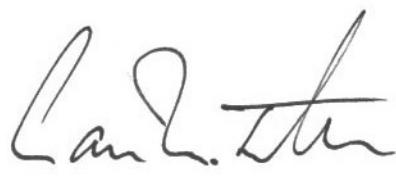


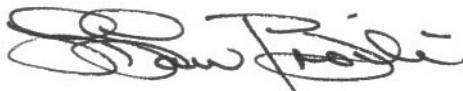
**LEVEL 1  
RESERVE STUDY  
EAST VILLAGE  
HOMEOWNERS ASSOCIATION**

**Ashland, OR**

January 1, 2016 – December 31, 2016



Prepared By: \_\_\_\_\_  
**Carson M. Horton, RS**



Quality Check By: \_\_\_\_\_  
**L. Law Broili**

Date: April 25, 2016



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## **East Village Homeowners Association Disclosures**

*This reserve study should be reviewed carefully. It may not include all common and limited common element components which will require major maintenance, repair, or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require you to pay, on demand, as a special assessment, your share of common expenses for the cost of major maintenance, repair, or replacement of a reserve component.*

**Period of Inquiry:** This repair and replacement funding and cost analysis (Reserve Study) encompasses a period of thirty (30) years beginning on January 1, 2016 and ending on December 31, 2045.

**Restrictions on Use:** This Reserve Study document has been provided pursuant to an agreement containing restrictions on its use. No part of the document may be copied or distributed in any form, or disclosed to third parties, without the written permission of Capital Reserve Consultants, LLC (CRC) or the Association. The Association shall have the right to reproduce and distribute copies of this report, in whole or in part, as may be necessary in the conduct of the Association's business.

**Current & Final Version:** If the reader has obtained this document from anyone other than CRC or the owner of the subject property they should verify that the Reserve Study represents the current, final version of the report. Alterations made to this Reserve Study by any individual other than a representative of CRC are not authorized and do not represent the opinion of the Reserve Specialist® who prepared this Reserve Study.

**Statement of Qualifications:** Carson M. Horton, RS, the person supervising the preparation of this Reserve Study, is a Community Associations Institute Certified Reserve Specialist® (RS); recognized for expertise in the preparation and analysis of reserve funding plans. Mr. Horton has supervised the preparation of more than eight hundred reserve studies for homeowner's associations; investment property owners and institutional Associations in fourteen states.

**Objective Analysis:** CRC and Carson M. Horton, RS, are independent, third party consultants with no actual or apparent conflict of interest which would prevent them from rendering an objective and impartial opinion regarding the appropriate level of reserve funding for the property which is the subject of this Reserve Study. The authors of this Reserve Study have no other involvement with the Association other than to prepare or update this Reserve Study.

**Statement of Purpose:** The purpose of this Reserve Study is to provide a planning and budgeting tool to assist in the development of a long range financial to pay for the maintenance and renewal of the property which is the subject of the funding analysis. Because this Reserve Study relies on assumptions regarding future events over which CRC has no control, the accuracy of replacement costs and scheduling cannot be guaranteed.

**Assumptions:** This analysis assumes that all components and equipment will be installed correctly, in a workmanlike manner, using generally accepted construction practices. It is expected routine preventive maintenance will be performed throughout the entire lifecycle of all components whether or not such maintenance expenses are provided for in this reserve funding plan. The component replacement schedules and corresponding funding projections presented in this Reserve Study assume all components will achieve their normal life expectancy before requiring replacement, unless otherwise noted.

**Limitations of the Analysis:** Information regarding the reserve fund balance was provided by the Association and has not been confirmed by an independent audit of the Association's financial records.

The authors of this Reserve Study have no control over whether the funds allocated for maintenance and renewal of the subject property will be consistent with the recommendations made by this Reserve Study.

**Reliance on Third-Party Information:** The Reserve Study is a reflection of information provided to CRC by third parties and cannot be used for the purpose of performing an audit, forensic analysis or verification of historical

## **East Village Homeowners Association Disclosures**

records. The information is deemed reliable, but is not based on an audit of the Association's financial records, and should not be used for purposes other than those intended in this study. An on-site inspection conducted in conjunction with a Reserve Study should not be deemed to be a project audit or quality inspection.

Information which has been provided to CRC by third parties is deemed reliable for the purpose of this Reserve Study. Third party information which is incorrect may have a material impact on the Association's reserve funding requirements. CRC takes no responsibility for the accuracy of any such information or the impact inaccurate information may have on the findings and conclusions presented in this Reserve Study.

**Standards of Analysis:** This reserve study was prepared in accordance with the National Reserve Study Standards established by the Community Associations Institute for the preparation of reserve studies for common interest developments; the laws of various states and the rules set forth in the Audit & Accounting Guide Common Interest Realty Associations (American Institute of Certified Public Accountants-May 1, 2008).

**No invasive or destructive testing has been employed in the investigative phase of this study and no environmental assessment of any kind was performed. This reserve study is not intended to address or discover construction defects and no representation is made herein that is meant to imply any such warranty.**

## **East Village Homeowners Association Introduction**

**1. Level of Inquiry:** This Reserve Study is a Level 1 Reserve Study which is based on information obtained during a site visit to the subject property by the Reserve Study preparer.

Information regarding the component inventory, current condition and remaining useful life of the common area components pertaining to the East Village Homeowner Association (Association) was obtained during a visit to the property by representatives of CRC in March of 2016.

This Reserve Study is an analysis of the General and Limited Common Elements which are the responsibility of the Association to maintain and replace, according to the governing documents; or as may be required by state law.

Opinions regarding the current condition and remaining life expectancy of the common area components are based on visual observations made during the inspection process. Component quantities may be based on field measurements, a physical inventory and/or Association records. This information is intended to be used for developing long term reserve funding projections, but should not be considered adequate for the purpose of ordering materials or formulating repair and replacement project costs.

**2. Limitations of the Analysis:** The physical condition assessment performed in conjunction with this Reserve Study is not intended to identify construction defects or other sub-standard conditions which may require immediate corrective action. The Reserve Study utilizes information obtained from the following sources to arrive at component replacement costs and useful life estimates for the common area components identified in the component inventory:

- RS Means CostWorks – 2014-2015
- Life Cycle Costing for Facilities – (Reed Construction Publishers)
- Study of Life Expectancy of Home Components – 2007 (NAHB)
- Preventive Maintenance and Building Operations Efficiency – (BOMA)
- Facility Manager's Maintenance Handbook – (McGraw-Hill)
- RS Means Facilities Maintenance & Repair Cost Data - 16<sup>th</sup> Edition
- Condition assessment conducted by CRC in March 2016

**4. Funding Timeframe:** The funding time frame covered in this Reserve Study is 30 years. However, the study must be updated annually to remain current. Failure to maintain a current Reserve Study may affect the ability of owners and prospective buyers to obtain certain types of mortgage financing. The efficacy of any Reserve Study will be compromised if annual updates are not completed in a timely manner. Reserve studies which are not updated on an annual basis are not considered current by most mortgage lenders and mortgage insurance underwriters, including the Federal Housing Administration.

**SECTION I**

**PHYSICAL ANALYSIS**

## **East Village Homeowners Association Property Summary**

The following details pertain to the East Village Homeowners Association:

- 1. Legal Name of Association:** Homeowners Association.
- 2. Physical Address:** Abbott Avenue & Dollarhide Way, Ashland, OR
- 3. Mailing Address:** 258 A Street Suite 1, PMB 59, Ashland, OR 97520
- 4. Property Type:** Planned Development
- 5. Total Number of Residential Units or Lots:** 39
- 6. Year Constructed:** 2004-2006
- 7. Conversion Condominium:** No
- 8. Incorporation Date:** 9/13/2004
- 9. Association Responsibilities:** The Association is responsible for repair and replacement of General and Limited Common Elements as described in the Declaration for the Association.
- 10. Owner Responsibilities:** Owners are responsible for the maintenance, repair and replacement costs relating to the interiors of their respective condominium units up to the boundaries of the unit in the case of a condominium development or up to the boundaries of their respective lots in the case of a planned development; the boundary of each unit or lot being that which is described in the Declaration for the Association.
- 11. General Description:** The subject property is a residential planned development consisting of thirty-nine attached homes in seven buildings. The Association is responsible for maintaining the various site improvements including front yard landscaping; landscape irrigation equipment; sidewalks and driveway approaches. This Reserve Study includes expenditures pertaining to the following improvements:

- Concrete sidewalks
- Landscape irrigation equipment
- Landscape Renovation (front yard only)

Common area improvements that are not included in this reserve funding analysis are paid for with funds from the operating account according to the Board of Directors.

**SECTION II**

**FINANCIAL ANALYSIS**

## **East Village Homeowners Association Current & Projected Funding Analysis**

**1. Current Financial Condition:** The fiscal year for the East Village Homeowner Association begins January 1<sup>st</sup> of each year.

This Reserve Study covers the 30 year period between: **January 1, 2016** and **December 31, 2045**.

The beginning reserve fund balance assumed in this Reserve Study is: **\$19,924.00**

Based on the funding schedule set forth in this Reserve Study, and the beginning reserve fund balance indicated above, the percent funded level as of **January 1, 2016** will be: **95%**

**2. Percent Funded Level:** The percent funded level resulting from this Reserve Study analysis is calculated using the following formula, which is mandated by the Community Associations Institute's National Reserve Study Standards:

Fully Funded = PV x CA / EUL.

Where PV = present value; CA = current age; and EUL = expected useful life.

Hence the Fully Funded calculation for a component with a current age of 3 years, a present value of \$10,000 and an expected useful life of 10 years would be:

$\$10,000 \times 3 / 10 = \$3,000.00$ .

Therefore, the total amount of money required to be Fully Funded as of the first day of the current funding cycle would be \$3,000.00.

**3. Funding Parameters & Projections:** Reserve funds will be accumulated in the replacement fund based on the estimated current replacement cost, adjusted for inflation, of the common area components listed in the Component Inventory. If additional funds are required at the time replacement occurs, the Association reserves the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay repair or replacement of components until funds are available.

Actual costs may vary from the amounts established in this Reserve Study. Investment income and income tax levels may affect reserve funding levels and the variances may be material. Amounts accumulated in the replacement reserve fund may not be adequate to meet future funding requirements; particularly if updates are not performed in a timely manner, or if reserve contributions are not consistent with the amounts set forth in this Reserve Study.

The reserve funding projections which result from this Reserve Study utilize the following financial parameters:

- A minimum reserve fund balance of **\$19,924.00** as of **January 1, 2016**.
- A minimum reserve fund contribution for **2016** in the amount of: **\$2,145.00**.
- A maximum annual increase in the reserve contribution after **2016** of: **5%**.
- Earnings on reserve deposits: **.25%**
- Annual inflation rate: **3.0%**
- Effective income tax rate: **30%**

## East Village Homeowners Association Current & Projected Funding Analysis

- Reserve fund contingency: 3%\*

\*Assuming a reserve fund balance of **\$19,924.00** as of **January 1, 2016** and a reserve fund contingency provision of **3%**, the total contingency funding available in **2016** will be **\$598.00**.

The Annual Reserve Fund Expenditure Detail indicates the next reserve expenditures scheduled to occur will be in **2016**.

The total amount of these expenditures is estimated to be: **\$4,000.00**.

**4. Current Assessment Funding:** The 30 year funding projection contained in this Reserve Study utilizes a cash flow funding method known as Current Assessment Funding. Current Assessment Funding is a reserve funding model in which the first year, or current, reserve fund contribution is established by the Board of Directors or the Reserve Specialist®. The Current Assessment Funding Projection begins with a **2016** reserve fund contribution of **\$2,145.00** which equals **\$55.00** per lot based on **39** lots.

**Percent Funded Analysis:** The percent funded level under the Current Assessment Funding Projection will be **81%** at the end of **2016** assuming the reserve fund activity is consistent with the schedule set forth in this Reserve Study.

The highest percent funded level after **2016** is **101%** in **2019, 2020** and **2021**.

The lowest percent funded level after **2016** is **62%** in **2036** and **2045**.

The Current Assessment Funding Projection included in this Reserve Study represents the contribution schedule required to meet the reserve obligations set forth in this Reserve Study for the next thirty years, assuming a beginning reserve fund balance of **\$19,924.00**; a **2016** year contribution of **\$2,145.00** and a maximum annual increase in the reserve contribution of **5%** in any year after **2016**.

**6. Total Reserve Spending:** Assuming the reserve fund expenditures and contributions do not deviate from the schedule set forth in this reserve study the reserve funding and spending obligations for the thirty year period ending on **December 31, 2045** are as follows:

- Total Reserve Spending **\$111,746.00**
- Average Annual Reserve Expenditures: **\$3,725.00**
- Total Reserve Fund Contributions: **\$104,782.00**
- Interest Earnings on Reserve Fund Deposits: **\$1,357.00**
- December 31, 2045 Reserve Fund Balance: **\$14,320.00**

**7. Minimum Reserve Fund Balance:** Assuming the reserve fund contributions and expenditures do not deviate from the schedule set forth in this reserve study, the minimum year-end reserve fund balance resulting from the Current Assessment Funding Projection will be **\$6,237.00** in **2026**.

**8. Funding Summary:** The Current Assessment Funding Projection results in year-end percent funded levels which range from a low of **62%** to a high of **101%**. The Current Assessment Funding Projection will meet the obligations of the Association's reserve fund assuming the reserve fund activity does not deviate from the schedule set forth on this reserve study.

**East Village Homeowners Association  
Current & Projected Funding Analysis**

CRC recommends that the Association consider the Current Assessment Funding Projection as the minimum reserve funding schedule that will be required to meet the funding obligations of the Association's reserve funding program without regard to maintaining any particular percent funded levels or minimum year-end reserve fund balance.

**East Village Homeowners Association**  
**Distribution of Accumulated Reserves**

Report Date	April 25, 2016	
Beginning Fiscal Year	January 01, 2016	
Account Number	OR-1601-000	Version Number LEVEL 1

Description	Remaining Life	Replacement Year	Assigned Reserves	Fully Funded Reserves
<b>Landscape Irrigation-Sprinkler Heads-Shrub Zone</b>				
Concrete Sidewalks-Repair (Clay St)	2	2018	462	462
Landscape Irrigation-Timers	7	2023	300	300
Concrete Sidewalks-Repair (Abbott Ave)	8	2024	1,995	1,995
Front Yard Landscape Renovation (1)	8	2024	3,900	3,900
Landscape Irrigation-Double-Check Valve (2")	8	2024	600	600
Concrete Sidewalks-Repair (Engle St)	9	2025	733	733
Front Yard Landscape Renovation (2)	9	2025	3,575	3,575
Concrete Sidewalks-Repair (Dollarhide Way)	10	2026	1,461	1,461
Front Yard Landscape Renovation (3)	10	2026	*2,301	3,250
Total Asset Summary			<hr/> <hr/> <hr/> \$19,326	<hr/> <hr/> <hr/> \$20,276
Contingency at 3.00%			<hr/> <hr/> <hr/> \$598	<hr/> <hr/> <hr/> \$627
Summary Total			<hr/> <hr/> <hr/> \$19,924	<hr/> <hr/> <hr/> \$20,903

*\*\* Indicates Partially Funded*

## **SECTION III**

## **RESERVE FUNDING PROJECTIONS**

## **East Village Homeowners Association Explanation of Reserve Funding Projections**

This section of the Reserve Study provides an explanation of the funding models used to develop the annual reserve funding schedules included in this section. Each of the funding projections which follow will generate sufficient reserve contributions to pay for the projected expenditures scheduled in this Reserve Study, based on the same frequency of expenditure and replacement cost estimates. The differences in the annual contribution levels are impacted by the degree of safety, or margin of error, built into each funding schedule.

This margin of error is illustrated by a concept known as the percent funded level. The percent funded level measures the degree to which the Association's funding program is keeping pace with the economic loss in value of the common area components which are the subject of the Reserve Study.

In simple terms, if the cumulative loss in value of all common area components is \$100,000 at a particular point in time and the Association's accumulated reserve fund balance totals \$50,000 at that same point in time; then the percent funded level is said to be 50%. The percent funded level is always measured as of the first day of the Association's fiscal year.

For purposes of comparison, a percent funded level of 50% to 60% is generally considered the minimum acceptable level required to maintain a reasonable margin of error in the event any reserve expenditures exceed the amount or frequency set forth in the Reserve Study. However, it should be understood that there are no industry standards with respect to what constitutes an adequate level of reserve funding.

Any time the percent funded level is less than 100% it means that the accumulated reserve funds are not equal to the loss in value through depreciation, of the assets and improvements which are the subject of the reserve funding analysis. In those situations where the percent funded level is less than 100% it means that some portion of the reserve funding obligations of the current owners is being shifted to future generations of owners.

When the Association's reserves are less than 100% funded there is always a risk that a deviation in the funding cycle, or the amount of a scheduled expenditure, could result in the lack of adequate funds to pay for the expense depending on the degree to which the reserves are not fully funded.

For this reason it is generally viewed as a good reserve funding policy to maintain a percent funded level that is as high as possible without over-funding the reserves. Fully funded reserves, also known as 100% funding, are generally considered to be an "ideal" level of funding, although in most cases a fully funded reserve account is not necessary to maintain an adequate margin of error in the Association's reserve funding plan.

**1. Reserve Funding Models:** The thirty year reserve funding schedule presented in this Reserve Study utilizes a Cash Flow Funding Model known as Current Assessment Funding. The Current Assessment Funding projection begins with a **2016** reserve fund contribution of **\$2,145.00**.

**Cash Flow Funding Model:** Cash Flow Funding is a reserve funding approach which is designed to generate sufficient incoming cash flow into the Association's reserve account to meet the funding obligations established in the Reserve Study. Assuming the cost and frequency of reserve expenditures does not deviate from the schedule set forth in the Reserve Study; the Association's reserve fund will always contain enough money to meet its funding obligations, regardless of the percent funded level at any point in time.

All cash flow funding methods result in the pooling of reserves. Pooled reserves occur when all reserve funds are accumulated in one reserve account and the current reserves are allocated to pay for reserve expenditures based on chronological urgency or discretionary action taken by the Board of Directors. Reserves accumulated in a pooled reserve fund may only be used to pay for current or future reserve obligations and will automatically be reallocated to pay for other scheduled expenditures if 100% of the amount allocated to pay for a specific

## **East Village Homeowners Association Explanation of Reserve Funding Projections**

expenditure is not used to pay for the expense at the time it is scheduled to occur.

Funds collected for the purpose of providing replacement reserves to pay for repair and replacement of common elements may not be used to pay for operating expenses or any expenses which are not specifically identified as reserve expenditures in the current Reserve Study.

**2. Reserve Funding & Disclosure Requirements:** The reserve funding projections presented in this Reserve Study are intended to serve as a guide to help frame the minimum and maximum funding levels which should be considered by the Board of Directors. Under Oregon law the Association is not obligated to adopt any particular method of reserve funding or to maintain any minimum percent funded level. The Association is required to fund the reserve account in an amount which is determined to be adequate to meet the reserve funding requirements of the Association, in the opinion of the Board of Directors.

**East Village Homeowners Association  
Current Assessment Funding Summary**

***Report Parameters***

Report Date	April 25, 2016	Inflation	2.00%
Account Number	OR-1601-000		
Version	LEVEL 1		
Budget Year Beginning	January 01, 2016	Interest Rate on Reserve Deposit	0.25%
Budget Year Ending	December 31, 2016	Contingency	3.00%
Total Units	39		
Phase Development	3 of 3	2016 Beginning Balance	\$19,924.00

Contingency funds available as of 1/1/2016: **\$598.00**

Minimum year-end fund balance through 12/31/2045: **\$6,237.00**

Maximum annual increase in reserve contribution through 12/31/2045: **5.0%**

Largest annual reserve fund contribution through 12/31/2045: **\$6,234.00**

Total reserve expenditures scheduled in 2016: **\$4,000.00**

Projected year-end reserve fund balance 12/31/2016: **\$22,487.00**

***Current Assessment Funding Model Summary of Calculations***

Required Month Contribution	\$178.75
Average Net Month Interest Earned	<u>\$3.56</u>
Total Month Allocation to Reserves	\$182.31

**East Village Homeowners Association**  
**Current Assessment Funding Projection**

Report Date	April 25, 2016
Beginning Fiscal Year	January 01, 2016
Account Number	OR-1601-000
	Version Number LEVEL 1

Beginning Balance: \$19,924

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Fully Funded Percent
2016	33,568	2,145	43	4,000	18,112	22,487	81%
2017	30,159	2,166	48		20,326	20,347	100%
2018	30,762	2,188	52	561	22,006	21,898	100%
2019	31,378	2,210	58		24,274	24,093	101%
2020	32,005	2,232	64		26,570	26,368	101%
2021	32,645	2,254	70		28,894	28,723	101%
2022	33,298	2,322	75		31,292	31,163	100%
2023	33,964	2,392	77	1,768	31,992	31,865	100%
2024	34,643	2,463	52	12,683	21,824	21,970	99%
2025	35,336	2,537	35	9,301	15,096	15,655	96%
2026	36,043	2,613	13	11,484	6,237	7,570	82%
2027	36,764	2,692	19		8,948	11,232	80%
2028	37,499	2,773	24	684	11,062	14,332	77%
2029	38,249	2,856	21	4,301	9,637	13,836	70%
2030	39,014	2,999	24	1,692	10,968	16,094	68%
2031	39,794	3,149	22	3,932	10,206	16,162	63%
2032	40,590	3,306	30		13,542	20,361	67%
2033	41,402	3,471	33	2,155	14,892	22,500	66%
2034	42,230	3,645	30	4,749	13,818	22,086	63%
2035	43,075	3,827	35	1,868	15,812	24,715	64%
2036	43,936	4,018	34	4,341	15,523	24,930	62%
2037	44,815	4,219	45		19,787	29,707	67%
2038	45,711	4,430	53	833	23,438	33,807	69%
2039	46,626	4,652	52	5,243	22,898	33,530	68%
2040	47,558	4,884	59	2,063	25,779	36,615	70%
2041	48,509	5,129	59	4,793	26,174	37,038	71%
2042	49,479	5,385	73		31,632	42,503	74%
2043	50,469	5,654	80	2,627	34,739	45,464	76%
2044	51,478	5,937	48	18,847	21,878	31,859	69%
2045	52,508	6,234	29	13,821	14,320	23,262	62%

**SECTION IV**

**COMPONENT INVENTORY REPORTS**

## **East Village Homeowners Association Explanation of Component Inventory Reports**

This section of the Reserve Study provides a narrative summary and tabular compilations of the common area components which are the subject of this reserve funding analysis. A brief explanation of each report contained in this section is included here for those readers who may be unfamiliar with the information provided in a Reserve Study.

**1. Component Inventory Summary:** This report provides a summary of the component inventory which is a condensed version of the information found in the Component Detail Reports which appears at the end of Section II. The components are grouped by the component category to which they have been assigned, and are listed within each category according to the remaining life expectancy of the component. Other information found in this report includes the in-service date, current cost, useful life, remaining life, future cost and current cost of each component.

**2. Component Inventory by Remaining Life Expectancy:** This report displays the component inventory sorted by the remaining life expectancy of each component which is included in the reserve funding schedule. Expenditures which are scheduled to recur more than one time over the 30 year period covered by the study will only appear one time in this list based on the next scheduled year of occurrence. Other information provided in this report includes the next scheduled year of replacement, useful life, current cost, assigned reserves and the amount required for each component to be fully funded as of the beginning date of the Reserve Study. If the assigned reserves are equal to the fully funded amount shown in the far right-hand column then the component in question is said to be fully funded.

**3. Component Inventory with Current Costs:** This report again displays the component inventory by category and remaining life expectancy. It also includes the component quantity based on the unit of measure (SF, SY, LF, etc.,), the unit cost which has been used to arrive at the total replacement cost, and the current replacement cost as of the beginning date of the Reserve Study.

**4. Component Detail Reports:** This report, which is found in the Appendix, reflects all of the component data which has been input into the modeling database to develop the reserve funding projections contained in the Reserve Study. If a photographic inventory has been included in the Reserve Study a picture of the component will appear in this section of the report unless it is not possible to obtain a photograph of the component. Most of the information contained in this report is also displayed in one or more of the Component Inventory reports found in Section II.

**East Village Homeowners Association**  
**Component Inventory Summary**

Report Date	April 25, 2016
Beginning Fiscal Year	January 01, 2016
Account Number	OR-1601-000
	Version Number LEVEL 1

Description	Asset ID	Date In Service	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
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**Concrete Pavement**

**Concrete Sidewalks-Repair (Clay St)** 01/01/04 539 5 9 2 561 1135 @ 9.50

This component provides funding for repairing the sidewalks along Clay Street . Funding is scheduled to occur every 5 years beginning in 2018.

**Concrete Sidewalks-Repair (Abbott Ave)**

01/01/04 3,325 5 15 8 3,896 7000 @ 9.50

This component provides funding for repairing the sidewalks along Abbott Ave . Funding is scheduled to occur every 5 years beginning in 2024.

**Concrete Sidewalks-Repair (Engle St)**

01/01/04 1,282 5 16 9 1,533 2700 @ 9.50

This component provides funding for repairing the sidewalks along Engle Street . Funding is scheduled to occur every 5 years beginning in 2025.

**Concrete Sidewalks-Repair (Dollarhide Way)**

01/01/06 2,921 5 15 10 3,561 6150 @ 9.50

This component provides funding for repairing the sidewalks along Dollarhide Way. Funding is scheduled to occur every 5 years beginning in 2026.

**Landscaping & Irrigation**

**Landscape Irrigation-Sprinkler Heads-Shrub Zone**

01/01/16 4,000 1 0 0 4,000 1 @ 4,000.00

This component provides funding for upgrading the sprinkler heads within the shrub zones. Funding is scheduled to occur one time in 2016 after replacement of individual sprinkler heads will be expensed to the operating budget rather than capitalized.

**Landscape Irrigation-Timers**

01/01/13 1,000 10 0 7 1,149 2 @ 500.00

This component provides funding for replacement of the landscape irrigation timers. Funding is scheduled to occur every 10 years beginning in 2023.

**Front Yard Landscape Renovation (1)**

01/01/04 6,500 20 0 8 7,616 13 @ 500.00

This component provides funding for renovation of the front yard area landscaping at 13 of the 39 homes. Funding is scheduled to occur every 20 years beginning in 2024.

**Landscape Irrigation-Double-Check Valve (2")**

01/01/04 1,000 20 0 8 1,172 1 @ 1,000.00

This component provides funding for replacement of the 2" double-check valve that is part of the

**East Village Homeowners Association**  
**Component Inventory Summary**

Description	Asset ID	Date In Service	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
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***Landscaping & Irrigation continued...***

*Landscape Irrigation-Double-Check Valve (2") continued...*

landscape irrigation system. Funding is scheduled to occur every 20 years beginning in 2024.

**Front Yard Landscape Renovation (2)** 01/01/05 6,500 20 0 9 7,768 13 @ 500.00

This component provides funding for renovation of the front yard area landscaping at 13 of the 39 homes. Funding is scheduled to occur every 20 years beginning in 2025.

**Front Yard Landscape Renovation (3)** 01/01/06 6,500 20 0 10 7,923 13 @ 500.00

This component provides funding for renovation of the front yard area landscaping at 13 of the 39 homes. Funding is scheduled to occur every 20 years beginning in 2026.

**East Village Homeowners Association**  
**Component Inventory by Remaining Life Expectancy**

Report Date	April 25, 2016	
Beginning Fiscal Year	January 01, 2016	
Account Number	OR-1601-000	Version Number LEVEL 1

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
Landscape Irrigation-Sprinkler Heads-Shrub Zone	2016	1	0	0	4,000	4,000	4,000
Concrete Sidewalks-Repair (Clay St)	2018	5	9	2	539	462	462
Landscape Irrigation-Timers	2023	10	0	7	1,000	300	300
Concrete Sidewalks-Repair (Abbott Ave)	2024	5	15	8	3,325	1,995	1,995
Front Yard Landscape Renovation (1)	2024	20	0	8	6,500	3,900	3,900
Landscape Irrigation-Double-Check Valve (2")	2024	20	0	8	1,000	600	600
Concrete Sidewalks-Repair (Engle St)	2025	5	16	9	1,282	733	733
Front Yard Landscape Renovation (2)	2025	20	0	9	6,500	3,575	3,575
Concrete Sidewalks-Repair (Dollarhide Way)	2026	5	15	10	2,921	1,461	1,461
Front Yard Landscape Renovation (3)	2026	20	0	10	6,500	2,301	3,250
Total Asset Summary	\$33,568	\$19,326	\$20,276				
Contingency at 3.00%	\$598	\$627	\$627				
Summary Total	\$19,924	\$20,903	\$20,903				

**East Village Homeowners Association  
Component Inventory with Current Costs**

Report Date	April 25, 2016	
Beginning Fiscal Year	January 01, 2016	
Account Number	OR-1601-000	Version Number LEVEL 1

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
<b>Concrete Pavement</b>								
Concrete Sidewalks-Repair (Clay St)	2004	2018	5	9	2	56 SF	9.50	539
Concrete Sidewalks-Repair (Abbott Ave)	2004	2024	5	15	8	350 SF	9.50	3,325
Concrete Sidewalks-Repair (Engle St)	2004	2025	5	16	9	135 SF	9.50	1,282
Concrete Sidewalks-Repair (Dollarhide Way)	2006	2026	5	15	10	307 SF	9.50	2,921
Concrete Pavement - Total								\$8,068
<b>Landscaping &amp; Irrigation</b>								
Landscape Irrigation-Sprinkler Heads-Shrub Zone								
	2016	2016	1	0	0	1 Total	4,000.00	4,000
Landscape Irrigation-Timers	2013	2023	10	0	7	2 EA	500.00	1,000
Front Yard Landscape Renovation (1)	2004	2024	20	0	8	13 UNITS	500.00	6,500
Landscape Irrigation-Double-Check Valve (..	2004	2024	20	0	8	1 Total	1,000.00	1,000
Front Yard Landscape Renovation (2)	2005	2025	20	0	9	13 UNITS	500.00	6,500
Front Yard Landscape Renovation (3)	2006	2026	20	0	10	13 UNITS	500.00	6,500
Landscaping & Irrigation - Total								\$25,500
Total Asset Summary								\$33,568

**SECTION V**

**RESERVE EXPENDITURE REPORTS**

## **East Village Homeowners Association Explanation of Reserve Expenditure Reports**

This section of the Reserve Study includes a series of reports which detail how the Association's reserve funds will be spent over the next 30 years. A brief explanation of each report contained in this section is included here for those readers who may be unfamiliar with the information provided in a Reserve Study.

**1. Annual Reserve Expenditure Detail:** This report provides a year by year summary of the reserve fund expenditures scheduled for each year covered in the Reserve Study. Expenditures are listed alphabetically in each year when they are scheduled to occur. Hence, an expenditure which is scheduled to occur every 5 years beginning in 2015 will appear for the first time under the 2015 heading and again in years 2020, 2025, 2030 and so on. The projected costs listed for each year take into account the effect of inflation on future replacement costs. Therefore, the replacement cost for a recurring expenditure will be higher each time it appears in this schedule.

**2. Capital & Non-Capital Expenditures:** This report groups the scheduled reserve expenditures under one of two categories; Capital Expenditures or Non-Capital Expenditures. In the context of a Reserve Study capital expenditures are generally defined as expenditures which are for the purpose of replacing, improving or prolonging the life expectancy of a common area asset. Non-capital expenditures are expenses incurred to maintain or repair common area assets, but which are not necessarily expected to improve or extend the life expectancy of the asset.

## East Village Homeowners Association Annual Reserve Expenditure Detail

Report Date April 25, 2016  
Beginning Fiscal Year January 01, 2016  
Account Number OR-1601-000

## Version Number LEVEL 1

Description	Expenditures
<b>Replacement Year 2016</b>	
<b>Landscaping &amp; Irrigation</b>	
Landscape Irrigation-Sprinkler Heads-Shrub Zone	4,000
<b>Total for 2016</b>	<b>\$4,000</b>
<i>No Replacement in 2017</i>	
<b>Replacement Year 2018</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Clay St)	561
<b>Total for 2018</b>	<b>\$561</b>
<i>No Replacement in 2019</i>	
<i>No Replacement in 2020</i>	
<i>No Replacement in 2021</i>	
<i>No Replacement in 2022</i>	
<b>Replacement Year 2023</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Clay St)	619
<b>Landscaping &amp; Irrigation</b>	
Landscape Irrigation-Timers	1,149
<b>Total for 2023</b>	<b>\$1,768</b>
<b>Replacement Year 2024</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Abbott Ave)	3,896
<b>Landscaping &amp; Irrigation</b>	
Front Yard Landscape Renovation (1)	7,616
Landscape Irrigation-Double-Check Valve (2")	1,172
<b>Total for 2024</b>	<b>\$12,683</b>

**East Village Homeowners Association  
Annual Reserve Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2025</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Engle St)	1,533
<b>Landscaping &amp; Irrigation</b>	
Front Yard Landscape Renovation (2)	7,768
<b>Total for 2025</b>	<b>\$9,301</b>
<b>Replacement Year 2026</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Dollarhide Way)	3,561
<b>Landscaping &amp; Irrigation</b>	
Front Yard Landscape Renovation (3)	7,923
<b>Total for 2026</b>	<b>\$11,484</b>
<i>No Replacement in 2027</i>	
<b>Replacement Year 2028</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Clay St)	684
<b>Total for 2028</b>	<b>\$684</b>
<b>Replacement Year 2029</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Abbott Ave)	4,301
<b>Total for 2029</b>	<b>\$4,301</b>
<b>Replacement Year 2030</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Engle St)	1,692
<b>Total for 2030</b>	<b>\$1,692</b>
<b>Replacement Year 2031</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Dollarhide Way)	3,932
<b>Total for 2031</b>	<b>\$3,932</b>

**East Village Homeowners Association  
Annual Reserve Expenditure Detail**

Description	Expenditures
<i>No Replacement in 2032</i>	
<b>Replacement Year 2033</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Clay St)	755
<b>Landscaping &amp; Irrigation</b>	
Landscape Irrigation-Timers	1,400
<b>Total for 2033</b>	<b>\$2,155</b>
<b>Replacement Year 2034</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Abbott Ave)	4,749
<b>Total for 2034</b>	<b>\$4,749</b>
<b>Replacement Year 2035</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Engle St)	1,868
<b>Total for 2035</b>	<b>\$1,868</b>
<b>Replacement Year 2036</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Dollarhide Way)	4,341
<b>Total for 2036</b>	<b>\$4,341</b>
<i>No Replacement in 2037</i>	
<b>Replacement Year 2038</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Clay St)	833
<b>Total for 2038</b>	<b>\$833</b>
<b>Replacement Year 2039</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Abbott Ave)	5,243
<b>Total for 2039</b>	<b>\$5,243</b>

**East Village Homeowners Association  
Annual Reserve Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2040</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Engle St)	2,063
<b>Total for 2040</b>	<b>\$2,063</b>
<b>Replacement Year 2041</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Dollarhide Way)	4,793
<b>Total for 2041</b>	<b>\$4,793</b>
<i>No Replacement in 2042</i>	
<b>Replacement Year 2043</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Clay St)	920
<b>Landscaping &amp; Irrigation</b>	
Landscape Irrigation-Timers	1,707
<b>Total for 2043</b>	<b>\$2,627</b>
<b>Replacement Year 2044</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Abbott Ave)	5,789
<b>Landscaping &amp; Irrigation</b>	
Front Yard Landscape Renovation (1)	11,317
Landscape Irrigation-Double-Check Valve (2")	1,741
<b>Total for 2044</b>	<b>\$18,847</b>
<b>Replacement Year 2045</b>	
<b>Concrete Pavement</b>	
Concrete Sidewalks-Repair (Engle St)	2,278
<b>Landscaping &amp; Irrigation</b>	
Front Yard Landscape Renovation (2)	11,543
<b>Total for 2045</b>	<b>\$13,821</b>

**East Village Homeowners Association**  
**Capital & Non-Capital Reserve Expenditures**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
<b>Capital Expenditures</b>								
Concrete Sidewalks-Repair (Abbott Ave)	2004	2024	5	15	8	350 SF	9.50	3,325
Concrete Sidewalks-Repair (Clay St)	2004	2018	5	9	2	56 SF	9.50	539
Concrete Sidewalks-Repair (Dollarhide Way)	2006	2026	5	15	10	307 SF	9.50	2,921
Concrete Sidewalks-Repair (Engle St)	2004	2025	5	16	9	135 SF	9.50	1,282
Front Yard Landscape Renovation (1)	2004	2024	20	0	8	13 UNITS	500.00	6,500
Front Yard Landscape Renovation (2)	2005	2025	20	0	9	13 UNITS	500.00	6,500
Front Yard Landscape Renovation (3)	2006	2026	20	0	10	13 UNITS	500.00	6,500
Landscape Irrigation-Double-Check Valve (..	2004	2024	20	0	8	1 Total	1,000.00	1,000
Landscape Irrigation-Sprinkler Heads-Shrub Zone		2016	2016	1	0	0	1 Total	4,000.00
Landscape Irrigation-Timers	2013	2023	10	0	7	2 EA	500.00	1,000
Capital Expenditures - Total								\$33,568
Total Asset Summary								\$33,568

## **APPENDIX**

**East Village Homeowners Association**  
**Component Detail Reports**

Report Date	April 25, 2016	
Beginning Fiscal Year	January 01, 2016	
Account Number	OR-1601-000	Version Number <b>LEVEL 1</b>

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**Landscape Irrigation-Sprinkler Heads-Shrub Zone - 2016**

Asset ID	1 Total	@ \$4,000.00
	Asset Cost	\$4,000.00
	Percent Replacement	100%
	Future Cost	\$4,000.00
Placed in Service	January 2016	Assigned Reserves
Useful Life	1	
Replacement Year	2016	Monthly Assessment
Remaining Life	0	Interest Contribution
		Reserve Allocation
		<u>\$0.15</u>
		<u>\$112.60</u>

This component provides funding for upgrading the sprinkler heads within the shrub zones. Funding is scheduled to occur one time in 2016 after replacement of individual sprinkler heads will be expensed to the operating budget rather than capitalized.

**East Village Homeowners Association**  
**Component Detail Reports**

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<b>Concrete Sidewalks-Repair (Clay St) - 2018</b>		1,135 SF	@ \$9.50
Asset ID		Asset Cost	\$539.12
Capital Expenditures		Percent Replacement	5%
Concrete Pavement		Future Cost	\$560.91
Placed in Service	January 2004	Assigned Reserves	\$462.11
Useful Life	5	Monthly Assessment	\$1.33
Adjustment	9	Interest Contribution	<u>\$0.10</u>
Replacement Year	2018	Reserve Allocation	\$1.43
Remaining Life	2		

This component provides funding for repairing the sidewalks along Clay Street . Funding is scheduled to occur every 5 years beginning in 2018.

**East Village Homeowners Association**  
**Component Detail Reports**

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Landscape Irrigation-Timers - 2023		2 EA	@ \$500.00
Asset ID		Asset Cost	\$1,000.00
Capital Expenditures		Percent Replacement	100%
Landscaping & Irrigation		Future Cost	\$1,148.69
Placed in Service	January 2013	Assigned Reserves	\$300.00
Useful Life	10		
Replacement Year	2023	Monthly Assessment	\$3.30
Remaining Life	7	Interest Contribution	<u>\$0.07</u>
		Reserve Allocation	\$3.36

This component provides funding for replacement of the landscape irrigation timers. Funding is scheduled to occur every 10 years beginning in 2023.

**East Village Homeowners Association**  
**Component Detail Reports**

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**Concrete Sidewalks-Repair (Abbott Ave) - 2024**

Asset ID		7,000 SF	@ \$9.50
		Asset Cost	\$3,325.00
	Capital Expenditures	Percent Replacement	5%
	Concrete Pavement	Future Cost	\$3,895.77
Placed in Service	January 2004	Assigned Reserves	\$1,995.00
Useful Life	5		
Adjustment	15	Monthly Assessment	\$6.35
Replacement Year	2024	Interest Contribution	<u>\$0.42</u>
Remaining Life	8	Reserve Allocation	\$6.78

This component provides funding for repairing the sidewalks along Abbott Ave . Funding is scheduled to occur every 5 years beginning in 2024.

**East Village Homeowners Association**  
**Component Detail Reports**

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**Front Yard Landscape Renovation (1) - 2024**

Asset ID		13 UNITS	@ \$500.00
		Asset Cost	\$6,500.00
Capital Expenditures		Percent Replacement	100%
Landscaping & Irrigation		Future Cost	\$7,615.79
Placed in Service	January 2004	Assigned Reserves	\$3,900.00
Useful Life	20		
Replacement Year	2024	Monthly Assessment	\$12.42
Remaining Life	8	Interest Contribution	\$0.83
		Reserve Allocation	\$13.25

This component provides funding for renovation of the front yard area landscaping at 13 of the 39 homes. Funding is scheduled to occur every 20 years beginning in 2024.

**East Village Homeowners Association**  
**Component Detail Reports**

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**Landscape Irrigation-Double-Check Valve (2") - 2024**

Asset ID		1 Total	@ \$1,000.00
		Asset Cost	\$1,000.00
Capital Expenditures		Percent Replacement	100%
Landscaping & Irrigation		Future Cost	\$1,171.66
Placed in Service	January 2004	Assigned Reserves	\$600.00
Useful Life	20		
Replacement Year	2024	Monthly Assessment	\$1.91
Remaining Life	8	Interest Contribution	<u>\$0.13</u>
		Reserve Allocation	\$2.04

This component provides funding for replacement of the 2" double-check valve that is part of the landscape irrigation system. Funding is scheduled to occur every 20 years beginning in 2024.

**East Village Homeowners Association**  
**Component Detail Reports**

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**Concrete Sidewalks-Repair (Engle St) - 2025**

Asset ID	2,700 SF	@ \$9.50
	Asset Cost	\$1,282.50
Capital Expenditures	Percent Replacement	5%
Concrete Pavement	Future Cost	\$1,532.71
Placed in Service	Assigned Reserves	\$732.86
January 2004		
Useful Life	5	
Adjustment	16	Monthly Assessment
Replacement Year	2025	Interest Contribution
Remaining Life	9	Reserve Allocation
		\$2.37
		<u>\$0.16</u>
		\$2.53

This component provides funding for repairing the sidewalks along Engle Street . Funding is scheduled to occur every 5 years beginning in 2025.

**East Village Homeowners Association**  
**Component Detail Reports**

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**Front Yard Landscape Renovation (2) - 2025**

Asset ID		13 UNITS	@ \$500.00
		Asset Cost	\$6,500.00
Capital Expenditures		Percent Replacement	100%
Landscaping & Irrigation		Future Cost	\$7,768.10
Placed in Service	January 2005	Assigned Reserves	\$3,575.00
Useful Life	20		
Replacement Year	2025	Monthly Assessment	\$12.47
Remaining Life	9	Interest Contribution	\$0.76
		Reserve Allocation	\$13.23

This component provides funding for renovation of the front yard area landscaping at 13 of the 39 homes. Funding is scheduled to occur every 20 years beginning in 2025.

**East Village Homeowners Association**  
**Component Detail Reports**

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**Concrete Sidewalks-Repair (Dollarhide Way) - 2026**

Asset ID	6,150 SF	@ \$9.50
	Asset Cost	\$2,921.25
Capital Expenditures	Percent Replacement	5%
Concrete Pavement	Future Cost	\$3,560.99
Placed in Service	January 2006	Assigned Reserves
Useful Life	5	
Adjustment	15	Monthly Assessment
Replacement Year	2026	Interest Contribution
Remaining Life	10	Reserve Allocation

This component provides funding for repairing the sidewalks along Dollarhide Way. Funding is scheduled to occur every 5 years beginning in 2026.

**East Village Homeowners Association**  
**Component Detail Reports**

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**Front Yard Landscape Renovation (3) - 2026**

Asset ID		13 UNITS	@ \$500.00
		Asset Cost	\$6,500.00
Capital Expenditures		Percent Replacement	100%
Landscaping & Irrigation		Future Cost	\$7,923.46
Placed in Service	January 2006	Assigned Reserves	\$2,300.69
Useful Life	20		
Replacement Year	2026	Monthly Assessment	\$15.16
Remaining Life	10	Interest Contribution	\$0.50
		Reserve Allocation	\$15.66

This component provides funding for renovation of the front yard area landscaping at 13 of the 39 homes. Funding is scheduled to occur every 20 years beginning in 2026.

**East Village Homeowners Association  
Component Detail Reports**

**Detail Report Summary**

**Total of All Assets**

Assigned Reserves	\$19,326.28
Monthly Contribution	\$173.39
Monthly Interest	\$3.43
Monthly Allocation	\$176.82

**Contingency at 3.00%**

Assigned Reserves	\$597.72
Monthly Contribution	\$5.36
Monthly Interest	\$0.11
Monthly Allocation	\$5.47

**Grand Total**

Assigned Reserves	\$19,924.00
Monthly Contribution	\$178.75
Monthly Interest	\$3.54
Monthly Allocation	\$182.29

## **East Village Homeowners Association Glossary**

### **Abbreviations**

**BTU** – British thermal unit

**CFM** – Cubic feet per minute

**CY** – Cubic yard

**EA** – Each

**FYE** – Fiscal year end or fiscal year ending

**GPM** – Gallons per minute

**LBS** – Pounds

**LF** – Lineal foot

**MBH** – Thousand BTUs per hour

**NCE** – National Construction Estimator CostBooks® construction cost estimating database

**RSM** – RS Means CostWorks® construction cost estimating database

**SF** – Square foot

**SQ** – 100 square feet (commonly used unit of measure for roofing)

**SY** – Square yard

**TSF** – Total square feet

**YR** – Year

### **Definition of Key Reserve Study Terms**

**Accumulated Reserves** – The total dollar amount available for reserve expenditures as of the first day of the current fiscal year. This amount is assumed to be earning interest at the rate indicated in the Financial Parameters section of the report. Hence accumulated reserves should only include cash on hand and cash equivalents in the form of interest bearing receivables. The accumulated reserve balance may or may not include the reserve contribution for the current fiscal year at the discretion of management.

**Capital Expense** – For the purposes of this reserve funding analysis The AICPA definition of capital expense shall apply, as follows: Funds expended for improvements, or major repairs or replacements or improvements of property components that extend their useful lives or service periods.

**Cash Flow Funding Method** – Cash flow funding is a reserve funding approach which is designed only to

## **East Village Homeowners Association**

### **Glossary**

generate sufficient annual cash flow to meet the funding obligations for the current fiscal year as established by the reserve funding study. Cash flow funding assumes an uninterrupted incoming cash flow and interest earnings consistent with the schedule set forth in the reserve funding analysis. Cash flow funding parameters may be set to include the reserve fund contribution scheduled for the current fiscal year, at the discretion of management; making this money available for spending during the current reporting period.

The Cash Flow Funding Method allocates accumulated reserves according to the chronological urgency of the expense rather than amortizing the expense over the service life of the component and allocating the accumulated reserves based on the remaining life expectancy of each component.

Assuming the cost and frequency of reserve expenditures does not deviate from the schedule set forth in the reserve funding study; the reserve fund will always contain enough money to meet the funding obligations established in the study.

Cash Flow Funding makes use of two primary funding models; Current Assessment Funding and Threshold Funding, both of which are described below.

**Common Area Components** - Common area components refers to assets commonly owned and used by all Association members and will be maintained, repaired and replaced at the Association's expense.

**Component** – In the context of a Reserve Study a component is an expenditure which is scheduled to be paid for with accumulated reserves. In the case of a capital reserve funding study all components included in the funding schedule are of a capital nature. All components identified in this Reserve Study are considered to have a generally accepted finite life expectancy of thirty years or less.

The replacement cost of components included in a reserve funding schedule will generally be set at a minimum dollar amount by mutual agreement of the parties to the Reserve Study. A typical minimum dollar amount for a small Association is \$1,000.00.

**Component Funding** – Component Funding is a funding method which allocates reserves to each component based on the projected replacement cost and remaining life expectancy as of the beginning date of the current fiscal reporting period. The projected replacement cost is then amortized over the remaining life expectancy of the component and the accumulated reserves are allocated by dividing the future replacement cost by the number of years remaining until replacement is scheduled to occur.

When using the Component Funding Method to generate the annual reserve contribution schedule the accumulated reserves must equal the amount of money represented by the cumulative loss in value of all reserve fund components as of the first day of the current fiscal year in order for the reserve fund to be 100% funded.

In this context a Component Funding Projection which is 100% funded will track the combined rate of depreciation of the reserve components, when depreciation is based on the projected replacement cost rather than the original acquisition cost of the component.

Component Funding utilizes a different math model from that which is used to calculate Cash Flow Funding Projections and is therefore considered an alternative reserve funding methodology to Cash Flow Funding. Component Funding is typically utilized when the goal is to generate annual reserve contributions which offset

## **East Village Homeowners Association Glossary**

the loss in value associated with the depreciation of the components which are the subject of the funding analysis.

**Component Inventory** – A list of all components included in the replacement reserve funding schedule.

**Condition Assessment** – A physical inspection of the subject property for the purpose of establishing the component inventory and the current physical condition of the components which are the subject of the study.

**Current Assessment Funding Model** - Current Assessment Funding is a cash flow funding method which begins with a first year reserve contribution equal to the current annual reserve contribution which has been scheduled by the Association or an amount specified by the Board of Directors.

Current Assessment Funding does not automatically maintain a minimum balance in the reserve fund. Unless the specified contribution is increased or decreased by the Reserve Analyst in order to maintain a specific minimum balance, the year-end reserve fund balance could end up in the negative. If the first year contribution is insufficient to prevent a negative year end balance during the 30 year funding projection, the annual contribution must be increased in future years to prevent a negative fund balance from occurring.

Current Assessment Funding is often used when an Association has already approved the annual reserve contribution for the upcoming fiscal year; or when the BOD has determined the reserve contribution required under an alternative funding projection represents an unrealistic funding goal for the Association.

Reserves accumulated under a Current Assessment Funding Model Projection are pooled. Pooling of reserves refers to the fact that all funds are maintained in one fund and are allocated based on the annual cash flow required to meet the reserve funding obligations of the Association.

**Effective Age** – The difference between useful life and remaining useful life of a component. Not always equivalent to the chronological age of the component; due to the tendency for similar components to age at differing rates because of unique characteristics of the individual components.

**Expected Useful Life (EUL)** - The generally accepted life expectancy of a component from the time it is placed into service as a new component until the time when major repair or replacement expenditure is required in order to maintain the quality, performance and usefulness of the component.

**Financial Analysis** – The section of the Reserve Study which analyzes the current and future financial implications of the reserve funding obligations presented in the study. The current analysis provides information regarding the current reserve fund status as of the first day of the current reporting period. The future analysis discusses the financial obligations implied by the Reserve Study based on the future component expenditures and replacement schedules set forth in the study.

**Fiscal Year** – An accounting term used to describe a one year reporting cycle other than a January 1-December 31 cycle (calendar year); although the term “fiscal year” is often used to describe any one year financial reporting cycle, including a calendar year reporting cycle. The fiscal year is identified by the year when the reporting cycle ends. Hence, if the fiscal year ends on June 30<sup>th</sup> then the fiscal year ending on June 30, 2014 is referred to as the 2014 fiscal year or fiscal year 2014.

**Fully Funded Balance** – The term Fully Funded means that the amount of money allocated to pay for each

## **East Village Homeowners Association Glossary**

funded reserve expense is equal to the amount derived when using the following formula:

$$\text{Fully Funded} = \text{PV} \times \text{CA} / \text{EUL}$$

Where PV = present value; CA = current age; and EUL = expected useful life.

The Full Funded balance is the cumulative amount required to achieve Full Funding for all of the components included in the replacement reserve funding schedule.

The present value is always the future replacement cost adjusted for inflation as of the beginning date of the current Reserve Study. This concept is explained in more detail under the definition of Percent Funded.

It is important to note that full funding does not mean that 100% of the projected replacement cost is available to pay for the expense in question at any particular point in time. Rather it means the current funding schedule is on track to generate the amount of money projected to pay for the expense in the year when the expenditure is scheduled to occur; when the projected replacement cost is amortized equally each year over the remaining life expectancy of the component in question. The only year when the Fully Funded amount and the replacement cost will be the same is in the year when replacement is scheduled to occur.

**Funding Projection** – A schedule which projects the annual reserve funding contributions required to meet the reserve funding obligations set forth in the Reserve Study. The reserve funding projection always begins with the first day of the current fiscal reporting period and always ends on the last day of the fiscal year in which the reserve funding projection is scheduled to end.

The funding projection may be calculated for any period of time ranging from one to one hundred years. The reserve funding projections contained in most studies encompass a period of thirty years.

**Financial Analysis** – The section of the reserve funding study which analyzes the current and future financial implications of the reserve funding obligations presented in the study. The current analysis provides information regarding the current reserve fund status as of the first day of the current reporting period. The future analysis discusses the financial obligations implied by the reserve funding study based on the future component expenditures and replacement schedules set forth in the study.

**Funding Velocity** – Funding Velocity is a dynamic value utilized when Component Funding is used to generate the annual reserve funding projection. The Funding Velocity controls the percent funded level and determines how quickly the reserve fund will reach fully funded status; with 100% used as a baseline. If a Funding Velocity greater than 100% is required to achieve a Fully Funded reserve fund balance, the current funding levels would be considered low. If a Funding Velocity less than 100% is sufficient to accomplish full funding of the reserve account then the current funding levels are considered strong. The degree to which the Funding Velocity deviates from 100% is considered a relative measurement of the strength of an Association's reserve funding plan.

**Percent Funded Level** - The percent funded level measures the relationship between the accumulated reserves and amount of money required to achieve a Fully Funded reserve account at a given point in time. When the reserve account is Fully Funded the percent funded level is 100%. Therefore, if 100% represents a Fully Funded level of reserves, then a reserve fund which is 60% funded would contain actual cash reserves equal to 60% of the amount necessary to be 100% funded.

## East Village Homeowners Association Glossary

The formula for calculating the amount required to achieve Full Funding is expressed as:

Fully Funded = PV x CA / EUL.

Where PV = present value; CA = current age; and EUL = expected useful life.

Hence the Fully Funded calculation for a component with a current age of 3 years, a present value of \$10,000 and an expected useful life of 10 years would be:

$\$10,000 \times 3 / 10 = \$3,000.00$ .

Therefore the total amount of money required to be Fully Funded as of the first day of the current funding cycle would be \$3,000.00.

To calculate the percent funded level for a reserve fund containing more than one component expenditure this calculation is performed for each component and the sum total is the amount required to achieve Full Funding. When the accumulated reserves are less than the amount required to achieve Full Funding, the percent funded level will be expressed as a figure less than 100%.

**Physical Analysis** – The physical analysis includes four elements: development of the component inventory; performing the condition assessment; determining the remaining useful life of the components and preparing a replacement cost analysis. The information obtained while conducting the physical analysis is largely what drives the reserve funding schedule established in the reserve funding study.

**Remaining Useful Life (RUL)** - The remaining life expectancy for common area components in service prior to the date the analysis was performed and therefore can not be expected to have a remaining service life equal to that of a new component.

**Replacement Reserves** - Replacement reserves are funds collected from Association members that will be used to pay for repair and replacement of common area components according to the repair and replacement schedules contained in the Reserve Study. These funds should be held in a separate account and not co-mingled with operating funds.

**Statutory Funding** – Funding of the reserve account in an amount required by local or state statutes which may govern the Association's financial practices.

**Threshold Funding Method** - This funding approach establishes a minimum balance for the Association's reserve account and creates a funding projection which results in the fund balance never dropping below the predetermined minimum balance.

While this results in lower reserve assessments for Association members it will also result in under-funding if major component expenditures are required prior to the year the expense is scheduled to occur. This situation could require a special assessment to maintain the minimum fund balance and keep the remaining reserve funding schedule in line with projections.

When Threshold Funding is employed it is imperative the Reserve Study be updated annually to ensure accurate

## **East Village Homeowners Association**

### **Glossary**

component replacement costs and timing of replacement expenditures.

**Transition Inspection** – The inspection of Association property at or near the time period when control of the Board of Directors passes from the developer to a board comprised of unit owners other than the original declarant. The transition inspection is an extremely important process which should be undertaken by a qualified architect or engineer to ensure the interests of the community are best served.

The statute of limitations concerning construction defects varies from one jurisdiction to another. The Association's right to legal recourse for defective products and installations may be compromised if they fail to document the current condition of their property during this transitional period. In addition, warranties in effect could be impacted by the failure to perform timely inspections of components under warranty.

Building technology professionals, who are experienced in the inspection process and the preparation of a written narrative of their findings, should be retained to perform such an inspection. Reserve studies prepared prior to this time should be updated in conjunction with the completion of a transition inspection.

## **East Village Homeowners Association Reserve Study Updates**

**1. Annual Updates:** Oregon law requires all homeowners Associations and condominiums created after October 1999 to conduct a Reserve Study and to update their existing Reserve Study each year. Failure to update the Reserve Study will result in an underfunded reserve account if an Association relies on information contained in an outdated Reserve Study as the basis for its reserve funding plan.

The annual update does not necessarily require a physical inspection. The need for a physical inspection of the property will depend on the age, complexity and current condition of the common area components which are the subject of the Reserve Study. The annual update must include a review of the funding parameters, component replacement costs and verification of the current reserve fund balance as of the beginning date of the updated reserve funding projection.

**2. Level 2 Reserve Study Update:** A Level 2 Reserve Study update is an update of an existing Reserve Study which does include a physical assessment of the common area components. Most industry experts, and the majority of states which do require reserve studies for common interest developments, recommend that a Level 2 update be performed every three (3) years.

**3. CRC Update Requirements:** CRC requires that all of its clients update their Reserve Study each year and that Level 2 updates be performed at least once every five (5) years, or as may be required by state law. If an Association who has engaged CRC to prepare a Reserve Study chooses not to update the Reserve Study in any year after the study is initially published, CRC will not update the Reserve Study in future years, but will instead require that a new Reserve Study be performed. In states with statutory requirements for Reserve Study updates CRC requires that all of its clients update their Reserve Study in accordance with the requirements of the statute in order to be eligible for updates in future years.

## **East Village Homeowners Association Reserve Study Parameters & Assumptions**

**1. Parameters:** This Reserve Study was prepared using information provided by the Association and its representatives. Any such information is assumed to be true for the purposes of this Reserve Study. Representations of fact are assumed to be true and made in good faith by all parties associated with the development of this study.

Opinions and conclusions stated herein are based solely on the representations made in the information described in the previous paragraph. CRC reserves the right to conduct a field evaluation of the property subsequent to completion of construction to verify as-built conditions. Changes made to this Reserve Study as a result of such an inspection are at the sole discretion of CRC.

**Inflation:** Replacement reserve funds will be accumulated by the Association based on the estimated current replacement cost of General and Limited Common Elements; which are the responsibility of the Association to repair and replace. Replacement costs for expenses which are scheduled to occur in all future years are adjusted for inflation based on the average annual inflation rate over the last fifty years, based on information published by inflationdata.com.

The inflation rate specified by the Board of Directors for this Reserve Study is **3.0%**.

The replacement cost figures presented in this Reserve Study are intended to be used for long range capital planning and budgeting purposes. The amounts should not be assumed to be correct with respect to actual replacement costs which may be incurred at the time replacement is required. Actual repair and replacement costs may vary from the amounts scheduled in this Reserve Study due to factors which cannot be predicted in advance.

This Reserve Study should be updated annually to allow for revisions to the replacement cost estimates, should they be warranted. If additional replacement funds are required, beyond the amounts suggested in this study, the Association reserves the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay repairs or replacement of components until funds are available.

**Interest Earnings:** Investment income and income tax levels may affect reserve funding levels. The funding parameters established for this Reserve Study assume all reserve funds will be held in FDIC insured interest-bearing accounts.

Interest earnings of **.25%** are assumed in this Reserve Study.

**Income Taxes:** This Reserve Study assumes the Association will file IRS Form 1120-H which will result in a flat tax of **30%** on the first \$50,000.00 of earnings.

**Reserve Fund Contingency:** A reserve fund contingency of **3%** has been established for this Reserve Study. The contingency funding is available as of the first day of the budget year and may be used to pay for reserve expenditures which exceed the amount budgeted in the Reserve Study, or to pay for expenses which are not scheduled to occur until future years. The contingency funds should not be used to pay for expenses other than those identified in the Reserve Study as reserve fund expenditures.

The contingency funds available as of **January 1, 2016** are: **\$598.00**

**2. Methodology:** The authors of this Reserve Study have attempted to maintain an equitable approach to developing the replacement reserve funding schedule for the Association by establishing reasonable expectations for the expected useful life and replacement schedule of common area components.

## **East Village Homeowners Association Reserve Study Parameters & Assumptions**

The goal of a fair and equitable funding plan is deemed to be in the interest of current unit owners by not over funding the reserve account while at the same time ensuring, in later years, the owners will have adequate replacement reserves to meet the repair and replacement needs of the Association. The result of such an approach will, by necessity, require certain assumptions to be made regarding the lifespan and replacement requirements of certain components.

Replacement funds for certain components may be accumulated based on the theory that partial replacement will be satisfactory to restore the component to an acceptable condition. Partial replacement funding is expressed as a percentage of the total replacement cost. Components which are scheduled for 100% replacement assume complete replacement of the component will be required.

In some instances, replacement funding may be scheduled to occur over a successive period of years, if it is reasonable to assume the work in question may actually be performed over a period of years. Hence, if it is reasonable to assume exterior painting may be scheduled over a four year period, the painting expenditures may be scheduled to occur 25% per year over the four year timeframe.

The Association may wish to review this approach at some point and should it be determined partial replacement reserve funding is not satisfactory, this Reserve Study should be updated to reflect the additional funding required for complete replacement of all components in the scheduled year of replacement.

This Reserve Study assumes any product or service warranties for common area components will be maintained through the efforts of the Association and all specialty trade work will be performed by qualified, duly licensed personnel.

**East Village Homeowners Association**  
**Component Detail Report Index**

Asset ID Description	Replacement	Page
<b>Concrete Pavement</b>		
Concrete Sidewalks-Repair (Clay St)	2018	A-2
Concrete Sidewalks-Repair (Abbott Ave)	2024	A-4
Concrete Sidewalks-Repair (Engle St)	2025	A-7
Concrete Sidewalks-Repair (Dollarhide Way)	2026	A-9
<b>Landscaping &amp; Irrigation</b>		
Landscape Irrigation-Sprinkler Heads-Shrub Zone	2016	A-1
Landscape Irrigation-Timers	2023	A-3
Front Yard Landscape Renovation (1)	2024	A-5
Landscape Irrigation-Double-Check Valve (2")	2024	A-6
Front Yard Landscape Renovation (2)	2025	A-8
Front Yard Landscape Renovation (3)	2026	A-10
Total Funded Assets	10	
Total Unfunded Assets	<u>0</u>	
Total Assets	10	