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“Full” Reserve Study



Pointe Woodworth HOA Tacoma, WA

Report #: 13505-0
For Period Beginning: January 1, 2006
Ending: December 31, 2006

Date Prepared: September 2, 2005

Hello, and welcome to your Reserve Study!

It's all very simple, really. A Reserve Study is the *art and science* of anticipating, and preparing for, major common area repair and replacement costs. With our experience in this industry, we have gathered the information necessary to make an evaluation of the current status of your Reserve Components, an evaluation of the current status of your Reserve Fund, and a recommended Reserve Funding Plan.

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.

While this Report has been prepared to answer all of your questions, please don't hesitate to call us if unanswered questions remain. Our toll-free number is (866) 900-2792, and answers to most frequently asked questions are on our web site (www.ReserveStudy.com). A *Quick Reference Guide* is provided on the following page, to map out your Reserve Study and provide directions to the most valuable areas. From the entire staff of Association Reserves, thank you for selecting us as your Reserve-planning partner!



Quick Reference Guide



What do I distribute to the homeowners?

A good choice is to distribute copies of the “Executive Summary” immediately following the Table of Contents (a summary page and the Reserve Component Listing).

Where do I find...

...a listing of our Reserve Components?

Table 2 shows the name, Useful Life, Remaining Useful Life, and current Replacement Cost.

...our Percent Funded rating and recommended Reserve Contribution Rate?

With our major financial summary information, in the Executive Summary (Page i)

...a description of our objectives and methodology?

Beginning on Page 1 we introduce the Reserve Study, our objectives, and methodology.

...more detailed information on our site inspection?

General site inspection notes can be found on Page 5. Photographs and specific information on each component can be found in the Photographic Inventory Appendix.

More questions?

Visit our web site at www.ReserveStudy.com



or call us at (866) 900-2792

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Executive Summary

Association: Pointe Woodworth HOA **Assoc. #:** 13505-0
Location: Tacoma, WA
of Units: 180
Report Period: January 1, 2006 through December 31, 2006

Results

Projected Starting Reserve Balance:	\$64,800
Fully Funded Reserve Balance:	\$328,602
Percent Funded:	19.7%
Recommended 2006 Monthly Reserve Contribution:	\$5,100
Recommended Special Assessment this year:	\$0
Most Recent Reserve Contribution Rate:	\$0

Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves.....**2.27%**
Annual Inflation Rate**3.00%**

- The information in this Reserve Study is based on our site inspection on August 26, 2005.
- Because your Reserve Fund is 19.7% Funded, this represents a weak position, well below the 70-100% level where associations statistically enjoy fiscal stability with relatively low risk of special assessment and/or deferred maintenance.
- Based on this starting point, your anticipated future expenses, and historical Reserve contribution rate, our recommendation is to establish 2006 Monthly Reserve Contributions at \$5,100 with annual inflation offsetting increases thereafter.
- Your multi-year Funding Plan is designed to gradually bring you to the 100% level, or "Fully Funded".
- Reserve projects anticipated this year include: see Table 1, proceeding page.

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
201 Asphalt - Resurface	20	12	\$226,563	\$323,024
201 Asphalt - Resurface	20	16	\$98,238	\$157,642
202 Asphalt - Repair	4	4	\$4,000	\$4,502
212 Asphalt Paths - Resurface	20	12	\$268,125	\$382,282
213 Asphalt Paths - Repair	4	0	\$5,000	\$5,628
305 Surveillance System - Replace	8	6	\$5,000	\$5,970
306 Keypad Locksets - Replace	5	2	\$3,000	\$3,183
403 Mailboxes - Replace	20	12	\$22,400	\$31,937
405 Play Equipment - Replace	12	4	\$20,000	\$22,510
408 Picnic Assets - Replace	15	7	\$2,400	\$2,952
502 Chain Link Fence - Replace	30	22	\$47,500	\$91,015
503 Metal Fence - Replace	30	22	\$2,100	\$4,024
505 Wood Fence - Replace	16	8	\$30,900	\$39,143
701 Entry Gates - Replace	20	12	\$16,000	\$22,812
703 Intercom - Replace	12	4	\$4,000	\$4,502
705 Gate Operators - Replace	8	5	\$14,000	\$16,230
1109 Wood Fence - Seal	4	0	\$7,415	\$8,346
1110 Block Wall - Seal	6	0	\$10,295	\$12,293
1115 Lighthouse Exterior - Paint	10	2	\$3,400	\$3,607
1116 Lighthouse Interior - Refurbish	5	2	\$2,000	\$2,122
1415 Required Signage - Replace	25	17	\$6,000	\$9,917
1607 Basketball Court - Resurface	30	22	\$20,585	\$39,443
1608 Basketball Equipment - Replace	15	7	\$4,000	\$4,919
1609 Basketball Court Fence - Replace	20	12	\$4,500	\$6,416
1902 Retention Ponds - Refurbish	5	0	\$3,000	\$3,478
1922 Reserve Study WSV	3	2	\$1,470	\$1,560
*26 Total Funded Components				

*Cross reference component number with photographic inventory.

Introduction

It is all very simple, really. A Reserve Study is the art and science of anticipating and preparing for 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.

A Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis. The Physical Analysis contains the information about the current condition and repair or replacement cost of the major common area components the association is obligated to maintain. The Financial Analysis contains an evaluation of the association's Reserve balance (measured by Percent Funded) and a recommended Funding Plan to offset the anticipated Reserve expenses.

Reserve Study

- Physical Analysis
- Financial Analysis

The primary responsibility of the Board of Directors is to maintain, protect, and enhance the assets of the association. As the physical assets age and deteriorate, it is important to accumulate financial assets, keeping the two "in balance". The Reserve Study is the document that helps keep the physical and financial assets of the association in balance. This Reserve Study is a budget-planning document. The primary information you will get from this document is a list of your major Reserve components, a finding of the current status (strength) of your Reserve Fund, and a recommended Funding Plan. The basic objective of the Reserve Study is to provide a plan to collect funds at a stable rate to offset the predicted irregular Reserve expenses. Setting a stable Reserve contribution rate will ensure that each owner pays their own "fair share" of the ongoing, gradual deterioration of the common areas.

Methodology

By necessity, the Physical Analysis occurs before the Financial Analysis (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, the Physical Analysis starts 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 inventory (quantify and evaluate) your common areas, creating your Reserve Component List "from scratch". Your Reserve Component List (Table 1 or Table 2) contains a description and

Reserve Study Types

- • Full
- Update With-Site-Visit
- Update No-Site-Visit
- Do-It-Yourself Kit

quantification of individual line items, and estimates for the Useful Life, Remaining Useful Life, and current Replacement Cost of each component. The average of the Best and Worst Case cost estimates are used for all calculations throughout the Financial Analysis. With this information and an assumed inflation rate (as shown on the Executive Summary), we are able to project the array of future major expenses facing the association.

Which Physical Assets are Covered by Reserves?

Reserve expenses are the larger, infrequent expenses that require significant advance planning. Operating expenses, on the other hand, are those ongoing daily, weekly, or monthly expenses that occur and recur throughout the year. Small surprises are typically handled as maintenance contingencies, while the larger ones may be covered by insurance or require special assessments.

There is a national-standard four-part test to determine which expense items 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. We do not typically Reserve for building foundations and major infrastructure elements since they do not have limited life expectancies. Light bulbs or other small items are not listed as Reserve Components since their individual costs are insignificant. Finally, it is usually inappropriate to include unpredictable expenses such as damage due to fire, flood, or earthquake since these typically cannot be considered “reasonably predictable”.

Reserve Components

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

How are Useful Life and Remaining Useful Life established?

Useful Life is typically established by our experience with the component, adjusted by assumptions for quality, rate of wear and tear, expected normal maintenance, and weather exposure. Remaining Useful Life is established primarily by the component’s current observed condition. The observed age of the component may or may not equal the “Chronological Age” of the component due to accelerated wear or low usage. For components requiring a particular expertise or components where age characteristics are not visible (elevators, chillers, security electronics, etc.), it is typical that we interview the association’s service vendor to obtain a recommendation for Useful Life and Remaining Useful Life.

How are Cost Estimates Established?

The best way to obtain an accurate cost for a component is for it to be repaired or replaced, providing us with a valuable benchmark from which to make current cost estimates. In absence of “actual” costs, we regularly make comparisons to projects that were done recently at similar associations. In addition, we often contact local vendors who provide us with insights into current pricing trends. For components that require a particular expertise (major roof or roadway systems, elevators, etc.), it is our normal practice to interview your vendor who maintains that asset. In the absence of these estimating tools, we look to reliable industry cost guidebooks. A “Best Case” and “Worst Case” cost estimate is made for each component in an attempt to bracket the actual cost.

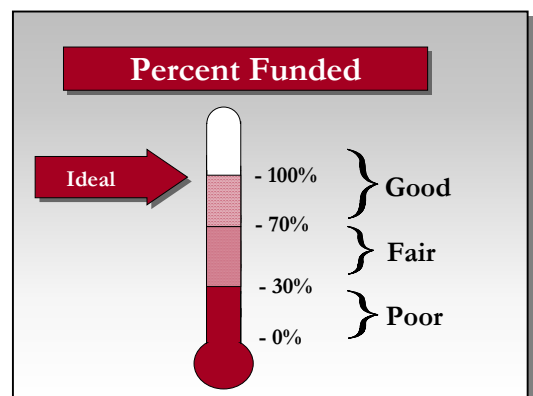
Cost Estimating Tools

- Association History
- Similar Properties
- Vendor Interviews
- Printed cost guides

How much Reserves are enough?

Your Reserve cash Balance can measure reserves, but the true measure is whether the funds are adequate for the needs of the association. Reserve Fund size is therefore measured by Percent Funded, which is the actual (or projected) Reserve Balance divided by the association’s calculated Fully Funded Balance (FFB), expressed as a percentage. Table 3 shows that the Fully Funded Balance is the current “value” of the deteriorated portion (not the total replacement value) of all the Reserve Components. To show how this works with one component, in the case of a \$10,000 component with a 10 year Useful Life, in the third year the Fully Funded Balance is three tenths of \$10,000, or \$3,000. The FFB grows as assets age, but shrinks as components are replaced. Deteriorated associations have a higher FFB than association with assets in good condition. The Fully Funded Balance changes each year, and is a predictable, but moving target.

Special assessments and deferred maintenance are common when the Percent Funded is weak (below 30%). While the 100% point is Ideal, a Reserve Fund above the 70% level should be considered “strong” because cash flow problems are rare. Measuring your Reserves by Percent Funded tells how well prepared your association is for upcoming Reserve expenses. An association with a strong Reserve Fund should experience smooth sailing financially, while an association with a weak Reserve Fund should expect cash flow problems. 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. First and foremost, our 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 indicates the association is being run on a stable financial platform, not being driven by the winds of change from year to year. For fairness, it is important to evenly distribute the contributions over the years so each owner pays their fair share of the deterioration in direct proportion to the amount of time they are owners. And finally, any Funding Plan must be based on fiscally responsible principles. Your Funding Plan was created by a process where different solutions were tested until one was found that most successfully met all four of these principles and achieved your Funding Goal.

Funding Principles


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

What is our Funding Goal?

There are different Funding Goals to strive for, ranging from conservative to risky. Establishing a goal of simply having sufficient cash for all future years is called “Baseline Funding”. The drawback is that there is little or no “margin for error”, and expenses that are higher than budgeted or projects that occur earlier than planned will often cause special assessments.

“Full Funding” is when the association has the goal of becoming Fully Funded (Reserve Cash equals the FFB). Such an objective means the association is following the simple and responsible principle that you “replace what you use up”. Believing this to be the responsible choice, our Funding Plan will direct you to Full Funding. Members of Fully Funded associations enjoy low exposure to the risk of special assessments or deferred maintenance. Strong interest earnings will minimize their Reserve contributions. Board members enjoy peace of mind that the association’s physical and financial assets are in balance, and therefore a degree of insulation from claims of fiscal irresponsibility.

Funding Goals



- Full Funding
- Threshold Funding
- Baseline Funding

Threshold Funding option is different in that the association selects a target other than 0% or 100%. This objective may be between 0% and 100% Funded, higher than 100% Funded, or a particular Reserve cash balance. Associations choosing Threshold Funding select this option to customize their risk exposure.

Site Inspection

During our final site visit on August 26, 2005, we started the site inspection beginning with the asphalt streets. We visually inspected all the common and limited common elements while compiling a photographic inventory. We noted materials, current condition, apparent levels of care and maintenance as well as exposure to weather elements.

During our site inspection we were informed which items are being successfully handled from the operational/maintenance budget, not reserves.

Projected Expenses

The figure below shows the array of the projected future expenses at your association. As with all computations in this Report, the estimates in this figure are based on the average of Best and Worst Case expense projections. As you can see, expenses are projected 30 years into the future, using the Inflation rate shown in the Executive Summary. This figure clearly shows the near term and future expenses that your association will face.

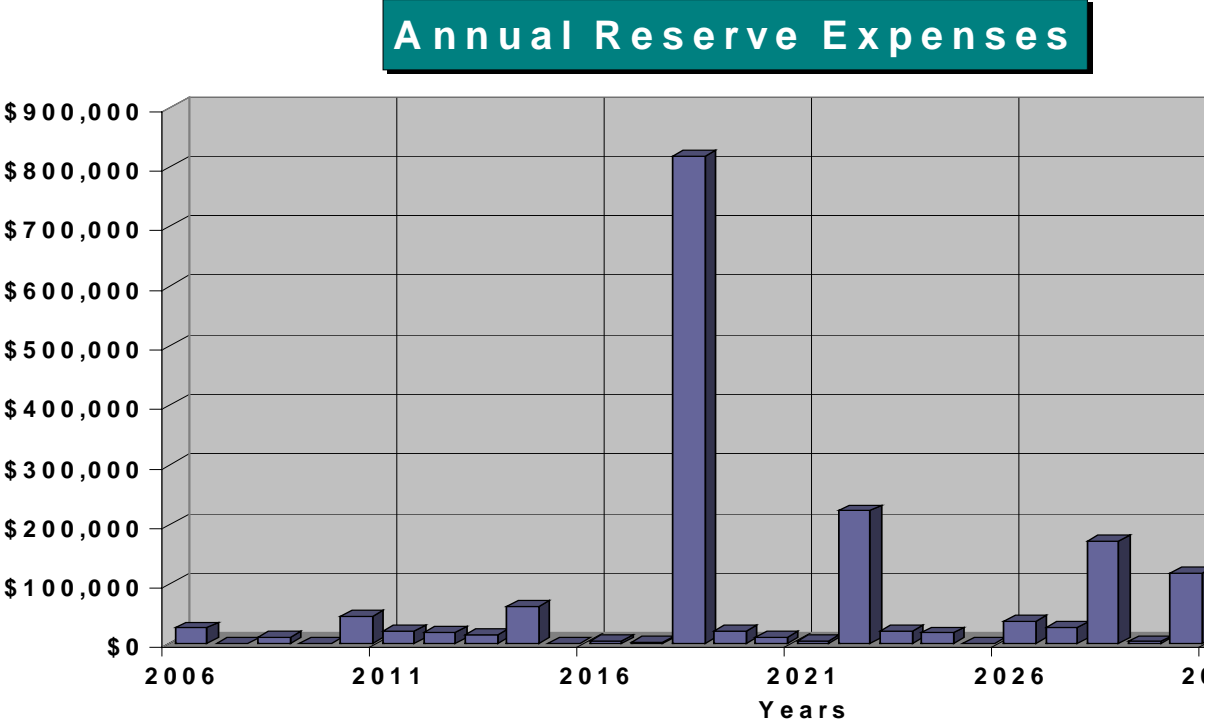


Figure 1

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 \$64,800 as-of the start of your Fiscal Year on January 1, 2006. This is based on your actual balance on 08/30/2005 of \$64,800 and anticipated Reserve contributions and expenses of \$0 through the end of your fiscal year. As of January 1, 2006, your Fully Funded Balance is computed to be \$328,602 (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 20% Funded. As indicated earlier in the Executive Summary, this represents a weak status, well below the funding level where associations typically enjoy little risk of deferred maintenance and/or special assessment.

Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we are recommending Reserve contributions of \$5,100/month this Fiscal Year. This represents the first year of a 30-year Funding Plan. To most fairly spread out the contribution burden over current and future owners in our inflationary economic environment, nominal annual increases should be expected in future years. This Reserve contribution rate was established by testing different contribution rates and balancing the four Funding Principles in an attempt to eventually achieve Full Funding. Generally, the tools we utilize are regular ongoing contributions (for stability and fairness), and special assessments (used only as a last resort). Our recommended multi-year Funding Plan is shown below. This same information is shown numerically in both Table 4 and Table 5

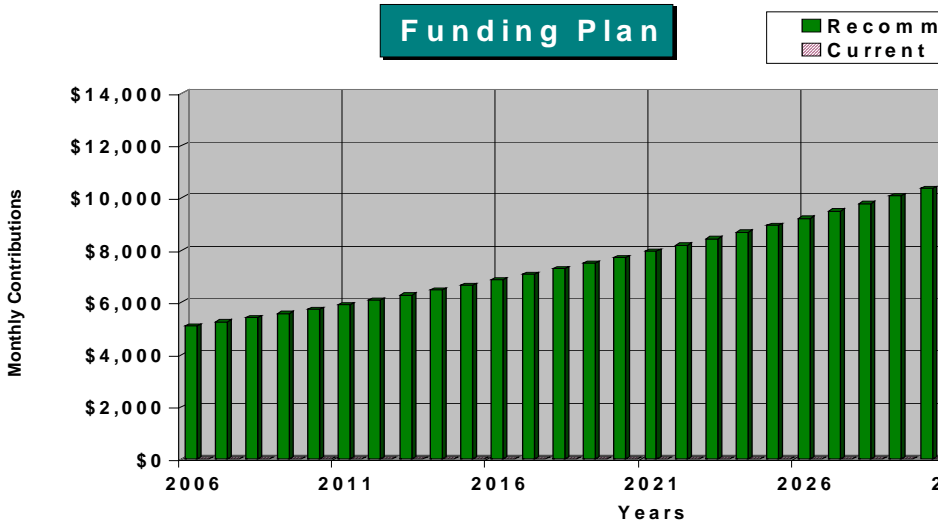


Figure 2

Your projected Reserve Balance as a result of following this Recommended multi-year Funding Plan and your Current Funding Plan is shown below, compared to your Fully Funded Balance target. This assumes the future expenses we have projected in this Reserve Study. Note that your Reserve Fund gradually draws close to the Fully Funded Balance profile over a period of approximately 30 years. While your Reserve Balance might seem high in future years, remember that these figures are “inflated” future dollars. In addition, this Reserve Balance is necessary to prepare for expenses in following years and provide necessary “margin” for projects that will probably not occur exactly as planned.

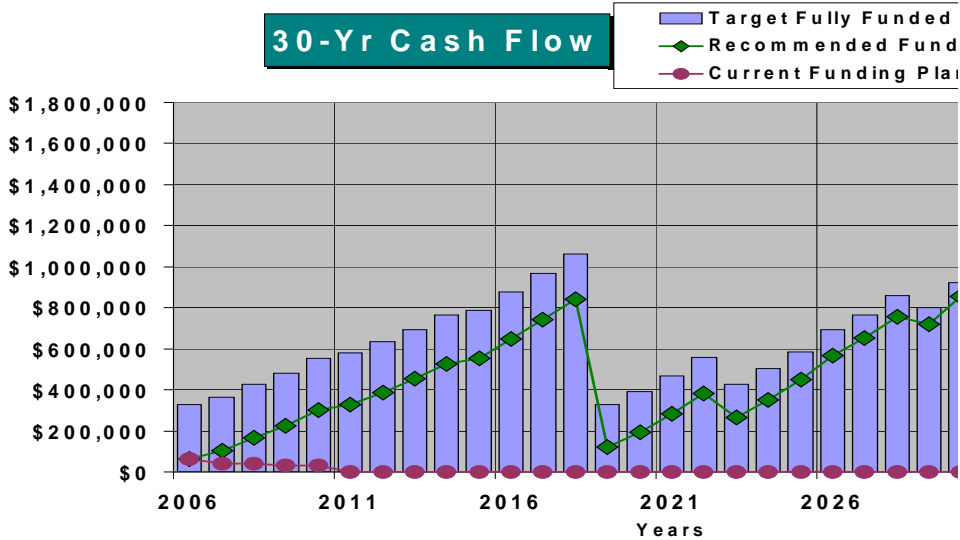


Figure 3

A simple comparison (a percentage comparison) of your Actual Reserve Balance to the moving Fully Funded Balance target is shown below. In this figure it is easy to see how your Reserve Fund gradually draws closer to the Fully Funded (100%) level.

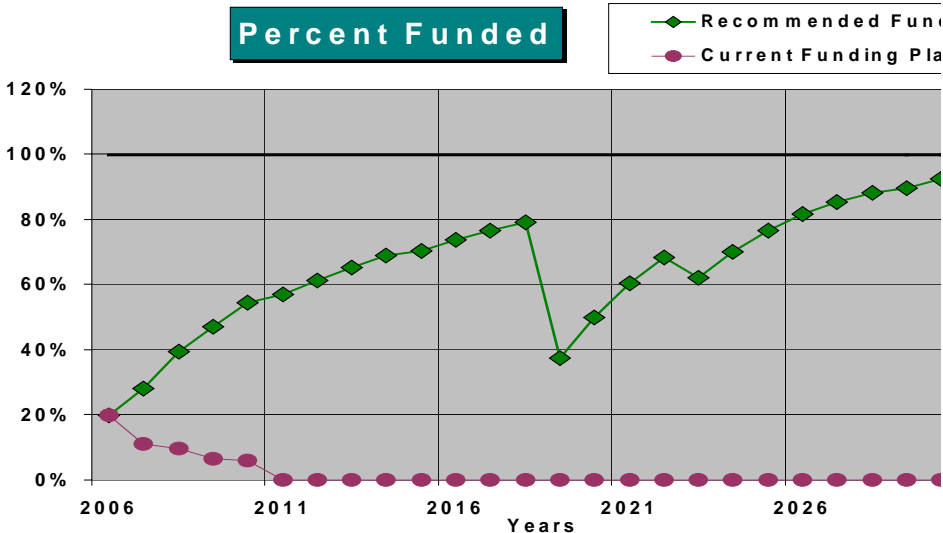


Figure 4

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**13505-0**

# Component	Quantity	Useful Life	Rem. Useful Life	Best Cost	Current Worst Cost
201 Asphalt - Resurface	Approx 151,040 Sq Ft	20	12	\$211,460	\$241,665
201 Asphalt - Resurface	Approx 65,490 Sq Ft	20	16	\$91,690	\$104,785
202 Asphalt - Repair	Approx 216,530 Sq Ft	4	4	\$3,000	\$5,000
212 Asphalt Paths - Resurface	Approx 82,500 square feet	20	12	\$226,875	\$309,375
213 Asphalt Paths - Repair	Approx 82,500 square feet	4	0	\$4,000	\$6,000
305 Surveillance System - Replace	(4) cameras	8	6	\$4,000	\$6,000
306 Keypad Locksets - Replace	(5) entry keypads	5	2	\$2,500	\$3,500
403 Mailboxes - Replace	(14) clusters	20	12	\$19,600	\$25,200
405 Play Equipment - Replace	(3) individual pieces	12	4	\$15,000	\$25,000
408 Picnic Assets - Replace	(4) assorted	15	7	\$2,000	\$2,800
502 Chain Link Fence - Replace	Approx 4,750 linear feet	30	22	\$38,000	\$57,000
503 Metal Fence - Replace	Approx 60 linear feet	30	22	\$1,800	\$2,400
505 Wood Fence - Replace	Approx 1,030 linear feet	16	8	\$25,750	\$36,050
701 Entry Gates - Replace	(4) metal gates	20	12	\$14,000	\$18,000
703 Intercom - Replace	(2) Sentex	12	4	\$3,600	\$4,400
705 Gate Operators - Replace	(3) Elite, (1) Sentex	8	5	\$12,800	\$15,200
1109 Wood Fence - Seal	Approx 12,360 square feet	4	0	\$6,180	\$8,650
1110 Block Wall - Seal	Approx 9,360 square feet	6	0	\$9,360	\$11,230
1115 Lighthouse Exterior - Paint	Approx 1,300 square feet	10	2	\$2,600	\$4,200
1116 Lighthouse Interior - Refurbish	Approx 1,300 square feet	5	2	\$1,500	\$2,500
1415 Required Signage - Replace	(30) assorted	25	17	\$4,500	\$7,500
1607 Basketball Court - Resurface	Approx 6,390 square feet	30	22	\$17,570	\$23,600
1608 Basketball Equipment - Replace	(2) assemblies	15	7	\$3,600	\$4,400
1609 Basketball Court Fence - Replace	Approx 180 linear feet	20	12	\$3,600	\$5,400
1902 Retention Ponds - Refurbish	Extensive square feet	5	0	\$2,500	\$3,500
1922 Reserve Study WSV	Every three years	3	2	\$1,370	\$1,570
26 Total Funded Components					

Table 3: Contribution and Fund Breakdown**13505-0**

# Component	Useful Life	Rem. Useful Life	Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
201 Asphalt - Resurface	20	12	\$226,563	\$90,625	\$0.00	\$1,194.82
201 Asphalt - Resurface	20	16	\$98,238	\$19,648	\$0.00	\$518.07
202 Asphalt - Repair	4	4	\$4,000	\$0	\$0.00	\$0.00
212 Asphalt Paths - Resurface	20	12	\$268,125	\$107,250	\$0.00	\$1,414.01
213 Asphalt Paths - Repair	4	0	\$5,000	\$5,000	\$5,000.00	\$131.84
305 Surveillance System - Replace	8	6	\$5,000	\$1,250	\$1,250.00	\$65.92
306 Keypad Locksets - Replace	5	2	\$3,000	\$1,800	\$1,800.00	\$63.28
403 Mailboxes - Replace	20	12	\$22,400	\$8,960	\$0.00	\$118.13
405 Play Equipment - Replace	12	4	\$20,000	\$13,333	\$13,333.33	\$175.79
408 Picnic Assets - Replace	15	7	\$2,400	\$1,280	\$1,280.00	\$16.88
502 Chain Link Fence - Replace	30	22	\$47,500	\$12,667	\$0.00	\$167.00
503 Metal Fence - Replace	30	22	\$2,100	\$560	\$0.00	\$7.38
505 Wood Fence - Replace	16	8	\$30,900	\$15,450	\$6,966.67	\$203.70
701 Entry Gates - Replace	20	12	\$16,000	\$6,400	\$0.00	\$84.38
703 Intercom - Replace	12	4	\$4,000	\$2,667	\$2,666.67	\$35.16
705 Gate Operators - Replace	8	5	\$14,000	\$5,250	\$5,250.00	\$184.58
1109 Wood Fence - Seal	4	0	\$7,415	\$7,415	\$7,415.00	\$195.52
1110 Block Wall - Seal	6	0	\$10,295	\$10,295	\$10,295.00	\$180.98
1115 Lighthouse Exterior - Paint	10	2	\$3,400	\$2,720	\$2,720.00	\$35.86
1116 Lighthouse Interior - Refurbish	5	2	\$2,000	\$1,200	\$1,200.00	\$42.19
1415 Required Signage - Replace	25	17	\$6,000	\$1,920	\$0.00	\$25.31
1607 Basketball Court - Resurface	30	22	\$20,585	\$5,489	\$0.00	\$72.37
1608 Basketball Equipment - Replace	15	7	\$4,000	\$2,133	\$2,133.33	\$28.13
1609 Basketball Court Fence - Replace	20	12	\$4,500	\$1,800	\$0.00	\$23.73
1902 Retention Ponds - Refurbish	5	0	\$3,000	\$3,000	\$3,000.00	\$63.28
1922 Reserve Study WSV	3	2	\$1,470	\$490	\$490.00	\$51.68
26 Total Funded Components				\$328,602	\$64,800	\$5,100

Table 4: 30-Year Reserve Plan Summary**13505-0**

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Annual Reserve Contribs.	Special Assessments	Interest Income	Reserve Expenses
2006	\$64,800	\$328,602	19.7%	\$61,200	\$0	\$1,893	\$25,710
2007	\$102,183	\$362,812	28.2%	\$63,036	\$0	\$3,067	\$0
2008	\$168,286	\$426,056	39.5%	\$64,927	\$0	\$4,485	\$10,471
2009	\$227,227	\$481,982	47.1%	\$66,875	\$0	\$5,979	\$0
2010	\$300,081	\$551,989	54.4%	\$68,881	\$0	\$7,151	\$45,487
2011	\$330,626	\$578,910	57.1%	\$70,948	\$0	\$8,152	\$21,412
2012	\$388,314	\$633,154	61.3%	\$73,076	\$0	\$9,536	\$18,263
2013	\$452,662	\$694,036	65.2%	\$75,268	\$0	\$11,085	\$14,021
2014	\$524,995	\$762,935	68.8%	\$77,526	\$0	\$12,223	\$61,799
2015	\$552,945	\$786,564	70.3%	\$79,852	\$0	\$13,599	\$0
2016	\$646,396	\$876,488	73.7%	\$82,248	\$0	\$15,724	\$4,032
2017	\$740,336	\$966,946	76.6%	\$84,715	\$0	\$17,930	\$2,035
2018	\$840,946	\$1,064,225	79.0%	\$87,257	\$0	\$10,925	\$816,530
2019	\$122,598	\$327,603	37.4%	\$89,874	\$0	\$3,607	\$20,559
2020	\$195,520	\$390,906	50.0%	\$92,570	\$0	\$5,434	\$9,786
2021	\$283,738	\$469,444	60.4%	\$95,348	\$0	\$7,548	\$4,674
2022	\$381,960	\$557,910	68.5%	\$98,208	\$0	\$7,336	\$222,497
2023	\$265,008	\$427,050	62.1%	\$101,154	\$0	\$7,002	\$20,611
2024	\$352,553	\$502,652	70.1%	\$104,189	\$0	\$9,081	\$17,527
2025	\$448,296	\$586,221	76.5%	\$107,315	\$0	\$11,514	\$0
2026	\$567,125	\$692,945	81.8%	\$110,534	\$0	\$13,844	\$37,721
2027	\$653,782	\$766,693	85.3%	\$113,850	\$0	\$16,003	\$26,044
2028	\$757,591	\$857,434	88.4%	\$117,266	\$0	\$16,745	\$172,421
2029	\$719,180	\$802,967	89.6%	\$120,783	\$0	\$17,848	\$2,901
2030	\$854,911	\$924,392	92.5%	\$124,407	\$0	\$19,693	\$117,109
2031	\$881,902	\$934,836	94.3%	\$128,139	\$0	\$21,626	\$6,281
2032	\$1,025,386	\$1,062,847	96.5%	\$131,983	\$0	\$24,997	\$3,170
2033	\$1,179,197	\$1,201,094	98.2%	\$135,943	\$0	\$28,480	\$11,106
2034	\$1,332,513	\$1,338,604	99.5%	\$140,021	\$0	\$31,110	\$92,467
2035	\$1,411,178	\$1,399,826	100.8%	\$144,222	\$0	\$33,605	\$36,456

Table 5: 30-Year Reserve Plan Detail (yrs 0 through 4) 13505-0

Fiscal Year	2006	2007	2008	2009	2010
Starting Reserve Balance	\$64,800	\$102,183	\$168,286	\$227,227	\$300,081
Annual Reserve Contribution	\$61,200	\$63,036	\$64,927	\$66,875	\$68,881
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,893	\$3,067	\$4,485	\$5,979	\$7,151
Subtotal	\$127,893	\$168,286	\$237,698	\$300,081	\$376,113
# Component					
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Repair	\$0	\$0	\$0	\$0	\$4,502
212 Asphalt Paths - Resurface	\$0	\$0	\$0	\$0	\$0
213 Asphalt Paths - Repair	\$5,000	\$0	\$0	\$0	\$5,628
305 Surveillance System - Replace	\$0	\$0	\$0	\$0	\$0
306 Keypad Locksets - Replace	\$0	\$0	\$3,183	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
405 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$22,510
408 Picnic Assets - Replace	\$0	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0
503 Metal Fence - Replace	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace	\$0	\$0	\$0	\$0	\$0
701 Entry Gates - Replace	\$0	\$0	\$0	\$0	\$0
703 Intercom - Replace	\$0	\$0	\$0	\$0	\$4,502
705 Gate Operators - Replace	\$0	\$0	\$0	\$0	\$0
1109 Wood Fence - Seal	\$7,415	\$0	\$0	\$0	\$8,346
1110 Block Wall - Seal	\$10,295	\$0	\$0	\$0	\$0
1115 Lighthouse Exterior - Paint	\$0	\$0	\$3,607	\$0	\$0
1116 Lighthouse Interior - Refurbish	\$0	\$0	\$2,122	\$0	\$0
1415 Required Signage - Replace	\$0	\$0	\$0	\$0	\$0
1607 Basketball Court - Resurface	\$0	\$0	\$0	\$0	\$0
1608 Basketball Equipment - Replace	\$0	\$0	\$0	\$0	\$0
1609 Basketball Court Fence - Replace	\$0	\$0	\$0	\$0	\$0
1902 Retention Ponds - Refurbish	\$3,000	\$0	\$0	\$0	\$0
1922 Reserve Study WSV	\$0	\$0	\$1,560	\$0	\$0
Subtotal	\$25,710	\$0	\$10,471	\$0	\$45,487
Ending Reserve Balance:	\$102,183	\$168,286	\$227,227	\$300,081	\$330,626

Table 5: 30-Year Reserve Plan Detail (yrs 5 through 9) 13505-0

Fiscal Year	2011	2012	2013	2014	2015
Starting Reserve Balance	\$330,626	\$388,314	\$452,662	\$524,995	\$552,945
Annual Reserve Contribution	\$70,948	\$73,076	\$75,268	\$77,526	\$79,852
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$8,152	\$9,536	\$11,085	\$12,223	\$13,599
Subtotal	\$409,725	\$470,925	\$539,016	\$614,744	\$646,396
# Component					
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Repair	\$0	\$0	\$0	\$5,067	\$0
212 Asphalt Paths - Resurface	\$0	\$0	\$0	\$0	\$0
213 Asphalt Paths - Repair	\$0	\$0	\$0	\$6,334	\$0
305 Surveillance System - Replace	\$0	\$5,970	\$0	\$0	\$0
306 Keypad Locksets - Replace	\$0	\$0	\$3,690	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
405 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
408 Picnic Assets - Replace	\$0	\$0	\$2,952	\$0	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0
503 Metal Fence - Replace	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace	\$0	\$0	\$0	\$39,143	\$0
701 Entry Gates - Replace	\$0	\$0	\$0	\$0	\$0
703 Intercom - Replace	\$0	\$0	\$0	\$0	\$0
705 Gate Operators - Replace	\$16,230	\$0	\$0	\$0	\$0
1109 Wood Fence - Seal	\$0	\$0	\$0	\$9,393	\$0
1110 Block Wall - Seal	\$0	\$12,293	\$0	\$0	\$0
1115 Lighthouse Exterior - Paint	\$0	\$0	\$0	\$0	\$0
1116 Lighthouse Interior - Refurbish	\$0	\$0	\$2,460	\$0	\$0
1415 Required Signage - Replace	\$0	\$0	\$0	\$0	\$0
1607 Basketball Court - Resurface	\$0	\$0	\$0	\$0	\$0
1608 Basketball Equipment - Replace	\$0	\$0	\$4,919	\$0	\$0
1609 Basketball Court Fence - Replace	\$0	\$0	\$0	\$0	\$0
1902 Retention Ponds - Refurbish	\$3,478	\$0	\$0	\$0	\$0
1922 Reserve Study WSV	\$1,704	\$0	\$0	\$1,862	\$0
Subtotal	\$21,412	\$18,263	\$14,021	\$61,799	\$0
Ending Reserve Balance:	\$388,314	\$452,662	\$524,995	\$552,945	\$646,396

Table 5: 30-Year Reserve Plan Detail (yrs 10 through 14)**13505-0**

Fiscal Year	2016	2017	2018	2019	2020
Starting Reserve Balance	\$646,396	\$740,336	\$840,946	\$122,598	\$195,520
Annual Reserve Contribution	\$82,248	\$84,715	\$87,257	\$89,874	\$92,570
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$15,724	\$17,930	\$10,925	\$3,607	\$5,434
Subtotal	\$744,368	\$842,981	\$939,128	\$216,080	\$293,525
# Component					
201 Asphalt - Resurface	\$0	\$0	\$323,024	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Repair	\$0	\$0	\$5,703	\$0	\$0
212 Asphalt Paths - Resurface	\$0	\$0	\$382,282	\$0	\$0
213 Asphalt Paths - Repair	\$0	\$0	\$7,129	\$0	\$0
305 Surveillance System - Replace	\$0	\$0	\$0	\$0	\$7,563
306 Keypad Locksets - Replace	\$0	\$0	\$4,277	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$31,937	\$0	\$0
405 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
408 Picnic Assets - Replace	\$0	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0
503 Metal Fence - Replace	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace	\$0	\$0	\$0	\$0	\$0
701 Entry Gates - Replace	\$0	\$0	\$22,812	\$0	\$0
703 Intercom - Replace	\$0	\$0	\$0	\$0	\$0
705 Gate Operators - Replace	\$0	\$0	\$0	\$20,559	\$0
1109 Wood Fence - Seal	\$0	\$0	\$10,572	\$0	\$0
1110 Block Wall - Seal	\$0	\$0	\$14,678	\$0	\$0
1115 Lighthouse Exterior - Paint	\$0	\$0	\$4,848	\$0	\$0
1116 Lighthouse Interior - Refurbish	\$0	\$0	\$2,852	\$0	\$0
1415 Required Signage - Replace	\$0	\$0	\$0	\$0	\$0
1607 Basketball Court - Resurface	\$0	\$0	\$0	\$0	\$0
1608 Basketball Equipment - Replace	\$0	\$0	\$0	\$0	\$0
1609 Basketball Court Fence - Replace	\$0	\$0	\$6,416	\$0	\$0
1902 Retention Ponds - Refurbish	\$4,032	\$0	\$0	\$0	\$0
1922 Reserve Study WSV	\$0	\$2,035	\$0	\$0	\$2,224
Subtotal	\$4,032	\$2,035	\$816,530	\$20,559	\$9,786
Ending Reserve Balance:	\$740,336	\$840,946	\$122,598	\$195,520	\$283,738

Table 5: 30-Year Reserve Plan Detail (yrs 15 through 19)**13505-0**

Fiscal Year	2021	2022	2023	2024	2025
Starting Reserve Balance	\$283,738	\$381,960	\$265,008	\$352,553	\$448,296
Annual Reserve Contribution	\$95,348	\$98,208	\$101,154	\$104,189	\$107,315
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$7,548	\$7,336	\$7,002	\$9,081	\$11,514
Subtotal	\$386,634	\$487,504	\$373,164	\$465,823	\$567,125
# Component					
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
201 Asphalt - Resurface	\$0	\$157,642	\$0	\$0	\$0
202 Asphalt - Repair	\$0	\$6,419	\$0	\$0	\$0
212 Asphalt Paths - Resurface	\$0	\$0	\$0	\$0	\$0
213 Asphalt Paths - Repair	\$0	\$8,024	\$0	\$0	\$0
305 Surveillance System - Replace	\$0	\$0	\$0	\$0	\$0
306 Keypad Locksets - Replace	\$0	\$0	\$4,959	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
405 Play Equipment - Replace	\$0	\$32,094	\$0	\$0	\$0
408 Picnic Assets - Replace	\$0	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0
503 Metal Fence - Replace	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace	\$0	\$0	\$0	\$0	\$0
701 Entry Gates - Replace	\$0	\$0	\$0	\$0	\$0
703 Intercom - Replace	\$0	\$6,419	\$0	\$0	\$0
705 Gate Operators - Replace	\$0	\$0	\$0	\$0	\$0
1109 Wood Fence - Seal	\$0	\$11,899	\$0	\$0	\$0
1110 Block Wall - Seal	\$0	\$0	\$0	\$17,527	\$0
1115 Lighthouse Exterior - Paint	\$0	\$0	\$0	\$0	\$0
1116 Lighthouse Interior - Refurbish	\$0	\$0	\$3,306	\$0	\$0
1415 Required Signage - Replace	\$0	\$0	\$9,917	\$0	\$0
1607 Basketball Court - Resurface	\$0	\$0	\$0	\$0	\$0
1608 Basketball Equipment - Replace	\$0	\$0	\$0	\$0	\$0
1609 Basketball Court Fence - Replace	\$0	\$0	\$0	\$0	\$0
1902 Retention Ponds - Refurbish	\$4,674	\$0	\$0	\$0	\$0
1922 Reserve Study WSV	\$0	\$0	\$2,430	\$0	\$0
Subtotal	\$4,674	\$222,497	\$20,611	\$17,527	\$0
Ending Reserve Balance:	\$381,960	\$265,008	\$352,553	\$448,296	\$567,125

Table 5: 30-Year Reserve Plan Detail (yrs 20 through 24)**13505-0**

Fiscal Year	2026	2027	2028	2029	2030
Starting Reserve Balance	\$567,125	\$653,782	\$757,591	\$719,180	\$854,911
Annual Reserve Contribution	\$110,534	\$113,850	\$117,266	\$120,783	\$124,407
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$13,844	\$16,003	\$16,745	\$17,848	\$19,693
Subtotal	\$691,502	\$783,635	\$891,601	\$857,812	\$999,011
# Component					
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Repair	\$7,224	\$0	\$0	\$0	\$8,131
212 Asphalt Paths - Resurface	\$0	\$0	\$0	\$0	\$0
213 Asphalt Paths - Repair	\$9,031	\$0	\$0	\$0	\$10,164
305 Surveillance System - Replace	\$0	\$0	\$9,581	\$0	\$0
306 Keypad Locksets - Replace	\$0	\$0	\$5,748	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
405 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
408 Picnic Assets - Replace	\$0	\$0	\$4,599	\$0	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$91,015	\$0	\$0
503 Metal Fence - Replace	\$0	\$0	\$4,024	\$0	\$0
505 Wood Fence - Replace	\$0	\$0	\$0	\$0	\$62,813
701 Entry Gates - Replace	\$0	\$0	\$0	\$0	\$0
703 Intercom - Replace	\$0	\$0	\$0	\$0	\$0
705 Gate Operators - Replace	\$0	\$26,044	\$0	\$0	\$0
1109 Wood Fence - Seal	\$13,392	\$0	\$0	\$0	\$15,073
1110 Block Wall - Seal	\$0	\$0	\$0	\$0	\$20,928
1115 Lighthouse Exterior - Paint	\$0	\$0	\$6,515	\$0	\$0
1116 Lighthouse Interior - Refurbish	\$0	\$0	\$3,832	\$0	\$0
1415 Required Signage - Replace	\$0	\$0	\$0	\$0	\$0
1607 Basketball Court - Resurface	\$0	\$0	\$39,443	\$0	\$0
1608 Basketball Equipment - Replace	\$0	\$0	\$7,664	\$0	\$0
1609 Basketball Court Fence - Replace	\$0	\$0	\$0	\$0	\$0
1902 Retention Ponds - Refurbish	\$5,418	\$0	\$0	\$0	\$0
1922 Reserve Study WSV	\$2,655	\$0	\$0	\$2,901	\$0
Subtotal	\$37,721	\$26,044	\$172,421	\$2,901	\$117,109
Ending Reserve Balance:	\$653,782	\$757,591	\$719,180	\$854,911	\$881,902

Table 5: 30-Year Reserve Plan Detail (yrs 25 through 29) 13505-0

Fiscal Year	2031	2032	2033	2034	2035
Starting Reserve Balance	\$881,902	\$1,025,386	\$1,179,197	\$1,332,513	\$1,411,178
Annual Reserve Contribution	\$128,139	\$131,983	\$135,943	\$140,021	\$144,222
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$21,626	\$24,997	\$28,480	\$31,110	\$33,605
Subtotal	\$1,031,668	\$1,182,367	\$1,343,620	\$1,503,644	\$1,589,005
# Component					
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Repair	\$0	\$0	\$0	\$9,152	\$0
212 Asphalt Paths - Resurface	\$0	\$0	\$0	\$0	\$0
213 Asphalt Paths - Repair	\$0	\$0	\$0	\$11,440	\$0
305 Surveillance System - Replace	\$0	\$0	\$0	\$0	\$0
306 Keypad Locksets - Replace	\$0	\$0	\$6,664	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
405 Play Equipment - Replace	\$0	\$0	\$0	\$45,759	\$0
408 Picnic Assets - Replace	\$0	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0
503 Metal Fence - Replace	\$0	\$0	\$0	\$0	\$0
505 Wood Fence - Replace	\$0	\$0	\$0	\$0	\$0
701 Entry Gates - Replace	\$0	\$0	\$0	\$0	\$0
703 Intercom - Replace	\$0	\$0	\$0	\$9,152	\$0
705 Gate Operators - Replace	\$0	\$0	\$0	\$0	\$32,992
1109 Wood Fence - Seal	\$0	\$0	\$0	\$16,965	\$0
1110 Block Wall - Seal	\$0	\$0	\$0	\$0	\$0
1115 Lighthouse Exterior - Paint	\$0	\$0	\$0	\$0	\$0
1116 Lighthouse Interior - Refurbish	\$0	\$0	\$4,443	\$0	\$0
1415 Required Signage - Replace	\$0	\$0	\$0	\$0	\$0
1607 Basketball Court - Resurface	\$0	\$0	\$0	\$0	\$0
1608 Basketball Equipment - Replace	\$0	\$0	\$0	\$0	\$0
1609 Basketball Court Fence - Replace	\$0	\$0	\$0	\$0	\$0
1902 Retention Ponds - Refurbish	\$6,281	\$0	\$0	\$0	\$0
1922 Reserve Study WSV	\$0	\$3,170	\$0	\$0	\$3,464
Subtotal	\$6,281	\$3,170	\$11,106	\$92,467	\$36,456
Ending Reserve Balance:	\$1,025,386	\$1,179,197	\$1,332,513	\$1,411,178	\$1,552,549

Accuracy, Limitations, and Disclosures

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. Robert M. Nordlund, P.E., R.S., company president, is a California licensed Professional Engineer (Mechanical, #22322), and credentialed Reserve Specialist (#5). 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