

REPLACEMENT RESERVE REPORT FY 2012

WATERS EDGE CONDOMINIUM



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REPLACEMENT RESERVE REPORT

WATERS EDGE CONDOMINIUM

FALLS CHURCH, VIRGINIA



Scope. Waters Edge is a condominium community located in Falls Church, Virginia. Waters Edge was constructed in 1984. The community consists of 20 garden-style buildings with a total of 119 units. The survey examined the common elements of the property, including:

- Asphalt drive and parking.
- Concrete sidewalks, steps, and curb and gutter.
- Retaining walls, fencing, and railings.
- Swimming pool and pool building.
- Building exteriors.

Level of Service. This study has been performed as a Level I, Full Service Reserve Study as defined under the National Reserve Study Standards that have been adopted by the Community Associations Institute. As such, a complete component inventory was established based on information regarding commonly-owned components provided by the community manager and upon quantities derived from field measurement and/or quantity takeoffs from to-scale engineering drawings. The condition of all commonly-owned components was ascertained from a site visit and the visual inspection of each component by the Analyst. The life expectancy and the value of the components are provided based in part on these observations. The fund status and funding plan have been derived from analysis of this data.

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Purpose. The purpose of this Replacement Reserve Study is to provide Waters Edge (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 Replacement Reserve Inventory 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 Replacement Reserve Inventory includes our estimates of the normal economic life and the remaining economic life for the projected replacements. Section C Calendar of Projected Annual Replacements provides a year-by-year listing of the projected replacements. Section D Condition Assessment 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 two generally accepted accounting methods; the Cash Flow Method and the Component Method. Section A Replacement Reserve Analysis includes graphic and tabular presentations of these methods and current Association funding. An Executive Summary of these calculations is provided on Page A1.

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

- The Request for Proposal submitted and executed by the Association.
- Our visual evaluation and measurements on March 29 and 31, 2011. Miller - Dodson Associates has visually inspected the common elements of the property in order to ascertain the remaining useful life and the replacement costs of these components.

Engineering Drawings. No architectural drawings or engineering site plans were available for review in connection with this study. We recommend the Association assemble a library of site and building plans of the entire community. Reproducible drawings should be stored and kept in a secure fireproof location. The Association will find these drawings to be a valuable resource in planning and executing future projects.

Current Funding. This reserve study has been prepared for Fiscal Year 2011 covering the period from January 1, 2011 to December 31, 2011. The Replacement Reserves on deposit as of X are reported to be \$394,336. The planned contribution for the fiscal year is \$158,345. This results in a Reserve Fund balance at the start of the fiscal year as follows:

January 2011 balance	\$394,336
12 months contribution	158,345
Planned expenditures	-37,475
FY 2012 opening balance	\$515,206

Projects to be funded this year from the reserve fund include the overhang roof replacement on building #1, the wood fence replacement at the rear of the property, deck replacement at 3300, and the asphalt trail replacement.

The balance and contribution figures have been supplied by the property management 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 at the end of each month.

Acknowledgement. Miller - Dodson Associates would like to acknowledge the assistance and input of Ms. Susan Miller. Ms. Miller provided very helpful insight into the current operations at the property.

Analyst's Credentials. This study has been performed by James E. Piper, who holds a Bachelors Degree and a Masters Degree in Mechanical Engineering from the University of Akron and a PhD from the University of Maryland. Dr. Piper is a Registered Professional Engineer in the State of Maryland, and the author of articles and books on the subject of the condition assessment of facilities. He has over 20 years experience in the evaluation and the management of the physical plant of the University of Maryland. He is currently a Reserve Specialist (RS) for Miller - Dodson Associates.

Respectfully submitted,
MILLER - DODSON ASSOCIATES, INC.

James Piper, RS
Reserve Specialist

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EXECUTIVE SUMMARY

The Waters Edge Condominium Replacement Reserve Inventory identifies 143 Projected Replacements for funding from Replacement Reserves, with an estimated one-time replacement cost of \$2,946,508.

The Replacement Reserve Analysis calculates recommended funding of Replacement Reserves by the two generally accepted methods, the Cash Flow Method and the Component Method. The Analysis also evaluates current funding of Replacement Reserves, as reported by the Association. The calculations and evaluation are summarized below:

\$146,479 CASH FLOW METHOD MINIMUM ANNUAL FUNDING OF REPLACEMENT RESERVES IN THE STUDY YEAR, 2012.

\$102.58 Per unit (average), minimum monthly funding of Replacement Reserves

The Cash Flow Method (CFM) calculates Minimum Annual Funding of Replacement Reserves that will fund Projected Replacements identified in the Replacement Reserve Inventory from a common pool of Replacement Reserves and prevent Replacement Reserves from dropping below a Minimum Recommended Balance.

CFM - Minimum Annual Funding remains the same between peaks in cumulative expenditures called Peak Years.

The first Peak Year occurs in 2024 and the CFM - Minimum Annual Funding of Replacement Reserves in 2025 declines to \$136,230 (\$95.40 per unit, per month), after the completion of \$2,272,123 of replacements in 2012 to 2024.

A subsequent Peak Year and decline in the Cash Flow Method, Minimum Annual Funding, occurs in 2028.

\$267,602 COMPONENT METHOD RECOMMENDED ANNUAL FUNDING OF REPLACEMENT RESERVES IN THE STUDY YEAR, 2012.

\$187.40 Per unit (average), recommended monthly funding of Replacement Reserves

The Component Method is a time tested and very conservative funding model developed by HUD in the early 1980's.

The Component Method treats each projected replacement in the Replacement Reserve Inventory as a separate account. Deposits are made to each individual account, where funds are held for exclusive use by that item.

Based on this funding model, the Association has a Current Funding Objective of \$1,661,819.

The Association reports having \$515,215 on deposit, which is 31.0% funded.

\$158,345 CURRENT ANNUAL FUNDING OF REPLACEMENT RESERVES (as reported by the Association).

\$110.89 Per unit (average), reported current monthly funding of Replacement Reserves

The evaluation of Current Funding, as reported by the Association, has calculated that if the Association continues to fund Replacement Reserves at the current level, there will be adequate funds for Projected Replacements throughout the entire 30-year Study Period.

Pages A2 and A3 explain the Study Year, Study Period, Adjustments (interest & inflation), Beginning Balance, and Projected Replacements. Pages A4 to A9 explain in more detail the calculations associated with the Cash Flow Method, Component Method, and Current Funding.

REPLACEMENT RESERVE STATUS AND FUNDING PLAN

Current funding of Replacement Reserves is adequate to fund Projected Replacements.

We recommend the Association adopt a Replacement Reserve Funding Plan based on the Cash Flow Method or the Component Method, to ensure that adequate funding is available throughout the 30-Year Study Period for the \$3,928,913 of Projected Replacements listed in the Waters Edge Condominium Replacement Reserve Inventory.

The Funding Plan should be professionally evaluated every three to five years or after completion of each major replacement project. The Board of Directors has a fiduciary responsibility to review the Funding Plan annually and should consider annual increases in Replacement Reserve funding at least equal to the Consumer Price Index.

REPLACEMENT RESERVE ANALYSIS - GENERAL INFORMATION

The Waters Edge Condominium Replacement Reserve Analysis calculations of recommended funding of Replacement Reserves by the Cash Flow Method and the Component Method, and the evaluation of the Current Funding, are based upon the same General Information; including the Study Year, Study Period, Adjustments (for interest, inflation, and/or a constant increase in annual funding), Beginning Balance, and Projected Replacements:

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, 2012.

STUDY PERIOD

The Replacement Reserve Analysis evaluates the funding of Replacement Reserves over a 30-year Study Period that begins on January 1, 2012.

ADJUSTMENTS

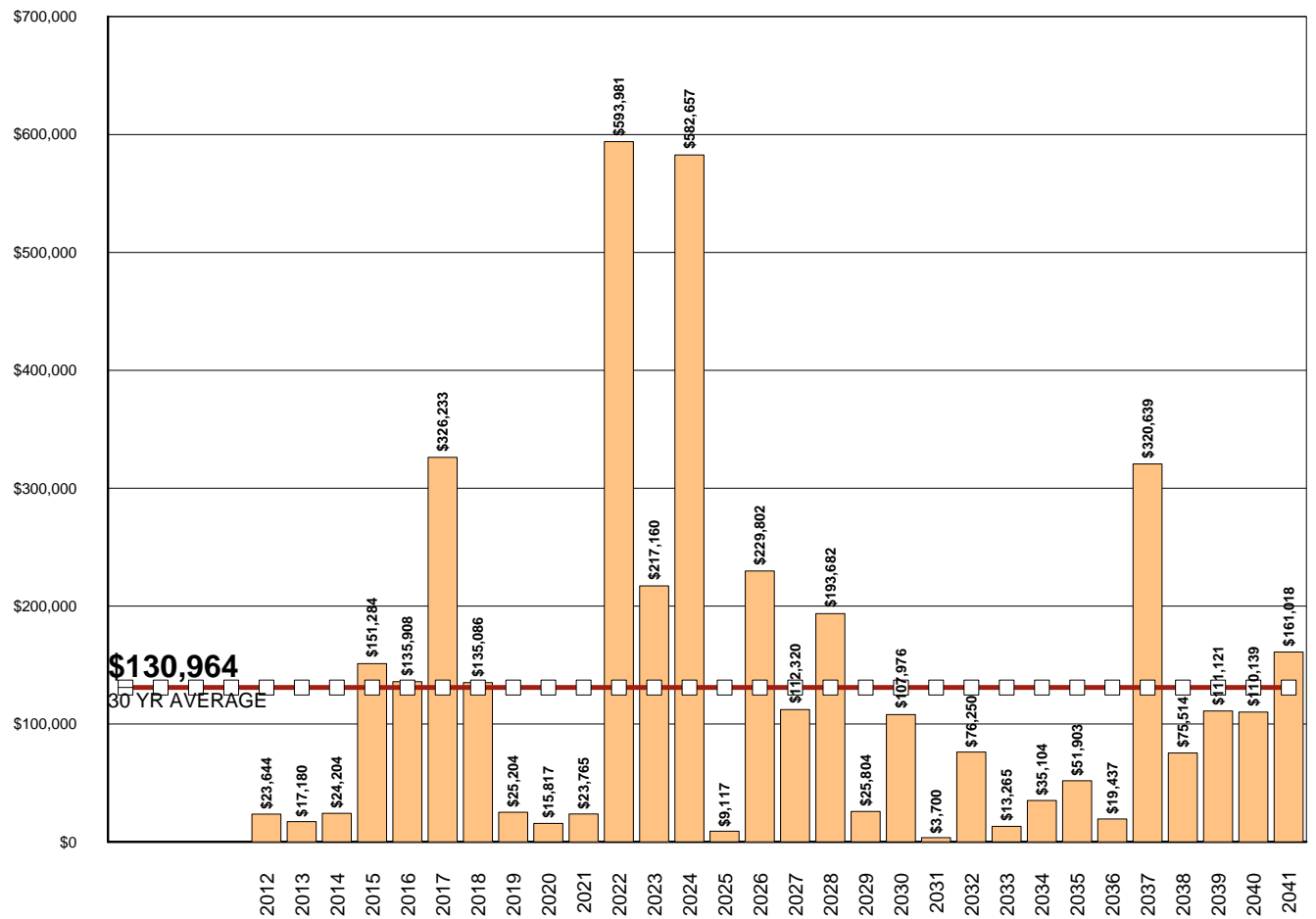
The calculations in this Replacement Reserve Analysis do not account for interest earned on Replacement Reserves, the effects of inflation on the costs of Projected Replacements, or a constant annual increase in Annual Funding of Replacement Reserves. If requested, we will provide a Replacement Reserve Analysis with adjustments for inflation, interest, and/or a constant annual increase in funding, using values provided by the Association.

BEGINNING BALANCE

The Association reports Replacement Reserves on Deposit totaling \$515,215 at the start of the Study Year.

Graph #1. Annual Expenditures for Projected Replacements

This bar graph summarizes annual expenditures for the \$3,928,913 of Projected Replacements identified in the Replacement Reserve Inventory over the 30-year Study Period. The red line shows the average annual expenditure of \$130,964.



PROJECTED REPLACEMENTS

The Waters Edge Condominium Replacement Reserve Inventory (Section B) identifies 143 Projected Replacements with a one-time Replacement Cost of \$2,946,508 and replacements totaling \$3,928,913 over the 30-year Study Period. Projected Replacements are the replacement of commonly-owned items that:

- require periodic replacement and
- whose replacement is to be funded from Replacement Reserves.

The Replacement Reserve Inventory also identifies 42 Excluded Items. Expenditures for the replacement of 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 rationale behind these exclusions is discussed in detail on Page B1.

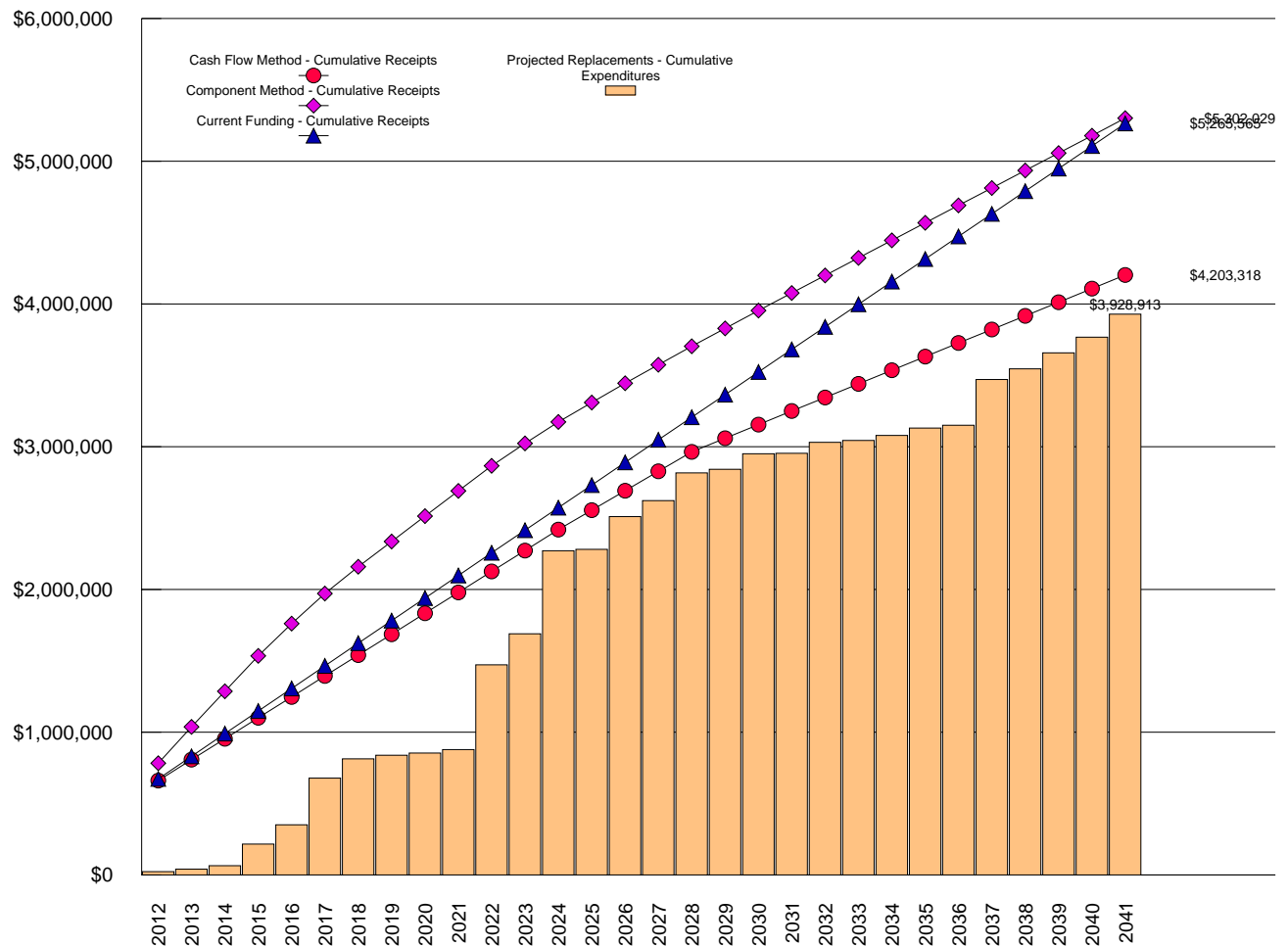
Expenditures from Replacements Reserves should be made only after consultation with an accounting professional.

The Section B - Replacement Reserve Inventory, contains Tables that list each Projected Replacement (and any Excluded Items) broken down into 18 major categories (Pages B3 to B19). Tables are also included that list each Projected Replacement by year for each of the 30 years of the Study Period beginning on Page C1.

The accuracy of this Replacement Reserve Analysis is dependent upon expenditures from Replacement Reserves being made only for the Projected Replacements specifically listed in the Replacement Reserve Inventory.

Graph #2. Comparison of Cumulative Replacement Reserve Funding and Expenditures

The line graph shows Replacement Reserves - Cumulative Receipts over the 30-year Study Period by the Cash Flow Method (red circles), Component Method (purple diamonds), and the Current Funding Plan as reported by the Association (blue triangles). The bar graph shows the Cumulative Expenditures necessary to fund the Project Replacements listed in the Replacement Reserve Inventory (Section B) and summarized in Graph #1.



CASH FLOW METHOD



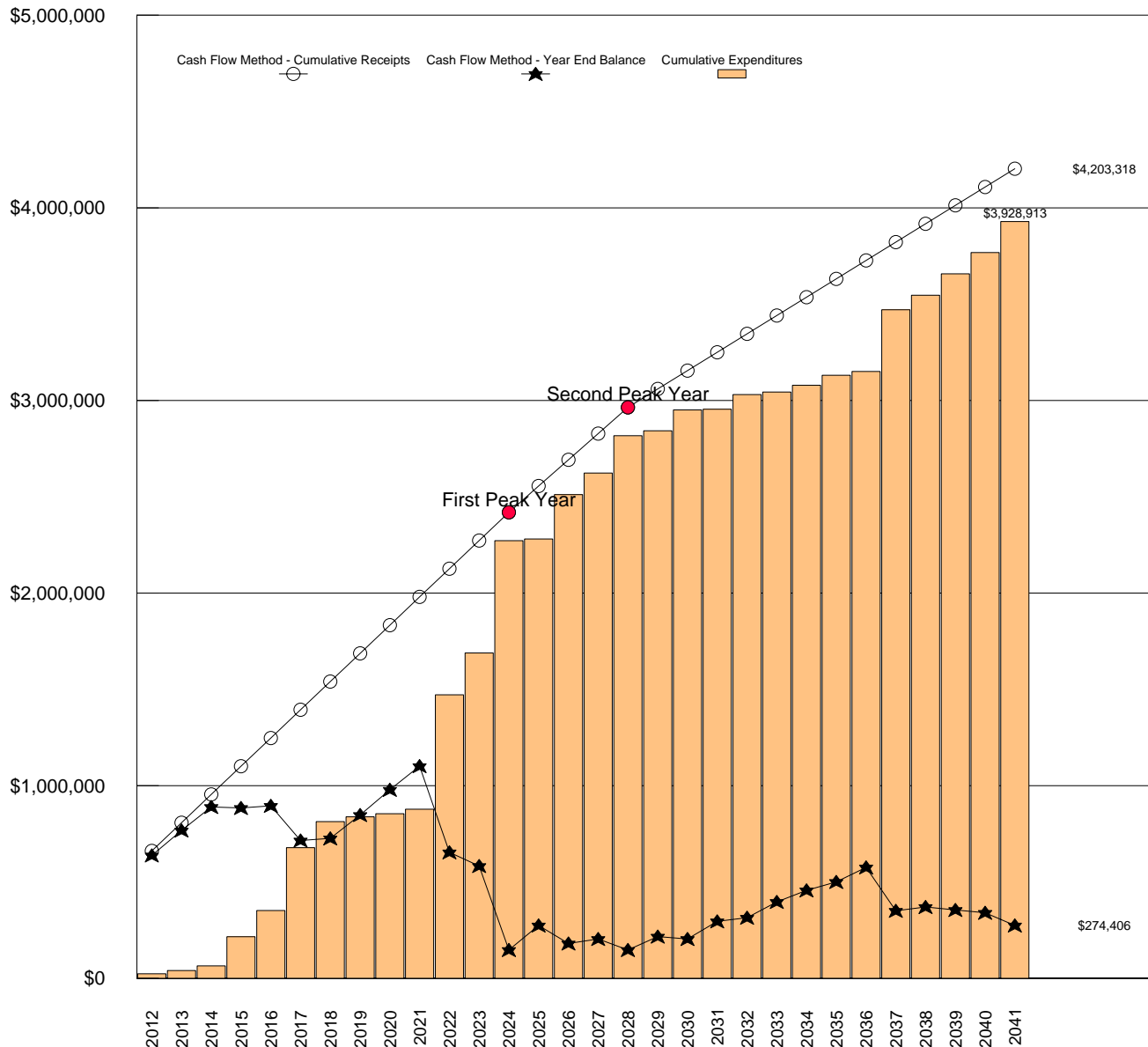
\$146,479 CASH FLOW METHOD MINIMUM ANNUAL FUNDING OF REPLACEMENT RESERVES IN THE STUDY YEAR, 2012.

\$102.58 Per unit (average), minimum monthly funding of Replacement Reserves

General. The Cash Flow Method is founded on the concept that the Replacement Reserve Account is solvent if cumulative receipts always exceed cumulative expenses. The Cash Flow Method calculates a MINIMUM annual deposit to Replacement Reserves that will:

- Fund all Projected Replacements listed in the Replacement Reserve Inventory (see Section B)
- Prevent Replacement Reserves from dropping below the Minimum Recommended Balance (see Page A-5)
- Allow a constant annual funding level between peaks in cumulative expenditures

Graph #3. Cash Flow Method - Cumulative Receipts and Expenditures Graph



CASH FLOW METHOD (cont'd)

- Replacement Reserves - Minimum Recommended Balance. The Minimum Recommended Balance is \$147,325, which is 5.0 percent of the one-time replacement cost of the Projected Replacements listed in the Replacement Reserve Inventory. Unless otherwise noted in the Comments on Page A-9, the Minimum Recommended Balance has been established by the Analyst based upon an evaluation of the types of items included in the Replacement Reserve Inventory.
- Peak Years. The Cash Flow Method calculates a constant annual funding of Replacement Reserves between peaks in cumulative expenditures called Peak Years. In Peak Years, Replacement Reserves on Deposit decline to the Replacement Reserves - Minimum Recommended Balance discussed in the paragraph above.
 First Peak Year. The First Peak Year occurs in 2024, after the completion of \$2,272,123 of replacements in 2012 to 2024. The Cash Flow Method - Minimum Annual Funding of Replacement Reserves declines from \$146,479 in 2024 to \$136,230 in 2025.
 Subsequent Peak Year. A subsequent Peak Year and decline in the Cash Flow Method - Minimum Annual Funding, occurs in: 2028.
- Study Period. The Cash Flow Method calculates the recommended contributions to Replacement Reserves over the 30-year Study Period. These calculations are based upon a 40-year projection of expenditures for Projected Replacements to avoid the Replacement Reserve balance dropping to the Minimum Recommended Balance in the final year of the Study Period.
- Failure to Fund. The Cash Flow Method calculates a MINIMUM annual funding of Replacement Reserves. Failure to fund Replacement Reserves at the minimum level calculated by the Cash Flow Method will result in Replacement Reserves not being available for the Projected Replacements listed in the Replacement Reserve Inventory and/or Replacement Reserves dropping below the Minimum Recommended Balance.
- Adjustment to the Cash Flow Method for interest and inflation. The calculations in this Replacement Reserve Analysis do not account for interest earned on Replacement Reserves, the effects of inflation of the cost of Projected Replacements, or a constant annual increase in Annual Funding of Replacement Reserves.
- Comparison of Cash Flow Funding and Average Annual Expenditure. The Average Annual Expenditure for Projected Replacements listed in the Reserve Inventory over the 30-year Study Period is \$130,964 (see Graph #1). The Cash Flow Method - Minimum Annual Funding of Replacement Reserves in the Study Year is \$146,479. This is 111.8 percent of the Average Annual Expenditure, indicating that the Association is building Replacement Reserves in advance of the first Peak Year in 2024.

Table #1. Cash Flow Method Data - Years 1 through 30

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Beginning balance	\$515,215									
Minimum annual funding	\$146,479	\$146,479	\$146,479	\$146,479	\$146,479	\$146,479	\$146,479	\$146,479	\$146,479	\$146,479
Expenditures	\$23,644	\$17,180	\$24,204	\$151,284	\$135,908	\$326,233	\$135,086	\$25,204	\$15,817	\$23,765
Year end balance	\$638,051	\$767,350	\$889,626	\$884,821	\$895,393	\$715,639	\$727,032	\$848,308	\$978,971	\$1,101,685
Minimum recommended balance	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325
Cumulative expenditures	\$23,644	\$40,824	\$65,027	\$216,312	\$352,220	\$678,453	\$813,539	\$838,743	\$854,560	\$878,325
Cumulative receipts	\$661,694	\$808,174	\$954,653	\$1,101,133	\$1,247,612	\$1,394,092	\$1,540,571	\$1,687,051	\$1,833,530	\$1,980,010
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Minimum annual funding	\$146,479	\$146,479	\$146,479	\$136,230	\$136,230	\$136,230	\$136,230	\$95,304	\$95,304	\$95,304
Expenditures	\$593,981	\$217,160	\$582,657	\$9,117	\$229,802	\$112,320	\$193,682	\$25,804	\$107,976	\$3,700
Year end balance	\$654,183	\$583,503	\$147,325	\$274,439	\$180,867	\$204,777	\$147,325	\$216,825	\$204,153	\$295,757
Minimum recommended balance	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325
Cumulative expenditures	\$1,472,306	\$1,689,466	\$2,272,123	\$2,281,240	\$2,511,042	\$2,623,363	\$2,817,045	\$2,842,849	\$2,950,825	\$2,954,525
Cumulative receipts	\$2,126,489	\$2,272,969	\$2,419,448	\$2,555,679	\$2,691,909	\$2,828,140	\$2,964,370	\$3,059,674	\$3,154,978	\$3,250,281
			First Peak Year				Second Peak Year			
Year	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Minimum annual funding	\$95,304	\$95,304	\$95,304	\$95,304	\$95,304	\$95,304	\$95,304	\$95,304	\$95,304	\$95,304
Expenditures	\$76,250	\$13,265	\$35,104	\$51,903	\$19,437	\$320,639	\$75,514	\$111,121	\$110,139	\$161,018
Year end balance	\$314,811	\$396,849	\$457,049	\$500,450	\$576,317	\$350,983	\$370,772	\$354,955	\$340,120	\$274,406
Minimum recommended balance	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325	\$147,325
Cumulative expenditures	\$3,030,774	\$3,044,040	\$3,079,143	\$3,131,046	\$3,150,482	\$3,471,121	\$3,546,635	\$3,657,756	\$3,767,895	\$3,928,913
Cumulative receipts	\$3,345,585	\$3,440,889	\$3,536,192	\$3,631,496	\$3,726,800	\$3,822,104	\$3,917,407	\$4,012,711	\$4,108,015	\$4,203,318

COMPONENT METHOD



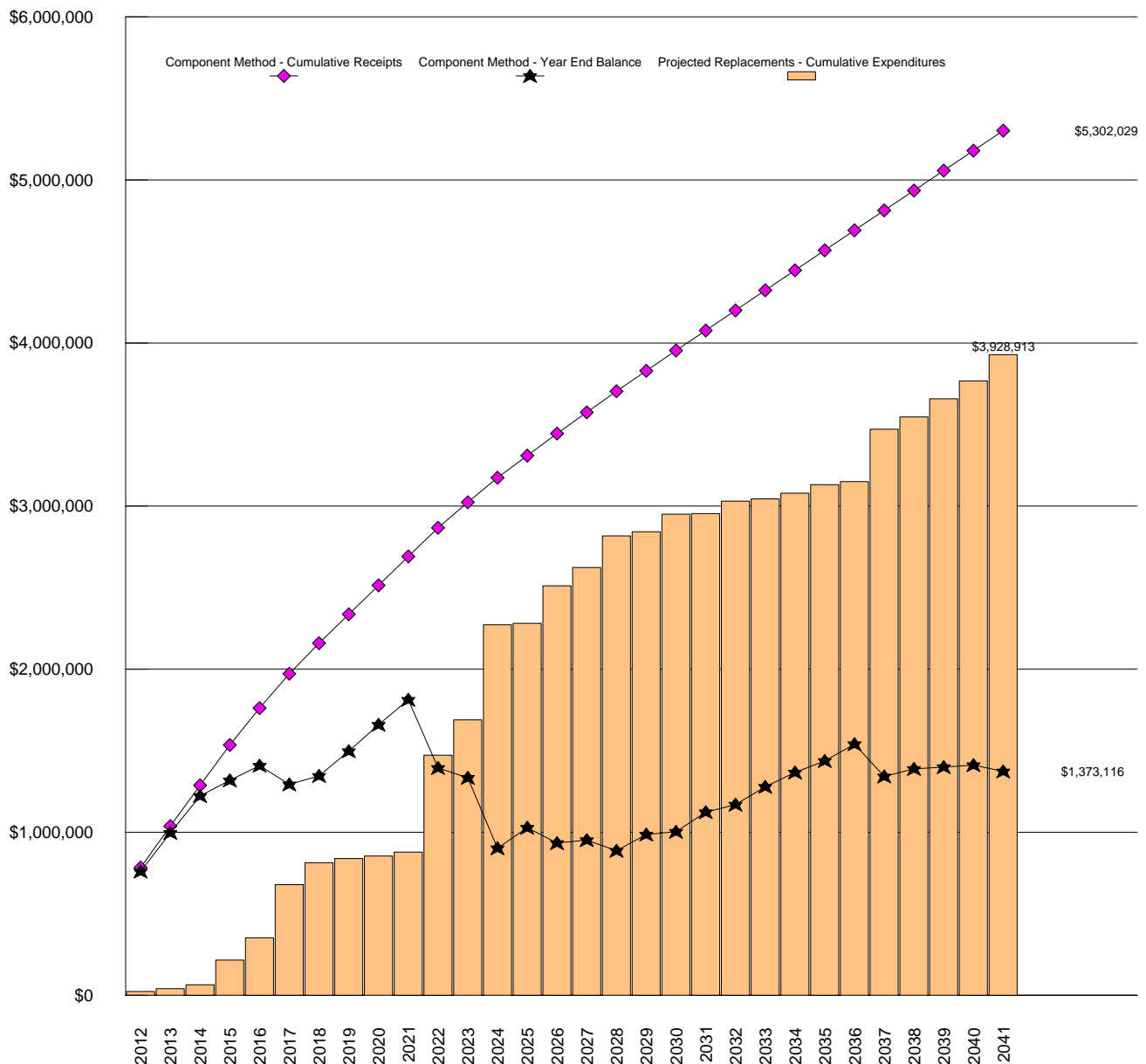
\$267,602

COMPONENT METHOD RECOMMENDED ANNUAL FUNDING OF REPLACEMENT RESERVES IN THE STUDY YEAR, 2012.

\$187.40 Per unit (average), recommended monthly funding of Replacement Reserves

General. The Component Method is a time tested and very conservative mathematical model developed by HUD in the early 1980s. Each of the 143 Projected Replacements listed in the Replacement Reserve Inventory is treated as a separate account. The Beginning Balance is allocated to each of these 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 the Recommended Annual Funding of Replacement Reserves is a multi-step process outlined in more detail on Page A7.

Graph #4. 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 143 Projected Replacements. The total, \$1,661,819, 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 (\$515,215) by the Current Funding Objective (\$1,661,819). At Waters Edge Condominium the Funding Percentage is 31.0%
- **Allocation of the Beginning Balance.** The Beginning Balance is divided among the 143 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 31.0 percent funded, there is \$248 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 \$267,602, the Component Method Recommended Annual Funding of Replacement Reserves in the Study Year (2012).

In our fence example, the \$248 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 \$376. Next year, the deposit remains \$376, 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, the effects of inflation of the cost of Projected Replacements, or a constant annual increase in Annual Funding of Replacement Reserves.

Table #2. Component Method Data - Years 1 through 30

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Beginning balance	\$515,215									
Recommended annual funding	\$267,602	\$254,524	\$250,083	\$247,635	\$225,925	\$211,230	\$186,978	\$177,372	\$177,352	\$177,061
Expenditures	\$23,644	\$17,180	\$24,204	\$151,284	\$135,908	\$326,233	\$135,086	\$25,204	\$15,817	\$23,765
Year end balance	\$759,174	\$996,517	\$1,222,397	\$1,318,748	\$1,408,765	\$1,293,761	\$1,345,653	\$1,497,822	\$1,659,357	\$1,812,653
Cumulative Expenditures	\$23,644	\$40,824	\$65,027	\$216,312	\$352,220	\$678,453	\$813,539	\$838,743	\$854,560	\$878,325
Cumulative Receipts	\$782,817	\$1,037,341	\$1,287,424	\$1,535,059	\$1,760,984	\$1,972,214	\$2,159,192	\$2,336,564	\$2,513,916	\$2,690,978
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Recommended annual funding	\$176,166	\$156,419	\$150,755	\$135,354	\$135,212	\$130,001	\$129,129	\$125,150	\$125,150	\$123,044
Expenditures	\$593,981	\$217,160	\$582,657	\$9,117	\$229,802	\$112,320	\$193,682	\$25,804	\$107,976	\$3,700
Year end balance	\$1,394,838	\$1,334,097	\$902,195	\$1,028,432	\$933,842	\$951,523	\$886,969	\$986,316	\$1,003,490	\$1,122,834
Cumulative Expenditures	\$1,472,306	\$1,689,466	\$2,272,123	\$2,281,240	\$2,511,042	\$2,623,363	\$2,817,045	\$2,842,849	\$2,950,825	\$2,954,525
Cumulative Receipts	\$2,867,144	\$3,023,563	\$3,174,318	\$3,309,672	\$3,444,884	\$3,574,885	\$3,704,014	\$3,829,165	\$3,954,315	\$4,077,359
Year	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Recommended annual funding	\$123,044	\$122,828	\$122,717	\$122,717	\$122,319	\$122,238	\$122,238	\$122,238	\$122,165	\$122,165
Expenditures	\$76,250	\$13,265	\$35,104	\$51,903	\$19,437	\$320,639	\$75,514	\$111,121	\$110,139	\$161,018
Year end balance	\$1,169,629	\$1,279,191	\$1,366,805	\$1,437,620	\$1,540,502	\$1,342,102	\$1,388,826	\$1,399,943	\$1,411,969	\$1,373,116
Cumulative Expenditures	\$3,030,774	\$3,044,040	\$3,079,143	\$3,131,046	\$3,150,482	\$3,471,121	\$3,546,635	\$3,657,756	\$3,767,895	\$3,928,913
Cumulative Receipts	\$4,200,403	\$4,323,231	\$4,445,948	\$4,568,666	\$4,690,985	\$4,813,223	\$4,935,461	\$5,057,699	\$5,179,864	\$5,302,029

CURRENT FUNDING



\$158,345 CURRENT ANNUAL FUNDING OF REPLACEMENT RESERVES (as reported by the Association).

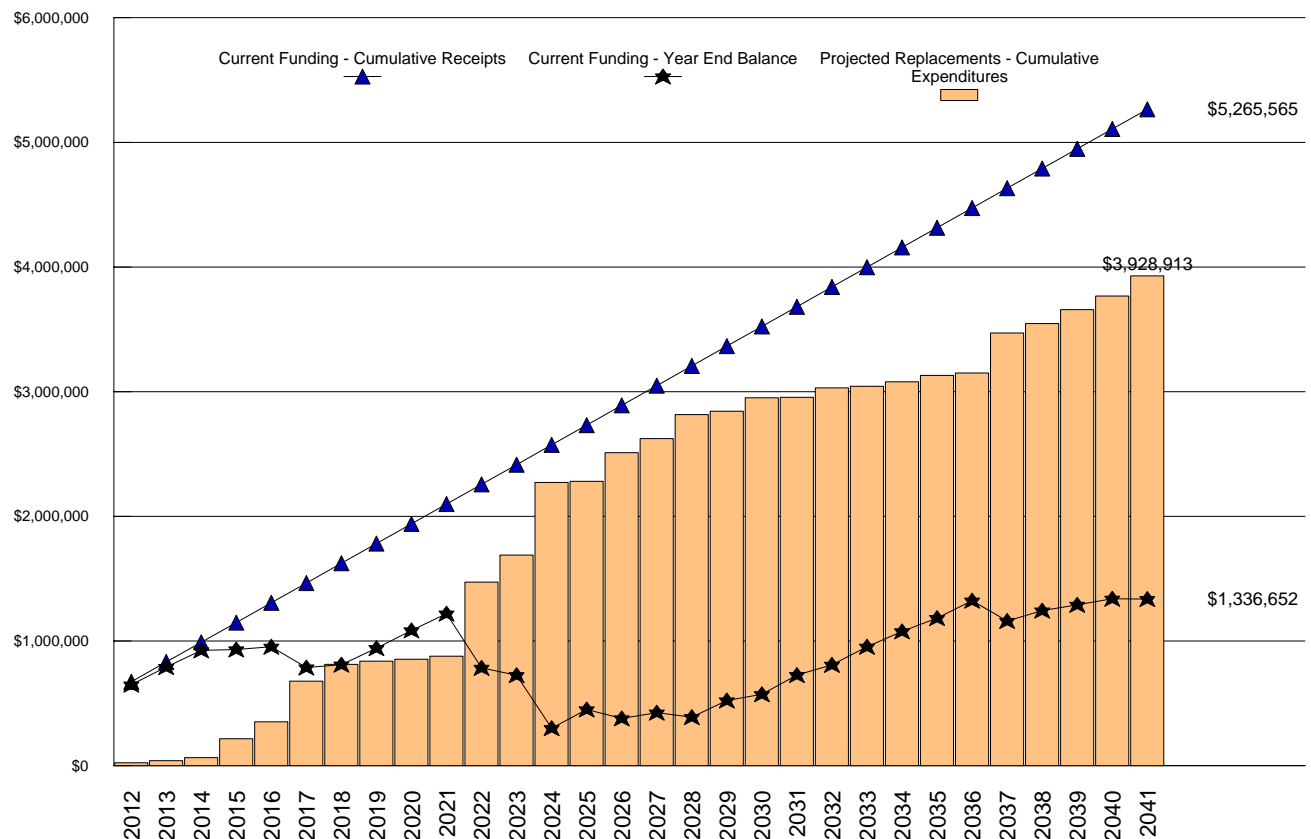
\$110.89 Per unit (average), reported current monthly funding of Replacement Reserves

General. Our evaluation of the Current Association Funding assumes that the Association will continue to fund Replacement Reserves at the current level of \$158,345 per year in each of the 30 years of the Study Period.

Our evaluation is based upon this Replacement Reserve Funding Level, a \$515,215 Beginning Balance, the Projected Annual Replacement Expenditures shown in Graph #1 and listed in the Replacement Reserve Inventory, and any interest, inflation rate, or constant annual increase in annual contribution adjustments discussed below.

- Evaluation. Our calculations have determined that Current Annual Funding of Replacement Reserves, as reported by the Association, is adequate to fund Projected Replacements throughout the 30-year Study Period.
- Adjustment to the Current Association Funding for interest and inflation. The Calculations in the Replacement Reserve Analysis do not account for interest earned on Replacement Reserves, the effects of inflation of the cost of Projected Replacements, or a constant annual increase in Annual Funding of Replacement Reserves.
- Comparison of Current Association Funding and Average Annual Expenditure. The average annual expenditure for Projected Replacements listed in the Reserve Inventory over the 30-year Study Period is \$130,964 (see Graph #1). Current Association annual funding of Replacement Reserves is \$158,345, or approximately 121 percent of the Average Annual Expenditure.

Graph #5. Current Association Funding - Cumulative Receipts and Expenditures Graph



CURRENT FUNDING (cont'd)

Table #3. Current Funding Data - Years 1 through 30

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Beginning balance	\$515,215									
Annual deposit	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345
Expenditures	\$23,644	\$17,180	\$24,204	\$151,284	\$135,908	\$326,233	\$135,086	\$25,204	\$15,817	\$23,765
Year end balance	\$649,916	\$791,081	\$925,223	\$932,283	\$954,720	\$786,832	\$810,091	\$943,232	\$1,085,760	\$1,220,340
Cumulative Expenditures	\$23,644	\$40,824	\$65,027	\$216,312	\$352,220	\$678,453	\$813,539	\$838,743	\$854,560	\$878,325
Cumulative Receipts	\$673,560	\$831,905	\$990,250	\$1,148,595	\$1,306,940	\$1,465,285	\$1,623,630	\$1,781,975	\$1,940,320	\$2,098,665
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Annual deposit	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345
Expenditures	\$593,981	\$217,160	\$582,657	\$9,117	\$229,802	\$112,320	\$193,682	\$25,804	\$107,976	\$3,700
Year end balance	\$784,704	\$725,889	\$301,577	\$450,805	\$379,348	\$425,372	\$390,035	\$522,577	\$572,945	\$727,590
Cumulative expenditures	\$1,472,306	\$1,689,466	\$2,272,123	\$2,281,240	\$2,511,042	\$2,623,363	\$2,817,045	\$2,842,849	\$2,950,825	\$2,954,525
Cumulative receipts	\$2,257,010	\$2,415,355	\$2,573,700	\$2,732,045	\$2,890,390	\$3,048,735	\$3,207,080	\$3,365,425	\$3,523,770	\$3,682,115
Year	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Annual deposit	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345	\$158,345
Expenditures	\$76,250	\$13,265	\$35,104	\$51,903	\$19,437	\$320,639	\$75,514	\$111,121	\$110,139	\$161,018
Year end balance	\$809,686	\$954,765	\$1,078,007	\$1,184,449	\$1,323,358	\$1,161,064	\$1,243,895	\$1,291,119	\$1,339,325	\$1,336,652
Cumulative Expenditures	\$3,030,774	\$3,044,040	\$3,079,143	\$3,131,046	\$3,150,482	\$3,471,121	\$3,546,635	\$3,657,756	\$3,767,895	\$3,928,913
Cumulative Receipts	\$3,840,460	\$3,998,805	\$4,157,150	\$4,315,495	\$4,473,840	\$4,632,185	\$4,790,530	\$4,948,875	\$5,107,220	\$5,265,565

COMMENTS ON THE REPLACEMENT RESERVE ANALYSIS

- This Replacement Reserve Study has been developed in compliance with the Community Associations Institute, National Reserve Study Standards, for a Level One Study - Full Service.
- Waters Edge Condominium has 119 units. The type of property is a condominium.
- Our calculations assume that Replacement Reserves are not subject to tax.
- PLEASE NOTE: For inventory items with a Remaining Economic Life greater than 40 years, the replacement projections fall outside this study's limits and are not included in the annual calculations. However, tracking these items over time will bring them within the 40 year window and they will be included in the future.

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REPLACEMENT RESERVE INVENTORY GENERAL INFORMATION

Waters Edge Condominium - Replacement Reserve Inventory identifies 185 items. Two types of items are identified, Projected Replacements and Excluded Items:

- **PROJECTED REPLACEMENTS.** 143 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 \$2,946,508. Replacements totaling \$3,928,913 are scheduled in the Replacement Reserve Inventory over the 30-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.** 42 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, partial replacements, repairs, capital improvements, and one-time only replacements.

Value. Items with a replacement cost of less than \$1,000 are typically excluded from funding from Replacement Reserves. This exclusion is made to accurately reflect how Replacement Reserves are administered. 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 located on property 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' section of its page of the Replacement Reserve Inventory.

- **CATEGORIES.** The 185 items included in the Waters Edge Condominium Replacement Reserve Inventory are divided into 18 major categories. Each category is printed on a separate page, Pages B3 to B19.
- **LEVEL OF SERVICE.** This Replacement Reserve Inventory has been developed in compliance with the standards established for a Level One Study - Full Service, as defined by the National Reserve Study Standards, established in 1998 by Community Associations Institute, which states:

A Level I - Full Service Reserve Study includes the computation of complete component inventory information regarding commonly owned components provided by the property manager, quantities derived from field measurements and/or quantity takeoffs from to-scale engineering drawings that may be made available. The condition of all components is ascertained from a visual inspection of each component by the analyst. The life expectancy and the value of the components are provided based on these observations and the funding status and funding plan are then derived from analysis of this data.

REPLACEMENT RESERVE INVENTORY - GENERAL INFORMATION (cont'd)

- **INVENTORY DATA.** Each of the 143 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 named each item included in the Inventory. Where the name of the item and the category are not sufficient to specifically identify the item, we have included additional information in the Comments section at the bottom of the page.

Units. We have used standard abbreviations to identify the number of units including SF-square feet, FT-foot, SY-square yard, LS-lump sum, EA-each, and PR-pair. Nonstandard abbreviations are noted in the Comments section on the page on which the abbreviation is used.

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

Unit Replacement Cost. We use three sources to develop the unit cost data shown in the Inventory; actual replacement cost data provided by the client, industry standard estimating manuals, and a cost database that we have developed based upon our detailed interviews with contractors and service providers who are specialists in their respective lines of work. In addition, trends in the Producers Price Index (PPI), labor rates, and transportation costs are monitored and considered. This cost database is reviewed and updated regularly by Miller Dodson and biannually by an independent professional cost estimating firm.

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

Economic Life Remaining (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 42 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.** All expenditures from Replacement Reserves should be made only after consultation with an accounting professional.
- **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 on in the Comments section.

CONCRETE SIDEWALK AND CURB & GUTTER
 PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
1	Concrete flatwork (3%)	sf	656	\$8.50	60	3	\$5,575
2	Concrete flatwork (3%)	sf	656	\$8.50	60	9	\$5,575
3	Concrete flatwork (3%)	sf	656	\$8.50	60	15	\$5,575
4	Concrete flatwork (3%)	sf	656	\$8.50	60	21	\$5,575
5	Concrete flatwork (3%)	sf	656	\$8.50	60	27	\$5,575
6	Concrete flatwork (3%)	sf	656	\$8.50	60	33	\$5,575
7	Concrete flatwork (3%)	sf	656	\$8.50	60	39	\$5,575
8	Concrete flatwork (3%)	sf	656	\$8.50	60	45	\$5,575
9	Concrete flatwork (3%)	sf	656	\$8.50	60	51	\$5,575
10	Concrete flatwork (3%)	sf	656	\$8.50	60	57	\$5,575
11	Concrete curb & gutter (3%)	lf	121	\$34.00	60	6	\$4,127
12	Concrete curb & gutter (3%)	lf	121	\$34.00	60	12	\$4,127
13	Concrete curb & gutter (3%)	lf	121	\$34.00	60	18	\$4,127
14	Concrete curb & gutter (3%)	lf	121	\$34.00	60	24	\$4,127
15	Concrete curb & gutter (3%)	lf	121	\$34.00	60	30	\$4,127
16	Concrete curb & gutter (3%)	lf	121	\$34.00	60	36	\$4,127
17	Concrete curb & gutter (3%)	lf	121	\$34.00	60	42	\$4,127
18	Concrete curb & gutter (3%)	lf	121	\$34.00	60	48	\$4,127
19	Concrete curb & gutter (3%)	lf	121	\$34.00	60	54	\$4,127
20	Concrete curb & gutter (3%)	lf	121	\$34.00	60	60	\$4,127

CONCRETE SIDEWALK AND CURB & GUTTER - Replacement Costs - Subtotal \$97,022

CONCRETE SIDEWALK AND CURB & GUTTER
 COMMENTS

Empty box for comments.

CONCRETE STEPS
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
21	Concrete steps (6%)	If	15	\$60.00	60	6	\$907
22	Concrete steps (6%)	If	15	\$60.00	60	12	\$907
23	Concrete steps (6%)	If	15	\$60.00	60	18	\$907
24	Concrete steps (6%)	If	15	\$60.00	60	24	\$907
25	Concrete steps (6%)	If	15	\$60.00	60	30	\$907
26	Concrete steps (6%)	If	15	\$60.00	60	36	\$907
27	Concrete steps (6%)	If	15	\$60.00	60	42	\$907
28	Concrete steps (6%)	If	15	\$60.00	60	48	\$907
29	Concrete steps (6%)	If	15	\$60.00	60	54	\$907
30	Concrete steps (6%)	If	15	\$60.00	60	60	\$907

CONCRETE STEPS - Replacement Costs - Subtotal \$9,072

CONCRETE STEPS
COMMENTS

Empty area for comments.

SITE IMPROVEMENTS PROJECTED REPLACEMENTS							
ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
31	Asphalt pavement	sf	68,418	\$1.70	20	5	\$116,311
32	Seal coat asphalt	sf	68,418	\$0.20	5	none	\$13,684
33	Curb inlets	ea	6	\$5,500.00	40	23	\$33,000
34	Community sign	ea	2	\$1,725.00	20	4	\$3,450
35	Monument brick tuckpointing	sf	258	\$9.50	30	4	\$2,451
36	Flagpole	ea	1	\$2,500.00	40	14	\$2,500
37	Site lighting fixtures	ea	25	\$2,100.00	25	10	\$52,500
38	Cluster mailboxes	ea	9	\$1,800.00	25	12	\$16,200
39	Wood traffic posts	ea	9	\$350.00	25	12	\$3,150
40	Wood retaining walls	sf	356	\$32.00	20	12	\$11,392
41	Chain link fence, Leesburg Pike	lf	803	\$18.00	25	15	\$14,454
42	Chain link fence, north side	lf	691	\$21.00	25	15	\$14,511
43	Alternate board fence	lf	620	\$23.50	15	14	\$14,570
44	Asphalt path	sf	3,660	\$2.25	15	15	\$8,235
45	Wood bridge surface	sf	72	\$9.50	15	10	\$684
46	Wood bridge structure	sf	72	\$45.00	30	23	\$3,240
47	Wood bridge railing	lf	24	\$25.00	15	12	\$600
SITE IMPROVEMENTS - Replacement Costs - Subtotal							\$310,931

SITE IMPROVEMENTS COMMENTS	
<ul style="list-style-type: none"> ● 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 is included in the cost shown above. 	

SITE IMPROVEMENTS							
PROJECTED REPLACEMENTS							
ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
48	Riprap	lf	1,900	\$20.00	50	33	\$38,000
49	Wood benches	ea	1	\$500.00	15	7	\$500
50	Pet stations	ea	7	\$150.00	15	10	\$1,050
51	Wood gazebo	ls	1	\$2,500.00	40	30	\$2,500
52	Gazebo roof	ls	1	\$1,000.00	20	10	\$1,000
53	Wood maintenance shed	ls	1	\$1,200.00	20	10	\$1,200
54	Brick wall tuckpointing	sf	420	\$9.50	30	4	\$3,990
55	HVAC platforms	ls	1	\$7,500.00	30	20	\$7,500
SITE IMPROVEMENTS - Replacement Costs - Subtotal							\$55,740

SITE IMPROVEMENTS
COMMENTS
<ul style="list-style-type: none"> ● 12/01/11. Added HVAC platforms.

BUILDING EXTERIORS
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
56	Asphalt shingle roofs, 25%	sf	23,087	\$4.25	25	3	\$98,121
57	Asphalt shingle roofs, 25%	sf	23,087	\$4.25	25	4	\$98,121
58	Asphalt shingle roofs, 25%	sf	23,087	\$4.25	25	5	\$98,121
59	Asphalt shingle roofs, 25%	sf	23,087	\$4.25	25	6	\$98,121
60	Gutters and downspouts, 25%	lf	2,003	\$6.00	25	3	\$12,018
61	Gutters and downspouts, 25%	lf	2,003	\$6.00	25	4	\$12,018
62	Gutters and downspouts, 25%	lf	2,003	\$6.00	25	5	\$12,018
63	Gutters and downspouts, 25%	lf	2,003	\$6.00	25	6	\$12,018
64	Flat roofs	sf	924	\$9.00	15	5	\$8,316
65	Chimney caps, 25%	ea	30	\$150.00	20	3	\$4,463
66	Chimney caps, 25%	ea	30	\$150.00	20	4	\$4,463
67	Chimney caps, 25%	ea	30	\$150.00	20	5	\$4,463
68	Chimney caps, 25%	ea	30	\$150.00	20	6	\$4,463
69	Brick tuckpointing, 10%	sf	770	\$9.50	10	5	\$7,311
70	Wood trim, 10%	lf	2,547	\$6.00	5	2	\$15,280
BUILDING EXTERIORS - Replacement Costs - Subtotal							\$489,315

BUILDING EXTERIORS
COMMENTS

Empty space for comments.

BUILDING EXTERIORS
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
71	Vinyl siding, 25%	sf	32,521	\$5.70	35	10	\$185,370
72	Vinyl siding, 25%	sf	32,521	\$5.70	35	12	\$185,370
73	Vinyl siding, 25%	sf	32,521	\$5.70	35	14	\$185,370
74	Vinyl siding, 25%	sf	32,521	\$5.70	35	16	\$185,370
75	Vinyl soffit, 25%	sf	918	\$5.70	35	10	\$5,233
76	Vinyl soffit, 25%	sf	918	\$5.70	35	12	\$5,233
77	Vinyl soffit, 25%	sf	918	\$5.70	35	14	\$5,233
78	Vinyl soffit, 25%	sf	918	\$5.70	35	16	\$5,233
79	Wood steps, 20%	ea	52	\$105.00	20	none	\$5,460
80	Wood steps, 20%	ea	52	\$105.00	20	5	\$5,460
81	Wood steps, 20%	ea	52	\$105.00	20	10	\$5,460
82	Wood steps, 20%	ea	52	\$105.00	20	15	\$5,460
83	Wood steps, 20%	ea	52	\$105.00	20	20	\$5,460
84	Wood stair railing, 20%	lf	180	\$25.00	20	none	\$4,500
85	Wood stair railing, 20%	lf	180	\$25.00	20	5	\$4,500
86	Wood stair railing, 20%	lf	180	\$25.00	20	10	\$4,500
87	Wood stair railing, 20%	lf	180	\$25.00	20	15	\$4,500
88	Wood stair railing, 20%	lf	180	\$25.00	20	20	\$4,500
BUILDING EXTERIORS - Replacement Costs - Subtotal							\$812,209

BUILDING EXTERIORS
COMMENTS

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BUILDING EXTERIORS
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
89	Wood landing surface, 20%	sf	420	\$9.50	15	3	\$3,990
90	Wood landing surface, 20%	sf	420	\$9.50	15	6	\$3,990
91	Wood landing surface, 20%	sf	420	\$9.50	15	9	\$3,990
92	Wood landing surface, 20%	sf	420	\$9.50	15	12	\$3,990
93	Wood landing surface, 20%	sf	420	\$9.50	15	15	\$3,990
94	Wood landing structure, 20%	sf	420	\$25.00	30	3	\$10,500
95	Wood landing structure, 20%	sf	420	\$25.00	30	6	\$10,500
96	Wood landing structure, 20%	sf	420	\$25.00	30	9	\$10,500
97	Wood landing structure, 20%	sf	420	\$25.00	30	12	\$10,500
98	Wood landing structure, 20%	sf	420	\$25.00	30	15	\$10,500
99	Deck surface, 1/3	sf	5,633	\$9.50	15	10	\$53,517
100	Deck surface, 1/3	sf	5,633	\$9.50	15	11	\$53,517
101	Deck surface, 1/3	sf	5,633	\$9.50	15	12	\$53,517
102	Deck structure, 1/3	sf	5,633	\$25.00	30	10	\$140,833
103	Deck structure, 1/3	sf	5,633	\$25.00	30	11	\$140,833
104	Deck structure, 1/3	sf	5,633	\$25.00	30	12	\$140,833
105	Deck railing, 1/3	lf	663	\$25.00	15	10	\$16,575
106	Deck railing, 1/3	lf	663	\$25.00	15	11	\$16,575
107	Deck railing, 1/3	lf	663	\$25.00	15	12	\$16,575
BUILDING EXTERIORS - Replacement Costs - Subtotal							\$705,225

BUILDING EXTERIORS
COMMENTS

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BUILDING EXTERIORS
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
108	Deck pilings	ea	111	\$900.00	30	12	\$99,900
109	Exterior lights	ea	355	\$75.00	25	10	\$26,625
110	Privacy fence	lf	1,052	\$14.00	15	14	\$14,728
111	Electrical enclosures	ea	29	\$1,500.00	15	10	\$43,500

BUILDING EXTERIORS - Replacement Costs - Subtotal \$184,753

BUILDING EXTERIORS
COMMENTS

Empty area for comments.

**SWIMMING POOL
PROJECTED REPLACEMENTS**

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
112	Swimming pool structure	sf	1,300	\$70.00	45	18	\$91,000
113	Swimming pool finish	sf	1,300	\$8.00	7	1	\$10,400
114	Swimming pool waterline tile	ft	154	\$20.00	15	1	\$3,080
115	Swimming pool coping	ft	154	\$40.00	15	12	\$6,160
116	Swimming pool cover	sf	1,300	\$1.95	7	4	\$2,535
117	Swimming pool diving board - 12'	ea	1	\$2,500.00	10	4	\$2,500
118	Swimming pool filter/chlorinator	ls	1	\$6,500.00	20	10	\$6,500
119	Swimming pool valves & plumbing	sf	1,300	\$2.00	20	10	\$2,600
120	Swimming pool pump, 3 hp	ea	1	\$3,200.00	10	2	\$3,200
121	Swimming pool concrete deck, 25%	sf	529	\$10.25	30	3	\$5,417
122	Swimming pool concrete deck, 25%	sf	529	\$10.25	30	8	\$5,417
123	Swimming pool concrete deck, 25%	sf	529	\$10.25	30	13	\$5,417
124	Swimming pool concrete deck, 25%	sf	529	\$10.25	30	18	\$5,417
125	Swimming pool engr wood deck	sf	1,530	\$11.00	30	20	\$16,830
126	Pool building lights	ea	15	\$75.00	25	10	\$1,125
127	Swimming pool furniture (25%)	ls	1	\$3,700.00	8	1	\$3,700
128	Swimming pool furniture (25%)	ls	1	\$3,700.00	8	3	\$3,700
129	Swimming pool furniture (25%)	ls	1	\$3,700.00	8	5	\$3,700
130	Swimming pool furniture (25%)	ls	1	\$3,700.00	8	7	\$3,700
131	Wood picket fence	lf	64	\$15.00	20	6	\$960
132	Swimming pool railing	lf	420	\$25.00	20	10	\$10,500
SWIMMING POOL - Replacement Costs - Subtotal							\$193,859

**SWIMMING POOL
COMMENTS**

- We have assumed that the project to replace the pool deck will include the replacement of the plumbing and electrical systems installed beneath the pavement.

**SWIMMING POOL
 PROJECTED REPLACEMENTS**

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
133	Pool buildings roof	sf	1,369	\$4.25	25	4	\$5,816
134	Pool buildings gutters & downspouts	lf	94	\$6.00	25	4	\$564
135	Pool buildings vinyl siding	sf	860	\$5.70	35	14	\$4,902
136	Pool buildings exterior doors	ea	7	\$750.00	25	5	\$5,250
137	Pool building restroom fixtures	ls	1	\$7,500.00	20	3	\$7,500
138	Pool building water heater	ea	1	\$1,100.00	12	5	\$1,100

SWIMMING POOL - Replacement Costs - Subtotal \$25,132

**SWIMMING POOL
 COMMENTS**

TENNIS COURTS
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
139	Tennis court - base asphalt	ea	2	\$18,000.00	20	5	\$36,000
140	Tennis court - color coat	ea	2	\$5,000.00	5	5	\$10,000
141	Tennis court - fence	lf	424	\$24.00	20	10	\$10,176
142	Tennis court - wind screen	sf	2,544	\$2.25	5	2	\$5,724
143	Tennis court benches	ea	3	\$450.00	15	10	\$1,350

TENNIS COURTS - Replacement Costs - Subtotal \$63,250

TENNIS COURTS
COMMENTS

- The tennis court asphalt is in need of replacement. We have delayed its replacement based on the community's need to develop a means of access to the courts.

VALUATION EXCLUSIONS

EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
	Miscellaneous signage	ls	1				EXCLUDED
	Handrail	ls	1				EXCLUDED
	Electric heaters	ls	1				EXCLUDED
	Tennis court posts and nets	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 (\$)
	Exterior brick veneer	ls	1				EXCLUDED
	Building foundation(s)	ls	1				EXCLUDED
	Concrete floor slabs (interior)	ls	1				EXCLUDED
	Wall, floor, & roof structure	ls	1				EXCLUDED
	Common element electrical services	ls	1				EXCLUDED
	Water piping at common facilities	ls	1				EXCLUDED
	Waste piping at common facilities	ls	1				EXCLUDED
	Electrical wiring	ls	1				EXCLUDED
	Stainless steel pool fixtures	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 and unlimited economic life but periodic tuckpointing 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	Is	1				EXCLUDED
	Sanitary sewers serving one unit	Is	1				EXCLUDED
	Electrical wiring serving one unit	Is	1				EXCLUDED
	Gas service serving one unit	Is	1				EXCLUDED
	Cable TV service serving one unit	Is	1				EXCLUDED
	Telephone service serving one unit	Is	1				EXCLUDED
	Windows and doors	Is	1				EXCLUDED
	Unit interior	Is	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.

UTILITY EXCLUSIONS

EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
	Primary electric feeds	ls	1				EXCLUDED
	Electric transformers	ls	1				EXCLUDED
	Sanitary sewers	ls	1				EXCLUDED
	Cable TV systems and structures	ls	1				EXCLUDED
	Telephone cables and structures	ls	1				EXCLUDED
	Gas mains and meters	ls	1				EXCLUDED
	Water mains and meters	ls	1				EXCLUDED

UTILITY EXCLUSIONS

COMMENTS

- Utility Exclusions. Many improvements owned by utility companies are on property owned by the Association. We have assumed that repair, maintenance, and replacements of these components will be done at the expense of the appropriate utility company. Examples of items excluded from funding 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
	Capitol improvements	ls	1				EXCLUDED

MAINTENANCE AND REPAIR EXCLUSIONS

COMMENTS

- Maintenance activities, one-time-only repairs, and capitol 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.

GOVERNMENT EXCLUSIONS

EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
	State maintained roads	ls	1				EXCLUDED
	Curb & gutter at State roads	ls	1				EXCLUDED

GOVERNMENT EXCLUSIONS

COMMENTS

- Government Exclusions. We have assumed that some of the improvements installed on property owned by the Association will be maintained by the local government. 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.

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PROJECTED ANNUAL REPLACEMENTS GENERAL INFORMATION

CALENDAR OF ANNUAL REPLACEMENTS. The 143 Projected Replacements in the Waters Edge Condominium 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 1020 (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 commingle 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 1020H (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.
- **UPDATING.** In the first two or possibly three years after the completion of a Level One Replacement Reserve Study, we recommend the Association review and revise the Replacement Reserve Analysis and Inventory annually to take into account replacements which have occurred and known changes in replacement costs. This can frequently be handled as a Level Two or Level Three Study (as defined by the Community Associations Institute), unless the Association has completed major replacement projects. A full analysis (Level One) based on a comprehensive visual evaluation of the site should be accomplished every three to five years or after each major replacement project.
- **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 Waters Edge Condominium 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

2012			2013			2014		
Item		\$	Item		\$	Item		\$
32	Seal coat asphalt	\$13,684	113	Swimming pool finish	\$10,400	70	Wood trim, 10%	\$15,280
79	Wood steps, 20%	\$5,460	114	Swimming pool waterline tile	\$3,080	120	Swimming pool pump, 3 hp	\$3,200
84	Wood stair railing, 20%	\$4,500	127	Swimming pool furniture (25	\$3,700	142	Tennis court - wind screen	\$5,724
Total Scheduled Replacements		\$23,644	Total Scheduled Replacements		\$17,180	Total Scheduled Replacements		\$24,204
2015			2016			2017		
Item		\$	Item		\$	Item		\$
1	Concrete flatwork (3%)	\$5,575	34	Community sign	\$3,450	31	Asphalt pavement	\$116,311
56	Asphalt shingle roofs, 25%	\$98,121	35	Monument brick tuckpointing	\$2,451	32	Seal coat asphalt	\$13,684
60	Gutters and downspouts, 25	\$12,018	54	Brick wall tuckpointing	\$3,990	58	Asphalt shingle roofs, 25%	\$98,121
65	Chimney caps, 25%	\$4,463	57	Asphalt shingle roofs, 25%	\$98,121	62	Gutters and downspouts, 25	\$12,018
89	Wood landing surface, 20%	\$3,990	61	Gutters and downspouts, 25	\$12,018	64	Flat roofs	\$8,316
94	Wood landing structure, 20%	\$10,500	66	Chimney caps, 25%	\$4,463	67	Chimney caps, 25%	\$4,463
121	Swimming pool concrete deck	\$5,417	116	Swimming pool cover	\$2,535	69	Brick tuckpointing, 10%	\$7,311
128	Swimming pool furniture (25	\$3,700	117	Swimming pool diving board	\$2,500	80	Wood steps, 20%	\$5,460
137	Pool building restroom fixture	\$7,500	133	Pool buildings roof	\$5,816	85	Wood stair railing, 20%	\$4,500
Total Scheduled Replacements		\$151,284	134	Pool buildings gutters & downspouts	\$564	129	Swimming pool furniture (25	\$3,700
Total Scheduled Replacements		\$151,284	Total Scheduled Replacements		\$135,908	136	Pool buildings exterior doors	\$5,250
						138	Pool building water heater	\$1,100
						139	Tennis court - base asphalt	\$36,000
						140	Tennis court - color coat	\$10,000
Total Scheduled Replacements		\$151,284	Total Scheduled Replacements		\$135,908	Total Scheduled Replacements		\$326,233

PROJECTED REPLACEMENTS - YEARS 7 TO 12

Item	2018	\$
11	Concrete curb & gutter (3%)	\$4,127
21	Concrete steps (6%)	\$907
59	Asphalt shingle roofs, 25%	\$98,121
63	Gutters and downspouts, 25	\$12,018
68	Chimney caps, 25%	\$4,463
90	Wood landing surface, 20%	\$3,990
95	Wood landing structure, 20%	\$10,500
131	Wood picket fence	\$960
Total Scheduled Replacements		\$135,086

Item	2019	\$
49	Wood benches	\$500
70	Wood trim, 10%	\$15,280
130	Swimming pool furniture (25	\$3,700
142	Tennis court - wind screen	\$5,724
Total Scheduled Replacements		\$25,204

Item	2020	\$
113	Swimming pool finish	\$10,400
122	Swimming pool concrete de	\$5,417
Total Scheduled Replacements		\$15,817

Item	2021	\$
2	Concrete flatwork (3%)	\$5,575
91	Wood landing surface, 20%	\$3,990
96	Wood landing structure, 20%	\$10,500
127	Swimming pool furniture (25	\$3,700
Total Scheduled Replacements		\$23,765

Item	2022	\$
32	Seal coat asphalt	\$13,684
37	Site lighting fixtures	\$52,500
45	Wood bridge surface	\$684
50	Pet stations	\$1,050
52	Gazebo roof	\$1,000
53	Wood maintenance shed	\$1,200
71	Vinyl siding, 25%	\$185,370
75	Vinyl soffit, 25%	\$5,233
81	Wood steps, 20%	\$5,460
86	Wood stair railing, 20%	\$4,500
99	Deck surface, 1/3	\$53,517
102	Deck structure, 1/3	\$140,833
105	Deck railing, 1/3	\$16,575
109	Exterior lights	\$26,625
111	Electrical enclosures	\$43,500
118	Swimming pool filter/chlorine	\$6,500
119	Swimming pool valves & plu	\$2,600
126	Pool building lights	\$1,125
132	Swimming pool railing	\$10,500
140	Tennis court - color coat	\$10,000
141	Tennis court - fence	\$10,176
143	Tennis court benches	\$1,350
Total Scheduled Replacements		\$593,981

Item	2023	\$
100	Deck surface, 1/3	\$53,517
103	Deck structure, 1/3	\$140,833
106	Deck railing, 1/3	\$16,575
116	Swimming pool cover	\$2,535
128	Swimming pool furniture (25	\$3,700
Total Scheduled Replacements		\$217,160

PROJECTED REPLACEMENTS - YEARS 13 TO 18

2024			2025			2026		
Item		\$	Item		\$	Item		\$
12	Concrete curb & gutter (3%)	\$4,127	123	Swimming pool concrete dex	\$5,417	36	Flagpole	\$2,500
22	Concrete steps (6%)	\$907	129	Swimming pool furniture (25	\$3,700	43	Alternate board fence	\$14,570
38	Cluster mailboxes	\$16,200				73	Vinyl siding, 25%	\$185,370
39	Wood traffic posts	\$3,150				77	Vinyl soffit, 25%	\$5,233
40	Wood retaining walls	\$11,392				110	Privacy fence	\$14,728
47	Wood bridge railing	\$600				117	Swimming pool diving board	\$2,500
70	Wood trim, 10%	\$15,280				135	Pool buildings vinyl siding	\$4,902
72	Vinyl siding, 25%	\$185,370						
76	Vinyl soffit, 25%	\$5,233						
92	Wood landing surface, 20%	\$3,990						
97	Wood landing structure, 20%	\$10,500						
101	Deck surface, 1/3	\$53,517						
104	Deck structure, 1/3	\$140,833						
107	Deck railing, 1/3	\$16,575						
108	Deck pilings	\$99,900						
115	Swimming pool coping	\$6,160						
120	Swimming pool pump, 3 hp	\$3,200						
142	Tennis court - wind screen	\$5,724						
Total Scheduled Replacements		\$582,657	Total Scheduled Replacements		\$9,117	Total Scheduled Replacements		\$229,802
2027			2028			2029		
Item		\$	Item		\$	Item		\$
3	Concrete flatwork (3%)	\$5,575	74	Vinyl siding, 25%	\$185,370	70	Wood trim, 10%	\$15,280
32	Seal coat asphalt	\$13,684	78	Vinyl soffit, 25%	\$5,233	127	Swimming pool furniture (25	\$3,700
41	Chain link fence, Leesburg F	\$14,454	114	Swimming pool waterline tile	\$3,080	138	Pool building water heater	\$1,100
42	Chain link fence, north side	\$14,511				142	Tennis court - wind screen	\$5,724
44	Asphalt path	\$8,235						
69	Brick tuckpointing, 10%	\$7,311						
82	Wood steps, 20%	\$5,460						
87	Wood stair railing, 20%	\$4,500						
93	Wood landing surface, 20%	\$3,990						
98	Wood landing structure, 20%	\$10,500						
113	Swimming pool finish	\$10,400						
130	Swimming pool furniture (25	\$3,700						
140	Tennis court - color coat	\$10,000						
Total Scheduled Replacements		\$112,320	Total Scheduled Replacements		\$193,682	Total Scheduled Replacements		\$25,804

PROJECTED REPLACEMENTS - YEARS 19 TO 24

Item	2030	\$
13	Concrete curb & gutter (3%)	\$4,127
23	Concrete steps (6%)	\$907
89	Wood landing surface, 20%	\$3,990
112	Swimming pool structure	\$91,000
116	Swimming pool cover	\$2,535
124	Swimming pool concrete deck	\$5,417
Total Scheduled Replacements		\$107,976

Item	2031	\$
128	Swimming pool furniture (25)	\$3,700
Total Scheduled Replacements		\$3,700

Item	2032	\$
32	Seal coat asphalt	\$13,684
55	HVAC platforms	\$7,500
64	Flat roofs	\$8,316
79	Wood steps, 20%	\$5,460
83	Wood steps, 20%	\$5,460
84	Wood stair railing, 20%	\$4,500
88	Wood stair railing, 20%	\$4,500
125	Swimming pool engr wood deck	\$16,830
140	Tennis court - color coat	\$10,000
Total Scheduled Replacements		\$76,250

Item	2033	\$
4	Concrete flatwork (3%)	\$5,575
90	Wood landing surface, 20%	\$3,990
129	Swimming pool furniture (25)	\$3,700
Total Scheduled Replacements		\$13,265

Item	2034	\$
49	Wood benches	\$500
70	Wood trim, 10%	\$15,280
113	Swimming pool finish	\$10,400
120	Swimming pool pump, 3 hp	\$3,200
142	Tennis court - wind screen	\$5,724
Total Scheduled Replacements		\$35,104

Item	2035	\$
33	Curb inlets	\$33,000
46	Wood bridge structure	\$3,240
65	Chimney caps, 25%	\$4,463
130	Swimming pool furniture (25)	\$3,700
137	Pool building restroom fixtures	\$7,500
Total Scheduled Replacements		\$51,903

PROJECTED REPLACEMENTS - YEARS 25 TO 30

Item	2036	\$
14	Concrete curb & gutter (3%)	\$4,127
24	Concrete steps (6%)	\$907
34	Community sign	\$3,450
66	Chimney caps, 25%	\$4,463
91	Wood landing surface, 20%	\$3,990
117	Swimming pool diving board	\$2,500
Total Scheduled Replacements		\$19,437

Item	2037	\$
31	Asphalt pavement	\$116,311
32	Seal coat asphalt	\$13,684
45	Wood bridge surface	\$684
50	Pet stations	\$1,050
67	Chimney caps, 25%	\$4,463
69	Brick tuckpointing, 10%	\$7,311
80	Wood steps, 20%	\$5,460
85	Wood stair railing, 20%	\$4,500
99	Deck surface, 1/3	\$53,517
105	Deck railing, 1/3	\$16,575
111	Electrical enclosures	\$43,500
116	Swimming pool cover	\$2,535
127	Swimming pool furniture (25	\$3,700
139	Tennis court - base asphalt	\$36,000
140	Tennis court - color coat	\$10,000
143	Tennis court benches	\$1,350
Total Scheduled Replacements		\$320,639

Item	2038	\$
68	Chimney caps, 25%	\$4,463
100	Deck surface, 1/3	\$53,517
106	Deck railing, 1/3	\$16,575
131	Wood picket fence	\$960
Total Scheduled Replacements		\$75,514

Item	2039	\$
5	Concrete flatwork (3%)	\$5,575
47	Wood bridge railing	\$600
70	Wood trim, 10%	\$15,280
92	Wood landing surface, 20%	\$3,990
101	Deck surface, 1/3	\$53,517
107	Deck railing, 1/3	\$16,575
115	Swimming pool coping	\$6,160
128	Swimming pool furniture (25	\$3,700
142	Tennis court - wind screen	\$5,724
Total Scheduled Replacements		\$111,121

Item	2040	\$
56	Asphalt shingle roofs, 25%	\$98,121
60	Gutters and downspouts, 25	\$12,018
Total Scheduled Replacements		\$110,139

Item	2041	\$
43	Alternate board fence	\$14,570
57	Asphalt shingle roofs, 25%	\$98,121
61	Gutters and downspouts, 25	\$12,018
110	Privacy fence	\$14,728
113	Swimming pool finish	\$10,400
129	Swimming pool furniture (25	\$3,700
133	Pool buildings roof	\$5,816
134	Pool buildings gutters & dov	\$564
138	Pool building water heater	\$1,100
Total Scheduled Replacements		\$161,018

CONDITION ASSESSMENT

General Comments. Miller - Dodson Associates conducted a Reserve Study at Waters Edge in March, 2011. Waters Edge is in above average condition for a condominium community constructed in 1984. 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.

SITE IMPROVEMENTS

Concrete Flatwork. The concrete flatwork includes the community sidewalks, and unit lead walks. The Association maintains an inventory of approximately 21,867 square feet of concrete flatwork. The overall condition of the concrete flatwork is good.

The standards we used for recommending replacement are as follows:

1. Trip hazard, 0.5 inch height difference.
2. Severe cracking.
3. Severe spalling
4. Uneven riser heights on steps.
5. Steps with risers in excess of 8.25 inches.



Photo 1 - Spalled sidewalk

Because it is highly unlikely that all of the community's concrete components will fail and require replacement in the period of the study, we have programmed funds for the replacement of 30% of the inventory and spread those funds over a 60-year timeframe to reflect the incremental nature of this work. This approach assumes a failure rate of 0.5% per year.

Curb and Gutter. The Association maintains an inventory of 4,033 linear feet of concrete curb and gutter. All components have been well maintained and are in excellent condition. Any problems noted are in the form of minor cracks, spalling or settlement that can be repaired by continued periodic replacement of broken sections.

Because it is highly unlikely that all of the community's concrete curb and gutter sections will fail and require replacement in the period of the study, we have programmed funds for the replacement of 30 percent of the inventory and spread those funds over a 60-year timeframe to reflect the incremental nature of this work. This approach assumes a failure rate of 0.5% per year.

Concrete Steps. The community has a several sets of exterior steps that are constructed from concrete. The steps currently are in good condition.

The standards we used for recommending replacement are as follows:

- Trip hazard, 0.5 inch height difference.
- Severe cracking.
- Severe spalling
- Uneven riser heights on steps.
- Steps with risers in excess of 8.25 inches.

Because it is highly unlikely that all of the community's concrete components will fail and require replacement in the period of the study, we have programmed funds for the replacement of 60 percent of the inventory and spread those funds over a 60-year timeframe to reflect the incremental nature of this work. This approach assumes a failure rate of one percent per year.

Asphalt Pavement. The site includes asphalt pavement for vehicle access and parking. In general, the asphalt pavement is in fair condition with multiple areas of defects. The Association maintains an inventory of 68,418 square feet of asphalt pavement



Photo 2 - Typical cracks

The defects noted include the following:

- **Open Cracks.** There are multiple locations where open cracks are allowing water to penetrate to the asphalt base and the bearing soils beneath the pavement. This water will erode the base accelerating the deterioration of the asphalt pavement. If the cracks have allowed the deterioration of the base materials and the bearing soil, the damaged areas should be removed and replaced. All other cracks should be cleaned and filled.
- **Alligating.** There are multiple locations where the asphalt has developed a pattern of cracking known as alligating. Alligating is the result of an unstable base under the asphalt. Shifting in the base causes the asphalt to crack and shift, forming the cracks that resemble the skin of an alligator. Once these cracks extend through the asphalt, they will allow water to penetrate to the base, accelerating the rate of deterioration. The only solution is to remove the defective asphalt and compact the base before new asphalt is installed.
- **Tree Root Damage.** There are locations where roots from trees planted near the asphalt surface have pushed up through the asphalt, causing cracks and heaving. Repair of these areas will require removal of the asphalt and the tree roots.

As a rule of thumb, asphalt should be overlaid when approximately five percent of the surface area has become cracked or has failed. 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:

- **Crack Sealing.** All cracks should be sealed with an appropriate sealing compound to prevent water infiltration through the asphalt compound into the base. This repair should be done annually. This is an entirely different process from the seal coating discussed below. Crack sealing is normally considered a maintenance activity and is not funded from Reserves. Areas of extensive cracking or deterioration that cannot be made watertight by crack sealing should be cut out and patched.
- **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 if deterioration has penetrated the asphalt, patched. This is a maintenance activity, and we have assumed that it will not be funded from Reserves.
- **Seal Coating.** The asphalt should be seal coated every three to five years. For this maintenance activity to be effective in extending the life of the asphalt, the crack sealing and cleaning of the asphalt as discussed above should be completed first.

Pricing used in the study is based on a recent contract for a two-inch overlay and reflects the current local market.

Curb Inlets. The storm water system includes a number of curb inlets that are designed to collect storm water from the streets and parking areas and direct it into the storm water system.

While curb inlets are long life items, soil movement can result in displacement of the structure. Openings between the inlets and the surrounding pavement and other surfaces can result in erosion and settlement of the pavement surrounding the curb inlet. This movement results in additional settlement and erosion. Uncorrected, the entire curb inlet will require replacement or rebuilding.

Site Lighting. The Association is responsible for the operation of the community's street, parking, walkways, and asphalt path lights. The lighting system was not on at the time of our site visit. We understand that the lighting system is in good operating condition.

Mailboxes. The cluster mailboxes located throughout the community are in good condition. We have assumed that when the mailboxes are replaced, fiberglass units will be installed.

Pressure Treated Wood Retaining Walls. The Association maintains an inventory of approximately 356 square feet of wood retaining walls. The overall condition of the retaining walls is good with no significant defects.

Chain Link Fencing. The Association maintains an inventory of 1,494 linear feet of chain link fencing. The overall condition of the fencing is good with only a limited number of deficiencies, such as light corrosion or damaged fence posts.

Wood Board Fencing. Wood board fencing is installed along portions of the property perimeter in the community. The Association maintains an inventory of 620 linear feet of wood board fencing. The general condition of the fencing is poor. The defects noted include the following:

- Loose boards. Several boards are currently loose and need to be renailed.
- Missing boards. Several sections of the fencing have missing boards.
- Warped boards. Several sections of the fencing have boards that are badly warped. Warped boards should be replaced to maintain the integrity of the fencing.
- Loose/Leaning Fence Posts. A number of the wood fence posts are not properly supported by the ground. As a result, they are loose and can be easily moved. Additional posts are leaning.
- Broken Sections. The support rails between the fence posts are broken in a number of sections.
- Rot. Although the fencing is constructed from treated lumber, we noted a number of locations where the posts rails boards are rotting.
- Undermining. We noted several locations where erosion or settlement has resulted in the formation of a larger than normal gap between the bottom of the fence and the ground. This gap will allow small animals and objects to pass under the fencing. These areas will have to be regraded to close the gap.

We understand that this fence is scheduled to be replaced this year.



Photo 3 - Chain link fence section



Photo 4 - Damaged wood fence

Asphalt Paths. The Association maintains an inventory of 3,660 square feet of asphalt path throughout the community. The overall condition of these paths is fair to poor with multiple defects throughout the community. The defects noted include the following:

- **Cracks.** There are multiple locations where open cracks are allowing water to penetrate to the asphalt base and the bearing soils beneath the pavement. This water will erode the base accelerating the deterioration of the asphalt pavement. If the cracks have allowed the deterioration of the base materials and the bearing soil, the damaged areas should be removed and replaced. All other cracks should be cleaned and filled.
- **Buckling.** Sections of the asphalt pavement in the paths have buckled as a result of thermal expansion of the asphalt or shifting in the asphalt's base material. Buckling results in the creation of trip hazards and is corrected by removing and replacing the damaged section of asphalt.
- **Potholes.** There are a number of locations where potholes have formed as the result of the failure of the underlying base material or the surface material. Potholes pose a trip hazard. Repair will require removal of the asphalt and base material, installation and compaction of new base material, and resurfacing with asphalt.
- **Tree Root Damage.** There are locations where roots from trees planted near the asphalt surface have pushed up through the asphalt, causing cracks and heaving. Repair of these areas will require removal of the asphalt and the tree roots.
- **Crumbling.** Portions of the asphalt paths are failing due to crumbling. Crumbling is the final stage in asphalt failure. At this point, water has penetrated and damaged the base, leaving the asphalt unsupported. The asphalt then breaks into small, loose fragments. Crumbling poses a trip hazard. Repair will require removal of the failed asphalt and replacement.

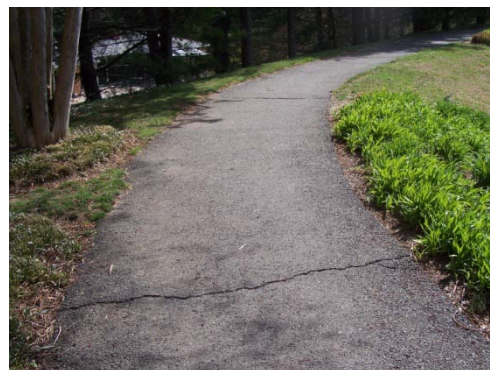


Photo 5 - Asphalt path section

Asphalt paths typically are constructed on only slightly compacted native soil. As a result, defects can begin to develop in a few years, leading to costly repairs or early replacement. For this reason, we have assumed a service life of 15 years for the asphalt paths.

We understand that the asphalt path is to be replaced this year.

Wood Bridge. There is a wood bridge located along the asphalt path within the community. The overall condition of the bridge is good. For the Reserve Analysis, we have separated each bridge into three components, the wood deck, the structure, and the railing to reflect their different service lives.



Photo 6 - Wood bridge on path

Riprap. The community has installed stone riprap along the shoreline to protect against erosion. In general, the riprap is in good condition.

While riprap is considered to be a long-life item, with time and exposure the riprap can be undermined, silted, or washed away. Therefore we have included repairs to the riprap in the Reserve Analysis. Due to the incremental nature of the work, we have assumed that ten percent of the rip rap will require replenishment every ten years.



Photo 7 - Riprap section

BUILDING EXTERIORS

Asphalt Shingle Roofing. The asphalt shingle roofs are in fair condition. We noted areas where the asphalt shingles showed significant shrinkage, curled tabs, missing tabs, and granular loss; all signs that the shingles are approaching the end of their service life.

We have estimated the remaining useful life of the roofs based on the conditions seen at the site as well as the age of the roofs. We have assumed that when the roofs eventually will require replacement, all roofs will be replaced with 25-year roofs. We have assumed that the gutters and downspouts will be replaced when the roofs are replaced.

Due to the large inventory and the varying rates at which the roofing materials will age and require replacement, we have divided the roof inventory into four equal components and spread their replacement over a four-year period.

Single-Ply Roofing. The roofs appear to be in good condition with no obvious signs of disrepair or ponding at this time. Although the membrane has a long life expectancy, these roofs will typically fail at the seams in the panels and around vents and other roof details. Because the rubber oxidizes over time the resealing of failed seams and joints has historically proven to be difficult, in that the oxidation inhibits the rebonding of the failed seams. Accordingly, we have included the replacement of the roof with a 15-year roof at an estimated cost of \$9 per square foot, and estimated the remaining life of the existing roof at five years. We have estimated the remaining useful life of the roofs based on the conditions seen at the site as well as the age of the roofs. Because of the nature and age of the existing roof, we recommend the periodic inspection of the roof by a professional roofing consultant to detect early signs of failure.

Chimney Caps. There are a total of 119 chimney caps on the buildings' chimneys. The chimney caps are in fair to poor condition. Chimney caps have a typical service life of 20 years.

All chimney caps were observed from the ground level. We noted corrosion on a number of the caps.

Brickwork. The brickwork on the buildings is in good condition. Brick is usually considered to be a life of structure item and therefore excluded from reserve funding. Because weather and other conditions result in the slow deterioration of the mortar in the brick joints, we have included funding in the Reserve Analysis for tuckpointing.

Tuckpointing is the process of raking and cutting out damaged sections of mortar and replacing them with new mortar. When mortar joints become damaged, they allow water to gain access to the brick joints. Repeated freeze-thaw cycles gradually increase the damage to the mortar joints, allowing even more moisture into the brick joints. If allowed to progress sufficiently, the brick surfaces can spall or entire bricks can be loosened.

Periodic tuckpointing limits the damage done by moisture penetration, maximizing the life of both the mortar and the bricks. For the Reserve Analysis, we have assumed that five percent of the brick will require tuckpointing every ten years once the brickwork is approximately 30 to 35 years old.

Wood Trim. We have assumed that ten percent of the wood trim will require replacement each time that the building exteriors are painted. We have also assumed that the buildings will be painted every five years.

Vinyl Siding. The vinyl siding on the buildings is in good overall condition. We have estimated the remaining useful life of the siding based on the conditions seen at the site as well as the age of the siding.

Due to the large inventory and the varying rates at which the siding materials will age and require replacement, we have divided the siding inventory into four equal components and spread their replacement over a six year period.

Pressure Treated Wood Steps. The community has a set of exterior steps that are constructed from pressure treated wood. The steps currently are in good condition.

We have separated the steps into three components in the Reserve Analysis to reflect the different service lives of these components; the step, the step landing surface, the step landing structure, and the railings.



Photo 8 - Building steps

Wood Decks. Wood decks and railings can be difficult to maintain. By design, a large portion of the decks and railings contain horizontal surfaces. Water tends to stand on the surfaces and soak into the wood. As the sun dries and pulls the moisture out of the wood, the wood shrinks and cracks. The wood decking material, as well as the handrails, should be repaired or replaced and then sealed every two to three years.

We have included three separate items in the Reserve Analysis for the wood decks to reflect their different service lives; the deck surface, the deck structure, and the deck railings. We have assumed a service life of 15 years for the deck surfaces and railings, and 30 years for the deck railings.



Photo 9 - Typical decks

Electrical Enclosures. Each building has at least one wood enclosure to house the electrical meters and disconnects. We have assumed a service life of 15 years for these enclosures.

RECREATIONAL FACILITIES

Swimming Pool. The community operates an outdoor pool of concrete construction with a concrete and engineered wood deck. The concrete portion of the deck is not coated. Listed below are the major components of the pool facilities:

- **Pool Shell.** The shell for the swimming pool is in good condition. (Pool shells normally have a finite life of approximately 45 years. At that time it may not be necessary to replace the entire structure. However, it is prudent to anticipate a major expenditure for replacement of underground lines and sections of the pool. Based on our research, we have found it to be prudent to program \$70 per square foot of pool surface to cover these needs.
- **Pool Deck.** The pool has a concrete and an engineered wood deck. The overall condition of the deck is good. Because it is highly unlikely that all of the community's concrete pool deck sections will fail and require replacement at the same time, we have divided the deck into four equal components in the Reserve Analysis and have spread their replacement over a 15 year period.
- **Whitecoat.** The pool whitecoat is in poor condition with cracking. We have assumed a service life of eight to ten years for the pool whitecoat.
- **Coping.** The pool is edged with masonry coping. The coping is in good condition
- **Waterline Tile.** The waterline tile is in fair condition. We have assumed that the waterline tile will be replaced or restored when the pool is whitecoated.
- **Pump and Filter System.** The filter system is in good operating condition. We have assumed a service life of 20 years for the filter system, and 10 years for the pump.

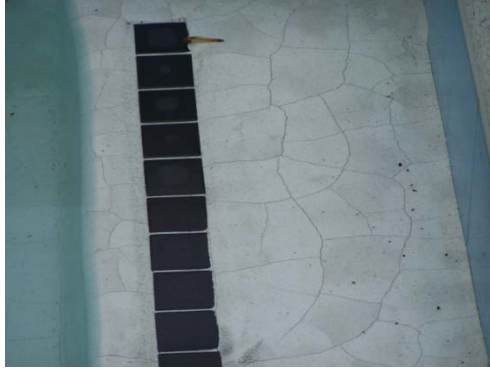


Photo 10 - Cracks in pool whitecoat



Photo 11 - Cracks in concrete deck

Tennis Courts - Asphalt. The community maintains two tennis courts. The overall condition of these courts is poor. Listed below are the major components of the tennis court facilities:

- **Asphalt Pavement.** The asphalt pavement for the tennis court is in poor condition with cracks and splits that extend into the playing surface. We have assumed a service life of 20 years for the asphalt.
- **Color Coat.** The color coat on the tennis courts is in poor condition with some major defects in its finish.
- **Fencing.** The fencing installed around the tennis courts is chain link and in fair condition. The fencing has damage in several locations. We have assumed that the fencing will be replaced when the asphalt pavement is replaced.
- **Net Posts.** The net posts are in fair condition. We have assumed that the new posts will be replaced when the asphalt pavement is replaced.
- **Wind Screen.** The wind screen installed on the fencing at the tennis courts is in good condition.



Photo 12 - Tennis courts

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 Waters Edge Condominium - Cash Flow Method Accounting Summary is an attachment to the Waters Edge Condominium - Replacement Reserve Study dated Revised December 1, 2011 and is for use by accounting and reserve professionals experienced in Association funding and accounting principles. This Summary consists of four reports, the 2012, 2013, and 2014 Cash Flow Method Category Funding Reports (3) and a Three-Year Replacement Funding Report.

- CASH FLOW METHOD CATEGORY FUNDING REPORT, 2012, 2013, and 2014. Each of the 143 Projected Replacements listed in the Waters Edge Condominium Replacement Reserve Inventory has been assigned to one of 11 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 \$515,215 Beginning Balance (at the start of the Study Year) and the \$439,438 of additional Replacement Reserve Funding in 2012 through 2014 (as calculated in the Replacement Reserve Analysis) to each of the 143 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 schedule in years 2012 through 2014.
 - Allocation of the \$515,215 Beginning Balance to the Projected Replacements by Chronological Allocation.
 - Allocation of the \$439,438 of additional Replacement Reserve Funding recommended in the Replacement Reserve Analysis in years 2012 through 2014, 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 \$515,215 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 Waters Edge Condominium the Beginning Balance funds 50.0% of Scheduled Replacements in the Study Year through 2016 and provides partial funding(0%) of replacements scheduled in 2017.
 - The next step is the allocation of the \$146,479 of 2012 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 Waters Edge Condominium the Beginning Balance and the 2012 Replacement Reserve Funding, funds replacements through 2016 and partial funds (94.9%) replacements in 2017.
 - Allocations of the 2013 and 2014 Reserve Funding are done using the same methodology.
 - The Three-Year Replacement Funding Report details component by component allocations made by Chronological Allocation.

2012 - CASH FLOW METHOD CATEGORY FUNDING REPORT

Each of the 143 Projected Replacements included in the Waters Edge Condominium Replacement Reserve Inventory has been assigned to one of the 11 categories listed in TABLE CF-1 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 \$515,215 as of the first day of the Study Year, January 1, 2012.
- Total reserve funding (including the Beginning Balance) of \$661,694 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 2012 being accomplished in 2012 at a cost of \$23,644.

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.

2012 - CASH FLOW METHOD CATEGORY FUNDING - TABLE CF-1

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2012 BEGINNING BALANCE	2012 RESERVE FUNDING	2012 PROJECTED REPLACEMENTS	2012 END OF YEAR BALANCE
CONCRETE SIDEWALK AND CURB & GUTT	60 years	3 to 60 years	\$97,022	\$5,575			\$5,575
CONCRETE STEPS	60 years	6 to 60 years	\$9,072				
SITE IMPROVEMENTS	5 to 40 years	0 to 23 years	\$310,931	\$84,533	\$58,368	(\$13,684)	\$129,217
SITE IMPROVEMENTS	15 to 50 years	4 to 33 years	\$55,740	\$3,990			\$3,990
BUILDING EXTERIORS	5 to 25 years	2 to 6 years	\$489,315	\$309,550	\$58,473		\$368,023
BUILDING EXTERIORS	20 to 35 years	0 to 20 years	\$812,209	\$14,936	\$4,472	(\$9,960)	\$9,448
BUILDING EXTERIORS	15 to 30 years	3 to 15 years	\$705,225	\$14,490			\$14,490
BUILDING EXTERIORS	15 to 30 years	10 to 14 years	\$184,753				
SWIMMING POOL	7 to 45 years	1 to 20 years	\$193,859	\$36,381	\$1,661		\$38,042
SWIMMING POOL	12 to 35 years	3 to 14 years	\$25,132	\$17,053	\$2,851		\$19,904
TENNIS COURTS	5 to 20 years	2 to 10 years	\$63,250	\$28,707	\$20,654		\$49,361

2013 - CASH FLOW METHOD CATEGORY FUNDING REPORT

Each of the 143 Projected Replacements included in the Waters Edge Condominium Replacement Reserve Inventory has been assigned to one of the 11 categories listed in TABLE CF-2 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 \$638,051 on January 1, 2013.
- Total reserve funding (including the Beginning Balance) of \$808,174 in 2012 through 2013.
- 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 2013 being accomplished in 2013 at a cost of \$17,180.

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.

2013 - CASH FLOW METHOD CATEGORY FUNDING - TABLE CF-2

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2013 BEGINNING BALANCE	2013 RESERVE FUNDING	2013 PROJECTED REPLACEMENTS	2013 END OF YEAR BALANCE
CONCRETE SIDEWALK AND CURB & GUTT	60 years	2 to 59 years	\$97,022	\$5,575	\$3,963		\$9,538
CONCRETE STEPS	60 years	5 to 59 years	\$9,072		\$871		\$871
SITE IMPROVEMENTS	5 to 40 years	3 to 22 years	\$310,931	\$129,217	\$6,678		\$135,895
SITE IMPROVEMENTS	15 to 50 years	3 to 32 years	\$55,740	\$3,990			\$3,990
BUILDING EXTERIORS	5 to 25 years	1 to 5 years	\$489,315	\$368,023	\$116,740		\$484,763
BUILDING EXTERIORS	20 to 35 years	4 to 19 years	\$812,209	\$9,448	\$512		\$9,960
BUILDING EXTERIORS	15 to 30 years	2 to 14 years	\$705,225	\$14,490	\$13,915		\$28,405
BUILDING EXTERIORS	15 to 30 years	9 to 13 years	\$184,753				
SWIMMING POOL	7 to 45 years	0 to 19 years	\$193,859	\$38,042	\$1,112	(\$17,180)	\$21,974
SWIMMING POOL	12 to 35 years	2 to 13 years	\$25,132	\$19,904	\$326		\$20,230
TENNIS COURTS	5 to 20 years	1 to 9 years	\$63,250	\$49,361	\$2,363		\$51,724

2014 - CASH FLOW METHOD CATEGORY FUNDING REPORT

Each of the 143 Projected Replacements included in the Waters Edge Condominium Replacement Reserve Inventory has been assigned to one of the 11 categories listed in TABLE CF-3 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 \$767,350 on January 1, 2014.
- Total Replacement Reserve funding (including the Beginning Balance) of \$954,653 in 2012 to 2014.
- 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 2014 being accomplished in 2014 at a cost of \$24,204.

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.

2014 - CASH FLOW METHOD CATEGORY FUNDING - TABLE CF-3

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2014 BEGINNING BALANCE	2014 RESERVE FUNDING	2014 PROJECTED REPLACEMENTS	2014 END OF YEAR BALANCE
CONCRETE SIDEWALK AND CURB & GUTT	60 years	1 to 58 years	\$97,022	\$9,538	\$5,739		\$15,278
CONCRETE STEPS	60 years	4 to 58 years	\$9,072	\$871	\$36		\$907
SITE IMPROVEMENTS	5 to 40 years	2 to 21 years	\$310,931	\$135,895	\$8,593		\$144,488
SITE IMPROVEMENTS	15 to 50 years	2 to 31 years	\$55,740	\$3,990	\$918		\$4,908
BUILDING EXTERIORS	5 to 25 years	0 to 4 years	\$489,315	\$484,763	\$19,831	(\$15,280)	\$489,315
BUILDING EXTERIORS	20 to 35 years	3 to 18 years	\$812,209	\$9,960	\$25,773		\$35,733
BUILDING EXTERIORS	15 to 30 years	1 to 13 years	\$705,225	\$28,405	\$42,170		\$70,575
BUILDING EXTERIORS	15 to 30 years	8 to 12 years	\$184,753		\$9,011		\$9,011
SWIMMING POOL	7 to 45 years	0 to 18 years	\$193,859	\$21,974	\$25,918	(\$3,200)	\$44,692
SWIMMING POOL	12 to 35 years	1 to 12 years	\$25,132	\$20,230			\$20,230
TENNIS COURTS	5 to 20 years	0 to 8 years	\$63,250	\$51,724	\$8,490	(\$5,724)	\$54,490

CASH FLOW METHOD - THREE-YEAR REPLACEMENT FUNDING - TABLE 4 cont'd

Item #	Description of Projected Replacement	Estimated Replacement Costs	Allocation of Beginning Balance	2012 Reserve Funding	2012 Projected Replacements	2012 End of Year Balance	2013 Reserve Funding	2013 Projected Replacements	2013 End of Year Balance	2014 Reserve Funding	2014 Projected Replacements	2014 End of Year Balance
104	Deck structure, 1/3	140,833										
105	Deck railing, 1/3	16,575								2,130		2,130
106	Deck railing, 1/3	16,575										
107	Deck railing, 1/3	16,575										
BUILDING EXTERIORS												
108	Deck pilings	99,900										
109	Exterior lights	26,625								3,421		3,421
110	Privacy fence	14,728										
111	Electrical enclosures	43,500								5,590		5,590
SWIMMING POOL												
112	Swimming pool structure	91,000										
113	Swimming pool finish	10,400	10,400			10,400		(10,400)		10,400		10,400
114	Swimming pool waterline tile	3,080	3,080			3,080		(3,080)				
115	Swimming pool coping	6,160										
116	Swimming pool cover	2,535	2,535			2,535			2,535			2,535
117	Swimming pool diving board - 12'	2,500	2,500			2,500			2,500			2,500
118	Swimming pool filter/chlorinator	6,500								835		835
119	Swimming pool valves & plumbing	2,600								334		334
120	Swimming pool pump, 3 hp	3,200	3,200			3,200			3,200		(3,200)	
121	Swimming pool concrete deck, 25%	5,417	5,417			5,417			5,417			5,417
122	Swimming pool concrete deck, 25%	5,417								5,417		5,417
123	Swimming pool concrete deck, 25%	5,417										
124	Swimming pool concrete deck, 25%	5,417										
125	Swimming pool engr wood deck	16,830										
126	Pool building lights	1,125								145		145
127	Swimming pool furniture (25%)	3,700	3,700			3,700		(3,700)		3,700		3,700
128	Swimming pool furniture (25%)	3,700	3,700			3,700			3,700			3,700
129	Swimming pool furniture (25%)	3,700	1,849	1,661		3,510	190		3,700			3,700
130	Swimming pool furniture (25%)	3,700								3,700		3,700
131	Wood picket fence	960					922		922	38		960
132	Swimming pool railing	10,500								1,349		1,349
SWIMMING POOL												
133	Pool buildings roof	5,816	5,816			5,816			5,816			5,816
134	Pool buildings gutters & downspouts	564	564			564			564			564
135	Pool buildings vinyl siding	4,902										
136	Pool buildings exterior doors	5,250	2,623	2,357		4,980	270		5,250			5,250
137	Pool building restroom fixtures	7,500	7,500			7,500			7,500			7,500
138	Pool building water heater	1,100	550	494		1,043	57		1,100			1,100
TENNIS COURTS												
139	Tennis court - base asphalt	36,000	17,987	16,164		34,151	1,849		36,000			36,000
140	Tennis court - color coat	10,000	4,996	4,490		9,486	514		10,000	1,285		11,285
141	Tennis court - fence	10,176								1,308		1,308
142	Tennis court - wind screen	5,724	5,724			5,724			5,724	5,724	(5,724)	5,724
143	Tennis court benches	1,350								173		173

COMPONENT METHOD ACCOUNTING SUMMARY

This Waters Edge Condominium - Component Method Accounting Summary is an attachment to the Waters Edge Condominium - Replacement Reserve Study dated Revised December 1, 2011 and is for use by accounting and reserve professionals experienced in Association funding and accounting principals. This Summary consists of four reports, the 2012, 2013, and 2014 Cash Flow Method Category Funding Reports (3) and a Three-Year Replacement Funding Report.

- COMPONENT METHOD CATEGORY FUNDING REPORT, 2012, 2013, and 2014. Each of the 143 Projected Replacements listed in the Waters Edge Condominium Replacement Reserve Inventory has been assigned to one of 11 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 \$515,215 Beginning Balance (at the start of the Study Year) and the \$772,209 of additional Replacement Reserve funding in 2012 through 2014 (as calculated in the Replacement Reserve Analysis) to each of the 143 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 2012 through 2014.
 - Allocation of the \$515,215 Beginning Balance to the Projected Replacements by the Component Method.
 - Allocation of the \$772,209 of additional Replacement Reserve Funding recommended in the Replacement Reserve Analysis in years 2012 through 2014, by the Component Method.

2012 - COMPONENT METHOD CATEGORY FUNDING REPORT

Each of the 143 Projected Replacements included in the Waters Edge Condominium Replacement Reserve Inventory has been assigned to one of the 11 categories listed in TABLE CM-1 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 \$515,215 as of the first day of the Study Year, January 1, 2012.
- Total reserve funding (including the Beginning Balance) of \$782,817 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 2012 being accomplished in 2012 at a cost of \$23,644.

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.

2012 - COMPONENT METHOD CATEGORY FUNDING - TABLE CM-1

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2012 BEGINNING BALANCE	2012 RESERVE FUNDING	2012 PROJECTED REPLACEMENTS	2012 END OF YEAR BALANCE
CONCRETE SIDEWALK AND CURB & GUTT	60 years	3 to 60 years	\$97,022	\$13,920	\$4,114		\$18,035
CONCRETE STEPS	60 years	6 to 60 years	\$9,072	\$1,223	\$328		\$1,552
SITE IMPROVEMENTS	5 to 40 years	0 to 23 years	\$310,931	\$52,242	\$36,166	\$13,684	\$74,724
SITE IMPROVEMENTS	15 to 50 years	4 to 33 years	\$55,740	\$6,139	\$2,311		\$8,450
BUILDING EXTERIORS	5 to 25 years	2 to 6 years	\$489,315	\$114,898	\$72,454		\$187,352
BUILDING EXTERIORS	20 to 35 years	0 to 20 years	\$812,209	\$149,079	\$55,337	\$9,960	\$194,456
BUILDING EXTERIORS	15 to 30 years	3 to 15 years	\$705,225	\$104,626	\$52,536		\$157,162
BUILDING EXTERIORS	15 to 30 years	10 to 14 years	\$184,753	\$25,770	\$12,944		\$38,714
SWIMMING POOL	7 to 45 years	1 to 20 years	\$193,859	\$31,545	\$19,005		\$50,549
SWIMMING POOL	12 to 35 years	3 to 14 years	\$25,132	\$5,719	\$3,462		\$9,181
TENNIS COURTS	5 to 20 years	2 to 10 years	\$63,250	\$10,054	\$8,945		\$18,998

2013 - COMPONENT METHOD CATEGORY FUNDING REPORT

Each of the 143 Projected Replacements included in the Waters Edge Condominium Replacement Reserve Inventory has been assigned to one of the 11 categories listed in TABLE CM-2 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 \$759,174 on January 1, 2013.
- Total reserve funding (including the Beginning Balance) of \$1,037,341 in 2012 through 2013.
- 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 2013 being accomplished in 2013 at a cost of \$17,180.

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.

2013 - COMPONENT METHOD CATEGORY FUNDING - TABLE CM-2

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2013 BEGINNING BALANCE	2013 RESERVE FUNDING	2013 PROJECTED REPLACEMENTS	2013 END OF YEAR BALANCE
CONCRETE SIDEWALK AND CURB & GUTT	60 years	2 to 59 years	\$97,022	\$18,035	\$4,114		\$22,149
CONCRETE STEPS	60 years	5 to 59 years	\$9,072	\$1,552	\$328		\$1,880
SITE IMPROVEMENTS	5 to 40 years	3 to 22 years	\$310,931	\$74,724	\$29,461		\$104,186
SITE IMPROVEMENTS	15 to 50 years	3 to 32 years	\$55,740	\$8,450	\$2,311		\$10,760
BUILDING EXTERIORS	5 to 25 years	1 to 5 years	\$489,315	\$187,352	\$72,454		\$259,807
BUILDING EXTERIORS	20 to 35 years	4 to 19 years	\$812,209	\$194,456	\$48,963		\$243,419
BUILDING EXTERIORS	15 to 30 years	2 to 14 years	\$705,225	\$157,162	\$52,536		\$209,698
BUILDING EXTERIORS	15 to 30 years	9 to 13 years	\$184,753	\$38,714	\$12,944		\$51,658
SWIMMING POOL	7 to 45 years	0 to 19 years	\$193,859	\$50,549	\$19,005	\$17,180	\$52,374
SWIMMING POOL	12 to 35 years	2 to 13 years	\$25,132	\$9,181	\$3,462		\$12,643
TENNIS COURTS	5 to 20 years	1 to 9 years	\$63,250	\$18,998	\$8,945		\$27,943

2014 - COMPONENT METHOD CATEGORY FUNDING REPORT

Each of the 143 Projected Replacements included in the Waters Edge Condominium Replacement Reserve Inventory has been assigned to one of the 11 categories listed in TABLE CM-3 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 \$996,517 on January 1, 2014.
- Total Replacement Reserve funding (including the Beginning Balance) of \$1,287,424 in 2012 to 2014.
- 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 2014 being accomplished in 2014 at a cost of \$24,204.

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.

2014 - COMPONENT METHOD CATEGORY FUNDING - TABLE CM-3

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2014 BEGINNING BALANCE	2014 RESERVE FUNDING	2014 PROJECTED REPLACEMENTS	2014 END OF YEAR BALANCE
CONCRETE SIDEWALK AND CURB & GUTT	60 years	1 to 58 years	\$97,022	\$22,149	\$4,114		\$26,264
CONCRETE STEPS	60 years	4 to 58 years	\$9,072	\$1,880	\$328		\$2,209
SITE IMPROVEMENTS	5 to 40 years	2 to 21 years	\$310,931	\$104,186	\$29,461		\$133,647
SITE IMPROVEMENTS	15 to 50 years	2 to 31 years	\$55,740	\$10,760	\$2,311		\$13,071
BUILDING EXTERIORS	5 to 25 years	0 to 4 years	\$489,315	\$259,807	\$72,454	\$15,280	\$316,981
BUILDING EXTERIORS	20 to 35 years	3 to 18 years	\$812,209	\$243,419	\$48,963		\$292,383
BUILDING EXTERIORS	15 to 30 years	1 to 13 years	\$705,225	\$209,698	\$52,536		\$262,234
BUILDING EXTERIORS	15 to 30 years	8 to 12 years	\$184,753	\$51,658	\$12,944		\$64,602
SWIMMING POOL	7 to 45 years	0 to 18 years	\$193,859	\$52,374	\$14,564	\$3,200	\$63,737
SWIMMING POOL	12 to 35 years	1 to 12 years	\$25,132	\$12,643	\$3,462		\$16,105
TENNIS COURTS	5 to 20 years	0 to 8 years	\$63,250	\$27,943	\$8,945	\$5,724	\$31,164

COMPONENT METHOD - THREE-YEAR REPLACEMENT FUNDING REPORT

TABLE CM-4 below details the allocation of the \$515,215 Beginning Balance, as reported by the Association and the \$772,209 of Replacement Reserve Funding calculated by the Cash Flow Method in 2012 to 2014, to the 143 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 CF-1. The accuracy of the allocations is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling \$515,215 on January 1, 2012.
- Replacement Reserves on Deposit totaling \$759,174 on January 1, 2013.
- Replacement Reserves on Deposit totaling \$996,517 on January 1, 2014.
- Total Replacement Reserve funding (including the Beginning Balance) of \$1,287,424 in 2012 to 2014.
- 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 2012 to 2014 being accomplished as scheduled in the Replacement Reserve Inventory at a cost of \$65,027.

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 CM-4

Item #	Description of Projected Replacement	Estimated Replacement Costs	Allocation of Beginning Balance	2012 Reserve Funding	2012 Projected Replacements	2012 End of Year Balance	2013 Reserve Funding	2013 Projected Replacements	2013 End of Year Balance	2014 Reserve Funding	2014 Projected Replacements	2014 End of Year Balance
CONCRETE SIDEWALK AND CURB												
1	Concrete flatwork (3%)	5,575	1,613	991		2,604	991		3,594	991		4,585
2	Concrete flatwork (3%)	5,575	1,440	413		1,854	413		2,267	413		2,681
3	Concrete flatwork (3%)	5,575	1,268	269		1,537	269		1,806	269		2,075
4	Concrete flatwork (3%)	5,575	1,095	204		1,298	204		1,502	204		1,706
5	Concrete flatwork (3%)	5,575	922	166		1,088	166		1,254	166		1,420
6	Concrete flatwork (3%)	5,575	749	142		891	142		1,033	142		1,175
7	Concrete flatwork (3%)	5,575	576	125		701	125		826	125		951
8	Concrete flatwork (3%)	5,575	403	112		516	112		628	112		741
9	Concrete flatwork (3%)	5,575	230	103		333	103		436	103		539
10	Concrete flatwork (3%)	5,575	58	95		153	95		248	95		343
11	Concrete curb & gutter (3%)	4,127	1,130	428		1,558	428		1,986	428		2,415
12	Concrete curb & gutter (3%)	4,127	1,002	240		1,243	240		1,483	240		1,723
13	Concrete curb & gutter (3%)	4,127	874	171		1,045	171		1,217	171		1,388
14	Concrete curb & gutter (3%)	4,127	746	135		882	135		1,017	135		1,152
15	Concrete curb & gutter (3%)	4,127	618	113		732	113		845	113		958
16	Concrete curb & gutter (3%)	4,127	490	98		589	98		687	98		785
17	Concrete curb & gutter (3%)	4,127	363	88		450	88		538	88		625
18	Concrete curb & gutter (3%)	4,127	235	79		314	79		393	79		473
19	Concrete curb & gutter (3%)	4,127	107	73		180	73		253	73		326
20	Concrete curb & gutter (3%)	4,127		68		68	68		135	68		203
CONCRETE STEPS												
21	Concrete steps (6%)	907	248	94		343	94		437	94		531
22	Concrete steps (6%)	907	220	53		273	53		326	53		379
23	Concrete steps (6%)	907	192	38		230	38		267	38		305
24	Concrete steps (6%)	907	164	30		194	30		224	30		253
25	Concrete steps (6%)	907	136	25		161	25		186	25		211
26	Concrete steps (6%)	907	108	22		129	22		151	22		173
27	Concrete steps (6%)	907	80	19		99	19		118	19		137
28	Concrete steps (6%)	907	52	17		69	17		86	17		104
29	Concrete steps (6%)	907	23	16		40	16		56	16		72
30	Concrete steps (6%)	907		15		15	15		30	15		45
SITE IMPROVEMENTS												
31	Asphalt pavement	116,311	25,242	15,178		40,420	15,178		55,598	15,178		70,776
32	Seal coat asphalt	13,684	4,242	9,441	(13,684)		2,737		2,737	2,737		5,473
33	Curb inlets	33,000	4,092	1,204		5,297	1,204		6,501	1,204		7,706
34	Community sign	3,450	802	530		1,332	530		1,861	530		2,391
35	Monument brick tuckpointing	2,451	633	364		997	364		1,360	364		1,724
36	Flagpole	2,500	484	134		619	134		753	134		888
37	Site lighting fixtures	52,500	9,115	3,944		13,059	3,944		17,003	3,944		20,947
38	Cluster mailboxes	16,200	2,411	1,061		3,472	1,061		4,532	1,061		5,593
39	Wood traffic posts	3,150	469	206		675	206		881	206		1,088

COMPONENT METHOD - THREE-YEAR REPLACEMENT FUNDING - TABLE CM-4 cont'd

Item #	Description of Projected Replacement	Estimated Replacement Costs	Allocation of Beginning Balance	2012 Reserve Funding	2012 Projected Replacements	2012 End of Year Balance	2013 Reserve Funding	2013 Projected Replacements	2013 End of Year Balance	2014 Reserve Funding	2014 Projected Replacements	2014 End of Year Balance
40	Wood retaining walls	11,392	1,236	781		2,017	781		2,799	781		3,580
41	Chain link fence, Leesburg Pike	14,454	1,613	803		2,416	803		3,218	803		4,021
42	Chain link fence, north side	14,511	1,620	806		2,425	806		3,231	806		4,037
43	Alternate board fence	14,570		971		971	971		1,943	971		2,914
44	Asphalt path	8,235		515		515	515		1,029	515		1,544
45	Wood bridge surface	684	57	57		114	57		171	57		228
46	Wood bridge structure	3,240	201	127		328	127		454	127		581
47	Wood bridge railing	600	25	44		69	44		113	44		158
SITE IMPROVEMENTS												
48	Riprap	38,000	3,770	1,007		4,777	1,007		5,784	1,007		6,790
49	Wood benches	500	72	53		126	53		179	53		233
50	Pet stations	1,050	87	88		174	88		262	88		349
51	Wood gazebo	2,500	174	75		249	75		324	75		399
52	Gazebo roof	1,000	140	78		218	78		296	78		374
53	Wood maintenance shed	1,200	167	94		261	94		355	94		449
54	Brick wall tuckpointing	3,990	1,031	592		1,623	592		2,215	592		2,806
55	HVAC platforms	7,500	698	324		1,021	324		1,345	324		1,669
BUILDING EXTERIORS												
56	Asphalt shingle roofs, 25%	98,121	25,553	18,142		43,695	18,142		61,837	18,142		79,979
57	Asphalt shingle roofs, 25%	98,121	24,337	14,757		39,094	14,757		53,851	14,757		68,607
58	Asphalt shingle roofs, 25%	98,121	23,120	12,500		35,620	12,500		48,120	12,500		60,621
59	Asphalt shingle roofs, 25%	98,121	21,903	10,888		32,791	10,888		43,680	10,888		54,568
60	Gutters and downspouts, 25%	12,018	3,130	2,222		5,352	2,222		7,574	2,222		9,796
61	Gutters and downspouts, 25%	12,018	2,981	1,807		4,788	1,807		6,596	1,807		8,403
62	Gutters and downspouts, 25%	12,018	2,832	1,531		4,363	1,531		5,894	1,531		7,425
63	Gutters and downspouts, 25%	12,018	2,683	1,334		4,016	1,334		5,350	1,334		6,684
64	Flat roofs	8,316	1,547	1,128		2,675	1,128		3,803	1,128		4,931
65	Chimney caps, 25%	4,463	1,107	839		1,946	839		2,785	839		3,624
66	Chimney caps, 25%	4,463	1,038	685		1,723	685		2,408	685		3,093
67	Chimney caps, 25%	4,463	968	582		1,551	582		2,133	582		2,715
68	Chimney caps, 25%	4,463	899	509		1,408	509		1,917	509		2,426
69	Brick tuckpointing, 10%	7,311	907	1,067		1,974	1,067		3,042	1,067		4,109
70	Wood trim, 10%	15,280	1,895	4,462		6,356	4,462		10,818	4,462	(15,280)	
BUILDING EXTERIORS												
71	Vinyl siding, 25%	185,370	39,408	13,269		52,677	13,269		65,947	13,269		79,216
72	Vinyl siding, 25%	185,370	36,124	11,480		47,605	11,480		59,085	11,480		70,565
73	Vinyl siding, 25%	185,370	32,840	10,169		43,009	10,169		53,177	10,169		63,346
74	Vinyl siding, 25%	185,370	29,556	9,166		38,722	9,166		47,887	9,166		57,053
75	Vinyl soffit, 25%	5,233	1,112	375		1,487	375		1,862	375		2,236
76	Vinyl soffit, 25%	5,233	1,020	324		1,344	324		1,668	324		1,992
77	Vinyl soffit, 25%	5,233	927	287		1,214	287		1,501	287		1,788
78	Vinyl soffit, 25%	5,233	834	259		1,093	259		1,352	259		1,610
79	Wood steps, 20%	5,460	1,693	3,767	(5,460)		273		273			546
80	Wood steps, 20%	5,460	1,185	713		1,897	713		2,610	713		3,322
81	Wood steps, 20%	5,460	762	427		1,189	427		1,616	427		2,043
82	Wood steps, 20%	5,460	339	320		659	320		979	320		1,299
83	Wood steps, 20%	5,460		260		260	260		520	260		780
84	Wood stair railing, 20%	4,500	1,395	3,105	(4,500)		225		225			450
85	Wood stair railing, 20%	4,500	977	587		1,564	587		2,151	587		2,738
86	Wood stair railing, 20%	4,500	628	352		980	352		1,332	352		1,684
87	Wood stair railing, 20%	4,500	279	264		543	264		807	264		1,070
88	Wood stair railing, 20%	4,500		214		214	214		429	214		643
BUILDING EXTERIORS												
89	Wood landing surface, 20%	3,990	907	771		1,678	771		2,449	771		3,219
90	Wood landing surface, 20%	3,990	660	476		1,135	476		1,611	476		2,087
91	Wood landing surface, 20%	3,990	412	358		770	358		1,128	358		1,486
92	Wood landing surface, 20%	3,990	165	294		459	294		753	294		1,048
93	Wood landing surface, 20%	3,990		249		249	249		499	249		748
94	Wood landing structure, 20%	10,500	2,821	1,920		4,741	1,920		6,661	1,920		8,580
95	Wood landing structure, 20%	10,500	2,496	1,143		3,639	1,143		4,783	1,143		5,926
96	Wood landing structure, 20%	10,500	2,170	833		3,003	833		3,836	833		4,669
97	Wood landing structure, 20%	10,500	1,845	666		2,510	666		3,176	666		3,842
98	Wood landing structure, 20%	10,500	1,519	561		2,080	561		2,642	561		3,203
99	Deck surface, 1/3	53,517	4,424	4,463		8,887	4,463		13,350	4,463		17,813
100	Deck surface, 1/3	53,517	3,318	4,183		7,502	4,183		11,685	4,183		15,868
101	Deck surface, 1/3	53,517	2,212	3,946		6,159	3,946		10,105	3,946		14,052
102	Deck structure, 1/3	140,833	27,653	10,289		37,942	10,289		48,231	10,289		58,520
103	Deck structure, 1/3	140,833	26,198	9,553		35,751	9,553		45,304	9,553		54,857

COMPONENT METHOD - THREE-YEAR REPLACEMENT FUNDING - TABLE CM-4 cont'd

Item #	Description of Projected Replacement	Estimated Replacement Costs	Allocation of Beginning Balance	2012 Reserve Funding	2012 Projected Replacements	2012 End of Year Balance	2013 Reserve Funding	2013 Projected Replacements	2013 End of Year Balance	2014 Reserve Funding	2014 Projected Replacements	2014 End of Year Balance
104	Deck structure, 1/3	140,833	24,742	8,930		33,672	8,930		42,602	8,930		51,532
105	Deck railing, 1/3	16,575	1,370	1,382		2,753	1,382		4,135	1,382		5,517
106	Deck railing, 1/3	16,575	1,028	1,296		2,323	1,296		3,619	1,296		4,915
107	Deck railing, 1/3	16,575	685	1,222		1,907	1,222		3,130	1,222		4,352
BUILDING EXTERIORS												
108	Deck pilings	99,900	17,551	6,335		23,885	6,335		30,220	6,335		36,554
109	Exterior lights	26,625	4,623	2,000		6,623	2,000		8,623	2,000		10,623
110	Privacy fence	14,728		982		982	982		1,964	982		2,946
111	Electrical enclosures	43,500	3,596	3,628		7,224	3,628		10,852	3,628		14,479
SWIMMING POOL												
112	Swimming pool structure	91,000	16,301	3,932		20,232	3,932		24,164	3,932		28,095
113	Swimming pool finish	10,400	2,303	4,048		6,352	4,048	(10,400)		1,486		1,486
114	Swimming pool waterline tile	3,080	828	1,126		1,954	1,126	(3,080)		205		205
115	Swimming pool coping	6,160	255	454		709	454		1,163	454		1,617
116	Swimming pool cover	2,535	225	462		687	462		1,149	462		1,611
117	Swimming pool diving board - 12'	2,500	388	422		810	422		1,233	422		1,655
118	Swimming pool filter/chlorinator	6,500	907	508		1,415	508		1,924	508		2,432
119	Swimming pool valves & plumbing	2,600	363	203		566	203		770	203		973
120	Swimming pool pump, 3 hp	3,200	694	835		1,530	835		2,365	835	(3,200)	
121	Swimming pool concrete deck, 25%	5,417	1,456	990		2,446	990		3,436	990		4,427
122	Swimming pool concrete deck, 25%	5,417	1,176	471		1,647	471		2,118	471		2,589
123	Swimming pool concrete deck, 25%	5,417	896	323		1,219	323		1,542	323		1,865
124	Swimming pool concrete deck, 25%	5,417	616	253		869	253		1,121	253		1,374
125	Swimming pool engr wood deck	16,830	1,565	727		2,292	727		3,019	727		3,746
126	Pool building lights	1,125	195	85		280	85		364	85		449
127	Swimming pool furniture (25%)	3,700	860	1,420		2,280	1,420	(3,700)		463		463
128	Swimming pool furniture (25%)	3,700	574	782		1,355	782		2,137	782		2,918
129	Swimming pool furniture (25%)	3,700	287	569		856	569		1,425	569		1,993
130	Swimming pool furniture (25%)	3,700	463	463		463	463		925	463		1,388
131	Wood picket fence	960	193	110		303	110		412	110		522
132	Swimming pool railing	10,500	1,465	821		2,286	821		3,108	821		3,929
SWIMMING POOL												
133	Pool buildings roof	5,816	1,443	875		2,317	875		3,192	875		4,067
134	Pool buildings gutters & downspouts	564	140	85		225	85		310	85		394
135	Pool buildings vinyl siding	4,902	868	269		1,137	269		1,406	269		1,675
136	Pool buildings exterior doors	5,250	1,237	669		1,906	669		2,575	669		3,244
137	Pool building restroom fixtures	7,500	1,860	1,410		3,270	1,410		4,680	1,410		6,090
138	Pool building water heater	1,100	171	155		325	155		480	155		635
TENNIS COURTS												
139	Tennis court - base asphalt	36,000	7,813	4,698		12,511	4,698		17,209	4,698		21,906
140	Tennis court - color coat	10,000		1,667		1,667	1,667		3,333	1,667		5,000
141	Tennis court - fence	10,176	1,420	796		2,216	796		3,012	796		3,808
142	Tennis court - wind screen	5,724	710	1,671		2,381	1,671		4,053	1,671	(5,724)	
143	Tennis court benches	1,350	112	113		224	113		337	113		449

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 home owner 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, street lights, 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 U.S. Census, there were 130,000 Community Associations in 1990. 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, 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 two generally accepted accounting methods; the Cash Flow Method and the Component Method. Section A Replacement Reserve Analysis includes graphic and tabular presentations of these methods and current Association funding.
- 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.
- Section E Attachments. 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).

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:

- **Component Method.** This method is a time tested mathematical model developed by HUD in the early 1980s. It 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.

- **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. This method usually results in a calculated requirement for annual contribution somewhat less than that arrived at by the Component Method of analysis.

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 which is less than that arrived at by the Component Method.

- **Adjusted Cash Flow Analysis.** This program has the ability to modify the Cash Flow Method to take into account forecasted inflation and interest rates, thereby producing an Adjusted Cash Flow Analysis. Attempting to forecast future inflation and interest rates and the impact of changing technology is highly tenuous. Therefore, in most cases it is preferable to make a new schedule periodically rather than attempt to project far into the future. We will provide more information on this type of analysis upon request.

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 number 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

6. LIST OF RECOMMENDED REPAIRS - PROCEDURES

A List of Recommended Repairs is offered as a supplemental report to the Replacement Reserve Study (at an additional fee) to assist the Association in understanding the financial implications of all items owned by the Association, not just the items included for funding by Replacement Reserves listed in the Replacement Reserve Inventory. The following information relates to the List of Recommended Repairs:

- Repair costs. Cost range estimates given in the repair list assume that all work by a given trade will be done together as a single project. If repairs are done piece-meal, the costs would be significantly higher. The costs of any repairs to be funded out of the Reserve Fund should be subtracted from the Reserves Currently on Deposit figure. The Board or Property Manager should coordinate this decision with the Reserve Analyst as part of the revision process.
- Completion of repairs. The Replacement Reserve Analysis assumes that all repairs cited in the Repair List will be completed within a twelve-month period of time. Estimated Life Left in the Replacement Reserve Study has been factored under this assumption. Any deletions or delays of the projects included in the List of Recommended Repairs may result in major inaccuracies in the Replacement Reserve Analysis.
- Safety issues. If safety issues have been cited, they should be given the highest priority and should be done immediately upon receipt of this report. The Board must recognize that from a liability standpoint, they have been made aware of the existence of these unsafe conditions, if any, once the report is delivered for their review.
- Unit costs. Nationally published standards and standard estimating manuals have been used in the development of this report. Contractor proposals or actual cost experience may be available as part of the Association records. We will adjust our figures to conform to your experience if the material or information is disclosed to us and/or made available for our use.