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Update “No-Site-Visit” Reserve Study



Tall Firs CA **Federal Way, WA**

Report #: 6317-5
For Period Beginning: January 1, 2012
Expires: December 31, 2012

Date Prepared: September 6, 2011

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: Tall Firs CA **Assoc. #: 6317-5**
Location: Federal Way, WA
of Units: 201
Report Period: January 1, 2012 through December 31, 2012

Results as-of 1/1/2012:

Projected Starting Reserve Balance:	\$484,984
Fully Funded Reserve Balance:	\$1,868,927
Average Reserve Deficit (Surplus) Per Unit:	\$6,885
Percent Funded:	25.9%
100% Full Funding 2012 Monthly Reserve Contribution:	\$18,025
70% Threshold Monthly Reserve Contribution.....	\$16,500
Baseline Contribution (min to maintain reserves above \$0).....	\$13,900
Recommended 2012 Special Assessment for Reserves:.....	\$0
Most Recent Reserve Contribution Rate:.....	\$13,460

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 2011 Fiscal Year. No site inspection was performed as part of this Reserve Study. This Reserve Study meets or exceeds all requirements of RCW 64.34 Article 3 and was prepared by, or under the supervision of, a credentialed Reserve Specialist (RS).
- Your Reserve Fund is 25.9% Funded. Comparatively, the 70-130% level is where association statistically enjoy fiscal stability with low risk of special assessment and/or deferred maintenance.
- 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.

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
103 Concrete - Repair/Replace	5	3	\$3,100	\$3,387
103 Curbing - Repair/Replace	5	3	\$2,700	\$2,950
108 Exposed Decks - Repair/Replace	1	0	\$40,500	\$41,715
108 Sheltered Decks - Repair/Replace	20	3	\$37,500	\$40,977
201 Asphalt - Resurface	45	11	\$339,400	\$469,809
202 Asphalt - Seal/Repair	5	3	\$47,000	\$51,358
320 Pole Lights - Replace	30	4	\$85,000	\$95,668
410 Garbage Enclosure - Replace	15	3	\$29,000	\$31,689
502 Chain Link Fence - Replace	30	3	\$75,600	\$82,610
504 Vinyl Fence - Replace	30	27	\$11,300	\$25,101
505 Wood Fence - Replace (a)	15	0	\$8,800	\$13,710
505 Wood Fence - Replace (b)	15	14	\$12,100	\$18,302
505 Wood Fence - Replace (c)	15	8	\$34,100	\$43,197
909 Bathrooms - Refurbish	20	0	\$5,100	\$9,211
910 Rec Rm Interior - Refurbish	10	1	\$4,100	\$4,223
913 Resident Managers Unit - Refurbish	5	3	\$2,600	\$2,841
1002 Irrigation System - Replace (Zone A)	N/A	4	\$75,000	\$84,413
1002 Irrigation System - Replace (Zone B)	N/A	5	\$35,000	\$40,575
1109 Wood Fence - Repaint	6	1	\$9,300	\$9,579
1116 Wood Surfaces - Repaint	6	1	\$103,000	\$106,090
1120 Vinyl Siding - Replace	40	26	\$1,500,000	\$3,234,887
1121 Vinyl Siding - Clean/Inspect	4	2	\$20,700	\$21,961
1201 Acrylic Spa - Replace	20	2	\$4,600	\$4,880
1202 Pool - Repaint	7	5	\$10,300	\$11,941
1303 Carport Shingle Roof - Replace	25	10	\$178,000	\$239,217
1303 Unit Shingle Roof - Replace	25	6	\$606,000	\$723,596
1310 Gutters/Downspouts - Repair/Replace	25	6	\$63,000	\$75,225
1603 Racquetball Court - Resurface	12	2	\$2,900	\$3,077
1604 Tennis/Basketball Court - Resurface	8	1	\$12,400	\$12,772
1808 Trees - Trim/Remove	1	0	\$5,000	\$5,150
1901 Site Drainage - Repair	1	0	\$7,500	\$7,725
1903 Carports - Repaint	10	1	\$15,000	\$15,450
1909 Maintenance Cart - Replace	15	8	\$13,400	\$16,975
33 Total Funded Components				

Note: Highlighting denotes projects anticipated to occur in the initial year. A reserve-funding threshold of \$2,000 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...

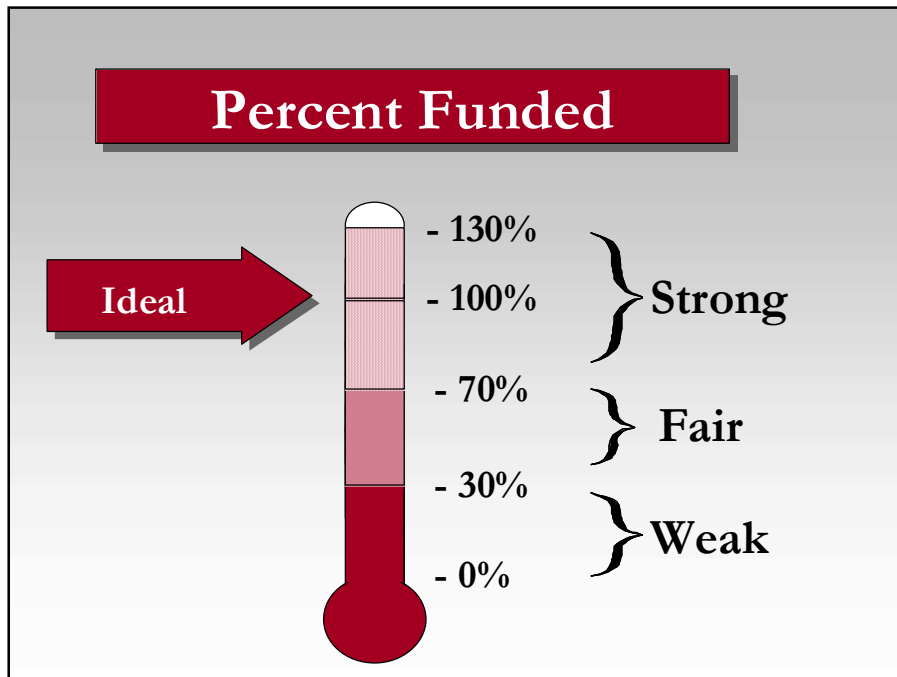
- 1) Client Cost History
- 2) Comparison to Association Reserves database or work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

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 Boardmembers 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.

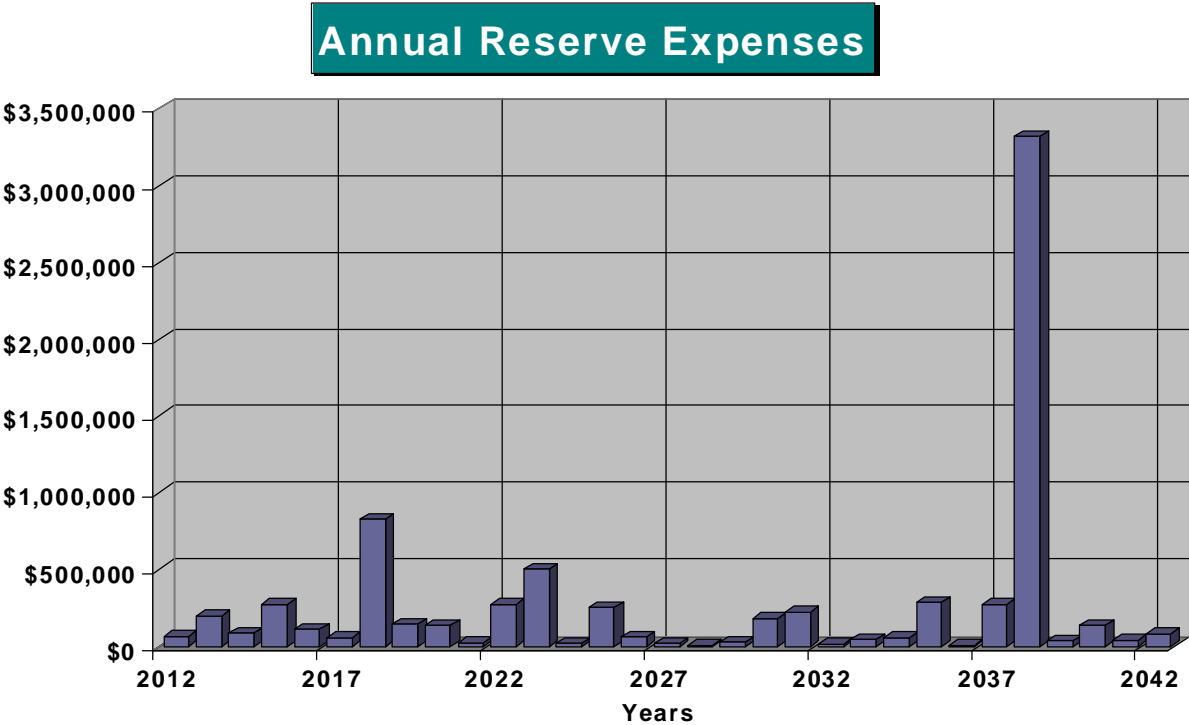


Figure 1

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 \$484,984 as-of the start of your Fiscal Year on January 1, 2012. This is based on your actual balance on 5/31/11 of \$438,264 and anticipated Reserve contributions and expenses projected through the end of your Fiscal Year. As of January 1, 2012, your Fully Funded Balance is computed to be \$1,868,927 (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 26% Funded.

Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we are recommending Reserve contributions of \$18,025/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.

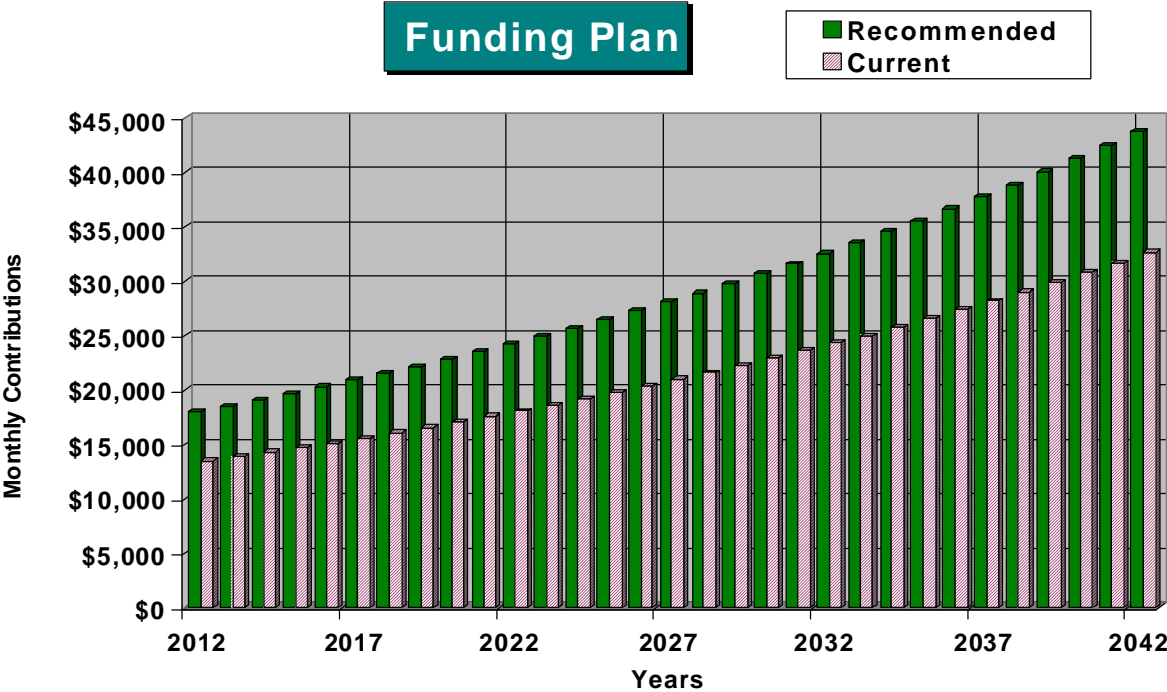


Figure 2

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.

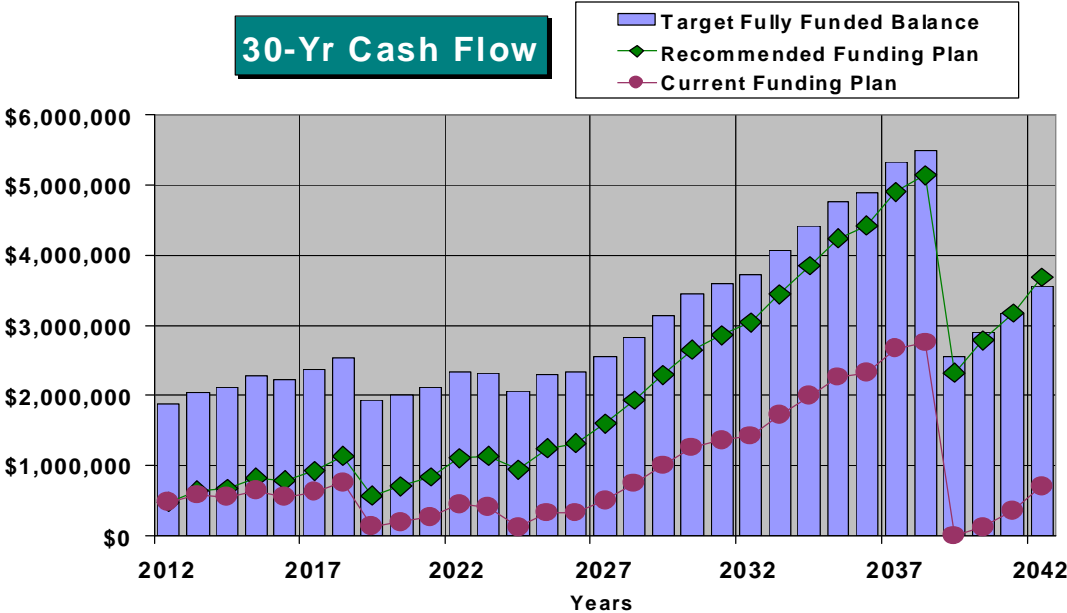


Figure 3

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

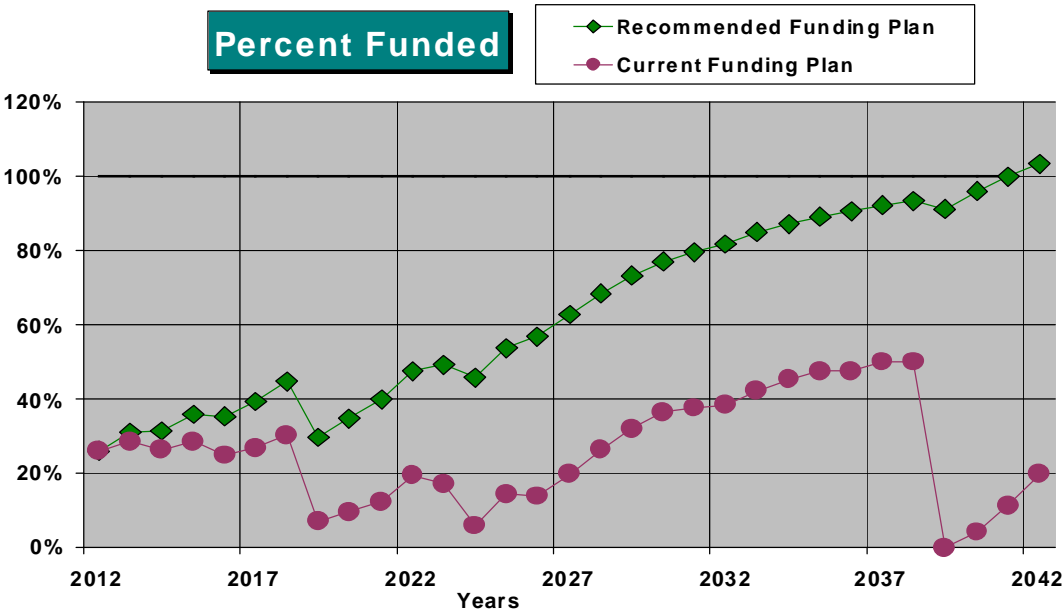


Figure 4

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 underfunded, 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**6317-5**

# Component	Quantity	Useful	Rem.	Best	Current
		Life	Useful		
		Life	Life	Cost	Cost
103 Concrete - Repair/Replace	Extensive square feet	5	3	\$2,500	\$3,700
103 Curbing - Repair/Replace	Extensive square feet	5	3	\$2,400	\$3,000
108 Exposed Decks - Repair/Replace	Approx 9 of 36 decks	1	0	\$30,500	\$50,500
108 Sheltered Decks - Repair/Replace	Approx 3,200 GSF	20	3	\$32,500	\$42,500
201 Asphalt - Resurface	Approx 188,300 square ft	45	11	\$289,400	\$389,400
202 Asphalt - Seal/Repair	Approx 188,300 square ft	5	3	\$44,000	\$50,000
320 Pole Lights - Replace	(16) wood/sodium lights	30	4	\$75,000	\$95,000
410 Garbage Enclosure - Replace	(8) wood	15	3	\$25,000	\$33,000
502 Chain Link Fence - Replace	Approx 3,670 linear feet	30	3	\$65,600	\$85,600
504 Vinyl Fence - Replace	Approx 190 linear feet	30	27	\$10,300	\$12,300
505 Wood Fence - Replace (a)	(16) of (100) wood fences	15	0	\$8,000	\$9,600
505 Wood Fence - Replace (b)	(22) of (100) wood fences	15	14	\$11,000	\$13,200
505 Wood Fence - Replace (c)	(62) of (100) wood fences	15	8	\$31,000	\$37,200
909 Bathrooms - Refurbish	(2) bathrooms	20	0	\$4,100	\$6,100
910 Rec Rm Interior - Refurbish	(3) Rms, 1300 square feet	10	1	\$3,100	\$5,100
913 Resident Managers Unit - Refurbish	Approx 1,200 square feet	5	3	\$2,100	\$3,100
1002 Irrigation System - Replace (Zone A)	Zone A	N/A	4	\$70,000	\$80,000
1002 Irrigation System - Replace (Zone B)	Zone B	N/A	5	\$30,000	\$40,000
1109 Wood Fence - Repaint	Approx 40,200 square feet	6	1	\$8,300	\$10,300
1116 Wood Surfaces - Repaint	Wood building trim	6	1	\$98,000	\$108,000
1120 Vinyl Siding - Replace	approx 245,800 square ft	40	26	\$1,300,000	\$1,700,000
1121 Vinyl Siding - Clean/Inspect	approx 245,800 square ft	4	2	\$16,700	\$24,700
1201 Acrylic Spa - Replace	(1) Approx 10 Ft Dia	20	2	\$4,100	\$5,100
1202 Pool - Repaint	(1) 40 x 15	7	5	\$9,300	\$11,300
1303 Carport Shingle Roof - Replace	Approx 46,000 square feet	25	10	\$168,000	\$188,000
1303 Unit Shingle Roof - Replace	Approx 157,000 square ft	25	6	\$556,000	\$656,000
1310 Gutters/Downspouts - Repair/Replace	Approx 10,200 linear feet	25	6	\$53,000	\$73,000
1603 Racquetball Court - Resurface	(1) Std 20 x 40 court	12	2	\$2,500	\$3,300
1604 Tennis/Basketball Court - Resurface	(3) Std size courts	8	1	\$10,400	\$14,400
1808 Trees - Trim/Remove	Extensive trees	1	0	\$4,000	\$6,000
1901 Site Drainage - Repair	Selected poor drain areas	1	0	\$5,000	\$10,000
1903 Carports - Repaint	Approx 44,300 square feet	10	1	\$12,000	\$18,000
1909 Maintenance Cart - Replace	(1) Kubota RTV 900	15	8	\$10,400	\$16,400
33 Total Funded Components					

Table 3: Contribution and Fund Breakdown**6317-5**

# Component	Useful Life	Rem. Useful Life	Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
103 Concrete - Repair/Replace	5	3	\$3,100	\$1,240	\$1,240.00	\$59.87
103 Curbing - Repair/Replace	5	3	\$2,700	\$1,080	\$1,080.00	\$52.15
108 Exposed Decks - Repair/Replace	1	0	\$40,500	\$40,500	\$40,500.00	\$3,911.12
108 Sheltered Decks - Repair/Replace	20	3	\$37,500	\$31,875	\$31,875.00	\$181.07
201 Asphalt - Resurface	45	11	\$339,400	\$256,436	\$0.00	\$728.36
202 Asphalt - Seal/Repair	5	3	\$47,000	\$18,800	\$18,800.00	\$907.77
320 Pole Lights - Replace	30	4	\$85,000	\$73,667	\$73,666.67	\$273.62
410 Garbage Enclosure - Replace	15	3	\$29,000	\$23,200	\$23,200.00	\$186.70
502 Chain Link Fence - Replace	30	3	\$75,600	\$68,040	\$68,040.00	\$243.36
504 Vinyl Fence - Replace	30	27	\$11,300	\$1,130	\$0.00	\$36.38
505 Wood Fence - Replace (a)	15	0	\$8,800	\$8,800	\$8,800.00	\$56.65
505 Wood Fence - Replace (b)	15	14	\$12,100	\$807	\$0.00	\$77.90
505 Wood Fence - Replace (c)	15	8	\$34,100	\$15,913	\$0.00	\$219.54
909 Bathrooms - Refurbish	20	0	\$5,100	\$5,100	\$5,100.00	\$24.63
910 Rec Rm Interior - Refurbish	10	1	\$4,100	\$3,690	\$3,690.00	\$39.59
913 Resident Managers Unit - Refurbish	5	3	\$2,600	\$1,040	\$1,040.00	\$50.22
1002 Irrigation System - Replace (Zone A)	N/A	4	\$75,000	\$15,000	\$15,000.00	\$0.00
1002 Irrigation System - Replace (Zone B)	N/A	5	\$35,000	\$5,833	\$5,833.33	\$0.00
1109 Wood Fence - Repaint	6	1	\$9,300	\$7,750	\$7,750.00	\$149.68
1116 Wood Surfaces - Repaint	6	1	\$103,000	\$85,833	\$85,833.33	\$1,657.80
1120 Vinyl Siding - Replace	40	26	\$1,500,000	\$525,000	\$0.00	\$3,621.41
1121 Vinyl Siding - Clean/Inspect	4	2	\$20,700	\$10,350	\$10,350.00	\$499.75
1201 Acrylic Spa - Replace	20	2	\$4,600	\$4,140	\$4,140.00	\$22.21
1202 Pool - Repaint	7	5	\$10,300	\$2,943	\$2,942.86	\$142.10
1303 Carport Shingle Roof - Replace	25	10	\$178,000	\$106,800	\$0.00	\$687.59
1303 Unit Shingle Roof - Replace	25	6	\$606,000	\$460,560	\$36,836.14	\$2,340.88
1310 Gutters/Downspouts - Repair/Replace	25	6	\$63,000	\$47,880	\$0.00	\$243.36
1603 Racquetball Court - Resurface	12	2	\$2,900	\$2,417	\$2,416.67	\$23.34
1604 Tennis/Basketball Court - Resurface	8	1	\$12,400	\$10,850	\$10,850.00	\$149.68
1808 Trees - Trim/Remove	1	0	\$5,000	\$5,000	\$5,000.00	\$482.85
1901 Site Drainage - Repair	1	0	\$7,500	\$7,500	\$7,500.00	\$724.28
1903 Carports - Repaint	10	1	\$15,000	\$13,500	\$13,500.00	\$144.86
1909 Maintenance Cart - Replace	15	8	\$13,400	\$6,253	\$0.00	\$86.27
33 Total Funded Components				\$1,868,927	\$484,984	\$18,025

Table 4: 30-Year Reserve Plan Summary

6317-5

Fiscal Year Beginning: 01/01/12

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
2012	\$484,984	\$1,868,927	25.9%	Weak	\$216,300	\$0	\$5,623	\$66,900
2013	\$640,007	\$2,053,402	31.2%	Fair	\$222,789	\$0	\$6,530	\$202,704
2014	\$666,622	\$2,112,723	31.6%	Fair	\$229,473	\$0	\$7,417	\$86,145
2015	\$817,366	\$2,267,202	36.1%	Fair	\$236,357	\$0	\$8,024	\$273,728
2016	\$788,019	\$2,224,337	35.4%	Fair	\$243,448	\$0	\$8,588	\$109,737
2017	\$930,317	\$2,359,059	39.4%	Fair	\$250,751	\$0	\$10,313	\$58,311
2018	\$1,133,069	\$2,535,326	44.7%	Fair	\$258,274	\$0	\$8,513	\$829,508
2019	\$570,348	\$1,927,514	29.6%	Weak	\$266,022	\$0	\$6,341	\$144,264
2020	\$698,447	\$2,012,386	34.7%	Fair	\$274,002	\$0	\$7,706	\$136,684
2021	\$843,471	\$2,112,880	39.9%	Fair	\$282,222	\$0	\$9,777	\$22,703
2022	\$1,112,767	\$2,339,216	47.6%	Fair	\$290,689	\$0	\$11,264	\$273,756
2023	\$1,140,965	\$2,319,349	49.2%	Fair	\$299,410	\$0	\$10,439	\$503,169
2024	\$947,644	\$2,068,347	45.8%	Fair	\$308,392	\$0	\$10,959	\$21,814
2025	\$1,245,181	\$2,311,542	53.9%	Fair	\$317,644	\$0	\$12,831	\$253,616
2026	\$1,322,040	\$2,329,385	56.8%	Fair	\$327,173	\$0	\$14,615	\$61,562
2027	\$1,602,266	\$2,551,870	62.8%	Fair	\$336,988	\$0	\$17,681	\$21,500
2028	\$1,935,436	\$2,828,774	68.4%	Fair	\$347,098	\$0	\$21,146	\$8,024
2029	\$2,295,656	\$3,134,541	73.2%	Strong	\$357,511	\$0	\$24,713	\$28,760
2030	\$2,649,121	\$3,434,998	77.1%	Strong	\$368,236	\$0	\$27,521	\$187,438
2031	\$2,857,441	\$3,588,111	79.6%	Strong	\$379,283	\$0	\$29,487	\$223,747
2032	\$3,042,464	\$3,715,712	81.9%	Strong	\$390,662	\$0	\$32,435	\$18,242
2033	\$3,447,319	\$4,066,325	84.8%	Strong	\$402,382	\$0	\$36,428	\$44,833
2034	\$3,841,295	\$4,407,805	87.1%	Strong	\$414,453	\$0	\$40,380	\$58,058
2035	\$4,238,070	\$4,753,878	89.1%	Strong	\$426,887	\$0	\$43,278	\$286,959
2036	\$4,421,276	\$4,882,774	90.5%	Strong	\$439,693	\$0	\$46,573	\$10,164
2037	\$4,897,379	\$5,309,091	92.2%	Strong	\$452,884	\$0	\$50,110	\$271,563
2038	\$5,128,809	\$5,487,666	93.5%	Strong	\$466,471	\$0	\$37,197	\$3,318,778
2039	\$2,313,699	\$2,541,936	91.0%	Strong	\$480,465	\$0	\$25,475	\$36,207
2040	\$2,783,431	\$2,898,123	96.0%	Strong	\$494,879	\$0	\$29,754	\$138,191
2041	\$3,169,873	\$3,169,469	100.0%	Strong	\$509,725	\$0	\$34,202	\$40,297

Table 5: 30-Year Income/Expense Detail (yrs 0 through 4)**6317-5**

Fiscal Year	2012	2013	2014	2015	2016
Starting Reserve Balance	\$484,984	\$640,007	\$666,622	\$817,366	\$788,019
Annual Reserve Contribution	\$216,300	\$222,789	\$229,473	\$236,357	\$243,448
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$5,623	\$6,530	\$7,417	\$8,024	\$8,588
Total Income	\$706,907	\$869,326	\$903,511	\$1,061,747	\$1,040,054
# Component					
103 Concrete - Repair/Replace	\$0	\$0	\$0	\$3,387	\$0
103 Curbing - Repair/Replace	\$0	\$0	\$0	\$2,950	\$0
108 Exposed Decks - Repair/Replace	\$40,500	\$41,715	\$42,966	\$44,255	\$0
108 Sheltered Decks - Repair/Replace	\$0	\$0	\$0	\$40,977	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$0	\$51,358	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$95,668
410 Garbage Enclosure - Replace	\$0	\$0	\$0	\$31,689	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$0	\$82,610	\$0
504 Vinyl Fence - Replace	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace (a)	\$8,800	\$0	\$0	\$0	\$0
505 Wood Fence - Replace (b)	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace (c)	\$0	\$0	\$0	\$0	\$0
909 Bathrooms - Refurbish	\$5,100	\$0	\$0	\$0	\$0
910 Rec Rm Interior - Refurbish	\$0	\$4,223	\$0	\$0	\$0
913 Resident Managers Unit - Refurbish	\$0	\$0	\$0	\$2,841	\$0
1002 Irrigation System - Replace (Zone A)	\$0	\$0	\$0	\$0	\$0
1002 Irrigation System - Replace (Zone B)	\$0	\$0	\$0	\$0	\$0
1109 Wood Fence - Repaint	\$0	\$9,579	\$0	\$0	\$0
1116 Wood Surfaces - Repaint	\$0	\$106,090	\$0	\$0	\$0
1120 Vinyl Siding - Replace	\$0	\$0	\$0	\$0	\$0
1121 Vinyl Siding - Clean/Inspect	\$0	\$0	\$21,961	\$0	\$0
1201 Acrylic Spa - Replace	\$0	\$0	\$4,880	\$0	\$0
1202 Pool - Repaint	\$0	\$0	\$0	\$0	\$0
1303 Carport Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1303 Unit Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1310 Gutters/Downspouts - Repair/Replace	\$0	\$0	\$0	\$0	\$0
1603 Racquetball Court - Resurface	\$0	\$0	\$3,077	\$0	\$0
1604 Tennis/Basketball Court - Resurface	\$0	\$12,772	\$0	\$0	\$0
1808 Trees - Trim/Remove	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
1901 Site Drainage - Repair	\$7,500	\$7,725	\$7,957	\$8,195	\$8,441
1903 Carports - Repaint	\$0	\$15,450	\$0	\$0	\$0
1909 Maintenance Cart - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$66,900	\$202,704	\$86,145	\$273,728	\$109,737
Ending Reserve Balance:	\$640,007	\$666,622	\$817,366	\$788,019	\$930,317

Table 5: 30-Year Income/Expense Detail (yrs 5 through 9)**6317-5**

Fiscal Year	2017	2018	2019	2020	2021
Starting Reserve Balance	\$930,317	\$1,133,069	\$570,348	\$698,447	\$843,471
Annual Reserve Contribution	\$250,751	\$258,274	\$266,022	\$274,002	\$282,222
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$10,313	\$8,513	\$6,341	\$7,706	\$9,777
Total Income	\$1,191,381	\$1,399,856	\$842,711	\$980,155	\$1,135,470
# Component					
103 Concrete - Repair/Replace	\$0	\$0	\$0	\$3,927	\$0
103 Curbing - Repair/Replace	\$0	\$0	\$0	\$3,420	\$0
108 Exposed Decks - Repair/Replace	\$0	\$0	\$0	\$0	\$0
108 Sheltered Decks - Repair/Replace	\$0	\$0	\$0	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$0	\$59,538	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
410 Garbage Enclosure - Replace	\$0	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0
504 Vinyl Fence - Replace	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace (a)	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace (b)	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace (c)	\$0	\$0	\$0	\$43,197	\$0
909 Bathrooms - Refurbish	\$0	\$0	\$0	\$0	\$0
910 Rec Rm Interior - Refurbish	\$0	\$0	\$0	\$0	\$0
913 Resident Managers Unit - Refurbish	\$0	\$0	\$0	\$3,294	\$0
1002 Irrigation System - Replace (Zone A)	\$0	\$0	\$0	\$0	\$0
1002 Irrigation System - Replace (Zone B)	\$40,575	\$0	\$0	\$0	\$0
1109 Wood Fence - Repaint	\$0	\$0	\$11,438	\$0	\$0
1116 Wood Surfaces - Repaint	\$0	\$0	\$126,677	\$0	\$0
1120 Vinyl Siding - Replace	\$0	\$0	\$0	\$0	\$0
1121 Vinyl Siding - Clean/Inspect	\$0	\$24,717	\$0	\$0	\$0
1201 Acrylic Spa - Replace	\$0	\$0	\$0	\$0	\$0
1202 Pool - Repaint	\$11,941	\$0	\$0	\$0	\$0
1303 Carport Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1303 Unit Shingle Roof - Replace	\$0	\$723,596	\$0	\$0	\$0
1310 Gutters/Downspouts - Repair/Replace	\$0	\$75,225	\$0	\$0	\$0
1603 Racquetball Court - Resurface	\$0	\$0	\$0	\$0	\$0
1604 Tennis/Basketball Court - Resurface	\$0	\$0	\$0	\$0	\$16,179
1808 Trees - Trim/Remove	\$5,796	\$5,970	\$6,149	\$6,334	\$6,524
1901 Site Drainage - Repair	\$0	\$0	\$0	\$0	\$0
1903 Carports - Repaint	\$0	\$0	\$0	\$0	\$0
1909 Maintenance Cart - Replace	\$0	\$0	\$0	\$16,975	\$0
Total Expenses	\$58,311	\$829,508	\$144,264	\$136,684	\$22,703
Ending Reserve Balance:	\$1,133,069	\$570,348	\$698,447	\$843,471	\$1,112,767

Table 5: 30-Year Income/Expense Detail (yrs 10 through 14)**6317-5**

Fiscal Year	2022	2023	2024	2025	2026
Starting Reserve Balance	\$1,112,767	\$1,140,965	\$947,644	\$1,245,181	\$1,322,040
Annual Reserve Contribution	\$290,689	\$299,410	\$308,392	\$317,644	\$327,173
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$11,264	\$10,439	\$10,959	\$12,831	\$14,615
Total Income	\$1,414,720	\$1,450,813	\$1,266,995	\$1,575,656	\$1,663,829
# Component					
103 Concrete - Repair/Replace	\$0	\$0	\$0	\$4,552	\$0
103 Curbing - Repair/Replace	\$0	\$0	\$0	\$3,965	\$0
108 Exposed Decks - Repair/Replace	\$0	\$0	\$0	\$0	\$0
108 Sheltered Decks - Repair/Replace	\$0	\$0	\$0	\$0	\$0
201 Asphalt - Resurface	\$0	\$469,809	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$0	\$69,021	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
410 Garbage Enclosure - Replace	\$0	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0
504 Vinyl Fence - Replace	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace (a)	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace (b)	\$0	\$0	\$0	\$0	\$18,302
505 Wood Fence - Replace (c)	\$0	\$0	\$0	\$0	\$0
909 Bathrooms - Refurbish	\$0	\$0	\$0	\$0	\$0
910 Rec Rm Interior - Refurbish	\$0	\$5,675	\$0	\$0	\$0
913 Resident Managers Unit - Refurbish	\$0	\$0	\$0	\$3,818	\$0
1002 Irrigation System - Replace (Zone A)	\$0	\$0	\$0	\$0	\$0
1002 Irrigation System - Replace (Zone B)	\$0	\$0	\$0	\$0	\$0
1109 Wood Fence - Repaint	\$0	\$0	\$0	\$13,657	\$0
1116 Wood Surfaces - Repaint	\$0	\$0	\$0	\$151,259	\$0
1120 Vinyl Siding - Replace	\$0	\$0	\$0	\$0	\$0
1121 Vinyl Siding - Clean/Inspect	\$27,819	\$0	\$0	\$0	\$31,311
1201 Acrylic Spa - Replace	\$0	\$0	\$0	\$0	\$0
1202 Pool - Repaint	\$0	\$0	\$14,685	\$0	\$0
1303 Carport Shingle Roof - Replace	\$239,217	\$0	\$0	\$0	\$0
1303 Unit Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1310 Gutters/Downspouts - Repair/Replace	\$0	\$0	\$0	\$0	\$0
1603 Racquetball Court - Resurface	\$0	\$0	\$0	\$0	\$4,387
1604 Tennis/Basketball Court - Resurface	\$0	\$0	\$0	\$0	\$0
1808 Trees - Trim/Remove	\$6,720	\$6,921	\$7,129	\$7,343	\$7,563
1901 Site Drainage - Repair	\$0	\$0	\$0	\$0	\$0
1903 Carports - Repaint	\$0	\$20,764	\$0	\$0	\$0
1909 Maintenance Cart - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$273,756	\$503,169	\$21,814	\$253,616	\$61,562
Ending Reserve Balance:	\$1,140,965	\$947,644	\$1,245,181	\$1,322,040	\$1,602,266

Table 5: 30-Year Income/Expense Detail (yrs 15 through 19)**6317-5**

Fiscal Year	2027	2028	2029	2030	2031
Starting Reserve Balance	\$1,602,266	\$1,935,436	\$2,295,656	\$2,649,121	\$2,857,441
Annual Reserve Contribution	\$336,988	\$347,098	\$357,511	\$368,236	\$379,283
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$17,681	\$21,146	\$24,713	\$27,521	\$29,487
Total Income	\$1,956,935	\$2,303,680	\$2,677,881	\$3,044,879	\$3,266,211
# Component					
103 Concrete - Repair/Replace	\$0	\$0	\$0	\$5,278	\$0
103 Curbing - Repair/Replace	\$0	\$0	\$0	\$4,597	\$0
108 Exposed Decks - Repair/Replace	\$0	\$0	\$0	\$0	\$0
108 Sheltered Decks - Repair/Replace	\$0	\$0	\$0	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$0	\$80,014	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
410 Garbage Enclosure - Replace	\$0	\$0	\$0	\$49,371	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0
504 Vinyl Fence - Replace	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace (a)	\$13,710	\$0	\$0	\$0	\$0
505 Wood Fence - Replace (b)	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace (c)	\$0	\$0	\$0	\$0	\$0
909 Bathrooms - Refurbish	\$0	\$0	\$0	\$0	\$0
910 Rec Rm Interior - Refurbish	\$0	\$0	\$0	\$0	\$0
913 Resident Managers Unit - Refurbish	\$0	\$0	\$0	\$4,426	\$0
1002 Irrigation System - Replace (Zone A)	\$0	\$0	\$0	\$0	\$0
1002 Irrigation System - Replace (Zone B)	\$0	\$0	\$0	\$0	\$0
1109 Wood Fence - Repaint	\$0	\$0	\$0	\$0	\$16,308
1116 Wood Surfaces - Repaint	\$0	\$0	\$0	\$0	\$180,611
1120 Vinyl Siding - Replace	\$0	\$0	\$0	\$0	\$0
1121 Vinyl Siding - Clean/Inspect	\$0	\$0	\$0	\$35,240	\$0
1201 Acrylic Spa - Replace	\$0	\$0	\$0	\$0	\$0
1202 Pool - Repaint	\$0	\$0	\$0	\$0	\$18,061
1303 Carport Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1303 Unit Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1310 Gutters/Downspouts - Repair/Replace	\$0	\$0	\$0	\$0	\$0
1603 Racquetball Court - Resurface	\$0	\$0	\$0	\$0	\$0
1604 Tennis/Basketball Court - Resurface	\$0	\$0	\$20,495	\$0	\$0
1808 Trees - Trim/Remove	\$7,790	\$8,024	\$8,264	\$8,512	\$8,768
1901 Site Drainage - Repair	\$0	\$0	\$0	\$0	\$0
1903 Carports - Repaint	\$0	\$0	\$0	\$0	\$0
1909 Maintenance Cart - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$21,500	\$8,024	\$28,760	\$187,438	\$223,747
Ending Reserve Balance:	\$1,935,436	\$2,295,656	\$2,649,121	\$2,857,441	\$3,042,464

Table 5: 30-Year Income/Expense Detail (yrs 20 through 24)**6317-5**

Fiscal Year	2032	2033	2034	2035	2036
Starting Reserve Balance	\$3,042,464	\$3,447,319	\$3,841,295	\$4,238,070	\$4,421,276
Annual Reserve Contribution	\$390,662	\$402,382	\$414,453	\$426,887	\$439,693
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$32,435	\$36,428	\$40,380	\$43,278	\$46,573
Total Income	\$3,465,561	\$3,886,128	\$4,296,128	\$4,708,235	\$4,907,543
# Component					
103 Concrete - Repair/Replace	\$0	\$0	\$0	\$6,118	\$0
103 Curbing - Repair/Replace	\$0	\$0	\$0	\$5,329	\$0
108 Exposed Decks - Repair/Replace	\$0	\$0	\$0	\$0	\$0
108 Sheltered Decks - Repair/Replace	\$0	\$0	\$0	\$74,009	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$0	\$92,759	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
410 Garbage Enclosure - Replace	\$0	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0
504 Vinyl Fence - Replace	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace (a)	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace (b)	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace (c)	\$0	\$0	\$0	\$67,299	\$0
909 Bathrooms - Refurbish	\$9,211	\$0	\$0	\$0	\$0
910 Rec Rm Interior - Refurbish	\$0	\$7,627	\$0	\$0	\$0
913 Resident Managers Unit - Refurbish	\$0	\$0	\$0	\$5,131	\$0
1002 Irrigation System - Replace (Zone A)	\$0	\$0	\$0	\$0	\$0
1002 Irrigation System - Replace (Zone B)	\$0	\$0	\$0	\$0	\$0
1109 Wood Fence - Repaint	\$0	\$0	\$0	\$0	\$0
1116 Wood Surfaces - Repaint	\$0	\$0	\$0	\$0	\$0
1120 Vinyl Siding - Replace	\$0	\$0	\$0	\$0	\$0
1121 Vinyl Siding - Clean/Inspect	\$0	\$0	\$39,663	\$0	\$0
1201 Acrylic Spa - Replace	\$0	\$0	\$8,814	\$0	\$0
1202 Pool - Repaint	\$0	\$0	\$0	\$0	\$0
1303 Carport Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1303 Unit Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1310 Gutters/Downspouts - Repair/Replace	\$0	\$0	\$0	\$0	\$0
1603 Racquetball Court - Resurface	\$0	\$0	\$0	\$0	\$0
1604 Tennis/Basketball Court - Resurface	\$0	\$0	\$0	\$0	\$0
1808 Trees - Trim/Remove	\$9,031	\$9,301	\$9,581	\$9,868	\$10,164
1901 Site Drainage - Repair	\$0	\$0	\$0	\$0	\$0
1903 Carports - Repaint	\$0	\$27,904	\$0	\$0	\$0
1909 Maintenance Cart - Replace	\$0	\$0	\$0	\$26,446	\$0
Total Expenses	\$18,242	\$44,833	\$58,058	\$286,959	\$10,164
Ending Reserve Balance:	\$3,447,319	\$3,841,295	\$4,238,070	\$4,421,276	\$4,897,379

Table 5: 30-Year Income/Expense Detail (yrs 25 through 29)**6317-5**

Fiscal Year	2037	2038	2039	2040	2041
Starting Reserve Balance	\$4,897,379	\$5,128,809	\$2,313,699	\$2,783,431	\$3,169,873
Annual Reserve Contribution	\$452,884	\$466,471	\$480,465	\$494,879	\$509,725
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$50,110	\$37,197	\$25,475	\$29,754	\$34,202
Total Income	\$5,400,372	\$5,632,477	\$2,819,638	\$3,308,064	\$3,713,800
# Component					
103 Concrete - Repair/Replace	\$0	\$0	\$0	\$7,093	\$0
103 Curbing - Repair/Replace	\$0	\$0	\$0	\$6,177	\$0
108 Exposed Decks - Repair/Replace	\$0	\$0	\$0	\$0	\$0
108 Sheltered Decks - Repair/Replace	\$0	\$0	\$0	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$0	\$107,533	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
410 Garbage Enclosure - Replace	\$0	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0
504 Vinyl Fence - Replace	\$0	\$0	\$25,101	\$0	\$0
505 Wood Fence - Replace (a)	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace (b)	\$0	\$0	\$0	\$0	\$28,514
505 Wood Fence - Replace (c)	\$0	\$0	\$0	\$0	\$0
909 Bathrooms - Refurbish	\$0	\$0	\$0	\$0	\$0
910 Rec Rm Interior - Refurbish	\$0	\$0	\$0	\$0	\$0
913 Resident Managers Unit - Refurbish	\$0	\$0	\$0	\$5,949	\$0
1002 Irrigation System - Replace (Zone A)	\$0	\$0	\$0	\$0	\$0
1002 Irrigation System - Replace (Zone B)	\$0	\$0	\$0	\$0	\$0
1109 Wood Fence - Repaint	\$19,472	\$0	\$0	\$0	\$0
1116 Wood Surfaces - Repaint	\$215,659	\$0	\$0	\$0	\$0
1120 Vinyl Siding - Replace	\$0	\$3,234,887	\$0	\$0	\$0
1121 Vinyl Siding - Clean/Inspect	\$0	\$44,641	\$0	\$0	\$0
1201 Acrylic Spa - Replace	\$0	\$0	\$0	\$0	\$0
1202 Pool - Repaint	\$0	\$22,213	\$0	\$0	\$0
1303 Carport Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1303 Unit Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1310 Gutters/Downspouts - Repair/Replace	\$0	\$0	\$0	\$0	\$0
1603 Racquetball Court - Resurface	\$0	\$6,254	\$0	\$0	\$0
1604 Tennis/Basketball Court - Resurface	\$25,963	\$0	\$0	\$0	\$0
1808 Trees - Trim/Remove	\$10,469	\$10,783	\$11,106	\$11,440	\$11,783
1901 Site Drainage - Repair	\$0	\$0	\$0	\$0	\$0
1903 Carports - Repaint	\$0	\$0	\$0	\$0	\$0
1909 Maintenance Cart - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$271,563	\$3,318,778	\$36,207	\$138,191	\$40,297
Ending Reserve Balance:	\$5,128,809	\$2,313,699	\$2,783,431	\$3,169,873	\$3,673,503

Accuracy, Limitations, and Disclosures

Washington disclosure, per RCW 64.34.382:

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.