CAPITAL RESERVE STUDY

HERON POINTE

HOMEOWNERS ASSOCIATION

MARLTON, NEW JERSEY

Effective Date: January 1, 2020

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DWSA Job Number 13-529.01

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INTRODUCTION

Financial Planning

One of the primary responsibilities of the Board Trustees or Directors is to make sure the property is protected and maintained. Good financial planning and budgeting is a major part of ensuring a property or community is maintained properly and adequate funds are available for this purpose.

The primary goal of capital reserve planning is to provide adequate funding for the replacement of the capital components within the community. Good planning will distribute the expenditures for these projects among the owners over many years, making the funds available when they are needed. An adequate capital reserve fund will eliminate the need for large fee increases, special assessments and loans.

Capital Reserve Study

A Capital Reserve Study is a financial planning tool prepared to provide an estimate of the amount of money that should be held in reserve by the Community Association for future replacements of various common area components within the community. This report has been prepared to comply with the Community Association Institute (CAI) National Reserve Study Standards as a guide to evaluate and establish a stable level of reserve funding for those anticipated replacements.

Level of Service

The following level of service was provided:

I. Full. A reserve study in which the following five reserve study tasks are performed:

Component inventory
Condition assessment (based upon on-site visual observations)
Life and valuation estimates
Fund status
Funding plan

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DESCRIPTION OF DEVELOPMENT

Heron Pointe Homeowners Association located in Marlton, New Jersey includes 10 townhouse buildings with a total of 50 residential units. The community's main roadway, Heron Pointe Court is accessible from an entrance on North Maple Avenue.

The common areas included in this community are the concrete sidewalks and aprons, entrance sign, aluminum fencing, catch basins, concrete flow channels, landscape block retaining walls, mailboxes, granite block curbing, wells, trellis and playground equipment.

COMMUNITY DESCRIPTION

Total Number of Units:	50
Unit Type	Townhouse
Number and Type of Buildings	10 Townhome Buildings
Community Age:	19 Years old

CAPITAL RESERVE FUND INFORMATION

Starting Fund Balance:	$28,352
Funding Goal:	Full Funding
Current Annual Contribution:	$7,000.00
New Annual Funding:	$15,729
Averaging Length in Years:	30 Years
Current Percent Funded	29%

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TERMS AND DEFINITIONS

CAPITAL IMPROVEMENTS: Additions to the association's common elements that previously did not exist. While these
components should be added to the reserve study for future replacement, the cost of construction should not be taken from the reserve fund.

CASH FLOW METHOD: A method of developing a reserve funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

COMPONENT: The individual line items in the reserve study developed or updated in the physical analysis. These elements form the building blocks for the reserve study. These components comprise the common elements of the community and typically are: 1. association responsibility, 2. with limited useful life expectancies, 3. predictable remaining useful life expectancies, and 4. above a minimum threshold cost. It should be noted that in certain jurisdictions there may be statutory requirements for including components or groups of components in the reserve study.

COMPONENT INVENTORY: The task of selecting and quantifying reserve components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, review of association precedents, and discussion with appropriate representative(s) of the association.

COMPONENT METHOD: A method of developing a reserve funding plan where the total contribution is based on the sum of contributions for the individual components.

CONDITION ASSESSMENT: The task of evaluating the current condition of the component based on observed or reported characteristics.

EFFECTIVE AGE: The difference between useful life and remaining useful life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

FINANCIAL ANALYSIS: The portion of a reserve study where the current status of the reserves (measured as cash or percent funded) and a recommended reserve contribution rate (funding plan) are derived, and the projected reserve income and expense over a period of time are presented. The financial analysis is one of the two parts of a reserve study.

FULLY FUNDED: 100 percent funded. When the actual (or projected) reserve balance is equal to the fully funded balance.

FULLY FUNDED BALANCE (FFB): An indicator against which the actual (or projected) reserve balance can be compared. The reserve balance that is in direct proportion to the fraction of life "used up" of the current

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repair or replacement cost. This number is calculated for each component, and then summed for an association total. FFB = Current Cost X Effective Age/Useful Life
Example: For a component with a $10,000 current replacement cost, a 10-year useful life and effective age of 4 years the fully funded balance would be $4,000.

FUND STATUS: The status of the reserve fund reported in terms of cash or percent funded.

FUNDING GOALS: Independent of methodology used, the following represent the basic categories of funding plan goals. They are presented in order of greatest risk to least risk. Risk includes, but is not limited to, cash problems, special assessments, and deferred maintenance.

- **Baseline Funding**: Establishing a reserve funding goal of allowing the reserve cash balance to never be below zero during the cash flow projection. This is the funding goal with the greatest risk due to the variabilities encountered in the timing of component replacements and repair and replacement costs.

- **Threshold Funding**: Establishing a reserve funding goal of keeping the reserve balance above a specified dollar or percent funded amount. Depending on the threshold selected, this funding goal may be weaker or stronger than "Fully Funded" with respective higher risk or less risk of cash problems.

- **Full Funding**: Setting a reserve funding goal to attain and maintain reserves at or near 100 percent funded. This is the most conservative funding goal.

It should be noted that in certain jurisdictions there may be statutory funding requirements that would dictate the minimum requirements for funding.

FUNDING PLAN: An association's plan to provide income to a reserve fund to offset anticipated expenditures from that fund. The plan must be a minimum of twenty (20) years.

FUNDING PRINCIPLES: The reserve provider must provide a funding plan addressing these principles.
1. Sufficient funds when required
2. Stable contribution rate over the years
3. Equitable contribution rate over the years
4. Fiscally responsible

LIFE AND VALUATION ESTIMATES: The task of estimating useful life, remaining useful life, and current repair or replacement costs for the reserve components.

PERCENT FUNDED: The ratio, at a point in time related to the fiscal year end, of the actual (or projected) reserve balance to the fully funded balance, expressed as a percentage. While percent funded is an indicator of an association's reserve fund size, it should be viewed in the context of how it is changing due to the association's reserve funding plan considering the association's risk tolerance.

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PHYSICAL ANALYSIS: The portion of the reserve study where the component inventory, condition assessment, and life and valuation estimate tasks are performed. This represents one of the two parts of the reserve study.

REMAINING USEFUL LIFE (RUL): Also referred to as "remaining life" (RL). The estimated time, in years, that a reserve component can be expected to serve its intended function. Projects expected to occur in the initial year have zero remaining useful life.

REPLACEMENT COST: The cost to replace, repair, or restore the component to its original functional condition during that particular year, including all related expenses (including but not limited to shipping, engineering and design, permits, installation, disposal, etc.).

RESERVE BALANCE: Actual or projected funds, as of a particular point in time that the association has identified, to defray the future repair or replacement cost of those major components that the association is obligated to maintain or replace. Also known as reserves, reserve accounts, cash reserves. Based on information provided and not audited.

RESERVE PROVIDER: An individual who prepares reserve studies. In many instances the reserve provider will possess a specialized designation such as the Reserve Specialist (RS) designation provided by Community Associations Institute (CAI). This designation indicates that the provider has shown the necessary skills to perform a reserve study that conforms to these standards.

RESERVE PROVIDER FIRM: A company that prepares reserve studies as one of its primary business activities.

RESERVE STUDY: A budget planning tool which identifies the components that the association is responsible to maintain or replace, the current status of the reserve fund, and a stable and equitable funding plan to offset the anticipated future major common area expenditures. The reserve study consists of two parts: the physical analysis and the financial analysis.

RESPONSIBLE CHARGE: A Reserve Specialist (RS) in responsible charge of a reserve study shall render regular and effective supervision to those individuals performing services that directly and materially affect the quality and competence of services rendered by the Reserve Specialist. A Reserve Specialist shall maintain such records as are reasonably necessary to establish that the Reserve Specialist exercised regular and effective supervision of a reserve study of which he or she was in responsible charge. A Reserve Specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

1. The regular and continuous absence from principal office premises from which professional services are rendered; except for performance of field work or presence in a field office maintained exclusively for a specific project;

2. The failure to personally inspect or review the work of subordinates where necessary and appropriate;

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3. The rendering of a limited, cursory or perfunctory review of plans or projects in lieu of an appropriate detailed review.

4. The failure to personally be available on a reasonable basis or with adequate advance notice for consultation and inspection where circumstances require personal availability.

SPECIAL ASSESSMENT: A temporary assessment levied on the members of an association in addition to regular assessments. Note that special assessments are often regulated by governing documents or local statutes.

USEFUL LIFE (UL): The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.

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PHYSICAL ANALYSIS

The quantities used in the replacement cost estimates of the common elements were generated from field measurements taken during our site visit on May 29, 2019. The remaining life expectancies of the common elements were determined through a visual site inspection of the Community on May 29, 2019, and through information provided by Debra Loggia, Board member, and maintenance contractors familiar with the common elements of the Community. The common elements were identified by review of the governing documents.

The current replacement costs were estimated utilizing published construction cost data as provided in the Bibliography section of this report and the average costs provided by contractors performing similar projects put out to bid by DWSA. The useful life and remaining useful life were estimated based on field inspection of the items and on the assumption that an adequate maintenance schedule exists and will be followed. Without proper maintenance, the common elements can deteriorate quickly and will require funds from the reserves for replacement earlier than planned.

It should be noted that this data is an estimate based upon experience of this firm. All work was performed pursuant to generally accepted standards of practice. Since accurate and detailed control over market conditions, usage, rate of deterioration, maintenance or weather conditions is not feasible, the actual costs and useful life expectancy may vary from those presented in this report. In the future updates of this report, adjustments will be made to correct any variations in the actual costs and useful life expectancies of the components of this report. It is recommended that the study be updated at least every three (3) to five (5) years.

Heron Pointe Homeowners Association
Component Schedule Summary

Effective Date: January 1, 2020
Project Number: 13-529.01

ITEMS	PERCENT FUNDED	REPLACEMENT COST TOTALS	CURRENT RESERVE FUNDS	FUNDS NEEDED	ANNUAL FUNDING	FULL FUNDED BALANCE
Sitework Components		$331,170	$27,836	$303,334	$18,283	$97,066
Special Components		$18,000	$516	$17,484	$1,187	$1,800
Totals	29%	$349,170	$28,352	$320,818	$19,470	$98,866

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CAPITAL ITEMS / COMPONENTS

The following notes provide information on the location, condition and replacement cost of the components listed in the tables. The information is based on either visual observation or information provided to the preparer from the Association, their contractors or maintenance personnel. Review of the common elements was conducted by DW Smith Associates on May 29, 2019. Roadway pavement was not included since the Township of Evesham is responsible for its replacement.

Sitework Components

ITEM	QUANTITY		COST PER UNIT	TOTAL COST	BEGINNING BALANCE	TYPICAL USEFUL LIFE	ESTIMATED REMAINING USEFUL LIFE	NOTES
Concrete Sidewalks-25%	1,920	SF	$13.00	$24,960	$3,579	30	15	1
Concrete Aprons-25%	1,000	SF	$16.00	$16,000	$2,294	30	15	2
Granite Block Curbing-10%	188	LF	$32.00	$6,016	$1,232	35	10	3
Concrete Flow Channels	1,618	SF	$13.00	$21,034	$3,016	30	15	4
Well Pumps	2	EA	$2,500.00	$5,000	$717	20	10	5
Aluminum Fencing	2,576	LF	$30.00	$77,280	$739	30	29	6
Landscape Block Retaining Wall	1,848	SF	$60.00	$110,880	$8,744	40	29	7
Mailboxes	5	EA	$2,150.00	$10,750	$1,541	20	10	8
Concrete Mailbox Pads	20	SF	$15.00	$300	$57	30	10	9
Community Sign	1	LS	$8,000.00	$8,000	$229	20	18	10
Street Signage	1	LS	$750.00	$750	$65	20	14	11
Irrigation	1	EA	$18,000.00	$18,000	$774	20	17	12
Catch Basins	9	EA	$1,760.00	$15,840	$1,817	20	12	13
Detention Basins	2	EA	$7,500.00	$15,000	$3,011	10	3	14
Timber Tie Retaining Wall	80	SF	$17.00	$1,360	$20	20	19	15
Totals				$331,170	$27,836			

1) Concrete Sidewalks-25%:
The concrete sidewalks were observed to be in generally fair condition. The quantity shown is 25% of the total, which is the amount the Association expects to replace over the next 30 years. The estimated remaining useful life is based on the Association's plan for replacement.

2) Concrete Aprons-25%:
The concrete aprons were observed to be in fair condition. The quantity shown is 25% of the total, which is the amount the Association expects to replace over the next 30 years. The estimated remaining useful life is based on replacement on the Association's plan for replacement.

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3) Granite Block Curbing-10%:
The granite block curbing observed to be in generally fair condition. The quantity shown is 10% of the total, which is the expected amount to require replacement. The estimated remaining useful life is based on replacement at the same time as pavement replacement.

4) Concrete Flow Channels:
The concrete flow channels located in the detention basins were observed to be in fair condition. The estimated remaining useful life is based on their condition. The unit cost is based on average contractor bid proposals.

5) Well Pumps:
The 2 wells supplying water for irrigation were reported to be in good working condition by the Association. The wells were installed in 2013. The unit cost includes replacement of pumps on an as needed basis.

6) Aluminum Fencing:
The aluminum fencing at the front of the property was observed to be in generally good condition. The estimated remaining useful life is based on its age, as provided by the Association. The unit cost was provided by the Association. The estimated remaining useful life is based on replacement at the same time as retaining wall replacement.

7) Landscape Block Retaining Wall:
The landscape block retaining wall at the detention basins were observed to be in fair condition. The estimated remaining useful life is based on its condition. The unit cost includes replacement with a similar block wall.

8) Mailboxes:
The mailbox units were observed to be in fair condition. The estimated remaining useful life is based on their condition.

9) Concrete Mailbox Pads:
The concrete mailbox pads were observed to be in fair condition. The estimated remaining useful life is based on replacement at the same time as mailbox units.

10) Community Sign:
The community sign at the entrance to the property was observed to be in generally good condition. The estimated remaining useful life is based on its age as provided by the Association. The lump sum cost includes the replacement of the wood sign, aluminum fencing and restoration of the block posts.

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11) Street Signage:

The aluminum street signs throughout the community were observed to be in generally good condition. The estimated remaining useful life is based on their condition. The lump sum cost includes replacement with similar street signage.

12) Irrigation:

The lawn and landscape irrigation system were reported to be in generally good working condition by Marty from Pinnacle Irrigation, the irrigation contractor for the community. The estimated remaining useful life is based on the condition of the piping as reported by Marty from Pinnacle Irrigation, and regular maintenance of the heads and valves. The unit cost is based on information provided by Pinnacle Irrigation.

13) Catch Basins:

The catch basins located throughout the community were observed to be in fair condition. The estimated remaining useful life is based on their condition. The unit cost includes parging and reconstruction at the same time as pavement replacement.

14) Detention Basins:

The detention basins at the right and left side entrances to the community were observed to be in poor condition. The estimated remaining useful life is based on their condition. The unit cost includes removal of silt and restoration of rip rap stone at the inlet and outlet structures, which have an extended useful life.

15) Timber Tie Retaining Wall:

The timber tie retaining wall located next to the trellis was reported to be in good condition. The estimated remaining useful life is based on replacement in 2019 as provided by the Association. The unit cost includes removal and replacement with a landscape block retaining wall.

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Special Components

ITEM	QUANTITY		COST PER UNIT	TOTAL COST	BEGINNING BALANCE	TYPICAL USEFUL LIFE	ESTIMATED REMAINING USEFUL LIFE	NOTES
Playground Equipment	**1**	**LS**	**$14,000.00**	**$14,000**	**$401**	**20**	**18**	**16**
Trellis	**1**	**EA**	**$4,000.00**	**$4,000**	**$115**	**10**	**9**	**17**
Totals				**$18,000**	**$516**			

16) Playground Equipment:
The playground equipment was observed to be in generally good condition. The estimated remaining useful life and lump sum cost are based on information provided by the Association.

17) Trellis:
The composite trellis was reported to be in good condition. The estimated remaining useful life is based on its age, the trellis was replaced in 2019. The unit cost is based on information provided by the Association.

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FINANCIAL RESULTS

The primary goal of capital reserve planning is to provide adequate funding for the replacement of the capital components within the community. Good planning will distribute the expenditures for these projects among the owners over many years, making the funds available when they are needed. An adequate capital reserve fund will eliminate the need for large fee increases, special assessments and loans.

Averaging the annual contributions provides consistent maintenance fees which is beneficial to homeowners and property values.

The chart shown on the following page is a 30-year projection of the funding requirements for Heron Pointe Homeowners Association. This reserve study funding chart includes two funding options: Full Funding, and Current Funding.

Current Funding is the beginning balance with the current annual contribution added and the projected expenses subtracted each year of the projection. The beginning balance and current annual contribution of **$28,352** and **$7,000.00** were provided by Debra Loggia, Property Manager. Current funding demonstrates the balances over the projection period with no change in the annual contribution.

Full Funding is the annual contribution and fund balances for each year as if each component were Fully Funded. Full funding is the amount necessary so each component will accrue its full replacement cost during its remaining life expectancy.

Threshold Funding is the annual contribution and fund balance for each year as if the fund balance were to be maintained at or above a specified amount but no lower (lowest balance). Threshold funding was not provided due to low projected balances in years **2020** through **2024**.

Please note the following financial information for Heron Pointe Homeowners Association:

- Current Annual Contribution is **$7,000.00,** which creates deficits starting in 2034.
- The Full Funding Annual Contribution for 2019 is **$19,470.00**
- The Full Funding Average Annual Contribution is **$15,530.00** for 30 years, which is **$8,530.00** more than the current contribution.
- A threshold funding option was not provided due to low balance of **$43,882.00** in 2020.

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Heron Pointe Homeowners Association
Reserve Study Funding Plan
Thirty Year Cash Flow

Effective Date: January 1, 2020

	Current Funding			Full Funding Analysis		
Fiscal Year	Current Contribution	Annual Expenditures	Ending Balance	Annual Contribution	Average Annual Contribution	Ending Balance
2019	$7,000		$28,352			28,352
2020	$7,000	$0	$35,352	$19,470	15,530	$43,882
2021	$7,000	$0	$42,352	$20,295	15,530	$59,412
2022	$7,000	$15,000	$34,352	$22,844	15,530	$59,942
2023	$7,000	$0	$41,352	$16,721	15,530	$75,472
2024	$7,000	$0	$48,352	$16,790	15,530	$91,002
2025	$7,000	$0	$55,352	$16,890	15,530	$106,532
2026	$7,000	$0	$62,352	$17,041	15,530	$122,062
2027	$7,000	$0	$69,352	$17,300	15,530	$137,592
2028	$7,000	$4,000	$72,352	$17,878	15,530	$149,122
2029	$7,000	$22,066	$57,286	$18,367	15,530	$142,585
2030	$7,000	$0	$64,286	$16,057	15,530	$158,115
2031	$7,000	$15,840	$55,446	$16,636	15,530	$157,805
2032	$7,000	$15,000	$47,446	$15,896	15,530	$158,335
2033	$7,000	$750	$53,696	$15,310	15,530	$173,115
2034	$7,000	$61,994	-$1,299	$15,968	15,530	$126,651
2035	$7,000	$0	$5,701	$13,892	15,530	$142,181
2036	$7,000	$18,000	-$5,299	$14,080	15,530	$139,711
2037	$7,000	$22,000	-$20,299	$13,837	15,530	$133,241
2038	$7,000	$5,360	-$18,659	$13,482	15,530	$143,411
2039	$7,000	$0	-$11,659	$13,407	15,530	$158,941
2040	$7,000	$0	-$4,659	$13,411	15,530	$174,471
2041	$7,000	$0	$2,341	$13,422	15,530	$190,001
2042	$7,000	$15,000	-$5,659	$13,460	15,530	$190,531
2043	$7,000	$0	$1,341	$13,362	15,530	$206,061
2044	$7,000	$0	$8,341	$13,362	15,530	$221,590
2045	$7,000	$0	$15,341	$13,364	15,530	$237,120
2046	$7,000	$0	$22,341	$13,368	15,530	$252,650
2047	$7,000	$0	$29,341	$13,377	15,530	$268,180
2048	$7,000	$192,160	-$155,819	$13,407	15,530	$91,550
2049	$7,000	$15,750	-$164,569	$13,204	15,530	$91,330
TOTAL	$209,999	$402,920		$465,898	$465,898	

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DWSA Reference #: 13-529.01
Project Name: Heron Pointe Homeowners Association
Project Type: Reserve Study

EXPENDITURE SCHEDULE

Item	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Sitework Components																														
Concrete Sidewalks-25%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	24,960	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Concrete Aprons-25%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	16,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Granite Block Curbing-10%	0	0	0	0	0	0	0	0	0	6,016	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Concrete Flow Channels	0	0	0	0	0	0	0	0	0	0	0	0	0	0	21,034	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Well Pumps	0	0	0	0	0	0	0	0	0	5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,000
Aluminum Fencing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	77,280	0
Landscape Block Retaining Wall	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	110,880	0
Mailboxes	0	0	0	0	0	0	0	0	0	10,750	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10,750
Concrete Mailbox Pads	0	0	0	0	0	0	0	0	0	300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Community Sign	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,000	0	0	0	0	0	0	0	0	0	0	0	0
Street Signage	0	0	0	0	0	0	0	0	0	0	0	0	0	750	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Irrigation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	18,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Catch Basins	0	0	0	0	0	0	0	0	0	0	0	15,840	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Detention Basins	0	0	15,000	0	0	0	0	0	0	0	0	0	15,000	0	0	0	0	0	0	0	0	0	15,000	0	0	0	0	0	0	0
Timber Tie Retaining Wall	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,360	0	0	0	0	0	0	0	0	0	0	0
Special Components																														
Playground Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14,000	0	0	0	0	0	0	0	0	0	0	0	0
Trellis	0	0	0	0	0	0	0	0	4,000	0	0	0	0	0	0	0	0	0	4,000	0	0	0	0	0	0	0	0	0	4,000	0
Yearly Totals	**0**	**0**	**15,000**	**0**	**0**	**0**	**0**	**0**	**4,000**	**22,066**	**0**	**15,840**	**15,000**	**750**	**61,994**	**0**	**18,000**	**22,000**	**5,360**	**0**	**0**	**0**	**15,000**	**0**	**0**	**0**	**0**	**0**	**192,160**	**15,750**

RECOMMENDATIONS

The following recommendations are based on our review of the community and information provided by the Association and other representatives of Heron Pointe Homeowners Association. It is our understanding, the components, their condition and replacement cost have been reviewed and approved by the Association. DW Smith Associates recommends the following:

Financial Recommendation

The current annual contribution of **$7,000.00** is inadequate and if not increased will cause low balances and deficits beginning in year 2034.

DWSA recommends increasing the annual contribution to **$15,530.00** as shown on the Reserve Study Funding Plan under Full Funding.

A threshold funding option was not provided due to low balances in **2020** through **2024**.

Updating the Reserve Study

DWSA recommends the association update the reserve study every 2 to 3 years. Regular updates will help avoid the necessity of large increases in the future.

Final Statements

In the opinion of DW Smith Associates, the components and conditions at the Heron Pointe Homeowners Association are correctly and reasonably represented. This opinion is based on the information provided by the Association and other sources noted within the report.

There are several variables that affect the useful lives and replacement costs of the common components. Economic forces including material and labor prices, the overall economy, the construction industry and local conditions can have an effect on costs. Weather, maintenance procedures, usage and other factors will affect the longevity or life expectancy of the components.

This report is a financial budgetary tool and should not be used for the purposes of contracting or bid proposals. The replacement costs utilized within this report were derived from comparable projects, and other sources listed in this report. The costs used are intended to replace the component with materials of similar quality. Information regarding the costs and quality of the components are included where necessary. Generally, upgrades to components are not included in the costs unless noted specifically. Unforeseen conditions can have an adverse effect on projected costs and therefore more costly to replace than planned.

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DISCLOSURES

DW Smith Associates, LLC (DWSA) is not aware of any involvement with the Heron Pointe Homeowners Association which could result in any actual or perceived conflicts of interest which would influence the preparation of this study.

The physical on-site observations which were performed in the preparation of this study were cursory in nature and only included the accessible common and limited common elements. The surfaces of the roofs were not walked unless specifically noted within this report and no invasive testing was employed.

Unless specifically noted within this report, DW Smith Associates, LLC has not utilized any assumptions in regard to interest, inflation, taxes or any other outside economic factors. Please note interest and inflation assumptions if chosen are noted in in the Cashflow and Financial Calculations pages.

This study has been prepared under the direction of Lynn Voorhees RS.

Update reports are reliant on the information provided in the previous report.

DW Smith Associates, LLC is not aware of any material issues, which if not disclosed, would cause a distortion of the Association's situation.

Information provided by the official representative of the Association regarding financial, physical, quantity, or historical issues will be deemed reliable by DW Smith Associates, LLC. The reserve study will be a reflection of information provided to the consultant and assembled for the Association's use, not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records.

The Reserve Study will be a reflection of information provided to the consultant and assembled for the Association's use, not for the purpose of performing an audit, quality/forensic analysis or background checks of historical records.

The actual or projected total presented in the Reserve Study is based upon the information provided and was not audited.

Information provided to DW Smith Associates, LLC about the reserve project will be considered reliable. Any on-site inspection should not be considered a project audit or quality inspection.

The items included in the Component Inventory are based on information provided in the governing documents and by the associations managing agent, Debra Loggia of Heron Pointe Homeowners Association. The quantities have not been field measured by a representative of DW Smith Associates, LLC unless specifically noted.

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