

Lagoon TH Condo Assn., Inc. – Department C
749 Lagoon Drive
Frisco, CO 80443



Level 1, Platinum Reserve Analysis

Report Period – 07/01/15 – 06/30/16

Client Reference Number – 9134C
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®
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Report was prepared on -	Monday, April 25, 2016

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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 C – Association ID # - 09134

Projected Starting Balance as of July 1, 2015 -	\$69,551
Ideal Reserve Balance as of July 1, 2015 -	\$275,463
Percent Funded as of July 1, 2015 -	25%
Recommended Monthly Reserve Allocation -	\$213 (through June 2016)
Recommended Monthly Reserve Allocation -	\$312 (starting July 2016)
Minimum Monthly Reserve Allocation -	\$302 (starting July 2016)
Recommended Monthly Reserve Allocation -	\$312 (starting July 2024)
Minimum Monthly Reserve Allocation -	\$302 (starting July 2036)
Recommended Interdepartmental Transfer -	\$184,800

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 C consists of 1 building that contain 16 condominium style units. Common area amenities Department C is responsible to maintain include the interior common hallways, an elevator and 4 boiler plants that supply heat and hot water to the property. Outside of a large expenditure, approx. \$90,000, to address balcony footing issues, no major reserve projects have been addressed in this department recently. 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 \$69,551 versus the ideal Reserve Balance of \$275,463, we find the association reserve fund to be in a weak financial position at this point in time (only 25% 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. Since there are no significant projects scheduled this year, we suggest keeping the monthly reserve contribution at the budgeted amount of \$213 for the remainder of the year with increase starting in FY 2017 to address near term projects and to strengthen the reserve balance.

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 \$184,800 split evenly over the next five years (\$36,960/year). Repayment of the borrowed funds takes 15 years.

Additionally, an increase in the reserve contribution to \$312 per month is recommended, starting in July 2016 (representing an average increase of approximately \$19.47 per unit). This should be followed by nominal annual increases of 46.25% for the next 8 years to help fund near term projects and strengthen the reserve balance. In FY2025, the recommended reserve contribution should be decreased to \$3,125/month (average decrease of \$83.32/unit/month). Thereafter, we recommend that the nominal annual increases are 2.5% to 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 \$302 per month. This is followed by nominal annual increases of 41.625% for the next eight years. As with the recommended funding model, we recommend that nominal annual increases of 2.5% are used for the remaining 22 years of the report period. As the association becomes 70% funded in FY2036, it is recommended that the reserve contribution is reduced to \$2,400 (average decrease of approx. \$139.78/unit/month) to maintain a 70% funding level. If the reserve contribution falls below this rate, the reserve fund will fall into a situation where Interdepartmental Transfers, deferred maintenance, and lower property values are possible at some point in the future.

The Requested Reserve Allocation follows the board's requested funding plan to reach a 70% funding level in the twenty year period and to maintain this funding level through the remainder of the report period. This was provided, per the board's request, and to show the association how small the difference is between the two scenarios. Based on the variances between Recommended Reserve Contributions and the Requested Reserve Contributions, funding levels and reserve fund balances, throughout the report period, either contribution rate may be used.

Comp #: 216 Interior Hallways (Dept C) - Repaint



Observations:

- Though dated, the interior hallways appeared to be in good to fair condition with no significant issues noted. There were signs of prior repairs noted throughout the building...as would be expected in a building like this.
- In addition to providing a uniform appearance throughout the interior hallways, painting is recommended to conform with current design trends and to provide a pleasing arrival experience.
- Regular repairs should continue to take place, as needed, with operating funds, between paint cycles.

Location: Building 749 - Hallways

General Notes:

Quantity: Approx. 6,030 GSF

Interior Surfaces - approx. 6,030 GSF
Approx. 2010 GSF/floor

Life Expectancy: 7 *Remaining Life:* 4

Best Cost: \$5,125

\$0.85/GSF; Estimate to repaint

Worst Cost: \$6,030

\$1.00/GSF; Higher estimate

Source of Information: Cost Database

Comp #: 218 Interior Stairwells (Dept C) - Repaint



Observations:

- As expected, lower floors showed more wear as they're more likely to be used by residents. Overall, the hallways appeared to be in good condition with no real issues, or unexpected conditions, noted during observation.
- As stairs are used less regularly than hallways, it is recommended that funding be provided to paint the stairwell every other painting cycle to ensure a uniform appearance and provide a pleasing arrival experience.
- As will hallways, regular repairs should be performed, as needed, with operating funds.

Location: **Building 749 - Stairwell**

General Notes:

Quantity: **Approx. 3,425 GSF**

Interior Stairwell - (Garage - 3rd Floor)
Approx. 3,425 GSF

Life Expectancy: **14** *Remaining Life:* **11**

Best Cost: **\$3,425**

\$1.00/GSF; Estimate to repaint stairwell

Worst Cost: **\$3,935**

\$1.15/GSF; Higher estimate for more prep

Source of Information: Cost Database

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



Observations:

- In general, the doors throughout the property appeared to be in good to fair condition with only a few issues noted.
- Due to the quantity of doors, and the unlikelihood of all doors needing replacement at the same time (due to varied usage patterns), it is recommended that funding to replace 1/3 of the doors every 8 years.
- This funding model allows for complete replacement of all doors every 24 years while allowing for the replacement of doors experiencing advanced deterioration, due to high usage, on a more frequent basis, as is expected.

Location: **Building 749**

General Notes:

Quantity: **(31) Doors**

**Utility Doors -
(2) - half glass entry doors
(29) - doors**

Life Expectancy: **8** *Remaining Life:* **0**

Best Cost: **\$3,200**

\$500/door; Estimate to replace 8 doors

Worst Cost: **\$4,400**

\$550/door; Higher estimate for more repairs

Source of Information: Cost Database

Comp #: 611 Stairway Systems - Major Repairs



Observations:

- During observation, The stairwell systems on this building, in general, appeared to be in fair condition with a few areas on the back stairs showing advanced deterioration.
- With regular annual maintenance, utilizing operating funds, and the funding provided here, for regular major repairs to these systems, these stairs should have an extended useful life and won't need complete replacement.
- If regular maintenance is neglected, there is a chance that complete replacement will be needed to ensure safety.

Location: **Building 749**

Quantity: **(2) Exterior Stairwells**

Life Expectancy: **7** *Remaining Life:* **4**

Best Cost: **\$2,500**

Allowance to perform major repairs

Worst Cost: **\$3,000**

Higher allowance for more repairs

Source of Information: Cost Database

General Notes:

Exterior Stairwells -
Front - (1 floor, G - 1)
 (18) - perforated steel stair treads
 (2) - 25' wood stringers
Back - (3 floors, 1 - 3)
 (41) - wood stair treads
 Walks/Landings - approx. 305 GSF
 Indoor/Outdoor Carpet - approx. 53 GSY
 Railings - approx. 50 LF

Comp #: 702 Heating Boilers (Dept C) - Replace



Observations:

- The three boilers that have yet to be replaced in this building appeared to be in poor condition at time of observation with prior leaking, corrosion, and other signs of advanced deterioration noted.
- Old cast iron boilers like this typically have a useful life of around 30 years prior to failure. As with the boiler replaced in Mech. Room A, it is recommended that high efficiency boilers are installed in the future.
- Future updates will need to adjust the useful lives of these boilers (down to 20 years) and the estimated replacement costs (future boiler replacement costs will be reduced as additional plumbing work will not be needed).

Location: Building 749 - Mech Rooms B-D

Quantity: (3) Heating Boiler

Life Expectancy: 30 **Remaining Life:** 5

Best Cost: \$180,000

\$60,000/boiler; estimate to replace boilers

Worst Cost: \$210,000

\$70,000/boiler; higher estimate for more repairs

Source of Information: Cost Database

General Notes:

(3) - Burnham 808B-WI heating boilers -
Input - 462 kBtu
Mfg - 1989

Mechanical Room B -
S/N: 7703281
CO#: 17658

Mechanical Room C -
S/N: 7710193
CO#: 17619

Mechanical Room D -
S/N: 7703277
CO#: 17609

Comp #: 702 Heating Boilers (Dept C) - Replace



Observations:

- This new boiler appeared to be in good condition, at time of observation, with no issues noted or reported.
- It is recommended that this boiler, and all boilers, are inspected annually with regular repairs handled with operating funds. This is in addition to the funding provided to replace misc. equipment on a regular basis.
- Future replacement of this high efficiency boiler is significantly less than replacing older boilers with this type of boiler. As such, funding for replacement of this boiler has been reduced.

Location: Building 749 - Mech Room A

Quantity: (1) Boiler

Life Expectancy: 20 *Remaining Life:* 13

Best Cost: \$30,000

Estimate to replace with similar

Worst Cost: \$36,000

Higher estimate for more labor/materials

Source of Information: Cost Database

General Notes:

(1) - Triangle Tube Prestige Solo 399 boiler
 Model # - PS26165
 Serial # - 08G101090
 Input - 399 kBtu
 Mfg - 2008

Comp #: 703 Water Heaters (Dept C) - Replace



Observations:

- The conditions of these boilers varied from fair to good with no only a few signs of prior leaks noted.
- As there are two heaters in each boiler room (redundancy), a more conservative approach to funding can be taken. As such, it's recommended that funding be provided to replace two heaters every 5 years.
- This funding method allows the association to replace the heaters on a regular basis and allows them to deal with unexpected failures, during the winter months, without losing the ability to provide hot water to the residents.

Location: Building 749 - Mechanical Rooms

General Notes:

Quantity: (8) Water Heaters

Life Expectancy: 5 **Remaining Life:** 0

Best Cost: \$16,000

\$8,000/heater; estimate to replace 2 heaters

Worst Cost: \$18,000

\$9,000/heater; higher estimate for more repairs

Source of Information: Cost Database

Room A - (2) HTP SuperStor indirect water heaters		
Model #	SS119	SSU119
Serial #	I21H0034-L	I06H3710-L
Mfg Date	10/01/H	09/11/H
Room B - (2) Vaughn indirect water heaters		
Model #	S120SRPJHX204545	120DJHX20
Serial #	090170888	090170899
Mfg Date	09/2001	09/2001
Room C - (2) Weil McLain Aqua + 105 water heaters		
Serial # 1	176370TC3509090001	
Serial # 2	176370GG2624060006	
Mfg Date	??/??/??	
Room D - (2) SuperStor Ultra SSU-119 water heaters		
Serial # 1	J17H0128-L	I21H0041-L
Mfg Date	10/25/H	10/1/H

Comp #: 707 Elevator - Rebuild/Upgrade



Observations:

- The elevator equipment appeared to be in good condition with no issues noted, or reported, during observations.
- It is recommended that funding be provided to replace the controls, major equipment, door sensors, etc. every 35 years as parts become hard to find and regular annual maintenance costs continue to rise.
- These repairs do not cover repairs to the jack. These repairs are for upgrades to the electrical, hydraulic, safety and operating systems that would be considered part of a standard elevator controls upgrade.

Location: **Building 749**

General Notes:

Quantity: **(1) Elevator Control**

(1) - ThyssenKrupp H-800 elevator
Weight Limit - 2500 pounds
Serial # - 8606
Job # - 02-5737
CO # - CP13-000260
Mfg - 1994

Life Expectancy: **35** *Remaining Life:* **14**

Best Cost: **\$85,000**

Estimate for major upgrades and rebuilding system

Worst Cost: **\$95,000**

Higher estimate for more labor/parts

Source of Information: Cost Database

Comp #: 709 Elevator Cab - Remodel



Observations:

- Though dated, the elevator cab appeared to be in good condition with no issues noted.
- It is recommended that the elevator cab is remodeled periodically to conform with current design trends, to take advantage of new technology, and to provide an enjoyable arrival experience.
- Funding has been provided to replace with a similar, basic, design. If so desired, the cab could be upgraded with better, more durable and classily designed, finishes. Expect to double the cost of the remodel if this occurs.

Location: **Building 749**

Quantity: **(1) Elevator Cab**

Life Expectancy: **25** *Remaining Life:* **4**

Best Cost: **\$8,000**

Estimate to remodel with similar finishes

Worst Cost: **\$9,000**

Higher estimate for upgraded décor

Source of Information: Cost Database

General Notes:

Elevator Cab -
4'd x 6'w x 8'h
Tile - approx. 25 GSF
Formica Wall Panels - approx. 115 GSF
Frosted diffusers w/ 2 x 48" T12 florescent lamps

Comp #: 725 Misc Mech Equipment (Dept C) - Replace



Observations:

- The condition of the mechanical equipment varied from new to poor during observation.
- In addition to annual inspections, and the repairs associated with these repairs, it is recommended that funding be provided to replace failing, or failed, equipment, with reserve funds, on a regular basis.
- This funding is provided to replace pumps, valves, expansion tanks, fans, motors, boiler assemblies, or any other component of the system that meets the threshold requirements for a reserve/capital expenditure.

Location: Building 749 - Garage

General Notes:

Quantity: See General Notes

Life Expectancy: 5 **Remaining Life:** 0

Best Cost: \$2,500

Allowance to replace failing equipment

Worst Cost: \$3,000

Higher allowance for more equipment

Source of Information: Cost Database

Mechanical Room A -
 (1) - Extrol SX30V expansion tank
 (4) - circulation pumps
Mechanical Room B -
 (1) - Extrol EX60 expansion tank
 (3) - circulation pumps
 (1) - Tekmar 260 boiler control
Mechanical Room C -
 (1) - Extrol EX60 expansion tank
 (1) - ProFlo PFXT12 expansion tank
 (3) - circulation pumps
 (1) - Tekmar 260 boiler control
Mechanical Room D -
 (2) - Extrol EX60 expansion tanks
 (2) - circulation pumps

Comp #: 901 Fire/Freeze Protection System - Replace



Observations:

- The protection system was not observed in operation. The association's contractor recommended that funding be provided to replace this system, and bring it to code, in the near future.
- Funding for replacement of life safety systems is recommended on a regular basis as components become obsolete and new technology makes itself available.
- It should be noted that this system contains monitored freeze protection, in addition to standard fire protection.

Location: **Building 749**

General Notes:

Quantity: **(1) Protection System**

Fire Protection System -
(1) - Silent Knight 5200 fire panel
(8) - Zones
(28) - Devices
(2) - Freeze Protection panels
(20) - Devices

Life Expectancy: **35** *Remaining Life:* **4**

Best Cost: **\$10,000**

Estimate to replace system & bring to code

Worst Cost: **\$12,000**

Higher estimate for additional parts

Source of Information: Cost Database

Comp #: 1401 Laundry Equipment (Dept C) - Replace



Observations:

- The washer and dryer appeared to be in fair condition with no unusual, or significant, issues reported.
- Though it was reported that the income generated from these machines covers repair costs and is expected to fund their replacement, reports detailing the income v. repair/replacement costs were not supplied.
- As such, funding is not recommended at this time as leased commercial machines, in our experience, typically have a better ROI, and less down time, than owned machines.

Location: **Building 749 - 1st Floor**

Quantity: **(1) Washer/Dryer Set**

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

Best Cost: **\$0**

Worst Cost: **\$0**

Source of Information: Cost Database

General Notes:

(1) - Coin Operated Whirlpool washer/dryer set
 Washer -
 Model # - WCRD2050D1WC
 Serial # - DH198011G
 Dryer -
 Model # - CEM2743BQ0
 Serial # - M32903410

Comp #: 1501 Carpeting (Dept C) - Replace



Observations:

- The carpet throughout, generally, appeared to be in good to fair condition with wear patterns and staining noted in only a few areas.
- Due to the reported use of this building, and observed conditions, it is recommended that funding be provided to replace the carpet every other painting cycle.
- During future replacement, it may behoove the association to look for more durable flooring in higher traffic areas.

Location: **Building 749 - Interior Hallways**

General Notes:

Quantity: **Approx. 272 GSY**

Carpeting -
Floors - approx. 60 GSY/floor (3 floors)
Stairs - approx. 92 GSY

Life Expectancy: **14** *Remaining Life:* **11**

Best Cost: **\$10,880**

\$40/GSY; Estimate for medium grade

Worst Cost: **\$13,600**

\$50/GSY; Higher estimate for better quality

Source of Information: Cost Database

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



Observations:

- The lighting appeared to be in fair to poor condition, during observations, with yellowing noted on diffusers, some diffusers missing and low lighting levels noted in darker areas of the hallways.
- As replacement of these fixtures, with similar quality fixtures, is relatively simple, funding is not recommended at this point.
- If the association were to look at higher efficiency fixtures throughout, funding could be provided for this work.

Location: **Building 749**

General Notes:

Quantity: **(34) Light Fixtures**

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

Best Cost: **\$0**

Worst Cost: **\$0**

Source of Information:

Funding Summary For Lagoon THCA, Inc. - Department C

Beginning Assumptions

Financial Information Source	Research With Client
# of units	16
Fiscal Year End	June 30, 2016
Monthly Dues from FY2016 Approved Budget	\$1,984.00
Monthly Reserve Contribution from FY2016 Budget	\$213.00
Projected Starting Reserve Balance (as of 7/1/2015)	\$69,551
Reserve Balance: Average Per Unit	\$4,347
Ideal Starting Reserve Balance (as of 7/1/2015)	\$275,463
Ideal Reserve Balance: Average Per Unit	\$17,216

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	25%
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Recommendations for 2016 Fiscal Year

Monthly Reserve Allocation (rest of 2015/2016)	\$213
Per Unit Average	\$13.31

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)	\$312
Per Unit Average	\$19.47
Nominal Annual Increases	46.25%
# of Years	8
Subsequent Annual Increases	2.50%
Requested Monthly Reserve Allocation (starting July 2016)	\$302
Per Unit	\$18.85
Nominal Annual Increases	41.63%
# of Years	8
Subsequent Annual Increases	2.50%

Changes in Recommended Allocation from 2024 to 2025 Fiscal Year

Increase/Decrease to Monthly Reserve Allocation	-\$1,333.07
as Percentage	-29.9%
Per Unit	-\$83.32

Changes in Requested Allocation from 2036 to 2037 Fiscal Year

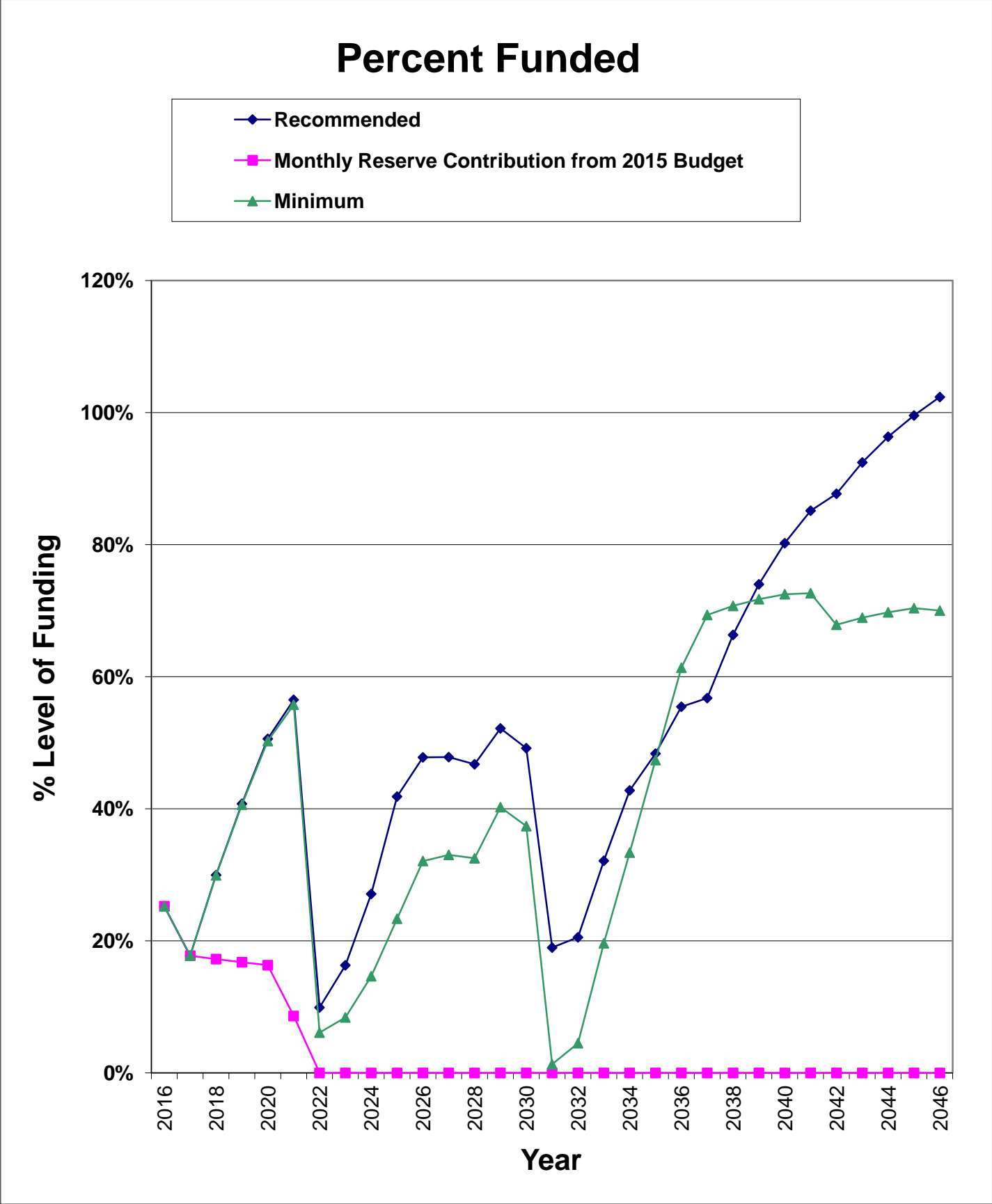
Increase/Decrease to Monthly Reserve Allocation	-\$2,236.45
as Percentage	-48.24%
Per Unit	-\$139.78

Recommended Interdepartmental Transfers

5-Year Incoming Funds - FY17-FY21 (\$36,960/year)	\$184,800
15-Year Outgoing Funds - FY22-FY36 (\$12,320/year)	(\$184,800)

Requested Interdepartmental Transfers

5-Year Incoming Funds - FY17-FY21 (\$36,960/year)	\$184,800
12-Year Outgoing Funds - FY22-FY33 (\$15,400/year)	(\$184,800)



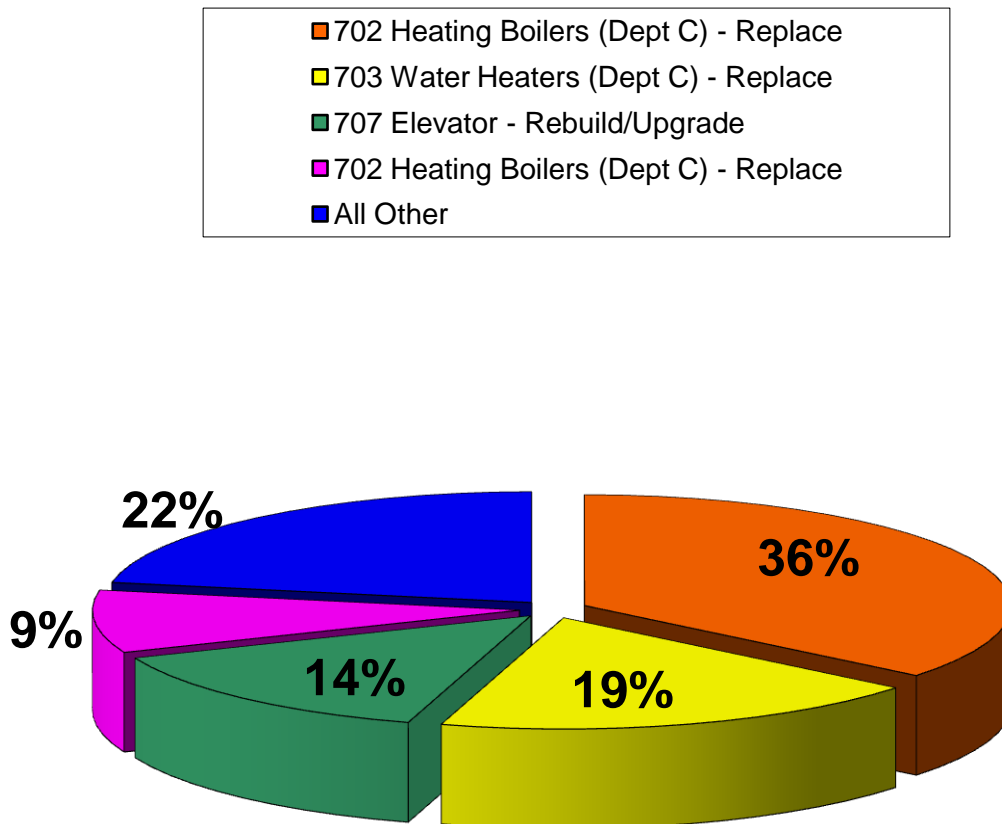
Component Inventory for Lagoon THCA, Inc. - Department C

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Painted Surfaces	216	Interior Hallways (Dept C) - Repaint	7	4	\$5,125	\$6,030
	218	Interior Stairwells (Dept C) - Repaint	14	11	\$3,425	\$3,935
Property Access	503	Utility doors (Dept C) - Replace	8	0	\$3,200	\$4,400
Walking Surfaces	611	Stairway Systems - Major Repairs	7	4	\$2,500	\$3,000
Mechanical Equip.	702	Heating Boilers (Dept C) - Replace	30	5	\$180,000	\$210,000
	702	Heating Boilers (Dept C) - Replace	20	13	\$30,000	\$36,000
	703	Water Heaters (Dept C) - Replace	5	0	\$16,000	\$18,000
	707	Elevator - Rebuild/Upgrade	35	14	\$85,000	\$95,000
	709	Elevator Cab - Remodel	25	4	\$8,000	\$9,000
	725	Misc Mech Equipment (Dept C) - Replac	5	0	\$2,500	\$3,000
Security	901	Fire/Freeze Protection System - Replace	35	4	\$10,000	\$12,000
Interiors	1401	Laundry Equipment (Dept C) - Replace	N/A		\$0	\$0
Flooring	1501	Carpeting (Dept C) - Replace	14	11	\$10,880	\$13,600
Light Fixtures	1601	Interior Hallway Lighting (Dept C) - Repla	N/A		\$0	\$0

Significant Components For Lagoon THCA, Inc. - Department C

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
216	Interior Hallways (Dept C) - Repaint	7	4	\$5,578	\$797	4.3955%
218	Interior Stairwells (Dept C) - Repaint	14	11	\$3,680	\$263	1.4500%
503	Utility doors (Dept C) - Replace	8	0	\$3,800	\$475	2.6203%
611	Stairway Systems - Major Repairs	7	4	\$2,750	\$393	2.1672%
702	Heating Boilers (Dept C) - Replace	30	5	\$195,000	\$6,500	35.8571%
702	Heating Boilers (Dept C) - Replace	20	13	\$33,000	\$1,650	9.1022%
703	Water Heaters (Dept C) - Replace	5	0	\$17,000	\$3,400	18.7560%
707	Elevator - Rebuild/Upgrade	35	14	\$90,000	\$2,571	14.1852%
709	Elevator Cab - Remodel	25	4	\$8,500	\$340	1.8756%
725	Misc Mech Equipment (Dept C) - Replace	5	0	\$2,750	\$550	3.0341%
901	Fire/Freeze Protection System - Replace	35	4	\$11,000	\$314	1.7338%
1501	Carpeting (Dept C) - Replace	14	11	\$12,240	\$874	4.8230%

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



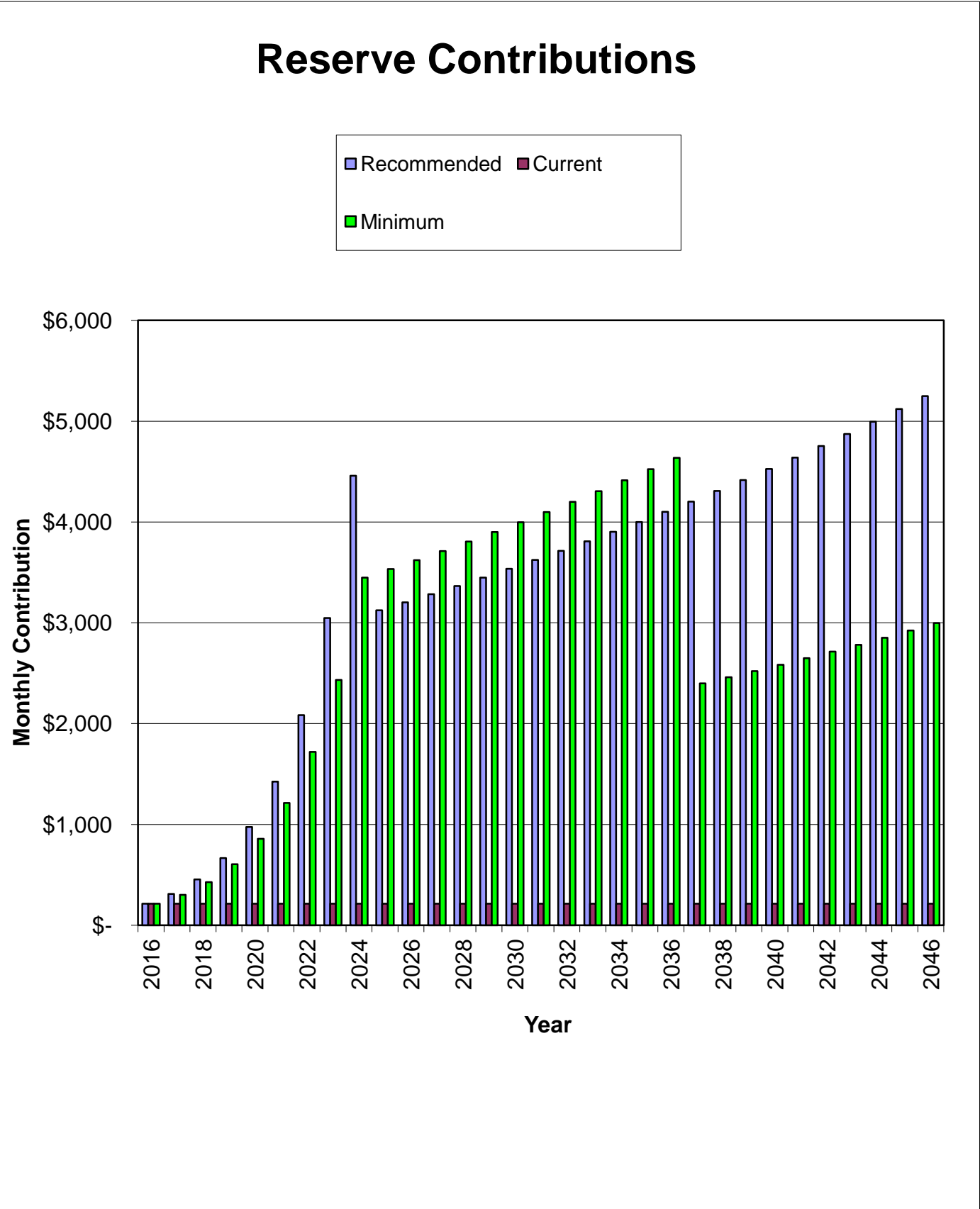
Asset ID	Asset Name	UL	RUL	Average Curr. Cost	Significance: (Curr Cost/UL)	
					As \$	As %
702	Heating Boilers (Dept C) - Replace	30	5	\$195,000	\$6,500	36%
703	Water Heaters (Dept C) - Replace	5	0	\$17,000	\$3,400	19%
707	Elevator - Rebuild/Upgrade	35	14	\$90,000	\$2,571	14%
702	Heating Boilers (Dept C) - Replace	20	13	\$33,000	\$1,650	9%
All Other	See Expanded Table For Breakdown				\$4,006	22%

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

Year	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Inter-Dept. Transfer	Interest Income	Reserve Expenses
2016	\$275,463	\$69,551	25%	\$2,556	\$0	\$593	\$23,550
2017	\$276,792	\$49,150	18%	\$3,738	\$36,960	\$884	\$0
2018	\$302,757	\$90,732	30%	\$5,467	\$36,960	\$1,310	\$0
2019	\$329,847	\$134,470	41%	\$7,996	\$36,960	\$1,762	\$0
2020	\$358,103	\$181,188	51%	\$11,693	\$36,960	\$2,096	\$30,716
2021	\$356,080	\$201,221	57%	\$17,102	\$36,960	\$1,258	\$242,970
2022	\$136,961	\$13,571	10%	\$25,011	(\$12,320)	\$138	\$0
2023	\$161,933	\$26,400	16%	\$36,579	(\$12,320)	\$325	\$0
2024	\$188,067	\$50,985	27%	\$53,497	(\$12,320)	\$634	\$4,630
2025	\$210,662	\$88,165	42%	\$37,500	(\$12,320)	\$950	\$0
2026	\$239,134	\$114,296	48%	\$38,438	(\$12,320)	\$1,091	\$25,282
2027	\$242,983	\$116,222	48%	\$39,398	(\$12,320)	\$1,082	\$31,815
2028	\$240,827	\$112,567	47%	\$40,383	(\$12,320)	\$1,210	\$0
2029	\$271,836	\$141,841	52%	\$41,393	(\$12,320)	\$1,281	\$45,491
2030	\$257,618	\$126,703	49%	\$42,428	(\$12,320)	\$723	\$127,168
2031	\$159,966	\$30,367	19%	\$43,489	(\$12,320)	\$256	\$28,604
2032	\$161,556	\$33,188	21%	\$44,576	(\$12,320)	\$405	\$5,641
2033	\$187,396	\$60,208	32%	\$45,690	(\$12,320)	\$711	\$0
2034	\$220,354	\$94,288	43%	\$46,832	(\$12,320)	\$993	\$12,988
2035	\$241,529	\$116,806	48%	\$48,003	(\$12,320)	\$1,291	\$0
2036	\$277,271	\$153,780	55%	\$49,203	(\$12,320)	\$1,506	\$32,363
2037	\$281,478	\$159,806	57%	\$50,433	\$0	\$1,859	\$0
2038	\$319,723	\$212,098	66%	\$51,694	\$0	\$2,390	\$0
2039	\$359,704	\$266,183	74%	\$52,987	\$0	\$2,940	\$0
2040	\$401,484	\$322,110	80%	\$54,311	\$0	\$3,474	\$6,873
2041	\$438,084	\$373,022	85%	\$55,669	\$0	\$3,617	\$81,569
2042	\$399,875	\$350,739	88%	\$57,061	\$0	\$3,810	\$0
2043	\$445,181	\$411,610	92%	\$58,487	\$0	\$4,429	\$0
2044	\$492,502	\$474,526	96%	\$59,949	\$0	\$5,068	\$0
2045	\$541,911	\$539,543	100%	\$61,448	\$0	\$5,642	\$17,394

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

Year	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Inter-Dept. Transfer	Interest Income	Reserve Expenses
2016	\$275,463	\$69,551	25%	\$2,556	\$0	\$593	\$23,550
2017	\$276,792	\$49,150	18%	\$3,620	\$36,960	\$883	\$0
2018	\$302,757	\$90,614	30%	\$5,127	\$36,960	\$1,307	\$0
2019	\$329,847	\$134,008	41%	\$7,261	\$36,960	\$1,754	\$0
2020	\$358,103	\$179,983	50%	\$10,283	\$36,960	\$2,077	\$30,716
2021	\$356,080	\$198,586	56%	\$14,563	\$36,960	\$1,219	\$242,970
2022	\$136,961	\$8,358	6%	\$20,625	(\$15,400)	\$33	\$0
2023	\$161,933	\$13,617	8%	\$29,211	(\$15,400)	\$129	\$0
2024	\$188,067	\$27,556	15%	\$41,369	(\$15,400)	\$307	\$4,630
2025	\$210,662	\$49,202	23%	\$42,404	(\$15,400)	\$553	\$0
2026	\$239,134	\$76,758	32%	\$43,464	(\$15,400)	\$708	\$25,282
2027	\$242,983	\$80,248	33%	\$44,550	(\$15,400)	\$715	\$31,815
2028	\$240,827	\$78,299	33%	\$45,664	(\$15,400)	\$861	\$0
2029	\$271,836	\$109,425	40%	\$46,806	(\$15,400)	\$951	\$45,491
2030	\$257,618	\$96,291	37%	\$47,976	(\$15,400)	\$415	\$127,168
2031	\$159,966	\$2,114	1%	\$49,175	(\$15,400)	\$0	\$28,604
2032	\$161,556	\$7,285	5%	\$50,405	(\$15,400)	\$143	\$5,641
2033	\$187,396	\$36,792	20%	\$51,665	(\$15,400)	\$474	\$0
2034	\$220,354	\$73,532	33%	\$52,956	\$0	\$939	\$12,988
2035	\$241,529	\$114,439	47%	\$54,280	\$0	\$1,422	\$0
2036	\$277,271	\$170,142	61%	\$55,637	\$0	\$1,826	\$32,363
2037	\$281,478	\$195,243	69%	\$28,800	\$0	\$2,106	\$0
2038	\$319,723	\$226,149	71%	\$29,520	\$0	\$2,420	\$0
2039	\$359,704	\$258,089	72%	\$30,258	\$0	\$2,745	\$0
2040	\$401,484	\$291,092	73%	\$31,014	\$0	\$3,046	\$6,873
2041	\$438,084	\$318,279	73%	\$31,790	\$0	\$2,947	\$81,569
2042	\$399,875	\$271,447	68%	\$32,585	\$0	\$2,891	\$0
2043	\$445,181	\$306,922	69%	\$33,399	\$0	\$3,251	\$0
2044	\$492,502	\$343,573	70%	\$34,234	\$0	\$3,623	\$0
2045	\$541,911	\$381,430	70%	\$35,090	\$0	\$3,921	\$17,394



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

ID	Component Name	Ave Current Cost	Future Cost	Ideal Balance	Current Fund Balance	Monthly
216	Interior Hallways (Dept C) - Repaint	\$5,578	\$6,157	\$2,390	\$2,390	\$9.36
218	Interior Stairwells (Dept C) - Repaint	\$3,680	\$4,828	\$789	\$0	\$3.09
503	Utility doors (Dept C) - Replace	\$3,800	\$4,630	\$3,800	\$3,800	\$5.58
611	Stairway Systems - Major Repairs	\$2,750	\$3,035	\$1,179	\$1,179	\$4.62
702	Heating Boilers (Dept C) - Replace	\$195,000	\$220,625	\$162,500	\$25,549	\$76.38
702	Heating Boilers (Dept C) - Replace	\$33,000	\$45,491	\$11,550	\$0	\$19.39
703	Water Heaters (Dept C) - Replace	\$17,000	\$19,234	\$17,000	\$17,000	\$39.95
707	Elevator - Rebuild/Upgrade	\$90,000	\$127,168	\$54,000	\$0	\$30.21
709	Elevator Cab - Remodel	\$8,500	\$9,382	\$7,140	\$7,140	\$4.00
725	Misc Mech Equipment (Dept C) - Replace	\$2,750	\$3,111	\$2,750	\$2,750	\$6.46
901	Fire/Freeze Protection System - Replace	\$11,000	\$12,142	\$9,743	\$9,743	\$3.69
1501	Carpeting (Dept C) - Replace	\$12,240	\$16,060	\$2,623	\$0	\$10.27

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

Year	2016	2017	2018	2019	2020
Starting Balance	\$69,551	\$49,150	\$90,732	\$134,470	\$181,188
<i>Reserve Income</i>	\$2,556	\$3,738	\$5,467	\$7,996	\$11,693
<i>Interest Earnings</i>	\$593	\$884	\$1,310	\$1,762	\$2,096
<i>Interdepartmental Transfers</i>	\$0	\$36,960	\$36,960	\$36,960	\$36,960
Funds Available	\$72,700	\$90,732	\$134,470	\$181,188	\$231,937
Reserve Expenditures	\$23,550	\$0	\$0	\$0	\$30,716
Ending Balance	\$49,150	\$90,732	\$134,470	\$181,188	\$201,221

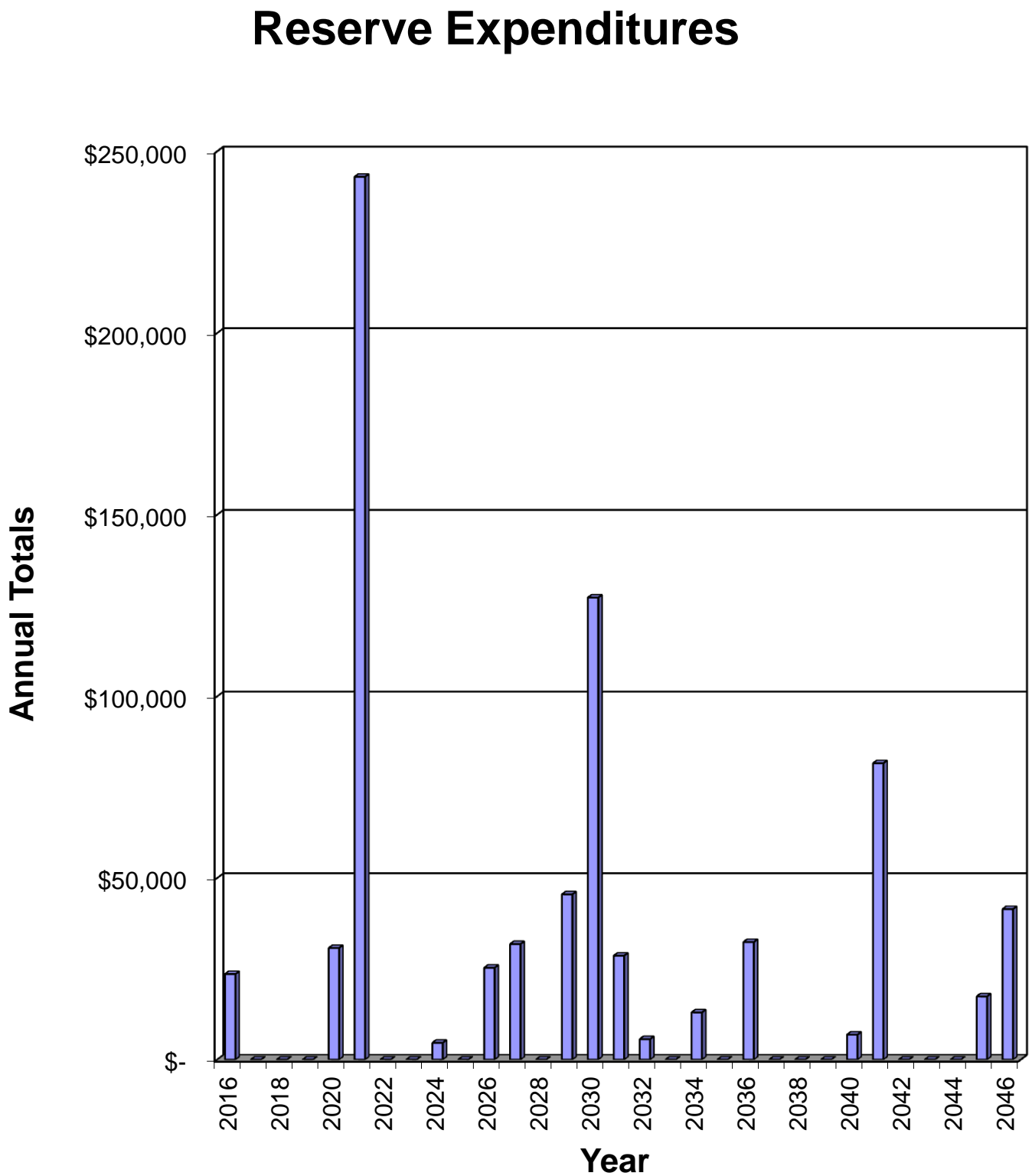
Year	2021	2022	2023	2024	2025
Starting Balance	\$201,221	\$13,571	\$26,400	\$50,985	\$88,165
<i>Reserve Income</i>	\$17,102	\$25,011	\$36,579	\$53,497	\$37,500
<i>Interest Earnings</i>	\$1,258	\$138	\$325	\$634	\$950
<i>Interdepartmental Transfers</i>	\$36,960	-\$12,320	-\$12,320	-\$12,320	-\$12,320
Funds Available	\$256,541	\$26,400	\$50,985	\$92,795	\$114,296
Reserve Expenditures	\$242,970	\$0	\$0	\$4,630	\$0
Ending Balance	\$13,571	\$26,400	\$50,985	\$88,165	\$114,296

Year	2026	2027	2028	2029	2030
Starting Balance	\$114,296	\$116,222	\$112,567	\$141,841	\$126,703
<i>Reserve Income</i>	\$38,438	\$39,398	\$40,383	\$41,393	\$42,428
<i>Interest Earnings</i>	\$1,091	\$1,082	\$1,210	\$1,281	\$723
<i>Interdepartmental Transfers</i>	-\$12,320	-\$12,320	-\$12,320	-\$12,320	-\$12,320
Funds Available	\$141,504	\$144,382	\$141,841	\$172,194	\$157,535
Reserve Expenditures	\$25,282	\$31,815	\$0	\$45,491	\$127,168
Ending Balance	\$116,222	\$112,567	\$141,841	\$126,703	\$30,367

Year	2031	2032	2033	2034	2035
Starting Balance	\$30,367	\$33,188	\$60,208	\$94,288	\$116,806
<i>Reserve Income</i>	\$43,489	\$44,576	\$45,690	\$46,832	\$48,003
<i>Interest Earnings</i>	\$256	\$405	\$711	\$993	\$1,291
<i>Interdepartmental Transfers</i>	-\$12,320	-\$12,320	-\$12,320	-\$12,320	-\$12,320
Funds Available	\$61,792	\$65,849	\$94,288	\$129,794	\$153,780
Reserve Expenditures	\$28,604	\$5,641	\$0	\$12,988	\$0
Ending Balance	\$33,188	\$60,208	\$94,288	\$116,806	\$153,780

Year	2036	2037	2038	2039	2040
Starting Balance	\$153,780	\$159,806	\$212,098	\$266,183	\$322,110
<i>Reserve Income</i>	\$49,203	\$50,433	\$51,694	\$52,987	\$54,311
<i>Interest Earnings</i>	\$1,506	\$1,859	\$2,390	\$2,940	\$3,474
<i>Interdepartmental Transfers</i>	-\$12,320	\$0	\$0	\$0	\$0
Funds Available	\$192,169	\$212,098	\$266,183	\$322,110	\$379,895
Reserve Expenditures	\$32,363	\$0	\$0	\$0	\$6,873
Ending Balance	\$159,806	\$212,098	\$266,183	\$322,110	\$373,022

Year	2041	2042	2043	2044	2045
Starting Balance	\$373,022	\$350,739	\$411,610	\$474,526	\$539,543
<i>Reserve Income</i>	\$55,669	\$57,061	\$58,487	\$59,949	\$61,448
<i>Interest Earnings</i>	\$3,617	\$3,810	\$4,429	\$5,068	\$5,642
<i>Interdepartmental Transfers</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$432,308	\$411,610	\$474,526	\$539,543	\$606,633
Reserve Expenditures	\$81,569	\$0	\$0	\$0	\$17,394
Ending Balance	\$350,739	\$411,610	\$474,526	\$539,543	\$589,239



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

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2016	503	Utility doors (Dept C) - Replace	\$3,800	
	703	Water Heaters (Dept C) - Replace	\$17,000	
	725	Misc Mech Equipment (Dept C) - Replace	\$2,750	\$23,550
2017		No Expenditures Projected		\$0
2018		No Expenditures Projected		\$0
2019		No Expenditures Projected		\$0
2020	216	Interior Hallways (Dept C) - Repaint	\$6,157	
	611	Stairway Systems - Major Repairs	\$3,035	
	709	Elevator Cab - Remodel	\$9,382	
	901	Fire/Freeze Protection System - Replace	\$12,142	\$30,716
2021	702	Heating Boilers (Dept C) - Replace	\$220,625	
	703	Water Heaters (Dept C) - Replace	\$19,234	
	725	Misc Mech Equipment (Dept C) - Replace	\$3,111	\$242,970
2022		No Expenditures Projected		\$0
2023		No Expenditures Projected		\$0
2024	503	Utility doors (Dept C) - Replace	\$4,630	\$4,630
2025		No Expenditures Projected		\$0
2026	703	Water Heaters (Dept C) - Replace	\$21,761	
	725	Misc Mech Equipment (Dept C) - Replace	\$3,520	\$25,282
2027	216	Interior Hallways (Dept C) - Repaint	\$7,318	
	218	Interior Stairwells (Dept C) - Repaint	\$4,828	
	611	Stairway Systems - Major Repairs	\$3,608	
	1501	Carpeting (Dept C) - Replace	\$16,060	\$31,815
2028		No Expenditures Projected		\$0
2029	702	Heating Boilers (Dept C) - Replace	\$45,491	\$45,491
2030	707	Elevator - Rebuild/Upgrade	\$127,168	\$127,168
2031	703	Water Heaters (Dept C) - Replace	\$24,621	
	725	Misc Mech Equipment (Dept C) - Replace	\$3,983	\$28,604
2032	503	Utility doors (Dept C) - Replace	\$5,641	\$5,641
2033		No Expenditures Projected		\$0
2034	216	Interior Hallways (Dept C) - Repaint	\$8,699	
	611	Stairway Systems - Major Repairs	\$4,289	\$12,988
2035		No Expenditures Projected		\$0
2036	703	Water Heaters (Dept C) - Replace	\$27,856	
	725	Misc Mech Equipment (Dept C) - Replace	\$4,506	\$32,363
2037		No Expenditures Projected		\$0
2038		No Expenditures Projected		\$0
2039		No Expenditures Projected		\$0
2040	503	Utility doors (Dept C) - Replace	\$6,873	\$6,873
2041	216	Interior Hallways (Dept C) - Repaint	\$10,340	
	218	Interior Stairwells (Dept C) - Repaint	\$6,823	
	611	Stairway Systems - Major Repairs	\$5,098	
	703	Water Heaters (Dept C) - Replace	\$31,517	
	725	Misc Mech Equipment (Dept C) - Replace	\$5,098	
	1501	Carpeting (Dept C) - Replace	\$22,692	\$81,569
2042		No Expenditures Projected		\$0
2043		No Expenditures Projected		\$0
2044		No Expenditures Projected		\$0
2045	709	Elevator Cab - Remodel	\$17,394	\$17,394
2046	703	Water Heaters (Dept C) - Replace	\$35,659	
	725	Misc Mech Equipment (Dept C) - Replace	\$5,768	\$41,427

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	Annual	Transfer	Annual	Transfer	Annual	Transfer	Annual
		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.