



RESERVE STUDY

Full Study

Sample Association for California

Final

Published - June 25, 2015

Prepared for the 2016 Fiscal Year

Browning Reserve Group

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Sample Association for California

Final

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Member Distribution Materials

The following Reserve Study sections, located at the end of the report, should be provided to each member.

Section Report

California: Member Summary

Assessment and Reserve Funding [Civil Code §5570]

Disclosure Summary

Section III: 30 Year Reserve Funding Plan *Cash Flow Method {c}*

Sample Association for California

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Reserve Study Summary

A Reserve Study was conducted of Sample Association for California (the "**Association**"). A **Full Study** includes an on-site review upon where the following tasks are performed:

- development of a reserve component inventory;
- condition assessment based upon on-site visual observation;
- life and valuation estimates;
- fund status;
- and a funding plan.

Sample Association for California is a Planned Development with a total of 100 Lots.

Physical Inspection

Browning Reserve Group ("**BRG**") conducted a physical inspection of the Association. The inspection encompassed those major components that the Association is required to maintain. For this study components are determined to be major components if:

1. As of the date of the study, they have a remaining useful life of less than 30 years, and a value greater than \$1,000.
2. Such additional components, if any, determined by the Board of Directors.

During the inspection, BRG utilized the services of our own construction cost estimator. In addition, independent contractors were retained to render opinions on selected components as indicated in Section VI, Included Component Listing.

Supplemental information to the physical inspection may have been obtained from the following sources:

1. Project plans where available.
2. Maintenance records of the reserve components where available.
3. Association board members, management and staff.

Summary of Reserves

For the first year of the Reserve Study, the reserve contribution is based upon the existing budget unless otherwise noted in "*Section III, Reserve Funding Plan.*" In addition BRG relied on the Association to provide an accurate Beginning Reserve Balance.

The status of the Association's reserves, as reflected in the following Reserve Study, is as follows:

1. **The Expenditure Forecast of the following Reserve Study identifies the major components which the Association is obligated to repair, replace, restore or maintain, as determined in accordance with the criteria specified above, and specifies for each such component:**
 - a. **Its current estimated replacement cost;**
 - b. **Its estimated useful life; and**
 - c. **Its estimated remaining useful life.**
2. **It is estimated that the total cash reserves necessary to repair, replace, restore or maintain such major components (in the aggregate) during and at the end of their first remaining useful life is \$1,116,852.**
 - **[For purposes of this calculation, "necessary" is defined as the Fully Funded Balance (FFB) (Component Current Cost X Effective Age / Useful Life, including a provision for interest and inflation in future years.)]**
3. **The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain such major components as of the fiscal year ending December 31, 2016 is estimated to be \$1,116,771, constituting 100.0% of the total expenditures anticipated for all such major components through their first end of useful life replacement.**
4. **Based upon the schedule of annual reserve contributions necessary to defray the cost of repairing, replacing, restoring or maintaining such major components in the years such expenditures are estimated to be required, it is estimated that annual reserve contributions in the initial amount of \$139,769 [*\$116.47 per Lot per month (average)*] for the fiscal year ending December 31, 2016 (the first full fiscal year following first distribution of this report) will be necessary in order to meet all such reserve expenditures when they are projected to come due.**

Funding Assessment

Based on the 30 year cash flow projection, the Association's reserves are **inadequately funded** as the reserve fund ending balances may fail to remain positive throughout the replacement of all major components during the next 30 years. **Additional reserve funding including some combination of increased contributions, special assessments and loans may be necessary to meet all reserve obligations.**

California statute imposes no reserve funding level requirements nor does it address funding level adequacy.

Test Note

Percent Funded Status

Based on paragraphs 1 - 3 above, the Association is 100.0% funded. The following scale can be used as a measure to determine the Association's financial picture whereas the lower the percentage, the higher the likelihood of the Association requiring a special assessment, or other large increases to the reserve contribution in the future.



Methodology

The above recommended reserve contribution for the next fiscal year (and future fiscal years as outlined in *Section III, Reserve Fund Balance Forecast*) was developed using the cash flow method. This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

Funding Goals

The funding goal employed for Sample Association for California is

Threshold Funding: Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than "Fully Funding."

Limitations

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

Statutory Disclosures

Compliance

The Reserve Study was conducted pursuant to *Sections 5300 and 5550* of the California Civil Code.

Open Meeting

California *Civil Code Section 5560* says (in part):

The (Reserve Funding) plan shall be adopted by the board of directors at an open meeting before the membership of the association as described in *Article 2 (commencing with Section 4900) of Chapter 6*. If the board of directors determines that an assessment increase is necessary to fund the reserve funding plan, any increase shall be approved in a separate action of the board that is consistent with the procedure described in *Section 5605*.

Supplemental Disclosures

General:

BRG has no other involvement(s) with the Association which could result in actual or perceived conflicts of interest.

Personnel Credentials:

BRG is a licensed general building contractor in California, #768851, and the owner, Robert W. Browning, holds the Reserve Specialist designation, #46 from the Community Associations Institute.

Completeness:

BRG has found no material issues which, if not disclosed, would cause a distortion of the Association's situation.

Reliance on Client Data:

Information provided by the official representative of the Association regarding financial, physical, quantity, or historical issues will be deemed reliable by BRG.

Scope:

This Reserve Study is a reflection of information provided to BRG and assembled for the Association's use, not for the purpose of performing an audit, quality/forensic analysis, health and safety inspection, or background checks of historical records.

Reserve Balance:

The actual beginning reserve fund balance in this Reserve Study is based upon information provided and was not audited.

Reserve Projects:

Information provided about reserve projects will be considered reliable. Any on-site inspection should not be considered a project audit, quality inspection, or health and safety review.



Browning Reserve Group



Section II
 Sample Association for California
30 Year Expense Forecast - Detailed
 Final
 Prepared for the 2016 Fiscal Year

| Reserve Component | Current | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|------------------|-------------------------|---------------|--------------|---------------|----------------|--------------|----------|---------------|---------------|----------|----------------|----------------|----------------|----------------|----------------|----------|
| | Replacement Cost | Life Useful / Remaining | | | | | | | | | | | | | | | |
| 01000 - Paving | | | | | | | | | | | | | | | | | |
| 100 - Asphalt: Sealing 82,940 Sq. Ft. Streets & Parking | 9,953 | 5 2 | | | 10,457 | | | | | 11,831 | | | | | | 13,385 | |
| 200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets & Parking (2%) | 4,043 | 5 2 | | | 4,248 | | | | | 4,806 | | | | | | 5,438 | |
| 300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets & Parking | 120,263 | 25 11 | | | | | | | | | | | | 157,795 | | | |
| 800 - Striping Streets & Parking | 895 | 5 2 | | | 940 | | | | | 1,064 | | | | | | 1,204 | |
| Total 01000 - Paving | 135,154 | | | | 15,645 | | | | | 17,701 | | | | 157,795 | | 20,027 | |
| 02000 - Concrete | | | | | | | | | | | | | | | | | |
| 200 - Sidewalks, Curbs & Gutters 20,000 Sq. Ft. Greenbelt Walkway (2%) | 6,400 | 3 1 | | 6,560 | | | 7,064 | | | 7,608 | | | 8,193 | | | | 8,822 |
| 200 - Walkways 22,030 Sq. Ft. Walkways (5%) | 17,624 | 5 2 | | | 18,516 | | | | | 20,949 | | | | | | 23,702 | |
| Total 02000 - Concrete | 24,024 | | | 6,560 | 18,516 | | 7,064 | | | 28,557 | | | 8,193 | | 23,702 | 8,822 | |
| 03000 - Painting: Exterior | | | | | | | | | | | | | | | | | |
| 100 - Surface Restoration 100 Units | 156,500 | 6 3 | | | | 168,533 | | | | | | | 195,447 | | | | |
| 350 - Touch-Up 100 Units- Ongoing | 26,000 | 6 0 | 26,000 | | | | | | 30,152 | | | | | | | 34,967 | |
| Total 03000 - Painting: Exterior | 182,500 | | 26,000 | | | 168,533 | | | 30,152 | | | | 195,447 | | 34,967 | | |
| 05000 - Roofing | | | | | | | | | | | | | | | | | |
| 440 - Pitched: Dimensional Composition 750 Squares- Style A Homes Including Rain Gutters | 461,250 | 20 10 | | | | | | | | | | | 590,439 | | | | |
| 450 - Pitched: Dimensional Composition 750 Squares- Style B Homes Including Rain Gutters | 461,250 | 20 11 | | | | | | | | | | | | 605,200 | | | |
| 460 - Pitched: Wood Shake: Medium 750 Squares- Style C Homes Including Rain Gutters | 461,250 | 20 12 | | | | | | | | | | | | | 620,330 | | |
| 470 - Pitched: Wood Shake: Medium 750 Squares- Style D Homes Including Rain Gutters | 461,250 | 20 13 | | | | | | | | | | | | | | 635,838 | |
| Total 05000 - Roofing | 1,845,000 | | | | | | | | | | | | 590,439 | 605,200 | 620,330 | 635,838 | |
| Total Expenditures Inflated @ 2.50% | | | 26,000 | 6,560 | 34,161 | 168,533 | 7,064 | 0 | 30,152 | 46,258 | 0 | 195,447 | 598,632 | 762,995 | 699,026 | 644,661 | 0 |
| Total Current Replacement Cost | 2,186,678 | | | | | | | | | | | | | | | | |

| Reserve Component | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 |
|--|---------|-------|--------|--------|--------|------|---------|--------|------|--------|--------|------|---------|--------|------|
| 01000 - Paving | | | | | | | | | | | | | | | |
| 100 - Asphalt: Sealing 82,940 Sq. Ft. Streets & Parking | | | 15,144 | | | | | 17,134 | | | | | 19,386 | | |
| 200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets & Parking (2%) | | | 6,152 | | | | | 6,961 | | | | | 7,876 | | |
| 300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets & Parking | | | | | | | | | | | | | | | |
| 800 - Striping Streets & Parking | | | 1,362 | | | | | 1,541 | | | | | 1,743 | | |
| Total 01000 - Paving | | | 22,659 | | | | | 25,636 | | | | | 29,005 | | |
| 02000 - Concrete | | | | | | | | | | | | | | | |
| 200 - Sidewalks, Curbs & Gutters 20,000 Sq. Ft. Greenbelt Walkway (2%) | | 9,501 | | | 10,231 | | | 11,018 | | | 11,865 | | | 12,778 | |
| 200 - Walkways 22,030 Sq. Ft. Walkways (5%) | | | 26,817 | | | | | 30,341 | | | | | 34,328 | | |
| Total 02000 - Concrete | | 9,501 | 26,817 | | 10,231 | | | 41,359 | | | 11,865 | | 34,328 | 12,778 | |
| 03000 - Painting: Exterior | | | | | | | | | | | | | | | |
| 100 - Surface Restoration 100 Units | 226,659 | | | | | | 262,855 | | | | | | 304,831 | | |
| 350 - Touch-Up 100 Units- Ongoing | | | | 40,551 | | | | | | 47,027 | | | | | |
| Total 03000 - Painting: Exterior | 226,659 | | | 40,551 | | | 262,855 | | | 47,027 | | | 304,831 | | |
| 05000 - Roofing | | | | | | | | | | | | | | | |
| 440 - Pitched: Dimensional Composition 750 Squares- Style A Homes Including Rain Gutters | | | | | | | | | | | | | | | |
| 450 - Pitched: Dimensional Composition 750 Squares- Style B Homes Including Rain Gutters | | | | | | | | | | | | | | | |
| 460 - Pitched: Wood Shake: Medium 750 Squares- Style C Homes Including Rain Gutters | | | | | | | | | | | | | | | |
| 470 - Pitched: Wood Shake: Medium 750 Squares- Style D Homes Including Rain Gutters | | | | | | | | | | | | | | | |
| Total 05000 - Roofing | | | | | | | | | | | | | | | |
| Total Expenditures Inflated @ 2.50% | 226,659 | 9,501 | 49,476 | 40,551 | 10,231 | 0 | 262,855 | 66,995 | 0 | 47,027 | 11,865 | 0 | 368,164 | 12,778 | 0 |



Section III

Sample Association for California

30 Year Reserve Funding Plan Cash Flow Method

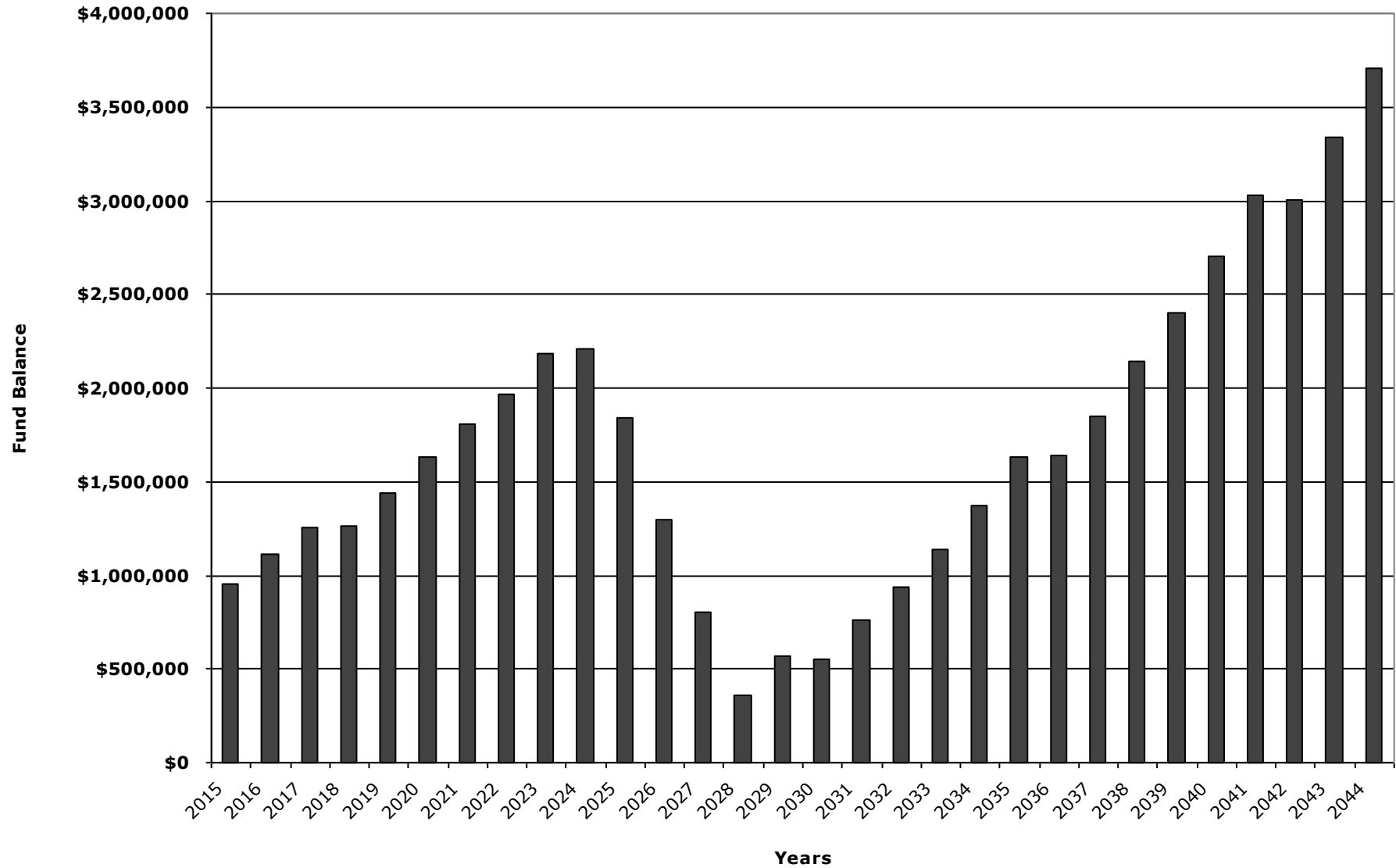
Final

Prepared for the 2016 Fiscal Year

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------------------------------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Beginning Balance | 825,569 | 957,948 | 1,116,771 | 1,255,155 | 1,264,575 | 1,441,434 | 1,633,677 | 1,804,103 | 1,966,485 | 2,183,864 |
| Inflated Expenditures @ 2.5% | 26,000 | 6,560 | 34,161 | 168,533 | 7,064 | 0 | 30,152 | 46,258 | 0 | 195,447 |
| Reserve Contribution | 136,360 | 139,769 | 143,263 | 146,845 | 150,516 | 154,279 | 158,136 | 162,089 | 166,141 | 170,295 |
| <i>Lots/month @ 100</i> | 113.63 | 116.47 | 119.39 | 122.37 | 125.43 | 128.57 | 131.78 | 135.07 | 138.45 | 141.91 |
| <i>Percentage Increase</i> | | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Special Assessments / Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Pre Tax @ 2.50% | 22,019 | 25,614 | 29,283 | 31,108 | 33,408 | 37,964 | 42,442 | 46,550 | 51,239 | 54,282 |
| Ending Balance | 957,948 | 1,116,771 | 1,255,155 | 1,264,575 | 1,441,434 | 1,633,677 | 1,804,103 | 1,966,485 | 2,183,864 | 2,212,995 |

| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|-------------------------------------|-----------|-----------|-----------|---------|---------|---------|---------|---------|-----------|-----------|
| Beginning Balance | 2,212,995 | 1,838,939 | 1,293,532 | 803,787 | 361,487 | 565,605 | 550,212 | 759,305 | 938,276 | 1,136,008 |
| Inflated Expenditures @ 2.5% | 598,632 | 762,995 | 699,026 | 644,661 | 0 | 226,659 | 9,501 | 49,476 | 40,551 | 10,231 |
| Reserve Contribution | 174,552 | 178,916 | 183,389 | 187,974 | 192,673 | 197,490 | 202,427 | 207,488 | 212,675 | 217,992 |
| <i>Lots/month @ 100</i> | 145.46 | 149.10 | 152.82 | 156.65 | 160.56 | 164.58 | 168.69 | 172.91 | 177.23 | 181.66 |
| <i>Percentage Increase</i> | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Special Assessments / Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Pre Tax @ 2.50% | 50,024 | 38,672 | 25,893 | 14,386 | 11,446 | 13,776 | 16,167 | 20,958 | 25,608 | 30,997 |
| Ending Balance | 1,838,939 | 1,293,532 | 803,787 | 361,487 | 565,605 | 550,212 | 759,305 | 938,276 | 1,136,008 | 1,374,766 |

| | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Beginning Balance | 1,374,766 | 1,635,370 | 1,642,005 | 1,852,911 | 2,142,864 | 2,398,543 | 2,702,458 | 3,032,384 | 3,004,351 | 3,342,168 |
| Inflated Expenditures @ 2.5% | 0 | 262,855 | 66,995 | 0 | 47,027 | 11,865 | 0 | 368,164 | 12,778 | 0 |
| Reserve Contribution | 223,442 | 229,028 | 234,754 | 240,623 | 246,639 | 252,805 | 259,125 | 265,603 | 272,243 | 279,049 |
| <i>Lots/month @ 100</i> | 186.20 | 190.86 | 195.63 | 200.52 | 205.53 | 210.67 | 215.94 | 221.34 | 226.87 | 232.54 |
| <i>Percentage Increase</i> | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Special Assessments / Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Pre Tax @ 2.50% | 37,162 | 40,461 | 43,147 | 49,331 | 56,067 | 62,975 | 70,801 | 74,528 | 78,352 | 87,042 |
| Ending Balance | 1,635,370 | 1,642,005 | 1,852,911 | 2,142,864 | 2,398,543 | 2,702,458 | 3,032,384 | 3,004,351 | 3,342,168 | 3,708,259 |



30 Year Reserve Funding Plan Including Fully Funded Balance and % Funded

Final

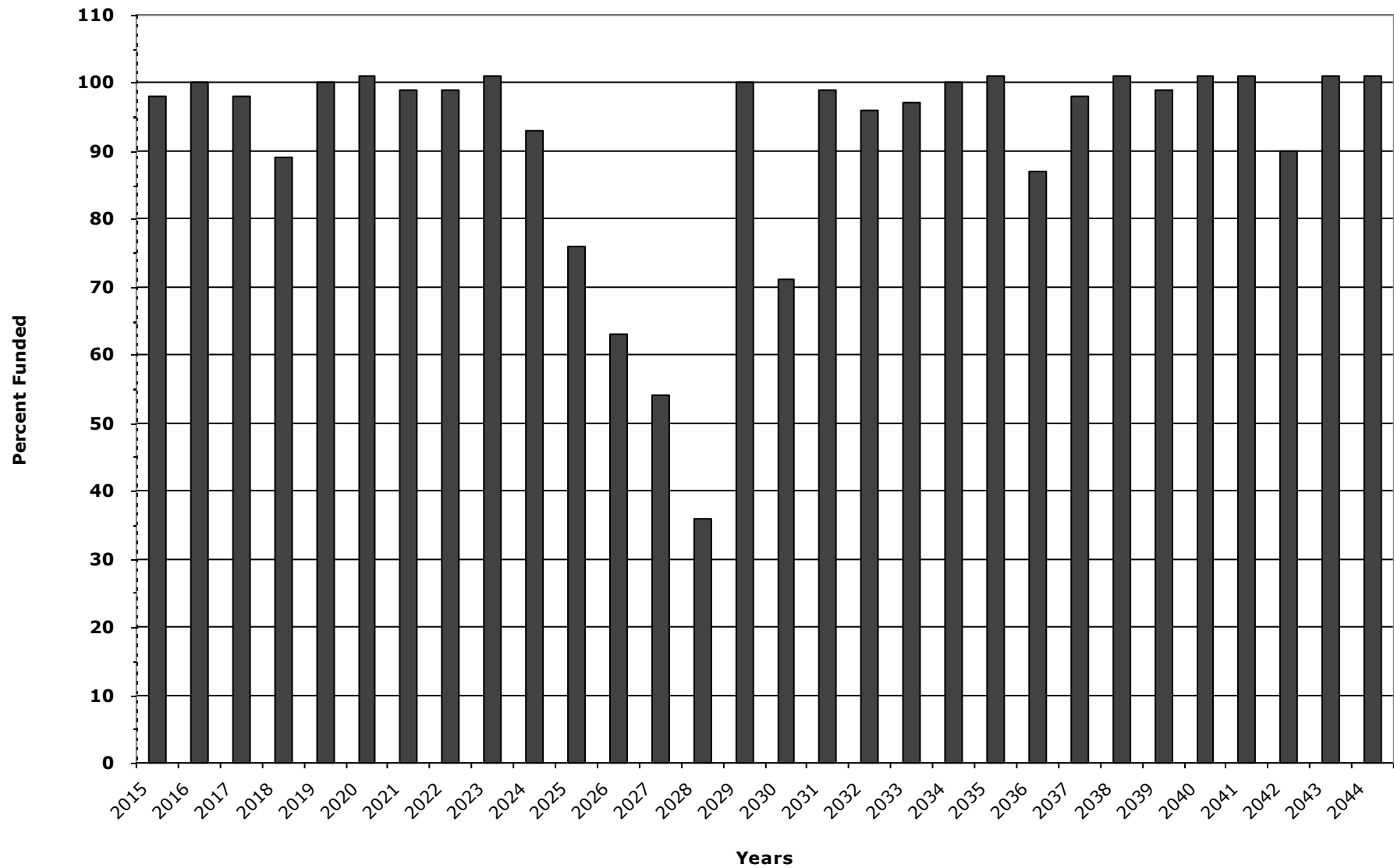
Prepared for the 2016 Fiscal Year

| Year | Beginning Balance | Fully Funded Balance | Percent Funded | Inflated Expenditures @ 2.50% | Reserve Contribution | Special Assessments & Other Contributions | Interest | Ending Balance |
|------|-------------------|----------------------|----------------|-------------------------------|----------------------|---|----------|----------------|
| 2015 | 825,569 | 979,498 | 97.8% | 26,000 | 136,360 | 0 | 22,019 | 957,948 |
| 2016 | 957,948 | 1,116,852 | 100.0% | 6,560 | 139,769 | 0 | 25,614 | 1,116,771 |
| 2017 | 1,116,771 | 1,281,053 | 98.0% | 34,161 | 143,263 | 0 | 29,283 | 1,255,155 |
| 2018 | 1,255,155 | 1,424,644 | 88.8% | 168,533 | 146,845 | 0 | 31,108 | 1,264,575 |
| 2019 | 1,264,575 | 1,437,757 | 100.3% | 7,064 | 150,516 | 0 | 33,408 | 1,441,434 |
| 2020 | 1,441,434 | 1,620,460 | 100.8% | 0 | 154,279 | 0 | 37,964 | 1,633,677 |
| 2021 | 1,633,677 | 1,818,822 | 99.2% | 30,152 | 158,136 | 0 | 42,442 | 1,804,103 |
| 2022 | 1,804,103 | 1,995,183 | 98.6% | 46,258 | 162,089 | 0 | 46,550 | 1,966,485 |
| 2023 | 1,966,485 | 2,163,489 | 100.9% | 0 | 166,141 | 0 | 51,239 | 2,183,864 |
| 2024 | 2,183,864 | 2,387,563 | 92.7% | 195,447 | 170,295 | 0 | 54,282 | 2,212,995 |
| 2025 | 2,212,995 | 2,421,156 | 76.0% | 598,632 | 174,552 | 0 | 50,024 | 1,838,939 |
| 2026 | 1,838,939 | 2,046,680 | 63.2% | 762,995 | 178,916 | 0 | 38,672 | 1,293,532 |
| 2027 | 1,293,532 | 1,498,835 | 53.6% | 699,026 | 183,389 | 0 | 25,893 | 803,787 |
| 2028 | 803,787 | 1,007,438 | 35.9% | 644,661 | 187,974 | 0 | 14,386 | 361,487 |
| 2029 | 361,487 | 564,171 | 100.3% | 0 | 192,673 | 0 | 11,446 | 565,605 |
| 2030 | 565,605 | 775,408 | 71.0% | 226,659 | 197,490 | 0 | 13,776 | 550,212 |
| 2031 | 550,212 | 764,530 | 99.3% | 9,501 | 202,427 | 0 | 16,167 | 759,305 |
| 2032 | 759,305 | 981,018 | 95.6% | 49,476 | 207,488 | 0 | 20,958 | 938,276 |
| 2033 | 938,276 | 1,167,121 | 97.3% | 40,551 | 212,675 | 0 | 25,608 | 1,136,008 |
| 2034 | 1,136,008 | 1,372,332 | 100.2% | 10,231 | 217,992 | 0 | 30,997 | 1,374,766 |
| 2035 | 1,374,766 | 1,619,191 | 101.0% | 0 | 223,442 | 0 | 37,162 | 1,635,370 |
| 2036 | 1,635,370 | 1,888,285 | 87.0% | 262,855 | 229,028 | 0 | 40,461 | 1,642,005 |
| 2037 | 1,642,005 | 1,900,395 | 97.5% | 66,995 | 234,754 | 0 | 43,147 | 1,852,911 |
| 2038 | 1,852,911 | 2,119,423 | 101.1% | 0 | 240,623 | 0 | 49,331 | 2,142,864 |
| 2039 | 2,142,864 | 2,418,600 | 99.2% | 47,027 | 246,639 | 0 | 56,067 | 2,398,543 |
| 2040 | 2,398,543 | 2,683,210 | 100.7% | 11,865 | 252,805 | 0 | 62,975 | 2,702,458 |
| 2041 | 2,702,458 | 2,996,784 | 101.2% | 0 | 259,125 | 0 | 70,801 | 3,032,384 |
| 2042 | 3,032,384 | 3,336,825 | 90.0% | 368,164 | 265,603 | 0 | 74,528 | 3,004,351 |
| 2043 | 3,004,351 | 3,314,628 | 100.8% | 12,778 | 272,243 | 0 | 78,352 | 3,342,168 |
| 2044 | 3,342,168 | 3,662,940 | 101.2% | 0 | 279,049 | 0 | 87,042 | 3,708,259 |

30 Year Reserve Funding Plan Cash Flow Method - Percent Funded

Final

Prepared for the 2016 Fiscal Year





Section V

Sample Association for California

Reserve Fund Balance Forecast Component Method

Final

Prepared for the 2016 Fiscal Year

| <i>Reserve Component</i> | <i>Current Repl. Cost</i> | <i>Useful Life</i> | <i>Remaining Life</i> | <i>Estimated Future Replacement Costs</i> | <i>Per Year</i> | <i>2015 Fully Funded Balance</i> | <i>2016 Fully Funded Balance</i> | <i>% Per Year Straight Line</i> | <i>2016 Line Item Contribution based on Cash Flow Method</i> |
|---|---------------------------|--------------------|-----------------------|---|-----------------|----------------------------------|----------------------------------|---------------------------------|--|
| 01000 - Paving | | | | | | | | | |
| 100 - Asphalt: Sealing 82,940 Sq. Ft. Streets & Parking | 9,953 | 5 | 2 | 10,457 | 2,091 | 5,972 | 8,161 | 1.23% | 1,716 |
| 200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets & Parking (2%) | 4,043 | 5 | 2 | 4,248 | 850 | 2,426 | 3,316 | 0.50% | 697 |
| 300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets & Parking | 120,263 | 25 | 11 | 157,795 | 6,312 | 67,347 | 73,962 | 3.71% | 5,179 |
| 800 - Striping Streets & Parking | 895 | 5 | 2 | 940 | 188 | 537 | 734 | 0.11% | 154 |
| Sub-total [01000 - Paving] | 135,154 | | | 173,440 | 9,441 | 76,282 | 86,172 | 5.54% | 7,746 |
| 02000 - Concrete | | | | | | | | | |
| 200 - Sidewalks, Curbs & Gutters 20,000 Sq. Ft. Greenbelt Walkway (2%) | 6,400 | 3 | 1 | 6,560 | 2,187 | 4,267 | 6,560 | 1.28% | 1,794 |
| 200 - Walkways 22,030 Sq. Ft. Walkways (5%) | 17,624 | 5 | 2 | 18,516 | 3,703 | 10,574 | 14,452 | 2.17% | 3,039 |
| Sub-total [02000 - Concrete] | 24,024 | | | 25,076 | 5,890 | 14,841 | 21,012 | 3.46% | 4,833 |
| 03000 - Painting: Exterior | | | | | | | | | |
| 100 - Surface Restoration 100 Units | 156,500 | 6 | 3 | 168,533 | 28,089 | 78,250 | 106,942 | 16.49% | 23,047 |
| 350 - Touch-Up 100 Units- Ongoing | 26,000 | 6 | 0 | 26,000 | 4,333 | 26,000 | 4,442 | 2.54% | 3,556 |
| Sub-total [03000 - Painting: Exterior] | 182,500 | | | 194,533 | 32,422 | 104,250 | 111,383 | 19.03% | 26,603 |
| 05000 - Roofing | | | | | | | | | |
| 440 - Pitched: Dimensional Composition 750 Squares- Style A Homes Including Rain Gutters | 461,250 | 20 | 10 | 590,439 | 29,522 | 230,625 | 260,030 | 17.33% | 24,223 |
| 450 - Pitched: Dimensional Composition 750 Squares- Style B Homes Including Rain Gutters | 461,250 | 20 | 11 | 605,200 | 30,260 | 207,563 | 236,391 | 17.76% | 24,829 |
| 460 - Pitched: Wood Shake: Medium 750 Squares- Style C Homes Including Rain Gutters | 461,250 | 20 | 12 | 620,330 | 31,017 | 184,500 | 212,752 | 18.21% | 25,449 |
| 470 - Pitched: Wood Shake: Medium 750 Squares- Style D Homes Including Rain Gutters | 461,250 | 20 | 13 | 635,838 | 31,792 | 161,438 | 189,113 | 18.66% | 26,086 |
| Sub-total [05000 - Roofing] | 1,845,000 | | | 2,451,807 | 122,590 | 784,125 | 898,284 | 71.97% | 100,587 |

| <i>Reserve Component</i> | <i>Current Repl. Cost</i> | <i>Useful Life</i> | <i>Remaining Life</i> | <i>Estimated Future Replacement Costs</i> | <i>Per Year</i> | <i>2015 Fully Funded Balance</i> | <i>2016 Fully Funded Balance</i> | <i>% Per Year Straight Line</i> | <i>2016 Line Item Contribution based on Cash Flow Method</i> |
|--------------------------|-------------------------------|------------------------|---------------------------|---|---------------------|--|--|-------------------------------------|--|
| | | | | | | [A] | [B] | | |
| Totals | 2,186,678 | | | 2,844,857 | 170,343 | 979,498 | 1,116,852 | 100.00% | 139,769 |
| | | | | | | [EndBal] [A] | [EndBal] [B] | | |
| Percent Funded | | | | | | 97.80% | 99.99% | | |

01000 - Paving

| | | |
|----------------------------------|-----------------------|-----------------------------|
| 100 - Asphalt: Sealing | Useful Life 5 | Remaining Life 2 |
| 82,940 Sq. Ft. Streets & Parking | Quantity 82,940 | Unit of Measure Square Feet |
| | Cost /SqFt \$0.120 | |
| | % Included 100.00% | Total Cost/Study \$9,953 |
| Summary | Replacement Year 2017 | Future Cost \$10,457 |

This is to prepare the surface and apply an asphalt emulsion product such as Reed & Graham's Overkote.

Streets = 72,620 square feet
Parking = 10,320 square feet

2012- \$9,245 was expended.



Costing provided by Blackrock Paving, Inc.

Client Asset Number 5400

01000 - Paving

| | | | |
|---------------------------------------|-----------------------|-----------------------------|--|
| 200 - Asphalt: Ongoing Repairs | Useful Life 5 | Remaining Life 2 | |
| 82,940 Sq. Ft. Streets & Parking (2%) | Quantity 82,940 | Unit of Measure Square Feet | |
| | Cost /SqFt \$3.25 | Qty * \$/SqFt \$269,555 | |
| | % Included 1.50% | Total Cost/Study \$4,043 | |
| Summary | Replacement Year 2017 | Future Cost \$4,248 | |

This is for miscellaneous repairs including crackfill, skin patching and minor dig out & fill. Cracks 1/4" or wider should be filled when observed.

Streets = 72,620 square feet
 Parking = 10,320 square feet

2012- \$3,924 was expended to patch and replace 1,244 square feet.

Linear cracking with evidence of prior crackfill.



Client Asset Number 5400

| | | | |
|----------------------------------|-----------------------|-----------------------------|--|
| 300 - Asphalt: Petromat Overlay | Useful Life 25 | Remaining Life 11 | |
| 82,940 Sq. Ft. Streets & Parking | Quantity 82,940 | Unit of Measure Square Feet | |
| | Cost /SqFt \$1.45 | | |
| | % Included 100.00% | Total Cost/Study \$120,263 | |
| Summary | Replacement Year 2026 | Future Cost \$157,795 | |

This is to apply a Petromat overlay on top of the existing asphalt surface along with 1-1/2" of new hot asphalt. This includes edge grinding and 14 utility box extensions.

Streets = 72,620 square feet
 Parking = 10,320 square feet

2001- Street construction completed.



01000 - Paving

Client Asset Number 5400

| | | | |
|-------------------|------------------|------------------|------------------------|
| 800 - Striping | Useful Life 5 | Remaining Life 2 | |
| Streets & Parking | Quantity 1 | Unit of Measure | Lump Sum |
| | Cost /LS | \$895 | |
| | % Included | 100.00% | Total Cost/Study \$895 |
| Summary | Replacement Year | 2017 | Future Cost \$940 |

This is to re-stripe roadway to match existing plan.

Parking stalls = 66
Handicap parking = 6
Stop bars and speed bumps = 4

2012- \$849 was expended.



Client Asset Number 5400

02000 - Concrete

| | | | |
|------------------------------|-----------------------|-----------------------------|--|
| 200 - Walkways | Useful Life 5 | Remaining Life 2 | |
| 22,030 Sq. Ft. Walkways (5%) | Quantity 22,030 | Unit of Measure Square Feet | |
| | Cost /SqFt \$16.00 | Qty * \$/SqFt \$352,480 | |
| | % Included 5.00% | Total Cost/Study \$17,624 | |
| Summary | Replacement Year 2017 | Future Cost \$18,516 | |

This is to repair, replace or grind failed concrete walkways to remove trip hazards and maintain functionality. Since the core concrete useful life exceeds the scope of this thirty year study, this component provides for repair only and not full replacement. Concrete repairs should be performed in conjunction with paving work when feasible. Minor repairs are performed by staff.

2012- 130 linear feet of front entry walkway was replaced.



Costing provided by Williams, James E.

Client Asset Number 5500

| | | | |
|---------------------------------------|-----------------------|-----------------------------|--|
| 200 - Sidewalks, Curbs & Gutters | Useful Life 3 | Remaining Life 1 | |
| 20,000 Sq. Ft. Greenbelt Walkway (2%) | Quantity 20,000 | Unit of Measure Square Feet | |
| | Cost /SqFt \$16.00 | Qty * \$/SqFt \$320,000 | |
| | % Included 2.00% | Total Cost/Study \$6,400 | |
| Summary | Replacement Year 2016 | Future Cost \$6,560 | |

This is to repair, replace or grind failed concrete sidewalks, curbs and gutters to remove abrupt elevation changes and maintain functionality. The concrete useful life exceeds the scope of this study, so this component provides for repair only.

Typical sidewalk with uplifting.



Client Asset Number 5500

03000 - Painting: Exterior

| | | |
|---------------------------|-----------------------|----------------------------|
| 100 - Surface Restoration | Useful Life 6 | Remaining Life 3 |
| 100 Units | Quantity 100 | Unit of Measure Unit |
| | Cost /Ut \$1,565 | |
| | % Included 100.00% | Total Cost/Study \$156,500 |
| Summary | Replacement Year 2018 | Future Cost \$168,533 |

This is to prepare, power wash, sand, scrape, caulk and paint the building exteriors and all surfaces except fencing with a 100% premium acrylic paint. Mid cycle touchup painting is provided for within another component.

2011- \$148,000 was expended to paint all units by Empire Painting.

Typical siding and fascia.



Costing provided by Empire Painting & Construction

Client Asset Number 5105

| | | |
|--------------------|-----------------------|---------------------------|
| 350 - Touch-Up | Useful Life 6 | Remaining Life 0 |
| 100 Units- Ongoing | Quantity 100 | Unit of Measure Unit |
| | Cost /Ut \$260 | |
| | % Included 100.00% | Total Cost/Study \$26,000 |
| Summary | Replacement Year 2015 | Future Cost \$26,000 |

This is to touchup the paintable surfaces as needed. Full painting is provided for within another component.

2015- \$26,000 estimate per Cal-Pro proposal dated 1/4/2015.



Costing provided by Cal-Pro Painting

Client Asset Number 5105

05000 - Roofing

| | | |
|--|--|--|
| 440 - Pitched: Dimensional Composition 750 Squares- Style A Homes Including Rain Gutters | Useful Life 20 Quantity 750 Cost /Sqrs \$615 % Included 100.00% | Remaining Life 10 Unit of Measure Squares Total Cost/Study \$461,250 Replacement Year 2025 Future Cost \$590,439 |
| Summary | | |

This is to replace the dimensional composition roofing, rain gutters and downspouts. The association should utilize a project manager to develop the work scope, assist material selection and ensure proper installation.

2005- \$360,500 was expended to replace rain gutters/downspouts and reroof the style A homes by Advanced Roof Design.



Costing provided by Advanced Roof Design

Client Asset Number 5200

| | | |
|--|--|--|
| 450 - Pitched: Dimensional Composition 750 Squares- Style B Homes Including Rain Gutters | Useful Life 20 Quantity 750 Cost /Sqrs \$615 % Included 100.00% | Remaining Life 11 Unit of Measure Squares Total Cost/Study \$461,250 Replacement Year 2026 Future Cost \$605,200 |
| Summary | | |

This is to replace the dimensional composition roofing, rain gutters and downspouts. The association should utilize a project manager to develop the work scope, assist material selection and ensure proper installation.

2006- \$360,500 was expended to replace rain gutters/downspouts and reroof the style B homes by Cal-Pac Roofing.



Costing provided by Cal-Pac Roofing

Client Asset Number 5200

05000 - Roofing

| | |
|---|--|
| 460 - Pitched: Wood Shake: Medium 750 Squares- Style C Homes Including Rain Gutters | Useful Life 20 Remaining Life 12 Quantity 750 Unit of Measure Squares Cost /Sqrs \$615 % Included 100.00% Total Cost/Study \$461,250 Replacement Year 2027 Future Cost \$620,330 |
| Summary | |

This is to reroof the medium shake roofing with a dimensional composition roof product and replace rain gutters and downspouts. The association should utilize a project manager to develop the work scope, assist material selection and ensure proper installation.

2007- \$360,500 was expended to replace rain gutters/downspouts and reroof the style C homes.



Client Asset Number 5200

| | |
|---|--|
| 470 - Pitched: Wood Shake: Medium 750 Squares- Style D Homes Including Rain Gutters | Useful Life 20 Remaining Life 13 Quantity 750 Unit of Measure Squares Cost /Sqrs \$615 % Included 100.00% Total Cost/Study \$461,250 Replacement Year 2028 Future Cost \$635,838 |
| Summary | |

This is to reroof the medium shake roofing with a dimensional composition roof product and replace rain gutters and downspouts. The association should utilize a project manager to develop the work scope, assist material selection and ensure proper installation.

2008- \$360,500 was expended to replace rain gutters/downspouts and reroof the style C homes.



Client Asset Number 5200

| <i>Component</i> | <i>Current Replacement Cost</i> | <i>Useful Life</i> | <i>Remaining Life</i> | <i>Quantity</i> | <i>Cost/ U of M</i> | <i>Treatment</i> | <i>Location</i> | <i>Client Asset Number</i> |
|--|---------------------------------|--------------------|-----------------------|-----------------|---------------------|------------------|--------------------------------------|----------------------------|
| 01000 - Paving | | | | | | | | |
| 100 - Asphalt: Sealing | \$9,953 | 5 | 2 | 82,940 | \$.12/SqFt | | Streets & Parking | 5400 |
| 200 - Asphalt: Ongoing Repairs | \$4,043 | 5 | 2 | 82,940 | \$3.25/SqFt (2%) | | Streets & Parking | 5400 |
| 300 - Asphalt: Petromat Overlay | \$120,263 | 25 | 11 | 82,940 | \$1.45/SqFt | | Streets & Parking | 5400 |
| 800 - Striping | \$895 | 5 | 2 | 1 | \$895/LS | | Streets & Parking | 5400 |
| 02000 - Concrete | | | | | | | | |
| 200 - Sidewalks, Curbs & Gutters | \$6,400 | 3 | 1 | 20,000 | \$16.00/SqFt (2%) | | Greenbelt Walkway | 5500 |
| 200 - Walkways | \$17,624 | 5 | 2 | 22,030 | \$16.00/SqFt (5%) | | Walkways | 5500 |
| 03000 - Painting: Exterior | | | | | | | | |
| 100 - Surface Restoration | \$156,500 | 6 | 3 | 100 | \$1,565/Ut | | Units | 5105 |
| 350 - Touch-Up | \$26,000 | 6 | 0 | 100 | \$260/Ut | | Units- Ongoing | 5105 |
| 05000 - Roofing | | | | | | | | |
| 440 - Pitched: Dimensional Composition | \$461,250 | 20 | 10 | 750 | \$615/Sqrs | | Style A Homes Including Rain Gutters | 5200 |
| 450 - Pitched: Dimensional Composition | \$461,250 | 20 | 11 | 750 | \$615/Sqrs | | Style B Homes Including Rain Gutters | 5200 |
| 460 - Pitched: Wood Shake: Medium | \$461,250 | 20 | 12 | 750 | \$615/Sqrs | | Style C Homes Including Rain Gutters | 5200 |
| 470 - Pitched: Wood Shake: Medium | \$461,250 | 20 | 13 | 750 | \$615/Sqrs | | Style D Homes Including Rain Gutters | 5200 |

| <i>Reserve Component</i> | <i>Life Useful</i> | <i>Current Replacement Cost</i> | <i>Forecast Inflated Cost @ 2.50%</i> |
|---|--------------------|---------------------------------|---------------------------------------|
| 2015 | | | |
| 03000 - Painting: Exterior | | | |
| 350 - Touch-Up 100 Units- Ongoing | 6 | 26,000 | |
| Total 2015: | | 26,000 | |
| 2016 | | | |
| 02000 - Concrete | | | |
| 200 - Sidewalks, Curbs & Gutters 20,000 Sq. Ft. Greenbelt Walkway (2%) | 3 | 6,400 | 6,560 |
| Total 2016: | | 6,400 | 6,560 |
| 2017 | | | |
| 01000 - Paving | | | |
| 100 - Asphalt: Sealing 82,940 Sq. Ft. Streets & Parking | 5 | 9,953 | 10,457 |
| 200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets & Parking (2%) | 5 | 4,043 | 4,248 |
| 800 - Striping Streets & Parking | 5 | 895 | 940 |
| Total 01000 - Paving: | | 14,891 | 15,645 |
| 02000 - Concrete | | | |
| 200 - Walkways 22,030 Sq. Ft. Walkways (5%) | 5 | 17,624 | 18,516 |
| Total 2017: | | 32,515 | 34,161 |
| 2018 | | | |
| 03000 - Painting: Exterior | | | |
| 100 - Surface Restoration 100 Units | 6 | 156,500 | 168,533 |
| Total 2018: | | 156,500 | 168,533 |
| 2019 | | | |
| 02000 - Concrete | | | |
| 200 - Sidewalks, Curbs & Gutters 20,000 Sq. Ft. Greenbelt Walkway (2%) | 3 | 6,400 | 7,064 |
| Total 2019: | | 6,400 | 7,064 |

Advanced Roof Design

4 Wayne Court
Sacramento, CA 95829

Phone: (916) 381-2266

License #: 672328

05000 - Roofing

440 - Pitched: Dimensional Composition

Style A Homes Including Rain Gutters

Blackrock Paving, Inc.

P.O. Box 322
Rocklin, CA 95677

Phone: (916) 368-6076

License #: 696040

01000 - Paving

100 - Asphalt: Sealing

Streets & Parking

Cal-Pac Roofing

11267 Coloma Road, Suite C-2
Rancho Cordova, CA 95670

Phone: (916) 635-6300

License #:

05000 - Roofing

450 - Pitched: Dimensional Composition

Style B Homes Including Rain Gutters

Cal-Pro Painting

5325 Elkhorn Blvd., #316
Sacramento, CA 95842

Phone: (916) 439-2973

License #: 722810

03000 - Painting: Exterior

350 - Touch-Up

Units- Ongoing

Empire Painting & Construction

3323 Watt Ave
Ste 297
Sacramento, CA 95816

Phone: (888) 278-8200

License #: 943059

03000 - Painting: Exterior

100 - Surface Restoration

Units

Williams, James E.

11460 Sunrise Gold Circle
Suite A
Rancho Cordova, CA 95742

Phone: (916) 771-5931

License #: 688112

02000 - Concrete

200 - Walkways

Walkways

This report is intended to assist the auditor while preparing the audit, review or compilation of Sample Association for California's (the "Association") financial documents.

Browning Reserve Group ("BRG") prepared a reserve study for the Association during the 2015 fiscal year. This was done to help determine the Association's reserve contribution for the next fiscal year (2016) and future fiscal years. In addition, BRG prepared the proper statutory disclosures for distribution to the Association members.

This Reserve Study is a Full Study. A **Full Study** includes an on-site review upon where the following tasks are performed:

- development of a reserve component inventory;
- condition assessment based upon on-site visual observation;
- life and valuation estimates;
- fund status;
- and a funding plan. Please note, in order to complete these study tasks, one or more visits were conducted by BRG to Sample Association for California.

For BRG reserve studies, the year in which the study is being conducted, is the first year of the study. For example, this study is being prepared during 2015 and is the Association's first year in the study. This enables BRG to use a starting point which ties to the last audited financial statement, December 31, 2014. You will notice in Section III, Reserve Fund Balance Forecast, a Beginning Reserve Balance of \$825,569 is being used which ties to the last completed audit or review of the Association's financial statements. BRG then re-builds the first year of the study, in this case 2015, and estimates an ending reserve fund balance. Again, see Section III and the 2015 ending reserve balance estimate of \$957,948.

"Re-building" the first year of the study as mentioned above simply means using the 2015 adopted budget for the 2015 reserve contribution. Finally, the 2015 reserve expenses both actual and projected are estimated.

We find by using the above method a more accurate reserve study is possible because the beginning reserve fund balance ties directly to the Association's audited financial statement or, in the absence of an audit or review, the year end balance sheet. There is no need to rely on others for determining mid year reserve balances or estimating current year ending reserve balances. This approach forces all involved, to look at the current year's reserve fund activities so a more accurate ending reserve fund balance can be estimated.

With respect to the reserve component Percent Funded values on the next page(s), here are the calculations:

$$\text{FFB} = \text{Year Cost} \times \text{Year Effective Age} / \text{Useful Life}$$
$$\% \text{ Funded} = \text{Year Estimated Ending Reserve Balance} / \text{Year FFB}$$

Please see Section V - Reserve Fund Balance Forecast.

Browning Reserve Group



Sample Association for California
**Schedule of Supplementary Information for Auditor
 Component Method**

Final
 Prepared for the 2016 Fiscal Year

| <i>Reserve Component</i> | <i>Current Repl. Cost</i> | <i>Useful Life</i> | <i>Remaining Life</i> | <i>2015 Fully Funded Balance</i> | <i>2016 Fully Funded Balance</i> | <i>2016 Line Item Contribution based on Cash Flow Method</i> |
|---|-------------------------------|------------------------|---------------------------|--|--|--|
| 01000 - Paving | | | | | | |
| 100 - Asphalt: Sealing 82,940 Sq. Ft. Streets & Parking | 9,953 | 5 | 2 | 5,972 | 8,161 | 1,716 |
| 200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets & Parking (2%) | 4,043 | 5 | 2 | 2,426 | 3,316 | 697 |
| 300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets & Parking | 120,263 | 25 | 11 | 67,347 | 73,962 | 5,179 |
| 800 - Striping Streets & Parking | 895 | 5 | 2 | 537 | 734 | 154 |
| 02000 - Concrete | | | | | | |
| 200 - Sidewalks, Curbs & Gutters 20,000 Sq. Ft. Greenbelt Walkway (2%) | 6,400 | 3 | 1 | 4,267 | 6,560 | 1,794 |
| 200 - Walkways 22,030 Sq. Ft. Walkways (5%) | 17,624 | 5 | 2 | 10,574 | 14,452 | 3,039 |
| 03000 - Painting: Exterior | | | | | | |
| 100 - Surface Restoration 100 Units | 156,500 | 6 | 3 | 78,250 | 106,942 | 23,047 |
| 350 - Touch-Up 100 Units- Ongoing | 26,000 | 6 | 0 | 26,000 | 4,442 | 3,556 |
| 05000 - Roofing | | | | | | |
| 440 - Pitched: Dimensional Composition 750 Squares- Style A Homes Including Rain Gutters | 461,250 | 20 | 10 | 230,625 | 260,030 | 24,223 |
| 450 - Pitched: Dimensional Composition 750 Squares- Style B Homes Including Rain Gutters | 461,250 | 20 | 11 | 207,563 | 236,391 | 24,829 |
| 460 - Pitched: Wood Shake: Medium 750 Squares- Style C Homes Including Rain Gutters | 461,250 | 20 | 12 | 184,500 | 212,752 | 25,449 |
| 470 - Pitched: Wood Shake: Medium 750 Squares- Style D Homes Including Rain Gutters | 461,250 | 20 | 13 | 161,438 | 189,113 | 26,086 |
| Totals | 2,186,678 | | | 979,498 | 1,116,852 | 139,769 |
| | | | | [A] | [B] | |
| | | | | [EndBal] | [EndBal] | |
| | | | | [A] | [B] | |
| Percent Funded | | | | 97.80% | 99.99% | |

Terms & Definitions CAI

CASH FLOW METHOD: A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

COMPONENT INVENTORY: The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate representative(s) of the association or cooperative.

COMPONENT METHOD: A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components. See "Cash Flow Method."

COMPONENT: The individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

CONDITION ASSESSMENT: The task of evaluating the current condition of the component based on observed or reported characteristics.

CURRENT REPLACEMENT COST: See "Replacement Cost."

DEFICIT: An actual (or projected) Reserve Balance less than the Fully Funded Balance. The opposite would be a Surplus.

EFFECTIVE AGE: The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

FINANCIAL ANALYSIS: The portion of a Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.

FULLY FUNDED BALANCE (FFB): Total Accrued Depreciation. An indicator against which Actual (or projected) Reserve balance can be compared. The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost. This number is calculated for each component, then summed together for an association total. Two formulae can be utilized, depending on the provider's sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

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

or

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

FULLY FUNDED: 100% Funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

FUND STATUS: The status of the reserve fund as compared to an established benchmark such as percent funding.

FUNDING GOALS: Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

Baseline Funding: Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.

Full Funding: Setting a Reserve funding goal of attaining and maintaining Reserves at or near 100% funded.

Statutory Funding: Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves required by local statutes.

Threshold Funding: Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than "Fully Funding."

FUNDING PLAN: An association's plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

FUNDING PRINCIPLES:

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

LIFE AND VALUATION ESTIMATES: The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

PERCENT FUNDED: The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the *actual (or projected)* Reserve Balance to the *Fully Funded Balance*, expressed as a percentage.

PHYSICAL ANALYSIS: The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

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

REPLACEMENT COST: The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during that particular year.

RESERVE BALANCE: Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts and Cash Reserves. Based upon information provided and not audited.

RESERVE PROVIDER: An individual that prepares Reserve Studies.

RESERVE STUDY: A budget planning tool which identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis.

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

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

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

SURPLUS: An actual (or projected) Reserve Balance greater than the Fully Funded Balance. See "Deficit."

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

The above terms and definitions are from the Community Associations Institute (CAI) national standards.

Terms & Definitions BRG

Browning Reserve Group reserve studies use several terms that are unique to our reports. Our specialized systems have been developed to offer flexibility in many areas of our reporting. Please see below for definitions of abbreviations and symbols used in many of our reserve studies.

NR-1 (LIMITED RECURRENCE, 1 TIME): This signifies a major reserve component recurs for only a fixed number of cycles. Most often used to display a cost in a specific year only, NR-1 signifies the component only occurs one time. An NR-2 means the component will display for two cycles and so on. This makes it easy to enter one-time costs that pop up from time to time, or to display a cost that may be unique at one replacement date only.

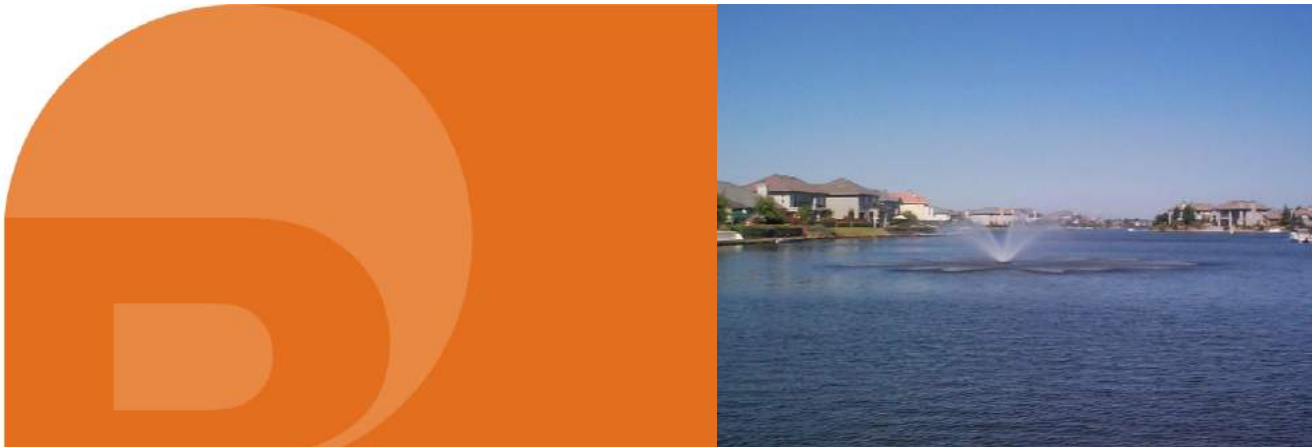
SE-2 (SPREAD EVENLY OVER 2 YEARS): This signifies the major component, when replaced is spread evenly over 2 or more years. For example if a component will be replaced in year 8 of the study, and there is a SE-2, then the component will be replaced over 2 years, year 8 and year 9. Although the component is split over 2 or more years, each subsequent year will increase by the study's inflation factor. An SE-3 signifies the component is split over three years and so on.

NSE-2 (SPREAD NON-EVENLY OVER 2 YEARS): Similar to above, but the spread is not equal in each year. The spread is entered at a different amount for each year in the spread. The total of the spread will always equal 100% of the total replacement cost, excluding inflation.

% (PERCENT TO INCLUDE): This signifies that the component is being replaced at less than 100 percent of its replacement cost or quantity. Perhaps a component is replaced partially at each replacement year. Another example would be to do a small portion of the work at each replacement year. Oftentimes wood fencing is replaced over several cycles, and the study will display a percentage of the fence at each replacement cycle.

DELAYED START (REMAINING LIFE GREATER THAN USEFUL): In many instances a component's replacement cycle may not begin immediately, so the replacement cycle start is delayed. Delay is accomplished by setting the remaining life greater than the useful life.

ZERO REMAINING LIFE: Zero remaining life signifies that the component is replaced in the year which the study is prepared. All replacements are reflected in their replacement year, and the year in which the study is prepared is no different than any other year.



RESERVE STUDY

Member Distribution Materials

Sample Association for California

Full Study

Final

Published - June 25, 2015

Prepared for the 2016 Fiscal Year

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Browning Reserve Group

www.BrowningRG.com

June 25, 2015

This is a summary of the Reserve Study that has been performed for Sample Association for California, (the "Association"). This study was conducted in compliance with California *Civil Code Sections 5300, 5550 and 5560* and is being provided to you, as a member of the Association, as required under these statutes. A full copy is available (through the Association) for review by members of the Association.

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. This is done utilizing the "Cash Flow Method." This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund.

Browning Reserve Group prepared this Full Study for the January 1, 2016 - December 31, 2016 fiscal year.

Sample Association for California is a Planned Development with a total of 100 Lots.

The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

Funding Assessment

Based on the 30 year cash flow projection, the Association's reserves are **inadequately funded** as the reserve fund ending balances may fail to remain positive throughout the replacement of all major components during the next 30 years. **Additional reserve funding including some combination of increased contributions, special assessments and loans may be necessary to meet all reserve obligations.**

California statute imposes no reserve funding level requirements nor does it address funding level adequacy.

Sample Association for California
California Member Summary
Final
Prepared for the 2016 Fiscal Year

| <i>Reserve Component</i> | <i>Current Replacement Cost</i> | <i>Useful Life</i> | <i>Remaining Life</i> | <i>2015 Fully Funded Balance</i> | <i>2016 Fully Funded Balance</i> | <i>2016 Line Item Contribution based on Cash Flow Method</i> |
|-----------------------------------|---|------------------------|---------------------------|--|--|--|
| 01000 - Paving | 135,154 | 5-25 | 2-11 | 76,282 | 86,172 | 7,746 |
| 02000 - Concrete | 24,024 | 3-5 | 1-2 | 14,841 | 21,012 | 4,833 |
| 03000 - Painting: Exterior | 182,500 | 6-6 | 0-3 | 104,250 | 111,383 | 26,603 |
| 05000 - Roofing | 1,845,000 | 20-20 | 10-13 | 784,125 | 898,284 | 100,587 |
| Totals | \$2,186,678 | | | \$979,498 | \$1,116,852 | \$139,769 |
| Estimated Ending Balance | | | | \$957,948 | \$1,116,771 | \$116.47 |
| Percent Funded | | | | 97.8% | 100.0% | /Lot/month @ 100 |

June 25, 2015

(1) The regular assessment per ownership interest is \$203.00 per month for the fiscal year beginning January 1, 2016.

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page ___ of the attached summary.

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

| Date assessment will be due: | Amount per ownership interest per month or year (if assessments are variable, see note immediately below): | Purpose of the assessment: |
|------------------------------|--|----------------------------|
| N/A | \$0.00 | N/A |
| Total: | \$0.00 | |

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page ___ of the attached report.

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes No

This disclosure has been prepared by Browning Reserve Group and has been reviewed and approved by the association's board of directors based upon the best information available to the association at the time of its preparation. The accuracy of this information over the next 30 years will be dependent upon circumstances which are impossible to predict with specificity, and will require future action to adjust assessments over the period in accordance with the current projections and future developments.

(4) If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members

| Approximate date assessment will be due: | Amount per ownership interest per month or year: |
|--|--|
| N/A | N/A |

(5) All major components are included in the reserve study and are included in its calculations. See next page §5300(b)(4), for any major component exclusions.

(6) Based on the method of calculation in paragraph (4) of the subdivision (b) of section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is \$979,498, based in whole or in part on the last reserve study or update prepared by Browning Reserve Group as of June, 2015. The projected reserve fund cash balance at the end of the current fiscal year is \$957,948 resulting in reserves being 98% percent funded at this date. Civil code section 5570 does not require the board to fund reserves in accordance with this calculation.

An alternate and generally accepted method of calculation has been utilized to determine future reserve contribution amounts. The reserve contribution for the next fiscal year has been determined using the Cash Flow method of calculation (see section III, Reserve Fund Balance Forecast). This is a method of developing a reserve funding plan where the contributions to the reserve fund are designated to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is presented in column (b) 'Fully Funded Balance' in the table immediately below; and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is presented in column (c) 'Reserve Ending Balance'; leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

| Fiscal Year (a) | Fully Funded Balance (b) | Reserve Ending Balance (c) | Percent Funded (d) |
|--------------------|-----------------------------|-------------------------------|-----------------------|
| 2016 | \$1,116,852 | \$1,116,771 | 100.0% |
| 2017 | \$1,281,053 | \$1,255,155 | 98.0% |
| 2018 | \$1,424,644 | \$1,264,575 | 88.8% |
| 2019 | \$1,437,757 | \$1,441,434 | 100.3% |
| 2020 | \$1,620,460 | \$1,633,677 | 100.8% |

If the reserve funding plan approved by the association is implemented, the projected fund cash balance in each of those years will be the amounts presented in column (c) 'Reserve Ending Balance' in the table immediately above, leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 2.50% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2.50% per year.

Additional Disclosures

§5565(d) The current deficiency in reserve funding as of December 31, 2016 is \$1 per ownership interest (average).

This is calculated as the current estimate of the amount of cash reserves necessary as of the end of the fiscal year for which the study is prepared, less, the amount of accumulated cash reserves actually (Projected to be) set aside to repair, replace, restore, or maintain the major components.

$$\text{Deficiency} = \frac{\text{2016 Fully Funded Balance} - \text{2016 Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$$

§5300(b)(4) The current board of directors of the association has not deferred or determined to not undertake repairs or replacements over the next 30 years.

| Major Component: | Justification for Deferral: |
|------------------|-----------------------------|
| N/A | N/A |

§5300(b)(5) The board of directors as of the date of the study **does anticipate** the levy of a special assessment for the repair, replacement, or restoration of the major components.

Test Note



Section III

Sample Association for California

30 Year Reserve Funding Plan Cash Flow Method

Final

Prepared for the 2016 Fiscal Year

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------------------------------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Beginning Balance | 825,569 | 957,948 | 1,116,771 | 1,255,155 | 1,264,575 | 1,441,434 | 1,633,677 | 1,804,103 | 1,966,485 | 2,183,864 |
| Inflated Expenditures @ 2.5% | 26,000 | 6,560 | 34,161 | 168,533 | 7,064 | 0 | 30,152 | 46,258 | 0 | 195,447 |
| Reserve Contribution | 136,360 | 139,769 | 143,263 | 146,845 | 150,516 | 154,279 | 158,136 | 162,089 | 166,141 | 170,295 |
| <i>Lots/month @ 100</i> | 113.63 | 116.47 | 119.39 | 122.37 | 125.43 | 128.57 | 131.78 | 135.07 | 138.45 | 141.91 |
| <i>Percentage Increase</i> | | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Special Assessments / Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Pre Tax @ 2.50% | 22,019 | 25,614 | 29,283 | 31,108 | 33,408 | 37,964 | 42,442 | 46,550 | 51,239 | 54,282 |
| Ending Balance | 957,948 | 1,116,771 | 1,255,155 | 1,264,575 | 1,441,434 | 1,633,677 | 1,804,103 | 1,966,485 | 2,183,864 | 2,212,995 |

| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|-------------------------------------|-----------|-----------|-----------|---------|---------|---------|---------|---------|-----------|-----------|
| Beginning Balance | 2,212,995 | 1,838,939 | 1,293,532 | 803,787 | 361,487 | 565,605 | 550,212 | 759,305 | 938,276 | 1,136,008 |
| Inflated Expenditures @ 2.5% | 598,632 | 762,995 | 699,026 | 644,661 | 0 | 226,659 | 9,501 | 49,476 | 40,551 | 10,231 |
| Reserve Contribution | 174,552 | 178,916 | 183,389 | 187,974 | 192,673 | 197,490 | 202,427 | 207,488 | 212,675 | 217,992 |
| <i>Lots/month @ 100</i> | 145.46 | 149.10 | 152.82 | 156.65 | 160.56 | 164.58 | 168.69 | 172.91 | 177.23 | 181.66 |
| <i>Percentage Increase</i> | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Special Assessments / Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Pre Tax @ 2.50% | 50,024 | 38,672 | 25,893 | 14,386 | 11,446 | 13,776 | 16,167 | 20,958 | 25,608 | 30,997 |
| Ending Balance | 1,838,939 | 1,293,532 | 803,787 | 361,487 | 565,605 | 550,212 | 759,305 | 938,276 | 1,136,008 | 1,374,766 |

| | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Beginning Balance | 1,374,766 | 1,635,370 | 1,642,005 | 1,852,911 | 2,142,864 | 2,398,543 | 2,702,458 | 3,032,384 | 3,004,351 | 3,342,168 |
| Inflated Expenditures @ 2.5% | 0 | 262,855 | 66,995 | 0 | 47,027 | 11,865 | 0 | 368,164 | 12,778 | 0 |
| Reserve Contribution | 223,442 | 229,028 | 234,754 | 240,623 | 246,639 | 252,805 | 259,125 | 265,603 | 272,243 | 279,049 |
| <i>Lots/month @ 100</i> | 186.20 | 190.86 | 195.63 | 200.52 | 205.53 | 210.67 | 215.94 | 221.34 | 226.87 | 232.54 |
| <i>Percentage Increase</i> | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Special Assessments / Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Pre Tax @ 2.50% | 37,162 | 40,461 | 43,147 | 49,331 | 56,067 | 62,975 | 70,801 | 74,528 | 78,352 | 87,042 |
| Ending Balance | 1,635,370 | 1,642,005 | 1,852,911 | 2,142,864 | 2,398,543 | 2,702,458 | 3,032,384 | 3,004,351 | 3,342,168 | 3,708,259 |