

Lagoon TH Condo Assn., Inc. – Department B
700 Meadow Creek Drive
Frisco, CO 80443



Level 1, Platinum Reserve Analysis

Report Period – 07/01/15 – 06/30/16

Client Reference Number – 9134B
Property Type – Townhouse & Condominium Style
Number of Units – 41
Fiscal Year End – June 30

**Final
Version**

Date of Property Observation -	June 2 & July 27, 2015
Project Manager -	Eric Vogt, CMCA®, AMS®
Main Contact Person -	Mr. Jim Powell, Board Member, Treasurer
Report was prepared on -	Tuesday, April 26, 2016

Table of Contents

SECTION 1:

Introduction to Reserve Analysis	page 1
General Information and Answers to FAQ's	pages 2 – 3
Lagoon Reserve Study Preface*	page 4
Summary of Reserve Analysis	page 5

SECTION 2:

Physical Analysis – Department C (Photographic)	pages 1 – 6
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SECTION 3:

Financial Analysis

a) Funding Summary	page 1
b) Percent Funded – Graph	page 2
c) Asset Inventory List – Departement A	page 3
d) Significant Components Table	page 4
e) Significant Components Graph	page 5
f) Recommended Yearly Summary Table	page 6
g) Requested Yearly Summary Table*	page 7
h) Yearly Reserve Contributions Graph	page 8
i) Component Funding Information	page 9
j) Yearly Cash Flow Table	page 10
k) Projected Expenditures Graph	page 11
l) Annual Projected Expenditures Table	page 12
m) Interdepartmental Transfer Summary*	page 13

SECTION 4:

Glossary of Terms and Definitions	pages 1 – 2
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* - These three pages have been added to the report to help explain the rationale and data provided in this custom reserve study.

- Preface (page 4 of Section 1) – This details the steps taken, as per board direction, to provide funding for each of the individual departments.
- Requested Yearly Summary (page 7 of Section 3) – This details the yearly summary for the funding requested by the board. This is typically not included with our reserve studies.
- Transfer Summary (page 13 of Section 3) – This details the incoming and outgoing funds borrowed from Department A to maintain positive funding levels throughout the report period (typically not provided).

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 (pages 1 – 13) 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 judgement 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 is 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 \$50,000 is a lot of money and they are in good shape. What they don't know is the roof will need to be replaced within 5 years, and the cost of the roof is going to exceed \$75,000. So while \$50,000 sounds like a lot of money, in reality it won't even cover the cost of a roof, 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.

Preface for Lagoon Townhomes Condo Association, Inc. Reserve Studies -

As changes to both near term and future contribution rates and interdepartmental transfers allow for an almost unlimited number of funding possibilities, we used the following to determine the funding model presented in this, and all other, departmental reports.

General Conceptions –

It has been determined, by the board, that maintaining funding levels of approximately 70% will provide the association with enough funds to take care of all anticipated expenses while maintaining enough funds to cover unanticipated expenses. The board has asked that funding levels of 70% are sought in the twenty year period and contributions, from that point forward, are adjusted to maintain said funding level. This form of cash management, which deviates from our recommended 100% funding level, is believed to equally burden both current and future membership while not overburdening them with relatively high funding balances that are thought to be excessive.

The board also determined that underfunded departments can borrow funds from better funded departments to cover near term expenses. The purpose for this course of action is to allow the underfunded departments the opportunity to cover near term expenses, increase their reserve contribution to acceptable levels and avoid special assessments. As such, all mentions of *Minimum Funding Levels/Contributions* have been replaced with *Requested Funding Levels/Contributions*. Additionally, all mentions of *Special Assessments* have been replaced with *Interdepartmental Transfers*.

It was also requested that the current membership not be excessively burdened with significant increases in current reserve contributions that would cause a strain on their budget. As such, all increases were capped at a 50% limit. To equally distribute the burden to the current membership, while ensuring an adequate reserve contribution and reserve fund balances, the following steps were taken when determining funding recommendations.

- Initial increases were determined based on projects scheduled to be addressed in the near term, their funding requirements and the current contribution rate v. the recommended contribution rate.
- All contributions were based on the assumption that standard, percentage based, increases to the reserve contribution equally burden the membership.
- Interdepartmental Transfers were determined based on current contribution levels, funds needed to perform near term projects and relatively significant increases in contributions.
- Payback schedules were determined based on the borrowing departments ability to return funds and the recommended contribution rate for that department.
- Subsequent contributions were set at the board requested inflation rate of 2.5%.
- After all of the above were set, the following were adjusted to achieve Recommended and Requested funding levels.
 - Near term contribution rates
 - Interdepartmental transfers
 - If necessary, future contribution rates

Please note that the report containing all association assets, regardless of department, has been provided to allow the board, and the membership, the opportunity to look at all assets, contribution levels, and funding requirements from a high level. It should be noted that the association will be able to address all scheduled projects if the funding levels outlined in this report are maintained.

Departmental reports break out each department's responsibilities and funding recommendations. These reports should be used annually to determine regular contribution rates and whether or not funding levels are adequate to covered anticipated expenses.

Summary of Lagoon THCA, Inc. – Department B – Association ID # - 09134

Projected Starting Balance as of July 1, 2015 -	\$10,080
Ideal Reserve Balance as of July 1, 2015 -	\$78,097
Percent Funded as of July 1, 2015 -	13%
Recommended Monthly Reserve Allocation -	\$0 (through June 2016)
Recommended Monthly Reserve Allocation -	\$560 (starting July 2016)
Requested Monthly Reserve Allocation -	\$590 (starting July 2016)
Requested Monthly Reserve Allocation -	\$950 (starting July 2026)
Recommended Interdepartmental Transfer (FY17-19) -	\$60,000
Recommended Interdepartmental Transfer (FY32) -	\$33,500

Information to complete this Reserve Analysis was gathered during a property observation of the common area elements on July 2nd & 27th, 2015. In addition, we obtained information by contacting local vendors and contractors, as well as communicating with the property representative (Community Manager & Association Treasurer). 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.

Department B consists of 9 similar buildings that contain 41 townhomes. Common area amenities Department B is responsible to maintain include the interior common hallways and fire protection systems in the 9 buildings that have them. No major reserve projects in this department have been addressed. Please refer to the *Projected Reserve Expenditures* table of the *Financial Analysis* section for a list of when components are scheduled to be addressed.

In comparing the projected balance of \$10,080 versus the ideal Reserve Balance of \$78,097, we find the association reserve fund to be in a poor financial position at this point in time (only 13% funded of ideal). Associations in this position are typically susceptible to Special Assessments, alternative funding methods, and deferred maintenance which can lead to lower property values. However, since there are no significant projects scheduled this year, and the association has already established a budget for 2015/2016, we suggest keeping the monthly reserve contribution at the budgeted amount of \$0.00 for the rest of the year.

In order to strengthen the reserve account, contributions to this account will be necessary starting in July 2016. If you refer to the *Funding Summary* page of the *Financial Analysis* section, you will see we are recommending an interdepartmental transfer, for this department, to take care of near term projects. The total value of the transfer is \$60,000 split evenly over the next three years. An additional interdepartmental transfer, of \$33,500, is recommended in FY2032 to cover projects scheduled to be addressed in that year.

Additionally, a reserve contribution to \$560 per month, starting July 2016, is recommended (representing an average increase of approximately \$13.66 per unit). This should be followed by nominal annual increases of 10.0% for the next eight years to help fund near term projects and increase the reserve fund balance. Thereafter, nominal annual increases of 2.5% will help offset the effects of inflation. By following the recommendation, the plan will increase the reserve account to a fully funded position within the thirty-year period.

In the *Percent Funded Graph*, you will see we have also provided a Requested Reserve Contribution of \$590 per month. This is followed by nominal annual increases of 10.0% for eight years. As with the recommended funding model, we recommend increases of 2.5% for the remaining 22 years of the report period. As per the board's request, a 70% funding level is reached at 20 years and the Requested Reserve Contribution should see a significant reduction in contribution levels (38.6% or an average of -\$14.54 per unit per month).

The Requested Reserve Allocation follows the "Baseline Theory" of reserve funding where the percent funded status is not allowed to dip below 0% funded at any point during the thirty-year period. As you can see, with interdepartmental transfers and varying contribution rates, the differences between the two scenarios are minimal. Due to the minimal variances throughout the report period, and the fact that both scenarios achieve an approximate 70% funding level in 20 years, either plan could be followed. Once the desired funding level of 70% is reached, a reduction in the reserve allocation is recommended to maintain this funding level.

Comp #: 216 Interior Surfaces (Dept B) - Repaint



Observations:

- Overall, the common area hallways appeared to be in fair to poor condition during observations. Touch-ups were noted throughout and it appears as though repairs are taking place.
- It is recommended that repairs to these halls continue to occur, as needed, with operating funds.
- It is recommended that funding to paint these hallways, with minor repairs to the surfaces, is provide periodically. As time passes, even with regular annual repairs, the hallways will begin to show their age and need to be painted.

Location: Department B Buildings

General Notes:

Quantity: Approx. 32,005 GSF

Life Expectancy: 7 *Remaining Life:* 2

Best Cost: \$15,000

Estimate to paint hallways

Worst Cost: \$17,000

Higher estimate for more prep work

Source of Information: Cost Database

Interior Surfaces -
704, 708, 716, 724, 734, 742 -
- approx. 3,370 GSF/building
730 - approx. 1,685 GSF
720, 738 - approx. 5,050 GSF/building

Comp #: 503 Utility doors (Dept B) - Replace



Observations:

- During observations, the conditions of the doors varied from good to poor. This can be contributed to varying exposure, use and some doors having already been replaced.
- As the expected lives of these doors will vary, it is recommended that funding be provided to replace approx. 25% of the doors every 8 years. This will allow for complete replacement of all doors every 24 years.
- Regular repairs to the closers, hinges, doors and frames should be completed, as needed, with operating funds.

Location: Department B Buildings

General Notes:

Quantity: (38) Doors

Life Expectancy: 8 *Remaining Life:* 0

Best Cost: \$8,500

\$850/door; Estimate to replace 10 doors

Worst Cost: \$9,500

\$950/door; Higher estimate for more repairs

Source of Information: Cost Database

Utility Doors -
704, 708, 716, 724, 734, 742 - (4) doors/building
730 - (2) doors
720, 738 - (6) doors/building

Comp #: 901 Fire Protection System (Dept B) - Replace



Observations:

- The panels appeared to be operational and it was reported that the current fire panels are functioning as expected.
- These panels typically have an extended useful life. However, new technology and the absence of replacement parts require replacement of the panels and associated hardware. It should be noted that the current panels are obsolete and will need to be replaced at failure.
- It is recommended that funds be provided to replace all of the panels at the same time to best cost estimates.

Location: Department B Buildings

General Notes:

Quantity: (9) Systems

Fire Panels -
(9) - Spectronics Corp. Alarm Panels
Model # - FAS-24B

Life Expectancy: 35 Remaining Life: 4

Best Cost: \$18,000

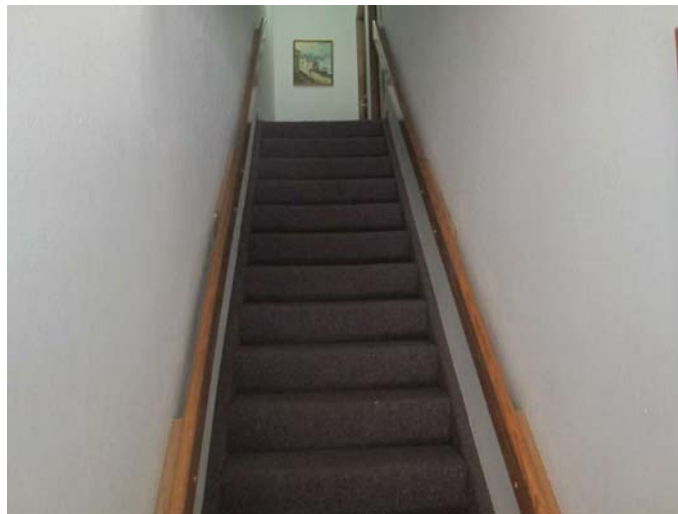
Estimate to replace fire panels

Worst Cost: \$22,500

Higher est. for additional parts & code compliance

Source of Information: Research with contractor

Comp #: 1501 Carpeting (Dept B) - Replace



Observations:

- The carpet, though dated, appeared to be in good to fair condition at time of observation with wear patterns, impacted padding, and other forms of advanced deterioration noted in several areas.
- It is recommended that this work be aligned with other work in the common hallways to provide for the best cost estimates. As such, this work has been aligned with the hallway painting.
- This work was scheduled during this cycle as it's not likely that the current carpet will last an additional cycle.

Location: **Department B Buildings**

General Notes:

Quantity: **Approx. 598 GSY**

Life Expectancy: **14** *Remaining Life:* **2**

Best Cost: **\$29,900**

\$50/GSY; Estimate for medium grade

Worst Cost: **\$35,880**

\$60/GSY; Higher estimate for better quality

Source of Information: Cost Database

Carpeting -
704, 708, 716, 724, 734, 742 -
- approx. 63 GSY/building
730 - approx. 32 GSY
720, 738 - approx. 94 GSY/building

Comp #: 1503 Ceramic Tile (Dept B) - Replace



Observations:

- As a whole, the tile in all of the entry ways appeared to be in good condition with no signs of advanced deterioration (cracked/missing grout or chipped/loose tiles) noted during observations.
- As with all other assets in these hallways, it's recommended that this work is aligned with other work to receive the best cost estimates and to ensure a cohesive design is used throughout the property.
- Repairs, or replacement, to the tile should be completed with operating funds, as needed.

Location: Department B Buildings

Quantity: Approx. 1,995 GSF

Life Expectancy: 28 *Remaining Life:* 16

Best Cost: \$23,940

\$12/GSF: Estimate to replace

Worst Cost: \$29,920

\$15/GSF: Higher estimate for better materials

Source of Information: Cost Database

General Notes:

Tile Flooring -
704, 708, 716, 724, 734, 742 -
- approx. 210 GSF/building
730 - approx. 105 GSF
720, 738 - approx. 315 GSF/building

Comp #: 1601 Interior Hallway Lighting (Dept B) - Replace



Observations:

- These fixtures appeared to be in good condition during observations with no issues noted or reported.
- Funding isn't recommended as replacements for these fixtures as similar replacements are relatively easy to find. It is recommended that broken fixtures are replaced, as needed, with new fixtures.
- If so determined, to take advantage of new technology and to conform with current design trends, funding for complete replacement of these fixtures could be added to future reserve studies.

Location: **Department B Buildings**

Quantity: **(57) Light Fixtures**

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

Best Cost: **\$0**

Worst Cost: **\$0**

Source of Information:

General Notes:

Ceiling Mounted Globe Fixtures -
704, 708, 716, 724, 734, 742 - (6) fixtures/building
730 - (3) fixtures
720, 738 - (9) fixtures/building

NOTE: If replacement were desired, it's estimated that new fixtures, of similar quality, would cost around \$250 - \$300/fixture (if all fixtures were replaced at the same time).

Funding Summary For Lagoon THCA, Inc. - Department B

Beginning Assumptions

Financial Information Source	Research With Client
# of units	41
Fiscal Year End	June 30, 2016
Monthly Dues from FY2016 Approved Budget	\$4,680.00
Monthly Reserve Contribution from FY2016 Budget	\$0.00
Projected Starting Reserve Balance (as of 1/1/2015)	\$10,080
Reserve Balance: Average Per Unit	\$246
Ideal Starting Reserve Balance (as of 1/1/2015)	\$78,097
Ideal Reserve Balance: Average Per Unit	\$1,905

Economic Factors

Past 10 year Average Inflation Rate (per Board direction)	2.50%
Current Average Interest Rate	1.00%

Current Reserve Status

Current Balance as a % of Ideal Balance	13%
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Recommendations for 2016 Fiscal Year

Monthly Reserve Allocation (rest of 2015/2016)	\$0
Per Unit Average	\$0.00

Changes to Current 2016 Fiscal Year Budget

Increase/Decrease to Reserve Allocation	\$0
as Percentage	0%
Per Unit	\$0.00

Recommendations for 2017 Fiscal Year

Recommended Monthly Reserve Allocation (starting July 2016)	\$560
Per Unit Average	\$13.66
Nominal Annual Increases	10.00%
# of Years	8
Subsequent Annual Increases	2.50%
Requested Monthly Reserve Allocation (starting July 2016)	\$590
Per Unit	\$14.39
Nominal Annual Increases	10.00%
# of Years	8
Subsequent Annual Increases	2.50%

Changes in Requested Allocation from 2036 to 2037 Fiscal Year

Increase/Decrease to Reserve Allocation	-\$596
as Percentage	-38.6%
Per Unit	-\$14.54

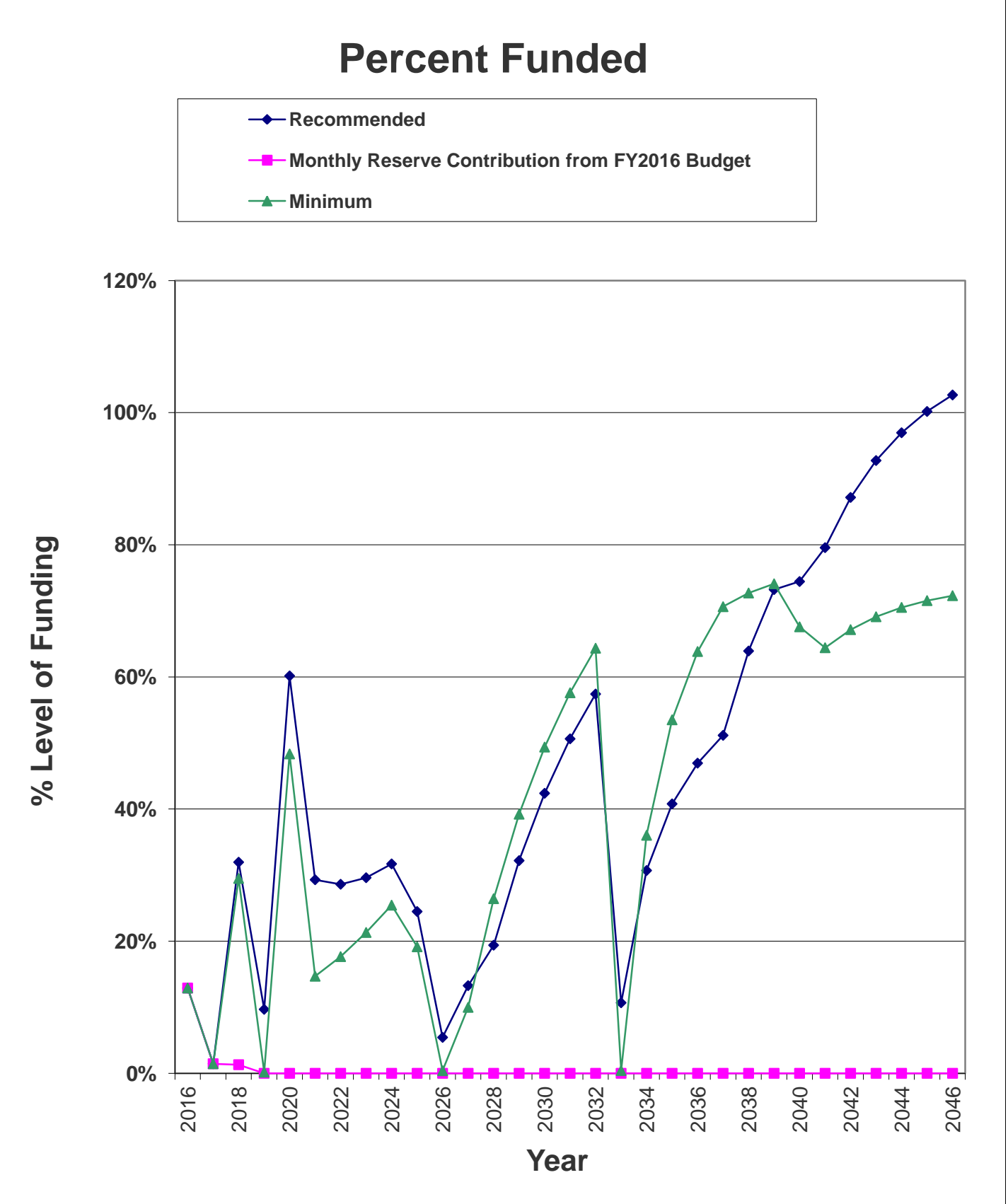
Recommended Interdepartmental Transfers

3-Year Incoming Funds - FY17-FY19 (\$20,000/year)	\$60,000
8-Year Outgoing Funds - FY20-FY26 (\$7,500/year)	(\$60,000)
1-Year Incoming Funds - FY32	\$33,500
4-Year Outgoing Funds - FY33-FY36 (\$8,375/year)	(\$33,500)

Requested Interdepartmental Transfers

3-Year Incoming Funds - FY17-FY19 (\$17,500/year)	\$52,500
7-Year Outgoing Funds - FY20-FY27 (\$7,500/year)	(\$52,500)
1-Year Incoming Funds - FY32	\$21,000
4-Year Outgoing Funds - FY33-FY36 (\$5,250/year)	(\$21,000)

Percent Funded Graph For Lagoon THCA, Inc. - Department B



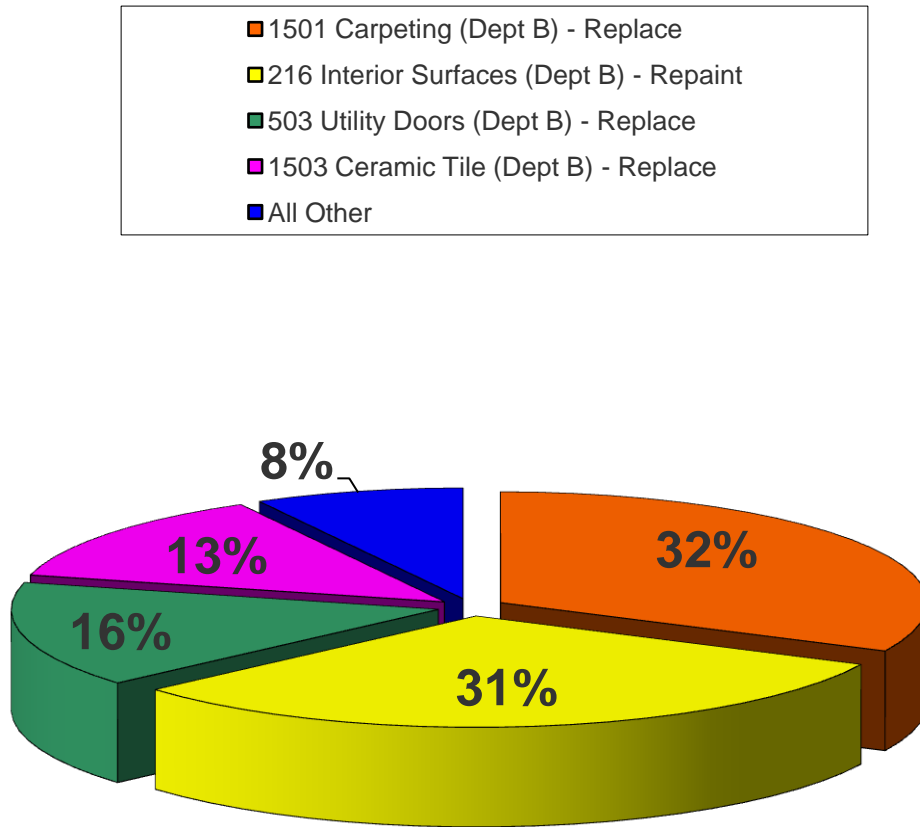
Component Inventory for Lagoon THCA, Inc. - Department B

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Painted Surfaces	216	Interior Surfaces (Dept B) - Repaint	7	2	\$15,000	\$17,000
Property Access	503	Utility doors (Dept B) - Replace	8	0	\$8,500	\$9,500
Security	901	Fire Protection System (Dept B) - Replac	35	4	\$18,000	\$22,500
Flooring	1501	Carpeting (Dept B) - Replace	14	2	\$29,900	\$35,880
	1503	Ceramic Tile (Dept B) - Replace	28	16	\$23,940	\$29,920
Light Fixtures	1601	Interior Hallway Lighting (Dept B) - Repla	N/A		\$0	\$0

Significant Components For Lagoon THCA, Inc. - Department B

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
216	Interior Surfaces (Dept B) - Repaint	7	2	\$16,000	\$2,286	31.3096%
503	Utility Doors (Dept B) - Replace	8	0	\$9,000	\$1,125	15.4102%
901	Fire Protection System (Dept B) - Replace	35	4	\$20,250	\$579	7.9252%
1501	Carpeting (Dept B) - Replace	14	2	\$32,890	\$2,349	32.1804%
1503	Ceramic Tile (Dept B) - Replace	28	16	\$26,930	\$962	13.1745%

Significant Components Graph For Lagoon THCA, Inc. - Department B



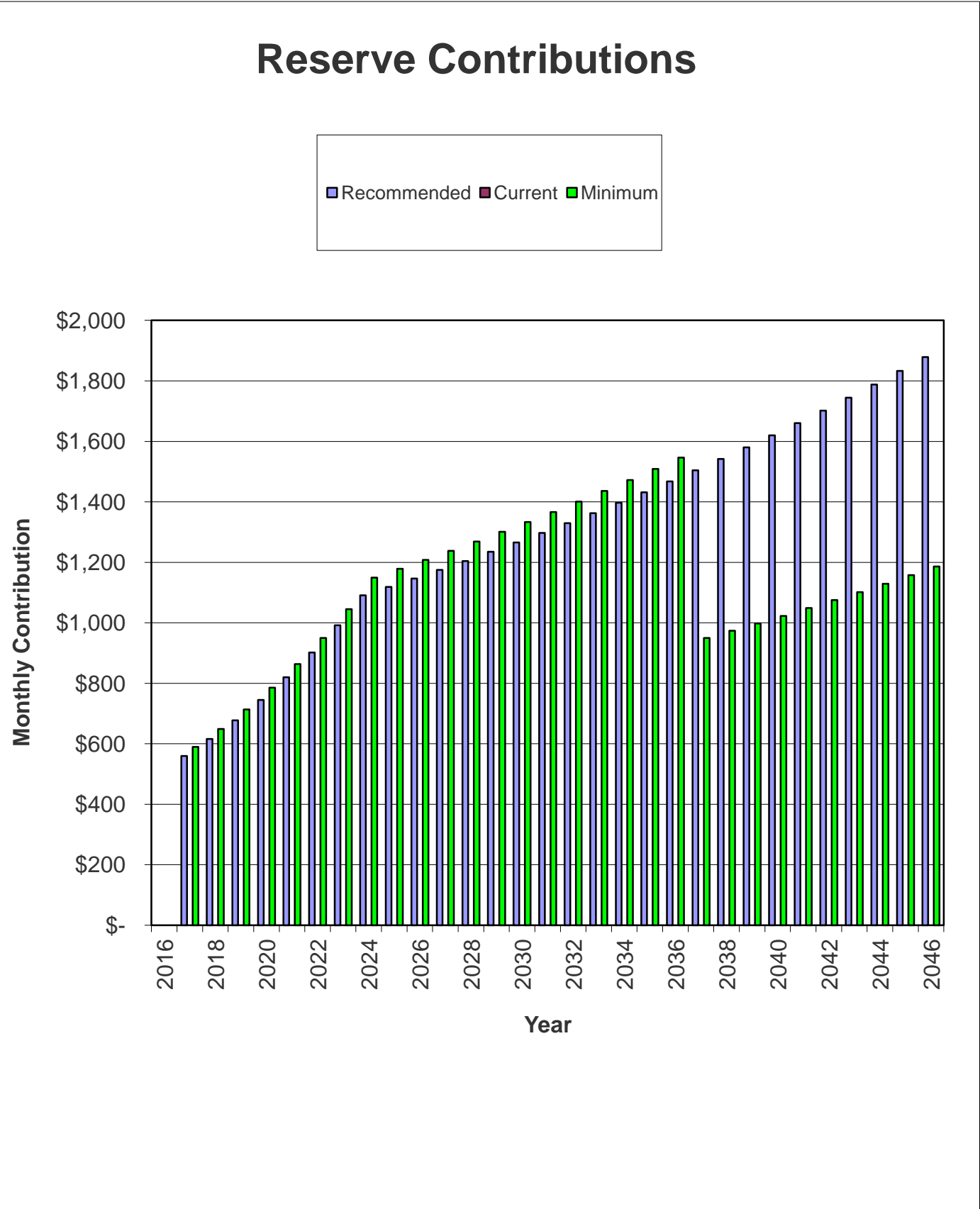
Asset ID	Asset Name	UL	RUL	Average Curr. Cost	Significance: (Curr Cost/UL)	
					As \$	As %
1501	Carpeting (Dept B) - Replace	14	2	\$32,890	\$2,349	32%
216	Interior Surfaces (Dept B) - Repaint	7	2	\$16,000	\$2,286	31%
503	Utility Doors (Dept B) - Replace	8	0	\$9,000	\$1,125	15%
1503	Ceramic Tile (Dept B) - Replace	28	16	\$26,930	\$962	13%
All Other	See Expanded Table For Breakdown				\$579	8%

Recommended Yearly Summary For Lagoon THCA, Inc. - Department B

Year	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Inter-Dept. Transfer	Interest Income	Reserve Expenses
2016	\$78,097	\$10,080	13%	\$0	\$0	\$56	\$9,000
2017	\$78,307	\$1,136	1%	\$6,720	\$20,000	\$246	\$0
2018	\$87,935	\$28,102	32%	\$7,392	\$20,000	\$262	\$51,365
2019	\$45,346	\$4,392	10%	\$8,131	\$20,000	\$286	\$0
2020	\$54,538	\$32,809	60%	\$8,944	(\$7,500)	\$187	\$22,352
2021	\$41,250	\$12,088	29%	\$9,839	(\$7,500)	\$96	\$0
2022	\$50,747	\$14,522	29%	\$10,823	(\$7,500)	\$125	\$0
2023	\$60,694	\$17,970	30%	\$11,905	(\$7,500)	\$165	\$0
2024	\$71,106	\$22,540	32%	\$13,095	(\$7,500)	\$162	\$10,966
2025	\$70,761	\$17,331	24%	\$13,423	(\$7,500)	\$66	\$19,982
2026	\$61,394	\$3,338	5%	\$13,758	(\$7,500)	\$27	\$0
2027	\$72,507	\$9,623	13%	\$14,102	(\$7,500)	\$92	\$0
2028	\$84,138	\$16,318	19%	\$14,455	\$0	\$237	\$0
2029	\$96,305	\$31,009	32%	\$14,816	\$0	\$386	\$0
2030	\$109,028	\$46,211	42%	\$15,187	\$0	\$541	\$0
2031	\$122,327	\$61,939	51%	\$15,566	\$0	\$700	\$0
2032	\$136,222	\$78,205	57%	\$15,955	\$33,500	\$570	\$125,916
2033	\$21,673	\$2,315	11%	\$16,354	(\$8,375)	\$21	\$0
2034	\$33,601	\$10,315	31%	\$16,763	(\$8,375)	\$104	\$0
2035	\$46,111	\$18,807	41%	\$17,182	(\$8,375)	\$191	\$0
2036	\$59,227	\$27,806	47%	\$17,612	(\$8,375)	\$284	\$0
2037	\$72,969	\$37,326	51%	\$18,052	\$0	\$466	\$0
2038	\$87,361	\$55,844	64%	\$18,503	\$0	\$654	\$0
2039	\$102,427	\$75,001	73%	\$18,966	\$0	\$707	\$28,234
2040	\$89,253	\$66,441	74%	\$19,440	\$0	\$683	\$16,279
2041	\$88,333	\$70,286	80%	\$19,926	\$0	\$806	\$0
2042	\$104,414	\$91,018	87%	\$20,424	\$0	\$1,017	\$0
2043	\$121,244	\$112,459	93%	\$20,935	\$0	\$1,235	\$0
2044	\$138,851	\$134,629	97%	\$21,458	\$0	\$1,460	\$0
2045	\$157,261	\$157,548	100%	\$21,995	\$0	\$1,693	\$0

Requested Yearly Summary For Lagoon THCA, Inc. - Department B

Year	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Inter-Dept. Transfer	Interest Income	Reserve Expenses
2016	\$78,097	\$10,080	13%	\$0	\$0	\$56	\$9,000
2017	\$78,307	\$1,136	1%	\$7,080	\$17,500	\$223	\$0
2018	\$87,935	\$25,939	29%	\$7,788	\$17,500	\$218	\$51,365
2019	\$45,346	\$80	0%	\$8,567	\$17,500	\$220	\$0
2020	\$54,538	\$26,366	48%	\$9,423	(\$7,500)	\$125	\$22,352
2021	\$41,250	\$6,062	15%	\$10,366	(\$7,500)	\$38	\$0
2022	\$50,747	\$8,965	18%	\$11,402	(\$7,500)	\$72	\$0
2023	\$60,694	\$12,940	21%	\$12,543	(\$7,500)	\$118	\$0
2024	\$71,106	\$18,100	25%	\$13,797	(\$7,500)	\$121	\$10,966
2025	\$70,761	\$13,552	19%	\$14,142	(\$7,500)	\$31	\$19,982
2026	\$61,394	\$244	0%	\$14,495	(\$7,500)	\$0	\$0
2027	\$72,507	\$7,239	10%	\$14,858	\$0	\$147	\$0
2028	\$84,138	\$22,244	26%	\$15,229	\$0	\$300	\$0
2029	\$96,305	\$37,773	39%	\$15,610	\$0	\$458	\$0
2030	\$109,028	\$53,841	49%	\$16,000	\$0	\$621	\$0
2031	\$122,327	\$70,463	58%	\$16,400	\$0	\$790	\$0
2032	\$136,222	\$87,653	64%	\$16,810	\$21,000	\$543	\$125,916
2033	\$21,673	\$91	0%	\$17,230	(\$5,250)	\$35	\$0
2034	\$33,601	\$12,106	36%	\$17,661	(\$5,250)	\$158	\$0
2035	\$46,111	\$24,675	54%	\$18,103	(\$5,250)	\$286	\$0
2036	\$59,227	\$37,814	64%	\$18,555	(\$5,250)	\$420	\$0
2037	\$72,969	\$51,539	71%	\$11,400	\$0	\$575	\$0
2038	\$87,361	\$63,514	73%	\$11,685	\$0	\$697	\$0
2039	\$102,427	\$75,896	74%	\$11,977	\$0	\$681	\$28,234
2040	\$89,253	\$60,320	68%	\$12,277	\$0	\$586	\$16,279
2041	\$88,333	\$56,904	64%	\$12,583	\$0	\$635	\$0
2042	\$104,414	\$70,123	67%	\$12,898	\$0	\$769	\$0
2043	\$121,244	\$83,790	69%	\$13,221	\$0	\$908	\$0
2044	\$138,851	\$97,918	71%	\$13,551	\$0	\$1,052	\$0
2045	\$157,261	\$112,521	72%	\$13,890	\$0	\$1,200	\$0



Component Funding Information For Lagoon THCA, Inc. - Department B

ID	Component Name	Ave Current Cost	Future Cost	Ideal Balance	Current Fund Balance	Monthly
216	Interior Surfaces (Dept B) - Repaint	\$16,000	\$16,810	\$11,429	\$1,080	\$0.00
503	Utility Doors (Dept B) - Replace	\$9,000	\$10,966	\$9,000	\$9,000	\$0.00
901	Fire Protection System (Dept B) - Replace	\$20,250	\$22,352	\$17,936	\$0	\$0.00
1501	Carpeting (Dept B) - Replace	\$32,890	\$34,555	\$28,191	\$0	\$0.00
1503	Ceramic Tile (Dept B) - Replace	\$26,930	\$39,978	\$11,541	\$0	\$0.00

Yearly Cash Flow For Lagoon THCA, Inc. - Department B

Year	2016	2017	2018	2019	2020
Starting Balance	\$10,080	\$1,136	\$28,102	\$4,392	\$32,809
<i>Reserve Income</i>	\$0	\$6,720	\$7,392	\$8,131	\$8,944
<i>Interest Earnings</i>	\$56	\$246	\$262	\$286	\$187
<i>Interdepartmental Transfers</i>	\$0	\$20,000	\$20,000	\$20,000	-\$7,500
Funds Available	\$10,136	\$28,102	\$55,757	\$32,809	\$34,440
Reserve Expenditures	\$9,000	\$0	\$51,365	\$0	\$22,352
Ending Balance	\$1,136	\$28,102	\$4,392	\$32,809	\$12,088

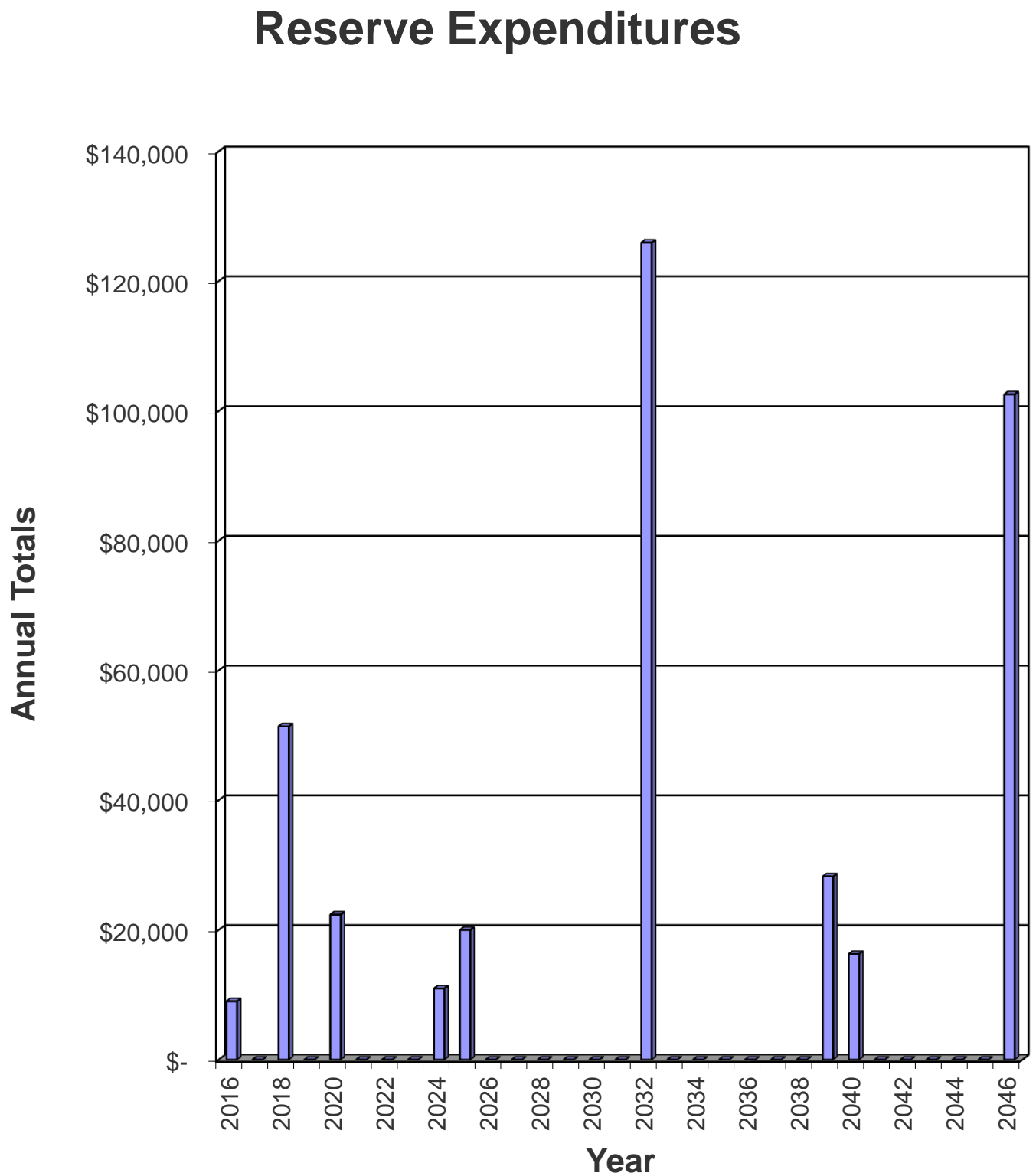
Year	2021	2022	2023	2024	2025
Starting Balance	\$12,088	\$14,522	\$17,970	\$22,540	\$17,331
<i>Reserve Income</i>	\$9,839	\$10,823	\$11,905	\$13,095	\$13,423
<i>Interest Earnings</i>	\$96	\$125	\$165	\$162	\$66
<i>Interdepartmental Transfers</i>	-\$7,500	-\$7,500	-\$7,500	-\$7,500	-\$7,500
Funds Available	\$14,522	\$17,970	\$22,540	\$28,297	\$23,320
Reserve Expenditures	\$0	\$0	\$0	\$10,966	\$19,982
Ending Balance	\$14,522	\$17,970	\$22,540	\$17,331	\$3,338

Year	2026	2027	2028	2029	2030
Starting Balance	\$3,338	\$9,623	\$16,318	\$31,009	\$46,211
<i>Reserve Income</i>	\$13,758	\$14,102	\$14,455	\$14,816	\$15,187
<i>Interest Earnings</i>	\$27	\$92	\$237	\$386	\$541
<i>Interdepartmental Transfers</i>	-\$7,500	-\$7,500	\$0	\$0	\$0
Funds Available	\$9,623	\$16,318	\$31,009	\$46,211	\$61,939
Reserve Expenditures	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$9,623	\$16,318	\$31,009	\$46,211	\$61,939

Year	2031	2032	2033	2034	2035
Starting Balance	\$61,939	\$78,205	\$2,315	\$10,315	\$18,807
<i>Reserve Income</i>	\$15,566	\$15,955	\$16,354	\$16,763	\$17,182
<i>Interest Earnings</i>	\$700	\$570	\$21	\$104	\$191
<i>Interdepartmental Transfers</i>	\$0	\$33,500	-\$8,375	-\$8,375	-\$8,375
Funds Available	\$78,205	\$128,231	\$10,315	\$18,807	\$27,806
Reserve Expenditures	\$0	\$125,916	\$0	\$0	\$0
Ending Balance	\$78,205	\$2,315	\$10,315	\$18,807	\$27,806

Year	2036	2037	2038	2039	2040
Starting Balance	\$27,806	\$37,326	\$55,844	\$75,001	\$66,441
<i>Reserve Income</i>	\$17,612	\$18,052	\$18,503	\$18,966	\$19,440
<i>Interest Earnings</i>	\$284	\$466	\$654	\$707	\$683
<i>Interdepartmental Transfers</i>	-\$8,375	\$0	\$0	\$0	\$0
Funds Available	\$37,326	\$55,844	\$75,001	\$94,674	\$86,564
Reserve Expenditures	\$0	\$0	\$0	\$28,234	\$16,279
Ending Balance	\$37,326	\$55,844	\$75,001	\$66,441	\$70,286

Year	2041	2042	2043	2044	2045
Starting Balance	\$70,286	\$91,018	\$112,459	\$134,629	\$157,548
<i>Reserve Income</i>	\$19,926	\$20,424	\$20,935	\$21,458	\$21,995
<i>Interest Earnings</i>	\$806	\$1,017	\$1,235	\$1,460	\$1,693
<i>Interdepartmental Transfers</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$91,018	\$112,459	\$134,629	\$157,548	\$181,236
Reserve Expenditures	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$91,018	\$112,459	\$134,629	\$157,548	\$181,236



Projected Reserve Expenditures For Lagoon THCA, Inc. - Department B

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2016	503	Utility Doors (Dept B) - Replace	\$9,000	\$9,000
2017		No Expenditures Projected		\$0
2018	216	Interior Surfaces (Dept B) - Repaint	\$16,810	
	1501	Carpeting (Dept B) - Replace	\$34,555	\$51,365
2019		No Expenditures Projected		\$0
2020	901	Fire Protection System (Dept B) - Replace	\$22,352	\$22,352
2021		No Expenditures Projected		\$0
2022		No Expenditures Projected		\$0
2023		No Expenditures Projected		\$0
2024	503	Utility Doors (Dept B) - Replace	\$10,966	\$10,966
2025	216	Interior Surfaces (Dept B) - Repaint	\$19,982	\$19,982
2026		No Expenditures Projected		\$0
2027		No Expenditures Projected		\$0
2028		No Expenditures Projected		\$0
2029		No Expenditures Projected		\$0
2030		No Expenditures Projected		\$0
2031		No Expenditures Projected		\$0
2032	216	Interior Surfaces (Dept B) - Repaint	\$23,752	
	503	Utility Doors (Dept B) - Replace	\$13,361	
	1501	Carpeting (Dept B) - Replace	\$48,825	
	1503	Ceramic Tile (Dept B) - Replace	\$39,978	\$125,916
2033		No Expenditures Projected		\$0
2034		No Expenditures Projected		\$0
2035		No Expenditures Projected		\$0
2036		No Expenditures Projected		\$0
2037		No Expenditures Projected		\$0
2038		No Expenditures Projected		\$0
2039	216	Interior Surfaces (Dept B) - Repaint	\$28,234	\$28,234
2040	503	Utility Doors (Dept B) - Replace	\$16,279	\$16,279
2041		No Expenditures Projected		\$0
2042		No Expenditures Projected		\$0
2043		No Expenditures Projected		\$0
2044		No Expenditures Projected		\$0
2045		No Expenditures Projected		\$0
2046	216	Interior Surfaces (Dept B) - Repaint	\$33,561	
	1501	Carpeting (Dept B) - Replace	\$68,989	\$102,550

Interdepartmental Transfer Summary For Lagoon TH Condos Association, Inc.

Year	<u>Department A</u>		<u>Department B</u>		<u>Department C</u>		<u>Department D</u>	
	Rec. Annual	Requested	Rec. Annual	Requested	Rec. Annual	Requested	Rec. Annual	Requested
	Transfer	Transfer	Transfer	Transfer	Transfer	Transfer	Transfer	Transfer
2016	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2017	(\$71,360)	(\$68,860)	\$20,000	\$17,500	\$36,960	\$36,960	\$14,400	\$14,400
2018	(\$71,360)	(\$68,860)	\$20,000	\$17,500	\$36,960	\$36,960	\$14,400	\$14,400
2019	(\$71,360)	(\$68,860)	\$20,000	\$17,500	\$36,960	\$36,960	\$14,400	\$14,400
2020	(\$22,260)	(\$22,260)	(\$7,500)	(\$7,500)	\$36,960	\$36,960	(\$7,200)	(\$7,200)
2021	(\$22,260)	(\$22,260)	(\$7,500)	(\$7,500)	\$36,960	\$36,960	(\$7,200)	(\$7,200)
2022	\$27,020	\$30,100	(\$7,500)	(\$7,500)	(\$12,320)	(\$15,400)	(\$7,200)	(\$7,200)
2023	\$27,020	\$30,100	(\$7,500)	(\$7,500)	(\$12,320)	(\$15,400)	(\$7,200)	(\$7,200)
2024	\$27,020	\$30,100	(\$7,500)	(\$7,500)	(\$12,320)	(\$15,400)	(\$7,200)	(\$7,200)
2025	\$27,020	\$30,100	(\$7,500)	(\$7,500)	(\$12,320)	(\$15,400)	(\$7,200)	(\$7,200)
2026	\$19,820	\$22,900	(\$7,500)	(\$7,500)	(\$12,320)	(\$15,400)	\$0	\$0
2027	\$19,820	\$15,400	(\$7,500)	\$0	(\$12,320)	(\$15,400)	\$0	\$0
2028	\$12,320	\$15,400	\$0	\$0	(\$12,320)	(\$15,400)	\$0	\$0
2029	\$12,320	\$15,400	\$0	\$0	(\$12,320)	(\$15,400)	\$0	\$0
2030	\$12,320	\$15,400	\$0	\$0	(\$12,320)	(\$15,400)	\$0	\$0
2031	\$2,320	(\$3,350)	\$0	\$0	(\$12,320)	(\$15,400)	\$10,000	\$18,750
2032	(\$11,180)	\$650	\$33,500	\$21,000	(\$12,320)	(\$15,400)	(\$10,000)	(\$6,250)
2033	\$20,695	\$26,900	(\$8,375)	(\$5,250)	(\$12,320)	(\$15,400)	\$0	(\$6,250)
2034	\$20,695	\$11,500	(\$8,375)	(\$5,250)	(\$12,320)	\$0	\$0	(\$6,250)
2035	\$20,695	\$5,250	(\$8,375)	(\$5,250)	(\$12,320)	\$0	\$0	\$0
2036	\$20,695	\$5,250	(\$8,375)	(\$5,250)	(\$12,320)	\$0	\$0	\$0
2037	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2038	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2039	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2040	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2041	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2042	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2043	\$0	(\$4,000)	\$0	\$0	\$0	\$0	\$0	\$4,000
2044	\$0	\$4,000	\$0	\$0	\$0	\$0	\$0	(\$4,000)
2045	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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 associations 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.