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Update “No-Site-Visit” Reserve Study



Remington Heights Monroe, WA

Report #: 14173-2
For Period Beginning: January 1, 2014
Expires: December 31, 2014

Date Prepared: August 23, 2013



Hello, and welcome to your Reserve Study!

This Report is a valuable budget-planning tool, for with it you control the future of your association. It contains all the fundamental information needed to understand your current and future Reserve obligations, the most significant expenditures your association will face.

With respect to Reserves, this Report will tell you “where you are” and “where to go from here”.

In this Report, you will find...

- 1) A List of What you’re Reserving For**
- 2) An Evaluation of your Reserve Fund Size and Strength**
- 3) A Recommended Multi-Year Reserve Funding Plan**

More Questions?

Visit our website at www.ReserveStudy.com or call us at:

253.661.5437



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3-Minute Executive Summary

Association: Remington Heights Assoc. #: 14173-2
Location: Monroe, WA
of Units: 109
Report Period: January 1, 2014 through December 31, 2014



Results as-of 1/1/2014:

Projected Starting Reserve Balance:	\$76,986
Fully Funded Reserve Balance:	\$59,699
Average Reserve Deficit (Surplus) Per Unit:.....	\$(159)
Percent Funded:	129.0%
100% Full Funding 2014 Monthly Reserve Contribution.....	\$687
70% Threshold Monthly Reserve Contribution.....	\$612
Baseline Contribution (min to maintain reserves above \$0)	\$475
Recommended 2014 Special Assessment for Reserves:	\$0
Most Recent Reserve Contribution Rate:.....	\$500

Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves..... 1.00%
Annual Inflation Rate..... 3.00%

- This is an "Update No-Site-Visit" Reserve Study, based on a prior Report prepared by Association Reserves for your 2013 Fiscal Year - refer to the 2012 report photo pages for additional component data. No site inspection was performed as part of this Reserve Study. This Reserve Study meets or exceeds all requirements of the RCW and was prepared by, or under the supervision of a credentialed Reserve Specialist (RS).
- Your Reserve Fund is 129.0% Funded. However, cash flow from your current reserve contribution rate is deemed insufficient to maintain a strong status over time.
- Based on this starting point and your anticipated future expenses, our recommendation is to increase your Reserve contributions to within the 70% to 100% Full Funding level as noted above (Tables and charts herein reflect Full Funding as recommended contribution). Full and 70% contribution rates are designed to achieve the stated funding objective by the end of our 30-year report scope.

Table 1: Executive Summary

14173-2

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
Site/Grounds				
212 Asphalt Path - Maintain/Resurface	25	16	\$46,200	\$74,137
240 Retention Ponds - Refurbish	30	21	\$25,750	\$47,903
316 Vinyl Fence - Replace	30	21	\$50,100	\$93,201
318 Sport Courts Fencing - Replace	35	26	\$9,600	\$20,703
332 Mailboxes - Replace	20	11	\$11,550	\$15,988
Recreation				
420 Play Equipment - Replace	15	12	\$5,150	\$7,343
424 Basketball Equipment - Replace	25	16	\$4,300	\$6,900
440 Gazebo - Repair/Replace	30	19	\$14,450	\$25,338
450 Sport Courts - Maintain/Resurface	35	26	\$18,550	\$40,005
9 Total Funded Components				

Note: Highlighting denotes projects either anticipated to occur in the initial year or un-funded. Components with 0 UL / 0 RUL were considered per RCW 64.34.382 but did not meet NRSS criteria (see page 2) for reserve funding in the judgment of the Reserve Specialist. A reserve-funding threshold of \$1,000 is suggested for your association (expenses below this level expected to be factored within operating budget).

Introduction

A Reserve Study is the art and science of anticipating, and preparing for, an association's major common area repair and replacement expenses. Partially art, because in this field we are making projections about the future. Partially science, because our work is a process of research and analysis along well defined methodologies.

In this Report you will find the Reserve Component List (what you are reserving for). It contains our estimates for Useful Life, Remaining Useful Life, and the current repair or replacement cost for each major component the association is obligated to maintain. Based on that List and your starting balance we computed the association's Reserve Fund Strength (measured as "Percent Funded"), and created a recommended multi-year Reserve Funding Plan to offset future Reserve expenses.

Reserve Study

- Component List
- Reserve Fund Strength
- Recommended Contribs

As the physical assets age and deteriorate, it is important to accumulate financial assets to keep the two "in balance". A stable Reserve Funding Plan that offsets the irregular Reserve expenses will ensure that each owner pays their own "fair share" of ongoing common area deterioration.

Methodology

First we establish what the projected expenses are, then we determine the association's financial status and create a Funding Plan. For this "Update No-Site-Visit" Reserve Study, we started with a review of your prior Reserve Study, recent Reserve expenditures, an evaluation of how expenditures are handled (ongoing maintenance vs Reserves), and research into any well-established association precedents. We adjusted life and cost factors based on time since the last Reserve Study and interviews with association representatives.

Reserve Study Types

- Full
- Update With-Site-Visit
- ➔ • Update No-Site-Visit

Which Physical Assets are Covered by Reserves?

There is a national-standard four-part test to determine which expenses should be funded through Reserves. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the limited life must be predictable (or it by definition is a “surprise” which cannot be accurately anticipated). Fourth, the component must be above a minimum

threshold cost. This limits Reserve Components to major, predictable expenses. Within this framework, it is inappropriate to include “lifetime” components, unpredictable expenses (such as damage due to fire, flood, or earthquake), and expenses more appropriately handled from the Operational Budget or as an insured loss.

Reserve Components

- Common Area
- Limited Useful Life
- Predictable Life Limit
- Cost must be Significant

How are Useful Life and Remaining Useful Life established?

- 1) Reported Condition (wear and age since last report)
- 2) Association Reserves database of experience
- 3) Client Component History
- 4) Vendor Evaluation and Recommendation

How are Cost Estimates Established?

Financial projections are based on the average of our Best Case and Worst Case estimates, which are established in this order...

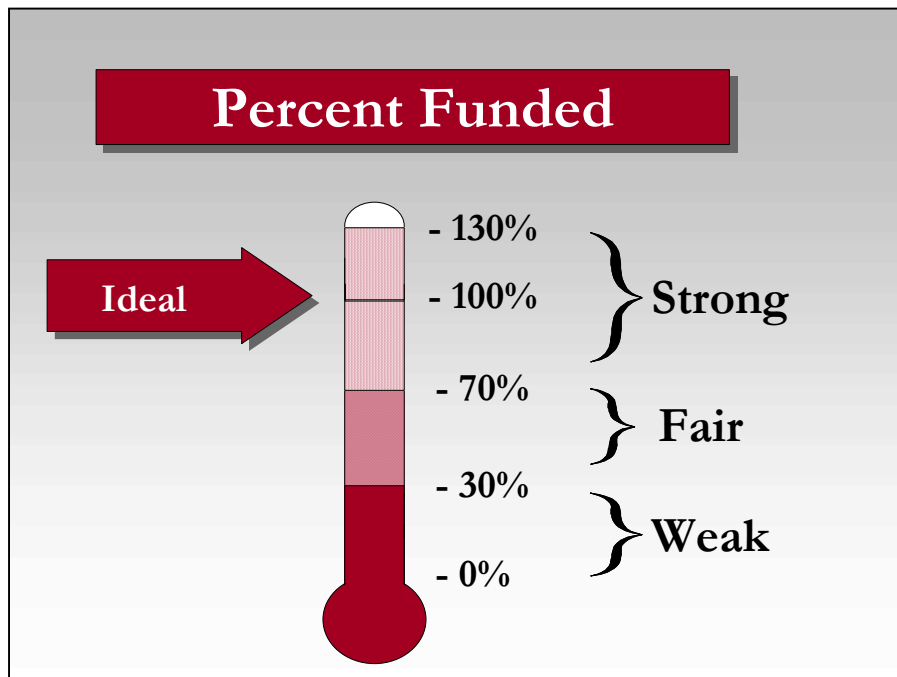
- 1) Client Cost History
- 2) Comparison to Association Reserves database or work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

How much Reserves are enough?

Your Reserve cash Balance can measure reserves, but the true measure is whether the funds are adequate. Adequacy is measured in a two-step process:

- 1) Calculate the association's Fully Funded Balance (FFB)
- 2) Compare to the Reserve Fund Balance, and express as a percentage.

The FFB grows as assets age and the Reserve needs of the association increase, but shrinks when projects are accomplished and the Reserve needs of the association decrease. The Fully Funded Balance changes each year, and is a moving but predictable target.



Special assessments and deferred maintenance are common when the Percent Funded is below 30%. While the 100% point is Ideal, a Reserve Fund in the 70% - 130% range is considered “strong” because in this range cash flow problems are rare.

Measuring your Reserves by Percent Funded tells how well prepared your association is for upcoming Reserve expenses. New buyers should be very aware of this important disclosure!

How much should we contribute?

There are four Funding Principles that we balance in developing your Reserve Funding Plan. Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects on time. A stable contribution rate is desirable because it is a hallmark of a proactive plan.

Reserve contributions that are evenly distributed over the owners, over the years, enable each owner to pay their “fair share” of the association’s Reserve expenses (this means we recommend special assessments only when all other options have been exhausted). And finally, we develop a plan that is fiscally responsible and “safe” for Board members to recommend to their association.

Funding Principles

- Sufficient Cash
- Stable Contribution Rate
- Evenly Distributed
- Fiscally Responsible


What is our Funding Goal?

Maintaining the Reserve Fund at a level equal to the physical deterioration that has occurred is called “Full Funding” the Reserves (100% Funded). As each asset ages and becomes “used up”, the Reserve Fund grows proportionally. This is simple, responsible, and our recommendation. As stated previously, associations in the 100% range rarely experience special assessments or deferred maintenance.

Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. In these associations, deterioration occurs without matching Reserve contributions. With a low Percent Funded, special assessments and deferred maintenance are common.

Threshold Funding is the title of all other objectives randomly selected between Baseline Funding and Full Funding.

Funding Goals

- 
- Full Funding
 - Threshold Funding
 - Baseline Funding

Projected Expenses

The figure below shows the array of the projected future expenses at your association. This figure clearly shows the near term and future expenses that your association will face.

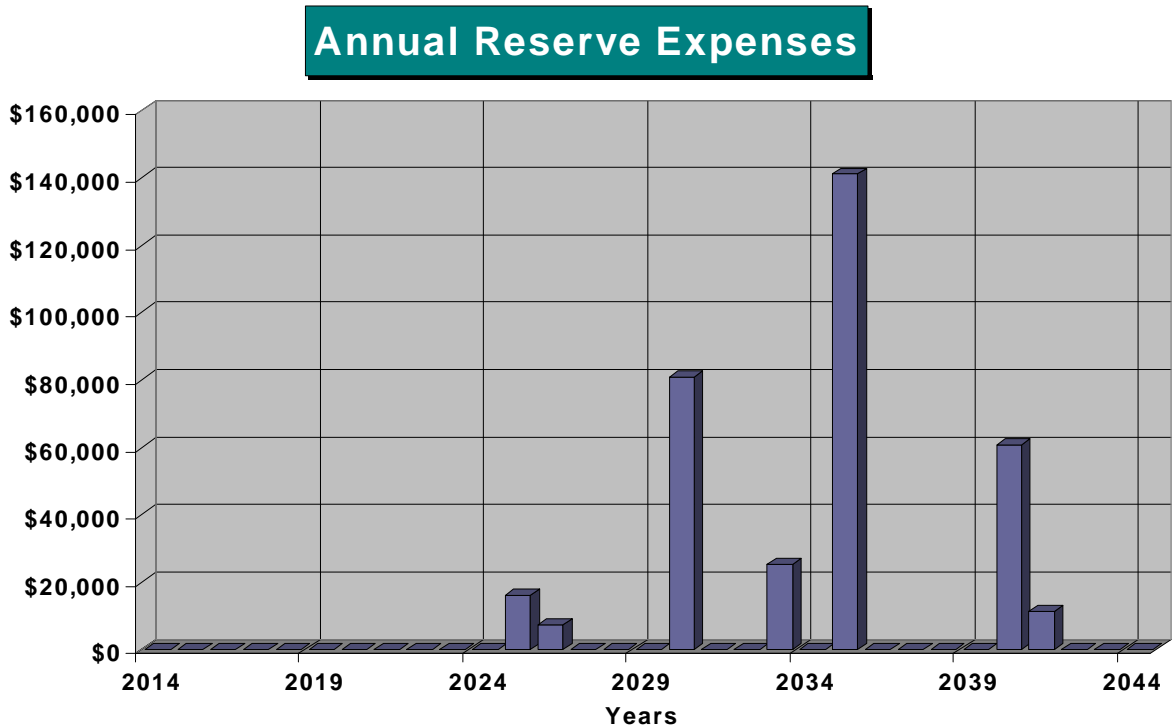


Figure 1

A summary of this information is shown in Table 4, while details of the projects that make up this information are shown in Table 5. Since this is a projection about future events that may or may not take place as anticipated, we feel more certain about “near-term” projects than those many years away. While this Reserve Study is a one-year document, it is based on 30 years worth of looking forward into the future.

Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$76,986 as-of the start of your Fiscal Year on January 1, 2014. This is based on your actual balance on 07/15/13 of \$73,972 and anticipated Reserve contributions and expenses projected through the end of your Fiscal Year. As of January 1, 2014, your Fully Funded Balance is computed to be \$59,699 (see Table 3). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 129% Funded. As indicated earlier in the Executive Summary, this represents a strong status.

Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we are recommending Reserve contributions of \$687/month this Fiscal Year. This represents the first year of a 30-year Funding Plan. This same information is shown numerically in both Table 4 and Table 5.

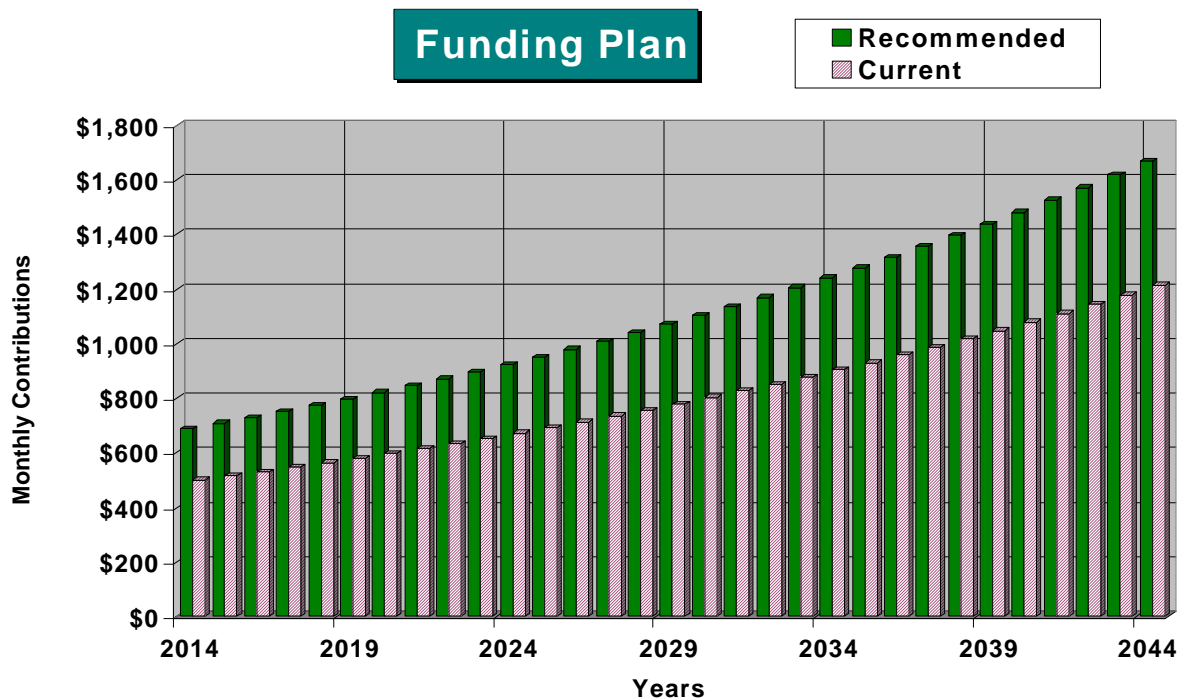


Figure 2

The following chart shows your Reserve Balance under our recommended Funding Plan and your current Funding Plan, and your always-changing Fully Funded Balance target.

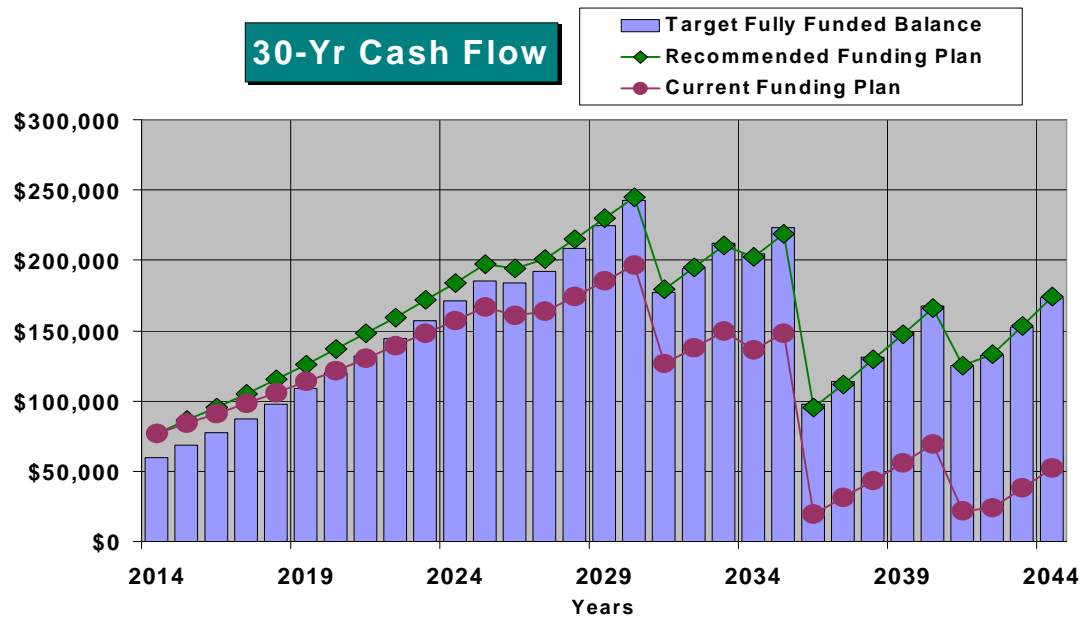


Figure 3

In this figure it is easy to see how your Reserve Fund gradually draws closer to the Fully Funded (100%) level.

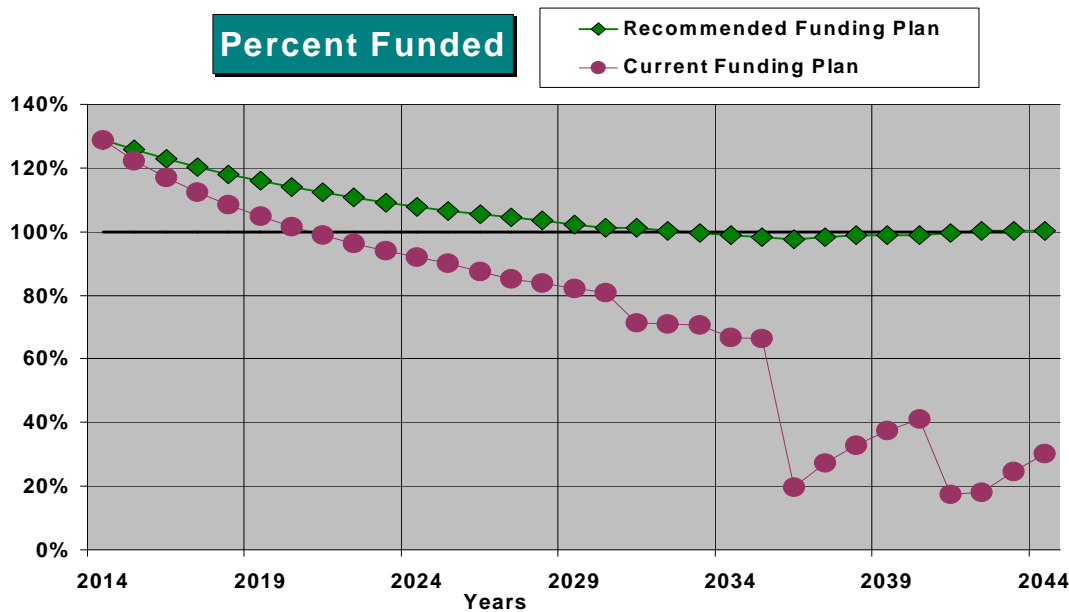


Figure 4

Table Descriptions

The tabular information in this Report is broken down into five tables.

Table 1 summarizes your funded Reserve Components, and is part of the Executive Report summary that appeared earlier in this Report.

Table 2 provides the main component description, life, and cost factors for all components determined to be appropriate for Reserve designation. This table represents the core information from which all other tables are derived.

Table 3 is presented primarily as an accounting summary page. The results of the individual line item Fully Funded Balance computations are shown. These individual quantities are summed to arrive at the Fully Funded Balance for the association as of the start date of the Report. The figures in the Current Fund Balance column and the Monthly Reserve Contribution column show our distribution throughout the line items. If the association is under funded, Reserve Funds are distributed first to components with a short Remaining Useful Life. If the association's Reserve Balance is above 100% Funded, funds are distributed evenly for all components. Contribution rates for each component are a proportionate distribution of the total contribution on the basis of the component's significance to the association (current cost divided by useful life). This presentation is not meant to cause clients to redistribute association funds, it simply presents one way to evenly distribute the total among all the different line items.

Table 4: This table provides a one-page 30-year summary of the cash flowing into and out of the association, compared to the Fully Funded Balance for each year.

Table 5: This table shows the cash flow detail for the next 30 years. This table makes it possible to see what components are projected to require repair or replacement each year, and the size of those individual expenses.

Table 2: Reserve Component List Detail**14173-2**

# Component	Quantity	Useful Life	Rem. Useful Life	Best Cost	Current Worst Cost
Site/Grounds					
212 Asphalt Path - Maintain/Resurface	Approx 23,600 square feet	25	16	\$43,800	\$48,600
240 Retention Ponds - Refurbish	Extensive square feet	30	21	\$20,600	\$30,900
316 Vinyl Fence - Replace	Approx 1,430 linear feet	30	21	\$44,200	\$56,000
318 Sport Courts Fencing - Replace	Approx 310 linear feet	35	26	\$8,000	\$11,200
332 Mailboxes - Replace	(8) metal clusters	20	11	\$9,900	\$13,200
Recreation					
420 Play Equipment - Replace	(1) big toy	15	12	\$4,100	\$6,200
424 Basketball Equipment - Replace	(2) assemblies	25	16	\$3,700	\$4,900
440 Gazebo - Repair/Replace	(1) wood, 16' diameter	30	19	\$12,400	\$16,500
450 Sport Courts - Maintain/Resurface	Approx 9,000 square feet	35	26	\$16,700	\$20,400
9 Total Funded Components					

Table 3: Contribution and Fund Breakdown**14173-2**

# Component	Useful Life	Rem. Useful Life	Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
Site/Grounds						
212 Asphalt Path - Maintain/Resurface	25	16	\$46,200	\$16,632	\$21,448.08	\$187.94
240 Retention Ponds - Refurbish	30	21	\$25,750	\$7,725	\$9,961.91	\$87.29
316 Vinyl Fence - Replace	30	21	\$50,100	\$15,030	\$19,382.20	\$169.84
318 Sport Courts Fencing - Replace	35	26	\$9,600	\$2,469	\$3,183.39	\$27.90
332 Mailboxes - Replace	20	11	\$11,550	\$5,198	\$6,702.53	\$58.73
Recreation						
420 Play Equipment - Replace	15	12	\$5,150	\$1,030	\$1,328.25	\$34.92
424 Basketball Equipment - Replace	25	16	\$4,300	\$1,548	\$1,996.25	\$17.49
440 Gazebo - Repair/Replace	30	19	\$14,450	\$5,298	\$6,832.56	\$48.99
450 Sport Courts - Maintain/Resurface	35	26	\$18,550	\$4,770	\$6,151.24	\$53.90
9 Total Funded Components				\$59,699	\$76,986	\$687

Table 4: 30-Year Reserve Plan Summary**14173-2****Fiscal Year Beginning: 01/01/14****Interest:****1.0%****Inflation:****3.0%**

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded		Rating	Annual Reserve Contribs.	Loans or Special Assmts	Interest Income	Projected Reserve Expenses
2014	\$76,986	\$59,699	129.0%		Strong	\$8,244	\$0	\$815	\$0
2015	\$86,045	\$68,448	125.7%		Strong	\$8,491	\$0	\$907	\$0
2016	\$95,444	\$77,668	122.9%		Strong	\$8,746	\$0	\$1,003	\$0
2017	\$105,192	\$87,380	120.4%		Strong	\$9,008	\$0	\$1,102	\$0
2018	\$115,303	\$97,604	118.1%		Strong	\$9,279	\$0	\$1,205	\$0
2019	\$125,786	\$108,363	116.1%		Strong	\$9,557	\$0	\$1,312	\$0
2020	\$136,655	\$119,680	114.2%		Strong	\$9,844	\$0	\$1,422	\$0
2021	\$147,921	\$131,578	112.4%		Strong	\$10,139	\$0	\$1,537	\$0
2022	\$159,597	\$144,083	110.8%		Strong	\$10,443	\$0	\$1,656	\$0
2023	\$171,696	\$157,219	109.2%		Strong	\$10,757	\$0	\$1,779	\$0
2024	\$184,232	\$171,014	107.7%		Strong	\$11,079	\$0	\$1,906	\$0
2025	\$197,217	\$185,495	106.3%		Strong	\$11,412	\$0	\$1,958	\$15,988
2026	\$194,599	\$184,224	105.6%		Strong	\$11,754	\$0	\$1,977	\$7,343
2027	\$200,988	\$192,108	104.6%		Strong	\$12,107	\$0	\$2,080	\$0
2028	\$215,174	\$208,089	103.4%		Strong	\$12,470	\$0	\$2,224	\$0
2029	\$229,868	\$224,856	102.2%		Strong	\$12,844	\$0	\$2,374	\$0
2030	\$245,086	\$242,441	101.1%		Strong	\$13,229	\$0	\$2,122	\$81,038
2031	\$179,399	\$177,411	101.1%		Strong	\$13,626	\$0	\$1,871	\$0
2032	\$194,896	\$194,233	100.3%		Strong	\$14,035	\$0	\$2,028	\$0
2033	\$210,959	\$211,905	99.6%		Strong	\$14,456	\$0	\$2,065	\$25,338
2034	\$202,141	\$204,365	98.9%		Strong	\$14,890	\$0	\$2,105	\$0
2035	\$219,136	\$223,062	98.2%		Strong	\$15,336	\$0	\$1,570	\$141,103
2036	\$94,939	\$97,361	97.5%		Strong	\$15,796	\$0	\$1,033	\$0
2037	\$111,769	\$113,614	98.4%		Strong	\$16,270	\$0	\$1,205	\$0
2038	\$129,243	\$130,754	98.8%		Strong	\$16,758	\$0	\$1,383	\$0
2039	\$147,384	\$148,820	99.0%		Strong	\$17,261	\$0	\$1,567	\$0
2040	\$166,213	\$167,853	99.0%		Strong	\$17,779	\$0	\$1,454	\$60,708
2041	\$124,738	\$125,364	99.5%		Strong	\$18,312	\$0	\$1,288	\$11,440
2042	\$132,898	\$132,798	100.1%		Strong	\$18,862	\$0	\$1,430	\$0
2043	\$153,190	\$152,700	100.3%		Strong	\$19,428	\$0	\$1,637	\$0

Table 5: 30-Year Income/Expense Detail (yrs 0 through 4)**14173-2**

Fiscal Year	2014	2015	2016	2017	2018
Starting Reserve Balance	\$76,986	\$86,045	\$95,444	\$105,192	\$115,303
Annual Reserve Contribution	\$8,244	\$8,491	\$8,746	\$9,008	\$9,279
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$815	\$907	\$1,003	\$1,102	\$1,205
Total Income	\$86,045	\$95,444	\$105,192	\$115,303	\$125,786
# Component					
Site/Grounds					
212 Asphalt Path - Maintain/Resurface	\$0	\$0	\$0	\$0	\$0
240 Retention Ponds - Refurbish	\$0	\$0	\$0	\$0	\$0
316 Vinyl Fence - Replace	\$0	\$0	\$0	\$0	\$0
318 Sport Courts Fencing - Replace	\$0	\$0	\$0	\$0	\$0
332 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
Recreation					
420 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
424 Basketball Equipment - Replace	\$0	\$0	\$0	\$0	\$0
440 Gazebo - Repair/Replace	\$0	\$0	\$0	\$0	\$0
450 Sport Courts - Maintain/Resurface	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$0	\$0	\$0	\$0	\$0
Ending Reserve Balance:	\$86,045	\$95,444	\$105,192	\$115,303	\$125,786

Table 5: 30-Year Income/Expense Detail (yrs 5 through 9)**14173-2**

Fiscal Year	2019	2020	2021	2022	2023
Starting Reserve Balance	\$125,786	\$136,655	\$147,921	\$159,597	\$171,696
Annual Reserve Contribution	\$9,557	\$9,844	\$10,139	\$10,443	\$10,757
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,312	\$1,422	\$1,537	\$1,656	\$1,779
Total Income	\$136,655	\$147,921	\$159,597	\$171,696	\$184,232
# Component					
Site/Grounds					
212 Asphalt Path - Maintain/Resurface	\$0	\$0	\$0	\$0	\$0
240 Retention Ponds - Refurbish	\$0	\$0	\$0	\$0	\$0
316 Vinyl Fence - Replace	\$0	\$0	\$0	\$0	\$0
318 Sport Courts Fencing - Replace	\$0	\$0	\$0	\$0	\$0
332 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
Recreation					
420 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
424 Basketball Equipment - Replace	\$0	\$0	\$0	\$0	\$0
440 Gazebo - Repair/Replace	\$0	\$0	\$0	\$0	\$0
450 Sport Courts - Maintain/Resurface	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$0	\$0	\$0	\$0	\$0
Ending Reserve Balance:	\$136,655	\$147,921	\$159,597	\$171,696	\$184,232

Table 5: 30-Year Income/Expense Detail (yrs 10 through 14)**14173-2**

Fiscal Year	2024	2025	2026	2027	2028
Starting Reserve Balance	\$184,232	\$197,217	\$194,599	\$200,988	\$215,174
Annual Reserve Contribution	\$11,079	\$11,412	\$11,754	\$12,107	\$12,470
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,906	\$1,958	\$1,977	\$2,080	\$2,224
Total Income	\$197,217	\$210,587	\$208,330	\$215,174	\$229,868
# Component					
Site/Grounds					
212 Asphalt Path - Maintain/Resurface	\$0	\$0	\$0	\$0	\$0
240 Retention Ponds - Refurbish	\$0	\$0	\$0	\$0	\$0
316 Vinyl Fence - Replace	\$0	\$0	\$0	\$0	\$0
318 Sport Courts Fencing - Replace	\$0	\$0	\$0	\$0	\$0
332 Mailboxes - Replace	\$0	\$15,988	\$0	\$0	\$0
Recreation					
420 Play Equipment - Replace	\$0	\$0	\$7,343	\$0	\$0
424 Basketball Equipment - Replace	\$0	\$0	\$0	\$0	\$0
440 Gazebo - Repair/Replace	\$0	\$0	\$0	\$0	\$0
450 Sport Courts - Maintain/Resurface	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$0	\$15,988	\$7,343	\$0	\$0
Ending Reserve Balance:	\$197,217	\$194,599	\$200,988	\$215,174	\$229,868

Table 5: 30-Year Income/Expense Detail (yrs 15 through 19)**14173-2**

Fiscal Year	2029	2030	2031	2032	2033
Starting Reserve Balance	\$229,868	\$245,086	\$179,399	\$194,896	\$210,959
Annual Reserve Contribution	\$12,844	\$13,229	\$13,626	\$14,035	\$14,456
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$2,374	\$2,122	\$1,871	\$2,028	\$2,065
Total Income	\$245,086	\$260,437	\$194,896	\$210,959	\$227,480
# Component					
Site/Grounds					
212 Asphalt Path - Maintain/Resurface	\$0	\$74,137	\$0	\$0	\$0
240 Retention Ponds - Refurbish	\$0	\$0	\$0	\$0	\$0
316 Vinyl Fence - Replace	\$0	\$0	\$0	\$0	\$0
318 Sport Courts Fencing - Replace	\$0	\$0	\$0	\$0	\$0
332 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
Recreation					
420 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
424 Basketball Equipment - Replace	\$0	\$6,900	\$0	\$0	\$0
440 Gazebo - Repair/Replace	\$0	\$0	\$0	\$0	\$25,338
450 Sport Courts - Maintain/Resurface	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$0	\$81,038	\$0	\$0	\$25,338
Ending Reserve Balance:	\$245,086	\$179,399	\$194,896	\$210,959	\$202,141

Table 5: 30-Year Income/Expense Detail (yrs 20 through 24)**14173-2**

Fiscal Year	2034	2035	2036	2037	2038
Starting Reserve Balance	\$202,141	\$219,136	\$94,939	\$111,769	\$129,243
Annual Reserve Contribution	\$14,890	\$15,336	\$15,796	\$16,270	\$16,758
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$2,105	\$1,570	\$1,033	\$1,205	\$1,383
Total Income	\$219,136	\$236,042	\$111,769	\$129,243	\$147,384
# Component					
Site/Grounds					
212 Asphalt Path - Maintain/Resurface	\$0	\$0	\$0	\$0	\$0
240 Retention Ponds - Refurbish	\$0	\$47,903	\$0	\$0	\$0
316 Vinyl Fence - Replace	\$0	\$93,201	\$0	\$0	\$0
318 Sport Courts Fencing - Replace	\$0	\$0	\$0	\$0	\$0
332 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
Recreation					
420 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
424 Basketball Equipment - Replace	\$0	\$0	\$0	\$0	\$0
440 Gazebo - Repair/Replace	\$0	\$0	\$0	\$0	\$0
450 Sport Courts - Maintain/Resurface	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$0	\$141,103	\$0	\$0	\$0
Ending Reserve Balance:	\$219,136	\$94,939	\$111,769	\$129,243	\$147,384

Table 5: 30-Year Income/Expense Detail (yrs 25 through 29)**14173-2**

Fiscal Year	2039	2040	2041	2042	2043
Starting Reserve Balance	\$147,384	\$166,213	\$124,738	\$132,898	\$153,190
Annual Reserve Contribution	\$17,261	\$17,779	\$18,312	\$18,862	\$19,428
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,567	\$1,454	\$1,288	\$1,430	\$1,637
Total Income	\$166,213	\$185,446	\$144,338	\$153,190	\$174,254
# Component					
Site/Grounds					
212 Asphalt Path - Maintain/Resurface	\$0	\$0	\$0	\$0	\$0
240 Retention Ponds - Refurbish	\$0	\$0	\$0	\$0	\$0
316 Vinyl Fence - Replace	\$0	\$0	\$0	\$0	\$0
318 Sport Courts Fencing - Replace	\$0	\$20,703	\$0	\$0	\$0
332 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
Recreation					
420 Play Equipment - Replace	\$0	\$0	\$11,440	\$0	\$0
424 Basketball Equipment - Replace	\$0	\$0	\$0	\$0	\$0
440 Gazebo - Repair/Replace	\$0	\$0	\$0	\$0	\$0
450 Sport Courts - Maintain/Resurface	\$0	\$40,005	\$0	\$0	\$0
Total Expenses	\$0	\$60,708	\$11,440	\$0	\$0
Ending Reserve Balance:	\$166,213	\$124,738	\$132,898	\$153,190	\$174,254

Accuracy, Limitations, and Disclosures

Washington disclosure, per RCW:

This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require you to pay on demand as a special assessment your share of common expenses for the cost of major maintenance, repair or replacement of a reserve component.

Because we have no control over future events, we cannot claim that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect that financial institutions will provide interest earnings on funds on-deposit. We believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. The things we can control are measurements, which we attempt to establish within 5% accuracy. Your starting Reserve Balance and current Reserve interest earnings are also numbers that can be identified with a high degree of certainty. These figures have been provided to us, and were not confirmed by our independent research. Our projections assume a stable economic environment and lack of natural disasters.

Because both the physical status and financial status of the association change each year, this Reserve Study is by nature a “one-year” document. This information can and should be adjusted annually as part of the Reserve Study Update process so that more accurate estimates can be reflected in the Reserve plan. Reality often differs from even the best assumptions due to changing economic factors, physical factors, or ownership expectations. Because many years of financial preparation help the preparation for large expenses, this Report shows expenses for the next 30 years. We fully expect a number of adjustments will be necessary through the interim years to both the cost and timing of distant expense projections. It is our recommendation and that of the American Institute of Certified Public Accountants (AICPA) that your Reserve Study be updated annually.

Association Reserves, Inc., and its employees have no ownership, management, or other business relationships with the client other than this Reserve Study engagement. James D. Talaga R.S., company president, is a credentialed Reserve Specialist (#66). All work done by Association Reserves is performed under his Responsible Charge. There are no material issues to our knowledge that have not been disclosed to the client that would cause a distortion of the association’s situation.

We have relied upon the client to provide the current (or projected) Reserve Balance, the estimated net-after-tax current rate of interest earnings, and to indicate if those earnings accrue to the Reserve Fund. In addition, we have considered the association's representation of current and historical Reserve projects reliable, and we have considered the representations made by its vendors and suppliers to also be accurate and reliable.

Component quantities indicated in this Report were developed by Association Reserves unless otherwise noted in our "Site Inspection Notes" comments. No destructive or intrusive testing was performed, nor should the site inspection be assumed to be anything other than for budget purposes.

Terms and Definitions

BTU	British Thermal Unit (a standard unit of energy)
DIA	Diameter
GSF	Gross Square Feet (area)
GSY	Gross Square Yards (area)
HP	Horsepower
LF	Linear Feet (length)

Effective Age: The difference between Useful Life and Remaining Useful Life. Note that this is not necessarily equivalent to the chronological age of the component.

Fully Funded Balance (FFB): The Reserve Balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This benchmark balance represents the value of the deterioration of the Reserve Components. This number is calculated for each component, then summed together for an association total.

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age}) / \text{Useful Life}$$

Inflation: Cost factors are adjusted for inflation at the rate defined in the Executive Summary and compounded annually. These increasing costs can be seen as you follow the recurring cycles of a component on Table 5.

Interest: Interest earnings on Reserve Funds are calculated using the average balance for the year (taking into account income and expenses through the year) and compounded monthly using the rate defined in the Executive Summary. Annual interest earning assumption appears in the Executive Summary, page ii.

Percent Funded: The ratio, at a particular point in time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

Remaining Useful Life: The estimated time, in years, that a common area component can be expected to continue to serve its intended function.

Useful Life: The estimated time, in years, that a common area component can be expected to serve its intended function.