

RESERVE ANALYSIS REPORT

The Overlook at FireRock

Fountain Hills, Arizona

Version 001

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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 legal and 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 a “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 association common areas and property values of 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 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 is 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.

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Percent Funded

Measure of the reserve fund “health” (expressed as a percentage) as of the beginning of the fiscal year for which the reserve analysis is 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 “level of service” the association will provide the membership as well as a “road map” for the fiscal future of the association. Projections define the timetables for repairs and replacements, such as when buildings will be painted or when asphalt will be seal coated. 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 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 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. Component calculation method or directed cash flow calculation method is typically used to develop a full funding plan.

Baseline Funding

Describes 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. Minimum cash flow calculation method or directed cash flow calculation method s typically used to develop a baseline funding plan.

Threshold Funding

Describes 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. Minimum cash flow calculation method or directed cash flow calculation method is typically used to develop a threshold funding plan.

Statutory Funding

Describes goal/objective as described or required by local laws or codes. Component calculation method, minimum cash flow calculation method or directed cash flow calculation method may be used to develop a statutory funding plan, depending on the requirements.

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

There are three funding methods which can be used to develop a reserve funding plan based on reserve funding goals/objectives: Component Calculation Method, Minimum Cash Flow Calculation Method and Directed Cash Flow Calculation Method.

Directed cash flow calculation method offers flexibility for developing custom funding plans. Directed cash flow calculation method funding plans can accommodate use of various contribution increases and/or special assessments (or loans) through time. As the name suggests, the user “directs” the funding plan as needed to achieve reserve funding goals or objectives. Because of this flexibility, the vast majority of reserve analyses are developed using the directed cash flow calculation method. Whereas component calculation method funding plans and minimum cash flow calculation method funding plans are typically used as reference information; usually considered the “floor” (minimum cash flow calculation method) and “ceiling” (component calculation method) of a reasonable reserve funding plan.

The three calculation methods are described as follows:

Component Calculation Method

Component 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” 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 fully funded reserves in time, and then enables the association to maintain fully funded reserves through time. The following is a detailed description of component calculation method:

Step 1: Calculation of fully funded balance for each component

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

Association’s current reserve funds are assigned to (or distributed amongst) 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 reserve funds 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, components are organized in remaining life order, from least to greatest, and remaining current reserve funds are assigned to each component up to its current cost, until reserve funds 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, until reserve funds are exhausted. After pass 3, if additional reserve funds remain, there are excess reserves.

Distributing, or assigning, 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 contribution increase parameter to develop a “stair stepped” contribution.

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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, the contribution increase parameter should match the inflation parameter. Matching the 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 a contribution increase parameter that is greater than the inflation parameter will reduce the burden to current members at the expense of future members. Using a contribution increase parameter that is less than the inflation parameter will increase the burden to the current members to the benefit of future members. The following chart shows a comparison:

	0% Increase	3% Increase	10% Increase
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

One major benefit of using component calculation method is that for any single component (or group of components), 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 Summary and Charts as well as elsewhere within the report.

Minimum Cash Flow Calculation Method

Minimum cash flow 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 concerned with the ideal level of reserves or percent funded through time.

This calculation method tests reserve contributions against reserve expenditures through time to determine the minimum contribution necessary (baseline funding). This calculation method will determine the minimum reserve contribution to ensure that the beginning reserve balance is sufficient to pay for the scheduled expenditures in each year. By definition, this calculation method will create a funding plan where, at some point over the projection period, the beginning reserve fund balance will equal the expenditures for that year. Under some conditions, based on reserve expenditure profile, this calculation method produces a funding plan that will take the association into an overfunded status through time; in these cases, directed cash flow calculation method can be used to optimize results.

Minimum cash flow calculation method is not without downsides... Unlike component calculation method, the minimum cash flow calculation method cannot precisely calculate 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 calculation method results to calculate a reasonable breakdown. This information is displayed on the Management Summary and Charts as well as elsewhere within the report. Using minimum cash flow calculation method typical-

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ly requires an annual reallocation of reserve funds (amongst reserve components) to ensure each component remains properly funded through time. Associations in states that require segregated reserve funds for certain components (i.e. roofs, painting, etc.), should pay special attention to this issue; it may be desirable to complete separate reserve analyses for segregated reserve components.

Directed Cash Flow Calculation Method

Directed cash flow 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 and, if possible, determine the optimal funding plan to achieve 100% funding over the projection period.

Directed cash flow calculation method offers flexibility for developing custom funding plans. Directed cash flow funding plans can accommodate use of various contribution increases and/or special assessments (or loans) through time. As the name suggests, the user “directs” the funding plan as needed to achieve any reserve funding goals or objectives. Because of this flexibility, the vast majority of reserve analyses are developed using this calculation method.

Directed cash flow calculation method is not without downsides... Unlike component calculation method, the directed cash flow calculation method cannot precisely calculate 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 calculation method results to calculate a reasonable breakdown. This information is displayed on the Management Summary and Charts as well as elsewhere within the report. Using directed cash flow calculation method typically requires an annual reallocation of reserve funds (amongst reserve components) to ensure each component remains properly funded through time. Associations in states that require segregated reserve funds for certain components (i.e. roofs, painting, etc.), should pay special attention to this issue; it may be desirable to complete separate reserve analyses for segregated reserve components.

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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 (“Component Detail”), 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 project, global parameters used in the calculation of the reserve analysis as well as the core results of the reserve analysis.

Client Information

Provides information including fiscal year for which reserve analysis is prepared, number of units, etc.

Global Parameters

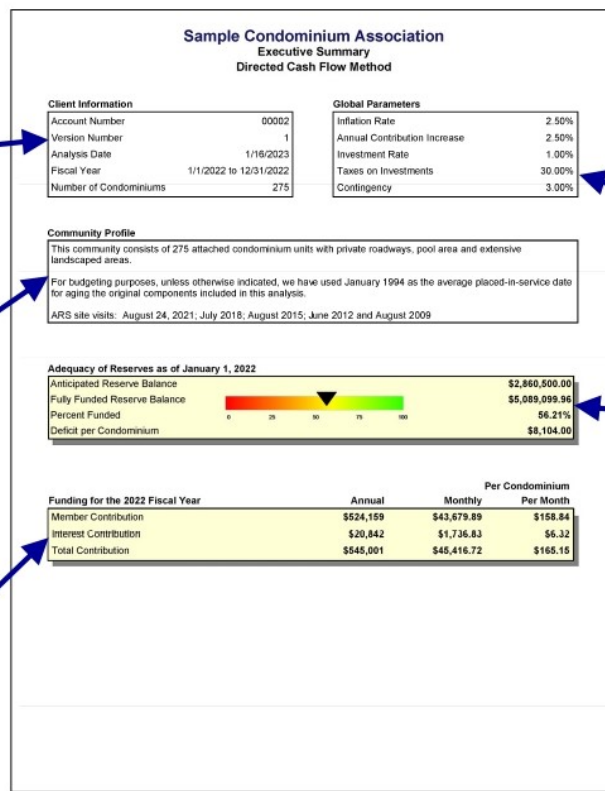
Displays calculation parameters that were used to calculate reserve analysis including inflation, contribution increase, investment rate, tax rate and contingency.

Community Profile

Provides brief description of community as well as other “global” comments.

Budget

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



Adequacy of Reserves

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

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Calculation of Percent Funded

Summary displays all reserve components, shown here in “category” order. Provides remaining life, useful life, current cost and fully funded balance at beginning of fiscal year for which the reserve analysis is 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 Condominium Association
Calculation of Percent Funded
Sorted by Category; Alphabetical**

	Remaining Life	Useful Life	Current Cost	Fully Funded Balance
010 Streets				
Streets - Asphalt, Overlay / Major Rehab	6	24	\$360,300.00	\$321,176.47
Streets - Asphalt, Repair	2	4	\$24,300.00	\$12,100.00
Streets - Asphalt, Seal Coat	2	4	\$14,580.00	\$7,290.00
Streets - Concrete	2	4	\$20,300.00	\$10,000.00
Sub Total	2-6	4-24	\$448,880.00	\$350,616.47
020 Roofs				
Roofs - Rain Gutters	12	40	\$123,785.00	\$66,648.50
Roofs - Tie, Clean & Maintain	0	1	\$37,500.00	\$37,500.00
Roofs - Tie, Replace				
Sub Total				
030 Painting				
Painting - Cabana Interior				
Painting - Red Curbs				
Painting - Stucco				
Painting - Woodwork				
Painting - Wrought Iron, Buildings				
Painting - Wrought Iron, Pool Area				
Sub Total				
040 Fencing, Railing & Walls				
Fencing - Glass Sound Attenuation				
Fencing - Wrought Iron, Pool Area				
Railing & Gates - Wrought Iron, Units				
Walls - Stucco, Repair				
Sub Total				
050 Lighting				
Lighting - Buildings				
Lighting - Landscape				
Lighting - Streets & Walkways				
Sub Total				
060 Pool Area				
Cabana - Ceramic Tile, Interior				
Cabana - Ceramic Tile, Showers				
Cabana - Doors				
Cabana - Plumbing Fixtures%				
Cabana - Restroom Partitions				
Cabana - Water Heater				
Sub Total				

**Sample Condominium Association
Calculation of Percent Funded
Sorted by Category; Alphabetical**

	Remaining Life	Useful Life	Current Cost	Fully Funded Balance
Pool - Filters	2	12	\$4,000.00	\$3,538.48
Pool - Heater	7	12	\$4,750.00	\$1,959.79
Pool - Replaster & Tile	7	10	\$34,387.50	\$9,486.21
Pool Area - Furniture	4	6	\$15,400.00	\$4,529.41
Pool Area - Paver Deck, Repair	17	20	\$20,000.00	\$2,564.10
Pool Area - Wood Patio Covers	7	20	\$15,125.00	\$9,631.25
Spa - Filter	2	10	\$2,000.00	\$1,724.14
Spa - Heater	4	10	\$4,750.00	\$2,850.00
Spa - Replaster & Tile	7	10	\$8,475.00	\$2,337.93
Sub Total	2-17	6-30	\$152,107.50	\$69,326.48
070 Decks				
Decks/Stairs - Clean & Seal	2	4	\$103,868.25	\$45,695.27
Decks/Stairs - Resurface	6	20	\$728,900.00	\$552,196.97
Sub Total	2-6	4-20	\$832,768.25	\$598,092.24
080 Termite Control & Wood Repair				
Termite Control	n.a.	n.a.	\$0.00	\$300,000.00
Wood Repair - Paint Cycle	4	5	\$58,000.00	\$6,444.44
Wood Repair - Shutters	4	20	\$44,900.00	\$39,287.50
Sub Total	4	5-20	\$102,900.00	\$35,731.94
090 Landscape				
Landscape - Irrigation Controllers	7	12	\$24,150.00	\$9,450.00
Landscape - Renovation	0	1	\$17,500.00	\$17,500.00
Sub Total	0-7	1-12	\$41,650.00	\$28,950.00
100 Miscellaneous				
Fire Safety - Control Panels	1	20	\$126,000.00	\$121,655.17
Fire Safety - Extinguisher Cabinets	9	30	\$64,900.00	\$49,113.51
Matboxes	18	20	\$67,000.00	\$8,700.00
Signage	0	20	\$75,000.00	\$75,000.00
Utility Closet Doors	4	20	\$157,100.00	\$137,487.50
Sub Total	0-18	20-30	\$490,000.00	\$389,931.18
Contingency	n.a.	n.a.	n.a.	\$148,226.21
Total	0-18	1-40	\$7,044,161.25	\$6,089,099.96
Anticipated Reserve Balance				\$2,840,800.00
Percent Funded				56.21%

Current Cost

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

Fully Funded Balance

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

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

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Management Summary and Charts

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

Sample Condominium Association Management Summary
Directed Cash Flow Method; Sorted by Category

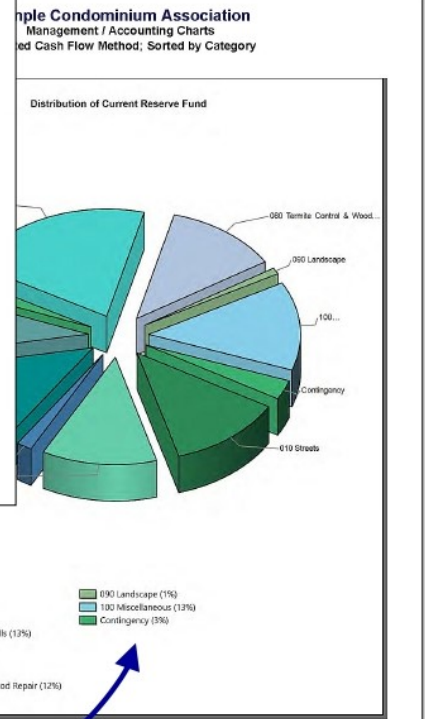
	Balance at Beginning of Year	Monthly Member Contribution	Monthly Interest Contribution	Total Monthly Contribution
010 Streets				
Streets - Asphalt, Overlay / Major Rehab	\$321,178.47	\$1,150.31	\$188.16	\$1,338.46
Streets - Asphalt, Repair	\$42,150.00	\$414.00	\$8.63	\$422.73
Streets - Asphalt, Seal Coat	\$7,200.00	\$248.45	\$5.18	\$253.64
Streets - Concrete	\$10,000.00	\$340.82	\$7.11	\$347.92
Sub Total	\$350,616.47	\$2,153.67	\$209.08	\$2,362.75
020 Roofs				
Roofs - Rain Gutters	\$86,649.50	\$321.53	\$50.81	\$372.34
Roofs - Tile, Clean & Maintain	\$37,500.00	\$2,448.57	\$10.02	\$2,458.59
Roofs - Tile, Replace	\$228,722.83	\$19.25		
Sub Total	\$352,872.33	\$22.05		
030 Painting				
Painting - Cabana Interior	\$94.21	\$1		
Painting - Red Curbs	\$2,557.50	\$8		
Painting - Stucco	\$20,230.79	\$2.85		
Painting - Woodwork	\$19,001.11	\$2.05		
Painting - Wrought Iron, Buildings	\$4,277.78	\$57		
Painting - Wrought Iron, Pool Area	\$670.83	\$4		
Sub Total	\$46,832.22	\$6.19		
040 Fencing, Railing & Walls				
Fencing - Glass Sound Attenuation	\$38,027.03	\$13		
Fencing - Wrought Iron, Pool Area	\$19,456.88	\$68		
Railing & Gates - Wrought Iron, Units	\$298,472.22	\$1.08		
Walls - Stucco, Repair	\$8,368.84	\$2		
Sub Total	\$364,323.97	\$1.31		
050 Lighting				
Lighting - Buildings	\$154,994.23	\$81		
Lighting - Landscape	\$11,340.00	\$12		
Lighting - Streets & Walkways	\$77,437.60	\$27		
Sub Total	\$243,771.73	\$1.21		
060 Pool Area				
Cabana - Ceramic Tile, Interior	\$10,847.94	\$3		
Cabana - Ceramic Tile, Showers	\$6,342.19	\$9		
Cabana - Doors	\$2,030.36	\$1		
Cabana - Plumbing Fixtures%	\$7,404.12	\$2		
Cabana - Restroom Partitions	\$3,609.57	\$2		
Cabana - Water Heater	\$175.00	\$1		

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

Sample Condominium Association Management Summary
Directed Cash Flow Method; Sorted by Category

	Balance at Beginning of Year	Monthly Member Contribution	Monthly Interest Contribution	Total Monthly Contribution
070 Decks				
Decks/Stairs - Clean & Seal	\$45,895.27	\$1,901.90	\$34.24	\$1,936.22
Decks/Stairs - Resurface	\$62,136.97	\$2,641.42	\$326.21	\$2,967.63
Sub Total	\$98,032.24	\$4,603.40	\$360.45	\$4,963.85
080 Termite Control & Wood Repair				
Termite Control	\$300,000.00	\$0.00	\$171.35	\$171.35
Wood Repair - Paint Cycle	\$6,444.44	\$871.43	\$7.25	\$878.68
Wood Repair - Shutters	\$39,287.50	\$139.06	\$23.01	\$162.06
Sub Total	\$345,731.94	\$1,010.48	\$201.61	\$1,212.09
090 Landscape				
Landscape - Irrigation Controllers	\$9,450.00	\$155.33	\$6.03	\$161.36
Landscape - Renovation	\$17,800.00	\$1,142.95	\$4.67	\$1,147.34
Sub Total	\$26,650.00	\$1,297.99	\$10.71	\$1,308.70
100 Miscellaneous				
Fire Safety - Control Panels	\$121,656.17	\$423.02	\$71.22	\$494.24
Fire Safety - Extinguisher Cabinets	\$48,113.51	\$179.05	\$28.79	\$207.83
Mailboxes	\$0.00	\$281.30	\$1.15	\$282.45
Signage	\$75,000.00	\$288.18	\$1.18	\$289.36
Utility Closet Doors	\$137,462.50	\$495.94	\$80.51	\$567.05
Sub Total	\$382,231.19	\$1,668.08	\$182.84	\$1,849.92
Contingency	\$83,315.33	\$1,272.23	\$52.79	\$1,325.02
Total	\$2,860,500.30	\$43,679.89	\$1,736.83	\$45,416.72

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



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

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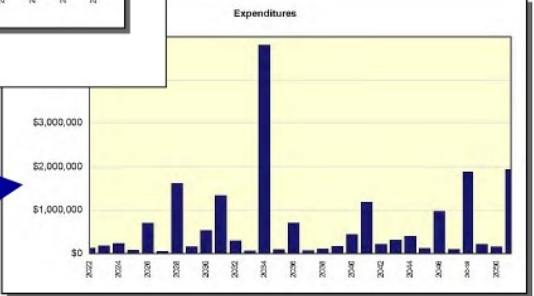
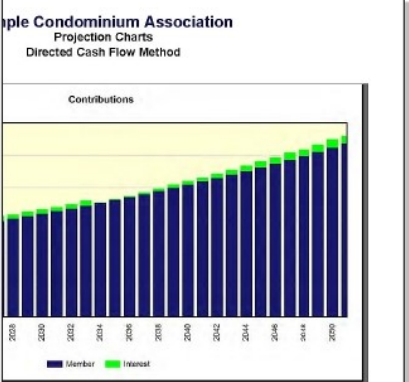
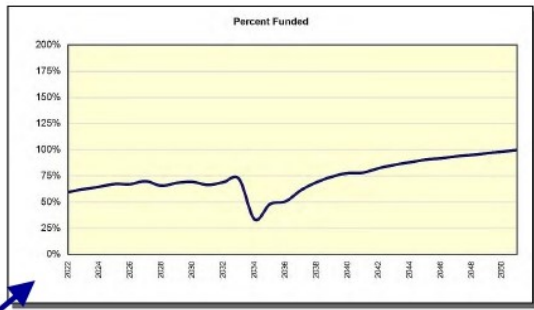
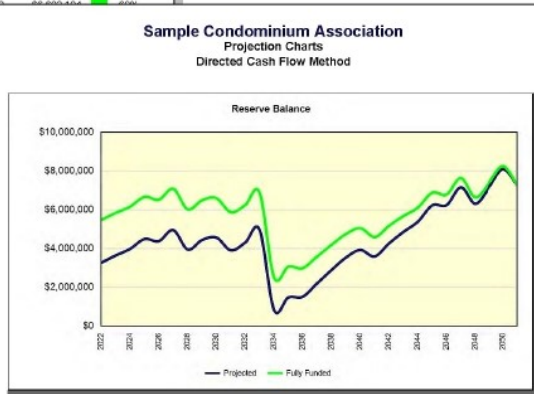
Projections and Charts

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

Sample Condominium Association Projections Directed Cash Flow Method							
Fiscal Year	Beginning Balance	Member Contribution	Interest Contribution	Expenses	Ending Balance	Fully Funded Balance	Percent Funded
2022	\$2,860,500	\$524,159	\$20,842	\$132,558	\$3,272,943	\$5,483,426	60%
2023	\$3,272,943	\$537,263	\$23,408	\$185,525	\$3,648,089	\$5,844,082	62%
2024	\$3,648,089	\$550,694	\$26,719	\$237,782	\$3,966,740	\$6,166,025	65%
2025	\$3,966,740	\$564,482	\$29,203	\$86,653	\$4,493,762	\$6,686,405	67%
2026	\$4,493,762	\$578,573	\$28,443	\$708,377	\$4,392,391	\$6,531,322	67%
2027	\$4,392,391	\$593,037	\$32,315	\$62,227	\$4,955,515	\$7,086,290	70%
2028	\$4,955,515	\$607,863	\$26,318	\$1,028,558	\$3,960,138	\$6,027,958	68%
2029	\$3,960,138	\$623,060	\$28,629	\$108,680	\$4,443,167	\$6,496,358	68%
2030	\$4,443,167	\$638,636	\$29,479	\$537,690	\$4,302,592	\$6,388,444	69%
2031	\$4,302,592	\$654,602	\$24,850	\$1,334,626	\$3,317,318	\$5,483,426	69%
2032	\$3,317,318	\$670,967	\$27,555	\$301,723	\$4,316,013	\$6,496,358	70%
2033	\$4,316,013	\$687,742	\$32,008	\$72,165	\$4,903,600	\$7,509,270	72%
2034	\$4,903,600	\$704,935	\$3,259	\$4,821,403	\$6,729,387	\$9,022,182	75%
2035	\$6,729,387	\$722,559	\$7,600	\$98,150	\$7,551,396	\$10,035,094	75%
2036	\$7,551,396	\$740,623	\$7,798	\$710,165	\$7,579,541	\$10,047,909	76%
2037	\$7,579,541	\$759,138	\$12,554	\$79,656	\$8,311,528	\$11,060,821	75%
2038	\$8,311,528	\$778,117	\$17,274	\$108,305	\$9,192,614	\$12,073,733	76%
2039	\$9,192,614	\$797,569	\$21,663	\$179,342	\$10,182,444	\$13,086,645	77%
2040	\$10,182,444	\$817,509	\$24,333	\$448,099	\$10,543,887	\$14,099,557	75%
2041	\$10,543,887	\$837,946	\$21,842	\$1,101,590	\$9,279,685	\$13,112,469	71%
2042	\$9,279,685	\$858,895	\$26,523	\$217,211	\$10,341,688	\$14,125,381	73%
2043	\$10,341,688	\$880,367	\$30,606	\$313,830	\$11,328,821	\$15,138,293	75%
2044	\$11,328,821	\$902,377	\$34,200	\$409,227	\$12,341,961	\$16,151,205	76%
2045	\$12,341,961	\$924,936	\$39,968	\$125,640	\$13,381,165	\$17,164,117	78%
2046	\$13,381,165	\$948,059	\$39,966	\$972,832	\$12,336,350	\$16,167,029	76%
2047	\$12,336,350	\$971,761	\$46,285	\$101,967	\$13,354,429	\$17,180,941	77%
2048	\$13,354,429	\$996,055	\$40,299	\$1,881,629	\$11,508,144	\$15,183,853	76%
2049	\$11,508,144	\$1,020,956	\$46,111	\$220,077	\$12,355,024	\$16,196,765	76%
2050	\$12,355,024	\$1,046,480	\$52,534	\$164,158	\$13,490,870	\$17,209,677	78%
2051	\$13,490,870	\$1,072,642	\$46,633	\$1,951,295	\$11,568,840	\$15,222,589	77%

Format makes numbers as easy to read and understand as possible. Color-coded bar indicates reserve fund status:

Green	Good	> 65%
Yellow	Fair	40% - 65%
Red	Poor	< 40%



Charts
Show graphically reserve funding plan through time.

The Overlook at FireRock

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.


Sample Condominium Association
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Streets - Asphalt, Seal Coat

Category	010 Streets	Quantity	162,000 sq. ft.
		Unit Cost	\$0.09
		% of Replacement	100.00%
		Current Cost	\$14,580.00
		Future Cost	\$15,318.11

Placed In Service: 01/2020
Useful Life: 4
Remaining Life: 2
Replacement Year: 2024

Assigned Reserves at FYB: \$7,290.00
Monthly Member Contribution: \$248.45
Monthly Interest Contribution: \$5.18
Total Monthly Contribution: \$253.64



The association repaired, seal coated and restriped the asphalt throughout the community in Summer 2015 for a total cost of \$1,565,000. The association repaired, seal coated (2 coats) and restriped the asphalt throughout the community during 2015 for an unknown cost. The association repaired, seal coated and restriped the asphalt throughout the community in October 2019 for a total cost of \$8,736 and restriped at \$3,482.

The current cost used for this component is based on actual expenditures incurred and adjusted for inflation where applicable.

For budgeting purposes, we have used the next fiscal year's beginning date as the component's beginning date.

Asphalt surfaces should be seal coated on a 3 to 4 year cycle.


Sample Condominium Association
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Painting - Stucco

Category	030 Painting	Quantity	325,750 sq. ft.
		Unit Cost	\$1.18
		% of Replacement	100.00%
		Current Cost	\$384,385.00
		Future Cost	\$480,044.19

Placed In Service: 07/2021
Useful Life: 10
Remaining Life: 9
Replacement Year: 2031

Assigned Reserves at FYB: \$20,230.79
Monthly Member Contribution: \$2,855.92
Monthly Interest Contribution: \$23.24
Total Monthly Contribution: \$2,879.16



The association painted the entire community (stucco, woodwork, wrought iron and total cost of \$306,000. The association painted the entire community (stucco, woodwork, wrought iron and total cost of \$400,000. The association painted the entire community (stucco, woodwork, wrought iron and total cost of \$1,565,000. The association painted the entire community (stucco, woodwork, wrought iron and the cabana interior) in Summer 2021 for a total cost of \$1,565,000.

The current cost used for this component is based on actual expenditures incurred and adjusted for inflation where applicable.

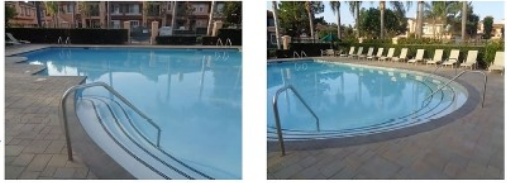
Sample Condominium Association
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Pool - Replaster & Tile

Category	060 Pool Area	Quantity	1 pool
		Unit Cost	\$34,387.50
		% of Replacement	100.00%
		Current Cost	\$34,387.50
		Future Cost	\$40,875.93

Placed In Service: 05/2019
Useful Life: 10
Remaining Life: 7
Replacement Year: 2029

Assigned Reserves at FYB: \$9,465.21
Monthly Member Contribution: \$255.65
Monthly Interest Contribution: \$6.48
Total Monthly Contribution: \$262.11



2,125 sq. ft. of replastering	@	\$13.90	=	\$28,687.50
180 lin. ft. of waterline/tim tile	@	\$17.50	=	\$3,150.00
170 lin. ft. of step/bench tile	@	\$15.00	=	\$2,550.00
		TOTAL	=	\$34,387.50

The association replastered the pool during 2006 for a total cost of \$22,174. The association replastered the pool and spa, replaced the pool and spa lighting (with LED lights) and replaced the mosaic material at the pool area in March 2011 for a total cost of \$41,541. The association replastered the pool and spa in May 2019 for a total cost of \$35,443.

Comments
Useful information from site observations and historical expenses included here.

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

The Overlook at FireRock

Preface

◆ ◆ ◆ ◆ GLOSSARY OF KEY TERMS ◆ ◆ ◆ ◆

Anticipated Reserve Balance (or Reserve Funds)

Amount of money, as of a certain point in time, held by 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)

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

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.

Component Calculation Method

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

Contingency Parameter

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

Contribution Increase Parameter

Rate used in calculation of 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 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.

Current Replacement Cost

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

Directed 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.

Fiscal Year

Budget year for association for which reserve analysis is prepared. Fiscal year beginning (FYB) is first day of budget year; fiscal year end (FYE) is last day of budget year.

Fully Funded Reserve Balance

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:

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

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 com-

The Overlook at FireRock

Preface

ponents it maintains, based on each component's current replacement cost, age and useful life.

Future Replacement Cost

Amount of money, as of 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

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

Inflation Parameter

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

Interest Contribution

Amount of money contributed to reserve fund by interest earned on reserve fund and member contributions.

Investment Rate Parameter

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

Membership Contribution

Amount of money contributed to reserve fund by association's membership.

Minimum 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.

Monthly Contribution (and "Fixed" Monthly Contribution)

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

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)

Number of units for which reserve analysis is prepared. In "phased" developments, this number represents the number of units, and corresponding common area components, that exist as of a certain point in time.

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

One-Time Replacement

Used for components that will be budgeted for only once.

Percent Funded

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

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

The Overlook at FireRock

Preface

Reserve fund health:

Green	Good	> 65%
Yellow	Fair	40% to 65%
Red	Poor	< 40%

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

Percentage of Replacement

Percentage of reserve component that is expected to be replaced.

For most reserve components, this percentage is 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%. Another example would be a component where partial replacement is expected, such as interior doors.

Placed-In-Service Date

Date (month and year) that a reserve component was originally put into service or last replaced.

Remaining Life

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

Remaining Life Adjustment

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

If 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, 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, useful life should remain at 4 years and a remaining life adjustment of +1 year should be used.

Replacement Year

Fiscal year that a reserve component is scheduled to be replaced.

Reserve Components

Line items included in the reserve analysis.

Taxes on Investments Parameter

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

Total Contribution

Sum of membership contribution and interest contribution.

Useful Life

Length of time, in years, that a reserve component is expected to last each time it is replaced. See also "remaining life adjustment."

The Overlook at FireRock

Preface

◆ ◆ ◆ ◆ 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.

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, climate change, 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 reserve components.

The Overlook at FireRock

Executive Summary

Directed Cash Flow Method

Client Information

Account Number	5594
Version Number	001
Analysis Date	6/5/2023
Fiscal Year	1/1/2023 to 12/31/2023
Number of Property	1

Global Parameters

Inflation Rate	3.00%
Annual Contribution Increase	0.00%
Investment Rate	0.00%
Taxes on Investments	0.00%
Contingency	0.00%

Community Profile

This community was built between late 2016 & 2021. Refer to the Component Detail section for the dates used to age the components examined in this analysis. Please note that this reserve study has been calculated using "1 Property" given that there are multiple sources of reserve income in 2023, as mentioned below.

The January 1, 2023 reserve balance is \$301,559.40.

The client's 2023 budgeted reserve contribution is \$74,316 (\$6,193 per month), and they anticipate collecting \$3,360 worth of reserve resale income, plus approximately \$8,000 in interest earnings, for a total 2023 reserve contribution amount of \$85,676.

REPORTS: 2023.

Adequacy of Reserves as of January 1, 2023

Anticipated Reserve Balance		\$301,559.40
Fully Funded Reserve Balance		\$236,807.64
Percent Funded	0 25 50 75 100	127.34%

Funding for the 2023 Fiscal Year

	Annual
Member Contribution	\$85,676
Interest Contribution	\$0
Total Contribution	\$85,676

The Overlook at FireRock
Distribution of Current Reserve Funds
Sorted by Remaining Life; Alphabetical

	Remaining Life	Fully Funded Balance	Assigned Reserves
Streets: Crack Seal, Repair & Seal Coat (2023)	0	\$19,167.00	\$19,167.00
Buildings: Termite Treatment (Phase 2)	1	\$4,760.00	\$5,950.00
Grounds: Miscellaneous Items	1	\$2,000.00	\$4,000.00
Grounds: Irrigation Backflow Rebuild (#1)	2	\$750.00	\$1,000.00
Grounds: Irrigation Controllers Rebuild (Zone 1)	2	\$3,150.00	\$4,200.00
Paint: Group 1 Buildings	2	\$37,857.14	\$53,000.00
Buildings: Termite Treatment (Phase 3)	3	\$2,720.00	\$6,800.00
Grounds: Irrigation Backflow Rebuild (#2)	3	\$625.00	\$1,000.00
Grounds: Irrigation Controllers Rebuild (Zone 2)	3	\$2,843.75	\$4,550.00
Paint: Group 2 Buildings	3	\$29,142.86	\$51,000.00
Buildings: Termite Treatment (Phase 1)	4	\$2,890.00	\$14,450.00
Grounds: Irrigation Backflow Rebuild (#3)	4	\$500.00	\$1,000.00
Grounds: Irrigation Controllers Rebuild (Zone 3)	4	\$2,100.00	\$4,200.00
Paint: Group 3 Buildings	4	\$22,285.71	\$22,285.71
Streets: Crack Seal & HA5 Application	4	\$0.00	\$2,940.51
Grounds: Irrigation Controllers Rebuild (Zone 4)	5	\$1,706.25	\$1,706.25
Paint: Group 4 Buildings	5	\$14,571.43	\$14,571.43
Roofs: Group 1 Buildings (Recoat)	5	\$31,901.00	\$31,901.00
Roofs: Group 2 Buildings (Recoat)	6	\$24,434.00	\$24,434.00
Roofs: Group 3 Buildings (Recoat)	7	\$18,211.50	\$18,211.50
Roofs: Group 4 Buildings (Recoat)	8	\$12,312.00	\$12,312.00
Streets: Crack Seal	8	\$0.00	\$0.00
Grounds: Mailboxes (Wall Mounted)	19	\$2,880.00	\$2,880.00
Streets: Patching/Repairs/Replacement	25	\$0.00	\$0.00
Grounds: Irrigation System Replacement (Unfunded)	n.a.	\$0.00	\$0.00
Roofs: Metal (Unfunded)	n.a.	\$0.00	\$0.00
Contingency	n.a.	\$0.00	\$0.00
Total	0-25	\$236,807.64	\$301,559.40
Percent Funded			127.34%

The Overlook at FireRock

Projections

Directed Cash Flow Method

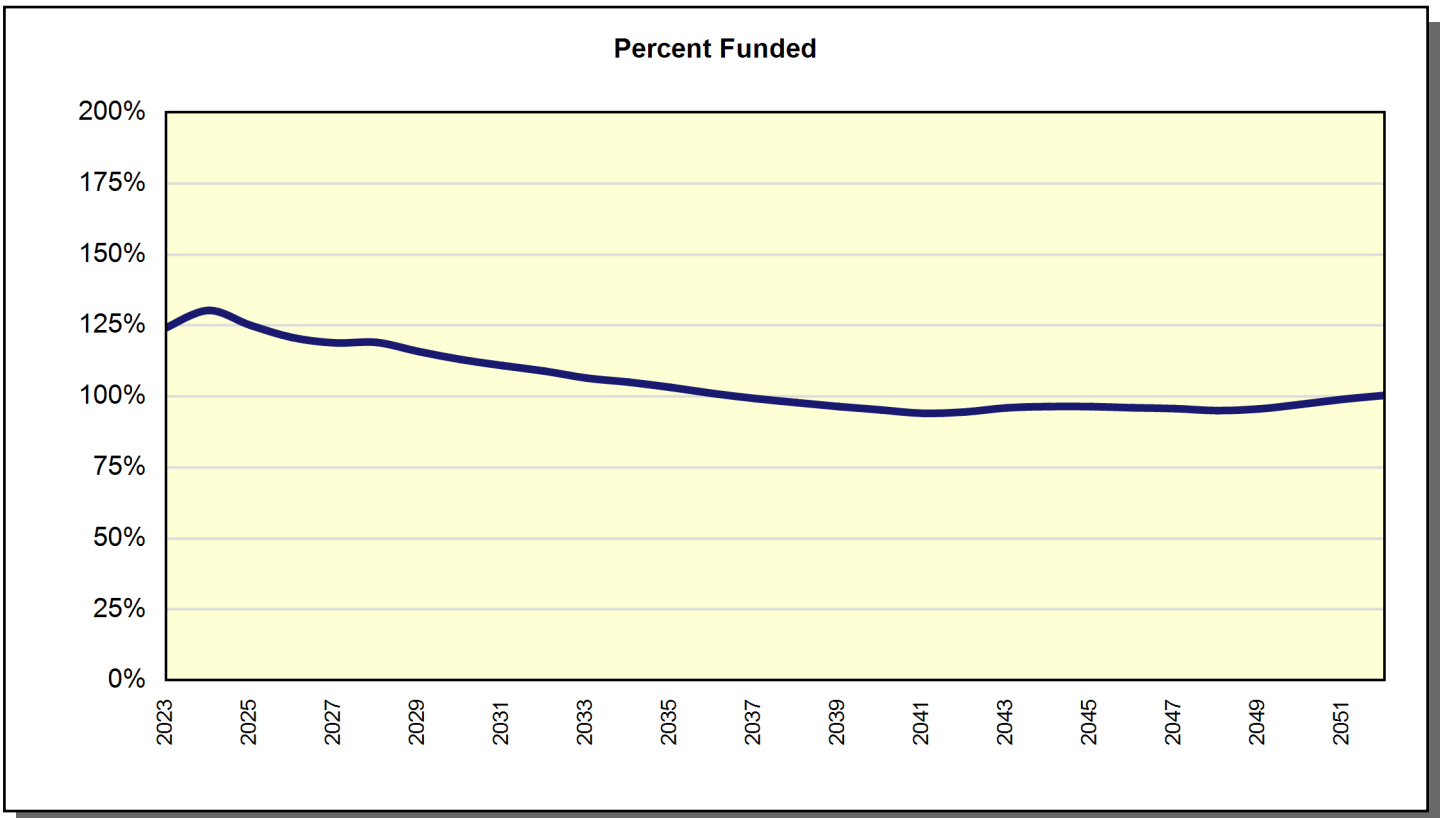
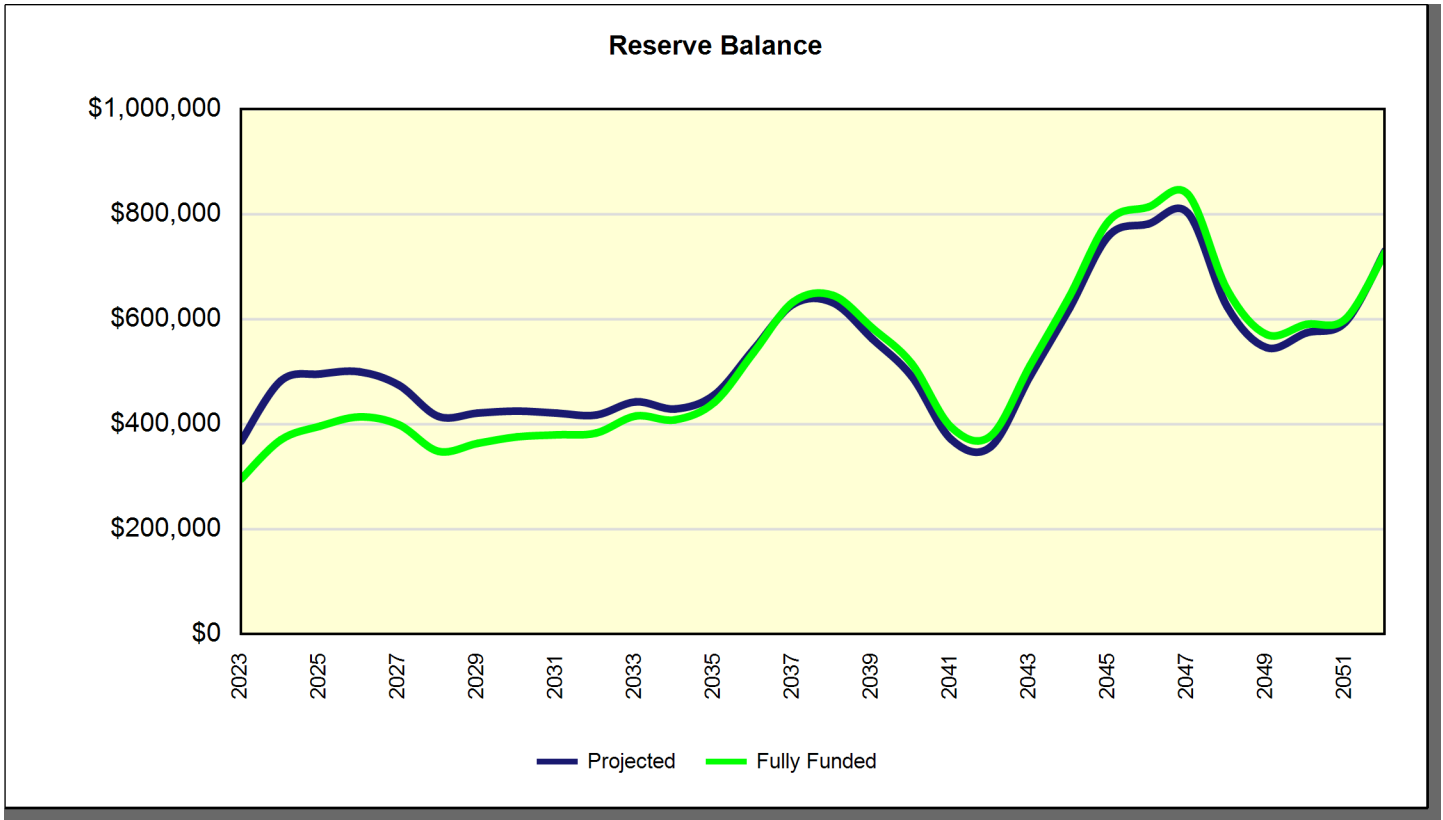
Fiscal Year	Beginning Balance	Member Contribution	Interest Contribution	Expenses	Ending Balance	Fully Funded Balance	Percent Funded
2023	\$301,559	\$85,676	\$0	\$19,167	\$368,068	\$296,163	124%
2024	\$368,068	\$125,000	\$0	\$10,249	\$482,820	\$370,459	130%
2025	\$482,820	\$75,000	\$0	\$61,744	\$496,076	\$396,647	125%
2026	\$496,076	\$77,730	\$0	\$73,595	\$500,210	\$414,244	121%
2027	\$500,210	\$80,559	\$0	\$106,071	\$474,699	\$399,297	119%
2028	\$474,699	\$83,492	\$0	\$142,999	\$415,192	\$348,731	119%
2029	\$415,192	\$86,531	\$0	\$80,043	\$421,679	\$364,033	116%
2030	\$421,679	\$89,681	\$0	\$85,974	\$425,386	\$376,305	113%
2031	\$425,386	\$92,945	\$0	\$96,794	\$421,537	\$380,147	111%
2032	\$421,537	\$96,328	\$0	\$100,011	\$417,854	\$383,560	109%
2033	\$417,854	\$99,834	\$0	\$74,655	\$443,034	\$416,042	106%
2034	\$443,034	\$103,468	\$0	\$117,027	\$429,476	\$408,791	105%
2035	\$429,476	\$107,235	\$0	\$80,128	\$456,583	\$442,354	103%
2036	\$456,583	\$111,138	\$0	\$24,011	\$543,710	\$537,838	101%
2037	\$543,710	\$115,183	\$0	\$29,722	\$629,171	\$633,512	99%
2038	\$629,171	\$119,376	\$0	\$116,617	\$631,930	\$645,860	98%
2039	\$631,930	\$123,721	\$0	\$192,621	\$563,031	\$583,697	96%
2040	\$563,031	\$128,225	\$0	\$199,838	\$491,418	\$515,743	95%
2041	\$491,418	\$132,892	\$0	\$252,816	\$371,495	\$394,794	94%
2042	\$371,495	\$137,730	\$0	\$151,941	\$357,283	\$377,835	95%
2043	\$357,283	\$142,743	\$0	\$8,218	\$491,808	\$512,235	96%
2044	\$491,808	\$147,939	\$0	\$18,510	\$621,237	\$644,011	96%
2045	\$621,237	\$153,324	\$0	\$14,754	\$759,807	\$787,673	96%
2046	\$759,807	\$158,905	\$0	\$136,868	\$781,843	\$814,054	96%
2047	\$781,843	\$164,689	\$0	\$143,617	\$802,915	\$838,587	96%
2048	\$802,915	\$170,684	\$0	\$349,738	\$623,860	\$656,304	95%
2049	\$623,860	\$176,896	\$0	\$254,553	\$546,204	\$571,178	96%
2050	\$546,204	\$183,335	\$0	\$155,279	\$574,260	\$590,471	97%
2051	\$574,260	\$190,009	\$0	\$169,101	\$595,168	\$600,969	99%
2052	\$595,168	\$196,925	\$0	\$61,624	\$730,469	\$727,492	100%

The composition of the 2023 reserve contribution is described on the Executive Summary Page (Page 1). The 2024 & 2025 reserve contributions are \$75,000, as requested by the client. However, the 2024 reserve contribution includes a \$50,000 contribution that will be received from the developer as a reimbursement. Based on the reserve schedule of expenses outlined in this report, we have incorporated a 3.64% annual contribution increase beginning in 2026. Beginning in 2024, all interest earned & resale reserve income collected, will be used to offset increases to annual operating expenses.

The Overlook at FireRock

Projection Charts

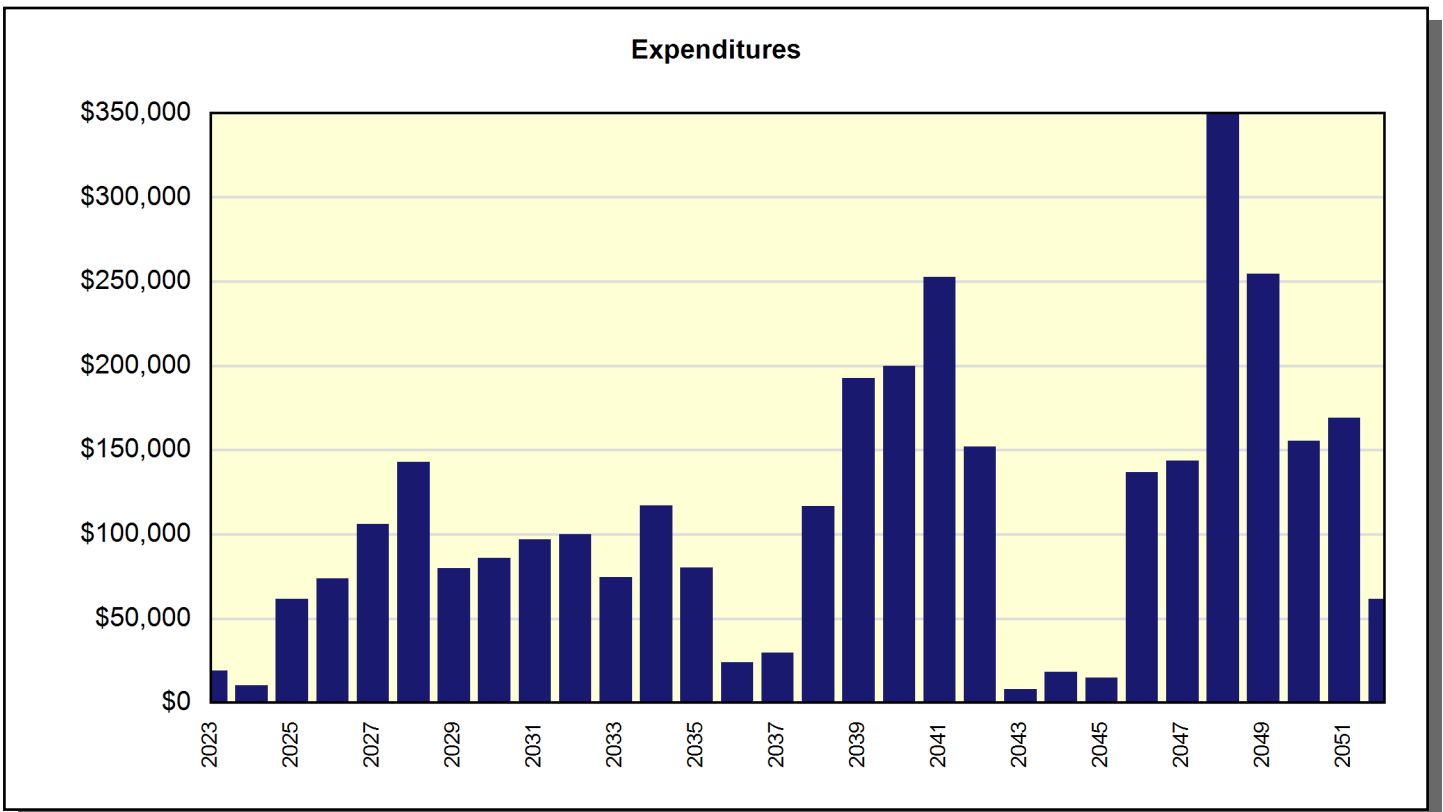
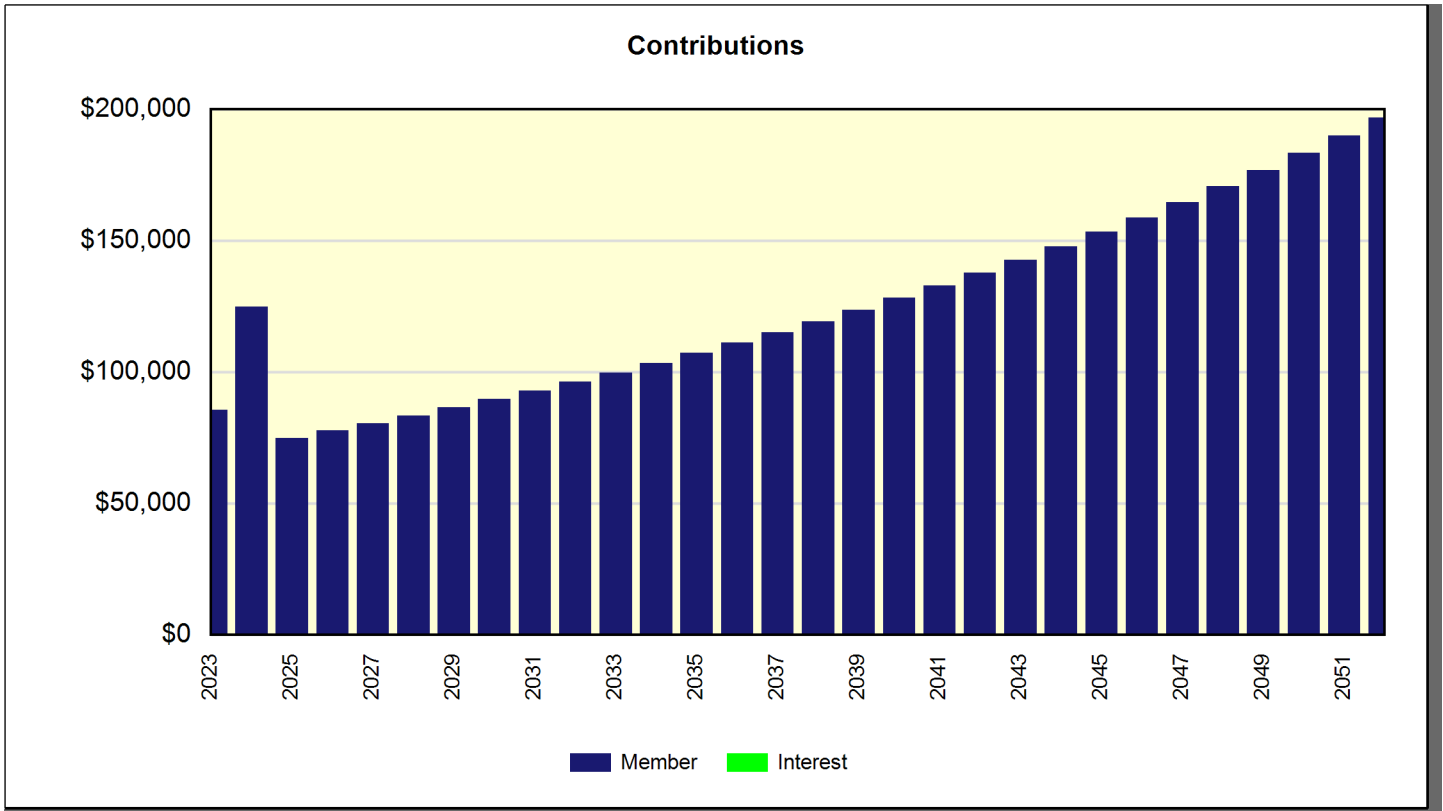
Directed Cash Flow Method



The Overlook at FireRock

Projection Charts

Directed Cash Flow Method



The Overlook at FireRock

Annual Expenditures

Sorted by Alphabetical

2023 Fiscal Year

Streets: Crack Seal, Repair & Seal Coat (2023)	\$19,167.00
Sub Total	\$19,167.00

2024 Fiscal Year

Buildings: Termite Treatment (Phase 2)	\$6,128.50
Grounds: Miscellaneous Items	\$4,120.00
Sub Total	\$10,248.50

2025 Fiscal Year

Grounds: Irrigation Backflow Rebuild (#1)	\$1,060.90
Grounds: Irrigation Controllers Rebuild (Zone 1)	\$4,455.78
Paint: Group 1 Buildings	\$56,227.70
Sub Total	\$61,744.38

2026 Fiscal Year

Buildings: Termite Treatment (Phase 3)	\$7,430.54
Grounds: Irrigation Backflow Rebuild (#2)	\$1,092.73
Grounds: Irrigation Controllers Rebuild (Zone 2)	\$4,971.91
Grounds: Miscellaneous Items	\$4,370.91
Paint: Group 2 Buildings	\$55,729.08
Sub Total	\$73,595.16

2027 Fiscal Year

Buildings: Termite Treatment (Phase 1)	\$16,263.60
Grounds: Irrigation Backflow Rebuild (#3)	\$1,125.51
Grounds: Irrigation Controllers Rebuild (Zone 3)	\$4,727.14
Paint: Group 3 Buildings	\$58,526.46
Streets: Crack Seal & HA5 Application	\$25,428.06
Sub Total	\$106,070.76

2028 Fiscal Year

Grounds: Irrigation Controllers Rebuild (Zone 4)	\$5,274.70
Grounds: Miscellaneous Items	\$4,637.10
Paint: Group 4 Buildings	\$59,122.98
Roofs: Group 1 Buildings (Recoat)	\$73,964.00
Sub Total	\$142,998.78

2029 Fiscal Year

Buildings: Termite Treatment (Phase 2)	\$7,104.61
Roofs: Group 2 Buildings (Recoat)	\$72,938.68

The Overlook at FireRock

Annual Expenditures

Sorted by Alphabetical

Sub Total	\$80,043.30
 <u>2030 Fiscal Year</u>	
Grounds: Irrigation Backflow Rebuild (#1)	\$1,229.87
Grounds: Irrigation Controllers Rebuild (Zone 1)	\$5,165.47
Grounds: Miscellaneous Items	\$4,919.50
Roofs: Group 3 Buildings (Recoat)	\$74,659.49
Sub Total	\$85,974.33
 <u>2031 Fiscal Year</u>	
Buildings: Termite Treatment (Phase 3)	\$8,614.04
Grounds: Irrigation Backflow Rebuild (#2)	\$1,266.77
Grounds: Irrigation Controllers Rebuild (Zone 2)	\$5,763.80
Roofs: Group 4 Buildings (Recoat)	\$77,982.37
Streets: Crack Seal	\$3,166.93
Sub Total	\$96,793.90
 <u>2032 Fiscal Year</u>	
Buildings: Termite Treatment (Phase 1)	\$18,853.97
Grounds: Irrigation Backflow Rebuild (#3)	\$1,304.77
Grounds: Irrigation Controllers Rebuild (Zone 3)	\$5,480.05
Grounds: Miscellaneous Items	\$5,219.09
Paint: Group 1 Buildings	\$69,152.98
Sub Total	\$100,010.86
 <u>2033 Fiscal Year</u>	
Grounds: Irrigation Controllers Rebuild (Zone 4)	\$6,114.82
Paint: Group 2 Buildings	\$68,539.74
Sub Total	\$74,654.55
 <u>2034 Fiscal Year</u>	
Buildings: Termite Treatment (Phase 2)	\$8,236.19
Grounds: Miscellaneous Items	\$5,536.94
Paint: Group 3 Buildings	\$71,980.16
Streets: Crack Seal & HA5 Application	\$31,273.30
Sub Total	\$117,026.59
 <u>2035 Fiscal Year</u>	
Grounds: Irrigation Backflow Rebuild (#1)	\$1,425.76
Grounds: Irrigation Controllers Rebuild (Zone 1)	\$5,988.20
Paint: Group 4 Buildings	\$72,713.81

The Overlook at FireRock

Annual Expenditures

Sorted by Alphabetical

Sub Total	\$80,127.76
<u>2036 Fiscal Year</u>	
Buildings: Termite Treatment (Phase 3)	\$9,986.03
Grounds: Irrigation Backflow Rebuild (#2)	\$1,468.53
Grounds: Irrigation Controllers Rebuild (Zone 2)	\$6,681.83
Grounds: Miscellaneous Items	\$5,874.13
Sub Total	\$24,010.53
<u>2037 Fiscal Year</u>	
Buildings: Termite Treatment (Phase 1)	\$21,856.92
Grounds: Irrigation Backflow Rebuild (#3)	\$1,512.59
Grounds: Irrigation Controllers Rebuild (Zone 3)	\$6,352.88
Sub Total	\$29,722.39
<u>2038 Fiscal Year</u>	
Grounds: Irrigation Controllers Rebuild (Zone 4)	\$7,088.75
Grounds: Miscellaneous Items	\$6,231.87
Roofs: Group 1 Buildings (Recoat)	\$99,401.44
Streets: Crack Seal	\$3,894.92
Sub Total	\$116,616.98
<u>2039 Fiscal Year</u>	
Buildings: Termite Treatment (Phase 2)	\$9,548.00
Paint: Group 1 Buildings	\$85,049.44
Roofs: Group 2 Buildings (Recoat)	\$98,023.49
Sub Total	\$192,620.94
<u>2040 Fiscal Year</u>	
Grounds: Irrigation Backflow Rebuild (#1)	\$1,652.85
Grounds: Irrigation Controllers Rebuild (Zone 1)	\$6,941.96
Grounds: Miscellaneous Items	\$6,611.39
Paint: Group 2 Buildings	\$84,295.23
Roofs: Group 3 Buildings (Recoat)	\$100,336.12
Sub Total	\$199,837.54
<u>2041 Fiscal Year</u>	
Buildings: Termite Treatment (Phase 3)	\$11,576.54
Grounds: Irrigation Backflow Rebuild (#2)	\$1,702.43
Grounds: Irrigation Controllers Rebuild (Zone 2)	\$7,746.07
Paint: Group 3 Buildings	\$88,526.52
Roofs: Group 4 Buildings (Recoat)	\$104,801.78
Streets: Crack Seal & HA5 Application	\$38,462.22

The Overlook at FireRock

Annual Expenditures

Sorted by Alphabetical

Sub Total	\$252,815.57
<u>2042 Fiscal Year</u>	
Buildings: Termite Treatment (Phase 1)	\$25,338.16
Grounds: Irrigation Backflow Rebuild (#3)	\$1,753.51
Grounds: Irrigation Controllers Rebuild (Zone 3)	\$7,364.73
Grounds: Mailboxes (Wall Mounted)	\$21,042.07
Grounds: Miscellaneous Items	\$7,014.02
Paint: Group 4 Buildings	\$89,428.81
Sub Total	\$151,941.30
<u>2043 Fiscal Year</u>	
Grounds: Irrigation Controllers Rebuild (Zone 4)	\$8,217.81
Sub Total	\$8,217.81
<u>2044 Fiscal Year</u>	
Buildings: Termite Treatment (Phase 2)	\$11,068.75
Grounds: Miscellaneous Items	\$7,441.18
Sub Total	\$18,509.93
<u>2045 Fiscal Year</u>	
Grounds: Irrigation Backflow Rebuild (#1)	\$1,916.10
Grounds: Irrigation Controllers Rebuild (Zone 1)	\$8,047.63
Streets: Crack Seal	\$4,790.26
Sub Total	\$14,754.00
<u>2046 Fiscal Year</u>	
Buildings: Termite Treatment (Phase 3)	\$13,420.39
Grounds: Irrigation Backflow Rebuild (#2)	\$1,973.59
Grounds: Irrigation Controllers Rebuild (Zone 2)	\$8,979.82
Grounds: Miscellaneous Items	\$7,894.35
Paint: Group 1 Buildings	\$104,600.09
Sub Total	\$136,868.22
<u>2047 Fiscal Year</u>	
Buildings: Termite Treatment (Phase 1)	\$29,373.87
Grounds: Irrigation Backflow Rebuild (#3)	\$2,032.79
Grounds: Irrigation Controllers Rebuild (Zone 3)	\$8,537.74
Paint: Group 2 Buildings	\$103,672.50
Sub Total	\$143,616.90
<u>2048 Fiscal Year</u>	

The Overlook at FireRock

Annual Expenditures

Sorted by Alphabetical

Grounds: Irrigation Controllers Rebuild (Zone 4)	\$9,526.69
Grounds: Miscellaneous Items	\$8,375.11
Paint: Group 3 Buildings	\$108,876.45
Roofs: Group 1 Buildings (Recoat)	\$133,587.22
Streets: Crack Seal & HA5 Application	\$47,303.68
Streets: Patching/Repairs/Replacement	\$42,069.23
Sub Total	\$349,738.38

2049 Fiscal Year

Buildings: Termite Treatment (Phase 2)	\$12,831.72
Paint: Group 4 Buildings	\$109,986.15
Roofs: Group 2 Buildings (Recoat)	\$131,735.38
Sub Total	\$254,553.25

2050 Fiscal Year

Grounds: Irrigation Backflow Rebuild (#1)	\$2,221.29
Grounds: Irrigation Controllers Rebuild (Zone 1)	\$9,329.41
Grounds: Miscellaneous Items	\$8,885.16
Roofs: Group 3 Buildings (Recoat)	\$134,843.35
Sub Total	\$155,279.21

2051 Fiscal Year

Buildings: Termite Treatment (Phase 3)	\$15,557.91
Grounds: Irrigation Backflow Rebuild (#2)	\$2,287.93
Grounds: Irrigation Controllers Rebuild (Zone 2)	\$10,410.07
Roofs: Group 4 Buildings (Recoat)	\$140,844.83
Sub Total	\$169,100.73

2052 Fiscal Year

Buildings: Termite Treatment (Phase 1)	\$34,052.37
Grounds: Irrigation Backflow Rebuild (#3)	\$2,356.57
Grounds: Irrigation Controllers Rebuild (Zone 3)	\$9,897.58
Grounds: Miscellaneous Items	\$9,426.26
Streets: Crack Seal	\$5,891.41
Sub Total	\$61,624.19

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Streets: Crack Seal, Repair & Seal Coat (2023)

Category	010 Streets	Quantity	1 total
		Unit Cost	\$19,167.00
		% of Replacement	100.00%
		Current Cost	\$19,167.00
Placed In Service	01/2018	Future Cost	
Useful Life	5		
		Assigned Reserves at FYB	\$19,167.00
Remaining Life	0	Monthly Member Contribution	\$0.00
Replacement Year	2023	Monthly Interest Contribution	\$0.00
	One-Time Replacement	Total Monthly Contribution	\$0.00

This component is a one time expense in 2023 to account for the crack seal, repair & seal coat project completed by Sunland Asphalt at a cost of \$19,167.

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Streets: Crack Seal

Category	010 Streets	Quantity	1 total
		Unit Cost	\$2,500.00
		% of Replacement	100.00%
		Current Cost	\$2,500.00
Placed In Service	01/2027	Future Cost	\$3,166.93
Useful Life	7		
Adjustment	-3	Assigned Reserves at FYB	\$0.00
Remaining Life	8	Monthly Member Contribution	\$43.65
Replacement Year	2031	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$43.65

This component includes a provision for crack sealing every 4th year after each crack sealing & HA5 application cycle.

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Streets: Crack Seal & HA5 Application

Category	010 Streets	Quantity	1 total
		Unit Cost	\$22,592.50
		% of Replacement	100.00%
		Current Cost	\$22,592.50
Placed In Service	04/2023	Future Cost	\$25,428.06
Useful Life	7		
Adjustment	-3	Assigned Reserves at FYB	\$2,940.51
Remaining Life	4	Monthly Member Contribution	\$619.85
Replacement Year	2027	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$619.85

Historical Expenditures:

2018: streets were seal coated

2023: streets were repaired, crack sealed & seal coated (PMM) by Sunland Asphalt (\$19,167)

As directed by the client, this component budgets to crack seal & apply Holbrook Asphalt's High Density Mineral Bond (HA5) product in 2027, and then on a seven (7) year cycle.

1 crack seal provision	@	\$2,500.00	=	\$2,500.00
66,975 sq. ft. of HA5 application	@	\$0.30	=	\$20,092.50
		TOTAL	=	<u>\$22,592.50</u>

NOTE: We have not budgeted for a future slurry seal application at this time. The condition of the asphalt will need to be monitored over time, and should a slurry seal application be recommended by Holbrook Asphalt, we will include a provision for such at the time of a future update of this report.

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Streets: Patching/Repairs/Replacement

Category	010 Streets	Quantity	66,975 sq. ft.
		Unit Cost	\$6.00
		% of Replacement	5.00%
		Current Cost	\$20,092.50
Placed In Service	04/2023	Future Cost	\$42,069.23
Useful Life	21		
Adjustment	+4	Assigned Reserves at FYB	\$0.00
Remaining Life	25	Monthly Member Contribution	\$185.54
Replacement Year	2048	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$185.54

The application of the "HA5" High Density Mineral Bond advanced performance pavement preservation treatment in 2027, and then on a continuous seven (7) year cycle, will have a significant impact on the longevity of the asphalt due to its ability to preserve the existing asphalt binder, and to limit oxidative damage from moisture & UV rays. Therefore, there should be no need to budget for the complete removal & replacement of the asphalt at a single point time. Instead, this component includes a provision to patch/repair/replace a small percentage of the asphalt in conjunction with every third HA5 application cycle, beginning in 2048 (adjustments to this cycle can be made at the time of an update of this report based on the future condition of the asphalt). Please note that the accumulated funds can/should be used prior to 2048, if necessary.

The patching/repairs/replacement could be needed in areas with accelerated pavement deterioration due to:

- water ponding (settled areas)
- constant exposure to water due to sprinkler overspray or drip system runoff (excessive watering)
- high friction areas (intersections, etc.)

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Roofs: Group 1 Buildings (Recoat)

Category	020 Roofing	Quantity	33,580 sq. ft.
		Unit Cost	\$1.90
		% of Replacement	100.00%
		Current Cost	\$63,802.00
Placed In Service	01/2018	Future Cost	\$73,964.00
Useful Life	10		
		Assigned Reserves at FYB	\$31,901.00
Remaining Life	5	Monthly Member Contribution	\$927.54
Replacement Year	2028	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$927.54

This component budgets to apply an elastomeric coating to the flat, torchdown roofs atop the Group 1 units every 10 years. The Group 1 units were initially closed in 2017/2018:

- Units 1, 2 (4,130 sq. ft.)
- Units 3, 4 (4,700 sq. ft.)
- Units 13, 14 (3,450 sq. ft.)
- Units 15, 16 (3,900 sq. ft.)
- Units 17, 18 (4,450 sq. ft.)
- Units 21, 22 (4,750 sq. ft.)
- Units 43, 44 (3,850 sq. ft.)
- Units 49, 50 (4,350 sq. ft.)

The current cost of \$1.90/sq. ft. was provided by Diversified Roofing (John Gardikis - 602.568.5688).

NOTE: The useful life of the torchdown roofs is unknown. The client has chosen to budget to coat/recoat the torchdown roofs on a 10 year cycle. At the time of each recoat, they will have the roofing vendor review/inspect the torchdown roofs to advise them if another recoat should be accounted for in 10 years, or if replacement (foaming) will be necessary in 10 years. If replacement is advised, they will have 10 years to fund for the foaming (replacement) of the roofs. The current cost to install foam roofs with a 10 year elastomeric coating is approximately \$4.50/sq. ft.

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Roofs: Group 2 Buildings (Recoat)

Category	020 Roofing	Quantity	32,150 sq. ft.
		Unit Cost	\$1.90
		% of Replacement	100.00%
		Current Cost	\$61,085.00
Placed In Service	01/2019	Future Cost	\$72,938.68
Useful Life	10		
		Assigned Reserves at FYB	\$24,434.00
Remaining Life	6	Monthly Member Contribution	\$891.32
Replacement Year	2029	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$891.32

This component budgets to apply an elastomeric coating to the flat, torchdown roofs atop the Group 2 units every 10 years. The Group 2 units were initially closed in 2018/2019:

- Units 11, 12 (3,950 sq. ft.)
- Units 19, 20 (3,300 sq. ft.)
- Units 29, 30 (4,000 sq. ft.)
- Units 33, 34 (3,350 sq. ft.)
- Units 35, 36 (4,650 sq. ft.)
- Units 37, 38 (4,500 sq. ft.)
- Units 45, 46 (3,300 sq. ft.)
- Units 51, 52 (5,100 sq. ft.)

The current cost of \$1.90/sq. ft. was provided by Diversified Roofing (John Gardikis - 602.568.5688).

NOTE: The useful life of the torchdown roofs is unknown. The client has chosen to budget to coat/recoat the torchdown roofs on a 10 year cycle. At the time of each recoat, they will have the roofing vendor review/inspect the torchdown roofs to advise them if another recoat should be accounted for in 10 years, or if replacement (foaming) will be necessary in 10 years. If replacement is advised, they will have 10 years to fund for the foaming (replacement) of the roofs. The current cost to install foam roofs with a 10 year elastomeric coating is approximately \$4.50/sq. ft.

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Roofs: Group 3 Buildings (Recoat)

Category	020 Roofing	Quantity	31,950 sq. ft.
		Unit Cost	\$1.90
		% of Replacement	100.00%
		Current Cost	\$60,705.00
Placed In Service	01/2020	Future Cost	\$74,659.49
Useful Life	10		
		Assigned Reserves at FYB	\$18,211.50
Remaining Life	7	Monthly Member Contribution	\$889.10
Replacement Year	2030	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$889.10

This component budgets to apply an elastomeric coating to the flat, torchdown roofs & flat, foam roofs atop the Group 3 units every 10 years. The Group 3 units were initially closed in 2019/2020:

- Units 5, 6 (4,600 sq. ft.) foam
- Units 9, 10 (3,950 sq. ft.) torchdown
- Units 23, 24 (3,350 sq. ft.) foam
- Units 27, 28 (4,200 sq. ft.) foam
- Units 31, 32 (4,100 sq. ft.) foam
- Units 41, 42 (4,400 sq. ft.) torchdown
- Units 47, 48 (3,350 sq. ft.) torchdown
- Units 57, 58 (4,000 sq. ft.) foam

The current cost of \$1.90/sq. ft. was provided by Diversified Roofing (John Gardikis - 602.568.5688).

NOTE: The useful life of the torchdown roofs is unknown. The client has chosen to budget to coat/recoat the torchdown roofs on a 10 year cycle. At the time of each recoat, they will have the roofing vendor review/inspect the torchdown roofs to advise them if another recoat should be accounted for in 10 years, or if replacement (foaming) will be necessary in 10 years. If replacement is advised, they will have 10 years to fund for the foaming (replacement) of the roofs. The current cost to install foam roofs with a 10 year elastomeric coating is approximately \$4.50/sq. ft.

No provision has been included to replace the foam roofs. If inspected annually, repaired as needed, and recoated as recommended, the foam roofs should last indefinitely under normal circumstances.

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Roofs: Group 4 Buildings (Recoat)

Category	020 Roofing	Quantity	32,400 sq. ft.
		Unit Cost	\$1.90
		% of Replacement	100.00%
		Current Cost	\$61,560.00
Placed In Service	01/2021	Future Cost	\$77,982.37
Useful Life	10		
		Assigned Reserves at FYB	\$12,312.00
Remaining Life	8	Monthly Member Contribution	\$905.07
Replacement Year	2031	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$905.07

This component budgets to apply an elastomeric coating to the flat, torchdown roofs & flat, foam roofs atop the Group 4 units every 10 years. The Group 4 units were initially closed in 2020/2021:

- Units 7, 8 (4,400 sq. ft.) foam
- Units 25, 26 (3,900 sq. ft.) foam
- Units 39, 40 (3,250 sq. ft.) foam
- Units 53, 54 (4,400 sq. ft.) foam
- Units 55, 56 (4,800 sq. ft.) torchdown
- Units 59, 60 (3,250 sq. ft.) foam
- Units 61, 62 (3,650 sq. ft.) foam
- Units 63, 64 (4,750 sq. ft.) foam

The current cost of \$1.90/sq. ft. was provided by Diversified Roofing (John Gardikis - 602.568.5688).

NOTE: The useful life of the torchdown roofs is unknown. The client has chosen to budget to coat/recoat the torchdown roofs on a 10 year cycle. At the time of each recoat, they will have the roofing vendor review/inspect the torchdown roofs to advise them if another recoat should be accounted for in 10 years, or if replacement (foaming) will be necessary in 10 years. If replacement is advised, they will have 10 years to fund for the foaming (replacement) of the roofs. The current cost to install foam roofs with a 10 year elastomeric coating is approximately \$4.50/sq. ft.

No provision has been included to replace the foam roofs. If inspected annually, repaired as needed, and recoated as recommended, the foam roofs should last indefinitely under normal circumstances.

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Roofs: Metal (Unfunded)

Category	020 Roofing	Quantity	1 comment
		Unit Cost	\$0.00
		% of Replacement	0.00%
		Current Cost	\$0.00
Placed In Service	01/2017	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

The client has advised us that the metal roofs atop 38 units will be replaced under warranty by the developer - the remainder of the metal roofs will receive repairs, if necessary. At this time, there is no provision in this reserve study to replace the metal roofs (underlayment) given that the useful life is unknown, but is likely greater than 30 years. Going forward, it will be important to have annual roof inspections performed (metal & flat roofs), and any necessary repairs made on an "as needed" basis. The replacement of the metal roofs (underlayment) can be added to a future update of this reserve study when the client's roofer indicates that replacement will likely be required in the next 25 - 30 year horizon from the date of the inspection.

NOTE: The 38 units that will receive new metal roofs are: Units 1 - 4, 9 - 22, 29 - 30, 33 - 38, 41 - 44, 47- 52 & 55 - 56

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Paint: Group 1 Buildings

Category	030 Painting	Quantity	1 total
		Unit Cost	\$53,000.00
		% of Replacement	100.00%
		Current Cost	\$53,000.00
Placed In Service	01/2018	Future Cost	\$56,227.70
Useful Life	7		
		Assigned Reserves at FYB	\$53,000.00
Remaining Life	2	Monthly Member Contribution	\$177.94
Replacement Year	2025	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$177.94

This component budgets to repaint the Group 1 units every seven (7) years (includes adjacent view fencing, retaining walls & enclosures). The Group 1 units were initially closed in 2017/2018:

- Units 1, 2 (1 story)
- Units 3, 4 (2 story)
- Units 13, 14 (2 story)
- Units 15, 16 (2 story)
- Units 17, 18 (2 story)
- Units 21, 22 (1 story)
- Units 43, 44 (2 story)
- Units 49, 50 (1 story)

The client provided current estimated repaint costs of \$6,000 for the one story buildings, and \$7,000 for the two story buildings. We agree that these costs are reasonable for budgetary purposes.

NOTE: No provision has been included in this reserve study for the replacement of the metal view fencing. The condition of this fencing should be monitored over time, and replacement included at the time of a future update of this report, if necessary.

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Paint: Group 2 Buildings

Category	030 Painting	Quantity	1 total
		Unit Cost	\$51,000.00
		% of Replacement	100.00%
		Current Cost	\$51,000.00
Placed In Service	01/2019	Future Cost	\$55,729.08
Useful Life	7		
		Assigned Reserves at FYB	\$51,000.00
Remaining Life	3	Monthly Member Contribution	\$173.80
Replacement Year	2026	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$173.80

This component budgets to repaint the Group 2 units every seven (7) years (includes adjacent view fencing, retaining walls & enclosures). The Group 2 units were initially closed in 2018/2019:

- Units 11, 12 (2 story)
- Units 19, 20 (2 story)
- Units 29, 30 (1 story)
- Units 33, 34 (1 story)
- Units 35, 36 (1 story)
- Units 37, 38 (1 story)
- Units 45, 46 (2 story)
- Units 51, 52 (1 story)

The client provided current estimated repaint costs of \$6,000 for the one story buildings, and \$7,000 for the two story buildings. We agree that these costs are reasonable for budgetary purposes.

NOTE: No provision has been included in this reserve study for the replacement of the metal view fencing. The condition of this fencing should be monitored over time, and replacement included at the time of a future update of this report, if necessary.

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Paint: Group 3 Buildings

Category	030 Painting	Quantity	1 total
		Unit Cost	\$52,000.00
		% of Replacement	100.00%
		Current Cost	\$52,000.00
Placed In Service	01/2020	Future Cost	\$58,526.46
Useful Life	7		
		Assigned Reserves at FYB	\$22,285.71
Remaining Life	4	Monthly Member Contribution	\$998.94
Replacement Year	2027	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$998.94

This component budgets to repaint the Group 3 units every seven (7) years (includes adjacent view fencing, retaining walls & enclosures). The Group 3 units were initially closed in 2019/2020:

- Units 5, 6 (2 story)
- Units 9, 10 (2 story)
- Units 23, 24 (1 story)
- Units 27, 28 (1 story)
- Units 31, 32 (1 story)
- Units 41, 42 (2 story)
- Units 47, 48 (2 story)
- Units 57, 58 (1 story)

The client provided current estimated repaint costs of \$6,000 for the one story buildings, and \$7,000 for the two story buildings. We agree that these costs are reasonable for budgetary purposes.

NOTE: No provision has been included in this reserve study for the replacement of the metal view fencing. The condition of this fencing should be monitored over time, and replacement included at the time of a future update of this report, if necessary.

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Paint: Group 4 Buildings

Category	030 Painting	Quantity	1 total
		Unit Cost	\$51,000.00
		% of Replacement	100.00%
		Current Cost	\$51,000.00
Placed In Service	01/2021	Future Cost	\$59,122.98
Useful Life	7		
		Assigned Reserves at FYB	\$14,571.43
Remaining Life	5	Monthly Member Contribution	\$982.41
Replacement Year	2028	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$982.41

This component budgets to repaint the Group 4 units every seven (7) years (includes adjacent view fencing, retaining walls & enclosures). The Group 4 units were initially closed in 2020/2021:

- Units 7, 8 (1 story)
- Units 25, 26 (1 story)
- Units 39, 40 (2 story)
- Units 53, 54 (1 story)
- Units 55, 56 (1 story)
- Units 59, 60 (2 story)
- Units 61, 62 (2 story)
- Units 63, 64 (1 story)

The client provided current estimated repaint costs of \$6,000 for the one story buildings, and \$7,000 for the two story buildings. We agree that these costs are reasonable for budgetary purposes.

NOTE: No provision has been included in this reserve study for the replacement of the metal view fencing. The condition of this fencing should be monitored over time, and replacement included at the time of a future update of this report, if necessary.

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Buildings: Termite Treatment (Phase 1)

Category	040 Buildings	Quantity	17 buildings
		Unit Cost	\$850.00
		% of Replacement	100.00%
		Current Cost	\$14,450.00
Placed In Service	01/2022	Future Cost	\$16,263.60
Useful Life	5		
		Assigned Reserves at FYB	\$14,450.00
Remaining Life	4	Monthly Member Contribution	\$49.99
Replacement Year	2027	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$49.99

In 2022, the first 17 buildings that were built received termite treatment at a cost of \$850 per building. As directed by the client, this component budgets for termite treatment for these buildings every five (5) years.

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Buildings: Termite Treatment (Phase 2)

Category	040 Buildings	Quantity	7 buildings
		Unit Cost	\$850.00
		% of Replacement	100.00%
		Current Cost	\$5,950.00
Placed In Service	01/2019	Future Cost	\$6,128.50
Useful Life	5		
		Assigned Reserves at FYB	\$5,950.00
Remaining Life	1	Monthly Member Contribution	\$19.68
Replacement Year	2024	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$19.68

As directed by the client, this component budgets for termite treatment for 7 buildings in 2024, and then every five (5) years.

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Buildings: Termite Treatment (Phase 3)

Category	040 Buildings	Quantity	8 buildings
		Unit Cost	\$850.00
		% of Replacement	100.00%
		Current Cost	\$6,800.00
Placed In Service	01/2021	Future Cost	\$7,430.54
Useful Life	5		
		Assigned Reserves at FYB	\$6,800.00
Remaining Life	3	Monthly Member Contribution	\$23.17
Replacement Year	2026	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$23.17

As directed by the client, this component budgets for termite treatment for 8 buildings in 2026, and then every five (5) years.

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Grounds: Irrigation Backflow Rebuild (#1)

Category	100 Grounds	Quantity	1 backflow preventer
		Unit Cost	\$1,000.00
		% of Replacement	100.00%
		Current Cost	\$1,000.00
Placed In Service	01/2017	Future Cost	\$1,060.90
Useful Life	5		
Adjustment	+3	Assigned Reserves at FYB	\$1,000.00
Remaining Life	2	Monthly Member Contribution	\$3.36
Replacement Year	2025	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$3.36

Per Client: 3 backflow preventers (rebuild @ \$1,000 on a five year cycle)

Backflow Preventer #1: rebuild in 2025, and then on a five year cycle

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Grounds: Irrigation Backflow Rebuild (#2)

Category	100 Grounds	Quantity	1 backflow preventer
		Unit Cost	\$1,000.00
		% of Replacement	100.00%
		Current Cost	\$1,000.00
Placed In Service	01/2018	Future Cost	\$1,092.73
Useful Life	5		
Adjustment	+3	Assigned Reserves at FYB	\$1,000.00
Remaining Life	3	Monthly Member Contribution	\$3.41
Replacement Year	2026	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$3.41

Per Client: 3 backflow preventers (rebuild @ \$1,000 on a five year cycle)

Backflow Preventer #2: rebuild in 2026, and then on a five year cycle

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Grounds: Irrigation Backflow Rebuild (#3)

Category	100 Grounds	Quantity	1 backflow preventer
		Unit Cost	\$1,000.00
		% of Replacement	100.00%
		Current Cost	\$1,000.00
Placed In Service	01/2019	Future Cost	\$1,125.51
Useful Life	5		
Adjustment	+3	Assigned Reserves at FYB	\$1,000.00
Remaining Life	4	Monthly Member Contribution	\$3.46
Replacement Year	2027	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$3.46

Per Client: 3 backflow preventers (rebuild @ \$1,000 on a five year cycle)

Backflow Preventer #3: rebuild in 2027, and then on a five year cycle

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Grounds: Irrigation Controllers Rebuild (Zone 1)

Category	100 Grounds	Quantity	12 controllers
		Unit Cost	\$350.00
		% of Replacement	100.00%
		Current Cost	\$4,200.00
Placed In Service	01/2017	Future Cost	\$4,455.78
Useful Life	5		
Adjustment	+3	Assigned Reserves at FYB	\$4,200.00
Remaining Life	2	Monthly Member Contribution	\$14.10
Replacement Year	2025	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$14.10

Per Client: \$350 per rebuild (total of 50 controllers - will be done by zones over a four year period)

Zone 1: rebuild 12 controllers in 2025, and then on a five year cycle

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Grounds: Irrigation Controllers Rebuild (Zone 2)

Category	100 Grounds	Quantity	13 controllers
		Unit Cost	\$350.00
		% of Replacement	100.00%
		Current Cost	\$4,550.00
Placed In Service	01/2018	Future Cost	\$4,971.91
Useful Life	5		
Adjustment	+3	Assigned Reserves at FYB	\$4,550.00
Remaining Life	3	Monthly Member Contribution	\$15.51
Replacement Year	2026	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$15.51

Per Client: \$350 per rebuild (total of 50 controllers - will be done by zones over a four year period)

Zone 2: rebuild 13 controllers in 2026, and then on a five year cycle

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Grounds: Irrigation Controllers Rebuild (Zone 3)

Category	100 Grounds	Quantity	12 controllers
		Unit Cost	\$350.00
		% of Replacement	100.00%
		Current Cost	\$4,200.00
Placed In Service	01/2019	Future Cost	\$4,727.14
Useful Life	5		
Adjustment	+3	Assigned Reserves at FYB	\$4,200.00
Remaining Life	4	Monthly Member Contribution	\$14.53
Replacement Year	2027	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$14.53

Per Client: \$350 per rebuild (total of 50 controllers - will be done by zones over a four year period)

Zone 3: rebuild 12 controllers in 2027, and then on a five year cycle

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Grounds: Irrigation Controllers Rebuild (Zone 4)

Category	100 Grounds	Quantity	13 controllers
		Unit Cost	\$350.00
		% of Replacement	100.00%
		Current Cost	\$4,550.00
Placed In Service	01/2020	Future Cost	\$5,274.70
Useful Life	5		
Adjustment	+3	Assigned Reserves at FYB	\$1,706.25
Remaining Life	5	Monthly Member Contribution	\$78.69
Replacement Year	2028	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$78.69

Per Client: \$350 per rebuild (total of 50 controllers - will be done by zones over a four year period)

Zone 4: rebuild 13 controllers in 2028, and then on a five year cycle

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Grounds: Irrigation System Replacement (Unfunded)

Category	100 Grounds	Quantity	1 comment
		Unit Cost	\$0.00
		% of Replacement	0.00%
		Current Cost	\$0.00
Placed In Service	01/2017	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

Irrigation systems are one of the most difficult items to budget for without specific information provided by an expert who is 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.

NOTE: The client advised us that they previously received a \$400,000 - \$500,000 estimate to replace the irrigation system, but has not requested that we include budgeting for such in this reserve study. At this time, the client intends to budget for ongoing irrigation system repairs as an operating expense. Should the client wish to add irrigation system replacement to the reserve study in the future, we will need to be provided the current estimated cost, the projected replacement year, and the useful life cycle to be used following replacement.

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Grounds: Mailboxes (Wall Mounted)

Category	100 Grounds	Quantity	1 total
		Unit Cost	\$12,000.00
		% of Replacement	100.00%
		Current Cost	\$12,000.00
Placed In Service	01/2017	Future Cost	\$21,042.07
Useful Life	25		
		Assigned Reserves at FYB	\$2,880.00
Remaining Life	19	Monthly Member Contribution	\$105.39
Replacement Year	2042	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$105.39

This component budgets to replace the following wall mounted mailbox sets (manufactured 11/2016) located in front of Unit 8 along Ridgestone Drive:

4 16 box sets w/2 parcel boxes	@	\$3,000.00	=	<u>\$12,000.00</u>
		TOTAL	=	\$12,000.00

The Overlook at FireRock
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Grounds: Miscellaneous Items

Category	100 Grounds	Quantity	1 total
		Unit Cost	\$4,000.00
		% of Replacement	100.00%
		Current Cost	\$4,000.00
Placed In Service	01/2022	Future Cost	\$4,120.00
Useful Life	2		
		Assigned Reserves at FYB	\$4,000.00
Remaining Life	1	Monthly Member Contribution	\$13.23
Replacement Year	2024	Monthly Interest Contribution	\$0.00
		Total Monthly Contribution	\$13.23

As directed by the client, this component budgets \$4,000, every two years, next in 2024, for expenses/projects associated with the following components on an "as needed" basis:

- monument sign/entry wall repairs
- concrete/sidewalk repairs
- cobblestone repairs
- driveway pavers (powerwashing, repairs, replacements)
- landscape lighting
- exterior lights
- paint touch-ups for back patio metal view fencing/gates & courtyard gates

The Overlook at FireRock

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