

**Sample Condominium Association**

**Reserve Study Report  
Reserve Study With Site Visit**

**For 30-Year Projection Period Beginning January 1, 2015**



## Sample Condominium Association

### Reserve Study - Type I Report

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Supplemental information is normally issued as a separate document

**ABC Reserve Study Company**  
**456 Main Street**  
**Phoenix, Arizona**

**Preparer's Report on Reserve Management Plan**  
**Type I Reserve Study With On-Site Analysis**  
**For period 1/1/15 – 12-31-44**

**Board of Directors**

[Sample Condominium Association](#)  
Anywhere, Arizona

**Description of Reserve Management Plan Engagement and Reserve Study Report**

A reserve management plan engagement involves the reserve professional providing assistance to management of [Sample Condominium Association](#) by helping them identify key factors, develop assumptions, gather and assemble information, and develop a financial model so they may consider the results based upon their stated assumptions.

A Type I reserve study engagement is based on an on-site analysis. The on-site analysis of [Sample Condominium Association](#) upon which this reserve management plan is based was performed by [Sam Jones of ABC Reserve Study Company](#) on \_\_\_\_\_(Date).

The attached basic financial exhibits and disclosures comprise a Type I Reserve Study report of [Sample Condominium Association](#). The basic financial exhibits comprising this reserve study report are the statement of position and summary component list as of [January 1, 2015](#), statements of projected cash flows and expenditures for the 30-year period [January 1, 2015](#) through [December 31, 2044](#), and related disclosures that provide important information regarding the basic financial exhibits.

**Management's Responsibility for Reserve Study**

The Governing Body of [Sample Condominium Association](#) is responsible for the preparation and fair presentation of this reserve study report in accordance with Generally Accepted Reserve Study Principles.

**Reserve Professional's Responsibility**

Our responsibility is to perform our reserve management plan engagement and compile the reserve study report in accordance with Generally Accepted Reserve Study Standards.

**Report on Reserve Study**

Our reserve management plan engagement was performed in accordance with Generally Accepted Reserve Study Standards. A reserve study involves performing procedures to identify, quantify and evaluate condition of components based upon a visual observation for the purpose of making a financial projection. The procedures selected are based on the reserve professional's judgment. We believe that the procedures we have performed are sufficient and appropriate to support the reserve study report as presented. We are not responsible for any events subsequent to the date of this report. The limited procedures we performed do not constitute an examination that would result in an independent reserve study, and, accordingly, we do not express an opinion or provide any assurance on the information presented.

We have compiled the accompanying reserve study report of [Sample Condominium Association](#), comprised of the financial exhibits referred to above in accordance with Generally Accepted Reserve Study Principles.

This reserve study report for whole ownership associations was prepared using software meeting the reserve study calculation and software standards of the International Capital Budgeting Institute.

We are not aware of any material modifications that should be made to the financial exhibits referred to above, based upon the stated significant assumptions and exclusions, for them to be presented in conformity with Generally Accepted Reserve Study Principles.

This reserve study report is restricted to the management and members of the [Sample Condominium Association](#), and should not be relied upon by others not involved in the establishment of the significant assumptions and exclusions upon which this report is based. Readers of the reserve study report should consider the significant assumptions, excluded components, and general exclusions in forming their own conclusions regarding the reserve study report.

### **Required Supplementary Information**

Generally Accepted Reserve Study Standards require that the component list compiled at the major or minor component level be presented to supplement the basic financial exhibits. This component list is the responsibility of the [Sample Condominium Association's](#) management and was used to prepare the basic financial exhibits. The information contained in this list has been subjected to the procedures applied in the compilation of the reserve study report, and we are not aware of any material modifications that should be made thereto.

### **Regulatory Information**

In the case of common interest realty associations located in the U.S.A., Generally Accepted Reserve Study Standards require that regulatory disclosures be presented to supplement the basic financial exhibits. Regulatory Disclosures consist of supplemental information required by the Financial Accounting Standards Board and any disclosures required by state or local jurisdictions. Such information is the responsibility of the [Sample Condominium Association's](#) management and was derived from the component list used to prepare the reserve study report. The information has been subjected to the procedures applied in the compilation of the basic reserve study report, and we are not aware of any material modifications that should be made thereto.

### **Report on Supplementary Information**

The Supplementary Schedules of ([identify schedules](#)) are presented for purposes of additional analysis and are not a required part of the reserve study report. Such information is the responsibility of the [Sample Condominium Association's](#) management and was derived from the component list used to prepare the basic reserve study report. The information has been subjected to the procedures applied in the compilation of the basic reserve study report, and we are not aware of any material modifications that should be made thereto.

[ABC Reserve Study Company](#)  
[Sam Jones](#)

\_\_\_\_\_ [Report date](#)

**Sample Condominium Association**

Projection period: 1/1/15 to 12/31/44  
 Type of Development/Project: Condominium Project  
 Number of Units / Lots: 200  
 Location: Anywhere, Arizona  
 Project Construction Date: 1992

Description of Project: Sample Condominium Association is a 20-unit condominium project located in Phoenix, Arizona. The project was constructed in 1992, and consists of four buildings containing 50 units each.

On-Site analysis performed by: ABC Reserve Study Company  
 Component analysis performed by: ABC Reserve Study Company  
 Report prepared by: ABC Reserve Study Company

<b>Summary of Major Components as of 1/1/15</b>
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Major Components	Estimated Useful Life in Years	Estimated Remaining Useful Life in Years	Current Replacement Cost
Lights	20	9	\$ 58,000
Painting	7 - 15	1 - 14	1,354,000
Paving	5 - 25	1 - 6	30,480
Railing	20 - 45	19	10,500
Roofing	20 - 30	19 - 24	1,172,000
Totals			\$ 2,624,980

No special assessments are considered necessary during the 30-year projection period.

<b>Components Excluded From This Report</b>
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Major Component	Reason Excluded
Building Structures	Lifetime Component
Utilities - Underground and in Structure	Long-lived Component - Excluded per Board decision
Street Base	Lifetime Component
Hardscape	Lifetime Component
Irrigation Lines and Sprinklers	Included in Operating Budget
Landscape / Plant Replacement	Included in Operating Budget
Major Tree Trimming	Included in Operating Budget

# Sample Condominium Association

Analysis Date - January 1, 2015

Inflation: 2.25% Investment: 1.10% Contribution Factor: 2.50% Calc: Future

## Cash Flow - Annual

Period	Beginning Balance	Contribution	Interest Earned	Expenditures	Ending Balance
01/15 - 12/15	\$ 950,000.00	\$ 204,000.00	\$ 11,628.48	\$ 0.00	1,165,628.48
01/16 - 12/16	1,165,628.48	207,774.00	13,896.64	39,134.25	1,348,164.87
01/17 - 12/17	1,348,164.87	211,617.84	16,027.07	8,986.22	1,566,823.56
01/18 - 12/18	1,566,823.56	215,532.72	18,511.48	0.00	1,800,867.76
01/19 - 12/19	1,800,867.76	219,520.08	15,057.91	1,200,092.58	835,353.17
01/20 - 12/20	835,353.17	223,581.24	10,469.03	0.00	1,069,403.44
01/21 - 12/21	1,069,403.44	227,717.52	12,904.91	76,091.48	1,233,934.39
01/22 - 12/22	1,233,934.39	231,930.24	14,906.73	2,954.03	1,477,817.33
01/23 - 12/23	1,477,817.33	236,220.96	17,569.58	31,406.14	1,700,201.73
01/24 - 12/24	1,700,201.73	240,591.00	19,762.33	71,652.20	1,888,902.86
	<u>\$ 950,000.00</u>	<u>\$ 2,218,485.60</u>	<u>\$ 150,734.16</u>	<u>\$ 1,430,316.90</u>	<u>\$ 1,888,902.86</u>

Period	Beginning Balance	Contribution	Interest Earned	Expenditures	Ending Balance
01/25 - 12/25	1,888,902.86	245,042.04	22,219.12	3,157.95	2,153,006.07
01/26 - 12/26	2,153,006.07	249,575.28	25,179.94	0.00	2,427,761.29
01/27 - 12/27	2,427,761.29	254,192.40	28,214.66	5,612.81	2,704,555.54
01/28 - 12/28	2,704,555.54	258,894.96	31,056.71	114,697.31	2,879,809.90
01/29 - 12/29	2,879,809.90	263,684.52	29,741.05	704,198.99	2,469,036.48
01/30 - 12/30	2,469,036.48	268,562.64	28,778.61	0.00	2,766,377.73
01/31 - 12/31	2,766,377.73	273,531.12	32,075.07	3,608.98	3,068,374.94
01/32 - 12/32	3,068,374.94	278,591.40	35,460.02	0.00	3,382,426.36
01/33 - 12/33	3,382,426.36	283,745.40	38,928.08	6,414.46	3,698,685.38
01/34 - 12/34	3,698,685.38	288,994.68	30,442.27	2,469,840.63	1,548,281.70
	<u>\$ 1,888,902.86</u>	<u>\$ 2,664,814.44</u>	<u>\$ 302,095.53</u>	<u>\$ 3,307,531.13</u>	<u>\$ 1,548,281.70</u>

Period	Beginning Balance	Contribution	Interest Earned	Expenditures	Ending Balance
01/35 - 12/35	1,548,281.70	294,341.04	15,922.64	637,048.20	1,221,497.18
01/36 - 12/36	1,221,497.18	299,786.40	15,158.57	0.00	1,536,442.15
01/37 - 12/37	1,536,442.15	305,332.44	18,650.24	4,124.44	1,856,300.39
01/38 - 12/38	1,856,300.39	310,981.08	19,544.30	533,269.54	1,653,556.23
01/39 - 12/39	1,653,556.23	316,734.24	17,311.00	537,937.50	1,449,663.97
01/40 - 12/40	1,449,663.97	322,593.84	17,717.56	33,671.85	1,756,303.52
01/41 - 12/41	1,756,303.52	328,561.80	21,152.50	15,328.40	2,090,689.42
01/42 - 12/42	2,090,689.42	334,640.16	24,681.89	121,413.13	2,328,598.34
01/43 - 12/43	2,328,598.34	340,830.96	27,600.92	4,713.51	2,692,316.71
01/44 - 12/44	2,692,316.71	347,136.36	31,109.09	114,721.79	2,955,840.37
	<u>\$ 1,548,281.70</u>	<u>\$ 3,200,938.32</u>	<u>\$ 208,848.71</u>	<u>\$ 2,002,228.36</u>	<u>\$ 2,955,840.37</u>

# Sample Condominium Association

Analysis Date - January 1, 2015

Inflation:2.25% Investment:1.10% Contribution Factor:2.50% Calc:Future

## Expenditures - Category

Description	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Fences & Walls		2,584			2,763			2,954		
Lights									31,406	71,652
Paint		21,549	8,986		1,197,329		58,102			
Paving		15,000					17,988			
	0	39,134	8,986	0	1,200,092	0	76,091	2,954	31,406	71,652

Example

# Sample Condominium Association

Analysis Date - January 1, 2015

Inflation:2.25% Investment:1.10% Contribution Factor:2.50% Calc:Future

## Expenditures - Category

Description	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Doors					690,379					
Fences & Walls	3,157			3,375			3,608			3,858
Paint			5,612	90,300	11,736				6,414	1,665,160
Paving				21,020						157,482
Railing										162,040
Roofing										481,299
Signs					2,082					
	3,157	0	5,612	114,697	704,198	0	3,608	0	6,414	2,469,840

Example



# Sample Condominium Association

Analysis Date - January 1, 2015

Inflation:2.25% Investment:1.10% Contribution Factor:2.50% Calc:Future

## Expenditures - Category

Description	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Fences & Walls			4,124			4,409			4,713	
Lights	41,017									111,813
Paint	79,338			7,169		29,262	15,328	92,710		
Paving	24,563							28,703		
Roofing	492,128			526,100	537,937					
Signs										2,907
	637,048	0	4,124	533,269	537,937	33,671	15,328	121,413	4,713	114,721

Example

# Sample Condominium Association

Analysis Date - January 1, 2015

Inflation:2.25% Investment:1.10% Contribution Factor:2.50% Calc:Future

## Component List - Category Summary

Category	Service Date	Replace Life	Current Cost	Future Cost
Doors	07/04-07/04	14:06 -14:06	\$ 500,000.00	\$ 690,379.84
Fences & Walls	07/13-07/13	1:06 - 1:06	2,500.00	2,584.85
Lights	07/04-10/11	8:09 - 9:06	83,850.00	103,058.34
Paint	07/04-10/14	1:06 - 6:09	1,162,500.00	1,285,967.76
Paving	08/86-10/14	1:07 -19:09	131,960.00	190,470.65
Railing	07/04-07/04	19:06 -19:06	105,000.00	162,040.64
Roofing	07/99-07/04	19:06 -24:06	1,247,500.00	2,037,465.59
Signs	10/14-10/14	14:09 -14:09	1,500.00	2,082.69
			<u>\$ 3,234,810.00</u>	<u>\$ 4,474,050.36</u>

EXAMPLE

## Sample Condominium Association

1/1/15 – 12/31/44

### Disclosures

#### Site Analysis

XYZ Association is a condominium association located in [Anywhere, Arizona, USA](#). The Association consists of [200 units](#) located on [Easy Street](#) and encompassing approximately [16 acres](#). The units were constructed as a single phase in [1992](#). Construction is wood frame two story buildings consisting of 50 attached units per building. The exterior wall cladding is [stucco with wood trim](#), and the roof is [asphalt shingle](#).

The on-site analysis was performed \_\_\_\_\_, 2014 by [Sam Jones](#), RS, PRA of [ABC Reserve Company](#). Association manager [Jim Mann](#) and maintenance supervisor [Rudy Gonzales](#) were interviewed during the on-site analysis regarding component existence, maintenance activities, dates last repaired/replaced, and actual or bid costs, if known. Site analysis procedures included:

- Review of previous reserve study
- Review of Google Earth satellite images
- Tour of Association common areas
- Identification and quantification / measurement of common area components
- Component condition assessment

The on-site analysis was performed as a limited scope visual observation, no destructive or invasive testing was performed. The condition of components may be assessed differently if destructive / invasive testing was performed, but such testing is beyond the scope of a reserve study.

#### Component Analysis

Components considered for inclusion in the reserve study report are all those components that are the maintenance responsibility of the Association that are anticipated to require future major repair or replacement under the assumption that such components are subject to normal maintenance activities and normal wear and tear. Components with a useful life of less than two years or a cost of \$500 have been excluded from this analysis, as such items are considered to be part of the Association's operating budget.

The component list was compiled based upon the previous reserve study, the tour of association common areas, inquiry of Association management and maintenance staff, and selected vendors providing maintenance services to the Association. The component list is believed to be complete, except for the exclusions noted below, which are considered normal exclusions.

Estimated future major repair and replacement costs are generally based on current replacement costs projected to estimated repair or replacement date, applying an inflation factor of [3%](#) for the entire 30-year financial projection period.

Current estimated replacement costs are derived from a variety of sources including; actual prior costs, current bids, vendor or contractor estimates, management's estimates, ABC Reserve Company cost database, or cost estimator manuals. This data is considered reliable and has been relied upon in the determination of current cost. Current cost includes material or product cost, labor, overhead, delivery, and sales tax.

Exclusions from the analysis are:

<b>Excluded Factors</b>	<b>Reason for Exclusion</b>
Building code upgrades	Outside scope of study
Environmental or geological conditions	Outside scope of study

## **Financial Analysis**

The financial projection was prepared using the cash flow method. Under this method, aggregate expenditures are projected to future estimated repair or replacement dates considering inflation at 3%. Actual expenditures may vary from estimated expenditures, and the differences may be significant.

Reserve fund revenues consist of member assessments and interest earned (and other income). Interest income has been estimated at 1%. The funding plan does not contain an income tax expense related to interest earned, as income taxes are paid from the operating fund. The projected annual assessment has been subjected to a 1.85% annual increase factor for years 2016 through 2044. This annual assessment adjustment factor is necessary to counteract the effects of inflation on projected expenditures.

Percent funded was calculated using the inflation adjusted method.

The beginning balance of reserve funds was calculated as follow:

<b>Description</b>	<b>Amount</b>
Cash	\$
Investments	\$
Assessments Receivable	\$
Special Assessment Receivable	\$
Interest Receivable	\$
Notes Receivable	\$
Prepaid and Other Assets	\$
Amounts Due From or To Operating Fund	\$
Accounts Payable	\$
Deferred Income (Prepaid Reserve Assessments)	\$
Amounts Due to Operating Fund	\$
Capital Leases Payable (not included in funding plan)	\$
Notes Payable (not included in funding plan)	\$
Other Liabilities	\$
Estimated reserve assessments from interim date to year end	\$
Estimated interest earnings from interim date to year end	\$
Estimated reserve expenditures from interim date to year end	\$
Estimated transfer of operating budget excess at end of year	\$
Estimated capital contributions	\$
Estimated Transfer fees	\$
Other	\$
Total funds available for reserves beginning balance	\$

## **Significant Assumptions**

Significant assumptions considered in this reserve study are:

Minimum useful life of components is two years.

Minimum replacement cost for a single component is \$500. A group of items with individual cost of less than \$500 are included if the aggregate cost exceeds \$500.

Addition of new components due to unexpected deterioration will be made as necessary.

Customary preventive maintenance programs exist and customary maintenance procedures are exercised.

No unusual conditions exist; normal wear and tear only is anticipated.

Proper construction and installation of all components is assumed.

Continued use of existing amenities will occur.

Adequate property insurance coverage is maintained.

Regular reserve assessments will be made as indicated in funding plan.

Interest rate of 1% is used in the funding plan.

Inflation rate of 3% is used in the funding plan.

# Sample Condominium Association

Analysis Date - January 1, 2015

Inflation:2.25% Investment:1.10% Contribution Factor:2.50% Calc:Future

## Supplementary Information on Future Major Repairs and Replacements

Categories	Estimated Remaining Useful Lives Life YY:MM	Estimated Future Replacement Cost	2015 Funding Requirement	Components of Fund Balance at 12/31/2014
Doors	14:06	\$ 690,380	\$ 29,759	\$ 146,840
Fences & Walls	1:06	2,585	928	734
Lights	8:09 - 9:06	103,058	6,681	24,625
Paint	1:06 - 6:09	1,285,969	97,765	341,404
Paving	1:07 -19:09	190,471	11,793	38,754
Railing	19:06	162,040	5,821	30,836
Roofing	19:06 -24:06	2,037,464	62,732	366,366
Signs	14:09	2,083	150	441
		<u>\$ 4,474,050</u>	<u>\$ 215,629</u>	<u>\$ 950,000</u>

Example

# Sample Condominium Association

Analysis Date - January 1, 2015

Inflation:2.25% Investment:1.10% Contribution Factor:2.50% Calc:Future

## Component List - Summary

	Basis Cost	Quantity	Service Date	Current Cost	Est Life	Adj Life	Rem Life	Future Cost
Doors								
Garage Door - Replace	\$ 2,500.00	200.000	07/01/2004	\$ 500,000	25:00	25:00	14:06	\$ 690,379
				\$ 500,000				\$ 690,379
Fences & Walls								
Block Wall - Repairs	\$ 2,500.00	1.000	07/31/2013	\$ 2,500	3:00	3:00	1:06	\$ 2,584
				\$ 2,500				\$ 2,584
Lights								
Light Fixtures - Replace	\$ 145.00	400.000	07/01/2004	\$ 58,000	20:00	20:00	9:06	\$ 71,652
Lights, Bollard - Replace	235.00	110.000	10/31/2011	25,850	12:00	12:00	8:09	31,406
				\$ 83,850				\$ 103,058
Paint								
Door - Unit Entry Metal	\$ 85.00	200.000	07/01/2005	\$ 17,000	10:00	12:03	2:09	\$ 18,078
Fence, Block Wall - Paint	16,500.00	1.000	10/31/2004	16,500	12:00	12:00	1:09	17,155
Garage Door - Paint	250.00	200.000	10/31/2014	50,000	7:00	7:00	6:09	58,102
Railing - Paint	3.00	3,000.000	07/01/2004	9,000	15:00	15:00	4:06	9,947
Stucco - Paint	225,000.00	4.000	07/01/2004	900,000	15:00	15:00	4:06	994,780
Trim Paint	42,500.00	4.000	07/01/2004	170,000	15:00	15:00	4:06	187,903
				\$ 1,162,500				\$ 1,285,967
Paving								
Asphalt Overlay	\$ 1.18	86,000.000	10/31/2014	\$ 101,480	20:00	20:00	19:09	\$ 157,482
Asphalt Repair	15,000.00	1.000	08/01/1986	15,000	30:00	30:00	1:07	15,000
Asphalt Seal Coat	0.18	86,000.000	10/31/2014	15,480	7:00	7:00	6:09	17,988
				\$ 131,960				\$ 190,470
Railing								
Railing - Replace	\$ 35.00	3,000.000	07/01/2004	\$ 105,000	30:00	30:00	19:06	\$ 162,040
				\$ 105,000				\$ 162,040
Roofing								
Gutters & Downspouts - Replace	\$ 25,000.00	4.000	07/99-07/04	\$ 100,000	35:00	35:00	22:00	\$ 163,323
Roof - Asphalt Shingle	6.75	170,000.000	07/99-07/04	1,147,500	35:00	35:00	22:00	1,874,141

# Sample Condominium Association

Analysis Date - January 1, 2015

Inflation:2.25% Investment:1.10% Contribution Factor:2.50% Calc:Future

## Component List - Summary

	Basis Cost	Quantity	Service Date	Current Cost	Est Life	Adj Life	Rem Life	Future Cost
				\$ 1,247,500				\$ 2,037,465
Signs								
Sign - Monument Entry	\$ 1,500.00	1.000	10/31/2014	\$ 1,500	15:00	15:00	14:09	\$ 2,082
				\$ 1,500				\$ 2,082
				\$ 3,234,810				\$ 4,474,050

EXAMPLE