LEVEL 1 REPLACEMENT RESERVE REPORT FY 2022
SILVERWOODS

Community Management by:

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REPLACEMENT RESERVE REPORT

SILVERWOODS

OCEAN VIEW, DELAWARE
April 30, 2021
Revised June 16, 2021
Revised September 10, 2021
Revised September 20, 2021

Description. Silverwoods is a Homeowner's Association located in Ocean View, Delaware. Constructed in 2019, the community consists of 133 Single-family Homes, and Clubhouse. The survey examined the common elements of the property, including:

- Entry Monument and Fence
- Clubhouse Parking Areas
- Clubhouse Sidewalk
- Stormwater Management and Pond
- Exterior Pools
- Clubhouse Building exterior and interior systems

Level of Service. This study has been performed as a Level 1 Full-Service Reserve Study with Site Visit/On-Site Review as defined by the Community Associations Institute's, National Reserve Study Standards. As such, a complete inventory of components, including their condition and cost for major repair or replacement, was established by the Analyst for the common and limited common elements of this facility based on information provided by the Community Manager and/or Board of Directors, or by those developed from visual assessments, field measurements, takeoffs from to-scale drawings, or review of provided historical data. The analysis, including fund status and funding plan, is developed from the inventory.

To aid in the understanding of this report and its concepts and practices, on our web site, we have developed videos addressing frequently asked topics. In addition, there are posted links covering a variety of subjects under the resources page of our web site at mdareserves.com.

Purpose. The purpose of this Replacement Reserve Study is to provide Silverwoods (hereinafter called the Association) with an inventory of the common community facilities and infrastructure components that require periodic replacement. The Study includes a general view of the condition of these items and an effective financial plan to fund projected periodic replacements.

- **Inventory of Items Owned by the Association.** Section B lists the Projected Replacements of the commonly owned items that require periodic replacement using funding from Replacement Reserves. The Replacement Reserve Inventory also provides information about excluded items, which are items whose replacements are not scheduled for funding from Replacement Reserves.

- **Condition of Items Owned by the Association.** Section B includes our estimates of the normal economic life and the remaining economic life for the projected replacements. Section C provides a year-by-year listing of the projected replacements. Section D provides additional detail for items that are unique or deserving of attention because of their condition or the manner in which they have been treated in this study.

- **Financial Plan.** The Association has a fiduciary responsibility to protect the appearance, value, and safety of the property and it is therefore essential the Association have a financial plan that provides funding for the projected replacements. In conformance with American Institute of Certified Public Accountant guidelines, Section A, Replacement Reserve Analysis evaluates the current funding of Replacement Reserves as reported by the Association and recommends annual funding of Replacement Reserves by the Cash Flow Method. Section A, Replacement Reserve Analysis includes graphic and tabular presentations of the reported current funding and the recommended funding based on the Cash Flow Method. An Executive Summary of these calculations is provided on Page A1. The alternative Component Method of funding is provided in the Appendix.

Basis. The data contained in this Replacement Reserve Study is based upon the following:

- The Request for Proposal submitted and executed by the Association.

- Miller+Dodson performed a visual evaluation on April 30, 2021 to determine a remaining useful life and replacement cost for the commonly owned elements of this facility.

- This study contains additional recommendations to address inflation for the Cash Flow Method only. For this recommendation, Miller+Dodson uses the Producers Price Index (PPI), which gauges inflation in manufacturing and construction. Please see page A5 for further details.

To-Scale Drawings. Site and building plans were not used in the development of this study. We recommend the Association assemble and maintain a library of site and building plans of the entire facility. Record drawings should be scanned into an electronic format for safe storage and ease of distribution. Upon request for a nominal fee, Miller+Dodson can provide scanning services.

Current Funding. This reserve study has been prepared for Fiscal Year 2022 covering the period from January 1, 2022 to December 31, 2022. The Replacement Reserves on deposit as of January 1, 2022 are proposed to be $33,996. The reported current annual funding for reserves is $0.

The balance and contribution figures have been supplied by the managing agent and confirmation or audit of these figures is beyond the scope of the study. For the purposes of this study, it is assumed that the annual contribution will be deposited at the end of each month.

Acknowledgment. Miller+Dodson Associates would like to acknowledge the assistance and input of Mark Sharp, Property Manager who provided very helpful insight into the current operations of the property.

Analyst's Credentials. Mr. Gregory S. Gilbert (RS) holds a Bachelors Degree in Architecture from the Georgia Institute of Technology and a Master of Architecture from the University of Oklahoma. Mr. Gilbert is a licensed Architect. Mr. Gilbert's experience includes the design of residential homes, fire stations, and most recently, educational projects. Greg has also performed over twenty feasibility studies for the U. S. Navy, Boards of Education, and retail developers, which included performing existing condition surveys to address maintenance issues, code violations, and general conditions of the structure to determine if and how the buildings can be renovated or modified. Mr. Gilbert is currently a Reserve Specialist for Miller+Dodson Associates.

Respectfully Submitted,

millerdodson
CAPITAL RESERVE CONSULTANTS

Greg Gilbert
Gregory S. Gilbert, RS

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EXECUTIVE SUMMARY

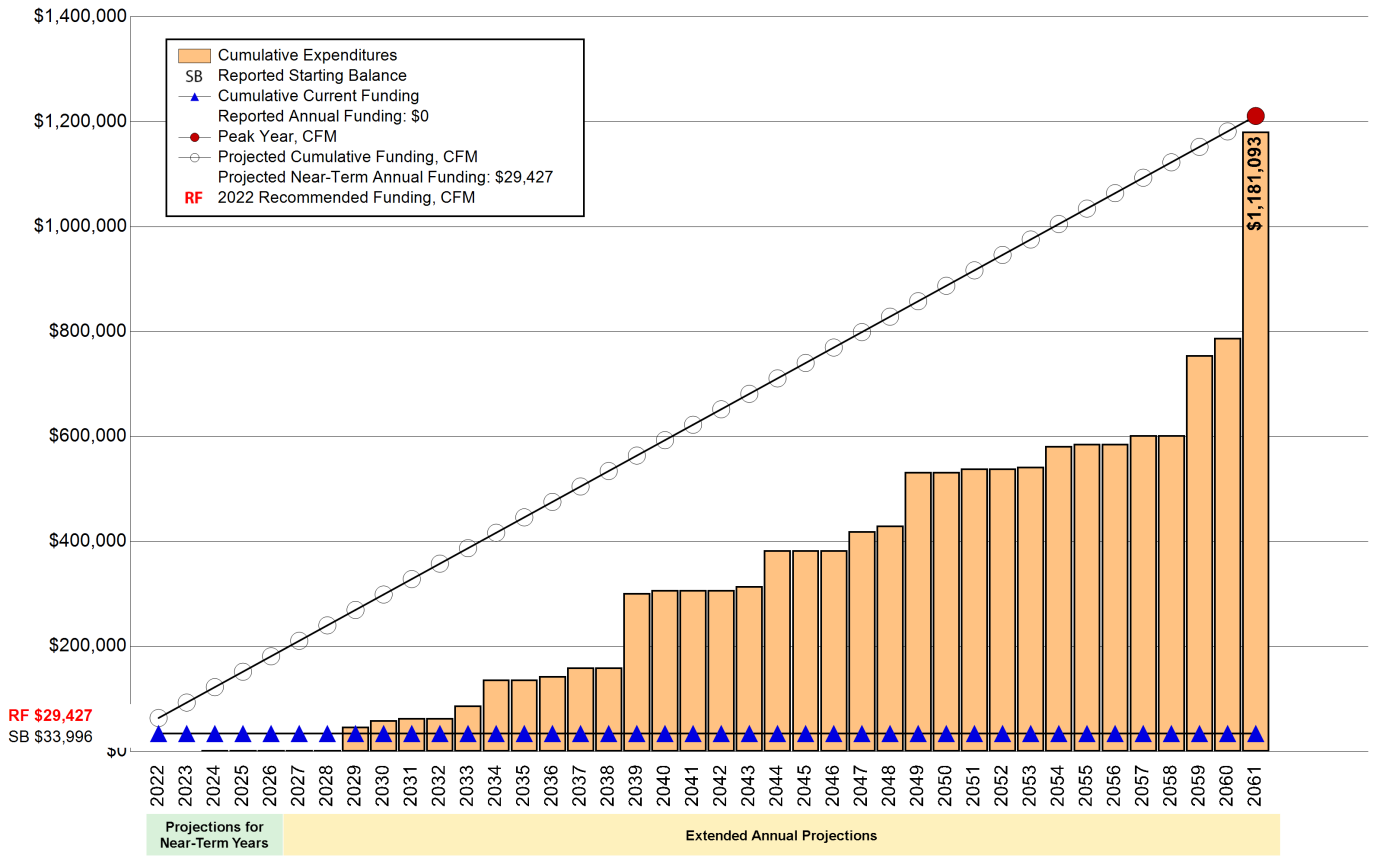
The Silverwoods Replacement Reserve Analysis uses the Cash Flow Method (CFM) to calculate Replacement Reserve funding for the periodic replacement of the 94 Projected Replacements identified in the Replacement Reserve Inventory.

$29,427 **RECOMMENDED REPLACEMENT RESERVE FUNDING FOR THE STUDY YEAR, 2022**
$22.29 Per unit (average), minimum monthly funding of Replacement Reserves

We recommend the Association adopt a Replacement Reserve Funding Plan based on the annual funding recommendation above. Inflation adjusted funding for subsequent years is shown on Page A.5.

Silverwoods reports a Starting Balance of $33,996 and Annual Funding totaling $0. The reported Current Annual Funding of $0 is inadequate to fund projected replacements starting in 2029. See Page A.3 for a more detailed evaluation.

#1 - Cumulative Replacement Reserve Funding and Expenditures Graph



REPLACEMENT RESERVE ANALYSIS - GENERAL INFORMATION

The Silverwoods Replacement Reserve Analysis calculations of recommended funding of Replacement Reserves by the Cash Flow Method (CFM) and the evaluation of the Current Funding are based upon the same Study Year, Study Period, Beginning Balance, Replacement Reserve Inventory and Level of Service.

2022 **STUDY YEAR**

The Association reports that their accounting year begins on January 1, and the Study Year, the first year evaluated by the Replacement Reserve Analysis, begins on January 1, 2022.

40 Years **STUDY PERIOD**

The Replacement Reserve Analysis evaluates the funding of Replacement Reserves over a 40-year Study Period

$33,996 **STARTING BALANCE**

The Association reports Replacement Reserves on Deposit totaling $33,996 at the start of the Study Year.

Level One **LEVEL OF SERVICE**

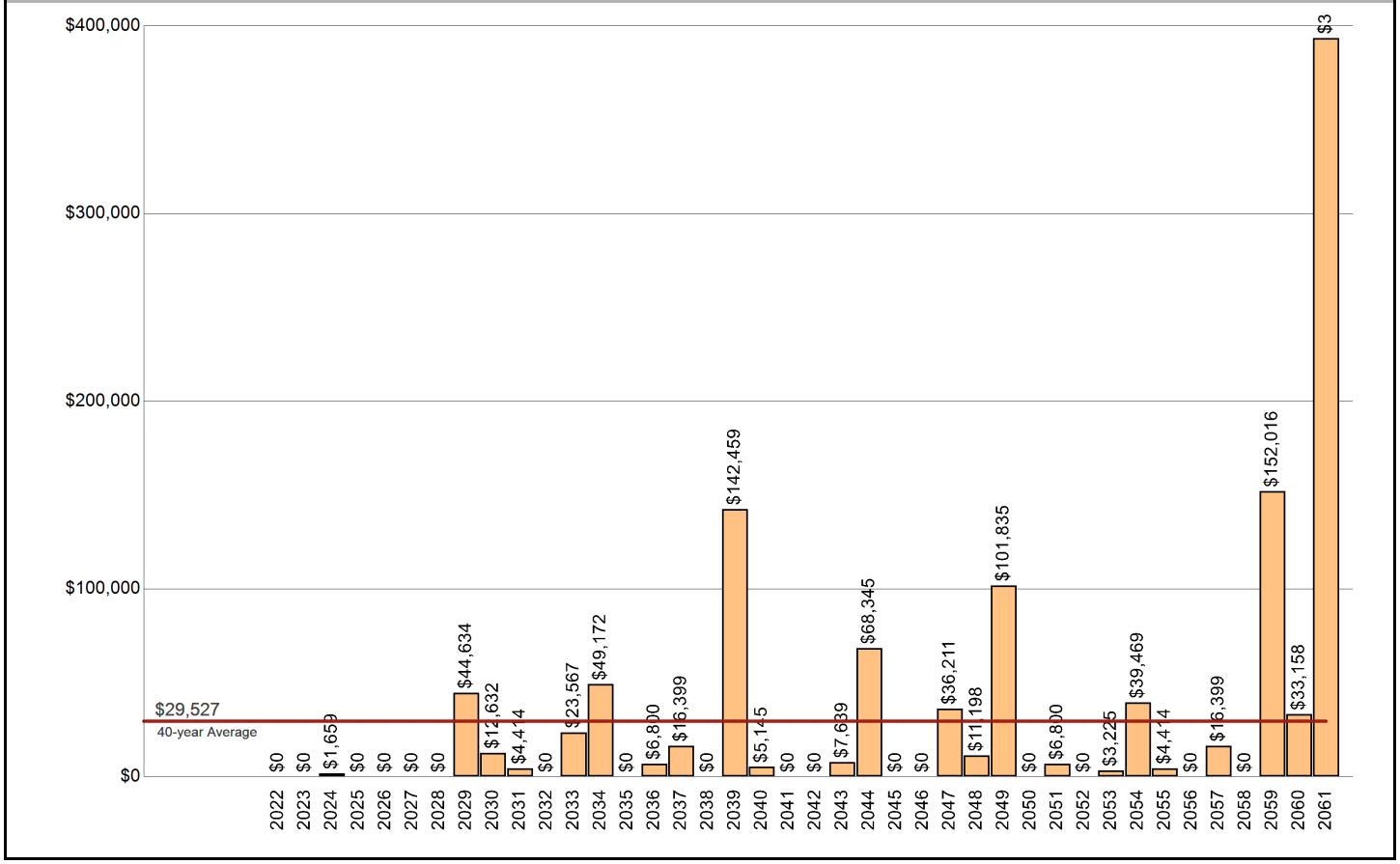
The Replacement Reserve Inventory has been developed in compliance with the National Reserve Study Standards for a Level One Study, as defined by the Community Associations Institute (CAI).

$1,181,093 **REPLACEMENT RESERVE INVENTORY - PROJECTED REPLACEMENTS**

The Silverwoods Replacement Reserve Inventory identifies 94 items that will require periodic replacement, that are to be funded from Replacement Reserves. We estimate the cost of these replacements will be $1,181,093 over the 40-year Study Period. The Projected Replacements are divided into 5 major categories starting on Page B.3. Pages B.1-B.2 provide detailed information on the Replacement Reserve Inventory.

#2 - Annual Expenditures for Projected Replacements Graph

This graph shows annual expenditures for Projected Replacements over the 40-year Study Period. The red line shows the average annual expenditure of $29,527. Section C provides a year by year Calendar of these expenditures.



UPDATING

UPDATING OF THE FUNDING PLAN

The Association has a responsibility to review the Funding Plan annually. The review should include a comparison and evaluation of actual reserve funding with recommended levels shown on Page A.4 and A.5. The Projected Replacements listed on Page C.2 should be compared with any replacements accomplished and funded from Replacement Reserves. Discrepancies should be evaluated and if necessary, the Reserve Study should be updated or a new study commissioned. We recommend annual increases in replacement reserve funding to account for the impact of inflation. Inflation Adjusted Funding is discussed on Page A.5.

UPDATING OF THE REPLACEMENT RESERVE STUDY

At a minimum, the Replacement Reserve Study should be professionally updated every three to five years or after completion of a major replacement project. Updating should also be considered if during the annual review of the Funding Plan, discrepancies are noted between projected and actual reserve funding or replacement costs. Updating may also be necessary if there is a meaningful discrepancy between the actual inflation rate and the inflation rate used for the Inflation Adjusted Funding of Replacement Reserves on Page A.5.

ANNUAL EXPENDITURES AND CURRENT FUNDING

The annual expenditures that comprise the $1,181,093 of Projected Expenditures over the 40-year Study Period and the impact of the Association continuing to fund Replacement Reserves at the current level are detailed in Table 3.

#3 - Table of Annual Expenditures and Current Funding Data - Years 1 through 40

Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Starting Balance	$33,996									
Projected Replacements			($1,659)					($44,634)	($12,632)	($4,414)
Annual Deposit										
End of Year Balance	$33,996	$33,996	$32,337	$32,337	$32,337	$32,337	$32,337	($12,297)	($24,928)	($29,342)
Cumulative Expenditures			($1,659)	($1,659)	($1,659)	($1,659)	($1,659)	($46,293)	($58,924)	($63,338)
Cumulative Receipts	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996

Year	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Projected Replacements		($23,567)	($49,172)		($6,800)	($16,399)		($142,459)	($5,145)	
Annual Deposit										
End of Year Balance	($29,342)	($52,909)	($102,080)	($102,080)	($108,880)	($125,279)	($125,279)	($267,738)	($272,883)	($272,883)
Cumulative Expenditures	($63,338)	($86,905)	($136,076)	($136,076)	($142,876)	($159,275)	($159,275)	($301,734)	($306,879)	($306,879)
Cumulative Receipts	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996

Year	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
Projected Replacements		($7,639)	($68,345)			($36,211)	($11,198)	($101,835)		($6,800)
Annual Deposit										
End of Year Balance	($272,883)	($280,522)	($348,867)	($348,867)	($348,867)	($385,078)	($396,276)	($498,110)	($498,110)	($504,910)
Cumulative Expenditures	($306,879)	($314,518)	($382,863)	($382,863)	($382,863)	($419,074)	($430,272)	($532,106)	($532,106)	($538,906)
Cumulative Receipts	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996

Year	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061
Projected Replacements		($3,225)	($39,469)	($4,414)		($16,399)		($152,016)	($33,158)	($393,507)
Annual Deposit										
End of Year Balance	($504,910)	($508,136)	($547,605)	($552,018)	($552,018)	($568,417)	($568,417)	($720,433)	($753,591)	($1,147,097)
Cumulative Expenditures	($538,906)	($542,132)	($581,601)	($586,014)	($586,014)	($602,413)	($602,413)	($754,429)	($787,587)	($1,181,093)
Cumulative Receipts	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996	$33,996

EVALUATION OF CURRENT FUNDING

The evaluation of Current Funding (Starting Balance of $33,996 & annual funding of $0) is done in today's dollars with no adjustments for inflation or interest earned on Replacement Reserves. The evaluation assumes Replacement Reserves will only be used for the 94 Projected Replacements identified in the Replacement Reserve Inventory and that the Association will continue Annual Funding of $0 throughout the 40-year Study Period.

Annual Funding of $0 is approximately percent of the $29,427 recommended Annual Funding calculated by the Cash Flow Method for 2022, the Study Year.

The progression and effect of continued Current Annual Funding coupled with this studies Projected Replacements over the Study Period are evaluated in Table 3 above. Maintaining Current Annual Funding may result in inadequate End of Year Balances, noted in red.

See the Executive Summary for the Current Funding Statement.

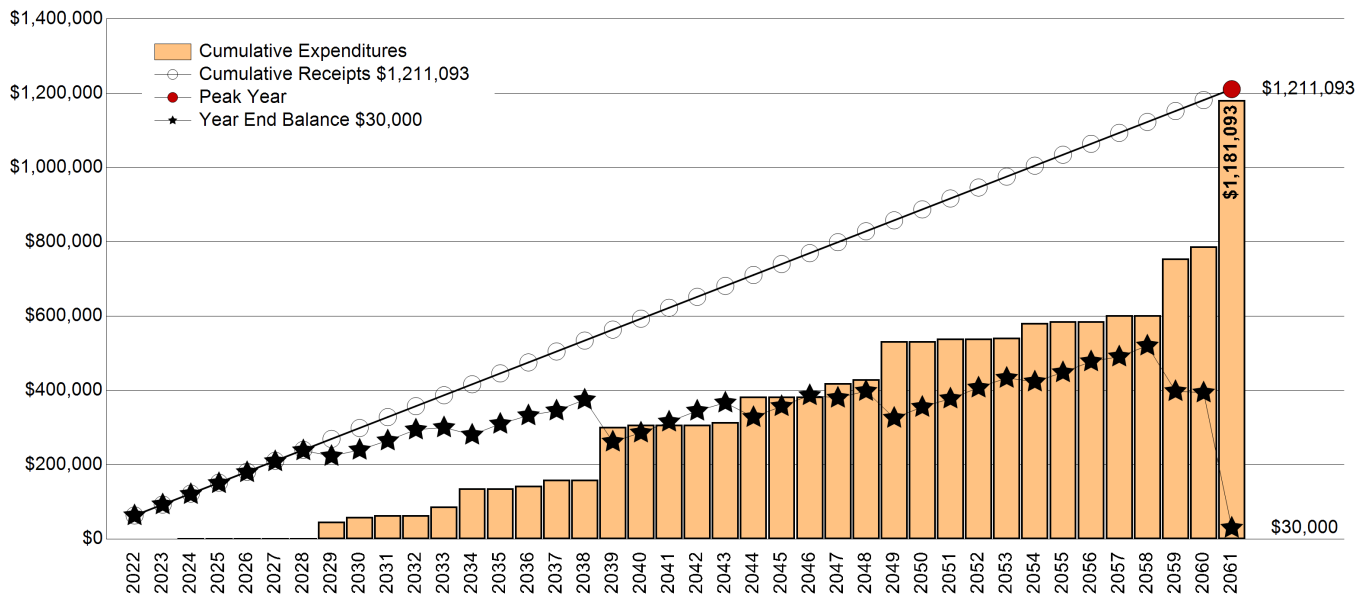
CASH FLOW METHOD FUNDING

$29,427 **RECOMMENDED REPLACEMENT RESERVE FUNDING FOR 2022**
$22.29 Per unit (average), minimum monthly funding of Replacement Reserves

Recommended Replacement Reserve Funding has been calculated using the Cash Flow Method (also called the Straight Line or Threshold Method). This method calculates a constant annual funding between peaks in cumulative expenditures, while maintaining a Minimum Balance (threshold) in the Peak Years.

- Peak Years. The First Peak Year occurs in 2061 with Replacement Reserves on Deposit dropping to the Minimum Balance after the completion of $1,181,093 of replacements from 2022 to 2061. Recommended funding is anticipated to decline in 2062. Peak Years are identified in Chart 4 and Table 5.
- Minimum Balance. The calculations assume a Minimum Balance of $30,000 will always be held in reserve, which is calculated by rounding the 12-month 40-year average annual expenditure of $29,527 as shown on Graph #2.
- Cash Flow Method Study Period. Cash Flow Method calculates funding for $1,181,093 of expenditures over the 40-year Study Period. It does not include funding for any projects beyond 2061 and in 2061, the end of year balance will always be the Minimum Balance.

#4 - Cash Flow Method - Graph of Cumulative Receipts and Expenditures - Years 1 through 40



#5 - Cash Flow Method - Table of Receipts & Expenditures - Years 1 through 40

Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Starting Balance	$33,996									
Projected Replacements			($1,659)					($44,634)	($12,632)	($4,414)
Annual Deposit	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427
End of Year Balance	$63,423	$92,851	$120,620	$150,047	$179,474	$208,902	$238,329	$223,123	$239,919	$264,933
Cumulative Expenditures			($1,659)	($1,659)	($1,659)	($1,659)	($1,659)	($46,293)	($58,924)	($63,338)
Cumulative Receipts	$63,423	$92,851	$122,278	$151,706	$181,133	$210,561	$239,988	$269,415	$298,843	$328,270

Year	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Projected Replacements		($23,567)	($49,172)		($6,800)	($16,399)		($142,459)	($5,145)	
Annual Deposit	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427
End of Year Balance	$294,360	$300,220	$280,476	$309,904	$332,531	$345,559	$374,987	$261,956	$286,238	$315,666
Cumulative Expenditures	($63,338)	($86,905)	($136,076)	($136,076)	($142,876)	($159,275)	($159,275)	($301,734)	($306,879)	($306,879)
Cumulative Receipts	$357,698	$387,125	$416,553	$445,980	$475,408	$504,835	$534,262	$563,690	$593,117	$622,545

Year	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
Projected Replacements		($7,639)	($68,345)			($36,211)	($11,198)	($101,835)		($6,800)
Annual Deposit	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427
End of Year Balance	$345,093	$366,882	$327,964	$357,391	$386,819	$380,035	$398,265	$325,858	$355,285	$377,913
Cumulative Expenditures	($306,879)	($314,518)	($382,863)	($382,863)	($382,863)	($419,074)	($430,272)	($532,106)	($532,106)	($538,906)
Cumulative Receipts	$651,972	$681,400	$710,827	$740,254	$769,682	$799,109	$828,537	$857,964	$887,392	$916,819

Year	2052	2053	2054	2055	2056	2057	2058	2059	2060	1st Peak - 2061
Projected Replacements		($3,225)	($39,469)	($4,414)		($16,399)		($152,016)	($33,158)	($393,507)
Annual Deposit	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427	$29,427
End of Year Balance	$407,340	$433,542	$423,501	$448,514	$477,942	$490,970	$520,398	$397,809	$394,079	$30,000
Cumulative Expenditures	($538,906)	($542,132)	($581,601)	($586,014)	($586,014)	($602,413)	($602,413)	($754,429)	($787,587)	($1,181,093)
Cumulative Receipts	$946,246	$975,674	$1,005,101	$1,034,529	$1,063,956	$1,093,384	$1,122,811	$1,152,238	$1,181,666	$1,211,093

INFLATION ADJUSTED FUNDING

The Cash Flow Method calculations on Page A4 have been done in today's dollars with no adjustment for inflation. At Miller+Dodson, we believe that long-term inflation forecasting is effective at demonstrating the power of compounding, not at calculating appropriate funding levels for Replacement Reserves. We have developed this proprietary model to estimate the short-term impact of inflation on Replacement Reserve funding.

$29,427 **2022 - CASH FLOW METHOD RECOMMENDED FUNDING**

The 2022 Study Year calculations have been made using current replacement costs (see Page B.2), modified by the Analyst for any project specific conditions.

$30,104 **2023 - INFLATION ADJUSTED FUNDING**

A new analysis calculates the 2023 funding based on three assumptions:

- Replacement Reserves on Deposit totaling $63,423 on January 1, 2023.
- No Expenditures from Replacement Reserves in 2022.
- Construction Cost Inflation of 2.30 percent in 2022.

The $30,104 inflation adjusted funding in 2023 is a 2.30 percent increase over the non-inflation adjusted funding of $29,427.

$30,797 **2024 - INFLATION ADJUSTED FUNDING**

A new analysis calculates the 2024 funding based on three assumptions:

- Replacement Reserves on Deposit totaling $64,317 on January 1, 2024.
- No Expenditures from Replacement Reserves in 2023.
- Construction Cost Inflation of 2.30 percent in 2023.

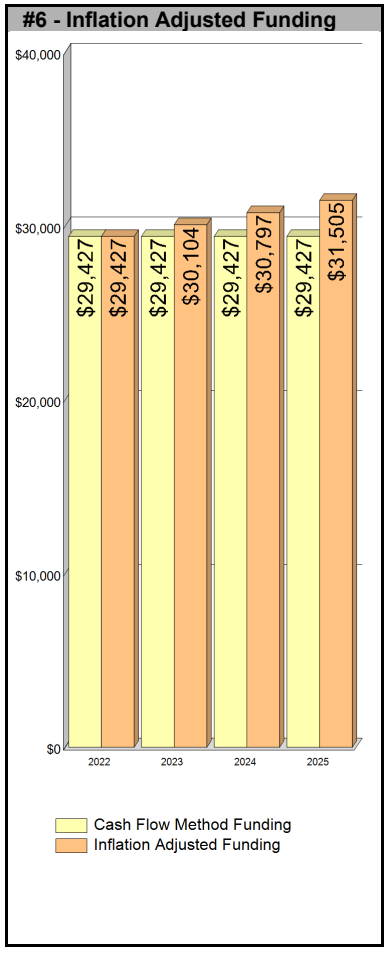
The $30,797 inflation adjusted funding in 2024 is a 4.65 percent increase over the non-inflation adjusted funding of $29,427.

$31,505 **2025 - INFLATION ADJUSTED FUNDING**

A new analysis calculates the 2025 funding based on three assumptions:

- Replacement Reserves on Deposit totaling $64,136 on January 1, 2025.
- All 2024 Projected Replacements listed on Page C.2 accomplished at a cost to Replacement Reserves less than $1,697.
- Construction Cost Inflation of 2.30 percent in 2024.

The $31,505 inflation adjusted funding in 2025 is a 7.05 percent increase over the non-inflation adjusted funding of $29,427.



Year Five and Beyond

The inflation-adjusted funding calculations outlined above are not intended to be a substitute for periodic evaluation of common elements by an experienced Reserve Analyst. Industry Standards, lender requirements, and many state and local statutes require a Replacement Reserve Study to be professionally updated every 3 to 5 years.

Inflation Adjustment

Prior to approving a budget based upon the 2023, 2024 and 2025 inflation-adjusted funding calculations above, the 2.30 percent base rate of inflation used in our calculations should be compared to rates published by the Bureau of Labor Statistics. If there is a significant discrepancy (over 1 percentage point), contact Miller+Dodson Associates prior to using the Inflation Adjusted Funding.

Interest on Reserves

The recommended funding calculations do not account for interest earned on Replacement Reserves. In 2022, based on a 1.00 percent interest rate, we estimate the Association may earn $487 on an average balance of $48,710, $639 on an average balance of $63,870 in 2023, and $642 on $64,227 in 2024. The Association may elect to attribute 100 percent of the earned interest to Reserves, resulting in a reduction in the 2022 funding from $29,427 to $28,940 (a 1.65 percent reduction), $30,104 to $29,466 in 2023 (a 2.12 percent reduction), and $30,797 to $30,154 in 2024 (a 2.08 percent reduction).

REPLACEMENT RESERVE STUDY - SUPPLEMENTAL COMMENTS

- The Cash Flow Method calculates the minimum annual funding necessary to prevent Replacement Reserves from dropping below the Minimum Balance, as defined on Page A4. Failure to fund at least the recommended levels may result in funding not being available for the Projected Replacements listed in the Replacement Reserve Inventory.
- The accuracy of the Replacement Reserve Analysis is dependent upon expenditures from Replacement Reserves being made ONLY for the 94 Projected Replacements specifically listed in the Replacement Reserve Inventory. The inclusion/exclusion of items from the Replacement Reserve Inventory is discussed on Page B.1.

REPLACEMENT RESERVE INVENTORY
GENERAL INFORMATION

Silverwoods - Replacement Reserve Inventory identifies 94 Projected Replacements.

- PROJECTED REPLACEMENTS. 94 of the items are Projected Replacements and the periodic replacements of these items are scheduled for funding from Replacement Reserves. The Projected Replacements have an estimated one-time replacement cost of $993,730. Cumulative Replacements totaling $1,181,093 are scheduled in the Replacement Reserve Inventory over the 40-year Study Period.

  Projected Replacements are the replacement of commonly-owned physical assets that require periodic replacement and whose replacement is to be funded from Replacement Reserves.

- EXCLUDED ITEMS. None of the items included in the Replacement Reserve Inventory are 'Excluded Items'. Multiple categories of items are typically excluded from funding by Replacement Reserves, including but not limited to:

  Tax Code. The United States Tax Code grants very favorable tax status to Replacement Reserves, conditioned on expenditures being made within certain guidelines. These guidelines typically exclude maintenance activities, minor repairs, and capital improvements.

  Value. Items with a replacement cost of less than $1000 and/or a normal economic life of less than 3 years are typically excluded from funding from Replacement Reserves. This exclusion should reflect the Association policy on the administration of Replacement Reserves. If the Association has selected an alternative level, it will be noted in the Replacement Reserve Inventory - General Comments on Page B.2.

  Long-lived Items. Items are excluded from the Replacement Reserve Inventory when items are properly maintained and are assumed to have a life equal to the property.

  Unit improvements. Items owned by a single unit and where the items serve a single unit are generally assumed to be the responsibility of that unit, not the Association.

  Other non-common improvements. Items owned by the local government, public and private utility companies, the United States Postal Service, Master Associations, state and local highway authorities, etc., may be installed on property that is owned by the Association. These types of items are generally not the responsibility of the Association and are excluded from the Replacement Reserve Inventory.

- CATEGORIES. The 94 items included in the Silverwoods Replacement Reserve Inventory are divided into 5 major categories. Each category is printed on a separate page, beginning on page B.3.

- LEVEL OF SERVICE. This Replacement Reserve Inventory has been developed in compliance with the standards established for a Level One Study - Full Service, as defined by the National Reserve Study Standards, established in 1998 by Community Associations Institute, which states:

  A Level I - Full-Service Reserve Study includes the computation of complete component inventory information regarding commonly owned components provided by the Association, quantities derived from field measurements, and/or quantity takeoffs from to-scale engineering drawings that may be made available. The condition of all components is ascertained from a visual inspection of each component by the analyst. The remaining economic life and the value of the components are provided based on these observations and the funding status and funding plan are then derived from the analysis of this data.

REPLACEMENT RESERVE INVENTORY - GENERAL INFORMATION (CONT'D)

- INVENTORY DATA. Each of the 94 Projected Replacements listed in the Replacement Reserve Inventory includes the following data:

  Item Number. The Item Number is assigned sequentially and is intended for identification purposes only.

  Item Description. We have identified each item included in the Inventory. Additional information may be included in the Comments section at the bottom of each page of the Inventory.

  Units. We have used standard abbreviations to identify the number of units including SF-square feet, LF-lineal feet, SY-square yard, LS-lump sum, EA-each, and PR-pair. Non-standard abbreviations are noted in the Comments section at the bottom of the page.

  Number of Units. The methods used to develop the quantities are discussed in "Level of Service" above.

  Unit Replacement Cost. We use four sources to develop the unit cost data shown in the Inventory; actual replacement cost data provided by the client, information provided by local contractors and suppliers, industry standard estimating manuals, and a cost database we have developed based upon our detailed interviews with contractors and service providers who are specialists in their respective lines of work.

  Normal Economic Life (Years). The number of years that a new and properly installed item should be expected to remain in service.

  Remaining Economic Life (Years). The estimated number of years before an item will need to be replaced. In "normal" conditions, this could be calculated by subtracting the age of the item from the Normal Economic Life of the item, but only rarely do physical assets age "normally". Some items may have longer or shorter lives depending on many factors such as environment, initial quality of the item, maintenance, etc.

  Total Replacement Cost. This is calculated by multiplying the Unit Replacement Cost by the Number of Units.

- REVIEW OF EXPENDITURES. This Replacement Reserve Study should be reviewed by an accounting professional representing the Association prior to implementation.

- PARTIAL FUNDING. Items may have been included in the Replacement Reserve Inventory at less than 100 percent of their full quantity and/or replacement cost. This is done on items that will never be replaced in their entirety, but which may require periodic replacements over an extended period of time. The assumptions that provide the basis for any partial funding are noted in the Comments section.

- REMAINING ECONOMIC LIFE GREATER THAN 40 YEARS. The calculations do not include funding for initial replacements beyond 40 years. These replacements are included in this Study for tracking and evaluation. They should be included for funding in future Studies when they enter the 40-year window.

SITE ITEMS
PROJECTED REPLACEMENTS

NEL- Normal Economic Life (yrs)
REL- Remaining Economic Life (yrs)

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NEL	REL	REPLACEMENT COST ($)
1	Entrance monument, repoint masonry (25%)	sf	200	$8.50	10	17	$1,700
2	Asphalt pavement, mill and overlay	sf	7,540	$2.00	20	17	$15,080
3	Asphalt pavement, seal coat	sf	7,540	$0.22	5	2	$1,659
4	Concrete curb and gutter, barrier (10%)	ft	33	$35.50	5	17	$1,172
5	Concrete flatwork (6%)	sf	44	$10.85	5	17	$477
6	Concrete ramp	sf	150	$16.90	40	37	$2,535
7	Concrete steps	ft	30	$74.50	30	27	$2,235
8	Wood walkway, PTL structure	sf	72	$34.20	20	17	$2,462
9	Wood walkway, decking PTL	sf	72	$12.65	15	12	$911
10	Ramp, aluminum railing	ft	53	$56.00	35	32	$2,968
11	Stair, PTL structure	sf	1	$34.20	20	17	$34
12	Stair, composite open riser	ft	1	$33.30	20	17	$33
13	Stair, composite decking	sf	1	$16.70	30	27	$17
14	Stair, vinyl railing	ft	1	$36.00	30	27	$36
15	Stormwater management (allowance)	ls	1	$10,000.00	10	17	$10,000
16	Stormwater pond dredging	cy	5,670	$65.00	40	39	$368,550
17	Fence, wood board rail (3-rails and post)	ft	832	$23.50	20	17	$19,552

Replacement Costs - Page Subtotal $429,421

COMMENTS

EXTERIOR ITEMS
PROJECTED REPLACEMENTS

NEL- Normal Economic Life (yrs)
REL- Remaining Economic Life (yrs)

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NEL	REL	REPLACEMENT COST ($)
18	Roofing, asphalt shingles	sf	2,807	$4.50	30	8	$12,632
19	Gutter and downspouts, 5" aluminum	ft	236	$7.20	30	27	$1,699
20	Soffit and trim, vinyl	sf	384	$8.10	50	47	$3,110
21	Siding and trim, vinyl, standard	sf	4,153	$7.80	35	32	$32,393
22	Window, operating	ea	23	$900.00	40	37	$20,700
23	Shutters, vinyl	pr	10	$80.00	35	32	$800
24	Door, wood and glass, exterior	ea	3	$1,250.00	25	22	$3,750
25	Door, wood and glass, exterior	pr	2	$1,850.00	25	22	$3,700
26	Exterior lighting, wall mounted	ea	3	$135.00	15	12	$405
27	Exterior lighting, flood	ea	8	$135.00	15	12	$1,080

Replacement Costs - Page Subtotal $80,270

COMMENTS

RECREATION ITEMS - SWIMMING POOL

PROJECTED REPLACEMENTS

NEL- Normal Economic Life (yrs)
REL- Remaining Economic Life (yrs)

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NEL	REL	REPLACEMENT COST ($)
28	Swimming pool, structure	sf	1,664	$110.00	60	57	$183,040
29	Swimming pool, whitecoat	sf	2,336	$6.10	15	12	$14,250
30	Swimming pool, waterline tile (2x2)	ft	240	$10.90	15	12	$2,616
31	Swimming pool coping, precast concrete	ft	240	$29.50	20	17	$7,080
32	Pool pump (2 hp)	ea	1	$1,250.00	10	7	$1,250
33	Swimming pool, salt generators	ea	1	$1,100.00	15	14	$1,100
34	Pool filter	ea	1	$1,500.00	20	17	$1,500
35	Wading pool, structure	sf	255	$110.00	60	57	$28,050
36	Wading pool, whitecoat	sf	383	$6.10	15	12	$2,336
37	Wading pool, waterline tile (2x2)	ft	64	$10.90	15	12	$698
38	Wading pool coping, precast concrete	ft	64	$29.50	20	17	$1,888
39	Wading pool pump (2 hp)	ea	1	$1,250.00	10	7	$1,250
40	Wading pool, salt generator	ea	1	$700.00	15	14	$700
41	Wading pool filter	ea	1	$1,500.00	20	17	$1,500
42	Chemical feed pump	ea	1	$375.00	10	7	$375
43	ADA pool lift	ea	1	$4,790.00	20	17	$4,790
44	Pool ladder (4 step)	ea	2	$1,075.00	20	17	$2,150
45	Safety rail	ea	2	$450.00	20	17	$900
46	Pool furniture	ls	1	$5,000.00	10	7	$5,000
47	Pool cover, safety mesh, swimming pool	sf	1,664	$2.30	12	9	$3,827
48	Pool cover, safety mesh, wading pool	sf	255	$2.30	12	9	$587
49	Pool deck, concrete (25%)	sf	1,426	$11.50	10	15	$16,399
50	Fence, 6' decorative aluminum	ft	272	$50.60	45	44	$13,763

Replacement Costs - Page Subtotal $295,048

COMMENTS

- Item #40: Wading pool, salt generator - 9.10.21 - New item added
- Item #45: Safety rail - 9.10.21 - Revised Description and Unit Cost
- Item #46: Pool furniture - 9.10.21 -Revised Description and Unit Cost
- Item #47: Pool cover, safety mesh, swimming pool - 9.10.21 - Revised Unit Cost
- Item #48: Pool cover, safety mesh, wading pool - 9.10.21 - revised Unit Cost
- Item #50: Fence, 6' decorative aluminum - 9.10.21 - Revised REL

RECREATION ITEMS - SWIMMING POOL - (cont.)

PROJECTED REPLACEMENTS

NEL- Normal Economic Life (yrs)
REL- Remaining Economic Life (yrs)

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NEL	REL	REPLACEMENT COST ($)
51	Maintenance shed, wood frames and vinyl siding	sf	128	$53.50	40	37	$6,848
				Replacement Costs - Page Subtotal			$6,848

COMMENTS

INTERIOR ITEMS
PROJECTED REPLACEMENTS

NEL- Normal Economic Life (yrs)
REL- Remaining Economic Life (yrs)

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NEL	REL	REPLACEMENT COST ($)
52	Interior door and frame, wood, paint grade	ea	5	$900.00	25	22	$4,500
53	Interior door and frame, wood, paint grade	pr	2	$1,500.00	25	22	$3,000
54	Interior door and frame, wood, pocket	ea	1	$700.00	25	22	$700
55	Building entry system	ea	1	$2,180.00	20	17	$2,180
56	Security camera (IP)	ea	7	$280.00	10	7	$1,960
57	Security video recorder (IP 8 channel - digital)	ea	1	$530.00	15	11	$530
58	Flooring, ceramic tile	sf	1,317	$37.50	25	22	$49,388
59	Flooring, LVT	sf	1,255	$8.50	14	12	$10,668
60	Flooring, vinyl sheet goods	sf	49	$7.20	14	11	$353
61	Rubber flooring (1/2")	sf	665	$4.85	10	11	$3,225
62	Emergency lighting w/ exit sign	ea	6	$120.00	14	11	$720
63	Interior lighting, recessed	ea	49	$105.00	21	18	$5,145
64	Interior lighting, vanity	ea	4	$146.00	14	11	$584
65	Sofa, large	ea	2	$830.00	14	11	$1,660
66	Sofa, small	ea	2	$830.00	14	11	$1,660
67	Upholstered chair, large	ea	2	$560.00	14	11	$1,120
68	Chair	ea	26	$180.00	14	11	$4,680
69	Table	ea	3	$295.00	14	11	$885
70	End table	ea	2	$275.00	14	11	$550
71	Coffee table	ea	1	$390.00	14	11	$390
72	Card table	ea	4	$930.00	14	11	$3,720
73	Area rug	ea	1	$950.00	10	7	$950
74	TV w/ remote	ea	2	$1,670.00	14	11	$3,340
					Replacement Costs - Page Subtotal		$101,907

COMMENTS

INTERIOR ITEMS - (cont.)

PROJECTED REPLACEMENTS

NEL- Normal Economic Life (yrs)
REL- Remaining Economic Life (yrs)

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NEL	REL	REPLACEMENT COST ($)
75	Sink, fixture and mirror	ea	4	$200.00	20	17	$800
76	Toilet	ea	4	$1,000.00	20	17	$4,000
77	Kitchen, residential, counter-top microwave	ea	1	$150.00	14	11	$150
78	Kitchen, residential,18 cf refrigerator	ea	1	$1,540.00	21	17	$1,540
79	Kitchen, residential, laminate counter-top	sf	72	$38.00	21	17	$2,736
80	Kitchen, residential, cabinets, wall	ea	5	$450.00	21	17	$2,250
81	Kitchen, residential, cabinets, base	ea	20	$700.00	21	17	$14,000
82	Treadmill	ea	2	$6,870.00	10	7	$13,740
83	Elliptical	ea	1	$5,000.00	15	14	$5,000
84	Upright bike	ea	3	$4,400.00	10	7	$13,200
85	Press/lift	ea	1	$4,600.00	10	7	$4,600
86	Flat to incline bench	ea	1	$290.00	30	27	$290
87	Free weight set w/ stand (50 lb. dumb bell)	ea	1	$2,730.00	30	27	$2,730

Replacement Costs - Page Subtotal $65,036

COMMENTS

- Item #83: Elliptical - 9.10.21 - Revised Description, Unit Cost and REL

BUILDING SYSTEMS
PROJECTED REPLACEMENTS

NEL- Normal Economic Life (yrs)
REL- Remaining Economic Life (yrs)

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NEL	REL	REPLACEMENT COST ($)
88	AC split system (5 ton)	ea	1	$5,500.00	15	12	$5,500
89	AC split system (5 ton)	ea	1	$5,500.00	15	12	$5,500
90	Water heater, electric (30 gallon)	ea	1	$1,300.00	15	12	$1,300
91	Sound system	ls	1	$1,200.00	15	12	$1,200
92	Speakers	ea	7	$150.00	15	12	$1,050
93	Sump pump	ea	2	$150.00	10	7	$300
94	Dehumidifier	ea	1	$350.00	10	7	$350

Replacement Costs - Page Subtotal $15,200

COMMENTS

- Item #88: AC split system (5 ton) - 9.10.21 - Revised Description and Unit Cost

LONG-LIFE EXCLUSIONS
Excluded Items

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NEL	REL	REPLACEMENT COST ($)
	Building foundation(s)						EXCLUDED
	Concrete floor slabs (interior)						EXCLUDED
	Wall, floor, and roof structure						EXCLUDED
	Electrical wiring						EXCLUDED
	Water piping at common facilities						EXCLUDED

LONG-LIFE EXCLUSIONS
Comments

- Long Life Exclusions. Components that when properly maintained, can be assumed to have a life equal to the property as a whole, are normally excluded from the Replacement Reserve Inventory. Examples of items excluded from funding by Replacement Reserves by this standard are listed above.
- Exterior masonry is generally assumed to have an unlimited economic life, but periodic repointing is required, and we have included this for funding in the Replacement Reserve Inventory.
- The list above exemplifies exclusions by the cited standard(s) and is not intended to be comprehensive.

UTILITY EXCLUSIONS
Excluded Items

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NEL	REL	REPLACEMENT COST ($)
	Primary electric feeds						EXCLUDED
	Electric transformers						EXCLUDED
	Site lighting						EXCLUDED
	Water mains and meters						EXCLUDED
	Sanitary sewers						EXCLUDED

UTILITY EXCLUSIONS
Comments

- Utility Exclusions. Many improvements owned by utility companies are on property owned by the Association. We have assumed that repair, maintenance, and replacements of these components will be done at the expense of the appropriate utility company. Examples of items excluded from funding Replacement Reserves by this standard are listed above.

- The list above exemplifies exclusions by the cited standard(s) and is not intended to be comprehensive.

MAINTENANCE AND REPAIR EXCLUSIONS

Excluded Items

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NEL	REL	REPLACEMENT COST ($)
	Cleaning of asphalt pavement						EXCLUDED
	Crack sealing of asphalt pavement						EXCLUDED
	Painting of curbs						EXCLUDED
	Striping of parking spaces						EXCLUDED
	Numbering of parking spaces						EXCLUDED
	Landscaping and site grading						EXCLUDED
	Exterior painting						EXCLUDED
	Interior painting						EXCLUDED
	Janitorial service						EXCLUDED
	Repair services						EXCLUDED
	Partial replacements						EXCLUDED
	Capital improvements						EXCLUDED

MAINTENANCE AND REPAIR EXCLUSIONS

Comments

- Maintenance activities, one-time-only repairs, and capital improvements. These activities are NOT appropriately funded from Replacement Reserves. The inclusion of such component in the Replacement Reserve Inventory could jeopardize the special tax status of ALL Replacement Reserves, exposing the Association to significant tax liabilities. We recommend that the Board of Directors discuss these exclusions and Revenue Ruling 75-370 with a Certified Public Accountant.

- Examples of items excluded from funding by Replacement Reserves are listed above. The list above exemplifies exclusions by the cited standard(s) and is not intended to be comprehensive.

PROJECTED ANNUAL REPLACEMENTS
GENERAL INFORMATION

CALENDAR OF ANNUAL REPLACEMENTS. The 94 Projected Replacements in the Silverwoods Replacement Reserve Inventory whose replacement is scheduled to be funded from Replacement Reserves are broken down on a year-by-year basis, beginning on Page C.2.

REPLACEMENT RESERVE ANALYSIS AND INVENTORY POLICIES, PROCEDURES, AND ADMINISTRATION

- REVISIONS. Revisions will be made to the Replacement Reserve Analysis and Replacement Reserve Inventory in accordance with the written instructions of the Board of Directors. No additional charge is incurred for the first revision, if requested in writing within three months of the date of the Replacement Reserve Study. It is our policy to provide revisions in electronic (Adobe PDF) format only.
- TAX CODE. The United States Tax Code grants favorable tax status to a common interest development (CID) meeting certain guidelines for their Replacement Reserve. If a CID files their taxes as a 'Corporation' on Form 1120 (IRC Section 277), these guidelines typically require maintenance activities, partial replacements, minor replacements, capital improvements, and one-time only replacements to be excluded from Reserves. A CID cannot co-mingle planning for maintenance activities with capital replacement activities in the Reserves (Revenue Ruling 75-370). Funds for maintenance activities and capital replacements activities must be held in separate accounts. If a CID files taxes as an "Exempt Homeowners Association" using Form 1120H (IRC Section 528), the CID does not have to segregate these activities. However, because the CID may elect to change their method of filing from year to year within the Study Period, we advise using the more restrictive approach. We further recommend that the CID consult with their Accountant and consider creating separate and independent accounts and reserves for large maintenance items, such as painting.
- CONFLICT OF INTEREST. Neither Miller - Dodson Associates nor the Reserve Analyst has any prior or existing relationship with this Association which would represent a real or perceived conflict of interest.
- RELIANCE ON DATA PROVIDED BY THE CLIENT. Information provided by an official representative of the Association regarding financial, physical conditions, quality, or historical issues is deemed reliable.
- INTENT. This Replacement Reserve Study is a reflection of the information provided by the Association and the visual evaluations of the Analyst. It has been prepared for the sole use of the Association and is not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records.
- PREVIOUS REPLACEMENTS. Information provided to Miller - Dodson Associates regarding prior replacements is considered to be accurate and reliable. Our visual evaluation is not a project audit or quality inspection.
- EXPERIENCE WITH FUTURE REPLACEMENTS. The Calendar of Annual Projected Replacements, lists replacements we have projected to occur over the Study Period, begins on Page C2. Actual experience in replacing the items may differ significantly from the cost estimates and time frames shown because of conditions beyond our control. These differences may be caused by maintenance practices, inflation, variations in pricing and market conditions, future technological developments, regulatory actions, acts of God, and luck. Some items may function normally during our visual evaluation and then fail without notice.
- REVIEW OF THE REPLACEMENT RESERVE STUDY. For this study to be effective, it should be reviewed by the Board of Directors, those responsible for the management of the items included in the Replacement Reserve Inventory, and the accounting professionals employed by the Association.

PROJECTED REPLACEMENTS

Item	2022 - Study Year	$
No Scheduled Replacements		

Item	2023 - YEAR 1	$
No Scheduled Replacements		

PROJECTED REPLACEMENTS

Item	2024 - YEAR 2	$
3	Asphalt pavement, seal coat	$1,659
Total Scheduled Replacements		$1,659

Item	2025 - YEAR 3	$
No Scheduled Replacements		

PROJECTED REPLACEMENTS

Item	2026 - YEAR 4	$
No Scheduled Replacements		

Item	2027 - YEAR 5	$
No Scheduled Replacements		

PROJECTED REPLACEMENTS

Item	2028 - YEAR 6	$
No Scheduled Replacements		

Item	2029 - YEAR 7	$
3	Asphalt pavement, seal coat	$1,659
32	Pool pump (2 hp)	$1,250
39	Wading pool pump (2 hp)	$1,250
42	Chemical feed pump	$375
46	Pool furniture	$5,000
56	Security camera (IP)	$1,960
73	Area rug	$950
82	Treadmill	$13,740
84	Upright bike	$13,200
85	Press/lift	$4,600
93	Sump pump	$300
94	Dehumidifier	$350
Total Scheduled Replacements		$44,634

PROJECTED REPLACEMENTS

Item	2030 - YEAR 8	$
18	Roofing, asphalt shingles	$12,632
Total Scheduled Replacements		$12,632

Item	2031 - YEAR 9	$
47	Pool cover, safety mesh, swimming pool	$3,827
48	Pool cover, safety mesh, wading pool	$587
Total Scheduled Replacements		$4,414

PROJECTED REPLACEMENTS

Item	2032 - YEAR 10	$

No Scheduled Replacements

Item	2033 - YEAR 11	$
57	Security video recorder (IP 8 channel - digital)	$530
60	Flooring, vinyl sheet goods	$353
61	Rubber flooring (1/2”)	$3,225
62	Emergency lighting w/ exit sign	$720
64	Interior lighting, vanity	$584
65	Sofa, large	$1,660
66	Sofa, small	$1,660
67	Upholstered chair, large	$1,120
68	Chair	$4,680
69	Table	$885
70	End table	$550
71	Coffee table	$390
72	Card table	$3,720
74	TV w/ remote	$3,340
77	Kitchen, residential, counter-top microwave	$150

Total Scheduled Replacements $23,567

PROJECTED REPLACEMENTS

Item	2034 - YEAR 12	$
3	Asphalt pavement, seal coat	$1,659
9	Wood walkway, decking PTL	$911
26	Exterior lighting, wall mounted	$405
27	Exterior lighting, flood	$1,080
29	Swimming pool, whitecoat	$14,250
30	Swimming pool, waterline tile (2x2)	$2,616
36	Wading pool, whitecoat	$2,336
37	Wading pool, waterline tile (2x2)	$698
59	Flooring, LVT	$10,668
88	AC split system (5 ton)	$5,500
89	AC split system (5 ton)	$5,500
90	Water heater, electric (30 gallon)	$1,300
91	Sound system	$1,200
92	Speakers	$1,050
	Total Scheduled Replacements	$49,172

Item	2035 - YEAR 13	$
	No Scheduled Replacements	

PROJECTED REPLACEMENTS

Item	2036 - YEAR 14	$
33	Swimming pool, salt generators	$1,100
40	Wading pool, salt generator	$700
83	Elliptical	$5,000
	Total Scheduled Replacements	$6,800

Item	2037 - YEAR 15	$
49	Pool deck, concrete (25%)	$16,399
	Total Scheduled Replacements	$16,399

PROJECTED REPLACEMENTS

Item	2038 - YEAR 16	$

No Scheduled Replacements

Item	2039 - YEAR 17	$
1	Entrance monument, repoint masonry (25%)	$1,700
2	Asphalt pavement, mill and overlay	$15,080
3	Asphalt pavement, seal coat	$1,659
4	Concrete curb and gutter, barrier (10%)	$1,172
5	Concrete flatwork (6%)	$477
8	Wood walkway, PTL structure	$2,462
11	Stair, PTL structure	$34
12	Stair, composite open riser	$33
15	Stormwater management (allowance)	$10,000
17	Fence, wood board rail (3-rails and post)	$19,552
31	Swimming pool coping, precast concrete	$7,080
32	Pool pump (2 hp)	$1,250
34	Pool filter	$1,500
38	Wading pool coping, precast concrete	$1,888
39	Wading pool pump (2 hp)	$1,250
41	Wading pool filter	$1,500
42	Chemical feed pump	$375
43	ADA pool lift	$4,790
44	Pool ladder (4 step)	$2,150
45	Safety rail	$900
46	Pool furniture	$5,000
55	Building entry system	$2,180
56	Security camera (IP)	$1,960
73	Area rug	$950
75	Sink, fixture and mirror	$800
76	Toilet	$4,000
78	Kitchen, residential,18 cf refrigerator	$1,540
79	Kitchen, residential, laminate counter-top	$2,736
80	Kitchen, residential, cabinets, wall	$2,250
81	Kitchen, residential, cabinets, base	$14,000
82	Treadmill	$13,740
84	Upright bike	$13,200
85	Press/lift	$4,600
93	Sump pump	$300
94	Dehumidifier	$350

Total Scheduled Replacements $142,459

PROJECTED REPLACEMENTS

Item	2040 - YEAR 18	$
63	Interior lighting, recessed	$5,145
Total Scheduled Replacements		$5,145

Item	2041 - YEAR 19	$
No Scheduled Replacements		

PROJECTED REPLACEMENTS

Item	2042 - YEAR 20	$
No Scheduled Replacements		

Item	2043 - YEAR 21	$
47	Pool cover, safety mesh, swimming pool	$3,827
48	Pool cover, safety mesh, wading pool	$587
61	Rubber flooring (1/2”)	$3,225
Total Scheduled Replacements		$7,639

PROJECTED REPLACEMENTS

Item	2044 - YEAR 22	$
3	Asphalt pavement, seal coat	$1,659
4	Concrete curb and gutter, barrier (10%)	$1,172
5	Concrete flatwork (6%)	$477
24	Door, wood and glass, exterior	$3,750
25	Door, wood and glass, exterior	$3,700
52	Interior door and frame, wood, paint grade	$4,500
53	Interior door and frame, wood, paint grade	$3,000
54	Interior door and frame, wood, pocket	$700
58	Flooring, ceramic tile	$49,388
	Total Scheduled Replacements	$68,345

Item	2045 - YEAR 23	$
	No Scheduled Replacements	

PROJECTED REPLACEMENTS

Item	2046 - YEAR 24	$

No Scheduled Replacements

Item	2047 - YEAR 25	$
49	Pool deck, concrete (25%)	$16,399
60	Flooring, vinyl sheet goods	$353
62	Emergency lighting w/ exit sign	$720
64	Interior lighting, vanity	$584
65	Sofa, large	$1,660
66	Sofa, small	$1,660
67	Upholstered chair, large	$1,120
68	Chair	$4,680
69	Table	$885
70	End table	$550
71	Coffee table	$390
72	Card table	$3,720
74	TV w/ remote	$3,340
77	Kitchen, residential, counter-top microwave	$150

Total Scheduled Replacements $36,211

PROJECTED REPLACEMENTS

Item	2048 - YEAR 26	$
57	Security video recorder (IP 8 channel - digital)	$530
59	Flooring, LVT	$10,668
	Total Scheduled Replacements	$11,198

Item	2049 - YEAR 27	$
1	Entrance monument, repoint masonry (25%)	$1,700
3	Asphalt pavement, seal coat	$1,659
4	Concrete curb and gutter, barrier (10%)	$1,172
5	Concrete flatwork (6%)	$477
7	Concrete steps	$2,235
9	Wood walkway, decking PTL	$911
13	Stair, composite decking	$17
14	Stair, vinyl railing	$36
15	Stormwater management (allowance)	$10,000
19	Gutter and downspouts, 5" aluminum	$1,699
26	Exterior lighting, wall mounted	$405
27	Exterior lighting, flood	$1,080
29	Swimming pool, whitecoat	$14,250
30	Swimming pool, waterline tile (2x2)	$2,616
32	Pool pump (2 hp)	$1,250
36	Wading pool, whitecoat	$2,336
37	Wading pool, waterline tile (2x2)	$698
39	Wading pool pump (2 hp)	$1,250
42	Chemical feed pump	$375
46	Pool furniture	$5,000
56	Security camera (IP)	$1,960
73	Area rug	$950
82	Treadmill	$13,740
84	Upright bike	$13,200
85	Press/lift	$4,600
86	Flat to incline bench	$290
87	Free weight set w/ stand (50 lb. dumb bell)	$2,730
88	AC split system (5 ton)	$5,500
89	AC split system (5 ton)	$5,500
90	Water heater, electric (30 gallon)	$1,300
91	Sound system	$1,200
92	Speakers	$1,050
93	Sump pump	$300
94	Dehumidifier	$350
	Total Scheduled Replacements	$101,835

PROJECTED REPLACEMENTS

Item	2050 - YEAR 28	$
No Scheduled Replacements		

Item	2051 - YEAR 29	$
33	Swimming pool, salt generators	$1,100
40	Wading pool, salt generator	$700
83	Elliptical	$5,000
Total Scheduled Replacements		$6,800

PROJECTED REPLACEMENTS

Item	2052 - YEAR 30	$
No Scheduled Replacements		

Item	2053 - YEAR 31	$
61	Rubber flooring (1/2")	$3,225
Total Scheduled Replacements		$3,225

PROJECTED REPLACEMENTS

Item	2054 - YEAR 32	$
3	Asphalt pavement, seal coat	$1,659
4	Concrete curb and gutter, barrier (10%)	$1,172
5	Concrete flatwork (6%)	$477
10	Ramp, aluminum railing	$2,968
21	Siding and trim, vinyl, standard	$32,393
23	Shutters, vinyl	$800
	Total Scheduled Replacements	$39,469

Item	2055 - YEAR 33	$
47	Pool cover, safety mesh, swimming pool	$3,827
48	Pool cover, safety mesh, wading pool	$587
	Total Scheduled Replacements	$4,414

PROJECTED REPLACEMENTS

Item	2056 - YEAR 34	$
No Scheduled Replacements		

Item	2057 - YEAR 35	$
49	Pool deck, concrete (25%)	$16,399
Total Scheduled Replacements		$16,399

PROJECTED REPLACEMENTS

Item	2058 - YEAR 36	$

No Scheduled Replacements

Item	2059 - YEAR 37	$
1	Entrance monument, repoint masonry (25%)	$1,700
2	Asphalt pavement, mill and overlay	$15,080
3	Asphalt pavement, seal coat	$1,659
4	Concrete curb and gutter, barrier (10%)	$1,172
5	Concrete flatwork (6%)	$477
6	Concrete ramp	$2,535
8	Wood walkway, PTL structure	$2,462
11	Stair, PTL structure	$34
12	Stair, composite open riser	$33
15	Stormwater management (allowance)	$10,000
17	Fence, wood board rail (3-rails and post)	$19,552
22	Window, operating	$20,700
31	Swimming pool coping, precast concrete	$7,080
32	Pool pump (2 hp)	$1,250
34	Pool filter	$1,500
38	Wading pool coping, precast concrete	$1,888
39	Wading pool pump (2 hp)	$1,250
41	Wading pool filter	$1,500
42	Chemical feed pump	$375
43	ADA pool lift	$4,790
44	Pool ladder (4 step)	$2,150
45	Safety rail	$900
46	Pool furniture	$5,000
51	Maintenance shed, wood frames and vinyl siding	$6,848
55	Building entry system	$2,180
56	Security camera (IP)	$1,960
73	Area rug	$950
75	Sink, fixture and mirror	$800
76	Toilet	$4,000
82	Treadmill	$13,740
84	Upright bike	$13,200
85	Press/lift	$4,600
93	Sump pump	$300
94	Dehumidifier	$350

Total Scheduled Replacements $152,016

PROJECTED REPLACEMENTS

Item	2060 - YEAR 38	$
18	Roofing, asphalt shingles	$12,632
78	Kitchen, residential,18 cf refrigerator	$1,540
79	Kitchen, residential, laminate counter-top	$2,736
80	Kitchen, residential, cabinets, wall	$2,250
81	Kitchen, residential, cabinets, base	$14,000
	Total Scheduled Replacements	$33,158

Item	2061 - YEAR 39	$
16	Stormwater pond dredging	$368,550
60	Flooring, vinyl sheet goods	$353
62	Emergency lighting w/ exit sign	$720
63	Interior lighting, recessed	$5,145
64	Interior lighting, vanity	$584
65	Sofa, large	$1,660
66	Sofa, small	$1,660
67	Upholstered chair, large	$1,120
68	Chair	$4,680
69	Table	$885
70	End table	$550
71	Coffee table	$390
72	Card table	$3,720
74	TV w/ remote	$3,340
77	Kitchen, residential, counter-top microwave	$150
	Total Scheduled Replacements	$393,507

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CONDITION ASSESSMENT

General Comments. Miller+Dodson Associates conducted a Reserve Study at Silverwoods in April 2021. Silverwood is in generally good condition for a homeowner's association constructed in 2019. A review of the Replacement Reserve Inventory will show that we are anticipating most of the components achieving their normal economic lives.

The following comments pertain to the larger, more significant components in the Replacement Reserve Inventory and to those items that are unique or deserving of attention because of their condition or the manner in which they have been treated in the Replacement Reserve Analysis or Inventory.

IMPORTANT NOTE: This Condition Assessment is based upon visual and apparent conditions of the common elements of the community which were observed by the Reserve Analyst at the time of the site visit. This Condition Assessment does not constitute, nor is it a substitute for, a professional Structural Evaluation of the buildings, amenities, or systems.

General Condition Statements.

Excellent. 100% to 90% of Normal Economic Life expected, with no appreciable wear or defects.

Good. 90% to 60% of Normal Economic Life expected, minor wear or cosmetic defects found. Normal maintenance should be expected. If performed properly, normal maintenance may increase the useful life of a component. Otherwise, the component is wearing normally.

Fair. 60% to 30% of Normal Economic Life expected, moderate wear with defects found. Repair actions should be taken to extend the life of the component or to correct repairable defects and distress. Otherwise, the component is wearing normally.

Marginal. 30% to 10% of Normal Economic Life expected, with moderate to significant wear or distress found. Repair actions are expected to be cost-effective for localized issues, but normal wear and use are evident. The component is reaching the end of the Normal Economic Life.

Poor. 10% to 0% of Normal Economic Life expected, with significant distress and wear. Left unattended, additional damage to underlying structures is likely to occur. Further maintenance is unlikely to be cost-effective.

SITE ITEMS

Entry Monument and Signage. The Association maintains two entry monuments. The monuments are made of rock of varying degrees of hardness including soft sedimentary stone.

The monuments are in good condition. The monument lettering is metal and is considered a long-life item, therefore, excluded from this study.

We recommend repointing and replacement of defective areas of the masonry as needed.

Asphalt Pavement. The Association is responsible for the parking area at the Clubhouse. In general, the Association's asphalt pavement is in good condition.

As a rule of thumb, asphalt should be overlaid when approximately 5% of the surface area is cracked or otherwise deteriorated. The normal service life of asphalt pavement is typically 18 to 20 years.

In an effort to maintain the condition of the pavement throughout the community and ensure the longest life of the asphalt, we recommend the Association adopt a systematic and comprehensive maintenance program that includes:

- **Cleaning.** Long-term exposure to oil or gas breaks down asphalt. Because this asphalt pavement is generally not used for long-term parking, it is unlikely that frequent cleaning will be necessary. When necessary, spill areas should be cleaned or patched if deterioration has penetrated the asphalt. This is a maintenance activity, and we have assumed that it will not be funded from Reserves.
- **Crack Repair.** All cracks should be repaired with an appropriate compound to prevent water infiltration through the asphalt into the base. This repair should be done annually. Crack repair is normally considered a maintenance activity and is not funded by Reserves. Areas of extensive cracking or deterioration that cannot be made watertight should be cut out and patched.
- **Seal Coating.** The asphalt should be seal coated every five to seven years. For this maintenance, activity to be effective in extending the life of the asphalt, cleaning, and crack repair should be performed first.

For seal coating, several different products are available. The older, more traditional seal coating product is paint. They coat the surface of the asphalt and are minimally effective. However, the newer coating materials, such as those from Total Asphalt Management, Asphalt Restoration Technologies, Inc., and others, are penetrating. They are engineered, so to speak, to 'remoisturize' the pavement. Asphalt pavement is intended to be flexible. Over time, the volatile chemicals in the pavement dry, the pavement becomes brittle, and degradation follows in the forms of cracking and potholes. Remoisturizing the pavement can return its flexibility and extend the life of the pavement.

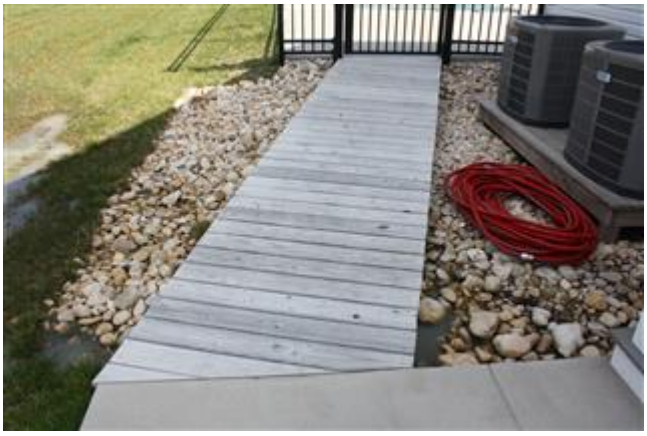
Concrete Work. The concrete work includes the Clubhouse sidewalks, stairs, stoops, patios, curbs, and gutter as well as other flatwork. The overall condition of the concrete work is in good condition**.**

The standards we use for recommending replacement are as follows:

- Trip hazard, ½ inch height difference.
- Severe cracking.
- Severe spalling and scale.
- Uneven riser heights on steps.
- Steps with risers in excess of 8¼ inches.

Because it is highly unlikely that all of the concrete components will fail and require replacement in the period of the study, we have programmed funds for the replacement of these inventories and spread the funds over an extended timeframe to reflect the incremental nature of this work.

Exterior Walkway and Stair. The exterior walkway and stair consist of wood stringers with PTL wood decking on the walkway and composite treads and landing. The walkway and stairs are in good condition.



It is recommended that the Association inspect the stairs at least once each year. All areas with moderate cracking or rot should be replaced. Areas covered with mold should be cleaned and treated.

The community may wish to consider using engineered lumber instead of pressure-treated wood when rebuilding the walkway. While engineered lumber is one third more expensive than pressure-treated wood, it offers the advantages of not splitting, cracking, creating splinters, or rotting. As a result, its rated service life is approximately 50% longer than the service life of pressure-treated wood.

Stormwater Pond. The community is served by three ponds which are in good condition.

Ponds will accumulate silt and over time and lose the ability to store stormwater at design levels, which could result in overflows and minor local flooding. In addition, water quality can be negatively affected by increased siltation and debris accumulation. Accordingly, ponds require periodic dredging.

Estimates of cost and the frequency of dredging ponds are a function of many variables, including the volume of the pond, the siltation rate, the nature of the material being removed, the method of removal, and the haul distance to a site that will accept the spoil material. Most of this information is unknown and must be assumed for the purpose of reserve study planning. The siltation rate and cost of periodic dredging are speculative, varying greatly depending on local conditions.

As a rule of thumb, dredging should be performed when approximately one-third of the volume of the pond has been filled with silt. In the absence of accurate information about the original depth of the pond and the local siltation rate, we have assumed that it will be necessary to remove one cubic yard of material over a third of the pond area periodically as noted in the inventory. We have assumed that the material being removed is free of heavy metals and hydrocarbons and that it will be accepted as fill at a local landfill. A more accurate prediction of cost and cycles will require a hydrologic analysis and testing, which is beyond the scope of our study.

As a supplement to traditional dredging methods, hydro-raking can prolong the interval between dredging.

Because of the significant cost of this work, it is recommended that the Association undertake studies to refine the assumptions of this study.

Based on our understanding, we recommend the following:

- Periodically remove accumulated debris and vegetation growing in the ponds.
- Survey the ponds to establish the current profile of the bottom. After five years of operation, have the pond re-surveyed to establish new depths to determine the local siltation rate. This will establish the frequency required for periodic dredging.
- Periodically sample and test for contaminants.
- Consult with local contractors to determine the cost of removing and disposing of the spoil once its nature is known.

Firms that specialize in this work can be typically found by internet searching “Lake and Pond, Construction and Maintenance” for your state or area of the country. Some states provide shortlists of companies that specialize in this type of work.

Please note that the periodic removal of overgrown vegetation from the pond is considered a maintenance activity and has not been reserved for or included in this study.

Stormwater structures must be maintained over time so that they may perform their two major functions - stormwater storage and stormwater quality improvement. A well-planned maintenance program is the best way to ensure that these structures will continue to perform their water quality and quantity functions.

The following information outlines the general maintenance considerations for storm-water management structures. Storm-water management structures will require routine and non-routine maintenance. Routine maintenance such as visual inspections, vegetation management, and the regular removal of debris and litter provides a variety of benefits such as reducing the chance of clogging outlet structures, trash racks, risers, and other facility components. It is important to note that while general maintenance tasks are suggested, actual maintenance needs are very site-specific. Below is a list of the general component of a standard maintenance program.

Routine:	Non-Routine:
Visual Inspection	Bank Stabilization
Vegetation Management	Sediment Removal
Debris/Litter Control Outlet	Structure Maintenance / Replacement
Maintaining Undisturbed Areas Around Infiltration Trenches/Basins (routine)	Maintenance of Mechanical Components (dependent on age of structure; non-routine)

Minimum Inspection Checklist for Ponds:

- Obstructions of the inlet or outlet devices by trash and debris
- Excessive erosion or sedimentation in the basin

- Cracking or settling of the dam
- Low spots in the bottom of a dry pond
- Deterioration of pipes
- Condition of the emergency spillway
- Stability of the side-slopes
- Upstream and downstream channel conditions
- Signs of vandalism

Vegetation Management. Grass is usually used around and in storage, ponds to prevent erosion and to filter sediment. The grass near the pond should not be over-fertilized, or the excessive nutrients will be washed into the pond and contribute to the growth of algae. Grass should be cut no shorter than 6-8 inches.

Sediment Removal. One of the main purposes of a storm-water management pond is to remove sediment from stormwater. As water flows through the pond, sediment will accumulate and eventually will need to be removed. Storm-water management structures vary in design and shape. Therefore, there is no general rule for the frequency of sediment removal. Upstream conditions such as land use, type of land cover (vegetated vs. paved), and soil types are important factors in determining how rapidly sediment will accumulate in a pond. Sediment removal is usually the single largest cost of maintaining a storm-water management structure. Owners are responsible for maintaining the facility and should plan ahead, setting aside the necessary funds to pay for sediment removal. The best solution to sediment removal is to designate an on-site area or a site adjacent to the facility where the sediment can be disposed of. This area will need to locate outside of the floodplain. If such a disposal area is not available, the sediment will need to be transported and disposed of off-site. Transportation costs and disposal fees can greatly increase the cost of sediment removal. Once the sediment is removed, the bottom of the basin and any disturbed areas will need to be stabilized and re-vegetated, or the structure will quickly clog and require sediment removal again.

We have provided funds for the minor dredging of the detention pond and clearing of swales, creek area, and drainage lines. Because of the significance of the cost of this work in establishing the correct reserve contribution, it is recommended that the Association undertake studies to refine the information and replace the assumptions we have had to make with estimates based on your Association's current pond conditions.

Fencing. The Association maintains fencing along the main entry. Fencing systems have a large number of configurations and finishes that can usually be repaired as a maintenance activity by replacing individual components as they become damaged or weathered.

Protection from string machine damage during lawn maintenance can extend the useful life of some fence types. Protection from this type of damage is typically provided by applying herbicides around post bases or installing protective sheathing.

Pressure treated wood fencing should be cleaned and sealed every year or two. Typically, the least cost fencing option, this type of fence can last 15 to 20 years if maintained properly.

EXTERIOR ITEMS

Building Roofing. The Clubhouse is constructed with asphalt shingles which are in fair condition with areas of the roof beginning to fail possible due to issues with the roof sheathing.

Asphalt shingle roofs can have a useful life of 20 to 50 years depending on the weight and quality of the shingle. Weathered, curled, and missing shingles are all indications that the shingles may be nearing the end of their useful life.

Annual inspections are recommended, with cleaning, repair, and mitigation of vegetation performed as needed. Access, inspection, and repair work should be performed by contractors and personnel with the appropriate access equipment who are experienced in the types of roofing used for the facility.

Gutters and Downspouts. The buildings have aluminum gutters and downspouts. The gutters and downspouts are in good condition.

A gutter and downspout system will remove rainwater from the area of the building's roof, siding, and foundation, protect the exterior surfaces from water damage. Gutters should run the full length of all drip edges of the building's roof. Even with full gutters, it is important to inspect the function of the gutters during heavy rain to identify any deficiencies. It may be necessary to periodically adjust the slope of sections, repair connections, replace hangers, and install shrouds to the gutter system. Downspouts should be securely attached to the side of the structure. Any broken straps should be replaced. The area of the outlet should be inspected to promote run-off in the desired direction. Long straight runs should have an elbow at the bottom. Splash blocks should be installed to fray the water out-letting from the downspout.

It is recommended that all gutters be cleaned at least twice each year. If there are a large number of trees located close to a building, consider installing a gutter debris shield that will let water into the gutters but will filter out leaves, twigs, and other debris.

Siding and Trim. The Clubhouse is constructed with vinyl siding which is in good condition.

Vinyl Siding and Trim can have an extended useful life if not damaged by impact, heat, or other physical reasons. However, the coatings and finishes typically have a useful life and over time begin to weather, chalk, and show their age. For these reasons, we have modeled for the replacement of the siding and trim every 25 years.

RECREATION ITEMS

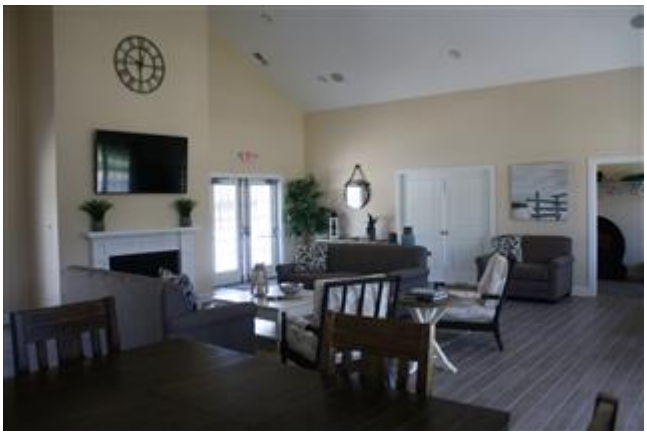
Swimming Pool. The community operates an outdoor pool and wading pool of concrete construction. Listed below are the major components of the pool facilities:

- Pool Shell. The shell for the swimming pool is in good condition.
- Pool Deck. The pool has a concrete deck. The overall condition of the deck is in good condition with tripping hazards.
- Whitecoat. The pool whitecoat is in good condition. We have assumed service life of eight to ten years for the pool whitecoat.

- Waterline Tile. The waterline tile is in good condition. We have assumed that the waterline tile will be replaced or restored when the pool is whitecoated.
- Coping. The pool is edged with precast coping. The coping is in good condition.
- Pump and Filter System. The filter system is in good operating condition.
- Pool Fence. The swimming pool is enclosed by a metal fence that is in good condition.

INTERIOR ITEMS

Common Interiors. The Association maintains the Clubhouse interior spaces that are in generally good condition.



We have assumed that the Association will want to maintain these areas in a commercially acceptable condition. Typically, replacement cycles for common interior spaces vary between 5 to 10 years depending on the aesthetic tastes of the community, usage, and construction. Material selection and the community's preferences are the major factors in setting the reserve components for items such as refurnishing and interior refurbishment. The Association will need to establish these cycles as these facilities age. Maintaining historical records and incorporating these trends and preferences into a future Reserve Study update is the best way to adjust for these cycles.

BUILDING SYSTEMS

Split and Package HVAC Systems. The heating ventilation and air conditioning (HVAC) of the facility are reported to be operating normally. Detailed inspection and testing of these systems are beyond the scope of this study.

Even though manufacturers continue to predict 15 to 20-year life cycles for HVAC equipment that use these new refrigerants, this is not proven by historical data. We, therefore, recommend anticipating a normal economic life of 15 years for all HVAC equipment that uses pressurized refrigerants of these types.

In addition, the Association maintains air handlers/furnaces throughout the facility, and these components can have a useful life of 20 to 40 years. With fan, motor, and coil replacements performed as needed, the casings of these systems can last significantly longer.

As is the case with most equipment, to achieve a maximum useful economic life, proper maintenance is essential. In some cases, proper and proactive maintenance can greatly extend the useful life of these components.

This Condition Assessment is based upon our visual survey of the property. The sole purpose of the visual survey was an evaluation of the common and limited common elements of the property to ascertain their remaining useful life and replacement cost. Our evaluation assumed that all components met building code requirements in force at the time of construction. Our visual survey was conducted with care by experienced persons, but no warranty or guarantee is expressed or implied.

End of Condition Assessment

1. COMMON INTEREST DEVELOPMENTS - AN OVERVIEW

Over the past 40 years, the responsibility for community facilities and infrastructure around many of our homes has shifted from the local government to Community Associations. Thirty years ago, a typical new town house abutted a public street on the front and a public alley on the rear. Open space was provided by a nearby public park and recreational facilities were purchased ala carte from privately owned country clubs, swim clubs, tennis clubs, and gymnasiums. Today, 60% of all new residential construction, i.e., townhouses, single-family homes, condominiums, and cooperatives, is in Common Interest Developments (CID). In a CID, a homeowner is bound to a Community Association that owns, maintains, and is responsible for periodic replacements of various components that may include the roads, curbs, sidewalks, playgrounds, streetlights, recreational facilities, and other community facilities and infrastructure.

The growth of Community Associations has been explosive. In 1965, there were only 500 Community Associations in the United States. According to the 1990 U.S. Census, there were 130,000 Community Associations. The Community Associations Institute (CAI), a national trade association, estimates in 2018 that there were more than 347,000 communities with over 73.5 million residents.

The shift of responsibility for billions of dollars of community facilities and infrastructure from the local government and private sector to Community Associations has generated new and unanticipated problems. Although Community Associations have succeeded in solving many short-term problems, many Associations have failed to properly plan for the tremendous expenses of replacing community facilities and infrastructure components. When inadequate replacement reserve funding results in less than timely replacements of failing components, home owners are exposed to the burden of special assessments, major increases in Association fees, and a decline in property values.

2. REPLACEMENT RESERVE STUDY

The purpose of a Replacement Reserve Study is to provide the Association with an inventory of the common community facilities and infrastructure components that require periodic replacement, a general view of the condition of these components, and an effective financial plan to fund projected periodic replacements. The Replacement Reserve Study consists of the following:

Replacement Reserve Study Introduction. The introduction provides a description of the property, reviews the intent of the Replacement Reserve Study, and lists documents and site evaluations upon which the Replacement Reserve Study is based.

Section A Replacement Reserve Analysis. Many components owned by the Association have a limited life and require periodic replacement. Therefore, it is essential the Association have a financial plan that provides funding for the timely replacement of these components in order to protect the safety, appearance, and value of the community. In conformance with American Institute of Certified Public Accountant guidelines, a Replacement Reserve Analysis evaluates the current funding of Replacement Reserves as reported by the Association and recommends annual funding of Replacement Reserves by two generally accepted accounting methods, the Cash Flow Method and the Component Method. Miller+Dodson provides a replacement reserve recommendation based on the Cash Flow Method in Section A, and the Component Method in the Appendix of the report.

Section B Replacement Reserve Inventory. The Replacement Reserve Inventory lists the commonly owned components within the community that require periodic replacement using funding from Replacement Reserves.

The Replacement Reserve Inventory also provides information about components excluded from the Replacement Reserve Inventory whose replacement is not scheduled for funding from Replacement Reserves. Replacement Reserve Inventory includes estimates of the normal economic life and the remaining economic life for those components whose replacement is scheduled for funding from Replacement Reserves.

Section C Projected Annual Replacements. The Calendar of Projected Annual Replacements provides a year-by-year listing of the Projected Replacements based on the data in the Replacement Reserve Inventory.

Section D Condition Assessment. Several of the items listed in the Replacement Reserve Inventory are discussed in more detail. The Condition Assessment includes a narrative and photographs that document conditions at the property observed during our visual evaluation.

The Appendix is provided as an attachment to the Replacement Reserve Study. Additional attachments may include supplemental photographs to document conditions at the property and additional information specific to the property cited in the Conditions Assessment (i.e., Consumer Product Safety Commission, Handbook for Public Playground Safety, information on segmental retaining walls, manufacturer recommendations for asphalt shingles or siding, etc.). The Appendix also includes the Accounting Summary for the Cash Flow Method and the Component Method.

3. METHODS OF ANALYSIS

The Replacement Reserve industry generally recognizes two different methods of accounting for Replacement Reserve Analysis. Due to the difference in accounting methodologies, these methods lead to different calculated values for the Minimum Annual Contribution to the Reserves. The results of both methods are presented in this report. The Association should obtain the advice of its accounting professional as to which method is more appropriate for the Association. The two methods are:

Cash Flow Method. The Cash Flow Method is sometimes referred to as the "Pooling Method." It calculates the minimum constant annual contribution to reserves (Minimum Annual Deposit) required to meet projected expenditures without allowing total reserves on hand to fall below the specified minimum level in any year.

First, the Minimum Recommended Reserve Level to be Held on Account is determined based on the age, condition, and replacement cost of the individual components. The mathematical model then allocates the estimated replacement costs to the future years in which they are projected to occur. Based on these expenditures, it then calculates the minimum constant yearly contribution (Minimum Annual Deposit) to the reserves necessary to keep the reserve balance at the end of each year above the Minimum Recommended Reserve Level to be Held on Account. The Cash Flow Analysis assumes that the Association will have authority to use all of the reserves on hand for replacements as the need occurs. This method usually results in a Minimum Annual Deposit that is less than that arrived at by the Component Method.

Component Method. This method is a time tested mathematical model developed by HUD in the early 1980s but has been generally relegated to a few States that require it by law. For the vast majority of Miller+Dodson's clients, this method is not used.

The Component Method treats each item in the replacement schedule as an individual line item budget. Generally, the Minimum Annual Contribution to Reserves is higher when calculated by the Component Method. The mathematical model for this method works as follows:

First, the total Current Objective is calculated, which is the reserve amount that would have accumulated had all of the items on the schedule been funded from initial construction at their current replacement costs. Next, the Reserves Currently on Deposit (as reported by the Association) are distributed to the components in the schedule in proportion to the Current Objective. The Minimum Annual Deposit for each component is equal to the Estimated Replacement Cost, minus the Reserves on Hand, divided by the years of life remaining.

4. REPLACEMENT RESERVE STUDY DATA

Identification of Reserve Components. The Reserve Analyst has only two methods of identifying Reserve Components; (1) information provided by the Association and (2) observations made at the site. It is important that the Reserve Analyst be provided with all available information detailing the components owned by the Association. It is our policy to request such information prior to bidding on a project and to meet with the individuals responsible for maintaining the community after acceptance of our proposal. After completion of the Study, the Study should be reviewed by the Board of Directors, individuals responsible for maintaining the community, and the Association's accounting professionals. We are dependent upon the Association for correct information, documentation, and drawings.

Unit Costs. Unit costs are developed using nationally published standards and estimating guides and are adjusted by state or region. In some instances, recent data received in the course of our work is used to modify these figures. Contractor proposals or actual cost experience may be available as part of the Association records. This is useful information, which should be incorporated into your report. Please bring any such available data to our attention, preferably before the report is commenced.

Replacement vs. Repair and Maintenance. A Replacement Reserve Study addresses the required funding for Capital Replacement Expenditures. This should not be confused with operational costs or cost of repairs or maintenance.

5. DEFINITIONS

Adjusted Cash Flow Analysis. Cash flow analysis adjusted to take into account annual cost increases due to inflation and interest earned on invested reserves. In this method, the annual contribution is assumed to grow annually at the inflation rate.

Annual Deposit if Reserves Were Fully Funded. Shown on the Summary Sheet A1 in the Component Method summary, this would be the amount of the Annual Deposit needed if the Reserves Currently on Deposit were equal to the Total Current Objective.

Cash Flow Analysis. See Cash Flow Method, above.

Component Analysis. See Component Method, above.

Contingency. An allowance for unexpected requirements. Roughly the same as the Minimum Recommended Reserve Level to be Held on Account used in the Cash Flow Method of analysis.

Critical Year. In the Cash Flow Method, a year in which the reserves on hand are projected to fall to the established minimum level. See Minimum Recommended Reserve Level to be Held on Account.

Current Objective. This is the reserve amount that would have accumulated had the item been funded from initial construction at its current replacement cost. It is equal to the estimated replacement cost divided by the estimated economic life, times the number of years expended (the difference between the Estimated Economic Life and the Estimated Life Left). The Total Current Objective can be thought of as the amount of reserves the Association should now have on hand based on the sum of all of the Current Objectives.

Cyclic Replacement Item. A component item that typically begins to fail after an initial period (Estimated Initial Replacement), but which will be replaced in increments over a number of years (the Estimated Replacement Cycle). The Reserve Analysis program divides the number of years in the Estimated Replacement Cycle into five equal increments. It then allocates the Estimated Replacement Cost equally over those five increments. (As distinguished from Normal Replacement Items, see below)

Estimated Normal Economic Life (NEL). Used in the Normal Replacement Schedules. This represents the industry average number of years that a new item should be expected to last until it has to be replaced. This figure is sometimes modified by climate, region, or original construction conditions.

Estimated Remaining Economic Life (REL). Used in the Normal Replacement Schedules. Number of years until the item is expected to need replacement. Normally, this number would be considered to be the difference between the Estimated Economic Life and the age of the item. However, this number must be modified to reflect maintenance practice, climate, original construction and quality, or other conditions. For the purpose of this report, this number is determined by the Reserve Analyst based on the present condition of the item relative to the actual age.

Estimated Initial Replacement. For a Cyclic Replacement Item (see above), the number of years until the replacement cycle is expected to begin. Estimated Replacement Cycle. For a Cyclic Replacement Item, the number of years over which the remainder of the component's replacement occurs.

Minimum Annual Deposit. Shown on the Summary Sheet A1. The calculated requirement for annual contribution to reserves as calculated by the Cash Flow Method (see above).

Minimum Deposit in the Study Year. Shown on the Summary Sheet A1. The calculated requirement for contribution to reserves in the study year as calculated by the Component Method (see above).

Minimum Balance. Shown on the Summary Sheet A4, this amount is used in the Cash Flow Method only. Normally derived using the average annual expenditure over the study period, this is the minimum amount held in reserves for every year in the study period.

Normal Replacement Item. A component of the property that, after an expected economic life, is replaced in its entirety. (As distinguished from Cyclic Replacement Items, see above.)

Normal Replacement Schedules. The list of Normal Replacement Items by category or location. These items appear on pages designated.

Number of Years of the Study. The numbers of years into the future for which expenditures are projected and reserve levels calculated. This number should be large enough to include the projected replacement of every item on the schedule, at least once. This study covers a 40-year period.

One Time Deposit Required to Fully Fund Reserves. Shown on the Summary Sheet A1 in the Component Method summary, this is the difference between the Total Current Objective and the Reserves Currently on Deposit.

Reserves Currently on Deposit. Shown on the Summary Sheet A1, this is the amount of accumulated reserves as reported by the Association in the current year.

Reserves on Hand. Shown in the Cyclic Replacement and Normal Replacement Schedules, this is the amount of reserves allocated to each component item in the Cyclic or Normal Replacement schedules. This figure is based on the ratio of Reserves Currently on Deposit divided by the total Current Objective.

Replacement Reserve Study. An analysis of all of the components of the common property of the Association for which a need for replacement should be anticipated within the economic life of the property as a whole. The analysis involves estimation for each component of its estimated Replacement Cost, Estimated Economic Life, and Estimated Life Left. The objective of the study is to calculate a recommended annual contribution to the Association's Replacement Reserve Fund.

Total Replacement Cost. Shown on the Summary Sheet A1, this is total of the Estimated Replacement Costs for all items on the schedule if they were to be replaced once.

Unit Replacement Cost. Estimated replacement cost for a single unit of a given item on the schedule.

Unit (of Measure). Non-standard abbreviations are defined on the page of the Replacement Reserve Inventory where the item appears. The following standard abbreviations are used in this report:

ea	each	**ls**	lump sum	**sy**	square yard
ft or lf	linear foot	**pr**	pair	**cy**	cubic yard
sf	square foot				

What is a Reserve Study?
Who are we?

https://youtu.be/m4BcOE6q3Aw

What kind of property uses a Reserve Study?
Who are our clients?

https://youtu.be/40SodajTW1g

Who conducts a Reserve Study?
Reserve Specialist (RS) what does this mean?

https://youtu.be/pYSMZO13VjQ

When should a Reserve Study be updated?
What are the different types of Reserve Studies?

https://youtu.be/Qx8WHB9Cgnc

What's in a Reserve Study and what's out?
Improvement/Component, what's the difference?

https://youtu.be/ZfBoAEhtf3E

What is my role as a Community Manager?
Will the report help me explain Reserves?

https://youtu.be/1J2h7FIU3qw

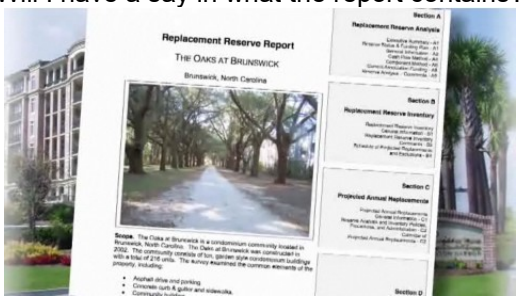
What is my role as a community Board Member?
Will a Reserve Study meet my needs?

https://youtu.be/aARD1B1Oa3o

Community dues, how can a Reserve Study help?
Will a study keep my property competitive?

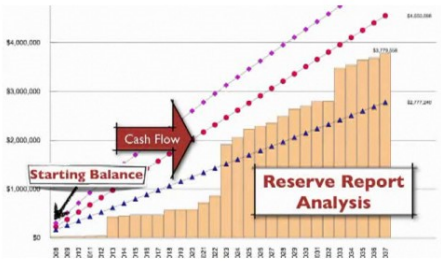
https://youtu.be/diZfM1IyJYU

How do I read the report?
Will I have a say in what the report contains?



https://youtu.be/qCeVJhFf9ag

Where do the numbers come from?
Cumulative expenditures and funding, what?

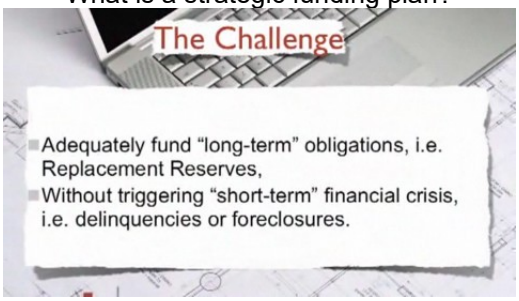


https://youtu.be/SePdwVDvHWI

How are interest and inflation addressed?
Inflation, what should we consider?

https://youtu.be/W8CDLwRIv68

A community needs more help, where do we go?
What is a strategic funding plan?



https://youtu.be/hIxV9X1tIcA