



**RESERVE STUDY**

**FOR**

**HACIENDA ROYALE HOMEOWNERS ASSOCIATION**



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## EXECUTIVE SUMMARY

### HACIENDA ROYALE HOMEOWNERS ASSOCIATION

January 5, 2017

Starting Reserve Balance 1/1/2017	\$52,298
Projected Fully Funded Reserve Balance 1/1/2017	\$103,402
Percent Fully Funded	51%
Annual Reserve Contribution	\$15,600

This study is based on the cash flow method of funding. This reserve analysis is based on an observation and assessment of the condition of the reserve fund based on a field assessment of the condition of the assets of the association, a projection of the useful life and remaining useful life of those assets, and the replacement costs for those assets. The financial information was provided by the association on the reserve fund balance and contribution to the fund. The general guideline used in our studies to determine whether the cost to replace or maintain an asset is paid from reserves or operations is if the replacement cost exceeds \$500 it is included in reserves. That can be modified at the direction of the Board.

Following are some key points relative to your study:

1. The financial projections begin 1/1/2017.
2. The study reflects a beginning balance for the reserve fund of \$52,298 and a monthly contribution of \$ 1,300 (\$ 15,600 annually). As reflected by the Current Assessment Funding Model Projection in the report, the reserve fund is underfunded and will actually run out of funds. Reserve funds are generally considered to be in a healthy condition if the reserve balance is at or above 70% of the fully funded balance.
3. Because of the underfunded condition based on the current funding, an Alternate Funding Model was prepared and included in the report for consideration by the Association. The model suggests funding of 4% increase beginning 2024 with an annual increase of 4% thereafter. With this funding alternative the reserve fund will reach a healthy balance for many years. Other funding alternatives can be prepared if desired by the Board. Note that the study includes a 3% inflation on costs based on current construction cost indexes so some increase in funding over time is recommended to stay even with cost increase from inflation.

4. This study should be compared with the operating budget to make sure there are no overlaps or gaps of items in this study and in the operating budget.
5. The physical assessment of components was based on field reviews conducted on 11/16/2016. The field review consisted of on-site observations of common areas and facilities. No sampling or destructive testing was performed. The on-site observation is not a comprehensive quality inspection. Quantification of assets was accomplished with a combination of on-site measurements, aerial photos and information provided by the association.
6. The consultant has no other involvement with the association that could be considered a conflict of interest. To our knowledge, there are no material issues that have not been disclosed that would cause a distortion of the association's reserve fund.

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## **Important Information**

This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors, assorted vendors, specialist and independent contractors, the Community Association Institute, and various construction pricing and scheduling manuals including, but not limited to: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator, Dodge Cost Manual and McGraw-Hill Professional. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of property management and reserve study preparation.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and that each estimated useful life will approximate that of the norm per industry standards and/or manufacturer's specifications. In some cases, estimates may have been used on assets, which have an indeterminable but potential liability to the association. The decision for the inclusion of these as well as all assets considered is left to the client.

# Part I

## Document

This reserve analysis study is provided as an aid for planning purposes and not as an accounting tool. Since it deals with events yet to take place, there is no assurance that the results enumerated within it will, in fact, occur as described.

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

## Funding Options

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

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

Whereas, if the association was setting aside reserves for this purpose, using the vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof, for example, to accumulate the necessary moneys. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The second option is for the association to **acquire a loan** from a lending institution in order to effect the required repairs. In many cases, banks will lend to an association using "future homeowner assessments" as collateral for the loan. With this method, the current board is pledging the future assets of an association. They are also incurring the additional expense of interest fees along with the original principal amount. In the case of a \$150,000 roofing replacement, the association may be required to pay back the loan over a three to five year period, with interest.

The third option, too often used, is simply to **defer the required repair or replacement**. This option, which is not recommended, can create an environment of declining property values due to expanding lists of deferred maintenance items and the association's financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the association by making it difficult, or even impossible, for potential buyers to obtain financing from lenders. Increasingly, lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association itself, a prospective purchaser, or for an individual within such an association.

The fourth option is to pass a "**special assessment**" to the membership in an amount required to cover the expenditure. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure, if necessary. However, an association considering a special assessment cannot guarantee that an assessment, when needed, will be passed. Consequently, the association cannot guarantee its ability to perform the required repairs or

replacements to those major components for which it is obligated when the need arises. Additionally, while relatively new communities require very little in the way of major “reserve” expenditures, associations reaching 12 to 15 years of age and older, find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, could be devastating to an association’s overall budget.

## **Types of Reserve Studies**

Most reserve studies fit into one of three categories:

Full Reserve Study;

Update with site inspection; and

Update without site inspection.

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

In an **Update with site inspection**, the reserve provider conducts a component inventory (verification only, not quantification unless new components have been added to the inventory), a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both the “fund status and “funding plan.”

In an **Update without site inspection**, the reserve provider conducts life and valuation estimates to determine the “fund status” and “funding plan.”

## **The Reserve Study: A Physical and a Financial Analysis**

There are two components of a reserve study: a physical analysis and a financial analysis.

### **Physical Analysis**

During the physical analysis, a reserve study provider evaluates information regarding the physical status and repair/replacement cost of the association’s major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates.

### **Developing a Component List**

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

## Operational Expenses

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

<b>Utilities:</b>	Bank Service Charges	Accounting
Electricity	Dues & Publications	Reserve Study
Gas	Licenses, Permits & Fees	<b>Repair Expenses:</b>
Water	Insurance(s)	Tile Roof Repairs
Telephone	<b>Services:</b>	Equipment Repairs
Cable TV	Landscaping	Minor Concrete Repairs
<b>Administrative:</b>	Pool Maintenance	Operating Contingency
Supplies	Street Sweeping	

## Reserve Expenses

These are major expenses that occur other than annually, and which must be budgeted for in advance in order to ensure the availability of the necessary funds in time for their use. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets that have an indeterminable but potential liability that may be demonstrated as a likely occurrence. They are expenses that, when incurred, would have a significant effect on the smooth operation of the budgetary process from one year to the next, if they were not reserved for in advance. Examples of reserve expenses include:

Roof Replacements	Park/Play Equipment
Painting	Pool/Spa Re-plastering
Deck Resurfacing	Pool Equipment Replacement
Fencing Replacement	Pool Furniture Replacement
Asphalt Seal Coating	Tennis Court Resurfacing
Asphalt Repairs	Lighting Replacement
Asphalt Overlays	Insurance(s)
Equipment Replacement	Reserve Study
Interior Furnishings	

## Budgeting is Normally Excluded for:

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

## Financial Analysis



The financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent fully funded) to determine a recommendation for the appropriate reserve contribution rate in the future, known as the "funding plan".

### **Preparing the Reserve Study**

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

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

### **Funding Methods**

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

The cash flow method develops a reserve-funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a "window" in which all future anticipated replacement costs are computed, based upon the individual lives of the components under consideration. The Threshold and the Current Assessment funding models are based upon the cash flow method.

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

## Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are four basic strategies from which most associations select. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association's need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The four funding plans and descriptions of each are detailed below. Associations will have to update their reserve studies more or less frequently depending on the funding strategy they select.

**Full Funding**---Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each year. At the end of three years, one would expect three-tenths of the replacement cost to have accumulated, and if so, that component would be "fully-funded." This model is important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. This formula represents a snapshot in time and is based upon current replacement cost, independent of future inflationary or investment factors:

**Fully Funded Reserves = Age divided by Useful Life the results multiplied by Current Replacement Cost**

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

**The Threshold Funding Model (Minimum Funding).** The goal of this funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balance overall does not drop below zero during the projected period. An association using this funding method must understand that even a minor reduction in a component's remaining useful life can result in a deficit in the reserve cash balance.

**The Threshold Funding Model.** This method is based upon the cash flow funding concept. The minimum reserve cash balance in threshold funding, however, is set at a predetermined dollar amount (other than \$0).

**The Current Assessment Funding Model.** This method is also based upon the cash flow funding concept. The initial reserve assessment is set at the association's current fiscal year funding level and a 30-year projection is calculated to illustrate the adequacy of the current funding over time.

**The Component Funding Model.** This is a straight-line funding model. It distributes the cash reserves to individual reserve components and then calculates what the reserve assessment and interest contribution (minus taxes) should be, again by each reserve component. The current annual assessment is then determined by summing all the individual component assessments, hence the name "Component Funding Model". This is the most conservative funding model. It leads to or maintains the fully funded reserve position. The following details this calculation process.

### **Component Funding Model Distribution of Accumulated Reserves**

The "Distribution of Accumulated Reserves Report" is a "Component Funding Model" calculation. This distribution **does not** apply to the cash flow funding models.

When calculating reserves based upon the component methodology, a beginning reserve balance must be

allocated for each of the individual components considered in the analysis, before the individual calculations can be completed. When this distribution is not available, or of sufficient detail, the following method is suggested for allocating reserves:

The first step the program performs in this process is subtracting, from the total accumulated reserves, any amounts for assets that have predetermined (fixed) reserve balances. The user can “fix” the accumulated reserve balance within the program on the individual asset’s detail page. If, by error, these amounts total more than the amount of funds available, then the remaining assets are adjusted accordingly. A provision for a contingency reserve is then deducted by the determined percentage used, and if there are sufficient remaining funds available.

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

Fully Funded Reserves = (Age/Useful Life) x Current Replacement Cost

The software program performs the above calculations to the actual month the component was placed-in-service. The program projects that the accumulation of necessary reserves for repairs or replacements will be available on the first day of the fiscal year in which they are scheduled to occur.

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

If, at the completion of this task, there are additional moneys that have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such and are not factored into any of the report computations. If, at the end of this assignment process there are designated excess funds, they can be used to offset the monthly contribution requirements recommended, or used in any other manner the client may desire.

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

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

## **Funding Reserves**

Three assessment and contribution figures are provided in the report, the “Monthly Reserve Assessment

Required”, the “Average Net Monthly Interest Earned” contribution and the “Total Monthly Allocation to Reserves.” The association should allocate the “Monthly Reserve Assessment Required” amount to reserves each month when the interest earned on the reserves is left in the reserve accounts as part of the contribution. Any interest earned on reserve deposits, must be left in reserves and only amounts set aside for taxes should be removed.

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

### **Users’ Guide to your Reserve Analysis Study**

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

#### **Report Summaries**

The Report Summary for all funding models lists all of the parameters that were used in calculating the report as well as the summary of your reserve analysis study.

#### **Index Reports**

The **Distribution of Accumulated Reserves** report lists all assets in remaining life order. It also identifies the ideal level of reserves that should have accumulated for the association as well as the actual reserves available. This information is valid only for the “Component Funding Model” calculation.

The **Component Listing/Summary** lists all assets by category (i.e. roofing, painting, lighting, etc.) together with their remaining life, current cost, monthly reserve contribution, and net monthly allocation.

### **Detail Reports**

The Detail Report itemizes each asset and lists all measurements, current and future costs, and calculations for that asset. Provisions for percentage replacements, salvage values, and one-time replacements can also be utilized. These reports can be sorted by category or group.

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

The Detail Index is an alphabetical listing of all assets, together with the page number of the asset's detail report, the projected replacement year, and the asset number.

### **Projections**

Thirty-year projections add to the usefulness of your reserve analysis study.

### **Definitions**

#### **Report I.D.**

Includes the Report Date (example: November 15, 1992), Account Number (example: 9773), and Version (example: 1.0). Please use this information (displayed on the summary page) when referencing your report.

#### **Budget Year Beginning/Ending**

The budgetary year for which the report is prepared. For associations with fiscal years ending December 31<sup>st</sup>, the monthly contribution figures indicated are for the 12-month period beginning 1/1/20xx and ending 12/31/20xx.

#### **Number of Units and/or Phases**

If applicable, the number of units and/or phases included in this version of the report.

#### **Inflation**

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

#### **Annual Assessment Increase**

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

**Investment Yield Before Taxes**

The average interest rate anticipated by the association based upon its current investment practices.

**Taxes on Interest Yield**

The estimated percentage of interest income that will be set aside to pay income taxes on the interest earned.

**Projected Reserve Balance**

The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. This is based upon information provided and not audited.

**Percent Fully Funded**

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

**Phase Increment Detail and/or Age**

Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

**Monthly Assessment**

The assessment to reserves required by the association each month.

**Interest Contribution (After Taxes)**

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

**Total Monthly Allocation**

The sum of the monthly assessment and interest contribution figures.

**Group and Category**

The report may be prepared and sorted either by group (location, building, phase, etc.) or by category (roofing, painting, etc.). The standard report printing format is by category.

**Percentage of Replacement or Repairs**

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

**Placed-In-Service Date**

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

**Estimated Useful Life**

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

**Adjustment to Useful Life**

Once the useful life is determined, it may be adjusted, up or down, by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

**Estimated Remaining Life**

This calculation is completed internally based upon the report's fiscal year date and the date the asset

was placed-in-service.

**Replacement Year**

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

**Annual Fixed Reserves**

An optional figure which, if used, will override the normal process of allocating reserves to each asset.

**Fixed Assessment**

An optional figure which, if used, will override all calculations and set the assessment at this amount. This assessment can be set for monthly, quarterly or annually as necessary.

**Salvage Value**

The salvage value of the asset at the time of replacement, if applicable.

**One-Time Replacement**

Notation if the asset is to be replaced on a one-time basis.

**Current Replacement Cost**

The estimated replacement cost effective at the beginning of the fiscal year for which the report is being prepared

**Future Replacement Cost**

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

**Component Inventory**

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

# A Multi-Purpose Tool

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

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

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



**Hacienda Royale**

**FDRS Current Assessment Funding Model Summary**

Report Date	January 05, 2016
Budget Year Beginning	January 01, 2017
Budget Year Ending	December 31, 2017

<i>Report Parameters</i>	
Inflation	3.00%
Annual Assessment Increase	0.00%
Interest Rate on Reserve Deposit	1.00%
Tax Rate on Interest	30.00%
Contingency	3.00%
2017 Beginning Balance	\$52,298

Current Summaary

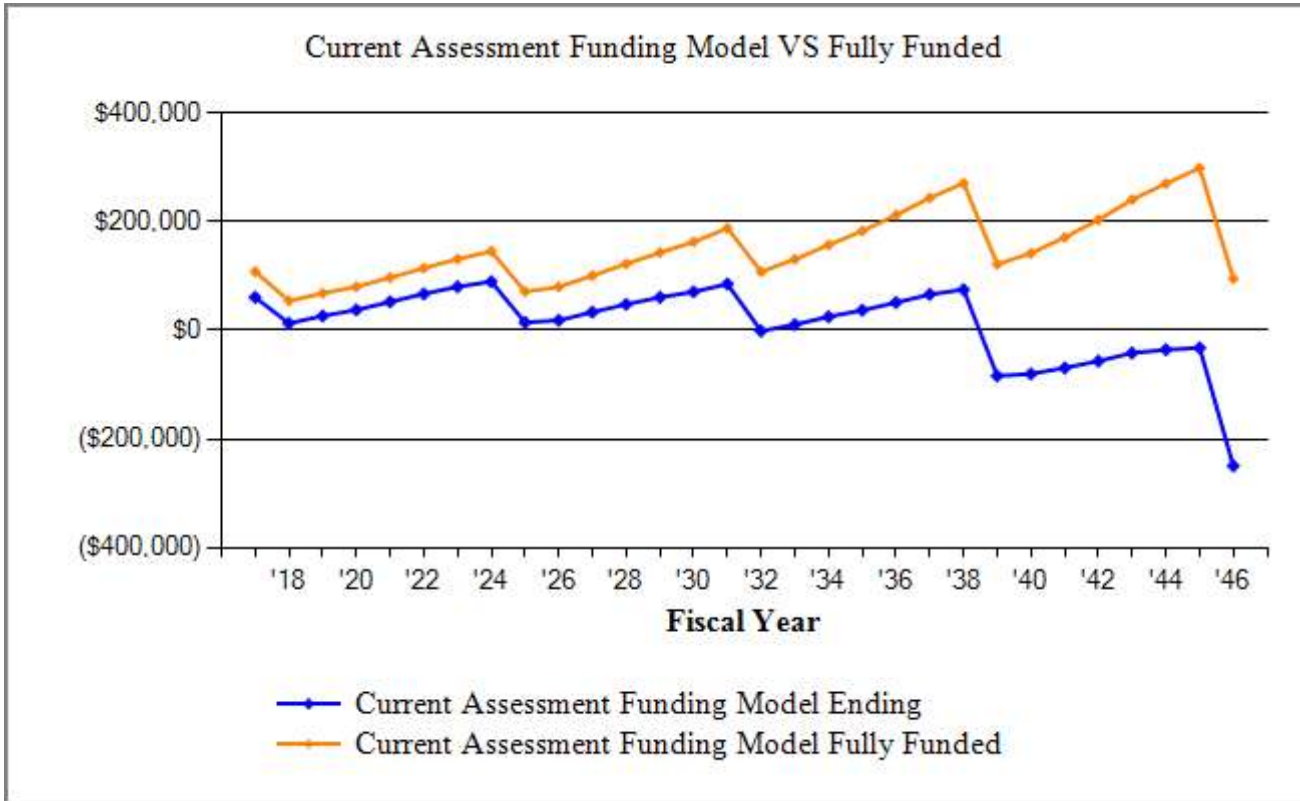
<i>Current Assessment Funding Model Summary of Calculations</i>	
Required Annual Contribution	\$15,600.00
Average Net Annual Interest Earned	<u>\$422.15</u>
Total Annual Allocation to Reserves	\$16,022.15

**Hacienda Royale**  
**FDRS Current Assessment Funding Model Projection**

Beginning Balance: \$52,298

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2017	159,814	15,600	422	7,591	60,729	108,085	56%
2018	161,158	15,600	90	63,485	12,934	54,333	24%
2019	165,993	15,600	185	2,122	26,597	68,215	39%
2020	170,972	15,600	262	4,808	37,651	80,237	47%
2021	176,102	15,600	365	1,126	52,490	97,034	54%
2022	181,385	15,600	467	1,439	67,118	114,481	59%
2023	186,826	15,600	557	3,082	80,194	131,189	61%
2024	192,431	15,600	624	6,672	89,745	145,320	62%
2025	198,204	15,600	101	90,969	14,477	71,266	20%
2026	204,150	15,600	129	11,684	18,521	79,874	23%
2027	210,275	15,600	233	862	33,492	100,798	33%
2028	216,583	15,600	334	1,427	47,999	122,334	39%
2029	223,080	15,600	422	3,279	60,742	143,149	42%
2030	229,773	15,600	493	5,874	70,961	162,744	44%
2031	236,666	15,600	592	1,966	85,187	187,721	45%
2032	243,766	15,600		102,111	-1,324	107,775	-1%
2033	251,079	15,600	74	3,660	10,690	130,656	8%
2034	258,611	15,600	174	1,413	25,051	157,316	16%
2035	266,370	15,600	257	3,916	36,993	182,845	20%
2036	274,361	15,600	356	1,754	51,195	212,185	24%
2037	282,591	15,600	459	1,158	66,096	243,809	27%
2038	291,069	15,600	521	7,219	74,998	270,741	28%
2039	299,801	15,600		174,413	-83,815	121,763	-69%
2040	308,795	15,600		11,743	-79,958	141,891	-56%
2041	318,059	15,600		4,675	-69,033	170,996	-40%
2042	327,601	15,600		3,133	-56,566	203,506	-28%
2043	337,429	15,600		606	-41,572	240,597	-17%
2044	347,552	15,600		9,774	-35,745	270,013	-13%
2045	357,978	15,600		12,126	-32,271	298,792	-11%
2046	368,718	15,600		232,829	-249,500	95,087	-262%

**Hacienda Royale**  
**FDRS Current Assessment Funding Model VS Fully Funded Chart**



**The Current Assessment Funding Model** is based on the current annual assessment, parameters, and reserve fund balance. Because it is calculated using the current annual assessment, it will give the accurate projection of how well the association is funded for the next 30 years of planned reserve expenditures.

## Hacienda Royale

### FDRS Alternate Funding Model Summary

		<i>Report Parameters</i>	
Report Date	January 05, 2016	Inflation	3.00%
Budget Year Beginning	January 01, 2017	Interest Rate on Reserve Deposit	1.00%
Budget Year Ending	December 31, 2017	Tax Rate on Interest	30.00%
		Contingency	3.00%
		2017 Beginning Balance	\$52,298

Because of the underfunded condition based on the current funding, an Alternate Funding Model was prepared and included in the report for consideration by the Association. The model suggests funding of 4% increase beginning 2024 with an annual increase of 4% thereafter. With this funding alternative the reserve fund will reach a healthy balance for many years. Other funding alternatives can be prepared if desired by the Board. Note that the study includes a 3% inflation on costs based on current construction cost indexes so some increase in funding over time is recommended to stay even with cost increase from inflation.

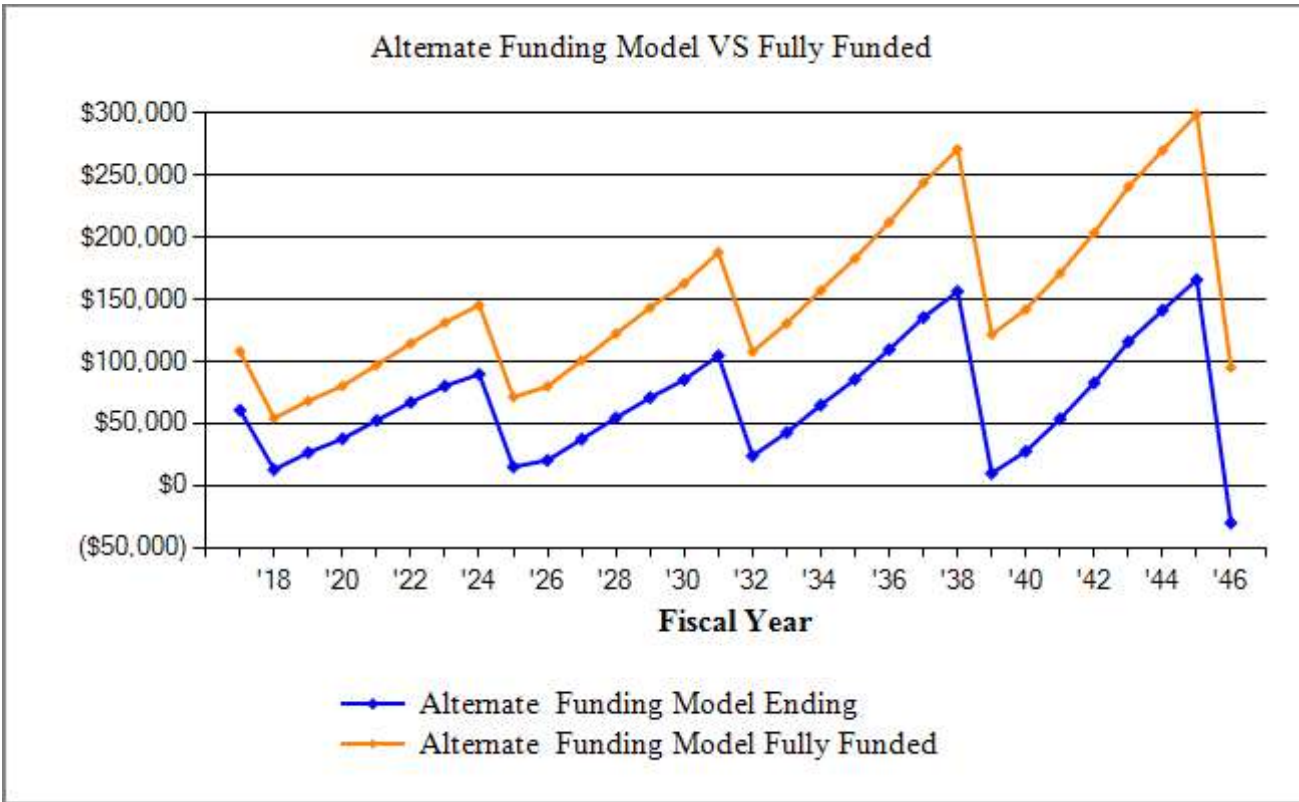
#### *Alternate Funding Model Summary of Calculations*

Required Annual Contribution	\$15,600.00
Average Net Annual Interest Earned	<u>\$422.15</u>
Total Annual Allocation to Reserves	\$16,022.15

**Hacienda Royale**  
**FDRS Alternate Funding Model Projection**

Beginning Balance: \$52,298

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2017	159,814	15,600	422	7,591	60,729	108,085	56%
2018	161,158	15,600	90	63,485	12,934	54,333	24%
2019	165,993	15,600	185	2,122	26,597	68,215	39%
2020	170,972	15,600	262	4,808	37,651	80,237	47%
2021	176,102	15,600	365	1,126	52,490	97,034	54%
2022	181,385	15,600	467	1,439	67,118	114,481	59%
2023	186,826	15,600	557	3,082	80,194	131,189	61%
2024	192,431	15,600	624	6,672	89,745	145,320	62%
2025	198,204	16,224	105	90,969	15,105	71,266	21%
2026	204,150	16,873	142	11,684	20,436	79,874	26%
2027	210,275	17,548	260	862	37,382	100,798	37%
2028	216,583	18,250	379	1,427	54,584	122,334	45%
2029	223,080	18,980	492	3,279	70,777	143,149	49%
2030	229,773	19,739	592	5,874	85,234	162,744	52%
2031	236,666	20,529	727	1,966	104,523	187,721	56%
2032	243,766	21,350	166	102,111	23,928	107,775	22%
2033	251,079	22,204	297	3,660	42,769	130,656	33%
2034	258,611	23,092	451	1,413	64,898	157,316	41%
2035	266,370	24,015	595	3,916	85,593	182,845	47%
2036	274,361	24,976	762	1,754	109,578	212,185	52%
2037	282,591	25,975	941	1,158	135,335	243,809	56%
2038	291,069	27,014	1,086	7,219	156,216	270,741	58%
2039	299,801	28,095	69	174,413	9,967	121,763	8%
2040	308,795	29,219	192	11,743	27,634	141,891	19%
2041	318,059	30,387	373	4,675	53,720	170,996	31%
2042	327,601	31,603	575	3,133	82,765	203,506	41%
2043	337,429	32,867	805	606	115,831	240,597	48%
2044	347,552	34,182	982	9,774	141,221	270,013	52%
2045	357,978	35,549	1,153	12,126	165,796	298,792	55%
2046	368,718	36,971		232,829	-30,062	95,087	-32%



**The Alternate Assessment Funding Model** is based on the alternate annual assessment, parameters, and reserve fund balance. Because it is calculated using the alternate annual assessment, it will give the accurate projection of how well the association is funded for the next 30 years of planned reserve expenditures.

**Hacienda Royale  
FDRS Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2017</b>	
<b>Streets/Asphalt</b>	
Asphalt - Repair & Surface Treatment	2,300
<b>Roofing</b>	
Pool Equipment Roof & Pergola Roof - Replace	3,350
<b>Fencing/Security</b>	
Masonry Stucco Walls - Repair	641
<b>Recreation/Pool</b>	
Pool Deck - Recoat	1,300
<b>Total for 2017</b>	<u><b>\$7,591</b></u>
 <b>Replacement Year 2018</b>	
<b>Painting</b>	
Buildings - Paint	61,800
Masonry Stucco Walls - Paint	881
Pole Lights - Paint	515
Wrought Iron Fencing - Paint	289
<b>Total for 2018</b>	<u><b>\$63,485</b></u>
 <b>Replacement Year 2019</b>	
<b>Recreation/Pool</b>	
Pool Furniture - Replace	2,122
<b>Total for 2019</b>	<u><b>\$2,122</b></u>
 <b>Replacement Year 2020</b>	
<b>Streets/Asphalt</b>	
Asphalt - Repair & Surface Treatment	2,513
<b>Recreation/Pool</b>	
Pool Filter - Replace	1,093
Pool Pump & Motor - Replace	1,202
<b>Total for 2020</b>	<u><b>\$4,808</b></u>
 <b>Replacement Year 2021</b>	
<b>Lighting</b>	
Pool Lights - Replace	1,126
<b>Total for 2021</b>	<u><b>\$1,126</b></u>

**Hacienda Royale  
FDRS Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2022</b>	
<b>Fencing/Security</b>	
Masonry Stucco Walls - Repair	743
<b>Equipment</b>	
Backflow Preventer - Replace	696
<b>Total for 2022</b>	<b>\$1,439</b>
<b>Replacement Year 2023</b>	
<b>Streets/Asphalt</b>	
Asphalt - Repair & Surface Treatment	2,746
<b>Painting</b>	
Wrought Iron Fencing - Paint	335
<b>Total for 2023</b>	<b>\$3,082</b>
<b>Replacement Year 2024</b>	
<b>Recreation/Pool</b>	
Pool - Resurface	5,073
Pool Deck - Recoat	1,599
<b>Total for 2024</b>	<b>\$6,672</b>
<b>Replacement Year 2025</b>	
<b>Painting</b>	
Buildings - Paint	76,006
Pole Lights - Paint	633
<b>Fencing/Security</b>	
Wrought Iron Fencing - Replace	10,276
<b>Recreation/Pool</b>	
Pool Deck - Resurface	4,054
<b>Total for 2025</b>	<b>\$90,969</b>
<b>Replacement Year 2026</b>	
<b>Streets/Asphalt</b>	
Asphalt - Repair & Surface Treatment	3,001
<b>Painting</b>	
Masonry Stucco Walls - Paint	1,116



**Hacienda Royale  
FDRS Annual Expenditure Detail**

Description	Expenditures
<b><i>Replacement Year 2026 continued...</i></b>	
<b>Recreation/Pool</b>	
Pool Furniture - Replace	2,610
<b>Mailboxes</b>	
Mailboxes - Replace	4,958
<b>Total for 2026</b>	<u><b>\$11,684</b></u>
 <b>Replacement Year 2027</b>	
<b>Fencing/Security</b>	
Masonry Stucco Walls - Repair	862
<b>Total for 2027</b>	<u><b>\$862</b></u>
 <b>Replacement Year 2028</b>	
<b>Painting</b>	
Wrought Iron Fencing - Paint	389
<b>Equipment</b>	
Irrigation Controllers - Replace	1,038
<b>Total for 2028</b>	<u><b>\$1,427</b></u>
 <b>Replacement Year 2029</b>	
<b>Streets/Asphalt</b>	
Asphalt - Repair & Surface Treatment	3,279
<b>Total for 2029</b>	<u><b>\$3,279</b></u>
 <b>Replacement Year 2030</b>	
<b>Lighting</b>	
Pole Lights & Spot Lights - Replace	5,874
<b>Total for 2030</b>	<u><b>\$5,874</b></u>
 <b>Replacement Year 2031</b>	
<b>Recreation/Pool</b>	
Pool Deck - Recoat	1,966
<b>Total for 2031</b>	<u><b>\$1,966</b></u>

**Hacienda Royale  
FDRS Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2032</b>	
<b>Streets/Asphalt</b>	
Asphalt - Repair & Surface Treatment	3,583
<b>Painting</b>	
Buildings - Paint	93,478
Pole Lights - Paint	779
<b>Fencing/Security</b>	
Masonry Stucco Walls - Repair	999
<b>Recreation/Pool</b>	
Pool Filter - Replace	1,558
Pool Pump & Motor - Replace	1,714
<b>Total for 2032</b>	<b><u>\$102,111</u></b>
 <b>Replacement Year 2033</b>	
<b>Painting</b>	
Wrought Iron Fencing - Paint	451
<b>Recreation/Pool</b>	
Pool Furniture - Replace	3,209
<b>Total for 2033</b>	<b><u>\$3,660</u></b>
 <b>Replacement Year 2034</b>	
<b>Painting</b>	
Masonry Stucco Walls - Paint	1,413
<b>Total for 2034</b>	<b><u>\$1,413</u></b>
 <b>Replacement Year 2035</b>	
<b>Streets/Asphalt</b>	
Asphalt - Repair & Surface Treatment	3,916
<b>Total for 2035</b>	<b><u>\$3,916</u></b>
 <b>Replacement Year 2036</b>	
<b>Lighting</b>	
Pool Lights - Replace	1,754
<b>Total for 2036</b>	<b><u>\$1,754</u></b>

**Hacienda Royale  
FDRS Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2037</b>	
<b>Fencing/Security</b>	
Masonry Stucco Walls - Repair	1,158
<b>Total for 2037</b>	<u><b>\$1,158</b></u>
<b>Replacement Year 2038</b>	
<b>Streets/Asphalt</b>	
Asphalt - Repair & Surface Treatment	4,279
<b>Painting</b>	
Wrought Iron Fencing - Paint	522
<b>Recreation/Pool</b>	
Pool Deck - Recoat	2,418
<b>Total for 2038</b>	<u><b>\$7,219</b></u>
<b>Replacement Year 2039</b>	
<b>Painting</b>	
Buildings - Paint	114,966
Pole Lights - Paint	958
<b>Recreation/Pool</b>	
Pool - Resurface	7,904
<b>Building Components</b>	
Garage Doors - Replace	50,585
<b>Total for 2039</b>	<u><b>\$174,413</b></u>
<b>Replacement Year 2040</b>	
<b>Recreation/Pool</b>	
Pool Deck - Resurface	6,315
Pool Furniture - Replace	3,947
<b>Equipment</b>	
Irrigation Controllers - Replace	1,480
<b>Total for 2040</b>	<u><b>\$11,743</b></u>
<b>Replacement Year 2041</b>	
<b>Streets/Asphalt</b>	
Asphalt - Repair & Surface Treatment	4,675
<b>Total for 2041</b>	<u><b>\$4,675</b></u>

**Hacienda Royale  
FDRS Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2042</b>	
<b>Painting</b>	
Masonry Stucco Walls - Paint	1,790
<b>Fencing/Security</b>	
Masonry Stucco Walls - Repair	1,343
<b>Total for 2042</b>	<b><u>\$3,133</u></b>
 <b>Replacement Year 2043</b>	
<b>Painting</b>	
Wrought Iron Fencing - Paint	606
<b>Total for 2043</b>	<b><u>\$606</u></b>
 <b>Replacement Year 2044</b>	
<b>Streets/Asphalt</b>	
Asphalt - Repair & Surface Treatment	5,109
<b>Recreation/Pool</b>	
Pool Filter - Replace	2,221
Pool Pump & Motor - Replace	2,443
<b>Total for 2044</b>	<b><u>\$9,774</u></b>
 <b>Replacement Year 2045</b>	
<b>Lighting</b>	
Pole Lights & Spot Lights - Replace	9,152
<b>Recreation/Pool</b>	
Pool Deck - Recoat	2,974
<b>Total for 2045</b>	<b><u>\$12,126</u></b>
 <b>Replacement Year 2046</b>	
<b>Streets/Asphalt</b>	
Asphalt - Overlay	81,302
<b>Painting</b>	
Buildings - Paint	141,394
Pole Lights - Paint	1,178
<b>Mailboxes</b>	
Mailboxes - Replace	8,955
<b>Total for 2046</b>	<b><u>\$232,829</u></b>

**Hacienda Royale**  
**FDRS Detail Report by Category**

**Asphalt - Overlay - 2046**

		23,000 SF	@ \$1.50
Asset ID	1002	Asset Cost	\$34,500.00
		Percent Replacement	100%
	Streets/Asphalt	Future Cost	\$81,301.51
Placed in Service	January 2011	Assigned Reserves	<i>none</i>
Useful Life	35		
Replacement Year	2046	Annual Assessment	\$1,260.66
Remaining Life	29	Interest Contribution	<u>\$8.82</u>
		Reserve Allocation	\$1,269.49



Good condition.

**Asphalt - Repair & Surface Treatment - 2017**

		23,000 SF	@ \$0.10
Asset ID	1001	Asset Cost	\$2,300.00
		Percent Replacement	100%
	Streets/Asphalt	Future Cost	\$2,300.00
Placed in Service	March 1980	Assigned Reserves	\$2,300.00
Useful Life	3		
Replacement Year	2017	Annual Assessment	No Assessment
Remaining Life	0	Interest Contribution	
		Reserve Allocation	

**Hacienda Royale  
FDRS Detail Report by Category**

*Asphalt - Repair & Surface Treatment continued...*



Fair condition. Needs crack seal and repair. Recommend a longer lasting seal coat such as HA5 to be applied next year with a 5 year life and warranty on HA5, slightly more expensive to apply but it has been noted that this proprietary product is lasting longer than 5 years.

<b>Streets/Asphalt - Total Current Cost</b>	<b>\$36,800</b>
<b>Assigned Reserves</b>	<b>\$2,300</b>
<b>Fully Funded Reserves</b>	<b>\$8,214</b>

**Hacienda Royale**  
**FDRS Detail Report by Category**

**Pool Equipment Roof & Pergola Roof - Replace - 2017**

		1 LS	@ \$3,350.00
Asset ID	1023	Asset Cost	\$3,350.00
		Percent Replacement	100%
	Roofing	Future Cost	\$3,350.00
Placed in Service	January 2016	Assigned Reserves	\$3,350.00
Useful Life	1		
Replacement Year	2017	Annual Assessment	No Assessment
Remaining Life	0	Interest Contribution	
		Reserve Allocation	



One time cost to tear our and replace roof with aluma wood. Invoice from The Rutan Group Premium Outdoor Living for a total of \$3350.

<b>Roofing - Total Current Cost</b>	<b>\$3,350</b>
<b>Assigned Reserves</b>	<b>\$3,350</b>
<b>Fully Funded Reserves</b>	<b>\$3,350</b>

**Hacienda Royale**  
**FDRS Detail Report by Category**

**Buildings - Paint - 2018**

		1 LS	@ \$60,000.00
Asset ID	1029	Asset Cost	\$60,000.00
		Percent Replacement	100%
	Painting	Future Cost	\$61,800.00
Placed in Service	March 1980	Assigned Reserves	\$43,137.81
Useful Life	7		
Adjustment	31	Annual Assessment	\$9,118.62
Replacement Year	2018	Interest Contribution	<u>\$365.79</u>
Remaining Life	1	Reserve Allocation	\$9,484.41



Needs paint. This asset, and the information contained herein, has been provided by the association.

**Masonry Stucco Walls - Paint - 2018**

		1,425 SF	@ \$0.60
Asset ID	1017	Asset Cost	\$855.00
		Percent Replacement	100%
	Painting	Future Cost	\$880.65
Placed in Service	March 2004	Assigned Reserves	<i>none</i>
Useful Life	8		
Adjustment	6	Annual Assessment	\$437.38
Replacement Year	2018	Interest Contribution	<u>\$3.06</u>
Remaining Life	1	Reserve Allocation	\$440.44



**Hacienda Royale  
FDRS Detail Report by Category**

*Masonry Stucco Walls - Paint continued...*



Poor condition. Needs paint.

**Pole Lights - Paint - 2018**

		4 EA	@ \$125.00
Asset ID	1009	Asset Cost	\$500.00
		Percent Replacement	100%
	Painting	Future Cost	\$515.00
Placed in Service	March 1980	Assigned Reserves	<i>none</i>
Useful Life	7		
Adjustment	31	Annual Assessment	\$255.77
Replacement Year	2018	Interest Contribution	<u>\$1.79</u>
Remaining Life	1	Reserve Allocation	<u>\$257.57</u>



Fair condition. Needs paint.

**Hacienda Royale**  
**FDRS Detail Report by Category**

**Wrought Iron Fencing - Paint - 2018**

		312 SF	@ \$0.90
Asset ID	1003	Asset Cost	\$280.80
		Percent Replacement	100%
	Painting	Future Cost	\$289.22
Placed in Service	March 1980	Assigned Reserves	<i>none</i>
Useful Life	5		
Adjustment	33	Annual Assessment	\$143.64
Replacement Year	2018	Interest Contribution	<u>\$1.01</u>
Remaining Life	1	Reserve Allocation	\$144.65



Good condition. Rusting at bottom from irrigation spray. The useful life of this asset has been extended due to its present condition.

52' X 6' high wrought iron fence located at entry

<b>Painting - Total Current Cost</b>	<b>\$61,636</b>
<b>Assigned Reserves</b>	<b>\$43,138</b>
<b>Fully Funded Reserves</b>	<b>\$59,975</b>

**Hacienda Royale**  
**FDRS Detail Report by Category**

**Masonry Stucco Walls - Repair - 2017**

		1,425 SF	@ \$9.00
Asset ID	1006	Asset Cost	\$641.25
		Percent Replacement	5%
	Fencing/Security	Future Cost	\$641.25
Placed in Service	March 1980	Assigned Reserves	\$641.25
Useful Life	5		
Replacement Year	2017	Annual Assessment	No Assessment
Remaining Life	0	Interest Contribution	
		Reserve Allocation	



Good condition. Block stucco coated wall w/ 24" wrought iron on top, located inside community cul-de-sac. Block stucco coated wall around just pool equipment 34 lf X 5' high, 75 X 5' located around pool area and 5.5' X 160 cul-de-sac through to pool area. It is estimated that a percentage of the stucco walls will require repair or replacement. The actual condition of the stucco walls should be monitored through time and the estimates adjusted accordingly. This component is budgeted for 5% of the wall for repair or replacement every 5 years.

**Wrought Iron Fencing - Replace - 2025**

		312 SF	@ \$26.00
Asset ID	1004	Asset Cost	\$8,112.00
		Percent Replacement	100%
	Fencing/Security	Future Cost	\$10,276.04
Placed in Service	March 1980	Assigned Reserves	<i>none</i>
Useful Life	25		
Adjustment	20	Annual Assessment	\$622.48
Replacement Year	2025	Interest Contribution	\$4.36
Remaining Life	8	Reserve Allocation	\$626.84

**Hacienda Royale  
FDRS Detail Report by Category**

*Wrought Iron Fencing - Replace continued...*



Good condition. Rustining noted on bottom due to irrigation spray.

52' X 6' high wrought iron fence located at entry

<b>Fencing/Security - Total Current Cost</b>	<b>\$8,753</b>
<b>Assigned Reserves</b>	<b>\$641</b>
<b>Fully Funded Reserves</b>	<b>\$7,311</b>

**Hacienda Royale**  
**FDRS Detail Report by Category**

**Pole Lights & Spot Lights - Replace - 2030**

Asset ID	1008	4 EA	@ \$1,000.00
		Asset Cost	\$4,000.00
		Percent Replacement	100%
		Future Cost	\$5,874.13
		Assigned Reserves	<i>none</i>
Placed in Service	Lighting March 1980	Annual Assessment	\$215.14
Useful Life	15	Interest Contribution	<u>\$1.51</u>
Adjustment	35	Reserve Allocation	\$216.65
Replacement Year	2030		
Remaining Life	13		



Good condition. Should last a long time as maintenance repairs and replaces parts when needed. 2 large spots for fountain. Less than \$500 so not funded. These lights should be monitored frequently as they cannot be replaced with similar product.

**Pool Lights - Replace - 2021**

Asset ID	1028	2 EA	@ \$500.00
		Asset Cost	\$1,000.00
		Percent Replacement	100%
		Future Cost	\$1,125.51
		Assigned Reserves	<i>none</i>
Placed in Service	Lighting March 1980	Annual Assessment	\$138.29
Useful Life	15	Interest Contribution	<u>\$0.97</u>
Adjustment	26	Reserve Allocation	\$139.26
Replacement Year	2021		
Remaining Life	4		

**Hacienda Royale  
FDRS Detail Report by Category**

*Pool Lights - Replace continued...*



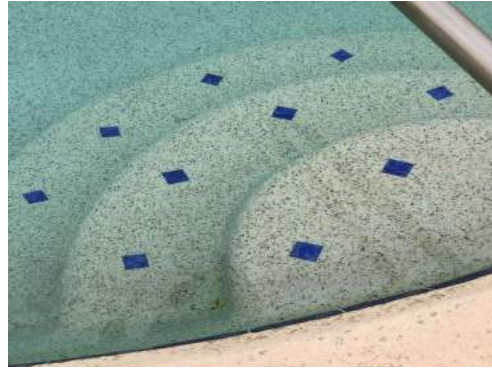
Fair condition. Rusting at bases. Two 10' high metal pole lights. The useful life of this asset has been extended due to its present condition.

<b>Lighting - Total Current Cost</b>	<b>\$5,000</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$3,862</b>

**Hacienda Royale**  
**FDRS Detail Report by Category**

**Pool - Resurface - 2024**

		750 SF	@ \$5.50
Asset ID	1022	Asset Cost	\$4,125.00
		Percent Replacement	100%
	Recreation/Pool	Future Cost	\$5,073.23
Placed in Service	March 1980	Assigned Reserves	<i>none</i>
Useful Life	15		
Adjustment	29	Annual Assessment	\$352.46
Replacement Year	2024	Interest Contribution	<u>\$2.47</u>
Remaining Life	7	Reserve Allocation	\$354.92



Good condition. 750 sf of pebbletec and 87' of 4" trim tile. The actual date this item was "placed in service" was not available. For budgeting purposes, we have estimated this date based upon its present condition. The useful life of this asset has been extended due to its present condition.

**Pool Deck - Recoat - 2017**

		1 LS	@ \$1,300.00
Asset ID	1020	Asset Cost	\$1,300.00
		Percent Replacement	100%
	Recreation/Pool	Future Cost	\$1,300.00
Placed in Service	March 1980	Assigned Reserves	\$1,300.00
Useful Life	7		
Replacement Year	2017	Annual Assessment	No Assessment
Remaining Life	0	Interest Contribution	
		Reserve Allocation	

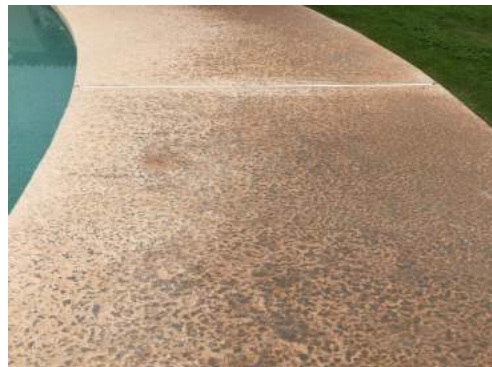
**Hacienda Royale  
FDRS Detail Report by Category**

*Pool Deck - Recoat continued...*



Poor condition. Needs recoat. approximately 450 sf.

Pool Deck - Resurface - 2025			1 LS	@ \$3,200.00
Asset ID	1021		Asset Cost	\$3,200.00
			Percent Replacement	100%
	Recreation/Pool		Future Cost	\$4,053.66
Placed in Service	March 1980		Assigned Reserves	<i>none</i>
Useful Life	15			
Adjustment	30		Annual Assessment	\$245.56
Replacement Year	2025		Interest Contribution	<u>\$1.72</u>
Remaining Life	8		Reserve Allocation	\$247.27



Good condition. Please note deducted pool deck recoat price from total resurface price because they would fall in the same year.



**Hacienda Royale**  
**FDRS Detail Report by Category**

**Pool Filter - Replace - 2020**

		1 EA	@ \$1,000.00
Asset ID	1025	Asset Cost	\$1,000.00
		Percent Replacement	100%
	Recreation/Pool	Future Cost	\$1,092.73
Placed in Service	March 1980	Assigned Reserves	<i>none</i>
Useful Life	12		
Adjustment	28	Annual Assessment	\$179.64
Replacement Year	2020	Interest Contribution	<u>\$1.26</u>
Remaining Life	3	Reserve Allocation	\$180.90



No access, appear to be in good condition. The actual date this item was "placed in service" was not available. For budgeting purposes, we have estimated this date based upon its present condition. We placed a phone call requesting this information from the current landscape maintenance contractor during the preparation of this report, to which we received no response. If this information should become available at a later date, we will be happy to incorporate it into our report.

**Pool Furniture - Replace - 2019**

		1 LS	@ \$2,000.00
Asset ID	1027	Asset Cost	\$2,000.00
		Percent Replacement	100%
	Recreation/Pool	Future Cost	\$2,121.80
Placed in Service	January 2012	Assigned Reserves	<i>none</i>
Useful Life	7		
Replacement Year	2019	Annual Assessment	\$525.06
Remaining Life	2	Interest Contribution	<u>\$3.68</u>
		Reserve Allocation	\$528.73

**Hacienda Royale  
FDRS Detail Report by Category**

*Pool Furniture - Replace continued...*



Good condition. These can be restrapped and powdercoated to save money. The actual date this item was "placed in service" was not available. For budgeting purposes, we have estimated this date based upon its present condition.

4 vinyl strap chairs @ \$250 each = \$1000

2 vinyl strap chaise lounges @ \$500 each = \$1000

Pool Pump & Motor - Replace - 2020		1 EA	@ \$1,100.00
Asset ID	1026	Asset Cost	\$1,100.00
		Percent Replacement	100%
		Future Cost	\$1,202.00
		Assigned Reserves	<i>none</i>
Placed in Service	Recreation/Pool March 1980	Annual Assessment	\$197.60
Useful Life	12	Interest Contribution	<u>\$1.38</u>
Adjustment	28	Reserve Allocation	\$198.99
Replacement Year	2020		
Remaining Life	3		



No access, appear to be in good condition. The actual date this item was "placed in service" was not available. For budgeting purposes, we have estimated this date based upon its present

**Hacienda Royale**  
**FDRS Detail Report by Category**

*Pool Pump & Motor - Replace continued...*

condition. We placed a phone call requesting this information from the current landscape maintenance contractor during the preparation of this report, to which we received no response. If this information should become available at a later date, we will be happy to incorporate it into our report.

**Tennis Court - Replace**

Asset ID	1012	1 EA	
		Asset Cost	
		Percent Replacement	100%
	Recreation/Pool	Future Cost	
Placed in Service	March 1980	Assigned Reserves	<i>none</i>
No Useful Life			
		Annual Assessment	No Assessment
		Interest Contribution	



Poor condition. It is the intention of the client not to maintain or replace this asset and therefore we have excluded budgeting for it in our report. It is listed for inventory purposes only. Suggest dog run area or 2 pickleball courts or tear out for park area.

<b>Recreation/Pool - Total Current Cost</b>	<b>\$12,725</b>
<b>Assigned Reserves</b>	<b>\$1,300</b>
<b>Fully Funded Reserves</b>	<b>\$10,771</b>

**Hacienda Royale**  
**FDRS Detail Report by Category**

**Backflow Preventer - Replace - 2022**

Asset ID	1016	1 EA	@ \$600.00
		Asset Cost	\$600.00
		Percent Replacement	100%
	Equipment	Future Cost	\$695.56
Placed in Service	March 1980	Assigned Reserves	<i>none</i>
Useful Life	25		
Adjustment	17	Annual Assessment	\$68.13
Replacement Year	2022	Interest Contribution	<u>\$0.48</u>
Remaining Life	5	Reserve Allocation	\$68.61



**Irrigation Controllers - Replace - 2028**

Asset ID	1013	3 EA	@ \$250.00
		Asset Cost	\$750.00
		Percent Replacement	100%
	Equipment	Future Cost	\$1,038.17
Placed in Service	March 2016	Assigned Reserves	<i>none</i>
Useful Life	12		
Replacement Year	2028	Annual Assessment	\$45.26
Remaining Life	11	Interest Contribution	<u>\$0.32</u>
		Reserve Allocation	\$45.57



Good condition. The actual date this item was "placed in service" was not available. For

**Hacienda Royale**  
**FDRS Detail Report by Category**

*Irrigation Controllers - Replace continued...*

budgeting purposes, we have estimated this date based upon its present condition.

<b>Equipment - Total Current Cost</b>	<b>\$1,350</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$591</b>

**Hacienda Royale**  
**FDRS Detail Report by Category**

**Garage Doors - Replace - 2039**

Asset ID	1018	22 EA	@ \$1,200.00
		Asset Cost	\$26,400.00
		Percent Replacement	100%
Building Components		Future Cost	\$50,585.13
Placed in Service	March 2014	Assigned Reserves	<i>none</i>
Useful Life	25		
Replacement Year	2039	Annual Assessment	\$1,060.27
Remaining Life	22	Interest Contribution	<u>\$7.42</u>
		Reserve Allocation	\$1,067.69



Good condition. Aluminum 16' X 7' single panel.

<b>Building Components - Total Current Cost</b>	<b>\$26,400</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$3,168</b>

**Hacienda Royale  
FDRS Detail Report by Category**

**Mailboxes - Replace - 2026**

		38 EA	@ \$100.00
Asset ID	1007	Asset Cost	\$3,800.00
		Percent Replacement	100%
	Mailboxes	Future Cost	\$4,958.14
Placed in Service	March 1980	Assigned Reserves	<i>none</i>
Useful Life	20		
Adjustment	26	Annual Assessment	\$266.03
Replacement Year	2026	Interest Contribution	<u>\$1.86</u>
Remaining Life	9	Reserve Allocation	\$267.90



Good condition. The useful life of this asset has been extended due to its present condition.

<b>Mailboxes - Total Current Cost</b>	<b>\$3,800</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$3,057</b>

**Hacienda Royale  
FDRS Detail Report by Category**

**Information Signs - Replace**

Asset ID	1011	11 EA	
		Asset Cost	
		Percent Replacement	100%
	Signs	Future Cost	
Placed in Service	March 1980	Assigned Reserves	<i>none</i>
No Useful Life		Annual Assessment	No Assessment
		Interest Contribution	
		Allocation	



Good condition. Metal sign should last lifetime of community.

**Monument Sign - Replace**

Asset ID	1010	1 EA	
		Asset Cost	
		Percent Replacement	100%
	Signs	Future Cost	
Placed in Service	March 1980	Assigned Reserves	<i>none</i>
No Useful Life		Annual Assessment	No Assessment
		Interest Contribution	
		Reserve Allocation	



Good condition. Metal sign should last lifetime of community.



**Hacienda Royale**  
**FDRS Detail Report by Category**

<b>Signs - Total Current Cost</b>	<b>\$0</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$0</b>

**Hacienda Royale  
FDRS Detail Report by Category**

**Detail Report Summary**

**Total of All Assets**

Assigned Reserves	\$50,729.06
Annual Contribution	\$15,132.00
Annual Interest	\$407.89
Annual Allocation	\$15,539.89

**Contingency at 3.00%**

Assigned Reserves	\$1,568.94
Annual Contribution	\$468.00
Annual Interest	\$12.61
Annual Allocation	\$480.61

**Grand Total**

Assigned Reserves	\$52,298.00
Annual Contribution	\$15,600.00
Annual Interest	\$420.50
Annual Allocation	\$16,020.50

**Hacienda Royale  
FDRS Category Detail Index**

Asset ID	Description	Replacement	Page
<b>Streets/Asphalt</b>			
1002	Asphalt - Overlay	2046	2-13
1001	Asphalt - Repair & Surface Treatment	2017	2-13
<b>Roofing</b>			
1023	Pool Equipment Roof & Pergola Roof - Replace	2017	2-15
<b>Painting</b>			
1029	Buildings - Paint	2018	2-16
1017	Masonry Stucco Walls - Paint	2018	2-16
1009	Pole Lights - Paint	2018	2-17
1003	Wrought Iron Fencing - Paint	2018	2-18
<b>Fencing/Security</b>			
1006	Masonry Stucco Walls - Repair	2017	2-19
1004	Wrought Iron Fencing - Replace	2025	2-19
<b>Lighting</b>			
1008	Pole Lights & Spot Lights - Replace	2030	2-21
1028	Pool Lights - Replace	2021	2-21
<b>Recreation/Pool</b>			
1022	Pool - Resurface	2024	2-23
1020	Pool Deck - Recoat	2017	2-23
1021	Pool Deck - Resurface	2025	2-24
1025	Pool Filter - Replace	2020	2-25
1027	Pool Furniture - Replace	2019	2-25
1026	Pool Pump & Motor - Replace	2020	2-26
1012	Tennis Court - Replace	Unfunded	2-27
<b>Equipment</b>			
1016	Backflow Preventer - Replace	2022	2-28
1013	Irrigation Controllers - Replace	2028	2-28
<b>Building Components</b>			
1018	Garage Doors - Replace	2039	2-30
<b>Mailboxes</b>			
1007	Mailboxes - Replace	2026	2-31

**Hacienda Royale**  
**FDRS Category Detail Index**

Asset ID	Description	Replacement	Page
<b>Signs</b>			
1011	Information Signs - Replace	Unfunded	2-32
1010	Monument Sign - Replace	Unfunded	2-32
	Total Funded Assets	21	
	Total Unfunded Assets	<u>3</u>	
	Total Assets	24	

**Hacienda Royale  
FDRS Spread Sheet**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Description</b>										
<b>Streets/Asphalt</b>										
Asphalt - Overlay										
Asphalt - Repair & Surface Treatment	2,300			2,513			2,746			3,001
<b>Streets/Asphalt Total:</b>	<b>2,300</b>			<b>2,513</b>			<b>2,746</b>			<b>3,001</b>
<b>Roofing</b>										
Pool Equipment Roof & Pergola Roof - Replace	3,350									
<b>Roofing Total:</b>	<b>3,350</b>									
<b>Painting</b>										
Buildings - Paint		61,800						76,006		
Masonry Stucco Walls - Paint		881								1,116
Pole Lights - Paint		515						633		
Wrought Iron Fencing - Paint		289					335			
<b>Painting Total:</b>		<b>63,485</b>					<b>335</b>	<b>76,640</b>		<b>1,116</b>
<b>Fencing/Security</b>										
Masonry Stucco Walls - Repair	641					743				
Wrought Iron Fencing - Replace								10,276		
<b>Fencing/Security Total:</b>	<b>641</b>					<b>743</b>		<b>10,276</b>		
<b>Lighting</b>										
Pole Lights & Spot Lights - Replace										
Pool Lights - Replace					1,126					
<b>Lighting Total:</b>					<b>1,126</b>					
<b>Recreation/Pool</b>										
Pool - Resurface								5,073		
Pool Deck - Recoat	1,300							1,599		
Pool Deck - Resurface									4,054	
Pool Filter - Replace				1,093						
Pool Furniture - Replace			2,122							2,610
Pool Pump & Motor - Replace				1,202						
Tennis Court - Replace		<i>Unfunded</i>								
<b>Recreation/Pool Total:</b>	<b>1,300</b>		<b>2,122</b>	<b>2,295</b>				<b>6,672</b>	<b>4,054</b>	<b>2,610</b>

**Hacienda Royale  
FDRS Spread Sheet**

<b>Description</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>Equipment</b>										
Backflow Preventer - Replace						696				
Irrigation Controllers - Replace										
<b>Equipment Total:</b>						<b>696</b>				
<b>Building Components</b>										
Garage Doors - Replace										
<b>Building Components Total:</b>										
<b>Mailboxes</b>										
Mailboxes - Replace										4,958
<b>Mailboxes Total:</b>										<b>4,958</b>
<b>Signs</b>										
Information Signs - Replace										
Monument Sign - Replace										
	<i>Unfunded</i>									
	<i>Unfunded</i>									
<b>Year Total:</b>	<b>7,591</b>	<b>63,485</b>	<b>2,122</b>	<b>4,808</b>	<b>1,126</b>	<b>1,439</b>	<b>3,082</b>	<b>6,672</b>	<b>90,969</b>	<b>11,684</b>

**Hacienda Royale  
FDRS Spread Sheet**

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
<b>Description</b>										
<b>Streets/Asphalt</b>										
Asphalt - Overlay										
Asphalt - Repair & Surface Treatment			3,279			3,583			3,916	
<b>Streets/Asphalt Total:</b>			<b>3,279</b>			<b>3,583</b>			<b>3,916</b>	
<b>Roofing</b>										
Pool Equipment Roof & Pergola Roof - Replace										
<b>Roofing Total:</b>										
<b>Painting</b>										
Buildings - Paint						93,478				
Masonry Stucco Walls - Paint								1,413		
Pole Lights - Paint						779				
Wrought Iron Fencing - Paint		389					451			
<b>Painting Total:</b>		<b>389</b>				<b>94,257</b>	<b>451</b>	<b>1,413</b>		
<b>Fencing/Security</b>										
Masonry Stucco Walls - Repair	862					999				
Wrought Iron Fencing - Replace										
<b>Fencing/Security Total:</b>	<b>862</b>					<b>999</b>				
<b>Lighting</b>										
Pole Lights & Spot Lights - Replace				5,874						
Pool Lights - Replace										1,754
<b>Lighting Total:</b>				<b>5,874</b>						<b>1,754</b>
<b>Recreation/Pool</b>										
Pool - Resurface										
Pool Deck - Recoat					1,966					
Pool Deck - Resurface										
Pool Filter - Replace						1,558				
Pool Furniture - Replace							3,209			
Pool Pump & Motor - Replace						1,714				
Tennis Court - Replace										
<b>Recreation/Pool Total:</b>					<b>1,966</b>	<b>3,272</b>	<b>3,209</b>			

**Hacienda Royale  
FDRS Spread Sheet**

<b>Description</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>	<b>2034</b>	<b>2035</b>	<b>2036</b>
<b>Equipment</b>										
Backflow Preventer - Replace										
Irrigation Controllers - Replace		1,038								
<b>Equipment Total:</b>		<b>1,038</b>								
<b>Building Components</b>										
Garage Doors - Replace										
<b>Building Components Total:</b>										
<b>Mailboxes</b>										
Mailboxes - Replace										
<b>Mailboxes Total:</b>										
<b>Signs</b>										
Information Signs - Replace		<i>Unfunded</i>								
Monument Sign - Replace		<i>Unfunded</i>								
<b>Year Total:</b>	<b>862</b>	<b>1,427</b>	<b>3,279</b>	<b>5,874</b>	<b>1,966</b>	<b>102,111</b>	<b>3,660</b>	<b>1,413</b>	<b>3,916</b>	<b>1,754</b>



**Hacienda Royale  
FDRS Spread Sheet**

	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
<b>Description</b>										
Streets/Asphalt										
Asphalt - Overlay										81,302
Asphalt - Repair & Surface Treatment		4,279			4,675			5,109		
<b>Streets/Asphalt Total:</b>		<b>4,279</b>			<b>4,675</b>			<b>5,109</b>		<b>81,302</b>
Roofing										
Pool Equipment Roof & Pergola Roof - Replace										
<b>Roofing Total:</b>										
Painting										
Buildings - Paint			114,966							141,394
Masonry Stucco Walls - Paint						1,790				
Pole Lights - Paint			958							1,178
Wrought Iron Fencing - Paint		522					606			
<b>Painting Total:</b>		<b>522</b>	<b>115,924</b>			<b>1,790</b>	<b>606</b>			<b>142,572</b>
Fencing/Security										
Masonry Stucco Walls - Repair	1,158					1,343				
Wrought Iron Fencing - Replace										
<b>Fencing/Security Total:</b>	<b>1,158</b>					<b>1,343</b>				
Lighting										
Pole Lights & Spot Lights - Replace									9,152	
Pool Lights - Replace										
<b>Lighting Total:</b>									<b>9,152</b>	
Recreation/Pool										
Pool - Resurface			7,904							
Pool Deck - Recoat		2,418							2,974	
Pool Deck - Resurface				6,315						
Pool Filter - Replace								2,221		
Pool Furniture - Replace				3,947						
Pool Pump & Motor - Replace								2,443		
Tennis Court - Replace	<i>Unfunded</i>									
<b>Recreation/Pool Total:</b>		<b>2,418</b>	<b>7,904</b>	<b>10,263</b>				<b>4,665</b>	<b>2,974</b>	

**Hacienda Royale  
FDRS Spread Sheet**

<b>Description</b>	<b>2037</b>	<b>2038</b>	<b>2039</b>	<b>2040</b>	<b>2041</b>	<b>2042</b>	<b>2043</b>	<b>2044</b>	<b>2045</b>	<b>2046</b>
<b>Equipment</b>										
Backflow Preventer - Replace										
Irrigation Controllers - Replace				1,480						
<b>Equipment Total:</b>				<b>1,480</b>						
<b>Building Components</b>										
Garage Doors - Replace			50,585							
<b>Building Components Total:</b>			<b>50,585</b>							
<b>Mailboxes</b>										
Mailboxes - Replace										8,955
<b>Mailboxes Total:</b>										<b>8,955</b>
<b>Signs</b>										
Information Signs - Replace										
Monument Sign - Replace										
	<i>Unfunded</i>									
	<i>Unfunded</i>									
<b>Year Total:</b>	<b>1,158</b>	<b>7,219</b>	<b>174,413</b>	<b>11,743</b>	<b>4,675</b>	<b>3,133</b>	<b>606</b>	<b>9,774</b>	<b>12,126</b>	<b>232,829</b>