

Reserve Fund Analysis Report
New Study With Site Visit
Fairways of Sherrill Park HOA
Richardson, TX



Report #:	9265
Inspection Date:	November 22, 2017
For Year Beginning:	January 1, 2018
For Year Ending:	December 31, 2018
Date Prepared:	April 3, 2018
Prepared by:	Richard Hamilton RS, PRA
Report Status:	Final





April 3, 2018

Fairways of Sherrill Park HOA
3000 Wyndham Lane
Richardson, TX 75082

Dear Manager and Board,

We are pleased to provide you with the enclosed reserve study report for Fairways of Sherrill Park HOA. This reserve study adheres to the Community Association Institute's (CAI) standards regarding service levels and disclosures.

The report has been divided into five easy-to-understand sections:

Executive Summary, provides an overview of the Association's current physical condition and financial situation, outlining significant findings and conclusions. This section of the report should be used as a quick reference in helping the reader to understand the parameters and results of the study.

Part I, Reserve Study Methodology, details the framework, methods, and materials used in developing the reserve study and the associated funding plan. This part provides a comprehensive understanding of the methodology and the process taken to develop the report.

Part II, Financial Analysis, examines report funding and results with projections for individual reserve components, expenses and recommended funding.

Part III, Physical Analysis, provides in-depth, detailed condition assessments for each reserve component along with maintenance recommendations and depreciation schedules based on estimated useful life, remaining useful life and current replacement costs.

Part IV, General Information, provides a detailed explanation of the terms and definitions used within the report as well as a Frequently Asked Questions and explanation of Limitations sections.

Part V, Member's Summary, includes all the information necessary to keep your Association Members informed of the financial condition of the Association in a short, concise handout.

Three funding models are presented in detail. Community Association Reserves recommends that the Board adopt a 100% Funding Plan whenever possible, but a 70% Threshold alternative is included and will be presented to the Board should the current financial position of the community not allow for 100% full funding.

As you review the report and detail information, please feel free to contact our office with any questions that may arise.

Sincerely,

A black and white image of a handwritten signature in cursive script, which appears to read "Richard S Hamilton".

Richard S Hamilton RS, PRA
Community Association Reserves
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Executive Summary

Purpose of Reserve Study

The purpose of this study is to provide the Association with an inventory of reserve components that require periodic repair and replacement and a reserve funding plan to offset the associated costs of these projects. This report provides condition assessments and maintenance schedules for each reserve component to assist the association in making budget decisions regarding reserve funding.

The Board of Directors has a fiduciary responsibility to maintain and preserve the value of common area assets belonging to the entity. As part of their fiduciary duty, board members are responsible for the long-term planning and funding of future major repairs and replacements of community assets.

This reserve study adheres to the Community Association Institute's (CAI) standards regarding service levels and disclosures. This report complies with The American Institute of Certified Public Accountants (AICPA) guidelines for Common Interest Realty Associations. Recommendations and accompanying assumptions are the results of information provided to Community Association Reserves (CAR) and assembled for the Association's use.

Community Description:

Fairways of Sherrill Park HOA is a Master Association developed in approximately 1988. The community consists of an entry monument, perimeter brick screen walls, a park with a playground, a sand volleyball court, walks and common space. The community is in overall good condition and appears well maintained.

Summary of the Reserve Study

The study provides an overview of the Association's current physical condition and financial situation, outlining significant findings and conclusions. It details the framework, methods, and materials used in developing the reserve study and the associated funding plan. The Financial Analysis examines reports findings and results with projections for individual reserve components expenses and recommended funding. The Physical Analysis provides an in-depth, detailed condition of assessments for each reserve component along with maintenance recommendations based on the estimated useful life (UL), remaining useful life (RUL) and current replacement costs.

Association Information:

Association Name:	Fairways of Sherrill Park HOA
Association Location:	Richardson, TX
Association Type:	Master Association
Number of Units:	280
Report Period:	2018 - 2047
Inspection Date:	November 22, 2017

Economic Information:

Annual Inflation Rate for this Report:	2.80%
Annual Interest on Funds for this Report:	1.00%
Reserve Beginning Balance:	\$35,000

Fully Funded Reserve Balance:	\$25,105
Current Percent Funded:	139%
Current Contribution:	\$0 annually

Reserve Funding Status:

Your fund status position is **Strong**. Your association has achieved this status because your current percent funded (your reserve fund bank balance divided by your fully funded balance) is **139%**. Reserve funds are generally classified into three categories: "weak" at 0% to 30% funded, "fair" at 31% to 69% funded and "strong" if your funding is 70% or above. Percent funded is a measurement of risk to the association members. Risk includes: a large increase in dues, a special assessment to the members, or loss in home value due to deterioration or loss of community assets.

Our recommendation is generally a 100% funding plan which means that for every dollar of deterioration that occurs within a community, the current membership - those that benefit directly from that asset, will place a dollar in the bank to offset that cost. This is the "fairest" method of funding, as a lower percentage will place a higher burden on a future membership when a replacement is due.

Plan Funding Recommendations*:

Plan Option	Contribution annually	Contribution Per Unit	Ending % Funded	Special Assessment
Current Plan	\$0	\$0.00	-323%	None
100% Funding	\$0	\$0.00	100%	None
70% Funding	\$0	\$0.00	69%	None
Baseline Funding	\$0	\$0.00	5%	None

Regular contributions are anticipated to begin in 2019. Please see the 5-Year Snapshot for contribution information.

Five (5) Year Snapshot:

Plan Year	Annual Contribution	Annual Expenditures	Ending Cash Balance	Ending Percent Funded	Special Assessment
2018	\$0	\$0	\$35,350	89%	None
2019	\$5,600	\$13,816	\$32,405	68%	None
2020	\$11,200	\$15,498	\$33,338	61%	None
2021	\$16,800	\$21,119	\$34,209	60%	None
2022	\$22,400	\$19,924	\$41,903	68%	None

An Important Note Regarding Expense Cycling:

As the Board reviews the report and projected expenses, notice that several components are denoted as "partial" or "part" replacements. This indicates that this particular component has been "cycled" and is not scheduled for full replacement. This may be the result of similar components that were placed in service at different times, or in many cases, a long-lived component that would not otherwise be reflected in the replacement projections. An example of this would be concrete, which typically has a useful life of 50-75 years, and may not otherwise be reflected in a 30-year projection window.

It is important to understand that cycling serves as a flag to the Board as well as future Boards that the component is accumulating funds. Those funds may or may not be necessary when the cycle ends. Since cost

projections are based on the total life of a component, it is important that if funds are not needed at the end of a cycle period, they remain intact as they will be necessary at a future date. Conversely, if funds are needed prior to the end of a cycle, they are available for use, but a record of the use should be noted in the Community's financials indicating that that portion of the cycled amount has been spent.

PART I
RESERVE STUDY METHODOLOGY

The Reserve Study Process

A Reserve Study is the art and science of anticipating, and preparing for, an association's major common area repair and replacement expenses. Partially art, because we are making projections about the future. Partially science, because the work is a combination of research and well-defined computations, following consistent National Reserve Study Standards.

The foundation of this and every Reserve Study is your Reserve Component List (the items that you are reserving for). This is because the Reserve Component List defines the *scope and schedule* of all your anticipated upcoming Reserve projects. Based on that List and your starting balance, we calculate the association's Reserve Fund Strength (reported in terms of "Percent Funded"). Then we compute a Reserve Funding Plan to provide for the Reserve needs of the association. These form the results of your Reserve Study.

It is important to keep in mind that reserve contributions are not "for the future". Reserve contributions are designed to offset the ongoing, daily deterioration of your Reserve assets. Done well, a stable, budgeted Reserve Funding Plan will collect sufficient funds from the owners who enjoyed the use of those assets, so the association is financially prepared for the irregular expenditures scattered through future years when important assets eventually require replacement.

The Component Analysis

Determination of what constitutes a reserve component is dependent on a number of factors. A four-part test is generally used to distinguish a reserve item from an operational or maintenance expense. A component is included as a reserve item only if it satisfies ALL criteria outlined below:

- It is the Association's responsibility to maintain.
- It has a predictable useful service life.
- Its useful life fits within the projection period.
- Its cost for repair or replacement meets a pre-determined threshold amount.

The components that an Association includes in its reserve funding plan are also dependent on the type of project, the construction properties and the Association's applicable governing documents and state statutes.

Component Useful Life

The useful life of a reserve component relates to the number of years it is expected to last, given reasonable care and maintenance. The prediction of reserve and building component life can be no more than an informed estimate based upon information made available at the time of the site visit. Consideration is given to vendor recommendations, material warranty information provided at the time of the report's development, along with other published sources. The data and service life estimates in this report are based on information gathered from various groups and industry sources as outlined below:

- Historical data from the Association;
- Community Managers, Board Members and Service Personnel;
- Manufacturer recommendations and industry standards;
- Published sources of service life data;
- Manufacturers and suppliers' data.

Component Remaining Useful Life

The remaining life of a reserve component refers to the number of years left before an item's expected repair or replacement. A component's remaining life is contingent upon the following factors:

- Age/years in service;
- Physical condition;
- Frequency and quality of inspections and maintenance;
- General use;
- Environment, impact of weather and building location;
- Installation methods that meets or exceed industry standards;
- Design and quality of materials used.

In addition to deterioration or anticipated failure of a component, the longevity may be impacted by obsolescence. The accuracy of the estimate is contingent upon reliable information made available at the time of the report. It is important to note that even with the highest degree of diligence and experience, outcomes will vary, and no guarantee can be given as to the timing or service life of the reserve components. All service life assessments in this report are based on the assumption that maintenance is carried out in accordance with manufacturer's recommendations and installation instructions, together with industry standards of workmanship. Consideration is given to visible design and signs of improper installation of components that will have an impact upon the anticipated service life of the component.

The Financial Analysis

An Association, like any business entity, must prepare financially for the replacement and repair of its assets. Reserve study funding analysis is an important part of the annual budget process. Reserve funding should be reviewed at least once annually to help determine the annual assessment to be charged to members. The following elements are used in the financial analysis.

Recommended Funding Rate. We advocate a program of regular reserve fund contributions and promote a gradual means of reserving for future repair and replacement expenses. Recommended contributions are set at a level where they require only minor annual increases. The rate is designed to distribute the anticipated cost of common property ownership equitably between all members over the entire projection period.

Fully Funded Balance. The Fully Funded balance is equal to the total depreciable cost of all the Association's reserve components. It is determined by dividing each reserve component's cost by its useful life, and multiplying that by the number of years the component has been in service (effectively its age). The recommendations in this report are based upon a Fully Funded plan, which sets the goal of achieving one hundred percent fully funded reserves by the end of the 30-year projection period. *We recommend full funding as we feel that this approach best provides a solid platform to address future needs*, thus dramatically reducing the need for special assessments or major contribution increases.

Percent Funded. An Association's reserve fund status is assessed by comparing the ratio of actual or projected funds available versus how much they should have saved. The result is presented as a percentage and is commonly known as "percent funded". Percent funded is calculated by dividing the Association's current reserve fund balance by the fully funded balance. This equation is an industry measure of how well prepared an Association is to meet its current and future repair and replacement obligations. Percent funded highlights the strength of the association's reserve account in relation to the anticipated costs of repair and replacement.

Reserve Component Cost. Current cost estimates for reserve components are derived from a variety of

sources but typically are based on the latest local vendor pricing acquired from regional contractors and suppliers. When needed, additional information and cost data is sourced from national construction estimators. All cost estimates formulated from national estimators are based upon the latest specific geographical information for the area. Future cost estimates are determined by applying the assumed annual inflation rate to the current cost of each component.

Inflation Rate. The effect of inflation on the cost of reserve components is a key factor in the financial projections. Historically, the cost of construction materials and labor rise at a higher rate than that experienced by the general economy. We have chosen to use an inflationary multiplier that is somewhat higher than the current general consumer index for inflation. The rate used is based upon the historical average of inflation over the last 30 years. This rate reflects a realistic appreciation of future costs for reserve components and assists the Association in adequately budgeting for increasing cost.

Interest Rate. The interest rate used in this report is formulated on a conservative rate of return. Unless otherwise advised by the Association, an assumed net interest rate of 1.00% is used. We offer no guarantee or opinion in relation to investment decisions made by the Association or the rate of return achieved.

Current Reserve Fund Balance. The analysis, recommendations, and financial projections made within this report are heavily reliant on information provided by the Association and its representatives. The starting reserve fund balance (current or projected) and member contribution totals are supplied by these sources. This information has not been audited nor have the financial projections or recommendations.

Reserve Plan Goals

According to National Reserve Study Standards, there are four Funding Principles to balance in developing your Reserve Funding Plan.

- Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects in a timely manner.
- Second, a stable contribution is because it keeps these naturally irregular expenses from unsettling the budget.
- Reserve contributions that are evenly distributed over current and future owners enable each owner to pay their fair share of the association's Reserve expenses over the years.
- And finally, we develop a plan that is fiscally responsible and safe for Board members to recommend to their association.

Remember, it is the Board's duty to provide for the ongoing care of the common areas. Board members invite liability exposure when Reserve contributions are inadequate to offset ongoing common area deterioration.

The Reserve Funding Plan must provide adequate funds when they are expected to be required at a future point in time. If \$100,000 is needed in five years for a new roof, the Funding Plan should yield a Reserve Balance of at least \$100,000 in that year. Because associations are corporations and their members expect and deserve the corporation to be run in a stable manner, it is important that the budget be designed for year to year stability. Large assessment changes from year to year indicate instability,

and homeowners deserve a degree of stability in order to plan their own budgets.

Reserve Funding and Risk

Reserve adequacy is not measured in cash terms. Reserve adequacy is determined when the *amount* of current Reserve cash is compared to Reserve component deterioration (the *needs of the association*). Having *enough* means the association can execute its projects in a timely manner with existing Reserve funds. *Not having *enough* typically creates deferred maintenance, large increases in assessments, special assessments or a loss in property value.

Adequacy is measured in a two-step process:

- Calculate the *value of deterioration* at the association (called Fully Funded Balance, or FFB).
- Compare that to the Reserve Fund Balance and expressed as a percentage.

Each year, the *value of deterioration* at the association changes. When there is more deterioration (as components approach the time they need to be replaced), there should be more cash to offset that deterioration and prepare for the expenditure. Conversely, the *value of deterioration* shrinks after projects are accomplished. The *value of deterioration* (the FFB) changes each year, and is a moving but predictable target.

There is high risk of special assessments and deferred maintenance when the Percent Funded is *weak*, below 30%. Approximately 30% of all associations are in this high-risk range. While the 100% point is Ideal (indicating Reserve cash is equal to the *value of deterioration*), a Reserve Fund in the 70% -130% range is considered strong (low risk of special assessment).

Measuring your Reserves by Percent Funded tells how well prepared your association is for upcoming Reserve expenses.

PART II
FINANCIAL ANALYSIS

Fairways of Sherrill Park HOA
 Richardson, TX
CAR Current Assessment Funding Summary

Report Date	April 3, 2018
Account Number	9265
Version	3.0
Budget Year Beginning	January 1, 2018
Budget Year Ending	December 31, 2018
Total Units	280
Phase Development	1 of 1

<i>Report Parameters</i>	
Inflation	2.80%
Annual Assessment Increase	3.00%
Interest Rate on Reserve Deposit	1.00%
2018 Beginning Balance	\$35,000

Current Assessment Funding Summary

This is the community's **current funding plan**, based upon your current Reserve Contribution. This analysis will be used as a base comparison to the fully funded plan (100% funding) and the threshold plan (70% funding) to offer a comparison of the study results and their effects upon the community and contributions.

In this summary, we have used the current level of Reserve Contributions and completed a full 30-year analysis based upon our component findings.

<i>Current Assessment Funding Model Summary of Calculations</i>	
No Required Annual Contribution	
Average Net Annual Interest Earned	<u>\$350.00</u>
Total Annual Allocation to Reserves	<u>\$350.00</u>

**Fairways of Sherrill Park HOA
CAR Current Assessment Funding Projection**

Beginning Balance: \$35,000

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2018		350		35,350	39,594	89%
2019	5,000	215	13,816	26,749	47,772	56%
2020	5,000	63	15,498	16,314	55,047	30%
2021	5,000		21,119	195	57,359	0%
2022	5,000		19,924	-14,729	61,594	
2023	5,000		15,430	-25,159	71,215	
2024	5,000		33,565	-53,724	63,127	
2025	5,000		17,792	-66,516	71,710	
2026	5,000		39,213	-100,729	59,217	
2027	5,000		17,232	-112,961	69,693	
2028	5,000		17,715	-125,676	80,709	
2029	5,000		18,211	-138,886	92,288	
2030	5,000		20,427	-154,313	102,697	
2031	5,000		32,346	-181,660	101,952	
2032	5,000		26,260	-202,920	108,272	
2033	5,000		20,337	-218,257	121,710	
2034	5,000		44,240	-257,498	111,830	
2035	5,000		23,451	-275,949	123,945	
2036	5,000		51,684	-322,633	108,302	
2037	5,000		22,713	-340,346	122,957	
2038	5,000		23,349	-358,694	138,348	
2039	5,000		24,002	-377,697	154,504	
2040	5,000		26,923	-399,620	169,144	
2041	5,000		36,689	-431,309	175,219	
2042	5,000		34,612	-460,922	184,693	
2043	5,000		26,806	-482,727	203,581	
2044	5,000		58,311	-536,038	191,766	
2045	5,000		30,910	-561,948	208,977	
2046	5,000		74,948	-631,896	182,620	
2047	5,000		29,936	-656,832	203,053	

Fairways of Sherrill Park HOA
 Richardson, TX
CAR 100% Funding Summary

Report Date	April 3, 2018
Account Number	9265
Version	3.0
Budget Year Beginning	January 1, 2018
Budget Year Ending	December 31, 2018
Total Units	280
Phase Development	1 of 1

<i>Report Parameters</i>	
Inflation	2.80%
Interest Rate on Reserve Deposit	1.00%
2018 Beginning Balance	\$35,000

100% Funding Summary

The 100% funding plan, also called the fully funded plan, is based upon the "fairest" funding method. This plan anticipates that for each dollar of deterioration that occurs within the community, the current membership that is benefiting from those assets will place one dollar in the bank to offset that deterioration.

This analysis is our **recommended funding level**. It will present the least risk to the association members and ensure a strong financial position in the future.

<i>100% Funding Model Summary of Calculations</i>	
No Required Annual Contribution	
Average Net Annual Interest Earned	<u>\$350.00</u>
Total Annual Allocation to Reserves	<u>\$350.00</u>

**Fairways of Sherrill Park HOA
CAR 100% Component Funding Projection**

Beginning Balance: \$35,000

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2018		350		35,350	39,594	89%
2019	10,600	271	13,816	32,405	47,772	68%
2020	16,200	231	15,498	33,338	55,047	61%
2021	21,800	190	21,119	34,209	57,359	60%
2022	27,400	217	19,924	41,903	61,594	68%
2023	33,000	345	15,430	59,817	71,215	84%
2024	33,840	301	33,565	60,393	63,127	96%
2025	33,840	414	17,792	76,855	71,710	107%
2026	33,840	315	39,213	71,797	59,217	121%
2027	33,840	434	17,232	88,839	69,693	127%
2028	34,128	553	17,715	105,806	80,709	131%
2029	34,420	670	18,211	122,685	92,288	133%
2030	34,714	770	20,427	137,742	102,697	134%
2031	35,011	754	32,346	141,160	101,952	138%
2032	35,311	802	26,260	151,013	108,272	139%
2033	35,614	913	20,337	167,203	121,710	137%
2034	35,920	789	44,240	159,672	111,830	143%
2035	36,230	875	23,451	173,325	123,945	140%
2036	36,542	682	51,684	158,864	108,302	147%
2037	36,857	780	22,713	173,789	122,957	141%
2038	37,176	876	23,349	188,492	138,348	136%
2039	37,498	970	24,002	202,958	154,504	131%
2040	37,823	1,039	26,923	214,895	169,144	127%
2041	38,151	1,014	36,689	217,370	175,219	124%
2042	38,482	1,012	34,612	222,253	184,693	120%
2043	38,817	1,093	26,806	235,357	203,581	116%
2044	39,155	862	58,311	217,063	191,766	113%
2045	39,497	907	30,910	226,557	208,977	108%
2046	39,842	515	74,948	191,966	182,620	105%
2047	40,190	572	29,936	202,792	203,053	100%

Fairways of Sherrill Park HOA
 Richardson, TX
CAR 70% Threshold Funding Summary

Report Date	April 3, 2018
Account Number	9265
Version	3.0
Budget Year Beginning	January 1, 2018
Budget Year Ending	December 31, 2018
Total Units	280
Phase Development	1 of 1

<i>Report Parameters</i>	
Inflation	2.80%
Interest Rate on Reserve Deposit	1.00%
2018 Beginning Balance	\$35,000

70% Funding Summary

The 70% funding plan, also called the threshold funded plan, is based upon a modified funding method. This plan anticipates that for each dollar of deterioration that occurs within the community, the current membership that is benefiting from those assets will place seventy cents in the bank to offset that deterioration.

This analysis is **an alternative funding level** which seeks to keep the association in a strong financial position, but does present a bit of risk. If components experience a failure earlier than anticipated due to influences outside of the community's control (such as workmanship or weather) the members may be placed in a position where a special assessment is required to make repairs. It also pushes a portion of deterioration down the road to a membership that has not fully benefited from a particular asset.

<i>70% Threshold Funding Model Summary of Calculations</i>	
No Required Annual Contribution	
Average Net Annual Interest Earned	\$350.00
Total Annual Allocation to Reserves	\$350.00

**Fairways of Sherrill Park HOA
CAR 70% Threshold Funding Projection**

Beginning Balance: \$35,000

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2018		350		35,350	39,594	89%
2019	10,600	271	13,816	32,405	47,772	68%
2020	10,600	175	15,498	27,682	55,047	50%
2021	16,200	78	21,119	22,841	57,359	40%
2022	16,200		19,924	19,117	61,594	31%
2023	21,800	5	15,430	25,492	71,215	36%
2024	21,800		33,565	13,727	63,127	22%
2025	27,400		17,792	23,335	71,710	33%
2026	27,400		39,213	11,522	59,217	19%
2027	33,000		17,232	27,290	69,693	39%
2028	33,000		17,715	42,575	80,709	53%
2029	33,840	32	18,211	58,237	92,288	63%
2030	34,128	119	20,427	72,058	102,697	70%
2031	34,420	91	32,346	74,222	101,952	73%
2032	34,714	127	26,260	82,803	108,272	76%
2033	35,011	225	20,337	97,701	121,710	80%
2034	35,311	88	44,240	88,860	111,830	79%
2035	35,614	160	23,451	101,183	123,945	82%
2036	35,920		51,684	85,419	108,302	79%
2037	36,230	39	22,713	98,975	122,957	80%
2038	36,542	122	23,349	112,290	138,348	81%
2039	36,857	201	24,002	125,346	154,504	81%
2040	37,813	262	26,923	136,498	169,144	81%
2041	38,797	236	36,689	138,843	175,219	79%
2042	39,811	240	34,612	144,282	184,693	78%
2043	40,856	333	26,806	158,666	203,581	78%
2044	41,931	123	58,311	142,409	191,766	74%
2045	43,039	195	30,910	154,734	208,977	74%
2046	44,180		74,948	123,966	182,620	68%
2047	45,356		29,936	139,386	203,053	69%

Fairways of Sherrill Park HOA
 Richardson, TX
CAR Baseline Funding Summary

Report Date	April 3, 2018
Account Number	9265
Version	3.0
Budget Year Beginning	January 1, 2018
Budget Year Ending	December 31, 2018
Total Units	280
Phase Development	1 of 1

<i>Report Parameters</i>	
Inflation	2.80%
Interest Rate on Reserve Deposit	1.00%
2018 Beginning Balance	\$35,000

Baseline Funding Summary

The baseline funding plan is a modified funding method and it is generally **NOT recommended** that the community embark upon this program.

This analysis is **an alternative funding level** which seeks to keep the reserve fund from dropping below zero at any point in time over the course of the study period. This plan present significant risk. If components experience the smallest failure earlier than anticipated, or repair or replacement pricing is greater than anticipated, the members will be placed in a position where a special assessment is required to make repairs.

This plan should only be used for associations that are severely underfunded as a temporary stepping stone into a more stable plan.

Baseline Funding Model Summary of Calculations

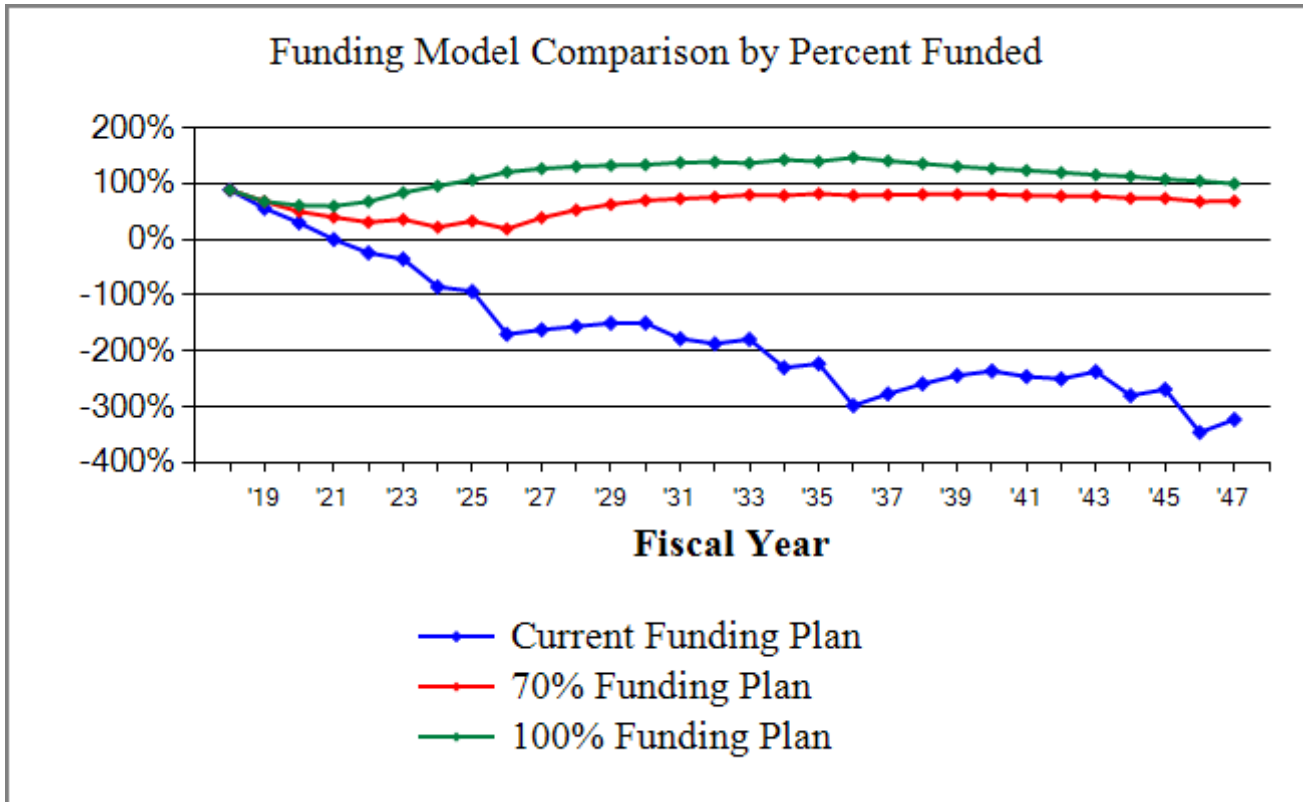
No Required Annual Contribution	
Average Net Annual Interest Earned	<u>\$350.00</u>
Total Annual Allocation to Reserves	<u>\$350.00</u>

Fairways of Sherrill Park HOA
 Richardson, TX
CAR Baseline Funding Projection

Beginning Balance: \$35,000

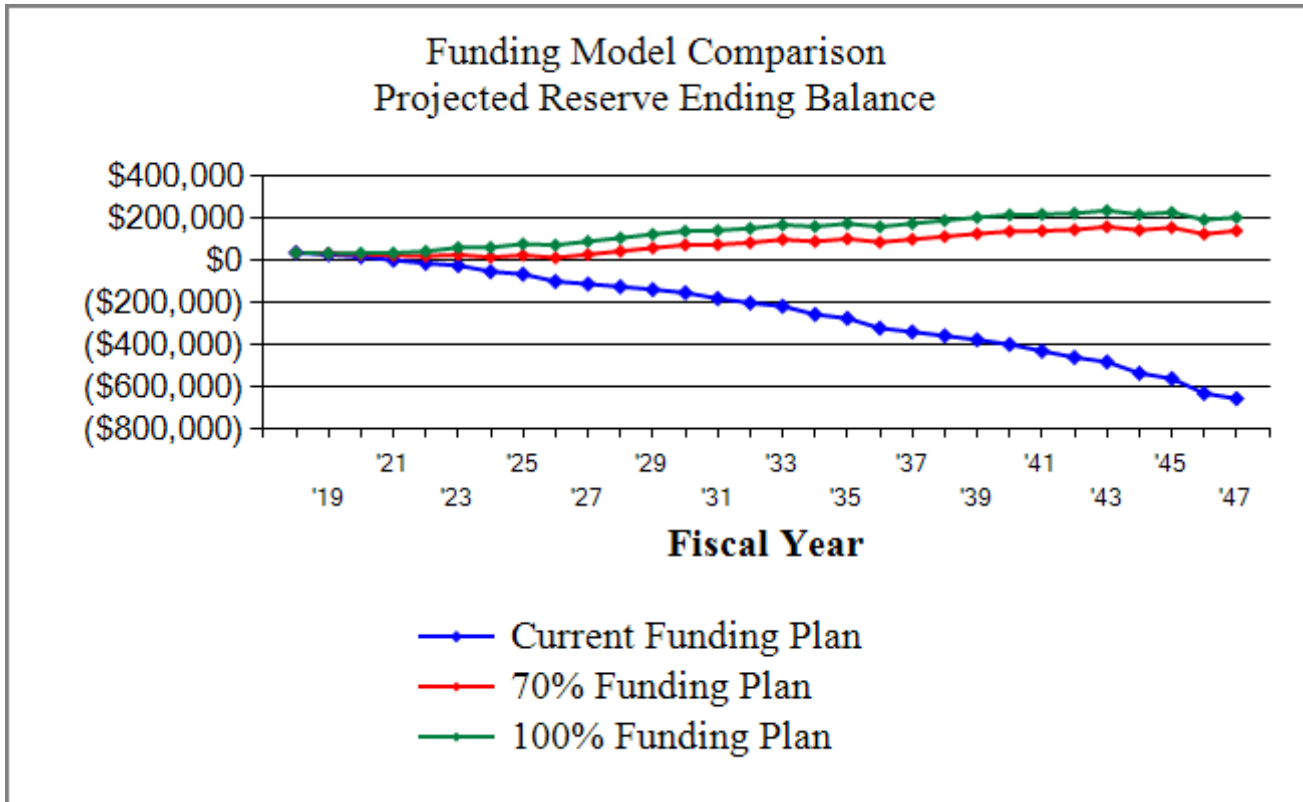
Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2018		350		35,350	39,594	89%
2019	10,600	271	13,816	32,405	47,772	68%
2020	10,600	175	15,498	27,682	55,047	50%
2021	10,600	22	21,119	17,185	57,359	30%
2022	16,200		19,924	13,461	61,594	22%
2023	16,200		15,430	14,231	71,215	20%
2024	21,800		33,565	2,466	63,127	4%
2025	27,400		17,792	12,074	71,710	17%
2026	27,400		39,213	261	59,217	0%
2027	27,400		17,232	10,429	69,693	15%
2028	27,400		17,715	20,114	80,709	25%
2029	27,624		18,211	29,528	92,288	32%
2030	27,850		20,427	36,951	102,697	36%
2031	28,079		32,346	32,684	101,952	32%
2032	28,310		26,260	34,733	108,272	32%
2033	28,543		20,337	42,938	121,710	35%
2034	28,778		44,240	27,476	111,830	25%
2035	29,491		23,451	33,516	123,945	27%
2036	30,226		51,684	12,058	108,302	11%
2037	30,983		22,713	20,328	122,957	17%
2038	31,762		23,349	28,742	138,348	21%
2039	32,565		24,002	37,305	154,504	24%
2040	33,392		26,923	43,773	169,144	26%
2041	34,244		36,689	41,328	175,219	24%
2042	35,121		34,612	41,837	184,693	23%
2043	36,025		26,806	51,057	203,581	25%
2044	36,956		58,311	29,701	191,766	15%
2045	37,914		30,910	36,706	208,977	18%
2046	38,902		74,948	660	182,620	0%
2047	39,919		29,936	10,643	203,053	5%

**Fairways of Sherrill Park HOA
CAR Funding Comparison by Percent Funded (Chart)**



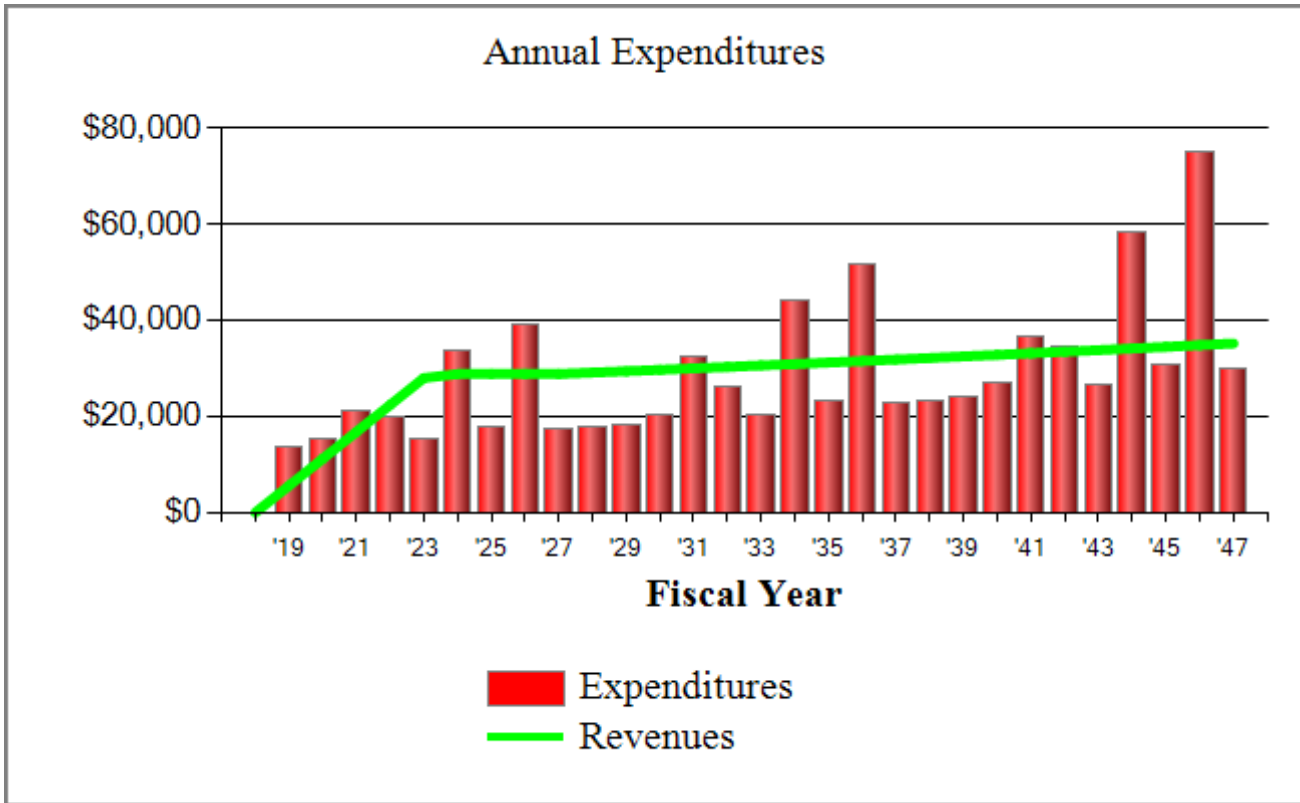
The chart above compares the three funding plans (Current Assessment Funding, Threshold Funding and 100% Component Funding) by the percent funded over 30 years. This allows your association to view and then choose the funding model that might best fit your community's needs.

**Fairways of Sherrill Park HOA
CAR Funding Reserve Ending Balance Comparison (Chart)**



The chart above compares the projected annual reserve fund ending balances for the three funding plans (Current Assessment Funding, Threshold Funding and 100% Component Funding) over the 30 year period.

**Fairways of Sherrill Park HOA
CAR Annual Expenses VS Funding Assessment (Chart)**



The Annual Expenditures graph demonstrates how the plan seeks to "flatten out" the periodic spikes that occur over time. This aids the Association in proper budget planning while ensuring funds are available to meet the future financial needs.

**Fairways of Sherrill Park HOA
CAR Annual Projects Detail**

Description	Expenditures
<i>No Replacement in 2018</i>	
Replacement Year 2019	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	13,816
Total for 2019	<u>\$13,816</u>
Replacement Year 2020	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	14,203
Lighting/Equipment - Replace	1,295
Total for 2020	<u>\$15,498</u>
Replacement Year 2021	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	14,601
Playground Fall Surface - Replace	6,518
Total for 2021	<u>\$21,119</u>
Replacement Year 2022	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	15,010
Park Furnishings - Replace	4,914
Total for 2022	<u>\$19,924</u>
Replacement Year 2023	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	15,430
Total for 2023	<u>\$15,430</u>
Replacement Year 2024	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	15,862
Irrigation System - Replace (partial)	5,901
Trees/Vegetation - Replace (partial)	11,802
Total for 2024	<u>\$33,565</u>
Replacement Year 2025	
Annual Cash Sweep From Operations	(5,000)

**Fairways of Sherrill Park HOA
CAR Annual Projects Detail**

Description	Expenditures
<i>Replacement Year 2025 continued...</i>	
Brick Screen Walls - Refurbish (partial)	16,306
Lighting/Equipment - Replace	1,486
Total for 2025	\$17,792
Replacement Year 2026	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	16,763
Playground Fall Surface - Replace	7,483
Concrete - Replace (partial)	7,483
Entry Monuments - Refurbish	7,483
Total for 2026	\$39,213
Replacement Year 2027	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	17,232
Total for 2027	\$17,232
Replacement Year 2028	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	17,715
Total for 2028	\$17,715
Replacement Year 2029	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	18,211
Total for 2029	\$18,211
Replacement Year 2030	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	18,720
Lighting/Equipment - Replace	1,706
Total for 2030	\$20,427
Replacement Year 2031	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	19,245
Playground Fall Surface - Replace	8,591

**Fairways of Sherrill Park HOA
CAR Annual Projects Detail**

Description	Expenditures
<i>Replacement Year 2031 continued...</i>	
Fall Surface Dam - Replace	4,510
Total for 2031	<u>\$32,346</u>
Replacement Year 2032	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	19,783
Park Furnishings - Replace	6,477
Total for 2032	<u>\$26,260</u>
Replacement Year 2033	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	20,337
Total for 2033	<u>\$20,337</u>
Replacement Year 2034	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	20,907
Irrigation System - Replace (partial)	7,778
Trees/Vegetation - Replace (partial)	15,556
Total for 2034	<u>\$44,240</u>
Replacement Year 2035	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	21,492
Lighting/Equipment - Replace	1,959
Total for 2035	<u>\$23,451</u>
Replacement Year 2036	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	22,094
Playground Fall Surface - Replace	9,863
Concrete - Replace (partial)	9,863
Entry Monuments - Refurbish	9,863
Total for 2036	<u>\$51,684</u>
Replacement Year 2037	
Annual Cash Sweep From Operations	(5,000)

**Fairways of Sherrill Park HOA
CAR Annual Projects Detail**

Description	Expenditures
<i>Replacement Year 2037 continued...</i>	
Brick Screen Walls - Refurbish (partial)	22,713
Total for 2037	<u>\$22,713</u>
Replacement Year 2038	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	23,349
Total for 2038	<u>\$23,349</u>
Replacement Year 2039	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	24,002
Total for 2039	<u>\$24,002</u>
Replacement Year 2040	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	24,674
Lighting/Equipment - Replace	2,249
Total for 2040	<u>\$26,923</u>
Replacement Year 2041	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	25,365
Playground Fall Surface - Replace	11,324
Total for 2041	<u>\$36,689</u>
Replacement Year 2042	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	26,076
Park Furnishings - Replace	8,537
Total for 2042	<u>\$34,612</u>
Replacement Year 2043	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	26,806
Total for 2043	<u>\$26,806</u>
Replacement Year 2044	
Annual Cash Sweep From Operations	(5,000)

**Fairways of Sherrill Park HOA
CAR Annual Projects Detail**

Description	Expenditures
<i>Replacement Year 2044 continued...</i>	
Brick Screen Walls - Refurbish (partial)	27,556
Irrigation System - Replace (partial)	10,252
Trees/Vegetation - Replace (partial)	20,503
Total for 2044	\$58,311
Replacement Year 2045	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	28,328
Lighting/Equipment - Replace	2,582
Total for 2045	\$30,910
Replacement Year 2046	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	29,121
Playground Fall Surface - Replace	13,000
Concrete - Replace (partial)	13,000
Entry Monuments - Refurbish	13,000
Fall Surface Dam - Replace	6,825
Total for 2046	\$74,948
Replacement Year 2047	
Annual Cash Sweep From Operations	(5,000)
Brick Screen Walls - Refurbish (partial)	29,936
Total for 2047	\$29,936

**Fairways of Sherrill Park HOA
CAR Annual Expenditure Spreadsheet**

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning Balance	35,000	35,350	32,405	33,338	34,209	41,903	59,817	60,393	76,855	71,797
Annual Assessment		5,600	11,200	16,800	22,400	28,000	28,840	28,840	28,840	28,840
Interest Earned	350	271	231	190	217	345	301	414	315	434
Expenditures		13,816	15,498	21,119	19,924	15,430	33,565	17,792	39,213	17,232
Fully Funded Reserves	39,594	47,772	55,047	57,359	61,594	71,215	63,127	71,710	59,217	69,693
Percent Fully Funded	89%	68%	61%	60%	68%	84%	96%	107%	121%	127%
Ending Balance	35,350	32,405	33,338	34,209	41,903	59,817	60,393	76,855	71,797	88,839

Description

Concrete - Replace (partial)									7,483	
Entry Monuments - Refurbish									7,483	
Metal Fence - Replace	<i>Unfunded</i>									
Brick Screen Walls - Refurbish (partial)		13,816	14,203	14,601	15,010	15,430	15,862	16,306	16,763	17,232
Irrigation System - Replace (partial)							5,901			
Trees/Vegetation - Replace (partial)							11,802			
Lighting/Equipment - Replace			1,295					1,486		
Park Furnishings - Replace					4,914					
Fiber Fence - Replace										
Playset - Replace										
Playground Fall Surface - Replace				6,518					7,483	
Fall Surface Dam - Replace										
Annual Cash Sweep From Operations		-5,000	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000
Year Total:		13,816	15,498	21,119	19,924	15,430	33,565	17,792	39,213	17,232

**Fairways of Sherrill Park HOA
CAR Annual Expenditure Spreadsheet**

	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Beginning Balance	88,839	105,806	122,685	137,742	141,160	151,013	167,203	159,672	173,325	158,864
Annual Assessment	29,128	29,420	29,714	30,011	30,311	30,614	30,920	31,230	31,542	31,857
Interest Earned	553	670	770	754	802	913	789	875	682	780
Expenditures	17,715	18,211	20,427	32,346	26,260	20,337	44,240	23,451	51,684	22,713
Fully Funded Reserves	80,709	92,288	102,697	101,952	108,272	121,710	111,830	123,945	108,302	122,957
Percent Fully Funded	131%	133%	134%	138%	139%	137%	143%	140%	147%	141%
Ending Balance	105,806	122,685	137,742	141,160	151,013	167,203	159,672	173,325	158,864	173,789

Description

Concrete - Replace (partial)									9,863	
Entry Monuments - Refurbish									9,863	
Metal Fence - Replace	<i>Unfunded</i>									
Brick Screen Walls - Refurbish (partial)	17,715	18,211	18,720	19,245	19,783	20,337	20,907	21,492	22,094	22,713
Irrigation System - Replace (partial)							7,778			
Trees/Vegetation - Replace (partial)							15,556			
Lighting/Equipment - Replace			1,706					1,959		
Park Furnishings - Replace					6,477					
Fiber Fence - Replace										
Playset - Replace										
Playground Fall Surface - Replace				8,591					9,863	
Fall Surface Dam - Replace				4,510						
Annual Cash Sweep From Operations	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000
Year Total:	17,715	18,211	20,427	32,346	26,260	20,337	44,240	23,451	51,684	22,713

**Fairways of Sherrill Park HOA
CAR Annual Expenditure Spreadsheet**

	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
Beginning Balance	173,789	188,492	202,958	214,895	217,370	222,253	235,357	217,063	226,557	191,966
Annual Assessment	32,176	32,498	32,823	33,151	33,482	33,817	34,155	34,497	34,842	35,190
Interest Earned	876	970	1,039	1,014	1,012	1,093	862	907	515	572
Expenditures	23,349	24,002	26,923	36,689	34,612	26,806	58,311	30,910	74,948	29,936
Fully Funded Reserves	138,348	154,504	169,144	175,219	184,693	203,581	191,766	208,977	182,620	203,053
Percent Fully Funded	136%	131%	127%	124%	120%	116%	113%	108%	105%	100%
Ending Balance	188,492	202,958	214,895	217,370	222,253	235,357	217,063	226,557	191,966	202,792

Description

Concrete - Replace (partial)									13,000	
Entry Monuments - Refurbish									13,000	
Metal Fence - Replace	<i>Unfunded</i>									
Brick Screen Walls - Refurbish (partial)	23,349	24,002	24,674	25,365	26,076	26,806	27,556	28,328	29,121	29,936
Irrigation System - Replace (partial)							10,252			
Trees/Vegetation - Replace (partial)							20,503			
Lighting/Equipment - Replace			2,249					2,582		
Park Furnishings - Replace					8,537					
Fiber Fence - Replace										
Playset - Replace										
Playground Fall Surface - Replace				11,324					13,000	
Fall Surface Dam - Replace									6,825	
Annual Cash Sweep From Operations	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000
Year Total:	23,349	24,002	26,923	36,689	34,612	26,806	58,311	30,910	74,948	29,936

PART III

PHYSICAL ANALYSIS

The following pages contain descriptions of each identified reserve component maintained by the association. Each reserve component is shown with its estimated useful life, remaining life, and current cost to replace. Supporting information is included where applicable.

This information is analyzed by computer to produce the cash flow analysis and funding plans.

This component inventory and condition assessment information was obtained during an on-site visit on November 22, 2017 and via subsequent discussions with local contractors, board members or agents for the board. No destructive testing was done to determine condition of components that are not readily accessible (for example, sampling plumbing lines or flat roof core samples).

Remaining life estimates are based on typical useful life expectancy minus effective age of components (which may not be the same as chronological age). Published costs and life expectancies may also be used. No representation is made as to how much actual costs and actual life expectancies at the time of future replacement may differ from estimates contained herein. Because actual contractor bids vary considerably, it is entirely possible that the association may select a bid that is more costly or less costly than the estimates provided. Also note that contractor estimates discussed on the following pages are not to be interpreted as formal bids or as an endorsement of that particular contractor.

This on-site inspection is not to be considered as a project audit or quality inspection.

**Fairways of Sherrill Park HOA
CAR Inventory Summary Report**

Report Date April 03, 2018
 Beginning Fiscal Year January 01, 2018
 Account Number 9265

Version Number 3.0

Description	Date In Service	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Concrete - Replace (partial)	2026	6,000	10	0	8	7,483	1 @	6,000.00
Entry Monuments - Refurbish	2026	6,000	10	0	8	7,483	2 @	3,000.00
Metal Fence - Replace	<i>Unfunded</i>							
Brick Screen Walls - Refurbish (part..)	2019	13,440	1	1	1	13,816	4200 @	160.00
Irrigation System - Replace (partial)	2024	5,000	10	0	6	5,901	1 @	5,000.00
Trees/Vegetation - Replace (partial)	2024	10,000	10	0	6	11,802	1 @	10,000.00
Lighting/Equipment - Replace	2020	1,225	5	0	2	1,295	49 @	125.00
Park Furnishings - Replace	2022	4,400	10	0	4	4,914	11 @	800.00
Fiber Fence - Replace	2056	24,375	40	0	38	69,612	325 @	75.00
Playset - Replace	2051	45,000	35	0	33	111,940	1 @	45,000.00
Playground Fall Surface - Replace	2021	6,000	5	0	3	6,518	1 @	6,000.00
Fall Surface Dam - Replace	2031	3,150	15	0	13	4,510	225 @	14.00
Annual Cash Sweep From Operations	<i>Unfunded</i>							

**Fairways of Sherrill Park HOA
CAR Inventory by Remaining Life**

Description	Remaining Life	Replacement Year	Fully Funded Reserves
Brick Screen Walls - Refurbish (partial)	1	2019	6,720
Lighting/Equipment - Replace	2	2020	735
Playground Fall Surface - Replace	3	2021	2,400
Park Furnishings - Replace	4	2022	2,640
Irrigation System - Replace (partial)	6	2024	2,000
Trees/Vegetation - Replace (partial)	6	2024	4,000
Concrete - Replace (partial)	8	2026	1,200
Entry Monuments - Refurbish	8	2026	1,200
Fall Surface Dam - Replace	13	2031	420
Playset - Replace	33	2051	2,571
Fiber Fence - Replace	38	2056	1,219
Metal Fence - Replace		Unfunded	
Annual Cash Sweep From Operations		Unfunded	

**Fairways of Sherrill Park HOA
CAR Asset Index**

Description	Replacement	Page
Concrete - Replace (partial)	2026	3-4
Entry Monuments - Refurbish	2026	3-5
Metal Fence - Replace	Unfunded	3-6
Brick Screen Walls - Refurbish (partial)	2019	3-7
Irrigation System - Replace (partial)	2024	3-9
Trees/Vegetation - Replace (partial)	2024	3-10
Lighting/Equipment - Replace	2020	3-11
Park Furnishings - Replace	2022	3-12
Fiber Fence - Replace	2056	3-13
Playset - Replace	2051	3-14
Playground Fall Surface - Replace	2021	3-15
Fall Surface Dam - Replace	2031	3-16
Annual Cash Sweep From Operations	Unfunded	3-17
Total Funded Assets	11	
Total Unfunded Assets	<u>2</u>	
Total Assets	13	

**Fairways of Sherrill Park HOA
CAR Component Inventory Detail**

Concrete - Replace (partial)

		Quantity	1
		Asset Cost	\$6,000.00
		Percent Replacement	100%
		Future Cost	\$7,483.35
Placed in Service	Concrete		
Useful Life	January 2016		
Replacement Year	10		
Remaining Life	2026		
	8		



Low Cost = \$4,000/each

High Cost = \$8,000/each

The concrete walks located at the recreation areas and common walks are in overall good condition with isolated areas of cracking. Recommend repairing any trip/fall hazards immediately and inspect periodically for damage. Repair and replace damaged concrete to mitigate any subsurface moisture which will accelerate deterioration. Funding is to replace sections of concrete as needed, with no anticipation of replacing all concrete at one time.

**Fairways of Sherrill Park HOA
CAR Component Inventory Detail**

Entry Monuments - Refurbish

		Quantity	2 Each
		Asset Cost	\$6,000.00
		Percent Replacement	100%
		Future Cost	\$7,483.35
General Common Area			
Placed in Service	April 2016		
Useful Life	10		
Replacement Year	2026		
Remaining Life	8		



Low Cost = \$2,500/each

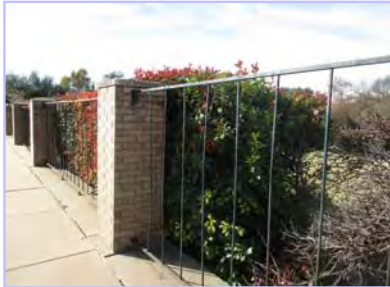
High Cost = \$3,500/each

The decorative entry monuments are in overall good condition with a few noted areas of mortar deterioration. Mortar should be tuck pointed occasionally and lettering painted to ensure maximum useful life.

**Fairways of Sherrill Park HOA
CAR Component Inventory Detail**

Metal Fence - Replace

		Quantity	300 LF
		Asset Cost	
		Percent Replacement	100%
		Future Cost	
	Fencing		
Placed in Service	January 1988		
Useful Life	30		
Replacement Year	2018		
Remaining Life	0		



Low Cost - \$25/LF

High Cost - \$35/LF

The metal fence along Jupiter appeared to be in very poor condition at the time of inspection. Recommend the regular application of a quality metal paint to protect the surfaces from the elements. The Board is considering various options for the metal fence which may include replacement with a different component type, or elimination altogether.

**Fairways of Sherrill Park HOA
CAR Component Inventory Detail**

Brick Screen Walls - Refurbish (partial)

		Quantity	4,200 LF
		Asset Cost	\$13,440.00
		Percent Replacement	2%
		Future Cost	\$13,816.32
	Fencing		
Placed in Service	January 2017		
Useful Life	1		
Adjustment	1		
Replacement Year	2019		
Remaining Life	1		



Low Cost = \$150/LF

High Cost = \$180/LF

Brick panel wall needs include: (4) panels that need immediate rebuilding; (18) panels that need grout work; (11) columns that need repairs and (8) caps that need replacement.

Brick panel fencing is a significant repair item for most Texas communities, and will deteriorate with time. Many techniques have been implemented to attempt to extend the life of these items with limited varying success. "Thin Wall" panels are lifted or installed into position resting in between columns. This allows the panels to "float" and move between columns in accordance to the hydraulic forces acting upon it, and/or movement from soils with a high "plasticity index" which are present in north Texas. The use of a reinforcing "L" bracket at the base, and highly elastic tensile strength mortar (type "S") provides for the flexibility of the wall to withstand the hydraulic load put upon it. The durability of the wall is highly influenced by the quality of the mortar joints and great care should be taken to ensure that dense joints are achieved. Joints should be tooled to a concave or a tight "V" finish to improve the bond between the mortar and the brick. "Raked" joints are not acceptable in the thin wall method.

Brick walls do not last forever and limited maintenance or no maintenance will result in a shortened life span. The mortar will require some observation to maintain its reliability and this may require "tuck-pointing" along with sealing. As a standard maintenance, it is advisable to periodically inspect the mortar for cracks and make repairs on a three to five year cycle. Areas of pooling water and vegetation should not come in contact with the wall or columns. When possible, irrigation systems should be directed away from the wall.

**Fairways of Sherrill Park HOA
CAR Component Inventory Detail**

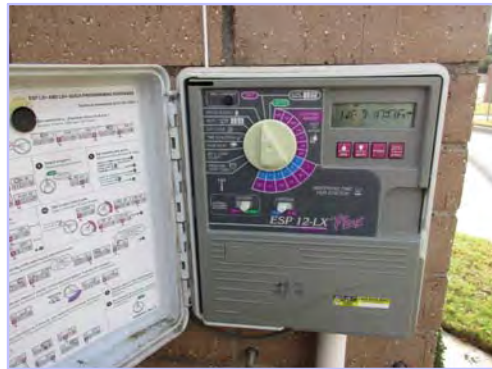
Brick Screen Walls - Refurbish (partial) continued...

Funding anticipates walls will continue a cycle of refurbishment due to age. This cycle will continue as the community ages, and timing and quality will need evaluation and adjustment in future reports.

**Fairways of Sherrill Park HOA
CAR Component Inventory Detail**

Irrigation System - Replace (partial)

	Quantity	1
	Asset Cost	\$5,000.00
	Percent Replacement	100%
	Future Cost	\$5,901.04
Landscape and Equipment		
Placed in Service	January 2014	
Useful Life	10	
Replacement Year	2024	
Remaining Life	6	



Low Cost - \$3,000/each

High Cost - \$7,000/each

Irrigation system is typically repaired on an as-needed basis as part of the landscape contract. Occasionally, extensive repair and replacement of large sections of the irrigation system are necessary as provided herein. Anticipate an allowance to repair sections of the irrigation system or higher cost components such as clocks and backflow prevention devices.

**Fairways of Sherrill Park HOA
CAR Component Inventory Detail**

Trees/Vegetation - Replace (partial)

		Quantity	1
		Asset Cost	\$10,000.00
		Percent Replacement	100%
		Future Cost	\$11,802.08
	Landscape and Equipment		
Placed in Service	January 2014		
Useful Life	10		
Replacement Year	2024		
Remaining Life	6		



Low Cost - \$5,000/each

High Cost - \$15,000/each

Trees and vegetation are generally mature and appear in overall good to fair condition. Funding is for ongoing maintenance and replacement of trees and vegetation due to winter kill and disease, as a supplement to the operating budget.

**Fairways of Sherrill Park HOA
CAR Component Inventory Detail**

Lighting/Equipment - Replace

		Quantity	49 Each
		Asset Cost	\$1,225.00
		Percent Replacement	20%
		Future Cost	\$1,294.56
	Lighting, Exterior		
Placed in Service	January 2015		
Useful Life	5		
Replacement Year	2020		
Remaining Life	2		



Low Cost - \$300/each



High Cost - \$500/each

Accent lights are used to highlight the monument sign areas and entry median. Recommend using operational budget to effect minor repairs. Funding is for replacement of a portion of the fixtures and controls due to age and damage as well as upgrades in technology.

**Fairways of Sherrill Park HOA
CAR Component Inventory Detail**

Park Furnishings - Replace

		Quantity	11 Each
		Asset Cost	\$4,400.00
		Percent Replacement	50%
		Future Cost	\$4,913.89
	General Common Area		
Placed in Service	January 2012		
Useful Life	10		
Replacement Year	2022		
Remaining Life	4		



Low Cost -\$600/each



High Cost - \$1,000/each

Miscellaneous park items include: (8) benches, (1) trash can and (2) metal tables. Items appear in overall good to fair condition with no significant deterioration or fading noted. Anticipate replacing items on an as-needed basis due to age, use and vandalism.

**Fairways of Sherrill Park HOA
CAR Component Inventory Detail**

Fiber Fence - Replace

		Quantity	325 LF
		Asset Cost	\$24,375.00
		Percent Replacement	100%
		Future Cost	\$69,611.82
	Fencing		
Placed in Service	January 2016		
Useful Life	40		
Replacement Year	2056		
Remaining Life	38		



Low Cost - \$70/LF

High Cost - \$80/LF

Fiberglass fence is in good condition with no signs of fading or damage. Recommend maintaining fence by ensuring surface integrity is intact. This may require painting or sealing in future years. Recommend regular inspections to identify and treat damaged areas in order to avoid additional future costs to replace larger quantities of fence.

**Fairways of Sherrill Park HOA
CAR Component Inventory Detail**

Playset - Replace

		Quantity	1 Each
		Asset Cost	\$45,000.00
07 - Playgrounds & Recreation		Percent Replacement	100%
Playgrounds		Future Cost	\$111,940.00
Placed in Service	January 2016		
Useful Life	35		
Replacement Year	2051		
Remaining Life	33		



Low Cost - \$40,000/each

High Cost - \$50,000/each

The playset is new and receives minimal use. Recommend regular inspections to insure equipment is safe. Also, the Board should evaluate if updating the playground is consistent with age appropriate use of the surrounding community.

**Fairways of Sherrill Park HOA
CAR Component Inventory Detail**

Playground Fall Surface - Replace

		Quantity	1
		Asset Cost	\$6,000.00
07 - Playgrounds & Recreation		Percent Replacement	100%
Playgrounds		Future Cost	\$6,518.24
Placed in Service	January 2016		
Useful Life	5		
Replacement Year	2021		
Remaining Life	3		



Low Cost - \$4,000/each

High Cost - \$8,000/each

Bark is in generally good condition appearing to have been recently refreshed. Material should be checked and refreshed as needed regularly to ensure against bare ground in critical areas and should be replaced with approved fall surface material.

**Fairways of Sherrill Park HOA
CAR Component Inventory Detail**

Fall Surface Dam - Replace

		Quantity	225 LF
		Asset Cost	\$3,150.00
07 - Playgrounds & Recreation		Percent Replacement	100%
	Playgrounds	Future Cost	\$4,510.46
Placed in Service	January 2016		
Useful Life	15		
Replacement Year	2031		
Remaining Life	13		



Low Cost - \$12/LF



High Cost - \$16/LF

Fall surface plastic dam is in overall good condition. Funding anticipates replacement due to age and use.

**Fairways of Sherrill Park HOA
CAR Component Inventory Detail**

Annual Cash Sweep From Operations

Cotribution (5,000.00)

	Contingency
Placed in Service	January 2019
Useful Life	1
Replacement Year	2019
Remaining Life	1

PART IV
GENERAL INFORMATION

Implementing your Study (A Board's Planning Tool)

Your Reserve Study results may be simple or complex. In most cases, the results require a minor adjustment to the contribution, often offset by the reclassification of work from the operating budget to the reserve budget. In some cases, however, the reserve study results can be complex, requiring the development of a *strategic plan* that may take several years to implement.

In either case, communication is the key. Most Association Members are aware of the strengths and weaknesses of their community, even if they are never publicly discussed. We have found very little resistance to even the most difficult plans if communicated properly.

Generally, the Board can successfully implement the study in these four easy steps:

Step 1: Board Meeting

The Board of Directors has the responsibility to do what is in the best interest of the Association and has significant influence; therefore, the first step is for the Board to meet. This meeting should discuss the results of the reserve study. Invite the Association Manager to attend. The purpose of this meeting should be for the Board to better understand the financial position and the upcoming reserve requirements of the Association. This includes understanding what most influences the results of the Reserve Study

Step 2: Make a Plan

The Board should then create a plan to determine how best to manage the Association's common area assets and financial position. Using this Reserve Study as a guide, the Board should make the adjustments required to meet the needs of the Association and its members. This includes setting the Reserve Contribution amount.

Step 3: Association Meeting

After the Board has determined the best course of action, present it to the Association. This allows them to ask questions and understand the direction the community will be heading. This is by far the most important step. Communicating with owners the reasons why will help significantly. Additionally, this brings confidence in the leadership of the Board and unity among the Association members.

Step 4: Update and Adjust

This Reserve Study is a one-year document. It needs to be updated and adjusted annually. Additionally, we recommend regular reviews of your plan. Assess progress and make adjustments as necessary. As already mentioned, we recommend communicating regular updates to the Association members. Whether a major project is underway or postponed for various reasons, the membership will appreciate the update. The purpose of this Reserve Study is to help your community succeed. That only works when you are proactive and consistent.

There are 4 keys to implementing your plan effectively:

- be persistent
- make incremental changes
- monitor & implement your plan continuously
- keep your eye on the ball

Consistently using these keys will help you follow your plan and achieve your goals.

Tips on Presenting the Results

Often, the Association Members will be presented with bad news in the form of significant increases or special

assessments. In our experience, it is best to have an impartial party such as your Reserve Provider present the results. This allows the facts to be presented without having to deal with blame or accusations of delivering an "agenda". If you wish to proceed on your own, this outline has been successful:

- Be positive! A positive energetic presentation will help to reduce stress
- Clearly explain the reserve process
- Highlight the concepts of "fairness" and "paying for what is being used" rather than referring to component replacements as future purchases
- Highlight the concept of ongoing deterioration. There's nothing anyone can do stop it!
- Explain how you got to your position without pointing fingers
- Assure the Members that you are on the right path
- Remember, there's only 3 ways to pay for reserve projects: increase in dues; special assessments or a loss in value due to deferred maintenance. One of the three must be met.

General Information and Answers to Frequently Asked Questions

Why is it important to perform a Reserve Study?

As previously mentioned, the reserve allocation makes up a significant portion of the total monthly dues. This report provides the essential information that is needed to guide the Board of Directors in establishing the budget in order to run the daily operations of your association. It is suggested that a third party professionally prepare the Reserve Study since there is no vested interest in the property. Also, a professional knows what to look for and how to properly develop an accurate and reliable component list.

After we have a Reserve Study completed, what do we do with it?

Step 1: Board Meeting

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- be persistent
- make incremental changes
- monitor & implement your plan continuously

- keep your eye on the ball

Consistently using these keys will help you follow your plan and achieve your goals.

How often do we update or review the Reserve Study?

Unfortunately, there is a misconception that these reports are good for an extended period of time since the report has projections for the next 30 years. Just like any major line item in the budget, the Reserve Study should be reviewed each year before the budget is established. Invariably, some assumptions have to be made during the compilation of this analysis. Anticipated events may not materialize and unpredictable circumstances could occur. Deterioration rates and repair/replacement costs may vary from causes that are unforeseen. Earned interest rates may vary from year to year.

These variations could alter the content of the Reserve Study. Therefore, this analysis should be reviewed annually, and a property inspection should be conducted at least once every three years.

Is it the law to have a Reserve Study conducted?

The Government requires reserve analyses in approximately 20 States. Even if it is not currently governed by your State, the chances are very good that the documents of the association require the association to have a reserve fund established. This doesn't mean a Reserve Study is required, but how are you going to know you have enough funds in the account if you don't have the proper information? Some associations look at the reserve fund and think that \$50,000 is a lot of money and they are in good shape. What they don't know is that the roof is going to need to be replaced within 5 years, and the cost of the roof is going to exceed \$75,000. So while \$50,000 sounds like a lot of money, in reality it won't even cover the cost of a roof, let alone all the other amenities the association is responsible to maintain.

What is a “Reserve Component” versus an “Operating Component”?

A “Reserve” component is an item that is the responsibility of the association to maintain, has a limited useful life, predictable remaining useful life, typically occurs on a cyclical basis that exceeds 1 year, and costs above a minimum threshold amount. An “Operating” expense is typically a fixed expense that occurs on an annual basis. For instance, minor repairs to a roof for damage caused by high winds or other weather elements would be considered an “Operating” expense. However, if the entire roof needs to be replaced because it has reached the end of its life expectancy, then the replacement would be considered a reserve expense.

What are the grey areas of “maintenance” items that are often seen in a Reserve Study?

One of the most popular questions revolves around major “maintenance” items, such as painting the buildings or seal coating the asphalt. You may hear from your accountant that since painting or seal coating is not replacing a “capital” item, then it cannot be considered a Reserve issue. However, it is the opinion of several major Reserve Study providers that these items are considered to be major expenses that occur on a cyclical basis. Therefore, it makes it very difficult to ignore a major expense that meets the criteria to be considered a reserve component. Once explained in this context, many accountants tend to agree and will include any expenses, such as these examples, as a reserve component.

What happens during the Property Inspection?

The Property Inspection was conducted following a review of the documents that were established by the developer identifying all common area assets. In some cases, the Board of Directors at some point may have revised the documents. In either case, the most current set of documents was reviewed prior to inspecting the property. In addition, common area assets may have been reported to Community Association Reserves by the client, or by other parties.

Estimated life expectancies and life cycles are based upon conditions that were readily accessible and visible at the time of the inspection. We did not destroy any landscape work, building walls, or perform any methods of intrusive investigation during the inspection. In these cases, information may have been obtained by contacting the contractor or vendor that has worked on the property.

What is the Financial Analysis?

We projected the starting balance by taking the most recent balance statement, adding expected reserve contributions for the rest of the fiscal year, and subtracting any pending projects that will be paid for before the end of the current fiscal year. We compared this number to the ideal reserve balance and arrived at the percent funded level.

Measures of strength are as follows:

0% - 30% Funded is considered to be a “weak” financial position. Associations that fall into this category are subject to special assessments and deferred maintenance, which could lead to lower property values. If the association is in this position, actions should be taken to improve the financial strength of the reserve fund.

31% - 69% Funded is considered a “fair” financial position. The majority of associations fall into this category. While this doesn’t represent financial strength and stability, the likelihood of special assessments and deferred maintenance is diminished. Effort should be taken to continue strengthening the financial position of the reserve fund.

70% - 99% Funded is considered a “strong” financial position. This indicates financial strength of a reserve fund and every attempt to maintain this level should be a goal of the association.

100% Funded is considered an “ideal” financial position. This means that the association has the exact amount of funds in the reserve account.

Definition of Terms Used

A reserve study contains a number of industry-related terms and phrases. To help you better understand the reserve study process and reports, we've provided definitions for the most commonly used terms.

Cash Flow Method - A method of developing a reserve funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

Component - The individual line items in the reserve study developed or updated in the physical analysis. These elements form the building blocks for the reserve study. Components typically are: 1) association responsibility, 2) with limited useful life expectancies, 3) predictable remaining useful life expectancies, 4) above a minimum threshold cost, 5) as required by local codes.

Component Assessment and Valuation - The task of estimating useful life, remaining useful life, and repair or replacement costs for the reserve components. This task is accomplished either with or without on-site visual observations, based on the level of service selected by the client.

Component Inventory - The task of selecting and quantifying reserve components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, review of established association precedents and discussion with appropriate association representative(s) of the association or cooperative.

Component Method - A method of developing a reserve funding plan where the total contribution is based on the sum of contributions for individual components. See "cash flow method".

Condition Assessment - The task of evaluating the current condition of the component based on observed or reported characteristics.

Current Replacement Cost - See "replacement cost".

Deficit - An actual (or projected) reserve balance less than the fully funded balance. The opposite would be a surplus.

Effective Age - The difference between useful life and remaining useful life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

Field Inspection - A site visit which includes a visual inspection of all components. In cases where plans of the property are unavailable, it would also include the quantity survey.

Financial Analysis - The portion of a reserve study where current status of the reserves (measured as cash or percent funded) and a recommended reserve contribution rate (reserve funding plan) are derived and the projected reserve income and expense over time is presented. The financial analysis is one of the two parts of a reserve study.

Fully Funded - 100% funded. When the actual (or projected) reserve balance is equal to the fully funded balance.

Fully Funded Balance (FFB) - Total accrued depreciation. An indicator against which actual (or projected) reserve balance can be compared. The reserve balance that is in direct proportion to the fraction of life "used up" of the current repair or replacement cost. This number is calculated for each component and summed

together for an association total. Two formulae can be utilized, depending on the provider's sensitivity to interest and inflation effects. Note: both yield identical results when interest and inflation are equivalent.

$FFB = \text{Current Cost} \times \text{Effective Age/Useful Life}$, or

$FFB = (\text{Current Cost} \times \text{Effective Age/Useful Life}) + [(\text{Current Cost} \times \text{Effective Age/Useful Life}) / (1 + \text{Interest Rate}) ^ \text{Remaining Life}] - [(\text{Current Cost} \times \text{Effective Age/Useful Life}) / (1 + \text{Inflation Rate}) ^ \text{Remaining Life}]$

Fund Status - The status of the reserve fund as compared to an established benchmark such as percent funding.

Funding Goals - Independent of methodology utilized, the following represent the basic categories of funding plan goals:

Baseline Funding - Establishing a reserve funding goal of keeping the reserve cash balance above zero.

Full Funding - Setting a reserve funding goal of attaining and maintaining reserves at or near 100% funded.

Statutory Funding - Establishing a reserve funding goal of setting aside the specific minimum amount of reserves required by local statutes.

Threshold Funding - Establishing a reserve funding goal of keeping the reserve balance above a specified dollar or percent funded amount. Depending on the threshold, this may be more or less conservative than "fully funding."

Funding Plan - An association's plan to provide income to a reserve fund to offset anticipated expenditures from that fund.

Funding Principles:

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

Life and Valuation Estimates - The task of estimating useful life, remaining useful life, and repair or replacement costs for the reserve components.

Percent Funded - The ratio, at a particular point of time (typically the beginning of the fiscal year), of the actual (or projected) reserve balance to the fully funded balance, expressed as a percentage.

Physical Analysis - The portion of the reserve study where the component inventory, condition assessment, and life and valuation estimate tasks are performed. This represents one of the two parts of the reserve study.

Remaining Useful Life (RUL) - Also referred to as "remaining life" (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have "zero" remaining useful life.

Replacement Cost - The cost of replacing, repairing, or restoring a reserve component to its original functional condition. The current replacement cost would be the cost to replace, repair, or restore the component during that particular year.

Reserve Balance - Actual or projected funds as of a particular point in time that the association has identified

for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as reserves, reserve accounts, cash reserves. Based upon information provided and not audited.

Reserve Study Provider - An individual that prepares reserve studies.

Reserve Study - A budget planning tool which identifies the current status of the reserve fund and a stable and equitable funding plan to offset the anticipated future major common area expenditures. The reserve study consists of two parts: the physical analysis and the financial analysis.

Responsible Charge - A reserve specialist in responsible charge of a reserve study shall render regular and effective supervision to those individuals performing services which directly and materially affect the quality and competence rendered by the reserve specialist. A reserve specialist shall maintain such records as are reasonably necessary to establish that the reserve specialist exercised regular and effective supervision of a reserve study of which he was in responsible charge. A reserve specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

1. The regular and continuous absence from principal office premises from which professional services are rendered; except for performance of field work or presence in a field office maintained exclusively for a specific project;
2. The failure to personally inspect or review the work of subordinates where necessary and appropriate;
3. The rendering of a limited, cursory or perfunctory review of plans or projects in lieu of an appropriate detailed review;
4. The failure to personally be available on a reasonable basis or with adequate advance notice for consultation and inspection where circumstances require personal availability.

Special Assessment - An assessment levied on the members of an association in addition to regular assessments. Special assessments are often regulated by governing documents or local statutes.

Surplus - An actual (or projected) reserve balance greater than the fully funded balance. See "deficit. "

Useful Life (UL) - Total useful life or depreciable life. The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.

Disclosures and Limitations

Community Association Reserves has relied upon certain information provided by Association representatives in the performance of this reserve study. Such information includes, but is not necessarily limited to, financial data, identification or quantification of common area components, and historical maintenance information. Such information is deemed reliable by Community Association Reserves. This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors, assorted vendors, specialists and independent contractors, the Community Associations Institute, various construction pricing and scheduling manuals including, but not limited to: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator and the McGraw Hill Book Company. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of the preparation of reserve analysis studies.

The reserve study is a reflection of information provided to Community Association Reserves and this report has been assembled for use by the Association. This report has not been audited, nor subjected to a forensic or quality analysis, or background checks of historical records.

The reserve balance projected in this report is based upon information provided by the Association to Community Association Reserves and was not audited.

Information provided to Community Association Reserves by the Association about reserve projects is considered reliable. The onsite visit cannot be considered a project audit or a quality visit. No forensic or destructive testing was completed.

Neither Community Association Reserves, nor its owners individually have other relationships with the Association that would represent a conflict of interest.

Your Community Association Reserves, Reserve Specialist is Richard Hamilton, RS. Mr. Hamilton has been preparing reserve studies and capital budgets since 1986 and has performed hundreds of reserve studies. His reserve study experience encompasses all types of reserve studies, including condominium, townhome, master home owner, business park, resort, hotel and timeshare associations.

Mr. Hamilton holds the Reserve Specialist (RS) designation issued by the CAI, the National Community Association Institute, and is a member of the CAI. Mr. Hamilton also holds the designation of Professional Reserve Analyst (PRA) issued by the Association of Professional Reserve Analysts (APRA).

Mr. Hamilton has worked as a Controller for a large real estate investment and management firm and possesses the skills directly applicable to preparation of a financial forecast for future major repairs and replacements. The skill-set involved in the above described experience and designations represent the skills most directly applicable to evaluation of existing facilities for purposes of a reserve study.

The site visit includes observations of all visible common area components, unless otherwise indicated on the detail component listing. No destructive testing was performed.

We are not aware of any material issues which, if not disclosed, would cause a significant distortion of the

Association's reserve status or funding plan.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and each estimated useful life will approximate that of the norm per industry standards and/or manufacture specifications used. In some cases, estimates may have been used on assets which have an indeterminable but potential liability to the association.

PART V
MEMBER'S SUMMARY

Members Summary

Fairways of Sherrill Park HOA 2018 - 2047

Number of Components Identified:	14
Fully Funded Balance Begin Fiscal Year:	\$25,105.18
Reserve Fund Balance Begin Fiscal Year:	\$35,000.00
Percent Fully Funded:	139%

Current Annual Assessment:	\$0.00
Current Assessment Per Unit:	\$0.00

Full (100%) Funding Annual Assessment

Recommended Assessment #1:	\$0.00
Assessment Per Unit #1:	\$0.00

Threshold (70%) Funding Annual Assessment

Recommended Assessment #2:	\$0.00
Assessment Per Unit #2:	\$0.00

Special Assessments (Annual)

Levied Year #1:	None
Levied Year #2:	None
Levied Year #3:	None
Levied Year #4:	None
Levied Year #5:	None

Projected Expenditures, Year #1:	\$0.00
Projected Expenditures, Year #2:	\$13,816.32
Projected Expenditures, Year #3:	\$15,497.74
Projected Expenditures, Year #4:	\$21,119.11
Projected Expenditures, Year #5:	\$19,923.58

**Fairways of Sherrill Park HOA
CAR Member's Inventory Summary**

Description	Date In Service	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Concrete - Replace (partial)	2026	6,000	10	0	8	7,483	1 @	6,000.00
Entry Monuments - Refurbish	2026	6,000	10	0	8	7,483	2 @	3,000.00
Metal Fence - Replace	<i>Unfunded</i>							
Brick Screen Walls - Refurbish (part..)	2019	13,440	1	1	1	13,816	4200 @	160.00
Irrigation System - Replace (partial)	2024	5,000	10	0	6	5,901	1 @	5,000.00
Trees/Vegetation - Replace (partial)	2024	10,000	10	0	6	11,802	1 @	10,000.00
Lighting/Equipment - Replace	2020	1,225	5	0	2	1,295	49 @	125.00
Park Furnishings - Replace	2022	4,400	10	0	4	4,914	11 @	800.00
Fiber Fence - Replace	2056	24,375	40	0	38	69,612	325 @	75.00
Playset - Replace	2051	45,000	35	0	33	111,940	1 @	45,000.00
Playground Fall Surface - Replace	2021	6,000	5	0	3	6,518	1 @	6,000.00
Fall Surface Dam - Replace	2031	3,150	15	0	13	4,510	225 @	14.00
Annual Cash Sweep From Operations	<i>Unfunded</i>							