

**Willow Creek III Townhomes
8101 E. Phillips Cir.
Centennial, CO. 80112**



**Level 2, Platinum Reserve Analysis
Report Period – 01/01/19 – 12/31/19**



**Client Reference Number - 7550
Property Type – Townhomes**

**FINAL
Version**

**Fiscal Year End – December 31
Number of units- 197
Date of Property Observation - April 17, 2018**

**Project Manager - Justin Huggins
Main Contact Person - Greg Coleman, Property Manager**

Report was prepared on - Tuesday, September 04, 2018

Table of Contents

SECTION 1:

Introduction to Reserve Analysis	page 1
General Information and Answers to FAQ's	page 2-3
Summary of Reserve Analysis	page 4

SECTION 2:

Physical Analysis (Photographic)	page 1-10
---	------------------

SECTION 3:

Financial Analysis

a) Funding Summary	page 1
b) Percent Funded – Graph	page 2
c) Asset Inventory List	page 3
d) Significant Components Table.....	page 4
e) Significant Components – Graph	page 5
f) Yearly Summary Table	page 6
g) Yearly Contributions – Graph	page 7
h) Component Funding Information	page 8
i) Yearly Cash Flow Table	page 9
j) Projected Expenditures Year by Year – Graph	page 10
k) Projected Expenditures Year by Year	page 11

SECTION 4:

Glossary of Terms and Definitions	page 1-2
--	-----------------

Introduction to the Reserve Analysis –

The elected officials of this association made a wise decision to invest in a Reserve Analysis to get a better understanding of the status of the Reserve funds. This Analysis will be a valuable tool to assist the Board of Directors in making the decision to which the dues are derived. Typically, the Reserve contribution makes up 15% - 40% of the association's total budget. Therefore, Reserves is considered to be a significant part of the overall monthly association payment.

Every association conducts its business within a budget. There are typically two main parts to this budget, Operating and Reserves. The Operating budget includes all expenses that are fixed on an annual basis. These would include management fees, maintenance fees, utilities, etc. The Reserves is primarily made up of Capital Replacement items such as asphalt, roofing, fencing, mechanical equipment, etc., that do not normally occur on an annual basis.

The Reserve Analysis is also broken down into two different parts, the Physical Analysis and the Financial Analysis. The Physical Analysis is information regarding the physical status and replacement cost of major common area components that the association is responsible to maintain. It is important to understand that while the Component Inventory will remain relatively "stable" from year to year, the Condition Assessment and Life/Valuation Estimates will most likely vary from year to year. You can find this information in the **Asset Inventory Section** (Section 2) of this Reserve Analysis. The **Financial Analysis Section** is the evaluation of the association's Reserve balance, income, and expenses. This is made up of a finding of the clients current Reserve Fund Status (measured as Percent Funded) and a recommendation for an appropriate Reserve Allocation rate (also known as the Funding Plan). You can find this information in Section 3 of this Reserve Analysis.

The purpose of this Reserve Analysis is to provide an educated estimate as to what the Reserve Allocation needs to be. The detailed schedules will serve as an advanced warning that major projects will need to be addressed in the future. This will allow the Board of Directors to have ample timing to obtain competitive estimates and bids that will result in cost savings to the individual homeowners. This will also ensure the physical well being of the property and ultimately enhance each owner's investment, while limiting the possibility of unexpected major projects that may lead to Special Assessments.

It is important for the client, homeowners, and potential future homeowners to understand that the information contained in this analysis is based on estimates and assumptions gathered from various sources. Estimated life expectancies and cycles are based upon conditions that were readily visible and accessible at time of the observation. No destructive or intrusive methods (such as entering the walls to inspect the condition of electrical wiring, plumbing lines, and telephone wires) were performed. In addition, environmental hazards (such as lead paint, asbestos, radon, etc.), construction defects, and acts of nature have not been investigated in the preparation of this report. If problem areas were revealed, a reasonable effort has been made to include these items within the report. While every effort has been made to ensure accurate results, this report reflects the judgment of Aspen Reserve Specialties and should not be construed as a guarantee or assurance of predicting future events.

General Information and Answers to Frequently Asked Questions –

Why is it important to perform a Reserve Study?

As previously mentioned, the Reserve allocation makes up a significant portion of the total monthly dues. This report provides the essential information that is needed to guide the Board of Directors in establishing the budget in order to run the daily operations of your association. It is suggested that a third party professionally prepare a Reserve Study since there is no vested interest in the property. Also, a professional knows what to look for and how to properly develop an accurate and reliable component list.

Now that we have “it”, what do we do with “it”?

Hopefully, you will not look at this report and think it is too cumbersome to understand. Our intention is to make this Reserve Analysis very easy to read and understand. Please take the time to review it carefully and make sure the “main ingredients” (asset information) are complete and accurate. If there are any inaccuracies, please inform us immediately so we may revise the report.

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

The Reserve Study should be readily available for Real Estate agents, brokerage firms, and lending institutions for potential future homeowners. As the importance of Reserves becomes more of a household term, people are requesting homeowners associations to reveal the strength of the Reserve fund prior to purchasing a condominium or townhome.

How often do we update or review “it”?

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

Is it the law to have a Reserve Study conducted?

The Government requires reserve analyses in approximately 20 states. The State of Colorado currently requires all associations to adopt a Reserve policy, but does not currently enforce a Reserve Study be completed. Despite enacting this current law, the chances are also very good the documents of the association require the association to have a Reserve fund established. This may not mean a Reserve Analysis is required, but how are you going to know there are enough funds in the account if you don't have the proper information? Hypothetically, some associations look at the Reserve fund and think \$150,000 is a lot of money and they are in good shape. What they don't know is a major project will need to be replaced within 5 years, and the cost of the project is going to exceed \$175,000. So while \$150,000 sounds like a lot of money, in reality it won't even cover the cost of this project, let alone all the other amenities the association is responsible to maintain.

What makes an asset a “Reserve” item versus an “Operating” item?

A “Reserve” asset is an item that is the responsibility of the association to maintain, has a limited Useful Life, predictable Remaining Useful Life expectancies, typically occurs on a cyclical basis that exceeds 1 year, and costs above a minimum threshold cost. An “operating” expense is typically a fixed expense that occurs on an annual basis. For instance, minor repairs to a roof for damage caused by high winds or other weather elements would be considered an “operating” expense. However, if the entire roof needs to be replaced because it has reached the end of its life expectancy, then the replacement would be considered a Reserve expense.

The GREY area of “maintenance” items that are often seen in a Reserve Study –

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

The Property Observation –

The Property Observation was conducted following a review of the documents that were established by the developer identifying all common area assets. In some cases, the Board of Directors at some point may have revised the documents. In either case, the most current set of documents was reviewed prior to inspecting the property. In addition, common area assets may have been reported to Aspen Reserve Specialties by the client, or by other parties.

Estimated life expectancies and life cycles are based upon conditions that were readily accessible and visible at the time of the observation. We did not destroy any landscape work, building walls, or perform any methods of intrusive investigation during the observation. In these cases, information may have been obtained by contacting the contractor or vendor that has worked on the property.

The Reserve Fund Analysis –

We projected the starting balance from taking the most recent balance statement, adding expected Reserve contributions for the rest of the year, and subtracting any pending projects for the rest of the year. We compared this number to the ideal Reserve Balance and arrived at the Percent funded level. Measures of strength are as follows:

0% - 30% Funded – Is considered to be a “weak” financial position. Associations that fall into this category are subject to Special Assessments and deferred maintenance, which could lead to lower property values. If the association is in this position, actions should be taken to improve the financial strength of the Reserve Fund.

31% - 69% Funded – The majority of associations are considered to be in this “fair” financial position. While this doesn’t represent financial strength and stability, the likelihood of Special Assessments and deferred maintenance is diminished. Effort should be taken to continue strengthening the financial position of the Reserve fund.

70% - 99% Funded – This indicates financial strength of a Reserve fund and every attempt to maintain this level should be a goal of the association.

100% Funded – This is the ideal amount of Reserve funding. This means that the association has the exact amount of funds in the Reserve account that should be at any given time.

Summary of Willow Creek III Townhomes - Assoc. ID # - 07550

Projected Starting Balance as of January 1, 2019 -	\$141,614
Ideal Reserve Balance as of January 1, 2019 -	\$111,407
Percent Funded as of January 1, 2019 -	127%
Recommended Reserve Allocation (per month) -	\$1,740
Minimum Reserve Allocation (per month) -	\$1,600
Recommended Special Assessment (2019) -	\$0

This report is an update to an existing Reserve Study that was prepared for the association 6 years ago for the 2013 fiscal period. An on-site observation of the property's common area elements took place on April 17, 2018 to verify the information from the previous report. In addition, we obtained information by contacting local vendors and contractors, as well as communicating with the property representative. To the best of our knowledge, the conclusions and suggestions of this report are considered reliable and accurate insofar as the information obtained from these sources.

This section of the community contains 197 townhome style units within a community that was constructed in the late 1970's. Common area elements this sub-association is responsible to maintain include the driveways, address signs, and the mailbox clusterbox units. Please refer to the *Projected Reserve Expenditure* table in the Financial Analysis section for a list of when components are supposed to be addressed.

In comparing the projected balance of \$141,614 versus the ideal Reserve Balance of \$111,407, we find the association Reserve fund to be in a slight surplus financial position at this point in time (approximately 127% funded of ideal). This indicates that a little more money has been set aside than needed to be at this point in time. As a result, we find it necessary to recommend decreasing the **Reserve allocation** at this time. Please keep in mind that we are not recommending a decrease of the association dues, only the Reserve allocation. In our experience, once the dues are decreased, it is typically very difficult to raise dues again in the future due to increased utility, management fees, or other operating costs. Based on the information contained in this report, we are recommending decreasing the Reserve allocation to \$1,740 (representing a decrease of \$5.17 on average per unit) per month starting January 2019. Nominal annual increases of 4.50% will be required thereafter to help offset the effects of inflation. By following the recommendation, the plan will lower the percent funded to an ideal position (100%) and continue to maintain the Reserve account at the fully funded level throughout the thirty-year period.

In the percent Funded graph, you will see that we have also suggested a minimum Reserve contribution of \$1,600 per month. If the Reserve contribution falls below this rate, then the Reserve fund will fall into a situation where Special Assessments, deferred maintenance, and lower property values are possible at some point in the future. The minimum Reserve allocation follows the "threshold" theory of Reserve funding where the "percent funded" status is not allowed to dip below 30% funded at any point during the thirty-year period. This was provided for one purpose only, to show the association how small the difference is between the two scenarios and how it would not make financial sense to contribute less money (approximately \$0.71 per unit per month in this case) to the Reserve fund to only stay above a certain threshold. As you can see, the difference between the two scenarios is considered to be minimal, and based on the risk, we strongly suggest the recommended Reserve Allocation is followed.

Comp #: 401 Asphalt - Overlay (2017)



Observations:

- These allies were overlayed in 2017 and were in very good condition at the time of the site observation.
- The average life expectancy for asphalt surfaces ranges between 20 - 27 years for surfaces that are maintained on a regular schedule.
- Maintenance includes crack fill and repairing small potholes annually as an operating expense.
- In addition, asphalt should be seal coated every 3 - 4 years, depending on the level of traffic and snow removing techniques.

Location: **Townhome alleys/driveways**

Quantity: **Approx. 15,900 GSF**

Life Expectancy: **24** *Remaining Life:* **22**

Best Cost: **\$21,475**

\$1.35/GSF; Estimate for an overlay

Worst Cost: **\$26,250**

\$1.65/GSF; Higher estimate for local repairs

Source of Information: Past client cost

General Notes:

7702 - 7742, 7752 - 7792 = Approx. 5,130 GSF
7956 - 7976, 7980 - 7996 = Approx. 4,645 GSF
8200 - 8220, 8228 - 8248 = Approx. 6,125 GSF

Project History:

- 2017: New Overlays - \$24,487.16

Comp #: 401 Asphalt - Overlay (2018)



Observations:

- The allies included in this line item are allies that are original to the property, or have not overlayed in many years.
- There were several areas where the asphalt was completely deteriorated, alligating, or settling.
- The average life expectancy for asphalt surfaces ranges between 20 - 27 years for surfaces that are maintained on a regular schedule.
- Maintenance includes crack fill and repairing small potholes annually as an operating expense.
- In addition, asphalt should be seal coated every 3 - 4 years, depending on the level of traffic and snow removing techniques.

Location: See General Notes

Quantity: Approx. 27,220 GSF

Life Expectancy: 24 **Remaining Life:** 23

Best Cost: \$36,750

\$1.35/GSF; Estimate for an overlay

Worst Cost: \$44,925

\$1.65/GSF; Higher estimate for local repairs

Source of Information: Past client cost

General Notes:

8120 - 8128, 8132 - 8142 = Approx. 6,400 GSF
 8101 - 8109, 8111 - 8117 = Approx. 3,165 GSF
 8052 - 8068, 8078 - 8098 = Approx. 3,500 GSF
 7804 - 7844, 7854 - 7894 = Approx. 4,665 GSF
 8007 - 8027, 8031 - 8047 = Approx. 3,890 GSF
 8108 - 8140, 8158 - 8190 = Approx. 5,600 GSF

Project History:

- 2007: Patches - \$550
- 2010: \$5995.47 - No info provided
- 2018: \$35,995

Comp #: 401 Asphalt - Overlay (2012)



Observations:

- The allies that were replaced in 2012 were in good condition at the time of the site observation, with no signs of advanced deterioration noted.
- The average life expectancy for asphalt surfaces ranges between 20 - 27 years for surfaces that are maintained on a regular schedule.
- Maintenance includes crack fill and repairing small potholes annually as an operating expense.
- In addition, asphalt should be seal coated every 3 - 4 years, depending on the level of traffic and snow removing techniques.

Location: See General Notes

Quantity: Approx. 14,125 GSF

Life Expectancy: 24 Remaining Life: 16

Best Cost: \$19,075

\$1.35/GSF; Estimate for an overlay

Worst Cost: \$23,325

\$1.65/GSF; Higher estimate for local repairs

Source of Information: Past client cost

General Notes:

8150 - 8160, 8152 - 8162 = Approx. 3,700 GSF
 8151 - 8157, 8161 - 8167 = Approx. 3,135 GSF
 8189 - 8181, 8191 - 8197 = Approx. 4,070 GSF
 8008 - 8028, 8032 - 8048 = Approx. 3,220 GSF

Project History -
 2012 - \$35,000

Comp #: 401 Asphalt - Overlay (Original)



Observations:

- The allies included in this line item are allies that are original to the property, or have not overlayed in many years.
- There were several areas where the asphalt was completely deteriorated, alligating, or settling.
- The average life expectancy for asphalt surfaces ranges between 20 - 27 years for surfaces that are maintained on a regular schedule.
- Maintenance includes crack fill and repairing small potholes annually as an operating expense.
- In addition, asphalt should be seal coated every 3 - 4 years, depending on the level of traffic and snow removing techniques.

Location: **See General Notes**

Quantity: **Approx. 24,960 GSF**

Life Expectancy: **24** Remaining Life: **0**

Best Cost: **\$33,700**

\$1.35/GSF; Estimate for an overlay

Worst Cost: **\$41,200**

\$1.65/GSF; Higher estimate for local repairs

Source of Information: Past client cost

General Notes:

8015 - 8045, 8055 - 8085 = Approx. 4,100 GSF
8121 - 8127, 8131 - 8137 = Approx. 2,810 GSF
8251 - 8271, 8275 - 8291 = Approx. 3,320 GSF
8308 - 8348, 8352 - 8398 = Approx. 6,025 GSF
8250 - 8270, 8280 - 8298 = Approx. 4,175 GSF
7906 - 7926, 7930 - 7946 = Approx. 4,530 GSF

Project History:

- 2007: Patches - \$550
- 2010: \$5995.47 - No info provided

Comp #: 402 Asphalt - Surface Application



Observations:

- We recommend a surface application is applied to all the allies at the same time. This is to keep costs down and to ensure a consistent look throughout the property.
- It is also recommended a surface application is applied within 12 months of a new overlay.
- In this environment, expect to seal asphalt every 2 - 3 years, depending on traffic levels and effects from weather.
- This helps in slowing the process of oxidation and raveling.
- While acting as a protective barrier, it also maintains the appearance of the community to maintain or improve property values.

Location: **Townhome alleys/driveways**

Quantity: **Approx. 82,205 GSF**

Life Expectancy: **3** **Remaining Life:** **0**

Best Cost: **\$12,350**

\$.15/GSF; Est. for seal coat and stripe

Worst Cost: **\$14,800**

\$.18/GSF; Higher est. includes repairs/crack fill

Source of Information: Cost Database

General Notes:

7702 - 7742, 7752 - 7792 = Approx. 5,130 GSF
 7956 - 7976, 7980 - 7996 = Approx. 4,645 GSF
 8200 - 8220, 8228 - 8248 = Approx. 6,125 GSF
 8150 - 8160, 8152 - 8162 = Approx. 3,700 GSF
 8151 - 8157, 8161 - 8167 = Approx. 3,135 GSF
 8189 - 8181, 8191 - 8197 = Approx. 4,070 GSF
 8008 - 8028, 8032 - 8048 = Approx. 3,220 GSF
 8120 - 8128, 8132 - 8142 = Approx. 6,400 GSF
 8101 - 8109, 8111 - 8117 = Approx. 3,165 GSF
 8052 - 8068, 8078 - 8098 = Approx. 3,500 GSF
 7804 - 7844, 7854 - 7894 = Approx. 4,665 GSF
 8007 - 8027, 8031 - 8047 = Approx. 3,890 GSF
 8108 - 8140, 8158 - 8190 = Approx. 5,600 GSF
 8015 - 8045, 8055 - 8085 = Approx. 4,100 GSF
 8121 - 8127, 8131 - 8137 = Approx. 2,810 GSF
 8251 - 8271, 8275 - 8291 = Approx. 3,320 GSF
 8308 - 8348, 8352 - 8398 = Approx. 6,025 GSF
 8250 - 8270, 8280 - 8298 = Approx. 4,175 GSF
 7906 - 7926, 7930 - 7946 = Approx. 4,530 GSF

Comp #: 403 Concrete - Repair/Replace



Observations:

- The average condition of the concrete on the property was fair, however, there were several areas where the concrete was in poor condition.
- Since it is unlikely that all concrete surfaces will fail at the same time, we suggest establishing a Reserve fund for periodic repairs and replacement to approximately 10% of the total area (2,160 GSF) every 3 years.
- Repairs should be coordinated with other concrete surfaces and asphalt for best cost estimate since most asphalt companies can also perform concrete work.

Location: Aprons and Drain Pans

Quantity: Approx. 21,600 GSF

Life Expectancy: 3 Remaining Life: 0

Best Cost: \$23,750

Estimate to replace 10% of area every 3 years

Worst Cost: \$28,100

Higher estimate for more repairs

Source of Information: Cost Database

General Notes:

Garage Aprons are 1,100 GSF, Except:
8250 - 8298 East Phillips Place: Approx. 1,225 GSF
8200 - 8248 East Phillips Place: Approx. 1,225 GSF

Drain Pans:
Townhome Units:
8120 - 8128 = Approx. 360 GSF
8121 - 8127 = Approx. 30 GSF
8151 - 8157 = Approx. 20 GSF
8251 - 8271 = Approx. 20 GSF

Project History:
- 2011: \$10,885 (townhome portion)

Comp #: 803 Mailboxes - Replace



Observations:

- The clusterbox units throughout the property were in good to fair condition and appeared to be aging appropriately.
- According to several manufacturers, the typical life expectancy for this type of mailbox is 15 - 20 years in this environment.
- Remaining life is based on average age of all units.
- Per new Postal regulations effective 2012, "all customers are responsible for repairs and replacement of keys, locks, or the boxes/cluster units themselves".

Location: **See general notes**

Quantity: **(16) Assorted CBUs**

Life Expectancy: **18** **Remaining Life:** **12**

Best Cost: **\$28,800**

\$1800/CBU; Estimate to replace

Worst Cost: **\$33,600**

\$2100/CBU; Higher estimate for better quality

Source of Information: Cost Database

General Notes:

Across from 7946: 2013
- (2) 12-Box CBUs
Across from 7804: 2013
- (2) 12-Box CBUs
Across from 8140: 2013
- (1) 12-Box CBUs
- (3) 16-Box CBUs
8251: 2013
- (2) 16-Box CBU
8121: 2013
- (2) 16-Box CBU
8015: 2013
- (1) 12-Box CBU
- (1) 8-Box CBU
8181: 2013
- (1) 12-Box CBU
- (1) 8-Box CBU

Comp #: 809 Signage - Replace



Observations:

- The signs were in fair condition at the time of the site observation.
- In our experience, we have seen this type of sign material last 12 - 18 years on average before replacement is required.
- The remaining life is based on age of the signs and the observed condition.

Location: Front of all townhome clusters

Quantity: Approx. (38) Signs

Life Expectancy: 17 **Remaining Life:** 3

Best Cost: \$15,200

\$400/sign; Estimate to replace

Worst Cost: \$17,100

\$450/sign; Higher estimate

Source of Information: Cost Database

General Notes:

Address Sign's:
(38) 2x2 sign mounted on PVC posts

Comp #: 1801 Groundcover - Replenish



Observations:

- Typically, associations will establish a line item in the operating budget to handle annual replacement of shrubs, plants, grass areas, etc.
- Therefore, separate Reserve funding is not necessary as long as funding has been established in a separate budget.
- If the association prefers to include a funding allowance for groundcover replenishment, then we would need to know how much and how often the current board of directors would prefer to set aside since this would be considered a discretionary expense.

Location: **Throughout Property**

Quantity: **Extensive**

Life Expectancy: **N/A** *Remaining Life:*

Best Cost: **\$0**

Worst Cost: **\$0**

Source of Information:

General Notes:

Comp #: 1804 Tree - Replacement/Major Maintenance



Observations:

- It is very difficult to predict a replacement cycle for trees as there are several factors such as disease, infestation of insects, heavy snow storms, etc. can all attribute to eventual tree replacement.
- Since it is difficult to predict when the replacement will be necessary, Reserve funding is typically not a factor.
- Therefore, unless requested by the association, Reserve funding will not be included as part of the study for this component.

Location: **Throughout Property**

Quantity: **Numerous**

Life Expectancy: **N/A** *Remaining Life:*

Best Cost: **\$0**

Worst Cost: **\$0**

Source of Information:

General Notes:

Funding Summary For Willow Creek III Townhomes

Beginning Assumptions

Financial Information Source	Research With Client
# of units	197
Fiscal Year End	December 31, 2019
Monthly Dues from 2018 budget	\$1,773.00
Monthly Reserve Allocation from 2018 Budget	\$2,758.00
Projected Starting Reserve Balance (as of 1/1/2019)	\$141,614
Reserve Balance: Average Per Unit	\$719
Ideal Starting Reserve Balance (as of 1/1/2019)	\$111,407
Ideal Reserve Balance: Average Per Unit	\$566

Economic Factors

Past 20 year Average Inflation Rate (Based on CCI)	3.75%
Current Average Interest Rate	1.00%

Current Reserve Status

Current Balance as a % of Ideal Balance	127%
---	------

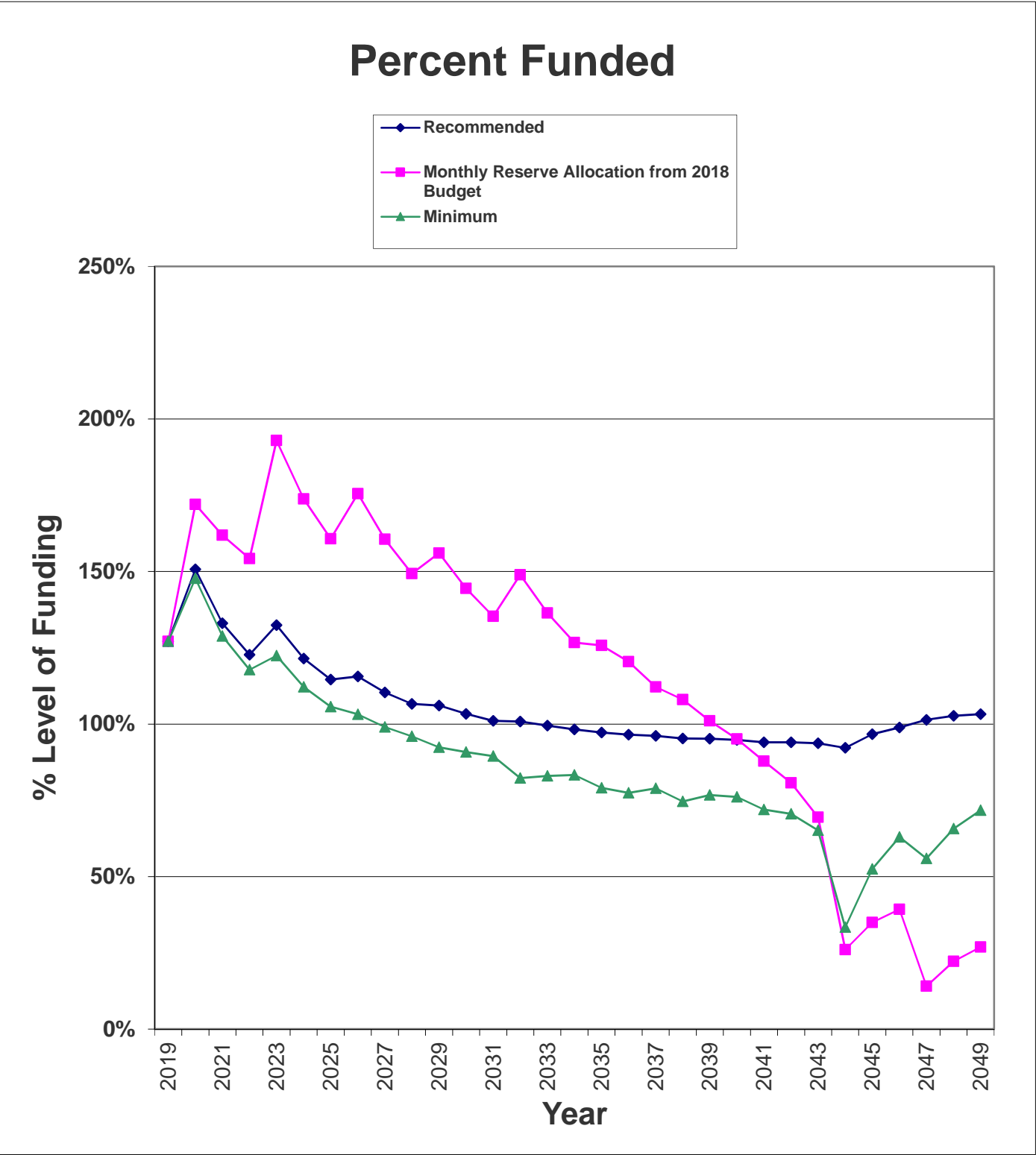
Recommendations for 2019 Fiscal Year

Monthly Reserve Allocation	\$1,740
Per Unit	\$8.83
Minimum Monthly Reserve Allocation	\$1,600
Per Unit	\$8.12
Primary Annual Increases	4.50%
# of Years	30
Special Assessment	\$0
Per Unit	\$0

Changes From Prior Year (2018 to 2019)

Increase/Decrease to Reserve Allocation	-\$1,018
as Percentage	-37%
Average Per Unit	-\$5.17

Percent Funded Graph For Willow Creek III Townhomes



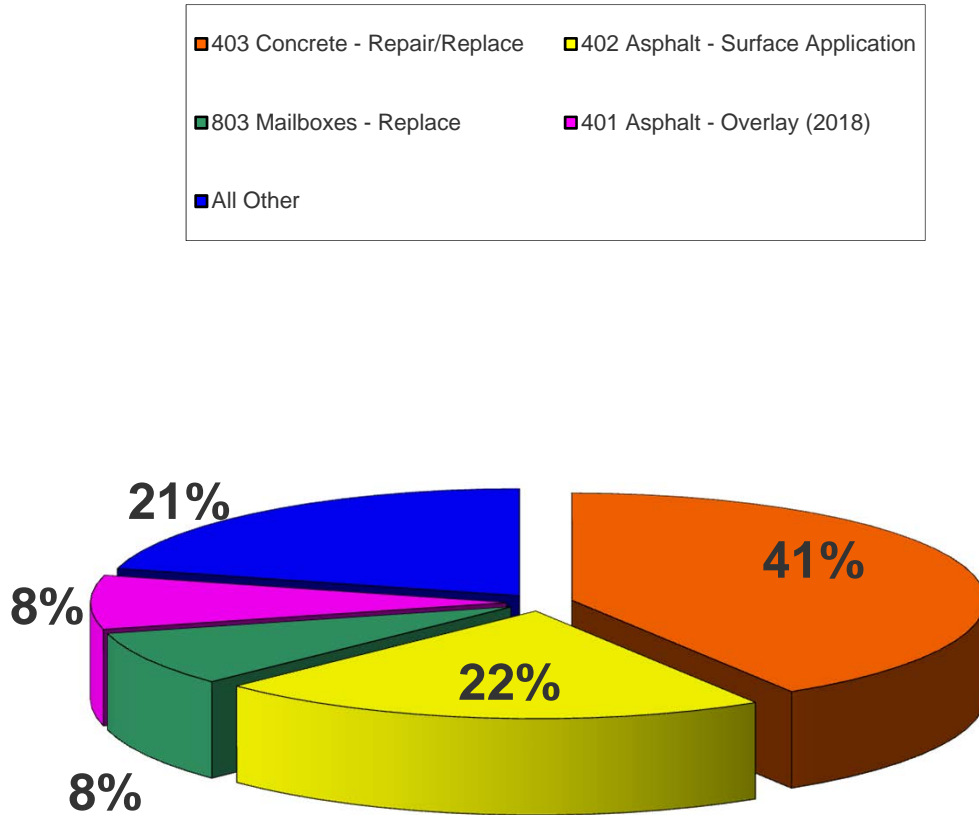
Component Inventory for Willow Creek III Townhomes

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Drive Materials	401	Asphalt - Overlay (2017)	24	22	\$21,475	\$26,250
	401	Asphalt - Overlay (2018)	24	23	\$36,750	\$44,925
	401	Asphalt - Overlay (2012)	24	16	\$19,075	\$23,325
	401	Asphalt - Overlay (Original)	24	0	\$33,700	\$41,200
	402	Asphalt - Surface Application	3	0	\$12,350	\$14,800
	403	Concrete - Repair/Replace	3	0	\$23,750	\$28,100
Prop. Identification	803	Mailboxes - Replace	18	12	\$28,800	\$33,600
	809	Signage - Replace	17	3	\$15,200	\$17,100
Landscaping	1801	Groundcover - Replenish	N/A		\$0	\$0
	1804	Tree - Replacement/Major Maintenance	N/A		\$0	\$0

Significant Components For Willow Creek III Townhomes

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
401	Asphalt - Overlay (2012)	24	16	\$21,200	\$883	4.2084%
401	Asphalt - Overlay (2017)	24	22	\$23,863	\$994	4.7370%
401	Asphalt - Overlay (2018)	24	23	\$40,838	\$1,702	8.1067%
401	Asphalt - Overlay (Original)	24	0	\$37,450	\$1,560	7.4342%
402	Asphalt - Surface Application	3	0	\$13,575	\$4,525	21.5583%
403	Concrete - Repair/Replace	3	0	\$25,925	\$8,642	41.1712%
803	Mailboxes - Replace	18	12	\$31,200	\$1,733	8.2581%
809	Signage - Replace	17	3	\$16,150	\$950	4.5261%

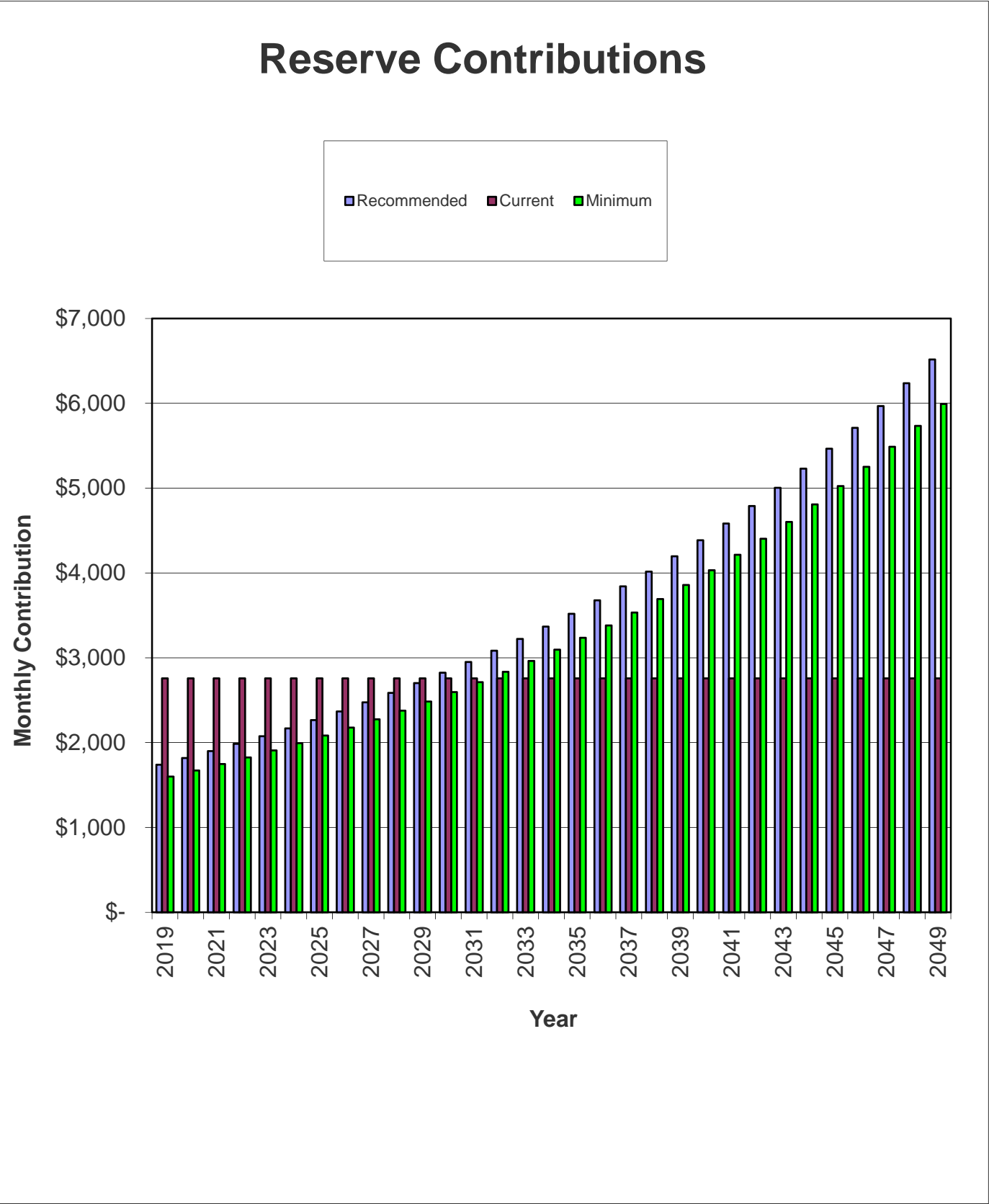
Significant Components Graph For Willow Creek III Townhomes



Asset ID	Asset Name	UL	RUL	Average Curr. Cost	Significance: (Curr Cost/UL)	
					As \$	As %
403	Concrete - Repair/Replace	3	0	\$25,925	\$8,642	41%
402	Asphalt - Surface Application	3	0	\$13,575	\$4,525	22%
803	Mailboxes - Replace	18	12	\$31,200	\$1,733	8%
401	Asphalt - Overlay (2018)	24	23	\$40,838	\$1,702	8%
All Other	See Expanded Table on Page 4 For Additional Breakdown				\$4,388	21%

Yearly Summary For Willow Creek III Townhomes

Fiscal Year Start	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Rec. Special Ass'mnt	Interest Income	Reserve Expenses
2019	\$111,407	\$141,614	127%	\$20,880	\$0	\$1,141	\$76,950
2020	\$57,526	\$86,685	151%	\$21,820	\$0	\$980	\$0
2021	\$82,276	\$109,485	133%	\$22,801	\$0	\$1,214	\$0
2022	\$108,802	\$133,501	123%	\$23,828	\$0	\$1,149	\$62,148
2023	\$72,723	\$96,329	132%	\$24,900	\$0	\$1,093	\$0
2024	\$100,681	\$122,322	121%	\$26,020	\$0	\$1,360	\$0
2025	\$130,635	\$149,701	115%	\$27,191	\$0	\$1,393	\$49,264
2026	\$111,582	\$129,022	116%	\$28,415	\$0	\$1,439	\$0
2027	\$143,944	\$158,876	110%	\$29,693	\$0	\$1,745	\$0
2028	\$178,577	\$190,314	107%	\$31,030	\$0	\$1,791	\$55,016
2029	\$158,525	\$168,119	106%	\$32,426	\$0	\$1,852	\$0
2030	\$195,938	\$202,397	103%	\$33,885	\$0	\$2,203	\$0
2031	\$235,934	\$238,486	101%	\$35,410	\$0	\$2,021	\$109,971
2032	\$164,560	\$165,947	101%	\$37,003	\$0	\$1,853	\$0
2033	\$205,874	\$204,803	99%	\$38,669	\$0	\$2,252	\$0
2034	\$250,055	\$245,723	98%	\$40,409	\$0	\$2,327	\$68,615
2035	\$226,072	\$219,844	97%	\$42,227	\$0	\$2,229	\$38,207
2036	\$234,156	\$226,092	97%	\$44,127	\$0	\$2,493	\$0
2037	\$283,655	\$272,713	96%	\$46,113	\$0	\$2,586	\$76,627
2038	\$257,037	\$244,785	95%	\$48,188	\$0	\$2,701	\$0
2039	\$310,505	\$295,674	95%	\$50,357	\$0	\$3,054	\$33,724
2040	\$332,634	\$315,361	95%	\$52,623	\$0	\$3,003	\$85,575
2041	\$303,502	\$285,411	94%	\$54,991	\$0	\$2,874	\$53,636
2042	\$308,183	\$289,640	94%	\$57,465	\$0	\$2,720	\$95,233
2043	\$271,719	\$254,593	94%	\$60,051	\$0	\$1,924	\$186,176
2044	\$141,439	\$130,392	92%	\$62,753	\$0	\$1,625	\$0
2045	\$201,406	\$194,771	97%	\$65,577	\$0	\$2,286	\$0
2046	\$265,672	\$262,634	99%	\$68,528	\$0	\$2,447	\$106,727
2047	\$223,744	\$226,882	101%	\$71,612	\$0	\$2,639	\$0
2048	\$293,181	\$301,133	103%	\$74,835	\$0	\$3,401	\$0



Component Funding Information For Willow Creek III Townhomes

ID	Component Name	Ave Current Cost	Ideal Balance	Current Fund Balance	Monthly
401	Asphalt - Overlay (2012)	\$21,200	\$7,067	\$8,983	\$73.23
401	Asphalt - Overlay (2017)	\$23,863	\$1,989	\$2,528	\$82.42
401	Asphalt - Overlay (2018)	\$40,838	\$1,702	\$2,163	\$141.06
401	Asphalt - Overlay (Original)	\$37,450	\$37,450	\$47,604	\$129.36
402	Asphalt - Surface Application	\$13,575	\$13,575	\$17,256	\$375.11
403	Concrete - Repair/Replace	\$25,925	\$25,925	\$32,954	\$716.38
803	Mailboxes - Replace	\$31,200	\$10,400	\$13,220	\$143.69
809	Signage - Replace	\$16,150	\$13,300	\$16,906	\$78.75

Yearly Cash Flow For Willow Creek III Townhomes

Year	2019	2020	2021	2022	2023
Starting Balance	\$141,614	\$86,685	\$109,485	\$133,501	\$96,329
<i>Reserve Income</i>	\$20,880	\$21,820	\$22,801	\$23,828	\$24,900
<i>Interest Earnings</i>	\$1,141	\$980	\$1,214	\$1,149	\$1,093
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$163,635	\$109,485	\$133,501	\$158,477	\$122,322
Reserve Expenditures	\$76,950	\$0	\$0	\$62,148	\$0
Ending Balance	\$86,685	\$109,485	\$133,501	\$96,329	\$122,322

Year	2024	2025	2026	2027	2028
Starting Balance	\$122,322	\$149,701	\$129,022	\$158,876	\$190,314
<i>Reserve Income</i>	\$26,020	\$27,191	\$28,415	\$29,693	\$31,030
<i>Interest Earnings</i>	\$1,360	\$1,393	\$1,439	\$1,745	\$1,791
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$149,701	\$178,286	\$158,876	\$190,314	\$223,136
Reserve Expenditures	\$0	\$49,264	\$0	\$0	\$55,016
Ending Balance	\$149,701	\$129,022	\$158,876	\$190,314	\$168,119

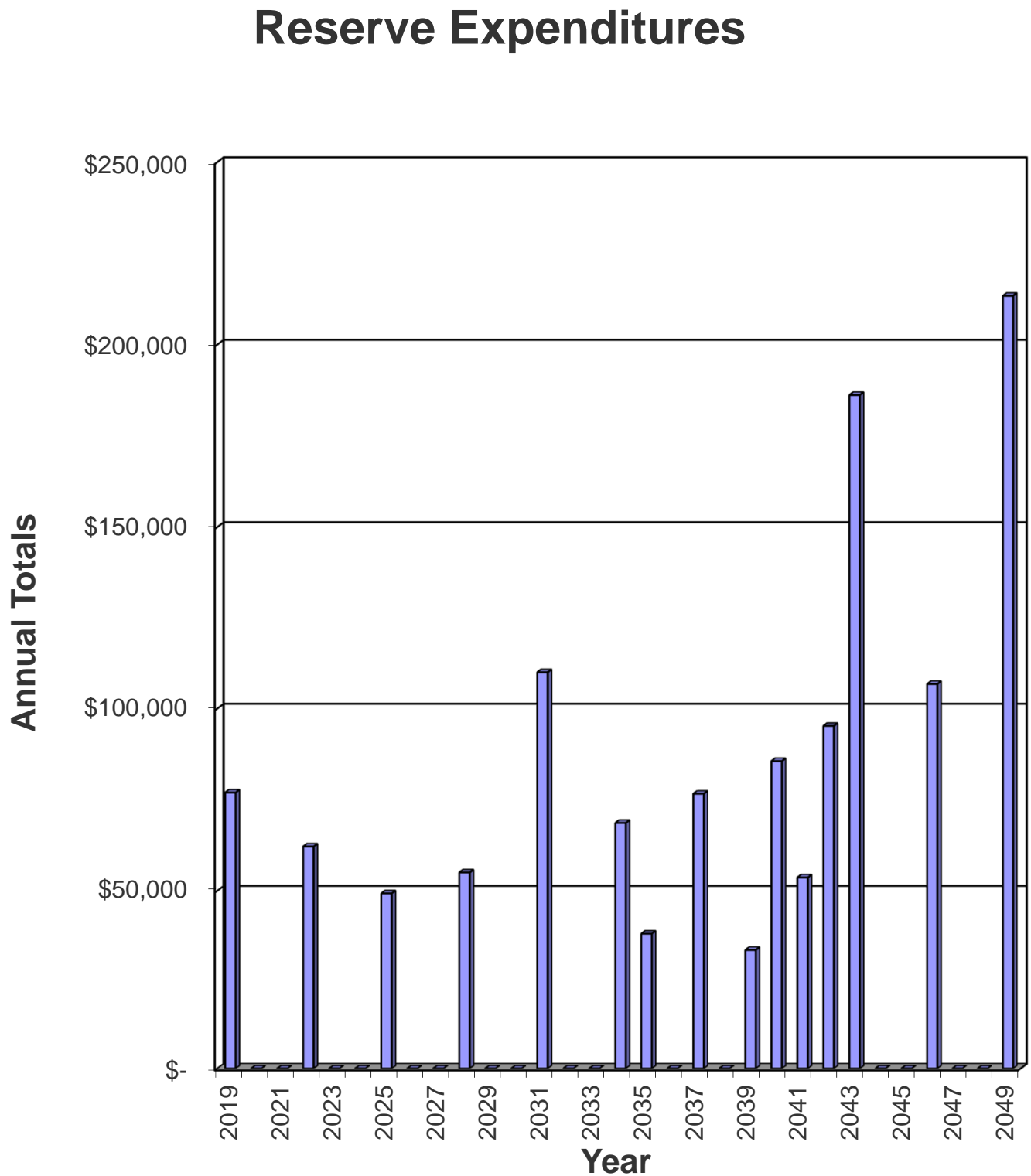
Year	2029	2030	2031	2032	2033
Starting Balance	\$168,119	\$202,397	\$238,486	\$165,947	\$204,803
<i>Reserve Income</i>	\$32,426	\$33,885	\$35,410	\$37,003	\$38,669
<i>Interest Earnings</i>	\$1,852	\$2,203	\$2,021	\$1,853	\$2,252
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$202,397	\$238,486	\$275,917	\$204,803	\$245,723
Reserve Expenditures	\$0	\$0	\$109,971	\$0	\$0
Ending Balance	\$202,397	\$238,486	\$165,947	\$204,803	\$245,723

Year	2034	2035	2036	2037	2038
Starting Balance	\$245,723	\$219,844	\$226,092	\$272,713	\$244,785
<i>Reserve Income</i>	\$40,409	\$42,227	\$44,127	\$46,113	\$48,188
<i>Interest Earnings</i>	\$2,327	\$2,229	\$2,493	\$2,586	\$2,701
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$288,459	\$264,300	\$272,713	\$321,412	\$295,674
Reserve Expenditures	\$68,615	\$38,207	\$0	\$76,627	\$0
Ending Balance	\$219,844	\$226,092	\$272,713	\$244,785	\$295,674

Year	2039	2040	2041	2042	2043
Starting Balance	\$295,674	\$315,361	\$285,411	\$289,640	\$254,593
<i>Reserve Income</i>	\$50,357	\$52,623	\$54,991	\$57,465	\$60,051
<i>Interest Earnings</i>	\$3,054	\$3,003	\$2,874	\$2,720	\$1,924
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$349,085	\$370,986	\$343,276	\$349,825	\$316,568
Reserve Expenditures	\$33,724	\$85,575	\$53,636	\$95,233	\$186,176
Ending Balance	\$315,361	\$285,411	\$289,640	\$254,593	\$130,392

Year	2044	2045	2046	2047	2048
Starting Balance	\$130,392	\$194,771	\$262,634	\$226,882	\$301,133
<i>Reserve Income</i>	\$62,753	\$65,577	\$68,528	\$71,612	\$74,835
<i>Interest Earnings</i>	\$1,625	\$2,286	\$2,447	\$2,639	\$3,401
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$194,771	\$262,634	\$333,609	\$301,133	\$379,369
Reserve Expenditures	\$0	\$0	\$106,727	\$0	\$0
Ending Balance	\$194,771	\$262,634	\$226,882	\$301,133	\$379,369

Yearly Expenditures Graph For Willow Creek III Townhomes



Projected Reserve Expenditures For Willow Creek III Townhomes

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2019	401	Asphalt - Overlay (Original)	\$37,450	
	402	Asphalt - Surface Application	\$13,575	
	403	Concrete - Repair/Replace	\$25,925	\$76,950
2020		No Expenditures Projected		\$0
2021		No Expenditures Projected		\$0
2022	402	Asphalt - Surface Application	\$15,160	
	403	Concrete - Repair/Replace	\$28,952	
	809	Signage - Replace	\$18,036	\$62,148
2023		No Expenditures Projected		\$0
2024		No Expenditures Projected		\$0
2025	402	Asphalt - Surface Application	\$16,930	
	403	Concrete - Repair/Replace	\$32,333	\$49,264
2026		No Expenditures Projected		\$0
2027		No Expenditures Projected		\$0
2028	402	Asphalt - Surface Application	\$18,907	
	403	Concrete - Repair/Replace	\$36,109	\$55,016
2029		No Expenditures Projected		\$0
2030		No Expenditures Projected		\$0
2031	402	Asphalt - Surface Application	\$21,115	
	403	Concrete - Repair/Replace	\$40,325	
	803	Mailboxes - Replace	\$48,530	\$109,971
2032		No Expenditures Projected		\$0
2033		No Expenditures Projected		\$0
2034	402	Asphalt - Surface Application	\$23,581	
	403	Concrete - Repair/Replace	\$45,034	\$68,615
2035	401	Asphalt - Overlay (2012)	\$38,207	\$38,207
2036		No Expenditures Projected		\$0
2037	402	Asphalt - Surface Application	\$26,335	
	403	Concrete - Repair/Replace	\$50,293	\$76,627
2038		No Expenditures Projected		\$0
2039	809	Signage - Replace	\$33,724	\$33,724
2040	402	Asphalt - Surface Application	\$29,410	
	403	Concrete - Repair/Replace	\$56,165	\$85,575
2041	401	Asphalt - Overlay (2017)	\$53,636	\$53,636
2042	401	Asphalt - Overlay (2018)	\$95,233	\$95,233
2043	401	Asphalt - Overlay (Original)	\$90,608	
	402	Asphalt - Surface Application	\$32,844	
	403	Concrete - Repair/Replace	\$62,724	\$186,176
2044		No Expenditures Projected		\$0
2045		No Expenditures Projected		\$0
2046	402	Asphalt - Surface Application	\$36,679	
	403	Concrete - Repair/Replace	\$70,048	\$106,727
2047		No Expenditures Projected		\$0
2048		No Expenditures Projected		\$0
2049	402	Asphalt - Surface Application	\$40,962	
	403	Concrete - Repair/Replace	\$78,228	
	803	Mailboxes - Replace	\$94,145	\$213,335

Glossary of Commonly used Words and Phrases (provided by the National Reserve Study Standards of the Community Associations Institute)

Asset or Component – Individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association Responsibility, 2) with limited Useful Life expectancies, 3) have predictable Remaining Life expectancies, 4) above a minimum threshold cost, and 5) required by local codes.

Cash Flow Method – A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

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

Deficit – An actual (or projected) Reserve Balance, which is less than the Fully Funded Balance.

Effective Age – The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

Financial Analysis – The portion of the Reserve Study where current status of the Reserves (Measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of the Reserve Study.

Component Full Funding – When the actual (or projected) cumulative Reserve balance for all components is equal to the Fully Funded Balance.

Fully Fund Balance (aka – Ideal Balance) – An indicator against which Actual (or projected) Reserve Balance can be compared. The Reserve balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This number is calculated for each component, and then summed together for an association total.

$$\text{FFB} = \text{Replacement Cost} \times \text{Effective Age} / \text{Useful Life}$$

Fund Status – The status of the Reserve Fund as compared to an established benchmark, such as percent funding.

Funding Goals – Independent of methodology utilized, the following represent the basic categories of Funding Plan Goals.

- **Baseline Funding:** Establishing a Reserve funding goal of keeping the Reserve Balance above zero.
- **Component Full Funding:** Setting a Reserve funding goal of attaining and maintaining cumulative Reserves at or near 100% funded.
- **Threshold Funding:** Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than the “Component Fully Funding” method.

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

Funding Principles –

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

Life and Valuation Estimates – The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

Percent Funded – The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the *actual* (or *projected*) Reserve Balance to the accrued *Fund Balance*, expressed as a percentage.

Physical Analysis – The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

Remaining Useful Life (RUL) – Also referred to as “Remaining Life” (RL). The estimated time, in years, that a reserve component can be expected to *continue* to serve its intended function. Projects anticipated to occur in the initial year have “0” Remaining Useful Life.

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

Reserve Balance – Actual or projected funds as of a particular point in time (typically the beginning of the fiscal year) that the association has identified for use to defray the future repair or replacement of those major components in which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. This is based upon information provided and is not audited.

Reserve Provider – An individual that prepares Reserve Studies. Also known as **Aspen Reserve Specialties**.

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

Special Assessment – An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by governing documents or local statutes.

Surplus – An actual (or projected) Reserve Balance that is greater than the Fully Funded Balance.

Useful Life (UL) – Also known as “Life Expectancy”, or “Depreciable Life”. The estimated time, in years, that a Reserve component can be expected to serve its intended function if properly constructed and maintained in its present application or installation.