



BUSINESS ENTERPRISES

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VILLAGE PARK RECREATION CLUB #4

RESERVE FUNDING STUDY
(Onsite Update)

FY 2023
(Based on August 2023 Financials)



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INTRODUCTION

PURPOSE OF THE STUDY: The purpose of this study is to provide information regarding the common area components that the Association is responsible for maintaining with a remaining useful life 30 years or less. The information includes estimates of replacement costs, life expectancy and probable remaining useful life of the components, potential and/or existing problems requiring the Association's attention and maintenance recommendations, as needed, and recommended reserve allocations to maintain or become fully funded.

STATE REQUIREMENTS: California Civil Code Chapter 7, Finances, Article 3 sets forth California's legal requirements for reserve study information to be included in the annual association budget packet. The Civil Code also requires the Board of Directors of existing associations that have completed a reserve study, to review the report annually and consider and implement any necessary adjustments as a result of that review, and effective July 1, 2005 provide an Assessment and Reserve Funding Disclosure Summary. Additionally, the Civil Code requires that a physical analysis be conducted at least every three years. The law does not specify the funding goal to be achieved by the association.

SOURCE OF DATA: This reserve study reflects assumptions regarding future events based on information supplied by the Association's Board of Directors, property management company, contractors and/or published replacement guides. The Board of Directors agrees with all assumptions as the most probable course of events and is solely responsible for updating the report for any changes in assumptions.

IMPORTANCE OF A RESERVE STUDY:

- Ensures that the association complies with the applicable legal requirements.
- Helps the Board distinguish between operating and reserve expenses.
- May be used as a management tool for the scheduling and planning of future repairs and/or replacement of components to help eliminate the need for special assessments.
- Helps to give a more accurate and complete picture of an association's financial position and future needs.

GENERAL INFORMATION

Village Park Recreation Club #4, a recreation center for 278 homes, is located at 2083 Park Dale Lane, Encinitas, CA 92024. The project was completed between 1973 and 1978.

Village Park Recreation Club #4 consists of one recreation building, pool equipment building, tot lot, two tennis courts, swimming and wading pools, hand ball court, parking lot and landscape and maintenance of a 9.6 acre natural area.

The following is a brief description of the reports included in this study:

1. The **Reserve Study Summary** identifies the major reserve components and their probable remaining useful life, estimates the cost of repair, replacement, restoration or maintenance of the major components and estimates the annual contribution needed to defray those costs. The report shows the difference between the Estimated Year End Required Balance and the Projected Year End Cash Balance and options for funding a deficit or adjusting for excess funding to achieve/maintain a fully funded reserve. **This comprehensive report may be used for your budget packet.**
2. The **30-Year Cash Flow Projection(s)** estimates the projected reserve cash balance at the end of each fiscal year and compares it to the estimated required balance to show percent funded for each year for the next 30 years. It starts with the Association's projected reserve cash balance for the current fiscal year end, adds the annual reserve contribution and subtracts the annual reserve disbursements. This report is designed to assist in the completion of the *Assessment and Reserve Funding Disclosure Summary* and helps to give the Board a more accurate picture of the Association's financial position and future needs. The projection does not reflect increases in reserve contributions, inflation or interest received on reserve accounts.
3. The **Chart of Suggested Annual Reserve Allocation** visually shows the Association where their reserve dollars are suggested to be allocated annually; and
4. The **Notes and Recommendations** section details the description of the components, an explanation of the allocation, if needed, as well as recommendations for the components.

VILLAGE PARK RECREATION CLUB #4

RESERVE STUDY SUMMARY

Onsite Visit

NE Business Enterprises

P.O. Box 503744

San Diego, CA 92150

760-806-1007

Projected Reserve Balance at 2023 FYE **\$20,861**
(Based on August 2023 financials)

COMPONENT/ DESCRIPTION	CURRENT REPLACEMENT COST	EST LIFE	EST REM LIFE	ANNUAL RESERVE REORMNT	ESTIMATED YEAR END REQUIRED BALANCE	PROJECTED YEAR END CASH BALANCE	ESTIMATED YEAR END EXCESS/ (DEFICIT)
FENCES							
Chain Link	\$7,805	30	2	\$260	\$7,280	\$717	(\$6,563)
Tennis Chain Link	\$20,868	30	2	\$696	\$19,488	\$1,919	(\$17,569)
Ornamental Iron	\$17,755	25	9	\$710	\$11,360	\$1,119	(\$10,241)
Gate Locks & Keys	\$3,815	12	1	\$318	\$3,498	\$344	(\$3,154)
Total Fences	\$50,243			\$1,984	\$41,626	\$4,099	(\$37,527)
POOL FURNITURE							
	\$1,600	20	9	\$80	\$880	\$87	(\$793)
LANDSCAPE/IRRIGATION							
Backflow	\$1,800	20	7	\$90	\$1,170	\$115	(\$1,055)
Backflow	\$1,800	20	13	\$90	\$630	\$62	(\$568)
Backflow Cage	\$2,650	25	18	\$106	\$742	\$73	(\$669)
Controller	\$3,600	10	0	\$360	\$3,600	\$355	(\$3,245)
Controller	\$3,500	10	1	\$350	\$3,150	\$310	(\$2,840)
Brush Management - 9.6 Acres	\$5,300	15	13	\$353	\$706	\$70	(\$636)
Tree Service	\$15,000	3	1	\$5,000	\$10,000	\$985	(\$9,015)
Total Landscape/Irrigation	\$33,650			\$6,349	\$19,998	\$1,969	(\$18,029)
LIGHT FIXTURES							
Building Lights (Interior)	\$1,812	20	7	\$91	\$1,183	\$116	(\$1,067)
Building Lights (Exterior)	\$810	20	14	\$41	\$246	\$24	(\$222)
Tennis	\$6,690	20	14	\$335	\$2,010	\$198	(\$1,812)
Walkway - Pole	\$13,104	20	1	\$655	\$12,445	\$1,226	(\$11,219)
Total Light Fixtures	\$22,416			\$1,122	\$15,884	\$1,564	(\$14,320)
PAINTING							
Buildings - Exterior	\$1,676	5	5	\$335	\$0	\$0	\$0
Building - Interior	\$2,203	7	1	\$315	\$1,890	\$186	(\$1,704)
Ornamental Iron Fence	\$3,685	5	2	\$737	\$2,211	\$218	(\$1,993)
Handball Court	\$875	5	3	\$175	\$350	\$34	(\$316)
Total Painting	\$8,439			\$1,562	\$4,451	\$438	(\$4,013)
RECREATION FACILITY							
Playground Equipment	\$31,800	15	10	\$2,120	\$10,600	\$1,044	(\$9,556)
Picnic Tables/Benches	\$7,950	15	5	\$530	\$5,300	\$522	(\$4,778)
Picnic Tables/Benches	\$2,850	15	0	\$190	\$2,850	\$281	(\$2,569)
Carpet	\$1,838	15	9	\$123	\$738	\$73	(\$665)
Furnace	\$1,900	15	0	\$127	\$1,900	\$187	(\$1,713)
Restroom Renovation	\$27,560	20	17	\$1,378	\$4,134	\$407	(\$3,727)
Water Heater	\$1,300	18	4	\$72	\$1,008	\$99	(\$909)
Total Recreation Facility	\$75,198			\$4,540	\$26,530	\$2,613	(\$23,917)
ROOFS							
Composition Shingle	\$1,188	25	0	\$48	\$1,188	\$117	(\$1,071)
Flat - BUR	\$5,566	15	12	\$371	\$1,113	\$110	(\$1,003)
Tile	\$4,654	30	4	\$155	\$4,030	\$397	(\$3,633)
Total Roofs	\$11,408			\$574	\$6,331	\$623	(\$5,707)
WADING/SWIMMING POOLS							
<u>Wading Pool</u>							
Heater	\$2,950	12	5	\$246	\$1,722	\$170	(\$1,552)
Filter	\$1,100	20	15	\$55	\$275	\$27	(\$248)
Pump	\$1,365	10	5	\$137	\$685	\$67	(\$618)
Pump	\$1,900	10	5	\$190	\$950	\$94	(\$856)
Replaster/Tiles	\$5,150	10	0	\$515	\$5,150	\$507	(\$4,643)
<u>Swimming Pool</u>							
Heater	\$3,275	12	7	\$273	\$1,365	\$134	(\$1,231)
Filter	\$1,325	20	15	\$66	\$330	\$32	(\$298)
Pump	\$1,750	10	5	\$175	\$875	\$86	(\$789)
Replaster/Tiles	\$18,500	10	7	\$1,850	\$5,550	\$547	(\$5,003)
Chlorinator	\$450	10	5	\$45	\$225	\$22	(\$203)
Deck Replacement	\$50,000	25	2	\$2,000	\$46,000	\$4,530	(\$41,470)
Deck Joint Sealant	\$2,057	5	0	\$411	\$2,057	\$203	(\$1,854)
Total Wading/Swimming Pools	\$89,822			\$5,963	\$65,184	\$6,419	(\$58,765)

VILLAGE PARK RECREATION CLUB #4

COMPONENT/ DESCRIPTION	CURRENT REPLACEMENT COST	EST LIFE	EST REM LIFE	ANNUAL RESERVE REORMNT	ESTIMATED YEAR END REQUIRED BALANCE	PROJECTED YEAR END CASH BALANCE	ESTIMATED YEAR END EXCESS/ (DEFICIT)
STREETS/CONCRETE							
Asphalt Seal & Repairs	\$4,099	4	0	\$1,025	\$4,099	\$404	(\$3,696)
Concrete	\$5,000	5	2	\$1,000	\$3,000	\$295	(\$2,705)
Total Streets/Concrete	\$9,099			\$2,025	\$7,099	\$699	(\$6,400)
TENNIS & PICKLE BALL COURT							
Resurface	\$9,800	10	10	\$980	\$0	\$0	\$0
Windscreen	\$6,162	10	4	\$616	\$3,696	\$364	(\$3,332)
Tennis Court Nets	\$750	5	2	\$150	\$450	\$44	(\$406)
Pickle Ball Court Nets	\$5,748	5	4	\$1,150	\$1,150	\$113	(\$1,037)
Joint Sealant	\$2,100	10	2	\$210	\$1,680	\$165	(\$1,515)
Benches	\$850	10	4	\$85	\$510	\$50	(\$460)
Total Tennis & Pickle Ball Court	\$25,410			\$3,191	\$7,486	\$737	(\$6,749)
SUBTOTALS							
	\$327,285			\$27,390	\$195,469	\$19,249	(\$176,220)
Contingency (5%)	\$16,364			\$1,370	\$16,364	\$1,612	(\$14,753)
TOTAL	\$343,649			\$28,760	\$211,833	\$20,861	(\$190,972)

Based on the information provided as of the date of this report:

Estimated amount required in reserves as of the fiscal year end:	\$211,833	
Projected cash balance in reserves as of the fiscal year end:	\$20,861	
Percent funded as of the fiscal year end:	10%	
Estimated deficit as of the fiscal year end:	\$190,972	Per unit deficit: \$687

Reserve Funding Plans: (reserve allocations are per unit per month)

1. **Fully funded:** A special assessment of \$687 and a new reserve allocation of \$8.62
2. **Fully funded in five years:** a reserve allocation of \$20.07 for five years, then \$8.62
3. **Baseline funded** (to keep the reserve cash balance above zero):
a reserve allocation of \$15.00 for five years, then \$7.40

Current Reserve Allocation per unit per month is: **\$11.48**

VILLAGE PARK RECREATION CLUB #4
30-Year Cash Flow Projection

(Based on the current reserve allocation)

Fiscal Year	Beginning Balance	Annual Reserve Contribution*	Estimated Annual Disbursement	Projected Year End Cash Balance	Estimated Required Balance	Percent Funded
2024	\$20,861	\$38,291	\$61,389	(\$2,237)	\$179,204	-1%
2025	(\$2,237)	\$38,291	\$94,718	(\$58,664)	\$113,245	-52%
2026	(\$58,664)	\$38,291	\$919	(\$21,292)	\$141,086	-15%
2027	(\$21,292)	\$38,291	\$35,400	(\$18,401)	\$134,446	-14%
2028	(\$18,401)	\$38,291	\$23,248	(\$3,357)	\$139,957	-2%
2029	(\$3,357)	\$38,291	\$2,160	\$32,774	\$166,557	20%
2030	\$32,774	\$38,291	\$52,313	\$18,752	\$143,003	13%
2031	\$18,752	\$38,291	\$3,232	\$53,811	\$168,531	32%
2032	\$53,811	\$38,291	\$32,593	\$59,509	\$164,698	36%
2033	\$59,509	\$38,291	\$61,190	\$36,610	\$132,267	28%
2034	\$36,610	\$38,291	\$15,022	\$59,879	\$146,005	41%
2035	\$59,879	\$38,291	\$17,956	\$80,214	\$156,808	51%
2036	\$80,214	\$38,291	\$32,434	\$86,071	\$153,134	56%
2037	\$86,071	\$38,291	\$21,273	\$103,089	\$160,620	64%
2038	\$103,089	\$38,291	\$12,357	\$129,023	\$177,022	73%
2039	\$129,023	\$38,291	\$22,897	\$144,417	\$182,884	79%
2040	\$144,417	\$38,291	\$65,672	\$117,036	\$145,972	80%
2041	\$117,036	\$38,291	\$3,701	\$151,626	\$171,030	89%
2042	\$151,626	\$38,291	\$25,224	\$164,693	\$174,566	94%
2043	\$164,693	\$38,291	\$20,397	\$182,586	\$182,928	100%
2044	\$182,586	\$38,291	\$33,086	\$187,791	\$178,601	105%
2045	\$187,791	\$38,291	\$31,540	\$194,543	\$175,821	111%
2046	\$194,543	\$38,291	\$919	\$231,915	\$203,662	114%
2047	\$231,915	\$38,291	\$15,328	\$254,878	\$217,093	117%
2048	\$254,878	\$38,291	\$64,948	\$228,220	\$180,904	126%
2049	\$228,220	\$38,291	\$3,407	\$263,105	\$206,257	128%
2050	\$263,105	\$38,291	\$38,969	\$262,427	\$196,048	134%
2051	\$262,427	\$38,291	\$22,234	\$278,484	\$202,574	137%
2052	\$278,484	\$38,291	\$17,430	\$299,345	\$213,903	140%
2053	\$299,345	\$38,291	\$12,050	\$325,586	\$230,612	141%

*This projection reflects the current year (2023) annual reserve contribution. This projection shows where the funding is projected to be in 30 years if the Association continues with the current reserve allocation. The projection does not reflect changes in reserve contributions, inflation or interest received on reserve accounts.

VILLAGE PARK RECREATION CLUB #4
30-Year Cash Flow Projection

(Based on the fully funded in five years funding plan)

Fiscal Year	Beginning Balance	Annual Reserve Contribution*	Estimated Annual Disbursement	Projected Year End Cash Balance	Estimated Required Balance	Percent Funded
2024	\$20,861	\$66,954	\$61,389	\$26,426	\$179,204	15%
2025	\$26,426	\$66,954	\$94,718	(\$1,338)	\$113,245	-1%
2026	(\$1,338)	\$66,954	\$919	\$64,697	\$141,086	46%
2027	\$64,697	\$66,954	\$35,400	\$96,251	\$134,446	72%
2028	\$96,251	\$66,954	\$23,248	\$139,957	\$139,957	100%
2029	\$139,957	\$28,760	\$2,160	\$166,557	\$166,557	100%
2030	\$166,557	\$28,760	\$52,313	\$143,003	\$143,003	100%
2031	\$143,003	\$28,760	\$3,232	\$168,531	\$168,531	100%
2032	\$168,531	\$28,760	\$32,593	\$164,698	\$164,698	100%
2033	\$164,698	\$28,760	\$61,190	\$132,267	\$132,267	100%
2034	\$132,267	\$28,760	\$15,022	\$146,005	\$146,005	100%
2035	\$146,005	\$28,760	\$17,956	\$156,808	\$156,808	100%
2036	\$156,808	\$28,760	\$32,434	\$153,134	\$153,134	100%
2037	\$153,134	\$28,760	\$21,273	\$160,620	\$160,620	100%
2038	\$160,620	\$28,760	\$12,357	\$177,022	\$177,022	100%
2039	\$177,022	\$28,760	\$22,897	\$182,884	\$182,884	100%
2040	\$182,884	\$28,760	\$65,672	\$145,972	\$145,972	100%
2041	\$145,972	\$28,760	\$3,701	\$171,030	\$171,030	100%
2042	\$171,030	\$28,760	\$25,224	\$174,566	\$174,566	100%
2043	\$174,566	\$28,760	\$20,397	\$182,928	\$182,928	100%
2044	\$182,928	\$28,760	\$33,086	\$178,601	\$178,601	100%
2045	\$178,601	\$28,760	\$31,540	\$175,821	\$175,821	100%
2046	\$175,821	\$28,760	\$919	\$203,662	\$203,662	100%
2047	\$203,662	\$28,760	\$15,328	\$217,093	\$217,093	100%
2048	\$217,093	\$28,760	\$64,948	\$180,904	\$180,904	100%
2049	\$180,904	\$28,760	\$3,407	\$206,257	\$206,257	100%
2050	\$206,257	\$28,760	\$38,969	\$196,048	\$196,048	100%
2051	\$196,048	\$28,760	\$22,234	\$202,574	\$202,574	100%
2052	\$202,574	\$28,760	\$17,430	\$213,903	\$213,903	100%
2053	\$213,903	\$28,760	\$12,050	\$230,612	\$230,612	100%

*This reserve allocation reflects the funding plan of becoming fully funded in five years, once a positive cash flow is achieved. Please refer to Funding Plan 2 on the Reserve Study Summary. The projection does not reflect changes in reserve contributions (other than what is indicated in the funding plan), inflation or interest received on reserve accounts.

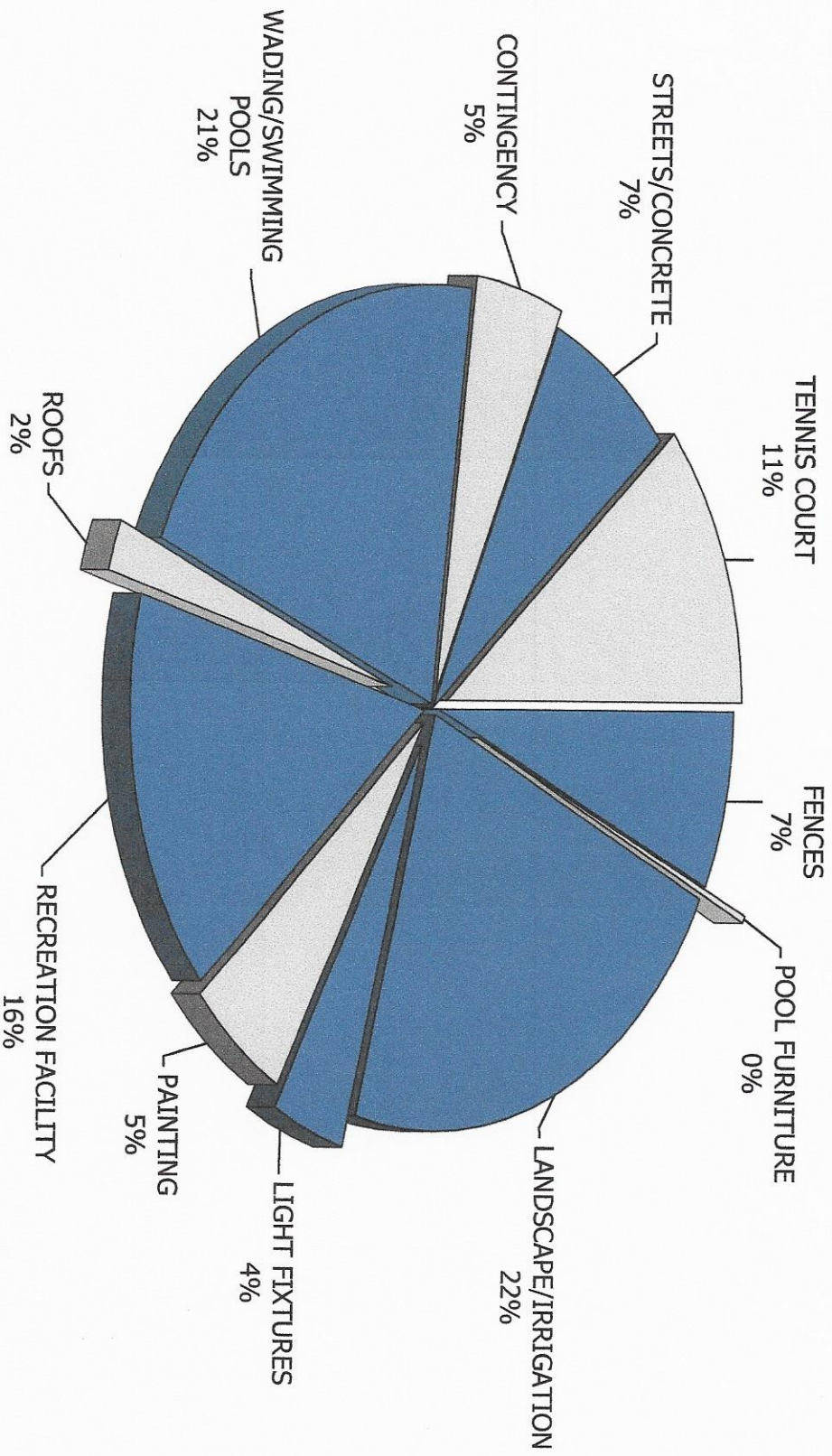
VILLAGE PARK RECREATION CLUB #4
30-Year Cash Flow Projection
(Based on the baseline funding plan)

Fiscal Year	Beginning Balance	Annual Reserve Contribution*	Estimated Annual Disbursement	Projected Year End Cash Balance	Estimated Required Balance	Percent Funded
2024	\$20,861	\$50,040	\$61,389	\$9,512	\$179,204	5%
2025	\$9,512	\$50,040	\$94,718	(\$35,166)	\$113,245	-31%
2026	(\$35,166)	\$50,040	\$919	\$13,955	\$141,086	10%
2027	\$13,955	\$50,040	\$35,400	\$28,595	\$134,446	21%
2028	\$28,595	\$50,040	\$23,248	\$55,388	\$139,957	40%
2029	\$55,388	\$24,686	\$2,160	\$77,914	\$166,557	47%
2030	\$77,914	\$24,686	\$52,313	\$50,287	\$143,003	35%
2031	\$50,287	\$24,686	\$3,232	\$71,742	\$168,531	43%
2032	\$71,742	\$24,686	\$32,593	\$63,836	\$164,698	39%
2033	\$63,836	\$24,686	\$61,190	\$27,332	\$132,267	21%
2034	\$27,332	\$24,686	\$15,022	\$36,996	\$146,005	25%
2035	\$36,996	\$24,686	\$17,956	\$43,726	\$156,808	28%
2036	\$43,726	\$24,686	\$32,434	\$35,979	\$153,134	23%
2037	\$35,979	\$24,686	\$21,273	\$39,392	\$160,620	25%
2038	\$39,392	\$24,686	\$12,357	\$51,721	\$177,022	29%
2039	\$51,721	\$24,686	\$22,897	\$53,510	\$182,884	29%
2040	\$53,510	\$24,686	\$65,672	\$12,525	\$145,972	9%
2041	\$12,525	\$24,686	\$3,701	\$33,510	\$171,030	20%
2042	\$33,510	\$24,686	\$25,224	\$32,973	\$174,566	19%
2043	\$32,973	\$24,686	\$20,397	\$37,262	\$182,928	20%
2044	\$37,262	\$24,686	\$33,086	\$28,862	\$178,601	16%
2045	\$28,862	\$24,686	\$31,540	\$22,009	\$175,821	13%
2046	\$22,009	\$24,686	\$919	\$45,776	\$203,662	22%
2047	\$45,776	\$24,686	\$15,328	\$55,134	\$217,093	25%
2048	\$55,134	\$24,686	\$64,948	\$14,872	\$180,904	8%
2049	\$14,872	\$24,686	\$3,407	\$36,152	\$206,257	18%
2050	\$36,152	\$24,686	\$38,969	\$21,870	\$196,048	11%
2051	\$21,870	\$24,686	\$22,234	\$24,322	\$202,574	12%
2052	\$24,322	\$24,686	\$17,430	\$31,579	\$213,903	15%
2053	\$31,579	\$24,686	\$12,050	\$44,215	\$230,612	19%

*This reserve allocation reflects the baseline funding plan where the year end balance never falls below zero once a positive cash flow is reached. Please refer to Funding Plan 3 on the Reserve Study Summary. The projection does not reflect changes in reserve contributions (other than what is indicated in the funding plan), inflation or interest received on reserve accounts.

VILLAGE PARK RECREATION CLUB #4

Chart of Suggested Annual Reserve Allocations



NOTES TO THE PHYSICAL AUDIT & RESERVE STUDY

DEFINITIONS: This section is an inventory of the components shown within the Reserve Study Summary. The components should be reviewed carefully to ensure that no item has been omitted.

Component descriptions include recommendations for the consideration of the Board. The recommendations are comprised of suggestions made by a board member(s), the property manager, employee(s) of the Association, contractors employed by the Association and/or NE Business Enterprises. The recommendations are provided to encourage the Board to investigate further possibilities or ways to promote and enhance the care and maintenance of the Association's Common Areas.

COMMON AREA COMPONENTS

FENCES: Replacement of the ornamental iron and chain link fences. Periodically replace the common area keys.

Although chain link fencing may last the life of the project, the total replacement cost has been incorporated into this report to be used on an as needed basis for repairs or replacement.

Recommendations: Fences should be inspected on an annual basis for deterioration from natural causes and/or abuse with minor repairs completed at this time. The base of a fence should be several inches above ground or more ideally set on a concrete foundation with landscape sprinklers directed away from the fence and/or any structure.

FURNITURE (Pool): The replacement of the umbrellas.

LANDSCAPE/IRRIGATION:

Irrigation: A pressurized system that utilizes two automatic controllers, valves, sprinklers and two backflow devices.

Explanation of Allocation: The allocation shown is for the automatic controllers and backflow devices. It is our understanding that replacing the sprinklers and valves are Association operating expenses.

Brush Management: Maintenance of the 9.6 acre natural area

Tree Service: Trimming, lacing, removing and replacing the common area trees.

Recommendations: Tree foliage and roots should be trimmed/removed away from utility lines, building exteriors/roofs, concrete/asphalt surfaces and fences on a regular basis to allow for the maximum life expectancy for the described common area components. Landscaping overgrowth typically decreases the life expectancy of common areas and increases the cost of maintenance/replacement to the Association.

LIGHT FIXTURES: The allocation shown is for replacing the common area light fixtures (building's exterior and walkway/landscape light fixtures) and tennis court lights.

Recommendations: Maintenance procedures should include semiannual inspections of all fixtures and standards for deterioration. Fixtures should be cleaned as lamps are replaced and painted as needed.

PAINTING: The exterior surfaces of the recreation buildings, the handball court, and the ornamental iron fences.

Recommendations: For maximum life expectancy, industry sources recommend that wood and ornamental iron surfaces be painted or stained immediately upon installation. Thereafter, the surfaces should be thoroughly cleaned of rust and old paint, water sealed, painted or stained with particular attention given to the tops and bottoms of the surfaces on a regular cycle to protect from wood rot/rust, water staining, warping and to maintain the project's cosmetic appearance.

RECREATIONAL FACILITY: Allocation for replacement of the furnace, carpeting, restroom renovation, hot water heater, playground equipment, picnic benches and benches. The replacement cost estimates for the restroom renovation, playground equipment, and picnic benches were provided by the Board of Directors.

Recommendations: A maintenance program should be established whereby wear areas of the playground equipment are checked on a regular basis and the bolts and connecting parts are tightened and/or lubricated. All playground equipment areas must meet the requirements set forth in the California Playground Safety Regulations. The U.S. Consumer Products Safety Commission (1-800-638-2772) may be contacted for available information regarding maintenance of playground equipment and the current recommended guidelines set by the Commission to insure a safe/low risk playground.

ROOFS: Replacement of the concrete tile, composition shingle and flat roof systems.

Explanation of Allocation: Although concrete tiles are considered to be lifetime components, it is recommended that an allocation for underlayment replacement and limited tile breakage be included within the reserve budgets. The estimated replacement cost shown makes no allowance for repairs to the roof other than the underlayment replacement and limited breakage of tiles. Damage to the roof structure from sources such as, but not limited to, improper installation and drainage, usage, maintenance procedures, termites and dry rot is not allowed for.

Recommendations: A qualified roofer or a knowledgeable professional should inspect the roofs annually, with sealing, patching, repair work and general maintenance (i.e. removal of debris from the roofs, cleaning out of the gutters and trees trimmed away from the buildings) performed as needed.

WADING/SWIMMING POOL: Wading and pool equipment, replaster of the pool and wading pool surfaces, and deck joint sealant.

Wading Pool: The equipment consists of one heater, one filter and two motor/pumps.

Swimming Pool: The pool equipment consists of one heater, one filter and one motor/pump.

Deck Replacement: This report includes a one-time cost to completely replace the deck around the pool and spa area. The estimated costs for this project was provided by the Board of Directors. Once this project is complete, any future repairs would come from the Concrete component, on an as needed basis.

Recommendations: The pools should be replastered approximately every 10 years. The life expectancies of the pools are directly proportionate to the maintenance program followed.

STREETS/CONCRETE:

Asphalt Surfaces: Guest parking spaces.

Explanation of Allocation: The allocations recommended allow for reseal/restripe and repairs of the asphalt every 3-4 years.

The estimated allocations shown make no allowance for extensive repairs or total reconstruction of the asphalt. Extensive damage to the asphalt from sources such as, but not limited to, original construction of the streets (e.g. defective installation, improper design or defective materials) improper drainage, chemical deterioration, ground subsidence, use of the streets by heavy vehicles and the age of the asphalt materials is not taken into consideration in this report.

Recommendations: Asphalt surfaces should be swept regularly and inspected on a semiannual basis for signs of possible deterioration from soil expansion, tree root intrusion, water runoff, chemical damage and improper installation with patching and sealing completed at that time.

Concrete: Walkways and pool/spa deck area repairs (once the one-time project to replace deck surface has been completed).

Explanation of Allocation: The allocation shown is for limited repair of the concrete surfaces, which may be caused by tree root intrusion, inadequate supportive base, heavy vehicular usage, soil expansion or contraction and/or age of concrete.

Recommendations: Concrete surfaces should be swept regularly and inspected on a semiannual basis for signs of possible deterioration from soil expansion, tree root intrusion and improper installation with patching and sealing completed

TENNIS & PICKLE BALL COURTS: Two courts with nets and full windscreens.

Recommendations: Tennis courts should be water hosed a minimum of once every two weeks to remove debris and gritty substances that damage court surfaces and decrease life expectancy. Life expectancy of the windscreens can be extended with a periodic water hosing and the mending of minor tears in a timely manner.

CONTINGENCY: The allocation represents 5% of the subtotal of the reserve allocation. It is intended to offset possible dollar shortages due to situations such as, but not limited to, premature failure of component(s) or miscellaneous items not specifically included under a reserve category.

APPENDIX A
ASSUMPTIONS
(Limitations of Report)

1. This report has been prepared based on information provided by the Association's Board of Directors, property management company and/or contractors currently working for the community.
2. The scope of the report is limited to a visual inspection of the accessible areas of Association's major components. Components may not be included that are not readily apparent by visual inspection or were not disclosed. No site visit is made for an accounting update.
3. The findings in this report are applicable as of the date of this report. It should be noted that even if accurately estimated initially, expenses increase with the age of the property and inflation. The terms of our engagement do not provide for reporting on events and analyses subsequent to the date of this report. Therefore, we accept no responsibility to update or revise this report.
4. All allocations are presented in "today's" dollars. No adjustment is made for inflation. It is assumed that the Association will maintain its reserve funds in a high yield interest-bearing account and that any discrepancy between the rate of inflation and the interest earned will be calculated and adjusted by the Board in conjunction with the annual review of the Association's budget.
5. All dollar figures included within this report are subject to rounding error.
6. The component life expectancies used within the study are "average" life expectancies. These estimates assume that a regular maintenance program of the components will be followed. Lack of proper maintenance may significantly decrease the components' life expectancies. The occurrence of abuse, vandalism, severe weather conditions, earthquakes, floods or other acts of God cannot be accounted for and are excluded when assessing the life expectancy of the components.
7. The replacement costs provided herein are estimates based on bids/contracts provided by the Association's Board of Directors, property management company and contractors; or estimates based upon construction replacement figures as published within the latest editions of construction cost estimating manuals.
8. Certain components included within this report may already be allowed for elsewhere in the Association's budget. The Board retains the right and responsibility of making the final decision for implementation of the information provided within the Reserve Study. **The Reserve Study is intended to be a tool for the Association and should not be considered the only answer to the Association's reserve funding requirements.**
9. Regular inspections by the Board should occur to validate the condition of the components. The findings within the Reserve Study should be reviewed and updated annually to comply with current State law.
10. For the purposes of this report, tree trimming and termite extermination will be considered operating expenses. Damage due to termites/dry-rot is not allowed for as this type of damage is largely unforeseeable and the extent of repairs is proportionate to the level of maintenance and routine pest control inspections (or lack thereof) performed by the Association. Repairs and maintenance to plumbing, sewer, gas and electrical systems (except for the common area light fixtures) are not included herein. The Board may, at its discretion, determine and include an allocation to cover the afore-described situations as necessary.
11. Project completion date was used as the base year to establish the component life expectancies where the actual dates of the work completed were not available.
12. Some assumptions inevitably will not materialize and unanticipated events/circumstances may occur subsequent to the date of the report. Therefore, the actual replacement cost and remaining life may vary from the replacement fund program and the variation may be significant.

APPENDIX B

RESERVE STUDY SUMMARY COLUMN DEFINITIONS

COMPONENTS/DESCRIPTION: Describes the component by name/category.

CURRENT REPLACEMENT COST: Represents the estimated dollar amount necessary to maintain and/or replace the component in today's dollars. No allowance has been made for inflation or for cost increases in materials and labor. This estimate is based on one of the following sources:

1. Information provided by the Association's Board of Directors or the property management company; and/or,
2. A proposal/written bid provided by a contractor; and/or,
3. Current construction figures as published in the latest editions of construction cost estimating manuals.

EST LIFE (Estimated Life): Represents an estimate based on information provided by the Association's Board of Directors and/or property management company regarding actual Association experience with the applicable component life, estimates by contractors employed by the Association and/or published standards.

EST REM LIFE (Estimated Remaining Life): Represents the estimated life expectancy of the component less the component's age. The estimate is not intended to be predictive, but rather an educated guess based on available historic evidence provided by the Board of Directors, property management company, the various contractors working for the Association and/or published standards.

ANNUAL RESERVE REQUIREMENT: Represents the annual reserve contribution based on a straight-line calculation of the Current Replacement Cost divided by Estimated Life.

ESTIMATED YEAR END REQUIRED BALANCE: Represents an estimate of the fiscal year end required balance in today's dollars for a particular component. It is calculated by multiplying the Annual Reserve Requirement by the expended life of each component. The total represents the estimated balance for a 100% funded level.

PROJECTED YEAR END CASH BALANCE: Represents the fiscal year end components' pro rata share of the Association's actual reserve balance as provided by the Association.

ESTIMATED YEAR END EXCESS/DEFICIT: Represents the difference between the Estimated Year End Required Balance and the Projected Year End Cash Balance per component. The total of the column represents the total projected dollar amount that the Association's reserve account is either deficient or in excess of the Estimated Year End Required Balance.

CONTINGENCY: Represents the allocation for each column as follows:

1. **Current Replacement Cost** – the specified percentage of the column subtotal.
2. **Annual Reserve Requirement** – the suggested annual reserve allocation.
3. **Estimated Year End Required Balance** – the recommended reserve balance for Contingency as of the current fiscal year, based on the age of the property.
4. **Projected Year End Cash Balance** – the pro rata share of the projected year end reserve balance as provided by the Association.
5. **Estimated Year End Excess/Deficit** – the difference between the Estimated Year End Required Balance and the Projected Year End Cash Balance as of the fiscal year end.