

Parkway Village Homeowners' Association

Reserve Study Report Reserve Study With Site Visit

For 30-Year Projection Period Beginning 01/01/13



Facilities Advisors, Inc.
2150 South 1300 East, Suite 500
Salt Lake City Utah 84106

Tel. (801) 839-4371

Fax, (805) 715-0586

Website: www.reservestudyusa.com
Email: info@reservestudyusa.com

Copyright 2012 Facilities Advisors, Inc.

Report Prepared by
Repo,1 Reviewed by:
Report #1377 v. 2012-1

Pierre del Rosario, PRA
Gary Porter, RS, PRA

Parkway Village Homeowners' Association
Reserve Study
Table of Contents

| Section 1 - Narrative Report | Page |
|--|-------------|
| Preparer's Report | 1 - 1 |
| Report Snapshot | 1 - 2 |
| Report Introduction | J - 3 |
| Physical Analysis | 1 - 5 |
| Financial Analysis | 1 - 7 |
| Summary of significant assumptions | 1 - 10 |
| Disclosures | 1 - 12 |
| Limitations of Reserve Study Report | 1 - 13 |
| Terminology | 1 - 14 |
| Section 2 - Financial Exhibits | |
| Exhibit 1 - Executive Summary | 2 - 1 |
| Exhibit 2 - Annual Cash Flow Analysis - 30 Years | 2-2 |
| Exhibit 3 - Annual Revenue Analysis | 2-3 |
| Exhibit 4 - Expenditure Summary | 2-4 |
| Exhibit 5 - Percent Funded Summary | 2-5 |
| Exhibit 6 - Component List Summary by Category | 2-6 |
| Exhibit 7 - Component List Summary by Component | 2-7 |
| Exhibit 8 - FASB Supplemental Disclosures | 2-8 |

The financial exhibits listed above provide a summary of the Association's reserves at the Category level. In addition, the Component list is also presented at the component level as required by National Reserve Study Standards.

Component level Schedules are presented separately, as those schedules support, but are not part of, the reserve study report.

Presenting the report in this manner facilitates understanding of the data. Category level reports allow the reader to grasp the high level picture because category level reports are always presented on a single page. Component level reports, depending upon the number of components, may consist of many pages. The purpose of component level reports is not to allow the reader to immediately grasp an overall understanding, but to confirm the accuracy of the summary, category level reports.

Preparer's Report

Board of Directors
Parkway Village Homeowners' Association
Ogden, Utah

Reserve Study With Site Visit

We have prepared the accompanying forecast Reserve Funding Plan of Parkway Village Homeowners' Association as of and for the thirty-year period beginning January 1, 2013 as a Level L Reserve Study. This forecast is the responsibility of Association Management.

We conducted our engagement in accordance with National Reserve Study Standards of the Community Associations Institute and the Association of Professional Reserve Analysts. Those standards require that we perform a site visit to visually observe the significant common area components of the Association to obtain reasonable information regarding condition and estimated remaining useful life. A Level L Reserve Study also includes assessing the significant estimates used by management, as well as evaluating the overall forecast report presentation.

This Report presents, in the form of a financial forecast, information regarding the that is the representation of management we do not express an opinion or any other form of assurance on the accompanying report or assumptions. Furthermore, there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Pierre del Rosario

Pierre de! Rosario, PRA

January 28, 2013

Report Snapshot

| | | | |
|--|---|----|--------|
| Association Name: | Parkway Village Homeowners' Association | | |
| Location: | Ogden, Utah | | |
| # of Units: | 36 | | |
| Initial Year Report Period: | January 1, 2013 through December 31, 2013 | | |
| 30-Year Projection Period: | Years 2013 to 2042 | | |
| Projected Reserve Balance at December 31, 2012 | | \$ | 3,002 |
| Ideal Reserve Balance at December 31, 2012 | | \$ | 30,846 |
| Percent Funded at December 31, 2012 | | | 9.7% |
| Recommended Annual Contribution to Reserves 2013 | | \$ | 10,000 |
| Recommended Special Assessment 2013 | | \$ | |
| Estimated Interest Rate: | | | 0.90% |
| Estimated Inflation Rate: | | | 1.50% |
| Estimated Contingency Rate: | | | 0.00% |
| Estimated Tax Rate: | | | 15.00% |

The Association is a 94 - unit townhouse development located in Ogden, Utah. The project was partially developed in starting in 2008 and currently consists of 36 homes in six buildings. Funding is currently provided using 36 units as the number of paying owners.

The Association's percent funded is 09.7% which is considered weak, but often acceptable. This allows little margin for error, and leaves the Association exposed if unanticipated expenditures occur. This means that insufficient funds have been set aside for reserves in the past, and that a relatively aggressive funding plan must usually be adopted LO build the fund up to an appropriate level. Since the 70% level is generally considered to be an adequate level, that is the first goal to attain. We recommend attempting to reach a 100% funding level by the end of the 30-year funding plan.

The status of the 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 the reserve fund. The discussion in the paragraph above evaluates the strength of the Association's reserve fund.

Report Introduction

The property described in this report is a common interest development. As such, it contains common areas and facilities that are owned "in common" by the members. 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.

One of the primary duties of the Board of Directors is the preparation and/or review 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 members, which will consist of an operating assessment and a reserve assessment.

Reserve funds are a part of the monthly or annual assessments paid by owners of an individual unit or lot. These funds are intended to be set aside specifically for major repairs and replacements and not be used for any other purpose. These funds are accumulated by the Association, earn interest, and should be expended as approved by management only for major repairs and replacements of the common area components.

This Reserve Study assists the Board of Directors by providing the information to determine the appropriate amount of money to assess owners. Specifically, the reserve study report provides a 30-year funding plan to assure an equitable assessment structure to provide for the non annual major repairs and replacements of common area components. The report is a financial projection that is based upon an observation and evaluation of the common area components performed during a site visit.

Because the 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 necessary to perform periodic updates to the reserve study; to update and refine the assumptions based on the passage of time and actual maintenance activities that have occurred.

The 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, 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.

Physical Analysis

The physical analysis itself consists of two parts; (1) a site visit wherein (a) all common area components are identified, (b) measurements or counts are made or verified, (c) condition of components is assessed, and (2) an analysis, usually performed after we complete the site visit. The analysis consists of determining what components are to be included in the reserve funding study, and the useful (nominal) *life* and remaining life, and repair or replacement cost of each component to be included in the funding study.

The identification of all common area components is not necessarily a completely transparent process. We may rely upon components identified in prior reserve studies, inquiries of management, depreciation schedules, asset listings, plot maps, building plans, vendor or contractor representations, and insurance records, in addition to our own observations to attempt to correctly identify all common area components. We rely upon management representations and governing documents to determine maintenance responsibility, as it is not always clearly identified. An example is "exclusive use common property," such as a balcony deck. In some associations, it is the association's maintenance responsibility. In others, it is the unit owner's responsibility. We also provide a list of observed, major, common area components that are excluded from the reserve study.

Measurements or counts of common area components are included, except for certain items where an "allowance" factor is included. No invasive testing is performed. We attempt to quantify counts and measurements in accordance with industry standard and the Association's maintenance plan. As an example, we may not measure roofing or painting if we have firm bids or contracts that specify a cost, as the measurement then becomes irrelevant, except for cost verification purposes. We may use representative sampling rather than examine every component. Components are generally included in the study at the level where costs are anticipated to be incurred, not grouped so that detail data becomes meaningless.

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

The components to be included in the reserve study is based upon a number of factors. CAI National Reserve Study Standards established a four part test:

- 1) The component must be a common area maintenance responsibility
- 2) The component must have a limited life
- 3) The limited life must be predictable
- 4) The component must be above a minimum threshold cost.

Based on the above standards, most small equipment and tool items are excluded from the study. Most building infrastructure components are also excluded from the study. Again, however, the Association's maintenance plan may overrule these considerations. For instance, if smaller, low cost items such as pool equipment, which may otherwise be excluded based on individual cost to replace, are considered to be part of the swimming pool "system," then it would be appropriate to include such items in the reserve study.

Physical Analysis (Continued)

Likewise, small tools may be grouped for this purpose to provide a funding vehicle for non annual expenses that simply do not fit into the operating budget.

We normally will also prepare a list of all known components that are excluded from the reserve study, along with an explanation of why certain common area components, or items that might normally be considered common area components, are excluded from the study. This list is normally presented in general terms rather than as a detail list of individual components. Most users of this report find this useful in understanding why certain items are excluded.

Useful life is usually based on our experience with similar components. However, other factors that may factor into this decision are the Association's maintenance plan, warranty periods, assumptions regarding quality, wear and tear, maintenance procedures, and climate conditions. The useful life is also used as the normal replacement cycle for calculation of future major repairs and replacements.

Remaining life will normally be the difference between a component's age and its useful life. However, we may modify remaining life based on observed condition, maintenance history, and the Association's maintenance plan. Also, because maintenance records are often sketchy, and staff and board members have changed, it is often very difficult to determine when a component was actually placed into service. The date placed in service may end up being an estimated date, calculated from the estimated remaining useful life. The following categories help us establish guidelines for determining useful life and

- Cyclic Regular - Items like road slurry or wood painting fall into this category. Such components have a very predictable life cycle. That life cycle may vary based upon local climate, usage, exposure to weather, or similar issues, but will generally stabilize for the components of a given property and have a reasonably high degree of predictability concerning both useful and remaining life.
- Cyclic Irregular - Items like deck surfaces and roofing fall into this category. These items have a normal life span great enough that climate, level of preventive maintenance, owner care and other issues can materially affect the actual life.
- Predictable but Irregular Non-Catastrophic Failure - This category includes pool pumps, spa heaters, and other items which can be expected to wear out with some predictability (regular or irregular), but do not need to be replaced until failure. With these items the Association may well have accumulated the money for repair or replacement and then actually wait for failure to spend this money. This does not affect the reserve contribution prior to the expected replacement date, but once that date is reached assessments can be reduced until failure because adequate reserves are on hand.
- Catastrophic Failure - With these items waiting until failure is not appropriate. A hydraulic elevator falls into this category. In these cases, a fund is built for a general replacement time frame, then a decision is made to repair or replace before failure.
- Outdated Design/Aesthetic - This category refers to items, here aesthetics are a major concern. Examples include light fixtures, window coverings, and other items that may be quite functional past the time they are desirable. They should be recognized and reserved for in order to keep the common area from appearing dated and unappealing.

Physical Analysis (Continued)

Cost estimates can be derived from a number of different sources. Since the preparation of a reserve study is an attempt to refine estimates as much as possible, the use of "real costs" is our goal. That means we try 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:

- Actual cost of most recent repair
- Bid for repair not yet under taken
- Contractor or vendor estimate
- Facilities Advisors Inc. cost database (continually updated)
- Construction cost estimating guides

Site Visit Observations

1

No unusual items noted during site visit.

Other Comments

None.

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, but typically includes inflation assumptions, as the future replacement cost is normally higher than the current replacement cost. Future replacement cost may also include 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.

The second step is to build a stream of estimated future cash inflows to adequately provide for the projected future expenditures. This stream of cash inflows may consist of several parts, including regular member assessments, special assessments, interest income, bank loans, or other income. In addition, we normally recommend an assessment "adjustment factor" that slowly increases annual assessments to keep pace with effect of inflation increases on future expenditures for replacement of the common area components.

Assessments - While we are usually able to calculate an "ideal" first year assessment amount, for most associations that is impractical, as Association's are generally limited to a maximum "politically acceptable" assessment for the first year. We honor that, because with a 30-year budget, we can make up any deficiency in future (the remaining 29) years.

Special Assessments - Special Assessments can usually be avoided unless the association has had a significant period of under assessing its members, and is faced with relatively short term significant expenses. We always try to construct a funding plan to avoid a special assessment. However, occasionally it is unavoidable.

Interest Income - Interest income is normally retained within the reserve fund, so is normally included as a factor in building the funding plan. Interest rates may vary from year to year, but are essentially not able to be predicted over long periods of time. Most associations choose to build their funding plan using known, current interest rates, and do not modify that rate over time. We have performed a comparative study of interest and inflation rates over a 70-year time period that indicates that interest and inflation rates tend to correlate relatively closely over long periods of time, so relatively offset each other at high percent funded levels.

Bank Loans - Bank loans are a very useful tool to mitigate the effects of special assessments, but usually can only be employed for large projects.

Other income - Some associations may designate certain revenue items to be applied only to reserves as opposed to be treating as income available for ongoing operations.

Adjustment factor - We generally recommend that reserve assessments be increased annually as an offset to the effects of inflation. Failure to do so will likely leave the Association in an under funded situation, unless the entire reserve assessment structure is rechallenge and revised yearly.

Financial Analysis (Continued)

The Association's funding plan can be built using one of three recognized goals; Baseline funding, Threshold funding, or full funding. The goal of Baseline funding is simply to make sure your cash balance does not drop below zero. Threshold funding establishes a funding goal greater than Baseline funding, but less than 100% funded. Full funding establishes a goal of 100% funding. This is interpreted as having 100% of the funds needed at a given point in time (the ideal balance), not as having 100% of the replacement cost of all components.

We generally recommend a goal of 100% funded by the end of the 30-year funding projections, and earlier if possible. Funding is calculated using the cash flow method.

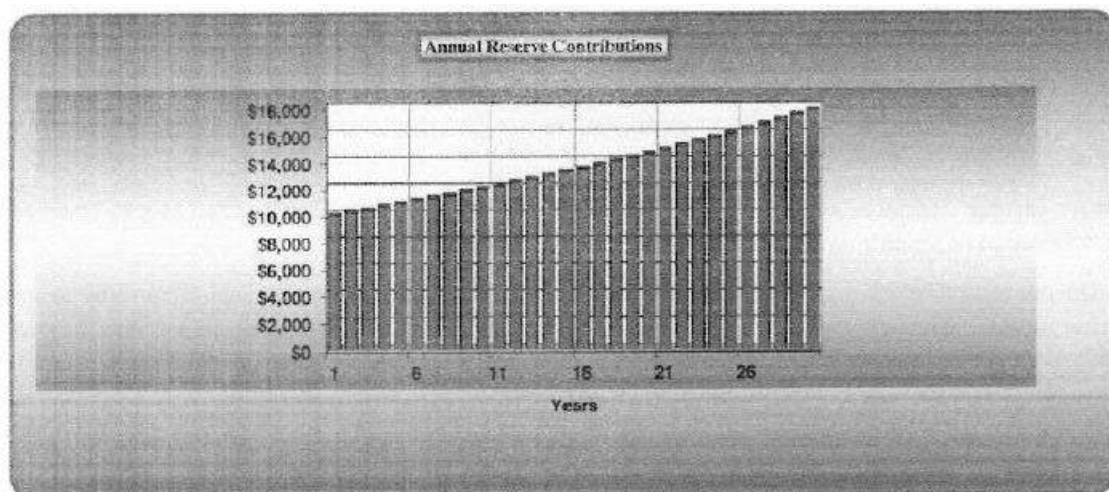
This gets directly to the heart of the funding issue; "fairness." The general consensus is that if an association stans out with a 100% funding plan, that means that the individuals who enjoyed the benefit of the "wearing out" of the common area components paid for that benefit. Unfortunately, very few associations are 100% funded. That means that assumptions must be made as to how to "catch up" the funding to reach the goal of 100% funded.

A special assessment for that purpose is generally considered impractical, so the deficit is made up over some period of time.

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. There is general consensus amongst industry professionals that a percent funded ratio of less than 30% represents a "weak" reserve fund. 30% to 70% is generally considered "adequate." 70% and above is considered "strong."

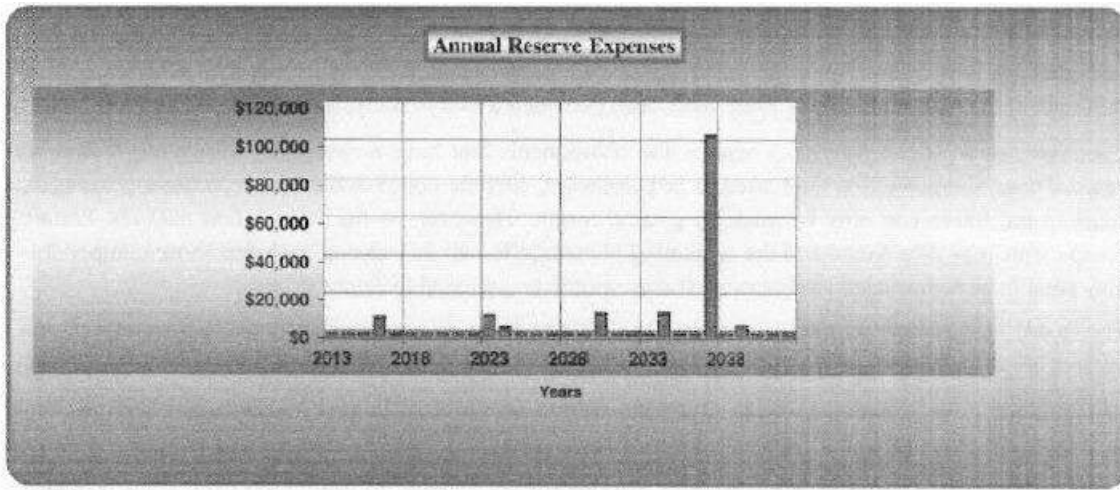
Our goal is generally to achieve 100% at the end of the 30-year projection period.

The Association's projected reserve assessments for the 30-year funding period are shown in the chart below. The detail of this is shown in Exhibits 2 - I and 3 - I.

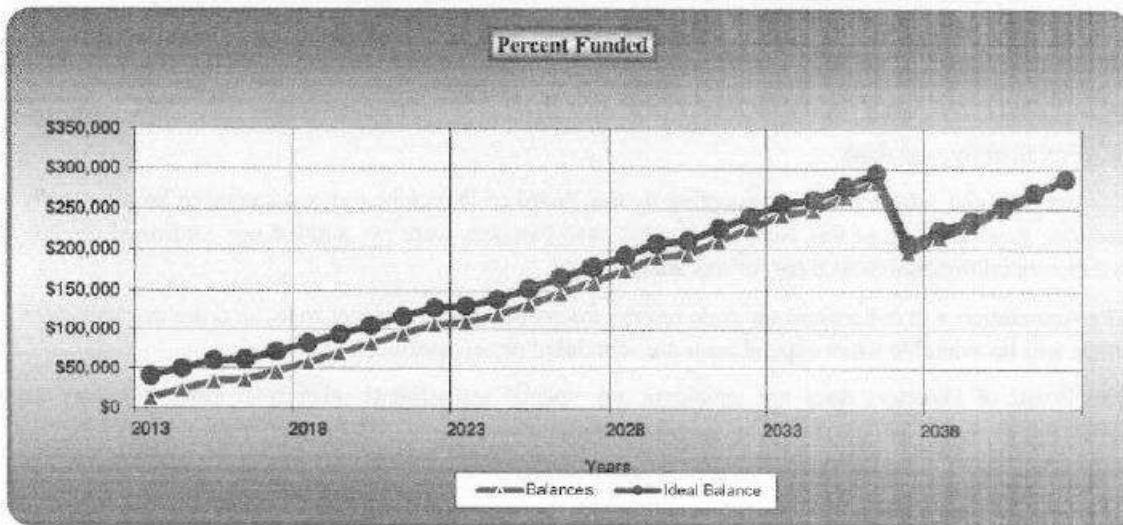


Financial Analysis (Continued)

The Association's estimated reserve expenditures for the 30-year financial projection period are shown in the chart below. The detail of this is shown in Exhibits 2 - 2 and 3 - 2.



The Association's projected per cent funded for the 30-year financial projection period are shown in the chart below. The detail of this is shown in Exhibits 2 - 3 and 3 - 3.



Summary of Significant Assumptions

The following significant assumptions were used in the preparation of this reserve study report. If the actual replacement costs or remaining lives vary from the assumptions used in this analysis, the impact could be significant on future assessments. Accordingly, an annual review of the analysis is necessary to see if the Board, within its authority, should increase the regular assessments, pass special assessments or reschedule future replacement dates.

Generally, only long-term major repair and replacement activities for components with a life of 2 years or longer and a cost of \$1,000 or more have been considered in this analysis.

The Association will not have to replace the components that have a remaining life of more than 30 years. Those components are assumed to be permanent, lifetime components. A projection of events 30 years in the future can only be made in general terms. However, as the Association matures, certain components may deteriorate and the remaining physical life will be reduced such that those components may need to be reevaluated to determine if they should be included in future studies.

The Board of Directors will implement and/or continue preventive maintenance and repair programs to prevent abnormal deterioration of the common areas.

The analysis assumes that no unusual conditions will occur, such as weather, vandalism, unusual use, or unforeseen obsolescence.

Measurements and quantities were obtained by count, measurement, or estimation from plans provided by the Board of Directors unless otherwise noted, and are assumed to be a close approximation to actual.

Proper construction and installation of all improvements is assumed, unless otherwise noted.

This analysis assumes that the Association membership wishes to continue the use and maintenance of all amenities currently in place.

The Association carries comprehensive property insurance to cover most insurable risks, such as all-risk property liability, and theft.

Current financial information was supplied by the Board of Directors and is assumed to be reasonably accurate as of the date of this analysis. Funded cash balances were not audited nor confirmed directly with financial institutions as a part of this analysis.

The Association will collect and set aside reserve assessments on an annual basis, in order that sufficient funds will be available when expenditures are scheduled or necessary.

The Board of Directors does not anticipate any special assessments other than those that may be scheduled as part of the attached 30-year funding projection.

Summary of Significant Assumptions (continued)

The following assumptions were used in preparing this report:

| | | |
|--|----|---------|
| Current Replacement Cost | \$ | 251,241 |
| Future Replacement Cost | \$ | 384,771 |
| Investment Accounts Average Interest Rate | | 0.90% |
| Estimated Reserve Cash Balance at December 31, 2012 | \$ | 3,002 |
| Annual Contribution for 2013 | \$ | 10,000 |
| Estimated Rate of Inflation per the Board of Directors | | 1.50% |
| Contingency Rate | | 0.00% |

Components Excluded from this report

| <u>Major Component</u> | <u>Reason Not. Included</u> |
|---------------------------------------|------------------------------------|
| Building Structures | Lifetime Component |
| Utilities - Underground/ In Structure | Lifetime Component |
| Street Base - Hardscape | Lifetime Component |
| Irrigation Lines and Sprinklers | Lifetime Component |
| Landscape/ Plant Replacement | Lifetime Component |
| Garage Door | Owners Responsibility |

Disclosures

Neither facilities Advisors, Inc. nor its owners individually have other relationships-with the Association that would represent a conflict of interest.

Your Facilities Advisors, Inc. Reserve Specialist is Pierre Del Rosario. Mr. Del Rosario has been preparing reserve studies since 1999, and has performed hundreds of reserve studies. His reserve study experience encompasses all types of reserve studies, including condominium, homeowners, and timeshare associations.

Mr. Del Rosario holds the Professional Reserve Analyst (PRA) designation issued by APRA, the Association of Professional Reserve Analysts, and is a member of APRA.

Mr. Del Rosario has worked in a CPA firm for more than ten years and possesses the skills directly applicable to preparation of a financial forecast for future major repairs and replacements.

Mr. Del Rosario has applied for registration as a Reserve Study Specialist (RSS) with the Nevada Division of Real Estate.

The skill-set involved in the abovedescribed experience and designations represent the skills most directly applicable to evaluation of existing facilities for purposes of a reserve study.

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

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

Limitations

Facilities Advisors, Inc. has relied upon certain information provided by Association representatives in the performance of this reserve study. Such information includes, but is not necessarily limited to, financial data, identification or quantification of common area components, and historical maintenance information. Such information is deemed reliable by Facilities Advisors, Inc..

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

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

Information provided to Facilities Advisors, Inc. by the Association about reserve projects is considered reliable. The onsite visit cannot be considered a project audit or a quality visit.

Terminology

Report Effective Date - Effective date of report based on the Association fiscal year end.

Current Replacement Cost - Calculation based upon unit cost, measurement basis, and quantity.

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 . A specific item of the common areas that requires major repair or replacement (pool pump, tennis court net, couch, roof, etc.).

Compound Interest - A financial calculation that takes into account that interest, added to the principal at specified compounding periods, also earns interest.

Funds • Actual monies that are on deposit or to be collected.

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 specified period.

Measurement Basis • The basis in which costs are measured for reserve items (sq. yd., linear feet, etc.).

Project Date • Date that the first unit was delivered for occupancy.

Estimated Life. Estimated total life of a reserve component, for recurring replacement cycles.

Remaining Life • An estimate of the service life of a particular component made after the first year in which a reserve item has been in place.

Adjusted Life • Changed life for the first replacement cycle only of a component.

Date Placed in Service • The initial date that a component is placed in service.

Special Assessment • Supplemental contributions by owners (in addition to the normal contributions) usually assessed when long-term maintenance or replacements or reserve items are of immediate nature and sufficient funds are not available to pay for these items.

Unit • This is an actual residence or condominium.

Section 2 - Financial Exhibits

| | | |
|-----------|--|-------|
| Exhibit 1 | - Executive Summary | 2 - I |
| Exhibit 2 | - Annual Cash Flow Analysis - 30 Years | 2-2 |
| Exhibit 3 | - Annual Revenue Analysis | 2-3 |
| Exhibit 4 | - Expenditure Summary | 2-4 |
| Exhibit 5 | - Percent Funded Summary | 2-5 |
| Exhibit 6 | - Component List - Summary by Category | 2-6 |
| Exhibit 7 | - Component List - Detail by Component | 2-7 |
| Exhibit 8 | - FASR Supplemental Disclosures | 2-8 |

See Summary of Significant Assumptions

Exhibit 1- Executive Summary

This two page summary identifies the major characteristics of the project and may normally be copied and provided to members to meet your disclosure requirements. If you prefer to receive a copy of these pages in Excel format so that you may format it to meet your needs, please contact us and we will provide a copy for your use.

Contact Name: Kristi Spencer
 Address: 2918 N. 1175 W
 Ogden, Utah 84415
 Business Phone: 801-725-2021
 Project Completion Date: 8/1/2008
 Site Visit Date: 7/5/2012
 Report Effective Date: 1/1/2013
 Type of Project: Townhouse Development
 Number of Units: 36
 Projected Reserve Balance at 12/31/2012

| | \$ | <u>3,002</u> |
|--|-------------|--------------|
| | <u>2012</u> | <u>2013</u> |
| Annual Contribution to Reserves | \$ | 10,000 |
| Monthly Contribution to Reserves | \$, | 833.33 |
| Monthly Contribution to Reserves Per Homeowner | \$ | 23.15 |
| Percentage Increase to Contribution to Reserves for 2013 | | N/A |
| Minimum Funding Level | \$ | 1,000 |
| Estimated Interest Rate | | 0.90% |
| Estimated Inflation Rate | | 1.50% |
| Estimated Contingency Rate | | 0.00% |
| Estimated Tax Rate | | 15.00% |

This financial projection was prepared for the Association by Facilities Advisors, Inc., and is based upon certain assumptions regarding condition, replacement costs, and estimated useful lives of the components contained in this study. Estimated replacement costs are based upon bids received, prior costs paid, construction cost manuals and other sources. This study is limited to those components contained herein. Certain components have been omitted as they have useful lives in excess of the scope of this study (30 years), or major repaired replacement costs are included in the operating budget. Funding has been calculated using a pooled, cash flow calculation. Assumptions for interest earnings on invested funds, the inflation rates estimated for future replacement costs, and the applicable net income tax rate are shown above.

The Board of Directors has determined that, based upon the reserve study, **no special assessments are presently anticipated** for any year covered by this study. However actual expenditures may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet future needs. The Board regularly updates assumptions and estimates used in the reserve study in order to have accurate financial projections or future cash needs.

See Summary of Significant Assumptions



Exhibit 1 - Executive Summary

Summary of Major Components

As of December 31, 2012

| Major Components | Estimated Useful Life | Estimated Remaining Life | Current Replacement Cost | Allocation of Cash Actually Set Aside | Ideal Funding | % Funded |
|-------------------------|------------------------------|---------------------------------|---------------------------------|--|----------------------|-----------------|
| Equipment | 15 to 15 | 11.5 to 11.5 | \$ 2,850 | \$ | \$ 665 | 0.0% |
| Roof | 35 to 35 | 31.5 to 31.5 | 163,584 | | 16,358 | 0.0% |
| Fixtures | 5 to 5 | 4.5 to 4.5 | 500 | 35 | 50 | 69.2% |
| Lighting | 25 to 25 | 21.5 to 21.5 | 3,990 | | 559 | 0.0% |
| Signs | 25 to 25 | 21.5 to 21.5 | 4,320 | | 605 | 0.0% |
| Asphalt | 7 to 28 | 3.5 to 24.5 | 71,677 | 2,967 | 12,175 | 24.4% |
| Fences, Walls & Gates | 35 to 35 | 31.5 to 31.5 | 4,320 | | 432 | 0.0% |
| Totals | | | \$ 251,241 | \$ 3,002 | \$ 30,846 | 9.7% |

See Summary of Significant Assumptions



Exhibit 2 - Annual Cash Flow Analysis - 30 Years

Introduction

The following Cash Flow Projection summarizes the cash inflows and inflows of the reserve fund for the thirty-year projection period. This analysis Incorporates the assumptions set forth in the Summary of Significant Assumptions disclosed in the narrative section of this report, section I - 5. The projected assessments should reflect the amounts set forth in the Association's annual budget.

Starting Reserve Cash Balance

The starting point for the Cash Flow Projection is the estimated combined cash and investment balance at the first day of the fiscal year of the 30-year projection period. Since this report is prepared prior to that actual date, the amount must be estimated. Several factors must be considered; the current cash balance, the estimated reserve fund transfers from the interim report date until year end, estimated expenditures From the interim report date until year end, and estimated interest earnings from the interim report date until year end. For purposes of this analysis, estimated interest income is ignored as being an immaterial amount. The balance is thus calculated as:

| | |
|---|-----------------|
| Balance per financial statements as of August 04, 2012 | \$ 3,002 |
| Assessments from financial statement date to end of fiscal year December 31, 2012 | \$ |
| Other Income from financial statement date to end of fiscal year December 31, 2012 | \$ |
| Interest Income from financial statement date to end of fiscal year December 31, 2012 | \$ |
| Expenditures from financial statement date end of fiscal year December 31, 2012 | \$ |
| Starting Cash Balance for Financial Projection | <u>\$ 3,002</u> |

Funding Methods and Goals

The following Cash Flow Projection is calculated using what is generally referred to as the "Cash Flow" method. In this method, the cash inflows are calculated to provide funding for the estimated cash outflows, aggregated for all components, of the reserve fund for the thirty-year projection period. An alternate method, generally referred to as the "Straight Line" or "Component" funding method exists, but is not used in this reserve study report.

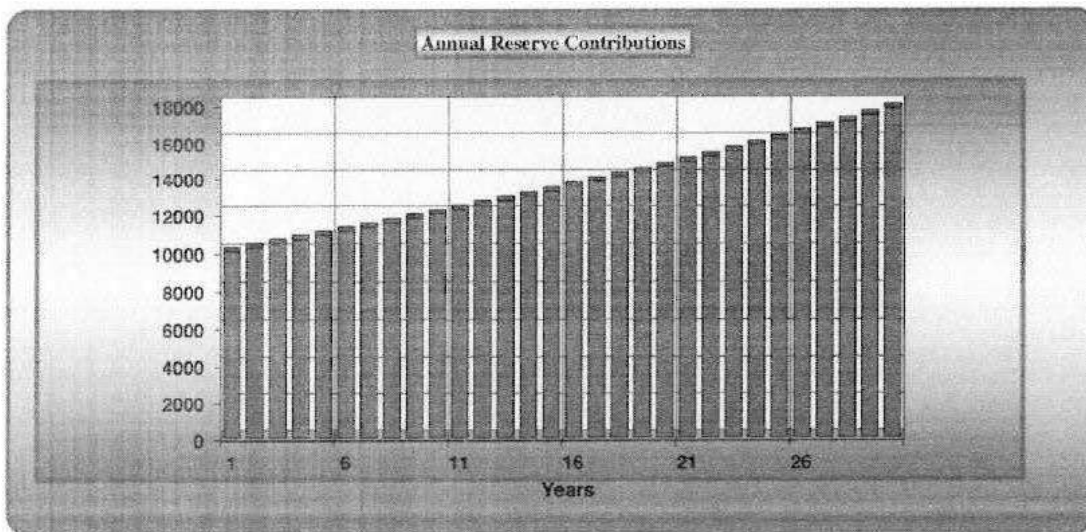
The funding goals recognized in CAI's National Reserve Study Standards are:

Baseline funding is a funding plan wherein cash inflows are generated just to have sufficient cash for future year; in other words, Just making sure your cash balance does not go below zero. This is generally considered a risky goal as it leaves no margin for error, thereby exposing members to the risk of special assessments.

Threshold Funding is a funding plan that sets an arbitrary objective at a level above baseline funding, but below 100% funding.

Full Funding essentially sets the objective of being 100% funded.

The funding goal established in this reserve study report is to reach **Full Funding** by the end of the 30-year projection period.



See Summary of Significant Assumptions

Exhibit 2 • Annual Cash Flow Analysis • 30 Years

| Year | Fiscal Year End | Beginning Balance | Income | Investment Earnings Net of Taxes | Expenses | Ending Balance | Percent Funded | Ideal Balance |
|--------|-----------------|-------------------|------------|----------------------------------|--------------|----------------|----------------|---------------|
| 1 | 12/31/13 | \$ 3.002 | \$ 10,000 | \$ 61 | \$ - | \$ 13.063 | 32.4% | \$ 40,346 |
| 2 | 12/31/14 | 13.063 | 10,200 | 139 | | 23.402 | 46.7% | 50.125 |
| 3 | 12/31/15 | 23.402 | 10.404 | 219 | | 34.025 | 56.5% | 60.190 |
| 4 | 12/31/16 | 34.025 | 10.612 | 266 | (9,042) | 35.861 | 58.4% | 61,437 |
| 5 | 12/31/17 | 35.861 | 10.824 | 314 | (535) | 46,464 | 65.1% | 71,417 |
| 6 | 12/31/18 | 46,464 | 11.041 | 398 | | 57,903 | 70.4% | 82.232 |
| 7 | 12/31/19 | 57,903 | 11.262 | 486 | | 69.650 | 74.6% | 93.358 |
| 8 | 12/31/20 | 69,650 | 11.487 | 577 | | 81.714 | 78.0% | 104.801 |
| 9 | 12/31/21 | 81.714 | 11.717 | 670 | | 94,101 | 80.7% | 116.568 |
| 10 | 12/31/22 | 94.101 | 11,951 | 763 | (576) | 106.238 | 82.9% | 128,086 |
| 11 | 12/31/23 | 106.238 | 12,190 | 821 | (10,041) | 109,208 | 83.8% | 130.395 |
| 12 | 12/31/24 | 109.208 | 12,434 | 870 | (3,385) | 119,126 | 85.3% | 139.606 |
| 13 | 12/31/25 | 119,126 | 12,682 | 960 | | 132.769 | 87.0% | 152,528 |
| 14 | 12/31/26 | 132,769 | 12.936 | 1,065 | | 146.770 | 88.5% | 165,809 |
| 15 | 12/31/27 | 146,770 | 13.195 | 1,171 | (621) | 160,514 | 89.8% | 178.830 |
| 16 | 12/31/28 | 160,514 | 13.459 | 1,279 | | 175,252 | 90.9% | 192.842 |
| 17 | 12/31/29 | 175,252 | 13.728 | 1,393 | | 190,373 | 91.9% | 207.236 |
| 18 | 12/31/30 | 190.373 | 14.002 | 1,467 | (11,151) | 194.692 | 92.4% | 210.783 |
| 19 | 12/31/31 | 194,692 | 14.282 | 1,544 | | 210.519 | 93.2% | 225.798 |
| 20 | 12/31/32 | 210,519 | 14.568 | 1,664 | (670) | 226.081 | 94.0% | 240,543 |
| 21 | 12/31/33 | 226,081 | 14.859 | 1,786 | | 242.727 | 94.7% | 256.368 |
| 22 | 12/31/34 | 242,727 | 15,157 | 1,871 | (11,465) | 248,289 | 95.1% | 261.059 |
| 23 | 12/31/35 | 248,289 | 15,460 | 1,959 | | 265,707 | 95.7% | 277,565 |
| 24 | 12/31/36 | 265.707 | 15,769 | 2,093 | | 283.569 | 96.3% | 294,509 |
| 25 | 12/31/37 | 283.569 | 16,084 | 1,832 | (104,161) | 197.325 | 95.4% | 206.909 |
| 26 | 12/31/38 | 197.325 | 16,406 | 1,572 | | 215.303 | 96.5% | 223,175 |
| 27 | 12/31/39 | 215,303 | 16,734 | 1,695 | (4,238) | 229,494 | 97.4% | 235,612 |
| 28 | 12/31/40 | 229,494 | 17,069 | 1,821 | | 248.384 | 98.3% | 252,711 |
| 29 | 12/31/41 | 248,384 | 17.410 | 1,967 | | 267.761 | 99.1% | 270,273 |
| 30 | 12/31/42 | 267.761 | 17.758 | 2,113 | (778) | 286,855 | 99.8% | 287,524 |
| Totals | | \$ 3.002 | \$ 405,681 | \$ 34,837 | \$ (156,604) | \$ 286,855 | | |

See Summary of Significant Assumptions



Exhibit 3 - Annual Revenue Analysis

| Year Ended | Description | Annual Amount | Total by Year |
|-------------------|-----------------------------------|----------------------|----------------------|
| 12/31/13 | Annual Assessments | \$ 10,000 | |
| 12/31/13 | Interest Income, Net of Taxes | \$ 61 | |
| | Total for Fiscal Year 2013 | | \$ 10,061 |
| 12/31/14 | Annual Assessments | \$ 10,200 | |
| 12/31/14 | Interest Income, Net of Taxes | \$ 139 | |
| | Total for Fiscal Year 2014 | | \$ 10,339 |
| 12/31/15 | Annual Assessments | \$ 10,404 | |
| 12/31/15 | Interest Income, Net of Taxes | \$ 219 | |
| | Total for Fiscal Year 2015 | | \$ 10,623 |
| 12/31/16 | Annual Assessments | \$ 10,612 | |
| 12/31/16 | Interest Income, Net of Taxes | \$ 266 | |
| | Total for fiscal Year 2016 | | \$ 10,878 |
| 12/31/17 | Annual Assessments | \$ 10,824 | |
| 12/31/17 | Interest Income, Net of Taxes | \$ 314 | |
| | Total for Fiscal Year 2017 | | \$ 11,138 |
| 12/31/18 | Annual Assessments | \$ 11,041 | |
| 12/31/18 | Interest Income, Net of Taxes | \$ 398 | |
| | Total for Fiscal Year 2018 | | \$ 11,438 |
| 12/31/19 | Annual Assessments | \$ 11,262 | |
| 12/31/19 | Interest Income, Net of Taxes | \$ 486 | |
| | Total for Fiscal Year 2019 | | \$ 11,748 |
| 12/31/20 | Annual Assessments | \$ 11,487 | |
| 12/31/20 | Interest Income, Net of Taxes | \$ 577 | |
| | Total for Fiscal Year 2020 | | \$ 12,064 |
| 12/31/21 | Annual Assessments | \$ 11,717 | |
| 12/31/21 | Interest Income, Net of Taxes | \$ 670 | |
| | Total for Fiscal Year 2021 | | \$ 12,387 |
| 12/31/22 | Annual Assessments | \$ 11,951 | |
| 12/31/22 | Interest Income, Net of Taxes | \$ 763 | |
| | Total for Fiscal Year 2022 | | \$ 12,714 |
| 12/31/23 | Annual Assessments | \$ 12,190 | |

See Summary of Significant Assumptions

Exhibit 3 • Annual Revenue Analysis

| Year Ended | Description | Annual Amount | Total by Year |
|-------------------|-----------------------------------|----------------------|----------------------|
| 12/31/23 | Interest Income, Net of Taxes | \$ 821 | |
| | Total for Fiscal Year 2023 | | \$ 13,011 |
| 12/31/24 | Annual Assessments | \$ 12,434 | |
| 12/31/24 | Interest Income, Net of Taxes | \$ 870 | |
| | Total for Fiscal Year 2024 | | \$ 13,304 |
| 12/31/25 | Annual Assessments | \$ 12,682 | |
| 12/31/25 | Interest income, Net of Taxes | \$ 960 | |
| | Total for Fiscal Year 2025 | | \$ 13,642 |
| 12/31/26 | Annual Assessments | \$ 12,936 | |
| 12/31/26 | Interest Income, Net of Taxes | \$ 1,065 | |
| | Total for Fiscal Year 2026 | | \$ 14,001 |
| 12/31/27 | Annual Assessments | \$ 13,195 | |
| 12/31/27 | Interest Income, Net of Taxes | \$ 1,171 | |
| | Total for Fiscal Year 2027 | | \$ 14,366 |
| 12/31/28 | Annual Assessments | \$ 13,459 | |
| 12/31/28 | Interest Income, Net of Taxes | \$ 1,279 | |
| | Total for Fiscal Year 2028 | | \$ 14,738 |
| 12/31/29 | Annual Assessments | \$ 13,728 | |
| 12/31/29 | Interest Income, Net of Taxes | \$ 1,393 | |
| | Total for Fiscal Year 2029 | | \$ 15,121 |
| 12/31/30 | Annual Assessments | \$ 14,002 | |
| 12/31/30 | Interest Income, Net of Taxes | \$ 1,467 | |
| | Total for Fiscal Year 2030 | | \$ 15,470 |
| 12/31/31 | Annual Assessments | \$ 14,282 | |
| 12/31/31 | Interest Income, Net of Taxes | \$ 1,544 | |
| | Total for Fiscal Year 2031 | | \$ 15,826 |
| 12/31/32 | Annual Assessments | \$ 14,568 | |
| 12/31/32 | Interest Income, Net of Taxes | \$ 1,664 | |
| | Total for Fiscal Year 2032 | | \$ 16,232 |
| 12/31/33 | Annual Assessments | \$ 14,859 | |
| 12/31/33 | Interest income, Net of Taxes | \$ 1,786 | |

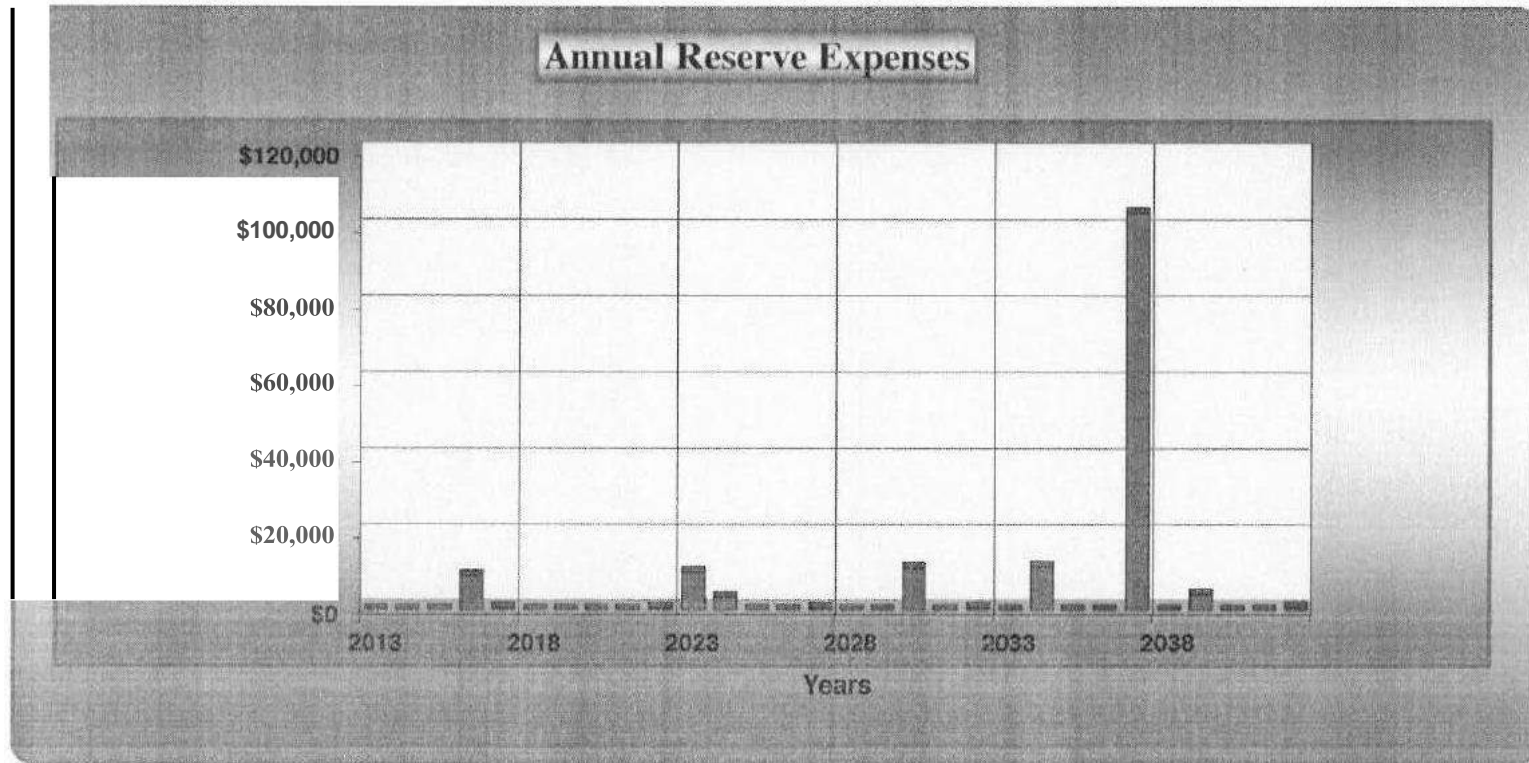
See Summary of Significant Assumptions

Exhibit 3 - Annual Revenue Analysis

| <u>Year Ended</u> | <u>Description</u> | <u>Annual</u> <u>Amount</u> | <u>Total by Year</u> |
|-----------------------------------|--------------------------------|--------------------------------|----------------------|
| Total for Fiscal Year 2033 | | | <u>\$ 16,646</u> |
| 12/31/34 | Annual Assessments | \$ 15,157 | |
| 12/31/34 | Interest income, Net of Taxes | \$ 1,871 | |
| Total for Fiscal Year 2034 | | | <u>\$ 17,028</u> |
| 12/31/35 | Annual Assessments | \$ 15,460 | |
| 12/31/35 | Interest Income, Net of Taxes | \$ 1,959 | |
| Total for Fiscal Year 2035 | | | <u>\$ 17,418</u> |
| 12/31/36 | Annual Assessments | \$ 15,769 | |
| 12/31/36 | Interest Income, Net of Taxes | \$ 2,093 | |
| Total for Fiscal Year 2036 | | | <u>\$ 17,862</u> |
| 12/31/37 | Annual Assessments | \$ 16,084 | |
| 12/31/37 | Interest Income, Net of Taxes | \$ 1,832 | |
| Total for Fiscal Year 2037 | | | <u>\$ 17,917</u> |
| 12/31/38 | Annual Assessments | \$ 16,406 | |
| 12/31/38 | Interest Income, Net of Taxes | \$ 1,572 | |
| Total for Fiscal Year 2038 | | | <u>\$ 17,978</u> |
| 12/31/39 | Annual Assessments | \$ 16,734 | |
| 12/31/39 | interest. Income, Net of Taxes | \$ 1,695 | |
| Total for Fiscal Year 2039 | | | <u>\$ 18,429</u> |
| 12/31/40 | Annual Assessments | \$ 17,069 | |
| 12/31/40 | Interest Income, Net of Taxes | \$ 1,821 | |
| Total for Fiscal Year 2040 | | | <u>\$ 18,890</u> |
| 12/31/41 | Annual Assessments | \$ 17,410 | |
| 12/31/41 | Interest Income, et or Taxes | \$ 1,967 | |
| Total for Fiscal Year 2041 | | | <u>\$ 19,377</u> |
| 12/31/42 | Annual Assessments | \$ 17,758 | |
| 12/31/42 | Interest Income, Net of Taxes | \$ 2,113 | |
| Total for Fiscal Year 2042 | | | <u>\$ 19,872</u> |

See Summary of Significant Assumptions

Exhibit 4 –(Expenditure Summary)



Sec Summary of Significant Assumptions

Exhibit 5 – Expenditure Summary

| Category | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|-----------------------|-------------|-------------|-------------|-----------------|---------------|-------------|-------------|-------------|-------------|---------------|
| | 12/31/13 | 12/31/14 | 12/31/15 | 12/31/16 | 12/31/17 | 12/31/18 | 12/31/19 | 12/31/20 | 12/31/21 | 12/31/22 |
| Equipment | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Roof | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fixtures | \$ - | \$ - | \$ - | \$ - | \$ 535 | \$ - | \$ - | \$ - | \$ - | \$ 576 |
| Lightning | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Signs | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Asphalt | \$ - | \$ - | \$ - | \$ 9,042 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fences, Walls & Gates | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Totals | \$ - | \$ - | \$ - | \$ 9,042 | \$ 535 | \$ - | \$ - | \$ - | \$ - | \$ 576 |

See Summary of Significant Assumptions



Exhibit 4 • Expenditure Summary

| Category | 11 12/31/23 | 12 12/31/24 | 13 12/31/25 | 14 12/31/26 | 15 12/31/27 | 16 12/31/28 | 17 12/31/29 | 18 12/31/30 | 19 12/31/31 | 20 12/31/32 |
|-----------------------|------------------|-----------------|----------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|
| Equipment | \$ - | \$ 3,385 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Roof | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fixtures | \$ - | \$ - | \$ - | \$ - | \$ 621 | \$ - | \$ - | \$ - | \$ - | \$ 670 |
| Lighting | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Signs | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Asphalt | \$ 10,041 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,151 | \$ - | \$ - |
| Fences, Walls & Gates | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Totals | \$ 10,041 | \$ 3,385 | \$ - | \$ - | \$ 621 | \$ - | \$ - | \$ 11,151 | \$ - | \$ 670 |

See Summary of Significant Assumptions

Exhibit 4. Expenditure Summary

| Category | 21 12/31/33 | 22 12/31/34 | 23 12/31/35 | 24 12/31/36 | 25 12/31/37 | 26 12/31/38 | 27 12/31/39 | 28 12/31/40 | 29 12/31/41 | 30 12/31/42 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Equipment | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,238 | \$ - | \$ - | \$ - |
| Roof | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fixtures | \$ - | \$ - | \$ - | \$ - | \$ 722 | \$ - | \$ - | \$ - | \$ - | \$ 778 |
| Lightning | \$ - | \$ 5,505 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Signs | \$ - | \$ 5,960 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Asphalt | \$ - | \$ - | \$ - | \$ - | \$ 103,439 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fences, Walls & Gates | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Totals | \$ - | \$ 11,465 | \$ - | \$ - | \$ 104,161 | \$ - | \$ 4,238 | \$ - | \$ - | \$ 778 |

See Summary of Significant Assumptions

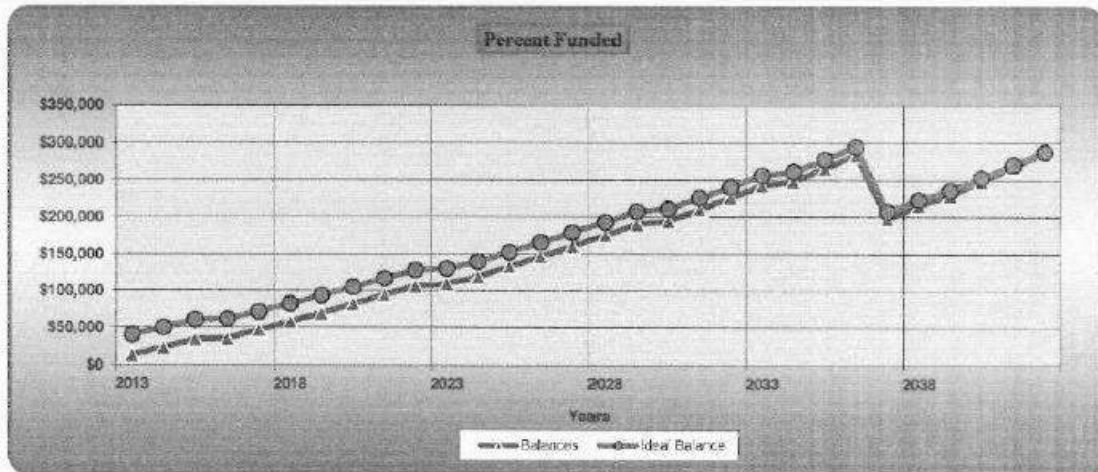


Exhibit 3 • Percent Funded Schedule

Certain State Civil Codes require that associations disclose to homeowners (and homeowner's in turn to potential buyers) the --current estimate of the amount of cash reserves necessary...". To perform these tasks, and the amount or accumulated cash actually set aside. Additionally, they must indicate what percent the amount of money set aside (the "Reserve Fund Balance") is of the current estimate of the amount of cash reserves necessary. This percentage is commonly referred to as an association's "Percent Funded" figure.

Just as there are two different approach to calculating assessments, there are two different approaches to calculating the --Percent Funded" figure. The most easily understood method is the --straight Line" approach. Using this approach, the amount of money to be set aside for a component for each year is multiplied by the number of years that component has aged. In the case of our example, if our \$100,000 component with a 5 year life (\$20,000 per year) was two years old, then \$40,000 would be expected to be on hand. This is done individually for each component, and then the results are added together.

Again, this can be done using either the current or future costs. Proponents of the Future Cost method argue that the "current estimate" is not the current cost, but rather the current estimate of what the cost or repair will be when it is needed (i.e., the Future Cost). The problem with this approach is that the calculations do not take into account that Reserve Fund monies earn interest, and the amount of this interest can be significant. If a straight-line approach were used, the 100% funding level would indicate excess funds on hand and would be misleading. Additionally, an association which has less than --100% funded - Straight-Line" may well have enough monthly. In this case the disclosure would also be misleading.



See Summary of Significant Assumptions



Exhibit 5 - Percent Funded Summary

| Category | Remaining Life | Current Replacement Cost | Balance Allocation | Ideal Funding | % Funded |
|-----------------------|----------------|--------------------------|--------------------|------------------|-------------|
| Equipment | 11.5 to 11.5 | \$ 2,850 | \$ - | \$ 665 | 0.0% |
| Roof | 31.5 to 31.5 | \$ 163,584 | \$ - | \$ 16,358 | 0.0% |
| Fixtures | 4.5 to 4.5 | \$ 500 | \$ 35 | \$ 50 | 69.2% |
| Lighting | 21.5 to 21.5 | \$ 3,990 | \$ - | \$ 559 | 0.0% |
| Signs | 21.5 to 21.5 | \$ 4,320 | \$ - | \$ 605 | 0.0% |
| Asphalt | 3.5 to 24.5 | \$ 71,677 | \$ 2,967 | \$ 12,178 | 24.4% |
| Fences, Walls & Gates | 31.5 to 31.5 | \$ 4,320 | \$ - | \$ 432 | 0.0% |
| Totals | | \$ 251,241 | \$ 3,002 | \$ 30,846 | 9.7% |

See Summary of Significant Assumptions

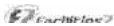
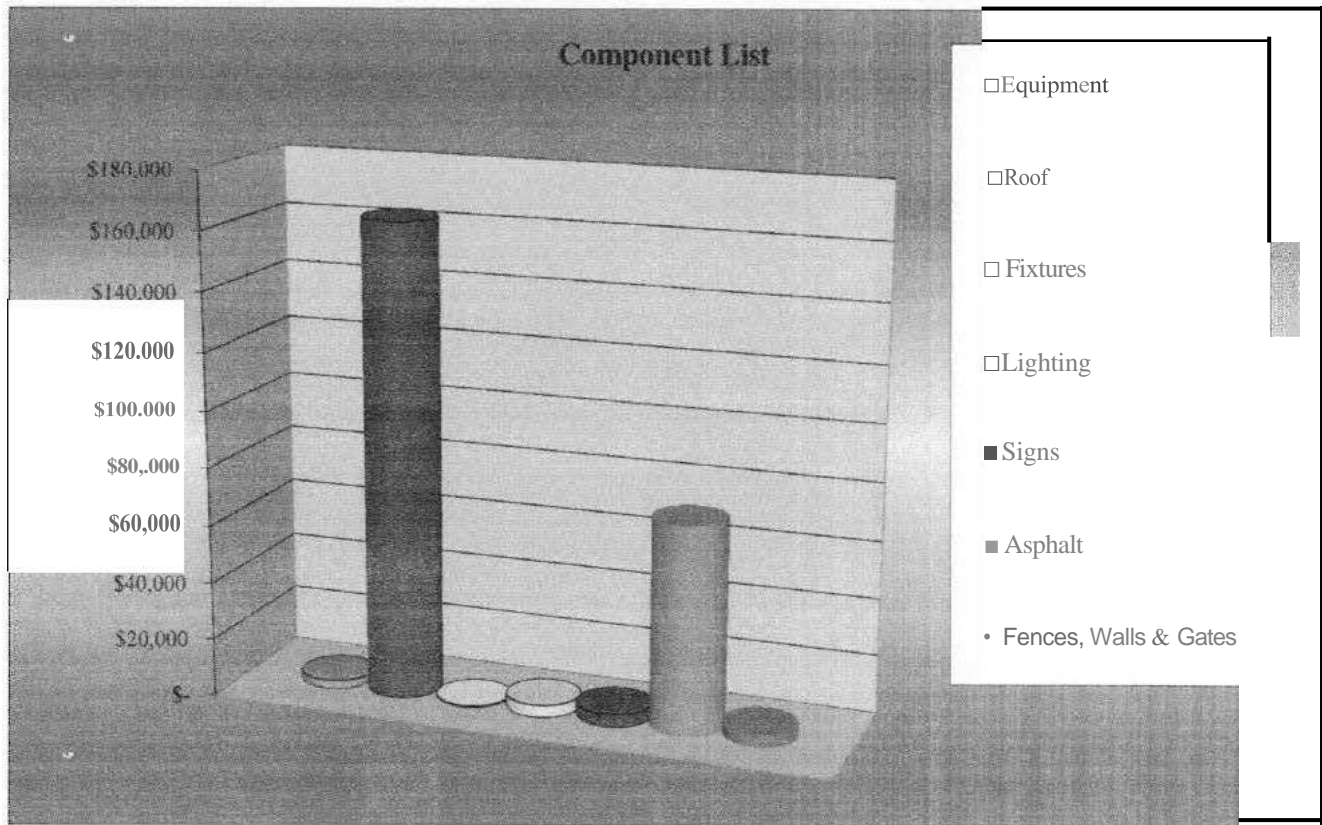


Exhibit 6 • Component List Summary by Category

The following table represents a list of the components considered in this study. Each component is identified based on a category. The estimated lives are designated in years. While the Board of Directors has final discretion as to what items are included in the reserve study, it is common that many assets (components) exist that may not be included in the reserve funding plan. Examples of such items are those components deemed to have a remaining useful life in excess of 30 years, those items of such low dollar value that they are considered immaterial, and those items that are routinely paid for from the operating budget.



See Summary of Significant Assumptions

Exhibit 6 - Component List - Summary by Category

| Category | # of Items | Useful Life | Remaining Life | Current Cost | Future Cost | Balance Allocation | Ideal Funding | % Funded | 2013 Funding |
|-----------------------|------------|-------------|----------------|-------------------|-------------------|--------------------|------------------|-------------|------------------|
| Equipment | 1 | 15 to 15 | 11.5 to 11.5 | \$ 2,850 | \$ 3,386 | \$ - | \$ 665 | 0.0% | \$ 113 |
| Roof | 12 | 35 to 35 | 31.5 to 31.5 | 163,584 | 262,311 | - | 16,358 | 0.0% | 6,511 |
| Fixtures | 1 | 5 to 5 | 4.5 to 4.5 | 500 | 535 | 35 | 50 | 69.2% | 20 |
| Lighting | 7 | 25 to 25 | 21.5 to 21.5 | 3,990 | 5,507 | - | 559 | 0.0% | 159 |
| Signs | 6 | 25 to 25 | 21.5 to 21.5 | 4,320 | 5,963 | - | 605 | 0.0% | 172 |
| Asphalt | 2 | 7 to 28 | 3.5 to 24.5 | 71,677 | 100,141 | 2,967 | 12,178 | 24.4% | 2,853 |
| Fences, Walls & Gates | 2 | 35 to 35 | 31.5 to 31.5 | 4,320 | 6,927 | - | 432 | 0.0% | 172 |
| Totals | 31 | | | \$ 251,241 | \$ 384,771 | \$ 3,002 | \$ 30,846 | 9.7% | \$ 10,000 |

Sec Summary of Significant Assumptions

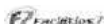


Exhibit 7 – Component List - Detail by Component

| Item # | Component | Category | Location | Quantity | Meas Basis | Unit Cost | Date Placed In Service | Life | | Est. 1st Replace Date | Replacement Cost | |
|--------|-------------------------------------|-----------------------|-------------|----------|------------|-----------|------------------------|--------|--------|-----------------------|------------------|------------|
| | | | | | | | | Useful | Remain | | Current | Future |
| 1 | Vinyl Balcony Rail - Repair/Replace | Fences, Walls & Gates | Building A | 72 | LF | \$ 30.00 | 7/1/09 | 35 | 31.50 | 7/1/44 | \$ 2,160 | \$ 3,464 |
| 2 | Light - Recessed Soffit | Lighting | Building A | 6 | Each | 95.00 | 7/1/09 | 25 | 21.50 | 7/1/34 | 570 | 787 |
| 3 | Asphalt Shingle Roof - Replace | Roof | Building A | 6,912 | SF | 3.25 | 7/1/09 | 35 | 31.50 | 7/1/44 | 22,464 | 36,022 |
| 4 | Gutters / Downspouts - Replace | Roof | Building A | 12 | Set | 400.00 | 7/1/09 | 35 | 31.50 | 7/1/44 | 4,800 | 7,697 |
| 5 | Building Signs | Signs | Building A | 6 | Each | 120.00 | 7/1/09 | 25 | 21.50 | 7/1/34 | 720 | 994 |
| 6 | Light - Recessed Soffit | Lighting | Building B | 6 | Each | 95.00 | 7/1/09 | 25 | 21.50 | 7/1/34 | 570 | 787 |
| 7 | Asphalt Shingle Roof - Replace | Roof | Building B | 6,912 | SF | 3.25 | 7/1/09 | 35 | 31.50 | 7/1/44 | 22,464 | 36,022 |
| 8 | Gutters / Downspouts - Replace | Roof | Building B | 12 | Set | 400.00 | 7/1/09 | 35 | 31.50 | 7/1/44 | 4,800 | 7,697 |
| 9 | Building Signs | Signs | Building B | 6 | Each | 120.00 | 7/1/09 | 25 | 21.50 | 7/1/34 | 720 | 994 |
| 10 | Vinyl Balcony Rail - Repair/Replace | Fences, Walls & Gates | Building C | 72 | LF | 30.00 | 7/1/09 | 35 | 31.50 | 7/1/44 | 2,160 | 3,464 |
| 11 | Light - Recessed Soffit | Lighting | Building C | 6 | Each | 95.00 | 7/1/09 | 25 | 21.50 | 7/1/34 | 570 | 787 |
| 12 | Asphalt Shingle Roof - Replace | Roof | Building C | 6,912 | SF | 3.25 | 7/1/09 | 35 | 31.50 | 7/1/44 | 22,464 | 36,022 |
| 13 | Gutters / Downspouts - Replace | Roof | Building C | 12 | Set | 400.00 | 7/1/09 | 35 | 31.50 | 7/1/44 | 4,800 | 7,697 |
| 14 | Building Signs | Signs | Building C | 6 | Each | 120.00 | 7/1/09 | 25 | 21.50 | 7/1/34 | 720 | 994 |
| 15 | Light - Recessed Soffit | Lighting | Building D | 6 | Each | 95.00 | 7/1/09 | 25 | 21.50 | 7/1/34 | 570 | 787 |
| 16 | Asphalt Shingle Roof - Replace | Roof | Building D | 6,912 | SF | 3.25 | 7/1/09 | 35 | 31.50 | 7/1/44 | 22,464 | 36,022 |
| 17 | Gutters / Downspouts - Replace | Roof | Building D | 12 | Set | 400.00 | 7/1/09 | 35 | 31.50 | 7/1/44 | 4,800 | 7,697 |
| 18 | Building Signs | Signs | Building D | 6 | Each | 120.00 | 7/1/09 | 25 | 21.50 | 7/1/34 | 720 | 994 |
| 19 | Light - Recessed Soffit | Lighting | Building E | 6 | Each | 95.00 | 7/1/09 | 25 | 21.50 | 7/1/34 | 570 | 787 |
| 20 | Light - Recessed Soffit | Lighting | Building E | 6 | Each | 95.00 | 7/1/09 | 25 | 21.50 | 7/1/34 | 570 | 787 |
| 21 | Asphalt Shingle Roof - Replace | Roof | Building E | 6,912 | SF | 3.25 | 7/1/09 | 35 | 31.50 | 7/1/44 | 22,464 | 36,022 |
| 22 | Gutters / Downspouts - Replace | Roof | Building E | 12 | Set | 400.00 | 7/1/09 | 35 | 31.50 | 7/1/44 | 4,800 | 7,697 |
| 23 | Building Signs | Signs | Building E | 6 | Each | 120.00 | 7/1/09 | 25 | 21.50 | 7/1/34 | 720 | 994 |
| 24 | Light - Recessed Soffit | Lighting | Building F | 6 | Each | 95.00 | 7/1/09 | 25 | 21.50 | 7/1/34 | 570 | 787 |
| 25 | Asphalt Shingle Roof - Replace | Roof | Building F | 6,912 | SF | 3.25 | 7/1/09 | 35 | 31.50 | 7/1/44 | 22,464 | 36,022 |
| 26 | Gutters / Downspouts - Replace | Roof | Building F | 12 | Set | 400.00 | 7/1/09 | 35 | 31.50 | 7/1/44 | 4,800 | 7,697 |
| 27 | Building Signs | Signs | Building F | 6 | Each | 120.00 | 7/1/09 | 25 | 21.50 | 7/1/34 | 720 | 994 |
| 28 | Asphalt 1" Overlay | Asphalt | Common Area | 50,477 | SF | 1.25 | 7/1/09 | 28 | 24.50 | 7/1/37 | 63,096 | 91,098 |
| 29 | Sealcoat | Asphalt | Common Area | 50,477 | SF | 0.17 | 7/1/09 | 7 | 3.50 | 7/1/16 | 8,581 | 9,043 |
| 30 | Irrigation system | Equipment | Common Area | 3 | Each | 950.00 | 7/1/09 | 15 | 11.50 | 7/1/24 | 2,850 | 3,386 |
| 31 | Retention Basin | Fixtures | Common Area | 1 | Allowance | 500.00 | 7/1/12 | 5 | 4.50 | 7/1/17 | 500 | 535 |
| Total | | | | | | | | | | | \$ 251,241 | \$ 384,771 |

See Summa() or Significant Assumptions



Exhibit 8 - FASB Supplemental Disclosures

This supplemental information about reserves is a required presentation for associations that present financial information such as compiled, reviewed, or audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

| <u>Major Component</u> | <u>Estimated Remaining Life in Years</u> | <u>Estimated Current Cost</u> | <u>12/31/12 Allocation</u> | <u>2013 funding</u> |
|------------------------|--|-----------------------------------|--------------------------------|-------------------------|
| Equipment | 11.5 to 11.5 | \$ 2,850 | \$ | \$ 113 |
| Roof | 31.5 to 31.5 | 163,584 | | 6,511 |
| Fixtures | 4.5 to 4.5 | 500 | 35 | 20 |
| Lighting | 21.5 to 21.5 | 3,990 | | 159 |
| Signs | 21.5 to 21.5 | 4,320 | | 172 |
| Asphalt | 3.5 to 24.5 | 71,677 | 2,967 | 2,853 |
| Fences, Walls & Gates | 31.5 to 31.5 | 4,320 | | 172 |
| Totals | | <u>\$ 251,241</u> | <u>\$ 3,002</u> | <u>\$ 10,000</u> |

See Summary of Significant Assumptions

