Re$erve Study

(Long Term Capital Replacement Plan)

for

Mammoth Point Condominium Homeowners Association

October 2011

For the fiscal year beginning January 1, 2012

(*Reserve Study with Site Inspection, Revision #2)*

Mammoth Lakes, CA

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Introduction

This reserve study for **Mammoth Point Condominium Homeowners Association** utilizes cash flow analysis and straight-line depreciation methods in order to determine the recommended reserve funding for your budget. In addition, it provides your association with the proper disclosures per California Civil Code 1365 and 1365.5. Reserve studies are required every 3 years. Note that *California Civil Code 1365.5 (e)(5)* requires that community association Board of Directors adopt a "Reserve Funding Plan" at a Board meeting open to members per *Section 1363.05*.

There are six sections in this reserve study:

FINANCIAL ANALYSIS – Two types of financial analysis were performed:

- **Cash Flow Analysis-- Optimal Reserve Funding Plan.**
  Cash Flow Analysis is the formal accounting method used to prove that future cash flows can fund future expenses. First, we do a cash flow analysis projection depicting your reserve income and expenses for the next 30 years *assuming no special action is taken other than basic cost-of-living increases* in annual reserve funding.

  Then our proprietary SmartReserve™ software determines the optimal reserve funding plan for anticipated reserve expenses during the next 30 years. This *Optimized Cash Flow Analysis* shows a recommended annual reserve funding amount in which projected reserve income can properly fund projected reserve expenses.

- **Straight-Line Funding Analysis.**
  The *Straight-Line Depreciation and Percent Funded* report utilizes straight-line segregated analysis to determine your association's *percent funded estimate* (a measure of the strength of reserves relative to the depreciation of assets) – a required disclosure.

GRAPHS – Graphs facilitate visual interpretation of projected expenses versus reserve balances in the cash flow projections discussed above.

ASSUMPTIONS – Key assumptions used in the reserve analysis such as starting reserve balance, interest rate on reserve investment, tax rate on earned interest, etc., are documented.

METHODOLOGY – This section describes financial analysis methods utilized in this study.

RESERVE COMPONENT DESCRIPTIONS - (PHYSICAL ANALYSIS) – This section contains specific details for each reserve component, including measurements, description of each component, estimated useful life, remaining life, and current cost to replace.

AFTER YOUR RESERVE STUDY IS PREPARED – This section indicates what to do with the results of your reserve study so your association can derive the most benefit from it.

Disclaimer: No representation is made that *actual* costs for future reserve expenditures will correspond closely to *estimated* costs presented herein. Contractor bids are known to vary significantly from one another. A reserve study is a *projection*, not a *prediction*.

Executive Summary

Mammoth Point Condominium Homeowners Association is a common interest realty association having 36 units and 39 identified reserve components to maintain. The following reserve analyses are presented:

- **Optimized 30-Year Cash Flow Analysis** - determines an optimal *Reserve Funding Plan* to enable your association to fund projected reserve expenses.
- **Straight Line Depreciation Analysis** – calculates the "*Percent Funded Estimate*" -- a measure of strength of reserves. This is a required annual disclosure to all members.
- **30-Year Cash Flow Analysis Showing Current Funding Levels** – this analysis illustrates how your association would become over/underfunded if only simple inflationary increases are applied each year to current reserve funding.

1. RESERVE FUNDING PLAN: Optimized 30-Year Cash Flow Analysis

The **Optimized 30-Year Cash Flow Analysis** funding plan indicates that your association should consider raising reserve funding to **$79,244** per year -- followed by cost-of-living increases thereafter -- to adequately build reserves for future expenses.

The recommended first-year funding represents **an increase** of $10.14/month per unit in the *reserve funding portion* of your overall budget.

FY 2012 annual reserve contribution (with annual increases thereafter – refer to cash flow analysis):	$79,244/year
FY 2012 monthly reserve contribution:	$6,604/month
Change in monthly reserve contribution per owner:	$10.14/month

SPECIAL ASSESSMENTS: May be necessary if there are variances in projected expenses or replacement scheduling or capital expenses not listed or unknown to this analysis become apparent and if there are insufficient reserve funds to pay for them.

*NOTE: The recommended reserve funding represents the amount that is needed when the association adopts a reserve funding plan to pay for capital expense projects evenly over time. In doing so, the depreciation of capital assets is distributed evenly over the years for all owners. Typical reserve funding rates average over $1,500 per unit per year in Mammoth Lakes, so at about **$2,201** per unit per year, the recommended funding for your association is above the norm. This is because the association has a lot of deferred maintenance coming due in the next 10 years and will need to ramp up reserve funding significantly over current levels to meet those obligations.*

For some underfunded associations, the rate of funding increases in forthcoming years must substantially exceed the rate of inflation in order to restore reserves to a healthy level. For the

complete optimized cash flow projection and graphic depiction of future expenses versus reserves, refer to the optimized cash flow section in this report starting on Page 9.

This reserve funding plan should provide adequate reserves for projected reserve expenses for the next 30 years, barring unforeseen circumstances, and subject to the *Summary of Assumptions* documented herein. It is assumed that interest earned will be accrued *directly* to the reserve account, hence the recommended reserve funding level is *exclusive* of earned interest.

2. STRAIGHT-LINE DEPRECIATION ANALYSIS

The **Straight-Line Depreciation Analysis** indicates that **Mammoth Point Condominium Homeowners Association** has cash reserves representing **20.5%** of depreciation of all reserve component assets. This *percent-funded estimate* indicates your association is underfunded for depreciation-to-date. However, if the optimized cash flow funding recommendation is followed, reserve income should be able to fund reserve expenses for the duration of the 30-year projection, assuming expenses occur as projected. In many cases, associations can be less than "100% funded," yet can adequately fund future reserve expenses using the optimized cash flow analysis funding plan.

The **20.5%** "percent funded estimate" is the ratio of your **$127,000** *reserve balance* versus the **$619,102** *life-to-date depreciation* of your reserve components. The percent funded estimate is most often used as a measure of *strength of reserves relative to depreciation of assets*. If your association would like to be 100% funded in the next fiscal year, it would need to make a FY 2012 reserve contribution of **$106,863**, or **$8,905** per month, ***plus*** it would fund any remaining "Reserve Deficiency" – in this case, $492,102. This is not always feasible for many associations.

For the complete Straight-Line Depreciation and Percent Funded Analysis, refer to that section in this report.

3. CASH FLOW ANALYSIS: Projection Showing Current Funding Levels

In order to demonstrate what could happen if the association continues reserve funding at the current rate of $74,863 per year (plus $0 interest on reserves after taxes) and with no special assessments, a cash flow analysis showing projected reserve income against projected future reserve expenses indicates the minimum resulting reserve balance for the 30-year projection would be <$56,041>, occurring in the year 2024.

Continuation of current reserve funding – with annual inflationary increases hereafter – will cause your association to be underfunded. The results of the current reserve funding projection are graphically depicted in the first bar-chart following the optimized cash flow projection. The second bar chart shows the *Optimized 30-Year Cash Flow Analy*sis data, so you can essentially see the "before & after' results of cash flow optimization.

Reserve Analysis Summary Sheet

Mammoth Point Condominium Homeowners Association
November 2011 -- For the fiscal year beginning January 1, 2012

Cash Flow Analysis

Definition: *Cash Flow Analysis is the formal accounting method used to prove that future cash flows can fund future expenses. The two variations of the same cash flow analysis are:*

1. *The **Current Budget Cash Flow Analysis** forecasts future reserve balances assuming no special action is taken by your association other than annual inflationary increases in reserve funding for the next 30 years.*
2. *The **Optimized Cash Flow Analysis** determines the optimal annual reserve contribution to fund projected expenses over the next 30 years.*

Findings	Current Reserve Budget	Optimized Cash Flow - FY 2012 (recommended)
Annual reserve contribution:	$74,863	$79,244
Monthly reserve contribution (total from all units):	$6,239	$6,604
Percent increase in reserve contribution:	3.60%	5.9%
Average change in reserve funding per member:	n/a	$10.14/month
Average monthly reserve contribution per member:	$173.29/month	$183.44/month
Minimum projected reserves (lowest balance occurs in 2024):	<$56,041>	$15,000
Year in which lowest future reserve balance occurs:	2024	2024
Reserve funding increase or special assessment needed:	Yes	Yes

Straight-Line Depreciation Analysis

Definition: *Straight-Line Depreciation Analysis provides a snapshot of your association's reserve component depreciation as of the current year. It includes a percent-funded estimate, life-to-date depreciation of all reserve components, estimated depreciation for the forthcoming year, and unfunded depreciation liability. It is not a 30-year long-term projection and does not account for additive effects of interest income on reserve accounts.*

Findings	Straight-Line Depreciation
FY 2012 annual reserve depreciation *(estimated 2012 depreciation):*	$106,863
FY 2012 monthly reserve depreciation:	$8,905
FY 2012 monthly reserve depreciation per unit:	$247/month
Percent Funded Estimate *(reserves / cumulative depreciation liability):*	20.5%
Life-to-date depreciation liability (100% Funded Balance):	$619,102
Reserve Deficiency *(amount needed to achieve 100% funding):*	$492,102 Total and $13,670/Unit

General Comment: *The cash flow analysis often results in lower funding requirements and a more accurate modeling of future expense patterns.*

Summary of Assumptions

The following financial information is used in this reserve study:

Number of units in this association	36 Units
Fiscal year-end reserve account balance (in some cases this is projected)	$127,000
Interest rate earned on reserve account(s)	0.00%
Tax rate on reserve account interest	38.84%
Expected rate of inflation	3.60%
Minimum acceptable future reserve account balance (in cash flow)	$15,000

General Assumptions:

- Financial information, maintenance history, quantities, and cost estimates provided by client are accurate and reliable. To the extent that information has been provided by the client, this reserve study is a compendium of that information for the client's use, not for the purposes of performing an audit, quality/forensic analysis, or background check of historical records. Other cost estimates are from local contractors or our cost database. This reserve study is not to be used as a stand-alone maintenance guide. Consult specific contractors instead.
- Recurring expenses, inflation, and interest rates will continue as projected.
- The analysis assumes that no unforeseen circumstances (acts of nature, lawsuits, vandalism, etc.) will cause a significant drawdown of reserves.
- The association maintains sufficient comprehensive property insurance to protect its reserves from insurable risks such as fire, property liability, vandalism, etc.
- The association plans to continue to maintain existing amenities.
- Life-of-project costs are not included in the scope of this study because these items are assumed to significantly outlast the 30-year reserve cash flow projection.
- For reserve study updates with site visit or updates without a site visit, the client has presumably deemed previously developed component quantities as accurate and reliable.
- There are no actual, potential, or perceived conflicts of interest between the reserve study preparer and the client or parties related to the client.

Site-Specific Assumptions:

- The following items are assumed to be funded via the association's operating budget: Routine irrigation system repairs (see below), minor light fixture repair/replacement, sauna heating element (recently replaced for about $3,500 because of a fire, but normally the only item needing replacement is the heating element), sauna wood paneling, raingutter repair/replacement as-needed.

- The following items are assumed to be the responsibility of individual unit owners, not the association: Residential unit interiors. Refer to your CC&R's for more clarification.
- Many Mammoth associations have had to tear up their streets to redo entire water mains. However, this association is different because it has an easement across the northwest (upper side) of the property that is used by the MCWD for water transport. Water is plumbed from that conveniently close water main into the buildings, so there presumably isn't a water main under the common area streets and the laterals from the main are short, so no provision for replacement in this analysis.
- Irrigation system was shown in an earlier analysis as a $7,000 item with 11 years useful life, but the association plans to fund irrigation valve, timer, plumbing costs out of the regular building & grounds maintenance funds.
- The spa deck (flooring) was resurfaced in 2009 with pavers and the assumption hereafter is that the pavers will be replaced or reset as needed, so no need for future recurring costs hereafter.
- Reserve Account Balance: **$127,000** estimated as of the end of the current fiscal year. This is a projected amount based on most recent bank statements plus any reserve transfers until fiscal year end, minus anticipated reserve expenses until fiscal year end. If this reserve study is done after fiscal year end, the balance represents the cash held in reserve accounts as of the fiscal year's last statement. *This starting reserve account balance is based on information provided by the client and was not audited.*
- Interest rate on the reserve account(s) is **0.00%**. If interest rates change significantly in future years, or if reserves are placed in a long-term, higher interest-bearing account, another cash flow analysis should be prepared and reviewed by the Board.
- Tax rate on reserve account interest is **38.84%**. Associations that file an IRS Form 1120-H pay 30% taxes on interest earnings while those filing form 1120 (standard corporate form) generally pay 15%. In addition to Federal taxes, state taxes usually apply.
- Inflation rate to be applied to future replacement costs is **3.60%**. In recent years, inflation as applied to homeowners association costs has exceeded the typical CPI (Consumer Price Index) inflation rate cited by government sources. If the prevailing inflation rate changes significantly in future years, another cash flow analysis should be prepared and reviewed by the Board.
- Funding Goal - Minimum acceptable future reserve account balance: **$15,000**. The cash flow analysis optimization software determines the optimal annual reserve contribution such that all projected expenses are adequately funded, while always maintaining at least **$15,000** in reserves. When this threshold dollar amount is greater than zero, this minimum future projected balance is essentially a contingency to allow for unforeseen expenses and is referred to as *"threshold funding."*

Reserve Analysis Methodology

A reserve analysis is a projection of future reserve expenditures versus reserve balance accompanied by a reserve funding recommendation. Two different methods are provided in this reserve study:

- **Cash Flow Analysis** (using component pooling)
- **Straight-Line Depreciation Analysis** (segregated components).

The methods of calculation and the advantages of each type of analysis are discussed herein.

Cash Flow Analysis Method

The traditional accounting method used to prove that future income can adequately fund future expenses is a ***cash flow analysis***. A cash flow analysis provides detailed long-term projections of future reserve balances and should include the following realistic factors:

- *Inflation* as applied to future reserve expenses
- *Interest* earned on reserve account
- *Tax rate* on earned interest.

Because inflation, interest, and tax rates fluctuate from year to year, it is prudent to update the reserve cash flow analysis yearly with recent rates.

The 30-year cash flow analysis in this reserve study is based on the *component pooling method.* A "reserve component" is an association asset (such as roofing, paving, etc.) that the association is obligated to maintain with reserve funds.

The component pooling method simply involves "pooling" or summing the costs to repair or replace all components in each year for which such expenditures are scheduled. The aggregate component cost for each future year is then multiplied by an inflation factor to determine the total future yearly reserve expense.

Once the annual inflation-adjusted costs are totaled for each year, the reserve expenses are reconciled against reserve income and after-tax interest earnings to yield a reserve balance at the end of each year in the projection. Future years showing a reserve deficit can be pinpointed by examining the bottom line ("*Reserve account balance at end of year*") of the cash flow analysis, or by viewing the cash flow graph projections. For a line-by-line description of the cash flow analysis, refer to the *"Understanding Your Cash Flow Analysis"* section in this study.

Straight-Line Depreciation Analysis Method

The Straight-Line Depreciation method (also known as the *Component Method*) is a more simplistic snapshot of an association's reserve situation in the current year. It includes the following:

- ***Cumulative Depreciation Liability*** of reserve components to-date. This is the sum of life-to-date depreciation liabilities for all reserve components using the straight-line depreciation method.
- ***Expected Depreciation*** of reserve components in the forthcoming year, in other words, the forthcoming year's depreciation funding recommendation using straight-line depreciation analysis (e.g. if a component costs $10,000 to replace and it has a 10-year life, the depreciation liability for each year is $1,000).
- ***Percent-Funded Estimate*** - the ratio of cumulative depreciation relative to current reserve balance. This estimate gives you a measure of the strength of reserves relative to depreciation of assets.
- ***Unfunded Liability (Deficit)*** - the portion of reserve component depreciation (cumulative depreciation) for which there are no reserve funds. For example, if the Cumulative Depreciation Liability for all reserve components is $100,000 as of the date of the study and there is $60,000 in reserves, the *Unfunded Liability* is $40,000.

It is important to note that the Straight-Line Depreciation method is *not* a long-term projection like a cash flow analysis. Rather, it simply shows cumulative depreciation-to-date and depreciation for the forthcoming year. A significant finding of the Straight-Line Depreciation method is the Percent-Funded Estimate.

Advantages of Each Analysis Method

While the straight-line method is conceptually easier to understand than the component pooling method, some straight-line implementations fail to incorporate the effects of inflation on future costs or earned interest on reserve account funds.

The cash flow pooling method is generally regarded as a more accurate way to model future expense patterns and is preferred because it accounts for contributions from reserve account investment income. It often results in a lower recommended reserve funding recommendation than the straight-line method. However, there are unusual cases where the cash flow method can result in a higher recommended reserve contribution.

Your Board of Directors should decide which method to use based on their long-term investment strategy (conservative or non-conservative), your CPA's recommendations, and applicable laws and your CC&R's. Both types of analysis (component pooling-cash flow analysis and straight-line segregated) are provided in this reserve study.

Reserve Cash Flow Analysis
Optimized Projection

The following pages contain an *optimized* reserve cash flow analysis where the initial optimal reserve contribution of $79,244 per year has been determined by software (using a binary search method) such that future reserve balances will adequately fund anticipated expenses for the 30-year duration of this projection.

Once the optimal reserve funding plan is determined, the annual rate of increase in funding stabilizes with 3.60% cost of living (inflationary) increases for subsequent years in the remainder of the projection. In some cases, the optimal funding represents a *reduction* from current funding levels.

For Mammoth Point Condominium Homeowners Association, the Optimized 30-Year Cash Flow Analysis funding plan indicates that your association should consider raising reserve funding to $79,244 per year -- followed by cost-of-living increases thereafter -- to adequately build reserves for future expenses.

The recommended first-year funding represents an increase of $10.14/month per unit in the reserve funding portion of your overall budget.

SPECIAL ASSESSMENTS: May be necessary if there are variances in projected expenses or replacement scheduling or capital expenses not listed or unknown to this analysis become apparent and if there are insufficient reserve funds to pay for them.

Notice how the annual reserve expenses and year-end reserve account balance amounts in the *Optimized Cash Flow Analysis* correspond to the bars in the lower graph on the bar charts page shown immediately following the cash flow analysis pages.

For a detailed description of the cash flow analysis refer to pages following the cash flow analysis reports titled *Understanding Your Cash Flow Analysis.*

Note: A reserve cash flow analysis is *not a prediction* of future events. Rather, it is a *projection* of anticipated future events. Actual timing and replacement costs may vary.

Optimized Cash Flow Analysis for Mammoth Point Condominium Homeowners Association

RESERVE COMPONENTS	Estimated Useful Life (years)	Estimated Remaining Life (years)	Estimated Current Cost to Replace	Fiscal Year Beginning Jan 1, 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017
ROOFING									
Composite Shingle Roof	25	9	$154,270						
Roof Preventative Maintenance	3	1	$4,320		$4,476			$4,976	
Chimney Caps/Spark Arresters	25	12	$9,000						
PAINTING									
Wood Trim/Siding - Paint	6	4	$75,000					$86,397	
Wood Trim/Siding Exposed Sides	6	2	$6,500			$6,976			
EXTERIOR WOOD									
Wood Siding $5K Repl w/ Paint	6	4	$5,000					$5,760	
Balconies - Replace (All)	35	29	$171,000						
Wood Stairs & Rails 2011	35	34	$33,000						
Wood Entry Decks 2012	35	0	$25,000	$25,000					
Wood Rail Fences	35	1	$10,060		$10,422				
STREETS & DRIVEWAYS									
Asphalt Seal/Crackfill 2011	2	1	$7,300		$7,563		$8,117		$8,712
Asphalt Patch (Partial Areas)	2	1	$3,830		$3,968		$4,259		$4,571
Asphalt Petromat Overlay - Streets	22	7	$70,260						
Asphalt Overlay - Upper Parking	22	12	$14,860						
Asphalt Paths near Spa - (2011)	20	19	$3,185						
Asphalt Paths (Other) - Replace	20	8	$5,230						
SPA									
Spa Resurface (2009)	12	9	$12,000						
Spa Heater (2009)	10	7	$3,400						
Spa Filter (2009)	10	7	$1,100						
Spa Pumps (2009)	8	5	$2,000						$2,387
Spa Chemical Feeder	10	7	$2,800						
Spa Skimmer - Replace	30	27	$1,800						
Spa Restrooms & Floor Drains	One-time	1	$45,000		$46,620				
Spa Restrooms Renovate	25	26	$6,000						
Spa Iron Gates - Replace	25	14	$2,000						
BUILDING MISCELLANEOUS									
Interior Residence Plumbing	45	12	$346,520						
MANAGER'S UNIT									
Manager's Unit Flooring 2010	15	13	$4,950						
Manager's Unit - Appliances	20	10	$3,000						
Manager's Unit - Interior Paint	10	8	$2,000						
Manager's Unit - Renovate	30	15	$8,500						
EQUIPMENT									
Case Skip Loader 621D - Used	27	19	$129,600						
Snowblowers (2)	6	5	$3,000						$3,580
LANDSCAPE									
Tree Trim/Remove	4	3	$3,500				$3,892		
Irrigation Backflow Valve	22	16	$1,000						
MISCELLANEOUS									
Concrete Block Retaining Wall	45	1	$43,500		$45,066				
RR Tie Retaining Walls (10%)	5	3	$2,565				$2,852		
Custom "Mammoth Point" Sign	20	6	$1,600						
Laundry - Washer (1) & Dryer (1)	15	4	$500					$576	
Fire Extinguishers - Replace 2011	5	4	$1,200					$1,382	
Inflation factor applied each year				1.000	1.036	1.073	1.112	1.152	1.193
Estimated total reserve expense	(Costs adjusted for Inflation)			$25,000	$118,115	$6,976	$19,120	$99,091	$19,250
CASH FLOW FORECASTS									
Annual reserve funding	**RECOMMENDED** →			**$79,244**	$82,097	$85,053	$88,115	$91,287	$94,573
Special Assessment									
After-tax interest earnings	(on reserve account)			$0	$0	$0	$0	$0	$0
Gross reserve account income				$79,244	$82,097	$85,053	$88,115	$91,287	$94,573
Annual reserve expense	(from total above)			$25,000	$118,115	$6,976	$19,120	$99,091	$19,250
Net annual reserve income	(reserve expense - reserve income)			$54,244	($36,018)	$78,077	$68,995	($7,804)	$75,323
Reserve Acct - Beginning of year				$127,000	$181,244	$145,227	$223,303	$292,298	$284,494
Reserve Account - End of year				**$181,244**	**$145,227**	**$223,303**	**$292,298**	**$284,494**	**$359,817**

Optimized Cash Flow Analysis for Mammoth Point Condominium Homeowners Association

RESERVE COMPONENTS	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
ROOFING									
Composite Shingle Roof				$212,090					
Roof Preventative Maintenance		$5,534			$6,153			$6,842	
Chimney Caps/Spark Arresters							$13,758		
PAINTING									
Wood Trim/Siding - Paint					$106,822				
Wood Trim/Siding Exposed Sides			$8,626						$10,665
EXTERIOR WOOD									
Wood Siding $5K Repl w/ Paint					$7,121				
Balconies - Replace (All)									
Wood Stairs & Rails 2011									
Wood Entry Decks 2012									
Wood Rail Fences									
STREETS & DRIVEWAYS									
Asphalt Seal/Crackfill 2011		$9,351		$10,036		$10,772		$11,561	
Asphalt Patch (Partial Areas)		$4,906		$5,265		$5,651		$6,066	
Asphalt Petromat Overlay - Streets		$89,997							
Asphalt Overlay - Upper Parking							$22,716		
Asphalt Paths near Spa - (2011)									
Asphalt Paths (Other) - Replace			$6,940						
SPA									
Spa Resurface (2009)				$16,498					
Spa Heater (2009)		$4,355							
Spa Filter (2009)		$1,409							
Spa Pumps (2009)								$3,167	
Spa Chemical Feeder		$3,587							
Spa Skimmer - Replace									
Spa Restrooms & Floor Drains									
Spa Restrooms Renovate									
Spa Iron Gates - Replace									$3,281
BUILDING MISCELLANE									
Interior Residence Plumbing							$529,719		
MANAGER'S UNIT									
Manager's Unit Flooring 2010								$7,839	
Manager's Unit - Appliances					$4,273				
Manager's Unit - Interior Paint			$2,654						
Manager's Unit - Renovate									
EQUIPMENT									
Case Skip Loader 621D - Used									
Snowblowers (2)						$4,427			
LANDSCAPE									
Tree Trim/Remove		$4,483				$5,164			
Irrigation Backflow Valve									
MISCELLANEOUS									
Concrete Block Retaining Wall									
RR Tie Retaining Walls (10%)			$3,404					$4,062	
Custom "Mammoth Point" Sign	$1,978								
Laundry - Washer (1) & Dryer (1)									
Fire Extinguishers - Replace 2011				$1,650					$1,969
Inflation factor applied each year	1.236	1.281	1.327	1.375	1.424	1.476	1.529	1.584	1.641
Estimated total reserve expense	$1,978	$123,622	$21,624	$245,539	$124,369	$26,014	$566,193	$39,537	$15,915
CASH FLOW FORECASTS									
Annual reserve funding	$97,978	$101,505	$105,159	$108,945	$112,867	$116,930	$121,139	$125,500	$130,018
Special Assessment									
After-tax interest earnings	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross reserve account income	$97,978	$101,505	$105,159	$108,945	$112,867	$116,930	$121,139	$125,500	$130,018
Annual reserve expense	$1,978	$123,622	$21,624	$245,539	$124,369	$26,014	$566,193	$39,537	$15,915
Net annual reserve income	$96,000	($22,117)	$83,535	($136,594)	($11,502)	$90,916	($445,054)	$85,963	$114,103
Reserve Acct - Beginning of year	$359,817	$455,816	$433,699	$517,234	$380,640	$369,138	$460,054	$15,000	$100,963
Reserve Account - End of year	**$455,816**	**$433,699**	**$517,234**	**$380,640**	**$369,138**	**$460,054**	**$15,000**	**$100,963**	**$215,067**

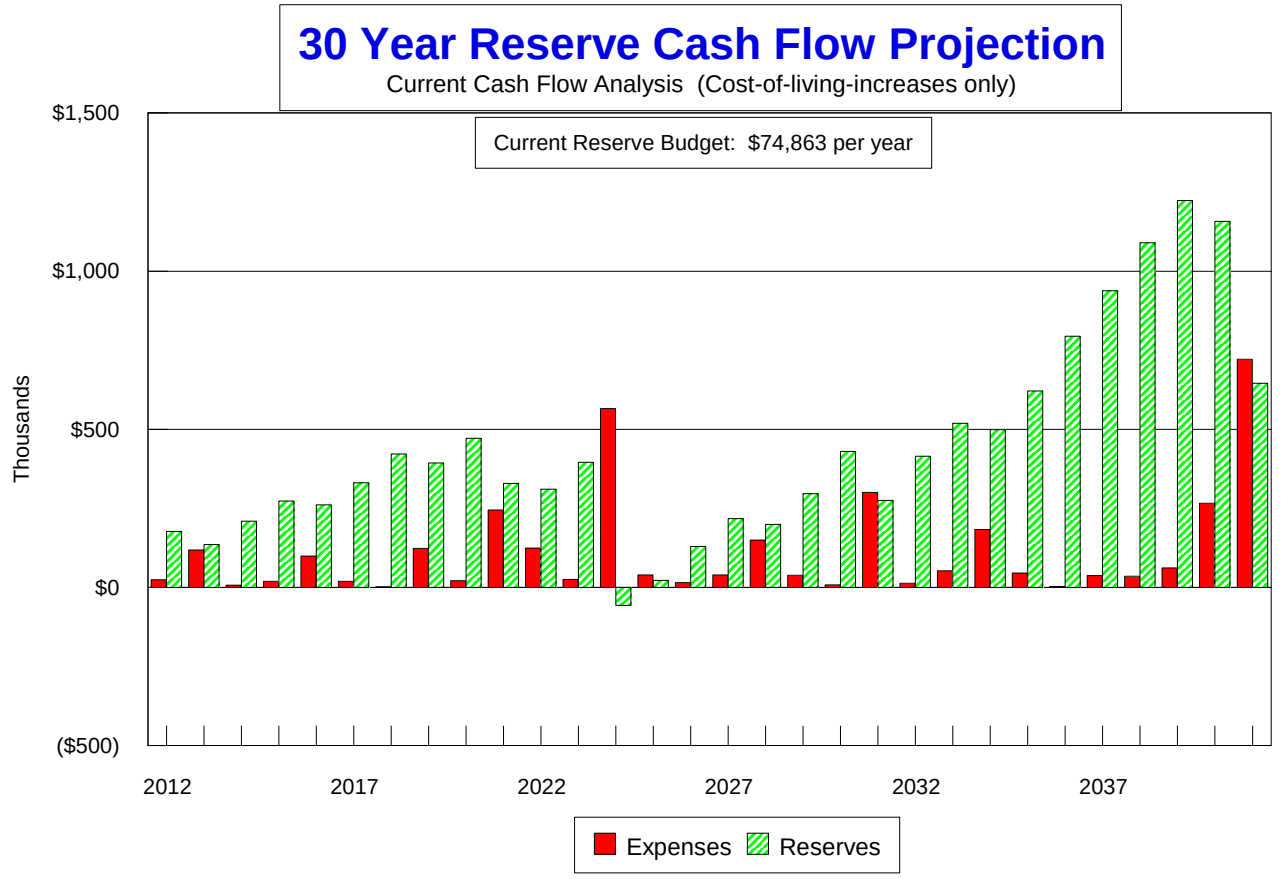
Optimized Cash Flow Analysis for Mammoth Point Condominium Homeowners Association

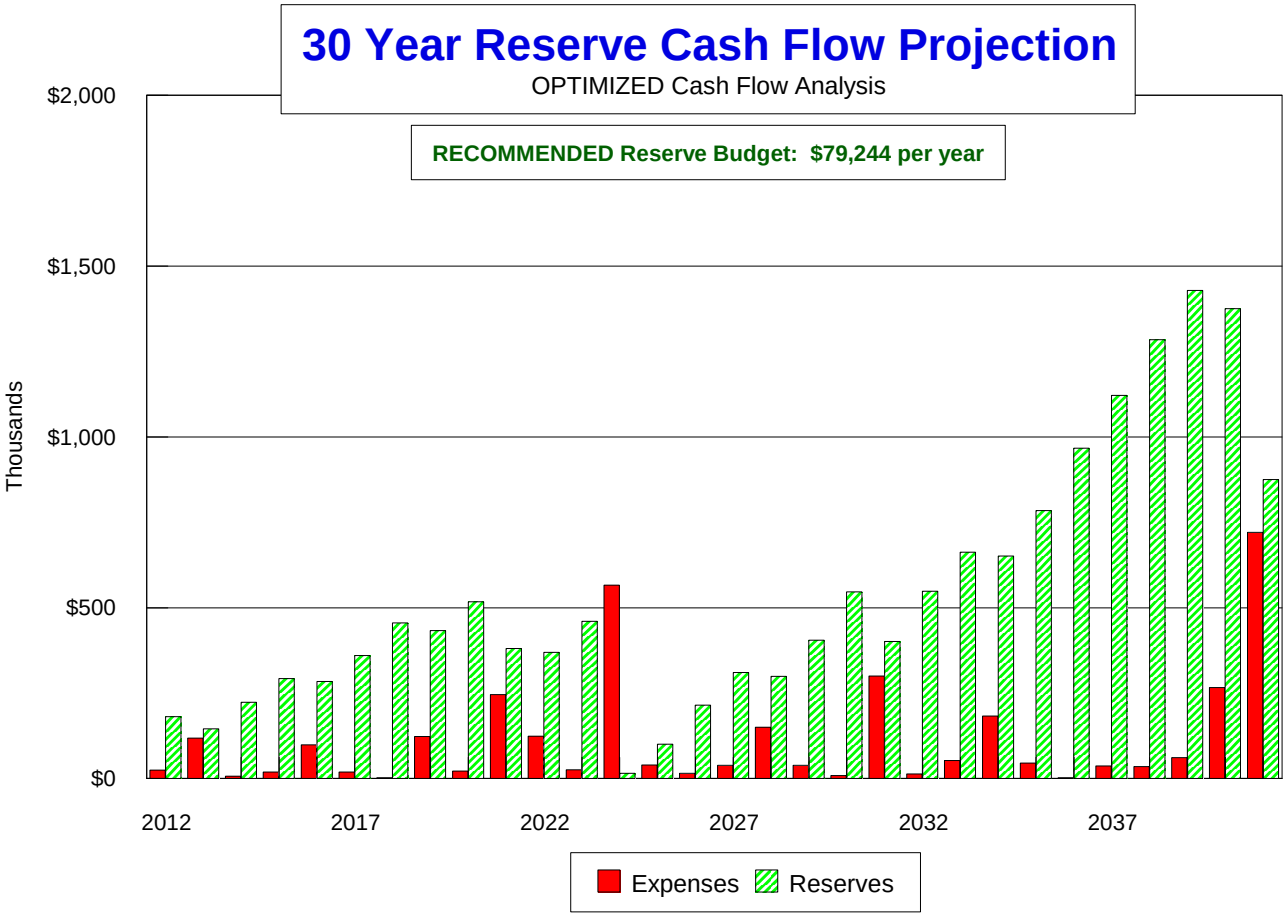
RESERVE COMPONENTS	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	Fiscal Year 2034	Fiscal Year 2035
ROOFING									
Composite Shingle Roof									
Roof Preventative Maintenance		$7,607			$8,459			$9,406	
Chimney Caps/Spark Arresters									
PAINTING									
Wood Trim/Siding - Paint		$132,074						$163,296	
Wood Trim/Siding Exposed Sides						$13,186			
EXTERIOR WOOD									
Wood Siding $5K Repl w/ Paint		$8,805						$10,886	
Balconies - Replace (All)									
Wood Stairs & Rails 2011									
Wood Entry Decks 2012									
Wood Rail Fences									
STREETS & DRIVEWAYS									
Asphalt Seal/Crackfill 2011	$12,408		$13,318		$14,294		$15,342		$16,466
Asphalt Patch (Partial Areas)	$6,510		$6,987		$7,500		$8,049		$8,639
Asphalt Petromat Overlay - Streets									
Asphalt Overlay - Upper Parking									
Asphalt Paths near Spa - (2011)					$6,237				
Asphalt Paths (Other) - Replace									
SPA									
Spa Resurface (2009)							$25,219		
Spa Heater (2009)			$6,203						
Spa Filter (2009)			$2,007						
Spa Pumps (2009)							$4,203		
Spa Chemical Feeder			$5,108						
Spa Skimmer - Replace									
Spa Restrooms & Floor Drains									
Spa Restrooms Renovate									
Spa Iron Gates - Replace									
BUILDING MISCELLANE									
Interior Residence Plumbing									
MANAGER'S UNIT									
Manager's Unit Flooring 2010									
Manager's Unit - Appliances									
Manager's Unit - Interior Paint				$3,780					
Manager's Unit - Renovate	$14,448								
EQUIPMENT									
Case Skip Loader 621D - Used					$253,770				
Snowblowers (2)			$5,473						$6,767
LANDSCAPE									
Tree Trim/Remove	$5,949				$6,853				$7,895
Irrigation Backflow Valve		$1,761							
MISCELLANEOUS									
Concrete Block Retaining Wall									
RR Tie Retaining Walls (10%)				$4,848					$5,786
Custom "Mammoth Point" Sign									
Laundry - Washer (1) & Dryer (1)					$979				
Fire Extinguishers - Replace 2011					$2,350				
Inflation factor applied each year	1.700	1.761	1.824	1.890	1.958	2.029	2.102	2.177	2.256
Estimated total reserve expense	$39,315	$150,247	$39,096	$8,628	$300,442	$13,186	$52,813	$183,588	$45,553
CASH FLOW FORECASTS									
Annual reserve funding	$134,699	$139,548	$144,572	$149,777	$155,169	$160,755	$166,542	$172,537	$178,749
Special Assessment									
After-tax interest earnings	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross reserve account income	$134,699	$139,548	$144,572	$149,777	$155,169	$160,755	$166,542	$172,537	$178,749
Annual reserve expense	$39,315	$150,247	$39,096	$8,628	$300,442	$13,186	$52,813	$183,588	$45,553
Net annual reserve income	$95,384	($10,699)	$105,476	$141,149	($145,273)	$147,569	$113,729	($11,051)	$133,196
Reserve Acct - Beginning of year	$215,067	$310,451	$299,752	$405,228	$546,377	$401,104	$548,672	$662,401	$651,350
Reserve Account - End of year	**$310,451**	**$299,752**	**$405,228**	**$546,377**	**$401,104**	**$548,672**	**$662,401**	**$651,350**	**$784,546**

Optimized Cash Flow Analysis for Mammoth Point Condominium Homeowners Association

RESERVE COMPONENTS	Fiscal Year 2036	Fiscal Year 2037	Fiscal Year 2038	Fiscal Year 2039	Fiscal Year 2040	Fiscal Year 2041
ROOFING						
Composite Shingle Roof						
Roof Preventative Maintenance		$10,459			$11,629	
Chimney Caps/Spark Arresters						
PAINTING						
Wood Trim/Siding - Paint					$201,899	
Wood Trim/Siding Exposed Sides			$16,303			
EXTERIOR WOOD						
Wood Siding $5K Repl w/ Paint					$13,460	
Balconies - Replace (All)						$476,902
Wood Stairs & Rails 2011						
Wood Entry Decks 2012						
Wood Rail Fences						
STREETS & DRIVEWAYS						
Asphalt Seal/Crackfill 2011		$17,673		$18,969		$20,359
Asphalt Patch (Partial Areas)		$9,272		$9,952		$10,681
Asphalt Petromat Overlay - Streets						$195,948
Asphalt Overlay - Upper Parking						
Asphalt Paths near Spa - (2011)						
Asphalt Paths (Other) - Replace					$14,079	
SPA						
Spa Resurface (2009)						
Spa Heater (2009)				$8,835		
Spa Filter (2009)				$2,858		
Spa Pumps (2009)						$5,578
Spa Chemical Feeder				$7,276		
Spa Skimmer - Replace				$4,677		
Spa Restrooms & Floor Drains						
Spa Restrooms Renovate			$15,049			
Spa Iron Gates - Replace						
BUILDING MISCELLANE						
Interior Residence Plumbing						
MANAGER'S UNIT						
Manager's Unit Flooring 2010					$13,325	
Manager's Unit - Appliances						
Manager's Unit - Interior Paint					$5,384	
Manager's Unit - Renovate						
EQUIPMENT						
Case Skip Loader 621D - Used						
Snowblowers (2)						$8,367
LANDSCAPE						
Tree Trim/Remove				$9,095		
Irrigation Backflow Valve						
MISCELLANEOUS						
Concrete Block Retaining Wall						
RR Tie Retaining Walls (10%)					$6,905	
Custom "Mammoth Point" Sign			$4,013			
Laundry - Washer (1) & Dryer (1)						
Fire Extinguishers - Replace 2011	$2,804					$3,347
Inflation factor applied each year	2.337	2.421	2.508	2.598	2.692	2.789
Estimated total reserve expense	$2,804	$37,404	$35,365	$61,662	$266,681	$721,182
CASH FLOW FORECASTS						
Annual reserve funding	$185,184	$191,850	$198,757	$205,912	$213,325	$221,005
Special Assessment						
After-tax interest earnings	$0	$0	$0	$0	$0	$0
Gross reserve account income	$185,184	$191,850	$198,757	$205,912	$213,325	$221,005
Annual reserve expense	$2,804	$37,404	$35,365	$61,662	$266,681	$721,182
Net annual reserve income	$182,380	$154,446	$163,392	$144,250	($53,356)	($500,177)
Reserve Acct - Beginning of year	$784,546	$966,926	$1,121,372	$1,284,764	$1,429,014	$1,375,658
Reserve Account - End of year	**$966,926**	**$1,121,372**	**$1,284,764**	**$1,429,014**	**$1,375,658**	**$875,481**

Mammoth Point Condominium Homeowners Association





Understanding Your Cash Flow Analysis

Understanding your reserve analysis report does not necessarily require knowledge of accounting. The cash flow analysis conforms to the suggested example presented in the California State Department of Real Estate's *Reserve Study Guidelines for Homeowner Association Budgets* publication.

When examining the Optimized Cash Flow Analysis on the preceding pages, your primary concern should be to confirm that your reserve balance never falls below zero in the 30-year projection. The Optimized Cash Flow Analysis determines the optimal reserve contribution such that your association does not have a reserve deficit during the 30-year projection. Another *Status Quo Cash Flow Analysis* is done – but not printed, to avoid confusion – to calculate what will happen if you continue reserve funding at current levels without dramatic adjustments to the reserve contribution.

Note: Because the cash flow analysis uses a "zero-based" counting system, items to be replaced in year 2012 are shown with zero years remaining life as of the beginning of FY 2012 and items to be replaced the next year are shown with one year remaining life and so on... Thus an item with a 27-year life is shown with 26 years.

Following is a description of each line item in your reserve analysis report.

RESERVE COMPONENT COSTS

The first section of the reserve analysis report itemizes each long-term repair/replacement expense for your association. Each of these recurring costs, or "reserve components," is listed with its estimated useful life, estimated remaining life, and estimated cost to repair.

Inflation Factor Applied Each Year

This line-item shows compounded inflation rates used to determine future costs. The first number in this row is 1.000, which means that no inflation is assumed during the first year. This is because cost estimates are in current-year prices. If you repair or replace the items for which you recently obtained price quotes, the price will not yet be influenced by inflation.

The Inflation Factor for the second year in your reserve analysis is equal to the inflation rate you chose to apply to long-term expenses. Notice the inflation factor is compounded in subsequent years thereafter.

Estimated Total Reserve Expense (NOTE: Costs Adjusted For Inflation)

The "*Estimated Total Reserve Expense"* line shows yearly future reserve expense totals multiplied by the compounded inflation rate. For each year in the reserve analysis, this line-item indicates how much money your association must have in reserve to fund all expenses in that

year. You should examine the 30-year projection thoroughly to see which years have the highest expenses. High-expense years significantly deplete your reserve account.

Note the profound effect of compound inflation on future costs. Seeing these inflation-adjusted future costs provides a tangible incentive to set aside adequate funds in reserve.

CASH FLOW FORECASTS

Towards the bottom of the Optimized Cash Flow Analysis is a the "Cash Flow Forecast" section that reconciles inflation-adjusted future expenses for each year against recommended annual reserve funding, special assessment income (if any) and after-tax interest income. Each cash flow line item is described below.

Annual Reserve Funding

The "*Annual Reserve Funding"* line shows the recommended regular reserve assessments the association should budget for its reserve fund in each year. The *Optimized Cash Flow Analysis* determines the optimal annual reserve contribution such that capital expenses will be adequately funded while maintaining a reserve account balance above zero in each of the next 30 years.. Therefore, the primary focus of the reserve study is what is the recommended reserve funding amount as shown on this line.

Because repair/replacement costs typically increase at the rate of inflation, the cash flow projection assumes annual reserve funding will increase at the same rate to match these inflationary effects.

Special Assessment

The "*Special Assessment"* line shows how much the association will need to supplement its reserve funding (e.g. regular assessments) with "special assessments" – if special assessments are necessary. It shows how much will need to be assessed and in what years assessments need to be made. If the projection doesn't anticipate a need for a special assessment, there will be nothing shown on this line for each of the next 30 years.

After-Tax Interest Earnings on Reserve Account

Interest earned on reserve account funds can make a substantial contribution to reserve funding. These funds are usually taxed, so the interest earned is reduced by the tax rate you provided. Reserve account interest is reinvested in the reserve account in this cash flow model.

Gross Reserve Account Income

The figures on this line represent the sum of the "*Annual Reserve Funding,"* "Special Assessments" (if any), and "*After-Tax Interest Earnings on Reserve Account"* amounts assuming reserve account interest is reinvested in the reserve account. But don't confuse this with "net reserve income" because the gross income amount is the reserve income ***before*** reserve expenses have been paid for that particular year. Sometimes expenses exceed annual reserve funding.

Annual Reserve Expense (from total above)
The *"Annual Reserve Expense"* line simply carries the numbers down from the "*Estimated Total Reserve Expense"* line above. This line represents the association's total reserve funding liability (expense) for each year. These costs are then subtracted from the *"Gross Reserve Account Income"* for each year in the cash flow to yield the net reserve income for the year as shown on the following line.

Net Annual Reserve Income (Reserve Expense Minus Reserve Income)
This line shows the reserve cash balance remaining after subtracting major component costs for each year from the annual reserve account income. In other words, it represents the Net Income to your reserve account for the year. NOTE: If the major component costs for one year *exceed* the reserve account income for that year, this number will be negative, thereby reducing the reserve account balance from the prior year. A negative net reserve income amount for any one year doesn't necessarily mean you're going to run out of reserves if you had a significant reserve balance going into that year.

Reserve Account, Beginning of Year
This line-item shows the reserve account balance at the beginning of the year before major component costs for the year are expensed.

Reserve Account, End of Year
The "*Reserve Account, End of Year"* line is perhaps the most important part of your cash flow analysis. It shows the net amount of money remaining in your reserve account at the end of each year after major reserve component costs have been paid.

Scan along this "bottom line" of your Cash Flow Analysis to determine which years in the 30-year projection have low projected reserve account balances so you can identify which expenses to anticipate in those years. Note also that the *Reserve Cash Flow Analysis - Optimized Projection* has no negative reserve account balances for the duration of the projection because our SmartReserve™ software has optimized the reserve contribution to avoid future reserve deficits.

Some associations request to have the cash flow optimizer determine the appropriate annual reserve contribution such that in the worst case year in the 30-year projection, their reserve account always maintains a minimum balance that is more than zero dollars. This is a way of implementing a contingency buffer for unforeseen expenses.

Reserve Component Allocations Derived From Optimized Cash Flow Analysis

The ***Reserve Component Allocations*** report on the following page is useful to associations meeting the following conditions:

* Your association keeps track of reserve funds allocated to each reserve component, (for example, "we have $33,333 in our roofing fund, $4,444 in our paving fund, $5,555 in our painting fund, etc.") AND
* Your association has decided to base the forthcoming year's reserve budget on the recommendations set forth in the *Optimized Cash Flow Analysis* on the preceding pages.

(On the contrary, if your association simply considers reserves as a pool of funds in the cash flow analysis "Cash Flow Pooling," then this report is probably not needed).

The ***Reserve Component Allocations*** report helps your associations to:

* Reallocate your fiscal year-end reserve fund balance proportionally among all reserve components (you can find this information on the following page in the second column from the right, titled *"FY 2012 Begin Cash Flow Balance"*).
* Determine how much of your newly-chosen reserve budget – per the *Optimized Cash Flow Analysis* funding recommendation – should be allocated to each reserve component. For example, an association might want to indicate "in the forthcoming year, we budgeted $30,000 for reserves, of which, $12,000 was applied to the paving fund, $5,000 to the painting fund, and $13,000 to the roofing fund, etc." You can find this information on the following page in the rightmost column, titled *"2012 Cash Flow Allocations"*

  Note that the total of the annual allocations for each reserve component equals the annual reserve funding amount recommended by the *Optimized Cash Flow Analysis.*

If your association has elected to fund reserves via the straight-line depreciation method (generally a less precise funding method than the cash flow analysis), the reserve component allocations are on the straight-line analysis report in the next section.

Mammoth Point Condominium Homeowners Association

RESERVE COMPONENT ALLOCATIONS DERIVED FROM OPTIMIZED CASH FLOW ANALYSIS

Use this report if you keep track of reserve funds allocated to each individual reserve component

AND if you have selected the optimized cash flow funding recommendation

RESERVE COMPONENTS	Estimated Useful Life (years)	Estimated Remaining Life (years)	Estimated Current Cost to Replace	Estimated Future Cost to Replace	Jan 1, 2012 Begin Cash Flow Balances	FY 2012 Cash Flow Allocations
ROOFING						
Composite Shingle Roof	25	9	$154,270	$212,090	$20,254	$4,741
Roof Preventative Maintenance	3	1	$4,320	$4,476	$591	$1,106
Chimney Caps/Spark Arresters	25	12	$9,000	$13,758	$960	$277
PAINTING						
Wood Trim/Siding - Paint	6	4	$75,000	$86,397	$5,128	$9,603
Wood Trim/Siding Exposed Sides	6	2	$6,500	$6,976	$889	$832
EXTERIOR WOOD						
Wood Siding $5K Repl w/ Paint	6	4	$5,000	6	4	$5,000
Balconies - Replace (All)	35	29	$171,000	$476,902	$6,013	$3,753
Wood Stairs & Rails 2011	35	34	$33,000	$109,836	$193	$724
Wood Entry Decks 2012	35	0	$25,000	$25,000	$5,128	$549
Wood Rail Fences	35	1	$10,060	$10,422	$2,005	$221
STREETS & DRIVEWAYS						
Asphalt Seal/Crackfill 2011	2	1	$7,300	$7,563	$749	$2,804
Asphalt Patch (Partial Areas)	2	1	$3,830	$3,968	$393	$1,471
Asphalt Petromat Overlay - Streets	22	7	$70,260	$89,997	$9,827	$2,453
Asphalt Overlay - Upper Parking	22	12	$14,860	$22,716	$1,386	$519
Asphalt Paths near Spa - (2011)	20	19	$3,185	$6,237	$33	$122
Asphalt Paths (Other) - Replace	20	8	$5,230	$6,940	$644	$201
SPA						
Spa Resurface (2009)	12	9	$12,000	$16,498	$615	$768
Spa Heater (2009)	10	7	$3,400	$4,355	$209	$261
Spa Filter (2009)	10	7	$1,100	$1,409	$68	$85
Spa Pumps (2009)	8	5	$2,000	$2,387	$154	$192
Spa Chemical Feeder	10	7	$2,800	$3,587	$172	$215
Spa Skimmer - Replace	30	27	$1,800	$4,677	$37	$46
Spa Restrooms & Floor Drains	One-time	1	$45,000	$46,620	$0	$34,571
Spa Restrooms Renovate	25	26	$6,000	$15,049	$0	$184
Spa Iron Gates - Replace	25	14	$2,000	$3,281	$181	$61
BUILDING MISCELLANEOUS						
Interior Residence Plumbing	45	12	$346,520	$529,719	$52,128	$5,916
MANAGER'S UNIT						
Manager's Unit Flooring 2010	15	13	$4,950	$7,839	$135	$254
Manager's Unit - Appliances	20	10	$3,000	$4,273	$308	$115
Manager's Unit - Interior Paint	10	8	$2,000	$2,654	$82	$154
Manager's Unit - Renovate	30	15	$8,500	$14,448	$872	$218
EQUIPMENT						
Case Skip Loader 621D - Used	27	19	$129,600	$253,770	$7,877	$3,688
Snowblowers (2)	6	5	$3,000	$3,580	$103	$384
LANDSCAPE						
Tree Trim/Remove	4	3	$3,500	$3,892	$179	$672
Irrigation Backflow Valve	22	16	$1,000	$1,761	$56	$35
MISCELLANEOUS						
Concrete Block Retaining Wall	45	1	$43,500	$45,066	$8,725	$743
RR Tie Retaining Walls (10%)	5	3	$2,565	$2,852	$210	$394
Custom "Mammoth Point" Sign	20	6	$1,600	$1,978	$230	$61
Laundry - Washer (1) & Dryer (1)	15	4	$500	$576	$75	$26
Fire Extinguishers - Replace 2011	5	4	$1,200	$1,382	$49	$184
TOTALS			$1,225,350	$2,054,938	$126,662	$83,604

Straight-Line Depreciation Analysis and Percent Funded Estimate

A ***Straight-Line Depreciation Analysis and Percent Funded Report*** follows this page. This type of analysis is occasionally used by associations that track reserve expenses individually.

Straight-Line Analysis is often referred to as a *component method* because funding for each reserve component is determined individually. This differs from the *Cash Flow Analysis* method which determines funding for the aggregate group of reserve component expenses during each year in a 30-year projection and makes sure there are enough reserves in each of those years for that group of expenses.

The rightmost column in the analysis on the next page represents the amount of funds necessary to *defray the cost of depreciation* for all reserve components in the forthcoming year. This amount alone is not always the proper annual reserve funding amount. If there is "unfunded depreciation liability-to-date" (e.g. not enough funds have been saved in past years), the funding amount would need to be more than just the annual depreciation total.

The reserve fund status, expressed in terms of the *"Percent Funded Estimate,"* is a required disclosure and determined from the Straight-Line Analysis as follows:

$$\textbf{Percent Funded Estimate} = \frac{\textbf{Reserve Account Balance}}{\textbf{Cumulative-to-date depreciation liability}}$$

The percent funded estimate is essentially a measure of the *strength of reserves relative to cumulative depreciation of assets* such as roofing, paving, etc.

If the association is not 100% funded for depreciation-to-date (fully funded), the report shows the *reserve deficit*, known as the *"Unfunded Depreciation Liability."* This is the amount the association would need to add to reserves in order to be 100% funded.

For more description of the straight-line analysis method used in this report, refer to the "*Reserve Analysis Methodology*" section in this study.

Mammoth Point Condominium Homeowners Association

STRAIGHT-LINE DEPRECIATION & PERCENT FUNDED ANALYSIS
Inflation-Adjusted Method

RESERVE COMPONENTS	Estimated Useful Life (years)	Estimated Remaining Life (years)	Estimated Current Cost to Replace	End Dec 2011 100% Funded Amount	Jan 1, 2012 Beginning Fund Balances	FY 2012 Annual Depreciation
ROOFING						
Composite Shingle Roof	25	9	$154,270	$98,733	$20,254	$6,393
Roof Preventative Maintenance	3	1	$4,320	$2,880	$591	$1,492
Chimney Caps/Spark Arresters	25	12	$9,000	$4,680	$960	$373
PAINTING						
Wood Trim/Siding - Paint	6	4	$75,000	$25,000	$5,128	$12,950
Wood Trim/Siding Exposed Sides	6	2	$6,500	$4,333	$889	$1,122
EXTERIOR WOOD						
Wood Siding $5K Repl w/ Paint	6	4	$5,000	$1,667	$342	$863
Balconies - Replace (All)	35	29	$171,000	$29,314	$6,013	$5,062
Wood Stairs & Rails 2011	35	34	$33,000	$943	$193	$977
Wood Entry Decks 2012	35	0	$25,000	$25,000	$5,128	$740
Wood Rail Fences	35	1	$10,060	$9,773	$2,005	$298
STREETS & DRIVEWAYS						
Asphalt Seal/Crackfill 2011	2	1	$7,300	$3,650	$749	$3,781
Asphalt Patch (Partial Areas)	2	1	$3,830	$1,915	$393	$1,984
Asphalt Petromat Overlay - Streets	22	7	$70,260	$47,905	$9,827	$3,309
Asphalt Overlay - Upper Parking	22	12	$14,860	$6,755	$1,386	$700
Asphalt Paths near Spa - (2011)	20	19	$3,185	$159	$33	$165
Asphalt Paths (Other) - Replace	20	8	$5,230	$3,138	$644	$271
SPA						
Spa Resurface (2009)	12	9	$12,000	$3,000	$615	$1,036
Spa Heater (2009)	10	7	$3,400	$1,020	$209	$352
Spa Filter (2009)	10	7	$1,100	$330	$68	$114
Spa Pumps (2009)	8	5	$2,000	$750	$154	$259
Spa Chemical Feeder	10	7	$2,800	$840	$172	$290
Spa Skimmer - Replace	30	27	$1,800	$180	$37	$62
Spa Restrooms & Floor Drains	One-time	1	$45,000	$0	$0	$46,620
Spa Restrooms Renovate	25	26	$6,000	$0	$0	$249
Spa Iron Gates - Replace	25	14	$2,000	$880	$181	$83
BUILDING MISCELLANEOUS						
Interior Residence Plumbing	45	12	$346,520	$254,115	$52,128	$7,978
MANAGER'S UNIT						
Manager's Unit Flooring 2010	15	13	$4,950	$660	$135	$342
Manager's Unit - Appliances	20	10	$3,000	$1,500	$308	$155
Manager's Unit - Interior Paint	10	8	$2,000	$400	$82	$207
Manager's Unit - Renovate	30	15	$8,500	$4,250	$872	$294
EQUIPMENT						
Case Skip Loader 621D - Used	27	19	$129,600	$38,400	$7,877	$4,973
Snowblowers (2)	6	5	$3,000	$500	$103	$518
LANDSCAPE						
Tree Trim/Remove	4	3	$3,500	$875	$179	$907
Irrigation Backflow Valve	22	16	$1,000	$273	$56	$47
MISCELLANEOUS						
Concrete Block Retaining Wall	45	1	$43,500	$42,533	$8,725	$1,001
RR Tie Retaining Walls (10%)	5	3	$2,565	$1,026	$210	$531
Custom "Mammoth Point" Sign	20	6	$1,600	$1,120	$230	$83
Laundry - Washer (1) & Dryer (1)	15	4	$500	$367	$75	$35
Fire Extinguishers - Replace 2011	5	4	$1,200	$240	$49	$249
TOTALS			$1,225,350	$619,102	$127,000	$106,863

Reserve Account Balance, estimated (or projected) as of start of new fiscal year:	$127,000
Percent Funded Estimate (reserves / recommended fund balance):	20.5%
*Reserve Deficiency (100% Funded reserve balance minus actual reserve balance):	$492,102
RECOMMENDATIONS, IF 100% FUNDED:	
Monthly Capital Asset Depreciation:	$8,905
Average Monthly Capital Asset Depreciation per Member:	$247.37

NOTE:Year 2012 Funding Requirement is based on 3.6% inflation-adjusted straight-line depreciation
(Current Cost to Replace) / (Estimated Useful Life) X (Inflation for 1 Year)

Reserve Component Description (Physical Analysis)

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

This information is analyzed by computer to produce the cash flow analysis and straight-line analysis reports.

This component inventory and condition assessment information was obtained during an on-site visit in September 2011 and via subsequent discussions with local contractors, board members or agents for the board. No destructive testing was done to determine condition of components that are not readily accessible (for example, sampling plumbing lines or flat roof core samples).

Remaining life estimates are based on typical useful life expectancy minus effective age of components (which may not be the same as chronological age). Published costs and life expectancies may also be used.

No representation is made as to how much *actual* costs and *actual* life expectancies at the time of future replacement may differ from estimates contained herein. Because actual contractor bids vary considerably, it is entirely possible that the association may select a bid that is more costly or less costly than the estimates provided herein. Also note that contractor estimates discussed on the following pages are not to be interpreted as formal bids or as an endorsement of that particular contractor.

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

Reserve Component Photographic Record

Composite Shingle Roofs

Asphalt Paving (Sealcoated in 2011)

Enclosed Spa Area (Renovated in 2009)

Siding & Wood Trim - Paint

Upper Parking Lot & Wood Railings

Snow Removal Equip: Case Loader

Composite Shingle Roof

Location: Tops of structures.	**Quantity:** 32,140 SF (per Freeman Roofing 2008).
Remaining Life: 9 Years.	**Typical Useful Life:** 25 Years.
Comments: The composite shingle roof was replaced in 1995. These shingles are most likely a 25-30 year rated material, but most roofers in Mammoth assign a 15-25 year life for comp shingle roofs (15-20 years for a 25-year roof and 20-25 years for a 30-year rated shingle) so the anticipated replacement cycle in Mammoth is about 23 years for a 30-year material to be conservative. Because the design of these units utilizes the roofing square footage efficiently, the roof area per unit is actually less than 1000 SF.	
Current Replacement Cost: $154,270 at $4.80 per SF (per Freeman Roofing 2008).	
Preventative Maintenance: Routine inspection. Roof maintenance programs can extend roof longevity.	

Roof Preventative Maintenance

Location: Tops of structures.	**Quantity:** 1 Roof Inspection/Repair.
Remaining Life: 1 Year.	**Typical Useful Life:** 3 Years.
Comments: Every 2-4 years in Mammoth climate, it is prudent to have a roofing contractor apply new mastic caulking to any pipe/chimney vents and inspect the roofs and add ridge shingles where they've blown off, etc. Allocate about over an hour of roofing contractor labor per unit at $75/hour plus materials $20-$40 per unit, totaling $120 per unit.	
Current Replacement Cost: $4,320 at $4,320 per Roof Inspection/Repair.	
Preventative Maintenance: Routine inspection. Roof maintenance programs can extend roof longevity.	

Chimney Caps/Spark Arresters

Location: Tops of structures.	**Quantity:** 36 Chimney Cap.
Remaining Life: 12 Years.	**Typical Useful Life:** 25 Years.
Comments: The chimney caps/spark arresters appear to be in functional condition. Steel prices have gone up a lot in recent years.	
Current Replacement Cost: $9,000 at $250 per Chimney Cap.	
Preventative Maintenance:	

Wood Trim/Siding - Paint

Location: Building wood trim & siding.	**Quantity:** 47,704 SF.
Remaining Life: 4 Years.	**Typical Useful Life:** 6 Years.
Comments: Wood trim & siding in Mammoth is painted typically on a 3-5 year cycle to preserve siding and trim from the harsh elements, usually with a touch-up phase later in the cycle for south & west-facing trim, or for sides of buildings that get blasted with wind. The buildings were painted in 2003 for about $51,320 and Four-Point Painting's cost in 2010 was about $70K but expect $75K as of 2011 because 2 colors were used this last time and costs have gone up. HOA wants to do touch-up to make a 6-year cycle.	
Current Replacement Cost: $75,000 Per Four-Point Painting.	
Preventative Maintenance: Regular inspection and paint touch up to protect surfaces.	

Wood Trim/Siding Exposed Sides

Location: Building wood trim & siding.	**Quantity:** 1 Wood Trim/Siding Exposed Sides.
Remaining Life: 2 Years.	**Typical Useful Life:** 6 Years.
Comments: Error! Cannot open file.	
Current Replacement Cost: $6,500 Per prior costs.	
Preventative Maintenance: Regular inspection and paint touch up to protect surfaces.	

Wood Siding $5K Replace w/ Paint

Location: Sides of all structures.	**Quantity:** 1 Siding replacement allocation.
Remaining Life: 4 Years.	**Typical Useful Life:** 6 Years.
Comments: The association had been spending about $15,000 each time painting is done to replace warped or delaminated siding and expects to continue this piecemeal approach to replace as-needed, but a lot of the problem-prone siding has been replaced since 2005, so HOA plans to allocate $5,000 hereafter, but this could, in fact, amount to $15K or more in some years. NOTE: If/when full siding replacement is needed in the future, the HOA may have to special assess.	
Current Replacement Cost: $5,000 at $5,000 per Siding replacement allocation.	
Preventative Maintenance: Regular painting to preserve & protect wood from water infiltration.	

Balconies - Replace (All)

Location: Balconies.	**Quantity:** 36 Balcony.
Remaining Life: 29 Years.	**Typical Useful Life:** 35 Years.
Comments: Even with regular maintenance, exposed wood balconies & decking may be expected to last 30+ years and then need replacement. Covered decks that don't have to hold a lot of snow can last longer. The association replaced all (36) balconies starting late Fall 2005 thru 2007. Cost per balcony was about $4500. As these were done in phases, but in the future, may be done all at once, the phases are grouped into one line item.	
Current Replacement Cost: $171,000 at $4,750 per Balcony.	
Preventative Maintenance: Regular painting to preserve & protect wood from water infiltration.	

Wood Stairs & Rails 2011

Location: Stairways & Landings.	**Quantity:** 1 Group of landings/stairs/rail.
Remaining Life: 34 Years.	**Typical Useful Life:** 35 Years.
Comments: Most units have either a wood deck entry/landing, a wood stairway and landing, and/or stairway railings. Deck flooring/railing has cost about $2,000 and some (e.g. #119-#126) are very simple in design and others are more complex, assume $4,000 average per entry landing. Most landings are shared except on the ends of 101-104, 133-136 and the large 4-plexes, thus there are about 24 landings. HOA spent $33K in 2011 and will do $25K in 2012 to complete all. Thereafter, will repair as needed.	
Current Replacement Cost: $33,000 Per actual cost.	
Preventative Maintenance: Regular painting to preserve & protect wood from water infiltration.	

Wood Entry Decks 2012

Location: Stairways & Landings.	**Quantity:** 1 Group of landings/stairs/rail.
Remaining Life: 0 Year (within next 12 months).	**Typical Useful Life:** 35 Years.
Comments: Most units have either a wood deck entry/landing, a wood stairway and landing, and/or stairway railings. Deck flooring/railing has cost about $2,000 and some (e.g. #119-#126) are very simple in design and others are more complex, assume $4,000 average per entry landing. Most landings are shared except on the ends of 101-104, 133-136 and the large 4-plexes, thus there are about 24 landings. HOA spent $33K in 2011 and will do $25K in 2012 to complete all. Thereafter, will repair as needed.	
Current Replacement Cost: $25,000 Per 2011 estimate.	
Preventative Maintenance: Regular painting to preserve & protect wood from water infiltration.	

Wood Rail Fences

Location: Wood parking lot border fencing.	**Quantity:** 258 LF.
Remaining Life: 1 Year.	**Typical Useful Life:** 35 Years.
Comments: The wood parking lot border fencing along both upper and lower parking areas is starting to deteriorate and become a bit wobbly in places. Assume it can be repaired to last a few more years and then be replaced in conjunction with front entry landing & stairway railings. HOA plans to schedule replacement in about 2013 with a $10,000 allocation.	
Current Replacement Cost: $10,060 at $39 per LF.	
Preventative Maintenance:	

Asphalt Seal/Crackfill 2011

Location: Private drives & parking.	**Quantity:** 34,815 SF + $1,000 for hot crack pour.
Remaining Life: 1 Year.	**Typical Useful Life:** 2 Years.
Comments: The association applies asphalt sealcoat every 2 years. In order to preserve the integrity of the asphalt surface, it should have a sealcoat application no less than every 2 years in Mammoth due to skip loader and car chains causing wear & tear on the surface. Black Gold's typical cost per SF for sealcoat is about $0.12-$0.15/SF. There is also the need to do crackfill in the transverse cracks. Done in 2008 for about $7000 and in 2011 for $7300 ($1700 repairs and about $3,185 paths done also).	
Current Replacement Cost: $7,300 Per 2011 cost.	
Preventative Maintenance: Regular sealcoat. Keep clean to reduce abrasive effects of grit.	

Asphalt Patch (Partial Areas)

Location: Private drives & parking.	**Quantity:** 696 SF.
Remaining Life: 1 Year.	**Typical Useful Life:** 2 Years.
Comments: As the paving ages, there are often one or more areas where the asphalt will need remove & replace to repair the significantly cracked and failing surface to extend total useful life before the next overlay. If not tended to, potholes can form. Assume patchwork will be done in conjunction with sealcoat. Allocate funds for repair of 2-3% of total surface area each sealcoat cycle as the paving will continue to need repairs as it approaches the end of its useful life.	
Current Replacement Cost: $3,830 at $5.50 per SF.	
Preventative Maintenance: Regular sealcoat. Keep clean to reduce abrasive effects of grit.	

Asphalt Petromat Overlay - Streets

Location: Private drives & parking.	**Quantity:** 28,105 SF.
Remaining Life: 7 Years.	**Typical Useful Life:** 22 Years.
Comments: Even with regular asphalt sealcoating, every asphalt surface eventually needs to have a new overlay applied over the existing surface. A 1.5" petromat overlay is usually applied, which can last 15-22 years if well-maintained. As of 2011, quite a few transverse cracks, but large sections of good integrity, so remaining life extended in 2011 as this asphalt surface may still last another 6-8 years, assuming regular sealcoat/crackseal applications are done.	
Current Replacement Cost: $70,260 at $2.50 per SF.	
Preventative Maintenance: Regular sealcoat. Keep clean to reduce abrasive effects of grit.	

Asphalt Overlay - Upper Parking

Location: Private drives & parking.	**Quantity:** 5,945 SF.
Remaining Life: 12 Years.	**Typical Useful Life:** 22 Years.
Comments: The upper parking lot is still in good condition as of 2011 and probably can last 10-14 years before needing an overlay.	
Current Replacement Cost: $14,860 at $2.50 per SF.	
Preventative Maintenance: Regular sealcoat. Keep clean to reduce abrasive effects of grit.	

Asphalt Paths near Spa - (2011)

Location: Walkways.	**Quantity:** 290 SF approx.
Remaining Life: 19 Years.	**Typical Useful Life:** 20 Years.
Comments: In 2011, a section of asphalt paths leading to the spa were repaved for $3,185. Other sections are older, but in variable condition with some areas cracking and some areas uplifted by roots, which should be repaired on a piecemeal basis when Black Gold does other paving here. Cost per SF is high because Black Gold says they must do all work on asphalt pathways by hand. Consider replacing with interlocking pavers (see Chateau Sans Nom as an example).	
Current Replacement Cost: $3,185 Per actual cost.	
Preventative Maintenance: Regular sealcoat. Keep clean to reduce abrasive effects of grit.	

Asphalt Paths (Other) - Replace

Location: Walkways.	**Quantity:** 475 SF approx.
Remaining Life: 8 Years.	**Typical Useful Life:** 20 Years.
Comments: In 2011, a section of asphalt paths leading to the spa were repaved for $3,185. Other sections are older, but in variable condition with some areas cracking and some areas uplifted by roots, which should be repaired on a piecemeal basis when Black Gold does other paving here. Cost per SF is high because Black Gold says they must do all work on asphalt pathways by hand. Consider replacing with interlocking pavers (see Chateau Sans Nom as an example).	
Current Replacement Cost: $5,230 at $11 per SF approx.	
Preventative Maintenance: Regular sealcoat. Keep clean to reduce abrasive effects of grit.	

Spa Resurface (2009)

Location: Spa area.	**Quantity:** 1 Spa replaster or fiberglass resurfacing.
Remaining Life: 9 Years.	**Typical Useful Life:** 12 Years.
Comments: The spa was completely renovated in 2009 for $66K, but that included replacing deck surface, heater/filter/pumps plumbing and coping and tile. Hereafter, the spa will need resurfacing/retiling. Fiberglass-coated pools/spas are chemically inert and less prone to staining and tend to last longer and don't have the cold-joint bonding issues that you have with new plaster on top of old plaster.	
Current Replacement Cost: $12,000 at $12,000 per Spa replaster or fiberglass resurfacing.	
Preventative Maintenance: Maintain proper spa water chemistry. Higher acid content etches surface.	

Spa Heater (2009)

Location: Spa area.	**Quantity:** 1 Spa Heater.
Remaining Life: 7 Years.	**Typical Useful Life:** 10 Years.
Comments: Spa heater was replaced at the end of 2004 and again in Nov/Dec 2007 because prior was faulty. Many spa heaters can be kept going by repairing as needed. But, eventually the heat exchanger fails and the supports for the fire block disintegrate, requiring replacement of the unit. Typical useful life is 10-12 years.	
Current Replacement Cost: $3,400 at $3,400 per Spa Heater.	
Preventative Maintenance: Regular inspection by pool maintenance staff	

Spa Filter (2009)

Location: Spa area.	**Quantity:** 1 Spa Filter.
Remaining Life: 7 Years.	**Typical Useful Life:** 10 Years.
Comments: Spa sand filter in functional condition and was last replaced perhaps around the time the spa heater was. Pool filters are typically longer-lasting than spa filters because lower temperatures and pool is shut off during winter, whereas spa is not. Even the stainless steel diatomaceous earth filters eventually rust at the seams. Grids need replacement periodically, but usually cost $300-$400, so are assumed to be paid via operating budget.	
Current Replacement Cost: $1,100 at $1,100 per Spa Filter.	
Preventative Maintenance: Regular backflush for grids & check for leaks	

Spa Pumps (2009)

Location: Spa area.	**Quantity:** 3 Pump.
Remaining Life: 5 Years.	**Typical Useful Life:** 8 Years.
Comments: The pool & spa have 2 pumps for filtration & circulation and spa jets which were last replaced in about 2003. Assume each pump replaced every 6-8 years on average. If a pool contractor installs them, cost is $600-$800 each. Often, only the motor fails but the pump mechanism is intact, meaning only the motor needs replacement.	
Current Replacement Cost: $2,000 Per Bid.	
Preventative Maintenance: Regular inspection by pool maintenance staff	

Spa Chemical Feeder

Location: Spa area.	**Quantity:** 1 Spa Chemical Feeder.
Remaining Life: 7 Years.	**Typical Useful Life:** 10 Years.
Comments: Zee's pool provided a bid for $2800 to install an automated chemical feeder and ozonator for $2800.	
Current Replacement Cost: $2,800 Per bid.	
Preventative Maintenance:	

Spa Skimmer - Replace

Location: Spa area.	**Quantity:** 1 Spa Skimmer.
Remaining Life: 27 Years.	**Typical Useful Life:** 30 Years.
Comments: The pool & spa skimmers eventually crack and may cause leaking after 20-30 years, depending on soil movement. Ultimately, they must be jack-hammered out and then new skimmers are re-cemented in place. Cost is about $1800 each. You can tell if your pool skimmers are cracked & leaking if the pool water level keeps dropping more rapidly than would be normally attributed to evaporation. Replaced with new deck in 2009.	
Current Replacement Cost: $1,800 at $1,800 per Spa Skimmer.	
Preventative Maintenance: Periodically check inside plastic for cracking.	

Spa Restrooms & Floor Drains

Location: Spa area.	**Quantity:** 1 Spa Restrooms & Floor Drain.
Remaining Life: 1 Year.	**Typical Useful Life:** Not Applicable (One-time replacement item).
Comments: The pool/spa restrooms are in functional condition, but will need a full renovation with new floor drains, which is scheduled for 2013 for about $45K (one-time cost). Hereafter, every 25-30 years, most associations need to do some non-trivial upgrades/renovation. As these restrooms are rather basic, allocate about $3,000 each for new stalls, fixtures, countertops, and/or tiling for subsequent iterations of this task as the 2013 renovation will be substantial and will correct most high-maintenance issues.	
Current Replacement Cost: $45,000 at $45,000 per Spa Restrooms & Floor Drain.	
Preventative Maintenance:	

Spa Restrooms Renovate

Location: Spa area.	**Quantity:** 2 Restroom Remodel.
Remaining Life: 26 Years.	**Typical Useful Life:** 25 Years.
Comments: The pool/spa restrooms are in functional condition, but will need a full renovation with new floor drains, which is scheduled for 2013 for about $40K (one-time cost). Hereafter, every 25-30 years, most associations need to do some non-trivial upgrades/renovation. As these restrooms are rather basic, allocate about $3,000 each for new stalls, fixtures, countertops, and/or tiling for subsequent iterations of this task as the 2013 renovation will be substantial and will correct most high-maintenance issues.	
Current Replacement Cost: $6,000 at $3,000 per Restroom Remodel.	
Preventative Maintenance:	

Spa Iron Gates - Replace

Location: Spa area.	**Quantity:** 1 Group of iron entry gate.
Remaining Life: 14 Years.	**Typical Useful Life:** 25 Years.
Comments: There are two wrought iron entry gates in the spa which will eventually need replacement ($950 + $1050), but are in good condition currently.	
Current Replacement Cost: $2,000 at $2,000 per Group of iron entry gate.	
Preventative Maintenance:	

Interior Residence Plumbing

Location: Building interior.	**Quantity:** 36 Unit replumb (representing half of the units).
Remaining Life: 12 Years.	**Typical Useful Life:** 45 Years.
Comments: Other associations in Mammoth that have reached the 30-40 year age threshold have had to replace their interior plumbing due to leaks related to corrosion. Western Restoration gave a bid in 2008 for $260,250 for replacement with PEX, $22400 for employee housing, $4465 for permit, plus $68/LF for underground piping, perhaps totaling $30K. Because the association hasn't had significant plumbing problems yet, assume 10-15 years remaining life. Suggest doing destructive testing to evaluate condition.	
Current Replacement Cost: $346,520 Per Western Restoration bid adjusted for inflation.	
Preventative Maintenance: Periodic destructive testing as piping gets to be over 25-30 years old to look for signs of overall failure.	

Manager's Unit Flooring 2010

Location: Manager's unit.	**Quantity:** 110 SY.
Remaining Life: 13 Years.	**Typical Useful Life:** 15 Years.
Comments: The manager's unit had new carpet installed in about 2001 or earlier. About 110 SY total. Replaced with vinyl flooring in 2010 for $3,798. Assume 15-20 year useful life.	
Current Replacement Cost: $4,950 at $45 per SY.	
Preventative Maintenance:	

Manager's Unit - Appliances

Location: Manager's unit.	**Quantity:** 1 Group of appliance.
Remaining Life: 10 Years.	**Typical Useful Life:** 20 Years.
Comments: The manager's unit has Range, Refrig, Dishwasher, Microwave appliances with costs of $1,200, $900, $600, and $300. The manager's unit appliances are a mix of ages, with newish refrigerator and also Dishwasher, range, microwave. Rather than list each individually, assume the average remaining life for the mix of appliances is about 12-20 years.	
Current Replacement Cost: $3,000 at $3,000 per Group of appliance.	
Preventative Maintenance:	

Manager's Unit - Interior Paint

Location: Manager's unit.	**Quantity:** 1 Residential interior.
Remaining Life: 8 Years.	**Typical Useful Life:** 10 Years.
Comments: The manager's unit was painted in Fall of 2005 by the manager and in late 2010 when a new manager moved in, but there is no guarantee this will be done in the future with managerial labor.	
Current Replacement Cost: $2,000 at $2,000 per Residential interior.	
Preventative Maintenance:	

Manager's Unit - Renovate

Location: Manager's unit.	**Quantity:** 1 Residential renovation.
Remaining Life: 15 Years.	**Typical Useful Life:** 30 Years.
Comments: Over time, it is likely that, in addition to carpeting and painting, there are restroom remodels, flooring, fixtures & countertops in manager's unit that may need renovation in the future. Functional condition now, but there are not a lot of mission-critical items to deal with in the coming years, so assume things can last. New flooring, carpet, vinyl, painting in 2010. Countertops & sink in 2010 for $2,876.	
Current Replacement Cost: $8,500 at $8,500 per Residential renovation.	
Preventative Maintenance:	

Case Skip Loader 621D - Used

Location: Premises.	**Quantity:** 1 Case 621D Skip Loader.
Remaining Life: 19 Years.	**Typical Useful Life:** 27 Years.
Comments: The Case 621D Skip Loader was purchased in 2004 (2003 Model) and they have a typical life of 10,000-16,000 hours. Prior one lasted 30 years. Replacement cost new was $120K, but this one was bought with a few years on it for $85,000 + tax + $3,000 for chains and about $3,000 for a bucket. Part of recent loader expense was for finance charges, so assume the next time, the loader replacement will be funded gradually over time, so the money will be there when replacement is needed, so no finance charges.	
Current Replacement Cost: $129,600 Per prior cost adjusted for inflation.	
Preventative Maintenance: Regular maintenance	

Snowblowers (2)

Location: Premises.	**Quantity:** 1 Ariens Snowblower.
Remaining Life: 5 Years.	**Typical Useful Life:** 6 Years.
Comments: Two Ariens snowblowers were bought in 2002 & 2004. As of 2011, there is a 3-year old Honda and a 4-year old Ariens. They're relatively good condition so assume about 5 years remaining life as they don't get much use (more use of loader & shovelwork done here). Assume 5-7 year life with about $500/year of maintenance paid out of operating budget.	
Current Replacement Cost: $3,000 at $3,000 per Ariens Snowblower.	
Preventative Maintenance: Regular maintenance	

Tree Trim/Remove

Location: Common area.	**Quantity:** 1 Tree Trim/Remove.
Remaining Life: 3 Years.	**Typical Useful Life:** 4 Years.
Comments: There were two large trees that died from old age and were removed and one near the spa also removed. Hereafter, the HOA expects to remove or trim at $3,000-$4,000 every 4 years or so. One tree is too close to the end of a building, another is pushing up an eave overhang, and one was damaged by lightening. About $5K spent during 2009/10/11to remove a large tree and one next to a building and (3) stump grindings done.	
Current Replacement Cost: $3,500 Per prior cost history.	
Preventative Maintenance:	

Irrigation Backflow Valve

Location: Common area.	**Quantity:** 1 Backflow Valve.
Remaining Life: 16 Years.	**Typical Useful Life:** 22 Years.
Comments: The irrigation backflow valve on the premises is in functional condition having been replaced in 2006 or thereabouts. After about 20-25 years, these need replacement (brass seats and/or ball valves fail). Rebuild kits are available, so the cost can be less. Association also plans to use staff labor to replace/rebuild it -- if/when needed, so cost would be less than the customary $1600-$2200. Therefore allocate about $1000 for the valve only.	
Current Replacement Cost: $1,000 at $1,000 per Backflow Valve.	
Preventative Maintenance: Regular inspection	

Concrete Block Retaining Wall

Location: Upper parking area.	**Quantity:** 145 LF with engineering/permitting.
Remaining Life: 1 Year.	**Typical Useful Life:** 45 Years.
Comments: Concrete block wall in the upper parking area is leaning, and has been leaning for quite some time. No major cracks noted in 2005, but in 2008, a crack shows at the apex of the bowed section. Leaning more in 2011, so remaining life decreased in this analysis. Note this report is not an engineering evaluation of the probability of failure, rather it is to be used for budget purposes. Assume HOA will monitor its behavior and adjust the remaining life accordingly. If failure is sooner, special assessment.	
Current Replacement Cost: $43,500 at $300 per LF with engineering/permitting.	
Preventative Maintenance:	

RR Tie Retaining Walls (10%)

Location: Retaining walls.	**Quantity:** 27 LF representing 10% of 270 LF.
Remaining Life: 3 Years.	**Typical Useful Life:** 5 Years.
Comments: The railroad tie retaining walls are in variable condition with some areas that might need replacing as the ties deteriorate. Assume 10% of total may need replacement every 5 years and monitor and adjust this scheduling if rate of deterioration accelerates.	
Current Replacement Cost: $2,565 at $95 per LF representing 10% of 270 LF.	
Preventative Maintenance:	

Custom "Mammoth Point" Sign

Location: Common area.	**Quantity:** 1 Custom main sign.
Remaining Life: 6 Years.	**Typical Useful Life:** 20 Years.
Comments: There are a variety of signs on the premises, most of which are replaced when needed via operating budget funds. However, the main entrance custom sign is a higher-cost capital item which is typically funded via the reserve budget. Good condition, but cracking. Support frame & posts & lighting for the sign replaced prior to 2008 and will be funded via operating maintenance budget hereafter.	
Current Replacement Cost: $1,600 at $1,600 per Custom main sign.	
Preventative Maintenance: Inspect posts or other sign mounts regularly.	

Laundry - Washer (1) & Dryer (1)

Location: Laundry room.	**Quantity:** 1 Washer/dryer set.
Remaining Life: 4 Years.	**Typical Useful Life:** 15 Years.
Comments: The association owns a coin-op washer/dryer set which is old, but functional and receives little use, so with maintenance, in 2008, manager had said it may last up to 5-10 years. May not replace with expensive coin-op. Bought a second-hand dryer recently for about $200 and the board plans to follow that plan in the future, so assume $250 each - washer/dryer - for second-hand replacement.	
Current Replacement Cost: $500 at $500 per Washer/dryer set.	
Preventative Maintenance:	

Fire Extinguishers - Replace 2011

Location: Premises.	**Quantity:** 1 Group of Fire Extinguishers - Replace.
Remaining Life: 4 Years.	**Typical Useful Life:** 5 Years.
Comments: All fire extinguishers were replaced in 2011 for $1,190. This item added as of the 2011 reserve study and a 5 year life is typical, for example: www.ofm.wa.gov/policy/30.50.htm .	
Current Replacement Cost: $1,200 Per actual cost.	
Preventative Maintenance:	

After Your Reserve Study is Prepared...

REVIEW: The results should be evaluated by your Board of Directors to determine:

- If regular assessments need to be increased or decreased.
- If special assessments will be needed to fund future repairs or replacement.
- Cost and estimated/projected timing of repairs or replacement in the future.
- If reserve funds will not be expended for several years, consideration should be given to higher-yield medium-term investment.

APPROVE: Indicate approval of the reserve funding plan in the association minutes.

BUDGET: The Board should also incorporate the results of the reserve study into the annual pro-forma operating budget to ensure that sufficient reserves will be available to fund long-term capital replacement expenditures.

DISTRIBUTE: To comply with California Civil Code 1365, the Board shall prepare and distribute to all its members the following documents ***not less than 30 days nor more than 90 days prior to the beginning of the association's fiscal year:***

A *pro forma* operating budget which shall include all of the following:

- The estimated revenue and expenses on an accrual basis.
- A summary of the association's reserves based upon the most recent review or study conducted pursuant to Section 1365.5, including the current estimated replacement cost, estimated remaining life, and estimated useful life of each major component – See Page 9.
- The current estimate of the amount of cash reserves necessary to repair, replace, restore or maintain the major components: $619,102.
- The current amount of accumulated cash reserves actually set aside: $127,000.
- The current deficiency in reserve funding expressed on a per unit basis: $13,670/Unit.
- The percentage of actual cash reserves set aside versus estimated cash reserves required (percent funded estimate): 20.5%.
- A statement as to whether the board of directors has determined or anticipates that the levy of one or more of special assessments will be required to repair, replace, or restore any major component.

In lieu of the distribution of the pro forma operating budget required above, the board may elect to distribute a summary of the *pro forma* operating budget to all its members with a written notice that the *pro forma* operating budget is available at the business office of the association or at another suitable location within the boundaries of the development and that the copies will be provided upon request and at the expense of the association.

California Civil Code 1365.5 requires annual reviews of reserve status in subsequent Years.

DISCLOSE: Civil Code 1365.2.5 requires the Board to distribute the ***"Assessment and Reserve Funding Disclosure Summary"*** to all owners. A sample form with supplement by Attorney James Smith follows. We have inserted calculation results from the reserve analysis to address Questions #6 and #7. All other questions are designed for the Board to fill in.

Assessment And Reserve Funding Disclosure Summary

Mammoth Point Condominium Homeowners Association

*(**Sample** – Questions #1-4 to be completed by Board of Directors, #6 & 7 already have your data filled in)*

California Civil Code section 1365.2.5 requires that this Assessment and Reserve Funding Disclosure Summary be distributed to all owners not less than thirty (30) days nor more than ninety (90) days prior to the beginning of the Association's fiscal year. The Summary is to be provided with, and accompany, the Association's Proforma Operating Budget or Summary thereof that is delivered to all owners pursuant to California Civil Code Section 1365.

(1) The current assessment per ownership interest is $_____ per _____. 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**:
	Total:	

Note: If assessments vary by the size or type of unit, 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 ____

(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:**:
	Total:

(5) All major components are included in the reserve study and are included in its calculations.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5, the estimated amount required in the reserve fund *(if the association were 100% funded for depreciation-to-date)* at the end of the current fiscal year is **$619,102**, based in whole or in part on the last reserve study or update prepared by Stone Mountain Corporation - *For the fiscal year beginning January 1, 2012. The* projected reserve fund cash balance at the end of the current fiscal year is **$127,000**, resulting in reserves being **20.5%** funded ($127,000 divided by $619,102) at this date and resulting in an estimated reserve deficiency *(difference between 100% funded amount and actual reserves)* on a per-unit basis of **$13,670/Unit**. If an alternative, but generally accepted, method of calculation is also used, the required reserve amount is $_____. (If so, see attached explanation.)

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 of the *Civil Code*, the estimated amount required in the reserve fund at the end of the next five budget Years is $ (Refer to line #1 in the table 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 $ (Refer to line #2 in the table below) , leaving the reserve at (Refer to line #3 in the table below) , percent funded. If the reserve funding plan approved by the Association is implemented, the projected reserve fund cash balance in each of those Years will be $ (Refer to line #4 in the table below) , leaving the reserve at (Refer to line #5 in the table below) , percent funded.

End of Fiscal Year That Begins in→	2012	2013	2014	2015	2016
1. Estimated amount required in reserves (100% Funded Amount)	$757,209	$769,870	$852,075	$926,986	$924,154
2. Projected Reserve Fund Cash Balance *(Only assessments already approved)*	$176,863	$133,611	$201,498	$257,241	$233,013
3. Projected Percent Funded Estimate (*Only assessments already approved)*	23.4%	17.4%	23.6%	27.8%	25.2%
4. Projected Reserve Fund Cash Balance *(If reserve funding plan is implemented)*	$181,244	$145,227	$223,303	$292,298	$284,494
5. Projected Percent Funded Estimate *(If reserve funding plan is implemented)*	23.9%	18.9%	26.2%	31.5%	30.8%

Fund balance & Percent funded projections in the #4 & #5 calculations above assume the optimized cash flow analysis plan is adopted.

NOTE: The financial representations set forth in the Summary are based on the best estimates of the preparer at that time. The estimates are subject to change. Inflation rate applied to future replacement costs: 3.60%, Interest rate on reserve funds: 0.00%.

SUPPLEMENT TO ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY

[Civil Code section 1365.2.5(b)(3)]

Due to factors beyond the control of the Directors, including but not limited to the rate of inflation, the rate at which the major components actually deteriorate, unanticipated damage to the major components, fluctuations in material and labor costs and changes in building codes and regulations, the accuracy of the information set forth in paragraphs 3, 4 and 5 above is not, and cannot be, guaranteed. Depending upon the accuracy of the present and future assumptions used in providing the information in paragraphs 3, 4 and 5, the information and conclusions set forth in said paragraphs may not be correct. Therefore, any person reviewing this Assessment and Reserve Funding Disclosure Summary should not, without conducting their own independent investigation and analysis, rely upon the accuracy of the information set forth in paragraph 3, 4 and 5.

Please note, for purposes of this Assessment and Reserve Funding Disclosure, the words and phrases stated below are given the following meaning:

1. "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement.

2. "Major component" has the meaning used in section 1365.5. Components with an estimated remaining useful life of more than thirty (30) Years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.

"Caution"

***The "Supplement to Assessment and Reserve Funding Disclosure Summary"* shown above is provided as a courtesy by James H. Smith, Esq. of the law firm of Grokenberger & Smith. Telephone: (805) 965-7746. Your Association's Governing Documents and/or changes in the law may require this form to be modified.**

The data filled in question #6 & #7 above was derived from Stone Mountain Corporation's reserve study for the association.