

## Association Reserve Consultants, Inc.

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## Paradise Cove St. George, Utah



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Date: October 9, 2020 9263*

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# **Important Information**

This document has been provided pursuant to an agreement containing restrictions on its use. No part of this document may be copied or distributed, in any form or by any means, nor disclosed to third parties without the expressed written permission of Association Reserve Consultants, Inc. The client shall have the right to reproduce and distribute copies of this report, or the information contained within, as may be required for compliance with all applicable regulations.

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

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

We recommend that your reserve analysis study be updated on an annual basis due to fluctuating interest rates, inflationary changes, and the unpredictable nature of the lives of many of the assets under consideration. All of the information collected during our inspection of the association and computations made subsequently in preparing this reserve analysis study are retained in our computer files. Therefore, annual updates may be completed quickly and inexpensively each year.

Association Reserve Consultants, Inc. would like to thank you for using our services. We invite you to call us at any time, should you have questions, comments or need assistance. In addition, any of the parameters and estimates used in this study may be changed at your request, after which we will provide a revised study.

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

# Part I

## Introduction

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

## Funding Options

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

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

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

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

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

The fourth option is to pass a "**special assessment**" to the membership in an amount required to cover the expenditure. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure, if necessary. However, an association considering a special assessment cannot guarantee that an assessment, when needed, will be passed. Consequently, the association cannot guarantee its ability to perform the required repairs or replacements to those major components for which it is obligated when the need arises. Additionally, while relatively new communities require very little in the way of major "reserve" expenditures, associations reaching 12 to 15 years of age and older, find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, could be devastating to an association's overall budget.

## **Types of Reserve Studies**

Most reserve studies fit into one of three categories:

Full Reserve Study;

Update with site inspection; and

Update without site inspection.

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

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

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

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

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

### **Physical Analysis**

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

### **Developing a Component List**

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

## **Operational Expenses**

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

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

## **Reserve Expenses**

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

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

## **Budgeting is Normally Excluded for:**

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

## **Financial Analysis**

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

### **Preparing the Reserve Study**

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

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

### **Funding Methods**

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

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

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

## Funding Strategies

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

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

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

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

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

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

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

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

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

The "Distribution of Accumulated Reserves Report" is a "Component Funding Model" calculation. This

distribution **does not** apply to the cash flow funding models.

When calculating reserves based upon the component methodology, a beginning reserve balance must be allocated for each of the individual components considered in the analysis, before the individual calculations can be completed. When this distribution is not available, or of sufficient detail, the following method is suggested for allocating reserves:

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

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

$$\text{Fully Funded Reserves} = (\text{Age}/\text{Useful Life}) \times \text{Current Replacement Cost}$$

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

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

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

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

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

consideration.

### **Funding Reserves**

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

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

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

Part II of your Association Reserve Consultants, Inc. Report contains the reserve analysis study for your association. There are seven types of reports in the study as described below.

#### **Report Summaries**

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

#### **Index Reports**

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

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

### **Detail Reports**

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

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

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

### **Projections**

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

### **Definitions**

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

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

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

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

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

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

#### **Inflation**

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

#### **Annual Assessment Increase**

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

**Investment Yield Before Taxes**

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

**Taxes on Interest Yield**

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

**Projected Reserve Balance**

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

**Percent Fully Funded**

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

**Phase Increment Detail and/or Age**

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

**Monthly Assessment**

The assessment to reserves required by the association each month.

**Interest Contribution (After Taxes)**

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

**Total Monthly Allocation**

The sum of the monthly assessment and interest contribution figures.

**Group and Category**

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

**Percentage of Replacement or Repairs**

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

**Placed-In-Service Date**

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

**Estimated Useful Life**

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

**Adjustment to Useful Life**

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

**Estimated Remaining Life**

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

was placed-in-service.

**Replacement Year**

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

**Annual Fixed Reserves**

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

**Fixed Assessment**

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

**Salvage Value**

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

**One-Time Replacement**

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

**Current Replacement Cost**

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

**Future Replacement Cost**

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

**Component Inventory**

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

## A Multi-Purpose Tool

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

In addition, your Association Reserve Consultants, Inc. reserve study serves a variety of useful purposes:

- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.
- A reserve analysis study is required by your accountant during the preparation of the association's annual audit.
- The Association Reserve Consultants, Inc. reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.
- Your Association Reserve Consultants, Inc. Report is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.
- Your Association Reserve Consultants, Inc. Report is a tool that can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated.
- The Association Reserve Consultants, Inc. reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.
- The Association Reserve Consultants, Inc. Owners' Summary meets the disclosure requirements of the Utah Civil Code and also the recently adopted ECHO standards.
- Your Association Reserve Consultants, Inc. Report provides a record of the time, cost, and quantities of past reserve replacements. At times the association's management company and board of directors are transitory which may result in the loss of these important records.

**Paradise Cove**  
 St. George, Utah  
**Current Assessment Funding Model Summary**

		<b>Report Parameters</b>
Report Date	October 9, 2020	2.00%
Account Number	9263	3.00%
Budget Year Beginning	January 1, 2021	0.35%
Budget Year Ending	December 31, 2021	30.00%
Total Units	62	3.00%
		2021 Beginning Balance
		\$111,265

The following parameters are part of this report:

- *The beginning balance in the reserve account as of 12/31/2020 is 111,265. ARC has inserted \$18,00 in reserve contributions for 2021.*
- *The report uses a 2% inflation rate and a 3% contribution increase for the 30 years.*
- *This is a preliminary report and any changes can be made before a final report is issued.*
- *ARC believes there is sufficient money to fund the projects listed in this report.*
- *ARC recommends an update be completed every 3 years.*

**Current Assessment Funding Model Summary of Calculations**

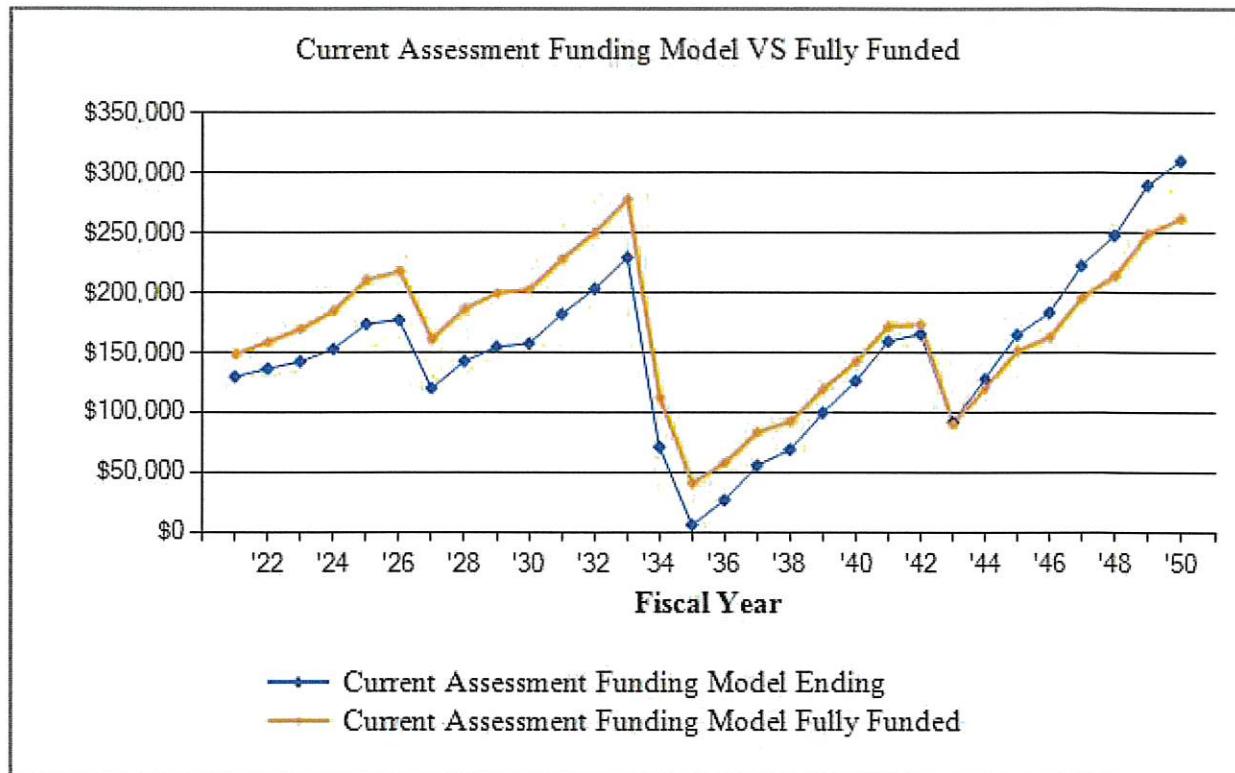
Required Month Contribution	\$1,500.00
<i>\$24.19 per unit monthly</i>	
Average Net Month Interest Earned	\$24.63
Total Month Allocation to Reserves	\$1,524.63
<i>\$24.59 per unit monthly</i>	

**Paradise Cove**  
**Current Assessment Funding Model Projection**

Beginning Balance: \$111,265

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2021	234,500	18,000	296		129,561	148,254	87%
2022	239,190	18,540	311	12,240	136,172	158,770	86%
2023	243,974	19,096	325	13,317	142,276	169,373	84%
2024	248,853	19,669	350	9,551	152,745	184,577	83%
2025	253,830	20,259	400		173,404	210,565	82%
2026	258,907	20,867	408	17,665	177,013	217,667	81%
2027	260,369	21,493	268	78,831	119,943	161,020	74%
2028	265,576	22,138	322		142,403	186,574	76%
2029	270,888	22,802	351	11,131	154,425	199,430	77%
2030	264,952	23,486	357	20,914	157,354	202,672	78%
2031	270,251	24,190	416		181,961	228,396	80%
2032	275,656	24,916	467	4,352	202,992	250,492	81%
2033	281,169	25,664	530		229,186	278,048	82%
2034	286,793	26,434	144	184,598	71,165	112,493	63%
2035	292,528	27,227		92,364	6,029	41,075	15%
2036	298,379	28,043	34	7,402	26,703	58,038	46%
2037	304,347	28,885	103		55,692	83,604	67%
2038	310,434	29,751	134	16,803	68,774	92,499	74%
2039	316,642	30,644	209		99,627	119,740	83%
2040	322,975	31,563	273	5,099	126,364	142,671	89%
2041	329,435	32,510	352		159,225	171,941	93%
2042	336,023	33,485	366	27,585	165,491	173,317	95%
2043	342,744	34,490	186	108,219	91,948	90,470	102%
2044	349,599	35,525	272		127,744	120,313	106%
2045	356,591	36,590	360		164,695	151,313	109%
2046	363,722	37,688	404	19,687	183,100	162,803	112%
2047	370,997	38,819	499		222,417	195,808	114%
2048	378,417	39,983	559	15,362	247,597	213,914	116%
2049	385,985	41,183	659		289,439	249,144	116%
2050	393,705	42,418	708	22,553	310,012	261,981	118%

**Paradise Cove**  
**Current Assessment Funding Model VS Fully Funded Chart**



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

**Paradise Cove**  
 St. George, Utah  
**Threshold Funding Model Summary**

		<i>Report Parameters</i>
Report Date	October 9, 2020	2.00%
Account Number	9263	3.00%
Budget Year Beginning	January 1, 2021	0.35%
Budget Year Ending	December 31, 2021	30.00%
Total Units	62	3.00%
		2021 Beginning Balance
		\$111,265

Threshold Summary

***Threshold Funding Model Summary of Calculations***

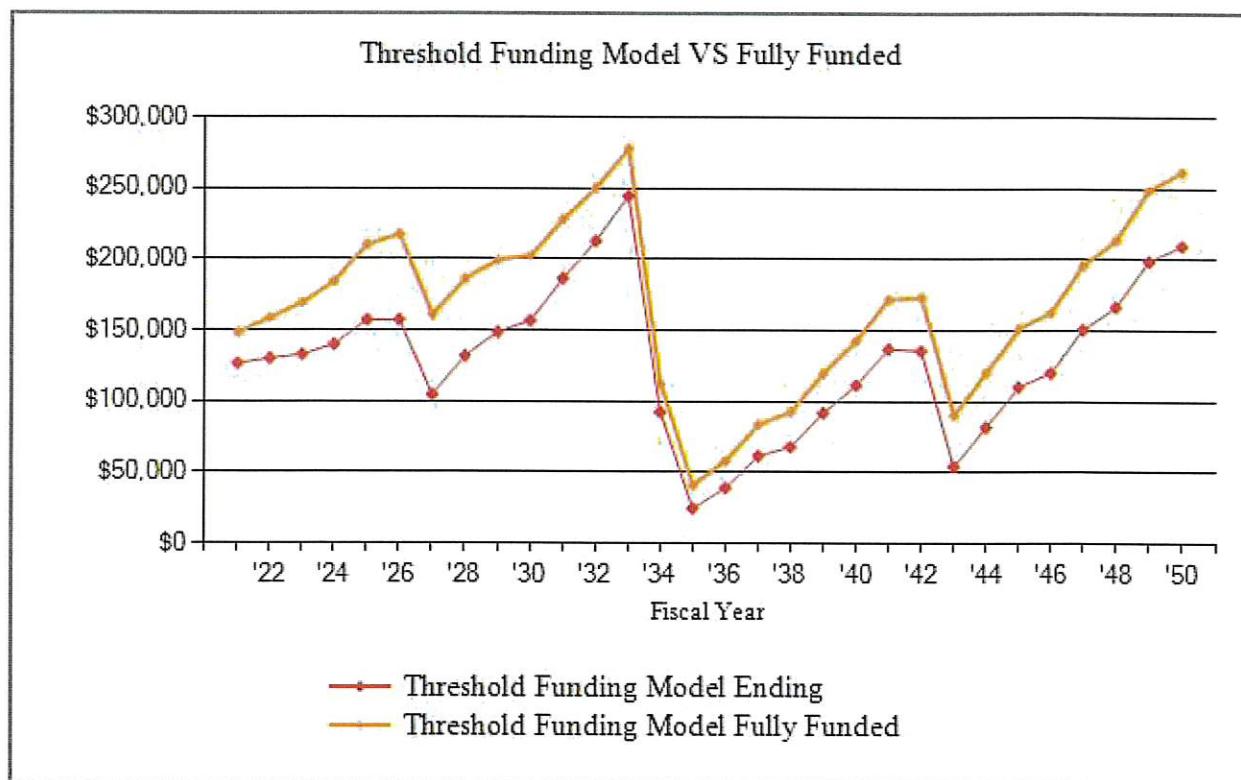
Required Month Contribution <i>\$20.14 per unit monthly</i>	\$1,248.38
Average Net Month Interest Earned	<u>\$24.30</u>
Total Month Allocation to Reserves <i>\$20.53 per unit monthly</i>	\$1,272.68

**Paradise Cove**  
**Threshold Funding Model Projection**

Beginning Balance: \$111,265

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Fully Funded Percent
2021	234,500	14,981	292		126,537	148,254	85%
2022	239,190	15,430	300	12,240	130,027	158,770	82%
2023	243,974	15,893	306	13,317	132,909	169,373	78%
2024	248,853	16,370	323	9,551	140,050	184,577	76%
2025	253,830	16,861	364		157,276	210,565	75%
2026	258,907	17,367	364	17,665	157,341	217,667	72%
2027	260,369	26,089	226	78,831	104,825	161,020	65%
2028	265,576	26,872	292		131,988	186,574	71%
2029	270,888	27,678	332	11,131	148,866	199,430	75%
2030	264,952	28,508	350	20,914	156,811	202,672	77%
2031	270,251	29,363	422		186,596	228,396	82%
2032	275,656	30,244	485	4,352	212,973	250,492	85%
2033	281,169	31,151	561		244,686	278,048	88%
2034	286,793	32,086	189	184,598	92,364	112,493	82%
2035	292,528	24,612	33	92,364	24,645	41,075	60%
2036	298,379	21,733	71	7,402	39,047	58,038	67%
2037	304,347	22,385	125		61,557	83,604	74%
2038	310,434	23,057	140	16,803	67,950	92,499	73%
2039	316,642	23,748	197		91,896	119,740	77%
2040	322,975	24,461	244	5,099	111,502	142,671	78%
2041	329,435	25,195	306		137,003	171,941	80%
2042	336,023	25,950	302	27,585	135,669	173,317	78%
2043	342,744	26,729	102	108,219	54,282	90,470	60%
2044	349,599	27,531	169		81,982	120,313	68%
2045	356,591	28,357	238		110,577	151,313	73%
2046	363,722	29,207	261	19,687	120,357	162,803	74%
2047	370,997	30,084	334		150,775	195,808	77%
2048	378,417	30,986	372	15,362	166,771	213,914	78%
2049	385,985	31,916	450		199,136	249,144	80%
2050	393,705	32,873	475	22,553	209,931	261,981	80%

**Paradise Cove**  
**Threshold Funding Model VS Fully Funded Chart**



The **Threshold Funding Model** calculates the minimum reserve assessments, with the restriction that the reserve balance is not allowed to go below \$0 or other predetermined threshold, during the period of time examined. All funds for planned reserve expenditures will be available on the first day of each fiscal year. The **Threshold Funding Model** allows the client to choose the level of conservative funding they desire by choosing the threshold dollar amount.

**Paradise Cove**  
**Component Funding Model Assessment & Category Summary**

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
<b>Streets/Asphalt</b>							
Asphalt/Crack Repair	2023	3	3	2	3,300	0	2,200
Asphalt/Reconstruction	2034	35	0	13	130,000	0	81,714
Asphalt/Seal Coat	2023	6	0	2	<u>9,500</u>	0	<u>6,333</u>
Streets/Asphalt - Total					\$142,800		\$90,248
<b>Equipment</b>							
Irrigation/Controllers					<i>Unfunded</i>		
<b>Grounds Components</b>							
Gutter Curbing/Repairs	2024	8	0	3	3,500	0	2,187
Landscape/Modifications	2022	4	1	1	12,000	0	9,600
Monument/Letter Replacement	2026	8	0	5	700	0	262
Pond/Cleanup & Liner Replacement	2027	8	0	6	70,000	0	17,500
Retaining Walls/Repairs	2024	6	0	3	<u>5,500</u>	0	<u>2,750</u>
Grounds Components - Total					\$91,700		\$32,300
Total Asset Summary					<u><u>\$234,500</u></u>		<u><u>\$122,548</u></u>
Contingency at 3.00%							<u><u>\$3,790</u></u>
Summary Total							\$126,338
Percent Fully Funded					0%		
Current Average Liability per Unit (Total Units: 62)					-\$2,038		

**Paradise Cove**  
**Distribution of Accumulated Reserves**

Description	Remaining Life	Replacement Year	Assigned Reserves	Fully Funded Reserves
Landscape/Modifications	1	2022	9,600	9,600
Asphalt/Crack Repair	2	2023	2,200	2,200
Asphalt/Seal Coat	2	2023	6,333	6,333
Gutter Curbing/Repairs	3	2024	2,187	2,187
Retaining Walls/Repairs	3	2024	2,750	2,750
Monument/Letter Replacement	5	2026	262	262
Pond/Cleanup & Liner Replacement	6	2027	17,500	17,500
Asphalt/Reconstruction	13	2034	* 67,094	81,714
Irrigation/Controllers		Unfunded		
Total Asset Summary			\$107,927	\$122,548
Contingency at 3.00%			\$3,338	\$3,790
Summary Total			\$111,265	\$126,338

Percent Fully Funded      88%

Current Average Liability per Unit (Total Units: 62)      -\$243

*'\*' Indicates Partially Funded*

**Paradise Cove**  
**Annual Expenditure Detail**

Description	Expenditures
<i>No Replacement in 2021</i>	
<b>Replacement Year 2022</b>	
Landscape/Modifications	12,240
<b>Total for 2022</b>	<b>\$12,240</b>
<b>Replacement Year 2023</b>	
Asphalt/Crack Repair	3,433
Asphalt/Seal Coat	9,884
<b>Total for 2023</b>	<b>\$13,317</b>
<b>Replacement Year 2024</b>	
Gutter Curbing/Repairs	3,714
Retaining Walls/Repairs	5,837
<b>Total for 2024</b>	<b>\$9,551</b>
<i>No Replacement in 2025</i>	
<b>Replacement Year 2026</b>	
Asphalt/Crack Repair	3,643
Landscape/Modifications	13,249
Monument/Letter Replacement	773
<b>Total for 2026</b>	<b>\$17,665</b>
<b>Replacement Year 2027</b>	
Pond/Cleanup & Liner Replacement	78,831
<b>Total for 2027</b>	<b>\$78,831</b>
<i>No Replacement in 2028</i>	
<b>Replacement Year 2029</b>	
Asphalt/Seal Coat	11,131
<b>Total for 2029</b>	<b>\$11,131</b>
<b>Replacement Year 2030</b>	
Landscape/Modifications	14,341
Retaining Walls/Repairs	6,573
<b>Total for 2030</b>	<b>\$20,914</b>

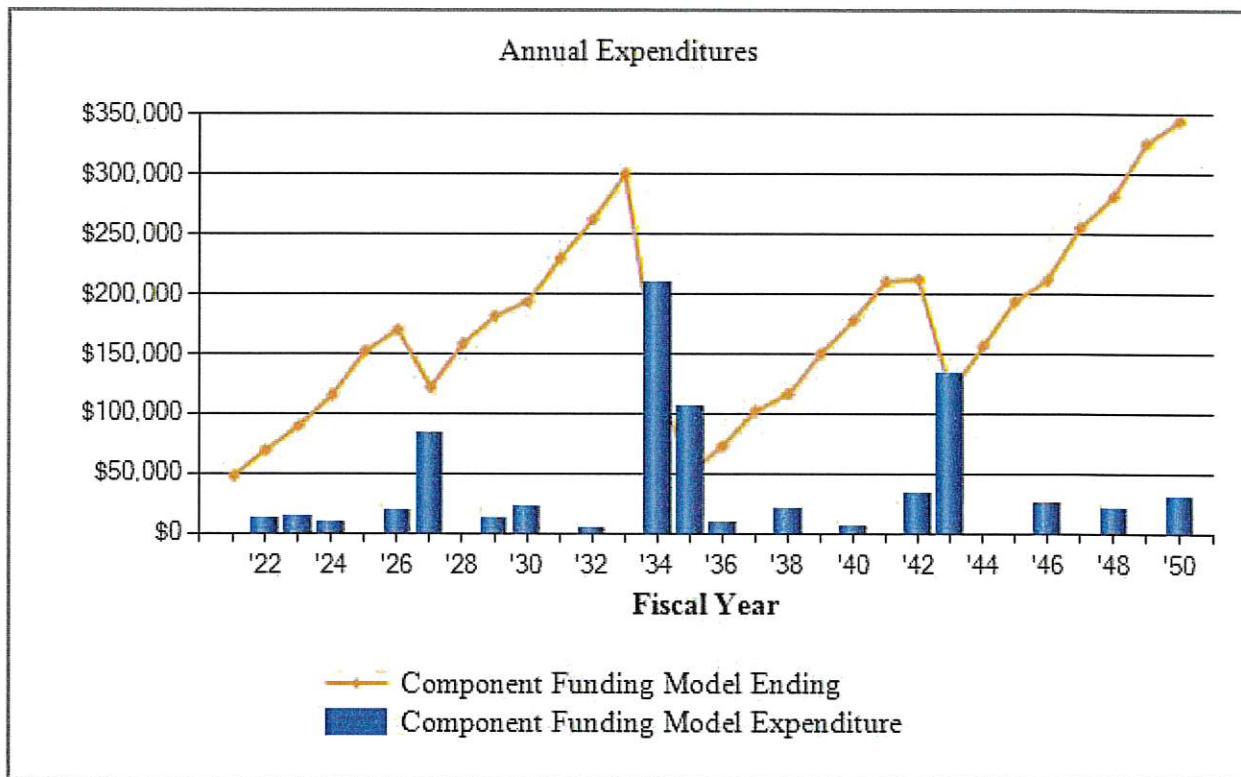
**Paradise Cove**  
**Annual Expenditure Detail**

Description	Expenditures
<i>No Replacement in 2031</i>	
<b>Replacement Year 2032</b>	
Gutter Curbing/Repairs	4,352
<b>Total for 2032</b>	<b>\$4,352</b>
<i>No Replacement in 2033</i>	
<b>Replacement Year 2034</b>	
Asphalt/Reconstruction	168,169
Landscape/Modifications	15,523
Monument/Letter Replacement	906
<b>Total for 2034</b>	<b>\$184,598</b>
<b>Replacement Year 2035</b>	
Pond/Cleanup & Liner Replacement	92,364
<b>Total for 2035</b>	<b>\$92,364</b>
<b>Replacement Year 2036</b>	
Retaining Walls/Repairs	7,402
<b>Total for 2036</b>	<b>\$7,402</b>
<i>No Replacement in 2037</i>	
<b>Replacement Year 2038</b>	
Landscape/Modifications	16,803
<b>Total for 2038</b>	<b>\$16,803</b>
<i>No Replacement in 2039</i>	
<b>Replacement Year 2040</b>	
Gutter Curbing/Repairs	5,099
<b>Total for 2040</b>	<b>\$5,099</b>
<i>No Replacement in 2041</i>	
<b>Replacement Year 2042</b>	
Landscape/Modifications	18,188

**Paradise Cove  
Annual Expenditure Detail**

Description	Expenditures
<b><i>Replacement Year 2042 continued...</i></b>	
Monument/Letter Replacement	1,061
Retaining Walls/Repairs	8,336
<b>Total for 2042</b>	<b>\$27,585</b>
<b><i>Replacement Year 2043</i></b>	
Pond/Cleanup & Liner Replacement	108,219
<b>Total for 2043</b>	<b>\$108,219</b>
<i>No Replacement in 2044</i>	
<i>No Replacement in 2045</i>	
<b><i>Replacement Year 2046</i></b>	
Landscape/Modifications	19,687
<b>Total for 2046</b>	<b>\$19,687</b>
<i>No Replacement in 2047</i>	
<b><i>Replacement Year 2048</i></b>	
Gutter Curbing/Repairs	5,974
Retaining Walls/Repairs	9,388
<b>Total for 2048</b>	<b>\$15,362</b>
<i>No Replacement in 2049</i>	
<b><i>Replacement Year 2050</i></b>	
Landscape/Modifications	21,310
Monument/Letter Replacement	1,243
<b>Total for 2050</b>	<b>\$22,553</b>

**Paradise Cove  
Annual Expenditure Chart**



**Paradise Cove  
Spread Sheet**

Description	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Asphalt/Crack Repair			3,433							
Asphalt/Reconstruction						3,643				
Asphalt/Seal Coat										
Gutter Curbing/Repairs			9,884							
Irrigation/Controllers					3,714					
<i>Unfunded</i>										
Landscape/Modifications		12,240				13,249				
Monument/Letter Replacement							773			
Pond/Cleanup & Liner Replacement								78,831		
Retaining Walls/Repairs				5,837						
<b>Year Total:</b>	<b>12,240</b>	<b>13,317</b>	<b>9,551</b>		<b>17,665</b>	<b>78,831</b>			<b>11,131</b>	<b>20,914</b>

**Paradise Cove  
Spread Sheet**

Description	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Asphalt/Crack Repair										
Asphalt/Reconstruction										
Asphalt/Seal Coat										
Gutter Curbing/Repairs	4,352									
Irrigation/Controllers										
Landscape/Modifications										
Monument/Letter Replacement										
Pond/Cleanup & Liner Replacement										
Retaining Walls/Repairs										
<b>Year Total:</b>	<b>4,352</b>		<b>184,598</b>		<b>92,364</b>		<b>7,402</b>		<b>16,803</b>	
										<b>5,099</b>

## Paradise Cove Spread Sheet

**Paradise Cove**  
**Detail Report by Category**

**Asphalt/Crack Repair - 2023**

		Asset ID	1001	Asset Cost	\$3,300.00
				Percent Replacement	100%
				Future Cost	\$3,433.32
Placed in Service	Streets/Asphalt		January 2017		
Useful Life			3		
Adjustment			3		
Replacement Year			2023		
Remaining Life			2		



This is for the cleaning and sealing of cracks. We have budgeted to have this completed every 3 years beginning in 2023. We have budgeted for repairs which includes surface patch, crack repair and asphalt joint seal. This component is important in that it will extend the life of the asphalt if it is completed in a timely manner.

**Paradise Cove**  
**Detail Report by Category**

**Asphalt/Reconstruction - 2034**

Asset ID	1002	Asset Cost	\$130,000.00
		Percent Replacement	100%
	Streets/Asphalt	Future Cost	\$168,168.86
Placed in Service	January 1999		
Useful Life	35		
Replacement Year	2034		
Remaining Life	13		



Most asphalt areas can be expected to last approximately 30 to 40 years before it will become necessary for an overlay to be applied. It will be necessary to adjust manhole and valve covers at the time the overlay is applied. Deflection testing should be conducted by an independent consultant near the end of the estimated useful life to determine the condition of the asphalt and estimated remaining life before the overlay is required.      51,620 sq. ft.

**Paradise Cove**  
**Detail Report by Category**

**Asphalt/Seal Coat - 2023**

Asset ID	1003	Asset Cost	\$9,500.00
		Percent Replacement	100%
		Future Cost	\$9,883.80
Placed in Service	Streets/Asphalt		
	January 2017		
Useful Life		6	
Replacement Year		2023	
Remaining Life		2	



A type II slurry seal or seal coat should be completed every 6 years so that the life of the asphalt will be extended. We have budgeted this for 2023. 51,620 sq. ft.

**Paradise Cove**  
**Detail Report by Category**

**Irrigation/Controllers**

	Asset ID	1009	Asset Cost	
	Equipment		Percent Replacement	100%
Placed in Service	January 2008		Future Cost	
Useful Life	99			
Replacement Year	2107			
Remaining Life	86			

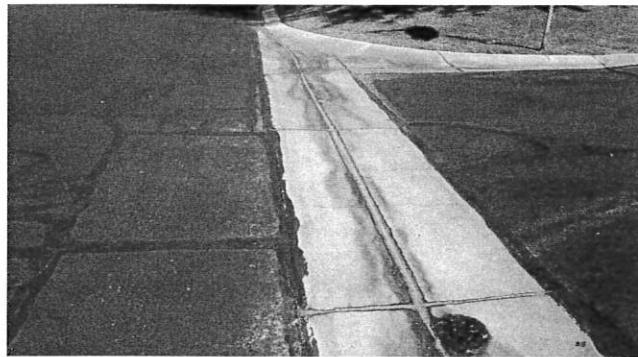


Due to the nature and size of this expense, we have excluded funding for this component. We anticipate any expenditures will be covered by the operational budget and have listed this component for inventory purposes only.

**Paradise Cove**  
**Detail Report by Category**

**Gutter Curbing/Repairs - 2024**

Asset ID	1007	Asset Cost	\$3,500.00
Placed in Service	January 2016	Percent Replacement	100%
Useful Life	8	Future Cost	\$3,714.23
Replacement Year	2024		
Remaining Life	3		



We have budgeted for repairs to the concrete gutter curbing every 6 years beginning in 2024.

**Paradise Cove**  
**Detail Report by Category**

**Landscape/Modifications - 2022**

Asset ID	1004	Asset Cost	\$12,000.00
Percent Replacement	100%		
Grounds Components		Future Cost	\$12,240.00
Placed in Service	January 2017		
Useful Life	4		
Adjustment	1		
Replacement Year	2022		
Remaining Life	1		



This component is for common area landscaping which includes large palm trees, bushes trees and crushed stone. We have budgeted for this every 4 years beginning in 2022.

**Paradise Cove**  
**Detail Report by Category**

**Monument/Letter Replacement - 2026**

Asset ID	1008	Asset Cost	\$700.00
		Percent Replacement	100%
Grounds Components		Future Cost	\$772.86
Placed in Service	January 2018		
Useful Life	8		
Replacement Year	2026		
Remaining Life	5		



We have budgeted for letters to be replaced when necessary. Every 8 years.

**Paradise Cove**  
**Detail Report by Category**

**Pond/Cleanup & Liner Replacement - 2027**

Asset ID	1005	Asset Cost	\$70,000.00
Percent Replacement	100%	Future Cost	\$78,831.37
Grounds Components			
Placed in Service	January 2019		
Useful Life	8		
Replacement Year	2027		
Remaining Life	6		



Per information sheet the HOA spent \$70,000 on the ponds in 2019. We have budgeted for this every 8 years beginning in 2027.

**Paradise Cove**  
**Detail Report by Category**

**Retaining Walls/Repairs - 2024**

Asset ID	1006	Asset Cost	\$5,500.00
		Percent Replacement	100%
Grounds Components		Future Cost	\$5,836.64
Placed in Service	January 2018		
Useful Life	6		
Replacement Year	2024		
Remaining Life	3		

Repairs will be on an "as needed" basis. We have budgeted for this every 6 years.

**Paradise Cove**  
**Category Detail Index**

Asset ID	Description	Replacement	Page
1001	Asphalt/Crack Repair	2023	2-16
1002	Asphalt/Reconstruction	2034	2-17
1003	Asphalt/Seal Coat	2023	2-18
1007	Gutter Curbing/Repairs	2024	2-20
1009	Irrigation/Controllers	Unfunded	2-19
1004	Landscape/Modifications	2022	2-21
1008	Monument/Letter Replacement	2026	2-22
1005	Pond/Cleanup & Liner Replacement	2027	2-23
1006	Retaining Walls/Repairs	2024	2-24
Total Funded Assets		8	
Total Unfunded Assets		<u>1</u>	
Total Assets		9	