

Lagoon TH Condo Assn., Inc. – Department D
741 Lagoon Drive & 743 Meadow Creek Drive
Frisco, CO 80443



Level 1, Platinum Reserve Analysis

Report Period – 07/01/15 – 06/30/16

Client Reference Number – 9134D
Property Type – Townhouse & Condominium Style
Number of Units – 12
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 -	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.

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 D – Association ID # - 09134

Projected Starting Balance as of July 1, 2015 -	\$21,004
Ideal Reserve Balance as of July 1, 2015 -	\$49,363
Percent Funded as of July 1, 2015 -	43%
Recommended Monthly Reserve Allocation -	\$93 (through June 2016)
Recommended Monthly Reserve Allocation -	\$135 (starting July 2016)
Requested Monthly Reserve Allocation -	\$131 (starting July 2016)
Recommended Monthly Reserve Allocation -	\$719 (starting July 2024)
Minimum Monthly Reserve Allocation -	\$715 (starting July 2024)
Recommended Interdepartmental Transfer -	\$43,200

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 D consists of 2 similar buildings that contain 12 townhomes. Common area amenities Department D is responsible to maintain consist of two common boiler plants (one in each building). One boiler was replaced in 2008 and the other should be replaced in the near future. 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 \$21,004 versus the ideal Reserve Balance of \$49,363, we find the association reserve fund to be in a reasonable financial position at this point in time (only 43% funded of ideal). Though this may seem like a reasonable amount, the upcoming boiler replacement will require more funding than is currently being contributed. Associations in this position are typically susceptible to Special Assessments, alternative funding methods, and deferred maintenance which can lead to lower property values. We suggest keeping the monthly reserve contribution at the budgeted amount of \$93 per month for the rest of the fiscal year and making changes in FY2017.

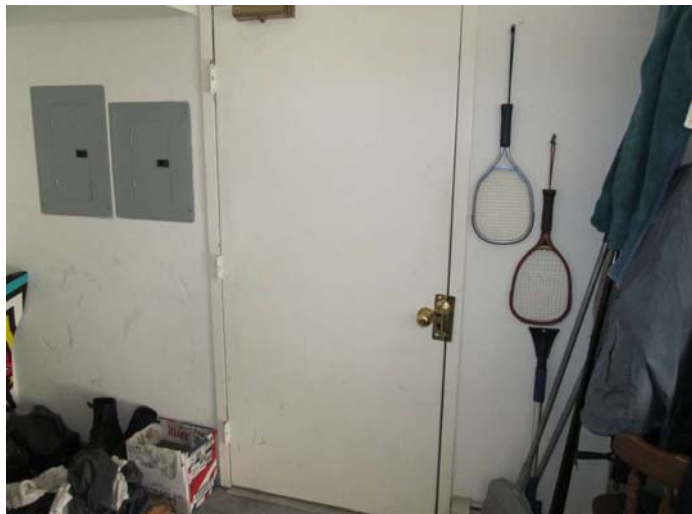
In order to strengthen the reserve account, contributions to this account will need to be increased starting in July 2016. If you refer to the *Funding Summary* page of the *Financial Analysis* section, you will see we are recommending an Interdepartmental Transfer to ensure funding is available for the scheduled boiler replacement. The total value of the transfer is \$43,200 split evenly over the next three years.

Additionally, the regular reserve contribution needs to be increased to \$135 per month (representing an average increase of approx. \$11.24 per unit). This should be followed by nominal annual increases of 45.0% for the next eight years to help fund near term projects and increase the reserve balance. After completion of the near term projects, and increases to the reserve fund balance, we recommend a decrease in the reserve contribution, in FY2025, to \$719/month (representing an average decrease of approx. \$91.53/unit/month) followed by annual increases of 2.5% through the remainder of the 30-year report period. Additionally, prior to the next boiler replacement in 2031, we recommend another Interdepartmental Transfer of \$10,000. 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 \$131 per month. This is followed by nominal annual increases of 41.125% for eight years. As with the recommended funding model, we recommend a decrease to the reserve contribution, in FY2025, to \$715/month (representing an average decrease of approx. \$62.35/unit/month) followed by regular annual increases of 2.5% for the remainder of the 30-year report period. There is also an Interdepartmental Transfer of \$18,750 in 2031 and one for \$4,000 in 2043. If the reserve contribution falls below this rate, the Reserve fund will fall into a situation where additional 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 where the contributions are less than recommended to achieve a 70% funding level at twenty year mark and to maintain this funding level from that point forward. 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 minor variance, we strongly suggest the Recommended Reserve Allocation is followed.

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



Picture Unavailable

Observations:

- The utility doors, appeared to be in good condition, despite their age.
- As these doors are inside an owner's garage and are unlikely to be damaged beyond repair, it is recommended that funding be provided to replace both doors at the end of their projected useful lives.
- If a door is damaged beyond repair, prior to the end of their estimated useful life, it is recommended that operating funds are used for replacement as the projected replacement cost for a single door doesn't hit the reserve threshold.

Location: **Buildings 741 & 743**

General Notes:

Quantity: **(2) Doors**

Life Expectancy: **32** *Remaining Life:* **16**

Best Cost: **\$1,700**

\$850/door; Estimate to replace doors

Worst Cost: **\$1,900**

\$950/door; Higher estimate for more repairs

Source of Information: Cost Database

Comp #: 702 Boilers (Dept D) - Replace



Observations:

- The two boiler vary in condition due to one of them having been replaced in 2008. Outside of the age difference, both boilers showed conditions consistent with their ages and no signs of unexpected deterioration.
- Due to the age different between the two boilers, we recommend that the older boiler is replaced in the near term with the other boiler being replaced at the end of it's useful life.
- Future updates will need to adjust the useful life of these boilers to take into account the UL of the new boiler (it is anticipated that the UL will need to be set at 10 years). It is also anticipated that the estimated replacement cost will need to be adjusted as the new, high efficiency, boilers will not need as much plumbing work in the future.

Location: **Buildings 741 & 743, Unit D**

General Notes:

Quantity: **(2) Boilers**

Building 741, Unit D Garage -
(1) - Triangle Tube Prestige 399k Btu boiler
Serial # - PS26168
CO # - 82114
Mfg Date - 2008

Life Expectancy: **12** *Remaining Life:* **3**

Best Cost: **\$55,000**

\$55,000/boiler; Estimate to replace 1 boiler

Building 743, Unit D Garage -
(1) - Burnham 808B-WI 396k Btu boiler
Serial # - 9590
CO # - 06836
Mfg Date - 1990

Worst Cost: **\$63,000**

\$63,000/boiler; Higher estimate for more repairs

Source of Information: Cost Database

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



Observations:

- Though the boilers appeared to be in good to fair condition at time of observation, it is recommended that funding be provided to replace the water heaters when the new boilers are installed.
- Indirect fired water heaters, of this design, typically have an anticipated useful life of 10 - 15 years before irreparable damage occurs to the heat exchanger.
- It is recommended that future updates plan for replacement of both heaters at the same time.

Location: **Buildings 741 & 743 - Unit D**

General Notes:

Quantity: **(3) Water Heaters**

Life Expectancy: **12** *Remaining Life:* **3**

Best Cost: **\$4,500**

Estimate to replace 1 building's heaters

Worst Cost: **\$5,200**

Higher estimate for emergency call

Source of Information: Cost Database

Indirect Fired Water Heaters -
Building 741 -
(1) - SuperStor water heater
Serial # - unavailable
Mfg Date - ??/??/?
Building 743 -
(2) - Triangle Tube Phase III water heaters
Serial # - unavailable
Mfg Date - ??/??/?

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



Observations:

- The condition of the mechanical equipment varied from good to poor at time of observation.
- As it is recommended that the boilers are inspected annually, with needed repairs being performed with operating funds, we also recommend that funding is provided, on a regular basis, for unanticipated repairs.
- As components are replaced, and new technology is utilized, funding for this component may need to be adjusted, in future updates, to align with experienced costs and frequency of replacements.

Location: **Buildings 741 & 743 - Unit D**

General Notes:

Quantity: **(11) Pieces of Equipment**

Life Expectancy: **6** *Remaining Life:* **3**

Best Cost: **\$1,000**

Estimate to replace failing equipment

Worst Cost: **\$1,300**

Higher estimate for more replacements

Source of Information: Cost Database

Miscellaneous Mechanical Equipment -
Building 741 -
(3) - circulation pumps
(1) - Amtrol EX60 expansion tank
(2) - Amtrol EF12 expansion tank
Building 743 -
(3) - circulation pumps
(1) - Amtrol EF12 expansion tank
(1) - Tekmar 260 boiler control

Funding Summary For Lagoon THCA, Inc. - Department D

Beginning Assumptions

Financial Information Source	Research With Client
# of units	12
Fiscal Year End	June 30, 2016
Monthly Dues from FY2016 Approved Budget	\$864.00
Monthly Reserve Contribution from FY2016 Budget	\$93.00
Projected Starting Reserve Balance (as of 7/1/2015)	\$21,004
Reserve Balance: Average Per Unit	\$1,750
Ideal Starting Reserve Balance (as of 7/1/2015)	\$49,363
Ideal Reserve Balance: Average Per Unit	\$4,114

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	43%
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Recommendations for 2016 Fiscal Year

Monthly Reserve Allocation (rest of 2015/2016)	\$93
Per Unit Average	\$7.75

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)	\$135
Per Unit Average	\$11.24
Nominal Annual Increases	45.00%
# of Years	8
Subsequent Annual Increases	2.50%
Requested Monthly Reserve Allocation (starting July 2016)	\$131
Per Unit	\$10.94
Nominal Annual Increases	41.125%
# of Years	8
Subsequent Annual Increases	2.50%

Changes in Recommended Allocation from 2024 to 2025 Fiscal Year

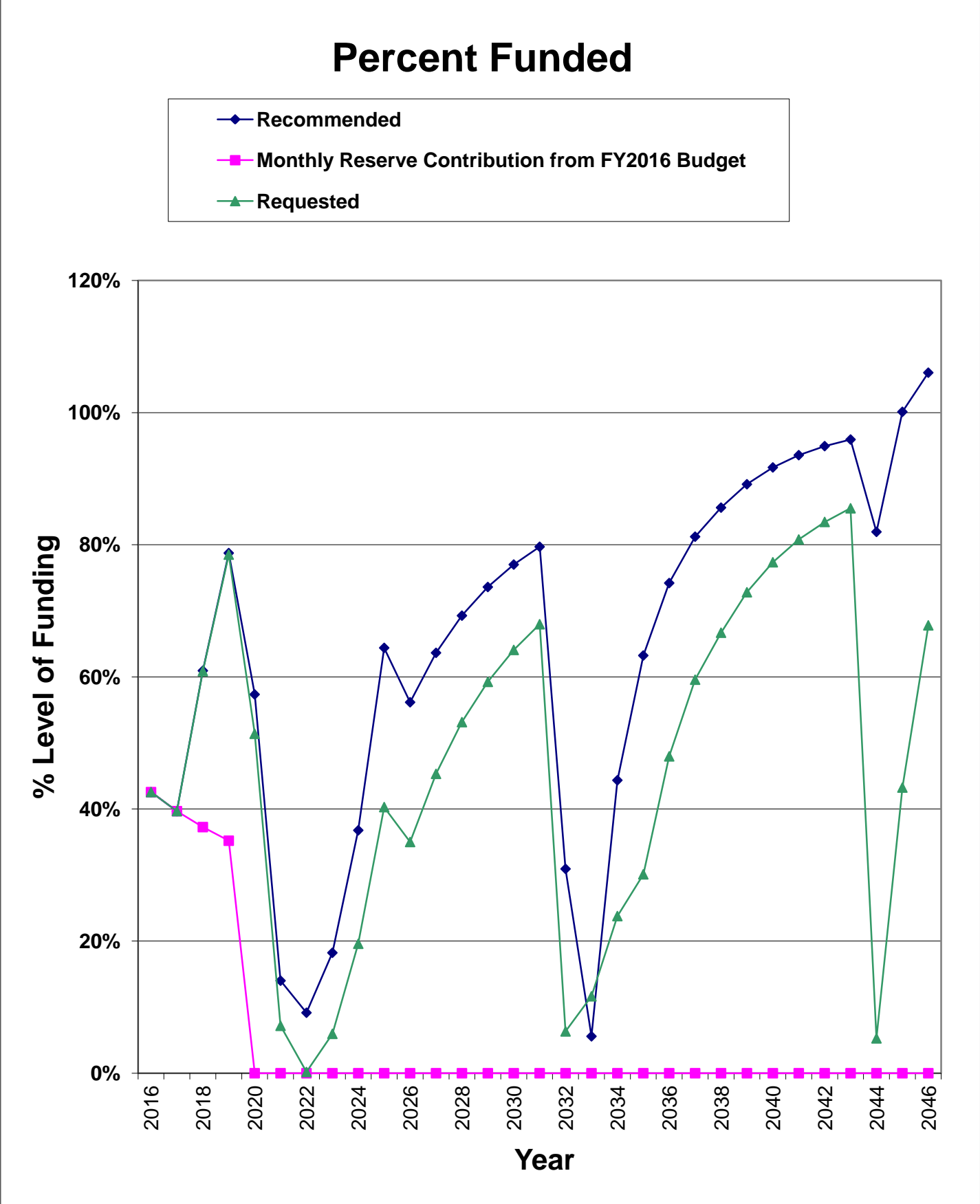
Increase/Decrease to Monthly Reserve Allocation	-\$1,098.30
as Percentage	-60.4%
Per Unit	-\$91.53

Changes in Requested Allocation from 2024 to 2025 Fiscal Year

Increase/Decrease to Monthly Reserve Allocation	-\$748.24
as Percentage	-51.14%
Per Unit	-\$62.35

Recommended Interdepartmental Transfers

3-Year Incoming Funds - FY17-FY19 (\$14,440/year)	\$43,200
6-Year Outgoing Funds - FY20-FY25 (\$7,200/year)	(\$43,200)
1-Year Incoming Funds - FY31	\$10,000
1-Year Outgoing Funds - FY32	(\$10,000)



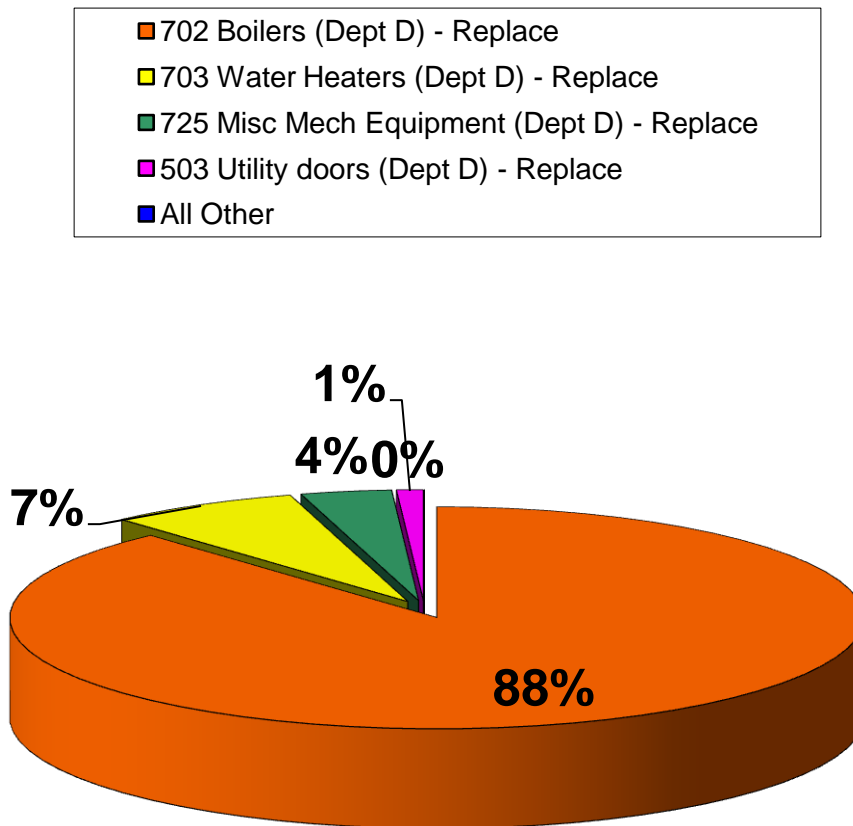
Component Inventory for Lagoon TH Condos Association, Inc.

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Property Access	503	Utility doors (Dept D) - Replace	32	16	\$1,700	\$1,900
Mechanical Equip.	702	Boilers (Dept D) - Replace	12	3	\$55,000	\$63,000
	703	Water Heaters (Dept D) - Replace	12	3	\$4,500	\$5,200
	725	Misc Mech Equipment (Dept D) - Replac	6	3	\$1,000	\$1,300

Significant Components For Lagoon THCA, Inc. - Department D

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
503	Utility doors (Dept D) - Replace	32	16	\$1,800	\$56	1.0101%
702	Boilers (Dept D) - Replace	12	3	\$59,000	\$4,917	88.2903%
703	Water Heaters (Dept D) - Replace	12	3	\$4,850	\$404	7.2578%
725	Misc Mech Equipment (Dept D) - Replace	6	3	\$1,150	\$192	3.4418%

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



Asset ID	Asset Name	UL	RUL	Average Curr. Cost	Significance: (Curr Cost/UL)	
					As \$	As %
702	Boilers (Dept D) - Replace	12	3	\$59,000	\$4,917	88%
703	Water Heaters (Dept D) - Replace	12	3	\$4,850	\$404	7%
725	Misc Mech Equipment (Dept D) - Replace	6	3	\$1,150	\$192	3%
503	Utility doors (Dept D) - Replace	32	16	\$1,800	\$56	1%
All Other	See Expanded Table For Breakdown				\$0	0%

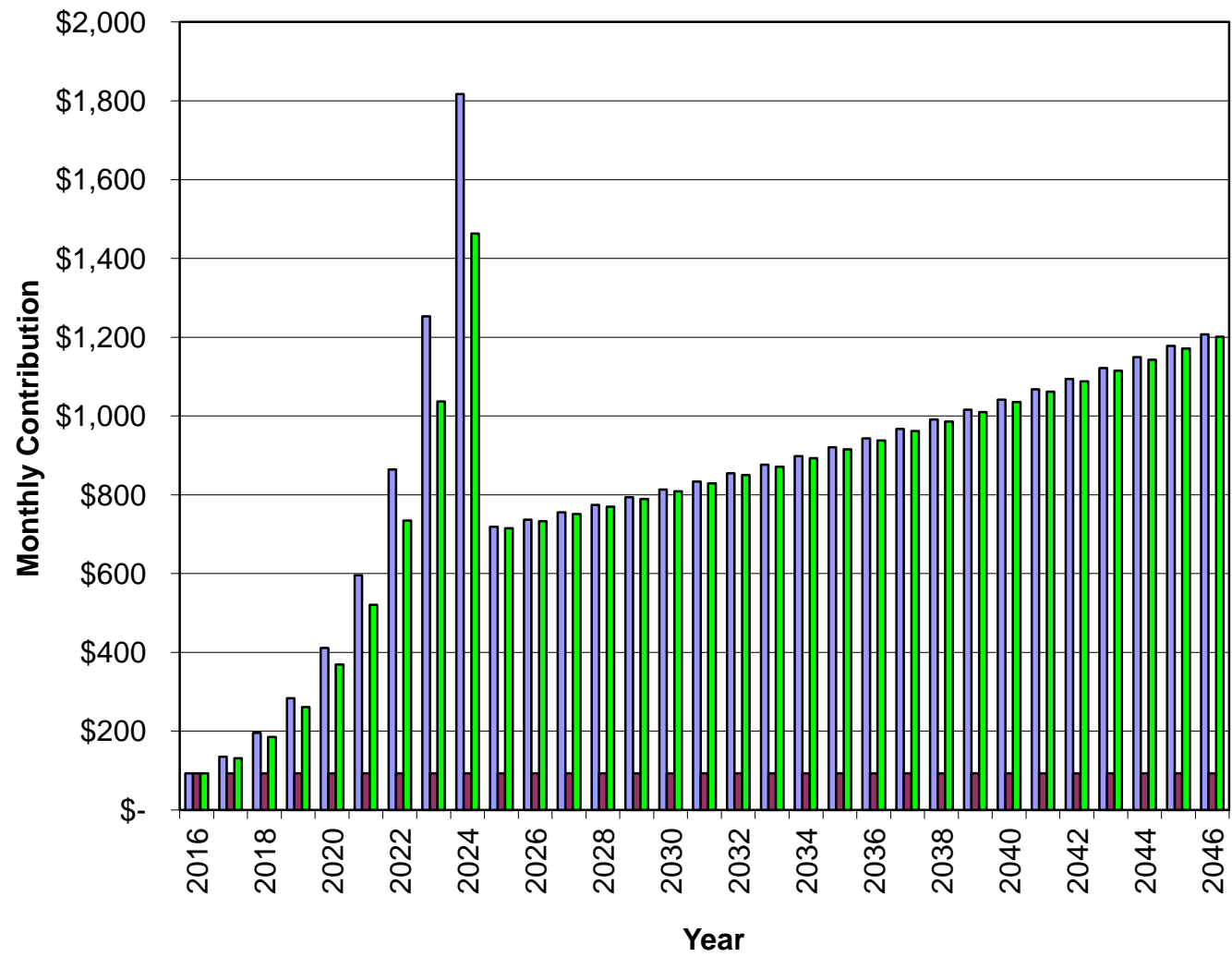
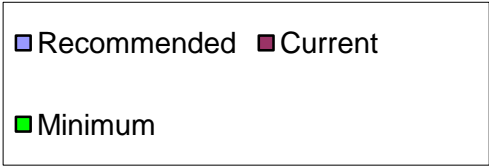
Recommended Yearly Summary For Lagoon THCA, Inc. - Department D

Year	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Inter-Dept. Transfer	Interest Income	Reserve Expenses
2016	\$49,363	\$21,004	43%	\$1,116	\$0	\$217	\$0
2017	\$56,305	\$22,337	40%	\$1,618	\$14,400	\$377	\$0
2018	\$63,563	\$38,732	61%	\$2,346	\$14,400	\$546	\$0
2019	\$71,149	\$56,024	79%	\$3,402	\$14,400	\$373	\$69,998
2020	\$7,327	\$4,201	57%	\$4,933	(\$7,200)	\$0	\$0
2021	\$13,810	\$1,935	14%	\$7,153	(\$7,200)	\$0	\$0
2022	\$20,614	\$1,888	9%	\$10,372	(\$7,200)	\$0	\$0
2023	\$27,748	\$5,060	18%	\$15,040	(\$7,200)	\$54	\$0
2024	\$35,227	\$12,954	37%	\$21,808	(\$7,200)	\$167	\$0
2025	\$43,062	\$27,729	64%	\$8,628	(\$7,200)	\$242	\$1,436
2026	\$49,795	\$27,963	56%	\$8,844	\$0	\$325	\$0
2027	\$58,347	\$37,132	64%	\$9,065	\$0	\$419	\$0
2028	\$67,295	\$46,615	69%	\$9,291	\$0	\$515	\$0
2029	\$76,654	\$56,422	74%	\$9,524	\$0	\$615	\$0
2030	\$86,439	\$66,560	77%	\$9,762	\$0	\$718	\$0
2031	\$96,665	\$77,040	80%	\$10,006	\$10,000	\$452	\$94,139
2032	\$10,855	\$3,358	31%	\$10,256	(\$10,000)	\$0	\$2,672
2033	\$16,861	\$942	6%	\$10,512	\$0	\$62	\$0
2034	\$25,968	\$11,516	44%	\$10,775	\$0	\$170	\$0
2035	\$35,520	\$22,461	63%	\$11,045	\$0	\$281	\$0
2036	\$45,533	\$33,787	74%	\$11,321	\$0	\$396	\$0
2037	\$56,025	\$45,504	81%	\$11,604	\$0	\$506	\$1,932
2038	\$65,032	\$55,682	86%	\$11,894	\$0	\$619	\$0
2039	\$76,485	\$68,195	89%	\$12,191	\$0	\$746	\$0
2040	\$88,469	\$81,132	92%	\$12,496	\$0	\$878	\$0
2041	\$101,005	\$94,506	94%	\$12,808	\$0	\$1,014	\$0
2042	\$114,113	\$108,328	95%	\$13,129	\$0	\$1,154	\$0
2043	\$127,812	\$122,611	96%	\$13,457	\$0	\$663	\$126,607
2044	\$12,353	\$10,124	82%	\$13,793	\$0	\$171	\$0
2045	\$24,058	\$24,088	100%	\$14,138	\$0	\$313	\$0

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

Year	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Inter-Dept. Transfer	Interest Income	Reserve Expenses
2016	\$49,363	\$21,004	43%	\$1,116	\$0	\$217	\$0
2017	\$56,305	\$22,337	40%	\$1,575	\$14,400	\$377	\$0
2018	\$63,563	\$38,689	61%	\$2,223	\$14,400	\$544	\$0
2019	\$71,149	\$55,856	79%	\$3,137	\$14,400	\$370	\$69,998
2020	\$7,327	\$3,764	51%	\$4,427	(\$7,200)	\$0	\$0
2021	\$13,810	\$991	7%	\$6,247	(\$7,200)	\$0	\$0
2022	\$20,614	\$38	0%	\$8,816	(\$7,200)	\$0	\$0
2023	\$27,748	\$1,655	6%	\$12,442	(\$7,200)	\$7	\$0
2024	\$35,227	\$6,903	20%	\$17,559	(\$7,200)	\$85	\$0
2025	\$43,062	\$17,348	40%	\$8,580	(\$7,200)	\$138	\$1,436
2026	\$49,795	\$17,429	35%	\$8,795	\$0	\$219	\$0
2027	\$58,347	\$26,443	45%	\$9,014	\$0	\$311	\$0
2028	\$67,295	\$35,768	53%	\$9,240	\$0	\$406	\$0
2029	\$76,654	\$45,414	59%	\$9,471	\$0	\$504	\$0
2030	\$86,439	\$55,388	64%	\$9,707	\$0	\$605	\$0
2031	\$96,665	\$65,701	68%	\$9,950	\$18,750	\$426	\$94,139
2032	\$10,855	\$687	6%	\$10,199	(\$6,250)	\$0	\$2,672
2033	\$16,861	\$1,964	12%	\$10,454	(\$6,250)	\$9	\$0
2034	\$25,968	\$6,177	24%	\$10,715	(\$6,250)	\$53	\$0
2035	\$35,520	\$10,696	30%	\$10,983	\$0	\$163	\$0
2036	\$45,533	\$21,841	48%	\$11,258	\$0	\$276	\$0
2037	\$56,025	\$33,375	60%	\$11,539	\$0	\$384	\$1,932
2038	\$65,032	\$43,366	67%	\$11,828	\$0	\$495	\$0
2039	\$76,485	\$55,689	73%	\$12,123	\$0	\$620	\$0
2040	\$88,469	\$68,433	77%	\$12,426	\$0	\$750	\$0
2041	\$101,005	\$81,609	81%	\$12,737	\$0	\$884	\$0
2042	\$114,113	\$95,230	83%	\$13,055	\$0	\$1,022	\$0
2043	\$127,812	\$109,308	86%	\$13,382	\$4,000	\$570	\$126,607
2044	\$12,353	\$652	5%	\$13,716	(\$4,000)	\$35	\$0
2045	\$24,058	\$10,404	43%	\$14,059	\$0	\$175	\$0

Reserve Contributions



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

ID	Component Name	Ave Current Cost	Future Cost	Ideal Balance	Current Fund Balance	Monthly
503	Utility doors (Dept D) - Replace	\$1,800	\$2,672	\$900	\$0	\$0.94
702	Boilers (Dept D) - Replace	\$59,000	\$63,537	\$44,250	\$21,004	\$82.11
703	Water Heaters (Dept D) - Replace	\$4,850	\$5,223	\$3,638	\$0	\$6.75
725	Misc Mech Equipment (Dept D) - Replace	\$1,150	\$1,238	\$575	\$0	\$3.20

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

Year	2016	2017	2018	2019	2020
Starting Balance	\$21,004	\$22,337	\$38,732	\$56,024	\$4,201
<i>Reserve Income</i>	\$1,116	\$1,618	\$2,346	\$3,402	\$4,933
<i>Interest Earnings</i>	\$217	\$377	\$546	\$373	\$0
<i>Special Assessments</i>	\$0	\$14,400	\$14,400	\$14,400	-\$7,200
Funds Available	\$22,337	\$38,732	\$56,024	\$74,199	\$1,935
Reserve Expenditures	\$0	\$0	\$0	\$69,998	\$0
Ending Balance	\$22,337	\$38,732	\$56,024	\$4,201	\$1,935

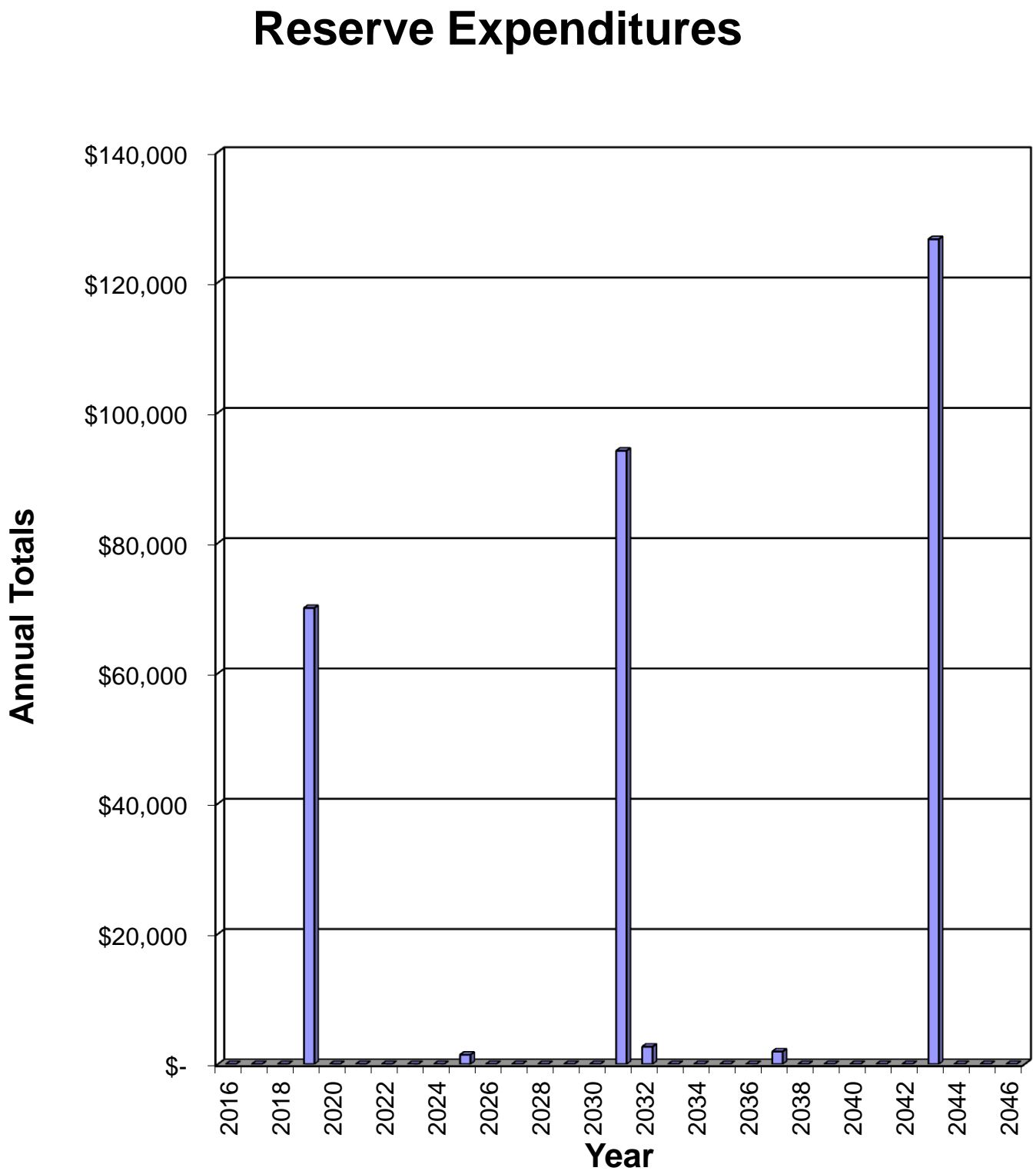
Year	2021	2022	2023	2024	2025
Starting Balance	\$1,935	\$1,888	\$5,060	\$12,954	\$27,729
<i>Reserve Income</i>	\$7,153	\$10,372	\$15,040	\$21,808	\$8,628
<i>Interest Earnings</i>	\$0	\$0	\$54	\$167	\$242
<i>Special Assessments</i>	-\$7,200	-\$7,200	-\$7,200	-\$7,200	-\$7,200
Funds Available	\$1,888	\$5,060	\$12,954	\$27,729	\$29,399
Reserve Expenditures	\$0	\$0	\$0	\$0	\$1,436
Ending Balance	\$1,888	\$5,060	\$12,954	\$27,729	\$27,963

Year	2026	2027	2028	2029	2030
Starting Balance	\$27,963	\$37,132	\$46,615	\$56,422	\$66,560
<i>Reserve Income</i>	\$8,844	\$9,065	\$9,291	\$9,524	\$9,762
<i>Interest Earnings</i>	\$325	\$419	\$515	\$615	\$718
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$37,132	\$46,615	\$56,422	\$66,560	\$77,040
Reserve Expenditures	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$37,132	\$46,615	\$56,422	\$66,560	\$77,040

Year	2031	2032	2033	2034	2035
Starting Balance	\$77,040	\$3,358	\$942	\$11,516	\$22,461
<i>Reserve Income</i>	\$10,006	\$10,256	\$10,512	\$10,775	\$11,045
<i>Interest Earnings</i>	\$452	\$0	\$62	\$170	\$281
<i>Special Assessments</i>	\$10,000	-\$10,000	\$0	\$0	\$0
Funds Available	\$97,497	\$3,614	\$11,516	\$22,461	\$33,787
Reserve Expenditures	\$94,139	\$2,672	\$0	\$0	\$0
Ending Balance	\$3,358	\$942	\$11,516	\$22,461	\$33,787

Year	2036	2037	2038	2039	2040
Starting Balance	\$33,787	\$45,504	\$55,682	\$68,195	\$81,132
<i>Reserve Income</i>	\$11,321	\$11,604	\$11,894	\$12,191	\$12,496
<i>Interest Earnings</i>	\$396	\$506	\$619	\$746	\$878
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$45,504	\$57,613	\$68,195	\$81,132	\$94,506
Reserve Expenditures	\$0	\$1,932	\$0	\$0	\$0
Ending Balance	\$45,504	\$55,682	\$68,195	\$81,132	\$94,506

Year	2041	2042	2043	2044	2045
Starting Balance	\$94,506	\$108,328	\$122,611	\$10,124	\$24,088
<i>Reserve Income</i>	\$12,808	\$13,129	\$13,457	\$13,793	\$14,138
<i>Interest Earnings</i>	\$1,014	\$1,154	\$663	\$171	\$313
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$108,328	\$122,611	\$136,731	\$24,088	\$38,539
Reserve Expenditures	\$0	\$0	\$126,607	\$0	\$0
Ending Balance	\$108,328	\$122,611	\$10,124	\$24,088	\$38,539



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

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2016		No Expenditures Projected		\$0
2017		No Expenditures Projected		\$0
2018		No Expenditures Projected		\$0
2019	702	Boilers (Dept D) - Replace	\$63,537	
	703	Water Heaters (Dept D) - Replace	\$5,223	
	725	Misc Mech Equipment (Dept D) - Replace	\$1,238	\$69,998
2020		No Expenditures Projected		\$0
2021		No Expenditures Projected		\$0
2022		No Expenditures Projected		\$0
2023		No Expenditures Projected		\$0
2024		No Expenditures Projected		\$0
2025	725	Misc Mech Equipment (Dept D) - Replace	\$1,436	\$1,436
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	702	Boilers (Dept D) - Replace	\$85,450	
	703	Water Heaters (Dept D) - Replace	\$7,024	
	725	Misc Mech Equipment (Dept D) - Replace	\$1,666	\$94,139
2032	503	Utility doors (Dept D) - Replace	\$2,672	\$2,672
2033		No Expenditures Projected		\$0
2034		No Expenditures Projected		\$0
2035		No Expenditures Projected		\$0
2036		No Expenditures Projected		\$0
2037	725	Misc Mech Equipment (Dept D) - Replace	\$1,932	\$1,932
2038		No Expenditures Projected		\$0
2039		No Expenditures Projected		\$0
2040		No Expenditures Projected		\$0
2041		No Expenditures Projected		\$0
2042		No Expenditures Projected		\$0
2043	702	Boilers (Dept D) - Replace	\$114,920	
	703	Water Heaters (Dept D) - Replace	\$9,447	
	725	Misc Mech Equipment (Dept D) - Replace	\$2,240	\$126,607
2044		No Expenditures Projected		\$0
2045		No Expenditures Projected		\$0
2046		No Expenditures Projected		\$0

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.