

RESERVE ANALYSIS REPORT

Serrano
Gilbert, Arizona
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ADVANCED RESERVE SOLUTIONS

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Preface

This preface is intended to provide an introduction to the enclosed reserve analysis as well as detailed information regarding the reserve analysis report format, reserve fund goals/objectives and calculation methods. The following sections are included in this preface:

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◆ ◆ ◆ ◆ INTRODUCTION TO RESERVE BUDGETING ◆ ◆ ◆ ◆

The Board of Directors of an association has a fiduciary duty to maintain the community in a good state of repair. Individual unit property values are significantly impacted by the level of maintenance and upkeep provided by the association as well as the amount of the regular assessment charged to each owner.

A prudent plan must be implemented to address the issues of long-range maintenance, repair and replacement of the common areas. Additionally, the plan should recognize that the value of each unit is affected by the amount of the regular assessment charged to each unit.

There is a fine line between “not enough,” “just right” and “too much.” Each member of an association should contribute to the reserve fund for their proportionate amount of “depreciation” (or “use”) of the reserve components. Through time, if each owner contributes his “fair share” into the reserve fund for the depreciation of the reserve components, then the possibility of large increases in regular assessments or special assessments will be minimized.

An accurate reserve analysis and a “healthy” reserve fund are essential to protect and maintain the association's common areas and the property values of the individual unit owners. A comprehensive reserve analysis is one of the most significant elements of any association's long-range plan and provides the critical link between sound business judgment and good fiscal planning. The reserve analysis provides a “financial blueprint” for the future of an association.

◆ ◆ ◆ ◆ UNDERSTANDING THE RESERVE ANALYSIS ◆ ◆ ◆ ◆

In order for the reserve analysis to be useful, it must be understandable by a variety of individuals. Board members (from seasoned, experienced Board members to new Board members), property managers, accountants, attorneys and even homeowners may ultimately review the reserve analysis. The reserve analysis must be detailed enough to provide a comprehensive analysis, yet simple enough to enable less experienced individuals to understand the results.

There are four key bits of information that a comprehensive reserve analysis should provide: Budget, Percent Funded, Projections and Inventory. This information is described as follows:

Budget

Amount recommended to be transferred into the reserve account for the fiscal year for which the reserve analysis was prepared. In some cases, the reserve analysis may present two or more funding plans based on different goals/objectives. The Board should have a clear understanding of the differences among these funding goals/objectives prior to implementing one of them in the annual budget.

Percent Funded

Measure of the reserve fund “health” (expressed as a percentage) as of the beginning of the fiscal year for which the

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reserve analysis was prepared. This figure is the ratio of the actual reserve fund on hand to the fully funded balance. A reserve fund that is “100% funded” means the association has accumulated the proportionately correct amount of money, to date, for the reserve components it maintains.

Projections

Indicate the “level of service” the association will provide the membership as well as a “road map” for the fiscal future of the association. The projections define the timetables for repairs and replacements, such as when the buildings will be painted or when the asphalt will be seal coated. The projections also show the financial plan for the association – when an underfunded association will “catch up” or how a properly funded association will remain fiscally “healthy.”

Inventory

Complete listing of the reserve components. Key bits of information are available for each reserve component, including placed-in-service date, useful life, remaining life, replacement year, quantity, current cost of replacement, future cost of replacement and analyst’s comments.

◆ ◆ ◆ ◆ RESERVE FUNDING GOALS / OBJECTIVES ◆ ◆ ◆ ◆

There are four reserve funding goals/objectives which may be used to develop a reserve funding plan that corresponds with the risk tolerance of the association: Full Funding, Baseline Funding, Threshold Funding and Statutory Funding. These goals/objectives are described as follows:

Full Funding

Describes the goal/objective to have reserves on hand equivalent to the value of the deterioration of each reserve component. The objective of this funding goal is to achieve and/or maintain a 100% percent funded reserve fund. The component calculation method or cash flow calculation method is typically used to develop a full funding plan.

Baseline Funding

Describes the goal/objective to have sufficient reserves on hand to never completely run out of money. The objective of this funding goal is to simply pay for all reserve expenses as they come due without regard to the association’s percent funded. The cash flow calculation method is typically used to develop a baseline funding plan.

Threshold Funding

Describes the goal/objective other than the 100% level (full funding) or just staying cash-positive (baseline funding). This threshold goal/objective may be a specific percent funded target or a cash balance target. Threshold funding is often a value chosen between full funding and baseline funding. The cash flow calculation method is typically used to develop a threshold funding plan.

Statutory Funding

Describes the pursuit of an objective as described or required by local laws or codes. The component calculation method or cash flow calculation method is typically used to develop a statutory funding plan.

◆ ◆ ◆ ◆ RESERVE FUNDING CALCULATION METHODS ◆ ◆ ◆ ◆

There are two funding methods which can be used to develop a reserve funding plan based on a reserve funding goal/objective: Component Calculation Method and Cash Flow Calculation Method. These calculation methods are described as follows:

Component Calculation Method

This calculation method develops a funding plan for each individual reserve component. The sum of the funding plan for each component equals the total funding plan for the association. This method is often referred to as the “straight line”

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method and is widely believed to be the most conservative reserve funding method. This method structures a funding plan that enables the association to pay all reserve expenditures as they come due, enables the association to achieve the ideal level of reserves in time, and then enables the association to maintain the ideal level of reserves through time. The following is a detailed description of the component calculation method:

Step 1: Calculation of fully funded balance for each component

The fully funded balance is calculated for each component based on its age, useful life and current cost. The actual formula is as follows:

$$\text{Fully Funded Balance} = \frac{\text{Age}}{\text{Useful Life}} \times \text{Current Cost}$$

Step 2: Distribution of current reserve funds

The association's current reserve funds are assigned to (or distributed amongst) the reserve components based on each component's remaining life and fully funded balance as follows:

Pass 1: Components are organized in remaining life order, from least to greatest, and the current reserve funds are assigned to each component up to its fully funded balance, until reserves are exhausted.

Pass 2: If all components are assigned their fully funded balance and additional funds exist, they are assigned in a "second pass." Again, the components are organized in remaining life order, from least to greatest, and the remaining current reserve funds are assigned to each component up to its current cost, until reserves are exhausted.

Pass 3: If all components are assigned their current cost and additional funds exist, they are assigned in a "third pass." Components with a remaining life of zero years are assigned double their current cost.

Distributing, or assigning, the current reserve funds in this manner is the most efficient use of the funds on hand – it defers the make-up period of any underfunded reserves over the lives of the components with the largest remaining lives.

Step 3: Developing a funding plan

After step 2, all components have a "starting" balance. A calculation is made to determine what funding would be required to get from the starting balance to the future cost over the number of years remaining until replacement. The funding plan incorporates the annual contribution increase parameter to develop a "stair stepped" contribution.

For example, if an association needs to accumulate \$100,000 in ten years, \$10,000 could be contributed each year. Alternatively, the association could contribute \$8,723 in the first year and increase the contribution by 3% each year thereafter until the tenth year.

In most cases, this rate should match the inflation parameter. Matching the annual contribution increase parameter to the inflation parameter indicates, in theory, that member contributions should increase at the same rate as the cost of living (inflation parameter). Due to the "time value of money," this creates the most equitable distribution of member contributions through time.

Using an annual contribution increase parameter that is greater than the inflation parameter will reduce the burden to the current membership at the expense of the future membership. Using an annual contribution increase parameter that is less than the inflation parameter will increase the burden to the current membership to the benefit of the future membership. The following chart shows a comparison:

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	<u>0% Increase</u>	<u>3% Increase</u>	<u>10% Increase</u>
Year 1	\$10,000.00	\$8,723.05	\$6,274.54
Year 2	\$10,000.00	\$8,984.74	\$6,901.99
Year 3	\$10,000.00	\$9,254.28	\$7,592.19
Year 4	\$10,000.00	\$9,531.91	\$8,351.41
Year 5	\$10,000.00	\$9,817.87	\$9,186.55
Year 6	\$10,000.00	\$10,112.41	\$10,105.21
Year 7	\$10,000.00	\$10,415.78	\$11,115.73
Year 8	\$10,000.00	\$10,728.25	\$12,227.30
Year 9	\$10,000.00	\$11,050.10	\$13,450.03
Year 10	\$10,000.00	\$11,381.60	\$14,795.04
TOTAL	\$100,000.00	\$100,000.00	\$100,000.00

This parameter is used to develop a funding plan only; it does not necessarily mean that the reserve contributions must be raised each year. There are far more significant factors that will contribute to a total reserve contribution increase or decrease from year to year than this parameter.

One of the major benefits of using this calculation method is that for any single component (or group of components), the accumulated balance and reserve funding can be precisely calculated. For example, using this calculation method, the reserve analysis can indicate the exact amount of current reserve funds “in the bank” for the roofs and the amount of money being funded towards the roofs each month. This information is displayed on the Management / Accounting Summary and Charts as well as elsewhere within the report.

Cash Flow Calculation Method

This calculation method develops a funding plan based on current reserve funds and projected expenditures during a specific timeframe (typically 30 years). This funding method structures a funding plan that enables the association to pay for all reserve expenditures as they come due, but is not necessarily concerned with the ideal level of reserves through time.

This calculation method tests reserve contributions against reserve expenditures through time to determine the minimum contribution necessary (baseline funding) or some other defined goal/objective (full funding, threshold funding or statutory funding). Unlike the component calculation method, this calculation method cannot precisely calculate the reserve funding for any single component (or group of components). In order to work-around this issue to provide this bookkeeping information, a formula has been applied to component method results to calculate a reasonable breakdown. This information is displayed on the Management / Accounting Summary and Charts as well as elsewhere within the report.

The **Directed Cash Flow Calculation Method** is our primary calculation method. It allows for several funding strategies to be manually tested until the optimal funding strategy accomplishing three goals is created:

Goal #1: Ensures that all scheduled reserve expenditures are covered by keeping the reserve cash balance above zero during the projected period (typically 30 years)

Goal #2: Uniformly distributes the costs of replacements over time to benefit both current & future members of the association by using consistent, incremental contribution increases

Goal #3: Provides for the lowest reserve funding recommendation as possible over time with the goal of approaching, reaching and/or maintaining a 100% fully funded reserve balance

These very important aspects of the **Directed Cash Flow Calculation Method** will greatly aid the board of directors during the annual budgeting process.

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◆ ◆ ◆ ◆ READING THE RESERVE ANALYSIS ◆ ◆ ◆ ◆

In some cases, the reserve analysis may be a lengthy document of one hundred pages or more. A complete and thorough review of the reserve analysis is always a good idea. However, if time is limited, it is suggested that a thorough review of the summary pages be made. If a “red flag” is raised in this review, the reader should then check the detail information, of the component in question, for all relevant information. In this section, a description of most of the summary or report sections is provided along with comments regarding what to look for and how to use each section.

Executive Summary

Provides general information about the client, global parameters used in the calculation of the reserve analysis as well as the core results of the reserve analysis.

Client Information
Provides various client information including fiscal year for which the reserve analysis was prepared, number of units, phasing, etc.

Global Parameters
Displays the calculation parameters that were used to calculate the reserve analysis including inflation, annual contribution increase, investment rate, tax rate and contingency.

Community Profile
Provides brief description of the community, as well as other “global” type comments.

Budget
Provides recommended funding for the fiscal year for which the reserve analysis was prepared. Indicates the reserve funding from the membership, anticipated interest contribution and the total contribution

Sample Homeowners Association
Executive Summary
Component Calculation Method

Client Information:		Global Parameters:	
Account Number	00000	Inflation Rate	2.00%
Version Number	1	Annual Contribution Increase	2.00%
Analysis Date	3/18/2014	Investment Rate	1.00%
Fiscal Year	6/1/2014 to 5/31/2015	Taxes on Investment	30.00%
Number of Units	167	Contingency	3.00%
Phasing	8 of 8		

Community Profile:
This community consists of 167 attached units with private roadways, pool area and extensive landscaped areas. For budgeting purposes, unless otherwise indicated, we have used June 1995 as the average placed-in-service date for aging the original components in this community.
ARS site visits: March 1, 2014; January 2011; February 2009; April 2006; March 2005; March 2003; March 2002; April 2001 and March 2000

Adequacy of Reserves as of June 1, 2014:

Anticipated Reserve Balance	\$865,450.00
Fully Funded Reserve Balance	\$1,011,228.83
Percent Funded	85.58%

Recommended Funding for the 2014-2015 Fiscal Year:

	Annual	Monthly	Per Unit Per Month
Member Contribution	\$110,659	\$9,221.58	\$55.22
Interest Contribution	\$5,977	\$498.09	\$2.98
Total Contribution	\$116,636	\$9,719.66	\$58.20

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Adequacy of Reserves
Displays the results of calculations with regard to the “health” of the reserve fund as of the beginning of the fiscal year for which the reserve analysis was prepared. Provides the anticipated reserve balance, fully funded reserve balance and the percent funded.

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Calculation of Percent Funded

Summary displays all reserve components, shown here in “category” order. Provides the remaining life, useful life, current cost and the fully funded balance at the beginning of the fiscal year for which the reserve analysis was prepared.

Reserve Components

All components are displayed (shown here in “category” order).

Lifespans

Remaining life and useful life are displayed. And, these columns are conveniently sub totaled to show range.

**Sample Homeowners Association
Calculation of Percent Funded
Sorted by Category**

	Remaining Life	Useful Life	Current Cost	Fully Funded Balance
010 Streets				
Streets - Asphalt, Overlay / Major Rehab	8	27	\$101,867.50	\$71,564.91
Streets - Asphalt, Repair	0	4	\$3,621.75	\$3,621.75
Streets - Asphalt, Seal Coat	0	4	\$5,926.50	\$5,926.50
Streets - Concrete, Unfunded	n.a.	n.a.	\$0.00	\$0.00
Sub Total	0-8	4-27	\$111,245.75	\$81,113.16
020 Roads				
Roads - Tile				
Sub Total				
030 Painting				
Painting - Cabana Interior				
Painting - Red Curbs				
Painting - Stucco				
Painting - Woodwork & Trim				
Painting - Wrought Iron, Buildings				
Painting - Wrought Iron, Pool Area				
Sub Total				
040 Fencing				
Fencing - Wrought Iron, Pool Area				
Railing - Wrought Iron, Buildings				
Sub Total				
050 Lighting				
Lighting - Buildings				
Lighting - Grounds				
Sub Total				
060 Pool Area				
Cabana - Ceramic Tile				
Cabana - Doors				
Cabana - Plumbing Fixtures				
Cabana - Restroom Partitions				
Cabana - Water Heater				
Pool - Filter				
Pool - Heater				
Pool - Replaster & Tile Replace				
Pool Area - Barbecues				
Sub Total				

**Sample Homeowners Association
Calculation of Percent Funded
Sorted by Category**

	Remaining Life	Useful Life	Current Cost	Fully Funded Balance
Pool Area - Ceramic Tile	2	21	\$8,501.63	\$7,773.38
Pool Area - Concrete Deck, Unfunded	n.a.	n.a.	\$0.00	\$0.00
Pool Area - Furniture (Refurbish)	0	12	\$9,255.00	\$9,255.00
Pool Area - Furniture (Replace)	6	25	\$17,315.00	\$13,159.40
Pool Area - Mastic	0	4	\$5,131.50	\$5,131.50
Spa - Filter	0	13	\$1,350.00	\$1,350.00
Spa - Heater	0	10	\$3,050.00	\$3,050.00
Spa - Replaster & Tile Replace	3	8	\$5,250.00	\$3,126.40
Sub Total	0-6	4-25	\$91,747.38	\$71,964.53
070 Decks				
Decks - Clean & Top Coat	2	5	\$30,480.00	\$18,288.00
Decks - Resurface	2	13	\$65,227.20	\$54,720.81
Sub Total	2	5-13	\$95,707.20	\$73,008.81
080 Misc (Buildings)				
Fire Extinguisher Cabinets	2	21	\$27,625.00	\$24,994.05
Utility Closet Doors	2	21	\$73,900.00	\$60,801.90
Sub Total	2	21	\$101,525.00	\$91,855.95
090 Misc (Grounds)				
Landscape - Irrigation Controllers	0	12	\$20,000.00	\$20,000.00
Landscape - Renovation, Unfunded	n.a.	n.a.	\$0.00	\$0.00
Mailboxes	2	21	\$37,200.00	\$33,657.14
Sub Total	0-2	12-21	\$66,200.00	\$62,657.14
100 Termite Control				
Termite Control	n.a.	n.a.	\$0.00	\$100,000.00
Sub Total	n.a.	n.a.	\$0.00	\$100,000.00
Contingency	n.a.	n.a.	n.a.	\$20,453.27
Total	0-11	2-30	\$1,091,533.70	\$1,011,228.83
Anticipated Reserve Balance				\$865,456.00
Percent Funded				85.58%

Current Cost

Displays the current cost to replace or otherwise maintain each component. This column is conveniently sub totaled.

Fully Funded Balance

Displays the fully funded balance for each component. This column is conveniently sub totaled.

The total current cost to replace or otherwise maintain all components, total fully funded balance, anticipated reserve balance and percent funded are provided at the bottom of this summary. Also shown is the range of reserve component remaining lives and useful lives.

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Management / Accounting Summary and Charts

Summary displays all reserve components, shown here in “category” order. Provides the assigned reserve funds at the beginning of the fiscal year for which the reserve analysis was prepared along with the monthly member contribution, interest contribution and total contribution for each component and category. Pie charts show graphically how the total reserve fund is distributed amongst the reserve component categories and how each category is funded on a monthly basis.

Balance at FYB
Shows the amount of reserve funds assigned to each reserve component. And, this column is conveniently sub totaled.

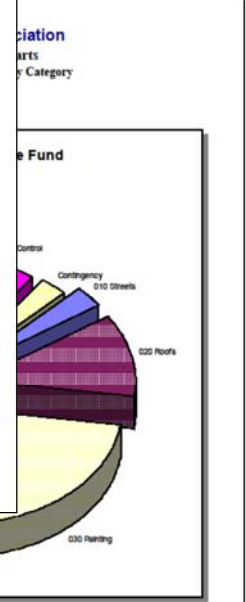
Sample Homeowners Association
Management / Accounting Summary
Component Calculation Method; Sorted by Category

	Balance at Fiscal Year Beginning	Monthly Member Contribution	Monthly Interest Contribution	Total Monthly Contribution
010 Streets				
Streets - Asphalt, Overlay / Major Rehab	\$17,837.90	\$949.09	\$13.37	\$963.07
Streets - Asphalt, Repair	\$3,821.75	\$78.20	\$0.25	\$78.45
Streets - Asphalt, Seal Coat	\$5,926.50	\$127.96	\$0.41	\$128.37
Streets - Concrete, Unfunded	\$0.00	\$0.00	\$0.00	\$0.00
Sub Total	\$27,586.15	\$1,155.84	\$14.04	\$1,169.88
020 Roofs				
Roofs - Tile				
Sub Total				
030 Painting				
Painting - Cabana Interior				
Painting - Red Curbs				
Painting - Stucco				
Painting - Woodwork & Trim				
Painting - Wrought Iron, Buildings				
Painting - Wrought Iron, Pool Area				
Sub Total				
040 Fencing				
Fencing - Wrought Iron, Pool Area				
Railing - Wrought Iron, Buildings				
Sub Total				
050 Lighting				
Lighting - Buildings				
Lighting - Grounds				
Sub Total				
060 Pool Area				
Cabana - Ceramic Tile				
Cabana - Doors				
Cabana - Plumbing Fixtures				
Cabana - Restroom Partitions				
Cabana - Water Heater				
Pool - Filter				
Sub Total				
070 Decks				
Decks - Clean & Top Coat	\$18,288.00	\$539.52	\$12.44	\$551.96
Decks - Resurfacing	\$94,720.81	\$306.93	\$33.65	\$340.58
Sub Total	\$73,008.81	\$1,046.45	\$46.09	\$1,092.54
080 Misc (Buildings)				
Fire Extinguisher Cabinets	\$24,994.05	\$139.11	\$15.07	\$154.19
Utility Closet Doors	\$95,881.90	\$372.15	\$40.32	\$412.47
Sub Total	\$91,855.95	\$511.26	\$55.40	\$566.66
090 Misc (Grounds)				
Landscape - Irrigation Controllers	\$20,000.00	\$219.48	\$0.71	\$220.19
Landscape - Renovation, Unfunded	\$0.00	\$0.00	\$0.00	\$0.00
Mailboxes	\$33,657.14	\$187.33	\$20.30	\$207.63
Sub Total	\$62,657.14	\$406.82	\$21.00	\$427.82
100 Termite Control				
Termite Control	\$100,000.00	\$0.00	\$58.52	\$58.52
Sub Total	\$100,000.00	\$0.00	\$58.52	\$58.52
Contingency	\$25,207.28	\$268.59	\$15.61	\$284.20
Total	\$865,450.00	\$9,221.58	\$498.09	\$9,719.66

Monthly Funding
Displays the monthly funding for each component from the members and interest. Total monthly funding is also indicated. And, these columns are conveniently sub totaled.

Sample Homeowners Association
Management / Accounting Summary
Component Calculation Method; Sorted by Category

	Balance at Fiscal Year Beginning	Monthly Member Contribution	Monthly Interest Contribution	Total Monthly Contribution
Pool - Heater	\$3,250.00	\$24.60	\$0.08	\$24.68
Pool - Replaster & Tile Replace	\$7,070.58	\$146.76	\$4.61	\$151.37
Pool Area - Barbecues	\$1,010.00	\$26.98	\$0.69	\$30.67
Pool Area - Ceramic Tile	\$7,773.38	\$43.27	\$4.69	\$47.96
Pool Area - Concrete Deck, Unfunded	\$0.00	\$0.00	\$0.00	\$0.00
Pool Area - Furniture (Refurbish)	\$9,255.00	\$70.05	\$0.23	\$70.27
Pool Area - Furniture (Replace)	\$13,159.40	\$74.78	\$7.94	\$82.70
Pool Area - Mastic	\$5,131.50	\$110.79	\$0.36	\$111.15
Spa - Filter	\$1,350.00	\$12.11	\$0.04	\$12.15
Spa - Heater	\$2,200.00	\$27.36	\$0.09	\$27.44
Spa - Replaster & Tile Replace	\$3,128.40	\$54.12	\$2.04	\$56.15
Sub Total	\$71,964.53	\$716.19	\$30.10	\$746.28
070 Decks				
Decks - Clean & Top Coat	\$18,288.00	\$539.52	\$12.44	\$551.96
Decks - Resurfacing	\$94,720.81	\$306.93	\$33.65	\$340.58
Sub Total	\$73,008.81	\$1,046.45	\$46.09	\$1,092.54
080 Misc (Buildings)				
Fire Extinguisher Cabinets	\$24,994.05	\$139.11	\$15.07	\$154.19
Utility Closet Doors	\$95,881.90	\$372.15	\$40.32	\$412.47
Sub Total	\$91,855.95	\$511.26	\$55.40	\$566.66
090 Misc (Grounds)				
Landscape - Irrigation Controllers	\$20,000.00	\$219.48	\$0.71	\$220.19
Landscape - Renovation, Unfunded	\$0.00	\$0.00	\$0.00	\$0.00
Mailboxes	\$33,657.14	\$187.33	\$20.30	\$207.63
Sub Total	\$62,657.14	\$406.82	\$21.00	\$427.82
100 Termite Control				
Termite Control	\$100,000.00	\$0.00	\$58.52	\$58.52
Sub Total	\$100,000.00	\$0.00	\$58.52	\$58.52
Contingency	\$25,207.28	\$268.59	\$15.61	\$284.20
Total	\$865,450.00	\$9,221.58	\$498.09	\$9,719.66



Pie Charts
Show graphically how the reserve fund is distributed amongst the reserve components and how the components are funded.

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Projections and Charts

Summary displays projections of beginning reserve balance, member contribution, interest contribution, expenditures and ending reserve balance for each year of the projection period (shown here for 30 years). The two columns on the right-hand side provide the fully funded ending balance and the percent funded for each year. Charts show the same information in an easy-to-understand graphic format.

**Sample Homeowners Association
Projections
Component Calculation Method**

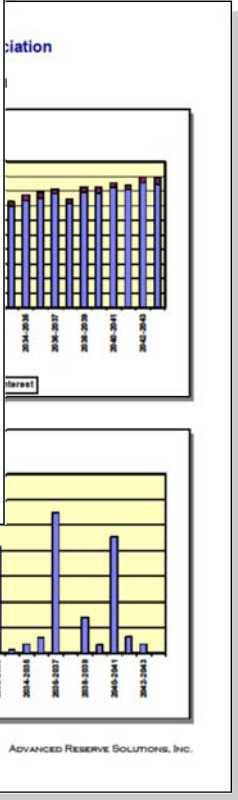
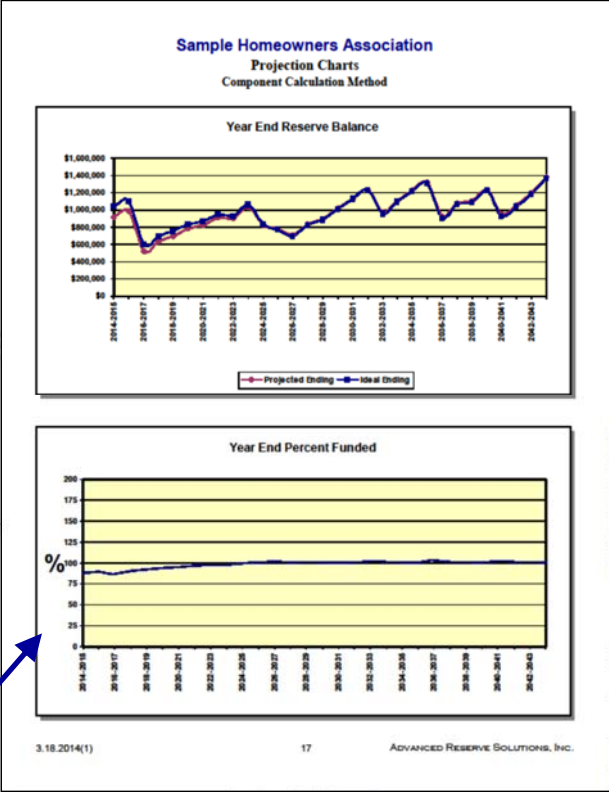
Fiscal Year	Beginning Balance	Member Contribution	Interest Contribution	Expenditures	Ending Balance	Fully Funded Ending Balance	Percent Funded
2014-2015	\$865,450	\$110,659	\$5,977	\$54,980	\$917,106	\$1,046,139	88%
2015-2016	\$917,106	\$111,857	\$6,482	\$45,317	\$990,127	\$1,104,098	90%
2016-2017	\$990,127	\$116,806	\$3,175	\$591,549	\$518,559	\$598,939	87%
2017-2018	\$518,559	\$115,807	\$3,900	\$7,715	\$630,610	\$698,915	90%
2018-2019	\$630,610	\$116,508	\$4,431	\$52,973	\$698,577	\$755,512	92%
2019-2020	\$698,577	\$116,723	\$5,037	\$34,701	\$785,578	\$834,243	94%
2020-2021	\$785,578	\$118,645	\$5,331	\$80,731	\$828,821	\$896,179	92%
2021-2022	\$828,821	\$121,028	\$5,925	\$40,530	\$915,241	\$949,147	96%
2022-2023	\$915,241	\$123,506					
2023-2024	\$907,080	\$125,898					
2024-2025	\$1,037,322	\$126,436					
2025-2026	\$825,894	\$127,755					
2026-2027	\$780,089	\$125,648					
2027-2028	\$713,358	\$119,373					
2028-2029	\$631,867	\$131,699					
2029-2030	\$696,194	\$131,038					
2030-2031	\$1,013,798	\$137,575					
2031-2032	\$1,130,018	\$141,510					
2032-2033	\$1,237,543	\$143,162					
2033-2034	\$973,366	\$138,561					
2034-2035	\$1,104,489	\$147,134					
2035-2036	\$1,222,996	\$149,242					
2036-2037	\$1,317,743	\$150,808					
2037-2038	\$929,828	\$142,178					
2038-2039	\$1,078,992	\$157,813					
2039-2040	\$1,102,377	\$157,111					
2040-2041	\$1,234,862	\$165,390					
2041-2042	\$952,363	\$161,588					
2042-2043	\$1,056,301	\$171,747					
2043-2044	\$1,200,105	\$169,299					

NOTE: In some cases, the projected Ending Balance Expenditures. This is a result of the provision of contingency is continually adjusted according to

3.18.2014(1)

Improved format makes the numbers as easy to read and understand as possible. The color-coded bar indicates the reserve fund status:

Green: Good
Yellow: Fair
Red: Poor



Charts
Show graphically the reserve funding plan through time.

Preface

Component Detail

Summary provides detailed information about each reserve component. These pages display all information about each reserve component as well as comments from site observations and historical information regarding replacement or other maintenance.

Lifespan Information

Displays placed-in-service date, useful life, remaining life and replacement year.

Cost Information

Displays quantity, unit cost, percentage of replacement, current cost and future cost.

Calculation Results

Displays assigned reserves and funding requirements.

Streets - Asphalt, Seal Coat

Category	010 Streets	Quantity	65,850 sq. ft.
Photo Date	January 2011	Unit Cost	\$0.090
		% of Replacement	100.00%
		Current Cost	\$5,926.50
		Future Cost	\$6,415.03
Placed In Service	11/09	Assigned Reserves at FYB	\$5,926.50
Useful Life	4	Monthly Member Contribution	\$127.96
Remaining Life	0	Monthly Interest Contribution	\$0.41
Replacement Year	2014-2015	Total Monthly Contribution	\$128.37

Painting - Woodwork & Trim

Category	030 Painting	Quantity	31,575 sq. ft.
Photo Date	January 2011	Unit Cost	\$0.620
		% of Replacement	100.00%
		Current Cost	\$20,949.00
		Future Cost	\$30,222.58
Placed In Service	06/12	Assigned Reserves at FYB	\$14,524.50
Useful Life	4	Monthly Member Contribution	\$634.91
Remaining Life	2	Monthly Interest Contribution	\$10.54
Replacement Year	2016-2017	Total Monthly Contribution	\$645.45

Pool - Replaster & Tile Replace

Category	060 Pool Area	Quantity	1 pool
Photo Date	January 2011	Unit Cost	\$15,075.000
		% of Replacement	100.00%
		Current Cost	\$15,075.00
		Future Cost	\$16,644.02
Placed In Service	01/10	Assigned Reserves at FYB	\$7,070.58
Useful Life	10	Monthly Member Contribution	\$146.79
Remaining Life	5	Monthly Interest Contribution	\$4.61
Replacement Year	2019-2020	Total Monthly Contribution	\$151.37

Comments

The association seal coated and restriped the streets for a total cost of \$5,926.50. The association repaired, seal coated and restriped the streets for a total cost of \$6,415.03. The association seal coated and restriped the streets for a total cost of \$6,415.03. The current cost used for this component is adjusted for inflation where applicable. Asphalt surfaces should be seal coated on...

The association painted the woodwork and trim for a total cost of \$20,949.00. The association painted the woodwork and trim for a total cost of \$30,222.58. The association painted the woodwork and trim for a total cost of \$30,222.58. The current cost used for this component is adjusted for inflation where applicable. For budgeting purposes, we have used the current cost. The inventory for this component has been reviewed and approved for the March 2000 site visit, we believe this inventory is accurate.

The pool and spa were replastered in March 2000 for a total cost of approximately \$6,700. The association washed the pool in June 2002 for a total cost of \$675. The association replastered the pool and spa (including replacement of the mastic directly adjacent to the pool and spa) in January 2010 for a total cost of \$15,000.

Comments

Useful information from site observations and historical expenses included here.

Photos

Optional inclusion of photos adds an additional layer of detail to the reserve analysis.

Preface

◆ ◆ ◆ ◆ GLOSSARY OF KEY TERMS ◆ ◆ ◆ ◆

Annual Contribution Increase Parameter

The rate used in the calculation of the funding plan. This rate is used on an annual compounding basis. This rate represents, in theory, the rate the association expects to increase contributions each year.

In most cases, this rate should match the inflation parameter. Matching the annual contribution increase parameter to the inflation parameter indicates, in theory, that member contributions should increase at the same rate as the cost of living (inflation parameter). Due to the “time value of money,” this creates the most equitable distribution of member contributions through time.

This parameter is used to develop a funding plan only; it does not necessarily mean that the reserve contributions must be raised each year. There are far more significant factors that will contribute to a total reserve contribution increase or decrease from year to year than this parameter. See the description of “reserve funding calculation methods” in this preface for more detail on this parameter.

Anticipated Reserve Balance (or Reserve Funds)

The amount of money, as of a certain point in time, held by the association to be used for the repair or replacement of reserve components. This figure is “anticipated” because it is calculated based on the most current financial information available as of the analysis date, which is almost always prior to the fiscal year beginning date for which the reserve analysis is prepared.

Assigned Funds (and “Fixed” Assigned Funds)

The amount of money, as of the fiscal year beginning date for which the reserve analysis is prepared, that a reserve component has been assigned.

The assigned funds are considered “fixed” when the normal calculation process is bypassed and a specific amount of money is assigned to a reserve component. For example, if the normal calculation process assigns \$10,000 to the roofs, but the association would like to show \$20,000 assigned to roofs, “fixed” funds of \$20,000 can be assigned.

Cash Flow Calculation Method

Reserve funding calculation method developed based on total annual expenditures. A more detailed description of the actual calculation process is included in the “reserve funding calculation methods” section of the preface.

Component Calculation Method

Reserve funding calculation method developed based on each individual component. A more detailed description of the actual calculation process is included in the “reserve funding calculation methods” section of the preface.

Contingency Parameter

The rate used as a built-in buffer in the calculation of the funding plan. This rate will assign a percentage of the reserve funds, as of the fiscal year beginning, as contingency funds and will also determine the level of funding toward the contingency each month.

Current Replacement Cost

The amount of money, as of the fiscal year beginning date for which the reserve analysis is prepared, that a reserve component is expected to cost to replace.

Fiscal Year

Indicates the budget year for the association for which the reserve analysis was prepared. The fiscal year beginning (FYB) is the first day of the budget year; the fiscal year end (FYE) is the last day of the budget year.

Fully Funded Reserve Balance (or Ideal Reserves)

The amount of money that should theoretically have accumulated in the reserve fund as of a certain point in time. Fully funded reserves are calculated for each reserve component based on the current replacement cost, age and useful life:

Preface

$$\text{Fully Funded Reserves} = \frac{\text{Age}}{\text{Useful Life}} \times \text{Current Replacement Cost}$$

The fully funded reserve balance is the sum of the fully funded reserves for each reserve component.

An association that has accumulated the fully funded reserve balance does not have all of the funds necessary to replace all of its reserve components immediately; it has the proportionately appropriate reserve funds for the reserve components it maintains, based on each component's current replacement cost, age and useful life.

Future Replacement Cost

The amount of money, as of the fiscal year during which replacement of a reserve component is scheduled, that a reserve component is expected to cost to replace. This cost is calculated using the current replacement cost compounded annually by the inflation parameter.

Global Parameters

The financial parameters used to calculate the reserve analysis. See also "inflation parameter," "annual contribution increase parameter," "investment rate parameter" and "taxes on investments parameter."

Inflation Parameter

The rate used in the calculation of future costs for reserve components. This rate is used on an annual compounding basis. This rate represents the rate the association expects the cost of goods and services relating to their reserve components to increase each year.

Interest Contribution

The amount of money contributed to the reserve fund by the interest earned on the reserve fund and member contributions.

Investment Rate Parameter

The gross rate used in the calculation of interest contribution (interest earned) from the reserve balance and member contributions. This rate (net of the taxes on investments parameter) is used on a monthly compounding basis. This parameter represents the weighted average interest rate the association expects to earn on their reserve fund investments.

Membership Contribution

The amount of money contributed to the reserve fund by the association's membership.

Monthly Contribution (and "Fixed" Monthly Contribution)

The amount of money, for the fiscal year which the reserve analysis is prepared, that a reserve component will be funded.

The monthly contribution is considered "fixed" when the normal calculation process is bypassed and a specific amount of money is funded to a reserve component. For example, if the normal calculation process funds \$1,000 to the roofs each month, but the association would like to show \$500 funded to roofs each month, a "fixed" contribution of \$500 can be assigned.

Number of Units (or other assessment basis)

Indicates the number of units for which the reserve analysis was prepared. In "phased" developments (see phasing), this number represents the number of units, and corresponding common area components, that existed as of a certain point in time.

For some associations, assessments and reserve contributions are based on a unit of measure other than the number of units. Examples include time-interval weeks for timeshare resorts or lot acreage for commercial/industrial developments.

Preface

One-Time Replacement

Used for components that will be budgeted for only once.

Percent Funded

A measure, expressed as a percentage, of the association's reserve fund "health" as of a certain point in time. This number is the ratio of the anticipated reserve fund balance to the fully funded reserve balance:

$$\text{Percent Funded} = \frac{\text{Anticipated Reserve Fund Balance}}{\text{Fully Funded Reserve Balance}}$$

An association that is 100% funded does not have all of the reserve funds necessary to replace all of its reserve components immediately; it has the proportionately appropriate reserve funds for the reserve components it maintains, based on each component's current replacement cost, age and useful life.

Percentage of Replacement

The percentage of the reserve component that is expected to be replaced.

For most reserve components, this percentage should be 100%. In some cases, this percentage may be more or less than 100%. For example, fencing which is shared with a neighboring community may be set at 50%.

Phasing

Indicates the number of phases for which the reserve analysis was prepared and the total number of phases expected at build-out (i.e. Phase 4 of 7). In phased developments, the first number represents the number of phases, and corresponding common area components, that existed as of a certain point in time. The second number represents the number of phases that are expected to exist at build-out.

Placed-In-Service Date

The date (month and year) that the reserve component was originally put into service or last replaced.

Remaining Life

The length of time, in years, until a reserve component is scheduled to be replaced.

Remaining Life Adjustment

The length of time, in years, that a reserve component is expected to last in excess (or deficiency) of its useful life for the current cycle of replacement.

If the current cycle of replacement for a reserve component is expected to be greater than or less than the "normal" life expectancy, the reserve component's life should be adjusted using a remaining life adjustment.

For example, if wood trim is painted normally on a 4 year cycle, the useful life should be 4 years. However, when it comes time to paint the wood trim and it is determined that it can be deferred for an additional year, the useful life should remain at 4 years and a remaining life adjustment of +1 year should be used.

Replacement Year

The fiscal year that a reserve component is scheduled to be replaced.

Reserve Components

Line items included in the reserve analysis.

Taxes on Investments Parameter

The rate used to offset the investment rate parameter in the calculation of the interest contribution. This parameter represents the marginal tax rate the association expects to pay on interest earned by the reserve funds and member contributions.

Preface

Total Contribution

The sum of the membership contribution and interest contribution.

Useful Life

The length of time, in years, that a reserve component is expected to last each time it is replaced. See also “remaining life adjustment.”

◆ ◆ ◆ ◆ LIMITATIONS OF RESERVE ANALYSIS ◆ ◆ ◆ ◆

This reserve analysis is intended as a tool for the association’s Board of Directors to be used in evaluating the association’s current physical and financial condition with regard to reserve components. The results of this reserve analysis represent the independent opinion of the preparer. There is no implied warranty or guarantee of this work product.

For the purposes of this reserve analysis, it has been assumed that all components have been installed properly, no construction defects exist and all components are operational. Additionally, it has been assumed that all components will be maintained properly in the future.

The representations set forth in this reserve analysis are based on the best information and estimates of the preparer as of the date of this analysis. These estimates are subject to change. This reserve analysis includes estimates of replacement costs and life expectancies as well as assumptions regarding future events. Some estimates are projections of future events based on information currently available and are not necessarily indicative of the actual future outcome. The longer the time period between the estimate and the estimated event, the more likely the possibility of error and/or discrepancy. For example, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the preparation of this reserve analysis. Therefore, the actual replacement costs and remaining lives may vary from this reserve analysis and the variation may be significant. Additionally, inflation and other economic events may impact this reserve analysis, particularly over an extended period of time and those events could have a significant and negative impact on the accuracy of this reserve analysis and, further, the funds available to meet the association’s obligation for repair, replacement or other maintenance of major components during their estimated useful life. Furthermore, the occurrence of vandalism, severe weather conditions, earthquakes, floods, acts of nature or other unforeseen events cannot be predicted and/or accounted for and are excluded when assessing life expectancy, repair and/or replacement costs of the components.

Serrano

Executive Summary

Directed Cash Flow Calculation Method

Client Information:

Account Number	2224
Version Number	002
Analysis Date	01/15/2020
Fiscal Year	1/1/2020 to 12/31/2020
Number of Units	138
Phasing	1 of 1

Global Parameters:

Inflation Rate	2.60 %
Annual Contribution Increase	2.00 %
Investment Rate	1.50 %
Taxes on Investments	0.00 %
Contingency	0.00 %

Community Profile:

This community was built in 1999. Refer to the Component Detail section of this report for the dates used to age each reserve component. The projected reserve balance calculation follows:

Reserve Balance as of 4/30/2019: \$60,143
 Remaining 2019 Contribution to Reserves: \$5,728 (\$716/month x 8 months remaining)
 Remaining 2019 Reserve Expenses: \$0
 Projected 1/1/2020 Reserve Balance: \$65,871

Completed Reports: 2004, 10/2019 (updated with site visit)

Adequacy of Reserves as of January 1, 2020:

Anticipated Reserve Balance	\$65,871.00
Fully Funded Reserve Balance	\$108,239.09
Percent Funded	60.86%

Recommended Funding for the 2020 Fiscal Year:	Annual	Monthly	Per Unit
			Per Month
Member Contribution	\$14,175	\$1,181.25	\$8.56
Interest Contribution	\$634	\$52.80	\$0.38
Total Contribution	\$14,809	\$1,234.05	\$8.94

Serrano

Distribution of Current Reserve Funds

Sorted by Remaining Life

	Remaining Life	Fully Funded Balance	Assigned Reserves
Grounds: Contingency	0	\$1,000.00	\$1,000.00
Grounds: Irrigation System (2020)	0	\$20,000.00	\$20,000.00
Grounds: Repair & Clean Out Drywells	0	\$6,400.00	\$6,400.00
Play Area: Ramada Light Fixture & Fan	0	\$3,000.00	\$3,000.00
Grounds: Granite Replenishment	1	\$9,000.00	\$9,000.00
Grounds: Irrigation System (2021)	1	\$19,090.91	\$19,090.91
Paint: Metal Light Poles	1	\$450.00	\$450.00
Play Area: Park Equipment	2	\$2,556.52	\$2,556.52
Play Area: Playstructure	2	\$27,391.30	\$373.57
Play Area: Recycled Rubber Chips	2	\$4,000.00	\$4,000.00
Grounds: Monument Sign	5	\$2,000.00	\$0.00
Play Area: Tot Turf (FlexCoat)	5	\$0.00	\$0.00
Basketball Backboard	6	\$466.67	\$0.00
Paint: Walls, Wrought Iron, Ramada	6	\$5,500.00	\$0.00
Walls: Common Areas (Repair)	6	\$859.69	\$0.00
Lighting: Pole Mounted Fixtures	9	\$980.00	\$0.00
Grounds: Irrigation Controllers	16	\$0.00	\$0.00
Fencing: Wrought Iron (Replace) (50%)	24	\$5,544.00	\$0.00
Grounds: Concrete Components (Unfunded)	n.a.	\$0.00	\$0.00
Lighting (Unfunded)	n.a.	\$0.00	\$0.00
Roofs: Metal Ramada (Unfunded)	n.a.	\$0.00	\$0.00
Contingency	n.a.	\$0.00	\$0.00
Total	0-24	\$108,239.09	\$65,871.00
Percent Funded			60.86%

Serrano
Calculation of Percent Funded
Sorted by Category

	Remaining Life	Useful Life	Current Cost	Fully Funded Balance
<u>020 Roofs</u>				
Roofs: Metal Ramada (Unfunded)	n.a.	n.a.	\$0.00	\$0.00
Sub Total	n.a.	n.a.	\$0.00	\$0.00
<u>030 Painting</u>				
Paint: Metal Light Poles	1	10	\$500.00	\$450.00
Paint: Walls, Wrought Iron, Ramada	6	8	\$22,000.00	\$5,500.00
Sub Total	1-6	8-10	\$22,500.00	\$5,950.00
<u>040 Fencing/Walls</u>				
Fencing: Wrought Iron (Replace) (50%)	24	45	\$11,880.00	\$5,544.00
Walls: Common Areas (Repair)	6	8	\$3,438.75	\$859.69
Sub Total	6-24	8-45	\$15,318.75	\$6,403.69
<u>050 Lighting</u>				
Lighting (Unfunded)	n.a.	n.a.	\$0.00	\$0.00
Lighting: Pole Mounted Fixtures	9	30	\$1,400.00	\$980.00
Sub Total	9	30	\$1,400.00	\$980.00
<u>065 Play Area</u>				
Basketball Backboard	6	27	\$600.00	\$466.67
Play Area: Park Equipment	2	23	\$2,800.00	\$2,556.52
Play Area: Playstructure	2	23	\$30,000.00	\$27,391.30
Play Area: Ramada Light Fixture & Fan	0	20	\$3,000.00	\$3,000.00
Play Area: Recycled Rubber Chips	2	10	\$5,000.00	\$4,000.00
Play Area: Tot Turf (FlexCoat)	5	5	\$2,000.00	\$0.00
Sub Total	0-6	5-27	\$43,400.00	\$37,414.49
<u>100 Grounds</u>				
Grounds: Concrete Components (Unfunded)	n.a.	n.a.	\$0.00	\$0.00
Grounds: Contingency	0	1	\$1,000.00	\$1,000.00
Grounds: Granite Replenishment	1	10	\$10,000.00	\$9,000.00
Grounds: Irrigation Controllers	16	15	\$2,500.00	\$0.00
Grounds: Irrigation System (2020)	0	21	\$20,000.00	\$20,000.00
Grounds: Irrigation System (2021)	1	22	\$20,000.00	\$19,090.91
Grounds: Monument Sign	5	15	\$3,000.00	\$2,000.00
Grounds: Repair & Clean Out Drywells	0	7	\$6,400.00	\$6,400.00
Sub Total	0-16	1-22	\$62,900.00	\$57,490.91

Serrano

Calculation of Percent Funded

Sorted by Category

	Remaining Life	Useful Life	Current Cost	Fully Funded Balance
Contingency	n.a.	n.a.	n.a.	\$0.00
Total	0-24	1-45	\$145,518.75	\$108,239.09
Anticipated Reserve Balance				\$65,871.00
Percent Funded				60.86%

Serrano
Projections
Directed Cash Flow Calculation Method

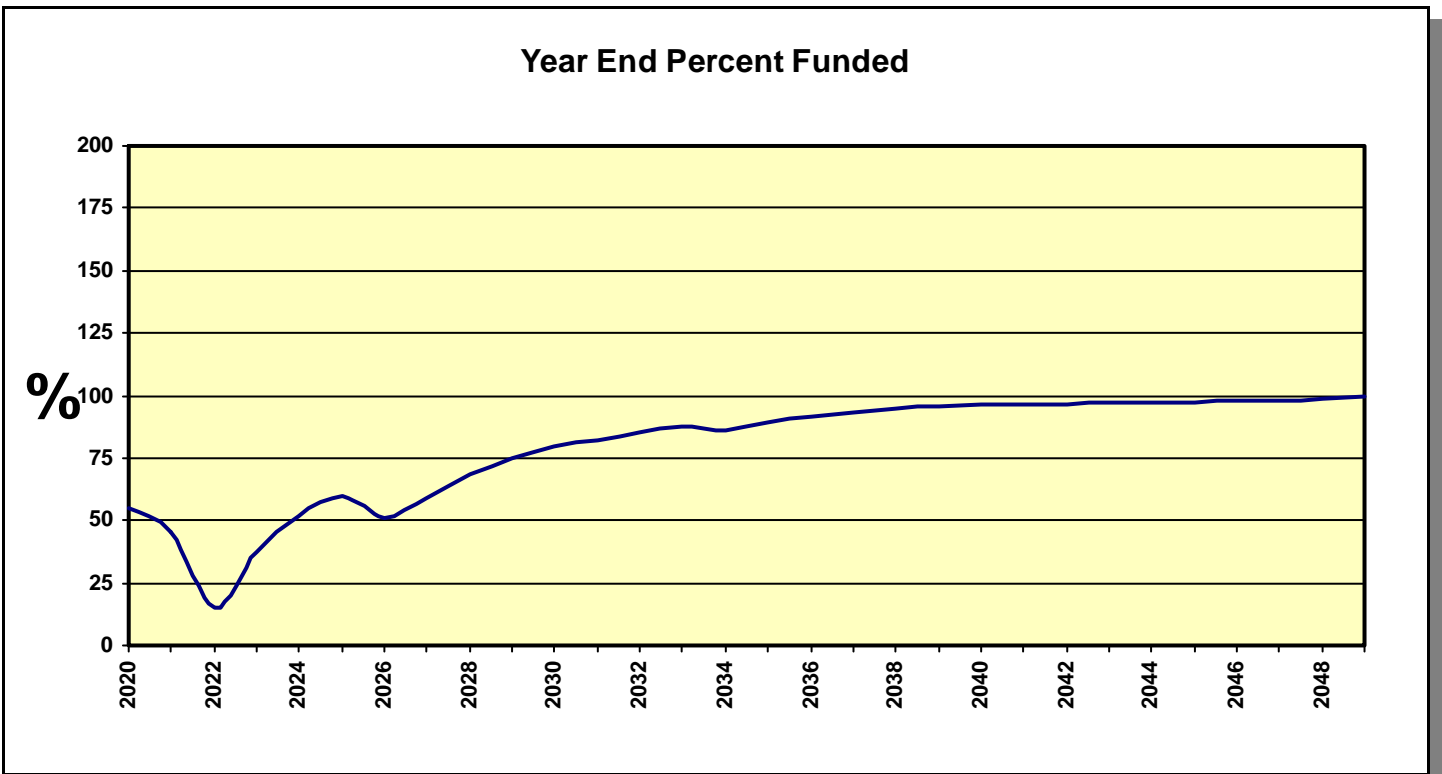
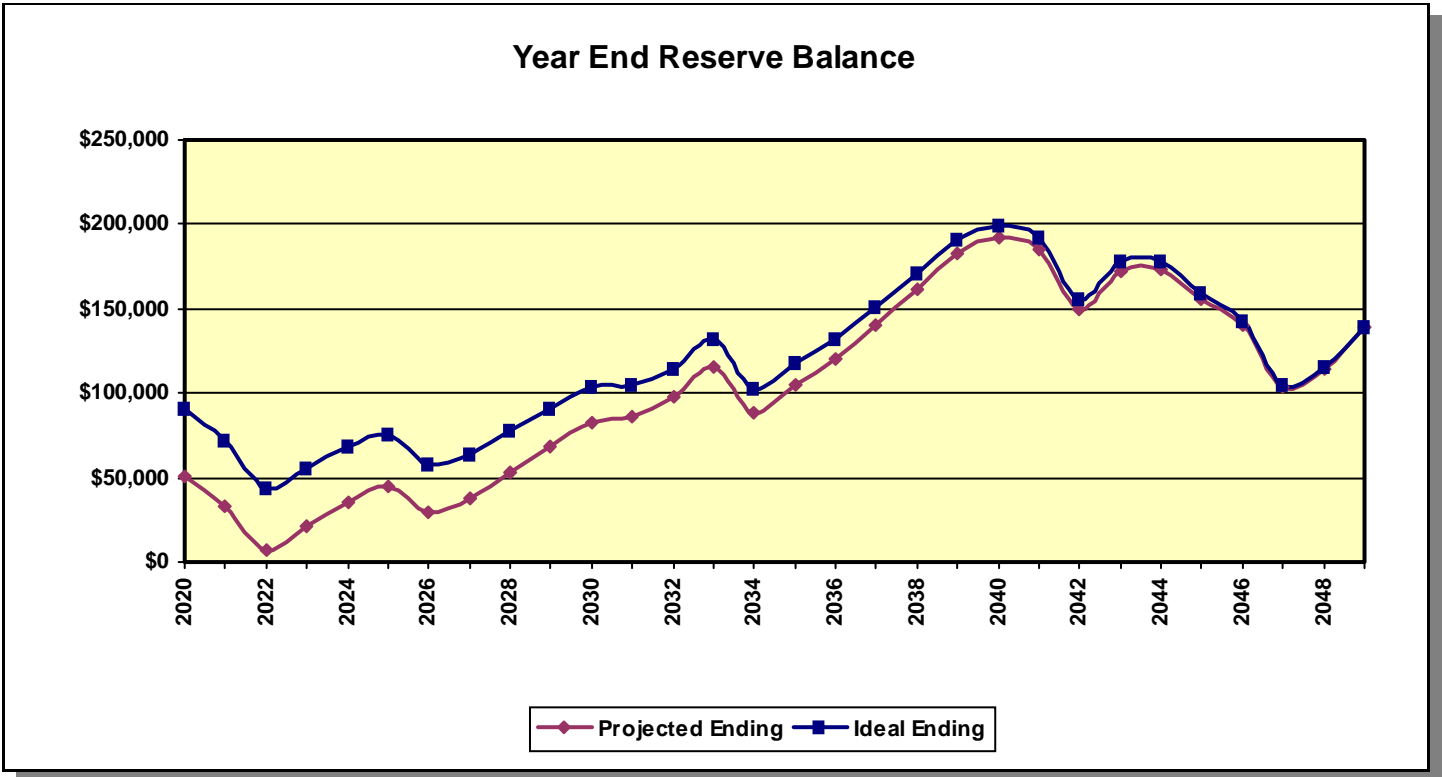
Fiscal Year	Beginning Balance	Member Contribution	Interest Contribution	Expenditures	Ending Balance	Fully Funded Ending Balance	Percent Funded
2020	\$65,871	\$14,175	\$634	\$30,400	\$50,280	\$91,008	55%
2021	\$50,280	\$14,459	\$371	\$32,319	\$32,790	\$71,709	46%
2022	\$32,790	\$14,748	(\$20)	\$40,844	\$6,674	\$43,369	15%
2023	\$6,674	\$15,043	\$188	\$1,080	\$20,825	\$55,394	38%
2024	\$20,825	\$15,343	\$404	\$1,108	\$35,464	\$68,014	52%
2025	\$35,464	\$15,650	\$541	\$6,822	\$44,834	\$75,421	59%
2026	\$44,834	\$15,963	\$311	\$31,541	\$29,567	\$57,989	51%
2027	\$29,567	\$16,283	\$425	\$8,857	\$37,419	\$63,716	59%
2028	\$37,419	\$16,608	\$661	\$1,228	\$53,460	\$77,764	69%
2029	\$53,460	\$16,940	\$879	\$3,024	\$68,256	\$90,689	75%
2030	\$68,256	\$17,279	\$1,092	\$3,878	\$82,749	\$103,439	80%
2031	\$82,749	\$17,625	\$1,141	\$15,252	\$86,263	\$105,224	82%
2032	\$86,263	\$17,977	\$1,304	\$8,164	\$97,380	\$114,711	85%
2033	\$97,380	\$18,337	\$1,576	\$1,396	\$115,897	\$131,781	88%
2034	\$115,897	\$18,704	\$1,169	\$47,038	\$88,731	\$102,871	86%
2035	\$88,731	\$19,078	\$1,405	\$4,409	\$104,805	\$117,360	89%
2036	\$104,805	\$19,459	\$1,638	\$5,277	\$120,625	\$131,760	92%
2037	\$120,625	\$19,848	\$1,936	\$1,547	\$140,861	\$150,797	93%
2038	\$140,861	\$20,245	\$2,243	\$1,587	\$161,763	\$170,736	95%
2039	\$161,763	\$20,650	\$2,561	\$1,629	\$183,346	\$191,609	96%
2040	\$183,346	\$21,063	\$2,687	\$15,038	\$192,059	\$199,737	96%
2041	\$192,059	\$21,485	\$2,586	\$30,687	\$185,442	\$192,504	96%
2042	\$185,442	\$21,914	\$2,043	\$60,223	\$149,176	\$155,275	96%
2043	\$149,176	\$22,353	\$2,380	\$1,805	\$172,105	\$177,523	97%
2044	\$172,105	\$22,800	\$2,397	\$23,848	\$173,453	\$178,255	97%
2045	\$173,453	\$23,256	\$2,120	\$43,693	\$155,136	\$159,180	97%
2046	\$155,136	\$23,721	\$1,889	\$40,931	\$139,814	\$142,992	98%
2047	\$139,814	\$24,195	\$1,342	\$61,993	\$103,359	\$105,337	98%
2048	\$103,359	\$24,679	\$1,502	\$15,183	\$114,357	\$115,307	99%
2049	\$114,357	\$25,173	\$1,869	\$2,105	\$139,294	\$139,548	100%

The reserve account currently sits at 60.86% funded. The funding strategy presented above will allow the Association to cover the projected costs as outlined in the detail section of this reserve study, and begin to build the reserve account balance to a properly funded (100%) position over the 30 year reporting period. At the end of five (5) years, the reserve account will be 52% funded. In order to achieve a proper funding position over the next five (5) years, the Association would need to significantly increase the reserve contribution to an average of \$21,100 per year from 2020 - 2024.

Serrano

Projection Charts

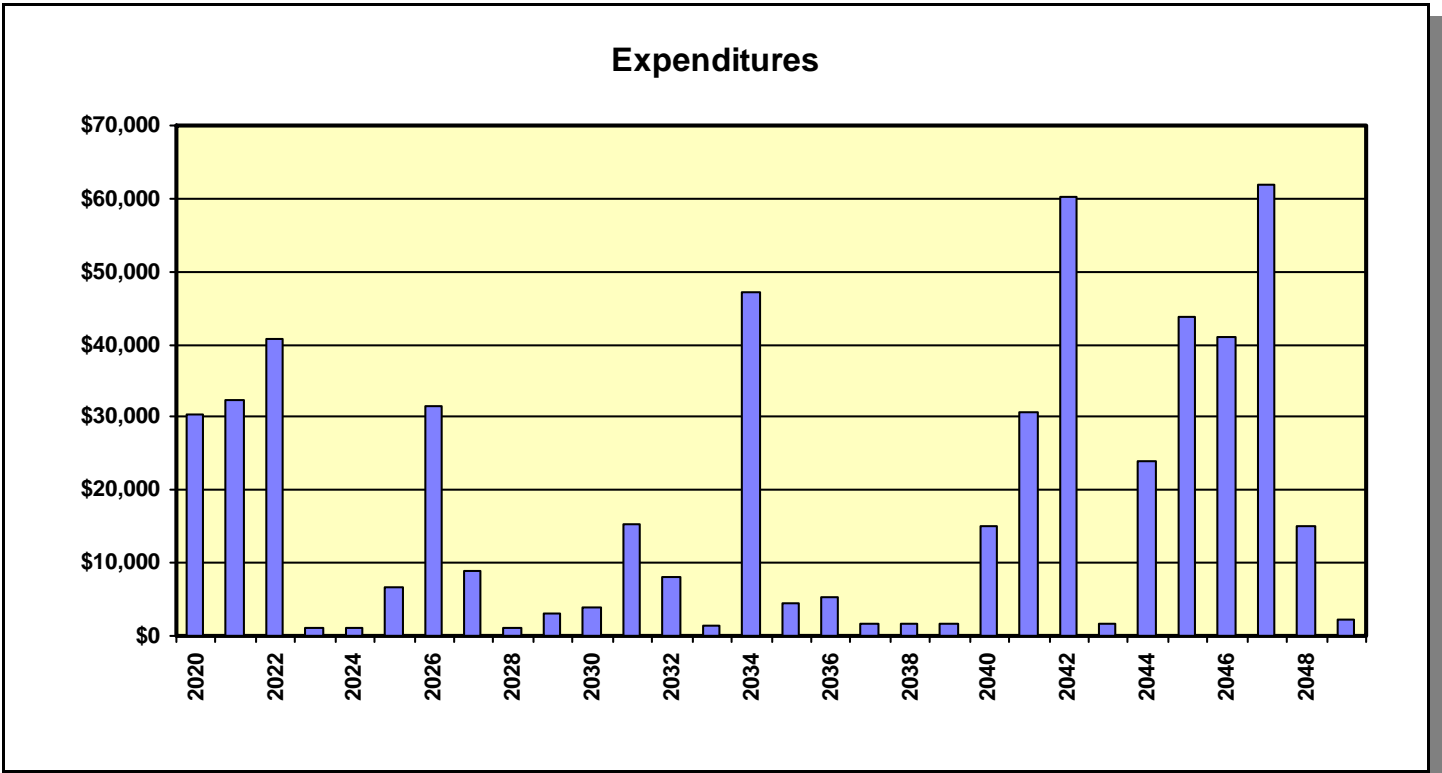
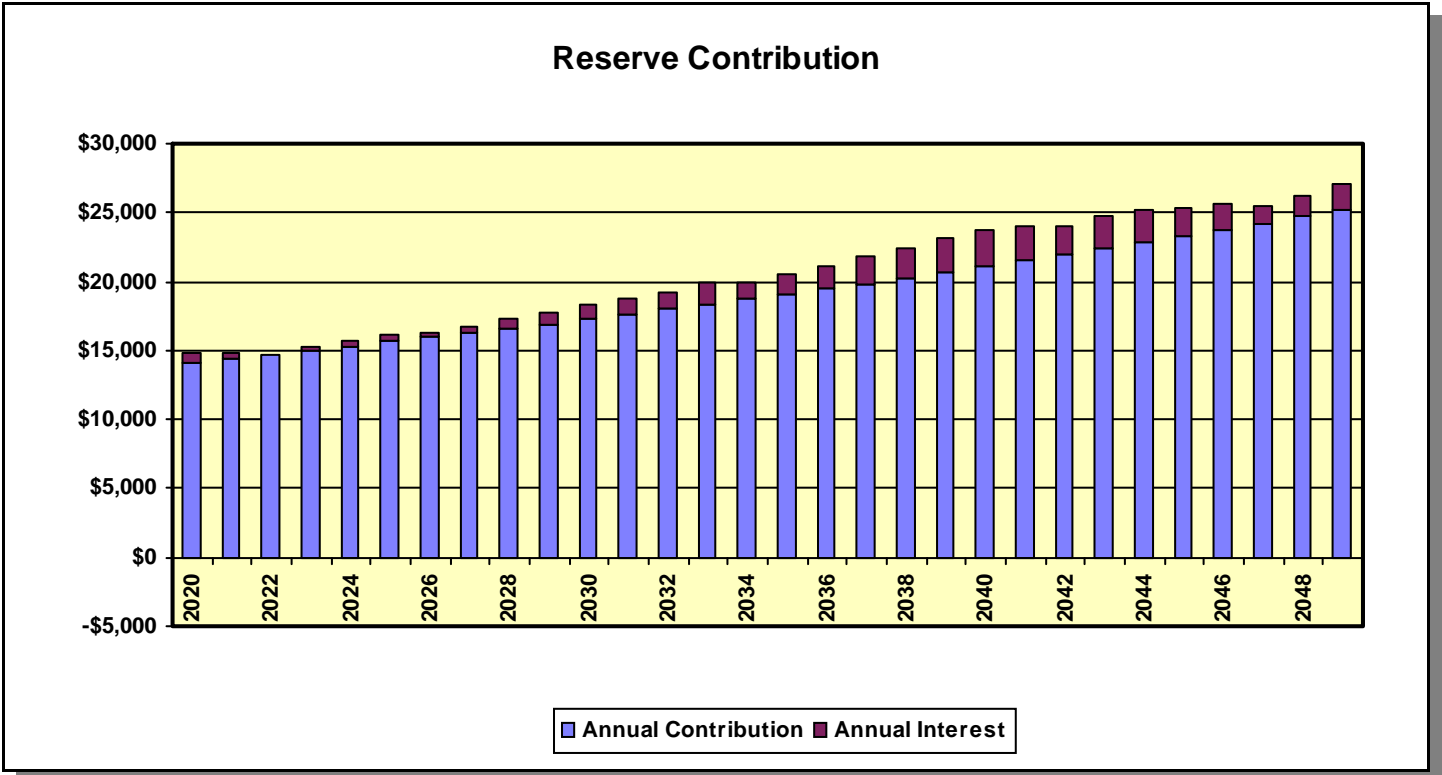
Directed Cash Flow Calculation Method



Serrano

Projection Charts

Directed Cash Flow Calculation Method



Serrano
Annual Expenditure Detail
Sorted by Description

2020 Fiscal Year

Grounds: Contingency	\$1,000.00
Grounds: Irrigation System (2020)	\$20,000.00
Grounds: Repair & Clean Out Drywells	\$6,400.00
Play Area: Ramada Light Fixture & Fan	\$3,000.00

Sub Total	\$30,400.00
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2021 Fiscal Year

Grounds: Contingency	\$1,026.00
Grounds: Granite Replenishment	\$10,260.00
Grounds: Irrigation System (2021)	\$20,520.00
Paint: Metal Light Poles	\$513.00

Sub Total	\$32,319.00
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2022 Fiscal Year

Grounds: Contingency	\$1,052.68
Play Area: Park Equipment	\$2,947.49
Play Area: Playstructure	\$31,580.28
Play Area: Recycled Rubber Chips	\$5,263.38

Sub Total	\$40,843.83
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2023 Fiscal Year

Grounds: Contingency	\$1,080.05
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Sub Total	\$1,080.05
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2024 Fiscal Year

Grounds: Contingency	\$1,108.13
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Sub Total	\$1,108.13
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2025 Fiscal Year

Grounds: Contingency	\$1,136.94
Grounds: Monument Sign	\$3,410.81
Play Area: Tot Turf (FlexCoat)	\$2,273.88

Sub Total	\$6,821.63
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2026 Fiscal Year

Basketball Backboard	\$699.90
Grounds: Contingency	\$1,166.50
Paint: Walls, Wrought Iron, Ramada	\$25,662.97
Walls: Common Areas (Repair)	\$4,011.30

Serrano
Annual Expenditure Detail
Sorted by Description

Sub Total	\$31,540.66
 2027 Fiscal Year	
Grounds: Contingency	\$1,196.83
Grounds: Repair & Clean Out Drywells	\$7,659.70
Sub Total	\$8,856.52
 2028 Fiscal Year	
Grounds: Contingency	\$1,227.94
Sub Total	\$1,227.94
 2029 Fiscal Year	
Grounds: Contingency	\$1,259.87
Lighting: Pole Mounted Fixtures	\$1,763.82
Sub Total	\$3,023.69
 2030 Fiscal Year	
Grounds: Contingency	\$1,292.63
Play Area: Tot Turf (FlexCoat)	\$2,585.26
Sub Total	\$3,877.88
 2031 Fiscal Year	
Grounds: Contingency	\$1,326.24
Grounds: Granite Replenishment	\$13,262.36
Paint: Metal Light Poles	\$663.12
Sub Total	\$15,251.72
 2032 Fiscal Year	
Grounds: Contingency	\$1,360.72
Play Area: Recycled Rubber Chips	\$6,803.59
Sub Total	\$8,164.31
 2033 Fiscal Year	
Grounds: Contingency	\$1,396.10
Sub Total	\$1,396.10
 2034 Fiscal Year	
Grounds: Contingency	\$1,432.40
Grounds: Repair & Clean Out Drywells	\$9,167.33
Paint: Walls, Wrought Iron, Ramada	\$31,512.71
Walls: Common Areas (Repair)	\$4,925.65

Serrano
Annual Expenditure Detail
Sorted by Description

Sub Total	\$47,038.09
 2035 Fiscal Year	
Grounds: Contingency	\$1,469.64
Play Area: Tot Turf (FlexCoat)	\$2,939.28
Sub Total	\$4,408.91
 2036 Fiscal Year	
Grounds: Contingency	\$1,507.85
Grounds: Irrigation Controllers	\$3,769.62
Sub Total	\$5,277.47
 2037 Fiscal Year	
Grounds: Contingency	\$1,547.05
Sub Total	\$1,547.05
 2038 Fiscal Year	
Grounds: Contingency	\$1,587.28
Sub Total	\$1,587.28
 2039 Fiscal Year	
Grounds: Contingency	\$1,628.55
Sub Total	\$1,628.55
 2040 Fiscal Year	
Grounds: Contingency	\$1,670.89
Grounds: Monument Sign	\$5,012.66
Play Area: Ramada Light Fixture & Fan	\$5,012.66
Play Area: Tot Turf (FlexCoat)	\$3,341.78
Sub Total	\$15,037.99
 2041 Fiscal Year	
Grounds: Contingency	\$1,714.33
Grounds: Granite Replenishment	\$17,143.31
Grounds: Repair & Clean Out Drywells	\$10,971.72
Paint: Metal Light Poles	\$857.17
Sub Total	\$30,686.52
 2042 Fiscal Year	
Grounds: Contingency	\$1,758.90
Paint: Walls, Wrought Iron, Ramada	\$38,695.87
Play Area: Park Equipment	\$4,924.93

Serrano
Annual Expenditure Detail
Sorted by Description

Play Area: Recycled Rubber Chips	\$8,794.52
Walls: Common Areas (Repair)	\$6,048.43
Sub Total	\$60,222.65
 2043 Fiscal Year	
Grounds: Contingency	\$1,804.63
Sub Total	\$1,804.63
 2044 Fiscal Year	
Fencing: Wrought Iron (Replace) (50%)	\$21,996.48
Grounds: Contingency	\$1,851.56
Sub Total	\$23,848.03
 2045 Fiscal Year	
Grounds: Contingency	\$1,899.70
Grounds: Irrigation System (2020)	\$37,993.91
Play Area: Tot Turf (FlexCoat)	\$3,799.39
Sub Total	\$43,693.00
 2046 Fiscal Year	
Grounds: Contingency	\$1,949.09
Grounds: Irrigation System (2021)	\$38,981.75
Sub Total	\$40,930.84
 2047 Fiscal Year	
Grounds: Contingency	\$1,999.76
Play Area: Playstructure	\$59,992.92
Sub Total	\$61,992.68
 2048 Fiscal Year	
Grounds: Contingency	\$2,051.76
Grounds: Repair & Clean Out Drywells	\$13,131.25
Sub Total	\$15,183.01
 2049 Fiscal Year	
Grounds: Contingency	\$2,105.10
Sub Total	\$2,105.10

Serrano

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Roofs: Metal Ramada (Unfunded)

Category	020 Roofs	Quantity	1 comment
		Unit Cost	\$0.00
		% of Replacement	0.00%
		Current Cost	\$0.00
Placed In Service	01/99	Future Cost	\$0.00
Useful Life	n.a.		
		Assigned Reserves at FYB	\$0.00
Remaining Life	n.a.	Monthly Member Contribution	\$0.00
Replacement Year	n.a.	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$0.00

Comments:

We are not budgeting to replace the corrugated metal ramada roofs because this type of roof has an indefinite useful life, and should last for the life of the ramada if properly maintained. The condition of these roofs should be monitored over time, and if it becomes evident that future replacements are anticipated, we will include them in a future update of this report. If the Board would prefer that we include budgeting to replace these roofs, we will make the necessary changes based on direction provided by the Board with respect to replacement date.

Any required repairs should be handled on an as needed basis and the expense paid for out of the annual operating budget.

Paint: Metal Light Poles

Category	030 Painting	Quantity	2 poles
		Unit Cost	\$250.00
		% of Replacement	100.00%
		Current Cost	\$500.00
Placed In Service	01/11	Future Cost	\$513.00
Useful Life	10		
		Assigned Reserves at FYB	\$450.00
Remaining Life	1	Monthly Member Contribution	\$2.35
Replacement Year	2021	Monthly Interest Contribution	\$0.52
		Total Monthly Contribution	\$2.87

Comments:

This is an estimate for painting the 25' tall metal light poles at the community park (green) in 2021 and then every 10 years.

Serrano

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Paint: Walls, Wrought Iron, Ramada

Category	030 Painting	Quantity	1 total
		Unit Cost	\$22,000.000
		% of Replacement	100.00%
		Current Cost	\$22,000.00
Placed In Service	01/18	Future Cost	\$25,662.97
Useful Life	8		
		Assigned Reserves at FYB	\$0.00
Remaining Life	6	Monthly Member Contribution	\$164.09
Replacement Year	2026	Monthly Interest Contribution	\$1.95
		Total Monthly Contribution	\$166.04

Comments:

We have been advised that the common area walls, wrought iron and ramada were painted in 2017/2018 for a total cost of \$20,920. This component budgets to paint these areas every eight (8) years.

The current cost used for this component is based on actual expenditures incurred at last replacement, and has been adjusted for inflation where applicable.

Fencing: Wrought Iron (Replace) (50%)

Category	040 Fencing/Walls	Quantity	1 total
		Unit Cost	\$23,760.000
		% of Replacement	50.00%
		Current Cost	\$11,880.00
Placed In Service	01/99	Future Cost	\$21,996.48
Useful Life	45		
		Assigned Reserves at FYB	\$0.00
Remaining Life	24	Monthly Member Contribution	\$25.70
Replacement Year	2044	Monthly Interest Contribution	\$0.30
		Total Monthly Contribution	\$26.00

Comments:

Locations: atop stucco walls, interior common areas

1,080 LF of 1'10" fencing	@	\$22.00	=	\$23,760.00
		TOTAL	=	\$23,760.00

The cost to maintain this fencing is to be shared on a 50% - 50% basis between the Association and the individual lot owners. See page 22, Section 11.2 of the CCR's for an explanation of the maintenance responsibilities.

Serrano

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Walls: Common Areas (Repair)

Category	040 Fencing/Walls	Quantity	45,850 sq. ft.
		Unit Cost	\$15.000
		% of Replacement	0.50%
		Current Cost	\$3,438.75
Placed In Service	01/18	Future Cost	\$4,011.30
Useful Life	8		
		Assigned Reserves at FYB	\$0.00
Remaining Life	6	Monthly Member Contribution	\$25.65
Replacement Year	2026	Monthly Interest Contribution	\$0.30
		Total Monthly Contribution	\$25.95

Comments:

This component budgets to repair a percentage of the common area walls in conjunction with each paint cycle.

Lighting (Unfunded)

Category	050 Lighting	Quantity	1 comment
		Unit Cost	\$0.000
		% of Replacement	0.00%
		Current Cost	\$0.00
Placed In Service	01/99	Future Cost	\$0.00
Useful Life	n.a.		
		Assigned Reserves at FYB	\$0.00
Remaining Life	n.a.	Monthly Member Contribution	\$0.00
Replacement Year	n.a.	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$0.00

Comments:

We are not budgeting to replace any ground level landscape, monument or pathway lighting systems. Individual light fixtures are most often replaced as needed using operating funds due to frequent damage by pedestrians, landscape personnel, and/or weather conditions. Should complete replacement of the lighting system(s) be required, expert evaluation will be necessary to provide replacement cost information.

Serrano

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Lighting: Pole Mounted Fixtures

Category	050 Lighting	Quantity	2 fixtures
		Unit Cost	\$700.000
		% of Replacement	100.00%
		Current Cost	\$1,400.00
Placed In Service	01/99	Future Cost	\$1,763.82
Useful Life	30		
		Assigned Reserves at FYB	\$0.00
Remaining Life	9	Monthly Member Contribution	\$7.14
Replacement Year	2029	Monthly Interest Contribution	\$0.09
		Total Monthly Contribution	\$7.22

Comments:

These are box-style fixtures atop 25' poles at the community park.

Basketball Backboard

Category	065 Play Area	Quantity	1 backboard
		Unit Cost	\$600.000
		% of Replacement	100.00%
		Current Cost	\$600.00
Placed In Service	01/99	Future Cost	\$699.90
Useful Life	25		
Adjustment	+2	Assigned Reserves at FYB	\$0.00
Remaining Life	6	Monthly Member Contribution	\$4.48
Replacement Year	2026	Monthly Interest Contribution	\$0.05
		Total Monthly Contribution	\$4.53

Comments:

This is a metal basketball backboard. The Board has requested that we budget to replace this backboard in 2026.

Any painting of this backboard should be handled as needed out of the operating budget.

Serrano

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Play Area: Park Equipment

Category	065 Play Area	Quantity	1 total
		Unit Cost	\$2,800.00
		% of Replacement	100.00%
		Current Cost	\$2,800.00
Placed In Service	01/99	Future Cost	\$2,947.49
Useful Life	20		
Adjustment	+3	Assigned Reserves at FYB	\$2,556.52
Remaining Life	2	Monthly Member Contribution	\$6.44
Replacement Year	2022	Monthly Interest Contribution	\$2.88
		Total Monthly Contribution	\$9.32

Comments:

This component budgets for replacement of the following park equipment:

2 48" square picnic tables (center post)	@	\$1,200.00	=	\$2,400.00
1 6' bench, no back (surface mount)	@	\$400.00	=	\$400.00
		TOTAL	=	\$2,800.00

Note: The bench has a couple area wher the webcoat material has delaminated.

We are budgeting to replace the bench and picnic tables at the same time as the playstructure.

Serrano

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Play Area: Playstructure

Category	065 Play Area	Quantity	1 total
		Unit Cost	\$30,000.000
		% of Replacement	100.00%
		Current Cost	\$30,000.00
Placed In Service	01/99	Future Cost	\$31,580.28
Useful Life	25		
Adjustment	-2	Assigned Reserves at FYB	\$373.57
Remaining Life	2	Monthly Member Contribution	\$641.55
Replacement Year	2022	Monthly Interest Contribution	\$8.02
		Total Monthly Contribution	\$649.57

Comments:

This playstructure receives a significant amount of use. There are cracks in the plastic slide that can be considered a safety issue. The brown webcoating material on the steps and landings is in very poor condition. Evidence of rust is present.

Therefore, this component budgets to replace the Playworld Systems playstructure at a current cost of \$30,000 in 2022 based on the current condition noted to allow time for the Association to accumulate the funds needed for this project.

Play Area: Ramada Light Fixture & Fan

Category	065 Play Area	Quantity	1 total
		Unit Cost	\$3,000.000
		% of Replacement	100.00%
		Current Cost	\$3,000.00
Placed In Service	01/99	Future Cost	\$5,012.66
Useful Life	20		
		Assigned Reserves at FYB	\$3,000.00
Remaining Life	0	Monthly Member Contribution	\$7.53
Replacement Year	2020	Monthly Interest Contribution	\$0.09
		Total Monthly Contribution	\$7.62

Comments:

The Board has requested that we budget to replace the existing ramada light fixture with an upgraded fixture and ceiling fan in 2020 for \$3,000 (estimate).

Serrano

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Play Area: Recycled Rubber Chips

Category	065 Play Area	Quantity	1 total
		Unit Cost	\$5,000.00
		% of Replacement	100.00%
		Current Cost	\$5,000.00
Placed In Service	01/12	Future Cost	\$5,263.38
Useful Life	10		
		Assigned Reserves at FYB	\$4,000.00
Remaining Life	2	Monthly Member Contribution	\$23.48
Replacement Year	2022	Monthly Interest Contribution	\$4.66
		Total Monthly Contribution	\$28.14

Comments:

This is an estimate for installation of recycled rubber mulch chips to be installed at the time the playstructure is replaced, and the replenishment every 10 years thereafter.

Play Area: Tot Turf (FlexCoat)

Category	065 Play Area	Quantity	1 total
		Unit Cost	\$2,000.00
		% of Replacement	100.00%
		Current Cost	\$2,000.00
Placed In Service	01/20	Future Cost	\$2,273.88
Useful Life	5		
		Assigned Reserves at FYB	\$0.00
Remaining Life	5	Monthly Member Contribution	\$17.75
Replacement Year	2025	Monthly Interest Contribution	\$0.21
		Total Monthly Contribution	\$17.96

Comments:

This component budgets for FlexCoat of the rubber safety surface (Tot Turf) at the play area every five (5) years at a cost of \$2,000 at the client's request. We have not been asked to budget to replace the Tot Turf.

This project was recently completed. For budgeting purposes, we have used January 2020 as the basis for aging.

Serrano

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Grounds: Concrete Components (Unfunded)

Category	100 Grounds	Quantity	1 comment
		Unit Cost	\$0.00
		% of Replacement	0.00%
		Current Cost	\$0.00
Placed In Service	01/99	Future Cost	\$0.00
Useful Life	n.a.		
		Assigned Reserves at FYB	\$0.00
Remaining Life	n.a.	Monthly Member Contribution	\$0.00
Replacement Year	n.a.	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$0.00

Comments:

We are not budgeting for repair or replacement of concrete components in this analysis. It is anticipated that any repairs/replacements required will be addressed immediately due to safety concerns. There should not be a need for complete replacement at a single point in time, and good maintenance practice won't allow the need for repairs to accumulate to a point of major expense. We recommend that a line item be set up in the annual operating budget to account for potential concrete repairs/replacements on an as needed basis. However, should the client wish to include budgeting for concrete components as a reserve expense, we will do so at their request (cost and useful life to be provided by client).

Grounds: Contingency

Category	100 Grounds	Quantity	1 total
		Unit Cost	\$1,000.00
		% of Replacement	100.00%
		Current Cost	\$1,000.00
Placed In Service	01/19	Future Cost	\$1,026.00
Useful Life	1		
		Assigned Reserves at FYB	\$1,000.00
Remaining Life	0	Monthly Member Contribution	\$42.94
Replacement Year	2020	Monthly Interest Contribution	\$0.51
		Total Monthly Contribution	\$43.45

Comments:

The Board has requested that will include a component that will accumulate \$1,000 per year to be used as needed for contingency expenses that come up that are not otherwise accounted for in this reserve study. Unused contingency funds should be transferred from the reserve account to a contingency holding account at the end of each year.

Serrano

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Grounds: Granite Replenishment

Category	100 Grounds	Quantity	1 total
		Unit Cost	\$10,000.00
		% of Replacement	100.00%
		Current Cost	\$10,000.00
Placed In Service	01/11	Future Cost	\$10,260.00
Useful Life	10		
		Assigned Reserves at FYB	\$9,000.00
Remaining Life	1	Monthly Member Contribution	\$47.05
Replacement Year	2021	Monthly Interest Contribution	\$10.40
		Total Monthly Contribution	\$57.45

Comments:

\$54,710 was spent in 2011 to replenish all common area landscape granite.

This component will accumulate \$10,000 every three (3) years to be used as needed for granite replenishment, starting in 2021, after the irrigation system has been replaced.

Grounds: Irrigation Controllers

Category	100 Grounds	Quantity	1 total
		Unit Cost	\$2,500.00
		% of Replacement	100.00%
		Current Cost	\$2,500.00
Placed In Service	01/21	Future Cost	\$3,769.62
Useful Life	15		
		Assigned Reserves at FYB	\$0.00
Remaining Life	16	Monthly Member Contribution	\$7.59
Replacement Year	2036	Monthly Interest Contribution	\$0.09
		Total Monthly Contribution	\$7.68

Comments:

This component will accumulate \$2,500 every 15 years to be used as needed to repair/replace the two (2) irrigation controllers, assuming that the controllers are replaced as part of the irrigation system replacement project in 2020 and 2021.

Serrano

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Grounds: Irrigation System (2020)

Category	100 Grounds	Quantity	1 total
		Unit Cost	\$20,000.00
		% of Replacement	100.00%
		Current Cost	\$20,000.00
Placed In Service	01/99	Future Cost	\$37,993.91
Useful Life	25		
Adjustment	-4	Assigned Reserves at FYB	\$20,000.00
Remaining Life	0	Monthly Member Contribution	\$41.87
Replacement Year	2020	Monthly Interest Contribution	\$0.50
		Total Monthly Contribution	\$42.37

Comments:

Irrigation systems are one of the most difficult items to budget for without specific information provided by an expert who is specifically familiar with the system inventory and system condition.

We have been advised by irrigation system experts that most system components (piping, sprinkler heads, valves, etc) have a useful life of 20+ years. However, budgeting for the replacement of an irrigation system requires evaluation of the present condition (to identify remaining useful life) and replacement cost - both of which call for expert evaluation, but fall outside the scope of a reserve study.

Therefore, we recommend that the Association board and/or management company have the system evaluated to determine the appropriate scope of work, projected replacement cost and remaining life, all of which are necessary, so that budgeting can be included in a revision or future update of this analysis.

The management team has requested that we budget \$40,000, split over a two (2) year period at \$20,000 per year, starting in 2020, to replace this system. This is an estimate and is not based on an actual proposal.

Serrano

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Grounds: Irrigation System (2021)

Category	100 Grounds	Quantity	1 total
		Unit Cost	\$20,000.00
		% of Replacement	100.00%
		Current Cost	\$20,000.00
Placed In Service	01/99	Future Cost	\$20,520.00
Useful Life	25		
Adjustment	-3	Assigned Reserves at FYB	\$19,090.91
Remaining Life	1	Monthly Member Contribution	\$47.74
Replacement Year	2021	Monthly Interest Contribution	\$21.44
		Total Monthly Contribution	\$69.19

Comments:

Irrigation systems are one of the most difficult items to budget for without specific information provided by an expert who is specifically familiar with the system inventory and system condition.

We have been advised by irrigation system experts that most system components (piping, sprinkler heads, valves, etc) have a useful life of 20+ years. However, budgeting for the replacement of an irrigation system requires evaluation of the present condition (to identify remaining useful life) and replacement cost - both of which call for expert evaluation, but fall outside the scope of a reserve study.

Therefore, we recommend that the Association board and/or management company have the system evaluated to determine the appropriate scope of work, projected replacement cost and remaining life, all of which are necessary, so that budgeting can be included in a revision or future update of this analysis.

The management team has requested that we budget \$40,000, split over a two (2) year period at \$20,000 per year, starting in 2020, to replace this system. This is an estimate and is not based on an actual proposal.

Serrano

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Grounds: Monument Sign

Category	100 Grounds	Quantity	1 total
		Unit Cost	\$3,000.000
		% of Replacement	100.00%
		Current Cost	\$3,000.00
Placed In Service	01/10	Future Cost	\$3,410.81
Useful Life	15		
		Assigned Reserves at FYB	\$0.00
Remaining Life	5	Monthly Member Contribution	\$26.63
Replacement Year	2025	Monthly Interest Contribution	\$0.31
		Total Monthly Contribution	\$26.94

Comments:

There are three (3) community monument signs that indicate "SERRANO" in metal letters. \$2,863 was spent in 2010 to refurbish these signs.

The current cost used for this component is based on actual expenditures incurred at last replacement, and has been adjusted for inflation where applicable.

Serrano

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Grounds: Repair & Clean Out Drywells

Category	100 Grounds	Quantity	8 drywells
		Unit Cost	\$800.000
		% of Replacement	100.00%
		Current Cost	\$6,400.00
Placed In Service	01/13	Future Cost	\$7,659.70
Useful Life	7		
		Assigned Reserves at FYB	\$6,400.00
Remaining Life	0	Monthly Member Contribution	\$41.26
Replacement Year	2020	Monthly Interest Contribution	\$0.49
		Total Monthly Contribution	\$41.74

Comments:

This component includes a provision to clean out the drywells located in the community's common area water retention tracts.

Drywell systems should be inspected annually to determine how much debris has accumulated in the system and to develop a clean out schedule. Some drywell systems will require immediate repair of broken components and clean out, while others won't require maintenance for a number of years. On average, drywell systems require clean out every 5 - 7 years. A drywell should be cleaned out once 10% or more of the chamber is occupied. If maintained properly, drywells are designed to last as long as any other part of the community infrastructure.\

The Board has requested that we budget to clean out in 2020.

To date, there has been no record of consistent maintenance of the drywells.

Serrano

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Number of components included in this reserve analysis is 21.