REPLACEMENT RESERVE REPORT FY 2012

WESTERLIES

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WESTERLIES

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REPLACEMENT RESERVE REPORT

WESTERLIES

MCLEAN, VIRGINIA

Scope. The Westerlies is a townhouse community located on Westwind Way in McLean, Virginia. The Westerlies was constructed in 1971. The community consists of 23 multi-story townhouse buildings with a total of 200 units. The survey examined the common elements of the property, including:

- Asphalt drive and parking.
- Concrete sidewalks, steps, and curb and gutter.
- Retaining walls, fencing, and railings.
- Swimming pool, basketball court, tot lot, and community building.
- Building exteriors - roofing, siding, repointing, lighting, and foundation seal.

The interior portion of the residential units, including doors and windows, are individually owned and are not the responsibility of the Association. The interior components and finishes are not evaluated and are not included in the replacement reserve Inventory.

Section A

Replacement Reserve Analysis

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Level of Service. This study has been performed as a Level II Update, With Site Visit/On-Site Review as defined under the National Reserve Study Standards that have been adopted by the Community Associations Institute. As such, the component inventory is based on the study that was performed by Miller - Dodson dated April 16, 2007. This information was adjusted to reflect changes to the inventory that were provided by the community manager, and the quantities were adjusted accordingly from field measurement and/or quantity takeoffs from to-scale drawings. The condition of all commonly-owned components was ascertained from a site visit and the visual inspection of each component by the Analyst. The life expectancy and the value of components are provided based in part on these observations. The fund status and funding plan have been derived from analysis of this data.

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

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

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

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

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

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

- Our visual evaluation and measurements on September 2, 2011. Miller - Dodson Associates has visually inspected the common elements of the property in order to ascertain the remaining useful life and the replacement costs of these components.

Engineering Drawings. No architectural drawings or engineering site plans were available for review in connection with this study. We recommend the Association assemble a library of site and building plans of the entire community. Reproducible drawings should be stored and kept in a secure fireproof location. The Association will find these drawings to be a valuable resource in planning and executing future projects.

Current Funding. This reserve study has been prepared for Fiscal Year 2012 covering the period from January 1, 2012 to December 31, 2012. The Replacement Reserves planned to be on deposit as of January 2012 are reported to be $429,000. The planned contribution for the fiscal year is $114,500.

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

Acknowledgement. Miller - Dodson Associates would like to acknowledge the assistance and input of Ms. Camellia Fries. She provided very helpful insight into the current operations at the property.

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

Respectfully submitted,
MILLER - DODSON ASSOCIATES, INC.

Gregory Gilbert
Reserve Analyst

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EXECUTIVE SUMMARY

The WESTERLIES Replacement Reserve Inventory identifies 131 Projected Replacements for funding from Replacement Reserves, with an estimated one-time replacement cost of $3,881,091.

The Replacement Reserve Analysis calculates recommended funding of Replacement Reserves by the two generally accepted methods, the Cash Flow Method and the Component Method. The Analysis also evaluates current funding of Replacement Reserves, as reported by the Association. The calculations and evaluation are summarized below:

$136,050 **CASH FLOW METHOD MINIMUM ANNUAL FUNDING OF REPLACEMENT RESERVES IN THE STUDY YEAR, 2012.**

$56.69 Per unit (average), minimum monthly funding of Replacement Reserves

The Cash Flow Method (CFM) calculates Minimum Annual Funding of Replacement Reserves that will fund Projected Replacements identified in the Replacement Reserve Inventory from a common pool of Replacement Reserves and prevent Replacement Reserves from dropping below a Minimum Recommended Balance.

CFM - Minimum Annual Funding remains the same between peaks in cumulative expenditures called Peak Years.

The first Peak Year occurs in 2042 which is outside of the 30-year Study Period. The Cash Flow Method - Minimum Annual Funding of Replacement Reserves remains constant at $136,050 throughout the entire 30-year Study Period.

$360,974 **COMPONENT METHOD RECOMMENDED ANNUAL FUNDING OF REPLACEMENT RESERVES IN THE STUDY YEAR, 2012.**

$150.41 Per unit (average), recommended monthly funding of Replacement Reserves

The Component Method is a time tested and very conservative funding model developed by HUD in the early 1980's.

The Component Method treats each projected replacement in the Replacement Reserve Inventory as a separate account. Deposits are made to each individual account, where funds are held for exclusive use by that item.

Based on this funding model, the Association has a Current Funding Objective of $1,456,771.

The Association reports having $429,000 on deposit, which is 29.4% funded.

$114,500 **CURRENT ANNUAL FUNDING OF REPLACEMENT RESERVES (as reported by the Association).**

$47.71 Per unit (average), reported current monthly funding of Replacement Reserves

The evaluation of Current Funding, as reported by the Association, has calculated that if the Association continues to fund Replacement Reserves at the current level, there will NOT be adequate funds for Projected Replacements in 6 years of the 30-year Study Period, and a maximum shortfall of $-288,311 occurs in 2038.

Pages A2 and A3 explain the Study Year, Study Period, Adjustments (interest & inflation), Beginning Balance, and Projected Replacements. Pages A4 to A9 explain in more detail the calculations associated with the Cash Flow Method, Component Method, and Current Funding.

REPLACEMENT RESERVE STATUS AND FUNDING PLAN

Current funding of Replacement Reserves is inadequate to fund Projected Replacements.

We recommend the Association adopt a Replacement Reserve Funding Plan based on the Cash Flow Method or the Component Method, to ensure that adequate funding is available throughout the 30-Year Study Period for the $3,858,336 of Projected Replacements listed in the WESTERLIES Replacement Reserve Inventory.

The Funding Plan should be professionally evaluated every three to five years or after completion of each major replacement project. The Board of Directors has a fiduciary responsibility to review the Funding Plan annually and should consider annual increases in Replacement Reserve funding at least equal to the Consumer Price Index.

REPLACEMENT RESERVE ANALYSIS - GENERAL INFORMATION

The WESTERLIES Replacement Reserve Analysis calculations of recommended funding of Replacement Reserves by the Cash Flow Method and the Component Method, and the evaluation of the Current Funding, are based upon the same General Information; including the Study Year, Study Period, Adjustments (for interest, inflation, and/or a constant increase in annual funding), Beginning Balance, and Projected Replacements:

STUDY YEAR

The Association reports that their accounting year begins on January 1, and the Study Year, the first year evaluated by the Replacement Reserve Analysis, begins on January 1, 2012.

STUDY PERIOD

The Replacement Reserve Analysis evaluates the funding of Replacement Reserves over a 30-year Study Period that begins on January 1, 2012.

ADJUSTMENTS

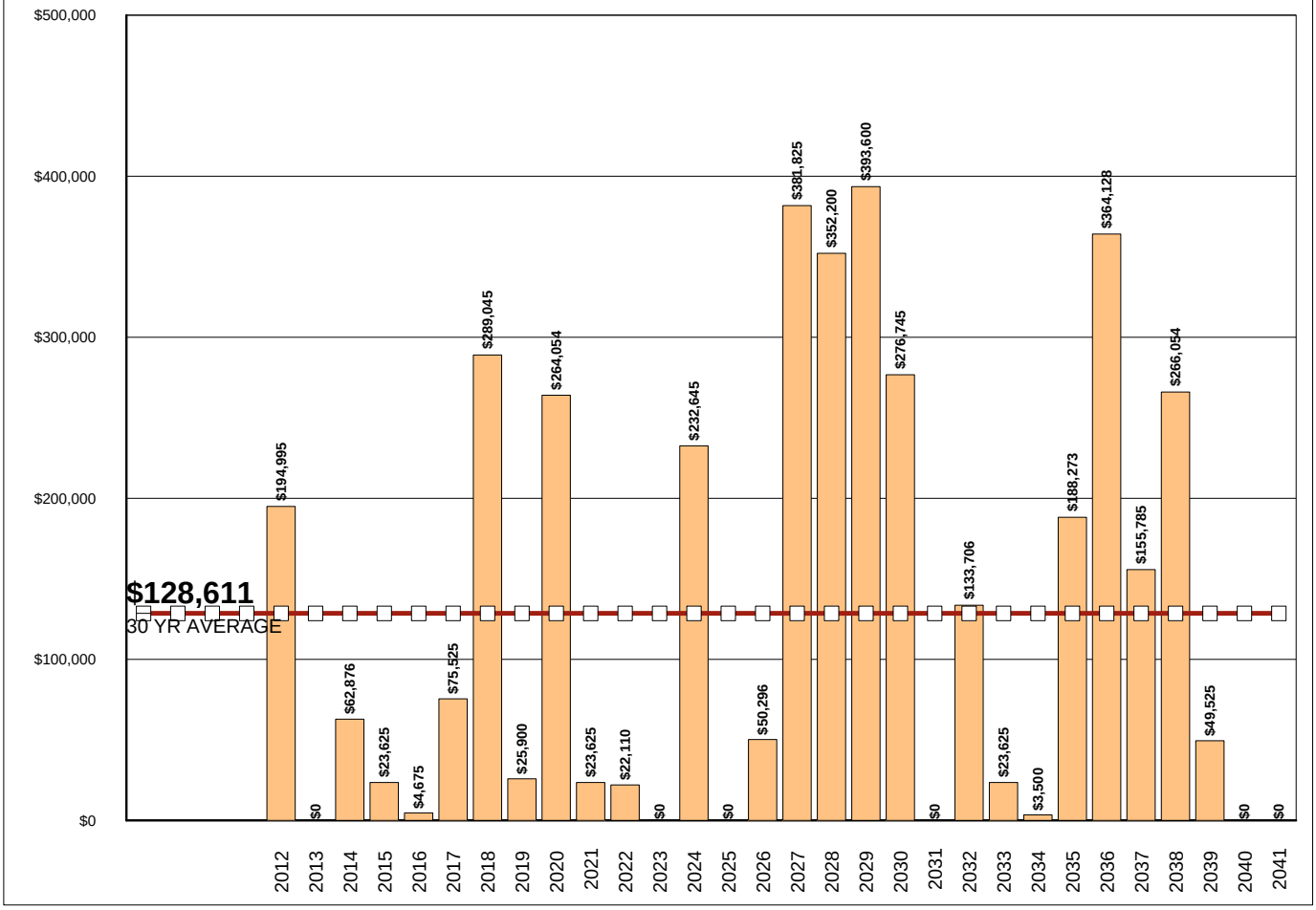
The calculations in this Replacement Reserve Analysis do not account for interest earned on Replacement Reserves, the effects of inflation on the costs of Projected Replacements, or a constant annual increase in Annual Funding of Replacement Reserves. If requested, we will provide a Replacement Reserve Analysis with adjustments for inflation, interest, and/or a constant annual increase in funding, using values provided by the Association.

BEGINNING BALANCE

The Association reports Replacement Reserves on Deposit totaling $429,000 at the start of the Study Year.

Graph #1. Annual Expenditures for Projected Replacements

This bar graph summarizes annual expenditures for the $3,858,336 of Projected Replacements identified in the Replacement Reserve Inventory over the 30-year Study Period. The red line shows the average annual expenditure of $128,611.



PROJECTED REPLACEMENTS

The WESTERLIES Replacement Reserve Inventory (Section B) identifies 131 Projected Replacements with a one-time Replacement Cost of $3,881,091 and replacements totaling $3,858,336 over the 30-year Study Period. Projected Replacements are the replacement of commonly-owned items that:

require periodic replacement and
whose replacement is to be funded from Replacement Reserves.

The Replacement Reserve Inventory also identifies 45 Excluded Items. Expenditures for the replacement of these items are NOT scheduled for funding from Replacement Reserves. The accuracy of the calculations made in the Replacement Reserve Analysis is dependent on expenditures NOT being made for Excluded Items. The rationale behind these exclusions is discussed in detail on Page B1.

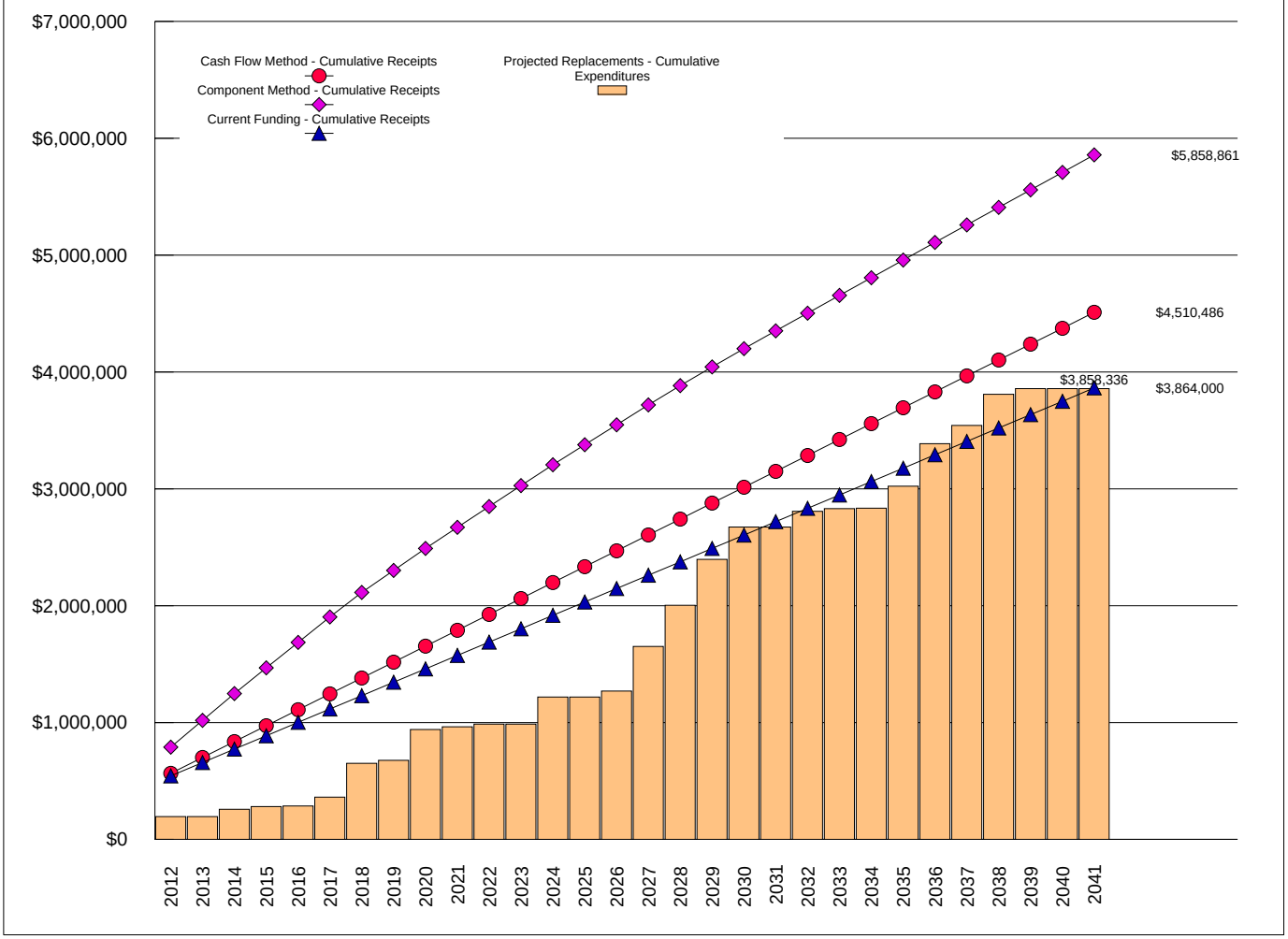
Expenditures from Replacements Reserves should be made only after consultation with an accounting professional.

The Section B - Replacement Reserve Inventory, contains Tables that list each Projected Replacement (and any Excluded Items) broken down into 19 major categories (Pages B3 to B20). Tables are also included that list each Projected Replacement by year for each of the 30 years of the Study Period beginning on Page C1.

The accuracy of this Replacement Reserve Analysis is dependent upon expenditures from Replacement Reserves being made only for the Projected Replacements specifically listed in the Replacement Reserve Inventory.

Graph #2. Comparison of Cumulative Replacement Reserve Funding and Expenditures

The line graph shows Replacement Reserves - Cumulative Receipts over the 30-year Study Period by the Cash Flow Method (red circles), Component Method (purple diamonds), and the Current Funding Plan as reported by the Association (blue triangles). The bar graph shows the Cumulative Expenditures necessary to fund the Project Replacements listed in the Replacement Reserve Inventory (Section B) and summarized in Graph #1.



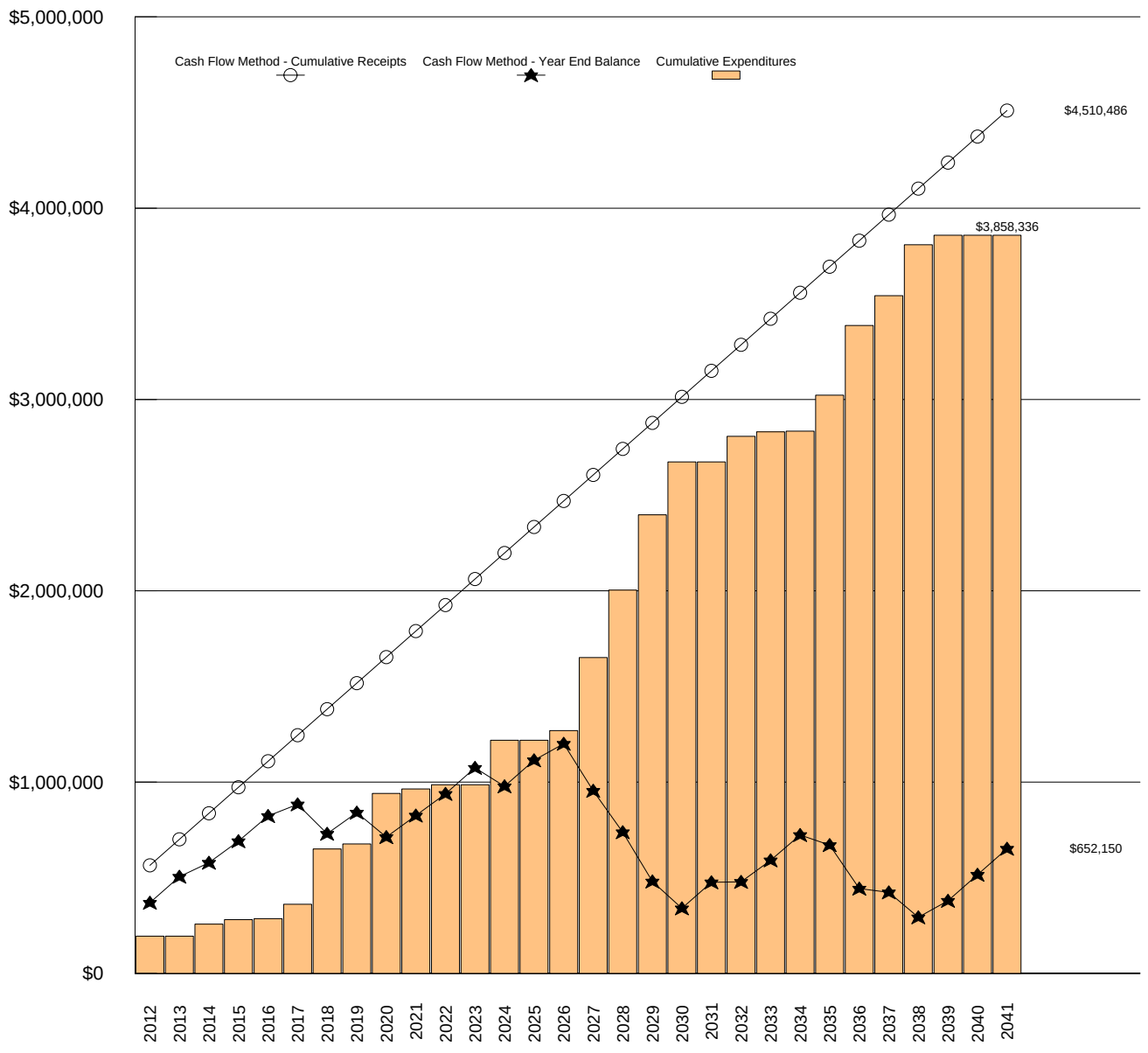
CASH FLOW METHOD

$136,050 **CASH FLOW METHOD MINIMUM ANNUAL FUNDING OF REPLACEMENT RESERVES IN THE STUDY YEAR, 2012.**
$56.69 Per unit (average), minimum monthly funding of Replacement Reserves

General. The Cash Flow Method is founded on the concept that the Replacement Reserve Account is solvent if cumulative receipts always exceed cumulative expenses. The Cash Flow Method calculates a MINIMUM annual deposit to Replacement Reserves that will:

- Fund all Projected Replacements listed in the Replacement Reserve Inventory (see Section B)
- Prevent Replacement Reserves from dropping below the Minimum Recommended Balance (see Page A-5)
- Allow a constant annual funding level between peaks in cumulative expenditures

Graph #3. Cash Flow Method - Cumulative Receipts and Expenditures Graph



CASH FLOW METHOD (cont'd)

- Replacement Reserves - Minimum Recommended Balance. The Minimum Recommended Balance is $194,055, which is 5.0 percent of the one-time replacement cost of the Projected Replacements listed in the Replacement Reserve Inventory. Unless otherwise noted in the Comments on Page A-9, the Minimum Recommended Balance has been established by the Analyst based upon an evaluation of the types of items included in the Replacement Reserve Inventory.
- Peak Years. The Cash Flow Method calculates a constant annual funding of Replacement Reserves between peaks in cumulative expenditures called Peak Years. In Peak Years, Replacement Reserves on Deposit decline to the Replacement Reserves - Minimum Recommended Balance discussed in the paragraph above.

  First Peak Year. The first Peak Year occurs in 2042, which is outside of the 30-year Study Period. The Cash Flow Method - Minimum Annual Funding of Replacement Reserves of $136,050 remains the same throughout the entire 30-year Study Period.

  This funding level is adequate to fund the $3,858,336 of Projected Expenditures listed in the Replacement Reserve Inventory.
- Study Period. The Cash Flow Method calculates the recommended contributions to Replacement Reserves over the 30-year Study Period. These calculations are based upon a 40-year projection of expenditures for Projected Replacements to avoid the Replacement Reserve balance dropping to the Minimum Recommended Balance in the final year of the Study Period.
- Failure to Fund. The Cash Flow Method calculates a MINIMUM annual funding of Replacement Reserves. Failure to fund Replacement Reserves at the minimum level calculated by the Cash Flow Method will result in Replacement Reserves not being available for the Projected Replacements listed in the Replacement Reserve Inventory and/or Replacement Reserves dropping below the Minimum Recommended Balance.
- Adjustment to the Cash Flow Method for interest and inflation. The calculations in this Replacement Reserve Analysis do not account for interest earned on Replacement Reserves, the effects of inflation of the cost of Projected Replacements, or a constant annual increase in Annual Funding of Replacement Reserves.
- Comparison of Cash Flow Funding and Average Annual Expenditure. The Average Annual Expenditure for Projected Replacements listed in the Reserve Inventory over the 30-year Study Period is $128,611 (see Graph #1). The Cash Flow Method - Minimum Annual Funding of Replacement Reserves in the Study Year is $136,050. This is 105.8 percent of the Average Annual Expenditure, indicating that the Association is building Replacement Reserves in advance of the first Peak Year in 2042.

Table #1. Cash Flow Method Data - Years 1 through 30

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Beginning balance	$429,000									
Minimum annual funding	$136,050	$136,050	$136,050	$136,050	$136,050	$136,050	$136,050	$136,050	$136,050	$136,050
Expenditures	$194,995		$62,876	$23,625	$4,675	$75,525	$289,045	$25,900	$264,054	$23,625
Year end balance	$370,055	$506,104	$579,278	$691,702	$823,077	$883,601	$730,606	$840,756	$712,751	$825,176
Minimum recommended balance	$194,055	$194,055	$194,055	$194,055	$194,055	$194,055	$194,055	$194,055	$194,055	$194,055
Cumulative expenditures	$194,995	$194,995	$257,871	$281,496	$286,171	$361,696	$650,741	$676,641	$940,695	$964,320
Cumulative receipts	$565,050	$701,099	$837,149	$973,198	$1,109,248	$1,245,297	$1,381,347	$1,517,396	$1,653,446	$1,789,495

Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Minimum annual funding	$136,050	$136,050	$136,050	$136,050	$136,050	$136,050	$136,050	$136,050	$136,050	$136,050
Expenditures	$22,110		$232,645		$50,296	$381,825	$352,200	$393,600	$276,745	
Year end balance	$939,115	$1,075,165	$978,569	$1,114,619	$1,200,372	$954,597	$738,446	$480,896	$340,200	$476,250
Minimum recommended balance	$194,055	$194,055	$194,055	$194,055	$194,055	$194,055	$194,055	$194,055	$194,055	$194,055
Cumulative expenditures	$986,430	$986,430	$1,219,075	$1,219,075	$1,269,371	$1,651,196	$2,003,396	$2,396,996	$2,673,741	$2,673,741
Cumulative receipts	$1,925,545	$2,061,595	$2,197,644	$2,333,694	$2,469,743	$2,605,793	$2,741,842	$2,877,892	$3,013,941	$3,149,991

Year	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Minimum annual funding	$136,050	$136,050	$136,050	$136,050	$136,050	$136,050	$136,050	$136,050	$136,050	$136,050
Expenditures	$133,706	$23,625	$3,500	$188,273	$364,128	$155,785	$266,054	$49,525		
Year end balance	$478,593	$591,018	$723,567	$671,345	$443,267	$423,531	$293,527	$380,051	$516,100	$652,150
Minimum recommended balance	$194,055	$194,055	$194,055	$194,055	$194,055	$194,055	$194,055	$194,055	$194,055	$194,055
Cumulative expenditures	$2,807,447	$2,831,072	$2,834,572	$3,022,845	$3,386,972	$3,542,757	$3,808,811	$3,858,336	$3,858,336	$3,858,336
Cumulative receipts	$3,286,040	$3,422,090	$3,558,139	$3,694,189	$3,830,239	$3,966,288	$4,102,338	$4,238,387	$4,374,437	$4,510,486

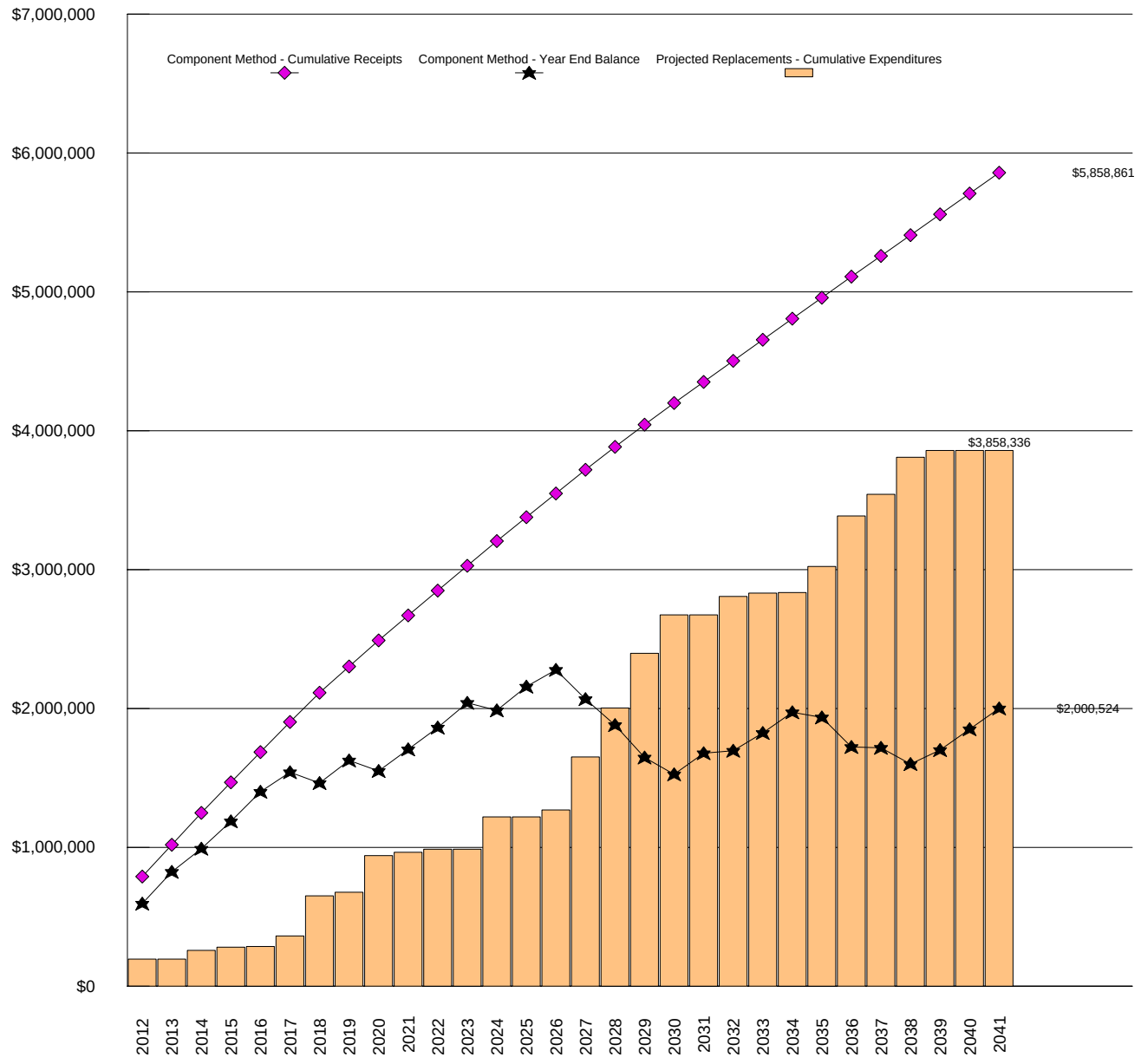
COMPONENT METHOD

$360,974 **COMPONENT METHOD RECOMMENDED ANNUAL FUNDING OF REPLACEMENT RESERVES IN THE STUDY YEAR, 2012.**

$150.41 Per unit (average), recommended monthly funding of Replacement Reserves

General. The Component Method is a time tested and very conservative mathematical model developed by HUD in the early 1980s. Each of the 131 Projected Replacements listed in the Replacement Reserve Inventory is treated as a separate account. The Beginning Balance is allocated to each of these individual accounts, as is all subsequent funding of Replacement Reserves. These funds are "locked" in these individual accounts and are not available to fund other Projected Replacements. The calculation of the Recommended Annual Funding of Replacement Reserves is a multi-step process outlined in more detail on Page A7.

Graph #4. Component Method - Cumulative Receipts and Expenditures Graph



COMPONENT METHOD (cont'd)

- Current Funding Objective. A Current Funding Objective is calculated for each of the Projected Replacements listed in the Replacement Reserve Inventory. Replacement Cost is divided by the Normal Economic Life to determine the nominal annual contribution. The Remaining Economic Life is then subtracted from the Normal Economic Life to calculate the number of years that the nominal annual contribution should have been made. The two values are then multiplied to determine the Current Funding Objective. This is repeated for each of the 131 Projected Replacements. The total, $1,456,771, is the Current Funding Objective.

  For an example, consider a very simple Replacement Reserve Inventory with one Projected Replacement, a fence with a $1,000 Replacement Cost, a Normal Economic Life of 10 years, and a Remaining Economic Life of 2 years. A contribution to Replacement Reserves of $100 ($1,000 + 10 years) should have been made in each of the previous 8 years (10 years - 2 years). The result is a Current Funding Objective of $800 (8 years x $100 per year).

- Funding Percentage. The Funding Percentage is calculated by dividing the Beginning Balance ($429,000) by the Current Funding Objective ($1,456,771). At WESTERLIES the Funding Percentage is 29.4%

- Allocation of the Beginning Balance. The Beginning Balance is divided among the 131 Projected Replacements in the Replacement Reserve Inventory. The Current Funding Objective for each Projected Replacement is multiplied by the Funding Percentage and these funds are then "locked" into the account of each item.

  If we relate this calculation back to our fence example, it means that the Association has not accumulated $800 in Reserves (the Funding Objective), but rather at 29.4 percent funded, there is $236 in the account for the fence.

- Annual Funding. The Recommended Annual Funding of Replacement Reserves is then calculated for each Projected Replacement. The funds allocated to the account of the Projected Replacement are subtracted from the Replacement Cost. The result is then divided by the number of years until replacement, and the result is the annual funding for each of the Projected Replacements. The sum of these is $360,974, the Component Method Recommended Annual Funding of Replacement Reserves in the Study Year (2012).

  In our fence example, the $236 in the account is subtracted from the $1,000 Total Replacement Cost and divided by the 2 years that remain before replacement, resulting in an annual deposit of $382. Next year, the deposit remains $382, but in the third year, the fence is replaced and the annual funding adjusts to $100.

- Adjustment to the Component Method for interest and inflation. The calculations in the Replacement Reserve Analysis do not account for interest earned on Replacement Reserves, the effects of inflation of the cost of Projected Replacements, or a constant annual increase in Annual Funding of Replacement Reserves.

Table #2. Component Method Data - Years 1 through 30

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Beginning balance	$429,000									
Recommended annual funding	$360,974	$229,028	$229,028	$220,704	$217,447	$216,897	$211,011	$188,469	$188,037	$179,658
Expenditures	$194,995		$62,876	$23,625	$4,675	$75,525	$289,045	$25,900	$264,054	$23,625
Year end balance	$594,979	$824,007	$990,158	$1,187,237	$1,400,009	$1,541,382	$1,463,349	$1,625,917	$1,549,900	$1,705,933
Cumulative Expenditures	$194,995	$194,995	$257,871	$281,496	$286,171	$361,696	$650,741	$676,641	$940,695	$964,320
Cumulative Receipts	$789,974	$1,019,002	$1,248,029	$1,468,733	$1,686,180	$1,903,078	$2,114,089	$2,302,558	$2,490,595	$2,670,253
Year	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Recommended annual funding	$178,618	$178,673	$178,673	$170,911	$170,911	$170,911	$164,865	$160,188	$156,262	$151,733
Expenditures	$22,110		$232,645		$50,296	$381,825	$352,200	$393,600	$276,745	
Year end balance	$1,862,441	$2,041,114	$1,987,141	$2,158,053	$2,278,668	$2,067,754	$1,880,420	$1,647,007	$1,526,524	$1,678,257
Cumulative Expenditures	$986,430	$986,430	$1,219,075	$1,219,075	$1,269,371	$1,651,196	$2,003,396	$2,396,996	$2,673,741	$2,673,741
Cumulative Receipts	$2,848,871	$3,027,544	$3,206,216	$3,377,128	$3,548,039	$3,718,950	$3,883,815	$4,044,003	$4,200,265	$4,351,998
Year	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**
Recommended annual funding	$151,733	$151,691	$151,502	$151,502	$151,280	$149,666	$149,891	$149,891	$149,854	$149,854
Expenditures	$133,706	$23,625	$3,500	$188,273	$364,128	$155,785	$266,054	$49,525		
Year end balance	$1,696,284	$1,824,350	$1,972,352	$1,935,581	$1,722,734	$1,716,615	$1,600,452	$1,700,817	$1,850,671	$2,000,524
Cumulative Expenditures	$2,807,447	$2,831,072	$2,834,572	$3,022,845	$3,386,972	$3,542,757	$3,808,811	$3,858,336	$3,858,336	$3,858,336
Cumulative Receipts	$4,503,731	$4,655,422	$4,806,924	$4,958,426	$5,109,706	$5,259,372	$5,409,263	$5,559,154	$5,709,007	$5,858,861

CURRENT FUNDING

$114,500 **CURRENT ANNUAL FUNDING OF REPLACEMENT RESERVES (as reported by the Association).**

$47.71 Per unit (average), reported current monthly funding of Replacement Reserves

General. Our evaluation of the Current Association Funding assumes that the Association will continue to fund Replacement Reserves at the current level of $114,500 per year in each of the 30 years of the Study Period.

Our evaluation is based upon this Replacement Reserve Funding Level, a $429,000 Beginning Balance, the Projected Annual Replacement Expenditures shown in Graph #1 and listed in the Replacement Reserve Inventory, and any interest, inflation rate, or constant annual increase in annual contribution adjustments discussed below.

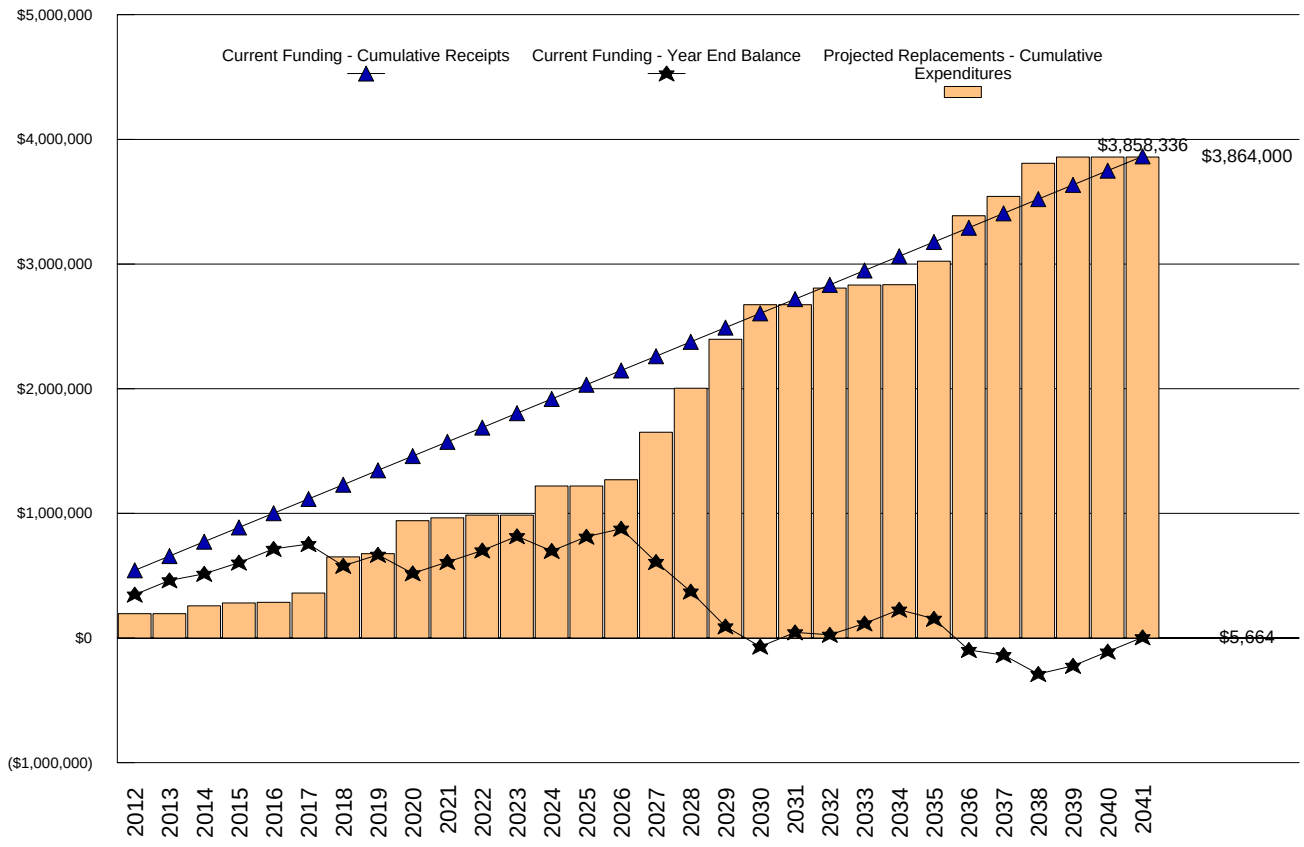
- Evaluation. Our calculations have determined that Current Annual Funding of Replacement Reserves, as reported by the Association, is inadequate to fund Projected Replacement beginning in 2030.

  The Current Annual Funding of Replacement Reserves results in insufficient funds to make Projected Replacements in 6 years of the 30-year Study Period, and a maximum shortfall of $-288,311 occurs in 2038.

- Adjustment to the Current Association Funding for interest and inflation. The Calculations in the Replacement Reserve Analysis do not account for interest earned on Replacement Reserves, the effects of inflation of the cost of Projected Replacements, or a constant annual increase in Annual Funding of Replacement Reserves.

- Comparison of Current Association Funding and Average Annual Expenditure. The average annual expenditure for Projected Replacements listed in the Reserve Inventory over the 30-year Study Period is $128,611 (see Graph #1). Current Association annual funding of Replacement Reserves is $114,500, or approximately 89 percent of the Average Annual Expenditure.

Graph #5. Current Association Funding - Cumulative Receipts and Expenditures Graph



CURRENT FUNDING (cont'd)

Table #3. Current Funding Data - Years 1 through 30

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Beginning balance	$429,000									
Annual deposit	$114,500	$114,500	$114,500	$114,500	$114,500	$114,500	$114,500	$114,500	$114,500	$114,500
Expenditures	$194,995		$62,876	$23,625	$4,675	$75,525	$289,045	$25,900	$264,054	$23,625
Year end balance	$348,505	$463,005	$514,629	$605,504	$715,329	$754,304	$579,760	$668,359	$518,805	$609,680
Cumulative Expenditures	$194,995	$194,995	$257,871	$281,496	$286,171	$361,696	$650,741	$676,641	$940,695	$964,320
Cumulative Receipts	$543,500	$658,000	$772,500	$887,000	$1,001,500	$1,116,000	$1,230,500	$1,345,000	$1,459,500	$1,574,000

Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Annual deposit	$114,500	$114,500	$114,500	$114,500	$114,500	$114,500	$114,500	$114,500	$114,500	$114,500
Expenditures	$22,110		$232,645		$50,296	$381,825	$352,200	$393,600	$276,745	
Year end balance	$702,070	$816,570	$698,425	$812,925	$877,129	$609,804	$372,104	$93,004	($69,241)	$45,259
Cumulative expenditures	$986,430	$986,430	$1,219,075	$1,219,075	$1,269,371	$1,651,196	$2,003,396	$2,396,996	$2,673,741	$2,673,741
Cumulative receipts	$1,688,500	$1,803,000	$1,917,500	$2,032,000	$2,146,500	$2,261,000	$2,375,500	$2,490,000	$2,604,500	$2,719,000

Year	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Annual deposit	$114,500	$114,500	$114,500	$114,500	$114,500	$114,500	$114,500	$114,500	$114,500	$114,500
Expenditures	$133,706	$23,625	$3,500	$188,273	$364,128	$155,785	$266,054	$49,525		
Year end balance	$26,053	$116,928	$227,928	$154,156	($95,472)	($136,757)	($288,311)	($223,336)	($108,836)	$5,664
Cumulative Expenditures	$2,807,447	$2,831,072	$2,834,572	$3,022,845	$3,386,972	$3,542,757	$3,808,811	$3,858,336	$3,858,336	$3,858,336
Cumulative Receipts	$2,833,500	$2,948,000	$3,062,500	$3,177,000	$3,291,500	$3,406,000	$3,520,500	$3,635,000	$3,749,500	$3,864,000

COMMENTS ON THE REPLACEMENT RESERVE ANALYSIS

- This Replacement Reserve Study has been developed in compliance with the Community Associations Institute, National Reserve Study Standards, for a Level Two - Update (with site visit and on-site review).
- WESTERLIES has 200 units. The type of property is a condominium association.
- Our calculations assume that Replacement Reserves are not subject to tax.

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REPLACEMENT RESERVE INVENTORY
GENERAL INFORMATION

WESTERLIES - Replacement Reserve Inventory identifies 176 items. Two types of items are identified, Projected Replacements and Excluded Items:

- PROJECTED REPLACEMENTS. 131 of the items are Projected Replacements and the periodic replacements of these items are scheduled for funding from Replacement Reserves. The Projected Replacements have an estimated one-time replacement cost of $3,881,091. Replacements totaling $3,858,336 are scheduled in the Replacement Reserve Inventory over the 30-year Study Period.

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

- EXCLUDED ITEMS. 45 of the items are Excluded Items, and expenditures for these items are NOT scheduled for funding from Replacement Reserves. The accuracy of the calculations made in the Replacement Reserve Analysis is dependent on expenditures NOT being made for Excluded Items. The Excluded Items are listed in the Replacement Reserve Inventory to identify specific items and categories of items that are not to be funded from Replacement Reserves. There are multiple categories of items that are typically excluded from funding by Replacement Reserves, including but not limited to:

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

  Value. Items with a replacement cost of less that $1,000 are typically excluded from funding from Replacement Reserves. This exclusion is made to accurately reflect how Replacement Reserves are administered. If the Association has selected an alternative level, it will be noted in the Replacement Reserve Inventory - General Comments on Page B2.

  Long-lived Items. Items that when properly maintained, can be assumed to have a life equal to the property as a whole, are typically excluded from the Replacement Reserve Inventory.

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

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

  The rationale for the exclusion of an item from funding by Replacement Reserves is discussed in more detail in the 'Comments' section of it's page of the Replacement Reserve Inventory.

- CATEGORIES. The 176 items included in the WESTERLIES Replacement Reserve Inventory are divided into 19 major categories. Each category is printed on a separate page, Pages B3 to B20.

- LEVEL OF SERVICE. This Replacement Reserve Inventory has been developed in compliance with the standards established for a Level Two - Update (with site visit and on-site review), as defined by the National Reserve Study Standards, established in 1998 by Community Associations Institute, which states:

  Level II Studies are based entirely on the component inventory from a prior study. This information is adjusted to reflect changes to the inventory that are provided by the property manager, and the quantities are adjusted accordingly from field measurement and/or quantity takeoffs from to-scale drawings that are made available to us. The condition of all components is ascertained from a site visit and the visual inspection of each component by the analyst. The life expectancy and the value of components are provided based in part on these observations and the fund status and funding plan are derived from analysis of this data.

REPLACEMENT RESERVE INVENTORY - GENERAL INFORMATION (cont'd)

- INVENTORY DATA. Each of the 131 Projected Replacements listed in the Replacement Reserve Inventory includes the following data:

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

  Item Description. We have named each item included in the Inventory. Where the name of the item and the category are not sufficient to specifically identify the item, we have included additional information in the Comments section at the bottom of the page.

  Units. We have used standard abbreviations to identify the number of units including SF-square feet, FT-feet, SY-square yard, LS-lump sum, EA-each, and PR-pair. Nonstandard abbreviations are noted in the Comments section on the page on which the abbreviation is used.

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

  Unit Replacement Cost. We use three sources to develop the unit cost data shown in the Inventory; actual replacement cost data provided by the client, industry standard estimating manuals, and a cost database that we have developed based upon our detailed interviews with contractors and service providers who are specialists in their respective lines of work. In addition, trends in the Producers Price Index (PPI), labor rates, and transportation costs are monitored and considered. This cost database is reviewed and updated regularly by Miller Dodson and biannually by an independent professional cost estimating firm.

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

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

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

  Each of the 45 Excluded Items includes the Item Description, Units, and Number of Units. Many of the Excluded Items are listed as a 'Lump Sum' with a quantity of 1. For the Excluded Items, this indicates that all of the items identified by the 'Item Description' are excluded from funding by Replacement Reserves.

- REVIEW OF EXPENDITURES. All expenditures from Replacement Reserves should be made only after consultation with an accounting professional.

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

SITE COMPONENTS
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
1	Asphalt pavement, seal coat	sf	125,740	$0.40	6	2	$50,296
2	Asphalt pavement, mill & overlay	sf	125,740	$1.70	18	8	$213,758
3	Concrete curbs, 3%	lf	175	$34.00	30	none	$5,950
4	Concrete curbs, 3%	lf	175	$34.00	30	3	$5,950
5	Concrete curbs, 3%	lf	175	$34.00	30	6	$5,950
6	Concrete curbs, 3%	lf	175	$34.00	30	9	$5,950
7	Concrete curbs, 3%	lf	175	$34.00	30	12	$5,950
8	Concrete curbs, 3%	lf	175	$34.00	30	15	$5,950
9	Concrete curbs, 3%	lf	175	$34.00	30	18	$5,950
10	Concrete curbs, 3%	lf	175	$34.00	30	21	$5,950
11	Concrete curbs, 3%	lf	175	$34.00	30	24	$5,950
12	Concrete curbs, 3%	lf	175	$34.00	30	27	$5,950
13	Concrete sidewalk/pad, 3%	sf	1,550	$8.50	30	none	$13,175
14	Concrete sidewalk/pad, 3%	sf	1,550	$8.50	30	3	$13,175
15	Concrete sidewalk/pad, 3%	sf	1,550	$8.50	30	6	$13,175
16	Concrete sidewalk/pad, 3%	sf	1,550	$8.50	30	9	$13,175
17	Concrete sidewalk/pad, 3%	sf	1,550	$8.50	30	12	$13,175
18	Concrete sidewalk/pad, 3%	sf	1,550	$8.50	30	15	$13,175
19	Concrete sidewalk/pad, 3%	sf	1,550	$8.50	30	18	$13,175
20	Concrete sidewalk/pad, 3%	sf	1,550	$8.50	30	21	$13,175
21	Concrete sidewalk/pad, 3%	sf	1,550	$8.50	30	24	$13,175
22	Concrete sidewalk/pad, 3%	sf	1,550	$8.50	30	27	$13,175
						SITE COMPONENTS - Replacement Costs - Subtotal	$455,304

SITE COMPONENTS
COMMENTS

SITE COMPONENTS (cont.)
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
23	Concrete steps, 3%	lf	30	$100.00	30	none	$3,000
24	Concrete steps, 3%	lf	30	$100.00	30	3	$3,000
25	Concrete steps, 3%	lf	30	$100.00	30	6	$3,000
26	Concrete steps, 3%	lf	30	$100.00	30	9	$3,000
27	Concrete steps, 3%	lf	30	$100.00	30	12	$3,000
28	Concrete steps, 3%	lf	30	$100.00	30	15	$3,000
29	Concrete steps, 3%	lf	30	$100.00	30	18	$3,000
30	Concrete steps, 3%	lf	30	$100.00	30	21	$3,000
31	Concrete steps, 3%	lf	30	$100.00	30	24	$3,000
32	Concrete steps, 3%	lf	30	$100.00	30	27	$3,000
33	Segmental retaining/planter walls, 25%	sf	430	$45.00	48	none	$19,350
34	Segmental retaining/planter walls, 25%	sf	430	$45.00	48	none	$19,350
35	Segmental retaining/planter walls, 25%	sf	430	$45.00	48	6	$19,350
36	Segmental retaining/planter walls, 25%	sf	430	$45.00	48	12	$19,350
37	Brick retaining walls, 25%	sf	410	$50.00	48	none	$20,500
38	Brick retaining walls, 25%	sf	410	$50.00	48	12	$20,500
39	Brick retaining walls, 25%	sf	410	$50.00	48	24	$20,500
40	Brick retaining walls, 25%	sf	410	$50.00	48	36	$20,500
41	Entry signage	ea	6	$1,000.00	30	5	$6,000
42	Wheel stops (25%)	ea	21	$35.00	10	10	$735

SITE COMPONENTS (cont.) - Replacement Costs - Subtotal $196,135

SITE COMPONENTS (cont.)
COMMENTS

SITE COMPONENTS (cont.)
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
43	Railings, steel, 2-rail, 20%	lf	360	$35.00	30	none	$12,600
44	Railings, steel, 2-rail, 20%	lf	360	$35.00	30	6	$12,600
45	Railings, steel, 2-rail, 20%	lf	360	$35.00	30	12	$12,600
46	Railings, steel, 2-rail, 20%	lf	360	$35.00	30	18	$12,600
47	Railings, steel, 2-rail, 20%	lf	360	$35.00	30	24	$12,600
48	Fence, 6' chain link	lf	320	$19.00	30	2	$6,080
49	Fence, 3' chain link	lf	275	$17.00	30	4	$4,675
50	Fence, alternating boards	lf	260	$35.00	25	5	$9,100
51	Wood signage	ls	1	$3,500.00	15	10	$3,500

SITE COMPONENTS (cont.) - Replacement Costs - Subtotal $86,355

SITE COMPONENTS (cont.)
COMMENTS

SITE COMPONENTS (cont.)
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
52	Water lines & risers, 10%	ls	1	$66,000.00	36	none	$66,000
53	Water lines & risers, 10%	ls	1	$66,000.00	36	6	$66,000
54	Water lines & risers, 10%	ls	1	$66,000.00	36	12	$66,000
55	Water lines & risers, 10%	ls	1	$66,000.00	36	18	$66,000
56	Water lines & risers, 10%	ls	1	$66,000.00	36	24	$66,000
57	Water lines & risers, 10%	ls	1	$66,000.00	36	30	$66,000
58	Sanitary lines & risers, 10%	ls	1	$52,000.00	36	12	$52,000
59	Sanitary lines & risers, 10%	ls	1	$52,000.00	36	18	$52,000
60	Sanitary lines & risers, 10%	ls	1	$52,000.00	36	24	$52,000
61	Sanitary lines & risers, 10%	ls	1	$52,000.00	36	30	$52,000
62	Sanitary lines & risers, 10%	ls	1	$52,000.00	36	36	$52,000
63	Sanitary lines & risers, 10%	ls	1	$52,000.00	36	42	$52,000
64	Stormwater mgmt, 10%	ls	1	$11,330.00	30	none	$11,330
65	Stormwater mgmt, 10%	ls	1	$11,330.00	30	6	$11,330
66	Stormwater mgmt, 10%	ls	1	$11,330.00	30	12	$11,330
67	Stormwater mgmt, 10%	ls	1	$11,330.00	30	18	$11,330
68	Stormwater mgmt, 10%	ls	1	$11,330.00	30	24	$11,330

SITE COMPONENTS (cont.) - Replacement Costs - Subtotal $764,650

SITE COMPONENTS (cont.)
COMMENTS

BUILDING EXTERIORS
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
69	Asphalt shingle roof - Phase 1	sf	30,100	$4.25	25	23	$127,925
70	Alum gutters/downspouts - Phase 1	lf	2,160	$8.50	25	23	$18,360
71	Trim wood - Phase 1	lf	2,000	$12.00	25	15	$24,000
72	T-111 wood siding - Phase 1	sf	54,700	$6.00	25	15	$328,200
73	Asphalt shingle roof - Phase 2	sf	30,100	$4.25	25	24	$127,925
74	Alum gutters/downspouts - Phase 2	lf	2,160	$8.50	25	24	$18,360
75	Trim wood - Phase 2	lf	2,000	$12.00	25	16	$24,000
76	T-111 wood siding - Phase 2	sf	54,700	$6.00	25	16	$328,200
77	Asphalt shingle roof - Phase 3	sf	30,100	$4.25	25	25	$127,925
78	Alum gutters/downspouts - Phase 3	lf	2,160	$8.50	25	25	$18,360
79	Trim wood - Phase 3	lf	2,000	$12.00	25	17	$24,000
80	T-111 wood siding - Phase 3	sf	54,700	$6.00	25	17	$328,200
81	Repointing, 10%	sf	5,300	$16.50	36	6	$87,450
82	Repointing, 10%	sf	5,300	$16.50	36	18	$87,450
83	Repointing, 10%	sf	5,300	$16.50	36	30	$87,450

BUILDING EXTERIORS - Replacement Costs - Subtotal $1,757,805

BUILDING EXTERIORS
COMMENTS

BUILDING EXTERIORS (cont.)
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
84	Lighting	ea	335	$105.00	25	5	$35,175
85	Foundation sealing	ls	1	$22,000.00	30	none	$22,000
86	Foundation sealing	ls	1	$22,000.00	30	6	$22,000
87	Foundation sealing	ls	1	$22,000.00	30	12	$22,000
88	Foundation sealing	ls	1	$22,000.00	30	18	$22,000
89	Foundation sealing	ls	1	$22,000.00	30	24	$22,000

BUILDING EXTERIORS (cont.) - Replacement Costs - Subtotal $145,175

BUILDING EXTERIORS (cont.)
COMMENTS

BREEZEWAYS
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
90	Asphalt shingle roof	sf	3,500	$4.25	25	23	$14,875
91	Aluminum gutters/downspouts	lf	770	$8.50	25	23	$6,545
92	Trim wood - aluminum covered	lf	290	$12.00	25	23	$3,480

BREEZEWAYS - Replacement Costs - Subtotal $24,900

BREEZEWAYS
COMMENTS

TRASH HUTS
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
93	Asphalt shingle roof	sf	1,300	$4.50	25	23	$5,850
94	T-111 wood siding & doors	sf	1,260	$8.50	25	6	$10,710
95	Wood trim	sf	2,016	$12.00	25	6	$24,192

TRASH HUTS - Replacement Costs - Subtotal $40,752

TRASH HUTS
COMMENTS

POOL AND POOL IMPROVEMENTS
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
96	Main pool structure	sf	3,301	$65.00	45	30	$214,565
97	Main pool white coat	sf	3,301	$5.25	10	7	$17,330
98	Main pool waterline tile	lf	230	$15.00	10	7	$3,450
99	Main pool coping	lf	230	$50.00	20	17	$11,500
100	Wading pool structure	sf	480	$65.00	45	30	$31,200
101	Wading pool white coat	sf	480	$5.25	10	7	$2,520
102	Wading pool waterline tile	lf	80	$15.00	10	7	$1,200
103	Wading pool coping	lf	80	$50.00	20	17	$4,000
104	Main pool filter system	ea	1	$4,000.00	15	5	$4,000
105	Wading pool filter system	ea	1	$1,850.00	15	5	$1,850
106	Main pool pump	ea	1	$1,400.00	5	2	$1,400
107	Wading pool pump	ea	1	$1,500.00	3	3	$1,500
108	Guard stands	ea	2	$2,500.00	25	20	$5,000
109	Pool deck (25%)	sf	1,250	$9.50	10	10	$11,875
110	Fence, 6' iron	lf	430	$35.00	25	20	$15,050
111	Fence, 3' iron	lf	70	$25.00	25	20	$1,750
112	Pool deck furniture	ls	1	$5,000.00	5	5	$5,000
113	Furniture restrapping	ls	1	$1,000.00	5	5	$1,000

POOL AND POOL IMPROVEMENTS - Replacement Costs - Subtotal $334,190

POOL AND POOL IMPROVEMENTS
COMMENTS

BATH HOUSE (BH)
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
114	BH Asphalt shingle roof	sf	1,900	$4.25	25	23	$8,075
115	BH Aluminum gutters/downspouts	lf	125	$8.50	25	23	$1,063
116	BH Wood trim	lf	175	$12.00	25	23	$2,100
117	BH Exterior doors	ea	3	$1,000.00	35	2	$3,000
118	BH Interior doors	ea	4	$750.00	25	5	$3,000
119	BH Commodes	ea	2	$50.00	30	20	$100
120	BH Urinal	ea	1	$400.00	30	20	$400
121	BH Shower	ea	6	$500.00	25	5	$3,000
122	BH Sink	ea	4	$450.00	30	5	$1,800
123	BH Light fixtures	ea	22	$125.00	25	5	$2,750
124	BH Toilet stall	ea	3	$950.00	15	5	$2,850

BATH HOUSE (BH) - Replacement Costs - Subtotal $28,138

BATH HOUSE (BH)
COMMENTS

TOT LOT
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
125	Equipment, large metal/plastic	ls	1	$25,000.00	20	20	$25,000
126	Equipment, swingset	ls	1	$8,000.00	20	20	$8,000
127	Wood border	lf	200	$10.50	10	2	$2,100
128	Bench metal	ea	2	$400.00	20	20	$800

TOT LOT - Replacement Costs - Subtotal $35,900

TOT LOT
COMMENTS

BASKETBALL COURT
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
129	Asphalt, seal coat	sf	4,350	$0.40	6	none	$1,740
130	Asphalt, overlay	sf	4,350	$1.85	18	6	$8,048
131	Pole and backboard	ea	1	$2,000.00	20	6	$2,000

BASKETBALL COURT - Replacement Costs - Subtotal $11,788

BASKETBALL COURT
COMMENTS

VALUATION EXCLUSIONS

EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
	Miscellaneous signage	ls	1				EXCLUDED
	Bollard/access control devices	ls	1				EXCLUDED
	Basketball net	ls	1				EXCLUDED
	Benches - freestanding	ls	1				EXCLUDED

VALUATION EXCLUSIONS

COMMENTS

- Valuation Exclusions. For ease of administration of the Replacement Reserves and to reflect accurately how Replacement Reserves are administered, items with a dollar value less than $1,000.00 have not been scheduled for funding from Replacement Reserves. Examples of items excluded from funding by Replacement Reserves by this standard are listed above.

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

LONG-LIFE EXCLUSIONS
EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
	Masonry features	ls	1				EXCLUDED
	Exterior brick veneer	ls	1				EXCLUDED
	Building foundation(s)	ls	1				EXCLUDED
	Concrete floor slabs (interior)	ls	1				EXCLUDED
	Wall, floor, & roof structure	ls	1				EXCLUDED
	Common element electrical services	ls	1				EXCLUDED
	Electrical wiring	ls	1				EXCLUDED

LONG-LIFE EXCLUSIONS
COMMENTS

- Long Life Exclusions. Components that when properly maintained, can be assumed to have a life equal to the property as a whole, are normally excluded from the Replacement Reserve Inventory. Examples of items excluded from funding by Replacement Reserves by this standard are listed above.

- Exterior masonry is generally assumed to have and unlimited economic life but periodic tuckpointing is required and we have included this for funding in the Replacement Reserve Inventory.

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

UNIT IMPROVEMENTS EXCLUSIONS

EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
	Domestic water pipes serving one unit	ls	1				EXCLUDED
	Sanitary lines serving one unit	ls	1				EXCLUDED
	Electrical wiring serving one unit	ls	1				EXCLUDED
	Gas service serving one unit	ls	1				EXCLUDED
	Cable TV service serving one unit	ls	1				EXCLUDED
	Telephone service serving one unit	ls	1				EXCLUDED
	HVAC systems serving one unit	ls	1				EXCLUDED
	Windows serving one unit	ls	1				EXCLUDED
	Exterior doors serving one unit	ls	1				EXCLUDED
	Unit entry, wood deck and stairs	ls	1				EXCLUDED
	Mailboxes	ls	1				EXCLUDED
	Unit interior	ls	1				EXCLUDED

UNIT IMPROVEMENTS EXCLUSIONS

COMMENTS

- Unit improvement Exclusions. We understand that the elements of the project that relate to a single unit are the responsibility of that unit owner. Examples of items excluded from funding by Replacement Reserves by this standard are listed above.

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

UTILITY EXCLUSIONS
EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
	Primary electric feeds	ls	1				EXCLUDED
	Electric transformers	ls	1				EXCLUDED
	Cable TV systems and structures	ls	1				EXCLUDED
	Telephone cables and structures	ls	1				EXCLUDED
	Gas mains and meters	ls	1				EXCLUDED
	Water mains and meters	ls	1				EXCLUDED
	Main sanitary sewers	ls	1				EXCLUDED

UTILITY EXCLUSIONS
COMMENTS

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

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

MAINTENANCE AND REPAIR EXCLUSIONS

EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
	Cleaning asphalt pavement	ls	1				EXCLUDED
	Crack sealing of asphalt pavement	ls	1				EXCLUDED
	Painting of curbs	ls	1				EXCLUDED
	Striping of parking spaces	ls	1				EXCLUDED
	Numbering of parking spaces	ls	1				EXCLUDED
	Landscaping and site grading	ls	1				EXCLUDED
	Exterior painting	ls	1				EXCLUDED
	Interior painting	ls	1				EXCLUDED
	Janitorial service	ls	1				EXCLUDED
	Repair services	ls	1				EXCLUDED
	Partial replacements	ls	1				EXCLUDED
	Capitol improvements	ls	1				EXCLUDED

MAINTENANCE AND REPAIR EXCLUSIONS

COMMENTS

- Maintenance activities, one-time-only repairs, and capitol improvements. These activities are NOT appropriately funded from Replacement Reserves. The inclusion of such component in the Replacement Reserve Inventory could jeopardize the special tax status of ALL Replacement Reserves, exposing the Association to significant tax liabilities. We recommend that the Board of Directors discuss these exclusions and Revenue Ruling 75-370 with a Certified Public Accountant.
- Examples of items excluded from funding by Replacement Reserves by this standard are listed above.
- The list above exemplifies exclusions by the cited standard(s) and is not intended to be comprehensive.

GOVERNMENT EXCLUSIONS

EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
	Government maintained roads	ls	1				EXCLUDED
	Sidewalks along government roads	ls	1				EXCLUDED
	Curbs along government roads	ls	1				EXCLUDED

GOVERNMENT EXCLUSIONS

COMMENTS

- Government Exclusions. We have assumed that some of the improvements installed on property owned by the Association will be maintained by the local government. Examples of items excluded from funding by Replacement Reserves by this standard are listed above.

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

PROJECTED ANNUAL REPLACEMENTS
GENERAL INFORMATION

CALENDAR OF ANNUAL REPLACEMENTS. The 131 Projected Replacements in the WESTERLIES Replacement Reserve Inventory whose replacement is scheduled to be funded from Replacement Reserves are broken down on a year-by-year basis, beginning on Page C2.

REPLACEMENT RESERVE ANALYSIS AND INVENTORY
POLICIES, PROCEDURES, AND ADMINISTRATION

- REVISIONS. Revisions will be made to the Replacement Reserve Analysis and Replacement Reserve Inventory in accordance with the written instructions of the Board of Directors. No additional charge is incurred for the first revision, if requested in writing within three months of the date of the Replacement Reserve Study. It is our policy to provide revisions in electronic (Adobe PDF) format only.
- TAX CODE. The United States Tax Code grants favorable tax status to a common interest development (CID) meeting certain guidelines for their Replacement Reserve. If a CID files their taxes as a 'Corporation' on Form 1020 (IRC Section 277), these guidelines typically require maintenance activities, partial replacements, minor replacements, capital improvements, and one-time only replacements to be excluded from Reserves. A CID cannot commingle planning for maintenance activities with capital replacement activities in the Reserves (Revenue Ruling 75-370). Funds for maintenance activities and capital replacements activities must be held in separate accounts. If a CID files taxes as an "Exempt Homeowners Association" using Form 1020H (IRC Section 528), the CID does not have to segregate these activities. However, because the CID may elect to change their method of filing from year to year within the Study Period, we advise using the more restrictive approach. We further recommend that the CID consult with their Accountant and consider creating separate and independent accounts and reserves for large maintenance items, such as painting.
- CONFLICT OF INTEREST. Neither Miller - Dodson Associates nor the Reserve Analyst has any prior or existing relationship with this Association which would represent a real or perceived conflict of interest.
- RELIANCE ON DATA PROVIDED BY THE CLIENT. Information provided by an official representative of the Association regarding financial, physical conditions, quality, or historical issues is deemed reliable.
- INTENT. This Replacement Reserve Study is a reflection of the information provided by the Association and the visual evaluations of the Analyst. It has been prepared for the sole use of the Association and is not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records.
- PREVIOUS REPLACEMENTS. Information provided to Miller - Dodson Associates regarding prior replacements is considered to be accurate and reliable. Our visual evaluation is not a project audit or quality inspection.
- UPDATING. In the first two or possibly three years after the completion of a Level One Replacement Reserve Study, we recommend the Association review and revise the Replacement Reserve Analysis and Inventory annually to take into account replacements which have occurred and known changes in replacement costs. This can frequently be handled as a Level Two or Level Three Study (as defined by the Community Associations Institute), unless the Association has completed major replacement projects. A full analysis (Level One) based on a comprehensive visual evaluation of the site should be accomplished every three to five years or after each major replacement project.
- EXPERIENCE WITH FUTURE REPLACEMENTS. The Calendar of Annual Projected Replacements, lists replacements we have projected to occur over the next thirty years, begins on Page C2. Actual experience in replacing the items may differ significantly from the cost estimates and time frames shown because of conditions beyond our control. These differences may be caused by maintenance practices, inflation, variations in pricing and market conditions, future technological developments, regulatory actions, acts of God, and luck. Some items may function normally during our visual evaluation and then fail without notice.
- REVIEW OF THE REPLACEMENT RESERVE STUDY. For this study to be effective, it should be reviewed by the WESTERLIES Board of Directors, those responsible for the management of the items included in the Replacement Reserve Inventory, and the accounting professionals employed by the Association.

PROJECTED REPLACEMENTS - YEARS 1 TO 6

Item	2012	$
3	Concrete curbs, 3%	$5,950
13	Concrete sidewalk/pad, 3%	$13,175
23	Concrete steps, 3%	$3,000
33	Segmental retaining/planter	$19,350
34	Segmental retaining/planter	$19,350
37	Brick retaining walls, 25%	$20,500
43	Railings, steel, 2-rail, 20%	$12,600
52	Water lines & risers, 10%	$66,000
64	Stormwater mgmt, 10%	$11,330
85	Foundation sealing	$22,000
129	Asphalt, seal coat	$1,740
	Total Scheduled Replacements	$194,995

Item	2013	$
	No Scheduled Replacements	

Item	2014	$
1	Asphalt pavement, seal coat	$50,296
48	Fence, 6' chain link	$6,080
106	Main pool pump	$1,400
117	BH Exterior doors	$3,000
127	Wood border	$2,100
	Total Scheduled Replacements	$62,876

Item	2015	$
4	Concrete curbs, 3%	$5,950
14	Concrete sidewalk/pad, 3%	$13,175
24	Concrete steps, 3%	$3,000
107	Wading pool pump	$1,500
	Total Scheduled Replacements	$23,625

Item	2016	$
49	Fence, 3' chain link	$4,675
	Total Scheduled Replacements	$4,675

Item	2017	$
41	Entry signage	$6,000
50	Fence, alternating boards	$9,100
84	Lighting	$35,175
104	Main pool filter system	$4,000
105	Wading pool filter system	$1,850
112	Pool deck furniture	$5,000
113	Furniture restrapping	$1,000
118	BH Interior doors	$3,000
121	BH Shower	$3,000
122	BH Sink	$1,800
123	BH Light fixtures	$2,750
124	BH Toilet stall	$2,850
	Total Scheduled Replacements	$75,525

PROJECTED REPLACEMENTS - YEARS 7 TO 12

Item	2018	$
5	Concrete curbs, 3%	$5,950
15	Concrete sidewalk/pad, 3%	$13,175
25	Concrete steps, 3%	$3,000
35	Segmental retaining/planter	$19,350
44	Railings, steel, 2-rail, 20%	$12,600
53	Water lines & risers, 10%	$66,000
65	Stormwater mgmt, 10%	$11,330
81	Repointing, 10%	$87,450
86	Foundation sealing	$22,000
94	T-111 wood siding & doors	$10,710
95	Wood trim	$24,192
107	Wading pool pump	$1,500
129	Asphalt, seal coat	$1,740
130	Asphalt, overlay	$8,048
131	Pole and backboard	$2,000
	Total Scheduled Replacements	$289,045

Item	2019	$
97	Main pool white coat	$17,330
98	Main pool waterline tile	$3,450
101	Wading pool white coat	$2,520
102	Wading pool waterline tile	$1,200
106	Main pool pump	$1,400
	Total Scheduled Replacements	$25,900

Item	2020	$
1	Asphalt pavement, seal coat	$50,296
2	Asphalt pavement, mill & ov	$213,758
	Total Scheduled Replacements	$264,054

Item	2021	$
6	Concrete curbs, 3%	$5,950
16	Concrete sidewalk/pad, 3%	$13,175
26	Concrete steps, 3%	$3,000
107	Wading pool pump	$1,500
	Total Scheduled Replacements	$23,625

Item	2022	$
42	Wheel stops (25%)	$735
51	Wood signage	$3,500
109	Pool deck (25%)	$11,875
112	Pool deck furniture	$5,000
113	Furniture restrapping	$1,000
	Total Scheduled Replacements	$22,110

Item	2023	$
	No Scheduled Replacements	

PROJECTED REPLACEMENTS - YEARS 13 TO 18

Item	2024	$
7	Concrete curbs, 3%	$5,950
17	Concrete sidewalk/pad, 3%	$13,175
27	Concrete steps, 3%	$3,000
36	Segmental retaining/planter	$19,350
38	Brick retaining walls, 25%	$20,500
45	Railings, steel, 2-rail, 20%	$12,600
54	Water lines & risers, 10%	$66,000
58	Sanitary lines & risers, 10%	$52,000
66	Stormwater mgmt, 10%	$11,330
87	Foundation sealing	$22,000
106	Main pool pump	$1,400
107	Wading pool pump	$1,500
127	Wood border	$2,100
129	Asphalt, seal coat	$1,740
	Total Scheduled Replacements	$232,645

Item	2025	$
	No Scheduled Replacements	

Item	2026	$
1	Asphalt pavement, seal coat	$50,296
	Total Scheduled Replacements	$50,296

Item	2027	$
8	Concrete curbs, 3%	$5,950
18	Concrete sidewalk/pad, 3%	$13,175
28	Concrete steps, 3%	$3,000
71	Trim wood - Phase 1	$24,000
72	T-111 wood siding - Phase 1	$328,200
107	Wading pool pump	$1,500
112	Pool deck furniture	$5,000
113	Furniture restrapping	$1,000
	Total Scheduled Replacements	$381,825

Item	2028	$
75	Trim wood - Phase 2	$24,000
76	T-111 wood siding - Phase 2	$328,200
	Total Scheduled Replacements	$352,200

Item	2029	$
79	Trim wood - Phase 3	$24,000
80	T-111 wood siding - Phase 3	$328,200
97	Main pool white coat	$17,330
98	Main pool waterline tile	$3,450
99	Main pool coping	$11,500
101	Wading pool white coat	$2,520
102	Wading pool waterline tile	$1,200
103	Wading pool coping	$4,000
106	Main pool pump	$1,400
	Total Scheduled Replacements	$393,600

PROJECTED REPLACEMENTS - YEARS 19 TO 24

Item	2030	$
9	Concrete curbs, 3%	$5,950
19	Concrete sidewalk/pad, 3%	$13,175
29	Concrete steps, 3%	$3,000
46	Railings, steel, 2-rail, 20%	$12,600
55	Water lines & risers, 10%	$66,000
59	Sanitary lines & risers, 10%	$52,000
67	Stormwater mgmt, 10%	$11,330
82	Repointing, 10%	$87,450
88	Foundation sealing	$22,000
107	Wading pool pump	$1,500
129	Asphalt, seal coat	$1,740
	Total Scheduled Replacements	$276,745

Item	2031	$
	No Scheduled Replacements	

Item	2032	$
1	Asphalt pavement, seal coat	$50,296
42	Wheel stops (25%)	$735
104	Main pool filter system	$4,000
105	Wading pool filter system	$1,850
108	Guard stands	$5,000
109	Pool deck (25%)	$11,875
110	Fence, 6' iron	$15,050
111	Fence, 3' iron	$1,750
112	Pool deck furniture	$5,000
113	Furniture restrapping	$1,000
119	BH Commodes	$100
120	BH Urinal	$400
124	BH Toilet stall	$2,850
125	Equipment, large metal/plas	$25,000
126	Equipment, swingset	$8,000
128	Bench metal	$800
	Total Scheduled Replacements	$133,706

Item	2033	$
10	Concrete curbs, 3%	$5,950
20	Concrete sidewalk/pad, 3%	$13,175
30	Concrete steps, 3%	$3,000
107	Wading pool pump	$1,500
	Total Scheduled Replacements	$23,625

Item	2034	$
106	Main pool pump	$1,400
127	Wood border	$2,100
	Total Scheduled Replacements	$3,500

Item	2035	$
69	Asphalt shingle roof - Phase	$127,925
70	Alum gutters/downspouts - F	$18,360
90	Asphalt shingle roof	$14,875
91	Aluminum gutters/downspou	$6,545
92	Trim wood - aluminum cover	$3,480
93	Asphalt shingle roof	$5,850
114	BH Asphalt shingle roof	$8,075
115	BH Aluminum gutters/downs	$1,063
116	BH Wood trim	$2,100
	Total Scheduled Replacements	$188,273

PROJECTED REPLACEMENTS - YEARS 25 TO 30

Item	2036	$
11	Concrete curbs, 3%	$5,950
21	Concrete sidewalk/pad, 3%	$13,175
31	Concrete steps, 3%	$3,000
39	Brick retaining walls, 25%	$20,500
47	Railings, steel, 2-rail, 20%	$12,600
56	Water lines & risers, 10%	$66,000
60	Sanitary lines & risers, 10%	$52,000
68	Stormwater mgmt, 10%	$11,330
73	Asphalt shingle roof - Phase	$127,925
74	Alum gutters/downspouts - F	$18,360
89	Foundation sealing	$22,000
107	Wading pool pump	$1,500
129	Asphalt, seal coat	$1,740
130	Asphalt, overlay	$8,048
	Total Scheduled Replacements	$364,128

Item	2037	$
51	Wood signage	$3,500
77	Asphalt shingle roof - Phase	$127,925
78	Alum gutters/downspouts - F	$18,360
112	Pool deck furniture	$5,000
113	Furniture restrapping	$1,000
	Total Scheduled Replacements	$155,785

Item	2038	$
1	Asphalt pavement, seal coat	$50,296
2	Asphalt pavement, mill & ov	$213,758
131	Pole and backboard	$2,000
	Total Scheduled Replacements	$266,054

Item	2039	$
12	Concrete curbs, 3%	$5,950
22	Concrete sidewalk/pad, 3%	$13,175
32	Concrete steps, 3%	$3,000
97	Main pool white coat	$17,330
98	Main pool waterline tile	$3,450
101	Wading pool white coat	$2,520
102	Wading pool waterline tile	$1,200
106	Main pool pump	$1,400
107	Wading pool pump	$1,500
	Total Scheduled Replacements	$49,525

Item	2040	$
	No Scheduled Replacements	

Item	2041	$
	No Scheduled Replacements	

CONDITION ASSESSMENT

General Comments. Miller - Dodson Associates conducted a Reserve Study at The Westerlies in September 2011. The Westerlies is in average condition for a community constructed in 1971. A review of the Replacement Reserve Inventory will show that we are anticipating most of the components achieving their normal economic lives.

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

SITE IMPROVEMENTS

Asphalt Pavement. The site includes asphalt pavement for vehicle access and parking. In general, the asphalt pavement is in fair condition with multiple areas of defects. The Association maintains an inventory of 125,740 square feet of asphalt pavement.

Parking Lot

Failing Sections

The defects noted include the following:

Stained Asphalt - Typical

- Open Cracks. There are multiple locations where open cracks are allowing water to penetrate to the asphalt base and the bearing soils beneath the pavement. This water will erode the base accelerating the deterioration of the asphalt pavement. If the cracks have allowed the deterioration of the base materials and the bearing soil, the damaged areas should be removed and replaced. All other cracks should be cleaned and filled.

- Alligatoring. There are multiple locations where the asphalt has developed a pattern of cracking known as alligatoring. Alligatoring is the result of an unstable base under the asphalt. Shifting in the base causes the asphalt to crack and shift, forming the cracks that resemble the skin of an alligator. Once these cracks extend through the asphalt, they will allow water to penetrate to the base, accelerating the rate of deterioration. The only solution is to remove the defective asphalt and compact the base before new asphalt is installed.

- Depressions. There are areas where the asphalt surface is depressed due to deformation in the surface or underlying layers. These depressions may continue to grow with exposure to traffic. Water ponding was noted in several of these areas. Repair will require removal of the asphalt

and base material, installation and compaction of new base material, and resurfacing with asphalt.

As a rule of thumb, asphalt should be overlayed when approximately five percent of the surface area has become cracked or has failed. The normal service life of asphalt pavement is typically 18 to 20 years.

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

- Crack Sealing. All cracks should be sealed with an appropriate sealing compound to prevent water infiltration through the asphalt compound into the base. This repair should be done annually. This is an entirely different process from the seal coating discussed below. Crack sealing is normally considered a maintenance activity and is not funded from Reserves. Areas of extensive cracking or deterioration that cannot be made watertight by crack sealing should be cut out and patched.

- Cleaning. Long-term exposure to oil or gas breaks down asphalt. Because this asphalt pavement is generally not used for long term parking, it is unlikely that frequent cleaning will be necessary. When necessary, spill areas should be cleaned, or if deterioration has penetrated the asphalt, patched. This is a maintenance activity, and we have assumed that it will not be funded from Reserves.

- Seal Coating. The asphalt should be seal coated every three to five years. For this maintenance activity to be effective in extending the life of the asphalt, the crack sealing and cleaning of the asphalt as discussed above should be completed first.

Pricing used in the study is based on a recent contract for a two-inch overlay and reflects the current local market.

Asphalt Seal Coat. The asphalt pavement does not appear to have been seal coated within the past six years. As the asphalt surface oxidizes, some of the binders in the asphalt evaporate, resulting in a gray appearance to the asphalt. As a result of this process, the asphalt loses some of its flexibility, resulting in cracking and splitting. We recommend following a crack filling and recoating cycle of six years for asphalt surfaces.

Concrete Flatwork. The concrete flatwork includes the community sidewalks, courtyard slabs and stairs. The overall condition of the concrete flatwork is fair to poor with multiple areas of defects. The defects noted include the following:

Concrete Replacement

Typical Cracked Sections of Sidewalk

- Cracking. There are multiple sections of the concrete flatwork that have cracked creating trip hazards.

- Heaving/Settlement. Sections of the concrete flatwork have heaved or settled relative to their adjacent sections, creating trip hazards.

- Scaling and Flaking. Several sections of the concrete flatwork are scaling and flaking. Scaling and flaking are the loss of the surface mortar in concrete, typically caused by water freezing within the concrete. Once started, scaling and flaking can be expected to continue to grow as a result of exposure of the concrete to freeze-thaw cycles. These scaled sections are creating trip hazards.

- Popouts. Sections of the concrete flatwork have developed a number of popouts. Popouts are small sections of concrete surface that fail as the result of moisture freezing in a void just below the surface, causing pieces of concrete to pop away, leaving a shallow divot. Water can collect in the popouts and can extend the damage if it freezes.

The standards we used for recommending replacement are as follows:

1. Trip hazard, 0.5 inch height difference.
2. Severe cracking.
3. Severe spalling
4. Uneven riser heights on steps.
5. Steps with risers in excess of 8.25 inches.

Because it is highly unlikely that all of the community's concrete components will fail and require replacement in the period of the study, we have programmed funds for the replacement of 30 percent of the inventory and spread those funds over a 30-year timeframe to reflect the incremental nature of this work. This approach assumes a failure rate of one percent per year.

Curb and Gutter. The Association maintains an inventory of 5,800 linear feet of concrete curb and gutter. In general, the community's concrete curbing and gutters are in fair condition with multiple areas of defects. The defects noted include the following:

Typical Curb and Gutter

- Cracking. There are multiple sections of the curb and gutter that are cracked. Some of the cracks are creating trip hazards.

- Heaving/Settlement. Sections of the curb and gutter have heaved or settled relative to their adjacent sections, creating trip hazards.

- Scaling and Flaking. Scaling and flaking are the loss of the surface mortar in concrete, typically caused by water freezing within the concrete. Once started, scaling and flaking can be expected to continue to grow as a result of exposure of the concrete to freeze-thaw cycles. These scaled sections are creating trip hazards.

- Popouts. The curb and gutter have developed a number of popouts. Popouts are small sections of concrete surface that fail as the result of moisture freezing in a void just below the surface, causing pieces of concrete to pop away, leaving a shallow divot. Water can collect in the popouts and can extend the damage if it freezes.

Because it is highly unlikely that all of the community's concrete curb and gutter sections will fail and require replacement in the period of the study, we have programmed funds for the replacement of 60 percent of the inventory and spread those funds over a 60-year timeframe to reflect the incremental nature of this work. This approach assumes a failure rate of one percent per year.

Segmental Block Retaining Walls. The community maintains an inventory of segmental block retaining wall. The condition of these walls ranges from good to poor.

The defects noted include the following:

- Spalling. The surface of a number of the blocks is failing from spalling. Spalling is generally caused by moisture that has penetrated the surface of the blocks and then frozen. Eventually the spalled blocks will have to be replaced.

- Bowing. We found numerous areas where sections of the retaining walls are bowing outward. Bowing occurs as the result of moderate to severe loading of the wall by the material being supported. If the bowing is allowed to continue, eventually it will lead to the failure of the retaining wall. Correcting bowing requires replacement of the sections of retaining wall and installation of better drainage materials behind the wall.

- Leaning. We found numerous areas where sections of the retaining walls are leaning. Leaning occurs when the pressure of the material being held in place by the retaining wall is sufficient to cause the wall to shift away from the vertical. Once a retaining wall starts to lean, it is at risk of failing and must be replaced.

- Settlement. Portions of the block retaining wall have shifted due to settlement. This settlement is generally due to improper preparation of the base material under the wall or undermining of the material due to erosion. The portions of the wall that are impacted will have to be removed, the base material corrected, and the blocks replaced.

Sections of walls have totally failed and fallen over. Observation of the construction indicates that no drainage section was installed at the bottom walls. It is this lack of drainage which is causing the failure of the wall system. The study includes funds to replace these walls.

Failing Corner

Failed Section

Chain Link Fencing. The Association maintains an inventory of chain link fencing. The condition of the fencing varies from good to poor. The defects noted include the following:

- Damaged Fabric. The metal fabric of the fencing has been damaged in several locations.
- Corroded Fabric. The metal fabric of the fencing is moderately corroded.
- Corroded Poles. The metal fence posts are moderately corroded.

Chain Link Fence

Trash Sheds. The Association maintains trash sheds of wood construction. The gazebos have wood walls and roof with asphalt shingles. The roofs, and the structures are in fair condition.

Trash Shed

BUILDING EXTERIORS

Asphalt Shingle Roofing. The asphalt shingle roofs are in good condition. We have estimated the remaining useful life of the roofs based on the conditions seen at the site as well as the age of the roofs. We have assumed that when the roofs eventually will require replacement, all roofs will be replaced with

25-year roofs. We have assumed that the gutters and downspouts will be replaced when the roofs are replaced.

T-111 Siding. In general, the sheet T-111 siding is in good condition. Damaged and deteriorated sections are being replaced as needed when the building is periodically painted. We have assumed that approximately ten percent of the siding will require replacement during each painting cycle. We have also assumed that the buildings will be placed on a six year paint cycle.

Typical Elevation

It is important to monitor the condition of the sheet T-111 siding. Any damage to the surface can cause water to gain access to the material resulting in deterioration and rot.

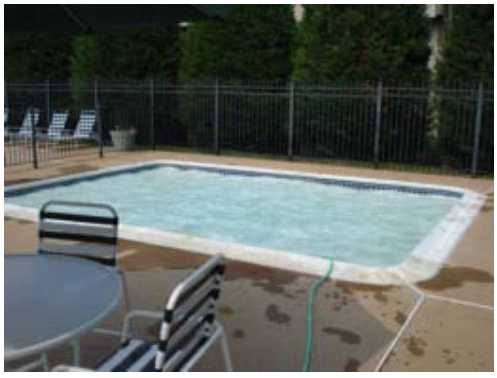
Brickwork. The brickwork on the buildings is in good condition. Brick is usually considered to be a life of structure item and therefore excluded from reserve funding. Because weather and other conditions result in the slow deterioration of the mortar in the brick joints, we have included funding in the Reserve Analysis for tuckpointing.

Tuckpointing is the process of raking and cutting out damaged sections of mortar and replacing them with new mortar. When mortar joints become damaged, they allow water to gain access to the brick joints. Repeated freeze-thaw cycles gradually increase the damage to the mortar joints, allowing even more moisture into the brick joints. If allowed to progress sufficiently, the brick surfaces can spall or entire bricks can be loosened.

Periodic tuckpointing limits the damage done by moisture penetration, maximizing the life of both the mortar and the bricks. For the Reserve Analysis, we have assumed that five percent of the brick will require tuckpointing every ten years once the brickwork is approximately 30 to 35 years old.

RECREATIONAL FACILITIES

Swimming Pool. The community operates an outdoor pool and wading pool of concrete construction with a concrete deck. The concrete deck is not coated. Listed below are the major components of the pool facilities:



Wading Pool

Main Pool

- Pool Shell. The shell for the swimming pool is in good condition. Pool shells normally have a finite life of approximately 45 years. At that time it may not be necessary to replace the entire structure. However, it is prudent to anticipate a major expenditure for replacement of underground lines and sections of the pool.

- Pool Deck. The pool has a concrete deck. The overall condition of the deck is good. Because it is highly unlikely that all of the community's concrete pool deck sections will fail and require replacement at the same time, we have divided the deck into four equal components in the Reserve Analysis and have spread their replacement over a 40-year period.

- Whitecoat. The pool whitecoat is in good condition. We have assumed a service life of eight to ten years for the pool whitecoat.

- Coping. The pool is edged with masonry coping. The coping is in good condition.

- Waterline Tile. The waterline tile is in good condition. We have assumed that the waterline tile will be replaced or restored when the pool is whitecoated.

- Pump and Filter System. The filter system is in good operating condition. We have assumed a service life of 20 years for the filter system, and 10 years for the pump.

Basketball Court. The community maintains a half court basketball court. The overall condition of the court is fair. Listed below are the major components of the basketball court facilities:

- Asphalt Pavement. The asphalt pavement for the basketball court is in fair condition with o cracks and splits that extend into the playing surface. We have assumed a service life of 20 years for the asphalt.
- Backboard. The backboard and post are in good condition

Tot Lots. The community maintains a tot lot. These tot lots include play structures, miscellaneous play equipment, wood borders, and rubber tire surfacing. The facilities are in good condition.

Basketball Court

Tot Lot

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

End of Condition Assessment

Intentionally Left Blank

Photo #1. Entry Wall

Photo #2 Hand Rail at Concrete Stair

Photo #3 Concrete Stairs

Photo #4. Brick Wall Damage

Photo #5. Bench

Photo #6. Foundation Sealing

Photo #7. Bath House Toilet Room

Photo #8. Water Heater

Photo #9. Pool Filters

Photo #10 Pool Fence and Furniture

Photo #11. Breeze Ways

Photo #12. Courtyard Concrete

CASH FLOW METHOD ACCOUNTING SUMMARY

This WESTERLIES - Cash Flow Method Accounting Summary is an attachment to the WESTERLIES - Replacement Reserve Study dated August 30, 2011 and is for use by accounting and reserve professionals experienced in Association funding and accounting principles. This Summary consists of four reports, the 2012, 2013, and 2014 Cash Flow Method Category Funding Reports (3) and a Three-Year Replacement Funding Report.

- CASH FLOW METHOD CATEGORY FUNDING REPORT, 2012, 2013, and 2014. Each of the 131 Projected Replacements listed in the WESTERLIES Replacement Reserve Inventory has been assigned to one of 12 categories. The following information is summarized by category in each report:
  - Normal Economic Life and Remaining Economic Life of the Projected Replacements.
  - Cost of all Scheduled Replacements in each category.
  - Replacement Reserves on Deposit allocated to the category at the beginning and end of the report period.
  - Cost of Projected Replacements in the report period.
  - Recommended Replacement Reserve Funding allocated to the category during the report period as calculated by the Cash Flow Method.

- THREE-YEAR REPLACEMENT FUNDING REPORT. This report details the allocation of the $429,000 Beginning Balance (at the start of the Study Year) and the $408,149 of additional Replacement Reserve Funding in 2012 through 2014 (as calculated in the Replacement Reserve Analysis) to each of the 131 Projected Replacements listed in the Replacement Reserve Inventory. These allocations have been made using Chronological Allocation, a method developed by Miller Dodson Associates, Inc., and discussed below. The calculated data includes:
  - Identification and estimated cost of each Projected Replacement schedule in years 2012 through 2014.
  - Allocation of the $429,000 Beginning Balance to the Projected Replacements by Chronological Allocation.
  - Allocation of the $408,149 of additional Replacement Reserve Funding recommended in the Replacement Reserve Analysis in years 2012 through 2014, by Chronological Allocation.

- CHRONOLOGICAL ALLOCATION. Chronological Allocation assigns Replacement Reserves to Projected Replacements on a "first come, first serve" basis in keeping with the basic philosophy of the Cash Flow Method. The Chronological Allocation methodology is outlined below.
  - The first step is the allocation of the $429,000 Beginning Balance to the Projected Replacements in the Study Year. Remaining unallocated funds are next allocated to the Projected Replacements in subsequent years in chronological order until the total of Projected Replacements in the next year is greater than the unallocated funds. Projected Replacements in this year are partially funded with each replacement receiving percentage funding. The percentage of funding is calculated by dividing the unallocated funds by the total of Projected Replacements in the partially funded year.

    At WESTERLIES the Beginning Balance funds 23.3% of Scheduled Replacements in the Study Year through 2017 and provides partial funding(0%) of replacements scheduled in 2018.
  - The next step is the allocation of the $136,050 of 2012 Cash Flow Method Reserve Funding calculated in the Replacement Reserve Analysis. These funds are first allocated to fund the partially funded" Projected Replacements and then to subsequent years in chronological order as outlined above.

    At WESTERLIES the Beginning Balance and the 2012 Replacement Reserve Funding, funds replacements through 2017 and partial funds (70.4%) replacements in 2018.
  - Allocations of the 2013 and 2014 Reserve Funding are done using the same methodology.
  - The Three-Year Replacement Funding Report details component by component allocations made by Chronological Allocation.

2012 - CASH FLOW METHOD CATEGORY FUNDING REPORT

Each of the 131 Projected Replacements included in the WESTERLIES Replacement Reserve Inventory has been assigned to one of the 12 categories listed in TABLE CF-1 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- A Beginning Balance of $429,000 as of the first day of the Study Year, January 1, 2012.
- Total reserve funding (including the Beginning Balance) of $565,050 in the Study Year.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory in 2012 being accomplished in 2012 at a cost of $194,995.

If any of these critical factors are inaccurate, do not use the data and please contact Miller Dodson Associates to arrange for an update of the Replacement Reserve Study.

2012 - CASH FLOW METHOD CATEGORY FUNDING - TABLE CF-1

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2012 BEGINNING BALANCE	2012 RESERVE FUNDING	2012 PROJECTED REPLACEMENTS	2012 END OF YEAR BALANCE
SITE COMPONENTS	6 to 30 years	0 to 27 years	$455,304	$92,999	$9,002	($19,125)	$82,876
SITE COMPONENTS (cont.)	10 to 48 years	0 to 36 years	$196,135	$76,404	$10,520	($62,200)	$24,724
SITE COMPONENTS (cont.)	15 to 30 years	0 to 24 years	$86,355	$35,389	$5,931	($12,600)	$28,720
SITE COMPONENTS (cont.)	30 to 36 years	0 to 42 years	$764,650	$95,336	$36,398	($77,330)	$54,405
BUILDING EXTERIORS	25 to 36 years	6 to 30 years	$1,757,805	$20,363	$41,162		$61,524
BUILDING EXTERIORS (cont.)	25 to 30 years	0 to 24 years	$145,175	$62,298	$10,355	($22,000)	$50,653
BREEZEWAYS	25 years	23 years	$24,900				
TRASH HUTS	25 years	6 to 23 years	$40,752	$8,127	$16,428		$24,555
POOL AND POOL IMPROVEMENTS	3 to 45 years	2 to 30 years	$334,190	$15,099	$706		$15,805
BATH HOUSE (BH)	15 to 35 years	2 to 23 years	$28,138	$16,400			$16,400
TOT LOT	10 to 20 years	2 to 20 years	$35,900	$2,100			$2,100
BASKETBALL COURT	6 to 20 years	0 to 6 years	$11,788	$4,485	$5,548	($1,740)	$8,293

2013 - CASH FLOW METHOD CATEGORY FUNDING REPORT

Each of the 131 Projected Replacements included in the WESTERLIES Replacement Reserve Inventory has been assigned to one of the 12 categories listed in TABLE CF-2 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $370,055 on January 1, 2013.
- Total reserve funding (including the Beginning Balance) of $701,099 in 2012 through 2013.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.

If any of these critical factors are inaccurate, do not use the data and please contact Miller Dodson Associates to arrange for an update of the Replacement Reserve Study.

2013 - CASH FLOW METHOD CATEGORY FUNDING - TABLE CF-2

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2013 BEGINNING BALANCE	2013 RESERVE FUNDING	2013 PROJECTED REPLACEMENTS	2013 END OF YEAR BALANCE
SITE COMPONENTS	6 to 30 years	1 to 29 years	$455,304	$82,876	$30,128		$113,004
SITE COMPONENTS (cont.)	10 to 48 years	2 to 47 years	$196,135	$24,724	$6,626		$31,350
SITE COMPONENTS (cont.)	15 to 30 years	1 to 29 years	$86,355	$28,720	$3,735		$32,455
SITE COMPONENTS (cont.)	30 to 36 years	5 to 41 years	$764,650	$54,405	$22,925		$77,330
BUILDING EXTERIORS	25 to 36 years	5 to 29 years	$1,757,805	$61,524	$25,926		$87,450
BUILDING EXTERIORS (cont.)	25 to 30 years	4 to 29 years	$145,175	$50,653	$6,522		$57,175
BREEZEWAYS	25 years	22 years	$24,900				
TRASH HUTS	25 years	5 to 22 years	$40,752	$24,555	$10,347		$34,902
POOL AND POOL IMPROVEMENTS	3 to 45 years	1 to 29 years	$334,190	$15,805	$26,345		$42,150
BATH HOUSE (BH)	15 to 35 years	1 to 22 years	$28,138	$16,400			$16,400
TOT LOT	10 to 20 years	1 to 19 years	$35,900	$2,100			$2,100
BASKETBALL COURT	6 to 20 years	5 years	$11,788	$8,293	$3,495		$11,788

2014 - CASH FLOW METHOD CATEGORY FUNDING REPORT

Each of the 131 Projected Replacements included in the WESTERLIES Replacement Reserve Inventory has been assigned to one of the 12 categories listed in TABLE CF-3 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $506,104 on January 1, 2014.
- Total Replacement Reserve funding (including the Beginning Balance) of $837,149 in 2012 to 2014.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory in 2014 being accomplished in 2014 at a cost of $62,876.

If any of these critical factors are inaccurate, do not use the data and please contact Miller Dodson Associates to arrange for an update of the Replacement Reserve Study.

2014 - CASH FLOW METHOD CATEGORY FUNDING - TABLE CF-3

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2014 BEGINNING BALANCE	2014 RESERVE FUNDING	2014 PROJECTED REPLACEMENTS	2014 END OF YEAR BALANCE
SITE COMPONENTS	6 to 30 years	0 to 28 years	$455,304	$113,004	$136,050	($50,296)	$198,758
SITE COMPONENTS (cont.)	10 to 48 years	1 to 46 years	$196,135	$31,350	($0)		$31,350
SITE COMPONENTS (cont.)	15 to 30 years	0 to 28 years	$86,355	$32,455	($0)	($6,080)	$26,375
SITE COMPONENTS (cont.)	30 to 36 years	4 to 40 years	$764,650	$77,330	($0)		$77,330
BUILDING EXTERIORS	25 to 36 years	4 to 28 years	$1,757,805	$87,450	$0		$87,450
BUILDING EXTERIORS (cont.)	25 to 30 years	3 to 28 years	$145,175	$57,175	($0)		$57,175
BREEZEWAYS	25 years	21 years	$24,900				
TRASH HUTS	25 years	4 to 21 years	$40,752	$34,902	($0)		$34,902
POOL AND POOL IMPROVEMENTS	3 to 45 years	0 to 28 years	$334,190	$42,150		($1,400)	$40,750
BATH HOUSE (BH)	15 to 35 years	0 to 21 years	$28,138	$16,400		($3,000)	$13,400
TOT LOT	10 to 20 years	0 to 18 years	$35,900	$2,100		($2,100)	
BASKETBALL COURT	6 to 20 years	4 years	$11,788	$11,788	($0)		$11,788

CASH FLOW METHOD - THREE-YEAR REPLACEMENT FUNDING REPORT

TABLE 4 below details the allocation of the $429,000 Beginning Balance, as reported by the Association and the $408,149 of Replacement Reserve Funding calculated by the Cash Flow Method in 2012 to 2014, to the 131 Projected Replacements listed in the Replacement Reserve Inventory. These allocations have been made by Chronological Allocation, a method developed by Miller Dodson Associates, Inc., and outlined on Page CF-1. The accuracy of the allocations is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $429,000 on January 1, 2012.
- Replacement Reserves on Deposit totaling $370,055 on January 1, 2013.
- Replacement Reserves on Deposit totaling $506,104 on January 1, 2014.
- Total Replacement Reserve funding (including the Beginning Balance) of $837,149 in 2012 to 2014.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory in 2012 to 2014 being accomplished as scheduled in the Replacement Reserve Inventory at a cost of $257,871.

If any of these critical factors are inaccurate, do not use the data and please contact Miller Dodson Associates, Inc., to arrange for an update of the Replacement Reserve Study.

CASH FLOW METHOD - THREE-YEAR REPLACEMENT FUNDING - TABLE CF-4

Item #	Description of Projected Replacement	Estimated Replacement Costs	Allocation of Beginning Balance	2012 Reserve Funding	2012 Projected Replacements	2012 End of Year Balance	2013 Reserve Funding	2013 Projected Replacements	2013 End of Year Balance	2014 Reserve Funding	2014 Projected Replacements	2014 End of Year Balance
	SITE COMPONENTS											
1	Asphalt pavement, seal coat	50,296	50,296			50,296	4,659		54,955	25,914	(50,296)	30,573
2	Asphalt pavement, mill & overlay	213,758					19,800		19,800	110,135		129,935
3	Concrete curbs, 3%	5,950	5,950		(5,950)							
4	Concrete curbs, 3%	5,950	5,950			5,950			5,950			5,950
5	Concrete curbs, 3%	5,950	1,385	2,801		4,186	1,764		5,950			5,950
6	Concrete curbs, 3%	5,950										
7	Concrete curbs, 3%	5,950										
8	Concrete curbs, 3%	5,950										
9	Concrete curbs, 3%	5,950										
10	Concrete curbs, 3%	5,950										
11	Concrete curbs, 3%	5,950										
12	Concrete curbs, 3%	5,950										
13	Concrete sidewalk/pad, 3%	13,175	13,175		(13,175)							
14	Concrete sidewalk/pad, 3%	13,175	13,175			13,175			13,175			13,175
15	Concrete sidewalk/pad, 3%	13,175	3,068	6,201		9,269	3,906		13,175			13,175
16	Concrete sidewalk/pad, 3%	13,175										
17	Concrete sidewalk/pad, 3%	13,175										
18	Concrete sidewalk/pad, 3%	13,175										
19	Concrete sidewalk/pad, 3%	13,175										
20	Concrete sidewalk/pad, 3%	13,175										
21	Concrete sidewalk/pad, 3%	13,175										
22	Concrete sidewalk/pad, 3%	13,175										
	SITE COMPONENTS (cont.)											
23	Concrete steps, 3%	3,000	3,000		(3,000)							
24	Concrete steps, 3%	3,000	3,000			3,000			3,000			3,000
25	Concrete steps, 3%	3,000	699	1,412		2,111	889		3,000			3,000
26	Concrete steps, 3%	3,000										
27	Concrete steps, 3%	3,000										
28	Concrete steps, 3%	3,000										
29	Concrete steps, 3%	3,000										
30	Concrete steps, 3%	3,000										
31	Concrete steps, 3%	3,000										
32	Concrete steps, 3%	3,000										
33	Segmental retaining/planter walls, 25%	19,350	19,350		(19,350)							
34	Segmental retaining/planter walls, 25%	19,350	19,350		(19,350)							
35	Segmental retaining/planter walls, 25%	19,350	4,506	9,108		13,613	5,737		19,350			19,350
36	Segmental retaining/planter walls, 25%	19,350										
37	Brick retaining walls, 25%	20,500	20,500		(20,500)							
38	Brick retaining walls, 25%	20,500										
39	Brick retaining walls, 25%	20,500										
40	Brick retaining walls, 25%	20,500										
41	Entry signage	6,000	6,000			6,000			6,000			6,000
42	Wheel stops (25%)	735										

CASH FLOW METHOD - THREE-YEAR REPLACEMENT FUNDING - TABLE 4 cont'd

Item #	Description of Projected Replacement	Estimated Replacement Costs	Allocation of Beginning Balance	2012 Reserve Funding	2012 Projected Replacements	2012 End of Year Balance	2013 Reserve Funding	2013 Projected Replacements	2013 End of Year Balance	2014 Reserve Funding	2014 Projected Replacements	2014 End of Year Balance
	SITE COMPONENTS (cont.)											
43	Railings, steel, 2-rail, 20%	12,600	12,600		(12,600)							
44	Railings, steel, 2-rail, 20%	12,600	2,934	5,931		8,865	3,735		12,600			12,600
45	Railings, steel, 2-rail, 20%	12,600										
46	Railings, steel, 2-rail, 20%	12,600										
47	Railings, steel, 2-rail, 20%	12,600										
48	Fence, 6' chain link	6,080	6,080			6,080			6,080		(6,080)	
49	Fence, 3' chain link	4,675	4,675			4,675			4,675			4,675
50	Fence, alternating boards	9,100	9,100			9,100			9,100			9,100
51	Wood signage	3,500										
	SITE COMPONENTS (cont.)											
52	Water lines & risers, 10%	66,000	66,000		(66,000)							
53	Water lines & risers, 10%	66,000	15,368	31,065		46,433	19,567		66,000			66,000
54	Water lines & risers, 10%	66,000										
55	Water lines & risers, 10%	66,000										
56	Water lines & risers, 10%	66,000										
57	Water lines & risers, 10%	66,000										
58	Sanitary lines & risers, 10%	52,000										
59	Sanitary lines & risers, 10%	52,000										
60	Sanitary lines & risers, 10%	52,000										
61	Sanitary lines & risers, 10%	52,000										
62	Sanitary lines & risers, 10%	52,000										
63	Sanitary lines & risers, 10%	52,000										
64	Stormwater mgmt, 10%	11,330	11,330		(11,330)							
65	Stormwater mgmt, 10%	11,330	2,638	5,333		7,971	3,359		11,330			11,330
66	Stormwater mgmt, 10%	11,330										
67	Stormwater mgmt, 10%	11,330										
68	Stormwater mgmt, 10%	11,330										
	BUILDING EXTERIORS											
69	Asphalt shingle roof - Phase 1	127,925										
70	Alum gutters/downspouts - Phase 1	18,360										
71	Trim wood - Phase 1	24,000										
72	T-111 wood siding - Phase 1	328,200										
73	Asphalt shingle roof - Phase 2	127,925										
74	Alum gutters/downspouts - Phase 2	18,360										
75	Trim wood - Phase 2	24,000										
76	T-111 wood siding - Phase 2	328,200										
77	Asphalt shingle roof - Phase 3	127,925										
78	Alum gutters/downspouts - Phase 3	18,360										
79	Trim wood - Phase 3	24,000										
80	T-111 wood siding - Phase 3	328,200										
81	Repointing, 10%	87,450	20,363	41,162		61,524	25,926		87,450			87,450
82	Repointing, 10%	87,450										
83	Repointing, 10%	87,450										
	BUILDING EXTERIORS (cont.)											
84	Lighting	35,175	35,175			35,175			35,175			35,175
85	Foundation sealing	22,000	22,000		(22,000)							
86	Foundation sealing	22,000	5,123	10,355		15,478	6,522		22,000			22,000
87	Foundation sealing	22,000										
88	Foundation sealing	22,000										
89	Foundation sealing	22,000										
	BREEZEWAYS											
90	Asphalt shingle roof	14,875										
91	Aluminum gutters/downspouts	6,545										
92	Trim wood - aluminum covered	3,480										
	TRASH HUTS											
93	Asphalt shingle roof	5,850										
94	T-111 wood siding & doors	10,710	2,494	5,041		7,535	3,175		10,710			10,710
95	Wood trim	24,192	5,633	11,387		17,020	7,172		24,192			24,192
	POOL AND POOL IMPROVEMENT											
96	Main pool structure	214,565										
97	Main pool white coat	17,330					17,330		17,330			17,330

CASH FLOW METHOD - THREE-YEAR REPLACEMENT FUNDING - TABLE 4 cont'd

Item #	Description of Projected Replacement	Estimated Replacement Costs	Allocation of Beginning Balance	2012 Reserve Funding	2012 Projected Replacements	2012 End of Year Balance	2013 Reserve Funding	2013 Projected Replacements	2013 End of Year Balance	2014 Reserve Funding	2014 Projected Replacements	2014 End of Year Balance
98	Main pool waterline tile	3,450					3,450		3,450			3,450
99	Main pool coping	11,500										
100	Wading pool structure	31,200										
101	Wading pool white coat	2,520					2,520		2,520			2,520
102	Wading pool waterline tile	1,200					1,200		1,200			1,200
103	Wading pool coping	4,000										
104	Main pool filter system	4,000	4,000			4,000			4,000			4,000
105	Wading pool filter system	1,850	1,850			1,850			1,850			1,850
106	Main pool pump	1,400	1,400			1,400	1,400		2,800		(1,400)	1,400
107	Wading pool pump	1,500	1,849	706		2,555	445		3,000			3,000
108	Guard stands	5,000										
109	Pool deck (25%)	11,875										
110	Fence, 6' iron	15,050										
111	Fence, 3' iron	1,750										
112	Pool deck furniture	5,000	5,000			5,000			5,000			5,000
113	Furniture restrapping	1,000	1,000			1,000			1,000			1,000
	BATH HOUSE (BH)											
114	BH Asphalt shingle roof	8,075										
115	BH Aluminum gutters/downspouts	1,063										
116	BH Wood trim	2,100										
117	BH Exterior doors	3,000	3,000			3,000			3,000		(3,000)	
118	BH Interior doors	3,000	3,000			3,000			3,000			3,000
119	BH Commodes	100										
120	BH Urinal	400										
121	BH Shower	3,000	3,000			3,000			3,000			3,000
122	BH Sink	1,800	1,800			1,800			1,800			1,800
123	BH Light fixtures	2,750	2,750			2,750			2,750			2,750
124	BH Toilet stall	2,850	2,850			2,850			2,850			2,850
	TOT LOT											
125	Equipment, large metal/plastic	25,000										
126	Equipment, swingset	8,000										
127	Wood border	2,100	2,100			2,100			2,100		(2,100)	
128	Bench metal	800										
	BASKETBALL COURT											
129	Asphalt, seal coat	1,740	2,145	819	(1,740)	1,224	516		1,740			1,740
130	Asphalt, overlay	8,048	1,874	3,788		5,662	2,386		8,048			8,048
131	Pole and backboard	2,000	466	941		1,407	593		2,000			2,000

COMPONENT METHOD ACCOUNTING SUMMARY

This WESTERLIES - Component Method Accounting Summary is an attachment to the WESTERLIES - Replacement Reserve Study dated August 30, 2011 and is for use by accounting and reserve professionals experienced in Association funding and accounting principals. This Summary consists of four reports, the 2012, 2013, and 2014 Cash Flow Method Category Funding Reports (3) and a Three-Year Replacement Funding Report.

- COMPONENT METHOD CATEGORY FUNDING REPORT, 2012, 2013, and 2014. Each of the 131 Projected Replacements listed in the WESTERLIES Replacement Reserve Inventory has been assigned to one of 12 categories. The following information is summarized by category in each report:
  - Normal Economic Life and Remaining Economic Life of the Projected Replacements.
  - Cost of all Scheduled Replacements in each category.
  - Replacement Reserves on Deposit allocated to the category at the beginning and end of the report period.
  - Cost of Projected Replacements in the report period.
  - Recommended Replacement Reserve Funding allocated to the category during the report period as calculated by the Component Method.
- THREE-YEAR REPLACEMENT FUNDING REPORT. This report details the allocation of the $429,000 Beginning Balance (at the start of the Study Year) and the $819,029 of additional Replacement Reserve funding in 2012 through 2014 (as calculated in the Replacement Reserve Analysis) to each of the 131 Projected Replacements listed in the Replacement Reserve Inventory. These allocations have been made using the Component Method as outlined in the Replacement Reserve Analysis.
  The calculated data includes:
  - Identification and estimated cost of each Projected Replacement schedule in years 2012 through 2014.
  - Allocation of the $429,000 Beginning Balance to the Projected Replacements by the Component Method.
  - Allocation of the $819,029 of additional Replacement Reserve Funding recommended in the Replacement Reserve Analysis in years 2012 through 2014, by the Component Method.

2012 - COMPONENT METHOD CATEGORY FUNDING REPORT

Each of the 131 Projected Replacements included in the WESTERLIES Replacement Reserve Inventory has been assigned to one of the 12 categories listed in TABLE CM-1 below. This calculated data is a summar of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- A Beginning Balance of $429,000 as of the first day of the Study Year, January 1, 2012.
- Total reserve funding (including the Beginning Balance) of $789,974 in the Study Year.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory in 2012 being accomplished in 2012 at a cost of $194,995.

If any of these critical factors are inaccurate, do not use the data and please contact Miller Dodson Associates to arrange for an update of the Replacement Reserve Study.

2012 - COMPONENT METHOD CATEGORY FUNDING - TABLE CM-1

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2012 BEGINNING BALANCE	2012 RESERVE FUNDING	2012 PROJECTED REPLACEMENTS	2012 END OF YEAR BALANCE
SITE COMPONENTS	6 to 30 years	0 to 27 years	$455,304	$68,167	$60,609	$19,125	$109,651
SITE COMPONENTS (cont.)	10 to 48 years	0 to 36 years	$196,135	$41,142	$52,382	$62,200	$31,324
SITE COMPONENTS (cont.)	15 to 30 years	0 to 24 years	$86,355	$15,707	$15,827	$12,600	$18,934
SITE COMPONENTS (cont.)	30 to 36 years	0 to 42 years	$764,650	$98,713	$87,968	$77,330	$109,351
BUILDING EXTERIORS	25 to 36 years	6 to 30 years	$1,757,805	$137,776	$90,096		$227,872
BUILDING EXTERIORS (cont.)	25 to 30 years	0 to 24 years	$145,175	$26,445	$25,785	$22,000	$30,229
BREEZEWAYS	25 years	23 years	$24,900	$293	$1,025		$1,319
TRASH HUTS	25 years	6 to 23 years	$40,752	$7,469	$4,170		$11,639
POOL AND POOL IMPROVEMENTS	3 to 45 years	2 to 30 years	$334,190	$26,642	$15,578		$42,219
BATH HOUSE (BH)	15 to 35 years	2 to 23 years	$28,138	$3,870	$2,968		$6,838
TOT LOT	10 to 20 years	2 to 20 years	$35,900	$433	$2,165		$2,598
BASKETBALL COURT	6 to 20 years	0 to 6 years	$11,788	$2,344	$2,401	$1,740	$3,005

2013 - COMPONENT METHOD CATEGORY FUNDING REPORT

Each of the 131 Projected Replacements included in the WESTERLIES Replacement Reserve Inventory has been assigned to one of the 12 categories listed in TABLE CM-2 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $594,979 on January 1, 2013.
- Total reserve funding (including the Beginning Balance) of $1,019,002 in 2012 through 2013.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.

If any of these critical factors are inaccurate, do not use the data and please contact Miller Dodson Associates to arrange for an update of the Replacement Reserve Study.

2013 - COMPONENT METHOD CATEGORY FUNDING - TABLE CM-2

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2013 BEGINNING BALANCE	2013 RESERVE FUNDING	2013 PROJECTED REPLACEMENTS	2013 END OF YEAR BALANCE
SITE COMPONENTS	6 to 30 years	1 to 29 years	$455,304	$109,651	$47,754		$157,405
SITE COMPONENTS (cont.)	10 to 48 years	2 to 47 years	$196,135	$31,324	$9,833		$41,157
SITE COMPONENTS (cont.)	15 to 30 years	1 to 29 years	$86,355	$18,934	$7,357		$26,291
SITE COMPONENTS (cont.)	30 to 36 years	5 to 41 years	$764,650	$109,351	$35,622		$144,972
BUILDING EXTERIORS	25 to 36 years	5 to 29 years	$1,757,805	$227,872	$90,096		$317,968
BUILDING EXTERIORS (cont.)	25 to 30 years	4 to 29 years	$145,175	$30,229	$10,997		$41,226
BREEZEWAYS	25 years	22 years	$24,900	$1,319	$1,025		$2,344
TRASH HUTS	25 years	5 to 22 years	$40,752	$11,639	$4,170		$15,809
POOL AND POOL IMPROVEMENTS	3 to 45 years	1 to 29 years	$334,190	$42,219	$15,578		$57,797
BATH HOUSE (BH)	15 to 35 years	1 to 22 years	$28,138	$6,838	$2,968		$9,805
TOT LOT	10 to 20 years	1 to 19 years	$35,900	$2,598	$2,165		$4,763
BASKETBALL COURT	6 to 20 years	5 years	$11,788	$3,005	$1,464		$4,469

2014 - COMPONENT METHOD CATEGORY FUNDING REPORT

Each of the 131 Projected Replacements included in the WESTERLIES Replacement Reserve Inventory has been assigned to one of the 12 categories listed in TABLE CM-3 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $824,007 on January 1, 2014.
- Total Replacement Reserve funding (including the Beginning Balance) of $1,248,029 in 2012 to 2014.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory in 2014 being accomplished in 2014 at a cost of $62,876.

If any of these critical factors are inaccurate, do not use the data and please contact Miller Dodson Associates to arrange for an update of the Replacement Reserve Study.

2014 - COMPONENT METHOD CATEGORY FUNDING - TABLE CM-3

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2014 BEGINNING BALANCE	2014 RESERVE FUNDING	2014 PROJECTED REPLACEMENTS	2014 END OF YEAR BALANCE
SITE COMPONENTS	6 to 30 years	0 to 28 years	$455,304	$157,405	$47,754	$50,296	$154,863
SITE COMPONENTS (cont.)	10 to 48 years	1 to 46 years	$196,135	$41,157	$9,833		$50,990
SITE COMPONENTS (cont.)	15 to 30 years	0 to 28 years	$86,355	$26,291	$7,357	$6,080	$27,569
SITE COMPONENTS (cont.)	30 to 36 years	4 to 40 years	$764,650	$144,972	$35,622		$180,594
BUILDING EXTERIORS	25 to 36 years	4 to 28 years	$1,757,805	$317,968	$90,096		$408,064
BUILDING EXTERIORS (cont.)	25 to 30 years	3 to 28 years	$145,175	$41,226	$10,997		$52,223
BREEZEWAYS	25 years	21 years	$24,900	$2,344	$1,025		$3,369
TRASH HUTS	25 years	4 to 21 years	$40,752	$15,809	$4,170		$19,978
POOL AND POOL IMPROVEMENTS	3 to 45 years	0 to 28 years	$334,190	$57,797	$15,578	$1,400	$71,975
BATH HOUSE (BH)	15 to 35 years	0 to 21 years	$28,138	$9,805	$2,968	$3,000	$9,773
TOT LOT	10 to 20 years	0 to 18 years	$35,900	$4,763	$2,165	$2,100	$4,829
BASKETBALL COURT	6 to 20 years	4 years	$11,788	$4,469	$1,464		$5,932

COMPONENT METHOD - THREE-YEAR REPLACEMENT FUNDING REPORT

TABLE CM-4 below details the allocation of the $429,000 Beginning Balance, as reported by the Association and the $819,029 of Replacement Reserve Funding calculated by the Cash Flow Method in 2012 to 2014, to the 131 Projected Replacements listed in the Replacement Reserve Inventory. These allocations have been made by Chronological Allocation, a method developed by Miller Dodson Associates, Inc., and outlined on Page CF-1. The accuracy of the allocations is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $429,000 on January 1, 2012.
- Replacement Reserves on Deposit totaling $594,979 on January 1, 2013.
- Replacement Reserves on Deposit totaling $824,007 on January 1, 2014.
- Total Replacement Reserve funding (including the Beginning Balance) of $1,248,029 in 2012 to 2014.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory in 2012 to 2014 being accomplished as scheduled in the Replacement Reserve Inventory at a cost of $257,871.

If any of these critical factors are inaccurate, do not use the data and please contact Miller Dodson Associates, Inc., to arrange for an update of the Replacement Reserve Study.

COMPONENT METHOD - THREE-YEAR REPLACEMENT FUNDING - TABLE CM-4

Item #	Description of Projected Replacement	Estimated Replacement Costs	Allocation of Beginning Balance	2012 Reserve Funding	2012 Projected Replacements	2012 End of Year Balance	2013 Reserve Funding	2013 Projected Replacements	2013 End of Year Balance	2014 Reserve Funding	2014 Projected Replacements	2014 End of Year Balance
	SITE COMPONENTS											
1	Asphalt pavement, seal coat	50,296	7,406	14,297		21,703	14,297		35,999	14,297	(50,296)	
2	Asphalt pavement, mill & overlay	213,758	31,474	20,254		51,728	20,254		71,982	20,254		92,236
3	Concrete curbs, 3%	5,950	1,752	4,198	(5,950)		198		198	198		397
4	Concrete curbs, 3%	5,950	1,519	1,108		2,626	1,108		3,734	1,108		4,842
5	Concrete curbs, 3%	5,950	1,343	658		2,001	658		2,660	658		3,318
6	Concrete curbs, 3%	5,950	1,168	478		1,646	478		2,125	478		2,603
7	Concrete curbs, 3%	5,950	993	381		1,374	381		1,756	381		2,137
8	Concrete curbs, 3%	5,950	818	321		1,138	321		1,459	321		1,780
9	Concrete curbs, 3%	5,950	642	279		922	279		1,201	279		1,481
10	Concrete curbs, 3%	5,950	467	249		716	249		966	249		1,215
11	Concrete curbs, 3%	5,950	292	226		518	226		745	226		971
12	Concrete curbs, 3%	5,950	117	208		325	208		533	208		742
13	Concrete sidewalk/pad, 3%	13,175	3,880	9,295	(13,175)		439		439	439		878
14	Concrete sidewalk/pad, 3%	13,175	3,363	2,453		5,816	2,453		8,269	2,453		10,722
15	Concrete sidewalk/pad, 3%	13,175	2,975	1,457		4,432	1,457		5,889	1,457		7,346
16	Concrete sidewalk/pad, 3%	13,175	2,587	1,059		3,645	1,059		4,704	1,059		5,763
17	Concrete sidewalk/pad, 3%	13,175	2,199	844		3,043	844		3,887	844		4,732
18	Concrete sidewalk/pad, 3%	13,175	1,811	710		2,521	710		3,231	710		3,941
19	Concrete sidewalk/pad, 3%	13,175	1,423	619		2,041	619		2,660	619		3,278
20	Concrete sidewalk/pad, 3%	13,175	1,035	552		1,586	552		2,138	552		2,690
21	Concrete sidewalk/pad, 3%	13,175	647	501		1,148	501		1,649	501		2,150
22	Concrete sidewalk/pad, 3%	13,175	259	461		720	461		1,181	461		1,643
	SITE COMPONENTS (cont.)											
23	Concrete steps, 3%	3,000	883	2,117	(3,000)		100		100	100		200
24	Concrete steps, 3%	3,000	766	559		1,324	559		1,883	559		2,441
25	Concrete steps, 3%	3,000	677	332		1,009	332		1,341	332		1,673
26	Concrete steps, 3%	3,000	589	241		830	241		1,071	241		1,312
27	Concrete steps, 3%	3,000	501	192		693	192		885	192		1,077
28	Concrete steps, 3%	3,000	412	162		574	162		736	162		897
29	Concrete steps, 3%	3,000	324	141		465	141		606	141		746
30	Concrete steps, 3%	3,000	236	126		361	126		487	126		613
31	Concrete steps, 3%	3,000	147	114		261	114		375	114		490
32	Concrete steps, 3%	3,000	59	105		164	105		269	105		374
33	Segmental retaining/planter walls, 25%	19,350	5,698	13,652	(19,350)		403		403	403		806
34	Segmental retaining/planter walls, 25%	19,350	5,698	13,652	(19,350)		403		403	403		806
35	Segmental retaining/planter walls, 25%	19,350	4,867	2,069		6,936	2,069		9,005	2,069		11,074
36	Segmental retaining/planter walls, 25%	19,350	4,155	1,169		5,324	1,169		6,493	1,169		7,662
37	Brick retaining walls, 25%	20,500	6,037	14,463	(20,500)		427		427	427		854
38	Brick retaining walls, 25%	20,500	4,402	1,238		5,640	1,238		6,879	1,238		8,117
39	Brick retaining walls, 25%	20,500	2,893	704		3,597	704		4,301	704		5,006
40	Brick retaining walls, 25%	20,500	1,383	517		1,900	517		2,417	517		2,933
41	Entry signage	6,000	1,414	764		2,178	764		2,942	764		3,707
42	Wheel stops (25%)	735		67		67	67		134	67		200

COMPONENT METHOD - THREE-YEAR REPLACEMENT FUNDING - TABLE CM-4 cont'd

Item #	Description of Projected Replacement	Estimated Replacement Costs	Allocation of Beginning Balance	2012 Reserve Funding	2012 Projected Replacements	2012 End of Year Balance	2013 Reserve Funding	2013 Projected Replacements	2013 End of Year Balance	2014 Reserve Funding	2014 Projected Replacements	2014 End of Year Balance
	SITE COMPONENTS (cont.)											
43	Railings, steel, 2-rail, 20%	12,600	3,711	8,889	(12,600)		420		420	420		840
44	Railings, steel, 2-rail, 20%	12,600	2,845	1,394		4,238	1,394		5,632	1,394		7,026
45	Railings, steel, 2-rail, 20%	12,600	2,103	807		2,910	807		3,718	807		4,525
46	Railings, steel, 2-rail, 20%	12,600	1,361	592		1,952	592		2,544	592		3,135
47	Railings, steel, 2-rail, 20%	12,600	618	479		1,098	479		1,577	479		2,056
48	Fence, 6' chain link	6,080	1,611	1,490		3,101	1,490		4,590	1,490	(6,080)	
49	Fence, 3' chain link	4,675	1,147	706		1,853	706		2,558	706		3,264
50	Fence, alternating boards	9,100	2,037	1,177		3,214	1,177		4,391	1,177		5,568
51	Wood signage	3,500	275	293		568	293		861	293		1,154
	SITE COMPONENTS (cont.)											
52	Water lines & risers, 10%	66,000	19,436	46,564	(66,000)		1,833		1,833	1,833		3,667
53	Water lines & risers, 10%	66,000	15,657	7,192		22,849	7,192		30,041	7,192		37,233
54	Water lines & risers, 10%	66,000	12,418	4,122		16,539	4,122		20,661	4,122		24,783
55	Water lines & risers, 10%	66,000	9,178	2,991		12,169	2,991		15,159	2,991		18,150
56	Water lines & risers, 10%	66,000	5,939	2,402		8,341	2,402		10,744	2,402		13,146
57	Water lines & risers, 10%	66,000	2,699	2,042		4,741	2,042		6,783	2,042		8,825
58	Sanitary lines & risers, 10%	52,000	9,784	3,247		13,031	3,247		16,278	3,247		19,526
59	Sanitary lines & risers, 10%	52,000	7,231	2,356		9,588	2,356		11,944	2,356		14,300
60	Sanitary lines & risers, 10%	52,000	4,679	1,893		6,572	1,893		8,465	1,893		10,358
61	Sanitary lines & risers, 10%	52,000	2,127	1,609		3,736	1,609		5,344	1,609		6,953
62	Sanitary lines & risers, 10%	52,000		1,405		1,405	1,405		2,811	1,405		4,216
63	Sanitary lines & risers, 10%	52,000		1,209		1,209	1,209		2,419	1,209		3,628
64	Stormwater mgmt, 10%	11,330	3,337	7,993	(11,330)		378		378	378		755
65	Stormwater mgmt, 10%	11,330	2,558	1,253		3,811	1,253		5,064	1,253		6,317
66	Stormwater mgmt, 10%	11,330	1,891	726		2,617	726		3,343	726		4,069
67	Stormwater mgmt, 10%	11,330	1,223	532		1,755	532		2,287	532		2,819
68	Stormwater mgmt, 10%	11,330	556	431		987	431		1,418	431		1,849
	BUILDING EXTERIORS											
69	Asphalt shingle roof - Phase 1	127,925	1,507	5,267		6,774	5,267		12,042	5,267		17,309
70	Alum gutters/downspouts - Phase 1	18,360	216	756		972	756		1,728	756		2,484
71	Trim wood - Phase 1	24,000	2,544	1,341		3,885	1,341		5,226	1,341		6,567
72	T-111 wood siding - Phase 1	328,200	34,794	18,338		53,132	18,338		71,470	18,338		89,808
73	Asphalt shingle roof - Phase 2	127,925		5,117		5,117	5,117		10,234	5,117		15,351
74	Alum gutters/downspouts - Phase 2	18,360		734		734	734		1,469	734		2,203
75	Trim wood - Phase 2	24,000	2,262	1,279		3,540	1,279		4,819	1,279		6,098
76	T-111 wood siding - Phase 2	328,200	30,928	17,487		48,415	17,487		65,901	17,487		83,388
77	Asphalt shingle roof - Phase 3	127,925		4,920		4,920	4,920		9,840	4,920		14,761
78	Alum gutters/downspouts - Phase 3	18,360		706		706	706		1,412	706		2,118
79	Trim wood - Phase 3	24,000	1,979	1,223		3,202	1,223		4,426	1,223		5,649
80	T-111 wood siding - Phase 3	328,200	27,062	16,730		43,792	16,730		60,522	16,730		77,252
81	Repointing, 10%	87,450	20,745	9,529		30,275	9,529		39,804	9,529		49,333
82	Repointing, 10%	87,450	12,161	3,963		16,124	3,963		20,086	3,963		24,049
83	Repointing, 10%	87,450	3,577	2,706		6,282	2,706		8,988	2,706		11,694
	BUILDING EXTERIORS (cont.)											
84	Lighting	35,175	7,873	4,550		12,423	4,550		16,973	4,550		21,524
85	Foundation sealing	22,000	6,479	15,521	(22,000)		733		733	733		1,467
86	Foundation sealing	22,000	4,967	2,433		7,400	2,433		9,834	2,433		12,267
87	Foundation sealing	22,000	3,671	1,410		5,081	1,410		6,491	1,410		7,901
88	Foundation sealing	22,000	2,376	1,033		3,408	1,033		4,441	1,033		5,474
89	Foundation sealing	22,000	1,080	837		1,917	837		2,753	837		3,590
	BREEZEWAYS											
90	Asphalt shingle roof	14,875	175	612		788	612		1,400	612		2,013
91	Aluminum gutters/downspouts	6,545	77	269		347	269		616	269		886
92	Trim wood - aluminum covered	3,480	41	143		184	143		328	143		471
	TRASH HUTS											
93	Asphalt shingle roof	5,850	69	241		310	241		551	241		792
94	T-111 wood siding & doors	10,710	2,271	1,206		3,476	1,206		4,682	1,206		5,888
95	Wood trim	24,192	5,129	2,723		7,853	2,723		10,576	2,723		13,299
	POOL AND POOL IMPROVEMENT											
96	Main pool structure	214,565	19,658	6,287		25,945	6,287		32,233	6,287		38,520
97	Main pool white coat	17,330	1,021	2,039		3,059	2,039		5,098	2,039		7,137

COMPONENT METHOD - THREE-YEAR REPLACEMENT FUNDING - TABLE CM-4 cont'd

Item #	Description of Projected Replacement	Estimated Replacement Costs	Allocation of Beginning Balance	2012 Reserve Funding	2012 Projected Replacements	2012 End of Year Balance	2013 Reserve Funding	2013 Projected Replacements	2013 End of Year Balance	2014 Reserve Funding	2014 Projected Replacements	2014 End of Year Balance
98	Main pool waterline tile	3,450	203	406		609	406		1,015	406		1,421
99	Main pool coping	11,500	339	620		959	620		1,579	620		2,199
100	Wading pool structure	31,200	2,858	914		3,773	914		4,687	914		5,601
101	Wading pool white coat	2,520	148	296		445	296		741	296		1,038
102	Wading pool waterline tile	1,200	71	141		212	141		353	141		494
103	Wading pool coping	4,000	118	216		333	216		549	216		765
104	Main pool filter system	4,000	707	549		1,256	549		1,805	549		2,353
105	Wading pool filter system	1,850	327	254		581	254		835	254		1,088
106	Main pool pump	1,400	165	412		577	412		988	412	(1,400)	
107	Wading pool pump	1,500		375		375	375		750	375		1,125
108	Guard stands	5,000	236	227		462	227		689	227		916
109	Pool deck (25%)	11,875		1,080		1,080	1,080		2,159	1,080		3,239
110	Fence, 6' iron	15,050	709	683		1,392	683		2,075	683		2,758
111	Fence, 3' iron	1,750	82	79		162	79		241	79		321
112	Pool deck furniture	5,000		833		833	833		1,667	833		2,500
113	Furniture restrapping	1,000		167		167	167		333	167		500
	BATH HOUSE (BH)											
114	BH Asphalt shingle roof	8,075	95	332		428	332		760	332		1,093
115	BH Aluminum gutters/downspouts	1,063	13	44		56	44		100	44		144
116	BH Wood trim	2,100	25	86		111	86		198	86		284
117	BH Exterior doors	3,000	808	731		1,538	731		2,269	731	(3,000)	
118	BH Interior doors	3,000	671	388		1,060	388		1,448	388		1,836
119	BH Commodes	100	9	4		13	4		18	4		22
120	BH Urinal	400	35	17		53	17		70	17		87
121	BH Shower	3,000	671	388		1,060	388		1,448	388		1,836
122	BH Sink	1,800	424	229		653	229		883	229		1,112
123	BH Light fixtures	2,750	615	356		971	356		1,327	356		1,683
124	BH Toilet stall	2,850	504	391		895	391		1,286	391		1,677
	TOT LOT											
125	Equipment, large metal/plastic	25,000		1,190		1,190	1,190		2,381	1,190		3,571
126	Equipment, swingset	8,000		381		381	381		762	381		1,143
127	Wood border	2,100	433	556		989	556		1,544	556	(2,100)	
128	Bench metal	800		38		38	38		76	38		114
	BASKETBALL COURT											
129	Asphalt, seal coat	1,740	512	1,228	(1,740)		290		290	290		580
130	Asphalt, overlay	8,048	1,448	943		2,391	943		3,334	943		4,277
131	Pole and backboard	2,000	383	231		614	231		845	231		1,076

1. COMMON INTEREST DEVELOPMENTS - AN OVERVIEW

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

The growth of Community Associations has been explosive. In 1965 there were only 500 Community Associations in the United States. According to the U.S. Census, there were 130,000 Community Associations in 1990. Community Associations Institute (CAI), a national trade association, estimates there were more than 200,000 Community Associations in the year 2000, and that the number of Community Associations will continue to multiply.

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

2. REPLACEMENT RESERVE STUDY

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

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

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

- Section B Replacement Reserve Inventory. The Replacement Reserve Inventory lists the commonly-owned components within the community that require periodic replacement using funding from Replacement Reserves. The Replacement Reserve Inventory also provides information about components excluded from the Replacement Reserve Inventory whose replacement is not scheduled for funding from Replacement Reserves.

  Replacement Reserve Inventory includes estimates of the normal economic life and the remaining economic life for those components whose replacement is scheduled for funding from Replacement Reserves.

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

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

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

3. METHODS OF ANALYSIS

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

- Component Method. This method is a time tested mathematical model developed by HUD in the early 1980s. It treats each item in the replacement schedule as an individual line item budget. Generally, the Minimum Annual Contribution to Reserves is higher when calculated by the Component Method. The mathematical model for this method works as follows:

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

- Cash Flow Method. The Cash Flow Method is sometimes referred to as the "Pooling Method." It calculates the minimum constant annual contribution to reserves (Minimum Annual Deposit) required to meet projected expenditures without allowing total reserves on hand to fall below the specified minimum level in any year. This method usually results in a calculated requirement for annual contribution somewhat less than that arrived at by the Component Method of analysis.

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

- Adjusted Cash Flow Analysis. This program has the ability to modify the Cash Flow Method to take into account forecasted inflation and interest rates, thereby producing an Adjusted Cash Flow Analysis. Attempting to forecast future inflation and interest rates and the impact of changing technology is highly tenuous. Therefore, in most cases it is preferable to make a new schedule periodically rather than attempt to project far into the future. We will provide more information on this type of analysis upon request.

4. REPLACEMENT RESERVE STUDY DATA

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

- Unit Costs. Unit costs are developed using nationally published standards and estimating guides and are adjusted by state or region. In some instances, recent data received in the course of our work is used to modify these figures.

  Contractor proposals or actual cost experience may be available as part of the Association records. This is useful information which should be incorporated into your report. Please bring any such available data to our attention, preferably before the report is commenced.

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

5. DEFINITIONS

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

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

Cash Flow Analysis. See Cash Flow Method, above.

Component Analysis. See Component Method, above.

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

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

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

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

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

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

Estimated Initial Replacement. For a Cyclic Replacement Item (see above), the number of years until the replacement cycle is expected to begin.

Estimated Replacement Cycle. For a Cyclic Replacement Item, the number of years over which the remainder of the component's replacement occurs.

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

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

Minimum Recommended Reserve Level to be Held on Account. Shown on the Summary Sheet A1, this number is used in the Cash Flow Method only. This is the prescribed level below which the reserves will not be allowed to fall in any year. This amount is determined based on the age, condition, and replacement cost of the individual components. This number is normally given as a percentage of the total Estimated Replacement Cost of all reserve components.

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

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

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

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

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

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

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

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

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

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

EA: each FT: feet LS: lump sum PR: pair SF: square feet SY: square yard

6. LIST OF RECOMMENDED REPAIRS - PROCEDURES

A List of Recommended Repairs is offered as a supplemental report to the Replacement Reserve Study (at an additional fee) to assist the Association in understanding the financial implications of all items owned by the Association, not just the items included for funding by Replacement Reserves listed in the Replacement Reserve Inventory. The following information relates to the List of Recommended Repairs:

- Repair costs. Cost range estimates given in the repair list assume that all work by a given trade will be done together as a single project. If repairs are done piece-meal, the costs would be significantly higher. The costs of any repairs to be funded out of the Reserve Fund should be subtracted from the Reserves Currently on Deposit figure. The Board or Property Manager should coordinate this decision with the Reserve Analyst as part of the revision process.

- Completion of repairs. The Replacement Reserve Analysis assumes that all repairs cited in the Repair List will be completed within a twelve-month period of time. Estimated Life Left in the Replacement Reserve Study has been factored under this assumption. Any deletions or delays of the projects included in the List of Recommended Repairs may result in major inaccuracies in the Replacement Reserve Analysis.

- Safety issues. If safety issues have been cited, they should be given the highest priority and should be done immediately upon receipt of this report. The Board must recognize that from a liability standpoint, they have been made aware of the existence of these unsafe conditions, if any, once the report is delivered for their review.

- Unit costs. Nationally published standards and standard estimating manuals have been used in the development of this report. Contractor proposals or actual cost experience may be available as part of the Association records. We will adjust our figures to conform to your experience if the material or information is disclosed to us and/or made available for our use.