RDA REPORT

The Gardens Condominium Association
Scottsdale, Arizona
Account 1244 - Version 002
May 16, 2016

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The completed reserve analysis study for the budget year beginning January 1, 2017 is attached. Your RDA reserve studies are presented in two parts:

Part 1 offers an easy-to-understand introduction to reserve budgeting and terminology along with a User's Guide to your RDA reserve study.

Part 2 is your RDA reserve study, including a report summary, a Distribution of Accumulated Reserves, detail reports for each asset sorted by asset category, 30-year projections, and an alphabetical detail report index.

Please pay particular attention to the Detail Report by Category section of the report. See the Table of Contents for the page that corresponds to the first page of this section. This section provides specific information that was used to develop the budgeting information for each asset including the placed in service date, useful life and replacement cost. It also provides measurements, inventory counts and asset condition information as applicable. Most, if not all, of your questions will be answered by reviewing the detailed information and remarks for each asset.

The bottom box on page 2 – 1 identifies the recommended reserve contribution to the reserve account for 2017. *The amount of money that should be in the reserve account as of January 1, 2017 is identified at the bottom of pages titled* ***Funding Status Report*** *and* ***Distribution of Accumulated Reserves*** *in the column labeled "Fully Funded Reserves". The* ***Cash Flow Specific Projections*** *page provides the 30-year funding strategy including recommended contributions, interest earnings and scheduled expenses.*

To assist you in distribution to the Board and/or community membership we have emailed a PDF version (electronic copy) of the reserve study to you.

We hope that you find our report format both informative and useful. Should a revision be required, please submit all revision requests in writing via email within 90 days of this letter. We are happy to answer any questions that arise, no matter how small they seem. Please do not hesitate to call us. All of us at RDA have enjoyed providing you with the most detailed, comprehensive and useful reserve study available in the industry and we look forward to working with you again in the future.

Sincerely,

Tom Thompson
Vice President

RESERVE DATA ANALYSIS

RDA Reserve Study Guide

The RDA reserve study is a multi-purpose tool that is designed to assist the Board of Directors and Community Management team in the financial management of the Association's long term assets. To properly manage these assets, the Board of Directors and Community Manager need to spend some time reading, digesting and understanding what the reserve study is advising. The following instructions provide a step-by-step guide of what to do now that you have a reserve study prepared by Reserve Data Analysis.

Step 1: Review the last page of the report titled the "Detail Report Index" to familiarize yourself with the assets that make up your RDA Reserve Study.

Step 2: Pick a single asset to review. Your goal is to obtain a clear understanding of the pieces that go into budgeting for a specific asset including the placed in service date, useful life, quantity and unit cost. Once you have a clear understanding of how a single asset works, apply that knowledge to all other assets in the report.

Step 3: Review the detailed information that budgeting for each asset is based on. Look at each asset in the report. If the placed in service date, useful life, quantity, and replacement cost are considered reasonable and accurate, then the calculations and results of your RDA reserve study will be reasonable and accurate. Most questions can be answered by reading the detailed **"Remarks"** included with each asset.

Step 4: Review Page 2 – 1. The top of page 2 – 1 identifies the parameters that were used to generate the RDA Reserve Study calculations including budget year, reserve fund balance, annual contribution increase, interest rate earned on invested reserve funds, and contingency. The bottom of this page provides the summarized RDA Reserve Study results for the 1st year, including the recommended monthly reserve contribution in total and per unit.

Step 5: Review the page titled "Distribution of Accumulated Reserves". This page will provide justification for the percent funded calculations. It shows, by asset, how much money should be in the reserve account, based on the level of depreciation each asset has experienced as of the beginning of the budget year the RDA Reserve Study has been prepared for. ***Note that the figures listed in the column labeled "Fully Funded Reserves" do not represent the replacement cost unless the remaining life shows "0".***

Step 6: Review the page titled "Cash Flow Specific Projections". This page will provide a rolling year to year projection of the reserve account for the next 30 years including recommended annual contributions, estimated interest earnings on invested reserve funds, expected annual expenditures, projected year end reserve balances, and the fully funded amount that should be in the reserve account at the end of each year. ***This is your funding strategy.*** The goal of an RDA funding strategy is to allow the Association to cover all planned reserve expenditures, build the reserve account to a fully funded (100%) position by end of the reporting period (30 years in most cases), all while starting with the lowest possible contribution to reserves.

Step 7: Review the Annual Expenditure Detail pages. These pages will show the projected future costs by year for each planned reserve expense through the end of the reporting period.

Step 8: Call us with questions! For someone who does not deal with them on a daily basis, reserve studies can be difficult to wade through. If there is something you don't understand, or something that you disagree with, we encourage you to call us to discuss it. RDA is committed to a long-term relationship with you and will spend the time on the phone with you to ensure that you understand where we are coming from, where we obtained our information or assumptions, and why we did what we did. Again, please call us with any questions you have as we are here to help in any way we can.

Please Note

This document has been provided pursuant to an agreement containing restrictions on its use. No part of this document may be copied or distributed, in any form or by any means, nor disclosed to third parties without the express written permission of Reserve Data Analysis, Inc., until it has been paid for in full. The Client shall have the right to reproduce and distribute copies of this report, or the information contained within, as may be required for compliance with all applicable regulations.

This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors, assorted vendors, specialist and independent contractors, the Community Associations Institute, various construction pricing and scheduling manuals including, but not limited to: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator, Dodge Cost Manual and the McGraw Hill Book Company. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of property management and preparation of reserve analysis studies.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and each estimated useful life will approximate that of the norm per industry standards and/or manufacture specifications used. In some cases, estimates may have been used on assets which have an indeterminable but potential liability to the association. The decision for the inclusion of these as well as all assets considered is left to the client.

We recommend that your reserve analysis study be updated every two to three years due to fluctuating interest rates, inflationary changes and the unpredictable nature of the lives of many of the assets under consideration. All of the information collected during our inspection of the association and subsequent computations made in preparing this reserve analysis study are retained in our computer files. Therefore, updates can typically be completed in a more timely manner than the original study.

Reserve Data Analysis, Inc. would like to thank you for using our services, and we invite you to call us at any time should you have any questions or comments or need assistance. In addition, any of the parameters and estimates used in this study may be changed at your request, after which we will provide you with a revised study.

RESERVE DATA ANALYSIS, INC.

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TABLE OF CONTENTS

PART I - INTRODUCTION

Preparing the annual budget and overseeing the association's finances are perhaps the most important responsibilities of board members. The annual operating and reserve budgets reflect the planning and goals of the association and set the level and quality of service for all of the association's activities.

■ 1. Funding Options

When a major repair or replacement is required in a community, an association has essentially four options available to address the expenditure:

The first option is to pass a "special assessment" to the membership in an amount required to cover the expenditure. Although not commonplace, there have been special assessments in the amount of $10,000 per member assessed in associations in Virginia and southern California. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure if necessary. However, an association operating on a special assessment basis cannot guarantee that an assessment, when needed, will be passed. Consequently, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated to maintain when the need arises. Additionally, while relatively new communities require very little in the way of major "reserve" expenditures, associations reaching 12 to 15 years of age and older find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, can be devastating to an association's overall budget.

The second option is for the association to acquire a loan from a lending institution in order to effect the required repairs. In many cases, banks will lend money to an association using "future homeowner assessments" as collateral for the loan. With this method, not only is the current board of directors pledging the future assets of an association, they are also required to pay interest fees on the loan payback in addition to the original principal. In the case of a $150,000 roofing replacement, the association may be required to pay back the loan over a three to five year period, with interest; whereas, if the association was setting aside reserves for this purpose, using the

vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof in order to accumulate the necessary moneys. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The third option, too often used, is simply to defer the required repair or replacement. This option can create an environment of declining property values due to the increasing deferred maintenance and the association's financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the Association by making it difficult or even impossible for potential buyers to obtain financing from lenders. Increasingly, many lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association, a prospective purchaser, or for an individual within such association.

The fourth, and only logical means that the board of directors has to ensure its ability to maintain the assets for which it is obligated, uniformly distributing the costs of the replacements over the entire membership, is by assessing an adequate level of reserves as part of the regular membership assessment. The community is not only comprised of present members, but also future members. Any decision by the board of directors to adopt a calculation method or funding plan which would disproportionately burden future members in order to make up for past reserve deficits would be a breach of its fiduciary responsibility to those future members. Unlike individuals determining their own course of action, the board is responsible to the "community" as a whole.

■ 2. The Reserve Study

There are two components of a reserve study – a physical analysis and a financial analysis. During the physical analysis, a reserve provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates. A financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent funded) to determine a recommendation for an appropriate reserve contribution rate in the future known as the "funding plan."

Reserve studies fit into one of three categories: 1) Full Study; 2) Update - with site inspection; and 3) Update - without site inspection.

- In a Full reserve study, the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a "fund status" and "funding plan."

- In an Update – with site inspection, the reserve provider conducts a component inventory (verification only, not quantification), a condition assessment (based on on-site visual observations), and life and valuation estimates to determine both the "fund status" and "funding plan."

- In an Update – without site inspection, the reserve provider conducts life and valuation estimates to determine the "fund status" and "funding plan."

■ 3. Developing a Component List

The budget process begins with an accurate inventory of all the major components for which the association is responsible. The determination of whether an expense should be labeled as operational, reserve, or excluded altogether is sometimes subjective. Since this labeling may have a major impact on the financial plans of the association, subjective determinations should be minimized. We suggest the following considerations when labeling an expense:

OPERATIONAL EXPENSES occur at least annually, no matter how large the expense, and can be effectively budgeted for each year. They are characterized as being reasonably predictable both in terms of frequency and cost. Operational expenses include all minor expenses which would not otherwise adversely affect an operational budget from one year to the next. Examples of Operational Expenses include:

Utilities:

- Electricity
- Gas
- Water
- Telephone
- Cable TV

Services:

- Landscaping
- Pool Maintenance
- Street Sweeping
- Accounting
- Reserve Study

Administrative:

- Supplies
- Bank Service Charges
- Dues & Publications
- Licenses, Permits & Fees

Repair Expenses:

- Tile Roof Repairs
- Equipment Repairs
- Minor Concrete Repairs
- Operating Contingency

RESERVE EXPENSES are major expenses that occur other than annually and which must be budgeted for in advance in order to provide the necessary funds in time

for their occurrence. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets which have an indeterminable but potential liability which may be demonstrated as a likely occurrence. They are expenses that when incurred would have a significant affect on the smooth operation of the budgetary process from one year to the next if they were not reserved for in advance. Examples of Reserve Expenses include:

- Roof Replacements
- Painting
- Deck Resurfacing
- Fencing Replacement
- Street Seal/Slurry Coatings
- Asphalt Overlays
- Pool Re-plastering
- Pool Equipment Replacement
- Pool Furniture Replacement
- Tennis Court Resurfacing
- Park & Play Equipment
- Equipment Replacement
- Interior Furnishings
- Lighting Replacement

BUDGETING IS NORMALLY EXCLUDED FOR repairs or replacements of assets which are deemed to have an estimated useful life equal to or exceeding the estimated useful life of the facility or community itself, or exceeding the legal life of the community as defined in an association's governing documents. Examples include the complete replacement of elevators, tile roofs, wiring and plumbing. Also excluded are insignificant expenses which may be covered either by an operating or reserve contingency, or otherwise in a general maintenance fund. Costs which are caused by acts of God, accidents or other occurrences which are more properly insured for, rather than reserved for, are also excluded.

■ 4. Preparing the Reserve Study

Once the reserve assets have been identified and quantified, their respective replacement costs, useful lives and remaining lives must be assigned so that a funding schedule can be constructed. Replacement costs and useful lives can be found in published manuals such as construction estimators, appraisal handbooks, and valuation guides. Remaining lives are calculated from the useful lives and ages of assets and adjusted according to conditions such as design, manufacture quality, usage, exposure to the elements and maintenance history.

By following the recommendations of an effective reserve study the association should avoid any major shortfalls. However, to remain accurate, the report should be updated every two to three years to reflect such changes as shifts in economic parameters, additions of phases or assets, or expenditures of reserve funds. The association can assist in simplifying the reserve analysis update process by keeping accurate records of these changes throughout the year.

■ 5. Funding Methods

From the simplest to most complex, reserve analysis providers use many different computational processes to calculate reserve requirements. However, there are two basic processes identified as industry standards: the cash-flow method and the component method.

The cash flow method develops 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 actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a "window" in which all future anticipated replacement costs are computed, based on the individual lives of the components under consideration.

The component method develops a reserve-funding plan where the total contribution is based on the sum of contributions for individual components. The component method is the more conservative of the two funding options, and assures that the association will achieve and maintain an ideal level of reserves over time. This method also allows for computations on individual components in the analysis. The RDA Summary and RDA Projection Reports are based upon the component methodology.

■ 6. Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are two basic strategies widely used by associations. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association's need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The two funding plans and descriptions of both are detailed below.

• Full Funding — Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each year. At the end of three years, one would expect that three-tenths of the replacement cost to have accumulated, and if so, that component would be "fully-funded." This model is

important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. The formula is based on current replacement cost, and is a measure in time, independent of future inflationary or investment factors:

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

When an association's total accumulated reserves for all components meet this criteria, its reserves are "fully-funded."

• Threshold Funding (RDA Modified Cash Flow Reports) — There are two goals of this funding method. The first goal is to make sure that all scheduled reserve expenditures are covered by keeping the reserve cash balance above zero during the projected period. The second goal is to reach and maintain a 100% fully funded reserve balance during the projected period. Depending on the association's current percent funded, it may take the entire projected period (typically 30 years) before the 100% fully funded level is achieved.

Reaching and maintaining a 100% fully funded reserve balance by uniformly distributing the costs of the replacements over time benefits both current and future members of an association, and is the best approach the board of directors can take to fulfill its fiduciary responsibility. The modified cash flow method creates a funding strategy that gives the membership the lowest reserve funding recommendation as possible over time, while approaching the 100% fully funded level.

Another advantage of the modified cash flow method is that in most cases several strategies can be manually tested by Reserve Data Analysis, Inc. (the strategy is not based strictly on each components current funding status) until the best funding strategy is created – one that has consistent, incremental contribution increases from year to year. This very important aspect of the reserve study will aid the board of directors during the annual budgeting process.

■ 7. Distribution of Accumulated Reserves

The first step is to identify the ideal level of reserves for each asset. As indicated in the prior section, this is accomplished by evaluating the component's age proportionate to its estimated useful life and current replacement cost. Again, the equation used is as follows:

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

The RDA RESERVE MANAGEMENT SOFTWARE™ program performs the above calculations to the very month the component was placed-in-service. It also allows for the accumulation of the necessary reserves for the replacement to be available on the first day of the fiscal year it is scheduled to be replaced.

After identifying the ideal level of reserves for each asset, the beginning reserve balance must be allocated to each of the individual components identified in the analysis.

The next step the program performs is to arrange all of the assets used in the study in ascending order by remaining life, and alphabetically within each grouping of remaining life items. These assets are then assigned their respective ideal level of reserves until the amount of funds available are depleted, or until all assets are appropriately funded. If any assets are assigned a zero remaining life (schedule for replacement this fiscal year), then the amount assigned equals the current replacement cost and funding begins for the next cycle of replacement. If there are insufficient funds available to accomplish this, then the software automatically adjusts the zero remaining life item to 1 year and that asset assumes its new grouping position alphabetically in the final printed report.

If at the completion of this task there are additional moneys which have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such initially, but are then considered to be available reserves in the report funding computations.

Assigning the reserves in this manner defers the make-up period for any underfunding over the longest remaining life of all the assets under consideration, thereby minimizing the impact of deficiency. For example, if the report indicates an underfunding of $50,000, this underfunding will be assigned to components with the longest remaining life possible in order to give more time to "replenish" the account. If the $50,000 underfunding were to be assigned to short remaining life items, the impact would be immediately felt.

If the reserves are underfunded, the monthly contribution requirements as outlined in this report may be higher than normal depending on the calculation method that is used. In future years, as individual assets are replaced, the funding requirements will return to their normal levels. In the case of a large deficiency, a special assessment may be considered. The program can easily generate revised reports outlining how the monthly contributions would be affected by such an adjustment, or by any other changes which may be under consideration.

8. Funding Reserves

Two contribution numbers are provided in the report, the "Monthly Membership Contribution" and the "Net Monthly Allocation." The association should contribute to reserves each month the "Monthly Membership Contribution" figure, when the interest earned on the reserves is left in the reserve accounts as part of the contribution. When interest is earned on the reserves, that interest must be left in reserves and only amounts set aside for taxes should be removed.

The second alternative is to allocate the "Net Monthly Allocation" to reserves (this is the member contribution plus the anticipated interest earned for the fiscal year). This method assumes that all interest earned will be assigned directly as operating income. This allocation takes into consideration the anticipated interest earned on accumulated reserves regardless of whether or not it is actually earned. When taxes are paid the amount due will be taken directly from the association's operating accounts as the reserve accounts are allocated only those moneys net of taxes.

■ 9. Users' Guide to Your Reserve Analysis Study

Part II of your RDA REPORT contains the reserve analysis study for your association. There are seven types of pages in the study as described below.

REPORT SUMMARY

The ***Report Summary*** lists all of the parameters which were used in calculating the report as well as the summary of your reserve analysis study.

INDEX REPORTS

The ***Distribution of Accumulated Reserves*** report lists all assets in remaining life order. It also identifies the ideal level of reserves which should have accumulated for the association as well as the actual reserves available.

DETAIL REPORTS

The ***Detail Report*** itemizes each asset and lists all measurements, current and future costs and calculations for that asset. Provisions for percentage replacements, salvage values and one-time replacements can also be utilized.

The numerical listings for each asset are enhanced by extensive narrative detailing factors such as design, manufacture quality, usage, exposure to elements and maintenance history.

The ***Detail Report Index*** is an alphabetical listing of all assets together with the page number of the asset's detail report and asset number.

PROJECTIONS AND CHARTS

Thirty-year Projections of projected data add to the usefulness of your reserve analysis study.

■ 10. Definitions

REPORT I.D. - Includes the REPORT DATE (ex. November 15, 1992), VERSION (ex. 001), and ACCOUNT NUMBER (ex. 9773). Please use this information when referencing your report. (Displayed on the summary page.)

BUDGET YEAR BEGINNING/ENDING - The budgetary year for which the report is prepared. For associations with fiscal years ending December 31, the monthly contribution figures indicated are for the 12 month period beginning 1/1/2X and ending 12/31/2X.

NUMBER OF UNITS/PHASES - If applicable, the number of units and/or phases included in this version of the report.

INFLATION - This figure is used to approximate the future cost to repair or replace each component in the report. The current cost for each component is compounded on an annual basis by the number of remaining years to replacement and the total is used in calculating the monthly reserve contribution which will be necessary in order to accumulate the required funds in time for replacement.

ANNUAL CONTRIBUTION INCREASE - The percentage rate at which the association will increase its contribution to reserves at the end of each year until the year in which the asset is replaced. For example, in order to accumulate $10,000 in 10 years, you could set aside $1,000 per year. As an alternative, you could set aside $795 the first year and increase that amount by 5% each year until the year of replacement. In either case you arrive at the same amount. The idea is that you start setting aside a lower amount and increase that number each year in accordance with the planned percentage. Ideally this figure should be equal to the rate of inflation. It can, however, be used to aid those associations that have not set aside appropriate reserves in the past by making the initial year's allocation less formidable.

INVESTMENT YIELD - The average interest rate anticipated by the association based upon its current investment practices.

TAXES ON YIELD - The estimated percentage of interest income which will be set aside for taxes.

ACCUMULATED RESERVE BALANCE - The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. Based upon information provided and not audited.

PERCENT FULLY FUNDED - The ratio, at the beginning of the fiscal year, of the actual (or projected) reserve balance to the calculated fully funded balance, expressed as a percentage.

PHASE INCREMENT DETAIL/AGE - Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

MONTHLY CONTRIBUTION - The contribution to reserves required by the association each month.

INTEREST CONTRIBUTION - The interest that should be earned on the reserves, net of taxes, based upon their beginning reserve balance and monthly contributions for one year. This figure is averaged for budgeting purposes.

NET MONTHLY ALLOCATION - The sum of the monthly contribution and interest contribution figures.

GROUP OR FACILITY NUMBER/CATEGORY NUMBER - The report may be prepared and sorted either by group or facility (location, building, phase, etc.) or by category (roofing, painting, etc.). Standard report printing format is by category.

PERCENTAGE OF REPLACEMENT - In some cases, an asset may not be replaced in its entirety or the cost may be shared with a second party. Examples are budgeting for a percentage of replacement of streets over a period of time, or sharing the expense to replace a common wall with a neighboring party.

PLACED-IN-SERVICE - The month and year that the asset was placed-in-service. - This may be the construction date, the first escrow closure date in a given phase, or the date of the last servicing or replacement.

ESTIMATED USEFUL LIFE - The estimated useful life of an asset based upon industry standards, manufacturer specifications, visual inspection, location, usage, association standards and prior history. All of these factors are taken into consideration when tailoring the estimated useful life to the particular asset. For example, the carpeting in a hallway or elevator (a heavy traffic area) will not have the same life as the identical carpeting in a seldom-used meeting room or office.

ADJUSTMENT TO USEFUL LIFE - Once the useful life is determined it may be adjusted +/- by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

ESTIMATED REMAINING LIFE - This calculation is completed internally based upon the report's fiscal year date and the date the asset was placed-in-service.

REPLACEMENT YEAR - The year that the asset is scheduled to be replaced. The appropriate funds will be available by the first day of the fiscal year for which replacement is anticipated.

FIXED ACCUMULATED RESERVES - An optional figure which, if used, will override the normal process of allocating reserves to each asset.

FIXED MONTHLY CONTRIBUTION - An optional figure which, if used, will override all calculations and set the contribution at this amount.

SALVAGE VALUE - The salvage value of the asset at the time of replacement, if applicable.

ONE-TIME REPLACEMENT - Notation if the asset is to be replaced on a one-time basis.

CURRENT REPLACEMENT COST - The estimated replacement cost effective as of the beginning of the fiscal year for which the report is being prepared.

FUTURE REPLACEMENT COST - The estimated cost to repair or replace the asset at the end of its estimated useful life based upon the current replacement cost and inflation.

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 representative(s).

■ 11. A Multi-Purpose Tool

Your RDA REPORT is an important part of your association's budgetary process. Following its recommendations should ensure the association's smooth budgetary transitions from one fiscal year to the next, and either decrease or eliminate the need for "special assessments".

In addition, your RDA reserve study serves a variety of useful purposes:

- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.

- A reserve analysis study is required by your accountant during the preparation of the association's annual audit.

- A reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.

- Your RDA REPORT is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.

- Your RDA REPORT is a tool which can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components which the association is obligated to maintain.

- Since the RDA reserve analysis study includes precise measurements and cost estimates of the client's assets, the detail reports may be used to evaluate the accuracy and price of contractor bids when assets are due to be repaired or replaced.

- The reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.

The Gardens Condominium Association
Scottsdale, Arizona
CFS Reserve Analysis Report Summary

Report Date	May 16, 2016
Version	002
Account Number	1244
Budget Year Beginning	1/ 1/17
Ending	12/31/17
Total Units Included	43
Phase Development	1 of 1

Parameters:

Inflation	2.67%
Annual Contribution Increase	3.00%
Investment Yield	0.20%
Taxes on Yield	0.00%
Contingency	0.00%

Reserve Fund Balance as of 1/ 1/17: $170,600.00

Project Profile & Introduction

Unless otherwise indicated in this report, we have used 1981 as the basis for aging all of the original components examined in this analysis.

Refer to Asset ID #1001 (Reserve Balance Calculation) for an explanation of how the January 1, 2017 reserve balance was determined.

Calculation Method: Modified Cash Flow
Funding Strategy: Threshold
RDA Reports: 2/1999. Updated with site visit 4/2016 (revised 5/2016).

Cash Flow Specific Summary of Calculations

Monthly Contribution to Reserves Required: ($95.00 per unit per month)	$4,085.00
Average Net Monthly Interest Contribution This Year:	30.98
Net Monthly Allocation to Reserves 1/ 1/17 to 12/31/17: ($95.72 per unit per month)	$4,115.98

The Gardens Condominium Association
Distribution of Accumulated Reserves

REPORT DATE: May 16, 2016
VERSION: 002
ACCOUNT NUMBER: 1244

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
** Reserve Balance Calculation	0	0.00	0.00
Concrete Components (Unfunded)	0	0.00	0.00
Granite Replenishment (Unfunded)	0	0.00	0.00
Irrigation System (Unfunded)	0	0.00	0.00
Paint - Wrought Iron Fencing	0	7,330.00	7,330.00
Roofs - Flat (All Others) (Repair)	0	0.00	0.00
Roofs - Flat, 109-115 (Recoat)	0	0.00	0.00
Tree Trimming (Unfunded)	0	0.00	0.00
Asphalt - Pulverize & Repave	1	84,843.24	84,843.24
Roofs - Flat, Foam (Recoat)	2	55,800.00	55,800.00
Asphalt - Seal Coat (Ongoing)	3	0.00	0.00
Pool - Furniture	3	7,000.00	7,000.00
Pool/Spa - Pumps & Motors	3	1,200.00	1,200.00
Walls - Slumpstone (Repairs)	3	2,045.40	2,045.40
Fencing - Wrought Iron (Replace)	4	46,764.90	12,381.36
Paint - Building Exteriors	4	43,500.00	0.00
Pool - Heaters	4	3,000.00	0.00
Irrigation Controllers	5	1,333.33	0.00
Pool - Replaster & Replace Tile	5	10,047.92	0.00
Spa - Heater	5	1,031.25	0.00
Spa - Replaster & Replace Tile	5	2,041.67	0.00
Pool - Filters	6	1,666.67	0.00
Mailboxes - Wall Mounted	8	1,632.00	0.00
Pool - Deck Recoat (A)	9	3,237.50	0.00
Pool - Deck Recoat (B)	9	3,237.50	0.00
Pool - Deck Resurface	9	8,787.50	0.00
Spa - Filter	12	366.67	0.00
Lighting - Poles w/Globes	13	768.00	0.00
Monument Sign - Letters/Numbers	15	750.00	0.00
Pool - Cabana Tile Counters/Sink	18	490.00	0.00

The Gardens Condominium Association
Distribution of Accumulated Reserves

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Asphalt - Repairs	23	0.00	0.00
Total Asset Summary:		286,873.55	170,600.00
Contingency @ 0.00%:		0.00	0.00
Grand Total:		286,873.55	170,600.00
Excess Reserves Not Used:			0.00
Percent Fully Funded: 59%			

The Gardens Condominium Association
Funding Status Report

REPORT DATE: May 16, 2016
VERSION: 002
ACCOUNT NUMBER: 1244

DESCRIPTION	USE LIFE	+/-	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
** Reserve Balance Calculation	0	0	0	0	0	0
*** CATEGORY SUMMARY:				0	0	0
Concrete Components (Unfunded)	0	0	0	0	0	0
*** CATEGORY SUMMARY:				0	0	0
Asphalt - Pulverize & Repave	35	+2	1	87,200	84,843	84,843
Asphalt - Repairs	23	0	23	6,540	0	0
Asphalt - Seal Coat (Ongoing)	4	-1	3	3,488	0	0
*** CATEGORY SUMMARY:				97,228	84,843	84,843
Roofs - Flat (All Others) (Repair)	0	0	0	0	0	0
Roofs - Flat, 109-115 (Recoat)	0	0	0	0	0	0
Roofs - Flat, Foam (Recoat)	5	0	2	93,000	55,800	55,800
*** CATEGORY SUMMARY:				93,000	55,800	55,800
Paint - Building Exteriors	8	0	4	87,000	43,500	0
Paint - Wrought Iron Fencing	4	0	0	7,330	7,330	7,330
*** CATEGORY SUMMARY:				94,330	50,830	7,330
Fencing - Wrought Iron (Replace)	40	0	4	51,961	46,765	12,381
Walls - Slumpstone (Repairs)	10	0	3	2,922	2,045	2,045
*** CATEGORY SUMMARY:				54,883	48,810	14,427
Lighting - Poles w/Globes	25	0	13	1,600	768	0
*** CATEGORY SUMMARY:				1,600	768	0
Pool - Cabana Tile Counters/Sink	25	0	18	1,750	490	0
Pool - Deck Recoat (A)	18	0	9	6,475	3,238	0
Pool - Deck Recoat (B)	18	0	9	6,475	3,238	0
Pool - Deck Resurface	18	0	9	17,575	8,788	0
Pool - Filters	18	0	6	2,500	1,667	0
Pool - Furniture	10	0	3	10,000	7,000	7,000
Pool - Heaters	8	0	4	6,000	3,000	0
Pool - Replaster & Replace Tile	12	0	5	17,225	10,048	0
Pool/Spa - Pumps & Motors	5	0	3	3,000	1,200	1,200
Spa - Filter	18	0	12	1,100	367	0
Spa - Heater	8	0	5	2,750	1,031	0
Spa - Replaster & Replace Tile	12	0	5	3,500	2,042	0
*** CATEGORY SUMMARY:				78,350	42,107	8,200
Mailboxes - Wall Mounted	25	0	8	2,400	1,632	0
Monument Sign - Letters/Numbers	20	0	15	3,000	750	0

The Gardens Condominium Association
Funding Status Report

DESCRIPTION	USE LIFE	+/-	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
*** CATEGORY SUMMARY:				5,400	2,382	0
Granite Replenishment (Unfunded)	0	0	0	0	0	0
Irrigation Controllers	15	0	5	2,000	1,333	0
Irrigation System (Unfunded)	0	0	0	0	0	0
Tree Trimming (Unfunded)	0	0	0	0	0	0
*** CATEGORY SUMMARY:				2,000	1,333	0
TOTAL ASSET SUMMARY:				426,791	286,874	170,600
CONTINGENCY @ 0.00%:					0	0
GRAND TOTAL:					286,874	170,600

Percent Fully Funded: 59%

The Gardens Condominium Association

Cash Flow Specific Projections

REPORT DATE: May 16, 2016
VERSION: 002
ACCOUNT NUMBER: 1244

Beginning Accumulated Reserves: $170,600

YEAR	CURRENT REPLACEMENT COST	ANNUAL CONTRBTN	ANNUAL INTEREST CONTRBTN	ANNUAL EXPENDTRS	PROJECTED ENDING RESERVES	FULLY FUNDED RESERVES	PERCENT FULLY FUNDED
'17	426,791	49,020	372	7,330	212,662	331,702	64%
'18	438,186	50,491	293	89,528	173,917	294,670	59%
'19	449,886	52,005	200	98,033	128,089	249,147	51%
'20	461,898	53,565	263	21,007	160,912	282,430	57%
'21	474,231	55,172	51	169,219	46,916	165,718	28%
'22	486,892	56,828	88	29,062	74,769	191,111	39%
'23	499,893	58,532	197	2,928	130,571	245,370	53%
'24	513,240	60,288	84	116,032	74,912	186,346	40%
'25	526,943	62,097	175	15,717	121,467	230,170	53%
'26	541,013	63,960	224	38,694	146,957	253,042	58%
'27	555,458	65,879	355	0	213,190	317,759	67%
'28	570,288	67,855	480	4,661	276,864	380,966	73%
'29	585,515	69,891	84	266,739	80,101	178,374	45%
'30	601,148	71,988	169	28,554	123,704	216,549	57%
'31	617,199	74,147	316	0	198,166	286,734	69%
'32	633,678	76,372	447	9,633	265,352	350,622	76%
'33	650,597	78,663	581	11,174	333,422	416,400	80%
'34	667,968	81,023	385	177,990	236,840	314,476	75%
'35	685,803	83,453	535	7,633	313,196	386,598	81%
'36	704,114	85,957	694	5,754	394,093	464,485	85%
'37	722,914	88,536	523	173,330	309,821	374,363	83%
'38	742,216	91,192	694	4,782	396,925	456,897	87%
'39	762,033	93,927	548	166,051	325,349	378,128	86%
'40	782,379	96,745	645	47,571	375,169	420,487	89%
'41	790,960	99,648	805	18,501	457,121	495,989	92%
'42	812,078	102,637	1,009	0	560,767	594,725	94%
'43	833,761	105,716	1,220	0	667,702	698,380	96%
'44	856,022	108,888	919	258,717	518,792	541,522	96%
'45	878,878	112,154	709	216,096	415,559	426,640	97%
'46	902,344	115,519	837	50,404	481,511	481,277	100%

The Gardens Condominium Association
Annual Expenditure Detail

REPORT DATE: May 16, 2016
VERSION: 002
ACCOUNT NUMBER: 1244

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2017	
Paint - Wrought Iron Fencing	7,330.00
*** ANNUAL TOTAL:	7,330.00
REPLACEMENT YEAR 2018	
Asphalt - Pulverize & Repave	89,528.24
*** ANNUAL TOTAL:	89,528.24
REPLACEMENT YEAR 2019	
Roofs - Flat, Foam (Recoat)	98,032.50
*** ANNUAL TOTAL:	98,032.50
REPLACEMENT YEAR 2020	
Asphalt - Seal Coat (Ongoing)	3,774.92
Pool - Furniture	10,822.58
Pool/Spa - Pumps & Motors	3,246.77
Walls - Slumpstone (Repairs)	3,162.36
*** ANNUAL TOTAL:	21,006.63
REPLACEMENT YEAR 2021	
Fencing - Wrought Iron (Replace)	57,736.67
Paint - Building Exteriors	96,670.40
Paint - Wrought Iron Fencing	8,144.76
Pool - Heaters	6,666.93
*** ANNUAL TOTAL:	169,218.76
REPLACEMENT YEAR 2022	
Irrigation Controllers	2,281.65
Pool - Replaster & Replace Tile	19,650.66
Spa - Heater	3,137.28
Spa - Replaster & Replace Tile	3,992.89
*** ANNUAL TOTAL:	29,062.48

The Gardens Condominium Association
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2023	
Pool - Filters	2,928.20
*** ANNUAL TOTAL:	2,928.20
REPLACEMENT YEAR 2024	
Asphalt - Seal Coat (Ongoing)	4,194.51
Roofs - Flat, Foam (Recoat)	111,837.61
*** ANNUAL TOTAL:	116,032.12
REPLACEMENT YEAR 2025	
Mailboxes - Wall Mounted	2,963.19
Paint - Wrought Iron Fencing	9,050.08
Pool/Spa - Pumps & Motors	3,703.98
*** ANNUAL TOTAL:	15,717.25
REPLACEMENT YEAR 2026	
Pool - Deck Recoat (A)	8,207.89
Pool - Deck Recoat (B)	8,207.89
Pool - Deck Resurface	22,278.57
*** ANNUAL TOTAL:	38,694.35
REPLACEMENT YEAR 2027	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2028	
Asphalt - Seal Coat (Ongoing)	4,660.74
*** ANNUAL TOTAL:	4,660.74
REPLACEMENT YEAR 2029	
Paint - Building Exteriors	119,355.40
Paint - Wrought Iron Fencing	10,056.03
Pool - Heaters	8,231.41
Roofs - Flat, Foam (Recoat)	127,586.78
Spa - Filter	1,509.08
*** ANNUAL TOTAL:	266,738.70

The Gardens Condominium Association
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2030	
Lighting - Poles w/Globes	2,253.64
Pool - Furniture	14,085.31
Pool/Spa - Pumps & Motors	4,225.59
Spa - Heater	3,873.49
Walls - Slumpstone (Repairs)	4,115.74
*** ANNUAL TOTAL:	28,553.77
REPLACEMENT YEAR 2031	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2032	
Asphalt - Seal Coat (Ongoing)	5,178.80
Monument Sign - Letters/Numbers	4,454.25
*** ANNUAL TOTAL:	9,633.05
REPLACEMENT YEAR 2033	
Paint - Wrought Iron Fencing	11,173.81
*** ANNUAL TOTAL:	11,173.81
REPLACEMENT YEAR 2034	
Pool - Replaster & Replace Tile	26,958.75
Roofs - Flat, Foam (Recoat)	145,553.78
Spa - Replaster & Replace Tile	5,477.84
*** ANNUAL TOTAL:	177,990.37
REPLACEMENT YEAR 2035	
Pool - Cabana Tile Counters/Sink	2,812.04
Pool/Spa - Pumps & Motors	4,820.64
*** ANNUAL TOTAL:	7,632.68
REPLACEMENT YEAR 2036	
Asphalt - Seal Coat (Ongoing)	5,754.45
*** ANNUAL TOTAL:	5,754.45

The Gardens Condominium Association
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2037	
Irrigation Controllers	3,387.69
Paint - Building Exteriors	147,363.73
Paint - Wrought Iron Fencing	12,415.82
Pool - Heaters	10,163.03
*** ANNUAL TOTAL:	173,330.27
REPLACEMENT YEAR 2038	
Spa - Heater	4,782.46
*** ANNUAL TOTAL:	4,782.46
REPLACEMENT YEAR 2039	
Roofs - Flat, Foam (Recoat)	166,050.92
*** ANNUAL TOTAL:	166,050.92
REPLACEMENT YEAR 2040	
Asphalt - Repairs	11,988.91
Asphalt - Seal Coat (Ongoing)	6,394.08
Pool - Furniture	18,331.67
Pool/Spa - Pumps & Motors	5,499.50
Walls - Slumpstone (Repairs)	5,356.54
*** ANNUAL TOTAL:	47,570.70
REPLACEMENT YEAR 2041	
Paint - Wrought Iron Fencing	13,795.88
Pool - Filters	4,705.24
*** ANNUAL TOTAL:	18,501.12
REPLACEMENT YEAR 2042	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2043	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2044	
Asphalt - Seal Coat (Ongoing)	7,104.81
Pool - Deck Recoat (A)	13,189.10

The Gardens Condominium Association
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
Pool - Deck Recoat (B)	13,189.10
Pool - Deck Resurface	35,799.07
Roofs - Flat, Foam (Recoat)	189,434.51
*** ANNUAL TOTAL:	258,716.59
REPLACEMENT YEAR 2045	
Paint - Building Exteriors	181,944.57
Paint - Wrought Iron Fencing	15,329.34
Pool - Heaters	12,547.92
Pool/Spa - Pumps & Motors	6,273.96
*** ANNUAL TOTAL:	216,095.79
REPLACEMENT YEAR 2046	
Pool - Replaster & Replace Tile	36,984.75
Spa - Heater	5,904.73
Spa - Replaster & Replace Tile	7,515.04
*** ANNUAL TOTAL:	50,404.52

The Gardens Condominium Association
Cash Flow Detail Report by Category

REPORT DATE: May 16, 2016
VERSION: 002
ACCOUNT NUMBER: 1244

** Reserve Balance Calculation

ASSET ID 1001
GROUP/FACILITY 0
CATEGORY 1

PLACED IN SERVICE 0/ 0
0 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2017
0 YEAR REM LIFE

QUANTITY	1 comment
UNIT COST	0.000
PERCENT REPL	0.00%
CURRENT COST	0.00
FUTURE COST	0.00
SALVAGE VALUE	0.00

REMARKS:

Current Reserve Balance Per Client (3/31/16):	$	174,000
Remaining 2016 Reserve Contributions:		
$3,000/month x 9 months	+	27,000
Remaining 2016 Reserve Expenses:		
Property Rock Resources (Units 109 - 115)	-	10,600
Property Rock Resources (All Other Units)	-	19,800
Projected January 1, 2017 Reserve Balance:	$	170,600

Concrete Components (Unfunded)			
ASSET ID	1034	QUANTITY	1 comment
GROUP/FACILITY	0	UNIT COST	0.000
CATEGORY	5	PERCENT REPL	0.00%
		CURRENT COST	0.00
		FUTURE COST	0.00
		SALVAGE VALUE	0.00

PLACED IN SERVICE 0/ 0
0 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2017
0 YEAR REM LIFE

REMARKS:

We are not budgeting for repair or replacement of concrete decks, pads, sidewalks, or driveways as a reserve component. It is anticipated that any repairs required will be addressed immediately due to safety concerns. Good maintenance practice won't allow the need for repairs to accumulate to a point of major expense. We recommend that the client includes a line item in the annual operating budget for repairs and/or replacements on an "as needed" basis. However, should the client wish to include budgeting for concrete components, we will do so at their request (cost and useful life to be provided by client).

Asphalt - Pulverize & Repave			
ASSET ID	1022	QUANTITY	1 total
GROUP/FACILITY	0	UNIT COST	87,200.000
CATEGORY	10	PERCENT REPL	100.00%
		CURRENT COST	87,200.00
		FUTURE COST	89,528.24
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/81
35 YEAR USEFUL LIFE
+2 YEAR ADJUSTMENT
REPLACEMENT YEAR 2018
1 YEAR REM LIFE

REMARKS:

43,600 - sq. ft. of repaving	@	$ 2.00	=	$ 87,200.00
		TOTAL	=	$ 87,200.00

This component includes a provision to pulverize the existing asphalt, remove excess materials, grade and compact pulverized material, and repave with 2.5" of new asphalt in 2018.

Asphalt - Repairs			
ASSET ID	1004	QUANTITY	43,600 sq. ft.
GROUP/FACILITY	0	UNIT COST	3.000
CATEGORY	10	PERCENT REPL	5.00%
		CURRENT COST	6,540.00
		FUTURE COST	11,988.91
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/17
23 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2040
23 YEAR REM LIFE (One Time Repl)

REMARKS:

This is a one time expense for more significant repairs to the asphalt about midway through the life of the new pavement.

Asphalt - Seal Coat (Ongoing)			
ASSET ID	1005	QUANTITY	43,600 sq. ft.
GROUP/FACILITY	0	UNIT COST	0.080
CATEGORY	10	PERCENT REPL	100.00%
		CURRENT COST	3,488.00
		FUTURE COST	3,774.91
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/17
4 YEAR USEFUL LIFE
-1 YEAR ADJUSTMENT
REPLACEMENT YEAR 2020
3 YEAR REM LIFE

REMARKS:

This is an estimate for seal coating the community asphalt every four (4) years, starting in 2020, two (2) years after the pulverize and repave project has been scheduled to occur.

Instead of using a typical seal coat maintenance program, the Board has the option to go with an HA5 - High Density Mineral Bond surface treatment. This product, manufactured by Holbrook Asphalt, provides a durable, wearing surface that reduces the frequency of "coating" and can significantly increase the life of the underlying asphalt. If the Board would like us to create an alternative reserve study that assumes an HA5 program, we can do so at the Board's request under a separate agreement for a nominal fee.

Note that we are not endorsing Holbrook Asphalt but presenting the HA5 product as an alternative option to a typical seal coat maintenance program.

Justin Holbrook - Holbrook Asphalt (602.377.5406)

Roofs - Flat (All Others) (Repair)			
ASSET ID	1038	QUANTITY	1 comment
GROUP/FACILITY	0	UNIT COST	0.000
CATEGORY	20	PERCENT REPL	0.00%
		CURRENT COST	0.00
		FUTURE COST	0.00
		SALVAGE VALUE	0.00

PLACED IN SERVICE 0/ 0
0 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2017
0 YEAR REM LIFE

REMARKS:

Property Rock Resources will be completing a project during 2016 to repair cracks and gouges and then patch repair all other buildings (not 109 - 115) for a total cost of $19,800.

This asset is listed for information purposes only. Since our report begins on 1/1/2017 and this project occurs prior to that date, we have deducted the cost of $19,800 from the beginning reserve balance. Future recoats of these flat roofs have been budgeted in Asset ID #1023.

Roofs - Flat, 109-115 (Recoat)			
ASSET ID	1037	QUANTITY	1 comment
GROUP/FACILITY	0	UNIT COST	0.000
CATEGORY	20	PERCENT REPL	0.00%
		CURRENT COST	0.00
		FUTURE COST	0.00
		SALVAGE VALUE	0.00

PLACED IN SERVICE 0/ 0
0 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2017
0 YEAR REM LIFE

REMARKS:

Property Rock Resources will be completing a project during 2016 to repair cracks and gouges in the foam room atop units 109 - 115 (this is the building at the south east corner of the community) and then recoat this building with elastomeric coating. The total cost of this project is $10,600.

This asset is listed for information purposes only. Since our report begins on 1/1/2017 and this project occurs prior to that date, we have deducted the cost of $10,600 from the beginning reserve balance. Future recoats of these flat roofs have been budgeted in Asset ID #1023.

Roofs - Flat, 109-115 (Recoat), Continued ...

During our conversation with Property Rock Resources we were advised that the bid amount of $10,600 does not include adding rock (ballast) atop the foam roof after the recoat is completed because it would adversely affect the foam integrity. With rock material present, future golf balls would impact the roof, pushing the rock material into the foam causing the rock to puncture or pentrate the foam material.

Roofs - Flat, Foam (Recoat)

ASSET ID	1023
GROUP/FACILITY	0
CATEGORY	20

QUANTITY	93,000 sq. ft.
UNIT COST	1.000
PERCENT REPL	100.00%
CURRENT COST	93,000.00
FUTURE COST	98,032.50
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/14
5 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2019
2 YEAR REM LIFE

REMARKS:

This component is for an elastomeric recoat to the foam roofs on a five (5) year cycle. In a discussion with Property Rock Resources, it was recommended that once the recoat on units 109 - 115 and repairs to all other units are completed in 2016, the next recoat should be completed in 2019, and then every five (5) years thereafter.

We recommend that the client includes a line item in the operating budget for inspections, debris removal & repairs on an "as needed" basis.

** NOTE: The cost for roof recoating can vary significantly from roofing company to roofing company. Be sure to solicit several comparative bids to obtain the best possible pricing. For budgeting purposes we have used $1.00/sq. ft. to recoat (5 year warranty).

Paint - Building Exteriors			
ASSET ID	1027	QUANTITY	1 total
GROUP/FACILITY	0	UNIT COST	87,000.000
CATEGORY	30	PERCENT REPL	100.00%
		CURRENT COST	87,000.00
		FUTURE COST	96,670.40
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/13
8 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2021
4 YEAR REM LIFE

REMARKS:

This is an estimate for painting the exteriors of the 43 condominiums and the pool cabana building on an eight (8) year cycle. Based on condition, it appears that the last project was completed about three (3) years ago.

Paint - Wrought Iron Fencing			
ASSET ID	1008	QUANTITY	7,330 sq. ft.
GROUP/FACILITY	0	UNIT COST	1.000
CATEGORY	30	PERCENT REPL	100.00%
		CURRENT COST	7,330.00
		FUTURE COST	7,330.00
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/13
4 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2017
0 YEAR REM LIFE

REMARKS:

This asset includes all wrought iron fencing within the community and the perimeter wrought iron fencing. We are budgeting to paint this fencing every four (4) years.

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

Fencing - Wrought Iron (Replace)			
		QUANTITY	1 total
		UNIT COST	51,961.000
ASSET ID	1009	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	51,961.00
CATEGORY	40	FUTURE COST	57,736.67
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/81
40 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2021
4 YEAR REM LIFE

REMARKS:

598	lin. ft. of 4'8" fencing, pool/courtyard	@	$ 27.00	=	$ 16,146.00
637	lin. ft. of 5'9" fencing, perimeter	@	30.00	=	19,110.00
22	2'11" x 5'9" pedestrian gates	@	420.00	=	9,240.00
2	3'10" x 5'9" pedestrian gates	@	550.00	=	1,100.00
15	2'11" x 4'8" pedestrian gates	@	340.00	=	5,100.00
1	2'6" x 4'8" pedestrian gate	@	290.00	=	290.00
1	5'0" x 4'8" pedestrian gate	@	585.00	=	585.00
1	3'4" x 4'8" pedestrian gate	@	390.00	=	390.00
			TOTAL	=	$ 51,961.00

Walls - Slumpstone (Repairs)			
		QUANTITY	4,870 sq. ft.
		UNIT COST	12.000
ASSET ID	1003	PERCENT REPL	5.00%
GROUP/FACILITY	0	CURRENT COST	2,922.00
CATEGORY	40	FUTURE COST	3,162.36
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/10
10 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2020
3 YEAR REM LIFE

REMARKS:

It is estimated that a percentage of the slumpstone walls will require repair or replacement. The actual condition of the slumpstone walls should be monitored through time and the estimates adjusted accordingly.

Lighting - Poles w/Globes			
ASSET ID	1006	QUANTITY	1 total
GROUP/FACILITY	0	UNIT COST	1,600.000
CATEGORY	50	PERCENT REPL	100.00%
		CURRENT COST	1,600.00
		FUTURE COST	2,253.65
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/05
25 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2030
13 YEAR REM LIFE

REMARKS:

4 - 8' poles w/"globe" fixtures	@	$ 400.00	=	$ 1,600.00
		TOTAL	=	$ 1,600.00

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

We are not budgeting to replace any ground level pagoda type or spot/flood-light fixtures because the cost to do so is most often considered an operating expense. It is difficult to determine a useful life for these types of fixtures because they are frequently damaged by pedestrians, landscape personnel, and weather conditions. Any repairs and/or replacements should be handled on an "as needed" basis, and the expense paid for out of the operating budget.

Pool - Cabana Tile Counters/Sink			
ASSET ID	1017	QUANTITY	1 total
GROUP/FACILITY	0	UNIT COST	1,750.000
CATEGORY	60	PERCENT REPL	100.00%
		CURRENT COST	1,750.00
		FUTURE COST	2,812.04
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/10
25 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2035
18 YEAR REM LIFE

REMARKS:

This is a provision for replacement of the tile counter tops and sink at the pool cabana building on a 25 year cycle.

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

Pool - Deck Recoat (A)			
ASSET ID	1018	QUANTITY	3,700 sq. ft.
GROUP/FACILITY	0	UNIT COST	1.750
CATEGORY	60	PERCENT REPL	100.00%
		CURRENT COST	6,475.00
		FUTURE COST	8,207.90
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/08
18 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2026
9 YEAR REM LIFE

REMARKS: NONE

Pool - Deck Recoat (B)			
ASSET ID	1029	QUANTITY	3,700 sq. ft.
GROUP/FACILITY	0	UNIT COST	1.750
CATEGORY	60	PERCENT REPL	100.00%
		CURRENT COST	6,475.00
		FUTURE COST	8,207.90
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/08
18 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2026
9 YEAR REM LIFE

Pool - Deck Recoat (B), Continued ...

REMARKS: NONE

Pool - Deck Resurface			
ASSET ID	1030	QUANTITY	3,700 sq. ft.
GROUP/FACILITY	0	UNIT COST	4.750
CATEGORY	60	PERCENT REPL	100.00%
		CURRENT COST	17,575.00
		FUTURE COST	22,278.57
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/08
18 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2026
9 YEAR REM LIFE

REMARKS:

This component includes a provision to resurface the pool deck (includes scrabbling of the deck and acrylic lace texture overlay).

Pool - Filters			
ASSET ID	1012	QUANTITY	2 filters
GROUP/FACILITY	0	UNIT COST	1,250.000
CATEGORY	60	PERCENT REPL	100.00%
		CURRENT COST	2,500.00
		FUTURE COST	2,928.20
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/05
18 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2023
6 YEAR REM LIFE

REMARKS:

These are Triton II 4.91 sq. ft. sand filters. The placed in service date is based on the date punch outs on the labels.

Pool - Furniture			
ASSET ID	1014	QUANTITY	1 total
GROUP/FACILITY	0	UNIT COST	10,000.000
CATEGORY	60	PERCENT REPL	100.00%
		CURRENT COST	10,000.00
		FUTURE COST	10,822.58
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/10
10 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2020
3 YEAR REM LIFE

REMARKS:

This is a general provision for replacement of the various pieces of pool furniture on an as needed basis. This furniture varies in age and condition and will require replacement at different intervals. Therefore, we have included a provision that will accumulate $7,500 every 10 years to be used as needed. The current inventory includes the following:

strapped chaise lounges (8)
sling chaise lounges (2)
sling chairs (36)
sling bar height chairs (4)
tables (6)
side tables (7)
fabric umbrellas (2)

Pool - Heaters			
ASSET ID	1010	QUANTITY	2 heaters
GROUP/FACILITY	0	UNIT COST	3,000.000
CATEGORY	60	PERCENT REPL	100.00%
		CURRENT COST	6,000.00
		FUTURE COST	6,666.92
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/13
8 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2021
4 YEAR REM LIFE

REMARKS:

These are Pentair Minimax NT 400 heaters.

The date listed on the sticker on each unit indicates 10/2/2012.

Pool - Replaster & Replace Tile	
ASSET ID	1020
GROUP/FACILITY	0
CATEGORY	60

QUANTITY	1 total
UNIT COST	17,225.000
PERCENT REPL	100.00%
CURRENT COST	17,225.00
FUTURE COST	19,650.66
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/10
12 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2022
5 YEAR REM LIFE

REMARKS:

2,910	- sq. ft. of resurfacing	@	$ 4.75	=	$ 13,823.00
252	- lin. ft. of trim tile	@	12.00	=	3,024.00
42	- lin. ft. of bench tile	@	9.00	=	378.00
			TOTAL	=	$ 17,225.00

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

Pool/Spa - Pumps & Motors	
ASSET ID	1031
GROUP/FACILITY	0
CATEGORY	60

QUANTITY	3 pumps
UNIT COST	1,000.000
PERCENT REPL	100.00%
CURRENT COST	3,000.00
FUTURE COST	3,246.77
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/15
5 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2020
3 YEAR REM LIFE

REMARKS:

This component will accumulate funds for the replacement of pumps and/or motors for the pool and spa. Accumulated funds should be used as needed.

Spa - Filter			
ASSET ID	1013	QUANTITY	1 filter
GROUP/FACILITY	0	UNIT COST	1,100.000
CATEGORY	60	PERCENT REPL	100.00%
		CURRENT COST	1,100.00
		FUTURE COST	1,509.09
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/11
18 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2029
12 YEAR REM LIFE

REMARKS:

This is a Triton II, 3.14 sq. ft. sand filter.

The sticker indicates an install date of 11/19/2010.

Spa - Heater			
ASSET ID	1011	QUANTITY	1 heater
GROUP/FACILITY	0	UNIT COST	2,750.000
CATEGORY	60	PERCENT REPL	100.00%
		CURRENT COST	2,750.00
		FUTURE COST	3,137.26
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/14
8 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2022
5 YEAR REM LIFE

REMARKS:

This is a Raypak, 266,000 BTU input heater.

Serial Number starts 1307....

Spa - Replaster & Replace Tile			
ASSET ID	1021	QUANTITY	1 total
GROUP/FACILITY	0	UNIT COST	3,500.000
CATEGORY	60	PERCENT REPL	100.00%
		CURRENT COST	3,500.00
		FUTURE COST	3,992.88
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/10
12 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2022
5 YEAR REM LIFE

Spa - Replaster & Replace Tile, Continued ...

REMARKS:

This is a large diameter spa.

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

Mailboxes - Wall Mounted

ASSET ID	1036
GROUP/FACILITY	0
CATEGORY	90

QUANTITY	1 total
UNIT COST	2,400.000
PERCENT REPL	100.00%
CURRENT COST	2,400.00
FUTURE COST	2,963.19
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/00
25 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2025
8 YEAR REM LIFE

REMARKS:

2 - 4 x 6 box sets	@ $ 1,200.00	=	$ 2,400.00
	TOTAL	=	$ 2,400.00

Location: on the side of the pool cabana building

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

Monument Sign - Letters/Numbers

ASSET ID	1007
GROUP/FACILITY	0
CATEGORY	90

QUANTITY	1 total
UNIT COST	3,000.000
PERCENT REPL	100.00%
CURRENT COST	3,000.00
FUTURE COST	4,454.25
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/12
20 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2032
15 YEAR REM LIFE

REMARKS:

There is a double sided monument sign made up of metal letters and numbers mounted on a stucco sign face at the corner of Indian School and 78th.

These letters and numbers indicate "4015" and "THE GARDENS".

We are budgeting to replace these letters and numbers everyt 20 years.

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

Granite Replenishment (Unfunded)			
ASSET ID	1035	QUANTITY	1 comment
GROUP/FACILITY	0	UNIT COST	0.000
CATEGORY	100	PERCENT REPL	0.00%
		CURRENT COST	0.00
		FUTURE COST	0.00
		SALVAGE VALUE	0.00

PLACED IN SERVICE 0/ 0
0 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2017
0 YEAR REM LIFE

REMARKS:

There are substantial quantities of granite located throughout the community. We are not budgeting to replenish this granite because the cost to do so is most often considered an operating expense. We recommend that a line item be set up in the operating budget to account for this asset, that it be monitored over time, and adjusted as experience dictates.

Should the client wish to have granite replenishment included in the reserve study, we will do so at their request. However, the client will need to provide the sq. ft. of the common area granite. Otherwise, there would be an additional charge to have Reserve Data Analysis, Inc. provide the measurement.

Irrigation Controllers			
ASSET ID	1002	QUANTITY	1 total
GROUP/FACILITY	0	UNIT COST	2,000.000
CATEGORY	100	PERCENT REPL	100.00%
		CURRENT COST	2,000.00
		FUTURE COST	2,281.64
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/07
15 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2022
5 YEAR REM LIFE

REMARKS:

This is a general provision for replacement of the irrigation controllers (6) on a 15 year cycle. Accumulated funds should be used as needed.

Irrigation System (Unfunded)			
ASSET ID	1033	QUANTITY	1 comment
GROUP/FACILITY	0	UNIT COST	0.000
CATEGORY	100	PERCENT REPL	0.00%
		CURRENT COST	0.00
		FUTURE COST	0.00
		SALVAGE VALUE	0.00

PLACED IN SERVICE 0/ 0
0 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2017
0 YEAR REM LIFE

REMARKS:

We have been advised that irrigation systems (pvc piping, sprinkler heads, valves, etc.) have a useful life of approximately 20 years, and should be included as a reserve component. However, budgeting for the replacement of the irrigation system requires evaluating the present condition (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 client have the system evaluated to determine these two factors so that budgeting can be included in a revision or future update of this report.

Tree Trimming (Unfunded)			
ASSET ID	1032	QUANTITY	1 comment
GROUP/FACILITY	0	UNIT COST	0.000
CATEGORY	100	PERCENT REPL	0.00%
		CURRENT COST	0.00
		FUTURE COST	0.00
		SALVAGE VALUE	0.00

PLACED IN SERVICE 0/ 0
0 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2017
0 YEAR REM LIFE

REMARKS:

We have been advised that major tree trimming is usually required every 3 - 5 years and could be considered as a reserve component. However, the cost for such a project depends on the size, type, maturity, and number of trees at the community - all of which call for expert evaluation, but fall outside the scope of a reserve study. Should the client obtain a cost and schedule we will include budgeting for this component in a revision or future update of this report at their request.

DETAIL REPORT INDEX

TOTAL ASSET LINES INCLUDED: 31