Red Cloud

Level 3 Reserve Study

Report Period – 01/01/2014 – 12/31/2014

Client Reference Number	**12818**
Property Type	**Single Family Homes**
Number of Units	**30**
Fiscal Year End	**12/31**

Date of Property Inspection	**5/28/2014**
Prepared By	**Dale Gifford**
Analysis Method	**Cash Flow**
Funding Goal	**Full Funding**

Report prepared on – Friday, June 13, 2014

COMPLEX SOLUTIONS, LTD.

TEL: (888) 356-3783 | Fax: (866) 279-9662
WWW.COMPLEXSOLUTIONSLTD.COM

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Executive Summary – Red Cloud - ID # 12818

Information to complete this Level III Reserve Study was gathered through research with the client as well as from the previous report. In addition, we also obtained information by contacting any vendors and/or contractors that have worked on the property recently. To the best of our knowledge, the conclusions and recommendations of this report are considered reliable and accurate insofar as the information obtained from these sources.

Projected Starting Balance as of 01/01/2014	**$6,564**
Ideal Reserve Balance as of 01/01/2014	**$9,583**
Percent Funded as of 01/01/2014	**68%**
Recommended Reserve Contribution (per month)	**$390**
Minimum Reserve Contribution (per month)	**$380**
Recommended Special Assessment	**$0**

Red Cloud is a 30-unit Single Family Home community. The community offers a gated entrance as an amenity. Construction on the community was completed in 2007.

Currently Programmed Projects

There are no projects programmed to occur this fiscal year (FY2014). (See page 15)

Significant Reserve Projects

The association's significant reserve projects are groomer replace (Comp# 1990), and vehicle gate operators replace (Comp# 507). The fiscal significance of these components is 11% and 89% (see page 9). A component's significance is calculated by dividing its replacement cost by its useful life. In this way, not only is a component's replacement cost considered but also the frequency of occurrence. These components most significantly contribute to the total monthly reserve contribution. As these components have a high level of fiscal significance the association should properly maintain them to ensure they reach their full useful lives.

Reserve Funding

In comparing the projected starting reserve balance of $6,564 versus the ideal reserve balance of $9,583 we find the association's reserve fund to be approximately 68% funded. This indicates a fair reserve fund position. In order to continue to strengthen the account fund, we suggest adopting a monthly reserve contribution of $390 ($13.00/unit) per month. We have also included a minimum reserve contribution of $380 ($12.67/unit) per month. If the contribution falls below this rate, then the reserve fund may fall into a situation where special assessments, deferred maintenance, and lower property values are likely at some point in the future.

Introduction

Reserve Study Purpose
The purpose of this Reserve Study is to provide an educated estimate of the necessary reserve balance and allocation. The detailed schedules will serve as an advanced warning that major projects will need to be addressed in the future. This will allow the Board of Directors to have ample time to obtain competitive estimates and bids that will result in cost savings to the individual homeowners. It will also ensure the physical well-being of the property and ultimately enhance each owner's investment, while limiting the possibility of unexpected major projects that may lead to special assessments.

Preparer's Credentials
Mr. Gifford has been working in the community association industry for the last 11 years. Prior to taking a position, as the Regional Project Manager covering the Utah region, at Complex Solutions, he worked in community association management in Utah. While in community association management his positions included, Maintenance Supervisor, Senior Portfolio Manager and Vice President of Community Management. His work in community association management gave him extensive experience with; budget creation, reserves and reserve budgeting, community inspections and analyzing common area components.

- Reserve Specialist (RS) designation from Community Associations Institute (CAI), RS# 231
- Personally has prepared over 600 reserve studies in Salt Lake City Utah and surrounding areas
- Bachelor of Science in Chemistry from Emporia State University
- Certified Manager of Community Associations® (CMCA®) designation from the National Board of Certification for Community Association Managers (NBC-CAM)
- Association Management Specialist® (AMS®) designation from Community Associations Institute (CAI)
- Professional Community Association Manager® (PCAM®) designation from Community Associations Institute (CAI), PCAM# 1740,
- Active member and former Board member and chapter President of the Utah Chapter of Community Associations Institute (UCCAI)
- Recipient of Community Associations Institute's (CAI) annual award of Excellence In Chapter Leadership for service an achievement in 2010

Budget Breakdown
Every association conducts their business within a budget. There are typically two main parts to this budget, operating and reserves. The operating budget includes all expenses that occur on an annual basis. These would include management fees, maintenance expenses, utilities, etc. The reserves are primarily made up of capital replacement items such as roofing, fencing, mechanical equipment, etc., that do not normally occur on an annual basis. Typically, the reserve contribution makes up 15% - 40% of the association's total budget. Therefore, reserves are considered to be a major part of the overall monthly association assessment.

Report Sections
The ***Reserve Analysis*** *Section* contains the evaluation of the association's reserve balance, income, and expenses. It includes a finding of the client's current reserve fund status (measured as percent funded) and a recommendation for an appropriate reserve allocation rate (also known as the funding plan).

The ***Component Evaluation*** *Section* contains information regarding the physical status and replacement cost of major common area components the association is responsible to maintain. It is important to understand that while the component inventory will remain relatively "stable" from year to year, the condition assessment and life estimates will most likely vary from year to year.

General Information and Frequently Asked Questions

Why is it important to perform a Reserve Study?
As previously mentioned, the reserve allocation makes up a significant portion of the total monthly assessment. This report provides the essential information that is needed to guide the Board of Directors in establishing the budget in order to run the daily and long term operations of your association. It is suggested that a third party professionally prepare the Reserve Study since there is no vested interest in the property.

After we have a Reserve Study completed, what do we do with it?
Hopefully, you will not look at this report and think it is too cumbersome to understand. Our intention is to make this Reserve Study easy to read and understand. Please take the time to review it carefully and make sure the "main ingredients" (component information) are complete and accurate. If there are any inaccuracies, please inform us immediately so we may revise the report.

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

The Reserve Study should be readily available for real estate agents, brokerage firms, and lending institutions for potential future homeowners. As the importance of reserves becomes more of a household term, people are requesting homeowners associations reveal the strength of the reserve fund prior to purchasing a condominium, town home, or any property that belongs to an association.

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

What is a "Reserve Component" versus an "Operating Component"?
A "Reserve" component is an item that is the responsibility of the association to maintain, has a limited useful life (for Reserve purposes less than 30 years), predictable remaining useful life, typically occurs on a cyclical basis that exceeds 1 year, and costs above a minimum threshold amount. An "Operating" expense is typically a fixed expense that occurs on an annual basis as well as general repairs and maintenance.

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

What happens during the Site Visit?
The Site Visit was conducted of the common areas as reported by client. From our site visit we identified those common area components that we have determined require reserve funding. Based on information provided by the client, client's vendors, and our assessment of the components we have developed a component list and life and cost estimates.

Estimated life expectancies and life cycles are based upon conditions that were readily accessible and visible at the time of the inspection. We did not destroy any landscape work, building walls, or perform any methods of intrusive investigation during the inspection. In these cases, information may have been obtained by contacting the contractor or vendor that has worked on the property. We have assumed any and all components have been properly built and will reach normal, typical life expectancies. In general a reserve study is not intended to identify or fund for construction defects. We did not and will not look for or identify construction defects during our site visit.

What is the Financial Analysis?

We projected the starting balance by taking the most recent balance statement, adding expected reserve contributions for the rest of the fiscal year, and subtracting any pending projects that will be paid for before the end of the current fiscal year. We compared this number to the ideal reserve balance and arrived at the percent funded level.

Measures of strength are as follows:

0% - 30% Funded is generally considered to be a "weak" financial position. Associations that fall into this category are subject to special assessments and deferred maintenance, which could lead to lower property values. If the association is in this position, actions should be taken to improve the financial strength of the reserve fund.

31% - 69% Funded is generally considered a "fair" financial position. The majority of associations fall into this category. While this doesn't represent financial strength and stability, the likelihood of special assessments and deferred maintenance is diminished. Effort should be taken to continue strengthening the financial position of the reserve fund.

70% - 99% Funded is generally considered a "strong" financial position. This indicates financial strength of a reserve fund and every attempt to maintain this level should be a goal of the association.

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

Disclosures:

We will identify only those major components with a useful life of 30-years or less that generally meet industry standards for reserve funding.

The projected life expectancy of the major components and the funding needs of the reserves of the association are based upon the association performing appropriate routine and preventative maintenance for each major component. Failure to perform such maintenance can negatively impact the remaining useful life of the major components and dramatically increase the funding needs of the reserves of the association.

This Reserve Study assumes that all construction assemblies and components identified herein are built properly and are free from defects in materials and/or workmanship. Defects can lead to reduced useful life and premature failure. It was not the intent of this Reserve Study to inspect for or to identify defects. If defects exist, repairs should be made so that the construction components and assemblies at the community reach the full and expected useful lives.

Information provided to the preparer of a reserve study by an official representative of the association regarding financial, historical, physical, quantitative or reserve project issues will be deemed reliable by the preparer. A reserve study will be a reflection of information provided to the preparer of the reserve study. The total of actual or projected reserves required as presented in the reserve study is based upon information provided that was not audited.

A reserve study is not intended to be used to perform an audit, an analysis of quality, a forensic study or a background check of historical records. An on-site inspection conducted in conjunction with a reserve study should not be deemed to be a project audit or quality inspection.

The results of this study are based on the independent opinion of the preparer and his experience and research during the course of his career in preparing Reserve Studies. In addition the opinions of experts on certain components have been gathered through research within their industry and with client's actual vendors. There is no implied warrantee or guarantee regarding our life and cost estimates/predictions. There is no implied warrantee or guarantee in any of our work product. Our results and findings will vary from another preparer's results and findings. A Reserve Study is necessarily a work in progress and subsequent Reserve Studies will vary from prior studies.

Update Reserve Studies: Level II Studies: Quantities of major components as reported in previous reserve studies are deemed to be accurate and reliable. The reserve study relies upon the validity of previous reserve studies. Level III Studies: In addition to the above we have not visited the property when completing a Level III "Financial Update" study. Therefore we have not verified the current condition of the common area components. .

Insurance: We carry general and professional liability insurance as well as workers' compensation insurance.

Actual or Perceived Conflicts of Interest: There are no potential actual or perceived conflicts of interest that we are aware of.

Inflation and Interest Rates: The after tax interest rate used in the financial analysis may or may not be based on the clients reported after tax interest rate. If it is we have not verified or audited the reported rate. The interest rate may also be based on an amount we believe appropriate given the 30-year horizon of this study and may or may not reflect current or historical inflation rates.

Funding Summary

Beginning Assumptions

# of units	30
Fiscal Year End	31-Dec
Budgeted Monthly Reserve Allocation	$0
Projected Starting Reserve Balance	$6,564
Ideal Starting Reserve Balance	$9,583

Economic Assumptions

Projected Inflation Rate	3.00%
Reported After-Tax Interest Rate	0.25%

Current Reserve Status

Current Balance as a % of Ideal Balance	68%

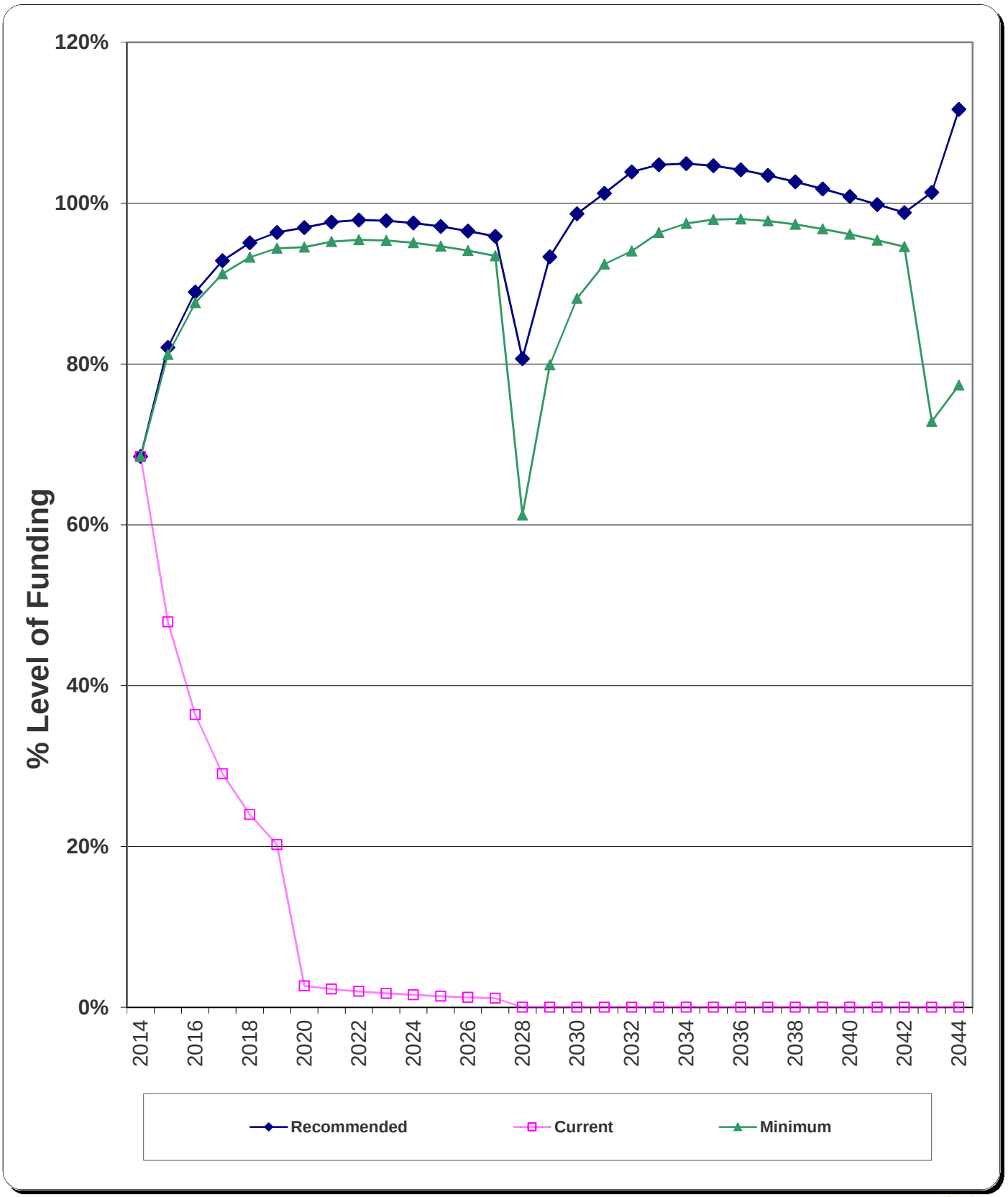
Recommendations

Recommended Monthly Reserve Allocation	$390
Per Unit	$13.00
Future Annual Increases	3.00%
For number of years:	30
Increases thereafter:	0.00%
Minimum Recommended Monthly Reserve Allocation	$380
Per Unit	$12.67
Future Annual Increases	3.00%
For number of years:	30
Increases thereafter:	0.00%

Changes From Prior Year

Recommended Increase to Reserve Allocation	$390
as Percentage	0%
Minimum Recommended Increase to Reserve Allocation	$380
as Percentage	0%

Percent Funded - Graph



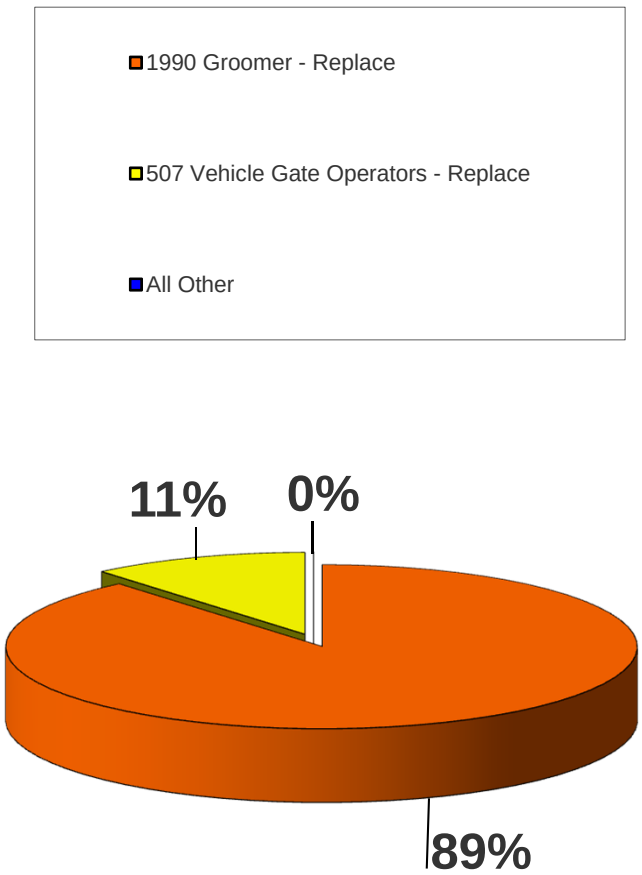
Component Inventory

Category	ID #	Component Name	Useful Life (yrs.)	Remaining Useful Life (yrs.)	Best Cost	Worst Cost
Property Access	507	Vehicle Gate Operators - Replace	12	5	$4,500	$5,500
Utility Equip.	1990	Groomer - Replace	15	13	$50,000	$50,000

Significant Components

ID #	Component Name	Useful Life (yrs.)	Remaining Useful Life (yrs.)	Average Current Cost	Significance: (Curr Cost/UL)	
					As $	As %
507	Vehicle Gate Operators - Replace	12	5	$5,000	$417	11.1111%
1990	Groomer - Replace	15	13	$50,000	$3,333	88.8889%

Significant Components - Graph

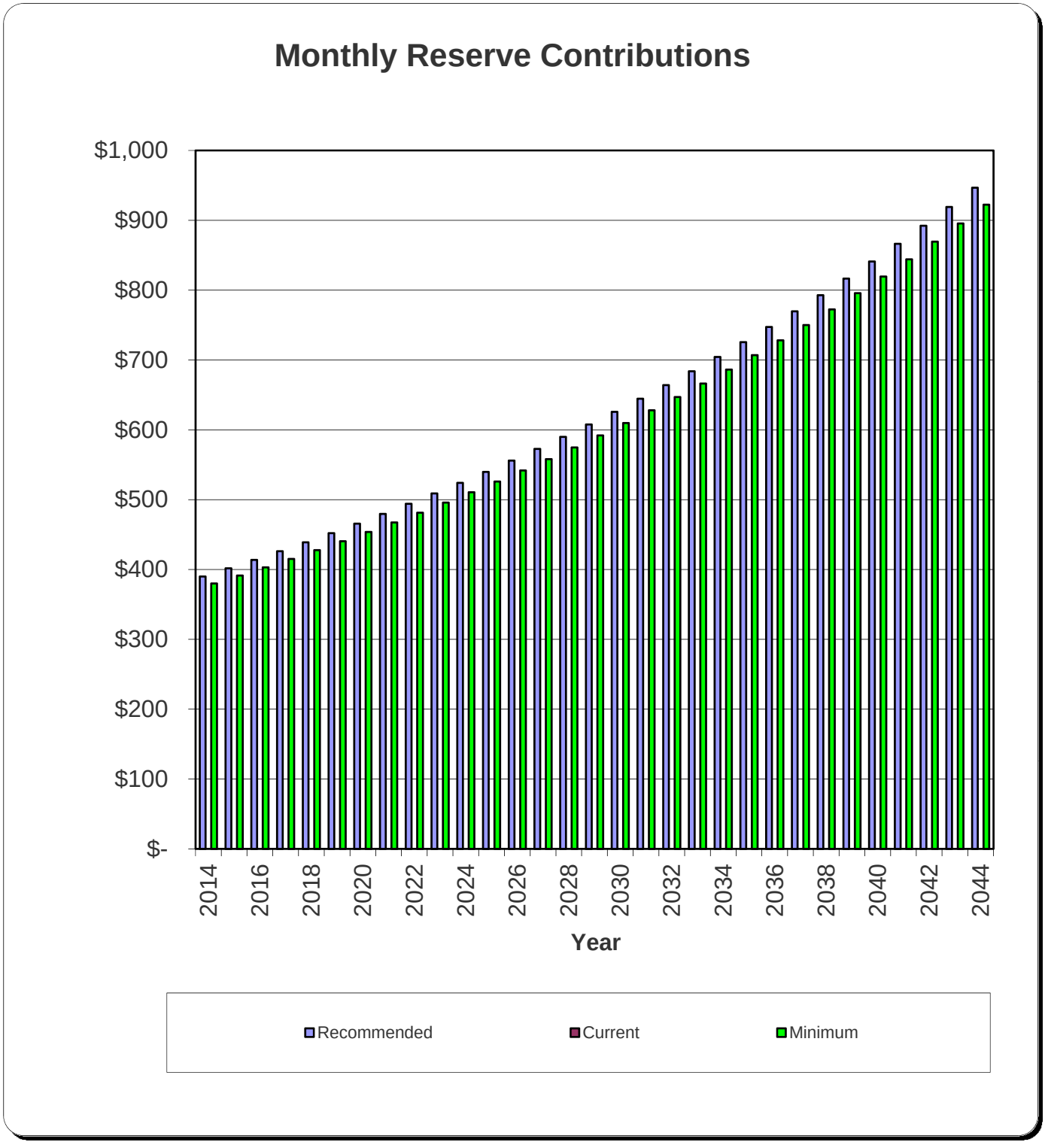


ID #	Component Name	Useful Life (yrs.)	Remaining Useful Life (yrs.)	Average Current Cost	Significance: (Curr Cost/UL)	
					As $	As %
1990	Groomer - Replace	15	13	$50,000	$3,333	89%
507	Vehicle Gate Operators - Replace	12	5	$5,000	$417	11%
All Other	See Expanded Table For Breakdown				$0	0%

Yearly Summary

Year	Fully Funded Balance	Starting Reserve Balance	% Funded	Reserve Contributions	Interest Income	Reserve Expenses	Ending Reserve Balance
2014	$9,583	$6,564	68%	$4,680	$22	$0	$11,266
2015	$13,733	$11,266	82%	$4,820	$34	$0	$16,121
2016	$18,124	$16,121	89%	$4,965	$47	$0	$21,132
2017	$22,765	$21,132	93%	$5,114	$59	$0	$26,306
2018	$27,669	$26,306	95%	$5,267	$72	$0	$31,646
2019	$32,846	$31,646	96%	$5,425	$79	$5,796	$31,353
2020	$32,339	$31,353	97%	$5,588	$85	$0	$37,027
2021	$37,921	$37,027	98%	$5,756	$100	$0	$42,883
2022	$43,809	$42,883	98%	$5,928	$115	$0	$48,926
2023	$50,016	$48,926	98%	$6,106	$130	$0	$55,162
2024	$56,556	$55,162	98%	$6,290	$146	$0	$61,598
2025	$63,444	$61,598	97%	$6,478	$162	$0	$68,238
2026	$70,694	$68,238	97%	$6,673	$179	$0	$75,090
2027	$78,322	$75,090	96%	$6,873	$105	$73,427	$8,641
2028	$10,714	$8,641	81%	$7,079	$30	$0	$15,750
2029	$16,878	$15,750	93%	$7,291	$49	$0	$23,090
2030	$23,402	$23,090	99%	$7,510	$67	$0	$30,667
2031	$30,302	$30,667	101%	$7,735	$76	$8,264	$30,214
2032	$29,083	$30,214	104%	$7,967	$86	$0	$38,267
2033	$36,531	$38,267	105%	$8,206	$106	$0	$46,580
2034	$44,400	$46,580	105%	$8,453	$127	$0	$55,160
2035	$52,708	$55,160	105%	$8,706	$149	$0	$64,015
2036	$61,475	$64,015	104%	$8,967	$171	$0	$73,153
2037	$70,720	$73,153	103%	$9,236	$195	$0	$82,584
2038	$80,465	$82,584	103%	$9,513	$219	$0	$92,317
2039	$90,730	$92,317	102%	$9,799	$243	$0	$102,359
2040	$101,540	$102,359	101%	$10,093	$269	$0	$112,720
2041	$112,916	$112,720	100%	$10,396	$295	$0	$123,411
2042	$124,883	$123,411	99%	$10,708	$179	$114,396	$19,901
2043	$19,638	$19,901	101%	$11,029	$49	$11,783	$19,196

Reserve Contributions - Graph



Component Funding Information

ID	Component Name	UL	RUL	Quantity	Average Current Cost	Ideal Balance	Current Fund Balance	Monthly
507	Vehicle Gate Operators - Replace	12	5	(2) Operators	$5,000	$2,917	$2,917	$43.33
1990	Groomer - Replace	15	13	(1) Groomer	$50,000	$6,667	$3,647	$346.67
					$55,000	$9,583	$6,564	$390

Current Fund Balance as a percentage of Ideal Balance: 68%

Yearly Cash Flow

Year	2014	2015	2016	2017	2018
Starting Balance	$6,564	$11,266	$16,121	$21,132	$26,306
Reserve Income	$4,680	$4,820	$4,965	$5,114	$5,267
Interest Earnings	$22	$34	$47	$59	$72
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$11,266	$16,121	$21,132	$26,306	$31,646
Reserve Expenditures	$0	$0	$0	$0	$0
Ending Balance	$11,266	$16,121	$21,132	$26,306	$31,646

Year	2019	2020	2021	2022	2023
Starting Balance	$31,646	$31,353	$37,027	$42,883	$48,926
Reserve Income	$5,425	$5,588	$5,756	$5,928	$6,106
Interest Earnings	$79	$85	$100	$115	$130
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$37,150	$37,027	$42,883	$48,926	$55,162
Reserve Expenditures	$5,796	$0	$0	$0	$0
Ending Balance	$31,353	$37,027	$42,883	$48,926	$55,162

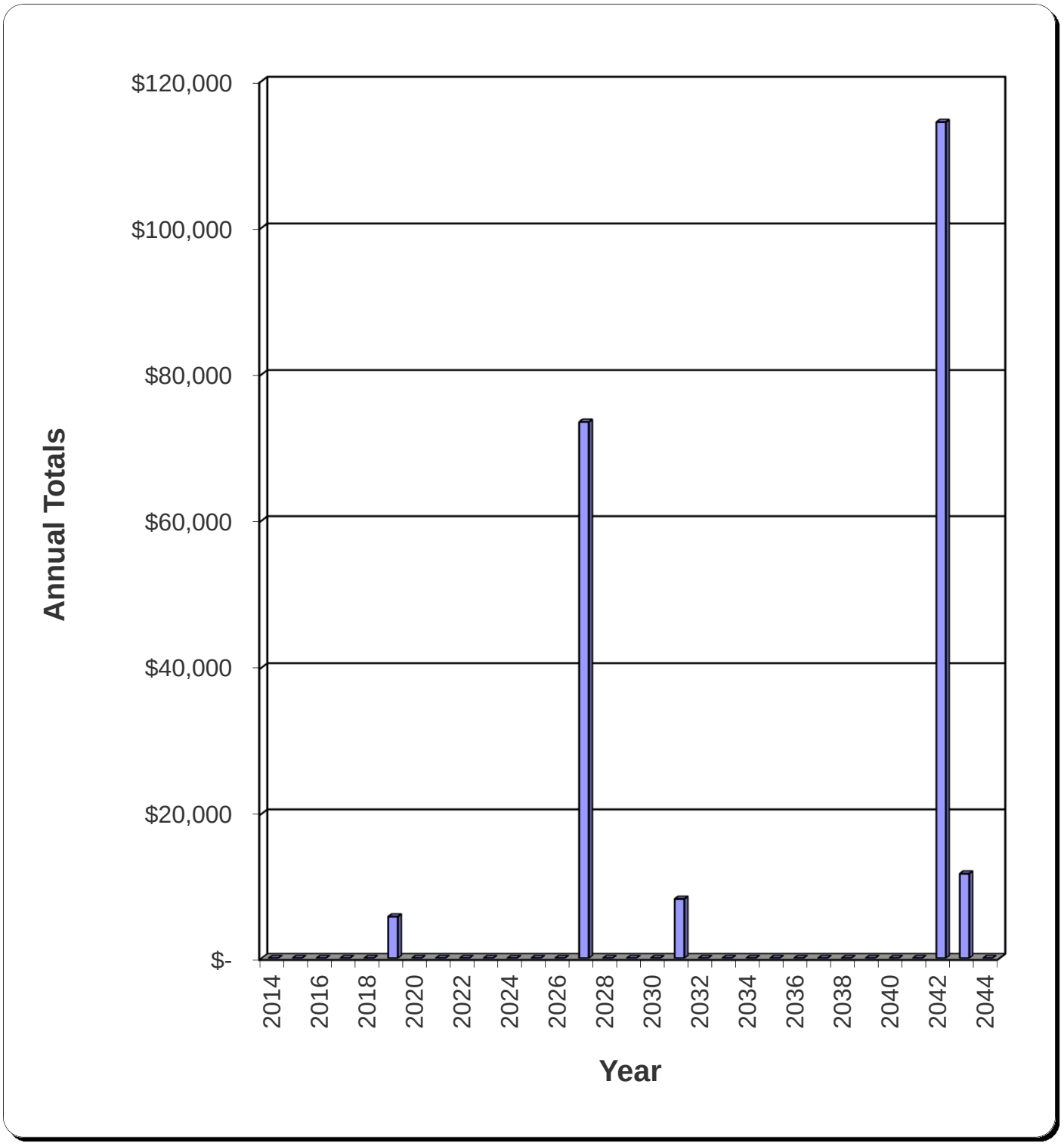
Year	2024	2025	2026	2027	2028
Starting Balance	$55,162	$61,598	$68,238	$75,090	$8,641
Reserve Income	$6,290	$6,478	$6,673	$6,873	$7,079
Interest Earnings	$146	$162	$179	$105	$30
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$61,598	$68,238	$75,090	$82,067	$15,750
Reserve Expenditures	$0	$0	$0	$73,427	$0
Ending Balance	$61,598	$68,238	$75,090	$8,641	$15,750

Year	2029	2030	2031	2032	2033
Starting Balance	$15,750	$23,090	$30,667	$30,214	$38,267
Reserve Income	$7,291	$7,510	$7,735	$7,967	$8,206
Interest Earnings	$49	$67	$76	$86	$106
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$23,090	$30,667	$38,479	$38,267	$46,580
Reserve Expenditures	$0	$0	$8,264	$0	$0
Ending Balance	$23,090	$30,667	$30,214	$38,267	$46,580

Year	2034	2035	2036	2037	2038
Starting Balance	$46,580	$55,160	$64,015	$73,153	$82,584
Reserve Income	$8,453	$8,706	$8,967	$9,236	$9,513
Interest Earnings	$127	$149	$171	$195	$219
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$55,160	$64,015	$73,153	$82,584	$92,317
Reserve Expenditures	$0	$0	$0	$0	$0
Ending Balance	$55,160	$64,015	$73,153	$82,584	$92,317

Year	2039	2040	2041	2042	2043
Starting Balance	$92,317	$102,359	$112,720	$123,411	$19,901
Reserve Income	$9,799	$10,093	$10,396	$10,708	$11,029
Interest Earnings	$243	$269	$295	$179	$49
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$102,359	$112,720	$123,411	$134,298	$30,979
Reserve Expenditures	$0	$0	$0	$114,396	$11,783
Ending Balance	$102,359	$112,720	$123,411	$19,901	$19,196

Yearly Reserve Expenditures - Graph



Projected Reserve Expenditures by Year

Year	ID #	Component Name	Projected Cost	Total Per Annum
2014		No Expenditures Projected		$0
2015		No Expenditures Projected		$0
2016		No Expenditures Projected		$0
2017		No Expenditures Projected		$0
2018		No Expenditures Projected		$0
2019	507	Vehicle Gate Operators - Replace	$5,796	$5,796
2020		No Expenditures Projected		$0
2021		No Expenditures Projected		$0
2022		No Expenditures Projected		$0
2023		No Expenditures Projected		$0
2024		No Expenditures Projected		$0
2025		No Expenditures Projected		$0
2026		No Expenditures Projected		$0
2027	1990	Groomer - Replace	$73,427	$73,427
2028		No Expenditures Projected		$0
2029		No Expenditures Projected		$0
2030		No Expenditures Projected		$0
2031	507	Vehicle Gate Operators - Replace	$8,264	$8,264
2032		No Expenditures Projected		$0
2033		No Expenditures Projected		$0
2034		No Expenditures Projected		$0
2035		No Expenditures Projected		$0
2036		No Expenditures Projected		$0
2037		No Expenditures Projected		$0
2038		No Expenditures Projected		$0
2039		No Expenditures Projected		$0
2040		No Expenditures Projected		$0
2041		No Expenditures Projected		$0
2042	1990	Groomer - Replace	$114,396	$114,396
2043	507	Vehicle Gate Operators - Replace	$11,783	$11,783

Component Evaluation

Comp #: 507 Vehicle Gate Operators - Replace

Location: **Community Entrance**

Quantity: **(2) Operators**

Life Expectancy: **12** *Remaining Life:* **5**

Best Cost: **$4,500**

$2,250/Operator; Estimate to replace operators

Worst Cost: **$5,500**

$2,750/Operator; Higher estimate

Source of Information: CSL Cost Database

General Notes:

Observations:

The vehicle gate operators are in working condition. No problems were noted or reported at the time of the inspection. Expect to make periodic repairs as necessary as an operating expense and to completely replace operators approximately every 12 years assuming normal use and wear. Remaining life based on current age.

Comp #: 1990 Groomer - Replace

Picture Unavailable

Picture Unavailable

Location: **Common Area**

Quantity: **(1) Groomer**

Life Expectancy: **15** *Remaining Life:* **13**

Best Cost: **$50,000**
Estimate to replace

Worst Cost: **$50,000**
Estimate to replace

Source of Information: Research with Client

General Notes:

Observations:

Unable to inspect this component at the time of the inspection. Research with the client reveals this component was purchased in fiscal year 2012. We recommend funding to replace this component approximately every 15 years. Remaining life based on current age.

Glossary of Commonly Used Words And Phrases

(Provided by the National Reserve Study Standards of the Community Associations Institute)

Cash Flow Method – A method of developing a reserve funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

Component – Also referred to as an "Asset." Individual line items in the Reserve Study developed or updated in the physical analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited useful life expectancies, 3) have predictable remaining life expectancies, 4) above a minimum threshold cost, and 5) required by local codes.

Component Full Funding – When the actual (or projected) cumulative reserve balance for all components is equal to the fully funded balance.

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

Deficit – An actual (or projected reserve balance), which is less than the fully funded balance.

Effective Age – The difference between useful life and remaining useful life (UL - RUL).

Financial Analysis – The portion of the Reserve Study where current status of the reserves (measured as cash or percent funded) and a recommended reserve contribution rate (reserve funding plan) are derived, and the projected reserve income and expenses over time is presented. The financial analysis is one of the two parts of the Reserve Study.

Fully Funded Balance – An indicator against which the actual (or projected) reserve balance can be compared. The reserve balance that is in direct proportion to the fraction of life "used up" of the current repair or replacement cost of a reserve component. This number is calculated for each component, and then summed together for an association total.

FFB = Current Cost * Effective Age / Useful Life

Fund Status – The status of the reserve fund as compared to an established benchmark, such as percent funded.

Funding Goals – Independent of calculation methodology utilized, the following represent the basic categories of funding plan goals:

- *Baseline Funding*: Establishing a reserve-funding goal of keeping the reserve balance above zero.
- *Component Full Funding*: Setting a reserve funding goal of attaining and maintaining cumulative reserves at or near 100% funded.
- *Threshold Funding*: Establishing a reserve funding goal of keeping the reserve balance above a specified dollar or percent funded amount.

Funding Plan – An association's plan to provide income to a reserve fund to offset anticipated expenditures from that fund.

Funding Principles –

- Sufficient funds when required
- Stable contributions through the year
- Evenly distributed contributions over the years
- Fiscally responsible

GSF - Gross Square Feet

Life and Valuation Estimates – The task of estimating useful life, remaining useful life, and repair or replacement costs for the reserve components.

LF - Linear Feet

Percent Funded – The ratio, at a particular point in time (typically the beginning of the fiscal year), of the actual (or projected) reserve balance to the ideal fund balance, expressed as a percentage.

Physical Analysis – The portion of the Reserve Study where the component evaluation, condition assessment, and life and valuation estimate tasks are performed. This represents one of the two parts of the Reserve Study.

Remaining Useful Life (RUL) – Also referred to as "remaining life" (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the current fiscal year have a "0" remaining useful life.

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

Reserve Balance – Actual or projected funds as of a particular point in time (typically the beginning of the fiscal year) that the association has identified for use to defray the future repair or replacement of those major components that the association is obligated to maintain. Also known as "reserves," "reserve accounts," or "cash reserves." In this report the reserve balance is based upon information provided and is not audited.

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

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.

Surplus – An actual (or projected) reserve balance that is greater than the fully funded balance.

Useful Life (UL) – Also known as "life expectancy." The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed and maintained in its present application of installation.