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Update “No Site-Visit” Reserve Study



Remington Heights Monroe, WA

Report #: 14173-3
For Period Beginning: January 1, 2015
Expires: December 31, 2015
Date Prepared: August 1, 2014



Hello, and welcome to your Reserve Study!

We don't want you to be surprised. This Report is designed to help you anticipate, and prepare for, the major common area expenses your association will face. Inside you will find:

- 1) The Reserve Component List (the “Scope and Schedule” of your Reserve projects) – telling you what your association is Reserving for, what condition they are in now, and what they'll cost to replace.**
- 2) An Evaluation of your current Reserve Fund Size and Strength (Percent Funded). This tells you your financial starting point, revealing your risk of deferred maintenance and special assessments.**
- 3) A Recommended Multi-Year Reserve Funding Plan, answering the question... “What do we do now?”**

More Questions?

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

253/661-5437

Relax, it's from



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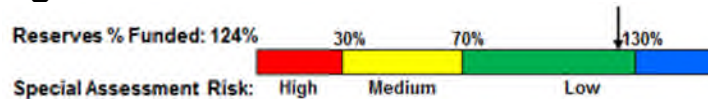
3- Minute Executive Summary

Association: Remington Heights **#:** 14173-3
Location: Monroe, WA **# of Units:** 109
Report Period: January 1, 2015 through December 31, 2015

Findings/Recommendations as-of 1/1/2015:

Projected Starting Reserve Balance:	\$84,550
Current Fully Funded Reserve Balance:	\$67,990
Average Reserve Deficit (Surplus) Per Unit:.....	\$(152)
100% 2015 Monthly "Full Funding" Contributions:.....	\$705
70% 2015 Monthly "Threshold Funding" Contributions:.....	\$466
Baseline contribution (min to keep Reserves above \$0):	\$466
Recommended 2015 Special Assessment for Reserves:	\$0

Most Recent Budgeted Reserve Contribution Rate:\$629



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 our prior Reports, most recently another NSV prepared for your 2014 Fiscal Year. No site inspection was performed as part of this Reserve Study, which was prepared by, or under the supervision of a credentialed Reserve Specialist (RS 153).
- Your Reserve Fund is currently 124% Funded. This means the association's special assessment & deferred maintenance risk is currently low. The objective of your multi-year Funding Plan is to fund your Reserves to a level where you will enjoy a low risk of such Reserve cash flow problems.
- Based on this starting point and your anticipated future expenses, our recommendation is to maintain your Reserve contributions to within the 70% to 100% level as noted above. 100% "Full" and 70% contribution rates are designed to achieve these funding objectives *by the end of* our 30-year report scope. No assets appropriate for Reserve designation were excluded. See appendix for component details; the basis of our assumptions.

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Cost Estimate
Site/Grounds				
212	Asphalt Path - Maintain/Resurface	25	15	\$47,200
240	Retention Ponds - Refurbish	30	20	\$26,000
316	Vinyl Fence - Replace	30	20	\$51,480
Recreation				
318	Sport Courts Fencing - Replace	35	25	\$9,300
332	Mailboxes - Replace	20	10	\$12,000
420	Play Equipment - Replace	15	11	\$5,500
424	Basketball Equipment - Replace	25	15	\$4,400
440	Gazebo - Repair/Replace	30	18	\$15,000
450	Sport Courts - Maintain/Resurface	35	25	\$18,900
9	Total Funded Components			

Note:

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 combination of research and well-defined computations, following consistent National Reserve Study Standard principles.

The foundation of this and every Reserve Study is your Reserve Component List (what you are reserving for). This is because the Reserve Component List defines the *scope and schedule* of all your anticipated upcoming Reserve projects. Based on that List and your starting balance, we calculate the association's Reserve Fund Strength (reported in terms of "Percent Funded"). Then we compute a Reserve Funding Plan to provide for the Reserve needs of the association. These form the three results of your Reserve Study.



Reserve contributions are not "for the future". Reserve contributions are designed to offset the ongoing, daily deterioration of your Reserve assets. Done well, a stable, budgeted Reserve Funding Plan will collect sufficient funds from the owners who enjoyed the use of those assets, so the association is financially prepared for the irregular expenditures scattered through future years when those projects eventually require replacement.

Methodology



For this [Update No-Site-Visit](#) Reserve Study, we started with a review of your prior Reserve Study, then looked into recent Reserve expenditures, evaluated how expenditures are handled (ongoing maintenance vs Reserves), and

researched any well-established association precedents. We *updated and adjusted* your Reserve Component List on the basis of time elapsed since the last Reserve Study and interviews with association representatives.

Which Physical Assets are Funded by Reserves?

There is a national-standard four-part test to determine which expenses should appear in your Reserve Component List. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the remaining 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 (often between .5% and 1% of an association's total budget). This limits Reserve



RESERVE COMPONENT "FOUR-PART TEST"

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.

How do we establish Useful Life and Remaining Useful Life estimates?

- 1) Visual Inspection (observed wear and age)
- 2) Association Reserves database of experience
- 3) Client History (install dates & previous life cycle information)
- 4) Vendor Evaluation and Recommendation

How do we establish Current Repair/Replacement Cost Estimates?

In this order...

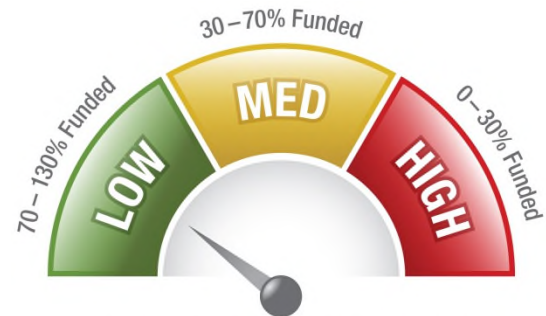
- 1) Actual client cost history, or current proposals
- 2) Comparison to Association Reserves database of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

How much Reserves are enough?

Reserve adequacy is not measured in cash terms. Reserve adequacy is found when the *amount* of current Reserve cash is compared to Reserve component deterioration (the *needs of the association*). Having *enough* means the association can execute its projects in a timely manner with existing Reserve funds. Not having *enough* typically creates deferred maintenance or special assessments.

Adequacy is measured in a two-step process:

- 1) Calculate the *value of deterioration* at the association (called Fully Funded Balance, or FFB).
- 2) Compare that to the Reserve Fund Balance, and express as a percentage.



SPECIAL ASSESSMENT RISK

Each year, the *value of deterioration* at the association changes. When there is more deterioration (as components approach the time they need to be replaced), there should be more cash to offset that deterioration and prepare for the expenditure. Conversely, the *value of deterioration* shrinks after projects are accomplished. The *value of deterioration* (the FFB) changes each year, and is a moving but predictable target.

There is high risk of special assessments and deferred maintenance when the Percent Funded is *weak*, below 30%. Approximately 30% of all associations are in this high risk range. While the 100% point is Ideal (indicating Reserve cash is equal to the *value of deterioration*), a Reserve Fund in the 70% -130% range is considered strong (low risk of special assessment).

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?



RESERVE FUNDING PRINCIPLES

According to National Reserve Study Standards, there are four Funding Principles to 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. Second, a stable contribution is desirable because it keeps these naturally irregular expenses from unsettling the budget.

Reserve contributions that are evenly distributed over current and future owners enable each owner to pay their fair share of the association's Reserve expenses over the years. And finally, we develop a plan that is fiscally responsible and safe for Boardmembers to recommend to their association. Remember, it is the Board's job to provide for the ongoing care of the common areas. Boardmembers invite liability exposure when Reserve contributions are inadequate to offset ongoing common area deterioration.

What is our Recommended Funding Goal?

Maintaining the Reserve Fund at a level equal to the *value* of deterioration is called "Full Funding" (100% Funded). As each asset ages and becomes "used up", the Reserve Fund grows proportionally. **This is simple, responsible, and our recommendation.** Evidence shows that associations in the 70-130% range *enjoy a low risk of special assessments or deferred maintenance.*



FUNDING OBJECTIVES

Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. Doing so allows the Reserve Fund to drop into the 0-30% range, where there is a high risk of special assessments & deferred maintenance. Since Baseline Funding still provides for the timely execution of all Reserve projects, and only the "margin of safety" is different, Baseline Funding contributions average only 10% - 15% less than Full Funding contributions. Threshold Funding is the title of all other Cash or Percent Funded objectives *between* Baseline Funding and Full Funding.

Projected Expenses

While this Reserve Study looks forward 30 years, we have no expectation that all these expenses will all take place as anticipated. This Reserve Study needs to be updated annually because we expect the timing of these expenses to shift and the size of these expenses to change. We do feel more certain of the timing and cost of near-term expenses than expenses many years away. Your *first five years* of projected Reserve expenses total \$0. Adding the next five years, your *first ten years* of projected Reserve expenses are \$0. Please be aware of your near-term expenses, which we are able to project more accurately than the more distant projections.

The figure below summarizes the projected future expenses at your association as defined by your Reserve Component List. A summary of these expenses are shown in Table 5, while details of the projects that make up these expenses are shown in Table 6.

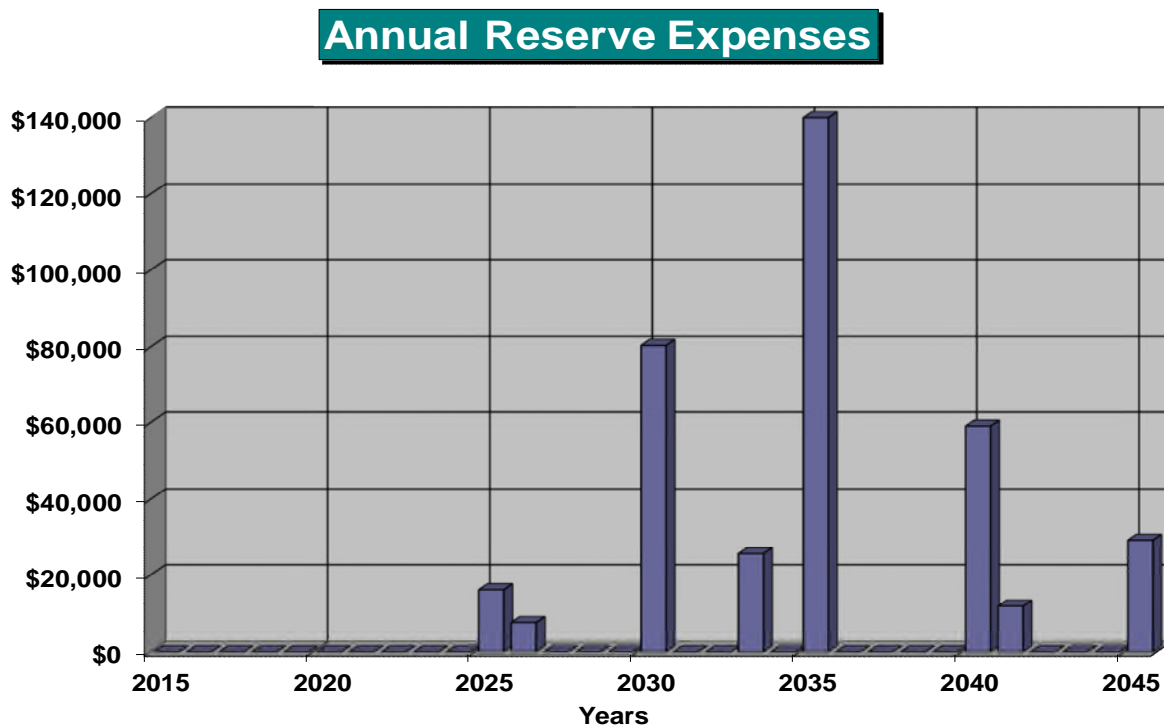


Figure 1

Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$84,550 as-of the start of your Fiscal Year on January 1, 2015. As of January 1, 2015, your Fully Funded Balance is computed to be \$67,990 (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 124% Funded. Across the country, under 1% of associations in this range experience special assessments or deferred maintenance.

Recommended Funding Plan

Based on your current Percent Funded and your near-term and long-term Reserve needs, we are recommending budgeted contributions of \$705/month this Fiscal Year. The overall 30-yr plan, in perspective, is shown below. This same information is shown numerically in both Table 5 and Table 6.

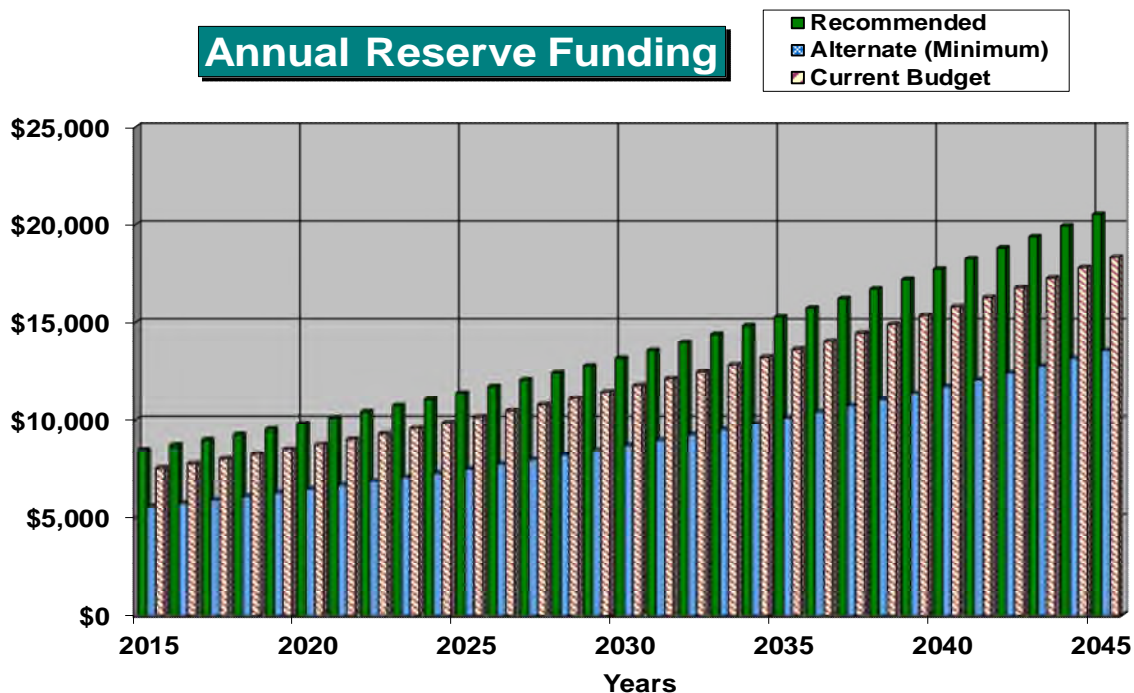


Figure 2

The following chart shows your Reserve balance under our recommended Full Funding Plan, an alternate Baseline Funding Plan, and at your current budgeted contribution rate, compared to your always-changing Fully Funded Balance target.

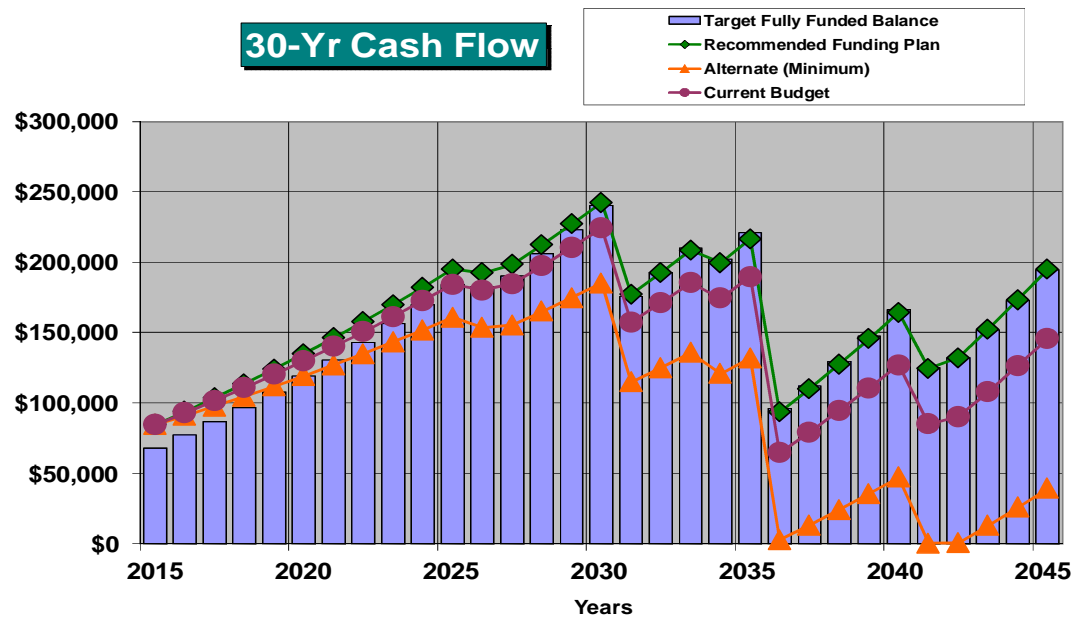


Figure 3

This figure shows this same information, plotted on a [Percent Funded](#) scale.

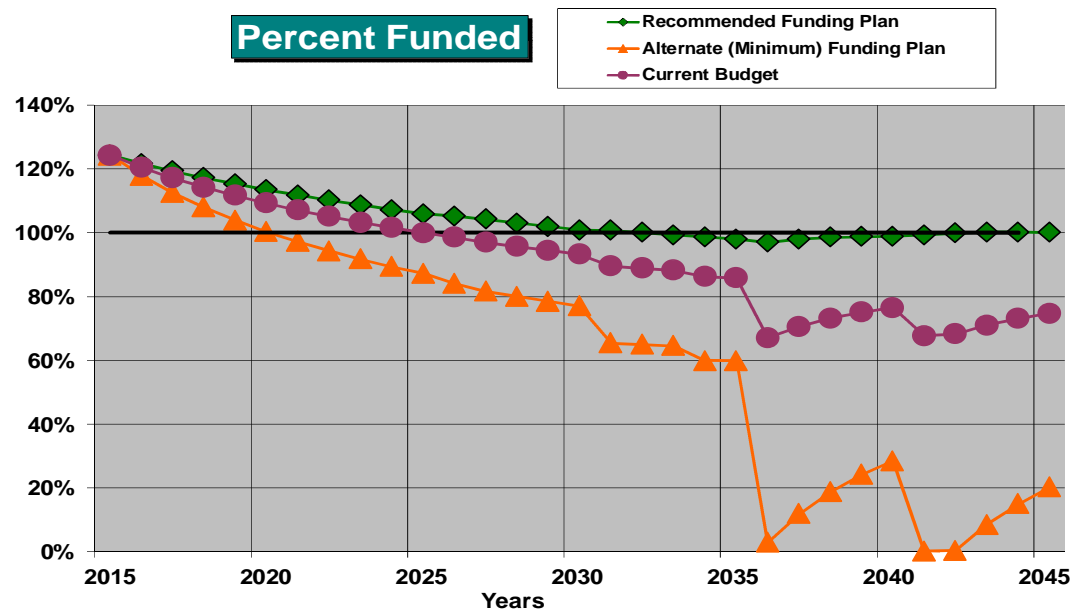


Figure 4

Table Descriptions

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

Table 1 is a summary of your Reserve Components (your Reserve Component List), the information found in Table 2.

Table 2 is your Reserve Component List, which forms the foundation of this Reserve Study. This table represents the information from which all other tables are derived.

Table 3 shows the calculation of your Fully Funded Balance, the measure of your current Reserve component deterioration. For each component, the Fully Funded Balance is the fraction of life used up multiplied by its estimated Current Replacement Cost.

Table 4 shows the significance of each component to Reserve needs of the association, helping you see which components have more (or less) influence than others on your total Reserve contribution rate. The deterioration cost/yr of each component is calculated by dividing the estimated Current Replacement Cost by Useful Life, then that component's percentage of the total is displayed.

Table 5: This table provides a one-page 30-year summary of the cash flowing into and out of the Reserve Fund, with a display of the Fully Funded Balance, Percent Funded, and special assessment risk for each year.

Table 6: This table shows the cash flow detail for the next 30 years. This table makes it possible to see which components are projected to require repair or replacement each year, and the size of those individual expenses.

Table 2: Reserve Component List Detail**14173-3**

#	Component	Quantity	Useful Life	Rem. Useful Life	[--- Current Cost Estimate ---]	
					Best Case	Worst Case
Site/Grounds						
212	Asphalt Path - Maintain/Resurface	Approx 23,600 square feet	25	15	\$44,840	\$49,560
240	Retention Ponds - Refurbish	Extensive square feet	30	20	\$22,000	\$30,000
316	Vinyl Fence - Replace	Approx 1,430 linear feet	30	20	\$48,620	\$54,340
Recreation						
318	Sport Courts Fencing - Replace	Approx 310 linear feet	35	25	\$7,750	\$10,850
332	Mailboxes - Replace	(8) metal clusters	20	10	\$11,200	\$12,800
420	Play Equipment - Replace	(1) big toy	15	11	\$5,000	\$6,000
424	Basketball Equipment - Replace	(2) assemblies	25	15	\$4,000	\$4,800
440	Gazebo - Repair/Replace	(1) wood, 16' diameter	30	18	\$12,000	\$18,000
450	Sport Courts - Maintain/Resurface	Approx 9,000 square feet	35	25	\$17,100	\$20,700
9	Total Funded Components					

Table 3: Fully Funded Balance**14173-3**

#	Component	Current Cost Estimate	X	Effective Age	/	Useful Life	=	Fully Funded Balance
Site/Grounds								
212	Asphalt Path - Maintain/Resurface	\$47,200	X	10	/	25	=	\$18,880
240	Retention Ponds - Refurbish	\$26,000	X	10	/	30	=	\$8,667
316	Vinyl Fence - Replace	\$51,480	X	10	/	30	=	\$17,160
Recreation								
318	Sport Courts Fencing - Replace	\$9,300	X	10	/	35	=	\$2,657
332	Mailboxes - Replace	\$12,000	X	10	/	20	=	\$6,000
420	Play Equipment - Replace	\$5,500	X	4	/	15	=	\$1,467
424	Basketball Equipment - Replace	\$4,400	X	10	/	25	=	\$1,760
440	Gazebo - Repair/Replace	\$15,000	X	12	/	30	=	\$6,000
450	Sport Courts - Maintain/Resurface	\$18,900	X	10	/	35	=	\$5,400
								\$67,990

Table 4: Component Significance**14173-3**

#	Component	Useful Life	Current Cost Estimate	Deterioration Cost/yr	Deterioration Significance
Site/Grounds					
212	Asphalt Path - Maintain/Resurface	25	\$47,200	\$1,888	27.3%
240	Retention Ponds - Refurbish	30	\$26,000	\$867	12.5%
316	Vinyl Fence - Replace	30	\$51,480	\$1,716	24.8%
Recreation					
318	Sport Courts Fencing - Replace	35	\$9,300	\$266	3.8%
332	Mailboxes - Replace	20	\$12,000	\$600	8.7%
420	Play Equipment - Replace	15	\$5,500	\$367	5.3%
424	Basketball Equipment - Replace	25	\$4,400	\$176	2.5%
440	Gazebo - Repair/Replace	30	\$15,000	\$500	7.2%
450	Sport Courts - Maintain/Resurface	35	\$18,900	\$540	7.8%
9	Total Funded Components			\$6,919	100.0%

Table 5: 30-Year Reserve Plan Summary
14173-3
Fiscal Year Start: 01/01/15
Interest: 1.0%
Inflation: 3.0%
Reserve Fund Strength Calculations
(All values as of Fiscal Year Start Date)
Projected Reserve Balance Changes

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Special Assmt Risk	Reserve Contribs.	Loans or Special Assmts	Interest Income	Reserve Expenses
2015	\$84,550	\$67,990	124.4%	Low	\$8,460	\$0	\$892	\$0
2016	\$93,902	\$77,157	121.7%	Low	\$8,714	\$0	\$987	\$0
2017	\$103,603	\$86,812	119.3%	Low	\$8,975	\$0	\$1,086	\$0
2018	\$113,664	\$96,977	117.2%	Low	\$9,244	\$0	\$1,188	\$0
2019	\$124,097	\$107,674	115.3%	Low	\$9,522	\$0	\$1,294	\$0
2020	\$134,913	\$118,925	113.4%	Low	\$9,807	\$0	\$1,405	\$0
2021	\$146,125	\$130,754	111.8%	Low	\$10,102	\$0	\$1,519	\$0
2022	\$157,745	\$143,187	110.2%	Low	\$10,405	\$0	\$1,637	\$0
2023	\$169,787	\$156,247	108.7%	Low	\$10,717	\$0	\$1,760	\$0
2024	\$182,263	\$169,962	107.2%	Low	\$11,038	\$0	\$1,886	\$0
2025	\$195,188	\$184,360	105.9%	Low	\$11,370	\$0	\$1,937	\$16,127
2026	\$192,368	\$182,857	105.2%	Low	\$11,711	\$0	\$1,953	\$7,613
2027	\$198,418	\$190,366	104.2%	Low	\$12,062	\$0	\$2,054	\$0
2028	\$212,534	\$206,238	103.1%	Low	\$12,424	\$0	\$2,198	\$0
2029	\$227,155	\$222,891	101.9%	Low	\$12,797	\$0	\$2,346	\$0
2030	\$242,298	\$240,357	100.8%	Low	\$13,180	\$0	\$2,097	\$80,391
2031	\$177,184	\$175,868	100.7%	Low	\$13,576	\$0	\$1,848	\$0
2032	\$192,608	\$192,580	100.0%	Low	\$13,983	\$0	\$2,005	\$0
2033	\$208,596	\$210,137	99.3%	Low	\$14,403	\$0	\$2,040	\$25,536
2034	\$199,502	\$202,271	98.6%	Low	\$14,835	\$0	\$2,079	\$0
2035	\$216,415	\$220,836	98.0%	Low	\$15,280	\$0	\$1,548	\$139,937
2036	\$93,305	\$96,197	97.0%	Low	\$15,738	\$0	\$1,016	\$0
2037	\$110,060	\$112,340	98.0%	Low	\$16,210	\$0	\$1,187	\$0
2038	\$127,457	\$129,366	98.5%	Low	\$16,697	\$0	\$1,364	\$0
2039	\$145,518	\$147,312	98.8%	Low	\$17,197	\$0	\$1,548	\$0
2040	\$164,264	\$166,218	98.8%	Low	\$17,713	\$0	\$1,443	\$59,045
2041	\$124,375	\$125,310	99.3%	Low	\$18,245	\$0	\$1,282	\$11,861
2042	\$132,040	\$132,222	99.9%	Low	\$18,792	\$0	\$1,421	\$0
2043	\$152,253	\$152,019	100.2%	Low	\$19,356	\$0	\$1,627	\$0
2044	\$173,236	\$172,884	100.2%	Low	\$19,937	\$0	\$1,840	\$0

Table 6: 30-Year Income/Expense Detail (yrs 0 through 4)**14173-3**

Fiscal Year	2015	2016	2017	2018	2019
Starting Reserve Balance	\$84,550	\$93,902	\$103,603	\$113,664	\$124,097
Annual Reserve Contribution	\$8,460	\$8,714	\$8,975	\$9,244	\$9,522
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$892	\$987	\$1,086	\$1,188	\$1,294
Total Income	\$93,902	\$103,603	\$113,664	\$124,097	\$134,913
# 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
Recreation					
318 Sport Courts Fencing - Replace	\$0	\$0	\$0	\$0	\$0
332 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
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:	\$93,902	\$103,603	\$113,664	\$124,097	\$134,913

Table 6: 30-Year Income/Expense Detail (yrs 5 through 9)**14173-3**

Fiscal Year	2020	2021	2022	2023	2024
Starting Reserve Balance	\$134,913	\$146,125	\$157,745	\$169,787	\$182,263
Annual Reserve Contribution	\$9,807	\$10,102	\$10,405	\$10,717	\$11,038
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,405	\$1,519	\$1,637	\$1,760	\$1,886
Total Income	\$146,125	\$157,745	\$169,787	\$182,263	\$195,188
# 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
Recreation					
318 Sport Courts Fencing - Replace	\$0	\$0	\$0	\$0	\$0
332 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
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:	\$146,125	\$157,745	\$169,787	\$182,263	\$195,188

Table 6: 30-Year Income/Expense Detail (yrs 10 through 14)**14173-3**

Fiscal Year	2025	2026	2027	2028	2029
Starting Reserve Balance	\$195,188	\$192,368	\$198,418	\$212,534	\$227,155
Annual Reserve Contribution	\$11,370	\$11,711	\$12,062	\$12,424	\$12,797
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,937	\$1,953	\$2,054	\$2,198	\$2,346
Total Income	\$208,495	\$206,032	\$212,534	\$227,155	\$242,298
# 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
Recreation					
318 Sport Courts Fencing - Replace	\$0	\$0	\$0	\$0	\$0
332 Mailboxes - Replace	\$16,127	\$0	\$0	\$0	\$0
420 Play Equipment - Replace	\$0	\$7,613	\$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	\$16,127	\$7,613	\$0	\$0	\$0
Ending Reserve Balance:	\$192,368	\$198,418	\$212,534	\$227,155	\$242,298

Table 6: 30-Year Income/Expense Detail (yrs 15 through 19)**14173-3**

Fiscal Year	2030	2031	2032	2033	2034
Starting Reserve Balance	\$242,298	\$177,184	\$192,608	\$208,596	\$199,502
Annual Reserve Contribution	\$13,180	\$13,576	\$13,983	\$14,403	\$14,835
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$2,097	\$1,848	\$2,005	\$2,040	\$2,079
Total Income	\$257,575	\$192,608	\$208,596	\$225,038	\$216,415
# Component					
Site/Grounds					
212 Asphalt Path - Maintain/Resurface	\$73,536	\$0	\$0	\$0	\$0
240 Retention Ponds - Refurbish	\$0	\$0	\$0	\$0	\$0
316 Vinyl Fence - Replace	\$0	\$0	\$0	\$0	\$0
Recreation					
318 Sport Courts Fencing - Replace	\$0	\$0	\$0	\$0	\$0
332 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
420 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
424 Basketball Equipment - Replace	\$6,855	\$0	\$0	\$0	\$0
440 Gazebo - Repair/Replace	\$0	\$0	\$0	\$25,536	\$0
450 Sport Courts - Maintain/Resurface	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$80,391	\$0	\$0	\$25,536	\$0
Ending Reserve Balance:	\$177,184	\$192,608	\$208,596	\$199,502	\$216,415

Table 6: 30-Year Income/Expense Detail (yrs 20 through 24)**14173-3**

Fiscal Year	2035	2036	2037	2038	2039
Starting Reserve Balance	\$216,415	\$93,305	\$110,060	\$127,457	\$145,518
Annual Reserve Contribution	\$15,280	\$15,738	\$16,210	\$16,697	\$17,197
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,548	\$1,016	\$1,187	\$1,364	\$1,548
Total Income	\$233,243	\$110,060	\$127,457	\$145,518	\$164,264
# Component					
Site/Grounds					
212 Asphalt Path - Maintain/Resurface	\$0	\$0	\$0	\$0	\$0
240 Retention Ponds - Refurbish	\$46,959	\$0	\$0	\$0	\$0
316 Vinyl Fence - Replace	\$92,979	\$0	\$0	\$0	\$0
Recreation					
318 Sport Courts Fencing - Replace	\$0	\$0	\$0	\$0	\$0
332 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
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	\$139,937	\$0	\$0	\$0	\$0
Ending Reserve Balance:	\$93,305	\$110,060	\$127,457	\$145,518	\$164,264

Table 6: 30-Year Income/Expense Detail (yrs 25 through 29)**14173-3**

Fiscal Year	2040	2041	2042	2043	2044
Starting Reserve Balance	\$164,264	\$124,375	\$132,040	\$152,253	\$173,236
Annual Reserve Contribution	\$17,713	\$18,245	\$18,792	\$19,356	\$19,937
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,443	\$1,282	\$1,421	\$1,627	\$1,840
Total Income	\$183,420	\$143,901	\$152,253	\$173,236	\$195,013
# 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
Recreation					
318 Sport Courts Fencing - Replace	\$19,472	\$0	\$0	\$0	\$0
332 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
420 Play Equipment - Replace	\$0	\$11,861	\$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	\$39,572	\$0	\$0	\$0	\$0
Total Expenses	\$59,045	\$11,861	\$0	\$0	\$0
Ending Reserve Balance:	\$124,375	\$132,040	\$152,253	\$173,236	\$195,013

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 circumstance, 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 do not expect that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect Reserve funds to continue to earn interest, so we believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. We can control measurements, which we attempt to establish within 5% accuracy through a combination of on-site measurements, drawings, and satellite imagery. The starting Reserve Balance and interest rate earned on deposited Reserve funds that you provided to us were considered reliable and were not confirmed independently. 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 Useful Life, Remaining Useful Life, and Current Cost estimates assume a stable economic environment and lack of natural disasters.

Because the physical condition of your components, the association's Reserve balance, the economic environment, and legislative environment change each year, this Reserve Study is by nature a "one-year" document. Because a long-term perspective improves the accuracy of near-term planning, this Report projects expenses for the next 30 years. It is our recommendation and that of the Financial Accounting Standards Board (FASB) that your Reserve Study be updated each year as part of the annual budget process.

Association Reserves 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 WA, LLC 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.

Component quantities indicated in this Report were found in prior Reserve Studies unless otherwise noted. No destructive or intrusive testing was performed. This Report and this site inspection were accomplished only for Reserve budget purposes (to help identify and address the normal deterioration of properly built and installed components with predictable life expectancies). The Funding Plan in this Report was developed using the cash-flow methodology to achieve the specified Funding Objective.

Association Reserves' liability in any matter involving this Reserve Study is limited to our Fee for services rendered.

Terms and Definitions

BTU	British Thermal Unit (a standard unit of energy)
DIA	Diameter
GSF	Gross Square Feet (area). Equivalent to Square Feet
GSY	Gross Square Yards (area). Equivalent to Square Yards
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 value of the deterioration of the Reserve Components. This is the fraction of life “used up” of each component multiplied by its estimated Current Replacement. While calculated for each component, it is 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 6.

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.

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

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

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

Component Details

The primary purpose of the appendix is to provide the reader with the basis of our funding assumptions resulting from our physical analysis and subsequent research. The appendix herein represent a wide range of elements that were observed and measured against National Reserve Study Standards to determine if they meet the criteria for reserve funding.

- 1) Common area maintenance, repair & replacement responsibility
- 2) Components must have a limited life
- 3) Life limit must be predictable
- 4) Above a minimum threshold cost (board's discretion – typically ½ to 1% of annual operating expenses).

Some components are recommended for reserve funding, while others are not. The components that meet these criteria in our judgment are shown with corresponding maintenance, repair or replacement cycles (UL = Useful Life or how often the project is expected to occur, RUL = Remaining Useful Life or how many years from our reporting period) and a representative market cost ranged termed “Best Cost” and “Worst Cost”. There are many factors that can result in a wide variety of potential costs, we are attempting to represent a market average for budget purposes. Where there is no UL, the component is expected to be a one-time expense. Where no pricing, the component deemed inappropriate for Reserve Funding.