REPLACEMENT RESERVE REPORT FY 2018
PILOT POINT

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REPLACEMENT RESERVE REPORT

PILOT POINT

LEWES, DELAWARE
December 7, 2017
Revised February 12, 2018
Revised February 22, 2018
Revised February 26, 2018
Revised March 5, 2018
Revised March 19, 2018
Revised April 10, 2018

Description. Pilot Point is a condominium association located on Cape Henlopen Drive in Lewes, Delaware. Constructed from 1970 to 1972, the community consists of nine building containing 60 units. The survey examined the common elements of the property, including:

- Asphalt drive and parking.
- Concrete sidewalks, curb and gutter.
- Fencing.
- Tennis courts and beach access boardwalks.
- Building exteriors excluding doors, windows, decks, and all components of all additions and porch enclosures.
- Site electric and storm water.

Level of Service. This study has been performed as a Level 2 Update with Site Visit/On-Site Review as defined under the National Reserve Study Standards that have been adopted by the Community Associations Institute. As such, the component inventory is based on the study that was performed in 2010 by Miller Dodson Associates. The inventory was adjusted to reflect changes as provided by the Community Manager or adjustments were made based on the site visit and visual inspection performed by the Analyst. The included fund status and funding plan have been developed from analysis of the adjusted inventory.

To aid in the understanding of this report and its concepts and practices, on our web site, we have developed videos addressing frequently asked topics. In addition, there are posted links covering a variety of subjects under the resources page of our web site at mdareserves.com.

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

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

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

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

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

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

- Miller - Dodson performed a visual evaluation on December 7, 2017 to determine a remaining useful life and replacement cost for the commonly owned elements of this facility.

- This study contains additional recommendations to address inflation for the Cash Flow Method only. For this recommendation, Miller - Dodson uses the Producers Price Index (PPI), which gauges inflation in manufacturing and construction. Please see page A5 for further details.

To-Scale Drawings. Site and building plans were not used in the development of this study. We recommend the Association assemble and maintain a library of site and building plans of the entire facility. Record drawings should be scanned into an electronic format for safe storage and ease of distribution. Upon request for a nominal fee, Miller - Dodson can provide scanning services.

Current Funding. This reserve study has been prepared for Fiscal Year 2018 covering the period from January 1, 2018 to December 31, 2018. The Replacement Reserves on deposit as of January 1, 2018 are reported to be $ 230,440. The planned contribution for the fiscal year is $ 43,205.

Set up as a Strategic Funding Plan the Board direction of: “The starting balance for the reserve will be $230,440. For the first nine years, 2018 thru 2026, the contributions will be $43,205 per year for a total of $388,345. Beginning in the tenth year and for the rest of the study, contributions will be $69,461. per year for 31 years for a total of $2,153,291. this should eliminate the cumulative deficit for year 2057.” was used.

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

Acknowledgement. Miller - Dodson Associates would like to acknowledge the assistance and input of the Ronald Lee who provided very helpful insight into the current operations of the property.

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

Respectfully submitted,

millerdodson ASSOCIATES | Capital Reserve Consultants

Gregory S. Gilbert

Gregory S. Gilbert, AIA

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EXECUTIVE SUMMARY

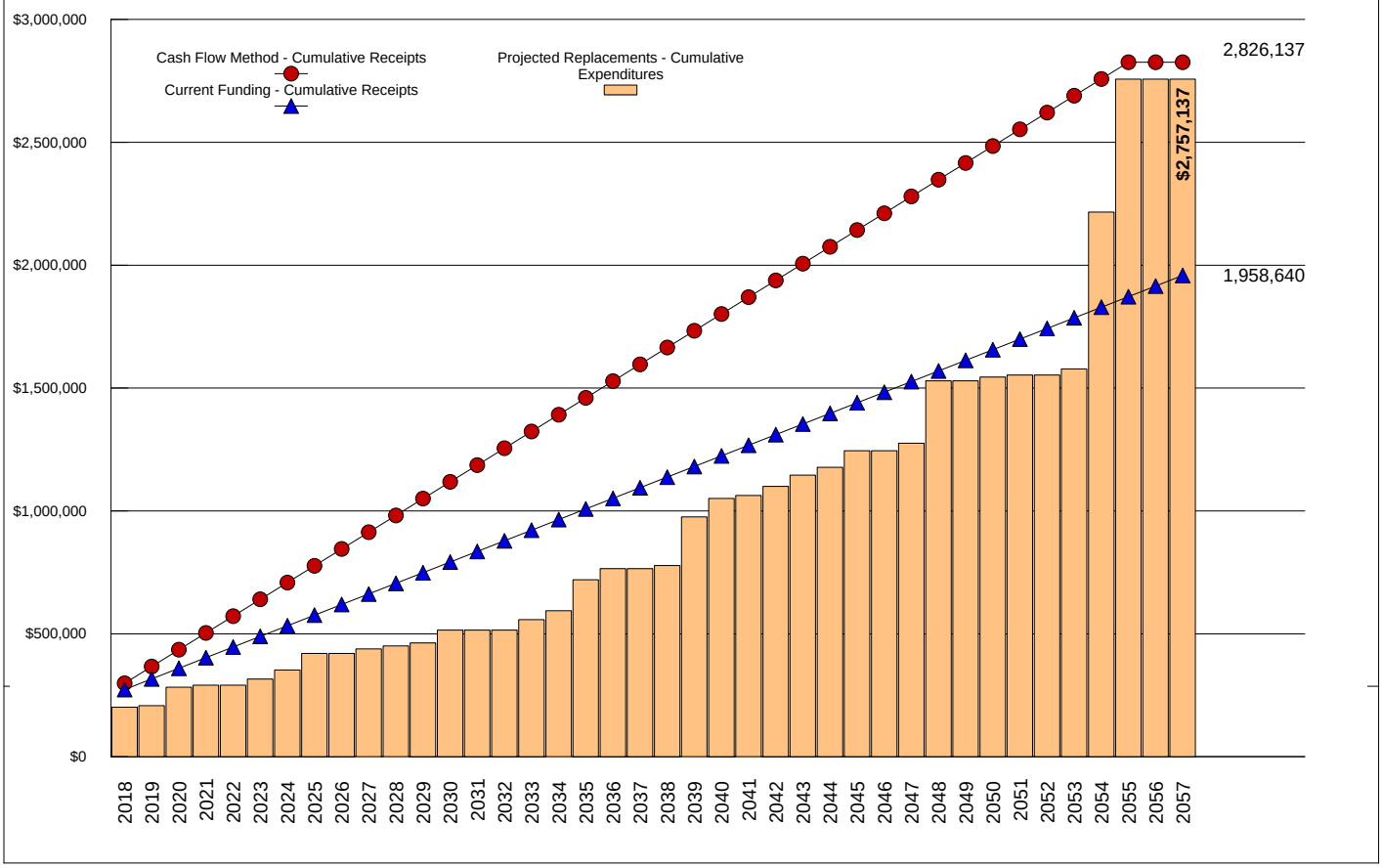
The Pilot Point Replacement Reserve Analysis uses the Cash Flow Method (CFM) to calculate Replacement Reserve funding for the periodic replacement of the 42 Projected Replacements identified in the Replacement Reserve Inventory.

$68,308 **RECOMMENDED REPLACEMENT RESERVE FUNDING FOR THE STUDY YEAR, 2018**
$94.87 Per unit (average), minimum monthly funding of Replacement Reserves

We recommend the Association adopt a Replacement Reserve Funding Plan based on the annual funding recommendation above. Inflation adjusted funding for subsequent years is shown on Page A5.

Pilot Point reports a Starting Balance of $230,440 and Annual Funding totaling $43,205.
Current funding is inadequate to fund the $2,757,137 of Projected Replacements scheduled in the Replacement Reserve Inventory over the 40-year Study Period. See Page A3 for a more detailed evaluation.

#1 - Cumulative Replacement Reserve Funding and Expenditures Graph



The Current Funding Objective as calculated by the Component Method (Fully Funded) is $403,729 making the reserve account 57.1% funded. See the Appendix for more information on this method.

1.10.2018 Correct - City Name. 3.5.2018 Per the Board direction change Starting Balance and Current Annual Funding. 3.19.2018 adjust the Strategic Funding Plan found on pages A6 and A7, per Mr. Lee's instruction.

REPLACEMENT RESERVE ANALYSIS - GENERAL INFORMATION

The Pilot Point Replacement Reserve Analysis calculations of recommended funding of Replacement Reserves by the Cash Flow Method and the evaluation of the Current Funding are based upon the same Study Year, Study Period, Beginning Balance, Replacement Reserve Inventory and Level of Service.

2018 | **STUDY YEAR**

The Association reports that their accounting year begins on January 1, and the Study Year, the first year evaluated by the Replacement Reserve Analysis, begins on January 1, 2018.

40 Years | **STUDY PERIOD**

The Replacement Reserve Analysis evaluates the funding of Replacement Reserves over a 40-year Study Period.

$230,440 | **STARTING BALANCE**

The Association reports Replacement Reserves on Deposit totaling $230,440 at the start of the Study Year.

Level Two | **LEVEL OF SERVICE**

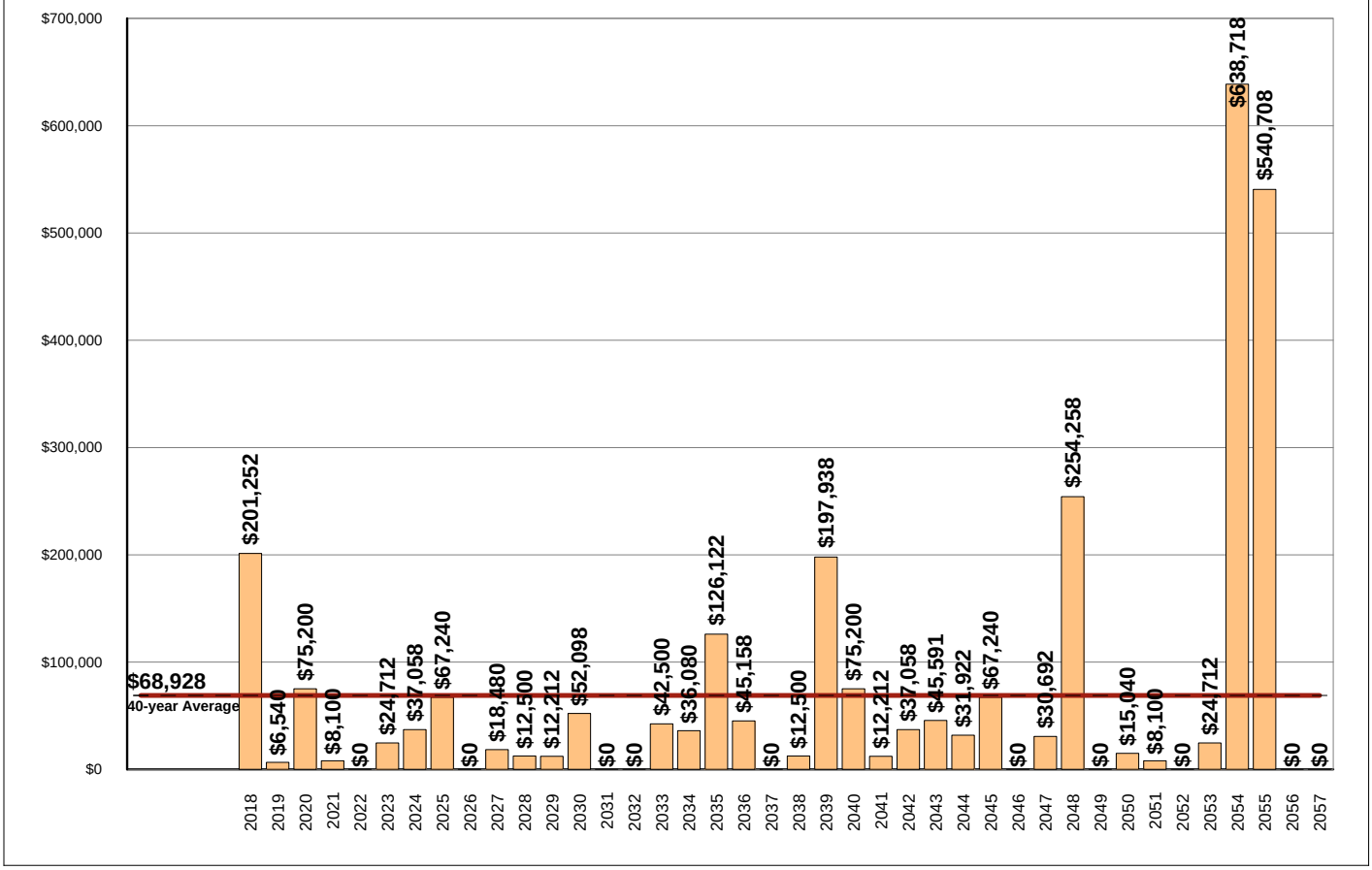
The Replacement Reserve Inventory has been developed in compliance with the National Reserve Study Standards for a Level Two Study, as defined by the Community Associations Institute (CAI).

$2,757,137 | **REPLACEMENT RESERVE INVENTORY - PROJECTED REPLACEMENTS**

The Pilot Point Replacement Reserve Inventory identifies 42 items that will require periodic replacement, that are to be funded from Replacement Reserves. We estimate the cost of these replacements will be $2,757,137 over the 40-year Study Period. The Projected Replacements are divided into 9 major categories starting on Page B3. Pages B1-B2 provide detailed information on the Replacement Reserve Inventory.

#2 - Annual Expenditures for Projected Replacements Graph

This graph shows annual expenditures for Projected Replacements over the 40-year Study Period. The red line shows the average annual expenditure of $68,928. Section C provides a year by year Calender of these expenditures.



UPDATING

UPDATING OF THE FUNDING PLAN

The Association has a responsibility to review the Funding Plan annually. The review should include a comparison and evaluation of actual reserve funding with recommended levels shown on Page A4 and A5. The Projected Replacements listed on Page C2 should be compared with any replacements accomplished and funded from Replacement Reserves. Discrepancies should be evaluated and if necessary, the Reserve Study should be updated or a new study commissioned. We recommend annual increases in replacement reserve funding to account for the impact of inflation. Inflation Adjusted Funding is discussed on Page A5.

UPDATING OF THE REPLACEMENT RESERVE STUDY

At a minimum, the Replacement Reserve Study should be professionally updated every three to five years or after completion of a major replacement project. Updating should also be considered if during the annual review of the Funding Plan, discrepancies are noted between projected and actual reserve funding or replacement costs. Updating may also be necessary if there is a meaningful discrepancy between the actual inflation rate and the inflation rate used for the Inflation Adjusted Funding of Replacement Reserves on Page A5.

ANNUAL EXPENDITURES AND CURRENT FUNDING

The annual expenditures that comprise the $2,757,137 of Projected Expenditures over the 40-year Study Period and the impact of the Association continuing to fund Replacement Reserves at the current level are detailed in Table 3.

#3 - Table of Annual Expenditures and Current Funding Data - Years 1 through 40

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Starting Balance	$230,440									
Projected Replacements	($201,252)	($6,540)	($75,200)	($8,100)		($24,712)	($37,058)	($67,240)		($18,480)
Annual Deposit	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205
End of Year Balance	$72,393	$109,058	$77,063	$112,168	$155,373	$173,867	$180,014	$155,979	$199,184	$223,909
Cumulative Expenditures	($201,252)	($207,792)	($282,992)	($291,092)	($291,092)	($315,803)	($352,861)	($420,101)	($420,101)	($438,581)
Cumulative Receipts	$273,645	$316,850	$360,055	$403,260	$446,465	$489,670	$532,875	$576,080	$619,285	$662,490
Year	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**
Projected Replacements	($12,500)	($12,212)	($52,098)			($42,500)	($36,080)	($126,122)	($45,158)	
Annual Deposit	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205
End of Year Balance	$254,614	$285,608	$276,715	$319,920	$363,125	$363,830	$370,955	$288,039	$286,086	$329,291
Cumulative Expenditures	($451,081)	($463,292)	($515,390)	($515,390)	($515,390)	($557,890)	($593,970)	($720,091)	($765,249)	($765,249)
Cumulative Receipts	$705,695	$748,900	$792,105	$835,310	$878,515	$921,720	$964,925	$1,008,130	$1,051,335	$1,094,540
Year	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**
Projected Replacements	($12,500)	($197,938)	($75,200)	($12,212)	($37,058)	($45,591)	($31,922)	($67,240)		($30,692)
Annual Deposit	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205
End of Year Balance	$359,996	$205,263	$173,268	$204,262	$210,409	$208,023	$219,306	$195,271	$238,476	$250,989
Cumulative Expenditures	($777,749)	($975,687)	($1,050,887)	($1,063,099)	($1,100,156)	($1,145,747)	($1,177,669)	($1,244,909)	($1,244,909)	($1,275,601)
Cumulative Receipts	$1,137,745	$1,180,950	$1,224,155	$1,267,360	$1,310,565	$1,353,770	$1,396,975	$1,440,180	$1,483,385	$1,526,590
Year	**2048**	**2049**	**2050**	**2051**	**2052**	**2053**	**2054**	**2055**	**2056**	**2057**
Projected Replacements	($254,258)		($15,040)	($8,100)		($24,712)	($638,718)	($540,708)		
Annual Deposit	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205
End of Year Balance	$39,936	$83,141	$111,306	$146,411	$189,616	$208,110	($387,404)	($884,907)	($841,702)	($798,497)
Cumulative Expenditures	($1,529,859)	($1,529,859)	($1,544,899)	($1,552,999)	($1,552,999)	($1,577,710)	($2,216,429)	($2,757,137)	($2,757,137)	($2,757,137)
Cumulative Receipts	$1,569,795	$1,613,000	$1,656,205	$1,699,410	$1,742,615	$1,785,820	$1,829,025	$1,872,230	$1,915,435	$1,958,640

EVALUATION OF CURRENT FUNDING

The evaluation of Current Funding (Starting Balance of $230,440 & annual funding of $43,205), is done in today's dollars with no adjustments for inflation or interest earned on Replacement Reserves. The evaluation assumes Replacement Reserves will only be used for the 42 Projected Replacements identified in the Replacement Reserve Inventory and that the Association will continue Annual Funding of $43,205 throughout the 40-year Study Period.

Annual Funding of $43,205 is approximately 63 percent of the $68,308 recommended Annual Funding calculated by the Cash Flow Method for 2018, the Study Year.
Evaluation of the 42 Projected Replacements calculates an average annual expenditure over the next 40 years of $68,928. Annual funding of $43,205 is 63 percent of the average annual expenditure.
Our calculations identify funding shortfalls in 4 years of the Study Period with the initial shortfall in 2054. The largest shortfall, $-884,907, occurs in 2055. All shortfalls can be seen and evaluated in Table 3 above.

In summary, Current Funding as reported by the Association and shown above, does not provide adequate funding for the $2,757,137 of Projected Replacements scheduled in the Replacement Reserve Inventory over the Study Period.

CASH FLOW METHOD FUNDING

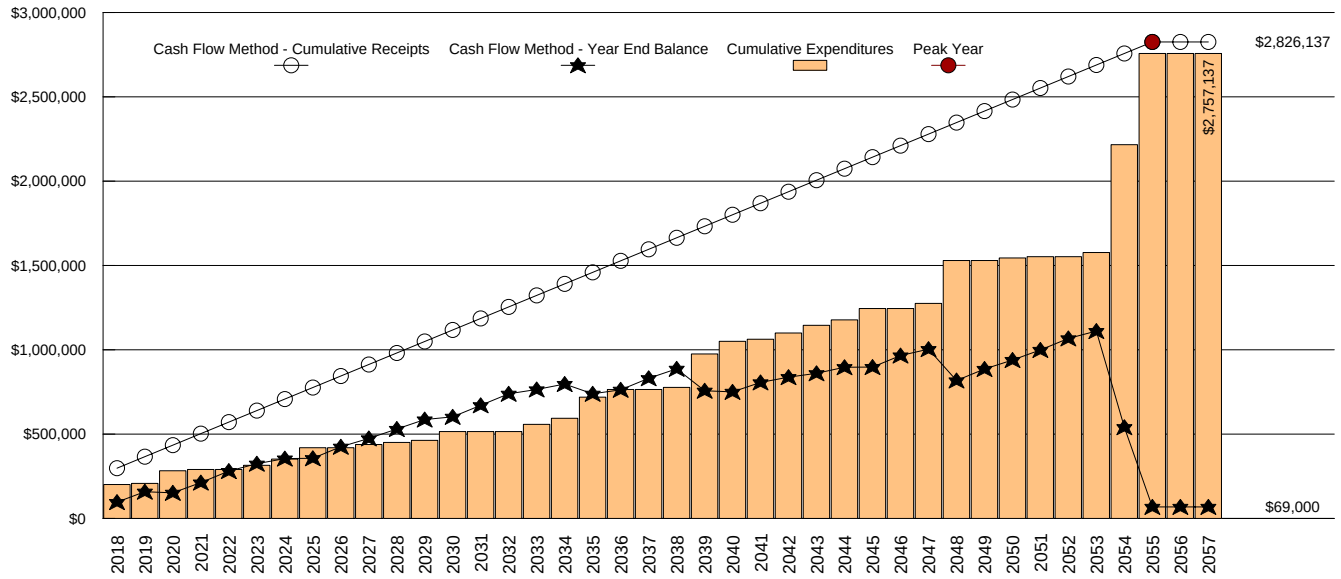
$68,308 **RECOMMENDED REPLACEMENT RESERVE FUNDING FOR 2018**

$94.87 Per unit (average), minimum monthly funding of Replacement Reserves

Recommended Replacement Reserve Funding has been calculated using the Cash Flow Method (also called the Straight Line or Threshold Method). This method calculates a constant annual funding between peaks in cumulative expenditures, while maintaining a Minimum Balance (threshold) in the Peak Years.

- Peak Years. The First Peak Year occurs in 2055 with Replacement Reserves on Deposit dropping to the Minimum Balance after the completion of $2,757,137 of replacements from 2018 to 2055. Recommended funding declines from $68,308 in 2055 to $ in 2056. Peak Years are identified in Chart 4 and Table 5.
- Minimum Balance. The calculations assume a Minimum Balance of $69,000 in Replacement Reserves. This is approx. 12 months of average expenditures based on the $68,928, 40-year average annual expenditure.
- Cash Flow Method Study Period. Cash Flow Method calculates funding for $2,757,137 of expenditures over the 40-year Study Period. It does not include funding for any projects beyond 2057 and in 2057, the end of year balance will always be the Minimum Balance.

#4 - Cash Flow Method - Graph of Cumulative Receipts and Expenditures - Years 1 through 40



#5 - Cash Flow Method - Table of Receipts & Expenditures - Years 1 through 40

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Starting Balance	$230,440									
Projected Replacements	($201,252)	($6,540)	($75,200)	($8,100)		($24,712)	($37,058)	($67,240)		($18,480)
Annual Deposit	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308
End of Year Balance	$97,496	$159,264	$152,372	$212,580	$280,887	$324,484	$355,734	$356,802	$425,110	$474,937
Cumulative Expenditures	$201,252	$207,792	$282,992	$291,092	$291,092	$315,803	$352,861	$420,101	$420,101	$438,581
Cumulative Receipts	$298,748	$367,056	$435,363	$503,671	$571,979	$640,287	$708,595	$776,902	$845,210	$913,518

Year	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Projected Replacements	($12,500)	($12,212)	($52,098)			($42,500)	($36,080)	($126,122)	($45,158)	
Annual Deposit	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308
End of Year Balance	$530,745	$586,841	$603,052	$671,359	$739,667	$765,475	$797,703	$739,889	$763,039	$831,347
Cumulative Expenditures	($451,081)	($463,292)	($515,390)	($515,390)	($515,390)	($557,890)	($593,970)	($720,091)	($765,249)	($765,249)
Cumulative Receipts	$981,826	$1,050,134	$1,118,441	$1,186,749	$1,255,057	$1,323,365	$1,391,673	$1,459,980	$1,528,288	$1,596,596

Year	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
Projected Replacements	($12,500)	($197,938)	($75,200)	($12,212)	($37,058)	($45,591)	($31,922)	($67,240)		($30,692)
Annual Deposit	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308
End of Year Balance	$887,155	$757,525	$750,632	$806,729	$837,979	$860,696	$897,081	$898,149	$966,457	$1,004,073
Cumulative Expenditures	($777,749)	($975,687)	($1,050,887)	($1,063,099)	($1,100,156)	($1,145,747)	($1,177,669)	($1,244,909)	($1,244,909)	($1,275,601)
Cumulative Receipts	$1,664,904	$1,733,212	$1,801,519	$1,869,827	$1,938,135	$2,006,443	$2,074,751	$2,143,058	$2,211,366	$2,279,674

Year	2048	2049	2050	2051	2052	2053	2054	1st Peak - 2055	2056	2057
Projected Replacements	($254,258)		($15,040)	($8,100)		($24,712)	($638,718)	($540,708)		
Annual Deposit	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308	$68,308		
End of Year Balance	$818,123	$886,431	$939,699	$999,906	$1,068,214	$1,111,811	$541,400	$69,000	$69,000	$69,000
Cumulative Expenditures	($1,529,859)	($1,529,859)	($1,544,899)	($1,552,999)	($1,552,999)	($1,577,710)	($2,216,429)	($2,757,137)	($2,757,137)	($2,757,137)
Cumulative Receipts	$2,347,982	$2,416,290	$2,484,597	$2,552,905	$2,621,213	$2,689,521	$2,757,829	$2,826,137	$2,826,137	$2,826,137

INFLATION ADJUSTED FUNDING

The Cash Flow Method calculations on Page A4 have been done in today's dollars with no adjustment for inflation. At Miller + Dodson, we belive that long-term inflation forecasting is effective at demonstrating the power of compounding, not at calculating appropriate funding levels for Replacement Reserves. We have developed this proprietary model to estimate the short-term impact of inflation on Replacement Reserve funding.

$68,308 **2018 - CASH FLOW METHOD RECOMMENDED FUNDING**

The 2018 Study Year calculations have been made using current replacement costs (see Page B2), modified by the Analyst for any project specific conditions.

$69,843 **2019 - INFLATION ADJUSTED FUNDING**

A new analysis calculates 2019 funding based on three assumptions;

- Replacement Reserves on Deposit totaling $97,496 on January 1, 2019.
- All 2018 Projected Replacements listed on Page C2 accomplished at a cost to Replacement Reserves less than $201,252.
- Construction Cost Inflation of 2.30 percent in 2018.

The $69,843 inflation adjusted funding in 2019 is a 2.25 percent increase over the non-inflation adjusted 2019 funding of $68,308.

$71,592 **2020 - INFLATION ADJUSTED FUNDING**

A new analysis calculates 2020 funding based on three assumptions;

- Replacement Reserves on Deposit totaling $160,648 on January 1, 2020.
- All 2019 Projected Replacements listed on Page C2 accomplished at a cost to Replacement Reserves less than $6,690.
- Construction Cost Inflation of 2.30 percent in 2019.

The $71,592 inflation adjusted funding in 2020 is a 4.81 percent increase over the non-inflation adjusted 2020 funding of $68,308.

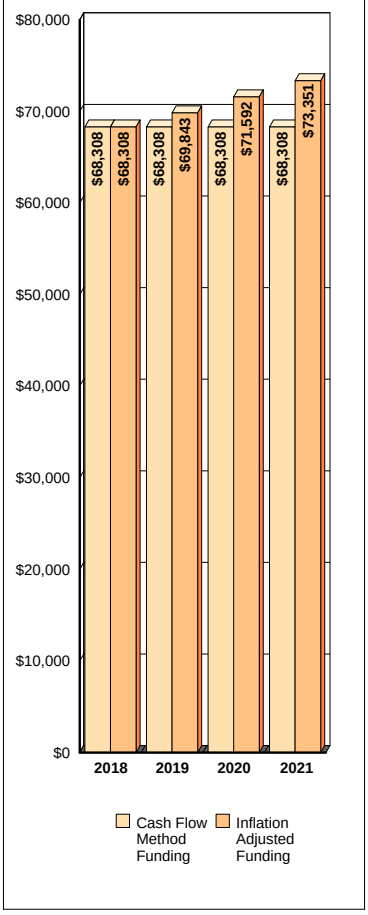
$73,351 **2021 - INFLATION ADJUSTED FUNDING**

A new analysis calculates 2021 funding based on three assumptions;

- Replacement Reserves on Deposit totaling $153,541 on January 1, 2021.
- All 2020 Projected Replacements listed on Page C2 accomplished at a cost to Replacement Reserves less than $78,699.
- Construction Cost Inflation of 2.30 percent in 2020.

The $73,351 inflation adjusted funding in 2021 is a 7.38 percent increase over the non-inflation adjusted funding of $68,308.

#6 - Inflation Adjusted Funding



YEAR FIVE & BEYOND

The inflation adjusted funding calculations outlined above are not intended to be a substitute for periodic evaluation of common elements by an experienced Reserve Analyst. Industry Standards, lender requirements, and many state and local statutes require a Replacement Reserve Study be professionally updated every 3 to 5 years.

INFLATION ADJUSTMENT

Prior to approving a budget based upon the 2019, 2020 and 2021 inflation adjusted funding calculations above, the 2.30 percent base rate of inflation used in our calculations should be compared to rates published by the Bureau of Labor Statistics. If there is a significant discrepancy (over 1 percent), contact Miller Dodson + Associates prior to using the Inflation Adjusted Funding.

INTEREST ON RESERVES

The recommended funding calculations do not account for interest earned on Replacement Reserves.
In 2018, based on a 1.00 percent interest rate, we estimate the Association may earn $1,640 on an average balance of $163,968, $1,291 on an average balance of $129,072 in 2019, and $1,571 on $157,095 in 2020. The Association may elect to attribute 100 percent of the earned interest to Reserves, resulting in a reduction in the 2018 funding from $68,308 to $66,668 (a 2.40 percent reduction), $69,843 to $68,552 in 2019 (a 1.85 percent reduction), and $71,592 to $70,021 in 2020 (a 2.19 percent reduction).

STRATEGIC FUNDING

STRATEGIC FUNDING PLAN - CONCEPT. This Strategic Funding Plan has been developed based on the fundamental concept that the Replacement Reserve Account is solvent if cumulative receipts always exceed cumulative expenses.

STRATEGIC FUNDING PLAN - GOAL. The goal of a Strategic Funding Plan is to provide alternative funding that responds to immediate financial requirements and identifies the increases in funding needed to move Replacement Reserve Funding to the levels recommended by the Cash Flow Method.

TABLE 8. The highlighted lines in Table 8 show the Annual Replacement Reserve funding that is the result of the Strategic Funding Plan described below.

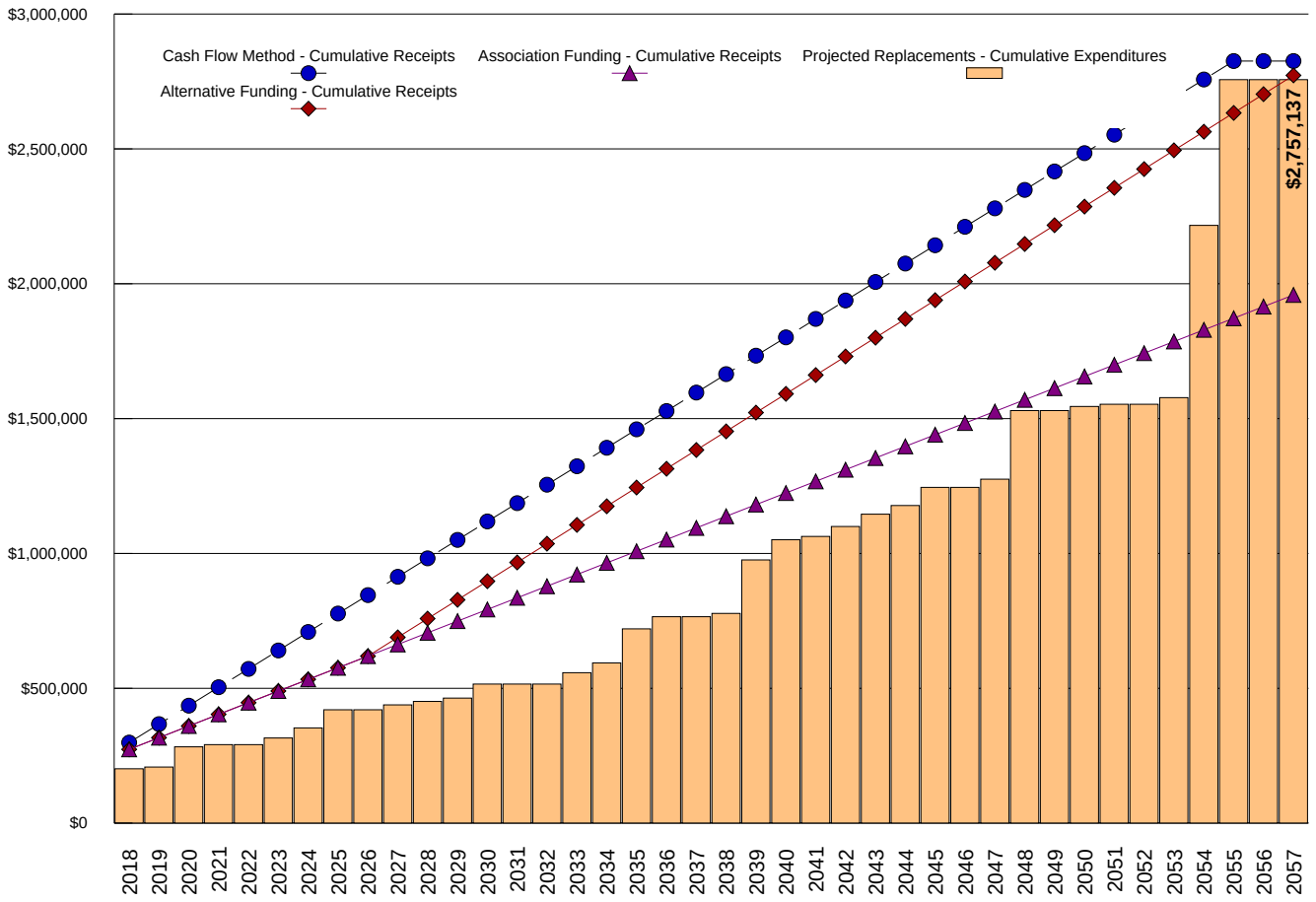
GRAPH 7 shows Strategic Funding - Cumulative Receipts as blue diamonds and Cash Flow - Cumulative Receipts as red circles. When Strategic Funding Cumulative Receipts have increased to equal Cash Flow recommendations, Cumulative Receipts are a blue circle. Graph 7 also shows Current Funding as purple triangles.

DATA. This Strategic Funding Plan has been prepared as an integral part of the Pilot Point Replacement Reserve Study (serial number 217995 version 15). The Strategic Funding Plan, the Cash Flow Method calculations (pages A4-A5), and the evaluation of Current Funding (page A3) use the same $230,440 Starting Balance and Replacement Reserve Inventory with 42 Projected Replacements requiring $2,757,137 of expenditures over the 40-year Study Period. Unlike the Cash Flow Method, the Strategic Funding Plan does not assume a Minimum Balance.

COORDINATION. This Pilot Point Strategic Funding Plan has been prepared in conjunction with Kathy Yurhak and Ronald Lee

Per Board Direction:
Funding contribution of $43,205.00 for years 2018 through 2026.
Funding contribution of $69,461.00 for years 2027 through 2057.

#7 - Alternative Funding Plan - Years 1 through 40



#8 - Alternative Funding Plan - Table of Annual Funding and Expenditures

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Starting Balance	$230,440									
Projected Replacements	($201,252)	($6,540)	($75,200)	($8,100)	$-0	($24,712)	($37,058)	($67,240)	$-0	($18,480)
AFP - Annual Funding	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$43,205	$69,461
AFP - Other Funds	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
End of Year Balance	$72,393	$109,058	$77,063	$112,168	$155,373	$173,867	$180,014	$155,979	$199,184	$250,165
Cumulative Expenditures	($201,252)	($207,792)	($282,992)	($291,092)	($291,092)	($315,803)	($352,861)	($420,101)	($420,101)	($438,581)
Cumulative Receipts	$273,645	$316,850	$360,055	$403,260	$446,465	$489,670	$532,875	$576,080	$619,285	$688,746
Year	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**
Projected Replacements	($12,500)	($12,212)	($52,098)	$-0	$-0	($42,500)	($36,080)	($126,122)	($45,158)	$-0
AFP - Annual Funding	$69,461	$69,461	$69,461	$69,461	$69,461	$69,461	$69,461	$69,461	$69,461	$69,461
AFP - Other Funds	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
End of Year Balance	$307,126	$364,376	$381,739	$451,200	$520,661	$547,622	$581,003	$524,343	$548,646	$618,107
Cumulative Expenditures	$451,081	$463,292	$515,390	$515,390	$515,390	$557,890	$593,970	$720,091	$765,249	$765,249
Cumulative Receipts	$758,207	$827,668	$897,129	$966,590	$1,036,051	$1,105,512	$1,174,973	$1,244,434	$1,313,895	$1,383,356
Year	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**
Projected Replacements	($12,500)	($197,938)	($75,200)	($12,212)	($37,058)	($45,591)	($31,922)	($67,240)	$-0	($30,692)
AFP - Annual Funding	$69,461	$69,461	$69,461	$69,461	$69,461	$69,461	$69,461	$69,461	$69,461	$69,461
AFP - Other Funds	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
End of Year Balance	$675,068	$546,591	$540,852	$598,102	$630,505	$654,375	$691,914	$694,135	$763,596	$802,365
Cumulative Expenditures	$777,749	$975,687	$1,050,887	$1,063,099	$1,100,156	$1,145,747	$1,177,669	$1,244,909	$1,244,909	$1,275,601
Cumulative Receipts	$1,452,817	$1,522,278	$1,591,739	$1,661,200	$1,730,661	$1,800,122	$1,869,583	$1,939,044	$2,008,505	$2,077,966
Year	**2048**	**2049**	**2050**	**2051**	**2052**	**2053**	**2054**	**2055**	**2056**	**2057**
Projected Replacements	($254,258)	$-0	($15,040)	($8,100)	$-0	($24,712)	($638,718)	($540,708)	$-0	$-0
AFP - Annual Funding	$69,461	$69,461	$69,461	$69,461	$69,461	$69,461	$69,461	$69,461	$69,461	$69,461
AFP - Other Funds	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
End of Year Balance	$617,568	$687,029	$741,450	$802,811	$872,272	$917,022	$347,765	($123,483)	($54,022)	$15,440
Cumulative Expenditures	$1,529,859	$1,529,859	$1,544,899	$1,552,999	$1,552,999	$1,577,710	$2,216,429	$2,757,137	$2,757,137	$2,757,137
Cumulative Receipts	$2,147,427	$2,216,888	$2,286,349	$2,355,810	$2,425,271	$2,494,732	$2,564,193	$2,633,654	$2,703,115	$2,772,576

REPLACEMENT RESERVE STUDY - SUPPLEMENTAL COMMENTS

- Pilot Point has 60 units. The type of property is a Condominium Association.
- The Cash Flow Method calculates the minimum annual funding necessary to prevent Replacement Reserves from dropping below the Minimum Balance. Failure to fund at least the recommended levels may result in funding not being available for the Projected Replacements listed in the Replacement Reserve Inventory.
- The accuracy of the Replacement Reserve Analysis is dependent upon expenditures from Replacement Reserves being made ONLY for the 42 Projected Replacements specifically listed in the Replacement Reserve Inventory. The inclusion/exclusion of items from the Replacement Reserve Inventory is discussed on Page B1.

- 3.19.2018 adjust the Strategic Funding Plan found on pages A6 and A7, per Mr. Lee's instruction.

REPLACEMENT RESERVE INVENTORY
GENERAL INFORMATION

Pilot Point - Replacement Reserve Inventory identifies 73 items. Two types of items are identified, Projected Replacements and Excluded Items:

- PROJECTED REPLACEMENTS. 42 of the items are Projected Replacements and the periodic replacements of these items are scheduled for funding from Replacement Reserves. The Projected Replacements have an estimated one-time replacement cost of $1,800,609. Replacements totaling $2,757,137 are scheduled in the Replacement Reserve Inventory over the 40-year Study Period.

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

- EXCLUDED ITEMS. 31 of the items are Excluded Items, and expenditures for these items are NOT scheduled for funding from Replacement Reserves. The accuracy of the calculations made in the Replacement Reserve Analysis is dependent on expenditures NOT being made for Excluded Items. The Excluded Items are listed in the Replacement Reserve Inventory to identify specific items and categories of items that are not to be funded from Replacement Reserves. There are multiple categories of items that are typically excluded from funding by Replacement Reserves, including but not limited to:

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

  Value. Items with a replacement cost of less that $1,000 and/or a normal economic life of less than 3 years are typically excluded from funding from Replacement Reserves. This exclusion should reflect Association policy on the administration of Replacement Reserves. If the Association has selected an alternative level, it will be noted in the Replacement Reserve Inventory - General Comments on Page B2.

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

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

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

  The rationale for the exclusion of an item from funding by Replacement Reserves is discussed in more detail in the 'Comments' sections of the Section B - Replacement Reserve Inventory.

- CATEGORIES. The 73 items included in the Pilot Point Replacement Reserve Inventory are divided into 9 major categories. Each category is printed on a separate page, Pages B3 to B10.

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

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

REPLACEMENT RESERVE INVENTORY - GENERAL INFORMATION (cont'd)

- INVENTORY DATA. Each of the 42 Projected Replacements listed in the Replacement Reserve Inventory includes the following data:

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

  Item Description. We have identified each item included in the Inventory. Additional information may be included in the Comments section at the bottom of each page of the Inventory.

  Units. We have used standard abbreviations to identify the number of units including SF-square feet, LF-lineal feet, SY-square yard, LS-lump sum, EA-each, and PR-pair. Non-standard abbreviations are noted in the Comments section at the bottom of the page.

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

  Unit Replacement Cost. We use four sources to develop the unit cost data shown in the Inventory; actual replacement cost data provided by the client, information provided by local contractors and suppliers, industry standard estimating manuals, and a cost database we have developed based upon our detailed interviews with contractors and service providers who are specialists in their respective lines of work.

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

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

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

  Each of the 31 Excluded Items includes the Item Description, Units, and Number of Units. Many of the Excluded Items are listed as a 'Lump Sum' with a quantity of 1. For the Excluded Items, this indicates that all of the items identified by the 'Item Description' are excluded from funding by Replacement Reserves.

- REVIEW OF EXPENDITURES. This Replacement Reserve Study should be reviewed by an accounting professional representing the Association prior to implementation.

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

- REMAINING ECONOMIC LIFE GREATER THAN 40 YEARS. The calculations do not include funding for initial replacements beyond 40 years. These replacements are included in this Study for tracking and evaluation. They should be included for funding in future Studies, when they enter the 40-year window.

SITE COMPONENTS
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
1	Asphalt pavement, overlay	sf	105,879	$1.65	30	none	$174,700
2	Asphalt pavement, seal coat, slurry	sf	105,879	$0.35	6	6	$37,058
3	Concrete curb & gutter, barrier (6%)	ft	294	$35.50	6	5	$10,437
4	Concrete flatwork (6%)	sf	195	$9.10	6	5	$1,775
5	B1 Wood walkway, PTL structure	sf	277	$32.50	20	17	$9,003
6	B1 Wood ped. bridge, PTL structure	sf	1,573	$52.40	40	37	$82,425
7	B1 Wood PTL decking (50%)	sf	925	$11.25	10	7	$10,406
8	B2 Wood walkway, PTL structure	sf	330	$32.50	20	17	$10,725
9	B2 Wood ped. bridge, PTL structure	sf	1,870	$52.40	40	37	$97,988
10	B2 Wood PTL decking (50%)	sf	1,100	$11.25	10	7	$12,375
11	B3 Wood walkway, PTL structure	sf	279	$32.50	20	17	$9,068
12	B3 Wood ped. bridge, PTL structure	sf	1,581	$52.40	40	37	$82,844
13	B3 Wood PTL decking (50%)	sf	930	$11.25	10	7	$10,463
14	B4 Wood walkway, PTL structure	sf	262	$32.50	20	17	$8,515
15	B4 Wood ped. bridge, PTL structure	sf	1,489	$52.40	40	37	$78,024
16	B4 Wood PTL decking (50%)	sf	875	$11.25	10	7	$9,844
17	B5 Wood walkway, PTL structure	sf	288	$32.50	20	17	$9,360
18	B5 Wood ped. bridge, PTL structure	sf	1,632	$52.40	40	37	$85,517
19	B5 Wood PTL decking (50%)	sf	810	$11.25	10	7	$9,113
20	Wood PTL decking - tennis court	sf	720	$11.25	15	3	$8,100
						SITE COMPONENTS - Replacement Costs - Subtotal	$757,738

SITE COMPONENTS
COMMENTS

- We have assumed that the Association will replace the asphalt pavement by the installation of a 2 inch thick overlay. The pavement will need to be milled prior to the installation of the overlay. Milling and the cost of minor repairs (5 to 10 percent of the total area) to the base materials and bearing soils beneath the pavement are included in the cost shown above.

- 2.12.2018 Change Asphalt Overlay and Sealcoat, slurry per board direction cost and REL. Also All Wood Walkway # of Units, NEL & REL.

SITE COMPONENTS (cont.)

PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
21	Fence, 6' PTL-wood board	ft	300	$21.80	24	1	$6,540
22	Entrance monument, carved wood sign	ea	2	$3,000.00	40	40	$6,000
23	Storm water mgmt	ls	1	$30,000.00	15	15	$30,000

SITE COMPONENTS (cont.) - Replacement Costs - Subtotal $42,540

SITE COMPONENTS (cont.)

COMMENTS

- For concrete components and other roadway shoulder work, we have assumed that the Association will conduct concrete component replacement projects in conjunction with the asphalt pavement and other concrete or right-of-way replacement projects.

- 2.12.2018 - Changed - Entrance Monument - Quantity and NEL & REL - Client information states "these signs are composit, they will have a forty year useful life."

BUILDING EXTERIORS
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
24	T1 - Roofing, asphalt shingles	sf	10,320	$4.60	25	21	$47,472
25	T1 - Roofing, flat membrane (EPDM)	sf	306	$22.00	30	26	$6,732
26	T1 - Siding & trim, cementitions	sf	13,144	$10.50	40	36	$138,012
27	T2 - Roofing, asphalt shingles Bldg 4	sf	5,772	$4.60	25	none	$26,551
28	T2 - Roofing, asphalt shingles	sf	14,154	$4.60	25	21	$65,108
29	T2 - Roofing, flat membrane (EPDM)	sf	935	$22.00	30	26	$20,570
30	T2 - Siding & trim, cementitions	sf	24,786	$10.50	40	36	$260,253
31	T3 - Roofing, asphalt shingles	sf	11,440	$4.60	25	21	$52,624
32	T3 - Roofing, flat membrane (EPDM)	sf	210	$22.00	30	26	$4,620
33	T3 - Siding & trim, cementitions	sf	10,502	$10.50	40	36	$110,271
34	T4 - Roofing, asphalt shingles	sf	7,116	$4.60	25	21	$32,734
35	T4 - Roofing, flat membrane (EPDM)	sf	1,640	$22.00	30	16	$36,080
36	T4 - Siding & trim, cementitions	sf	8,869	$10.50	40	36	$93,125
37	Pilings	ea	5	$2,500.00	5	5	$12,500

BUILDING EXTERIORS - Replacement Costs - Subtotal $906,652

BUILDING EXTERIORS
COMMENTS

- 12.29.2017 - Trim and Siding for T1, T2, T3, & T4 - Change Economic life to 40 and remaining life to 36.
- 1.10.2018 - Changed - Cementicious siding and trim has a NEL that exceeds the forty year study peroid. These items should be monitored for performance and adjsuted in the reserve study as needed.
- 2.12.2018 - Add T2 Bldg 4 Per Board Direction, EPDM Change # of Uints, NEL & REL.

RECREATION
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
38	Tennis court, asphalt overlay	sf	14,400	$4.00	20	2	$57,600
39	Tennis court, color coat	sf	14,400	$1.00	5	2	$14,400
40	Tennis court, post & footings	pr	2	$1,280.00	20	2	$2,560
41	Tennis court, net	ea	2	$320.00	5	2	$640
42	Tennis court, fence	ft	660	$28.00	20	9	$18,480

RECREATION - Replacement Costs - Subtotal $93,680

RECREATION
COMMENTS

- 12.29.2017 - Tennis court asphalt and color coat - Change to 144,00 # of units.

- 1.10.2018 - Correct REL for Tennis court asphalt and overlay. 3.12.2018 Per Board direction Change REL on all Tennis court items, except fence leave at 9 years.

VALUATION EXCLUSIONS

EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
	Downspout and gutters	ls	1				EXCLUDED
	Informational signage	ls	1				EXCLUDED
	Miscellaneous signage	ls	1				EXCLUDED
	Snowdrift fencing	ls	1				EXCLUDED

VALUATION EXCLUSIONS

COMMENTS

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

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

LONG-LIFE EXCLUSIONS
EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
	Building foundation(s)	ls	1				EXCLUDED
	Wall, floor, & roof structure	ls	1				EXCLUDED

LONG-LIFE EXCLUSIONS
COMMENTS

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

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

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

UNIT IMPROVEMENTS EXCLUSIONS

EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
	Domestic water pipes serving one unit	ls	1				EXCLUDED
	Sanitary sewers serving one unit	ls	1				EXCLUDED
	Electrical wiring serving one unit	ls	1				EXCLUDED
	Cable TV service serving one unit	ls	1				EXCLUDED
	Telephone service serving one unit	ls	1				EXCLUDED
	Walkways on an individual lot	ls	1				EXCLUDED
	Stairs on an individual lot	ls	1				EXCLUDED
	Retaining wall on an individual lot	ls	1				EXCLUDED
	Fence on an individual lot	ls	1				EXCLUDED
	Unit deck, patio and /or balcony	ls	1				EXCLUDED
	Unit interior	ls	1				EXCLUDED
	Unit HVAC system	ls	1				EXCLUDED
	Unit exteriors on expansions	ls	1				EXCLUDED

UNIT IMPROVEMENTS EXCLUSIONS

COMMENTS

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

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

MAINTENANCE AND REPAIR EXCLUSIONS

EXCLUDED ITEMS

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

MAINTENANCE AND REPAIR EXCLUSIONS

COMMENTS

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

PROJECTED ANNUAL REPLACEMENTS
GENERAL INFORMATION

CALENDAR OF ANNUAL REPLACEMENTS. The 42 Projected Replacements in the Pilot Point Replacement Reserve Inventory whose replacement is scheduled to be funded from Replacement Reserves are broken down on a year-by-year basis, beginning on Page C2.

REPLACEMENT RESERVE ANALYSIS AND INVENTORY
POLICIES, PROCEDURES, AND ADMINISTRATION

- REVISIONS. Revisions will be made to the Replacement Reserve Analysis and Replacement Reserve Inventory in accordance with the written instructions of the Board of Directors. No additional charge is incurred for the first revision, if requested in writing within three months of the date of the Replacement Reserve Study. It is our policy to provide revisions in electronic (Adobe PDF) format only.
- TAX CODE. The United States Tax Code grants favorable tax status to a common interest development (CID) meeting certain guidelines for their Replacement Reserve. If a CID files their taxes as a 'Corporation' on Form 1120 (IRC Section 277), these guidelines typically require maintenance activities, partial replacements, minor replacements, capital improvements, and one-time only replacements to be excluded from Reserves. A CID cannot co-mingle planning for maintenance activities with capital replacement activities in the Reserves (Revenue Ruling 75-370). Funds for maintenance activities and capital replacements activities must be held in separate accounts. If a CID files taxes as an "Exempt Homeowners Association" using Form 1120H (IRC Section 528), the CID does not have to segregate these activities. However, because the CID may elect to change their method of filing from year to year within the Study Period, we advise using the more restrictive approach. We further recommend that the CID consult with their Accountant and consider creating separate and independent accounts and reserves for large maintenance items, such as painting.
- CONFLICT OF INTEREST. Neither Miller - Dodson Associates nor the Reserve Analyst has any prior or existing relationship with this Association which would represent a real or perceived conflict of interest.
- RELIANCE ON DATA PROVIDED BY THE CLIENT. Information provided by an official representative of the Association regarding financial, physical conditions, quality, or historical issues is deemed reliable.
- INTENT. This Replacement Reserve Study is a reflection of the information provided by the Association and the visual evaluations of the Analyst. It has been prepared for the sole use of the Association and is not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records.
- PREVIOUS REPLACEMENTS. Information provided to Miller - Dodson Associates regarding prior replacements is considered to be accurate and reliable. Our visual evaluation is not a project audit or quality inspection.
- EXPERIENCE WITH FUTURE REPLACEMENTS. The Calendar of Annual Projected Replacements, lists replacements we have projected to occur over the next thirty years, begins on Page C2. Actual experience in replacing the items may differ significantly from the cost estimates and time frames shown because of conditions beyond our control. These differences may be caused by maintenance practices, inflation, variations in pricing and market conditions, future technological developments, regulatory actions, acts of God, and luck. Some items may function normally during our visual evaluation and then fail without notice.
- REVIEW OF THE REPLACEMENT RESERVE STUDY. For this study to be effective, it should be reviewed by the Pilot Point Board of Directors, those responsible for the management of the items included in the Replacement Reserve Inventory, and the accounting professionals employed by the Association.

PROJECTED REPLACEMENTS - YEARS 1 TO 6

Item	2018 - STUDY YEAR	$
1	Asphalt pavement, overlay	$174,700
27	T2 - Roofing, asphalt shingle	$26,551
	Total Scheduled Replacements	$201,252

Item	2019 - YEAR 2	$
21	Fence, 6' PTL-wood board	$6,540
	Total Scheduled Replacements	$6,540

Item	2020 - YEAR 3	$
38	Tennis court, asphalt overlay	$57,600
39	Tennis court, color coat	$14,400
40	Tennis court, post & footings	$2,560
41	Tennis court, net	$640
	Total Scheduled Replacements	$75,200

Item	2021 - YEAR 4	$
20	Wood PTL decking - tennis c	$8,100
	Total Scheduled Replacements	$8,100

Item	2022 - YEAR 5	$
	No Scheduled Replacements	

Item	2023 - YEAR 6	$
3	Concrete curb & gutter, barr	$10,437
4	Concrete flatwork (6%)	$1,775
37	Pilings	$12,500
	Total Scheduled Replacements	$24,712

PROJECTED REPLACEMENTS - YEARS 7 TO 12

Item	2024 - YEAR 7	$
2	Asphalt pavement, seal coat	$37,058
	Total Scheduled Replacements	$37,058

Item	2025 - YEAR 8	$
7	B1 Wood PTL decking (50%	$10,406
10	B2 Wood PTL decking (50%	$12,375
13	B3 Wood PTL decking (50%	$10,463
16	B4 Wood PTL decking (50%	$9,844
19	B5 Wood PTL decking (50%	$9,113
39	Tennis court, color coat	$14,400
41	Tennis court, net	$640
	Total Scheduled Replacements	$67,240

Item	2026 - YEAR 9	$
	No Scheduled Replacements	

Item	2027 - YEAR 10	$
42	Tennis court, fence	$18,480
	Total Scheduled Replacements	$18,480

Item	2028 - YEAR 11	$
37	Pilings	$12,500
	Total Scheduled Replacements	$12,500

Item	2029 - YEAR 12	$
3	Concrete curb & gutter, barr	$10,437
4	Concrete flatwork (6%)	$1,775
	All Replacements not listed	$12,212

PROJECTED REPLACEMENTS - YEARS 13 TO 18

Item	2030 - YEAR 13	$
2	Asphalt pavement, seal coat	$37,058
39	Tennis court, color coat	$14,400
41	Tennis court, net	$640
	Total Scheduled Replacements	$52,098

Item	2031 - YEAR 14	$
	No Scheduled Replacements	

Item	2032 - YEAR 15	$
	No Scheduled Replacements	

Item	2033 - YEAR 16	$
23	Storm water mgmt	$30,000
37	Pilings	$12,500
	Total Scheduled Replacements	$42,500

Item	2034 - YEAR 17	$
35	T4 - Roofing, flat membrane	$36,080
	Total Scheduled Replacements	$36,080

Item	2035 - YEAR 18	$
3	Concrete curb & gutter, barr	$10,437
4	Concrete flatwork (6%)	$1,775
5	B1 Wood walkway, PTL stru	$9,003
7	B1 Wood PTL decking (50%	$10,406
8	B2 Wood walkway, PTL stru	$10,725
10	B2 Wood PTL decking (50%	$12,375
11	B3 Wood walkway, PTL stru	$9,068
13	B3 Wood PTL decking (50%	$10,463
14	B4 Wood walkway, PTL stru	$8,515
16	B4 Wood PTL decking (50%	$9,844
17	B5 Wood walkway, PTL stru	$9,360
19	B5 Wood PTL decking (50%	$9,113
39	Tennis court, color coat	$14,400
41	Tennis court, net	$640
	Total Scheduled Replacements	$126,122

PROJECTED REPLACEMENTS - YEARS 19 TO 24

Item	2036 - YEAR 19	$
2	Asphalt pavement, seal coat	$37,058
20	Wood PTL decking - tennis c	$8,100
	Total Scheduled Replacements	$45,158

Item	2037 - YEAR 20	$
	No Scheduled Replacements	

Item	2038 - YEAR 21	$
37	Pilings	$12,500
	Total Scheduled Replacements	$12,500

Item	2039 - YEAR 22	$
24	T1 - Roofing, asphalt shingle	$47,472
28	T2 - Roofing, asphalt shingle	$65,108
31	T3 - Roofing, asphalt shingle	$52,624
34	T4 - Roofing, asphalt shingle	$32,734
	Total Scheduled Replacements	$197,938

Item	2040 - YEAR 23	$
38	Tennis court, asphalt overlay	$57,600
39	Tennis court, color coat	$14,400
40	Tennis court, post & footings	$2,560
41	Tennis court, net	$640
	Total Scheduled Replacements	$75,200

Item	2041 - YEAR 24	$
3	Concrete curb & gutter, barr	$10,437
4	Concrete flatwork (6%)	$1,775
	Total Scheduled Replacements	$12,212

PROJECTED REPLACEMENTS - YEARS 25 TO 30

Item	2042 - YEAR 25	$
2	Asphalt pavement, seal coat	$37,058
	Total Scheduled Replacements	$37,058

Item	2043 - YEAR 26	$
21	Fence, 6' PTL-wood board	$6,540
27	T2 - Roofing, asphalt shingle	$26,551
37	Pilings	$12,500
	Total Scheduled Replacements	$45,591

Item	2044 - YEAR 27	$
25	T1 - Roofing, flat membrane	$6,732
29	T2 - Roofing, flat membrane	$20,570
32	T3 - Roofing, flat membrane	$4,620
	Total Scheduled Replacements	$31,922

Item	2045 - YEAR 28	$
7	B1 Wood PTL decking (50%	$10,406
10	B2 Wood PTL decking (50%	$12,375
13	B3 Wood PTL decking (50%	$10,463
16	B4 Wood PTL decking (50%	$9,844
19	B5 Wood PTL decking (50%	$9,113
39	Tennis court, color coat	$14,400
41	Tennis court, net	$640
	Total Scheduled Replacements	$67,240

Item	2046 - YEAR 29	$
	No Scheduled Replacements	

Item	2047 - YEAR 30	$
3	Concrete curb & gutter, barr	$10,437
4	Concrete flatwork (6%)	$1,775
42	Tennis court, fence	$18,480
	Total Scheduled Replacements	$30,692

PROJECTED REPLACEMENTS - YEARS 31 TO 36

Item	2048 - YEAR 31	$
1	Asphalt pavement, overlay	$174,700
2	Asphalt pavement, seal coat	$37,058
23	Storm water mgmt	$30,000
37	Pilings	$12,500
	Total Scheduled Replacements	$254,258

Item	2049 - YEAR 32	$
	No Scheduled Replacements	

Item	2050 - YEAR 33	$
39	Tennis court, color coat	$14,400
41	Tennis court, net	$640
	Total Scheduled Replacements	$15,040

Item	2051 - YEAR 34	$
20	Wood PTL decking - tennis c	$8,100
	Total Scheduled Replacements	$8,100

Item	2052 - YEAR 35	$
	No Scheduled Replacements	

Item	2053 - YEAR 36	$
3	Concrete curb & gutter, barr	$10,437
4	Concrete flatwork (6%)	$1,775
37	Pilings	$12,500
	Total Scheduled Replacements	$24,712

PROJECTED REPLACEMENTS - YEARS 37 TO 42

Item	2054 - YEAR 37	$
2	Asphalt pavement, seal coat	$37,058
26	T1 - Siding & trim, cementitic	$138,012
30	T2 - Siding & trim, cementitic	$260,253
33	T3 - Siding & trim, cementitic	$110,271
36	T4 - Siding & trim, cementitic	$93,125
	Total Scheduled Replacements	$638,718

Item	2055 - YEAR 38	$
5	B1 Wood walkway, PTL stru	$9,003
6	B1 Wood ped. bridge, PTL s	$82,425
7	B1 Wood PTL decking (50%	$10,406
8	B2 Wood walkway, PTL stru	$10,725
9	B2 Wood ped. bridge, PTL s	$97,988
10	B2 Wood PTL decking (50%	$12,375
11	B3 Wood walkway, PTL stru	$9,068
12	B3 Wood ped. bridge, PTL s	$82,844
13	B3 Wood PTL decking (50%	$10,463
14	B4 Wood walkway, PTL stru	$8,515
15	B4 Wood ped. bridge, PTL s	$78,024
16	B4 Wood PTL decking (50%	$9,844
17	B5 Wood walkway, PTL stru	$9,360
18	B5 Wood ped. bridge, PTL s	$85,517
19	B5 Wood PTL decking (50%	$9,113
39	Tennis court, color coat	$14,400
41	Tennis court, net	$640
	Total Scheduled Replacements	$540,708

Item	2056 - YEAR 39	$
	No Scheduled Replacements	

Item	2057 - YEAR 40	$
	No Scheduled Replacements	

Item	2058 (beyond Study Period)	$
22	Entrance monument, carved	$6,000
37	Pilings	$12,500
	Total Scheduled Replacements	$18,500

Item	2059 (beyond Study Period)	$
3	Concrete curb & gutter, barr	$10,437
4	Concrete flatwork (6%)	$1,775
	Total Scheduled Replacements	$12,212

CONDITION ASSESSMENT

General Comments. Miller - Dodson Associates conducted a Reserve Study at Pilot Point in December 2017. Pilot Point is in generally good condition for a community constructed from 1970 to 1972. A review of the Replacement Reserve Inventory will show that we are anticipating most of the components achieving their normal economic lives.

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

General Condition Statements.

Excellent. 100% to 90% of Normal Economic Life expected, with no appreciable wear or defects.

Good. 90% to 60% of Normal Economic Life expected, minor wear or cosmetic defects found. Normal maintenance should be expected. If performed properly, normal maintenance may increase the useful life of a component. Otherwise, the component is wearing normally.

Fair. 60% to 30% of Normal Economic Life expected, moderate wear with defects found. Repair actions should be taken to extend the life of the component or to correct repairable defects and distress. Otherwise, the component is wearing normally.

Marginal. 30% to 10% of Normal Economic Life expected, with moderate to significant wear or distress found. Repair actions are expected to be cost effective for localized issues, but normal wear and use are evident. The component is reaching the end of the Normal Economic Life.

Poor. 10% to 0% of Normal Economic Life expected, with significant distress and wear. Left unattended, additional damage to underlying structures is likely to occur. Further maintenance is unlikely to be cost effective.

SITE COMPONENTS

Entry Monument and Signage. The Association maintains an entry monument.

The monument is made of wood fair condition, with damaged areas and weathering. In order to keep the monument fresh and appealing, we recommend replacement every 40 years. Per Board a new sign has been erected.

Asphalt Pavement. The Association is responsible for the vehicle access, and parking areas. In general, the Association's asphalt pavements is in fair condition, with wide cracking and distress in a few locations, to poor condition, with wide cracking and significant distress in many locations and with incipient potholes and full-depth pavement failure.

As a rule of thumb, asphalt should be overlaid when approximately 5% of the surface area is cracked or otherwise deteriorated. The normal service life of asphalt pavement is typically 18 to 20 years.

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

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

- **Crack Repair.** All cracks should be repaired with an appropriate compound to prevent water infiltration through the asphalt into the base. This repair should be done annually. Crack repair is normally considered a maintenance activity and is not funded from Reserves. Areas of extensive cracking or deterioration that cannot be made watertight should be cut out and patched.

- **Seal Coating.** The asphalt should be seal coated every 5 to 7 years. For this maintenance, activity to be effective in extending the life of the asphalt, cleaning and crack repair should be performed first.

For seal coating, several different products are available. The older, more traditional seal coating products are simply paints. They coat the surface of the asphalt and they are minimally effective. However, the newer coating materials, such as those from Total Asphalt Management, Asphalt Restoration Technologies, Inc., and others, are penetrating. They are engineered, so to speak, to 'remoisturize' the pavement. Asphalt pavement is intended to be flexible. Over time, the volatile chemicals in the pavement dry, the pavement becomes brittle, and degradation follows in the forms of cracking and potholes. Remoisturizing the pavement can return its flexibility and extend the life of the pavement. The use of a slurry type seal coat will further extend the normal economic life of the asphalt.

Lastly, the resource links provided on our website may provide insight into the general terms and concerns, including maintenance related advantages and disadvantages, which may help the Association better manage the asphalt pavements throughout the community: http://mdareserves.com/resources/links/site-components.

Concrete Work. The concrete work includes the community curbs, sidewalks, and other flatwork. The overall condition of the concrete work is fair with a few tripping hazards.

The standards we use for recommending replacement are as follows:

- Trip hazard, ½ inch height difference.
- Severe cracking.
- Severe spalling and scale.
- Uneven riser heights on steps.
- Steps with risers in excess of 8¼ inches.

Because it is highly unlikely that all of the concrete components will fail and require replacement in the period of the study, we have programmed funds for the replacement of these inventories and spread the funds over an extended timeframe to reflect the incremental nature of this work.

The relevant links on our web site may provide useful information related to concrete terminology, maintenance, and repair. Please see http://mdareserves.com/resources/links/site-components.

Wood Boardwalk Decking. The wood decking on the wood walk is exposed to harsh extremes of sun and weather. It will typically require replacement before the heavier members of the underlying structure. This decking will also be removed and replaced in its entirety when the underlying structure is replaced. To model this replacement pattern, we have provided for complete replacement incident to the replacement of the structure, and we have included an additional replacement interval for the wood pier decking at the midpoint of the service life of the underlying structure.

The wood decking is in good condition.

Wood Walkway Structure. The structure consists of pressure treated woodpiles on 10-foot centers with stringers spanning the distance between piles. We have assumed that when the pier structure will require replacement, all piling also will be replaced.

The pier structure is in good condition.

It is recommended that all piers be inspected at least once each year to identify damage to pilings, structural members, surface boards, and railings.

Fencing. The Association maintains wood fencing that is in generally fair condition. Fencing systems have a large number of configurations and finishes that can usually be repaired as a maintenance activity by replacing individual components as they become damaged or weathered.

Protection from string machine damage during lawn maintenance can extend the useful life of some fence types. Protection from this type of damage is typically provided by applying herbicides around post bases or installing protective sheathing.

Pressure treated wood fencing should be cleaned and sealed every year or two. Typically the least cost fencing option, this type of fence can last 15 to 20 years if maintained properly.

For more information on fencing, visit our website link to the American Fence Association.

Trash Corrals. The community has a trash corral in the parking area. The trash corrals include a concrete pad and enclosures that are constructed from wood fencing. The overall condition of the trash corrals is good.

Underground Utilities. The Association is responsible for the maintenance of the underground utility lines, including the storm water management pipes, and electrical services. Engineering drawings were not used in the determination of these underground components. Instead, we have provided an estimate of the approximate replacement costs based on our experience with other facilities of similar size and configuration. The inspection and evaluation of underground lines and structures is beyond the scope of work for this study.

BUILDING EXTERIORS

Building Roofing. The buildings are roofed in asphalt shingles are in generally good condition with the exception of units 12-32. The buildings also have areas of a flat roofing system.

Asphalt shingle roofs can have a useful life of 20 to 50 years depending on the weight and quality of the shingle. Weathered, curled, and missing shingles are all indications that the shingles may be nearing the end of their useful life.

Flat roofing systems can have a variety of configurations that will greatly affect the cost of replacement including insulation, ballast, the height of the building, and the density of installed mechanical equipment. Flat roofing systems typically have a useful life of 15 to 25 years.

Annual inspections are recommended, with cleaning, repair, and mitigation of vegetation performed as needed. Access, inspection, and repair work should be performed by contractors and personnel with the appropriate access equipment who are experienced in the types of roofing used for the facility.

For additional information on roofs and roof maintenance, please see the appropriate links on our web site at http://mdareserves.com/resources/links/building-exterior.

Siding and Trim. The exterior(s) of the building(s) are clad in cementitious siding (Hardie Plank) and Azak trim. The siding and trim materials are in generally excellent condition.

Cementitious materials typically have an extended useful life and require repainting and recaulking every 10 to 15 years. Following the manufacturer's recommendations for cleaning, painting, and caulking, we expect cementitious products to have a useful life of 40 years or more.

RECREATIONAL FACILITIES

Tennis Courts. The community maintains court multiple tennis courts. The overall condition of these courts is poor.

Listed below are the major components of the tennis court facilities:

- Asphalt Pavement (base layer). We have assumed a service life of 20 to 30 years for the asphalt base layer.

- Color Coat (surface layer). Annual cleaning is recommended to maintain the surface of the court. The base of a tennis court is subject to cracking and low spots known as “birdbaths” that can occur from weather and earth movement. A program to address cracks as they appear will help to prolong the useful life of the color coat. We have assumed a service life of five to ten years for the color coat.

- Fencing. We have assumed that the fencing will be replaced when the asphalt pavement is replaced. Posts and fencing should be inspected, repaired, and painted as needed to prolong their economic life. Periodic inspection of the posts, gates, hinges, and latches is also recommended, and it is important that posts and footings be protected to prevent soil erosion. In addition, care should be taken so that damage from string trimmers is minimized.

- Net Posts. We have assumed that the new posts will be replaced when the asphalt pavement is replaced.

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

End of Condition Assessment

CASH FLOW METHOD ACCOUNTING SUMMARY

This Pilot Point - Cash Flow Method Accounting Summary is an attachment to the Pilot Point - Replacement Reserve Study dated Revised April 10, 2018 and is for use by accounting and reserve professionals experienced in Association funding and accounting principles. This Summary consists of four reports, the 2018, 2019, and 2020 Cash Flow Method Category Funding Reports (3) and a Three-Year Replacement Funding Report.

- CASH FLOW METHOD CATEGORY FUNDING REPORT, 2018, 2019, and 2020. Each of the 42 Projected Replacements listed in the Pilot Point Replacement Reserve Inventory has been assigned to one of 4 categories. The following information is summarized by category in each report:
  - Normal Economic Life and Remaining Economic Life of the Projected Replacements.
  - Cost of all Scheduled Replacements in each category.
  - Replacement Reserves on Deposit allocated to the category at the beginning and end of the report period.
  - Cost of Projected Replacements in the report period.
  - Recommended Replacement Reserve Funding allocated to the category during the report period as calculated by the Cash Flow Method.

- THREE-YEAR REPLACEMENT FUNDING REPORT. This report details the allocation of the $230,440 Beginning Balance (at the start of the Study Year) and the $204,923 of additional Replacement Reserve Funding in 2018 through 2020 (as calculated in the Replacement Reserve Analysis) to each of the 42 Projected Replacements listed in the Replacement Reserve Inventory. These allocations have been made using Chronological Allocation, a method developed by Miller Dodson Associates, Inc., and discussed below. The calculated data includes:
  - Identification and estimated cost of each Projected Replacement scheduled in years 2018 through 2020.
  - Allocation of the $230,440 Beginning Balance to the Projected Replacements by Chronological Allocation.
  - Allocation of the $204,923 of additional Replacement Reserve Funding recommended in the Replacement Reserve Analysis in years 2018 through 2020, by Chronological Allocation.

- CHRONOLOGICAL ALLOCATION. Chronological Allocation assigns Replacement Reserves to Projected Replacements on a "first come, first serve" basis in keeping with the basic philosophy of the Cash Flow Method. The Chronological Allocation methodology is outlined below.
  - The first step is the allocation of the $230,440 Beginning Balance to the Projected Replacements in the Study Year. Remaining unallocated funds are next allocated to the Projected Replacements in subsequent years in chronological order until the total of Projected Replacements in the next year is greater than the unallocated funds. Projected Replacements in this year are partially funded with each replacement receiving percentage funding. The percentage of funding is calculated by dividing the unallocated funds by the total of Projected Replacements in the partially funded year.

    At Pilot Point the Beginning Balance funds all Scheduled Replacements in the Study Year through 2019 and provides partial funding (30%) of replacements scheduled in 2020.
  - The next step is the allocation of the $68,308 of 2018 Cash Flow Method Reserve Funding calculated in the Replacement Reserve Analysis. These funds are first allocated to fund the partially funded Projected Replacements and then to subsequent years in chronological order as outlined above.

    At Pilot Point the Beginning Balance and the 2018 Replacement Reserve Funding, funds replacements through 2022 and partial funds (31.0%) replacements in 2023.
  - Allocations of the 2019 and 2020 Reserve Funding are done using the same methodology.
  - The Three-Year Replacement Funding Report details component by component allocations made by Chronological Allocation.

2018 - CASH FLOW METHOD CATEGORY FUNDING REPORT

Each of the 42 Projected Replacements included in the Pilot Point Replacement Reserve Inventory has been assigned to one of the 4 categories listed in TABLE CF1 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- A Beginning Balance of $230,440 as of the first day of the Study Year, January 1, 2018.
- Total reserve funding (including the Beginning Balance) of $298,748 in the Study Year.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory in 2018 being accomplished in 2018 at a cost of $201,252.

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

2018 - CASH FLOW METHOD CATEGORY FUNDING - TABLE CF1

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2018 BEGINNING BALANCE	2018 RESERVE FUNDING	2018 PROJECTED REPLACEMENTS	2018 END OF YEAR BALANCE
SITE COMPONENTS	6 to 40 years	0 to 37 years	$757,738	$174,700	$11,883	($174,700)	$11,883
SITE COMPONENTS (cont.)	15 to 40 years	1 to 40 years	$42,540	$6,540			$6,540
BUILDING EXTERIORS	5 to 40 years	0 to 36 years	$906,652	$26,551	$3,873	($26,551)	$3,873
RECREATION	5 to 20 years	2 to 9 years	$93,680	$22,648	$52,552		$75,200

2019 - CASH FLOW METHOD CATEGORY FUNDING REPORT

Each of the 42 Projected Replacements included in the Pilot Point Replacement Reserve Inventory has been assigned to one of the 4 categories listed in TABLE CF2 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $97,496 on January 1, 2019.
- Total reserve funding (including the Beginning Balance) of $367,056 from 2018 through 2019.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory in 2019 being accomplished in 2019 at a cost of $6,540.

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

2019 - CASH FLOW METHOD CATEGORY FUNDING - TABLE CF2

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2019 BEGINNING BALANCE	2019 RESERVE FUNDING	2019 PROJECTED REPLACEMENTS	2019 END OF YEAR BALANCE
SITE COMPONENTS	6 to 40 years	2 to 36 years	$757,738	$11,883	$56,506		$68,389
SITE COMPONENTS (cont.)	15 to 40 years	0 to 39 years	$42,540	$6,540		($6,540)	
BUILDING EXTERIORS	5 to 40 years	4 to 35 years	$906,652	$3,873	$8,627		$12,500
RECREATION	5 to 20 years	1 to 8 years	$93,680	$75,200	$3,175		$78,375

2020 - CASH FLOW METHOD CATEGORY FUNDING REPORT

Each of the 42 Projected Replacements included in the Pilot Point Replacement Reserve Inventory has been assigned to one of the 4 categories listed in TABLE CF3 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $159,264 on January 1, 2020.
- Total Replacement Reserve funding (including the Beginning Balance) of $435,363 from 2018 to 2020.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory in 2020 being accomplished in 2020 at a cost of $75,200.

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

2020 - CASH FLOW METHOD CATEGORY FUNDING - TABLE CF3

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2020 BEGINNING BALANCE	2020 RESERVE FUNDING	2020 PROJECTED REPLACEMENTS	2020 END OF YEAR BALANCE
SITE COMPONENTS	6 to 40 years	1 to 35 years	$757,738	$68,389	$41,180		$109,569
SITE COMPONENTS (cont.)	15 to 40 years	13 to 38 years	$42,540				
BUILDING EXTERIORS	5 to 40 years	3 to 34 years	$906,652	$12,500	($0)		$12,500
RECREATION	5 to 20 years	0 to 7 years	$93,680	$78,375	$27,128	($75,200)	$30,303

CASH FLOW METHOD - THREE-YEAR REPLACEMENT FUNDING REPORT

TABLE CF4 below details the allocation of the $230,440 Beginning Balance, as reported by the Association and the $204,923 of Replacement Reserve Funding calculated by the Cash Flow Method from 2018 to 2020, to the 42 Projected Replacements listed in the Replacement Reserve Inventory. These allocations have been made by Chronological Allocation, a method developed by Miller Dodson Associates, Inc., and outlined on Page CF1. The accuracy of the allocations is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $230,440 on January 1, 2018.
- Replacement Reserves on Deposit totaling $97,496 on January 1, 2019.
- Replacement Reserves on Deposit totaling $159,264 on January 1, 2020.
- Total Replacement Reserve funding (including the Beginning Balance) of $435,363 from 2018 to 2020.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory from 2018 to 2020 being accomplished as scheduled in the Replacement Reserve Inventory at a cost of $282,992.

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

CASH FLOW METHOD - THREE-YEAR REPLACEMENT FUNDING - TABLE CF4

Item #	Description of Projected Replacement	Estimated Replacement Costs	Allocation of Beginning Balance	2018 Reserve Funding	2018 Projected Replacements	2018 End of Year Balance	2019 Reserve Funding	2019 Projected Replacements	2019 End of Year Balance	2020 Reserve Funding	2020 Projected Replacements	2020 End of Year Balance
	SITE COMPONENTS											
1	Asphalt pavement, overlay	174,700	174,700		(174,700)							
2	Asphalt pavement, seal coat, slurry	37,058					37,058		37,058			37,058
3	Concrete curb & gutter, barrier (6%)	10,437		3,234		3,234	7,203		10,437			10,437
4	Concrete flatwork (6%)	1,775		550		550	1,225		1,775			1,775
5	B1 Wood walkway, PTL structure	9,003										
6	B1 Wood ped. bridge, PTL structure	82,425										
7	B1 Wood PTL decking (50%)	10,406					2,197		2,197	8,209		10,406
8	B2 Wood walkway, PTL structure	10,725										
9	B2 Wood ped. bridge, PTL structure	97,988										
10	B2 Wood PTL decking (50%)	12,375					2,612		2,612	9,763		12,375
11	B3 Wood walkway, PTL structure	9,068										
12	B3 Wood ped. bridge, PTL structure	82,844										
13	B3 Wood PTL decking (50%)	10,463					2,209		2,209	8,254		10,463
14	B4 Wood walkway, PTL structure	8,515										
15	B4 Wood ped. bridge, PTL structure	78,024										
16	B4 Wood PTL decking (50%)	9,844					2,078		2,078	7,766		9,844
17	B5 Wood walkway, PTL structure	9,360										
18	B5 Wood ped. bridge, PTL structure	85,517										
19	B5 Wood PTL decking (50%)	9,113					1,924		1,924	7,189		9,113
20	Wood PTL decking - tennis court	8,100		8,100		8,100			8,100			8,100
	SITE COMPONENTS (cont.)											
21	Fence, 6' PTL-wood board	6,540	6,540			6,540		(6,540)				
22	Entrance monument, carved wood sign	6,000										
23	Storm water mgmt	30,000										
	BUILDING EXTERIORS											
24	T1 - Roofing, asphalt shingles	47,472										
25	T1 - Roofing, flat membrane (EPDM)	6,732										
26	T1 - Siding & trim, cementitions	138,012										
27	T2 - Roofing, asphalt shingles Bldg 4	26,551	26,551		(26,551)							
28	T2 - Roofing, asphalt shingles	65,108										
29	T2 - Roofing, flat membrane (EPDM)	20,570										
30	T2 - Siding & trim, cementitions	260,253										
31	T3 - Roofing, asphalt shingles	52,624										
32	T3 - Roofing, flat membrane (EPDM)	4,620										
33	T3 - Siding & trim, cementitions	110,271										
34	T4 - Roofing, asphalt shingles	32,734										
35	T4 - Roofing, flat membrane (EPDM)	36,080										
36	T4 - Siding & trim, cementitions	93,125										
37	Pilings	12,500		3,873		3,873	8,627		12,500			12,500
	RECREATION											

CASH FLOW METHOD - THREE-YEAR REPLACEMENT FUNDING - TABLE CF4 cont'd

Item #	Description of Projected Replacement	Estimated Replacement Costs	Allocation of Beginning Balance	2018 Reserve Funding	2018 Projected Replacements	2018 End of Year Balance	2019 Reserve Funding	2019 Projected Replacements	2019 End of Year Balance	2020 Reserve Funding	2020 Projected Replacements	2020 End of Year Balance
38	Tennis court, asphalt overlay	57,600	17,348	40,252		57,600			57,600		(57,600)	
39	Tennis court, color coat	14,400	4,337	10,063		14,400	3,040		17,440	11,360	(14,400)	14,400
40	Tennis court, post & footings	2,560	771	1,789		2,560			2,560		(2,560)	
41	Tennis court, net	640	193	447		640	135		775	505	(640)	640
42	Tennis court, fence	18,480								15,263		15,263

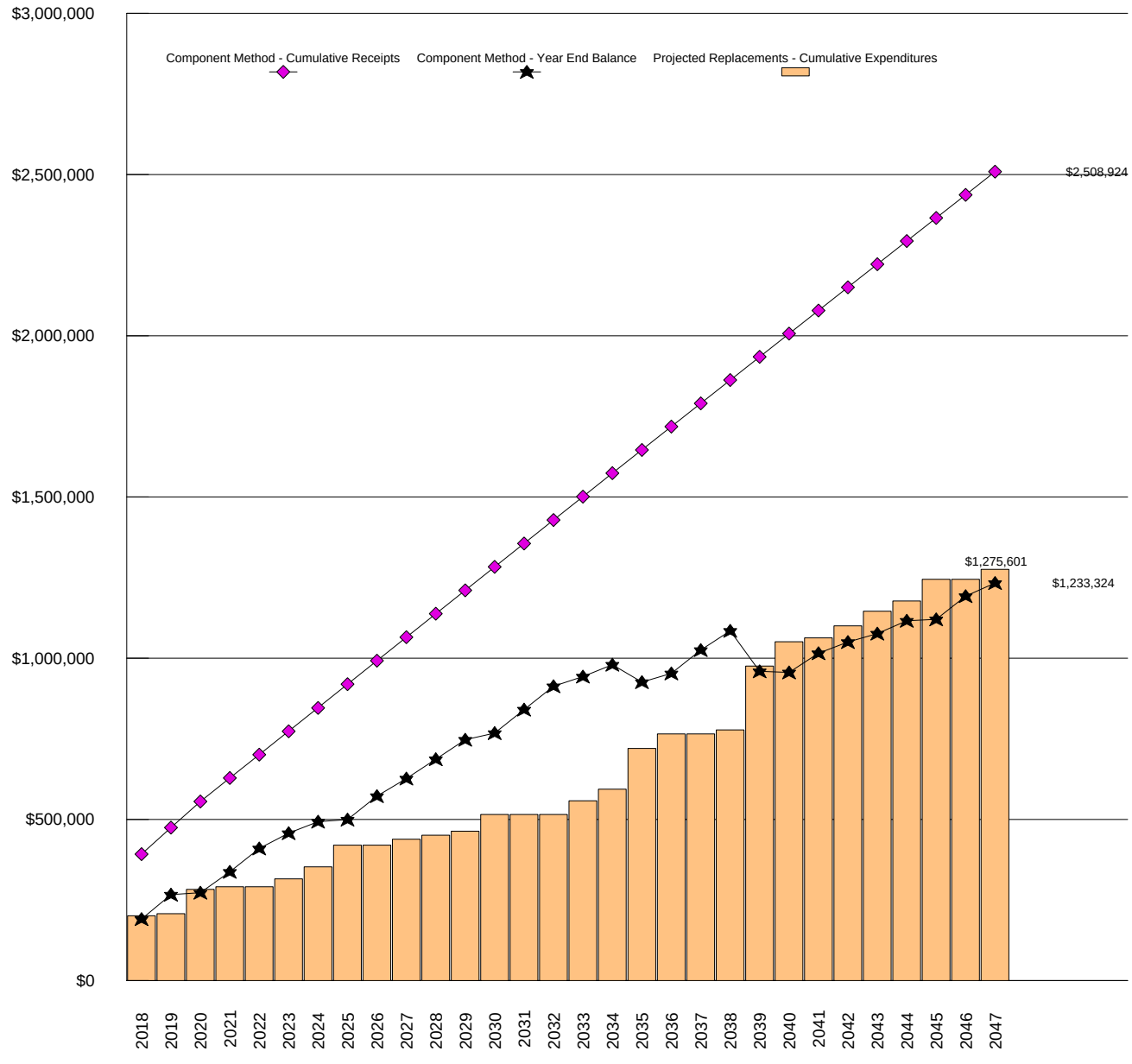
COMPONENT METHOD

$161,860 **COMPONENT METHOD RECOMMENDED ANNUAL FUNDING OF REPLACEMENT RESERVES IN THE STUDY YEAR, 2018.**

$224.80 Per unit (average), recommended monthly funding of Replacement Reserves

General. The Component Method (also referred to as the Full Funded Method) is a very conservative mathematical model developed by HUD in the early 1980s. Each of the 42 Projected Replacements listed in the Replacement Reserve Inventory is treated as a separate account. The Beginning Balance is allocated to each of the individual accounts, as is all subsequent funding of Replacement Reserves. These funds are "locked" in these individual accounts and are not available to fund other Projected Replacements. The calculation of Recommended Annual Funding of Replacement Reserves is a multi-step process outlined in more detail on Page CM2.

Component Method - Cumulative Receipts and Expenditures Graph



COMPONENT METHOD (cont'd)

- Current Funding Objective. A Current Funding Objective is calculated for each of the Projected Replacements listed in the Replacement Reserve Inventory. Replacement Cost is divided by the Normal Economic Life to determine the nominal annual contribution. The Remaining Economic Life is then subtracted from the Normal Economic Life to calculate the number of years that the nominal annual contribution should have been made. The two values are then multiplied to determine the Current Funding Objective. This is repeated for each of the 42 Projected Replacements. The total, $403,729, is the Current Funding Objective.

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

- Funding Percentage. The Funding Percentage is calculated by dividing the Beginning Balance ($230,440) by the Current Funding Objective ($403,729). At Pilot Point the Funding Percentage is 57.1%

- Allocation of the Beginning Balance. The Beginning Balance is divided among the 42 Projected Replacements in the Replacement Reserve Inventory. The Current Funding Objective for each Projected Replacement is multiplied by the Funding Percentage and these funds are then "locked" into the account of each item.

  If we relate this calculation back to our fence example, it means that the Association has not accumulated $800 in Reserves (the Funding Objective), but rather at 57.1 percent funded, there is $457 in the account for the fence.

- Annual Funding. The Recommended Annual Funding of Replacement Reserves is then calculated for each Projected Replacement. The funds allocated to the account of the Projected Replacement are subtracted from the Replacement Cost. The result is then divided by the number of years until replacement, and the result is the annual funding for each of the Projected Replacements. The sum of these is $161,860, the Component Method Recommended Annual Funding of Replacement Reserves in the Study Year (2018).

  In our fence example, the $457 in the account is subtracted from the $1,000 Total Replacement Cost and divided by the 2 years that remain before replacement, resulting in an annual deposit of $272. Next year, the deposit remains $272, but in the third year, the fence is replaced and the annual funding adjusts to $100.

- Adjustment to the Component Method for interest and inflation. The calculations in the Replacement Reserve Analysis do not account for interest earned on Replacement Reserves, inflation, or a constant annual increase in Annual Funding of Replacement Reserves. The Component Method is a very conservative method and if the Analysis is updated regularly, adequate funding will be maintained without the need for adjustments.

Component Method Data - Years 1 through 30

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning balance	$230,440									
Recommended annual funding	$161,860	$82,363	$81,077	$72,900	$72,262	$72,262	$72,679	$73,561	$73,001	$73,001
Interest on reserves										
Expenditures	$201,252	$6,540	$75,200	$8,100		$24,712	$37,058	$67,240		$18,480
Year end balance	$191,048	$266,871	$272,748	$337,548	$409,810	$457,361	$492,983	$499,304	$572,305	$626,827
Cumulative Expenditures	$201,252	$207,792	$282,992	$291,092	$291,092	$315,803	$352,861	$420,101	$420,101	$438,581
Cumulative Receipts	$392,300	$474,663	$555,740	$628,639	$700,902	$773,164	$845,843	$919,405	$992,406	$1,065,407

Year	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Recommended annual funding	$72,605	$72,605	$72,605	$72,605	$72,605	$72,605	$72,730	$72,335	$72,224	$72,224
Interest on reserves										
Expenditures	$12,500	$12,212	$52,098			$42,500	$36,080	$126,122	$45,158	
Year end balance	$686,931	$747,325	$767,832	$840,436	$913,041	$943,146	$979,795	$926,009	$953,075	$1,025,298
Cumulative Expenditures	$451,081	$463,292	$515,390	$515,390	$515,390	$557,890	$593,970	$720,091	$765,249	$765,249
Cumulative Receipts	$1,138,012	$1,210,617	$1,283,221	$1,355,826	$1,428,431	$1,501,036	$1,573,765	$1,646,100	$1,718,324	$1,790,547

Year	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
Recommended annual funding	$72,224	$72,224	$71,760	$71,760	$71,760	$71,760	$71,760	$71,709	$71,709	$71,709
Interest on reserves										
Expenditures	$12,500	$197,938	$75,200	$12,212	$37,058	$45,591	$31,922	$67,240		$30,692
Year end balance	$1,085,022	$959,308	$955,868	$1,015,417	$1,050,119	$1,076,288	$1,116,127	$1,120,596	$1,192,306	$1,233,324
Cumulative Expenditures	$777,749	$975,687	$1,050,887	$1,063,099	$1,100,156	$1,145,747	$1,177,669	$1,244,909	$1,244,909	$1,275,601
Cumulative Receipts	$1,862,771	$1,934,995	$2,006,755	$2,078,515	$2,150,275	$2,222,036	$2,293,796	$2,365,505	$2,437,215	$2,508,924

COMPONENT METHOD ACCOUNTING SUMMARY

This Pilot Point - Component Method Accounting Summary is an attachment to the Pilot Point - Replacement Reserve Study dated Revised April 10, 2018 and is for use by accounting and reserve professionals experienced in Association funding and accounting principles. This Summary consists of four reports, the 2018, 2019, and 2020 Component Method Category Funding Reports (3) and a Three-Year Replacement Funding Report.

- COMPONENT METHOD CATEGORY FUNDING REPORT, 2018, 2019, and 2020. Each of the 42 Projected Replacements listed in the Pilot Point Replacement Reserve Inventory has been assigned to one of 4 categories. The following information is summarized by category in each report:
  - Normal Economic Life and Remaining Economic Life of the Projected Replacements.
  - Cost of all Scheduled Replacements in each category.
  - Replacement Reserves on Deposit allocated to the category at the beginning and end of the report period.
  - Cost of Projected Replacements in the report period.
  - Recommended Replacement Reserve Funding allocated to the category during the report period as calculated by the Component Method.
- THREE-YEAR REPLACEMENT FUNDING REPORT. This report details the allocation of the $230,440 Beginning Balance (at the start of the Study Year) and the $325,300 of additional Replacement Reserve funding from 2018 to 2020 (as calculated in the Replacement Reserve Analysis) to each of the 42 Projected Replacements listed in the Replacement Reserve Inventory. These allocations have been made using the Component Method as outlined in the Replacement Reserve Analysis.
  The calculated data includes:
  - Identification and estimated cost of each Projected Replacement schedule in years 2018 through 2020.
  - Allocation of the $230,440 Beginning Balance to the Projected Replacements by the Component Method.
  - Allocation of the $325,300 of additional Replacement Reserve Funding recommended in the Replacement Reserve Analysis in years 2018 through 2020, by the Component Method.

2018 - COMPONENT METHOD CATEGORY FUNDING REPORT

Each of the 42 Projected Replacements included in the Pilot Point Replacement Reserve Inventory has been assigned to one of the 4 categories listed in TABLE CM1 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- A Beginning Balance of $230,440 as of the first day of the Study Year, January 1, 2018.
- Total reserve funding (including the Beginning Balance) of $392,300 in the Study Year.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory in 2018 being accomplished in 2018 at a cost of $201,252.

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

2018 - COMPONENT METHOD CATEGORY FUNDING - TABLE CM1

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2018 BEGINNING BALANCE	2018 RESERVE FUNDING	2018 PROJECTED REPLACEMENTS	2018 END OF YEAR BALANCE
SITE COMPONENTS	6 to 40 years	0 to 37 years	$757,738	$123,909	$102,628	$174,700	$51,836
SITE COMPONENTS (cont.)	15 to 40 years	1 to 40 years	$42,540	$3,422	$3,580		$7,002
BUILDING EXTERIORS	5 to 40 years	0 to 36 years	$906,652	$65,214	$40,138	$26,551	$78,801
RECREATION	5 to 20 years	2 to 9 years	$93,680	$37,895	$15,514		$53,409

2019 - COMPONENT METHOD CATEGORY FUNDING REPORT

Each of the 42 Projected Replacements included in the Pilot Point Replacement Reserve Inventory has been assigned to one of the 4 categories listed in TABLE CM2 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $191,048 on January 1, 2019.
- Total reserve funding (including the Beginning Balance) of $474,663 from 2018 through 2019.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory in 2019 being accomplished in 2019 at a cost of $6,540.

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

2019 - COMPONENT METHOD CATEGORY FUNDING - TABLE CM2

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2019 BEGINNING BALANCE	2019 RESERVE FUNDING	2019 PROJECTED REPLACEMENTS	2019 END OF YEAR BALANCE
SITE COMPONENTS	6 to 40 years	2 to 36 years	$757,738	$51,836	$33,466		$85,302
SITE COMPONENTS (cont.)	15 to 40 years	0 to 39 years	$42,540	$7,002	$3,580	$6,540	$4,043
BUILDING EXTERIORS	5 to 40 years	4 to 35 years	$906,652	$78,801	$29,804		$108,605
RECREATION	5 to 20 years	1 to 8 years	$93,680	$53,409	$15,514		$68,922

2020 - COMPONENT METHOD CATEGORY FUNDING REPORT

Each of the 42 Projected Replacements included in the Pilot Point Replacement Reserve Inventory has been assigned to one of the 4 categories listed in TABLE CM3 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $266,871 on January 1, 2020.
- Total Replacement Reserve funding (including the Beginning Balance) of $555,740 from 2018 to 2020.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory in 2020 being accomplished in 2020 at a cost of $75,200.

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

2020 - COMPONENT METHOD CATEGORY FUNDING - TABLE CM3

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2020 BEGINNING BALANCE	2020 RESERVE FUNDING	2020 PROJECTED REPLACEMENTS	2020 END OF YEAR BALANCE
SITE COMPONENTS	6 to 40 years	1 to 35 years	$757,738	$85,302	$33,466		$118,768
SITE COMPONENTS (cont.)	15 to 40 years	13 to 38 years	$42,540	$4,043	$2,294		$6,337
BUILDING EXTERIORS	5 to 40 years	3 to 34 years	$906,652	$108,605	$29,804		$138,408
RECREATION	5 to 20 years	0 to 7 years	$93,680	$68,922	$15,514	$75,200	$9,236

COMPONENT METHOD - THREE-YEAR REPLACEMENT FUNDING REPORT

TABLE CM4 below details the allocation of the $230,440 Beginning Balance, as reported by the Association and the $325,300 of Replacement Reserve Funding calculated by the Cash Flow Method from 2018 to 2020, to the 42 Projected Replacements listed in the Replacement Reserve Inventory. These allocations have been made by Chronological Allocation, a method developed by Miller Dodson Associates, Inc., and outlined on Page CF1. The accuracy of the allocations is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $230,440 on January 1, 2018.
- Replacement Reserves on Deposit totaling $191,048 on January 1, 2019.
- Replacement Reserves on Deposit totaling $266,871 on January 1, 2020.
- Total Replacement Reserve funding (including the Beginning Balance) of $555,740 from 2018 to 2020.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory from 2018 to 2020 being accomplished as scheduled in the Replacement Reserve Inventory at a cost of $282,992.

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

COMPONENT METHOD - THREE-YEAR REPLACEMENT FUNDING - TABLE CM4

Item #	Description of Projected Replacement	Estimated Replacement Costs	Allocation of Beginning Balance	2018 Reserve Funding	2018 Projected Replacements	2018 End of Year Balance	2019 Reserve Funding	2019 Projected Replacements	2019 End of Year Balance	2020 Reserve Funding	2020 Projected Replacements	2020 End of Year Balance
	SITE COMPONENTS											
1	Asphalt pavement, overlay	174,700	99,715	74,985	(174,700)		5,823		5,823	5,823		11,647
2	Asphalt pavement, seal coat, slurry	37,058		5,294		5,294	5,294		10,588	5,294		15,882
3	Concrete curb & gutter, barrier (6%)	10,437		1,740		1,740	1,740		3,479	1,740		5,219
4	Concrete flatwork (6%)	1,775		296		296	296		592	296		887
5	B1 Wood walkway, PTL structure	9,003	514	472		985	472		1,457	472		1,929
6	B1 Wood ped. bridge, PTL structure	82,425	2,352	2,107		4,460	2,107		6,567	2,107		8,674
7	B1 Wood PTL decking (50%)	10,406	1,188	1,152		2,340	1,152		3,493	1,152		4,645
8	B2 Wood walkway, PTL structure	10,725	612	562		1,174	562		1,736	562		2,298
9	B2 Wood ped. bridge, PTL structure	97,988	2,796	2,505		5,302	2,505		7,807	2,505		10,312
10	B2 Wood PTL decking (50%)	12,375	1,413	1,370		2,783	1,370		4,153	1,370		5,524
11	B3 Wood walkway, PTL structure	9,068	518	475		993	475		1,468	475		1,943
12	B3 Wood ped. bridge, PTL structure	82,844	2,364	2,118		4,482	2,118		6,600	2,118		8,718
13	B3 Wood PTL decking (50%)	10,463	1,194	1,159		2,353	1,159		3,511	1,159		4,670
14	B4 Wood walkway, PTL structure	8,515	486	446		932	446		1,378	446		1,824
15	B4 Wood ped. bridge, PTL structure	78,024	2,227	1,995		4,221	1,995		6,216	1,995		8,211
16	B4 Wood PTL decking (50%)	9,844	1,124	1,090		2,214	1,090		3,304	1,090		4,394
17	B5 Wood walkway, PTL structure	9,360	534	490		1,025	490		1,515	490		2,005
18	B5 Wood ped. bridge, PTL structure	85,517	2,441	2,186		4,627	2,186		6,813	2,186		8,999
19	B5 Wood PTL decking (50%)	9,113	1,040	1,009		2,049	1,009		3,058	1,009		4,067
20	Wood PTL decking - tennis court	8,100	3,390	1,177		4,568	1,177		5,745	1,177		6,923
	SITE COMPONENTS (cont.)											
21	Fence, 6' PTL-wood board	6,540	3,422	1,559		4,981	1,559	(6,540)		273		273
22	Entrance monument, carved wood sign	6,000		146		146	146		293	146		439
23	Storm water mgmt	30,000		1,875		1,875	1,875		3,750	1,875		5,625
	BUILDING EXTERIORS											
24	T1 - Roofing, asphalt shingles	47,472	3,252	2,010		5,262	2,010		7,272	2,010		9,282
25	T1 - Roofing, flat membrane (EPDM)	6,732	384	235		619	235		854	235		1,090
26	T1 - Siding & trim, cementitions	138,012	5,908	3,570		9,478	3,570		13,049	3,570		16,619
27	T2 - Roofing, asphalt shingles Bldg 4	26,551	15,155	11,396	(26,551)		1,062		1,062	1,062		2,124
28	T2 - Roofing, asphalt shingles	65,108	4,459	2,757		7,216	2,757		9,973	2,757		12,730
29	T2 - Roofing, flat membrane (EPDM)	20,570	1,174	718		1,892	718		2,611	718		3,329
30	T2 - Siding & trim, cementitions	260,253	11,141	6,733		17,874	6,733		24,607	6,733		31,339
31	T3 - Roofing, asphalt shingles	52,624	3,604	2,228		5,833	2,228		8,061	2,228		10,289
32	T3 - Roofing, flat membrane (EPDM)	4,620	264	161		425	161		586	161		748
33	T3 - Siding & trim, cementitions	110,271	4,721	2,853		7,573	2,853		10,426	2,853		13,279
34	T4 - Roofing, asphalt shingles	32,734	2,242	1,386		3,628	1,386		5,014	1,386		6,400
35	T4 - Roofing, flat membrane (EPDM)	36,080	8,924	1,597		10,521	1,597		12,119	1,597		13,716
36	T4 - Siding & trim, cementitions	93,125	3,987	2,409		6,396	2,409		8,805	2,409		11,214
37	Pilings	12,500		2,083		2,083	2,083		4,167	2,083		6,250
	RECREATION											

COMPONENT METHOD - THREE-YEAR REPLACEMENT FUNDING - TABLE CM4 cont'd

Item #	Description of Projected Replacement	Estimated Replacement Costs	Allocation of Beginning Balance	2018 Reserve Funding	2018 Projected Replacements	2018 End of Year Balance	2019 Reserve Funding	2019 Projected Replacements	2019 End of Year Balance	2020 Reserve Funding	2020 Projected Replacements	2020 End of Year Balance
38	Tennis court, asphalt overlay	57,600	27,945	9,885		37,830	9,885		47,715	9,885	(57,600)	
39	Tennis court, color coat	14,400	3,288	3,704		6,992	3,704		10,696	3,704	(14,400)	
40	Tennis court, post & footings	2,560	1,242	439		1,681	439		2,121	439	(2,560)	
41	Tennis court, net	640	146	165		311	165		475	165	(640)	
42	Tennis court, fence	18,480	5,274	1,321		6,595	1,321		7,915	1,321		9,236

1. COMMON INTEREST DEVELOPMENTS - AN OVERVIEW

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

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

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

2. REPLACEMENT RESERVE STUDY

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

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

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

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

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

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

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

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

3. METHODS OF ANALYSIS

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

- Cash Flow Method. The Cash Flow Method is sometimes referred to as the "Pooling Method." It calculates the minimum constant annual contribution to reserves (Minimum Annual Deposit) required to meet projected expenditures without allowing total reserves on hand to fall below the specified minimum level in any year.

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

- Component Method. This method is a time tested mathematical model developed by HUD in the early 1980s, but has been generally relegated to a few States that require it by law. For the vast majority of Miller - Dodson's clients, this method is not used.

  The Component Method treats each item in the replacement schedule as an individual line item budget. Generally, the Minimum Annual Contribution to Reserves is higher when calculated by the Component Method. The mathematical model for this method works as follows:

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

4. REPLACEMENT RESERVE STUDY DATA

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

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

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

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

5. DEFINITIONS

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

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

Cash Flow Analysis. See Cash Flow Method, above.

Component Analysis. See Component Method, above.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

What is a Reserve Study?
Who are we?

https://youtu.be/m4BcOE6q3Aw

What kind of property uses a Reserve Study?
Who are our clients?

https://youtu.be/40SodajTW1g

Who conducts a Reserve Study?
Reserve Specialist (RS) what does this mean?

https://youtu.be/pYSMZO13VjQ

When should a Reserve Study be updated?
What are the different types of Reserve Studies?

https://youtu.be/Qx8WHB9Cgnc

What is in a Reserve Study and what is out?
Improvement vs Component, is there a difference?

https://youtu.be/ZfBoAEhtf3E

What is my role as a Community Manager?
Will the report help me explain Reserves to my clients?

https://youtu.be/1J2h7FIU3qw

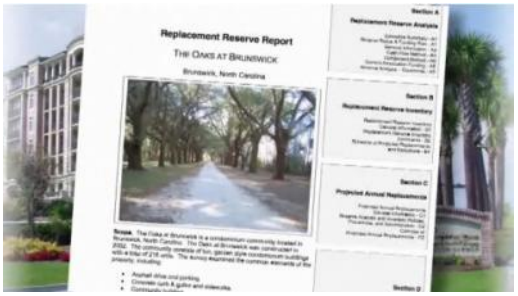
What is my role as a Board Member?
Will a Reserve Study meet my community's needs?

https://youtu.be/aARD1B1Oa3o

Community dues, how can a Reserve Study help?
Will a study help keep my property competitive?

https://youtu.be/diZfM1IyJYU

How do I read the report?
Will I have a say in what the report contains?



https://youtu.be/qCeVJhFf9ag

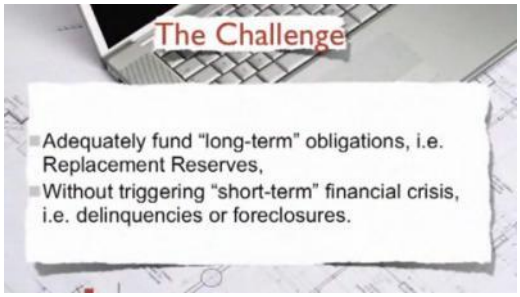
Where do the numbers come from?
Cumulative expenditures and funding, what?

https://youtu.be/SePdwVDvHWI

How are interest and inflation addressed?
What should we look at when considering inflation?

https://youtu.be/W8CDLwRIv68

A community needs more help, where do we go?
What is a Strategic Funding Plan?



https://youtu.be/hIxV9X1tIcA