

# RDA REPORT

**Saddlebrooke HOA 2 Villas**  
Tucson, Arizona  
Account 3358 - Version 002  
October 31, 2013

## RESERVE DATA ANALYSIS, INC.

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*Prepared By*

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# RESERVE DATA ANALYSIS, INC.



October 31, 2013

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Dear Mr. Silvan:

The completed reserve analysis study for the budget year beginning January 1, 2014 is attached. Your RDA reserve study is presented in two parts:

**Part 1** offers an easy-to-understand introduction to reserve budgeting and terminology along with a User's Guide to your RDA reserve study.

**Part 2** is your RDA reserve study, including a report summary, a Distribution of Accumulated Reserves, detail reports for each asset sorted by asset category, 30-year projections, and an alphabetical detail report index.

Please pay particular attention to the Detail Report by Category section of the report. See the Table of Contents for the page that corresponds to the first page of this section. This section provides specific information that was used to develop the budgeting information for each asset including the placed in service date, useful life and replacement cost. It also provides measurements, inventory counts and asset condition information as applicable. Most, if not all, of your questions will be answered by reviewing the detailed information and remarks for each asset.

The bottom box on page 2 – 1 identifies the recommended reserve contribution to the reserve account for 2014. *The amount of money that should be in the reserve account as of January 1, 2014 is identified at the bottom of pages titled **Funding Status Report** and **Distribution of Accumulated Reserves** in the column labeled "Fully Funded Reserves". The **Cash Flow Specific Projections** page provides the 30-year funding strategy including recommended contributions, interest earnings and scheduled expenses.*

To assist you in distribution to the Board and/or community membership we have emailed a PDF version (electronic copy) of the reserve study to you.

We hope that you find our report format both informative and useful. Should a revision be required, please submit all revision requests in writing via email within 90 days of this letter. We are happy to answer any questions that arise, no matter how small they seem. Please do not hesitate to call us. All of us at RDA have enjoyed providing you with the most detailed, comprehensive and useful reserve study available in the industry and we look forward to working with you again in the future.

Sincerely,

A handwritten signature in black ink that reads 'Tom Thompson'.

Tom Thompson  
Vice President

## RDA Reserve Study Guide

The RDA reserve study is a multi-purpose tool that is designed to assist the Board of Directors and Community Management team in the financial management of the Association's long term assets. To properly manage these assets, the Board of Directors and Community Manager need to spend some time reading, digesting and understanding what the reserve study is advising. The following instructions provide a step-by-step guide of what to do now that you have a reserve study prepared by Reserve Data Analysis.

**Step 1: Review the last page of the report** titled the "Detail Report Index" to familiarize yourself with the assets that make up your RDA Reserve Study.

**Step 2: Pick a single asset to review.** Your goal is to obtain a clear understanding of the pieces that go into budgeting for a specific asset including the placed in service date, useful life, quantity and unit cost. Once you have a clear understanding of how a single asset works, apply that knowledge to all other assets in the report.

**Step 3: Review the detailed information that budgeting for each asset is based on.** Look at each asset in the report. If the placed in service date, useful life, quantity, and replacement cost are considered reasonable and accurate, then the calculations and results of your RDA reserve study will be reasonable and accurate. Most questions can be answered by reading the detailed "Remarks" included with each asset.

**Step 4: Review Page 2 – 1.** The top of page 2 – 1 identifies the parameters that were used to generate the RDA Reserve Study calculations including budget year, reserve fund balance, annual contribution increase, interest rate earned on invested reserve funds, and contingency. The bottom of this page provides the summarized RDA Reserve Study results for the 1<sup>st</sup> year, including the recommended monthly reserve contribution in total and per unit.

**Step 5: Review the page titled "Distribution of Accumulated Reserves".** This page will provide justification for the percent funded calculations. It shows, by asset, how much money should be in the reserve account, based on the level of depreciation each asset has experienced as of the beginning of the budget year the RDA Reserve Study has been prepared for. Note that the figures listed in the column labeled "Fully Funded Reserves" do not represent the replacement cost unless the remaining life shows "0".

**Step 6: Review the page titled "Cash Flow Specific Projections".** This page will provide a rolling year to year projection of the reserve account for the next 30 years including recommended annual contributions, estimated interest earnings on invested reserve funds, expected annual expenditures, projected year end reserve balances, and the fully funded amount that should be in the reserve account at the end of each year. ***This is your funding strategy.*** The goal of an RDA funding strategy is to allow the Association to cover all planned reserve expenditures, build the reserve account to a fully funded (100%) position by end of the reporting period (30 years in most cases), all while starting with the lowest possible contribution to reserves.

**Step 7: Review the Annual Expenditure Detail pages.** These pages will show the projected future costs by year for each planned reserve expense through the end of the reporting period.

**Step 8: Call us with questions!** For someone who does not deal with them on a daily basis, reserve studies can be difficult to wade through. If there is something you don't understand, or something that you disagree with, we encourage you to call us to discuss it. RDA is committed to a long-term relationship with you and will spend the time on the phone with you to ensure that you understand where we are coming from, where we obtained our information or assumptions, and why we did what we did. Again, please call us with any questions you have as we are here to help in any way we can.

## Please Note

**This document has been provided pursuant to an agreement containing restrictions on its use. No part of this document may be copied or distributed, in any form or by any means, nor disclosed to third parties without the express written permission of Reserve Data Analysis, Inc., until it has been paid for in full. The Client shall have the right to reproduce and distribute copies of this report, or the information contained within, as may be required for compliance with all applicable regulations.**

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, specialist 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, Dodge Cost Manual 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 property management and preparation of reserve analysis studies.

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. The decision for the inclusion of these as well as all assets considered is left to the client.

**We recommend that your reserve analysis study be updated every two to three years due to fluctuating interest rates, inflationary changes and the unpredictable nature of the lives of many of the assets under consideration. All of the information collected during our inspection of the association and subsequent computations made in preparing this reserve analysis study are retained in our computer files. Therefore, updates can typically be completed in a more timely manner than the original study.**

Reserve Data Analysis, Inc. would like to thank you for using our services, and we invite you to call us at any time should you have any questions or comments or need assistance. In addition, any of the parameters and estimates used in this study may be changed at your request, after which we will provide you with a revised study.

**RESERVE DATA ANALYSIS, INC.**

**(480) 473-7643**

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## PART I - INTRODUCTION

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Preparing the annual budget and overseeing the association's finances are perhaps the most important responsibilities of board members. The annual operating and reserve budgets reflect the planning and goals of the association and set the level and quality of service for all of the association's activities.

### ■ 1. Funding Options

When a major repair or replacement is required in a community, an association has essentially four options available to address the expenditure:

The first option is to pass a "special assessment" to the membership in an amount required to cover the expenditure. Although not commonplace, there have been special assessments in the amount of \$10,000 per member assessed in associations in Virginia and southern California. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure if necessary. However, an association operating on a special assessment basis cannot guarantee that an assessment, when needed, will be passed. Consequently, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated to maintain when the need arises. Additionally, while relatively new communities require very little in the way of major "reserve" expenditures, associations reaching 12 to 15 years of age and older find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, can be devastating to an association's overall budget.

The second option is for the association to acquire a loan from a lending institution in order to effect the required repairs. In many cases, banks will lend money to an association using "future homeowner assessments" as collateral for the loan. With this method, not only is the current board of directors pledging the future assets of an association, they are also required to pay interest fees on the loan payback in addition to the original principal. In the case of a \$150,000 roofing replacement, the association may be required to pay back the loan over a three to five year period, with interest; whereas, if the association was setting aside reserves for this purpose, using the

vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof in order to accumulate the necessary moneys. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The third option, too often used, is simply to defer the required repair or replacement. This option can create an environment of declining property values due to the increasing deferred maintenance and the association's financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the Association by making it difficult or even impossible for potential buyers to obtain financing from lenders. Increasingly, many lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association, a prospective purchaser, or for an individual within such association.

The fourth, and only logical means that the board of directors has to ensure its ability to maintain the assets for which it is obligated, uniformly distributing the costs of the replacements over the entire membership, is by assessing an adequate level of reserves as part of the regular membership assessment. The community is not only comprised of present members, but also future members. Any decision by the board of directors to adopt a calculation method or funding plan which would disproportionately burden future members in order to make up for past reserve deficits would be a breach of its fiduciary responsibility to those future members. Unlike individuals determining their own course of action, the board is responsible to the "community" as a whole.

## ■ 2. The Reserve Study

There are two components of a reserve study – a physical analysis and a financial analysis. During the physical analysis, a reserve provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates. A financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent funded) to determine a recommendation for an appropriate reserve contribution rate in the future known as the "funding plan."

Reserve studies fit into one of three categories: 1) Full Study; 2) Update - with site inspection; and 3) Update - without site inspection.

- In a Full reserve study, the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a "fund status" and "funding plan."

- In an Update – with site inspection, the reserve provider conducts a component inventory (verification only, not quantification), a condition assessment (based on on-site visual observations), and life and valuation estimates to determine both the “fund status” and “funding plan.”
- In an Update – without site inspection, the reserve provider conducts life and valuation estimates to determine the “fund status” and “funding plan.”

### ■ 3. Developing a Component List

The budget process begins with an accurate inventory of all the major components for which the association is responsible. The determination of whether an expense should be labeled as operational, reserve, or excluded altogether is sometimes subjective. Since this labeling may have a major impact on the financial plans of the association, subjective determinations should be minimized. We suggest the following considerations when labeling an expense:

**OPERATIONAL EXPENSES** occur at least annually, no matter how large the expense, and can be effectively budgeted for each year. They are characterized as being reasonably predictable both in terms of frequency and cost. Operational expenses include all minor expenses which would not otherwise adversely affect an operational budget from one year to the next. Examples of Operational Expenses include:

**Utilities:**

- Electricity
- Gas
- Water
- Telephone
- Cable TV

**Services:**

- Landscaping
- Pool Maintenance
- Street Sweeping
- Accounting
- Reserve Study

**Administrative:**

- Supplies
- Bank Service Charges
- Dues & Publications
- Licenses, Permits & Fees

**Repair Expenses:**

- Tile Roof Repairs
- Equipment Repairs
- Minor Concrete Repairs
- Operating Contingency

**RESERVE EXPENSES** are major expenses that occur other than annually and which must be budgeted for in advance in order to provide the necessary funds in time



for their occurrence. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets which have an indeterminable but potential liability which may be demonstrated as a likely occurrence. They are expenses that when incurred would have a significant affect on the smooth operation of the budgetary process from one year to the next if they were not reserved for in advance. Examples of Reserve Expenses include:

- Roof Replacements
- Painting
- Deck Resurfacing
- Fencing Replacement
- Street Seal/Slurry Coatings
- Asphalt Overlays
- Pool Re-plastering
- Pool Equipment Replacement
- Pool Furniture Replacement
- Tennis Court Resurfacing
- Park & Play Equipment
- Equipment Replacement
- Interior Furnishings
- Lighting Replacement

**BUDGETING IS NORMALLY EXCLUDED FOR** repairs or replacements of assets which are deemed to have an estimated useful life equal to or exceeding the estimated useful life of the facility or community itself, or exceeding the legal life of the community as defined in an association's governing documents. Examples include the complete replacement of elevators, tile roofs, wiring and plumbing. Also excluded are insignificant expenses which may be covered either by an operating or reserve contingency, or otherwise in a general maintenance fund. Costs which are caused by acts of God, accidents or other occurrences which are more properly insured for, rather than reserved for, are also excluded.

#### ■ 4. Preparing the Reserve Study

Once the reserve assets have been identified and quantified, their respective replacement costs, useful lives and remaining lives must be assigned so that a funding schedule can be constructed. Replacement costs and useful lives can be found in published manuals such as construction estimators, appraisal handbooks, and valuation guides. Remaining lives are calculated from the useful lives and ages of assets and adjusted according to conditions such as design, manufacture quality, usage, exposure to the elements and maintenance history.

By following the recommendations of an effective reserve study the association should avoid any major shortfalls. However, to remain accurate, the report should be updated every two to three years to reflect such changes as shifts in economic parameters, additions of phases or assets, or expenditures of reserve funds. The association can assist in simplifying the reserve analysis update process by keeping accurate records of these changes throughout the year.

## ■ 5. Funding Methods

From the simplest to most complex, reserve analysis providers use many different computational processes to calculate reserve requirements. However, there are two basic processes identified as industry standards: the cash-flow method and the component method.

The cash flow method develops 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 actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a "window" in which all future anticipated replacement costs are computed, based on the individual lives of the components under consideration.

The component method develops a reserve-funding plan where the total contribution is based on the sum of contributions for individual components. The component method is the more conservative of the two funding options, and assures that the association will achieve and maintain an ideal level of reserves over time. This method also allows for computations on individual components in the analysis. The RDA Summary and RDA Projection Reports are based upon the component methodology.

## ■ 6. Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are two basic strategies widely used by associations. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association's need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The two funding plans and descriptions of both are detailed below.

- Full Funding — Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each year. At the end of three years, one would expect that three-tenths of the replacement cost to have accumulated, and if so, that component would be "fully-funded." This model is

important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. The formula is based on current replacement cost, and is a measure in time, independent of future inflationary or investment factors:

$$\text{Fully Funded Reserves} = \frac{\text{Age of Component}}{\text{Useful Life}} \times \text{Current Replacement Cost}$$

When an association's total accumulated reserves for all components meet this criteria, its reserves are "fully-funded."

- **Threshold Funding (RDA Modified Cash Flow Reports)** — There are two goals of this funding method. The first goal is to make sure that all scheduled reserve expenditures are covered by keeping the reserve cash balance above zero during the projected period. The second goal is to reach and maintain a 100% fully funded reserve balance during the projected period. Depending on the association's current percent funded, it may take the entire projected period (typically 30 years) before the 100% fully funded level is achieved.

Reaching and maintaining a 100% fully funded reserve balance by uniformly distributing the costs of the replacements over time benefits both current and future members of an association, and is the best approach the board of directors can take to fulfill its fiduciary responsibility. The modified cash flow method creates a funding strategy that gives the membership the lowest reserve funding recommendation as possible over time, while approaching the 100% fully funded level.

Another advantage of the modified cash flow method is that in most cases several strategies can be manually tested by Reserve Data Analysis, Inc. (the strategy is not based strictly on each components current funding status) until the best funding strategy is created – one that has consistent, incremental contribution increases from year to year. This very important aspect of the reserve study will aid the board of directors during the annual budgeting process.

## ■ 7. Distribution of Accumulated Reserves

The first step is to identify the ideal level of reserves for each asset. As indicated in the prior section, this is accomplished by evaluating the component's age proportionate to its estimated useful life and current replacement cost. Again, the equation used is as follows:

$$\text{Fully Funded Reserves} = \frac{\text{Age of Component}}{\text{Useful Life}} \times \text{Current Replacement Cost}$$

The RDA RESERVE MANAGEMENT SOFTWARE™ program performs the above calculations to the very month the component was placed-in-service. It also allows for the accumulation of the necessary reserves for the replacement to be available on the first day of the fiscal year it is scheduled to be replaced.

After identifying the ideal level of reserves for each asset, the beginning reserve balance must be allocated to each of the individual components identified in the analysis.

The next step the program performs is to arrange all of the assets used in the study in ascending order by remaining life, and alphabetically within each grouping of remaining life items. These assets are then assigned their respective ideal level of reserves until the amount of funds available are depleted, or until all assets are appropriately funded. If any assets are assigned a zero remaining life (schedule for replacement this fiscal year), then the amount assigned equals the current replacement cost and funding begins for the next cycle of replacement. If there are insufficient funds available to accomplish this, then the software automatically adjusts the zero remaining life item to 1 year and that asset assumes its new grouping position alphabetically in the final printed report.

If at the completion of this task there are additional moneys which have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such initially, but are then considered to be available reserves in the report funding computations.

Assigning the reserves in this manner defers the make-up period for any underfunding over the longest remaining life of all the assets under consideration, thereby minimizing the impact of deficiency. For example, if the report indicates an underfunding of \$50,000, this underfunding will be assigned to components with the longest remaining life possible in order to give more time to "replenish" the account. If the \$50,000 underfunding were to be assigned to short remaining life items, the impact would be immediately felt.

If the reserves are underfunded, the monthly contribution requirements as outlined in this report may be higher than normal depending on the calculation method that is used. In future years, as individual assets are replaced, the funding requirements will return to their normal levels. In the case of a large deficiency, a special assessment may be considered. The program can easily generate revised reports outlining how the monthly contributions would be affected by such an adjustment, or by any other changes which may be under consideration.

## ■ 8. Funding Reserves

Two contribution numbers are provided in the report, the “Monthly Membership Contribution” and the “Net Monthly Allocation.” The association should contribute to reserves each month the “Monthly Membership Contribution” figure, when the interest earned on the reserves is left in the reserve accounts as part of the contribution. When interest is earned on the reserves, that interest must be left in reserves and only amounts set aside for taxes should be removed.

The second alternative is to allocate the “Net Monthly Allocation” to reserves (this is the member contribution plus the anticipated interest earned for the fiscal year). This method assumes that all interest earned will be assigned directly as operating income. This allocation takes into consideration the anticipated interest earned on accumulated reserves regardless of whether or not it is actually earned. When taxes are paid the amount due will be taken directly from the association's operating accounts as the reserve accounts are allocated only those moneys net of taxes.

## ■ 9. Users' Guide to Your Reserve Analysis Study

Part II of your RDA REPORT contains the reserve analysis study for your association. There are seven types of pages in the study as described below.

### REPORT SUMMARY

The **Report Summary** lists all of the parameters which were used in calculating the report as well as the summary of your reserve analysis study.

### INDEX REPORTS

The **Distribution of Accumulated Reserves** report lists all assets in remaining life order. It also identifies the ideal level of reserves which should have accumulated for the association as well as the actual reserves available.

### DETAIL REPORTS

The **Detail Report** itemizes each asset and lists all measurements, current and future costs and calculations for that asset. Provisions for percentage replacements, salvage values and one-time replacements can also be utilized.

The numerical listings for each asset are enhanced by extensive narrative detailing factors such as design, manufacture quality, usage, exposure to elements and maintenance history.

The **Detail Report Index** is an alphabetical listing of all assets together with the page number of the asset's detail report and asset number.

### PROJECTIONS AND CHARTS

**Thirty-year Projections** of projected data add to the usefulness of your reserve analysis study.

## ■ 10. Definitions

**REPORT I.D.** - Includes the REPORT DATE (ex. November 15, 1992), VERSION (ex. 001), and ACCOUNT NUMBER (ex. 9773). Please use this information when referencing your report. (Displayed on the summary page.)

**BUDGET YEAR BEGINNING/ENDING** - The budgetary year for which the report is prepared. For associations with fiscal years ending December 31, the monthly contribution figures indicated are for the 12 month period beginning 1/1/2X and ending 12/31/2X.

**NUMBER OF UNITS/PHASES** - If applicable, the number of units and/or phases included in this version of the report.

**INFLATION** - This figure is used to approximate the future cost to repair or replace each component in the report. The current cost for each component is compounded on an annual basis by the number of remaining years to replacement and the total is used in calculating the monthly reserve contribution which will be necessary in order to accumulate the required funds in time for replacement.

**ANNUAL CONTRIBUTION INCREASE** - The percentage rate at which the association will increase its contribution to reserves at the end of each year until the year in which the asset is replaced. For example, in order to accumulate \$10,000 in 10 years, you could set aside \$1,000 per year. As an alternative, you could set aside \$795 the first year and increase that amount by 5% each year until the year of replacement. In either case you arrive at the same amount. The idea is that you start setting aside a lower amount and increase that number each year in accordance with the planned percentage. Ideally this figure should be equal to the rate of inflation. It can, however, be used to aid those associations that have not set aside appropriate reserves in the past by making the initial year's allocation less formidable.

**INVESTMENT YIELD** - The average interest rate anticipated by the association based upon its current investment practices.

**TAXES ON YIELD** - The estimated percentage of interest income which will be set aside for taxes.

**ACCUMULATED RESERVE BALANCE** - The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. Based upon information provided and not audited.

**PERCENT FULLY FUNDED** - The ratio, at the beginning of the fiscal year, of the actual (or projected) reserve balance to the calculated fully funded balance, expressed as a percentage.

**PHASE INCREMENT DETAIL/AGE** - Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

**MONTHLY CONTRIBUTION** - The contribution to reserves required by the association each month.

**INTEREST CONTRIBUTION** - The interest that should be earned on the reserves, net of taxes, based upon their beginning reserve balance and monthly contributions for one year. This figure is averaged for budgeting purposes.

**NET MONTHLY ALLOCATION** - The sum of the monthly contribution and interest contribution figures.

**GROUP OR FACILITY NUMBER/CATEGORY NUMBER** - The report may be prepared and sorted either by group or facility (location, building, phase, etc.) or by category (roofing, painting, etc.). Standard report printing format is by category.

**PERCENTAGE OF REPLACEMENT** - In some cases, an asset may not be replaced in its entirety or the cost may be shared with a second party. Examples are budgeting for a percentage of replacement of streets over a period of time, or sharing the expense to replace a common wall with a neighboring party.

**PLACED-IN-SERVICE** - The month and year that the asset was placed-in-service. - This may be the construction date, the first escrow closure date in a given phase, or the date of the last servicing or replacement.

**ESTIMATED USEFUL LIFE** - The estimated useful life of an asset based upon industry standards, manufacturer specifications, visual inspection, location, usage, association standards and prior history. All of these factors are taken into consideration when tailoring the estimated useful life to the particular asset. For example, the carpeting in a hallway or elevator (a heavy traffic area) will not have the same life as the identical carpeting in a seldom-used meeting room or office.

**ADJUSTMENT TO USEFUL LIFE** - Once the useful life is determined it may be adjusted +/- by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

**ESTIMATED REMAINING LIFE** - This calculation is completed internally based upon the report's fiscal year date and the date the asset was placed-in-service.



**REPLACEMENT YEAR** - The year that the asset is scheduled to be replaced. The appropriate funds will be available by the first day of the fiscal year for which replacement is anticipated.

**FIXED ACCUMULATED RESERVES** - An optional figure which, if used, will override the normal process of allocating reserves to each asset.

**FIXED MONTHLY CONTRIBUTION** - An optional figure which, if used, will override all calculations and set the contribution at this amount.

**SALVAGE VALUE** - The salvage value of the asset at the time of replacement, if applicable.

**ONE-TIME REPLACEMENT** - Notation if the asset is to be replaced on a one-time basis.

**CURRENT REPLACEMENT COST** - The estimated replacement cost effective as of the beginning of the fiscal year for which the report is being prepared.

**FUTURE REPLACEMENT COST** - The estimated cost to repair or replace the asset at the end of its estimated useful life based upon the current replacement cost and inflation.

**COMPONENT INVENTORY** - The task of selecting and quantifying reserve components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents and discussion with appropriate association representative(s).

## ■ 11. A Multi-Purpose Tool

Your RDA REPORT is an important part of your association's budgetary process. Following its recommendations should ensure the association's smooth budgetary transitions from one fiscal year to the next, and either decrease or eliminate the need for "special assessments".

In addition, your RDA reserve study serves a variety of useful purposes:

- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.
- A reserve analysis study is required by your accountant during the preparation of the association's annual audit.
- A reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.
- Your RDA REPORT is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.
- Your RDA REPORT is a tool which can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components which the association is obligated to maintain.
- Since the RDA reserve analysis study includes precise measurements and cost estimates of the client's assets, the detail reports may be used to evaluate the accuracy and price of contractor bids when assets are due to be repaired or replaced.
- The reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.

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**Saddlebrooke HOA 2 Villas**  
Tucson, Arizona  
CFS Reserve Analysis Report Summary

Report Date	October 31, 2013	Parameters:	
Version	002	Inflation	3.00%
Account Number	3358	Annual Contribution Increase	3.00%
Budget Year Beginning	1/ 1/14	Investment Yield	0.25%
Ending	12/31/14	Taxes on Yield	0.00%
Total Units Included	213	Contingency	3.00%
Phase Development	1 of 1	Reserve Fund Balance as of	
		1/ 1/14:	\$403,325.00

Project Profile & Introduction

This community was constructed in seven (7) phases between 1999 and 2005. Please refer to the Detail Report by Category section for the placed in service date used to age each component.

The anticipated January 1, 2014 reserve balance was provided by the Board of Directors.

Calculation Method: Modified Cash Flow      Funding Strategy: Threshold  
RDA Reports: October 2010. Updated October 2013.

Cash Flow Specific Summary of Calculations

Monthly Contribution to Reserves Required:	\$10,175.00
( \$47.77 per unit per month)	
Average Net Monthly Interest Contribution This Year:	91.10
Net Monthly Allocation to Reserves 1/ 1/14 to 12/31/14:	\$10,266.10
( \$48.20 per unit per month)	

**RDA Reserve Management Software**  
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**Saddlebrooke HOA 2 Villas**  
Distribution of Accumulated Reserves

REPORT DATE:           October 31, 2013  
 VERSION:                002  
 ACCOUNT NUMBER:        3358

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
** Flat Roofs - General Comment **	0	0.00	0.00
** Paint - General Comment **	0	0.00	0.00
** Tile Roofs - General Comment **	0	0.00	0.00
Concrete Components - Unfunded	0	0.00	0.00
Granite Replenishment (Unfunded)	0	0.00	0.00
Irrigation System (Unfunded)	0	0.00	0.00
Monument Signs - Letters (Unfunded)	0	0.00	0.00
Paint Block Walls (Unfunded)	0	0.00	0.00
PH 7 - Paint Complete Exterior	0	22,500.00	22,500.00
Tree Trimming (Unfunded)	0	0.00	0.00
PH 1 - Paint Complete Exterior	4	27,000.00	27,000.00
PH 1 - Replace Patio Roofs	5	10,200.00	10,200.00
PH 2 - Paint Complete Exterior	5	34,375.00	34,375.00
PH 2 - Replace Patio Roofs	6	23,415.00	23,415.00
PH 3 - Paint Complete Exterior	6	12,500.00	12,500.00
PH 3 - Replace Patio Roofs	7	7,150.00	7,150.00
PH 4 - Paint Complete Exterior	7	8,250.00	8,250.00
PH 4 - Replace Patio Roofs	8	10,620.00	10,620.00
PH 5 - Paint Complete Exterior	8	6,750.00	6,750.00
PH 5 - Replace Patio Roofs	9	8,305.00	8,305.00
PH 6 - Paint Complete Exterior	9	3,750.00	3,750.00
PH 6 - Replace Patio Roofs	10	8,200.00	8,200.00
PH 7 - Replace Patio Roofs	11	4,275.00	4,275.00
PH 1 - Tile Roof Underlayment	20	123,630.00	123,630.00
PH 2 - Tile Roof Underlayment	21	177,528.00	80,657.67
PH 3 - Tile Roof Underlayment	22	74,625.57	0.00
PH 4 - Tile Roof Underlayment	23	60,806.57	0.00
PH 5 - Tile Roof Underlayment	24	63,665.64	0.00
PH 6 - Tile Roof Underlayment	25	75,075.00	0.00

**Saddlebrooke HOA 2 Villas**  
Distribution of Accumulated Reserves

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
PH 7 - Tile Roof Underlayment	26	37,314.64	0.00
Total Asset Summary:		799,935.42	391,577.67
Contingency @ 3.00%:		23,998.06	11,747.33
Grand Total:		823,933.48	403,325.00
Excess Reserves Not Used:			0.00
Percent Fully Funded:	49%		

**Saddlebrooke HOA 2 Villas**  
Funding Status Report

REPORT DATE:           October 31, 2013  
 VERSION:                002  
 ACCOUNT NUMBER:        3358

DESCRIPTION	USE	+/-	REM	CURRENT	FULLY	ASSIGNED
	LIFE	LIFE	LIFE	COST	FUNDED	RESERVES
					RESERVES	RESERVES
Concrete Components - Unfunded	0	0	0	0	0	0
*** CATEGORY SUMMARY:				0	0	0
** Flat Roofs - General Comment **	0	0	0	0	0	0
*** CATEGORY SUMMARY:				0	0	0
PH 1 - Replace Patio Roofs	20	0	5	13,600	10,200	10,200
*** CATEGORY SUMMARY:				13,600	10,200	10,200
PH 2 - Replace Patio Roofs	20	0	6	33,450	23,415	23,415
*** CATEGORY SUMMARY:				33,450	23,415	23,415
PH 3 - Replace Patio Roofs	20	0	7	11,000	7,150	7,150
*** CATEGORY SUMMARY:				11,000	7,150	7,150
PH 4 - Replace Patio Roofs	20	0	8	17,700	10,620	10,620
*** CATEGORY SUMMARY:				17,700	10,620	10,620
PH 5 - Replace Patio Roofs	20	0	9	15,100	8,305	8,305
*** CATEGORY SUMMARY:				15,100	8,305	8,305
PH 6 - Replace Patio Roofs	20	0	10	16,400	8,200	8,200
*** CATEGORY SUMMARY:				16,400	8,200	8,200
PH 7 - Replace Patio Roofs	20	0	11	9,500	4,275	4,275
*** CATEGORY SUMMARY:				9,500	4,275	4,275
** Tile Roofs - General Comment **	0	0	0	0	0	0
*** CATEGORY SUMMARY:				0	0	0
PH 1 - Tile Roof Underlayment	35	0	20	288,470	123,630	123,630
*** CATEGORY SUMMARY:				288,470	123,630	123,630
PH 2 - Tile Roof Underlayment	35	0	21	443,820	177,528	80,658
*** CATEGORY SUMMARY:				443,820	177,528	80,658
PH 3 - Tile Roof Underlayment	35	0	22	200,915	74,626	0
*** CATEGORY SUMMARY:				200,915	74,626	0
PH 4 - Tile Roof Underlayment	35	0	23	177,353	60,807	0
*** CATEGORY SUMMARY:				177,353	60,807	0
PH 5 - Tile Roof Underlayment	35	0	24	202,573	63,666	0

**Saddlebrooke HOA 2 Villas**  
Funding Status Report

DESCRIPTION	USE LIFE	+/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
*** CATEGORY SUMMARY:				202,573	63,666	0
PH 6 - Tile Roof Underlayment	35	0	25	262,763	75,075	0
*** CATEGORY SUMMARY:				262,763	75,075	0
PH 7 - Tile Roof Underlayment	35	0	26	145,113	37,315	0
*** CATEGORY SUMMARY:				145,113	37,315	0
** Paint - General Comment **	0	0	0	0	0	0
*** CATEGORY SUMMARY:				0	0	0
PH 1 - Paint Complete Exterior	10	0	4	45,000	27,000	27,000
*** CATEGORY SUMMARY:				45,000	27,000	27,000
PH 2 - Paint Complete Exterior	10	0	5	68,750	34,375	34,375
*** CATEGORY SUMMARY:				68,750	34,375	34,375
PH 3 - Paint Complete Exterior	10	0	6	31,250	12,500	12,500
*** CATEGORY SUMMARY:				31,250	12,500	12,500
PH 4 - Paint Complete Exterior	10	0	7	27,500	8,250	8,250
*** CATEGORY SUMMARY:				27,500	8,250	8,250
PH 5 - Paint Complete Exterior	10	0	8	33,750	6,750	6,750
*** CATEGORY SUMMARY:				33,750	6,750	6,750
PH 6 - Paint Complete Exterior	10	0	9	37,500	3,750	3,750
*** CATEGORY SUMMARY:				37,500	3,750	3,750
PH 7 - Paint Complete Exterior	10	-1	0	22,500	22,500	22,500
*** CATEGORY SUMMARY:				22,500	22,500	22,500
Paint Block Walls (Unfunded)	0	0	0	0	0	0
*** CATEGORY SUMMARY:				0	0	0
Granite Replenishment (Unfunded)	0	0	0	0	0	0
*** CATEGORY SUMMARY:				0	0	0
Irrigation System (Unfunded)	0	0	0	0	0	0
Monument Signs - Letters (Unfunded)	0	0	0	0	0	0
Tree Trimming (Unfunded)	0	0	0	0	0	0
*** CATEGORY SUMMARY:				0	0	0

**Saddlebrooke HOA 2 Villas**  
Funding Status Report

DESCRIPTION	USE +/- REM LIFE    LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
TOTAL ASSET SUMMARY:		2,104,005	799,935	391,578
CONTINGENCY @ 3.00%:			23,998	11,747
GRAND TOTAL:			823,933	403,325

Percent Fully Funded:                    49%



**Saddlebrooke HOA 2 Villas**  
Cash Flow Specific Projections

REPORT DATE:           October 31, 2013  
 VERSION:                002  
 ACCOUNT NUMBER:       3358

Beginning Accumulated Reserves:       \$403,325

YEAR	CURRENT REPLACEMENT COST	ANNUAL CONTRBTN	ANNUAL INTEREST CONTRBTN	ANNUAL EXPENDTRS	PROJECTED ENDING RESERVES	FULLY FUNDED RESERVES	PERCENT FULLY FUNDED
'14	2,104,005	122,100	1,093	22,500	504,018	911,387	55%
'15	2,167,125	125,763	1,406	0	631,187	1,027,932	61%
'16	2,232,139	129,536	1,728	0	762,451	1,150,650	66%
'17	2,299,103	133,422	2,061	0	897,934	1,279,806	70%
'18	2,368,076	137,425	2,278	50,648	986,989	1,361,943	72%
'19	2,439,118	141,547	2,394	95,466	1,035,464	1,401,921	74%
'20	2,512,292	145,794	2,565	77,255	1,106,568	1,465,430	76%
'21	2,587,661	150,168	2,823	47,350	1,212,209	1,565,673	77%
'22	2,665,291	154,673	3,048	65,175	1,304,754	1,653,208	79%
'23	2,745,249	159,313	3,277	68,631	1,398,713	1,742,994	80%
'24	2,827,607	164,092	3,558	52,278	1,514,085	1,856,213	82%
'25	2,912,435	169,015	3,950	13,150	1,673,900	2,017,830	83%
'26	2,999,808	174,085	4,389	0	1,852,374	2,201,844	84%
'27	3,089,802	179,308	4,842	0	2,036,524	2,395,083	85%
'28	3,182,496	184,687	5,139	68,067	2,158,283	2,525,722	85%
'29	3,277,971	190,228	5,352	107,110	2,246,753	2,622,789	86%
'30	3,376,310	195,935	5,722	50,147	2,398,263	2,787,248	86%
'31	3,477,600	201,813	6,120	45,453	2,560,742	2,965,790	86%
'32	3,581,928	207,867	6,504	57,457	2,717,656	3,141,248	87%
'33	3,689,386	214,103	6,883	65,756	2,872,886	3,317,588	87%
'34	3,800,067	220,526	6,038	561,646	2,537,803	2,977,684	85%
'35	3,914,069	227,142	4,546	825,636	1,943,855	2,352,209	83%
'36	4,031,491	233,956	4,170	384,974	1,797,007	2,180,302	82%
'37	4,152,436	240,975	3,898	350,021	1,691,859	2,045,298	83%
'38	4,277,009	248,204	3,259	503,264	1,440,059	1,748,795	82%
'39	4,405,319	255,650	2,089	722,589	975,209	1,215,998	80%
'40	4,537,479	263,320	1,610	452,480	787,660	959,214	82%
'41	4,673,603	271,219	2,068	85,520	975,428	1,089,639	90%
'42	4,813,811	279,356	2,467	117,714	1,139,537	1,195,593	95%
'43	4,958,226	287,737	2,872	123,955	1,306,190	1,304,048	100%

**Saddlebrooke HOA 2 Villas**  
Annual Expenditure Detail

REPORT DATE: October 31, 2013  
VERSION: 002  
ACCOUNT NUMBER: 3358

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DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2014	
PH 7 - Paint Complete Exterior	22,500.00
*** ANNUAL TOTAL:	22,500.00
REPLACEMENT YEAR 2015	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2016	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2017	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2018	
PH 1 - Paint Complete Exterior	50,647.90
*** ANNUAL TOTAL:	50,647.90
REPLACEMENT YEAR 2019	
PH 1 - Replace Patio Roofs	15,766.13
PH 2 - Paint Complete Exterior	79,700.10
*** ANNUAL TOTAL:	95,466.23
REPLACEMENT YEAR 2020	
PH 2 - Replace Patio Roofs	39,941.05
PH 3 - Paint Complete Exterior	37,314.13
*** ANNUAL TOTAL:	77,255.18
REPLACEMENT YEAR 2021	
PH 3 - Replace Patio Roofs	13,528.62
PH 4 - Paint Complete Exterior	33,821.52
*** ANNUAL TOTAL:	47,350.14

**Saddlebrooke HOA 2 Villas**  
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2022	
PH 4 - Replace Patio Roofs	22,421.83
PH 5 - Paint Complete Exterior	42,753.51
*** ANNUAL TOTAL:	65,175.34
REPLACEMENT YEAR 2023	
PH 5 - Replace Patio Roofs	19,702.09
PH 6 - Paint Complete Exterior	48,929.00
*** ANNUAL TOTAL:	68,631.09
REPLACEMENT YEAR 2024	
PH 6 - Replace Patio Roofs	22,040.22
PH 7 - Paint Complete Exterior	30,238.13
*** ANNUAL TOTAL:	52,278.35
REPLACEMENT YEAR 2025	
PH 7 - Replace Patio Roofs	13,150.23
*** ANNUAL TOTAL:	13,150.23
REPLACEMENT YEAR 2026	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2027	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2028	
PH 1 - Paint Complete Exterior	68,066.55
*** ANNUAL TOTAL:	68,066.55
REPLACEMENT YEAR 2029	
PH 2 - Paint Complete Exterior	107,110.25
*** ANNUAL TOTAL:	107,110.25
REPLACEMENT YEAR 2030	
PH 3 - Paint Complete Exterior	50,147.06

**Saddlebrooke HOA 2 Villas**  
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
*** ANNUAL TOTAL:	50,147.06
REPLACEMENT YEAR 2031	
PH 4 - Paint Complete Exterior	45,453.30
*** ANNUAL TOTAL:	45,453.30
REPLACEMENT YEAR 2032	
PH 5 - Paint Complete Exterior	57,457.15
*** ANNUAL TOTAL:	57,457.15
REPLACEMENT YEAR 2033	
PH 6 - Paint Complete Exterior	65,756.47
*** ANNUAL TOTAL:	65,756.47
REPLACEMENT YEAR 2034	
PH 1 - Tile Roof Underlayment	521,008.92
PH 7 - Paint Complete Exterior	40,637.52
*** ANNUAL TOTAL:	561,646.44
REPLACEMENT YEAR 2035	
PH 2 - Tile Roof Underlayment	825,635.95
*** ANNUAL TOTAL:	825,635.95
REPLACEMENT YEAR 2036	
PH 3 - Tile Roof Underlayment	384,973.92
*** ANNUAL TOTAL:	384,973.92
REPLACEMENT YEAR 2037	
PH 4 - Tile Roof Underlayment	350,020.50
*** ANNUAL TOTAL:	350,020.50
REPLACEMENT YEAR 2038	
PH 1 - Paint Complete Exterior	91,475.75

**Saddlebrooke HOA 2 Villas**  
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
PH 5 - Tile Roof Underlayment	411,788.14
*** ANNUAL TOTAL:	503,263.89
REPLACEMENT YEAR 2039	
PH 1 - Replace Patio Roofs	28,475.37
PH 2 - Paint Complete Exterior	143,947.23
PH 6 - Tile Roof Underlayment	550,166.32
*** ANNUAL TOTAL:	722,588.92
REPLACEMENT YEAR 2040	
PH 2 - Replace Patio Roofs	72,137.95
PH 3 - Paint Complete Exterior	67,393.46
PH 7 - Tile Roof Underlayment	312,948.39
*** ANNUAL TOTAL:	452,479.80
REPLACEMENT YEAR 2041	
PH 3 - Replace Patio Roofs	24,434.20
PH 4 - Paint Complete Exterior	61,085.43
*** ANNUAL TOTAL:	85,519.63
REPLACEMENT YEAR 2042	
PH 4 - Replace Patio Roofs	40,496.29
PH 5 - Paint Complete Exterior	77,217.62
*** ANNUAL TOTAL:	117,713.91
REPLACEMENT YEAR 2043	
PH 5 - Replace Patio Roofs	35,584.16
PH 6 - Paint Complete Exterior	88,371.18
*** ANNUAL TOTAL:	123,955.34

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

REPORT DATE:           October 31, 2013  
 VERSION:                002  
 ACCOUNT NUMBER:        3358

Concrete Components - Unfunded		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1001	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	10	FUTURE COST	0.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE	0 / 0		
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2014		
0 YEAR REM LIFE			

REMARKS:

We are not budgeting for repair or replacement of concrete decks, pads, sidewalks, or driveways as a reserve component. It is anticipated that any repairs required will be addressed immediately due to safety concerns. Good maintenance practice won't allow the need for repairs to accumulate to a point of major expense. We recommend that the client includes a line item in the annual operating budget for repairs and/or replacements on an "as needed" basis. However, should the client wish to include budgeting for concrete components, we will do so at their request (cost and useful life to be provided by client).

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

** Flat Roofs - General Comment **		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1037	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	20	FUTURE COST	0.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE	0/ 0		
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2014		
0 YEAR REM LIFE			

REMARKS:

141 of the 213 units have flat patio roofs that were installed in phases on the schedule noted below. The client plans to maintain these roof using a recoating and replacement program. Patio roof recoats are now considered operating expenses. Replacement have been scheduled in accordance with the roofer's replacement date estimates. The install dates are as follows:

Phase 1: 1998/1999	Phase 5: 2003
Phase 2: 2000	Phase 6: 2004
Phase 3: 2001	Phase 7: 2005
Phase 4: 2002	

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>PH 1 - Replace Patio Roofs</b>	QUANTITY	1 total
	UNIT COST	13,600.000
ASSET ID 1030	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	13,600.00
CATEGORY 21	FUTURE COST	15,766.13
	SALVAGE VALUE	0.00

PLACED IN SERVICE 1/99  
 20 YEAR USEFUL LIFE  
 +0 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2019  
 5 YEAR REM LIFE

REMARKS:

The client's roofer advised them that the flat roofs above the patios will require replacement at about the 20 year mark. The cost for replacement will vary depending on the condition of the underlying wood sheathing and flashing. If the wood sheathing and flashing need to be replaced the cost will be approximately \$1,500 per roof. If just the flat roof cap sheet needs replacement, the cost will be approximately \$650 per roof (costs provided by client). The client estimated that 20% of the roofs will require complete replacement and 80% will require cap sheet replacement.

No change to the above assumptions was requested.

17 roofs: 20% = 3 roofs x \$1,500                      80% = 14 roofs x \$650



**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>PH 2 - Replace Patio Roofs</b>	QUANTITY	1 total
	UNIT COST	33,450.000
ASSET ID 1031	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	33,450.00
CATEGORY 22	FUTURE COST	39,941.05
	SALVAGE VALUE	0.00

PLACED IN SERVICE 1/00  
 20 YEAR USEFUL LIFE  
 +0 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2020  
 6 YEAR REM LIFE

REMARKS:

This component budgets to replace the PH 2 flat roofs.

41 roofs: 20% = 8 roofs x \$1,500                      80% = 33 roofs x \$650

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

PH 3 - Replace Patio Roofs		QUANTITY	1 total
		UNIT COST	11,000.000
ASSET ID	1032	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	11,000.00
CATEGORY	23	FUTURE COST	13,528.61
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/01		
20 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2021		
7 YEAR REM LIFE			

REMARKS:

This component budgets to replace the PH 3 flat roofs.

13 roofs: 20% = 3 roofs x \$1,500                      80% = 10 roofs x \$650

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

PH 4 - Replace Patio Roofs		QUANTITY	1 total
		UNIT COST	17,700.000
ASSET ID	1033	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	17,700.00
CATEGORY	24	FUTURE COST	22,421.83
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/02		
20 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2022		
8 YEAR REM LIFE			

REMARKS:

This component budgets to replace the PH 4 flat roofs.

22 roofs: 20% = 4 roofs x \$1,500                      80% = 18 roofs x \$650

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>PH 5 - Replace Patio Roofs</b>	QUANTITY	1 total
	UNIT COST	15,100.000
	PERCENT REPL	100.00%
ASSET ID 1034	CURRENT COST	15,100.00
GROUP/FACILITY 0	FUTURE COST	19,702.08
CATEGORY 25	SALVAGE VALUE	0.00

PLACED IN SERVICE 1/03  
 20 YEAR USEFUL LIFE  
 +0 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2023  
 9 YEAR REM LIFE

REMARKS:

This component budgets to replace the PH 5 flat roofs.

18 roofs: 20% = 4 roofs x \$1,500                      80% = 14 roofs x \$650

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>PH 6 - Replace Patio Roofs</b>	QUANTITY	1 total
	UNIT COST	16,400.000
ASSET ID 1035	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	16,400.00
CATEGORY 26	FUTURE COST	22,040.23
	SALVAGE VALUE	0.00

PLACED IN SERVICE 1/04  
 20 YEAR USEFUL LIFE  
 +0 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2024  
 10 YEAR REM LIFE

REMARKS:

This component budgets to replace the PH 6 flat roofs.

20 roofs: 20% = 4 roofs x \$1,500                      80% = 16 roofs x \$650

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>PH 7 - Replace Patio Roofs</b>	QUANTITY	1 total
	UNIT COST	9,500.000
ASSET ID 1036	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	9,500.00
CATEGORY 27	FUTURE COST	13,150.22
	SALVAGE VALUE	0.00

PLACED IN SERVICE 1/05  
 20 YEAR USEFUL LIFE  
 +0 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2025  
 11 YEAR REM LIFE

REMARKS:

This component budgets to replace the PH 7 flat roofs.

12 roofs: 20% = 2 roofs x \$1,500                      80% = 10 roofs x \$650

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

** Tile Roofs - General Comment **		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1048	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	30	FUTURE COST	0.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE 0/ 0			
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2014			
0 YEAR REM LIFE			

REMARKS:

The tiles roofs are inspected annually and any required repairs including flashing, leaks, broken or missing tiles or sealing are completed as needed and paid for out of the operating budget. Based on the proactive nature of the maintenance, we have used a 35 year useful life for these roofs at this time. As time passes and through annual inspections, as more information regarding the condition of the underlayment becomes available, the useful life can be adjusted up or down as needed.

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>PH 1 - Tile Roof Underlayment</b>	QUANTITY	88,760 sq. ft.
	UNIT COST	3.250
ASSET ID 1009	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	288,470.00
CATEGORY 31	FUTURE COST	521,008.91
	SALVAGE VALUE	0.00

PLACED IN SERVICE 1/99  
 35 YEAR USEFUL LIFE  
 +0 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2034  
 20 YEAR REM LIFE

REMARKS:

The following comments apply to the concrete tile roofs atop the Phase 1 roofs. The measurement was obtained from the Association Reserves reserve study completed 4/27/2006. The client made the determination that they felt comfortable with Association Reserve's measurements. Therefore, RDA did not remeasure these roofs.

These comments apply to all tile roof assets. The cost used above is an average cost for underlayment replacement based on general information provided by various roofers through recent discussions.

Tile roof systems are designed to last for the life of the project. However, the integrity of a tile roof is totally dependent on the roof underlayment. The tile can last forever, but will not keep the building watertight unless the underlayment is intact.

The condition of a tile roof can be deceiving. The tile may appear to be in good condition, but must be removed in order to determine the condition of the underlayment. Should it be discovered that the underlayment has deteriorated, the only solution is to remove the existing tile, replace the underlayment and reinstall the tile.

Flashing defects, attachment problems and broken/displaced/missing tiles are common factors affecting the condition of the underlayment by allowing exposure to sun and rain. Therefore, in order to protect your investment, prevent potential problems and extend the life of the underlayment, it is necessary to have a qualified roofer inspect the tile roofs on a regular basis. We recommend including a line item in the operating budget for periodic inspections.

Given the many factors listed above, we have included a provision for tile roof underlayment replacement. After several discussions with local roofing contractors and inspectors, we have come to the conclusion that the underlayment has a life expectancy of 20 - 40 years. Therefore, in order to account for this significant future liability, we are budgeting to replace the underlayment on a 30 year cycle. Should the client wish to budget for this component in a different manner we will do so at their request.



**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

PH 2 - Tile Roof Underlayment	QUANTITY	136,560 sq. ft.
	UNIT COST	3.250
ASSET ID 1010	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	443,820.00
CATEGORY 32	FUTURE COST	825,635.94
	SALVAGE VALUE	0.00

PLACED IN SERVICE 1/00  
35 YEAR USEFUL LIFE  
+0 YEAR ADJUSTMENT  
REPLACEMENT YEAR 2035  
21 YEAR REM LIFE

REMARKS:

The following comments apply to the concrete tile roofs atop the Phase 2 roofs.

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>PH 3 - Tile Roof Underlayment</b>	QUANTITY	61,820 sq. ft.
	UNIT COST	3.250
ASSET ID 1011	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	200,915.00
CATEGORY 33	FUTURE COST	384,973.92
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/01		
35 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2036		
22 YEAR REM LIFE		

REMARKS:

The following comments apply to the concrete tile roofs atop the Phase 3 roofs.

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>PH 4 - Tile Roof Underlayment</b>	QUANTITY	54,570 sq. ft.
	UNIT COST	3.250
ASSET ID 1012	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	177,352.50
CATEGORY 34	FUTURE COST	350,020.50
	SALVAGE VALUE	0.00

PLACED IN SERVICE 1/02  
 35 YEAR USEFUL LIFE  
 +0 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2037  
 23 YEAR REM LIFE

REMARKS:

The following comments apply to the concrete tile roofs atop the Phase 4 roofs.

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>PH 5 - Tile Roof Underlayment</b>	QUANTITY	62,330 sq. ft.
	UNIT COST	3.250
ASSET ID 1013	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	202,572.50
CATEGORY 35	FUTURE COST	411,788.18
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/03		
35 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2038		
24 YEAR REM LIFE		

REMARKS:

The following comments apply to the concrete tile roofs atop the Phase 5 roofs.

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>PH 6 - Tile Roof Underlayment</b>	QUANTITY	80,850 sq. ft.
	UNIT COST	3.250
ASSET ID 1014	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	262,762.50
CATEGORY 36	FUTURE COST	550,166.32
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/04		
35 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2039		
25 YEAR REM LIFE		

REMARKS:

The following comments apply to the concrete tile roofs atop the Phase 6 roofs.

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>PH 7 - Tile Roof Underlayment</b>	QUANTITY	44,650 sq. ft.
	UNIT COST	3.250
ASSET ID 1015	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	145,112.50
CATEGORY 37	FUTURE COST	312,948.35
	SALVAGE VALUE	0.00

PLACED IN SERVICE 1/05  
 35 YEAR USEFUL LIFE  
 +0 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2040  
 26 YEAR REM LIFE

REMARKS:

The following comments apply to the concrete tile roofs atop the Phase 7 roofs.

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>** Paint - General Comment **</b>		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1047	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	40	FUTURE COST	0.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE	0/ 0		
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2014		
0 YEAR REM LIFE			

REMARKS:

The client was previously following a painting program that incorporated wood trim and doors in between complete exterior painting cycles at a cost of \$480 per unit. However, they have now adopted a plan to paint the complete exterior of each unit by phase according to install date at a cost of \$1,250 per unit (2013 cost of \$1,218.75 adjusted for inflation). Phasing:

Phase 1: 2008 (36 units)	Phase 5: 2012 (27 units)
Phase 2: 2009 (55 units)	Phase 6: 2013 (30 units)
Phase 3: 2010 (25 units)	Phase 7: 2014 (18 units)
Phase 4: 2011 (22 units)	

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>PH 1 - Paint Complete Exterior</b>	QUANTITY	36 units
	UNIT COST	1,250.000
	PERCENT REPL	100.00%
	CURRENT COST	45,000.00
	FUTURE COST	50,647.90
	SALVAGE VALUE	0.00

ASSET ID 1039  
GROUP/FACILITY 0  
CATEGORY 41  
  
PLACED IN SERVICE 1/08  
10 YEAR USEFUL LIFE  
+0 YEAR ADJUSTMENT  
REPLACEMENT YEAR 2018  
4 YEAR REM LIFE

REMARKS:

Last complete painting: 2008



**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>PH 2 - Paint Complete Exterior</b>	QUANTITY	55 units
	UNIT COST	1,250.000
	PERCENT REPL	100.00%
	CURRENT COST	68,750.00
	FUTURE COST	79,700.09
	SALVAGE VALUE	0.00

ASSET ID 1040  
GROUP/FACILITY 0  
CATEGORY 42  
  
PLACED IN SERVICE 1/09  
10 YEAR USEFUL LIFE  
+0 YEAR ADJUSTMENT  
REPLACEMENT YEAR 2019  
5 YEAR REM LIFE

REMARKS:

Last complete painting: 2009

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>PH 3 - Paint Complete Exterior</b>	QUANTITY	25 units
	UNIT COST	1,250.000
ASSET ID 1041	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	31,250.00
CATEGORY 43	FUTURE COST	37,314.13
	SALVAGE VALUE	0.00

PLACED IN SERVICE 1/10  
 10 YEAR USEFUL LIFE  
 +0 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2020  
 6 YEAR REM LIFE

REMARKS:

Assumed painting of this phase was completed as scheduled in 2010.

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

PH 4 - Paint Complete Exterior		QUANTITY	22 units
		UNIT COST	1,250.000
ASSET ID	1042	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	27,500.00
CATEGORY	44	FUTURE COST	33,821.53
		SALVAGE VALUE	0.00
PLACED IN SERVICE 1/11			
10 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2021			
7 YEAR REM LIFE			

REMARKS:

Assumed painting of this phase was completed as scheduled in 2011.

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

PH 5 - Paint Complete Exterior

ASSET ID 1043  
GROUP/FACILITY 0  
CATEGORY 45

QUANTITY	27 units
UNIT COST	1,250.000
PERCENT REPL	100.00%
CURRENT COST	33,750.00
FUTURE COST	42,753.49
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/12  
10 YEAR USEFUL LIFE  
+0 YEAR ADJUSTMENT  
REPLACEMENT YEAR 2022  
8 YEAR REM LIFE

REMARKS:

Assumed painting of this phase was completed as scheduled in 2012.

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>PH 6 - Paint Complete Exterior</b>	QUANTITY	30 units
	UNIT COST	1,250.000
ASSET ID 1044	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	37,500.00
CATEGORY 46	FUTURE COST	48,928.99
	SALVAGE VALUE	0.00

PLACED IN SERVICE 1/13  
 10 YEAR USEFUL LIFE  
 +0 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2023  
 9 YEAR REM LIFE

REMARKS:

Assumed painting of this phase was completed as scheduled in 2013.

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

<b>PH 7 - Paint Complete Exterior</b>	QUANTITY	18 units
	UNIT COST	1,250.000
ASSET ID 1045	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	22,500.00
CATEGORY 47	FUTURE COST	22,500.00
	SALVAGE VALUE	0.00

PLACED IN SERVICE 1/05  
 10 YEAR USEFUL LIFE  
 -1 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2014  
 0 YEAR REM LIFE

REMARKS:

Last trim painting: 2010  
 Scheduled complete painting: 2014 per client

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

Paint Block Walls (Unfunded)	QUANTITY	1 comment
	UNIT COST	0.000
ASSET ID 1046	PERCENT REPL	0.00%
GROUP/FACILITY 0	CURRENT COST	0.00
CATEGORY 48	FUTURE COST	0.00
	SALVAGE VALUE	0.00
PLACED IN SERVICE 0/ 0		
0 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2014		
0 YEAR REM LIFE		

REMARKS:

The Board has advised us that common area block walls will be painted using operating funds going forward.

Measurement = 18,620 sq. ft.

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

Granite Replenishment (Unfunded)		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1004	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	100	FUTURE COST	0.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE	0/ 0		
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2014		
0 YEAR REM LIFE			

REMARKS:

The Board has advised us that the common area granite will be replenished as needed using operating funds going forward.



**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

Irrigation System (Unfunded)	QUANTITY	1 comment
	UNIT COST	0.000
ASSET ID 1003	PERCENT REPL	0.00%
GROUP/FACILITY 0	CURRENT COST	0.00
CATEGORY 105	FUTURE COST	0.00
	SALVAGE VALUE	0.00

PLACED IN SERVICE 0/ 0  
 0 YEAR USEFUL LIFE  
 +0 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2014  
 0 YEAR REM LIFE

REMARKS:

The client has advised us to exclude funding for the replacement of the irrigation system components (pvc pipe, tubing, sprinkler heads, controllers, valves, etc.) within the reserve study. Should the client change their mind and wish to have it included we will need to be provided with the following information:

- \$ amount to be budgeted
- useful life to be used
- year in which next expenditure should occur

Monument Signs - Letters (Unfunded)	QUANTITY	1 comment
	UNIT COST	0.000
ASSET ID 1008	PERCENT REPL	0.00%
GROUP/FACILITY 0	CURRENT COST	0.00
CATEGORY 105	FUTURE COST	0.00
	SALVAGE VALUE	0.00

PLACED IN SERVICE 0/ 0  
 0 YEAR USEFUL LIFE  
 +0 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2014  
 0 YEAR REM LIFE

REMARKS:

The monument sign is made up of pin-mounted solid steel letters that indicate "VILLAS".

We are not budgeting to replace the solid steel letters making up the monument sign(s) because they have an indefinite life, and should last for the life of the community if properly maintained. Any repairs and/or replacements should be handled on an "as needed" basis, and the expense paid for out of the operating budget.

Please note, should the client wish to budget for the replacement of these components for aesthetic/remodeling purposes we will do so at their re-

**Saddlebrooke HOA 2 Villas**  
Cash Flow Detail Report by Category

Monument Signs - Letters (Unfunded), Continued ...

quest.

<b>Tree Trimming (Unfunded)</b>	QUANTITY	1 comment
	UNIT COST	0.000
ASSET ID 1002	PERCENT REPL	0.00%
GROUP/FACILITY 0	CURRENT COST	0.00
CATEGORY 105	FUTURE COST	0.00
	SALVAGE VALUE	0.00
PLACED IN SERVICE 0/ 0		
0 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2014		
0 YEAR REM LIFE		

REMARKS:

The client has advised us that tree trimming will be handled out of the operating budget. Should the client change their mind and wish to have tree trimming included we will need to be provided with the following information:

- \$ amount to be budgeted
- useful life to be used
- year in which next expenditure should occur

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TOTAL ASSET LINES INCLUDED:            30