



RESERVE STUDY DEFINITIONS

DON'T BE STUCK WITHOUT THEM

FULLY FUNDED BALANCE

The fully funded balance represents the ideal amount in the reserve account at a particular point in time. Having a reserve account balance that is the same as the fully funded balance means the community is on track to cover their future obligations for replacement expenses.

**The fully funded balance is NOT the total cost to replace the components.



PERCENT FUNDED

Percent Funded is a measurement of a community's financial position versus how much it should ideal have at a particular point in time with relation to the reserve account balance. 100% percent funded means the community is on track to meet future obligations; anything less indicates a possible shortfall. The lower the percent funded calculation the higher the risk for reliance on loans or special assessments to meet future obligations.

USEFUL LIFE

The useful life pertains to the life expectancy of a component in the reserve study. Each component is assigned a useful life which is obtained from vendors, cost manuals, in house records and historical records of the community. Useful life expectancies are projections into the future which may or may not be accurate to any specific community. These useful life projections are averages which will be updated to reflect actual site conditions in updates to the study.



PERCENT FUNDED LEVELS

70-100% - Good funding level with low risk

30-70% - Fair funding level with moderate risk

0-30% - Poor funding level with high risk