area components and accurately anticipate their end of life by employing a proactive preventive maintenance plan and schedule that manages the timely and orderly repair, maintenance and replacement of each element based on industry recommendations.
- Analyze and measure the current strength of our Reserves Fund and it’s adequacy to afford the cost of future repairs and replacement for those components – and anticipate potential fiscal shortfalls.
- Develop a comprehensive and easy to manage tool that can be reviewed annually for budget planning and examine the annual contribution rate needed to counterbalance current deterioration compared to anticipated future expenditures – thus avoiding the need for special assessments.
- Develop best practice methodologies, guiding principles, and governing policies for the annual planning and review process supporting the Association’s fiduciary goals and desired outcomes.
- Share key findings with homeowners at the Annual Meeting aimed to educate and convey the facts, build consensus, present conclusions and gain approval for the ongoing stewardship of the common area elements and the Association’s prudent and proactive management.

Note: Definitions for terms in “Parentheses” can be found in APPENDIX L: Common Terms.

1.3. Composition of a Reserve Study

A reserve study is made up of two components — the first is the “physical analysis” that encompasses a process of evaluating and assessing the physical status and repair/replacement costs of an association’s major common area components. To do so, involves conducting a component inventory, a condition assessment, and life and valuation estimates. The second components—the “financial analysis” assesses only the association’s reserve balance or fund status (measured in cash or as percent funded) to determine an appropriate reserve contribution rate (Reserve Funding plan).

1.3.1. Physical Analysis

The physical analysis itself consists of two parts; a site inspection wherein:

- All common area components are identified
- Measurements are made and verified
- Condition of components is assessed.

An analysis, performed after a site inspection was complete, meant to determine what components are to be included in the reserve funding study, and the useful (normal) life and remaining life, and repair or replacement cost of each component to be included in the funding study.

Condition is assessed on a subjective basis considering a number of factors: original useful life, age, quality, rate of wear and tear, and maintenance plan. The maintenance plan is the most important factor, as often components could be replaced long before their useful life has ended, strictly for aesthetic purposes. For instance, for some associations, the aesthetic appearance is of paramount importance.

Cost estimates can be derived from a number of different sources. This Reserve Study is an attempt to provide estimates as accurately as possible – our target is the "real cost". This means we tried to use the most reliable costs available, and if they're not available, go to the next most reliable source. In order of reliability, costs were obtained from:

1. Actual cost of most recent repair / replacement
2. Bid for repair / replacement not yet undertaken
3. Contractor or vendor estimate

1.3.2. Financial Analysis

The financial analysis of a reserve study consists of two steps. The first step is to calculate future expenditures based upon the information obtained from the physical analysis; the estimated replacement cost and estimated remaining life for each component. This is a transparent, straight-line calculation. However, to be realistic, inflation must be added into the calculation or the funding goal will fall short of the future amount needed. In addition, experts recommend adding a minor contingency factor into the projected future cost of each component, simply as a precaution against estimating mistakes in replacement costs or replacement dates (i.e. the average cost between the Best Case and Worst Case).

The second step is to build a stream of estimated future cash inflows to adequately provide for the projected future expenditures. The projection of cash inflows starts with the current years’ reserve assessments. With the intent of calculating the "optimal" contribution amount, within a 30-year budget forecast, the financial analysis attempts to smooth out cash flow by determining a stable contribution rate to offset the irregular replacement expenses to help balance out cash flow needs and makes up for funding deficiencies in future (the remaining 29) years.

We attempted to construct a funding plan that would avoid a special assessment. However, if our Association does not maintain and updated the Reserve Funding plan annually to insure its continued accuracy, future special assessments may be unavoidable. Our recommendation is that the Association's funding plan approach is based on a “Fully Funded” goal of 100% funding. This is equivalent to having 100% of the funds needed during that replacement / maintenance cycle, and is the ideal balance.

This gets directly to the heart of the funding issue; "Fairness." The general consensus is that if an association starts out with a 100% funding plan – that means that the homeowners’ who enjoyed the benefit of the "wearing out" of the common area components paid for that benefit. In determining this ideal balance, the

“Percent Funded” calculation is generally regarded as the best objective measure of the strength, or status, of an association's reserve fund. Percent funded measures the ideal balance against the funds actually set aside for reserves.

In summary, a reserve study consists of two parts; the physical analysis, and the financial analysis. The findings of the physical evaluation, including identification of components, condition, useful and remaining life, and replacement cost, and are summarized in this report. The financial analysis consists of the evaluation of the current reserve funding status, and a 30-year projection of cash inflows and outflows.

1.4. Common Area “Component List” Included in the Reserve Study

A reserve study's “Component List” represents the physical analysis, whose elements form the building blocks of a reserve study. These components are the statutory responsibility of each association (as outlined in “CCIOA” – required by Colorado State Law), have limited useful life expectancies, have predictable remaining useful life expectancies, and are above a minimum threshold cost.

By far, the largest liability expense to our Association is the perimeter fence replacement. So when considering what components to include in the “Reserve Fund”, the Board recognizes that the life expectancy of the perimeter fence is completely interdependent upon regular preventive maintenance.

Therefore, it is the Board's position to include the following components in the ***Reserve Fund***:

1. Perimeter Fence: *Replacement* (historically funded from retained earnings & special assessment)
2. Perimeter Fence Maintenance: *Staining* (historically funded from operating budget)
3. Perimeter Fence Maintenance: *Repairs* (historically funded from operating budget)
4. North Entrance Brick Wall and Perimeter Fence Masonry Columns: *Repairs* (to date, no maintenance nor expense has been incurred or allocated in the budget – professional estimates are still pending)

The remaining common area elements will continue to be funded out of the ***Operating Fund***:

1. Administrative Expenses – Governance & Business, HOA Insurance, Governmental etc.
2. Grounds Maintenance Expenses including Landscape Maintenance & Snow Removal for Perimeter Xeriscape Common Area
3. Maintenance Other - Extras/Repairs (includes Mandatory Annual Backflow Test, etc.)
4. Water & Utility Expenses for Hydrating Perimeter Xeriscape, Flower Beds, Trees and Shrubs
5. Plant Maintenance Replacement Expenses (Plants, Flowers & Rock) for Perimeter Common Area
6. Tree Maintenance: Trimming, Shaping, and Removal Services for Fifteen (15) Perimeter Ash Trees

1.5. Establishing a Preventive Maintenance Schedule

The Enclave at Meadow Hills has common areas that are owned "in common" by the homeowners. As the elected governing body of the Association, the Board of Directors is responsible for maintenance of the common areas and the sound financial management and operation of the Association. So after determining which items are “Reserve Components”, it's critical to establish a preventive maintenance schedule for two primary reasons:

1. If we do not maintain the components on the reserve schedule, they will not attain their full useful life. Consequently, the components will need to be replaced earlier and the replacement cost will need to be collected over a shorter period of time. This could result in possible special assessments.
2. If we do not maintain all common area components (whether on the reserve or operating schedule), they may require replacement whereas if they were maintained, they would not. For example, brick mortar, when maintained properly, may extend the useful life of the brick wall and columns indefinitely. Without proper maintenance, these elements may need to be completely replaced.

1.6. Applied Methodology and Our Approach

This “Reserve Study” and “Funding Analysis” were compiled for perpetuity as well as a forward-looking approach to inform the Board of Directors and homeowners of upcoming repairs, ongoing maintenance, and major replacement projects; masterfully integrated into a 30-year budgetary planning tool to forecast, track and schedule those projects.

Note: Definitions for terms in “Parentheses” can be found in APPENDIX L: Common Terms.

As a best practice, the underlying data and computations, which are the physical and financial basis of this Reserve Funding plan, should be updated periodically to insure their accuracy. This includes the components' remaining useful life estimates; revalidating the maintenance/ replacement cost projections; reaffirming inflationary rate assumptions; and ongoing recommendations and revisions to the dues fees and Reserve Fund Policy" for continuous improvement. Once gathered and updated, the current years' version of the Reserve Funding plan (i.e. funding analysis with the Board's endorsed contribution rate) and the Reserve Fund policy (Funds' governance) should be presented, and discussed at each Annual HOA Meeting.

As outlined earlier, there is a two-part analysis to a reserve study. The first portion is the physical analysis where the component inventory, condition assessment, and life and valuation estimate tasks are performed. As these physical components age and deteriorate, it is important to accumulate financial assets to keep the two "in balance". A stable reserve fund that offsets the irregular replacement expenses will also help balance out the cash flow needs of our Association's ongoing maintenance for common area components.

The second part is the funding analysis, where the status of the reserve fund measures adequacy (as a "Percent Funded"). A "Cash Flow Method" was leveraged in the development of this Reserve Funding plan where contributions to the reserve fund designed to counterbalance the variable annual expenditures from the reserve fund are performed. This analysis process allows different reserve funding plans to be tested against the anticipated schedule of reserve expenses until the "optimal balance" funding target level is achieved.

How are the Useful Life and Remaining Useful Life estimates established?

1. Visual Inspection (observed wear, condition and age)
2. Industry professionals' provide "life and valuation" estimates

With the goal of developing a sound approach and process in building a comprehensive reserve funding plan, historical records for expenditures were compiled to determine how past Board's and HOA decision were made. Researching records to determine the frequency of maintenance/ replacement of common area components (see Section 2 and Appendix A-G). Additionally, an onsite inspection of the component list was performed by professionals to assess the condition, provide life & valuation estimates to establish remaining useful life, and obtain "replacement cost" of each – serves as the cost basis to compute future cost projections.

How Cost Projections are established?

To improve accuracy of cost projections and impact of compounded inflation, a three-step process was employed as follows:

1. Reviewing past Enclave Homeowners' Association historical expenditures, and
2. Obtaining multiple cost estimates from reliable industry professionals, and
3. Calculating cost projections based on the sum of the average cost between the Best Case and Worst Case (i.e. 2nd best cost estimate) adjusted for inflation using *National-standard guidelines (C.P.I.).

*National-standard guidelines – adjustments for inflation (Consumer Price Index) were conservatively applied when computing the future maintenance and major replacement cost projections (fence).

As mentioned earlier, every year the reserve fund contribution rate doesn't keep pace with inflation and counterbalance the rate of deterioration – increases the probability of an imminent shortfall leading to unpredictable special assessments. By maintaining the reserve fund at levels equal to the physical deterioration that has occurred is called "Component Full Funding" (100% Funded). As each element ages and becomes "used up", the reserve fund should grow proportionally.

1.7. GOAL – NO SUPPRISES: Fully Funded; Avoid Special Assessments

What is our Funding Goal?

According to industry experts, association's that are "Fully Funded" in the 100% range rarely experience special assessments or deferred maintenance. The health of an association's reserve fund is evaluated primarily by attempting to measure its strength. While there are subjective considerations that can be applied, the percent funded calculation represents the most universally accepted objective measure of the strength of a Reserve Fund.

Note: Definitions for terms in "Parentheses" can be found in APPENDIX L: Common Terms.

The cash balance of our Reserve Fund is one measurement, but the true measure is whether the funds are adequate. Adequacy is measured in a two-step process:

1. Calculate the association’s “Fully Funded Balance” (FFB).
2. Compare to the “Reserve Fund Balance”, and express as a percentage (%).

There is a general consensus amongst industry professionals that a percent funded ratio of less than 30% represents a poorly funded reserve fund; 30% to 70% is considered weak, but acceptable; 70% is considered adequate. A percent funded ratio in the 90% to 100% is considered "strong." Again, our goal is to achieve at least 90% but strive to maintain ~100% funding level.

The Fully Funded balance (FFB) grows as assets age and the replacement needs of the property increase, but shrinks when projects are accomplished and the replacement needs of the property decrease. The Fully Funded balance changes each year, and is a moving but predictable target. Simply put, when the FFB of the reserve fund is at 100%, it verifies that the reserve account is adequate to counterbalance deterioration estimates for the relevant components (i.e. Total Accrued Depreciation) at a particular point in time.

1.7.1. Fully Funded Balances: Formula and Examples

The formula for the Fully Funded Balance (FFB) is:

$\text{Fully Funded Balance FFB} = (\text{Future Cost}^* \div \text{Useful Life}^{**} \times \text{Effective Age}^{***})$

**Future Cost* = the replacement cost plus preventive maintenance adjusted for inflation over that period

** *Useful Life* = the life expectancy given by the vendor

*** *Effective Age* = the difference between Useful Life and Remaining Useful Life

Current fence replacement cost estimate as of December 2, 2018 (PV–Present Value) = \$45,625

- Fence Replacement cost in 2031 (FV–Future Value) includes 2% adjustment for inflation = \$58,859
- Useful life = 25 years (Increased from 20 years→25 years due to consistent preventive maintenance)
- Effective age = 13 years (Useful life (UL) minus (RUL) Remaining useful life →25 - 12 = 13 years)

Note: These FFB examples assume a constant but conservative 2.0 % inflation rate (for fence replacement).

Example:

When installed in January 2006, the perimeter fence had a useful life of 20 years. However, because of the consistent preventive maintenance overseen by the Association, its useful life expectancy was extended to 25 years. Thus, the replacement cost in 2031 = \$58,859 plus \$19,054 for ongoing preventive maintenance for a total expenditure of \$77,913 is anticipated by 2031. Therefore to be fully funded, the Association would need to put aside \$3,117 each year over that 25 year period to afford the fence replacement and staining in 2031.

As of January 1, 2019, the fence is 13 years old and adequate Reserve Funding should already have 13/25 of the project cost; or \$40,521 towards the future project expenditures. This calculation should also be applied to each component within our Reserve Fund (i.e. Fence, Masonry Wall & Columns), and those individual results are summed to provide a single year’s total Fully Funded balance. This calculation is then repeated for each future year with each individual component’s age and inflated cost adjusted relevant to each future year. A 30-year reserve study generates 30 annual Fully Funded balances and 30 Percentage Funded calculations. Reserve Fund balance as of December 31, 2018 is \$35,213. The calculations for the Percent Funded are:

- As of December 31, 2018: $\$35,213 \div \$40,515 \text{ (FFB)} \times 100 = 86.91 \%$ Funded¹
- As of December 31, 2019: $\$35,213 + \$4,464^* = \$39,677^* \div \$40,515 \text{ (FFB)} \times 100 = 97.93 \%$ Funded¹

**Italicized as Final Fence Fund Special Assessment has yet to be collected.*

Note: Definitions for terms in “Parentheses” can be found in APPENDIX L: Common Terms.

¹ See “30-Year Funding Analysis – Do Nothing” on page 23-24 for all thirty Fully Funded balances (FFB) and Percent Funded balance and other calculation regarding the Reserve Fund status

In 2019, the expected annual income from the Association dues for the Operating Fund is \$10,600 (\$200 x 53 Households); and the final payment for the Association’s Fence Special Assessment (Year 5 of 5) for the Reserve Fund = \$93 for 48 household = \$4,464. Five (5) homes prepaid the special assessment remaining balance at their property sale closing, which accounts for the variance in payments collected year-to-year (March 2015 through 2019). Therefore, the Reserve Fund balance in 2019 is as follows:

FENCE FUND BALANCE (as of 12/31/2018 - Actual)	\$35,213
INCOME: 2019^(*) (Expected)	Expected
Annual Operating Dues (*)	\$10,600
Fence Reserve Special Assessment ^(*)	\$4,464
TOTAL INCOME^(*)	\$15,064
FENCE FUND BALANCE (2015 - 2019)	Expected
Sum Fence Special Assessment Reserves (2015 - 2019) ^(*)	\$39,677
Expected FENCE FUND BALANCE (as of 12/31/2019) ^(*)	\$39,677

Note: (*) Fence Special Assessment final payment (5th of 5); *Italicized because it is yet to be collected in 2019.*

1.7.2. Reserve Fund Status - Percent Funded (2019-2031)

Because fiscal year “2019” will be the final year of the 5-Year Fence Special Assessment; if the Association chooses to Do Nothing to extend this \$93 Fence Special Assessment, or approve the Reserve annual dues fee increase ≥\$75 in 2020 and beyond, the “Percent Funded” status of the Reserve Fund will be as follows:

- As of December 31, 2020: $\$39,677 \div \$43,631 \text{ (FFB)} \times 100 = \underline{90.94 \% \text{ Funded}}^1$
- As of December 31, 2021: $\$34,431 \div \$46,748 \text{ (FFB)} \times 100 = \underline{73.65 \% \text{ Funded}}^1$
- As of December 31, 2022: $\$34,431 \div \$46,507 \text{ (FFB)} \times 100 = \underline{74.03 \% \text{ Funded}}^1$
- As of December 31, 2023: $\$34,431 \div \$46,748 \text{ (FFB)} \times 100 = \underline{69.68 \% \text{ Funded}}^1$
- As of December 31, 2024: $\$33,271 \div \$46,507 \text{ (FFB)} \times 100 = \underline{63.59 \% \text{ Funded}}^1$
- As of December 31, 2025: $\$33,271 \div \$46,748 \text{ (FFB)} \times 100 = \underline{61.22 \% \text{ Funded}}^1$
- As of December 31, 2026: $\$28,554 \div \$46,507 \text{ (FFB)} \times 100 = \underline{49.91 \% \text{ Funded}}^1$
- As of December 31, 2027: $\$27,305 \div \$46,748 \text{ (FFB)} \times 100 = \underline{48.67 \% \text{ Funded}}^1$
- As of December 31, 2028: $\$27,305 \div \$46,507 \text{ (FFB)} \times 100 = \underline{47.34 \% \text{ Funded}}^1$
- As of December 31, 2029: $\$27,305 \div \$46,748 \text{ (FFB)} \times 100 = \underline{45.28 \% \text{ Funded}}^1$
- As of December 31, 2030: $\$25,960 \div \$46,507 \text{ (FFB)} \times 100 = \underline{41.26 \% \text{ Funded}}^1$
- As of December 31, 2031: $(\$38,236) \div \$46,507 \text{ (FFB)} \times 100 = \underline{(59.56 \% \text{ Funded}}^1$

1.7.3. Do Nothing or Underfunded Reserves Results in 2031 Fence Deferral

As reflected above, if the Association chooses to Do Nothing in 2020 to extend the current \$93 Fence Special Assessment, or approve an annual Reserve dues fee increase ≥\$75 in 2020 and beyond (above the normal \$200/Year/Household (Operating Fund fee), the Reserve Fund balance on January 1, 2031 is anticipated to be \$25,960. Consequently, the January 2031 anticipated expenditures of \$64,196 from the Reserve Fund (fence replacement and stain project), will result in an imminent shortfall of **(\$38,236)** – a deficit of **(59.56%)** and the project’s deferral.

Alternative options range from having to assess a one-time special assessment fee in 2030 in the amount of **\$722.00** per household; or to borrow the money from a financial institution – which would have to be repaid with interest. Unfortunately, either of these options only further compounds the problem, because the cycle of accrued liability to counterbalance current deterioration of common area components for the “new fence” will start all-over-again on January 1, 2032.

¹ See “30-Year Funding Analysis – Do Nothing” on page 23-24; for all thirty Fully Funded balances (FFB) and Percent Funded balance and other calculation regarding the Reserve Fund status

2. HOA HISTORY: ANNUAL DUES, LANDSCAPE, FENCE, WALL & COLUMNS

As is the case in many of the surrounding Aurora neighborhoods built prior to 1998, cheap 6-foot wooden perimeters fences were installed by residential developers but the responsibility for future repair and replacement fell to the homeowner. Over time, as these fences have continued to deteriorate, many property owners have either neglected them or have replaced their fence at different intervals, causing an unsightly patchwork of old and new fencing at various stages of deterioration and disrepair.

2.1. Perimeter Fence Easement Deeded to Association

With the intention of maintaining the curb appeal and enhancing future resale values within our community, in early 1994, Dr. G. Tom Kraus spearheaded the effort to annex the perimeter fence along S. Dillon Way and add it to the preexisting HOA Common Area (along with the perimeter landscaping, north entrance brick wall, and masonry columns). With his leadership, The Enclave at Meadow Hills Homeowners' Association successfully obtained the necessary 75% approval of the votes from homeowners and subsequently obtained an Easement Deeds from Arapahoe County annexing the ownership and maintenance of our perimeter fence to the HOA on August 24, 1994. See APPENDIX A: Perimeter Fence Easement Deed to Enclave HOA Ownership for details.

2.2. Annual Dues – Operating Fund

Since its inception, The Enclave Board of Directors has been responsible for the stewardship of the common area and for establishing and collecting the annual Association dues to adequately fund the maintenance, repairs and replacements of the common area components. The “Declaration of Covenants, Conditions and Restrictions of The Enclave at Meadow Hills Homeowners' Association” was established on August 6, 1993. In 1994, the Board assessed the Association's annual budget requirements and established the annual Association's dues in the amount \$180 per household which continued through 2010. During the 2010 Annual HOA Meeting, the majority of homeowners voted to increase the annual dues from \$180 up to \$200 per household to address the fast approaching budget deficit due mainly to the impact of economic inflation rate over that time period. See 2014-2018 Income from Operating Dues & Fence Special Assessment on page 20 and APPENDIX B: 2001-2019 Enclave Homeowners' Association - Income and Expenses for details.

2.3. 2005-2006 Perimeter Fence Replacement

At the 2005 Annual HOA meeting the homeowners voted to form a “Fence Committee” to investigate options for replacing the original developer built fence. On June 1, 2005 a Special HOA Meeting was held to consider the various options compiled by the Fence Committee. A number of options were presented including: do nothing; repair existing; and various replacement options including: wood, vinyl and two types of masonry. This meeting included a vendor presentation and was followed with vendor cost estimates for the above options. On September 18, 2005, the final ballot were sent to each household and final votes tallied. The project was awarded to Affordable Fence with an initial estimate of \$25,649.83. See APPENDIX B: 2001-2019 Enclave Homeowners' Association - Income and Expenses for details.

Because of the fiscal prudence and good stewardship by past Boards, historically our HOA allocated and invested approximately 10-35% of the annual operating dues fee (i.e. retained earnings) and allocate towards the “Fence Fund” (i.e. cash reserves). In November of 2005, enough funds were available to begin the installation of a new perimeter fence at a cost of \$25,268.82; and in early spring of 2006 the fence staining was completed by Majestic Painting at a cost of \$2,900.00 for a grand total expenditure of \$28,168.82. At that time, the fence contractor, Affordable Fence projected that the useful life (UL) of perimeter fence at twenty years, estimating the next fence replacement would occur in 2026; Majestic Painting estimated the useful life (UL) of staining was five years (recommended to reoccur in 2011...2016..). See APPENDIX B: 2001-2019 Enclave Homeowners' Association - Income and Expenses and APPENDIX C: 2005-2006 Perimeter Fence Replacement & Staining Costs for details.

2.4. Perimeter Xeriscape Project

Historically, our HOA has met its financial obligations solely using annual Operating dues, investment interest from CD's, and avoided special assessments; this changed in 2014. After years of discussion and developing

interest in xeriscape and attending a Water Wise Xeriscape consultation sponsored by the City of Aurora | Office of Water Conservation; the 2014 Board sent a survey² to homeowners to gauge their interest in replacing the perimeter landscape with xeriscape. The cost justification for this projected ~\$30,000 project (final cost = \$26,817) expenditure was based on future cost saving from water conservation and a \$3,000 rebate incentive from Aurora Water’s Office of Water Conservation (conditional on approved xeriscape plant selection).

2.5. 2014 Xeriscape Vote at Annual HOA Meeting

During the March 1, 2014 Annual HOA meeting, the Board acknowledged that proceeding with the xeriscape project would create an imminent fiscal shortfall, however suggested that over time, the cost savings from water conservation would defray the cost and justify the investment. The results of the survey response² were reviewed, finding that the most popular approach was a one-time special assessment to fund the project.

On Saturday, March 1, 2014 by simple majority vote, (16) homeowners approved a one-time special assessment in the amount of \$283 per household due by June 1, 2014 to fund the common area xeriscape project; verses (9) homeowners dissenting.

With many questions still unanswered regarding the exact project cost and the impact of this vote on the proposed budget, the 2014 Annual HOA meeting concluded without a vote adopting the 2014 Operating Budget.

2.6. 2014 Xeriscape One-Time Special Assessment

On April 1, 2014, the Board sent a notification letter to all homeowners stating the following:

By a majority vote at the annual HOA meeting held on March 1, 2014, all homeowners are responsible to pay a special assessment of \$283 to xeriscape the common area. All homeowners received the Special Report via email explaining the different options for fence replacement funding and xeriscaping. The Board of Directors presented three (3) options for funding. Option three (3) received the most votes. The contract for xeriscaping has been approved and signed. The project will begin at the end of June to be completed by the end of July 2014. This expenditure will result in significantly lower water costs and landscaping maintenance costs within the next two years (as the plants become established and require less care and monitoring). If you did not attend the meeting, this assessment may come as a surprise and so the Board wants to give all homeowners as much time as possible to plan for this payment. Your 2014 homeowners’ association special assessment in the amount of \$283.00 is due by June 1, 2014.

2.7. Special Meeting & Revised 2014 Operating Budget

Pursuant to the “Covenants Conditions & Restrictions, Section 4.7 Determination of Budgets”, the Board is required annually, to formally approve an operating budget by quorum vote (10% of the votes entitled to be cast for each class of membership must be represented, either in person or by proxy). Therefore, on April 16, 2014 at 3975 S. Sable Way, a Special Meeting was held to adopt a revised version of the 2014 Operating Budget to include income from the passage of a one-time special assessment of \$283 per household (\$14,999 – projected to only fund 56% of the xeriscape project) for the xeriscape project. An additional \$15,000 Loan (reserves from previous years’ retained earnings) was required to subsidize the xeriscape project to fund the deficit.

Also at this Special Meeting, a revised 2014 Operating Budget was presented to homeowners with three (3) additional line items (revisions made after the initial 2014 Operating Proposed Budget presented) as follows:

- INCOME: Special Assessment for Xeriscape = \$14,999 (\$283 x 53 homes = \$14,999)
- EXPENSES: Xeriscape Project (Common Area) = \$24,750; Sprinkler Modifications = \$5,500

² See APPENDIX D: January 2014 Enclave HOA Newsletter and the Survey Monkey Questionnaire for details.

During this special meeting, the Board acknowledged that although the fence was in good shape and may last longer than the initial estimate of twenty years (replacement anticipated in 2026), that future fence replacement cost would continue to increase and would definitely outpace the current cash reserves when compared to the rate of annual income from operating dues collected³. After depleting the cash reserves from previous years’ retained earnings to subsidize the xeriscape project and anticipating an imminent deficit shortfall for the 2026 fence replacement, the Board proposed a five year special assessment³ aimed at replenishing the Fence Fund cash reserves.

2.8. 5-year Fence Special Assessment

Also on April 16, 2014, a 5-year Special Assessment of \$93/Year/Household ³ was presented and adopted to address the anticipated future shortfall for the Fence Fund cash reserves. According to the meeting minutes, the Board approved the use of \$15,000 from Cash Reserves (i.e. previous years’ retained earnings) to subsidize the xeriscape project. It was agreed at that meeting that future HOA financial statements would breakout and track the \$93 Fence Special Assessment to be collected beginning in 2015 through 2019, less what was advanced for the xeriscape project. See the Meeting Minutes excerpt 1.C. below from April 16, 2014 from EnclaveHOA-SpecialBOARDMtgMinutes-04162014.docx.

April 16, 2014

1. Approval of 2014 Enclave HOA Operating Budget...

C. The following revisions will be made by the Treasurer to the budget. Noting there are no revisions to the expense amounts, the financial documents will show a category titled Cash Reserves. The documents will show the transfer of \$15,000 from Cash Reserves into the 2014 operating budget for xeriscaping. Going forward, the financial statements will clearly show xeriscaping expenses, special assessment collections, and HOA repayments for the xeriscaping. The financial statements will also clearly show a category for fence replacement fund, which will include Cash Reserves (less what was advanced for xeriscaping) and the additional dues collected beginning in 2015 specifically for fence replacement.

Unfortunately, the \$15,000 loan repayment line item was omitted from the 2015, 2016, and 2017 financial statements and was subsequently not communicated when transitioned to a newly elected Treasurer in the spring of 2017. This oversight will be corrected on the end of year 2018 Balance Sheet reflecting full repayment of \$15,000 transferred from the Operating Fund back into the Reserve Fund. The xeriscape project began in early June and was completed on July 2, 2014 at a final cost of \$26,817. See APPENDIX C: 2005-2006 Perimeter Fence Replacement & Staining Costs for details.

2.9. Financial Recap for 2013-2014 Period

2013 Income (from Operating Dues Fee & Late Fees):	\$10,720
2013 Operating Expenses (Actual):	\$8,456
Total Operating Assets (as of 12/31/2013):	\$22,746
2014 Income (from Operating & Late Fees):	\$10,648 = \$200 x 53 + \$48
2014 Income (Xeriscape Special Assessment: 1 of 1):	\$14,999 = \$283 x 53 households
2014 Total Income (Sum: Operating Dues & Special Assessment):	\$25,647 = Operating Dues + S.A. Fee
2014 Operating Expenses (Actual):	\$31,054
Total Operating Assets (as of 12/31/2014):	\$17,339
2015 Total Reserve Income (Fence Special Assessment: 1 of 5):	\$4,929 = \$93 x 53 households

³ Although the 2014 Board correctly assumed that future fence replacement cost would continue to outpace the projected Fence Cash Reserves, we (2018/2019 Board) were unable to locate any fence replacement cost estimate that would have been used as the cost basis to determine this 5-year Fence special assessment fee.

2.10. Fence Replacement/ Maintenance Cost & Remaining Useful Life

As outlined above, in November of 2005, the contract was signed for a new perimeter fence at a cost of \$25,268.82 and installation was complete in early 2006. Then, in early spring of 2006 the fence staining was complete at a cost of \$2,900.00 for a grand total expenditure of \$28,168.82. At that time, the fence contractor recommended that if we consistently stained the fence every five years, the useful life of perimeter fence would be at least twenty years; estimating the next fence replacement would occur in 2026, and next staining occur in 2011...2016...2021....

In late spring of 2018, the Board had a fence contractor inspect the perimeter fence from which several maintenance and repair issues were identified. In June 2018 a post, several damaged fence slats, rails and fence caps were replaced including repairs to the north entrance gate (for sprinkler access) were completed at a cost of \$975.

Then, in December of 2018, the Board had the condition of the perimeter fence assessed to ascertain the remaining useful life (RUL) and obtained professional fence replacement and staining estimates. By validating the remaining useful life, the Board can confidently establish whether or not the fence replacement can be deferred beyond the original estimate of 20-year life span. The results are as follows:

Service Date	Component Description	Age (Years)	RUL (Years)	Lowest Replacement Cost Estimate (PV)
Jan 2019	Perimeter Privacy Fence - Replacement	13	12	\$45,625
Jan 2019	Perimeter Privacy Fence - Staining	2.5	2.5	\$3,150
Jun 2018	Perimeter Privacy Fence - Repairs	0.5	2.5	\$975
Prior 1993	Brick Wall & Masonry Columns - Repairs	?	?	Pending

**Note: PV = Present Value

For the purposes of this Reserve Study, the Board is forecasting that the next fence replacement won't need to occur until 2031. Be advised, this forecast is contingent upon the regular preventive maintenance of the perimeter fence (staining every 5-years and repairs every 3-years). Details are as follows:

Last Service Date	Component Description	RUL (Years)	Next Service Date (Est.)	Average of Estimates (FV)
Jan 2006	Perimeter Privacy Fence - Replacement	12	~Jan 2031	~\$58,859
Jun 2016	Perimeter Privacy Fence - Staining	2.5	~Jun 2021	~\$4,169
Jun 2018	Perimeter Privacy Fence - Repairs	2.5	~Jun 2021	~\$1,077
Prior to 1993	Brick Wall & Masonry Columns - Repairs	?	?	Pending

**Note: FV = Future Value (adjusted for inflation over that period)

2.11. North Entrance Brick Wall and Perimeter Masonry Columns

The north entrance brick wall and masonry columns supporting the perimeter fence where installed by the developer (Genesee Company) prior to 1993, but the responsibility for future repair and replacement falls to the Association. To date, these components have not had any maintenance nor have they undergone any repairs. During a visual inspection in January 2019, it was observed that the mortar on several columns has begun to deteriorate and repairs and maintenance will be needed in the foreseeable future. Unfortunately, at the time that this report was published, the Board has not yet identified a mason willing to conduct an onsite inspection in order to assess the condition, provide life valuation and a budgetary estimate for this restoration project. The Board will continue our effort to identify and schedule an inspection from professional masons. See APPENDIX J: Common Area Components Photographic Inventory (January 2019).

2.12. Greater Benefit & Responsibility for Perimeter Property Owners

By maintaining the curb appeal of the common areas, perimeter fence, and our personal property, each homeowner collectively benefits because we protect the future resale values within the Enclave community. However, with greater benefit (community collectively funds the maintenance and replacement of the perimeter fence), also comes greater responsibility. Therefore, it is critical that those homeowners whose property abuts the common area fence understand and accept that they have a stewardship responsibility and will be held financially liable for any damage caused to the perimeter fence by trees, landscaping, rocks, and incidents within their yard and on their property.

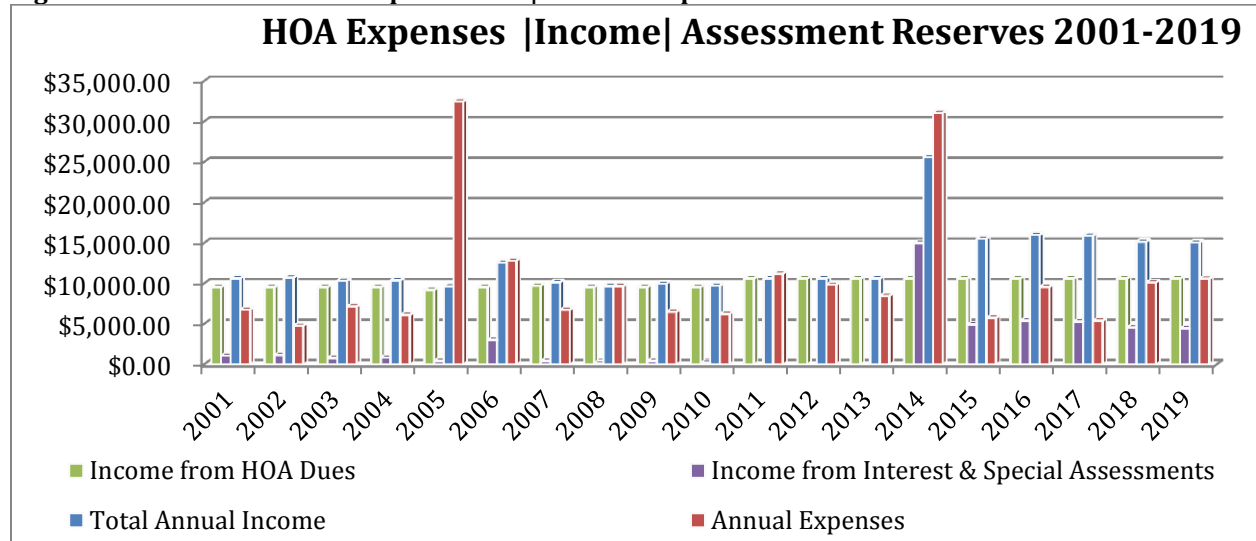
3. PHYSICAL | FINANCIAL: ANALYSIS, ASSUMPTIONS & PROJECTIONS

This Reserve Study documents the physical status of the component inventory, condition assessment, and life and valuation estimates; then—the “financial analysis” assesses the association’s reserve balance or fund status (measured in cash or as percent funded) to determine an adequate reserve contribution rate (Reserve Funding plan).

3.1. Historical Annual Expenditures, Income and Fence Special Assessments Collected

Figure 1 below shows the past eighteen years (plus 2019 - estimated) of expenditures compared to the income and special assessment reserves collected for The Enclave Homeowners’ Association since 2001. Note the varied nature and expenditure spikes incurred from year to year. See APPENDIX B: 2001-2019 Enclave Homeowners’ Association - Income and Expenses for details.

Figure 1: 2001-2019 Annual Expenditures | Income & Special Assessment Reserves Collected



3.2. Assumptions: “Component List” Life Expectancy-Cost Estimates- Inflation Projections

Outlined below are the Useful Life (UL) and Remaining Useful Life (RUL) projections and the recommended C.P.I. inflation rates applied (compounded annually). These increasing costs can be seen as you follow the recurring cycles of the Component List Detail (Table 1 and Table 2) on the following pages.

2019 C.P.I. Inflation Rate and Useful Life Projections for Common Area Components

Description	UL (Years)	RUL (Years)	C.P.I. Inflation Rate
Perimeter Privacy Fence - Replacement	25	12	2.0%
Perimeter Privacy Fence - Staining	5	2.5	2.5%
Perimeter Privacy Fence - Repairs	3	2.5	2.5%
Perimeter Xeriscape - Maintenance & Snow Removal	Annually	≤1	2.0%
Perimeter Xeriscape - Replacement Components	1/30 th (Annually)	1-29	1.5%
Perimeter Trees – Maintenance: Trim & Shape	3	2.5	2.5%
Other - Administrative, Insurance, Utilities, Miscellaneous Maintenance & Repair	Annually	≤1	2.5%

Below, Table 1 and Table 2 provide the full detail (physical analysis) of the major common area components’ Useful Life (UL), Remaining Useful Life (RUL) and 30-year maintenance and replacement projections (adjusted for inflation) the association is legally obligated to maintain.

Table 1. Reserve Fund Component Detail (Physical Analysis)					
Perimeter Privacy Fence - Replacement					
Description: 1037-Ft. Cross Buck Wrc 6-Ft. High Privacy Fence					
Item Number: 1					
Estimated Useful Life: 20 Years (with consistent preventive maintenance ~ 25+ Years)					
Date of Most Recent Installation: Jan-2006		Est. Replacement Date: Jan-2031			
Cost Basis: \$ 25,649.83					
Compounded Inflation Projection: 2.0%					
Homes in HOA: 53		Replacement Expense (Estimate)			
Service Date (Est.)	Useful Life (UL)	Remaining Useful Life (RUL)	Best Cost Reserve Funds	Worst Cost Reserve Funds	Average Reserve Funds
2031	25	12	\$ 58,212.30	\$ 59,505.91	\$ 58,859.10
2056	25	25	\$ 95,503.45	\$ 97,625.74	\$ 96,564.60
Staining Perimeter Privacy Fence					
Description: 1037-Ft. Cross Buck Wrc 6-Ft. High Privacy Fence					
Item Number: 1.A					
Estimated Useful Life: 5 Year Increments					
Date of Most Recent Maintenance: Jun-2016					
Cost Basis: \$ 4,220.00					
Compounded Inflation Projection 2.5%					
Homes in HOA: 53		Staining Expense (Estimate)			
Service Date (Est.)	Useful Life	Remaining Useful Life	Best Cost Reserve Funds	Worst Cost Reserve Funds	Average Reserve Funds
Jun-2016	5	2	\$ 3,150.00	\$ 4,220.00	\$ 3,685.00
Jun-2021	5	5	\$ 3,563.94	\$ 4,774.54	\$ 4,169.24
Jun-2026	5	5	\$ 4,032.27	\$ 5,401.96	\$ 4,717.11
Jun-2031	5	5	\$ 4,562.14	\$ 6,111.82	\$ 5,336.98
Jun-2036	5	5	\$ 5,161.64	\$ 6,914.96	\$ 6,038.30
Jun-2041	5	5	\$ 5,839.92	\$ 7,823.64	\$ 6,831.78
Jun-2046	5	5	\$ 6,607.34	\$ 8,851.74	\$ 7,729.54
Jun-2051	5	5	\$ 7,475.60	\$ 10,014.93	\$ 8,745.26
Jun-2056	5	5	\$ 8,457.95	\$ 11,330.97	\$ 9,894.46
Repair Perimeter Privacy Fence					
Description: 1037-Ft. Cross Buck Wrc 6-Ft. High Privacy Fence					
Item Number: 1.B					
Estimated Useful Life: 3 Year Increments					
Date of Most Recent Maintenance: Jun-2018					
Cost Basis: \$ 975.00					
Compounded Inflation Projection 2.5%					
Homes in HOA: 53		Repair Expense (Estimate)			
Service Date (Est.)	Useful Life	Remaining Useful Life	Best Cost Reserve Funds	Worst Cost Reserve Funds	Average Reserve Funds
Jun-2018	3	2	\$ 975.00	\$ 1,025.00	\$ 1,000.00
Jun-2021	3	3	\$ 1,049.97	\$ 1,103.81	\$ 1,076.89
Jun-2024	3	3	\$ 1,130.70	\$ 1,188.69	\$ 1,159.69
Jun-2027	3	3	\$ 1,217.64	\$ 1,280.08	\$ 1,248.86
Jun-2030	3	3	\$ 1,311.27	\$ 1,378.51	\$ 1,344.89
Jun-2033	3	3	\$ 1,412.09	\$ 1,484.51	\$ 1,448.30
Jun-2036	3	3	\$ 1,520.67	\$ 1,598.65	\$ 1,559.66
Jun-2039	3	3	\$ 1,637.59	\$ 1,721.57	\$ 1,679.58
Jun-2042	3	3	\$ 1,763.51	\$ 1,853.94	\$ 1,808.73
Jun-2045	3	3	\$ 1,899.11	\$ 1,996.50	\$ 1,947.80

Figure 2 and Table 2 below shows the array of the projected expenditures for the “Reserve Fund” (Sum of Average of Best Case and Worst Case Estimates) including inflation projections appropriate for 30-years in the future. Note the varied nature of expenses anticipated from year to year.

Figure 2: Projected 30-Year Reserve Fund Expenditure (Sum of Average Estimates-Best Case & Worst Case)

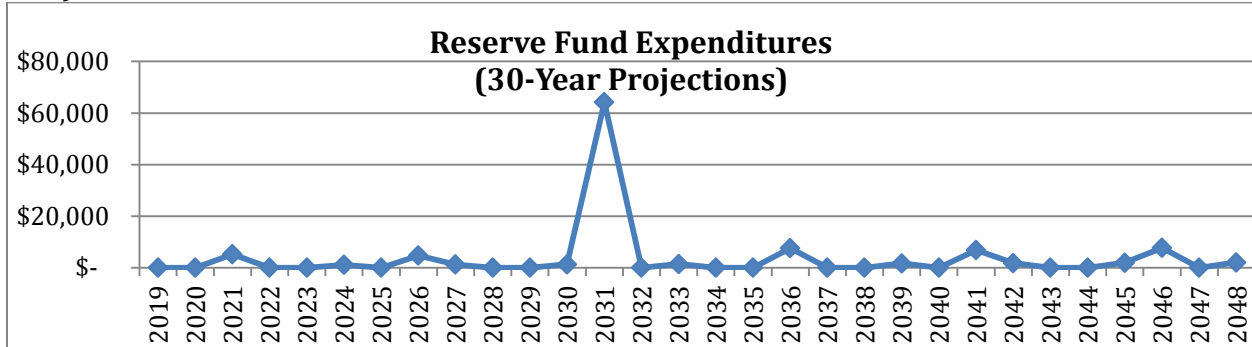


Table 2. Reserve Fund Projected 30-Year Expenditures								
Reserve Fund								
Fiscal Year	Perimeter Privacy Fence - Replacement		Staining Perimeter Privacy Fence		Repair Perimeter Privacy Fence		Annual Total	
	Best Cost	Worst Cost	Best Cost	Worst Cost	Best Cost	Worst Cost	Sum of Average	Fiscal Year
2019							\$ -	2019
2020							\$ -	2020
2021			\$ 3,564	\$ 4,775	\$ 1,050	\$ 1,104	\$ 5,246	2021
2022							\$ -	2022
2023							\$ -	2023
2024					\$ 1,131	\$ 1,189	\$ 1,160	2024
2025							\$ -	2025
2026			\$ 4,032	\$ 5,402			\$ 4,717	2026
2027					\$ 1,218	\$ 1,280	\$ 1,249	2027
2028							\$ -	2028
2029							\$ -	2029
2030					\$ 1,311	\$ 1,379	\$ 1,345	2030
2031	\$ 58,212	\$ 59,506	\$ 4,562	\$ 6,112			\$ 64,196	2031
2032							\$ -	2032
2033					\$ 1,412	\$ 1,485	\$ 1,448	2033
2034							\$ -	2034
2035							\$ -	2035
2036			\$ 5,162	\$ 6,915	\$ 1,521	\$ 1,599	\$ 7,598	2036
2037							\$ -	2037
2038							\$ -	2038
2039					\$ 1,638	\$ 1,722	\$ 1,680	2039
2040							\$ -	2040
2041			\$ 5,840	\$ 7,824			\$ 6,832	2041
2042					\$ 1,764	\$ 1,854	\$ 1,809	2042
2043							\$ -	2043
2044							\$ -	2044
2045					\$ 1,899	\$ 1,996	\$ 1,948	2045
2046			\$ 6,607	\$ 8,852			\$ 7,730	2046
2047							\$ -	2047
2048					\$ 2,045	\$ 2,150	\$ 2,098	2048

Since projections about future events may or may not take place as anticipated, we feel more certain about near term projects versus those many years away. While this Reserve Study has a shelf life of one-year, it is based on 30-years of forward looking projections.

Table 3 below shows the array of the anticipated expenditures for the “Operating Fund” (Sum of Average of Best Case and Worst Case Estimates) including inflation projections appropriate for 30-years in the future.

Table 3. Operating Fund Component Detail (Physical Analysis)						
Landscape Maintenance & Snow Removal for Perimeter Xeriscape						
Description:		Perimeter Maintenance & Snow Removal				
Item Number:		2				
Estimated Useful Life:		1 Year Increments				
Date of Most Recent Maintenance:		Oct-2018				
Cost Basis:		\$ 5,000.00				
Compounded Inflation Projection		2.0%				
Homes in HOA:		53				
		Landscape Maintenance Expense (Estimate)				
			Remaining	Best Cost	Worst Cost	Average
Service Date (Est.)	Useful Life	Useful Life	Reserve Funds	Reserve Funds	Reserve Funds	Operating Funds
2018	1	1	\$ 4,600.00	\$ 5,200.00	\$ 4,900.00	
2019	1	1	\$ 4,692.00	\$ 5,304.00	\$ 4,998.00	
2020	1	1	\$ 4,785.84	\$ 5,410.08	\$ 5,097.96	
2021	1	1	\$ 4,881.56	\$ 5,518.28	\$ 5,199.92	
2022	1	1	\$ 4,979.19	\$ 5,628.65	\$ 5,303.92	
2023	1	1	\$ 5,078.77	\$ 5,741.22	\$ 5,410.00	
2024	1	1	\$ 5,180.35	\$ 5,856.04	\$ 5,518.20	
2025	1	1	\$ 5,283.95	\$ 5,973.17	\$ 5,628.56	
2026	1	1	\$ 5,389.63	\$ 6,092.63	\$ 5,741.13	
2027	1	1	\$ 5,497.43	\$ 6,214.48	\$ 5,855.95	
2028	1	1	\$ 5,607.37	\$ 6,338.77	\$ 5,973.07	
2029	1	1	\$ 5,719.52	\$ 6,465.55	\$ 6,092.53	
2030	1	1	\$ 5,833.91	\$ 6,594.86	\$ 6,214.38	
2031	1	1	\$ 5,950.59	\$ 6,726.75	\$ 6,338.67	
2032	1	1	\$ 6,069.60	\$ 6,861.29	\$ 6,465.45	
2033	1	1	\$ 6,190.99	\$ 6,998.52	\$ 6,594.75	
2034	1	1	\$ 6,314.81	\$ 7,138.49	\$ 6,726.65	
2035	1	1	\$ 6,441.11	\$ 7,281.26	\$ 6,861.18	
2036	1	1	\$ 6,569.93	\$ 7,426.88	\$ 6,998.41	
2037	1	1	\$ 6,701.33	\$ 7,575.42	\$ 7,138.37	
2038	1	1	\$ 6,835.36	\$ 7,726.93	\$ 7,281.14	
2039	1	1	\$ 6,972.07	\$ 7,881.46	\$ 7,426.77	
2040	1	1	\$ 7,111.51	\$ 8,039.09	\$ 7,575.30	
2041	1	1	\$ 7,253.74	\$ 8,199.88	\$ 7,726.81	
2042	1	1	\$ 7,398.81	\$ 8,363.87	\$ 7,881.34	
2043	1	1	\$ 7,546.79	\$ 8,531.15	\$ 8,038.97	
2044	1	1	\$ 7,697.72	\$ 8,701.77	\$ 8,199.75	
2045	1	1	\$ 7,851.68	\$ 8,875.81	\$ 8,363.74	
2046	1	1	\$ 8,008.71	\$ 9,053.33	\$ 8,531.02	
2047	1	1	\$ 8,168.89	\$ 9,234.39	\$ 8,701.64	
2048	1	1	\$ 8,332.26	\$ 9,419.08	\$ 8,875.67	

Table 3. Operating Fund Component Detail (Physical Analysis)						
Replacement Components for Perimeter Xeriscape						
Description:		Xeriscape Plant & Rock Replacement				
Item Number:		3				
Estimated Useful Life:		1 Year Increments				
Date of Most Recent Maintenance:		Jul-2014				
Cost Basis:		\$ 1,000.00				
Compounded Inflation Projection		1.5%				
Homes in HOA:		53				
Service Date (<i>Est.</i>)	Useful Life	Remaining Useful Life	Replacement Components Expense (Estimate)			
			Best Cost Reserve Funds	Worst Cost Reserve Funds	Average Reserve Funds	
2018	1	1	\$ 1,000.00	\$ 1,100.00	\$ 1,050.00	
2019	1	1	\$ 1,015.00	\$ 1,116.50	\$ 1,065.75	
2020	1	1	\$ 1,030.23	\$ 1,133.25	\$ 1,081.74	
2021	1	1	\$ 1,045.68	\$ 1,150.25	\$ 1,097.96	
2022	1	1	\$ 1,061.36	\$ 1,167.50	\$ 1,114.43	
2023	1	1	\$ 1,077.28	\$ 1,185.01	\$ 1,131.15	
2024	1	1	\$ 1,093.44	\$ 1,202.79	\$ 1,148.12	
2025	1	1	\$ 1,109.84	\$ 1,220.83	\$ 1,165.34	
2026	1	1	\$ 1,126.49	\$ 1,239.14	\$ 1,182.82	
2027	1	1	\$ 1,143.39	\$ 1,257.73	\$ 1,200.56	
2028	1	1	\$ 1,160.54	\$ 1,276.59	\$ 1,218.57	
2029	1	1	\$ 1,177.95	\$ 1,295.74	\$ 1,236.85	
2030	1	1	\$ 1,195.62	\$ 1,315.18	\$ 1,255.40	
2031	1	1	\$ 1,213.55	\$ 1,334.91	\$ 1,274.23	
2032	1	1	\$ 1,231.76	\$ 1,354.93	\$ 1,293.34	
2033	1	1	\$ 1,250.23	\$ 1,375.26	\$ 1,312.74	
2034	1	1	\$ 1,268.99	\$ 1,395.88	\$ 1,332.43	
2035	1	1	\$ 1,288.02	\$ 1,416.82	\$ 1,352.42	
2036	1	1	\$ 1,307.34	\$ 1,438.07	\$ 1,372.71	
2037	1	1	\$ 1,326.95	\$ 1,459.65	\$ 1,393.30	
2038	1	1	\$ 1,346.86	\$ 1,481.54	\$ 1,414.20	
2039	1	1	\$ 1,367.06	\$ 1,503.76	\$ 1,435.41	
2040	1	1	\$ 1,387.56	\$ 1,526.32	\$ 1,456.94	
2041	1	1	\$ 1,408.38	\$ 1,549.21	\$ 1,478.80	
2042	1	1	\$ 1,429.50	\$ 1,572.45	\$ 1,500.98	
2043	1	1	\$ 1,450.95	\$ 1,596.04	\$ 1,523.49	
2044	1	1	\$ 1,472.71	\$ 1,619.98	\$ 1,546.35	
2045	1	1	\$ 1,494.80	\$ 1,644.28	\$ 1,569.54	
2046	1	1	\$ 1,517.22	\$ 1,668.94	\$ 1,593.08	
2047	1	1	\$ 1,539.98	\$ 1,693.98	\$ 1,616.98	
2048	1	1	\$ 1,563.08	\$ 1,719.39	\$ 1,641.23	

Table 3. Operating Fund Component Detail (Physical Analysis)						
Tree Maintenance: Trim & Shape 15 Ash Trees						
Description: Trim, Shape, and Remove Tree Limbs for Fifteen Ash Trees						
Item Number: 4						
Estimated Useful Life: 3 Year Increments						
Date of Most Recent Maintenance: Jun-2018						
Cost Basis: \$ 3,000.00						
Compounded Inflation Projection 2.5%						
Homes in HOA: 53						
			Tree Maintenance Expense (Estimate)			
Service Date (Est.)	Useful Life	Remaining Useful Life	Best Cost Reserve Funds	Worst Cost Reserve Funds	Average Reserve Funds	
Jun-2018	3	2	\$ 3,000.00	\$ 4,650.00	\$ 3,825.00	
Jun-2021	3	3	\$ 3,230.67	\$ 5,007.54	\$ 4,119.11	
Jun-2024	3	3	\$ 3,479.08	\$ 5,392.57	\$ 4,435.83	
Jun-2027	3	3	\$ 3,746.59	\$ 5,807.21	\$ 4,776.90	
Jun-2030	3	3	\$ 4,034.67	\$ 6,253.73	\$ 5,144.20	
Jun-2033	3	3	\$ 4,344.89	\$ 6,734.59	\$ 5,539.74	
Jun-2036	3	3	\$ 4,678.98	\$ 7,252.41	\$ 5,965.69	
Jun-2039	3	3	\$ 5,038.75	\$ 7,810.06	\$ 6,424.40	
Jun-2042	3	3	\$ 5,426.18	\$ 8,410.58	\$ 6,918.38	
Jun-2045	3	3	\$ 5,843.40	\$ 9,057.27	\$ 7,450.34	
Jun-2048	3	3	\$ 6,292.70	\$ 9,753.69	\$ 8,023.20	

Figure 3 below shows the array of the projected expenditures for the Operating Fund (Sum of Average of Best Case and Worst Case Estimates) including inflation projections appropriate for future years. Note the varied nature of expenses anticipated from year to year, and notice that near term expenditure will outpace and exceed the current annual income of \$10,600 (\$200/ Year/ x 53 Households) collected from annual operating dues fee.

Figure 3: Projected 30-Year Operating Fund Expenditure (Sum of Average Estimates - Best Case & Worst Case)

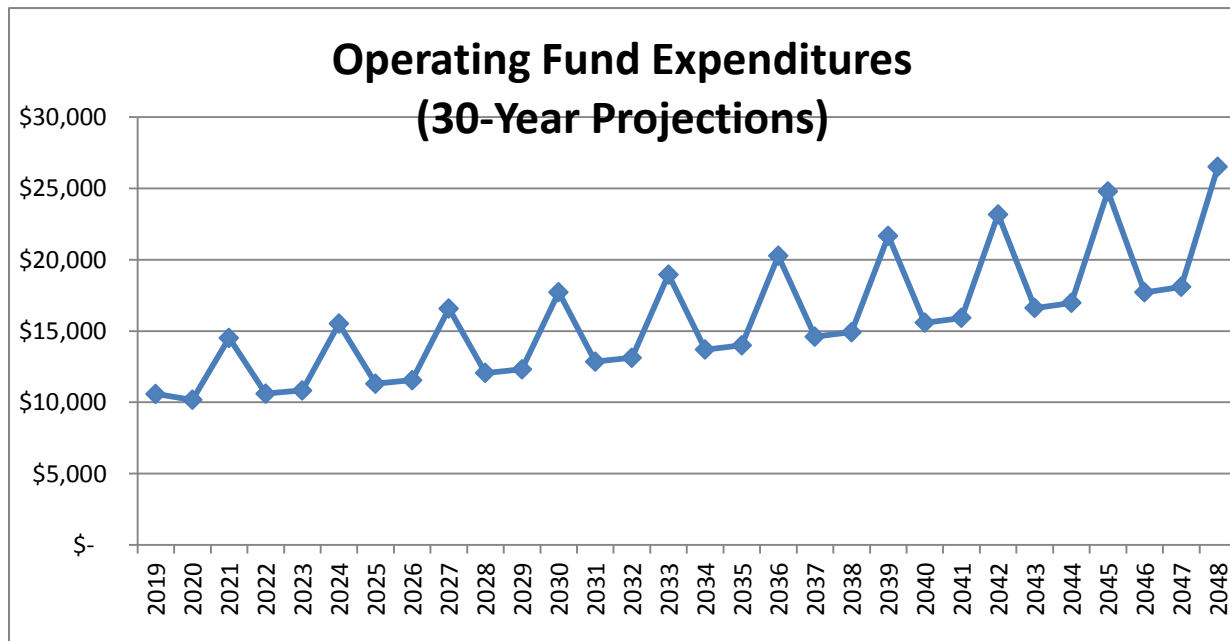


Table 4. Operating Fund Projected 30-Year Expenditures

Operating Fund									
Tree Maintenance: Trim & Shape 15 Ash Trees		Landscape Maintenance & Snow Removal for Perimeter Xeriscape		Replacement Components for Perimeter Xeriscape		Other (Admin, Util, Main/Repair)		Annual Total	
Best Cost	Worst Cost	Best Cost	Worst Cost	Best Cost	Worst Cost	Best Cost	Worst Cost	Sum of Average	Fiscal Year
		\$ 4,692	\$ 5,304	\$ 1,015	\$ 1,117	\$4,423	\$4,628	\$ 10,589	2019
		\$ 4,786	\$ 5,410	\$ 1,030	\$ 1,133	\$ 3,887	\$ 4,097	\$ 10,172	2020
\$ 3,231	\$ 5,008	\$ 4,882	\$ 5,518	\$ 1,046	\$ 1,150	\$ 3,984	\$ 4,200	\$ 14,509	2021
		\$ 4,979	\$ 5,629	\$ 1,061	\$ 1,167	\$ 4,084	\$ 4,305	\$ 10,613	2022
		\$ 5,079	\$ 5,741	\$ 1,077	\$ 1,185	\$ 4,186	\$ 4,412	\$ 10,840	2023
\$ 3,479	\$ 5,393	\$ 5,180	\$ 5,856	\$ 1,093	\$ 1,203	\$ 4,291	\$ 4,523	\$ 15,509	2024
		\$ 5,284	\$ 5,973	\$ 1,110	\$ 1,221	\$ 4,398	\$ 4,636	\$ 11,311	2025
		\$ 5,390	\$ 6,093	\$ 1,126	\$ 1,239	\$ 4,508	\$ 4,752	\$ 11,554	2026
\$ 3,747	\$ 5,807	\$ 5,497	\$ 6,214	\$ 1,143	\$ 1,258	\$ 4,621	\$ 4,871	\$ 16,579	2027
		\$ 5,607	\$ 6,339	\$ 1,161	\$ 1,277	\$ 4,736	\$ 4,992	\$ 12,056	2028
		\$ 5,720	\$ 6,466	\$ 1,178	\$ 1,296	\$ 4,855	\$ 5,117	\$ 12,315	2029
\$ 4,035	\$ 6,254	\$ 5,834	\$ 6,595	\$ 1,196	\$ 1,315	\$ 4,976	\$ 5,245	\$ 17,725	2030
		\$ 5,951	\$ 6,727	\$ 1,214	\$ 1,335	\$ 5,100	\$ 5,376	\$ 12,851	2031
		\$ 6,070	\$ 6,861	\$ 1,232	\$ 1,355	\$ 5,228	\$ 5,511	\$ 13,128	2032
\$ 4,345	\$ 6,735	\$ 6,191	\$ 6,999	\$ 1,250	\$ 1,375	\$ 5,359	\$ 5,648	\$ 18,951	2033
		\$ 6,315	\$ 7,138	\$ 1,269	\$ 1,396	\$ 5,493	\$ 5,790	\$ 13,700	2034
		\$ 6,441	\$ 7,281	\$ 1,288	\$ 1,417	\$ 5,630	\$ 5,934	\$ 13,996	2035
\$ 4,679	\$ 7,252	\$ 6,570	\$ 7,427	\$ 1,307	\$ 1,438	\$ 5,771	\$ 6,083	\$ 20,264	2036
		\$ 6,701	\$ 7,575	\$ 1,327	\$ 1,460	\$ 5,915	\$ 6,235	\$ 14,607	2037
		\$ 6,835	\$ 7,727	\$ 1,347	\$ 1,482	\$ 6,063	\$ 6,391	\$ 14,922	2038
\$ 5,039	\$ 7,810	\$ 6,972	\$ 7,881	\$ 1,367	\$ 1,504	\$ 6,214	\$ 6,550	\$ 21,669	2039
		\$ 7,112	\$ 8,039	\$ 1,388	\$ 1,526	\$ 6,370	\$ 6,714	\$ 15,574	2040
		\$ 7,254	\$ 8,200	\$ 1,408	\$ 1,549	\$ 6,529	\$ 6,882	\$ 15,911	2041
\$ 5,426	\$ 8,411	\$ 7,399	\$ 8,364	\$ 1,430	\$ 1,572	\$ 6,692	\$ 7,054	\$ 23,174	2042
		\$ 7,547	\$ 8,531	\$ 1,451	\$ 1,596	\$ 6,860	\$ 7,230	\$ 16,607	2043
		\$ 7,698	\$ 8,702	\$ 1,473	\$ 1,620	\$ 7,031	\$ 7,411	\$ 16,967	2044
\$ 5,843	\$ 9,057	\$ 7,852	\$ 8,876	\$ 1,495	\$ 1,644	\$ 7,207	\$ 7,596	\$ 24,785	2045
		\$ 8,009	\$ 9,053	\$ 1,517	\$ 1,669	\$ 7,387	\$ 7,786	\$ 17,711	2046
		\$ 8,169	\$ 9,234	\$ 1,540	\$ 1,694	\$ 7,572	\$ 7,981	\$ 18,095	2047
\$ 6,293	\$ 9,754	\$ 8,332	\$ 9,419	\$ 1,563	\$ 1,719	\$ 7,761	\$ 8,181	\$ 26,511	2048

3.3. 2014-2018 Income from Operating Dues & Fence Special Assessments

2014	
Annual Operating Dues	\$10,600
Annual Operating Dues Late Charges	\$20
Special Assessment for Xeriscape (One Time)	\$14,999
Special Assessment Late Charges	\$28
TOTAL INCOME	\$25,647
Loan for Xeriscape (Previous Years' Retained Earnings)	(\$15,000)
2015	
INCOME	Actuals
Annual Operating Dues	\$10,600
Annual Operating Dues Late Charges	\$25
Fence Reserve Special Assessment	\$4,929
TOTAL INCOME	\$15,554
2016	
INCOME	Actuals
Annual Operating Dues	\$10,600
Fence Reserve Special Assessment	\$5,396
TOTAL INCOME	\$15,996
2017	
INCOME	Actuals
Annual Operating Dues	\$10,600
Fence Reserve Special Assessment	\$5,299
TOTAL INCOME	\$15,899
2018	
INCOME	Actuals
Annual Operating Dues	\$10,600
Annual Operating Dues Late Charges	\$25
Fence Reserve Special Assessment	\$4,557
TOTAL INCOME	\$15,181
OPERATING FUND BALANCE (2015 - 2018)	
Sum Fence Reserve Special Assessment (2015 - 2018)	\$29,104
Loan Repayment - 2014 Xeriscape Project Plus Interest	(\$15,032)
OPERATING FUND BALANCE (2015 - 2018)	\$14,108
FENCE FUND BALANCE (2015 - 2018)	
Sum Fence Reserve Special Assessment (2015 - 2018)	\$20,181
Loan Repayment - 2014 Xeriscape Project Plus Interest	\$15,032
FENCE FUND BALANCE (2015 - 2018)	\$35,213

3.4. 2019 Expected Income: Operating Fund Balance

The Operating Fund balance as of 12/31/2018 is \$14,108. The 2019 anticipated annual income from operating dues fee is \$10,600 and the expected 2019 operating budget expenses are projected at \$10,589.

OPERATING FUND BALANCE (as of 12/31/2018)	\$14,108
2019 (*) <i>Expected</i> Annual Operating Dues(*)	\$10,600
2019 (*) <i>Expected</i> Annual Operating Expenses(*)	\$10,589
2019 RETAINED EARNINGS(*)	\$11
OPERATING FUND BALANCE (as of 12/31/2019) (*)	\$14,119

3.5. 2019 Expected Income: Reserve Fund Balance

The final payment for special assessment (Year 5 of 5) = \$93 for 48 household = \$4,464. Five (5) homes prepaid the special assessment remaining balance at their property sale closing, which accounts for the variance in payments collected year-to-year (March 2015 through 2019).

FENCE FUND BALANCE (as of 12/31/2018)	\$35,213
2019 (*) <i>Expected Fence Reserve Special Assessment(*)</i>	\$4,464
2019 (*) <i>Expected Annual Reserve Expenses(*)</i>	\$0
2019 RETAINED EARNINGS(*)	\$4,464
RESERVE FUND BALANCE (as of 12/31/2019) (*)	\$39,677

Note: (*) Special assessment final payment (5th of 5); *Italicized because it is yet to be collected in 2019.*

3.6. Other Potentially Significant Association Financial Liabilities

Because there is no certainty over future events, the Board cannot claim that all the events we anticipate in this Reserve Study will occur as planned. The things we can anticipate have been included in the study’s calculations, which we attempted to establish within 5% accuracy. There are other potentially significant financial liabilities that if and when they occur, would not be covered by insurance and should be researched and addressed in 2020’s Reserve Fund plan.

North Entrance Brick Wall and Perimeter Masonry Columns

As mentioned earlier in this report, during a recent visual inspection of the north entrance brick wall and perimeter masonry columns, it was observed that there are issues with the deterioration of masonry mortar that will need to be repaired and maintained in the future. Unfortunately, at the time that this report was published, the Board has not yet identified a mason willing to conduct an onsite inspection in order to assess the condition, provide life valuation and a budgetary estimate for this restoration project. The Board will continue our effort to identify and schedule an inspection from professional masons in order to estimate the remaining useful life (RUL) and obtain budgetary cost estimates for the necessary repairs and ongoing maintenance. See APPENDIX J: Common Area Components Photographic Inventory (January 2019).

Backflow Preventer Device Failure

The inevitable failure of the 26+ year-old backflow preventers will need to be replaced, eventual. The lowest replacement cost estimate is \$750.00 (estimate represents both the device replacement including installation, excluding taxes; calculated at Present Value – January 2019).

Diseased or Death of Perimeter Trees

In June 2018, all fifteen perimeter trees were trimmed and appear to be in good health. However, it is important that the Association continue monitoring their health and consider allocating future funds to cover preventive care and for the possibility that the tree(s) may eventual need to be removed and replaced.

Extraordinary 1.7 Expenses

This winter is quickly melting away our Association’s snow removal budget. As of February 2, 2019 (date of Reserve Study report printing), our 2019 snow removal budgeted is \$1,500. There were five snow events in January alone; the Association has already been invoiced \$1,010 for snow removal services.

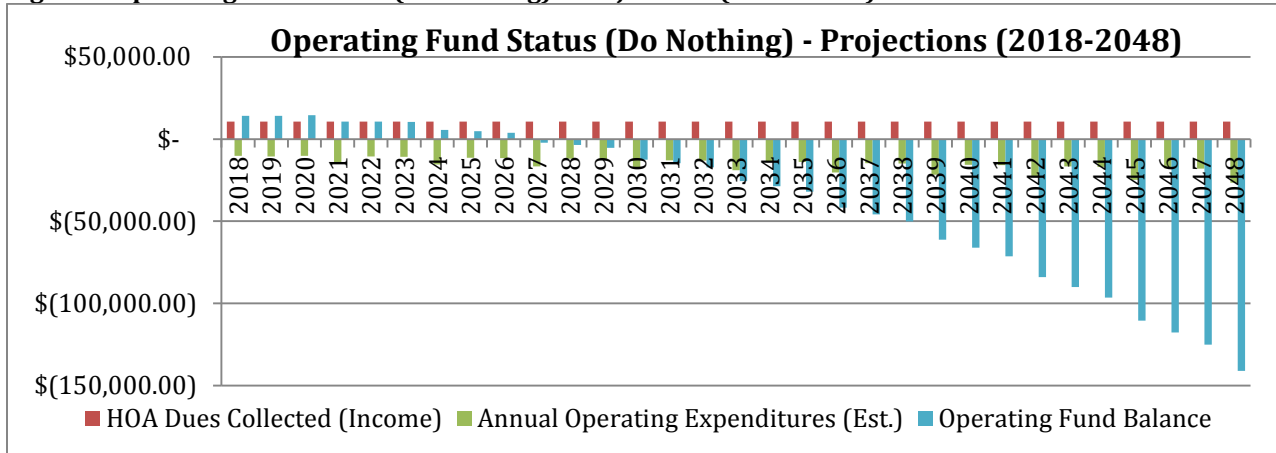
Following the 2019 Annual HOA meeting, the Board plans to adopt a policy and establish savings account that would enable flexibility to address the above unanticipated unbudgeted emergencies. See Establish a \$5,000 Emergency Fund for unanticipated contingencies (i.e. backflow preventer device failure; diseased/ death of perimeter tree(s); emergency mortar repairs; extraordinary snow removal expenses) on page 32 and page 33. This would allow the Board to address unanticipated needs when quick action is critical and in the best long term interest of the Association.

4. FUNDING ANALYSIS: PROJECTIONS OF STATUS QUO (DO NOTHING)

4.1. 30-Year Operating Fund Projected Status - Expenditure | Deficit

The Operating Fund balance (as of 01/01/19) is \$14,108. If Association operating dues fee remain at current funding levels – income of \$200/Year/Household and the anticipated spending levels hold true, the Operating Fund will experience an imminent shortfall deficit of \$2,533 by 2027. See details in APPENDIX H: 30-Year Projected Operating Fund Expenditures (DO NOTHING - NO \$ Increase) for details.

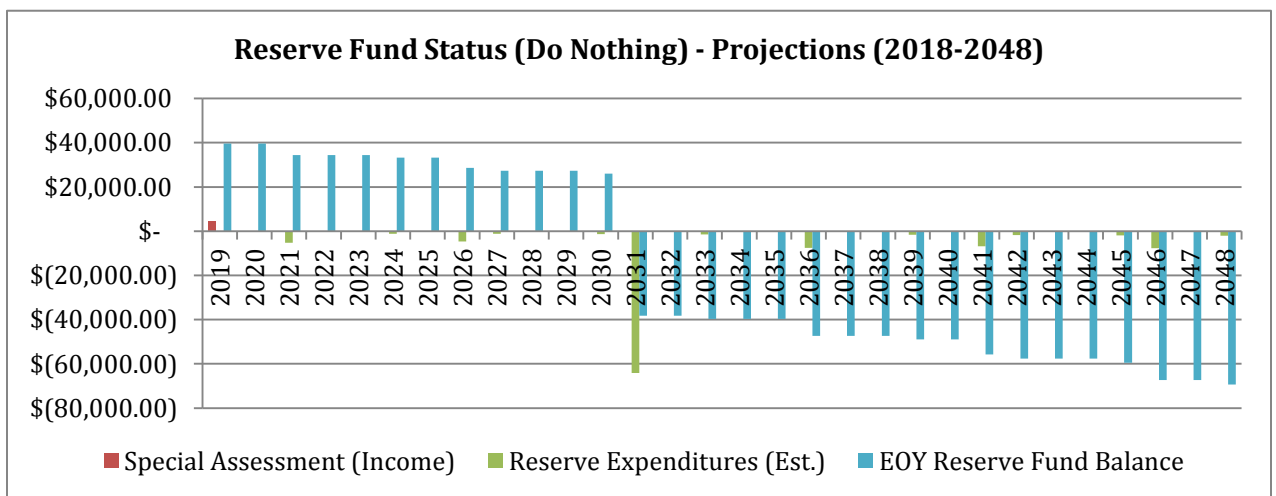
Figure 5. Operating Fund Status (Do Nothing) - Projections (2018-2048)



4.2. 30-Year Reserve Fund Projected Status - Expenditure | Deficit

The Reserve Fund balance (as of 01/01/19) is \$35,213, which includes the 2018 repayment of the \$15,000 loan⁴ from the 2014 Xeriscape project. Anticipating the final 2019 special assessment income of \$4,464 (Year 5 of 5 – final payment) brings the balance up to \$39,677 (as of 12/31/19). The figure below show that at current funding levels – and anticipated spending levels (including the fence replacement in 2031), the Reserve Fund will experience a shortfall deficit of **(\$38,236)** in 2031. Consequently, the replacement of the perimeter fence would need to be deferred and a special assessment would be required. See details in APPENDIX G: 30-Year Projected Reserve Fund Expenditures (DO NOTHING - NO \$ Increase) for details.

Figure 6. Reserve Fund Status (Do Nothing) - Projections (2018-2048)



The funding analysis (which follows) is an integral part of an association's overall financial plan, and it should be updated annual and integrated into the ongoing budgetary and financial review process. See Section 4.3 “30-Year Funding Analysis – Do Nothing” on the next page 23-24 for all 30 Reserve Fully Funded balances, Percent Funded balances and other calculation detailing the Reserve Fund status.

4.3. 30-Year Funding Analysis – Do Nothing

Insert Page 1 of the 2019 30-Year Funding Analysis – DO NOTHING
11" x 17" Architects Fold

Insert Page 2 of the 2019 30-Year Funding Analysis – DO NOTHING

4.4. Fence Reserve Fund Balance: Do Nothing (2019 -2031)

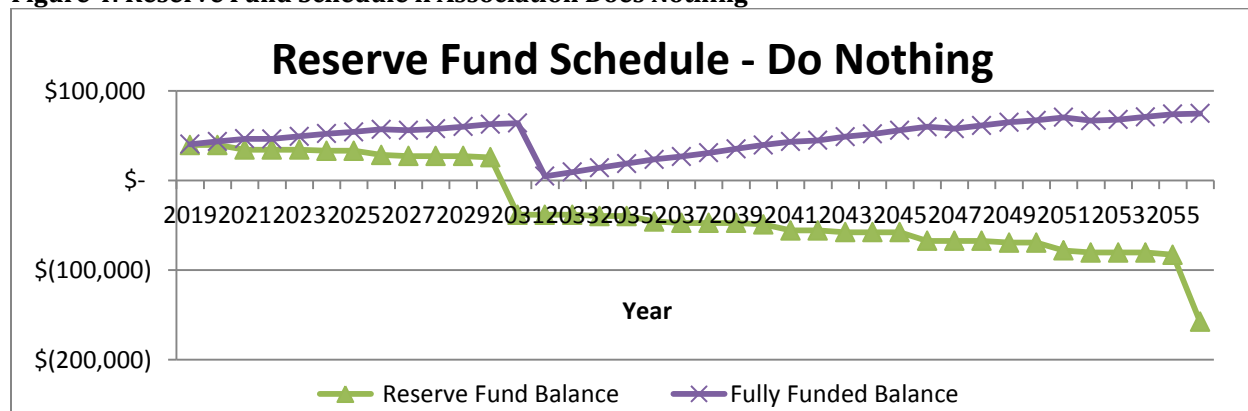
The funding analysis is where the status of the Reserve Fund measures adequacy (as a “Percent Funded”). Full funding — the goal of this funding strategy is to attain and maintain the reserves at or near 100 percent. As previously outlined, the perimeter fence has a useful life of 25 years and the future replacement cost expected in 2031 = \$58,859 plus \$19,054 for ongoing preventive maintenance for a total expenditure of \$77,913 by 2031. Therefore to be fully funded, the Association would have to put aside \$3,117 each year to offset the future cost of the fence maintenance and replacement expenses over this 25 year period (2006-2031). The Reserve Fund balance (as of 01/01/19) is \$35,213; expected to be \$39,677 (as of 12/31/19).

Table 5 below shows the expected expenditures that are anticipated through the next fence replacement (2031). It tabulates the annual expenditures, Reserve Fund balance, Fully Funded balance (=100% funded) and computes the anticipated Reserve Fund Percent Funded balance. Note the **-59.56%** fiscal deficit anticipated in 2031 – resulting in an imminent shortfall and the deferral of the fence replacement.

Table 5. Reserve Fund Strength (Do Nothing)					
Reserve Fund					
Fiscal Year	Sum of Average	Reserve Fund Balance	Fully Funded Balance	Percent Funded	Fiscal Year
2019	\$ -	\$ 39,677	\$ 40,515	97.93%	2019
2020	\$ -	\$ 39,677	\$ 43,631	90.94%	2020
2021	\$ 5,246	\$ 34,431	\$ 46,748	73.65%	2021
2022	\$ -	\$ 34,431	\$ 46,507	74.03%	2022
2023	\$ -	\$ 34,431	\$ 49,413	69.68%	2023
2024	\$ 1,160	\$ 33,271	\$ 52,320	63.59%	2024
2025	\$ -	\$ 33,271	\$ 54,345	61.22%	2025
2026	\$ 4,717	\$ 28,554	\$ 57,206	49.91%	2026
2027	\$ 1,249	\$ 27,305	\$ 56,103	48.67%	2027
2028	\$ -	\$ 27,305	\$ 57,676	47.34%	2028
2029	\$ -	\$ 27,305	\$ 60,298	45.28%	2029
2030	\$ 1,345	\$ 25,960	\$ 62,919	41.26%	2030
2031	\$ 64,196	\$ (38,236)	\$ 64,196	-59.56%	2031

To appreciate the full impact of inaction and long term effects of “Doing Nothing” (i.e. extend the current \$93 Fence Special Assessment, or approve an annual Reserve Fund dues in 2020 and beyond), notice the Reserve Fund balance on January 1, 2031 is anticipated to be \$25,960. Consequently, the January 2031 anticipated expenditures of \$64,196 from the Reserve Fund (fence replacement and stain project), will result in an imminent shortfall of **(\$38,236)** – a deficit of **(59.56 %)** and the project’s deferral. Figure 4 (below) graphically represents the status quo, long term Percent Funded over the period (2019 – 2056) over the cycle of the next two fence replacements. Notice the ever-expanding gap between the Reserve Fund balance (green line) compared to the Fully Funded balance (purple line – i.e. Reserve Fund accrued liability).

Figure 4: Reserve Fund Schedule if Association Does Nothing



5. FUNDING PLAN: SCHEDULE, BALANCE, STATUS & CONCLUSION

As of this report, the current Reserve Fund Percent Funded balance is 86.91 %. It is the Board’s position is to strive for ~100% funding level. By adhering to this fully funded goal, our Association not only meets our legal, fiduciary and governance requirements, we also enhance our community and homes’ resale values, while minimizing our risk of special assessments. But to achieve this will require a modest but sustained annual dues increase to subsidize the Reserve Fund going forward to build adequate funding levels required to replace the fence in 2031.

5.1. Fee Schedule: Operating Fund & Reserve Fund Balance

The operating dues fee of \$200/Year/Household (established in 2011) pays for annual recurring operating expenses, including our Association's business, landscape services, utilities, and normal maintenance activities. However, because of the multi-year approach of the reserve budget, the 30-Year Funding Analysis serves as a budget tool used to determine a sustained contribution funding rate. A reserve funding plan is an integral part of the annual budget process and overall financial plan in determining a fair fee schedule.

5.1.1. Historical Fee Schedule: Operating Dues & Special Assessments

Historical Annual Operating Dues and Special Assessments (S.A.) per Home	
Operating Dues	1994-2010 = \$180/Year/Household
Operating Dues	2011-2013 = \$200/Year/Household
Dues plus Special Assessment (Xeriscape)	2014 = \$200/Year/Household plus \$283 S.A. → \$483
Dues plus Special Assessment (Fence)	2015-2019 = \$200/Year/Household plus \$93 S.A. → \$293

5.1.2. 2019 Fund Status: Operating & Reserves Financial Snapshot

Report Date:	January 1, 2019
Report Number:	2019 – Version 1.0
Homeowners’ Association Name:	The Enclave at Meadow Hills
County Records Legal Description:	Meadow Hills Country Club Sub 10th FLG Lot 1 BLK
Number of Homes in Association:	53
Initial Year Report Period:	January 1, 2019 through December 31, 2019
Years of Cash Flow Projections:	Thirty Years (Jan 2019 – Dec 2048)
2018 Operating Dues Contribution (Actual):	\$10,625
2018 Operating Expenses (Actual):	\$10,123
2018 Fence Special Assessment Contribution (Actual):	\$4,557
Operating Fund Cash Balance (as of 12/31/18):	\$29,108 minus \$15,000 ⁴ Loan Xeriscape Repayment
Reserve Fund Cash Balance (as of 12/31/18):	\$20, 212 plus \$15,000 ⁴ Loan Xeriscape Repayment
Operating Fund Cash Balance (01/01/19):	\$ 14,108
Reserve Fund Cash Balance(01/01/19):	\$ 35,213
2019 Operating Dues Contribution (Estimate):	\$10,600
2019 Proposed Operating Budget:	\$10,589
2019 Fence Special Assessment Income (Anticipated):	\$4,464

⁴ Section 2014 Xeriscape One-Time Special Assessment and \$15,000 loan from retained earnings on page 10

5.1.3. Recap 2019 Expected Income - Operating Fund Balance

Income from the operating dues has remained constant at \$200/Year/Household since 2011. The Operating Fund balance (as of 01/01/19) is \$14,108, and the Operating Fund balance (as of 12/31/19) is expected to be \$14,119.

OPERATING FUND BALANCE (as of 12/31/2018)	\$14,108
2019 (*) <i>Expected</i> Annual Operating Dues(*)	\$10,600
2019 (*) <i>Expected</i> Annual Operating Expenses(*)	\$10,589
2019 RETAINED EARNINGS(*)	\$11
OPERATING FUND BALANCE (as of 12/31/2019) (*)	\$14,119

Unfortunately, the cumulative impact of inflation on the annual recurring operating expenses has eroded our Association’s purchasing power to the point that operating expenses effectively equal and will soon exceed operating income. So even with the Operating Fund balance at \$14,108 (as of 12/31/2018), and 2019 anticipated annual income from operating dues fee of \$10,600, at current funding levels – and anticipated spending levels, the Operating Fund will experience a shortfall deficit of \$2,533 by 2027. See APPENDIX H: 30-Year Projected Operating Fund Expenditures (DO NOTHING - NO \$ Increase).

5.1.4. Recap 2014-2019 Fence Special Assessments Reserve Fund Balance

The Reserve Fund balance (as of 01/01/19) is \$35,213, and anticipating the final 2019 special assessment income of \$4,464 (Year 5 of 5 – final payment) will bring the balance up to \$39,677 (as of 12/31/19).

Fence reserve Fund: Special Assessment Cash Reserve Balance					
Year	Fence Reserve Fund Collected	# of \$93 Payments Collected ⁽¹⁾	Xeriscape Loan ^{(2) (3)}	Interest Earned ⁽²⁾	Fence Reserve Fund Balance
2014			\$ (15,000) ⁽²⁾	\$ -	
2015	\$ 4,929	53	\$ -	\$ -	\$ 4,929
2016	\$ 5,396	58	\$ -	\$ -	\$ 10,325
2017	\$ 5,299	57	\$ -	\$ -	\$ 15,624
2018	\$ 4,557	49	\$ 15,000 ⁽³⁾	\$ 31.76	\$ 35,213
2019 ⁽⁴⁾	\$ 4,464	48	\$ -	\$ -	\$ 39,677
Total:	\$ 24,645	\$93/5yrs/53 homes	\$ -	\$ -	\$ 39,677

Notes:

1. Represents the number of \$93 payments collected from homeowners during the special assessment period. Five (5) homes prepaid the special assessment remaining balance at their property sale closing, which accounts for the variance in payments collected year-to-year (March 2015 through 2019).
2. Passage of a one-time special assessment in 2014 of \$283 per household (\$14,999 – projected to only fund 56% of the xeriscape project – total project cost was \$26,817). An additional \$15,000 Loan (reserves from previous years’ retained earnings) was required to subsidize the xeriscape project to fund the deficit.
3. 2014 Loan (previous years’ retained earnings–disbursed from checking account) to subsidize the xeriscape project plus earned interest. See APPENDIX B: 2001-2019 Enclave Homeowners’ Association - Income and Expenses and APPENDIX C: 2005-2006 Perimeter Fence Replacement & Staining Costs for details.
4. Special assessment final payment (5th of 5); *Italicized because it is yet to be collected in 2019.*

FENCE FUND BALANCE (as of 12/31/2018)	\$35,213
2019 (*) <i>Expected</i> Fence Reserve Special Assessment(*)	\$4,464
2019 (*) <i>Expected</i> Annual Reserve Expenses(*)	\$0
2019 RETAINED EARNINGS(*)	\$4,464
RESERVE FUND BALANCE (as of 12/31/2019) (*)	\$39,677

At current funding levels – and anticipated spending levels (including the fence replacement in 2031), the Reserve Fund will experience a shortfall deficit of **(\$38,236)** in 2031. Consequently, the replacement of the perimeter fence would need to be deferred and a special assessment would be required. See details in APPENDIX G: 30-Year Projected Reserve Fund Expenditures (DO NOTHING - NO \$ Increase) for details.

5.2. Reserve Funding Plan Conclusion - \$75 Increase in 2020

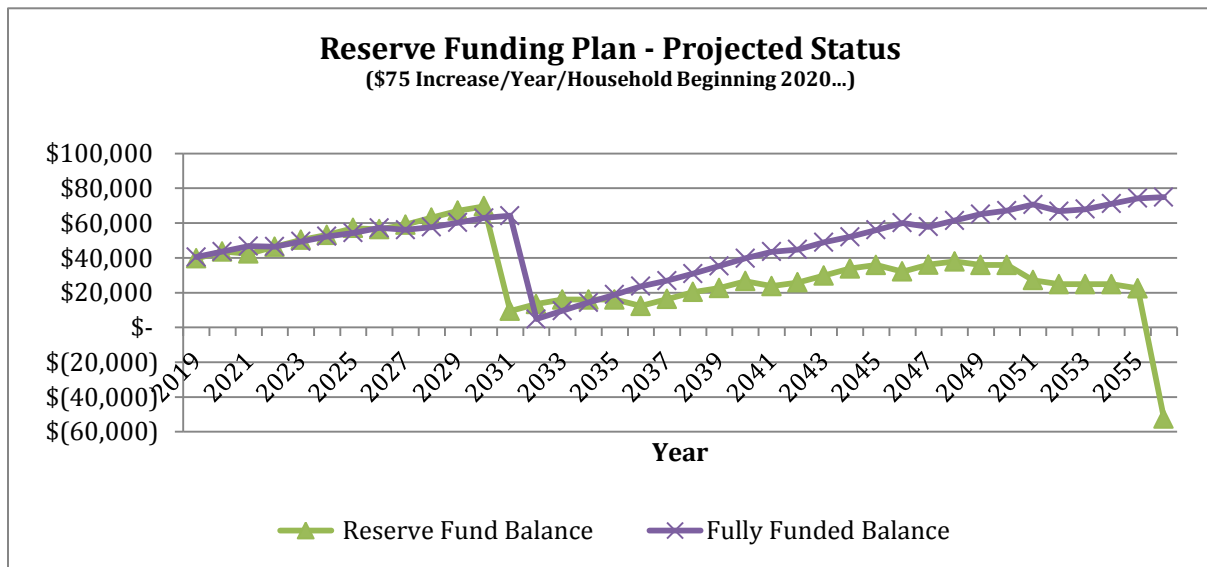
Our position is to strive for a 100% funding level and avoid special assessments. To achieve this will require a modest but sustained Reserve Fund dues increase beginning 2020 to build the Reserve Fund and sustain adequate funding levels until the next fence replacement ~2031.

With this being the final year for the \$93 Special Assessment, in order to maintain adequate funding levels for projects identified in the findings of this Reserve Study, the Board has concluded that an annual Reserve Fund dues increase of \$75/Year/Household⁵ (Operating Dues currently at \$200 plus \$75 Reserve Dues begin in fiscal year 2020 and beyond; for a total \$275 per household⁵) is necessary to fund the Reserve Fund adequately.

Current: Annual Dues & Special Assessment	
\$293 Annual Dues Fee Allocation Breakdown	Operating Fund: \$200/Year/Household ⁵ (unchanged since 2011)
	Reserve Fund Special Assessment: \$93/Year/Household ⁵ (2014-2019)
Future: Annual Reserve Dues Schedule (Beginning 2020 and Beyond)	
Recommended <i>Future</i> Annual Dues per Home:	\$275/Year/Household ⁵ beginning spring 2020
Operating and Reserve Dues: Allocation Breakdown (Beginning 2020 and Beyond)	
\$275 Annual Dues Fee Allocation Breakdown	Operating Fund: \$200/Year/Household ⁵ (unchanged since 2011)
	Reserve Fund: \$75/Year/Household ⁵ (beginning spring 2020)

With the annual dues increase of \$75/Year/Household beginning in 2020, the Reserve Fund would theoretically have enough income to offset all anticipated Reserve expenditures through the 2031 fence replacement and staining project. The chart in Figure 7 represents how this increase would build and sustain the Reserve Fund to an adequate funding level through 2031.

Figure 7. Reserve Fund Plan – Projected Status with \$75/Year/Household Reserve Fund Increase



In the development of the following Reserve Funding plan this budgeting tool was designed – leveraging a cash flow method. By employing this analysis tool and process, different reserve funding plans are allowed to be tested against the anticipated schedule of reserve expenses until the “optimal balance” funding target level is achieved (i.e. Reserve Fund plan Conclusion).

⁵ This proposed Annual Dues Increase conclusion and policies outlined in this and in section 6 will be reviewed and discussed at the 2019 Annual Meeting on Saturday, March 2, 2019.

5.3. 2019 Reserve Funding Plan – \$75 Reserve Fund Dues Increase Conclusion

Insert Page 1 of the 2019 30-Year Funding Plan spreadsheet –\$75 INCREASE in 2020
11" x 17" Architects Fold

Insert Page 2 of the 2019 30-Year Funding Plan spreadsheet – \$75 INCREASE in 2020

5.4. Reserve Funding Plan Projections - Percent Funded Status

A percent funded ratio in the 90% to 100% is considered "strong." Again, our goal is to achieve at least 90% but strive to maintain ~100% funding level. Table 6 represents the favorable impact that a \$75/Year/Household Reserve Fund dues increase beginning in 2020 would have – to build and sustain the Reserve Fund to an adequate funding level through the 2031 fence replacement and staining project. Because a condition assessment has not been performed to evaluate the deteriorated mortar on the north entrance brick wall and perimeter masonry columns, the Board would recommend establishing a contingency emergency fund to reduce risk of financial exposure until the restoration costs are known and can be included in the Reserve Funding plan calculations and projections – in the 2020 Reserve Funding plan.

Table 6. Reserve Fund Strength (\$75/Year/Household Increase)

Reserve Fund					
Fiscal Year Ending	Expense (Sum of Average)	Reserve Fund Balance	Fully Funded Balance	Percent Funded	Fiscal Year Ending
1/1/2019	\$ -	\$ 35,213	\$ 40,515	86.91%	1/1/2019
2019	\$ -	\$ 39,677	\$ 40,515	97.93%	2019
2020	\$ -	\$ 43,652	\$ 43,631	100.05%	2020
2021	\$ 5,246	\$ 42,381	\$ 46,748	90.66%	2021
2022	\$ -	\$ 46,356	\$ 46,507	99.68%	2022
2023	\$ -	\$ 50,331	\$ 49,413	101.86%	2023
2024	\$ 1,160	\$ 53,146	\$ 52,320	101.58%	2024
2025	\$ -	\$ 57,121	\$ 54,345	105.11%	2025
2026	\$ 4,717	\$ 56,379	\$ 57,206	98.55%	2026
2027	\$ 1,249	\$ 59,105	\$ 56,103	105.35%	2027
2028	\$ -	\$ 63,080	\$ 57,676	109.37%	2028
2029	\$ -	\$ 67,055	\$ 60,298	111.21%	2029
2030	\$ 1,345	\$ 69,685	\$ 62,919	110.75%	2030
2031	\$ 64,196	\$ 9,464	\$ -	#DIV/0!	2031
2032	\$ -	\$ 13,439	\$ 4,778	281.25%	2032
2033	\$ -	\$ 15,966	\$ 9,557	167.06%	2033
2034	\$ 1,448	\$ 15,966	\$ 14,335	111.38%	2034
2035	\$ -	\$ 15,966	\$ 18,881	84.56%	2035
2036	\$ 6,038	\$ 12,343	\$ 23,602	52.30%	2036
2037	\$ 1,560	\$ 16,318	\$ 26,873	60.72%	2037
2038	\$ -	\$ 20,293	\$ 30,915	65.64%	2038
2039	\$ -	\$ 22,588	\$ 35,332	63.93%	2039
2040	\$ 1,680	\$ 26,563	\$ 39,748	66.83%	2040
2041	\$ 6,832	\$ 23,706	\$ 43,493	54.51%	2041
2042	\$ -	\$ 25,873	\$ 44,836	57.71%	2042
2043	\$ 1,809	\$ 29,848	\$ 48,912	61.02%	2043
2044	\$ -	\$ 33,823	\$ 52,047	64.98%	2044
2045	\$ -	\$ 35,850	\$ 56,051	63.96%	2045
2046	\$ 9,677	\$ 32,095	\$ 60,055	53.44%	2046
2047	\$ -	\$ 36,070	\$ 57,865	62.34%	2047
2048	\$ -	\$ 37,948	\$ 61,481	61.72%	2048

5.5. Other Recommended Considerations

Because there is no control over future events, the Board cannot claim that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect that financial institutions will provide compounded interest earnings on the Reserve Fund (savings account at a rate $\geq 1.5\%$ APY). We believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. The things we can control are including in study, which we attempt to establish within 5% accuracy.

The enclosed financial projections are based on both past expenditures and revalidated by Industry Professionals. Our projections assume a stable economic environment and lack of natural disasters. Because both the physical status and financial status of the property change each year, this Reserve Study is by nature a “one-year” document. It is essential that this information be adjusted annually and integrated into the annual budget planning process so that ever more accurate estimates can be reflected in the Reserve Study and 30-Year Funding Analysis to finalize and annual Reserve Funding plan. Reality often differs from even the best assumptions due to changing economic factors, physical factors, or ownership expectations.

Although the Reserve Funding plan (i.e. 30-Year funding analysis with annual updates and conclusions) and Reserve Fund Policy should be reviewed annually, how frequently should the full reserve study including physical analysis – components list and the contribution rate be reviewed by a qualified person| professional? A site visit is recommended if the conditions of the reserve study components were to change significantly for any reason (i.e. the passage of time since the last reserve analysis, weather damage, new construction, or major repair and so on. A good rule of thumb would be to re-conduct a full reserve study and funding analysis (including contribution rate and field onsite visits) every third year until we are within five years of the fence replacement, then shorten the frequency to every other year until the replacement project is complete.

5.5.1. Beneficial Reasons to Adopt the Reserve Fund Increase

1. Consistent and careful planning for future repairs and replacements is not only in the best physical and fiscal interests of our Association, but is also required by law. It would be a breach of fiduciary responsibility for a board not to budget adequate reserve funds for ongoing maintenance, repairs and upkeep of the association's common area components.
2. If our Association chooses not to maintain the Reserve dues increase beginning 2020 – through 2031, or underfunds the Reserve Fund, future special assessments will be unavoidable. Reserve funds minimize the risk of special assessments and eliminate the necessity to borrow. Homeowners, especially those on fixed incomes, may have limited resources. They may be unable to afford the large special assessments that a major replacement project would necessitate.
3. Every year the allocation rate doesn't keep pace with inflation and counterbalance the rate of deterioration, increases the probability of an fiscal shortfall leading to unpredictable and disproportionate special assessments in the future. By determining a stable contribution rate to offset the irregular replacement expenses helps balance out cash flow needs and makes up for funding deficiencies.
4. Homeowners benefit from the curb appeal which enhances resale values within our community. For most people, a home represents the single largest investment of their life. In a covenant community, the board has a fiduciary responsibility to protect that investment through proper planning, prudent investing, and preventive maintenance.

5.5.2. Board Call To Action: Contribution & Risks

1. Establish a \$5,000 Emergency Fund for unanticipated contingencies (i.e. backflow preventer device failure; diseased/ death of perimeter tree(s); emergency mortar repairs; extraordinary snow removal expenses)
2. Reserve funds required for the repair of the deteriorated mortar on the north entrance brick wall and perimeter masonry columns are unknown – pending professional condition assessment / cost estimates.
3. The next fully updated Reserve Study (in 2022) should address the imminent depletion of Operating Fund balance (expected ~2027) – depletion due to the cumulative impact of inflation to maintaining components, meanwhile, while the operating dues fee have remained unchanged for the past decade.
4. When and if our Association should accumulate a cash balance more than \$100,000, including interest, in any one bank or FDIC insured institution, our Association funds could be at risk. The best practice is – never maintain more than \$100,000, including accrued interest, in any one bank.

6. GUIDING PRINCIPLES & RESERVE FUND POLICY

6.1. Guiding Principles

The 2019 Board and future principals of “The Enclave at Meadow Hills Homeowners’ Association” should be guided by the following principles when administering, managing, and amending this Reserve Funding plan and the Reserve Fund Policy:

1. Deliver fairness and transparency to current and future homeowners’ means that the individuals who enjoyed the benefit of the "wearing out" of the common area components paid for that benefit.
2. The ideal goal of this funding strategy is to attain and maintain the reserve at or near 100% Percent Funded Status for our Association's Reserve Fund.
3. Life expectancy of the perimeter fence is completely interdependent upon regular preventive maintenance. Therefore, preventive maintenance for the fence, brick wall and masonry columns will be included in the Reserve Fund.
4. NO SURPRISES – By understanding accrual liabilities and anticipating future expenditures, the Board’s objective is to proactively establish an optimal sustainable contribution rate in order to avoid special assessments altogether.

6.2. Reserve Fund Policy

As required by law and our Governing Documents, it shall be the responsibility of the Board of Directors to create and maintain adequate reserves to provide for the timely and orderly repair of common area elements so as to minimize the risk to homeowners of special assessments, deferred maintenance, or unfunded losses.

In recognition of this responsibility, the Board commissioned this Reserve Funding Plan beginning fiscal year January 1, 2019, which determined the Percent Funded of the existing Reserve Fund (to measure it’s strength, where 100% refers to being “Fully Funded”), establish the scope and schedule of anticipated reserve projects, and recommend a Reserve Funding contribution rate to ensure timely repairs and replacements. Therefore, it shall be the policy of The Enclave at Meadow Hills Homeowners’ Association to:

1. Establish an annual review process of the Reserve Funding plan (30-Year funding analysis with updates and conclusions) and Reserve Fund Policy (Funds’ governance), following each Annual HOA Meeting and Election of Officers, but no later than the 4th quarter. An updated Reserve Funding plan and Reserve Fund policy (available to homeowners upon request) to be presented to homeowners at the next year’s Annual HOA Meeting.
2. On January 1, 2019 the Association's percent funded is 86.91 %, our position is to strive for a 100% funding level. To meet this objective will require a modest sustained increase in the Reserve Fund dues, no less than \$75/Year/Household, beginning 2020 to build and sustain the Reserve Fund to an adequate funding level through the completion of the 2031 fence replacement/staining project. See 2019 Reserve Funding Plan – \$75 Reserve Fund Dues Increase on page 29.
3. Maintain a separate designated “Reserve Fund” savings account and an “Emergency Fund” (\$5,000) savings account for the exclusive purpose of funding authorized and/or emergency expenditures specifically designated as follows:
 - a. Reserve Fund - Projects in the current years’ annual budget that have been approved by majority vote by homeowners at the Annual HOA Meeting and/or Special HOA Meeting.
 - b. Emergency Fund – Contingency or unexpected repairs or replacement of perimeter fence, masonry components, and / or determined to be of an urgent nature by the Board of Directors, but not to exceeding \$5,000 for unexpected contingencies (i.e. Backflow preventer device failure; diseased or death of perimeter tree(s); unanticipated snow removal expenses that may exceed budget estimate).
4. During each Annual HOA Meeting, vote on the option to transfer all or a portion of the previous year “Retained Earnings” from the “Operating Fund” (checking account) to the “Reserve Fund” and/or “Emergency Fund” (i.e. transfer \$5,000 to savings accounts which earns interest income ~1.5 APY).

APPENDIX

APPENDIX A: Perimeter Fence Easement Deed to Enclave HOA Ownership

Arapahoe Count EASEMENT DEED

Reception Number: 94105999; Book: 7640; Pages 0182-0184

Document Type:	EASEMENT DEED
Document Status:	Recorded and Verified Document
Reception Number:	94105999 Prev Next
Book:	7640
Page:	0182
Recorded Date:	07/21/1994 11:45:00 AM
Number of Doc Pages:	2
Remarks:	

Name Information

Grantor:

GENESEE CO

Grantee:

ENCLAVE MEADOW HILLS HOA

Related Documents

MEADOW HILLS COUNTRY CLUB SUB 12TH FLG LOT 1 BLK 1

Arapahoe Count EASEMENT DEED (FENCE)

Reception Number: 94120802; Book: 7681; Pages 0068-0070

Document Type:	EASEMENT DEED
Document Status:	Recorded and Verified Document
Reception Number:	94120802 Prev Next
Book:	7681
Page:	0068
Recorded Date:	08/24/1994 05:34:00 AM
Number of Doc Pages:	2
Remarks:	SEE DOCUMENT

MEADOW HILLS COUNTRY CLUB SUB 12TH FLG LOT 1 BLK 1

Document Type:	EASEMENT DEED
Document Status:	Recorded and Verified Document
Reception Number:	94120803 Prev Next
Book:	7681
Page:	0070
Recorded Date:	08/24/1994 05:34:00 AM
Number of Doc Pages:	2
Remarks:	

Name Information

Grantor:

GENESEE CO

Grantee:

ENCLAVE MEADOW HILLS HOA

APPENDIX B: 2001-2019 Enclave Homeowners’ Association - Income and Expenses

Year	HOA Dues Collected (Income)	Interest / Special Assessment (Reserve Income)	Total Annual (Income)	Total Annual (Expenditures)	Fence Replacement (Reserve Expenditure)	Fence Staining (Expenditures)	Xeriscape Project (Expenditures)
2001 ⁽¹⁾	\$ 9,540.00	\$ 1,090.00	\$ 10,630.00	\$ (6,766.00)			
2002 ⁽¹⁾	\$ 9,540.00	\$ 1,171.00	\$ 10,711.00	\$ (4,777.00)			
2003 ⁽¹⁾	\$ 9,540.00	\$ 796.00	\$ 10,336.00	\$ (7,162.00)			
2004 ⁽¹⁾	\$ 9,540.00	\$ 850.00	\$ 10,390.00	\$ (6,115.00)			
2005 ⁽¹⁾	\$ 9,180.00	\$ 454.00	\$ 9,634.00	\$ (32,480.00)	\$ (25,649.83)		
2006 ⁽¹⁾	\$ 9,540.00	\$ 3,040.00	\$ 12,580.00	\$ (12,811.00)		\$ (2,900.00)	
2007 ⁽¹⁾	\$ 9,720.00	\$ 427.00	\$ 10,147.00	\$ (6,755.00)			
2008 ⁽¹⁾	\$ 9,540.00	\$ 149.00	\$ 9,689.00	\$ (9,668.00)		\$ (605.69)	
2009 ⁽¹⁾	\$ 9,540.00	\$ 434.00	\$ 9,974.00	\$ (6,512.00)			
2010 ⁽¹⁾	\$ 9,540.00	\$ 190.00	\$ 9,730.00	\$ (6,249.00)			
2011	\$ 10,600.00		\$ 10,600.00	\$ (11,187.00)		\$ (2,687.00)	
2012	\$ 10,600.00		\$ 10,600.00	\$ (9,858.00)			
2013	\$ 10,600.00		\$ 10,600.00	\$ (8,456.00)			
2014 ⁽²⁾	\$ 10,600.00	\$ 14,999.00	\$ 25,599.00	\$ (31,054.00)			\$ (26,817.00)
2015 ⁽³⁾	\$ 10,600.00	\$ 4,929.00	\$ 15,529.00	\$ (5,750.00)			
2016 ⁽³⁾	\$ 10,600.00	\$ 5,396.00	\$ 15,996.00	\$ (9,580.00)		\$ (4,220.00)	
2017 ⁽³⁾	\$ 10,600.00	\$ 5,299.00	\$ 15,899.00	\$ (5,413.00)			
2018 ⁽³⁾	\$ 10,600.00	\$ 4,557.00	\$ 15,157.00	\$ (10,123.00)			
2019 ⁽⁴⁾	\$ 10,600.00	\$ 4,464.00	\$ 15,064.00	\$ (10,589.00)			

Note:

1. The table column “Interest / Special Assessment (Reserve Income)” from 2001-2010 was invested in what’s known as a CD ladder certificate of deposit (CD’s) for various lengths of time to earned and maximize interest income.
2. Passage of a one-time special assessment due by June 1, 2014 in the amount of \$283 per household (\$14,999 – projected to only fund 56% of the xeriscape project – total project cost was \$26,817). An additional \$15,000 Loan (reserves from previous years’ retained earnings) was required to subsidize the xeriscape project to fund the deficit. The down payment of \$10,000 was paid to JBX Landscape, LLC in March 25, 2014 (check #1218) and the balance of \$16,817 (check #1228) was paid on July 24, 2014 for a total cost of \$26,817.
3. The table column “Interest / Special Assessment (Reserve Income)” from 2015-2019 is income from the 5-year special assessment at \$93/household that was adopted on April 16, 2014, a Special HOA Board Meeting to offset the anticipated fence replacement shortfall and the impact that the \$15,000 loan that subsidized the 2014 xeriscape project.
4. Italicized because income is expected in 2019, but yet to be collected.

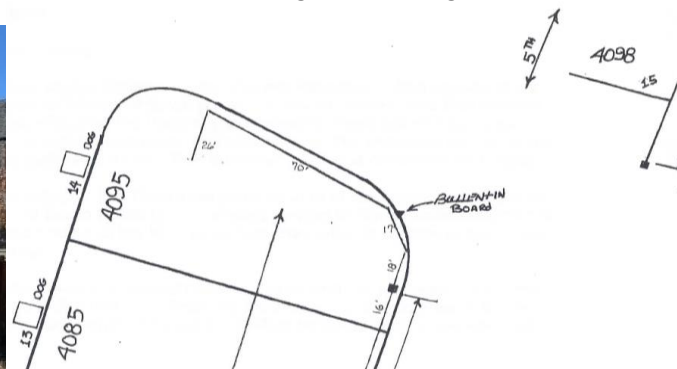
APPENDIX C: 2005-2006 Perimeter Fence Replacement & Staining Costs

Fence Replacement Estimate / Bid - Affordable Fence			
Description	Unit Price	Extended Price	
1037 FT Cross Buck Wrc-Prv Fence	\$ 22.59	\$ 23,425.83	
2-Standard Cedar Walk Gates	\$ 75.00	\$ 150.00	
1037 FT Service Tear Down & Haul Away	\$ 2.00	\$ 2,074.00	
		\$ 25,649.83	
2005/2006 Actual Fence Removal & Replacement Payments			
Check No.	Date	Payee	Amount
1210	11/19/2005	Affordable Fence	\$15,000.00
1212	12/20/2005	Affordable Fence	\$ 5,000.00
1213	12/22/2005	Affordable Fence	\$ 4,892.82
1228	04/07/2006	Affordable Fence	\$ 376.00
			\$25,268.82
2006 Fence Staining Payments			
Check No.	Date	Payee	Amount
1217	04/06/2006	Majestic Painting	\$ 500.00
1231	04/22/2006	Kwal Paint (for Majestic Painting)	\$ 1,000.00
1232	04/23/2006	Majestic Painting	\$ 1,400.00
			\$ 2,900.00
Subsequent Fence Staining Payments			
Check No.	Date	Payee	Amount
1049	06/30/2008	Bill Sanderson (\$300 Labor; \$305 Stain)	\$ 605.69
1104	09/15/2011	Tony (Extra Stain for Fence)	\$ 812.00
1105	09/19/2011	Word of Mouth Painting (Labor & 3-Gal Stain)	\$ 1,875.00
1266	06/29/2016	Word of Mouth Painting (Labor & Stain)	\$ 4,220.00
			\$ 7,512.69

Note: Subsequent to the initial fence construction, an additional 70 feet of fence parallel to the South Sable Circle was built.

On November 13, 2005, the Enclave Homeowners' Association agreed to pay for the installation of an additional 70 feet of fence parallel to the South Sable Circle that extends onto the private property at 4095 S. Sable Way, Aurora, CO 80014. The property owner (at the time: Chip and Carol Berry) executed an agreement accepting ownership and future maintenance responsibility for this extended portion of the Enclave owned perimeter fence. See the diagram and description of this extended portion of fence below:

'70 feet starting at the 17 foot diagonal section at the southern intersection of Dillon Way and South Sable Circle running parallel to South Sable adjacent to the sidewalk and ending at the 90 degree turn that extends 26 feet to the house'



APPENDIX D: January 2014 Enclave HOA Newsletter and the Survey Monkey Questionnaire

Enclave HOA Membership Survey



HOA Board of Directors

Susan Patterson, President
Susan.patterson@yahoo.com
303-317-6516

Rebecca Tsvetkov, Vice President
rebatsv@gmail.com
303-693-1190

Leah Peer, Treasurer
leahpeer@gmail.com

During our annual meeting in March 2013, the issue of how to handle funding for eventual replacement of the common area fence resulted in a lively discussion. Diverse points of view were voiced and no consensus was reached. This survey is being distributed to ask your opinion about fence replacement options and how to pay for the replacement. Questions about xeriscaping the common area are also included. Your feedback is important and valuable. Please take a few minutes to return your completed survey. How we proceed will be based on your answers. Remember – it's your money. We encourage you to voice your opinion so we have a good idea of how most homeowners want to proceed. The survey results will be distributed before the annual meeting in March, 2014 so everyone is prepared to make decisions and vote accordingly.

Please follow the link to take the survey.
<https://www.surveymonkey.com/s/H3993LT>

Enclave HOA 2013/14

* 1. FENCE REPLACEMENT

The HOA currently has approximately \$22,000 in reserve. However, no additional funds have been added to the reserve for the past two years. With dues at \$200 per year, expenses have been covered with no extra overage. We expect this trend to continue due to increases in water prices, landscape maintenance, and the extra expense of snow removal. The bottom line is all homeowners will need to pay more than the current \$200 HOA dues per year in order to fund fence replacement and meet annual expenses.

1. I think the best option for fence replacement is

- Another wood fence.
- A maintenance free non-wooden fence
- Explore the option of a masonry fence through the City's program.

* 2. If the majority of residents prefer a wood fence, how do you prefer to pay for a replacement wood fence?

- Not pay any extra money now. Instead, wait until the fence needs to be replaced and pay a lump-sum portion then in the form of an assessment.
- Pay a set amount per year starting in 2015 for five (5) years to cover my portion of the fence replacement cost.

3. If the majority of residents choose to explore the option of a masonry fence, when do you think it's appropriate to look at the City's options for fence replacement?

- In 2014 so we know whether it is a viable option vs. a wooden fence.
- When the fence needs to be replaced if the City's program is still available.

4. XERISCAPING

Background: The common area maintenance is a major HOA expense. The Board expects steady increases in water cost and landscape/maintenance fees. As the sprinkler system ages, additional repairs will be required as well. The Xeriscaping Committee investigated the option for xeriscaping the common area. The cost for xeriscaping is currently estimated at \$25,000, which includes replacing grass with rock, reworking the sprinkler system, and filling in the bedding areas with drought-resistant plants. By xeriscaping, the HOA would immediately reduce water and landscape maintenance costs and will significantly save on any future cost increases. This allows the HOA to add more funds for eventual fence replacement and/or unanticipated expenses. It's important to note the funding saved per year by xeriscaping is still not enough to pay for a fence replacement without a dues increase. What xeriscaping does assure is the HOA's expenses will be manageable and not require an additional dues increase to pay for water and landscape maintenance. The question is: do we make an investment now so we aren't hit with big dues increases later on?

Please indicate your preference

- To not xeriscape and just pay for the common area expenses on a yearly basis.
- To xeriscape the common area.

* 5. If the majority of residents choose to xeriscape, when do you think it should be done?

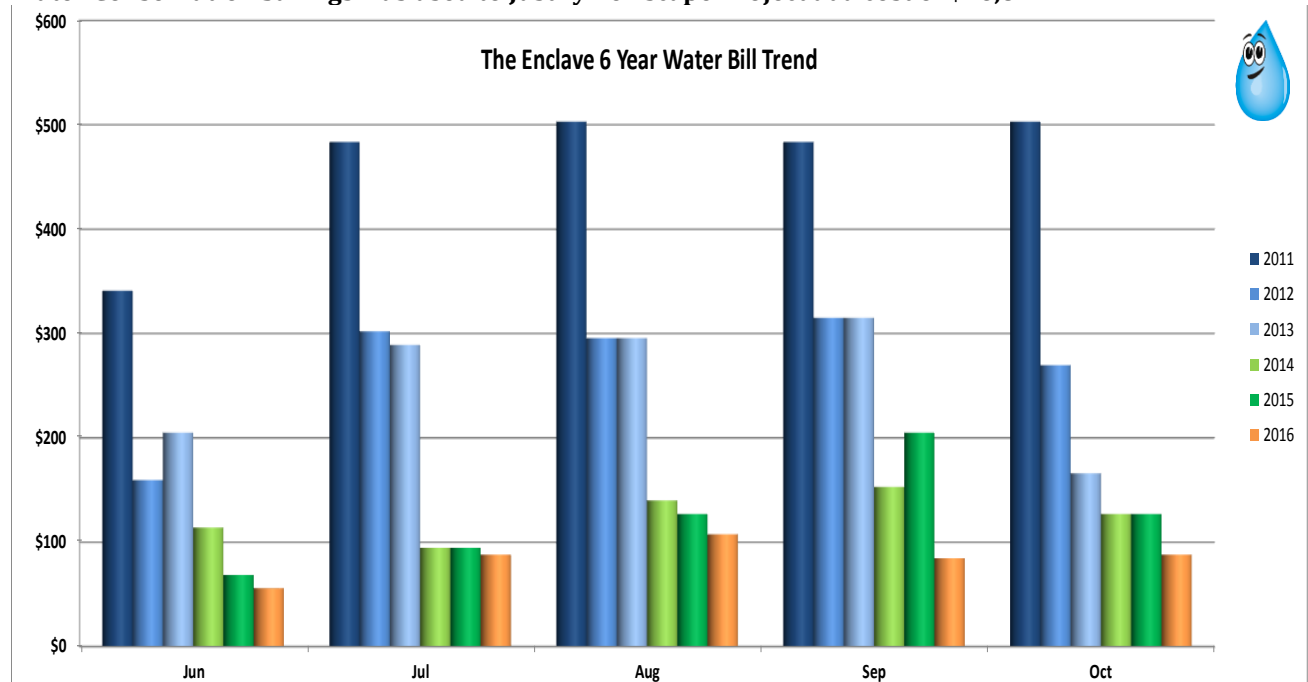
- As soon as possible (2014).
- In a couple of years
- When the fence is replaced.

* 6. If the majority of residents choose to xeriscape, how would you prefer to fund it?

- Use part of the funds in the HOA reserve and divide the remainder between all households.
- Divide the entire cost between all households and I'll pay a lump-sum amount.
- Pay a set amount per year over the next two (2) or three (3) years to pay for the xeriscaping – with the understanding I may be required to pay more at the time of installation due to price increases.

APPENDIX E: The Enclave 6-Year Water Bill Trend (2011-2016)

Water Conservation Savings was used to Justify Xeriscape Project at a cost of \$26,817.



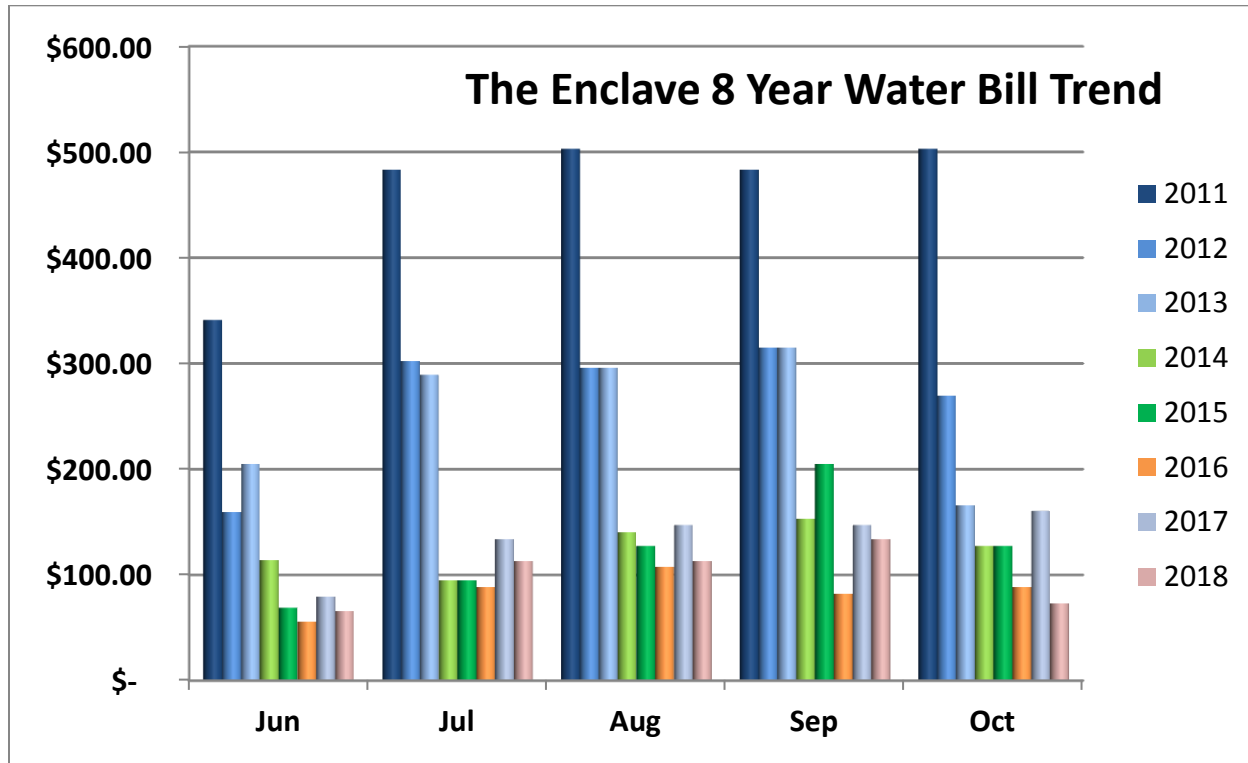
Year	Description
2011	High bills due to a sprinkler system issue. The bills need to be watched monthly for any warning signs.
2012 & 2013	These 2 years represent typical years with the NON xeriscape Common Grounds (i.e. lawn and trees).
2014	This is the year when the xeriscape landscaping work was done, around the end of June, beginning of July.
2015	See the spike in the Sept bill. Always contact the grounds maintenance co. to confirm whether they are aware of and/or may have even fixed a broken sprinkler line, etc.
2016	The BEST YEAR yet showing the financial benefits of implementing a xeriscape common grounds area, which also adds to the beauty of the community!

2014 Xeriscape Project Payments			
Check No.	Date	Payee	Amount
1218	03/25/2014	JBK Landscape, LLC	\$ 10,000.00
1228	04/22/2014	JBK Landscape, LLC	\$ 16,817.00
			\$ 26,817.00

Related Notes:

1. The cost justification for replacing the perimeter landscape with xeriscape was based on projected cost saving from water usage with an incentive of a \$3,000 rebate incentive from Aurora Water’s Office of Water Conservation. Unfortunately, our Association did not qualify for the \$3,000 rebate because of the plants chosen by the xeriscape Committee and installed by JBK Landscape, didn’t meet the Water Conservation recommended list of approved plant required to receive the rebate.
2. Passage of a one-time special assessment due by June 1, 2014 in the amount of \$283 per household (\$14,999 – projected to only fund 56% of the xeriscape project – total project cost was \$26,817). An additional \$15,000 Loan (reserves from previous years’ retained earnings) was required to subsidize the xeriscape project to fund the deficit. The down payment of \$10,000 was paid to JBX Landscape, LLC in March 25, 2014 (check #1218) and the balance of \$16,817 (check #1228) was paid on July 24, 2014 for a total cost of \$26,817.
3. The down payment of \$10,000 was paid to JBX Landscape, LLC in March 25, 2014 (check #1218) and the balance of \$16,817 (check #1228) was paid on July 24, 2014 for a total cost of \$26,817.
4. The xeriscape project was started in June and completed on July 2, 2014 at a cost of \$26,817.

APPENDIX F: The Enclave 8-Year Water Bill Trend (2011-2018)⁽¹⁾



YEAR	Jun	Jul	Aug	Sep	Oct
2011	\$ 340.94	\$ 483.50	\$ 502.94	\$ 483.50	\$ 502.94
2012	\$ 159.56	\$ 302.06	\$ 295.58	\$ 315.02	\$ 269.66
2013	\$ 204.86	\$ 289.10	\$ 295.58	\$ 315.02	\$ 165.98
2014	\$ 114.14	\$ 94.70	\$ 140.06	\$ 153.02	\$ 127.10
2015	\$ 68.78	\$ 94.70	\$ 127.10	\$ 204.86	\$ 127.10
2016	\$ 55.82	\$ 88.22	\$ 107.66	\$ 81.74	\$ 88.22
2017	\$ 79.36	\$ 133.52	\$ 147.06	\$ 147.06	\$ 160.60
2018	\$ 65.82	\$ 113.21	\$ 113.21	\$ 133.52	\$ 72.59

Grounds Maintenance Payments ⁽²⁾

Date	Payee	Amount
2012	MARCAN Landscaping	\$ 3,242.00
2013	MARCAN Landscaping	\$ 3,945.00
2014	MARCAN Landscaping	\$ 1,140.00
2015	MARCAN Landscaping	\$ 1,256.00
2016	MARCAN Landscaping	\$ 1,536.00
2017	Creative Scapes	\$ 1,993.00
2018	Grounds Services CO.	\$ 3,624.00

Notes:

(1). Our Association has saved approximately \$848 annually for water conservation. At this rate of cost savings, it will take ~31.62 years of water savings to justify this expenditure.

(2). In March of 2018, the Board issued an RFP (sent to 12 vendors – only two vendors responded), for the perimeter xeriscape maintenance service. Unfortunately, it has proven increasingly more difficult and considerably more expensive to find landscaping maintenance companies interested in maintaining xeriscape vs. landscape. Consequently, our landscape maintenance expenses were not reduced as presented by 2014 Board.

APPENDIX G: 30-Year Projected Reserve Fund Expenditures (DO NOTHING - NO \$ Increase)

Year	Special Assessment (Income)	Reserve Expenditures (Est.)	EOY Reserve Fund Balance
2018	\$ 4,557.00	\$ -	\$ 35,212.76
2019	\$ 4,464.00	\$ -	\$ 39,676.76
2020	\$ -	\$ -	\$ 39,676.76
2021	\$ -	\$ (5,246.13)	\$ 34,430.63
2022	\$ -	\$ -	\$ 34,430.63
2023	\$ -	\$ -	\$ 34,430.63
2024	\$ -	\$ (1,159.69)	\$ 33,270.94
2025	\$ -	\$ -	\$ 33,270.94
2026	\$ -	\$ (4,717.11)	\$ 28,553.83
2027	\$ -	\$ (1,248.86)	\$ 27,304.96
2028	\$ -	\$ -	\$ 27,304.96
2029	\$ -	\$ -	\$ 27,304.96
2030	\$ -	\$ (1,344.89)	\$ 25,960.07
2031	\$ -	\$ (64,196.08)	\$ (38,236.01)
2032	\$ -	\$ -	\$ (38,236.01)
2033	\$ -	\$ (1,448.30)	\$ (39,684.31)
2034	\$ -	\$ -	\$ (39,684.31)
2035	\$ -	\$ -	\$ (39,684.31)
2036	\$ -	\$ (7,597.96)	\$ (47,282.27)
2037	\$ -	\$ -	\$ (47,282.27)
2038	\$ -	\$ -	\$ (47,282.27)
2039	\$ -	\$ (1,679.58)	\$ (48,961.85)
2040	\$ -	\$ -	\$ (48,961.85)
2041	\$ -	\$ (6,831.78)	\$ (55,793.63)
2042	\$ -	\$ (1,808.73)	\$ (57,602.36)
2043	\$ -	\$ -	\$ (57,602.36)
2044	\$ -	\$ -	\$ (57,602.36)
2045	\$ -	\$ (1,947.80)	\$ (59,550.16)
2046	\$ -	\$ (7,729.54)	\$ (67,279.69)
2047	\$ -	\$ -	\$ (67,279.69)
2048	\$ -	\$ (2,097.57)	\$ (69,377.26)

APPENDIX H: 30-Year Projected Operating Fund Expenditures (DO NOTHING - NO \$ Increase)

Year	HOA Dues Collected (Income)	Annual Operating Expenditures (Exp)	Operating Fund Balance
2018	\$ 10,600.00	\$ (10,123.00)	\$ 14,107.94
2019	\$ 10,600.00	\$ (10,588.75)	\$ 14,119.19
2020	\$ 10,600.00	\$ (10,172.07)	\$ 14,547.12
2021	\$ 10,600.00	\$ (14,509.17)	\$ 10,637.95
2022	\$ 10,600.00	\$ (10,612.84)	\$ 10,625.11
2023	\$ 10,600.00	\$ (10,840.50)	\$ 10,384.61
2024	\$ 10,600.00	\$ (15,508.97)	\$ 5,475.64
2025	\$ 10,600.00	\$ (11,310.90)	\$ 4,764.74
2026	\$ 10,600.00	\$ (11,553.88)	\$ 3,810.86
2027	\$ 10,600.00	\$ (16,579.09)	\$ (2,168.24)
2028	\$ 10,600.00	\$ (12,055.96)	\$ (3,624.20)
2029	\$ 10,600.00	\$ (12,315.31)	\$ (5,339.51)
2030	\$ 10,600.00	\$ (17,724.56)	\$ (12,464.07)
2031	\$ 10,600.00	\$ (12,851.24)	\$ (14,715.31)
2032	\$ 10,600.00	\$ (13,128.09)	\$ (17,243.40)
2033	\$ 10,600.00	\$ (18,950.77)	\$ (25,594.18)
2034	\$ 10,600.00	\$ (13,700.21)	\$ (28,694.38)
2035	\$ 10,600.00	\$ (13,995.75)	\$ (32,090.14)
2036	\$ 10,600.00	\$ (20,263.51)	\$ (41,753.65)
2037	\$ 10,600.00	\$ (14,606.54)	\$ (45,760.19)
2038	\$ 10,600.00	\$ (14,922.08)	\$ (50,082.27)
2039	\$ 10,600.00	\$ (21,668.99)	\$ (61,151.26)
2040	\$ 10,600.00	\$ (15,574.21)	\$ (66,125.47)
2041	\$ 10,600.00	\$ (15,911.12)	\$ (71,436.60)
2042	\$ 10,600.00	\$ (23,173.86)	\$ (84,010.45)
2043	\$ 10,600.00	\$ (16,607.45)	\$ (90,017.90)
2044	\$ 10,600.00	\$ (16,967.21)	\$ (96,385.11)
2045	\$ 10,600.00	\$ (24,785.26)	\$ (110,570.37)
2046	\$ 10,600.00	\$ (17,710.78)	\$ (117,681.15)
2047	\$ 10,600.00	\$ (18,094.97)	\$ (125,176.12)
2048	\$ 10,600.00	\$ (26,510.86)	\$ (141,086.98)

APPENDIX I: Property Map / Service Map

County Records Legal Description: MEADOW HILLS COUNTRY CLUB SUB 10TH FLG LOT 1 BLK 1
 Common Area Service Map commencing just before the intersection of S. Dillon Way and S. Sable Circle to include the concrete oval planter in the street up to the corner intersection of S. Carson Street and S. Sable Circle.



Legend

- Common Area Xeriscape, Trees, and Shrubs
- Common Area Flower Beds
- Common Area Shrubs (including concrete oval planter in the street)

APPENDIX J: Common Area Components Photographic Inventory (January 2019)



APPENDIX K: Accuracy, Limitations, and Disclosures

Because there is no control over future events, the Board cannot claim that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect that financial institutions will provide compounded interest earnings on the Reserve Fund (savings account) at a rate $\geq 1.5\%$ APY. We believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. The things we can control are measurements, which we attempt to establish within 5% accuracy.

The financial projections are based on past expenditures and validated by Industry Professionals. Our projections assume a stable economic environment and lack of natural disasters. Because both the physical status and financial status of the property change each year, this Reserve Study is by nature a “one-year” document. This information can and should be adjusted annually as part of the annual budget planning process so that more accurate estimates can be reflected in the Reserve Study and 30-Year Funding Analysis to finalize an annual Reserve Funding plan. Reality often differs from even the best assumptions due to changing economic factors, physical factors, or ownership expectations.

Because many years of financial preparation help the preparation for large expenses, this Report shows expenses for the next 30-years. We fully expect a number of adjustments will be necessary through the interim years to both the cost and timing of distant expense projections. It is our recommendation and that of the American Institute of Certified Public Accountants (AICPA) that this Reserve Study be reviewed and updated annually.

Because we have elected to conduct our own reserve study rather than pay professional thousands of dollars, individual board members could be found negligent in a court of law and held personally liable for any shortfall of funds needed to repair, replace, or rebuild these common area elements. Even though there are laws that protect volunteer board members from liability, if the board willfully removes certain items from the reserve study to lower amounts earmarked for reserves, it may be found liable if problems arise in the future.

APPENDIX L: Common Terms

Cash Flow Method: A method of developing a Reserve Funding plan where contributions to the Reserve Fund are designed to counterbalance 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.

Common Area: The areas of a project whose ownership is under an undivided interest basis. These areas are shared equally between all owners, in use and maintenance.

Component Full Funding: When the actual or projected cumulative Reserve balance for all components is equal to the fully funded balance.

Component List: 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 representative(s).

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

Current Replacement Cost: See “replacement cost.”

Deficit: An actual or projected Reserve balance less than the fully funded balance. The opposite would be a surplus.

Effective Age: The difference between useful life and remaining useful life. Not always equivalent to chronological age, since some components age irregularly; used primarily in Reserve Study computations.

Financial Analysis: The portions of a Reserve Study where the current status of the Reserves (measured as cash or percent Funded) and a recommended Reserve contribution rate (Reserve Funding plan) are derived, and the projected Reserve income and expense over time is presented. The financial analysis is one of the two parts of a Reserve Study.

Fully Funded Balance (FFB): It's an indicator against which the actual or projected Reserve balance can be compared to identify the direct proportion of the “used up” life of the current repair or replacement cost. This number is calculated for each component, and then summed together for an association total. The following formula can be utilized. $FFB = \text{Current Cost} \times \text{Effective Age} / \text{Useful Life}$

Future Cost: Estimated cost to replace at a specific future date based upon estimated current replacement cost and the rate of inflation applied on a compounded basis for a specific period.

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); representing the estimated time, in years, that a Reserve Component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have “zero” remaining useful life.

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

Reserve Fund Balance | Reserve Fund Status: Actual or projected Funds as of a particular point in time that the association has identified for use to counterbalance the future repair or replacement of those major components which the association is obligated to maintain. Also known as: Reserve Savings Accounts; Cash Reserves.

Reserve Component: The individual line items in the Reserve Study developed or updated in the physical analysis. These elements form the building blocks for the Reserve Study. Components typically are the association responsibility, have limited useful life expectancies, have predictable remaining useful life expectancies, are above a minimum threshold cost, and are as required by local codes.

Reserve Fund Status: The status of the Reserve Fund as compared to an established benchmark such as percent Funding.

Reserve Funding plan: An association's plan to provide income to a Reserve Fund to offset anticipated expenditures from that Fund.

Reserve Optimal Balance: The target reserve balance describes the ideal level of cash that a company wishes to hold in reserve at any given point in time. This figure hopes to strike a balance between the investment opportunity costs of holding too much cash versus the risk of holding too little.

Special Assessment: An assessment levied on the members of an association in addition to regular assessments. Governing documents or local statutes often regulate special assessments.

Useful Life (UL): Total useful life or depreciable life is the estimated number of years that a Reserve component can be expected to serve its intended function if it is properly constructed in its present application and/or installation.