LEVEL 2 REPLACEMENT RESERVE REPORT FY 2022
HUNTINGTON STATION

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HUNTINGTON STATION

millerdodson
Capital Reserve Consultants

Community Management by:

SUMMIT MANAGEMENT SERVICES, AAMC - VIRGINIA OFFICE

Lori Randall

8405A Richmond Highway
Alexandria, VA 22309
703.945.1425
lori.randall@summitmanage.com

Consultant:

millerdodson
Capital Reserve Consultants

2661 Riva Road, Suite 1023
Annapolis, MD 21401
410.268.0479
800.850.2835

MillerDodson.com

2022 Huntington Station v1 11-30-2021

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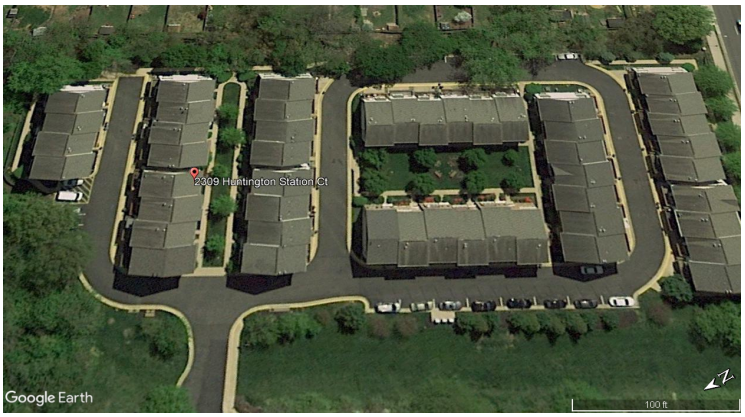
REPLACEMENT RESERVE REPORT

HUNTINGTON STATION

ALEXANDRIA, VIRGINIA
November 19, 2021



Description. Huntington Station is a Homeowner's Association located in Alexandria, Virginia. Constructed in 1995, the community consists of 48 Townhomes. The survey examined the common elements of the property, including:

- Asphalt drive lanes and parking
- Concrete curbs/gutters and sidewalks
- Retaining walls
- Fencing and railing
- Site lighting
- Mailboxes
- Domestic waterlines, sanitary lines, and irrigation
- Stormwater management

EXECUTIVE SUMMARY
This Reserve Study has been prepared for the Huntington Station for the Fiscal Year 2022 covering the period from January 1, 2022 to December 31, 2022. The Replacement Reserves Starting Balance as of January 1, 2022 are proposed to be $141,838. The reported Current Annual Funding for Reserves is $9,000. The Recommended Annual Reserve Funding level for 2022 is $10,981.

MillerDodson welcomes the opportunity to answer questions or to discuss this Reserve Study in more detail should the Board so desire.

Current Funding. The Starting Balance and Current Annual Reserve Funding figures have been supplied by the managing agent and/or Board of Directors. 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.

Level of Service. This study has been performed as a Level 2 Update with Site Visit/On-Site Review as defined by the Community Associations Institute's, National Reserve Study Standards. As such, the component inventory is based on the study that was performed by Miller-Dodson Associates, Inc. in 2016. This inventory was adjusted to reflect changes provided by the Community Manager and/or the Board of Directors, or adjustments made based on the site visit and visual assessment performed by the Analyst. The analysis, including fund status and funding plan, is developed from the adjusted inventory.

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

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

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

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

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

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

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

- Miller+Dodson performed a visual evaluation on November 19, 2021 to determine a remaining useful life and replacement cost for the commonly owned elements of this facility.

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

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

Acknowledgment. Miller+Dodson Associates would like to acknowledge the assistance and input of Stephanie Reed, Property Mgr., Summit Management Services who provided very helpful insight into the current operations of the property.

Analyst's Credentials. Ms. Donna Hylton holds a Bachelors Degree in Accounting, a Masters Degree in Business Administration (concentrating in Management Science), and a Masters Degree in Industrial Engineering and Operations Research, all from Virginia Tech. Ms. Hylton has over 20 years of experience in cost analysis and in systems design and testing, primarily as a contractor for the U.S. Army. She also has experience in landscape design, building, and maintaining hardscape structures. Donna is currently a Reserve Analyst for Miller+Dodson Associates.

Respectfully Submitted,

millerdodson
CAPITAL RESERVE CONSULTANTS

Donna Hylton
Donna Hylton

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SECTION A - FINANCIAL ANALYSIS

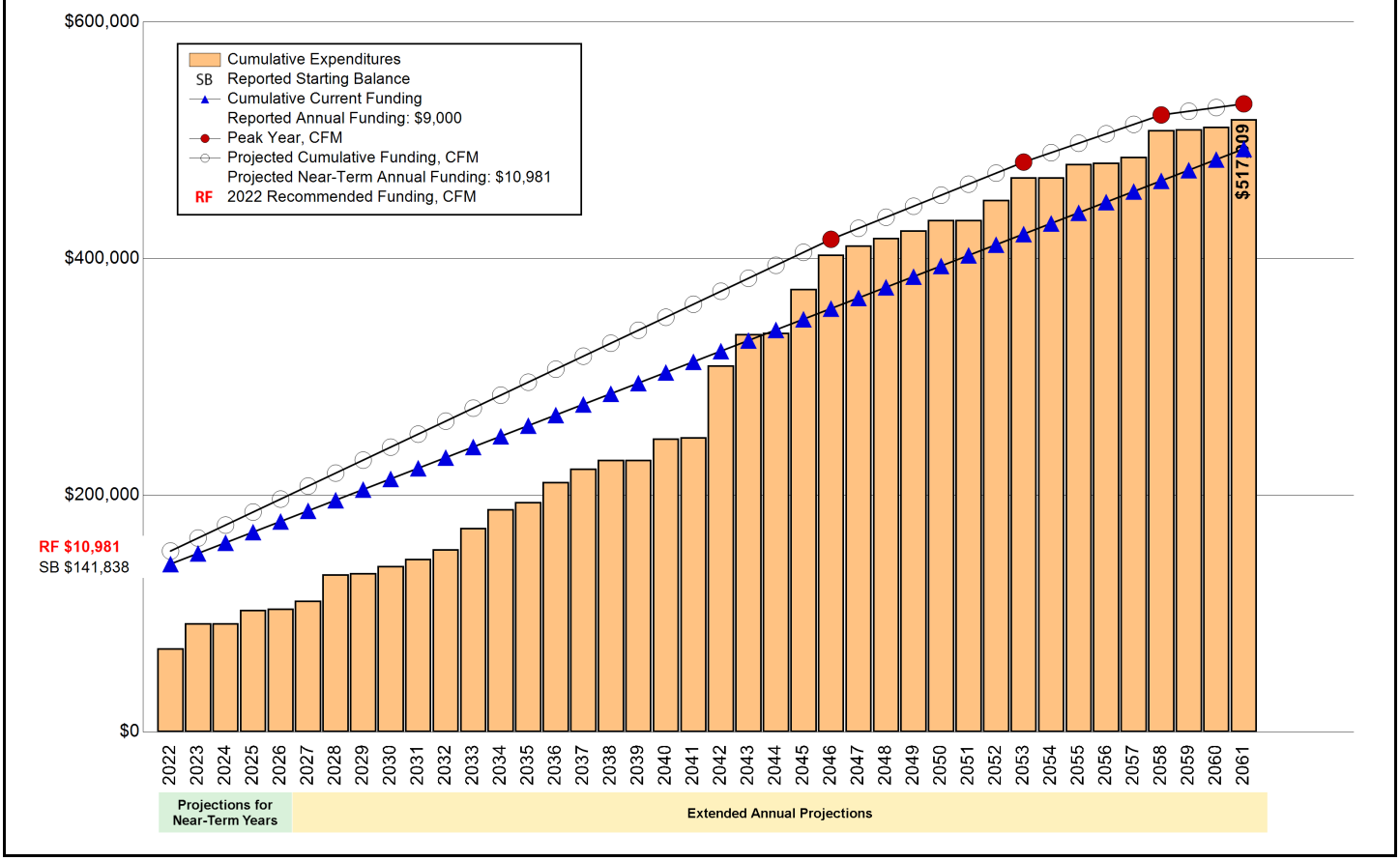
The Huntington Station Replacement Reserve Analysis uses the Cash Flow Method (CFM) to calculate Replacement Reserve funding for the periodic replacement of the 23 Projected Replacements identified in the Replacement Reserve Inventory.

$10,981 **RECOMMENDED REPLACEMENT RESERVE FUNDING FOR THE STUDY YEAR, 2022**
$19.06 Per unit (average), minimum monthly funding of Replacement Reserves

We recommend the Association adopt a Replacement Reserve Funding Plan based on the annual funding recommendation above. Inflation adjusted funding for subsequent years is shown on Page A.5.

Huntington Station reports a Starting Balance of $141,838 and Annual Funding totaling $9,000. The reported Current Annual Funding of $9,000 is inadequate to fund projected replacements starting in 2043. See Page A.3 for a more detailed evaluation.

#1 - Cumulative Replacement Reserve Funding and Expenditures Graph



REPLACEMENT RESERVE ANALYSIS - GENERAL INFORMATION

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

2022 **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, 2022.

40 Years **STUDY PERIOD**

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

$141,838 **STARTING BALANCE**

The Association reports Replacement Reserves on Deposit totaling $141,838 at the start of the Study Year.

Level Two **LEVEL OF SERVICE**

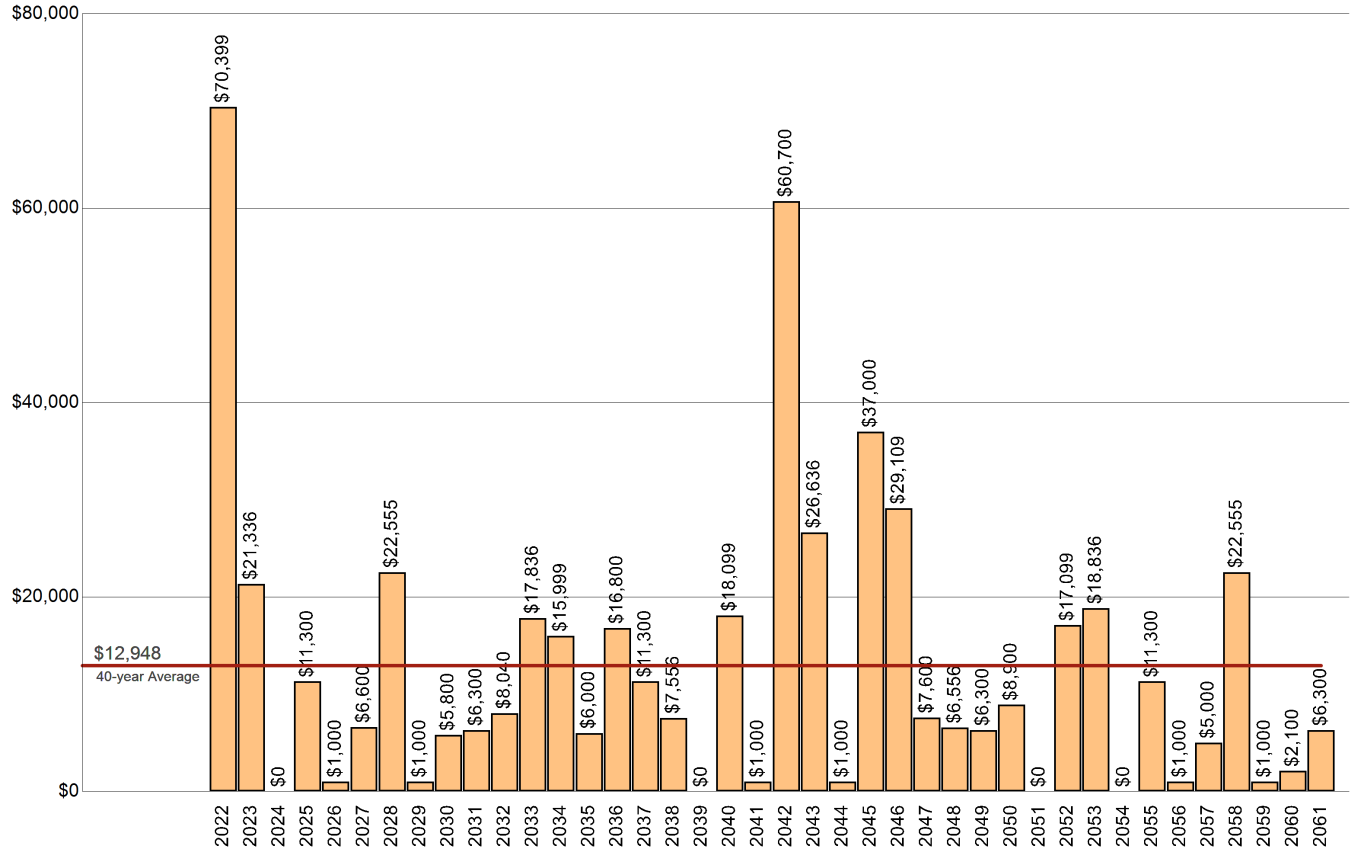
The Replacement Reserve Inventory has been developed in compliance with the National Reserve Study Standards for a Level Two Study, as defined by the Community Associations Institute (CAI).

$517,909 **REPLACEMENT RESERVE INVENTORY - PROJECTED REPLACEMENTS**

The Huntington Station Replacement Reserve Inventory identifies 23 items that will require periodic replacement, which are to be funded from Replacement Reserves. We estimate the cost of these replacements will be $517,909 over the 40-year Study Period. The Projected Replacements are divided into 1 major categories starting on Page B.3. Pages B.1-B.2 provide detailed information on the Replacement Reserve Inventory.

#2 - Annual Expenditures for Projected Replacements Graph

This graph shows annual expenditures for Projected Replacements over the 40-year Study Period. The red line shows the average annual expenditure of $12,948. Section C provides a year by year Calendar of these expenditures.



UPDATING OF THE FUNDING PLAN

The Association has a responsibility to review the Funding Plan annually. The review should include a comparison and evaluation of actual reserve funding with recommended levels shown on Page A.4 and A.5. The Projected Replacements listed on Page C.2 should be compared with any replacements accomplished and funded from Replacement Reserves. Discrepancies should be evaluated and if necessary, the Reserve Study should be updated or a new study commissioned. We recommend annual increases in replacement reserve funding to account for the impact of inflation. Inflation Adjusted Funding is discussed on Page A.5.

UPDATING OF THE REPLACEMENT RESERVE STUDY

At a minimum, the Replacement Reserve Study should be professionally updated every three to five years or after completion of a major replacement project. Updating should also be considered if during the annual review of the Funding Plan, discrepancies are noted between projected and actual reserve funding or replacement costs. Updating may also be necessary if there is a meaningful discrepancy between the actual inflation rate and the inflation rate used for the Inflation Adjusted Funding of Replacement Reserves on Page A.5.

ANNUAL EXPENDITURES AND CURRENT FUNDING

The annual expenditures that comprise the $517,909 of Projected Expenditures over the 40-year Study Period and the impact of the Association continuing to fund Replacement Reserves at the current level are detailed in Table 3.

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

Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Starting Balance	$141,838									
Projected Replacements	($70,399)	($21,336)		($11,300)	($1,000)	($6,600)	($22,555)	($1,000)	($5,800)	($6,300)
Annual Deposit	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000
End of Year Balance	$80,439	$68,103	$77,103	$74,803	$82,803	$85,203	$71,649	$79,649	$82,849	$85,549
Cumulative Expenditures	($70,399)	($91,735)	($91,735)	($103,035)	($104,035)	($110,635)	($133,189)	($134,189)	($139,989)	($146,289)
Cumulative Receipts	$150,838	$159,838	$168,838	$177,838	$186,838	$195,838	$204,838	$213,838	$222,838	$231,838
Year	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**
Projected Replacements	($8,040)	($17,836)	($15,999)	($6,000)	($16,800)	($11,300)	($7,556)		($18,099)	($1,000)
Annual Deposit	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000
End of Year Balance	$86,509	$77,673	$70,674	$73,674	$65,874	$63,574	$65,018	$74,018	$64,919	$72,919
Cumulative Expenditures	($154,329)	($172,165)	($188,164)	($194,164)	($210,964)	($222,264)	($229,820)	($229,820)	($247,919)	($248,919)
Cumulative Receipts	$240,838	$249,838	$258,838	$267,838	$276,838	$285,838	$294,838	$303,838	$312,838	$321,838
Year	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**	**2048**	**2049**	**2050**	**2051**
Projected Replacements	($60,700)	($26,636)	($1,000)	($37,000)	($29,109)	($7,600)	($6,556)	($6,300)	($8,900)	
Annual Deposit	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000
End of Year Balance	$21,219	$3,583	$11,583	($16,417)	($36,526)	($35,126)	($32,682)	($29,982)	($29,882)	($20,882)
Cumulative Expenditures	($309,619)	($336,255)	($337,255)	($374,255)	($403,364)	($410,964)	($417,520)	($423,820)	($432,720)	($432,720)
Cumulative Receipts	$330,838	$339,838	$348,838	$357,838	$366,838	$375,838	$384,838	$393,838	$402,838	$411,838
Year	**2052**	**2053**	**2054**	**2055**	**2056**	**2057**	**2058**	**2059**	**2060**	**2061**
Projected Replacements	($17,099)	($18,836)		($11,300)	($1,000)	($5,000)	($22,555)	($1,000)	($2,100)	($6,300)
Annual Deposit	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000
End of Year Balance	($28,980)	($38,816)	($29,816)	($32,116)	($24,116)	($20,116)	($33,671)	($25,671)	($18,771)	($16,071)
Cumulative Expenditures	($449,818)	($468,654)	($468,654)	($479,954)	($480,954)	($485,954)	($508,509)	($509,509)	($511,609)	($517,909)
Cumulative Receipts	$420,838	$429,838	$438,838	$447,838	$456,838	$465,838	$474,838	$483,838	$492,838	$501,838

EVALUATION OF CURRENT FUNDING

The evaluation of Current Funding (Starting Balance of $141,838 & annual funding of $9,000) is done in today's dollars with no adjustments for inflation or interest earned on Replacement Reserves. The evaluation assumes Replacement Reserves will only be used for the 23 Projected Replacements identified in the Replacement Reserve Inventory and that the Association will continue Annual Funding of $9,000 throughout the 40-year Study Period.

Annual Funding of $9,000 is approximately 82 percent of the $10,981 recommended Annual Funding calculated by the Cash Flow Method for 2022, the Study Year.

See the Executive Summary for the Current Funding Statement.

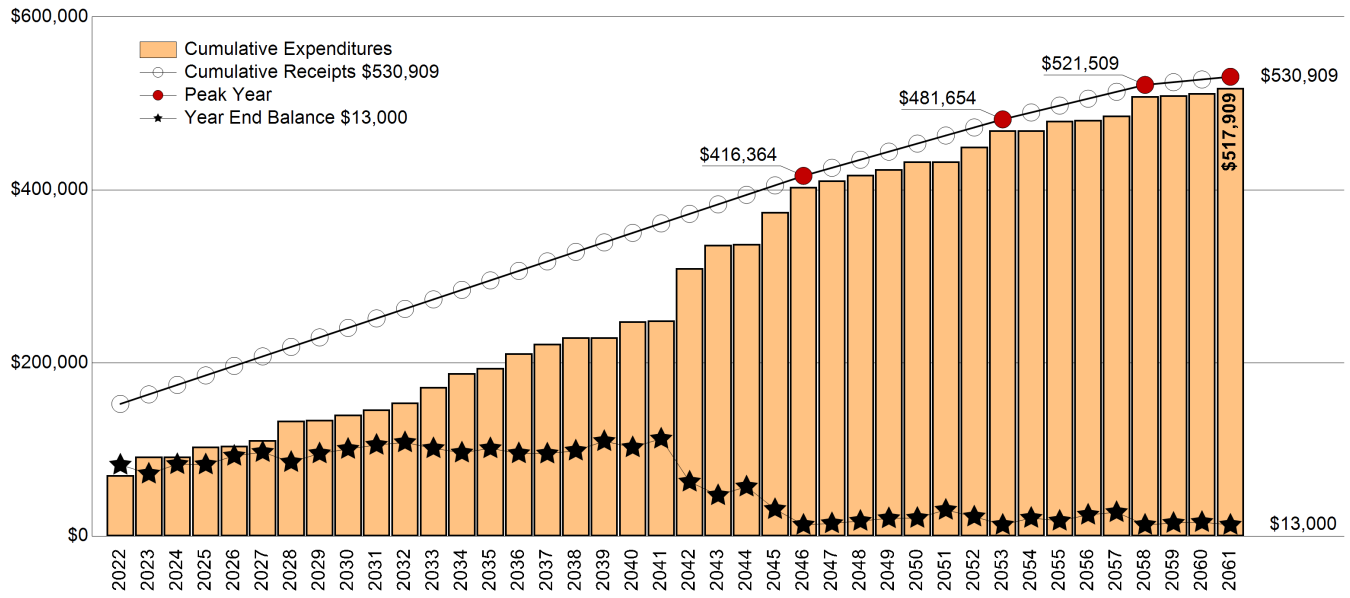
CASH FLOW METHOD FUNDING

$10,981 **RECOMMENDED REPLACEMENT RESERVE FUNDING FOR 2022**
$19.06 Per unit (average), minimum monthly funding of Replacement Reserves

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

- **Peak Years.** The First Peak Year occurs in 2046 with Replacement Reserves on Deposit dropping to the Minimum Balance after the completion of $403,364 of replacements from 2022 to 2046. Recommended funding is anticipated to decline in 2047. Peak Years are identified in Chart 4 and Table 5.
- **Threshold (Minimum Balance).** The calculations assume a Minimum Balance of $13,000 will always be held in reserve, which is calculated by rounding the 12-month 40-year average annual expenditure of $12,948 as shown on Graph #2.
- **Cash Flow Method Study Period.** Cash Flow Method calculates funding for $517,909 of expenditures over the 40-year Study Period. It does not include funding for any projects beyond 2061 and in 2061, the end of year balance will always be the Minimum Balance.

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



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

Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Starting Balance	$141,838									
Projected Replacements	($70,399)	($21,336)		($11,300)	($1,000)	($6,600)	($22,555)	($1,000)	($5,800)	($6,300)
Annual Deposit	$10,981	$10,981	$10,981	$10,981	$10,981	$10,981	$10,981	$10,981	$10,981	$10,981
End of Year Balance	$82,420	$72,065	$83,046	$82,727	$92,708	$97,089	$85,516	$95,497	$100,678	$105,359
Cumulative Expenditures	($70,399)	($91,735)	($91,735)	($103,035)	($104,035)	($110,635)	($133,189)	($134,189)	($139,989)	($146,289)
Cumulative Receipts	$152,819	$163,800	$174,781	$185,762	$196,743	$207,724	$218,705	$229,686	$240,667	$251,648

Year	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Projected Replacements	($8,040)	($17,836)	($15,999)	($6,000)	($16,800)	($11,300)	($7,556)		($18,099)	($1,000)
Annual Deposit	$10,981	$10,981	$10,981	$10,981	$10,981	$10,981	$10,981	$10,981	$10,981	$10,981
End of Year Balance	$108,300	$101,445	$96,427	$101,408	$95,589	$95,270	$98,695	$109,676	$102,559	$112,540
Cumulative Expenditures	($154,329)	($172,165)	($188,164)	($194,164)	($210,964)	($222,264)	($229,820)	($229,820)	($247,919)	($248,919)
Cumulative Receipts	$262,629	$273,610	$284,591	$295,572	$306,553	$317,534	$328,515	$339,496	$350,477	$361,458

Year	2042	2043	2044	2045	1st Peak - 2046	2047	2048	2049	2050	2051
Projected Replacements	($60,700)	($26,636)	($1,000)	($37,000)	($29,109)	($7,600)	($6,556)	($6,300)	($8,900)	
Annual Deposit	$10,981	$10,981	$10,981	$10,981	$10,981	$9,327	$9,327	$9,327	$9,327	$9,327
End of Year Balance	$62,821	$47,166	$57,147	$31,128	$13,000	$14,727	$17,498	$20,526	$20,953	$30,280
Cumulative Expenditures	($309,619)	($336,255)	($337,255)	($374,255)	($403,364)	($410,964)	($417,520)	($423,820)	($432,720)	($432,720)
Cumulative Receipts	$372,439	$383,420	$394,401	$405,382	$416,364	$425,691	$435,018	$444,345	$453,672	$463,000

Year	2052	2nd Peak - 2053	2054	2055	2056	2057	3rd Peak - 2058	2059	2060	4th Peak - 2061
Projected Replacements	($17,099)	($18,836)		($11,300)	($1,000)	($5,000)	($22,555)	($1,000)	($2,100)	($6,300)
Annual Deposit	$9,327	$9,327	$7,971	$7,971	$7,971	$7,971	$7,971	$3,133	$3,133	$3,133
End of Year Balance	$22,509	$13,000	$20,971	$17,642	$24,613	$27,584	$13,000	$15,133	$16,167	$13,000
Cumulative Expenditures	($449,818)	($468,654)	($468,654)	($479,954)	($480,954)	($485,954)	($508,509)	($509,509)	($511,609)	($517,909)
Cumulative Receipts	$472,327	$481,654	$489,625	$497,596	$505,567	$513,538	$521,509	$524,642	$527,776	$530,909

INFLATION ADJUSTED FUNDING

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

$10,981 **2022 - CASH FLOW METHOD RECOMMENDED FUNDING**

The 2022 Study Year calculations have been made using current replacement costs (see Page B.2), modified by the Analyst for any project specific conditions.

$11,420 **2023 - INFLATION ADJUSTED FUNDING**

A new analysis calculates the 2023 funding based on three assumptions:

- Replacement Reserves on Deposit totaling $82,420 on January 1, 2023.
- All 2022 Projected Replacements listed on Page C.2 accomplished at a cost to Replacement Reserves less than $70,399.
- Construction Cost Inflation of 4.00 percent in 2022.

The $11,420 inflation adjusted funding in 2023 is a 4.00 percent increase over the non-inflation adjusted funding of $10,981.

$11,877 **2024 - INFLATION ADJUSTED FUNDING**

A new analysis calculates the 2024 funding based on three assumptions:

- Replacement Reserves on Deposit totaling $129,194 on January 1, 2024.
- All 2023 Projected Replacements listed on Page C.2 accomplished at a cost to Replacement Reserves less than $21,478.
- Construction Cost Inflation of 4.00 percent in 2023.

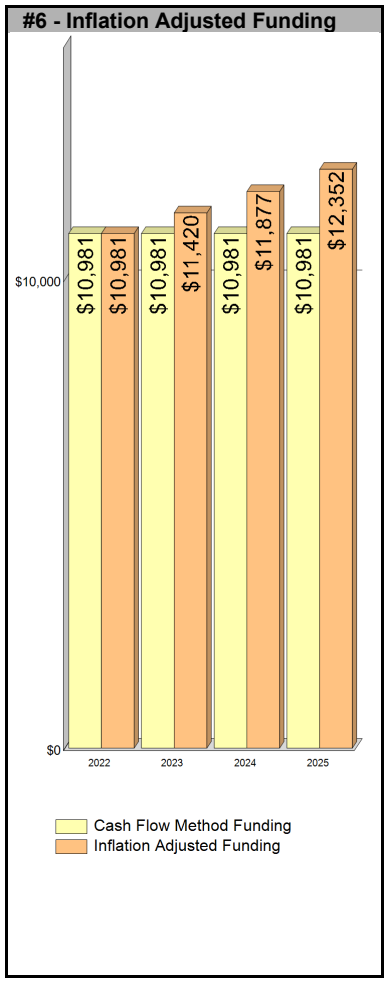
The $11,877 inflation adjusted funding in 2024 is a 8.15 percent increase over the non-inflation adjusted funding of $10,981.

$12,352 **2025 - INFLATION ADJUSTED FUNDING**

A new analysis calculates the 2025 funding based on three assumptions:

- Replacement Reserves on Deposit totaling $151,446 on January 1, 2025.
- No Expenditures from Replacement Reserves in 2024.
- Construction Cost Inflation of 4.00 percent in 2024.

The $12,352 inflation adjusted funding in 2025 is a 12.48 percent increase over the non-inflation adjusted funding of $10,981.



Year Four and Beyond

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

Inflation Adjustment

Prior to approving a budget based upon the 2023, 2024 and 2025 inflation-adjusted funding calculations above, the 4.00 percent base rate of inflation used in our calculations should be compared to rates published by the Bureau of Labor Statistics. If there is a significant discrepancy (over 1 percentage point), contact Miller+Dodson Associates prior to using the Inflation Adjusted Funding.

Interest on Reserves

The recommended funding calculations do not account for interest earned on Replacement Reserves. In 2022, based on a 1.00 percent interest rate, we estimate the Association may earn $1,121 on an average balance of $112,129, $1,058 on an average balance of $105,807 in 2023, and $1,403 on $140,320 in 2024. The Association may elect to attribute 100 percent of the earned interest to Reserves, resulting in a reduction in the 2022 funding from $10,981 to $9,860 (a 10.21 percent reduction), $11,420 to $10,362 in 2023 (a 9.26 percent reduction), and $11,877 to $10,474 in 2024 (a 11.81 percent reduction).

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SECTION B - REPLACEMENT RESERVE INVENTORY

Huntington Station - Replacement Reserve Inventory identifies 23 Projected Replacements.

- **PROJECTED REPLACEMENTS.** 23 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 $191,885. Cumulative Replacements totaling $517,909 are scheduled in the Replacement Reserve Inventory over the 40-year Study Period.

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

- **EXCLUDED ITEMS.** None of the items included in the Replacement Reserve Inventory are 'Excluded Items'. Multiple categories of items are typically excluded from funding by Replacement Reserves, including but not limited to:

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

  Value. Items with a replacement cost of less than $1000 and/or a normal economic life of less than 3 years are typically excluded from funding from Replacement Reserves. This exclusion should reflect the Association policy on the administration of Replacement Reserves. If the Association has selected an alternative level, it will be noted in the Replacement Reserve Inventory - General Comments on Page B.2.

  Long-lived Items. Items are excluded from the Replacement Reserve Inventory when items are properly maintained and are assumed to have a life equal to the property.

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

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

- **CATEGORIES.** The 23 items included in the Huntington Station Replacement Reserve Inventory are divided into 1 major categories. Each category is printed on a separate page, beginning on page B.3.

- **LEVEL OF SERVICE.** This Replacement Reserve Inventory has been developed in compliance with the standards established for a Level 2 Update, as defined by the National Reserve Study Standards, established in 1998 by Community Associations Institute, which states:

  This study has been performed as a Level 2 Update with Site Visit/On-Site Review as defined by the Community Associations Institute's, National Reserve Study Standards. As such, the component inventory is based on the study that was performed by Miller-Dodson Associates, Inc. in 2016. This inventory was adjusted to reflect changes provided by the Community Manager and/or the Board of Directors, or adjustments made based on the site visit and visual assessment performed by the Analyst. The analysis, including fund status and funding plan, is developed from the adjusted inventory.

REPLACEMENT RESERVE INVENTORY - GENERAL INFORMATION (CONT'D)

- **INVENTORY DATA.** Each of the 23 Projected Replacements listed in the Replacement Reserve Inventory includes the following data:

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

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

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

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

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

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

  Remaining Economic Life (Years). 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.

- **PARTIAL FUNDING.** Items may have been included in the Replacement Reserve Inventory at less than 100 percent of their full quantity and/or replacement cost. This is done on items that will never be replaced in their entirety, but which may require periodic replacements over an extended period of time. The assumptions that provide the basis for any partial funding are noted in the Comments section.
- **REMAINING ECONOMIC LIFE GREATER THAN 40 YEARS.** The calculations do not include funding for initial replacements beyond 40 years. These replacements are included in this Study for tracking and evaluation. They should be included for funding in future Studies when they enter the 40-year window.
- The accuracy of the Replacement Reserve Analysis is dependent upon expenditures from Replacement Reserves being made ONLY for the 23 Projected Replacements specifically listed in the Replacement Reserve Inventory. The inclusion/exclusion of items from the Replacement Reserve Inventory is discussed on Page B.1.

SITE ITEMS
PROJECTED REPLACEMENTS

NEL- Normal Economic Life (yrs)
REL- Remaining Economic Life (yrs)

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NEL	REL	REPLACEMENT COST ($)
1	Asphalt pavement, mill and overlay	sf	29,800	$2.00	20	none	$59,600
2	Asphalt pavement, seal coat	sf	29,800	$0.22	5	1	$6,556
3	Concrete curb and gutter, barrier (6% of 2,200 lf)	lf	132	$35.50	6	none	$4,686
4	Concrete flatwork (6% of 7,700 sf)	sf	462	$10.85	6	none	$5,013
5	Retaining wall, segmental block (reset 10% of 2,400	sf	240	$47.00	10	1	$11,280
6	Metal guardrails, steel/wrought iron	lf	640	$50.00	50	23	$32,000
7	Perimeter metal fence (Huntington Ave.)	lf	230	$57.00	50	24	$13,110
8	Metal fence & guardrail restoration (allowance)	ls	1	$3,000.00	3	3	$3,000
9	Masonry fence columns (Huntington Ave.) (repoint)	sf	520	$10.00	20	8	$5,200
10	Site light, standard single head (older models)	ea	6	$500.00	20	5	$3,000
11	Site light, single head (newer models)	ea	3	$500.00	20	18	$1,500
12	Site light, steel pole (older, decorative)	ea	8	$2,100.00	30	14	$16,800
13	Site light, steel pole (newer, straight)	ea	1	$2,100.00	30	28	$2,100
14	Mailbox, cluster (16-unit CBU)	units	3	$1,980.00	35	10	$5,940
15	Benches (wood with metal frame)	ea	6	$600.00	20	5	$3,600
16	Signs & posts (12 signs on 6 posts) (25%	ls	1	$600.00	10	8	$600
17	Irrigation, controller	ea	1	$1,100.00	10	none	$1,100
18	Irrigation, head, pipe, box (allowance)	ea	1	$1,000.00	3	1	$1,000
19	Electric meter and switch	ea	2	$2,500.00	20	15	$5,000
				Replacement Costs - Page Subtotal			$181,085

COMMENTS

SITE ITEMS - (cont.)

PROJECTED REPLACEMENTS

NEL- Normal Economic Life (yrs)
REL- Remaining Economic Life (yrs)

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NEL	REL	REPLACEMENT COST ($)
20	Domestic water laterals (allowance)	ls	1	$1,500.00	3	3	$1,500
21	Domestic water backflow preventer	ls	1	$2,500.00	20	1	$2,500
22	Sanitary sewer laterals (allowance)	ls	1	$1,800.00	3	3	$1,800
23	Stormwater management (10% allowance)	ls	1	$5,000.00	10	3	$5,000

Replacement Costs - Page Subtotal $10,800

COMMENTS

VALUATION EXCLUSIONS

Excluded Items

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NEL	REL	REPLACEMENT COST ($)
	Miscellaneous stepping stones						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 $1000 have not been scheduled for funding from Replacement Reserve. Examples of items excluded 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 ($)	NEL	REL	REPLACEMENT COST ($)
	Brick fence columns						EXCLUDED
	Concrete column caps						EXCLUDED
	Segmental block retaining walls						EXCLUDED

LONG-LIFE EXCLUSIONS
Comments

- Long Life Exclusions. Components that when properly maintained, can be assumed to have a life equal to the property as a whole, are normally excluded from the Replacement Reserve Inventory. Examples of items excluded from funding by Replacement Reserves by this standard are listed above.
- Exterior masonry is generally assumed to have an unlimited economic life, but periodic repointing is required, and we have included this for funding in the Replacement Reserve Inventory.
- The list above exemplifies exclusions by the cited standard(s) and is not intended to be comprehensive.

UNIT IMPROVEMENTS EXCLUSIONS

Excluded Items

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NEL	REL	REPLACEMENT COST ($)
	Domestic water pipes serving one unit						EXCLUDED
	Sanitary sewers serving one unit						EXCLUDED
	Electrical wiring serving one unit						EXCLUDED
	Cable TV service serving one unit						EXCLUDED
	Telephone service serving one unit						EXCLUDED
	Gas service serving one unit						EXCLUDED
	Driveway on an individual lot						EXCLUDED
	Stairs on an individual lot						EXCLUDED
	Retaining wall on an individual lot						EXCLUDED
	Fence on an individual lot						EXCLUDED
	Unit exterior						EXCLUDED
	Unit interior						EXCLUDED
	Unit HVAC system						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 ($)	NEL	REL	REPLACEMENT COST ($)
	Primary electric feeds						EXCLUDED
	Electric transformers						EXCLUDED
	Cable TV systems and structures						EXCLUDED
	Telephone cables and structures						EXCLUDED
	Gas mains and meters						EXCLUDED
	Water mains and meters						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 ($)	NEL	REL	REPLACEMENT COST ($)
	Cleaning of asphalt pavement						EXCLUDED
	Crack sealing of asphalt pavement						EXCLUDED
	Painting of curbs						EXCLUDED
	Striping of parking spaces						EXCLUDED
	Landscaping and site grading						EXCLUDED
	Capital improvements						EXCLUDED

MAINTENANCE AND REPAIR EXCLUSIONS

Comments

- Maintenance activities, one-time-only repairs, and capital improvements. These activities are NOT appropriately funded from Replacement Reserves. The inclusion of such component in the Replacement Reserve Inventory could jeopardize the special tax status of ALL Replacement Reserves, exposing the Association to significant tax liabilities. We recommend that the Board of Directors discuss these exclusions and Revenue Ruling 75-370 with a Certified Public Accountant.

- Examples of items excluded from funding by Replacement Reserves are listed above. The list above exemplifies exclusions by the cited standard(s) and is not intended to be comprehensive.

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SECTION C - CALENDAR OF PROJECTED ANNUAL REPLACEMENTS

CALENDAR OF ANNUAL REPLACEMENTS. The 23 Projected Replacements in the Huntington Station 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 C.2.

REPLACEMENT RESERVE ANALYSIS AND INVENTORY POLICIES, PROCEDURES, AND ADMINISTRATION

- **REVIEW OF THE REPLACEMENT RESERVE STUDY.** For this study to be effective, it should be reviewed by the 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.
- **REVISIONS.** Revisions will be made to the Replacement Reserve Analysis and Replacement Reserve Inventory in accordance with the written instructions of the Board of Directors. No additional charge is incurred for the first revision, if requested in writing within three months of the date of the Replacement Reserve Study. It is our policy to provide revisions in electronic (Adobe PDF) format only.
- **TAX CODE**. The United States Tax Code grants favorable tax status to a common interest development (CID) meeting certain guidelines for their Replacement Reserve. If a CID files their taxes as a 'Corporation' on Form 1120 (IRC Section 277), these guidelines typically require maintenance activities, partial replacements, minor replacements, capital improvements, and one-time only replacements to be excluded from Reserves. A CID cannot co-mingle planning for maintenance activities with capital replacement activities in the Reserves (Revenue Ruling 75-370). Funds for maintenance activities and capital replacements activities must be held in separate accounts. If a CID files taxes as an "Exempt Homeowners Association" using Form 1120H (IRC Section 528), the CID does not have to segregate these activities. However, because the CID may elect to change their method of filing from year to year within the Study Period, we advise using the more restrictive approach. We further recommend that the CID consult with their Accountant and consider creating separate and independent accounts and reserves for large maintenance items, such as painting.
- **CONFLICT OF INTEREST.** Neither Miller - Dodson Associates nor the Reserve Analyst has any prior or existing relationship with this Association which would represent a real or perceived conflict of interest.
- **RELIANCE ON DATA PROVIDED BY THE CLIENT.** Information provided by an official representative of the Association regarding financial, physical conditions, quality, or historical issues is deemed reliable.
- **INTENT.** This Replacement Reserve Study is a reflection of the information provided by the Association and the visual evaluations of the Analyst. It has been prepared for the sole use of the Association and is not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records.
- **PREVIOUS REPLACEMENTS.** Information provided to Miller - Dodson Associates regarding prior replacements is considered to be accurate and reliable. Our visual evaluation is not a project audit or quality inspection.
- **EXPERIENCE WITH FUTURE REPLACEMENTS.** The Calendar of Annual Projected Replacements, lists replacements we have projected to occur over the Study Period, 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.

PROJECTED REPLACEMENTS

Item	2022 - Study Year	$
1	Asphalt pavement, mill and overlay	$59,600
3	Concrete curb and gutter, barrier (6% of 2,200 lf)	$4,686
4	Concrete flatwork (6% of 7,700 sf)	$5,013
17	Irrigation, controller	$1,100
Total Scheduled Replacements		$70,399

Item	2023 - YEAR 1	$
2	Asphalt pavement, seal coat	$6,556
5	Retaining wall, segmental block (reset 10% of 2,400 sf)	$11,280
18	Irrigation, head, pipe, box (allowance)	$1,000
21	Domestic water backflow preventer	$2,500
Total Scheduled Replacements		$21,336

Item	2024 - YEAR 2	$
No Scheduled Replacements		

Item	2025 - YEAR 3	$
8	Metal fence & guardrail restoration (allowance)	$3,000
20	Domestic water laterals (allowance)	$1,500
22	Sanitary sewer laterals (allowance)	$1,800
23	Stormwater management (10% allowance)	$5,000
Total Scheduled Replacements		$11,300

Item	2026 - YEAR 4	$
18	Irrigation, head, pipe, box (allowance)	$1,000
Total Scheduled Replacements		$1,000

Item	2027 - YEAR 5	$
10	Site light, standard single head (older models)	$3,000
15	Benches (wood with metal frame)	$3,600
Total Scheduled Replacements		$6,600

Item	2028 - YEAR 6	$
2	Asphalt pavement, seal coat	$6,556
3	Concrete curb and gutter, barrier (6% of 2,200 lf)	$4,686
4	Concrete flatwork (6% of 7,700 sf)	$5,013
8	Metal fence & guardrail restoration (allowance)	$3,000
20	Domestic water laterals (allowance)	$1,500
22	Sanitary sewer laterals (allowance)	$1,800
Total Scheduled Replacements		$22,555

Item	2029 - YEAR 7	$
18	Irrigation, head, pipe, box (allowance)	$1,000
Total Scheduled Replacements		$1,000

Item	2030 - YEAR 8	$
9	Masonry fence columns (Huntington Ave.) (repoint)	$5,200
16	Signs & posts (12 signs on 6 posts) (25% allowance)	$600
Total Scheduled Replacements		$5,800

Item	2031 - YEAR 9	$
8	Metal fence & guardrail restoration (allowance)	$3,000
20	Domestic water laterals (allowance)	$1,500
22	Sanitary sewer laterals (allowance)	$1,800
Total Scheduled Replacements		$6,300

PROJECTED REPLACEMENTS

Item	2032 - YEAR 10	$
14	Mailbox, cluster (16-unit CBU)	$5,940
17	Irrigation, controller	$1,100
18	Irrigation, head, pipe, box (allowance)	$1,000
	Total Scheduled Replacements	$8,040

Item	2033 - YEAR 11	$
2	Asphalt pavement, seal coat	$6,556
5	Retaining wall, segmental block (reset 10% of 2,400 sf)	$11,280
	Total Scheduled Replacements	$17,836

Item	2034 - YEAR 12	$
3	Concrete curb and gutter, barrier (6% of 2,200 lf)	$4,686
4	Concrete flatwork (6% of 7,700 sf)	$5,013
8	Metal fence & guardrail restoration (allowance)	$3,000
20	Domestic water laterals (allowance)	$1,500
22	Sanitary sewer laterals (allowance)	$1,800
	Total Scheduled Replacements	$15,999

Item	2035 - YEAR 13	$
18	Irrigation, head, pipe, box (allowance)	$1,000
23	Stormwater management (10% allowance)	$5,000
	Total Scheduled Replacements	$6,000

Item	2036 - YEAR 14	$
12	Site light, steel pole (older, decorative)	$16,800
	Total Scheduled Replacements	$16,800

Item	2037 - YEAR 15	$
8	Metal fence & guardrail restoration (allowance)	$3,000
19	Electric meter and switch	$5,000
20	Domestic water laterals (allowance)	$1,500
22	Sanitary sewer laterals (allowance)	$1,800
	Total Scheduled Replacements	$11,300

Item	2038 - YEAR 16	$
2	Asphalt pavement, seal coat	$6,556
18	Irrigation, head, pipe, box (allowance)	$1,000
	Total Scheduled Replacements	$7,556

Item	2039 - YEAR 17	$
	No Scheduled Replacements	

Item	2040 - YEAR 18	$
3	Concrete curb and gutter, barrier (6% of 2,200 lf)	$4,686
4	Concrete flatwork (6% of 7,700 sf)	$5,013
8	Metal fence & guardrail restoration (allowance)	$3,000
11	Site light, single head (newer models)	$1,500
16	Signs & posts (12 signs on 6 posts) (25% allowance)	$600
20	Domestic water laterals (allowance)	$1,500
22	Sanitary sewer laterals (allowance)	$1,800
	Total Scheduled Replacements	$18,099

Item	2041 - YEAR 19	$
18	Irrigation, head, pipe, box (allowance)	$1,000
	Total Scheduled Replacements	$1,000

PROJECTED REPLACEMENTS

Item	2042 - YEAR 20	$
1	Asphalt pavement, mill and overlay	$59,600
17	Irrigation, controller	$1,100
	Total Scheduled Replacements	$60,700

Item	2043 - YEAR 21	$
2	Asphalt pavement, seal coat	$6,556
5	Retaining wall, segmental block (reset 10% of 2,400 sf)	$11,280
8	Metal fence & guardrail restoration (allowance)	$3,000
20	Domestic water laterals (allowance)	$1,500
21	Domestic water backflow preventer	$2,500
22	Sanitary sewer laterals (allowance)	$1,800
	Total Scheduled Replacements	$26,636

Item	2044 - YEAR 22	$
18	Irrigation, head, pipe, box (allowance)	$1,000
	Total Scheduled Replacements	$1,000

Item	2045 - YEAR 23	$
6	Metal guardrails, steel/wrought iron	$32,000
23	Stormwater management (10% allowance)	$5,000
	Total Scheduled Replacements	$37,000

Item	2046 - YEAR 24	$
3	Concrete curb and gutter, barrier (6% of 2,200 lf)	$4,686
4	Concrete flatwork (6% of 7,700 sf)	$5,013
7	Perimeter metal fence (Huntington Ave.)	$13,110
8	Metal fence & guardrail restoration (allowance)	$3,000
20	Domestic water laterals (allowance)	$1,500
22	Sanitary sewer laterals (allowance)	$1,800
	Total Scheduled Replacements	$29,109

Item	2047 - YEAR 25	$
10	Site light, standard single head (older models)	$3,000
15	Benches (wood with metal frame)	$3,600
18	Irrigation, head, pipe, box (allowance)	$1,000
	Total Scheduled Replacements	$7,600

Item	2048 - YEAR 26	$
2	Asphalt pavement, seal coat	$6,556
	Total Scheduled Replacements	$6,556

Item	2049 - YEAR 27	$
8	Metal fence & guardrail restoration (allowance)	$3,000
20	Domestic water laterals (allowance)	$1,500
22	Sanitary sewer laterals (allowance)	$1,800
	Total Scheduled Replacements	$6,300

Item	2050 - YEAR 28	$
9	Masonry fence columns (Huntington Ave.) (repoint)	$5,200
13	Site light, steel pole (newer, straight)	$2,100
16	Signs & posts (12 signs on 6 posts) (25% allowance)	$600
18	Irrigation, head, pipe, box (allowance)	$1,000
	Total Scheduled Replacements	$8,900

Item	2051 - YEAR 29	$
	No Scheduled Replacements	

PROJECTED REPLACEMENTS

Item	2052 - YEAR 30	$
3	Concrete curb and gutter, barrier (6% of 2,200 lf)	$4,686
4	Concrete flatwork (6% of 7,700 sf)	$5,013
8	Metal fence & guardrail restoration (allowance)	$3,000
17	Irrigation, controller	$1,100
20	Domestic water laterals (allowance)	$1,500
22	Sanitary sewer laterals (allowance)	$1,800
	Total Scheduled Replacements	$17,099

Item	2053 - YEAR 31	$
2	Asphalt pavement, seal coat	$6,556
5	Retaining wall, segmental block (reset 10% of 2,400 sf)	$11,280
18	Irrigation, head, pipe, box (allowance)	$1,000
	Total Scheduled Replacements	$18,836

Item	2054 - YEAR 32	$
	No Scheduled Replacements	

Item	2055 - YEAR 33	$
8	Metal fence & guardrail restoration (allowance)	$3,000
20	Domestic water laterals (allowance)	$1,500
22	Sanitary sewer laterals (allowance)	$1,800
23	Stormwater management (10% allowance)	$5,000
	Total Scheduled Replacements	$11,300

Item	2056 - YEAR 34	$
18	Irrigation, head, pipe, box (allowance)	$1,000
	Total Scheduled Replacements	$1,000

Item	2057 - YEAR 35	$
19	Electric meter and switch	$5,000
	Total Scheduled Replacements	$5,000

Item	2058 - YEAR 36	$
2	Asphalt pavement, seal coat	$6,556
3	Concrete curb and gutter, barrier (6% of 2,200 lf)	$4,686
4	Concrete flatwork (6% of 7,700 sf)	$5,013
8	Metal fence & guardrail restoration (allowance)	$3,000
20	Domestic water laterals (allowance)	$1,500
22	Sanitary sewer laterals (allowance)	$1,800
	Total Scheduled Replacements	$22,555

Item	2059 - YEAR 37	$
18	Irrigation, head, pipe, box (allowance)	$1,000
	Total Scheduled Replacements	$1,000

Item	2060 - YEAR 38	$
11	Site light, single head (newer models)	$1,500
16	Signs & posts (12 signs on 6 posts) (25% allowance)	$600
	Total Scheduled Replacements	$2,100

Item	2061 - YEAR 39	$
8	Metal fence & guardrail restoration (allowance)	$3,000
20	Domestic water laterals (allowance)	$1,500
22	Sanitary sewer laterals (allowance)	$1,800
	Total Scheduled Replacements	$6,300

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SECTION D - CONDITION ASSESSMENT

General Comments. Miller+Dodson Associates conducted a Reserve Study at Huntington Station in November 2021. Huntington Station is in generally fair to good condition for a homeowner's association constructed in 1995. 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.

IMPORTANT NOTE: This Condition Assessment is based upon visual and apparent conditions of the common elements of the community which were observed by the Reserve Analyst at the time of the site visit. This Condition Assessment does not constitute, nor is it a substitute for, a professional Structural Evaluation of the buildings, amenities, or systems.

General Condition Statements.

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

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

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

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

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

SITE ITEMS

Asphalt Pavement. The Association is responsible for the drive lanes (i.e., Huntington Station Court) and parking areas within the community. In general, the Association’s asphalt pavements are in marginal to poor condition, with depressions and widespread cracking.

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. Over time, water will erode the base and accelerate the deterioration of the asphalt pavement. If cracks extend to the base and bearing materials, remove the damaged areas, and replace defective materials. As a part of normal maintenance, clean and fill all other cracks.
- **Alligatoring.** There are multiple locations where the asphalt has developed a pattern of cracking known as alligatoring. The primary cause of alligatoring is an unstable base. Once these cracks extend through the asphalt, they will allow water to penetrate to the base, accelerating the rate of deterioration, and eventually leading to potholes. The only solution is to remove the defective asphalt, compact the base, and install new base materials and asphalt.
- **Depressions.** There are areas where the asphalt surface is depressed due to deformation in the surface or underlying layers. These depressions may continue to grow with exposure to traffic. Water ponding is evident in several of these areas. Repair of these areas will require the removal of the asphalt and base material and reinstallation, by compacting the new base material and resurfacing with asphalt.

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

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

- **Cleaning.** Long-term exposure to oil or gas breaks down asphalt. Because this asphalt pavement is generally not used for long-term parking, it is unlikely that frequent cleaning will be necessary. When necessary, spill areas should be cleaned or patched if deterioration has penetrated the asphalt. This is a maintenance activity, and we have assumed that it will not be funded from Reserves.
- **Crack Repair.** All cracks should be repaired with an appropriate compound to prevent water infiltration through the asphalt into the base. This repair should be done annually. Crack repair is normally considered a maintenance activity and is not funded from Reserves. Areas of extensive cracking or deterioration that cannot be made watertight should be cut out and patched.
- **Seal Coating.** The asphalt should be seal coated every five to seven years. For this maintenance, activity to be effective in extending the life of the asphalt, cleaning, and crack repair should be performed first.

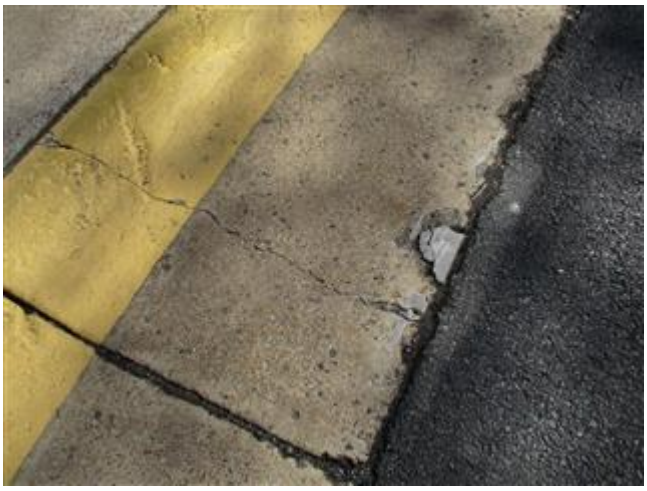
The pricing used is based on recent contracts for a two-inch overlay, which reflects the current local market for this work.

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

Concrete Work. The concrete work includes the community curbs/gutters, sidewalks, and other flatware including mailbox pads and concrete drainage swales. Note that we have modeled for curb and sidewalk repair/replacement when the asphalt pavement is overlaid.

The overall condition of the community's concrete work is fair to good with some curb and sidewalk cracks. However, there are also a large number of sidewalk trip hazards, especially in the walkway parallel to Huntington Avenue. These trip hazards should be repaired in the near term; the severe defects that we noticed are listed in the table below.

Trip Hazard Location	Severity (Low, Medium, High)
Behind Unit 2308, near segmental block wall.	High
Front of Unit 2366, sidewalk settlement.	Low
Courtyard Unit 2357.	High
Courtyard Unit 2353.	High
Behind Unit 2348, garage side.	High
Unit 2332, street side (Huntington Ave.). Two sections displaced by tree roots.	Medium to High
Unit 2338, street side (Huntington Ave.).	High
Unit 2340, street side (Huntington Ave.). Two sections displaced by tree roots.	High
Between Units 2342 & 2344, street side (Huntington Ave.)	Very High
Unit 2338, street side (Huntington Ave.). Three sections displaced by tree roots.	Medium to High



The standards we use for recommending replacement are as follows:

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

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

Segmental Block Retaining Walls and Metal Guardrails. The Association maintains segmental block retaining walls along the north and east perimeters, with metal guardrails embedded in the top blocks. These walls are in overall good condition; however, it appears that the north wall, near Unit 2306, is starting to lean outward. This section of the wall should be reset in the near term. Also, there is some wall and guardrail damage near Unit 2361. This too should be repaired in the near term.

Other than the damage near Unit 2361, the wall guardrails appear to be in overall good condition, with some peeling paint.

Retaining walls, in general, are designed to provide slope stabilization and soil retention by means of a structural system. Typically, walls that are three feet high or more require some level of design.

The movement and displacement of any retaining wall is a sign of general settlement or failure. This typically is in the form of leaning and bowing and can involve the entire wall or localized sections of the wall. Typically, these types of movements are gradual and may require the replacement of the wall. The movement of retaining walls located near other

buildings or structures may negatively affect the stability of the adjacent structure. These conditions can become extremely costly if not properly identified, monitored, and addressed.

Segmental block retaining walls can have an extended useful life, and if stable, are likely to only require localized resetting of displaced blocks, typically near the top of the wall. Segmental block retaining walls can have a service life of 80 years or more. This study assumes that resetting will be performed incrementally as needed.

As part of normal maintenance for the metal guardrails, we recommend the following:

- Remove existing caulk completely.
- Clean, prime, and paint all posts.
- Apply an appropriate caulk around each post base.
- Tool and shape caulking to shed water away from the post.

Embedded metal posts can have an extended useful life if these simple maintenance activities are performed. If left unattended, the pressure from expansive post rust can crack and damage the supporting material.

Metal Fencing and Brick Column Masonry. The Association maintains sections of decorative metal fencing, connected by brick masonry columns, along the south perimeter, parallel to Huntington Avenue. The metal fencing is stable and in generally good condition; however, we noticed that a number of the decorative finials (spear tips) are missing, especially at the east end of the fencing.

Fencing systems such as this have a long service life provided that the finishes are maintained. Painted metal can usually be repaired as needed by removing finishes, welding broken sections, and replacing the primer and paint.

The brick columns, each topped with a concrete cap, appear to be in good condition. We noticed only one broken brick; this was located at the base of the east-most column.

In general, masonry is considered a long-life item and therefore is excluded from reserve funding. However, because weather and other conditions result in the slow deterioration of the mortar in masonry joints, we have included funding in this study for periodic repointing. Repointing is the process of raking and cutting out damaged sections of mortar and replacing them with new mortar. Also, broken masonry units may be replaced during the repointing process.

Site Lighting. The Association is responsible for the operation of the facility's nine street and walkway lights (on poles). At the time of our visit, the lighting system was not on; however, we understand that the system is in good operating condition.

From observation only, it appears that there are three newer model lamps located near Units 2302, 2362, and 2376. The light near Unit 2362 also appears to have a new light pole. The other six lamps and poles are older models but also are in good condition. We did notice that the wiring access panel on one pole (located near Unit 2366) is missing; this panel should be replaced in the near term to help prevent water and creature encroachment.

Having talked with one resident dog-walker, we assume that the "back corner" DIY lighting system, funded in the previous reserve study, is no longer functional. The wires are hanging from trees, and, in one case, the wires are completely disconnected from the associated junction box. Given that this system has been abandoned, we suggest that the Association ensure the wiring has been properly disconnected and secured.

This study assumes replacement of the light fixtures every 15 to 20 years, and pole replacement every 30 to 40 years. When the light poles are replaced, we assume that the underground wiring will also be replaced.

When a whole-scale lighting replacement project is called for, we recommend consulting with a lighting design expert. Many municipalities have design codes, guidelines, and restrictions when it comes to exterior illumination.

Mailboxes. Three fiberglass cluster mailboxes are located near the community entrance. These mailboxes and their concrete pad connections are in good condition.

Mailboxes should be maintained to ensure that all mail slot doors remain intact with operable hinges and locks.

Benches. The Association maintains six benches; two are located near the community entrance and four in the townhome courtyard. These benches are constructed of wood-plank seats and backs and decorative metal frames. The wood and frames are weathered but in otherwise good condition. We did notice rust forming on the bench feet. This should be treated and repainted in the near term to prevent further deterioration.

Signs and Posts. The Association is responsible for the community's signage. During our visit, we counted twelve signs (of various types) connected to six metal posts. All of the signs that we observed are currently in good condition. We have scheduled an allowance of $600 every ten years for partial sign replacement as needed.

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

Stormwater Management. Stormwater drainage, for which the Association is responsible, is provided by curb drains, yard drains, catch basins, concrete swales (with rip-rap), and underground piping. The above-ground components appear in good working condition. We have designated $5,000 every 10 years to repair/replace these long-life above- and below-ground structures as needed and to help fund small drainage projects as needed.

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 and limited common elements of the property to ascertain their remaining useful life and replacement cost. 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

1. COMMON INTEREST DEVELOPMENTS - AN OVERVIEW

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

The growth of Community Associations has been explosive. In 1965, there were only 500 Community Associations in the United States. According to the 1990 U.S. Census, there were 130,000 Community Associations. The Community Associations Institute (CAI), a national trade association, estimates in 2018 that there were more than 347,000 communities with over 73.5 million residents.

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

2. REPLACEMENT RESERVE STUDY

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

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

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

Section B Replacement Reserve Inventory. The Replacement Reserve Inventory lists the commonly owned components within the community that require periodic replacement using funding from Replacement Reserves.

The Replacement Reserve Inventory also provides information about components excluded from the Replacement Reserve Inventory whose replacement is not scheduled for funding from Replacement Reserves. Replacement Reserve Inventory includes estimates of the normal economic life and the remaining economic life for those components whose replacement is scheduled for funding from Replacement Reserves.

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

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

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

3. METHODS OF ANALYSIS

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

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

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

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

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

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

4. REPLACEMENT RESERVE STUDY DATA

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

Unit Costs. Unit costs are developed using nationally published standards and estimating guides and are adjusted by state or region. In some instances, recent data received in the course of our work is used to modify these figures. Contractor proposals or actual cost experience may be available as part of the Association records. This is useful information, which should be incorporated into your report. Please bring any such available data to our attention, preferably before the report is commenced.

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

5. DEFINITIONS

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

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

Cash Flow Analysis. See Cash Flow Method, above.

Component Analysis. See Component Method, above.

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

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

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

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

Estimated Normal Economic Life (NEL). 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 Remaining Economic Life (REL). 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 Balance. Shown on the Summary Sheet A4, this amount is used in the Cash Flow Method only. Normally derived using the average annual expenditure over the study period, this is the minimum amount held in reserves for every year in the study period.

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

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

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

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

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

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

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

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

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

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

ea	each	**ls**	lump sum	**sy**	square yard
ft or lf	linear foot	**pr**	pair	**cy**	cubic yard
sf	square foot				

What is a Reserve Study?
Who are we?

https://youtu.be/m4BcOE6q3Aw

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

https://youtu.be/40SodajTW1g

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

https://youtu.be/pYSMZO13VjQ

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

https://youtu.be/Qx8WHB9Cgnc

What's in a Reserve Study and what's out?
Improvement/Component, what's the difference?

https://youtu.be/ZfBoAEhtf3E

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

https://youtu.be/1J2h7FIU3qw

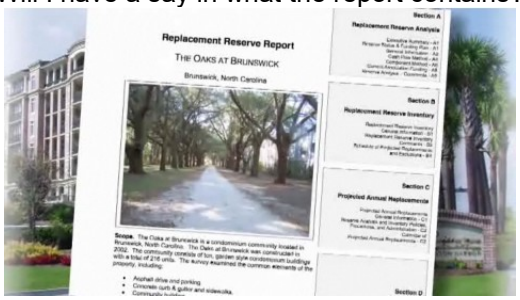
What is my role as a community Board Member?
Will a Reserve Study meet my needs?

https://youtu.be/aARD1B1Oa3o

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

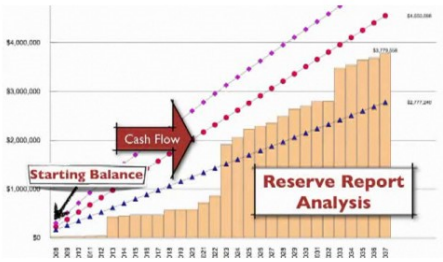
https://youtu.be/diZfM1IyJYU

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



https://youtu.be/qCeVJhFf9ag

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

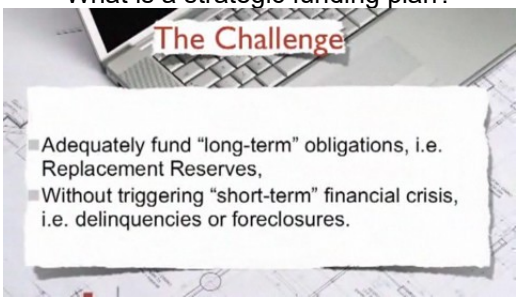


https://youtu.be/SePdwVDvHWI

How are interest and inflation addressed?
Inflation, what should we consider?

https://youtu.be/W8CDLwRIv68

A community needs more help, where do we go?
What is a strategic funding plan?



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