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*Reserve Studies for Community Associations*

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## Update "With-Site-Visit" Reserve Study



### Pinebrook Terrace

Des Moines, WA

**Report #: 7419-4**

**For Period Beginning: May 1, 2012**

**Expires: December 31, 2012**

**Date Prepared: April 27, 2012**



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## **Hello, and welcome to your Reserve Study!**

**T**his 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.

**W**ith 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](http://www.ReserveStudy.com) or call us at:

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## 3- Minute Executive Summary

**Association:** Pinebrook Terrace **Assoc. #:** 7419-4  
**Location:** Des Moines, WA  
**# of Units:** 44  
**Report Period:** May 1, 2012 through December 31, 2012

**Results as-of 5/1/2012:**

<b>Projected Starting Reserve Balance:</b> .....	<b>\$114,110</b>
<b>Fully Funded Reserve Balance:</b> .....	<b>\$529,610</b>
<b>Average Reserve Deficit (Surplus) Per Unit:</b> .....	<b>\$9,443</b>
<b>Percent Funded:</b> .....	<b>21.5%</b>
<b>100% Full Funding 2012 Monthly Reserve Contribution:</b> .....	<b>\$6,186</b>
<b>70% Threshold Monthly Reserve Contribution.....</b>	<b>\$5,796</b>
<b>Baseline Contribution (min to maintain reserves above \$0) .....</b>	<b>\$5,530</b>
<b>Recommended 2012 Special Assessment for Reserves: .....</b>	<b>\$52,800</b>
<b>Most Recent Reserve Contribution Rate:</b> .....	<b>\$3,009</b>

**Economic Assumptions:**

**Net Annual “After Tax” Interest Earnings Accruing to Reserves.....** 1.00%  
**Annual Inflation Rate .....** 3.00%

- This is an “Update With-Site-Visit” Reserve Study, based on our previous Report prepared for your 2009 Fiscal Year. The information in this Reserve Study is based on our site inspection on March 27, 2012, meets or exceeds all requirements of the RCW and was prepared by a credentialed Reserve Specialist (RS 153).
- Your Reserve Fund is 21.5% Funded. Comparatively, the 70-130% level is where associations statistically enjoy fiscal stability with low risk of special assessment and/or deferred maintenance.
- Based on this starting point and your anticipated future expenses, we are forced to recommend a Five-Year Special Assessment of \$52,800 (\$1,200 each Unit) in each Fiscal Year, beginning in 2012 through and ending in 2016. Additionally, our recommendation is to increase your regular Reserve contributions to within the 70% to 100% Full Funding level as noted above.

- **Tables and charts herein reflect Full Funding as ideal contribution. Full and 70% contribution rates are designed to achieve the stated funding objective at the end of our 30-year report scope.**
- **See photo pages for detailed component information and the basis of our assumptions.**

Table 1: Executive Summary

7419-4

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
<b>Site/Grounds</b>				
105 Asphalt - Resurface	32	14	\$80,430	\$121,658
107 Asphalt - Seal/Repair	4	2	\$12,195	\$12,938
130 Wood Fence - Repair/Replace	18	1	\$59,800	\$61,594
162 Wood Fence - Stain/Paint	6	1	\$16,100	\$16,583
<b>Recreation</b>				
405 Play Equipment - Replace	15	13	\$12,500	\$18,357
<b>Building Exterior</b>				
502 Wood Deck - Partial Repair/Replace	12	6	\$30,600	\$36,538
504 Wood Deck - Total Replace	24	18	\$30,600	\$52,094
520 Exterior Lights - Replace	18	0	\$9,240	\$15,730
540 Exterior Surfaces-Clean/Seal/Paint	6	0	\$88,000	\$105,077
542 Exterior Surfaces - Partial Replace	6	0	\$25,000	\$29,851
546 Windows/Glass Doors - Replace	30	24	\$264,000	\$536,658
600 Building Roofs - Replace	20	5	\$240,100	\$278,342
602 Carports/Roofs - Replace	20	5	\$41,500	\$48,110
606 Downspouts - Repair/Replace	20	5	\$18,200	\$21,099
<b>Systems/Equipment</b>				
900 Plumbing - Repair/Replace	0	0	\$0	\$0
15 Total Funded Components				

**Note:** a Useful Life of “N/A” means a one-time expense, not expected to repeat. Cross reference component numbers with photographic inventory appendix. Highlighting denotes projects either anticipated to occur in the initial year or unfunded. Components with N/A UL / 0 RUL and no costs 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 \$1,500 is established 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.

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 With-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 performed an on-site inspection to evaluate your common areas, updating and adjusting your Reserve Component List as appropriate.

### Reserve Study

- Component List
- Reserve Fund Strength
- Recommended Contribs

### 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

#### **Reserve Components**

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

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 are Useful Life and Remaining Useful Life established?*

- 1) Visual Inspection (observed 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 of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

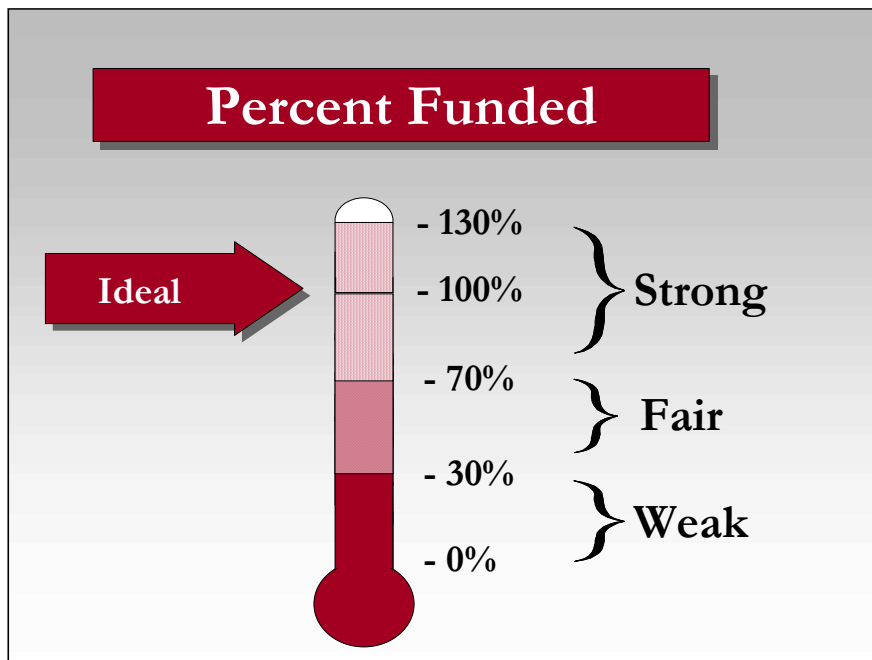


*How much Reserves are enough?*

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 Recommended 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

## **Site Inspection Notes**

Our site inspection was conducted to update information that appeared in our prior reserve study prepared for the association's 2009 fiscal year. The component inventory was analyzed for completeness and accuracy. All components were re-inspected and checked for appropriateness for reserve funding using the standard four-part test.

During our site visit on March 27, 2012, we noted current condition, materials, apparent levels of care and maintenance as well as exposure to weather elements.

During this site inspection and subsequent research we were informed which components were being handled from the operational maintenance budget, not reserves.

Pinebrook Terrace is a condominium community of 8 wood-framed residential buildings containing 44 units, built in 1968 and is approaching 44 years old. Reserve projects to anticipate in the near term (next five years) include exterior building painting, local siding replacements, asphalt maintenance, fence and roof replacements, among others.

As the majority of your plumbing and electrical systems are now well over forty years old, it may be wise to begin comprehensive and ongoing expert evaluations to establish if any significant replacements specifications are anticipated within the scope of our 30 year reporting period. We assume targeted replacements from general operating funds will suffice to maintain unless basis for reserve funding is established. Update in future reserve updates as conditions merit.

The reader is directed to the attached and detailed Photographic Inventory Appendix (Photo Pages) to gain a comprehensive understanding of the basis of our recommendations for this year's report.

## 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.

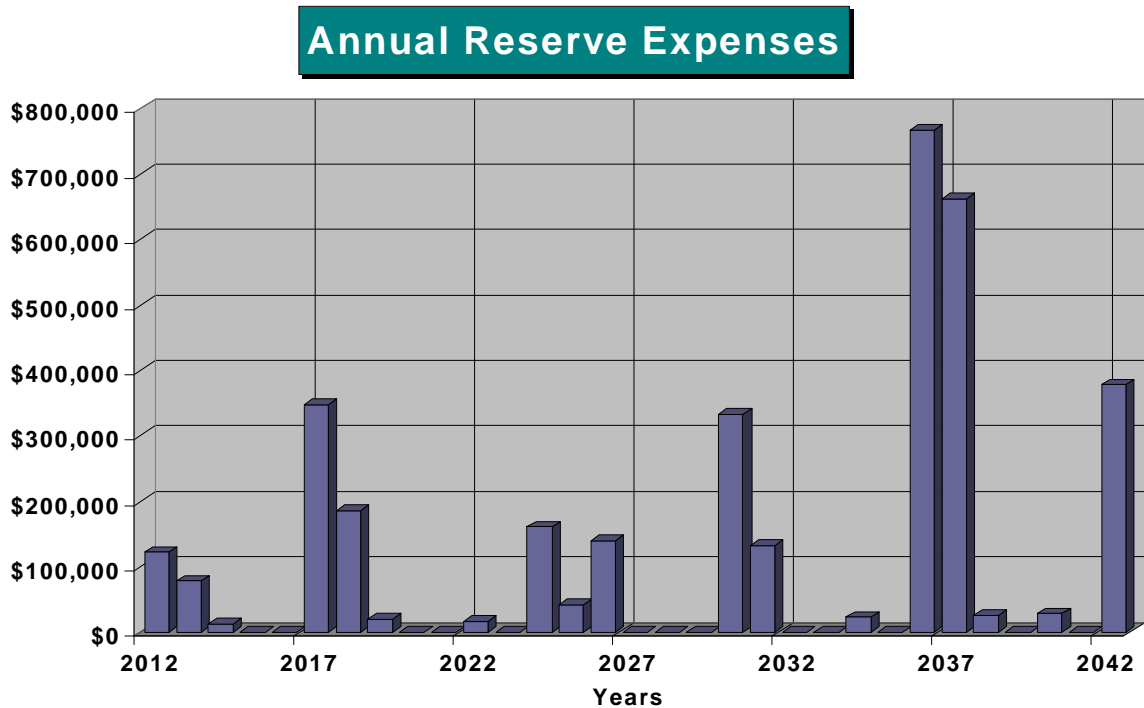


Figure 1

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 \$114,110 as-of the start of your Report Period on May 1, 2012. As of May 1, 2012, your Fully Funded Balance is computed to be \$529,610 (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 22% Funded. This currently represents a weak status, below the 70%-130% funding level where associations typically enjoy little risk of deferred maintenance and/or special assessments.

### Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we are forced to recommend a Special Assessment of \$52,800 to Reserves this Fiscal Year. Additionally, we are recommending regular Reserve contributions of \$6,186/month this Fiscal Year. This represents only the first year of the 30-year Funding Plan shown below. This same information is shown numerically in both Table 4 and Table 5.

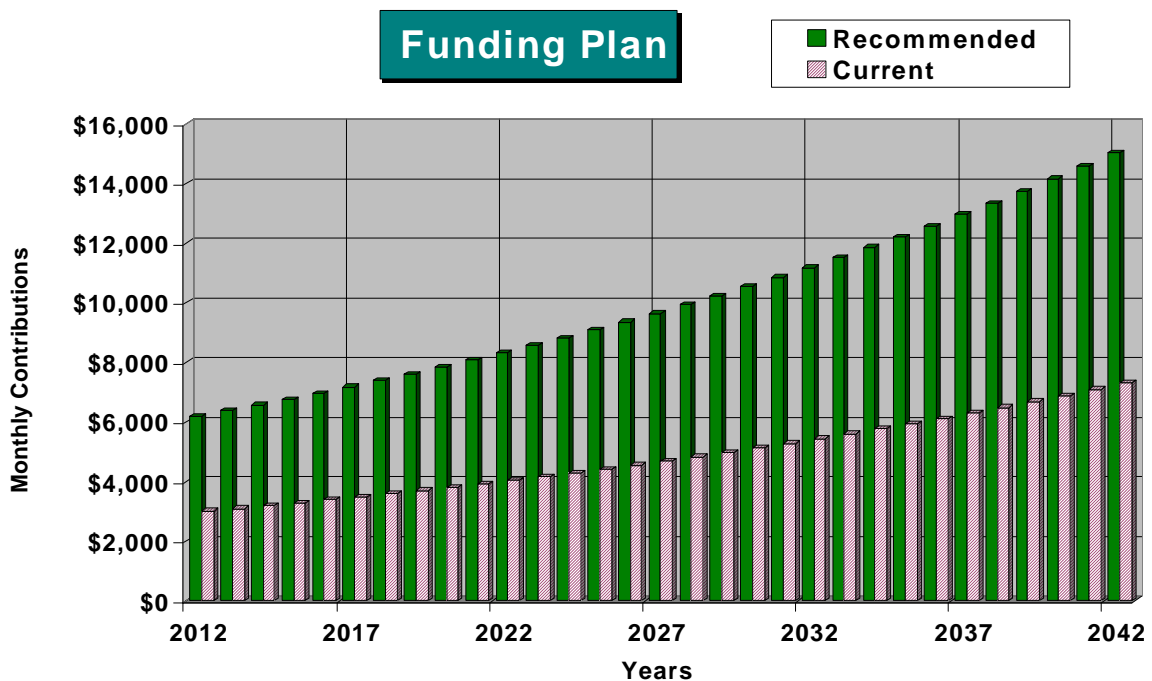


Figure 2

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.

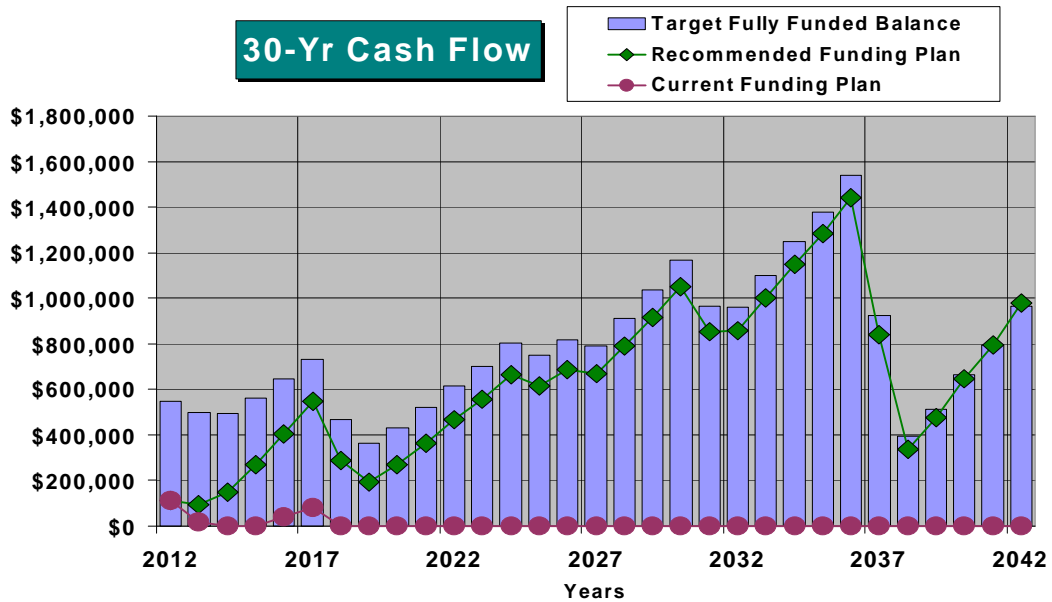


Figure 3

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

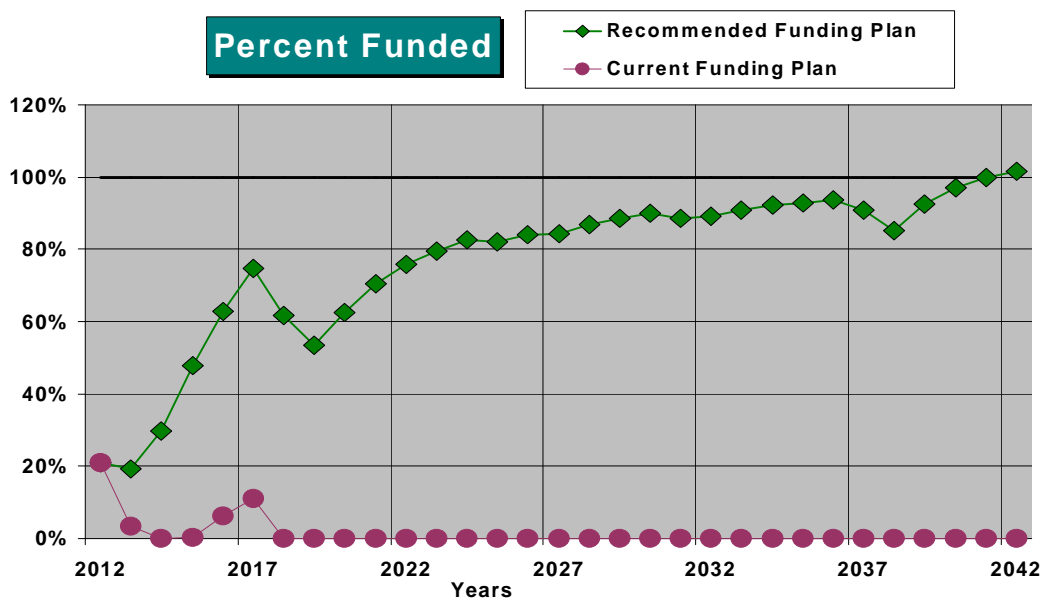


Figure 4

## **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****7419-4**

# Component	Quantity	Useful Life	Rem. Useful Life	Best Cost	Current Worst Cost
<b>Site/Grounds</b>					
105 Asphalt - Resurface	Approx 38,300 square feet	32	14	\$76,600	\$84,260
107 Asphalt - Seal/Repair	Approx 38,300 square feet	4	2	\$10,430	\$13,960
130 Wood Fence - Repair/Replace	Approx 2,300 linear feet	18	1	\$59,800	\$59,800
162 Wood Fence - Stain/Paint	Approx 2,300 linear feet	6	1	\$13,800	\$18,400
<b>Recreation</b>					
405 Play Equipment - Replace	(3) assorted	15	13	\$10,000	\$15,000
<b>Building Exterior</b>					
502 Wood Deck - Partial Repair/Replace	Approx 1,800 square feet	12	6	\$25,200	\$36,000
504 Wood Deck - Total Replace	Approx 1,800 square feet	24	18	\$25,200	\$36,000
520 Exterior Lights - Replace	(132) assorted	18	0	\$7,920	\$10,560
540 Exterior Surfaces-Clean/Seal/Paint	Approx 47,900 GSF	6	0	\$79,200	\$96,800
542 Exterior Surfaces - Partial Replace	Approx 47,900 GSF	6	0	\$20,000	\$30,000
546 Windows/Glass Doors - Replace	(284) assorted	30	24	\$242,000	\$286,000
600 Building Roofs - Replace	Approx 34,300 square feet	20	5	\$205,800	\$274,400
602 Carports/Roofs - Replace	Approx 8,300 square feet	20	5	\$33,200	\$49,800
606 Downspouts - Repair/Replace	Approx 2,600 linear feet	20	5	\$15,600	\$20,800
<b>Systems/Equipment</b>					
900 Plumbing - Repair/Replace	Extensive systems	N/A	0	\$0	\$0
15 Total Funded Components					

**Table 3: Contribution and Fund Breakdown****7419-4**

# Component	Useful Life	Rem. Useful Life	Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
<b>Site/Grounds</b>						
105 Asphalt - Resurface	32	14	\$80,430	\$46,557	\$0.00	\$261.92
107 Asphalt - Seal/Repair	4	2	\$12,195	\$7,205	\$0.00	\$317.70
130 Wood Fence - Repair/Replace	18	1	\$59,800	\$58,183	\$11,502.20	\$346.20
162 Wood Fence - Stain/Paint	6	1	\$16,100	\$14,472	\$14,472.11	\$279.62
<b>Recreation</b>						
405 Play Equipment - Replace	15	13	\$12,500	\$1,969	\$0.00	\$86.84
<b>Building Exterior</b>						
502 Wood Deck - Partial Repair/Replace	12	6	\$30,600	\$16,329	\$0.00	\$265.73
504 Wood Deck - Total Replace	24	18	\$30,600	\$8,164	\$0.00	\$132.86
520 Exterior Lights - Replace	18	0	\$9,240	\$6,336	\$6,336.24	\$53.49
540 Exterior Surfaces-Clean/Seal/Paint	6	0	\$88,000	\$63,702	\$63,702.22	\$1,528.37
542 Exterior Surfaces - Partial Replace	6	0	\$25,000	\$18,097	\$18,097.22	\$434.19
546 Windows/Glass Doors - Replace	30	24	\$264,000	\$56,349	\$0.00	\$917.02
600 Building Roofs - Replace	20	5	\$240,100	\$185,997	\$0.00	\$1,251.00
602 Carports/Roofs - Replace	20	5	\$41,500	\$32,149	\$0.00	\$216.23
606 Downspouts - Repair/Replace	20	5	\$18,200	\$14,099	\$0.00	\$94.83
<b>Systems/Equipment</b>						
900 Plumbing - Repair/Replace	N/A	0	\$0	\$0	\$0.00	\$0.00
15 Total Funded Components				\$529,610	\$114,110	\$6,186

**Table 4: 30-Year Reserve Plan Summary**

**7419-4**

**Fiscal Year Beginning: 05/01/12**

**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	\$114,110	\$529,610	21.5%	Weak	\$49,488	\$52,800	\$1,046	\$122,240
2013	\$95,204	\$497,349	19.1%	Weak	\$76,459	\$52,800	\$1,213	\$78,177
2014	\$147,499	\$494,725	29.8%	Weak	\$78,753	\$52,800	\$2,078	\$12,938
2015	\$268,192	\$561,108	47.8%	Fair	\$81,115	\$52,800	\$3,367	\$0
2016	\$405,474	\$644,755	62.9%	Fair	\$83,549	\$52,800	\$4,758	\$0
2017	\$546,581	\$732,915	74.6%	Strong	\$86,055	\$0	\$4,177	\$347,550
2018	\$289,263	\$467,808	61.8%	Fair	\$88,637	\$0	\$2,417	\$186,027
2019	\$194,290	\$363,243	53.5%	Fair	\$91,296	\$0	\$2,311	\$19,801
2020	\$268,095	\$428,944	62.5%	Fair	\$94,035	\$0	\$3,166	\$0
2021	\$365,296	\$519,267	70.3%	Strong	\$96,856	\$0	\$4,156	\$0
2022	\$466,308	\$614,624	75.9%	Strong	\$99,762	\$0	\$5,103	\$16,389
2023	\$554,784	\$698,354	79.4%	Strong	\$102,754	\$0	\$6,089	\$0
2024	\$663,628	\$803,942	82.5%	Strong	\$105,837	\$0	\$6,389	\$161,111
2025	\$614,743	\$749,292	82.0%	Strong	\$109,012	\$0	\$6,512	\$42,000
2026	\$688,268	\$818,302	84.1%	Strong	\$112,283	\$0	\$6,775	\$140,104
2027	\$667,221	\$791,029	84.3%	Strong	\$115,651	\$0	\$7,284	\$0
2028	\$790,156	\$910,020	86.8%	Strong	\$119,121	\$0	\$8,536	\$0
2029	\$917,813	\$1,035,438	88.6%	Strong	\$122,694	\$0	\$9,837	\$0
2030	\$1,050,343	\$1,167,562	90.0%	Strong	\$126,375	\$0	\$9,514	\$333,055
2031	\$853,177	\$963,635	88.5%	Strong	\$130,166	\$0	\$8,556	\$133,091
2032	\$858,808	\$962,676	89.2%	Strong	\$134,071	\$0	\$9,301	\$0
2033	\$1,002,180	\$1,101,988	90.9%	Strong	\$138,093	\$0	\$10,762	\$0
2034	\$1,151,035	\$1,248,793	92.2%	Strong	\$142,236	\$0	\$12,160	\$23,367
2035	\$1,282,065	\$1,379,347	92.9%	Strong	\$146,503	\$0	\$13,615	\$0
2036	\$1,442,183	\$1,541,399	93.6%	Strong	\$150,898	\$0	\$11,397	\$766,363
2037	\$838,115	\$922,579	90.8%	Strong	\$155,425	\$0	\$5,878	\$661,424
2038	\$337,994	\$397,011	85.1%	Strong	\$160,088	\$0	\$4,067	\$26,300
2039	\$475,850	\$513,694	92.6%	Strong	\$164,891	\$0	\$5,609	\$0
2040	\$646,349	\$664,923	97.2%	Strong	\$169,837	\$0	\$7,203	\$28,599
2041	\$794,790	\$795,306	99.9%	Strong	\$174,933	\$0	\$8,863	\$0

**Table 5: 30-Year Income/Expense Detail (yrs 0 through 4)****7419-4**

Fiscal Year	2012	2013	2014	2015	2016
Starting Reserve Balance	\$114,110	\$95,204	\$147,499	\$268,192	\$405,474
Annual Reserve Contribution	\$49,488	\$76,459	\$78,753	\$81,115	\$83,549
Planned Special Assessments	\$52,800	\$52,800	\$52,800	\$52,800	\$52,800
Interest Earnings	\$1,046	\$1,213	\$2,078	\$3,367	\$4,758
Total Income	\$217,444	\$225,676	\$281,129	\$405,474	\$546,581
# Component					
<b>Site/Grounds</b>					
105 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
107 Asphalt - Seal/Repair	\$0	\$0	\$12,938	\$0	\$0
130 Wood Fence - Repair/Replace	\$0	\$61,594	\$0	\$0	\$0
162 Wood Fence - Stain/Paint	\$0	\$16,583	\$0	\$0	\$0
<b>Recreation</b>					
405 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
<b>Building Exterior</b>					
502 Wood Deck - Partial Repair/Replace	\$0	\$0	\$0	\$0	\$0
504 Wood Deck - Total Replace	\$0	\$0	\$0	\$0	\$0
520 Exterior Lights - Replace	\$9,240	\$0	\$0	\$0	\$0
540 Exterior Surfaces-Clean/Seal/Paint	\$88,000	\$0	\$0	\$0	\$0
542 Exterior Surfaces - Partial Replace	\$25,000	\$0	\$0	\$0	\$0
546 Windows/Glass Doors - Replace	\$0	\$0	\$0	\$0	\$0
600 Building Roofs - Replace	\$0	\$0	\$0	\$0	\$0
602 Carports/Roofs - Replace	\$0	\$0	\$0	\$0	\$0
606 Downspouts - Repair/Replace	\$0	\$0	\$0	\$0	\$0
<b>Systems/Equipment</b>					
900 Plumbing - Repair/Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$122,240	\$78,177	\$12,938	\$0	\$0
Ending Reserve Balance:	\$95,204	\$147,499	\$268,192	\$405,474	\$546,581

**Table 5: 30-Year Income/Expense Detail (yrs 5 through 9)****7419-4**

Fiscal Year	2017	2018	2019	2020	2021
Starting Reserve Balance	\$546,581	\$289,263	\$194,290	\$268,095	\$365,296
Annual Reserve Contribution	\$86,055	\$88,637	\$91,296	\$94,035	\$96,856
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$4,177	\$2,417	\$2,311	\$3,166	\$4,156
<b>Total Income</b>	<b>\$636,814</b>	<b>\$380,317</b>	<b>\$287,896</b>	<b>\$365,296</b>	<b>\$466,308</b>
# Component					
<b>Site/Grounds</b>					
105 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
107 Asphalt - Seal/Repair	\$0	\$14,561	\$0	\$0	\$0
130 Wood Fence - Repair/Replace	\$0	\$0	\$0	\$0	\$0
162 Wood Fence - Stain/Paint	\$0	\$0	\$19,801	\$0	\$0
<b>Recreation</b>					
405 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
<b>Building Exterior</b>					
502 Wood Deck - Partial Repair/Replace	\$0	\$36,538	\$0	\$0	\$0
504 Wood Deck - Total Replace	\$0	\$0	\$0	\$0	\$0
520 Exterior Lights - Replace	\$0	\$0	\$0	\$0	\$0
540 Exterior Surfaces-Clean/Seal/Paint	\$0	\$105,077	\$0	\$0	\$0
542 Exterior Surfaces - Partial Replace	\$0	\$29,851	\$0	\$0	\$0
546 Windows/Glass Doors - Replace	\$0	\$0	\$0	\$0	\$0
600 Building Roofs - Replace	\$278,342	\$0	\$0	\$0	\$0
602 Carports/Roofs - Replace	\$48,110	\$0	\$0	\$0	\$0
606 Downspouts - Repair/Replace	\$21,099	\$0	\$0	\$0	\$0
<b>Systems/Equipment</b>					
900 Plumbing - Repair/Replace	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$347,550</b>	<b>\$186,027</b>	<b>\$19,801</b>	<b>\$0</b>	<b>\$0</b>
Ending Reserve Balance:	\$289,263	\$194,290	\$268,095	\$365,296	\$466,308

**Table 5: 30-Year Income/Expense Detail (yrs 10 through 14)****7419-4**

Fiscal Year	2022	2023	2024	2025	2026
Starting Reserve Balance	\$466,308	\$554,784	\$663,628	\$614,743	\$688,268
Annual Reserve Contribution	\$99,762	\$102,754	\$105,837	\$109,012	\$112,283
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$5,103	\$6,089	\$6,389	\$6,512	\$6,775
Total Income	\$571,173	\$663,628	\$775,854	\$730,268	\$807,325
# Component					
<b>Site/Grounds</b>					
105 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$121,658
107 Asphalt - Seal/Repair	\$16,389	\$0	\$0	\$0	\$18,446
130 Wood Fence - Repair/Replace	\$0	\$0	\$0	\$0	\$0
162 Wood Fence - Stain/Paint	\$0	\$0	\$0	\$23,643	\$0
<b>Recreation</b>					
405 Play Equipment - Replace	\$0	\$0	\$0	\$18,357	\$0
<b>Building Exterior</b>					
502 Wood Deck - Partial Repair/Replace	\$0	\$0	\$0	\$0	\$0
504 Wood Deck - Total Replace	\$0	\$0	\$0	\$0	\$0
520 Exterior Lights - Replace	\$0	\$0	\$0	\$0	\$0
540 Exterior Surfaces-Clean/Seal/Paint	\$0	\$0	\$125,467	\$0	\$0
542 Exterior Surfaces - Partial Replace	\$0	\$0	\$35,644	\$0	\$0
546 Windows/Glass Doors - Replace	\$0	\$0	\$0	\$0	\$0
600 Building Roofs - Replace	\$0	\$0	\$0	\$0	\$0
602 Carports/Roofs - Replace	\$0	\$0	\$0	\$0	\$0
606 Downspouts - Repair/Replace	\$0	\$0	\$0	\$0	\$0
<b>Systems/Equipment</b>					
900 Plumbing - Repair/Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$16,389	\$0	\$161,111	\$42,000	\$140,104
Ending Reserve Balance:	\$554,784	\$663,628	\$614,743	\$688,268	\$667,221

**Table 5: 30-Year Income/Expense Detail (yrs 15 through 19)****7419-4**

Fiscal Year	2027	2028	2029	2030	2031
Starting Reserve Balance	\$667,221	\$790,156	\$917,813	\$1,050,343	\$853,177
Annual Reserve Contribution	\$115,651	\$119,121	\$122,694	\$126,375	\$130,166
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$7,284	\$8,536	\$9,837	\$9,514	\$8,556
Total Income	\$790,156	\$917,813	\$1,050,343	\$1,186,232	\$991,899
# Component					
<b>Site/Grounds</b>					
105 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
107 Asphalt - Seal/Repair	\$0	\$0	\$0	\$20,761	\$0
130 Wood Fence - Repair/Replace	\$0	\$0	\$0	\$0	\$104,860
162 Wood Fence - Stain/Paint	\$0	\$0	\$0	\$0	\$28,231
<b>Recreation</b>					
405 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
<b>Building Exterior</b>					
502 Wood Deck - Partial Repair/Replace	\$0	\$0	\$0	\$52,094	\$0
504 Wood Deck - Total Replace	\$0	\$0	\$0	\$52,094	\$0
520 Exterior Lights - Replace	\$0	\$0	\$0	\$15,730	\$0
540 Exterior Surfaces-Clean/Seal/Paint	\$0	\$0	\$0	\$149,814	\$0
542 Exterior Surfaces - Partial Replace	\$0	\$0	\$0	\$42,561	\$0
546 Windows/Glass Doors - Replace	\$0	\$0	\$0	\$0	\$0
600 Building Roofs - Replace	\$0	\$0	\$0	\$0	\$0
602 Carports/Roofs - Replace	\$0	\$0	\$0	\$0	\$0
606 Downspouts - Repair/Replace	\$0	\$0	\$0	\$0	\$0
<b>Systems/Equipment</b>					
900 Plumbing - Repair/Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$0	\$0	\$0	\$333,055	\$133,091
Ending Reserve Balance:	\$790,156	\$917,813	\$1,050,343	\$853,177	\$858,808



**Table 5: 30-Year Income/Expense Detail (yrs 20 through 24)****7419-4**

Fiscal Year	2032	2033	2034	2035	2036
Starting Reserve Balance	\$858,808	\$1,002,180	\$1,151,035	\$1,282,065	\$1,442,183
Annual Reserve Contribution	\$134,071	\$138,093	\$142,236	\$146,503	\$150,898
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$9,301	\$10,762	\$12,160	\$13,615	\$11,397
<b>Total Income</b>	<b>\$1,002,180</b>	<b>\$1,151,035</b>	<b>\$1,305,432</b>	<b>\$1,442,183</b>	<b>\$1,604,478</b>
# Component					
<b>Site/Grounds</b>					
105 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
107 Asphalt - Seal/Repair	\$0	\$0	\$23,367	\$0	\$0
130 Wood Fence - Repair/Replace	\$0	\$0	\$0	\$0	\$0
162 Wood Fence - Stain/Paint	\$0	\$0	\$0	\$0	\$0
<b>Recreation</b>					
405 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
<b>Building Exterior</b>					
502 Wood Deck - Partial Repair/Replace	\$0	\$0	\$0	\$0	\$0
504 Wood Deck - Total Replace	\$0	\$0	\$0	\$0	\$0
520 Exterior Lights - Replace	\$0	\$0	\$0	\$0	\$0
540 Exterior Surfaces-Clean/Seal/Paint	\$0	\$0	\$0	\$0	\$178,886
542 Exterior Surfaces - Partial Replace	\$0	\$0	\$0	\$0	\$50,820
546 Windows/Glass Doors - Replace	\$0	\$0	\$0	\$0	\$536,658
600 Building Roofs - Replace	\$0	\$0	\$0	\$0	\$0
602 Carports/Roofs - Replace	\$0	\$0	\$0	\$0	\$0
606 Downspouts - Repair/Replace	\$0	\$0	\$0	\$0	\$0
<b>Systems/Equipment</b>					
900 Plumbing - Repair/Replace	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$0</b>	<b>\$0</b>	<b>\$23,367</b>	<b>\$0</b>	<b>\$766,363</b>
Ending Reserve Balance:	\$1,002,180	\$1,151,035	\$1,282,065	\$1,442,183	\$838,115

**Table 5: 30-Year Income/Expense Detail (yrs 25 through 29)****7419-4**

Fiscal Year	2037	2038	2039	2040	2041
Starting Reserve Balance	\$838,115	\$337,994	\$475,850	\$646,349	\$794,790
Annual Reserve Contribution	\$155,425	\$160,088	\$164,891	\$169,837	\$174,933
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$5,878	\$4,067	\$5,609	\$7,203	\$8,863
<b>Total Income</b>	<b>\$999,418</b>	<b>\$502,150</b>	<b>\$646,349</b>	<b>\$823,389</b>	<b>\$978,586</b>
# Component					
<b>Site/Grounds</b>					
105 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
107 Asphalt - Seal/Repair	\$0	\$26,300	\$0	\$0	\$0
130 Wood Fence - Repair/Replace	\$0	\$0	\$0	\$0	\$0
162 Wood Fence - Stain/Paint	\$33,710	\$0	\$0	\$0	\$0
<b>Recreation</b>					
405 Play Equipment - Replace	\$0	\$0	\$0	\$28,599	\$0
<b>Building Exterior</b>					
502 Wood Deck - Partial Repair/Replace	\$0	\$0	\$0	\$0	\$0
504 Wood Deck - Total Replace	\$0	\$0	\$0	\$0	\$0
520 Exterior Lights - Replace	\$0	\$0	\$0	\$0	\$0
540 Exterior Surfaces-Clean/Seal/Paint	\$0	\$0	\$0	\$0	\$0
542 Exterior Surfaces - Partial Replace	\$0	\$0	\$0	\$0	\$0
546 Windows/Glass Doors - Replace	\$0	\$0	\$0	\$0	\$0
600 Building Roofs - Replace	\$502,716	\$0	\$0	\$0	\$0
602 Carports/Roofs - Replace	\$86,892	\$0	\$0	\$0	\$0
606 Downspouts - Repair/Replace	\$38,107	\$0	\$0	\$0	\$0
<b>Systems/Equipment</b>					
900 Plumbing - Repair/Replace	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$661,424</b>	<b>\$26,300</b>	<b>\$0</b>	<b>\$28,599</b>	<b>\$0</b>
Ending Reserve Balance:	\$337,994	\$475,850	\$646,349	\$794,790	\$978,586

## 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

<b>BTU</b>	British Thermal Unit (a standard unit of energy)
<b>DIA</b>	Diameter
<b>GSF</b>	Gross Square Feet (area)
<b>GSY</b>	Gross Square Yards (area)
<b>HP</b>	Horsepower
<b>LF</b>	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.

## Photographic Inventory Appendix

The primary purpose of the photographic appendix is to provide the reader with the basis of our funding assumptions resulting from our physical analysis and subsequent research. The photographs 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 to the left of the photo (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 range termed “Best Cost” and “Worst Cost” below the photo. 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.