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“Full” Reserve Study



Sunrise Ridge at Somerset Hill Tumwater, WA

Report #: 21724-0
For Period Beginning: January 1, 2012
Expires: December 31, 2012
Date Prepared: July 14, 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

The logo for Association Reserves features the word "ASSOCIATION" in a serif font above the word "RESERVES" in a larger, bold serif font. A stylized green swoosh underline is positioned behind the text.

**ASSOCIATION
RESERVES**

Est. 1986

Reserve Studies for Community Associations

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3- Minute Executive Summary

Association: Sunrise Ridge at Somerset Hill **Assoc. #:** 21724-0
Location: Tumwater, WA
of Units: 78
Report Period: January 1, 2012 through December 31, 2012

Results as-of 1/1/2012:

Projected Starting Reserve Balance:	\$15,000
Fully Funded Reserve Balance:	\$71,873
Average Reserve Deficit (Surplus) Per Unit:	\$729
Percent Funded:	20.9%
100% Full Funding 2012 Monthly Reserve Contribution:	\$1,200
Baseline Contribution (min to maintain reserves above \$0)	\$1,150
Recommended 2012 Special Assessment for Reserves:	\$0
Most Recent Reserve Contribution Rate:	\$0

Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves..... **0.25%**
Annual Inflation Rate **3.00%**

- The information in this Reserve Study is based on our site inspection on June 24, 2011 and meets or exceeds all requirements of chapter 64.34 RCW Article 3. This Reserve Study was prepared by a credentialed Reserve Specialist (RS).
- Your Reserve Fund is currently 20.9% 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, our recommendation is to establish your Monthly Reserve Contributions at the 100% Full Funding range as noted above (Tables and charts herein reflect Full Funding as our recommended contribution). The Full contribution rate is designed to achieve the stated funding objective by the end of our 30-year report scope.
- See photo pages for detailed component information and the basis of our assumptions.

- **It should be noted that the adjacent 117 lot community of The Highlands (under development) and the Sunrise Ridge at Somerset Hill community are subject to one set of covenants. Sunrise Ridge consulted with an attorney who provided a letter/clarification on the relationship and responsibility. The conclusion by the attorney was that because less than 75% of the lots in The Highlands are not sold and occupied, Sunrise Ridge has no responsibility to maintain any common areas in The Highlands at this time. This reserve study includes only the common area in The Sunrise Ridge community and our recommendations (and current budget by the Association) is based only on the 78 lots in Sunrise Ridge.**

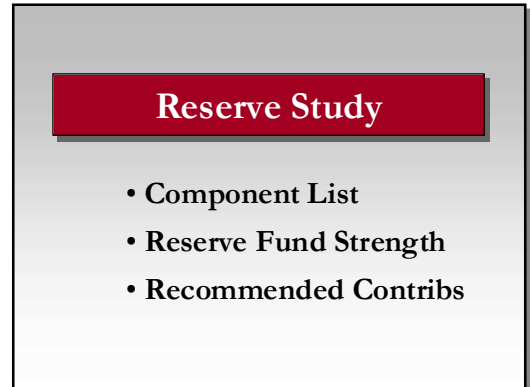
# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
100 Concrete - Repair/Replace	5	5	\$5,000	\$5,796
120 Asphalt Private Roads - Resurface	20	11	\$101,150	\$140,015
140 Double Rail Fence - Replace	15	6	\$9,450	\$11,284
142 Wood with Cyclone Fencing - Replace	15	6	\$13,605	\$16,245
144 Cyclone Fencing - Replace	30	21	\$5,400	\$10,046
170 Landscape - Refurbish/Improvements	5	3	\$5,000	\$5,464
200 Entry Monuments - Repair/Replace	20	11	\$6,000	\$8,305
205 Mailboxes - Replace	20	11	\$9,800	\$13,565
220 Bus Shelters - Repair/Replace	15	6	\$2,988	\$3,567
9 Total Funded Components				

Note: Cross reference component numbers with photographic inventory appendix. A reserve-funding threshold of 1% of the total annual operating budget expenses (excluding reserve contributions) is typical with expenses below this level best factored within the 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.

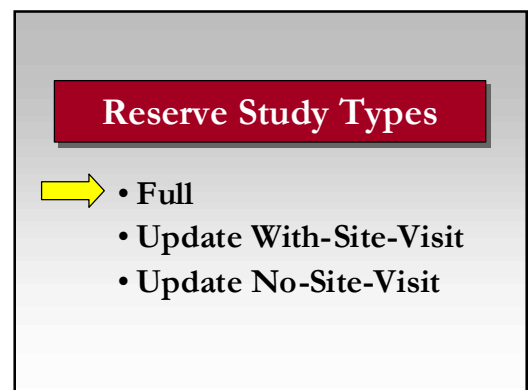
In this Report you will find the Reserve Component List (what you are reserving for). It contains our estimates for Useful Life, Remaining Useful Life, and the current repair or replacement cost for each major component the association is obligated to maintain. Based on that List and your starting balance 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 "Full" Reserve Study, we started with a review of your Governing Documents, 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 quantify and evaluate your common areas, creating your Reserve Component List "from scratch".



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)
- 2) Association Reserves database of experience
- 3) Client Component History
- 4) Vendor Evaluation and Recommendation

How are Cost Estimates Established?

In this order...

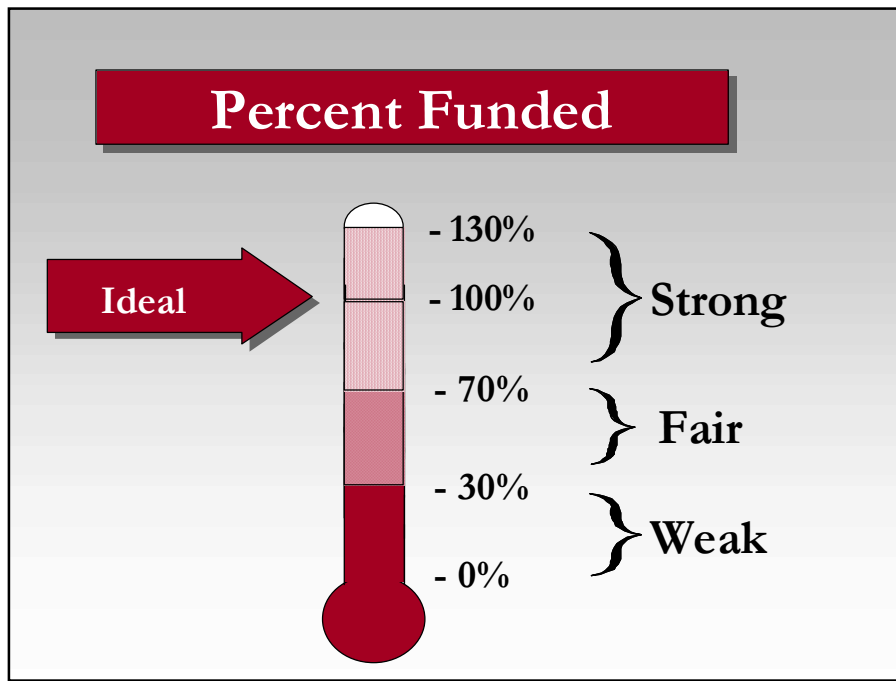
- 1) Client Cost History
- 2) Comparison to Association Reserves database of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

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 Boardmembers 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

During our site visit on June 24, 2011, we met with the Association Manager at the site. We discussed past projects and future plans/concerns of the community. During the site inspection, we viewed the common areas of responsibility including private roads, stormwater ponds, landscaping, etc. Following our inspection we contact some board members and community vendors for further information.

As verbalized to us, regular maintenance of the ponds and more active overall maintenance is anticipated of common areas. By regularly maintaining these areas as well as other general maintenance such as periodic asphalt repairs/crack filling, fence repairs as needed, etc. this will help extend the useful lives of the large scale expenses of these components. This was evidenced recently by a large expense for clean up around the land areas of the ponds (see component #175). The operating budget should account for this regular ongoing maintenance.

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.

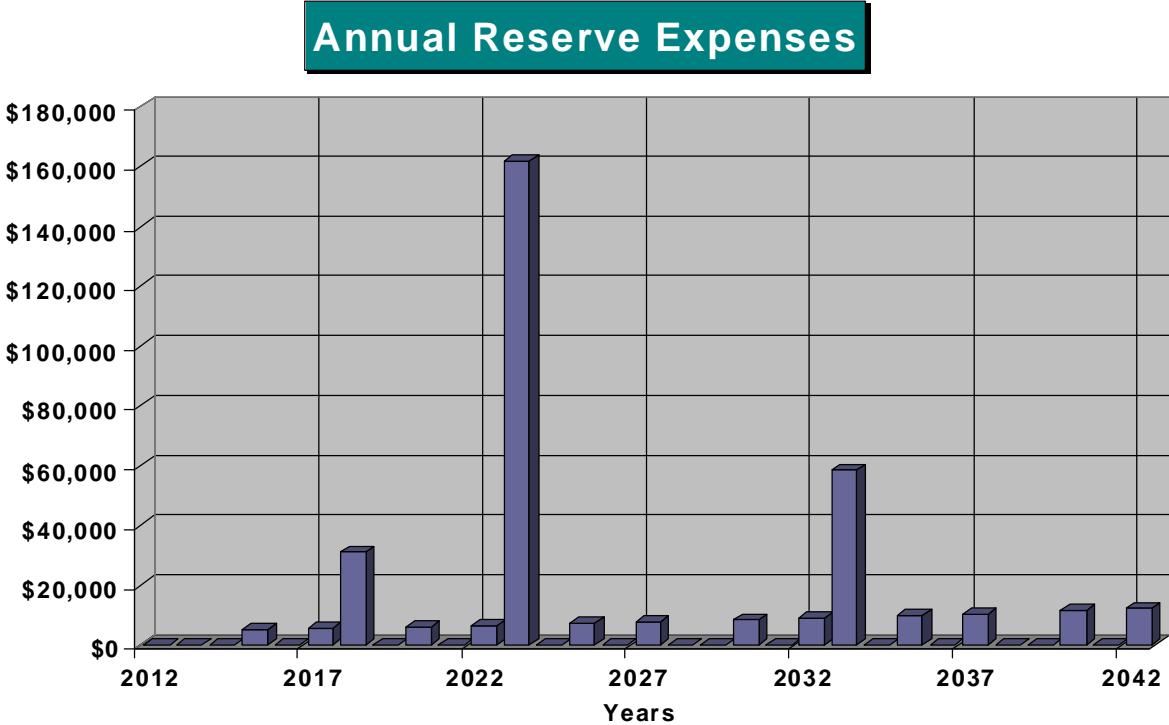


Figure 1

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 \$15,000 as-of the start of your Fiscal Year on January 1, 2012. This is based on your actual balance on 12/31/2010 of \$14,996.89 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 \$71,873 (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 21% Funded; this represents a weak status.

Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we are recommending Reserve contributions of \$1,200/month this Fiscal Year. This represents the first year of the 30-year Funding Plan shown below. This same information is shown numerically in both Table 4 and Table 5.

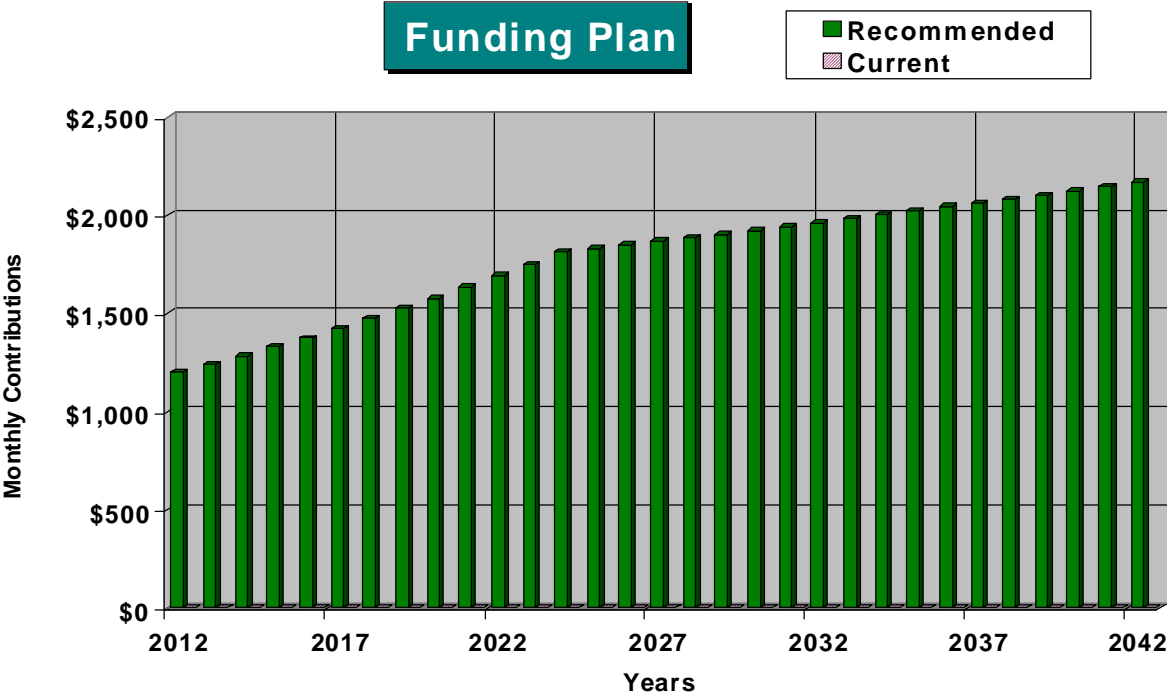


Figure 2

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.

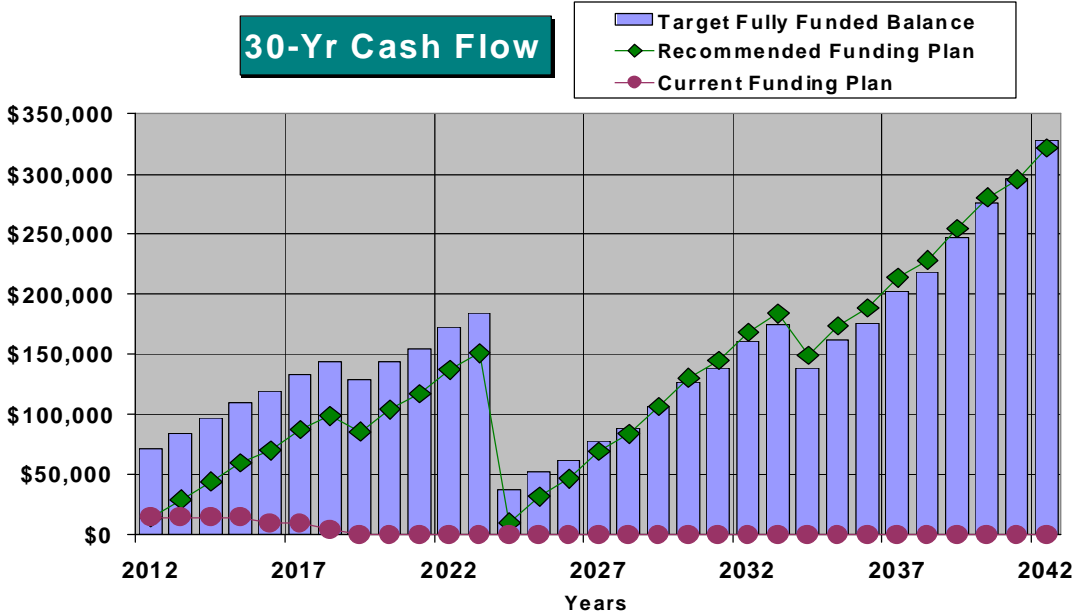


Figure 3

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

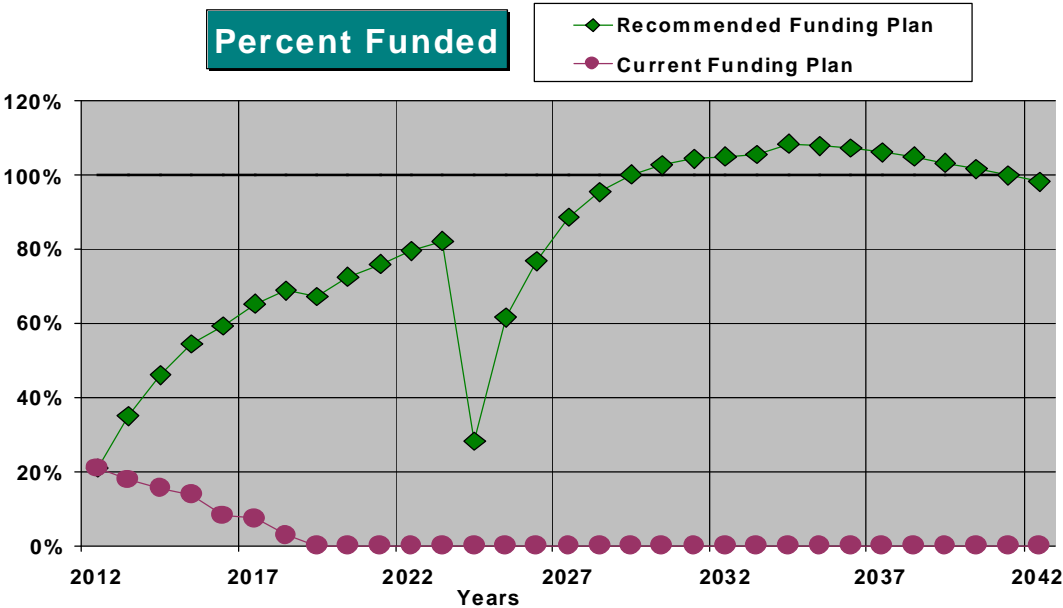


Figure 4

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 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**21724-0**

# Component	Quantity	Useful Life	Rem. Useful Life	Best Cost	Current Worst Cost
100 Concrete - Repair/Replace	~16,000 GSF sdwks/curbs	5	5	\$4,000	\$6,000
120 Asphalt Private Roads - Resurface	Approx 57,800 GSF	20	11	\$86,700	\$115,600
140 Double Rail Fence - Replace	~700 linear feet, wood	15	6	\$8,050	\$10,850
142 Wood with Cyclone Fencing - Replace	~850 linear feet	15	6	\$11,480	\$15,730
144 Cyclone Fencing - Replace	~400 linear feet	30	21	\$4,600	\$6,200
170 Landscape - Refurbish/Improvements	Moderate landscaping	5	3	\$4,000	\$6,000
200 Entry Monuments - Repair/Replace	(2) stone/granite	20	11	\$5,000	\$7,000
205 Mailboxes - Replace	(7) metal cluster stands	20	11	\$8,400	\$11,200
220 Bus Shelters - Repair/Replace	(3) 10' X 6' wood strct.	15	6	\$2,225	\$3,750
9 Total Funded Components					

Table 3: Contribution and Fund Breakdown**21724-0**

# Component	Useful Life	Rem. Useful Life	Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
100 Concrete - Repair/Replace	5	5	\$5,000	\$0	\$0.00	\$0.00
120 Asphalt Private Roads - Resurface	20	11	\$101,150	\$45,518	\$0.00	\$692.52
140 Double Rail Fence - Replace	15	6	\$9,450	\$5,670	\$5,670.00	\$86.27
142 Wood with Cyclone Fencing - Replace	15	6	\$13,605	\$8,163	\$7,330.00	\$124.19
144 Cyclone Fencing - Replace	30	21	\$5,400	\$1,620	\$0.00	\$24.65
170 Landscape - Refurbish/Improvements	5	3	\$5,000	\$2,000	\$2,000.00	\$136.93
200 Entry Monuments - Repair/Replace	20	11	\$6,000	\$2,700	\$0.00	\$41.08
205 Mailboxes - Replace	20	11	\$9,800	\$4,410	\$0.00	\$67.10
220 Bus Shelters - Repair/Replace	15	6	\$2,988	\$1,793	\$0.00	\$27.27
9 Total Funded Components				\$71,873	\$15,000	\$1,200

Table 4: 30-Year Reserve Plan Summary

21724-0

Fiscal Year Beginning: 01/01/12

Interest: 0.3%	Inflation: 3.0%
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Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Rating	Annual Reserve Contribs.	Loans or Special Assmts	Interest Income	Projected Reserve Expenses
2012	\$15,000	\$71,873	20.9%	Weak	\$14,400	\$0	\$56	\$0
2013	\$29,456	\$84,086	35.0%	Fair	\$14,904	\$0	\$92	\$0
2014	\$44,452	\$96,967	45.8%	Fair	\$15,426	\$0	\$131	\$0
2015	\$60,008	\$110,545	54.3%	Fair	\$15,966	\$0	\$163	\$5,464
2016	\$70,673	\$119,223	59.3%	Fair	\$16,524	\$0	\$198	\$0
2017	\$87,395	\$134,118	65.2%	Fair	\$17,103	\$0	\$233	\$5,796
2018	\$98,934	\$143,830	68.8%	Fair	\$17,701	\$0	\$231	\$31,096
2019	\$85,771	\$128,124	66.9%	Fair	\$18,321	\$0	\$238	\$0
2020	\$104,329	\$144,336	72.3%	Strong	\$18,962	\$0	\$277	\$6,334
2021	\$117,234	\$154,881	75.7%	Strong	\$19,626	\$0	\$318	\$0
2022	\$137,178	\$172,649	79.5%	Strong	\$20,313	\$0	\$360	\$6,720
2023	\$151,131	\$184,423	81.9%	Strong	\$21,024	\$0	\$202	\$161,886
2024	\$10,471	\$37,133	28.2%	Weak	\$21,759	\$0	\$53	\$0
2025	\$32,283	\$52,585	61.4%	Fair	\$21,977	\$0	\$99	\$7,343
2026	\$47,017	\$61,369	76.6%	Strong	\$22,197	\$0	\$145	\$0
2027	\$69,359	\$78,421	88.4%	Strong	\$22,419	\$0	\$192	\$7,790
2028	\$84,180	\$88,418	95.2%	Strong	\$22,643	\$0	\$239	\$0
2029	\$107,062	\$107,208	99.9%	Strong	\$22,869	\$0	\$297	\$0
2030	\$130,228	\$127,047	102.5%	Strong	\$23,098	\$0	\$344	\$8,512
2031	\$145,158	\$139,211	104.3%	Strong	\$23,329	\$0	\$393	\$0
2032	\$168,879	\$161,022	104.9%	Strong	\$23,562	\$0	\$441	\$9,031
2033	\$183,852	\$174,714	105.2%	Strong	\$23,798	\$0	\$417	\$58,492
2034	\$149,574	\$138,417	108.1%	Strong	\$24,036	\$0	\$404	\$0
2035	\$174,015	\$161,839	107.5%	Strong	\$24,276	\$0	\$454	\$9,868
2036	\$188,876	\$176,377	107.1%	Strong	\$24,519	\$0	\$503	\$0
2037	\$213,899	\$202,112	105.8%	Strong	\$24,764	\$0	\$553	\$10,469
2038	\$228,747	\$218,448	104.7%	Strong	\$25,012	\$0	\$604	\$0
2039	\$254,363	\$246,690	103.1%	Strong	\$25,262	\$0	\$668	\$0
2040	\$280,293	\$276,429	101.4%	Strong	\$25,515	\$0	\$719	\$11,440
2041	\$295,087	\$295,948	99.7%	Strong	\$25,770	\$0	\$771	\$0

Table 5: 30-Year Income/Expense Detail (yrs 0 through 4) 21724-0

Fiscal Year	2012	2013	2014	2015	2016
Starting Reserve Balance	\$15,000	\$29,456	\$44,452	\$60,008	\$70,673
Annual Reserve Contribution	\$14,400	\$14,904	\$15,426	\$15,966	\$16,524
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$56	\$92	\$131	\$163	\$198
Total Income	\$29,456	\$44,452	\$60,008	\$76,137	\$87,395
# Component					
100 Concrete - Repair/Replace	\$0	\$0	\$0	\$0	\$0
120 Asphalt Private Roads - Resurface	\$0	\$0	\$0	\$0	\$0
140 Double Rail Fence - Replace	\$0	\$0	\$0	\$0	\$0
142 Wood with Cyclone Fencing - Replace	\$0	\$0	\$0	\$0	\$0
144 Cyclone Fencing - Replace	\$0	\$0	\$0	\$0	\$0
170 Landscape - Refurbish/Improvements	\$0	\$0	\$0	\$5,464	\$0
200 Entry Monuments - Repair/Replace	\$0	\$0	\$0	\$0	\$0
205 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
220 Bus Shelters - Repair/Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$0	\$0	\$0	\$5,464	\$0
Ending Reserve Balance:	\$29,456	\$44,452	\$60,008	\$70,673	\$87,395

Table 5: 30-Year Income/Expense Detail (yrs 5 through 9) 21724-0

Fiscal Year	2017	2018	2019	2020	2021
Starting Reserve Balance	\$87,395	\$98,934	\$85,771	\$104,329	\$117,234
Annual Reserve Contribution	\$17,103	\$17,701	\$18,321	\$18,962	\$19,626
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$233	\$231	\$238	\$277	\$318
Total Income	\$104,731	\$116,867	\$104,329	\$123,568	\$137,178
# Component					
100 Concrete - Repair/Replace	\$5,796	\$0	\$0	\$0	\$0
120 Asphalt Private Roads - Resurface	\$0	\$0	\$0	\$0	\$0
140 Double Rail Fence - Replace	\$0	\$11,284	\$0	\$0	\$0
142 Wood with Cyclone Fencing - Replace	\$0	\$16,245	\$0	\$0	\$0
144 Cyclone Fencing - Replace	\$0	\$0	\$0	\$0	\$0
170 Landscape - Refurbish/Improvements	\$0	\$0	\$0	\$6,334	\$0
200 Entry Monuments - Repair/Replace	\$0	\$0	\$0	\$0	\$0
205 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
220 Bus Shelters - Repair/Replace	\$0	\$3,567	\$0	\$0	\$0
Total Expenses	\$5,796	\$31,096	\$0	\$6,334	\$0
Ending Reserve Balance:	\$98,934	\$85,771	\$104,329	\$117,234	\$137,178

Table 5: 30-Year Income/Expense Detail (yrs 10 through 14)**21724-0**

Fiscal Year	2022	2023	2024	2025	2026
Starting Reserve Balance	\$137,178	\$151,131	\$10,471	\$32,283	\$47,017
Annual Reserve Contribution	\$20,313	\$21,024	\$21,759	\$21,977	\$22,197
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$360	\$202	\$53	\$99	\$145
Total Income	\$157,851	\$172,357	\$32,283	\$54,359	\$69,359
# Component					
100 Concrete - Repair/Replace	\$6,720	\$0	\$0	\$0	\$0
120 Asphalt Private Roads - Resurface	\$0	\$140,015	\$0	\$0	\$0
140 Double Rail Fence - Replace	\$0	\$0	\$0	\$0	\$0
142 Wood with Cyclone Fencing - Replace	\$0	\$0	\$0	\$0	\$0
144 Cyclone Fencing - Replace	\$0	\$0	\$0	\$0	\$0
170 Landscape - Refurbish/Improvements	\$0	\$0	\$0	\$7,343	\$0
200 Entry Monuments - Repair/Replace	\$0	\$8,305	\$0	\$0	\$0
205 Mailboxes - Replace	\$0	\$13,565	\$0	\$0	\$0
220 Bus Shelters - Repair/Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$6,720	\$161,886	\$0	\$7,343	\$0
Ending Reserve Balance:	\$151,131	\$10,471	\$32,283	\$47,017	\$69,359

Table 5: 30-Year Income/Expense Detail (yrs 15 through 19) 21724-0

Fiscal Year	2027	2028	2029	2030	2031
Starting Reserve Balance	\$69,359	\$84,180	\$107,062	\$130,228	\$145,158
Annual Reserve Contribution	\$22,419	\$22,643	\$22,869	\$23,098	\$23,329
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$192	\$239	\$297	\$344	\$393
Total Income	\$91,970	\$107,062	\$130,228	\$153,670	\$168,879
# Component					
100 Concrete - Repair/Replace	\$7,790	\$0	\$0	\$0	\$0
120 Asphalt Private Roads - Resurface	\$0	\$0	\$0	\$0	\$0
140 Double Rail Fence - Replace	\$0	\$0	\$0	\$0	\$0
142 Wood with Cyclone Fencing - Replace	\$0	\$0	\$0	\$0	\$0
144 Cyclone Fencing - Replace	\$0	\$0	\$0	\$0	\$0
170 Landscape - Refurbish/Improvements	\$0	\$0	\$0	\$8,512	\$0
200 Entry Monuments - Repair/Replace	\$0	\$0	\$0	\$0	\$0
205 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
220 Bus Shelters - Repair/Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$7,790	\$0	\$0	\$8,512	\$0
Ending Reserve Balance:	\$84,180	\$107,062	\$130,228	\$145,158	\$168,879

Table 5: 30-Year Income/Expense Detail (yrs 20 through 24) 21724-0

Fiscal Year	2032	2033	2034	2035	2036
Starting Reserve Balance	\$168,879	\$183,852	\$149,574	\$174,015	\$188,876
Annual Reserve Contribution	\$23,562	\$23,798	\$24,036	\$24,276	\$24,519
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$441	\$417	\$404	\$454	\$503
Total Income	\$192,882	\$208,066	\$174,015	\$198,744	\$213,899
# Component					
100 Concrete - Repair/Replace	\$9,031	\$0	\$0	\$0	\$0
120 Asphalt Private Roads - Resurface	\$0	\$0	\$0	\$0	\$0
140 Double Rail Fence - Replace	\$0	\$17,580	\$0	\$0	\$0
142 Wood with Cyclone Fencing - Replace	\$0	\$25,309	\$0	\$0	\$0
144 Cyclone Fencing - Replace	\$0	\$10,046	\$0	\$0	\$0
170 Landscape - Refurbish/Improvements	\$0	\$0	\$0	\$9,868	\$0
200 Entry Monuments - Repair/Replace	\$0	\$0	\$0	\$0	\$0
205 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
220 Bus Shelters - Repair/Replace	\$0	\$5,558	\$0	\$0	\$0
Total Expenses	\$9,031	\$58,492	\$0	\$9,868	\$0
Ending Reserve Balance:	\$183,852	\$149,574	\$174,015	\$188,876	\$213,899

Table 5: 30-Year Income/Expense Detail (yrs 25 through 29) 21724-0

Fiscal Year	2037	2038	2039	2040	2041
Starting Reserve Balance	\$213,899	\$228,747	\$254,363	\$280,293	\$295,087
Annual Reserve Contribution	\$24,764	\$25,012	\$25,262	\$25,515	\$25,770
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$553	\$604	\$668	\$719	\$771
Total Income	\$239,216	\$254,363	\$280,293	\$306,527	\$321,628
# Component					
100 Concrete - Repair/Replace	\$10,469	\$0	\$0	\$0	\$0
120 Asphalt Private Roads - Resurface	\$0	\$0	\$0	\$0	\$0
140 Double Rail Fence - Replace	\$0	\$0	\$0	\$0	\$0
142 Wood with Cyclone Fencing - Replace	\$0	\$0	\$0	\$0	\$0
144 Cyclone Fencing - Replace	\$0	\$0	\$0	\$0	\$0
170 Landscape - Refurbish/Improvements	\$0	\$0	\$0	\$11,440	\$0
200 Entry Monuments - Repair/Replace	\$0	\$0	\$0	\$0	\$0
205 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
220 Bus Shelters - Repair/Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$10,469	\$0	\$0	\$11,440	\$0
Ending Reserve Balance:	\$228,747	\$254,363	\$280,293	\$295,087	\$321,628

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.

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.