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Level I – FULL Reserve Study Report

For Fiscal Year Beginning January 1, 2022

Sample HOA

Your Town, WA

November 22, 2021

KAREN MCDONALD
CAI-RS
355
DESIGNATION
RESERVE SPECIALIST

Reserve Study Summary for Sample HOA

50 Units
For Fiscal Year Beginning January 1, 2022

Overview	
Starting Reserve Balance	$132,000
Fully Funded Balance	$159,731
Percent Funded	83%
Reserve Fund Strength (Weak, Fair or Strong)	Strong
Total Surplus or (Deficit) of Reserve Funding	$(27,731)
Surplus or (Deficit) on a Per Unit Average Basis***	$(555)
Current Reserve Contribution Based on Last Approved Budget	
Current Reserve Contribution Rate, Annually	$16,800
Current Special Assessment, Annually	n/a
Is the Current Contribution Rate Within Range Provided by Study Below?	No
Reserve Study Funding Plan Options Beginning January 1, 2022	
100% Full Funding Contribution Rate, Annually	$20,500
70% Funding Contribution Rate, Annually	$18,750
Baseline Funding Contribution Rate, Annually	$17,150
Recommended Annual Special Assessment	n/a

Study Description & Assumptions

This is a Level I Full reserve study. As part of this report, a site visit was performed on June 6, 2021. This report assumes a 3% annual inflation rate and 1% interest rate. Taxes on interest income and other outside factors are not included.

Property Description

Sample HOA consists of 50 single family homes located in Your Town, WA. It was constructed in approximately 2008.

Recommended Funding Plan

We recommend that the association increase its annual reserve contributions to $18,750 to $20,500 in 2022. The current contribution rate is not sufficient to maintain a reserve balance above zero over time.

Recommended Special Assessment(s)

No special assessments are recommended at this time.

Other Notes

None.

***Current surplus or deficit is calculated on an average per unit. If the association calculates its assessments based on a fraction or percentage that varies by unit, it should calculate the current deficit or surplus based on that schedule. To do so, subtract the association's starting reserve balance above from the fully funded balance, and multiply the resulting number by the fraction or percentage allocable to each unit.

Sample HOA
Component List

Asset ID	Description	Useful Life	Adjustment	Remaining Life	Current Cost
Grounds					
1000	Concrete - Repair	5		1	$3,296
1005	Asphalt - Repair & Sealcoat	5		0	$14,300
1015	Asphalt - Overlay	30	-1	15	$155,650
1035	Asphalt Path - Repair & Seal	5		0	$9,920
1040	Asphalt Path - Overlay	40	-1	25	$115,520
1065	Mailboxes - Replace	25		11	$7,210
1070	Wood Fence - Replace	20	-1	5	$8,472
1075	Wood Fence - Repair & Stain	5		0	$1,452
1135	Landscape - Refurbish	3		0	$2,575
1145	Trees - Trim/Remove	3		1	$1,545
1155	Irrigation System - Repair	5		2	$1,545
1160	Drainage System - Maintain	Unfunded			
1175	Pole Lights - Replace	Unfunded			
Professional					
6005	Reserve Study - Annual Update	Unfunded			

An Introduction to Your Reserve Study

The Purpose of Your Reserve Study

The purpose of your reserve study is to develop a budgetary model to assist the association with preparing for the maintenance, repair and replacement of the assets which are under the association's responsibility. The report provides both estimated timeframes in which these projects are expected to occur as well as a cost allowance for the project. A reserve study consists of two parts; the physical analysis and the financial analysis. The physical analysis includes the component inventory and associated information including useful life, remaining useful life and cost allowances. The financial analysis includes the association's current reserve fund status (the percent funded) and funding recommendations.

Reserve Study Standards

This report is prepared in accordance with the National Reserve Study Standards (NRSS) by Community Associations Institute (CAI). First published in 1998, the NRSS provides guidelines related to the preparation of reserve studies including what information is included and how calculations are prepared. The full NRSS can be viewed at National Reserve Study Standards and an explanation of the NRSS is available at NRSS Explanation.

Types of Reserve Studies

There are four types of reserve studies under National Reserve Study Standards:

- ***Level I Full*** – This is the initial report prepared by the association. This report includes a site visit, in which a non-intrusive basic visual review is conducted and association assets are counted, measured and/or quantified. A useful life, remaining useful life and cost allowances are assigned to the association's assets and a funding plan is developed accordingly. A Full study is typically only prepared once as the quantities and other data can be used in all other reports going forward.
- ***Level II With-Site-Visit*** – This report includes a site visit in which a non-intrusive basic visual review is conducted. No assets are quantified as this process was previously completed during the Full study process. The remaining useful life and cost allowances are updated for the association's assets and the funding plan is updated accordingly. After the initial full study, most associations perform a with-site-visit report every third year; this cycle is required for Washington State associations with significant assets.
- ***Level III No-Site-Visit*** – This report does not include a site visit. The remaining useful life and cost allowances are updated for the association's assets and the funding plan is updated. The No-Site-Visit update is primarily based on the current reserve account balance, projects completed since the last report, current industry costs, and any proposals the association may have received for upcoming projects.
- ***Level IV Preliminary, Community Not Yet Constructed*** – This report is prepared for communities that are in the development phase and have not yet been constructed. The component list is typically developed using building and site plans along with details provided by the developer. A useful life, remaining useful life and cost allowances are assigned to the association's assets and a funding plan is developed accordingly.

What Components are Included

National Reserve Study Standards provide for a four-part test to determine which items are funded within a reserve study. First, the component needs to be an item that the association is responsible to maintain, repair and replace. The second and third parts of the test go hand in hand; the item must have a predictable useful life (i.e. we need to be able to determine how long, on average, the item will last), and it must have a predictable remaining useful life (i.e. we need to be able to determine how much longer until that item requires replacement). Lastly, the cost to maintain, repair and replace the component must be above a minimum cost which is typically defined as 1% or more of the annual operating budget, however some associations may opt to define a different funding threshold. Using 1% of the annual operating budget, an association with a $100,000 annual budget would have a $1,000 reserve funding threshold.

One consideration that is not included within the NRSS four-part test are significant expenses which occur annually. Some associations opt to include annual expenses that exceed the 1% funding threshold in their study, however it is our opinion that these expenses are best handled through the operating budget. From an administrative and practical standpoint it is most advantageous to budget and pay for those expenses through the operating account, particularly in states such as Washington State which feature statutory limitations regarding reserve fund disbursements.

The intent of funding for reserve components is to maintain, repair or replace those exact components in the future. Capital improvements are not included within a reserve study and reserve funds should not be used accordingly. A capital improvement is the addition of an item that does not previously exist, such as an association installing a swimming pool when one was not previously present. Repurposing of an existing item into something new is also considered a capital improvement; an example would be converting a janitorial closet in the clubhouse into an additional restroom. Replacing an existing item with an upgraded but like-kind product is not considered a capital improvement and reserve funds may be used in this instance; an example would be replacement of a wood deck with a composite (Trex®) material.

How Are Costs Determined

The cost allowances within a reserve study are determined in a number of ways. First, the association's prior cost history or recent vendor proposals are generally the best predictor of future costs as they are specific to your community. When a cost history is unavailable, a number of methods to determine costs may be used by the reserve study provider including, but not limited to research with vendors (including the association's vendors) and/or industry average costs. When industry average costs are used, they are adjusted based on the geographical location and current economical market of each client.

Fully Funded Balance Calculation

One of the most common questions related to a reserve study is how the fully funded balance is calculated. Contrary to popular belief, the fully funded balance is *not* the cost to replace all the association's assets today. Rather, it is the total accumulated deterioration of the association's assets. Let's take the example of a roof. If the roof lasts 30 years and costs $30,000 to replace, the association would save $1,000 per year so that it would have the $30,000 it needs to replace the roof by the 30th year. If the roof is two years old, the association would need $2,000 on hand to be 100% funded, meaning that it had the exact amount of cash on hand that the roof had deteriorated to date. If the association only saved $1,000 by the second year, it would then be 50% funded instead. The reserve study calculates the deterioration of each of the association's assets through the date of the study, taking into consideration their age and replacement cost allowances, and the cumulative total of those numbers is the association's fully funded balance.

Reserve Fund Strength, Also Known As Percent Funded

The association's percent funded is calculated by comparing the association's current reserve balance against the fully funded balance, which we defined above. Generally speaking, an association that is less than 30% funded is considered to have a weak reserve account balance and thus a high risk of requiring a special assessment. Associations which are between 30% and 69% funded are considered to have a moderate funding position and therefore a medium risk of a special assessment. Association's which are 70% or more funded have a strong funding position and a low risk of requiring a special assessment. One of the many goals of your reserve study is to help the association achieve, and keep, a strong funding position with a low risk of a special assessment.

How to Pay for Reserve Projects

The question of reserve expenses is not if they will occur, but when they will occur. The best and most cost-effective way to ensure that funds are available for these expenses is to save for future projects through regular contributions to the reserve fund. This not only ensures that funds are available as projects arise, thus reducing the chances of deferred maintenance, but it is also the most equitable to ownership groups over time. If a person owns a unit for one year, they

contribute toward one year of reserves. The same goes for a person who owns their unit for five years, or for 30 years. If the association does not fund the reserve account through regular contributions and instead assesses a special assessment or takes out a loan for the project, the current ownership group is unfairly burdened with paying the full project cost even though previous owners enjoyed the use of those assets.

Properly reserving for anticipated maintenance, repair and replacement projects also results in lower overall costs to the association. Inadequate reserve funds often result in deferred maintenance, which can cause higher project costs and risk potential damage to association assets. For example, deferring an exterior paint project may result in increased future costs due to the additional prep work required to address peeling paint, repairs to exposed wood which has started to decay, etc. There are also administrative expenses associated with levying a special assessment and interest expenses associated with taking out a loan, both of which are avoided when adequate reserve funds are available.

Report Sections

This report was designed to provide clear, distinct chapters for the different funding plan options so the association can easily compare and select a funding plan to follow. Your report includes separate sections detailing the Full Funding plan, 70% Funding plan, Baseline Funding plan, as well as data illustrating the reserve funding projections based on the association's current contribution rate. The different funding options are also summarized in the Report Summary at the beginning of this study. In rare instances, associations with unique funding scenarios may not have a 70% Funding option available; in those cases the 70% Funding chapter has been omitted.

Annual Expenditure Charts

The data within this section represents the association's projected expenses over the 30 year scope of this report. These expenses are projected to occur independent of which funding plan the association chooses to follow (Full, 70% or Baseline), and the charts are particularly helpful to the association in planning near term projects (i.e. within the next 1-5 years).

This section also includes a depreciation summary, which shows the total deterioration of the association's assets on an annual basis. It is important that the association consider this data when selecting an annual reserve contribution, as contributing significantly less than the annual deterioration rate means that the association's assets are deteriorating at a faster rate than the association is reserving.

Sample HOA
Your Town, WA
Spread Sheet

Description	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Grounds										
Asphalt - Overlay										
Asphalt - Repair & Sealcoat	14,300					16,578				
Asphalt Path - Overlay										
Asphalt Path - Repair & Seal	9,920					11,500				
Concrete - Repair		3,395					3,936			
Drainage System - Maintain	*Unfunded*									
Irrigation System - Repair			1,639					1,900		
Landscape - Refurbish	2,575			2,814			3,075			3,360
Mailboxes - Replace										
Pole Lights - Replace	*Unfunded*									
Trees - Trim/Remove		1,591			1,739			1,900		
Wood Fence - Repair & Stain	1,452					1,684				
Wood Fence - Replace						9,821				
Grounds Total:	**28,247**	**4,986**	**1,639**	**2,814**	**1,739**	**39,582**	**7,010**	**3,800**		**3,360**
Professional										
Reserve Study - Annual Update	*Unfunded*									
Year Total:	**28,247**	**4,986**	**1,639**	**2,814**	**1,739**	**39,582**	**7,010**	**3,800**		**3,360**

Sample HOA
Your Town, WA
Spread Sheet

Description	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Grounds										
Asphalt - Overlay						242,498				
Asphalt - Repair & Sealcoat	19,218					22,279				
Asphalt Path - Overlay										
Asphalt Path - Repair & Seal	13,332					15,455				
Concrete - Repair		4,562					5,289			
Drainage System - Maintain	*Unfunded*									
Irrigation System - Repair			2,203					2,554		
Landscape - Refurbish			3,671			4,012			4,384	
Mailboxes - Replace		9,980								
Pole Lights - Replace	*Unfunded*									
Trees - Trim/Remove	2,076			2,269			2,479			2,709
Wood Fence - Repair & Stain	1,952					2,263				
Wood Fence - Replace										
Grounds Total:	**36,578**	**14,543**	**5,874**	**2,269**		**286,506**	**7,768**	**2,554**	**4,384**	**2,709**
Professional										
Reserve Study - Annual Update	*Unfunded*									
Year Total:	**36,578**	**14,543**	**5,874**	**2,269**		**286,506**	**7,768**	**2,554**	**4,384**	**2,709**

Sample HOA
Your Town, WA
Spread Sheet

Description	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
Grounds										
Asphalt - Overlay										
Asphalt - Repair & Sealcoat	25,827					29,941				
Asphalt Path - Overlay						241,873				
Asphalt Path - Repair & Seal	17,917					20,770				
Concrete - Repair		6,132					7,108			
Drainage System - Maintain	*Unfunded*									
Irrigation System - Repair			2,960					3,432		
Landscape - Refurbish		4,790			5,234			5,720		
Mailboxes - Replace										
Pole Lights - Replace	*Unfunded*									
Trees - Trim/Remove			2,960			3,235			3,535	
Wood Fence - Repair & Stain	2,623					3,041				
Wood Fence - Replace						17,738				
Grounds Total:	**46,367**	**10,922**	**5,921**		**5,234**	**316,598**	**7,108**	**9,152**	**3,535**	
Professional										
Reserve Study - Annual Update	*Unfunded*									
Year Total:	**46,367**	**10,922**	**5,921**		**5,234**	**316,598**	**7,108**	**9,152**	**3,535**	

Sample HOA
Your Town, WA
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2022	
Landscape - Refurbish	2,575
Asphalt - Repair & Sealcoat	14,300
Asphalt Path - Repair & Seal	9,920
Wood Fence - Repair & Stain	1,452
Total for 2022	**$28,247**
Replacement Year 2023	
Trees - Trim/Remove	1,591
Concrete - Repair	3,395
Total for 2023	**$4,986**
Replacement Year 2024	
Irrigation System - Repair	1,639
Total for 2024	**$1,639**
Replacement Year 2025	
Landscape - Refurbish	2,814
Total for 2025	**$2,814**
Replacement Year 2026	
Trees - Trim/Remove	1,739
Total for 2026	**$1,739**
Replacement Year 2027	
Asphalt - Repair & Sealcoat	16,578
Asphalt Path - Repair & Seal	11,500
Wood Fence - Repair & Stain	1,684
Wood Fence - Replace	9,821
Total for 2027	**$39,582**
Replacement Year 2028	
Landscape - Refurbish	3,075
Concrete - Repair	3,936
Total for 2028	**$7,010**

Sample HOA
Your Town, WA
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2029	
Trees - Trim/Remove	1,900
Irrigation System - Repair	1,900
Total for 2029	**$3,800**
No Replacement in 2030	
Replacement Year 2031	
Landscape - Refurbish	3,360
Total for 2031	**$3,360**
Replacement Year 2032	
Trees - Trim/Remove	2,076
Asphalt - Repair & Sealcoat	19,218
Asphalt Path - Repair & Seal	13,332
Wood Fence - Repair & Stain	1,952
Total for 2032	**$36,578**
Replacement Year 2033	
Concrete - Repair	4,562
Mailboxes - Replace	9,980
Total for 2033	**$14,543**
Replacement Year 2034	
Landscape - Refurbish	3,671
Irrigation System - Repair	2,203
Total for 2034	**$5,874**
Replacement Year 2035	
Trees - Trim/Remove	2,269
Total for 2035	**$2,269**
No Replacement in 2036	
Replacement Year 2037	
Landscape - Refurbish	4,012

Sample HOA
Your Town, WA
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2037 continued...	
Asphalt - Repair & Sealcoat	22,279
Asphalt Path - Repair & Seal	15,455
Wood Fence - Repair & Stain	2,263
Asphalt - Overlay	242,498
Total for 2037	**$286,506**
Replacement Year 2038	
Trees - Trim/Remove	2,479
Concrete - Repair	5,289
Total for 2038	**$7,768**
Replacement Year 2039	
Irrigation System - Repair	2,554
Total for 2039	**$2,554**
Replacement Year 2040	
Landscape - Refurbish	4,384
Total for 2040	**$4,384**
Replacement Year 2041	
Trees - Trim/Remove	2,709
Total for 2041	**$2,709**
Replacement Year 2042	
Asphalt - Repair & Sealcoat	25,827
Asphalt Path - Repair & Seal	17,917
Wood Fence - Repair & Stain	2,623
Total for 2042	**$46,367**
Replacement Year 2043	
Landscape - Refurbish	4,790
Concrete - Repair	6,132
Total for 2043	**$10,922**

Sample HOA
Your Town, WA
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2044	
Trees - Trim/Remove	2,960
Irrigation System - Repair	2,960
Total for 2044	**$5,921**
No Replacement in 2045	
Replacement Year 2046	
Landscape - Refurbish	5,234
Total for 2046	**$5,234**
Replacement Year 2047	
Trees - Trim/Remove	3,235
Asphalt - Repair & Sealcoat	29,941
Asphalt Path - Repair & Seal	20,770
Wood Fence - Repair & Stain	3,041
Wood Fence - Replace	17,738
Asphalt Path - Overlay	241,873
Total for 2047	**$316,598**
Replacement Year 2048	
Concrete - Repair	7,108
Total for 2048	**$7,108**
Replacement Year 2049	
Landscape - Refurbish	5,720
Irrigation System - Repair	3,432
Total for 2049	**$9,152**
Replacement Year 2050	
Trees - Trim/Remove	3,535
Total for 2050	**$3,535**
No Replacement in 2051	

Sample HOA
Deterioration Summary

Asset ID	Description	Useful Life	Current Cost	Annual Deterioration
1015	Asphalt - Overlay	30	$155,650	$5,188
1005	Asphalt - Repair & Sealcoat	5	$14,300	$2,860
1040	Asphalt Path - Overlay	40	$115,520	$2,888
1035	Asphalt Path - Repair & Seal	5	$9,920	$1,984
1000	Concrete - Repair	5	$3,296	$659
1160	Drainage System - Maintain	Unfunded		
1155	Irrigation System - Repair	5	$1,545	$309
1135	Landscape - Refurbish	3	$2,575	$858
1065	Mailboxes - Replace	25	$7,210	$288
1175	Pole Lights - Replace	Unfunded		
6005	Reserve Study - Annual Update	Unfunded		
1145	Trees - Trim/Remove	3	$1,545	$515
1075	Wood Fence - Repair & Stain	5	$1,452	$290
1070	Wood Fence - Replace	20	$8,472	$424
Total Annual Deterioration of Association Assets				$16,264

Full Funding Model

The data within this section represents the full funding model. In this model the association works to fund the reserve account to a level in which the reserve account balance equals the fully funded balance, thus achieving 100% funding. This is accomplished over the 30 year scope of the report. Following this funding model is recommended, as it puts the association at the lowest risk of requiring a special assessment should a project occur earlier than projected or cost more than anticipated.

Sample HOA
Your Town, WA
Full Funding Model Summary

Report Date	January 1, 2022
Account Number	12345
Budget Year Beginning	January 1, 2022
Budget Year Ending	December 31, 2022
Total Units	50

Report Parameters

Inflation	3.00%
Interest Rate on Reserve Deposit	1.00%
2022 Beginning Balance	$132,000

Full Funding Model

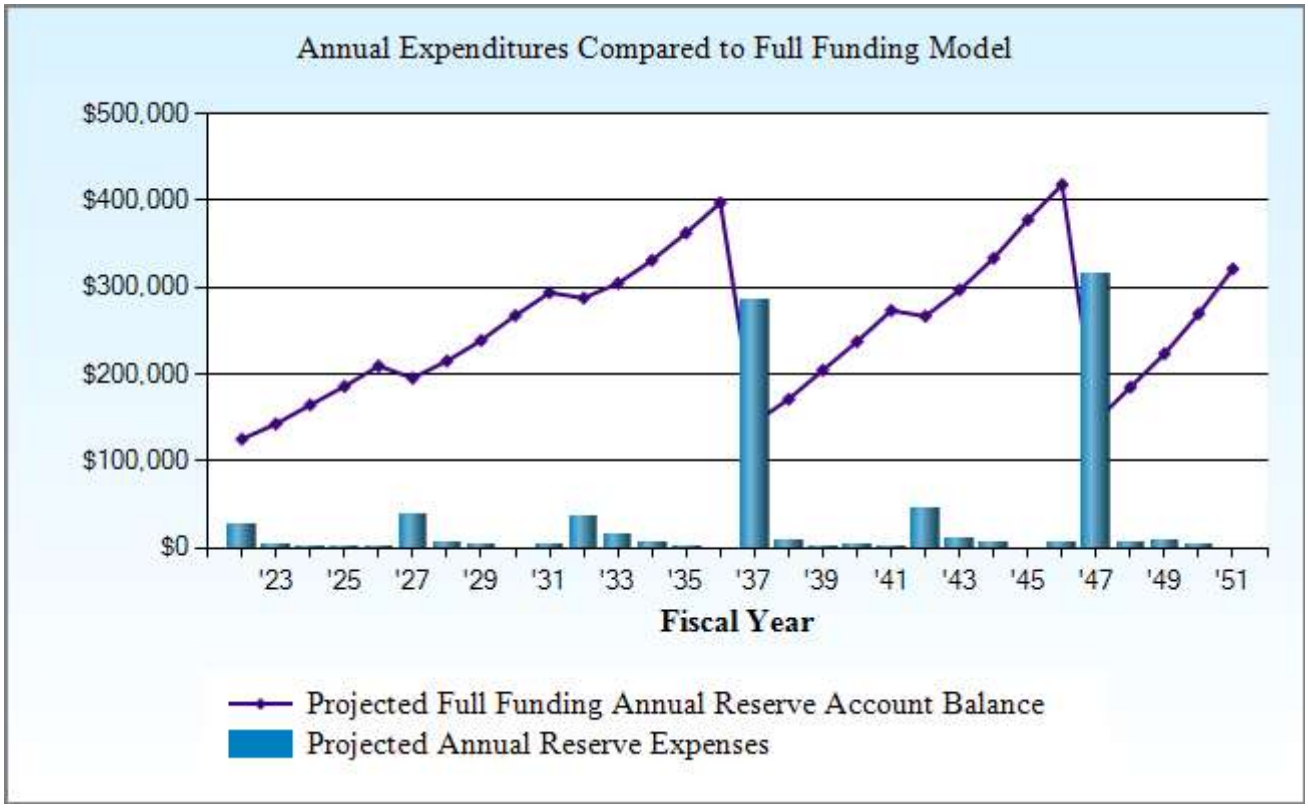
Full Funding Model Summary of Calculations

Required Annual Contribution	$20,500.00
$410.00 per unit annually	
Average Net Annual Interest Earned	$1,242.53
Total Annual Allocation to Reserves	$21,742.53
$434.85 per unit annually	

Sample HOA
Full Funding Model Projection

Beginning Balance: $132,000

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2022	321,485	20,500	1,243	28,247	125,495	152,464	82%
2023	331,130	21,115	1,416	4,986	143,040	169,449	84%
2024	341,063	21,748	1,631	1,639	164,781	190,917	86%
2025	351,295	22,401	1,844	2,814	186,212	212,362	88%
2026	361,834	23,073	2,075	1,739	209,621	236,116	89%
2027	372,689	23,765	1,938	39,582	195,742	222,152	88%
2028	383,870	24,478	2,132	7,010	215,342	241,910	89%
2029	395,386	25,212	2,368	3,800	239,122	266,177	90%
2030	407,248	25,969	2,651		267,741	295,713	91%
2031	419,465	26,748	2,911	3,360	294,041	323,322	91%
2032	432,049	27,550	2,850	36,578	287,863	318,210	90%
2033	445,010	28,377	3,017	14,543	304,714	336,327	91%
2034	458,361	29,228	3,281	5,874	331,349	364,623	91%
2035	472,112	30,105	3,592	2,269	362,777	398,209	91%
2036	486,275	31,008	3,938		397,723	435,888	91%
2037	500,863	31,938	1,432	286,506	144,587	180,082	80%
2038	515,889	32,896	1,697	7,768	171,412	204,488	84%
2039	531,366	33,883	2,027	2,554	204,769	235,807	87%
2040	547,307	34,900	2,353	4,384	237,638	267,016	89%
2041	563,726	35,947	2,709	2,709	273,585	301,744	91%
2042	580,638	37,025	2,642	46,367	266,885	293,433	91%
2043	598,057	38,136	2,941	10,922	297,041	322,292	92%
2044	615,999	39,280	3,304	5,921	333,704	358,108	93%
2045	634,479	40,459	3,742		377,904	402,064	94%
2046	653,513	41,672	4,143	5,234	418,485	442,943	94%
2047	673,118	42,922	1,448	316,598	146,258	165,211	89%
2048	693,312	44,210	1,834	7,108	185,193	198,973	93%
2049	714,111	45,536	2,216	9,152	223,794	232,728	96%
2050	735,535	46,903	2,672	3,535	269,833	274,397	98%
2051	757,601	48,310	3,181		321,324	322,107	100%



This chart compares the projected yearly reserve balance within the full funding plan against the cumulative expenses anticipated within that year.

70% Threshold Funding Model

The data within this section represents the 70% threshold funding model. In this model the association aims to become 70% funded over the 30 year scope of the report. While the full funding model in the prior section features the lowest risk of a special assessment, this 70% model provides an alternate option for associations that do not wish to fund reserves to 100% but wish to actively mitigate the risk of a special assessment by funding reserves to a level in which the risk of a special assessment is still relatively low.

Sample HOA
Your Town, WA
70% Funding Model Summary

Report Date	January 1, 2022
Account Number	12345
Budget Year Beginning	January 1, 2022
Budget Year Ending	December 31, 2022
Total Units	50

Report Parameters

Inflation	3.00%
Interest Rate on Reserve Deposit	1.00%
2022 Beginning Balance	$132,000

70% Funding Model

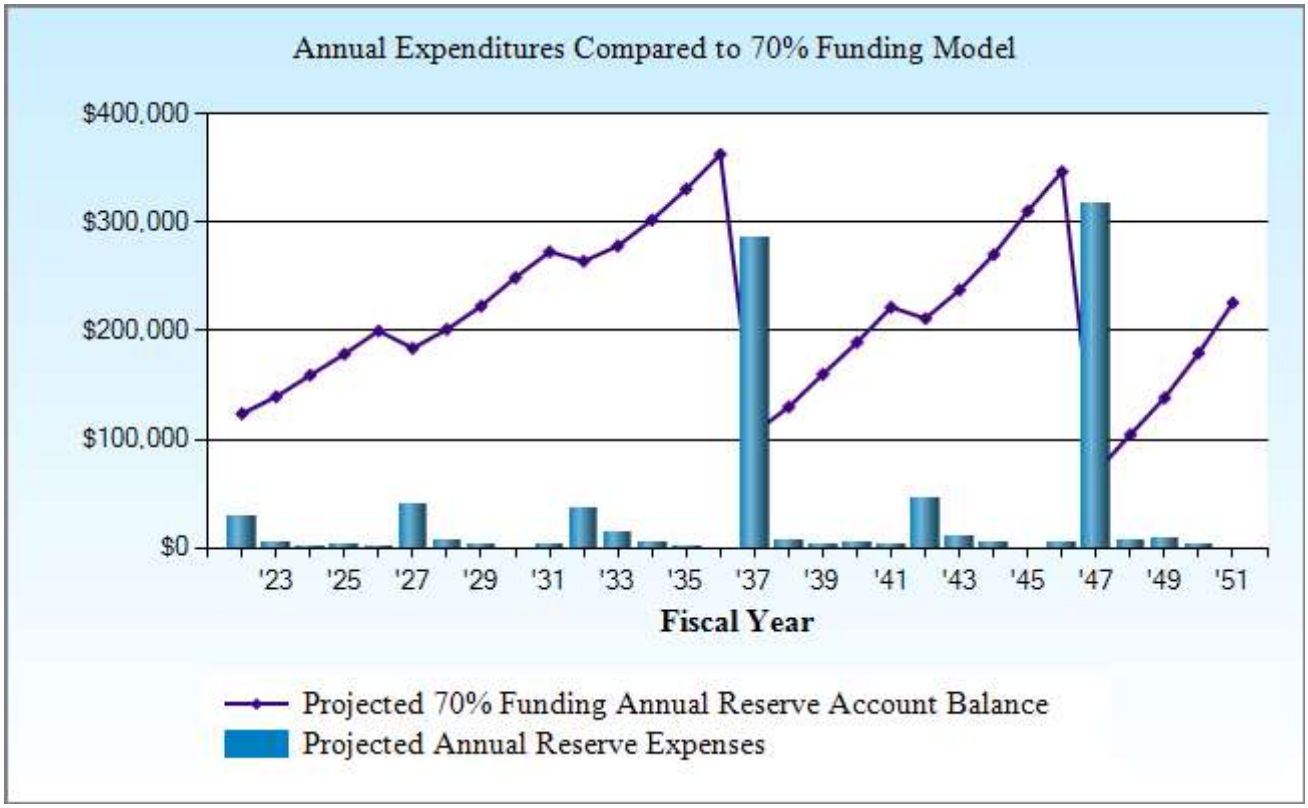
70% Funding Model Summary of Calculations

Required Annual Contribution	$18,750.00
$375.00 per unit annually	
Average Net Annual Interest Earned	$1,225.03
Total Annual Allocation to Reserves	$19,975.03
$399.50 per unit annually	

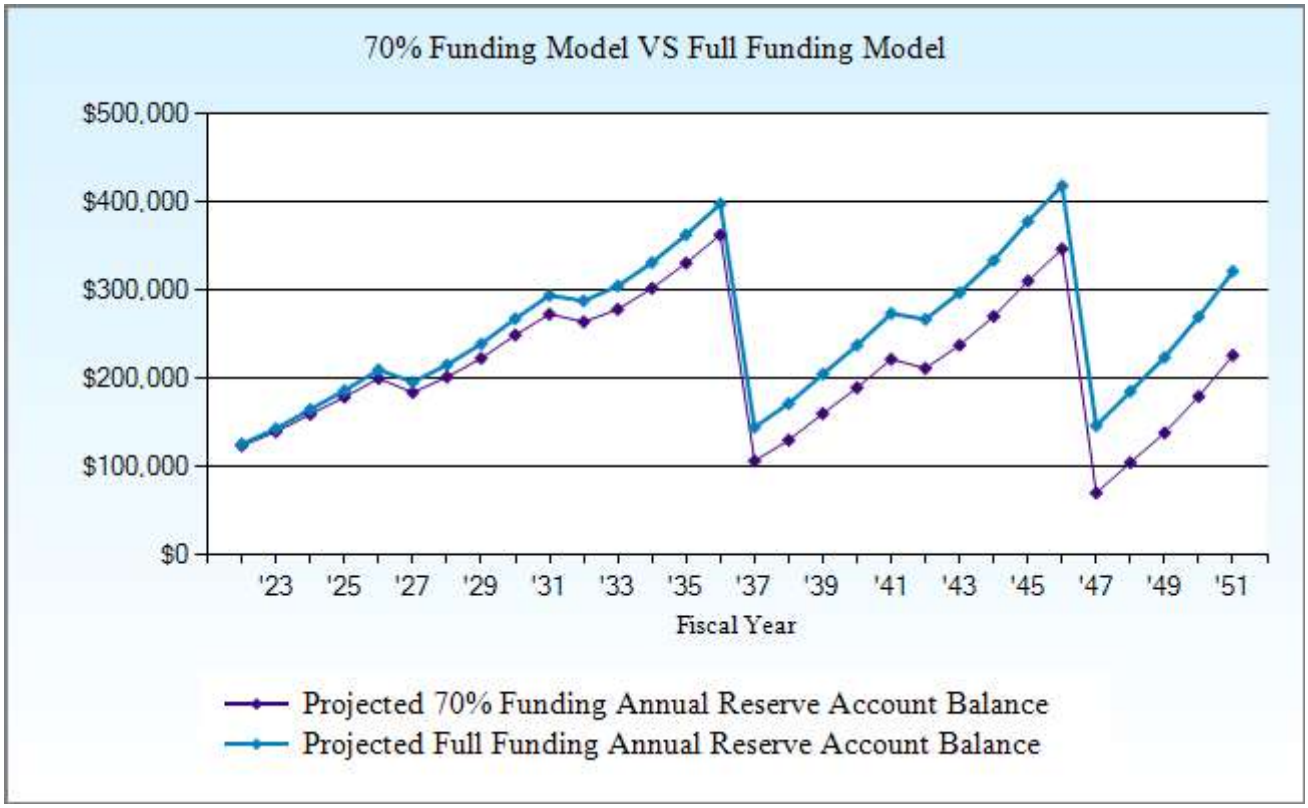
Sample HOA
70% Funding Model Projection

Beginning Balance: $132,000

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2022	321,485	18,750	1,225	28,247	123,728	152,464	81%
2023	331,130	19,312	1,381	4,986	139,435	169,449	82%
2024	341,063	19,892	1,577	1,639	159,264	190,917	83%
2025	351,295	20,489	1,769	2,814	178,708	212,362	84%
2026	361,834	21,103	1,981	1,739	200,054	236,116	85%
2027	372,689	21,736	1,822	39,582	184,030	222,152	83%
2028	383,870	22,388	1,994	7,010	201,402	241,910	83%
2029	395,386	23,060	2,207	3,800	222,868	266,177	84%
2030	407,248	23,752	2,466		249,087	295,713	84%
2031	419,465	24,464	2,702	3,360	272,893	323,322	84%
2032	432,049	25,198	2,615	36,578	264,129	318,210	83%
2033	445,010	25,954	2,755	14,543	278,296	336,327	83%
2034	458,361	26,733	2,992	5,874	302,146	364,623	83%
2035	472,112	27,535	3,274	2,269	330,687	398,209	83%
2036	486,275	28,361	3,590		362,638	435,888	83%
2037	500,863	29,212	1,053	286,506	106,398	180,082	59%
2038	515,889	30,088	1,287	7,768	130,005	204,488	64%
2039	531,366	30,991	1,584	2,554	160,026	235,807	68%
2040	547,307	31,921	1,876	4,384	189,439	267,016	71%
2041	563,726	32,878	2,196	2,709	221,804	301,744	74%
2042	580,638	33,865	2,093	46,367	211,394	293,433	72%
2043	598,057	34,881	2,354	10,922	237,707	322,292	74%
2044	615,999	35,927	2,677	5,921	270,390	358,108	76%
2045	634,479	37,005	3,074		310,469	402,064	77%
2046	653,513	38,115	3,433	5,234	346,783	442,943	78%
2047	673,118	39,258	694	316,598	70,137	165,211	42%
2048	693,312	40,436	1,035	7,108	104,500	198,973	53%
2049	714,111	41,649	1,370	9,152	138,367	232,728	59%
2050	735,535	42,899	1,777	3,535	179,508	274,397	65%
2051	757,601	44,186	2,237		225,931	322,107	70%



This chart compares the projected yearly reserve balance within the 70% Funding model against the cumulative expenses anticipated within that year.



This chart compares the projected annual reserve account balances between the 70% Funding model and the Full Funding model.

Baseline Funding Model

The data within this section represents the baseline funding model. In this model, the association funds reserves at a level in which the reserve balance is not projected to drop below zero over the 30 year scope of this report. Baseline funding has the highest risk of a special assessment. Under this model, if a project comes in just slightly over budget, or occurs earlier than anticipated, the association has a high risk of requiring a special assessment.

Sample HOA
Your Town, WA
Baseline Funding Model Summary

Report Date	January 1, 2022
Account Number	12345
Budget Year Beginning	January 1, 2022
Budget Year Ending	December 31, 2022
Total Units	50

Report Parameters

Inflation	3.00%
Interest Rate on Reserve Deposit	1.00%
2022 Beginning Balance	$132,000

Baseline Funding Model

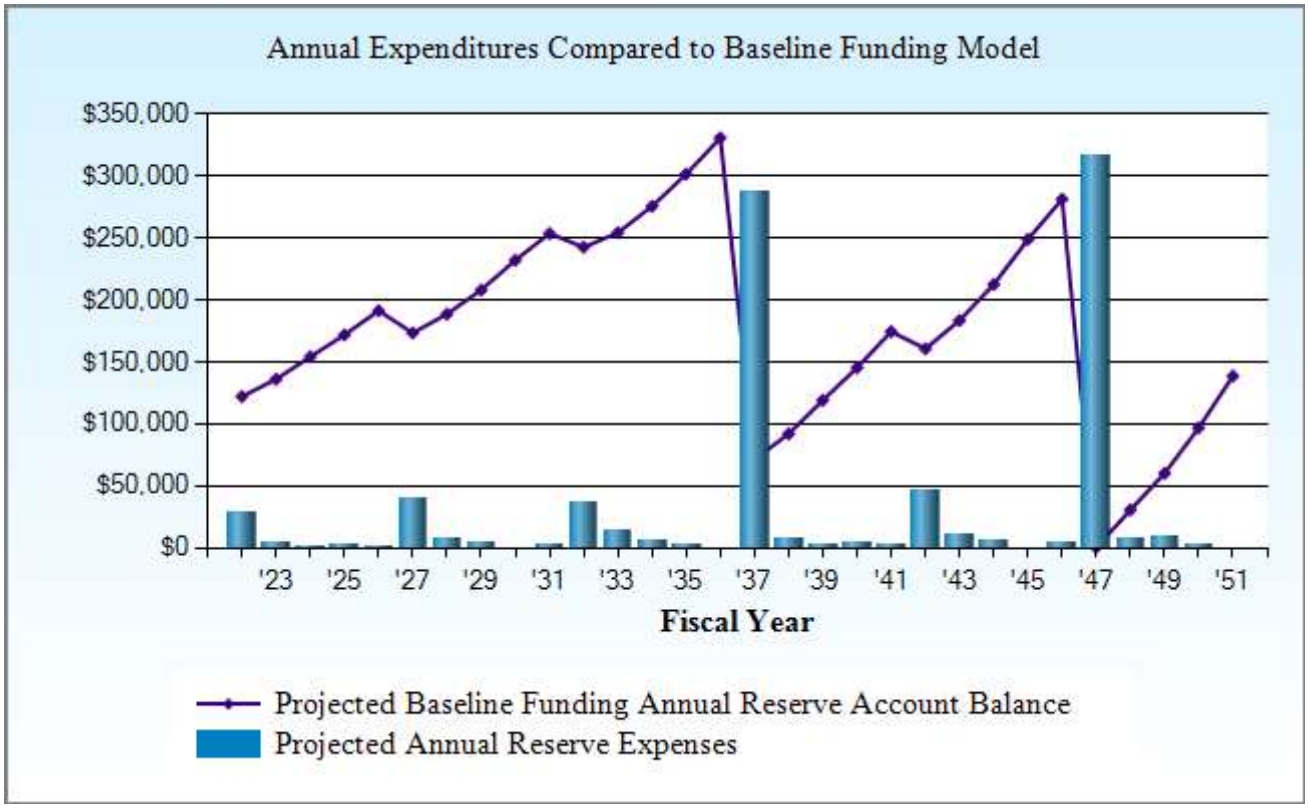
Baseline Funding Model Summary of Calculations

Required Annual Contribution	$17,150.00
$343.00 per unit annually	
Average Net Annual Interest Earned	$1,209.03
Total Annual Allocation to Reserves	$18,359.03
$367.18 per unit annually	

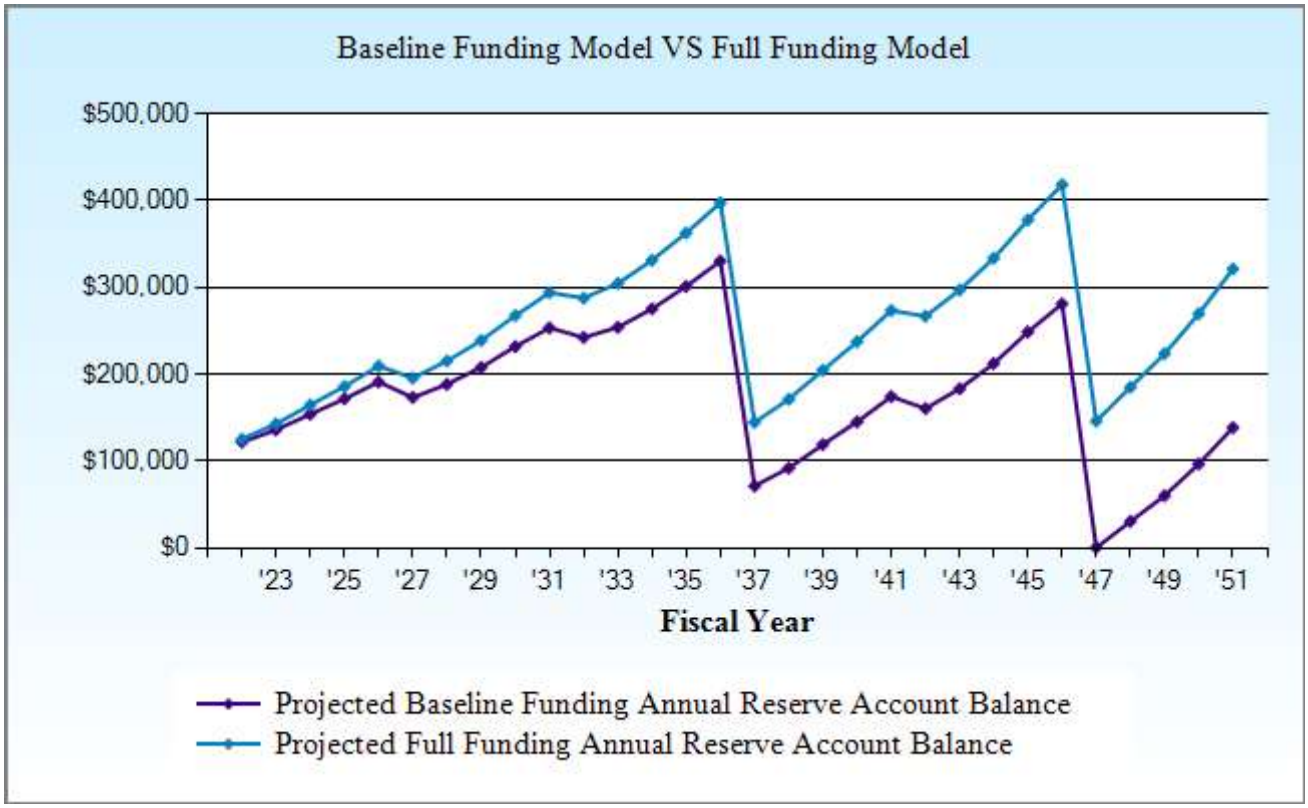
Sample HOA
Baseline Funding Model Projection

Beginning Balance: $132,000

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2022	321,485	17,150	1,209	28,247	122,112	152,464	80%
2023	331,130	17,664	1,348	4,986	136,138	169,449	80%
2024	341,063	18,194	1,527	1,639	154,220	190,917	81%
2025	351,295	18,740	1,701	2,814	171,848	212,362	81%
2026	361,834	19,302	1,894	1,739	191,306	236,116	81%
2027	372,689	19,882	1,716	39,582	173,321	222,152	78%
2028	383,870	20,478	1,868	7,010	188,657	241,910	78%
2029	395,386	21,092	2,059	3,800	208,008	266,177	78%
2030	407,248	21,725	2,297		232,031	295,713	78%
2031	419,465	22,377	2,510	3,360	253,558	323,322	78%
2032	432,049	23,048	2,400	36,578	242,429	318,210	76%
2033	445,010	23,740	2,516	14,543	254,142	336,327	76%
2034	458,361	24,452	2,727	5,874	275,447	364,623	76%
2035	472,112	25,185	2,984	2,269	301,347	398,209	76%
2036	486,275	25,941	3,273		330,561	435,888	76%
2037	500,863	26,719	708	286,506	71,482	180,082	40%
2038	515,889	27,521	912	7,768	92,146	204,488	45%
2039	531,366	28,346	1,179	2,554	119,118	235,807	51%
2040	547,307	29,197	1,439	4,384	145,371	267,016	54%
2041	563,726	30,073	1,727	2,709	174,461	301,744	58%
2042	580,638	30,975	1,591	46,367	160,660	293,433	55%
2043	598,057	31,904	1,816	10,922	183,459	322,292	57%
2044	615,999	32,861	2,104	5,921	212,503	358,108	59%
2045	634,479	33,847	2,464		248,814	402,064	62%
2046	653,513	34,862	2,784	5,234	281,226	442,943	63%
2047	673,118	35,908	5	316,598	541	165,211	0%
2048	693,312	36,986	304	7,108	30,723	198,973	15%
2049	714,111	38,095	597	9,152	60,263	232,728	26%
2050	735,535	39,238	960	3,535	96,926	274,397	35%
2051	757,601	40,415	1,373		138,714	322,107	43%



This chart compares the projected yearly reserve balance within the Baseline Funding model against the cumulative expenses anticipated within that year.



This chart compares the projected annual reserve account balances between the Baseline Funding model and the Full Funding model.

Current Funding Model

The data within this section represents the association's current funding model, based on the most recent annual budget. This data is helpful in determining whether current contribution rates are sufficient to meet the association's funding goals over time.

Sample HOA
Your Town, WA
Current Assessment Funding Model Summary

Report Date	January 1, 2022
Account Number	12345
Budget Year Beginning	January 1, 2022
Budget Year Ending	December 31, 2022
Total Units	50

Report Parameters

Inflation	3.00%
Annual Assessment Increase	3.00%
Interest Rate on Reserve Deposit	1.00%
2022 Beginning Balance	$132,000

Current Assessment Funding Model

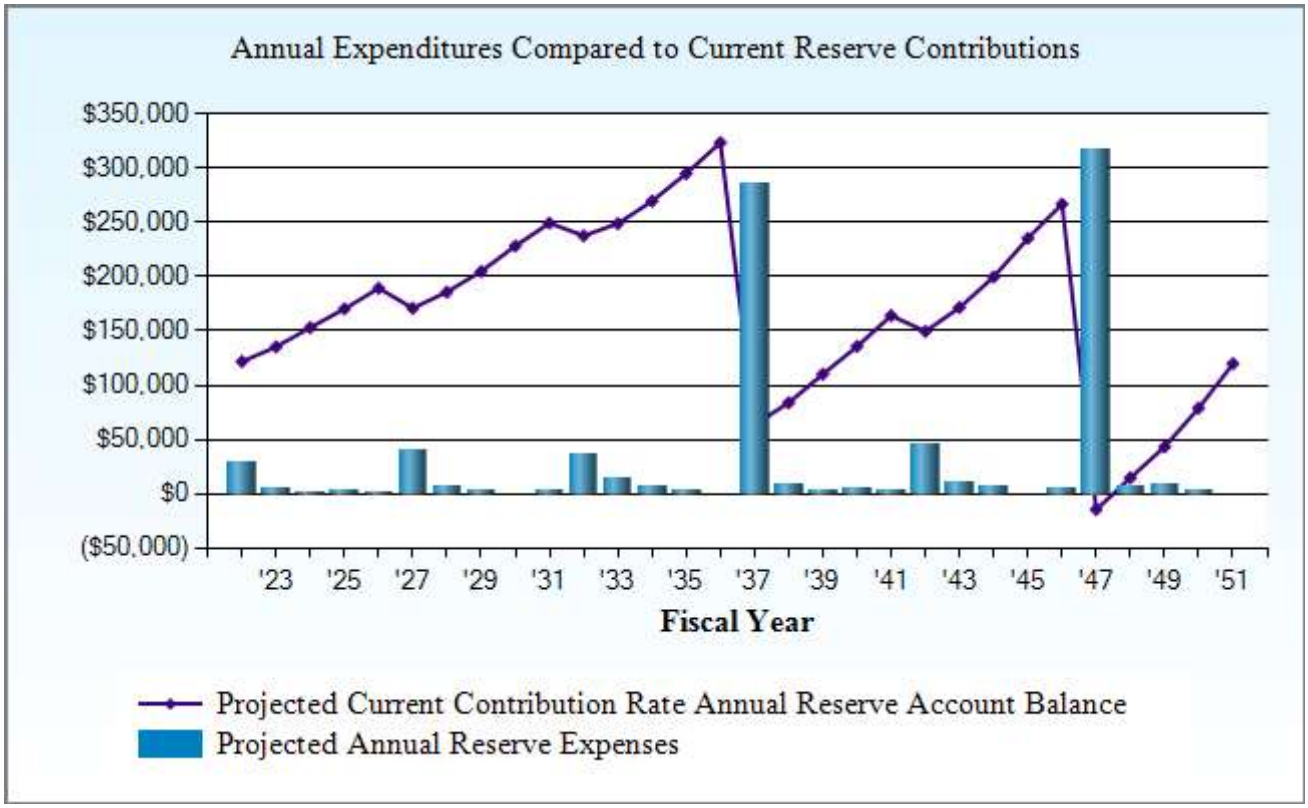
Current Assessment Funding Model Summary of Calculations

Required Annual Contribution	$16,800.00
$336.00 per unit annually	
Average Net Annual Interest Earned	$1,205.53
Total Annual Allocation to Reserves	$18,005.53
$360.11 per unit annually	

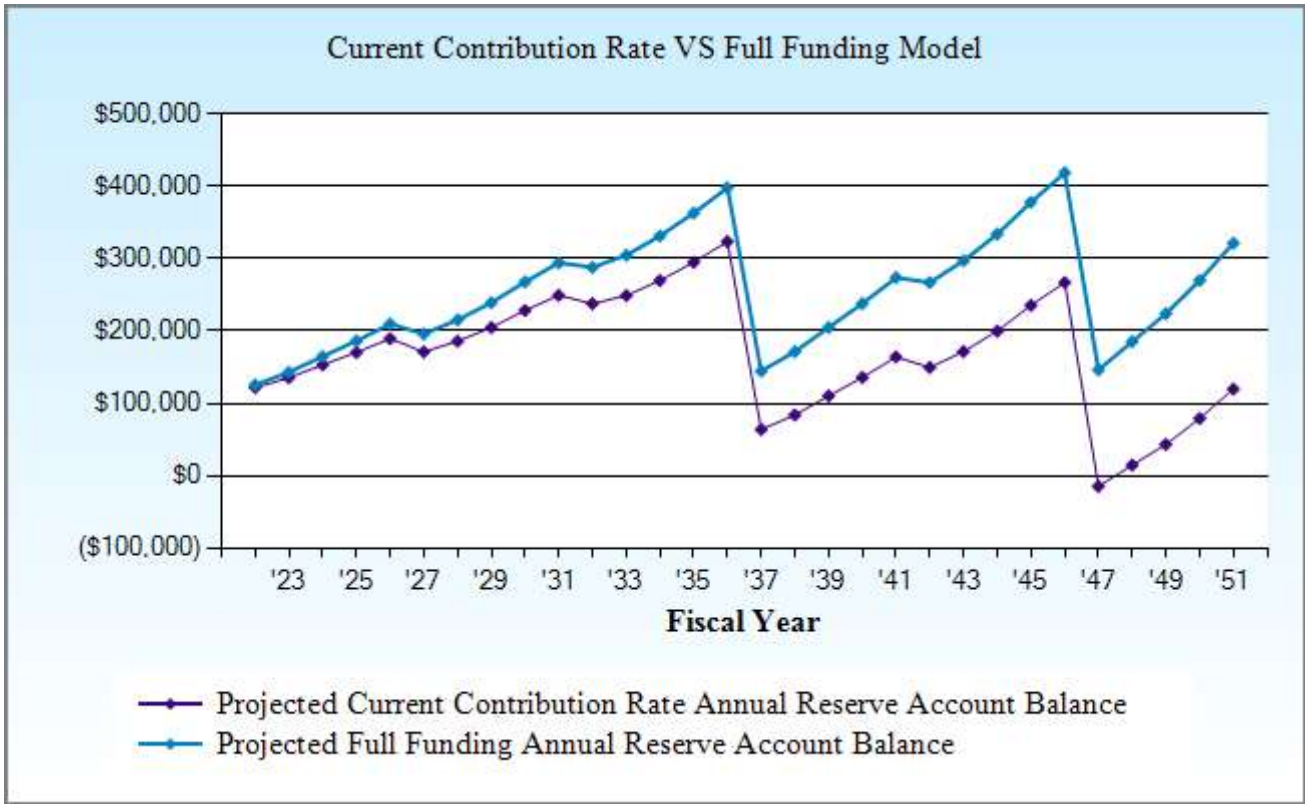
Sample HOA
Current Assessment Funding Model Projection

Beginning Balance: $132,000

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2022	321,485	16,800	1,206	28,247	121,758	152,464	80%
2023	331,130	17,304	1,341	4,986	135,417	169,449	80%
2024	341,063	17,823	1,516	1,639	153,117	190,917	80%
2025	351,295	18,358	1,687	2,814	170,347	212,362	80%
2026	361,834	18,909	1,875	1,739	189,392	236,116	80%
2027	372,689	19,476	1,693	39,582	170,979	222,152	77%
2028	383,870	20,060	1,840	7,010	185,869	241,910	77%
2029	395,386	20,662	2,027	3,800	204,758	266,177	77%
2030	407,248	21,282	2,260		228,300	295,713	77%
2031	419,465	21,920	2,469	3,360	249,329	323,322	77%
2032	432,049	22,578	2,353	36,578	237,682	318,210	75%
2033	445,010	23,255	2,464	14,543	248,858	336,327	74%
2034	458,361	23,953	2,669	5,874	269,606	364,623	74%
2035	472,112	24,671	2,920	2,269	294,929	398,209	74%
2036	486,275	25,412	3,203		323,544	435,888	74%
2037	500,863	26,174	632	286,506	63,844	180,082	35%
2038	515,889	26,959	830	7,768	83,865	204,488	41%
2039	531,366	27,768	1,091	2,554	110,170	235,807	47%
2040	547,307	28,601	1,344	4,384	135,731	267,016	51%
2041	563,726	29,459	1,625	2,709	164,105	301,744	54%
2042	580,638	30,343	1,481	46,367	149,562	293,433	51%
2043	598,057	31,253	1,699	10,922	171,592	322,292	53%
2044	615,999	32,191	1,979	5,921	199,840	358,108	56%
2045	634,479	33,156	2,330		235,326	402,064	59%
2046	653,513	34,151	2,642	5,234	266,885	442,943	60%
2047	673,118	35,175		316,598	-14,537	165,211	
2048	693,312	36,231	146	7,108	14,731	198,973	7%
2049	714,111	37,318	429	9,152	43,326	232,728	19%
2050	735,535	38,437	782	3,535	79,011	274,397	29%
2051	757,601	39,590	1,186		119,787	322,107	37%



This chart compares the projected yearly reserve balance at the association's current contribution rate against the cumulative expenses anticipated within that year.

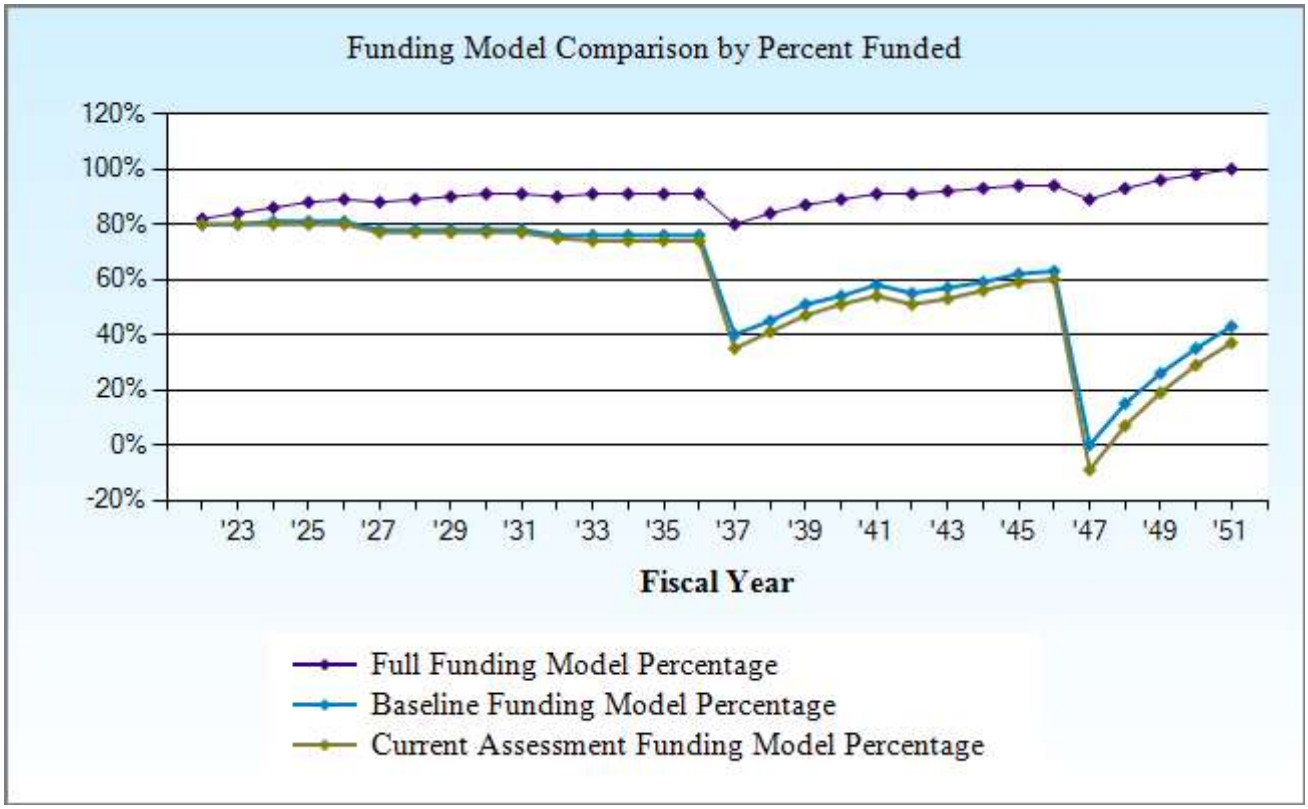


This chart compares the projected annual reserve account balances between the association's current contribution rate and the Full Funding model.

Comparison Charts

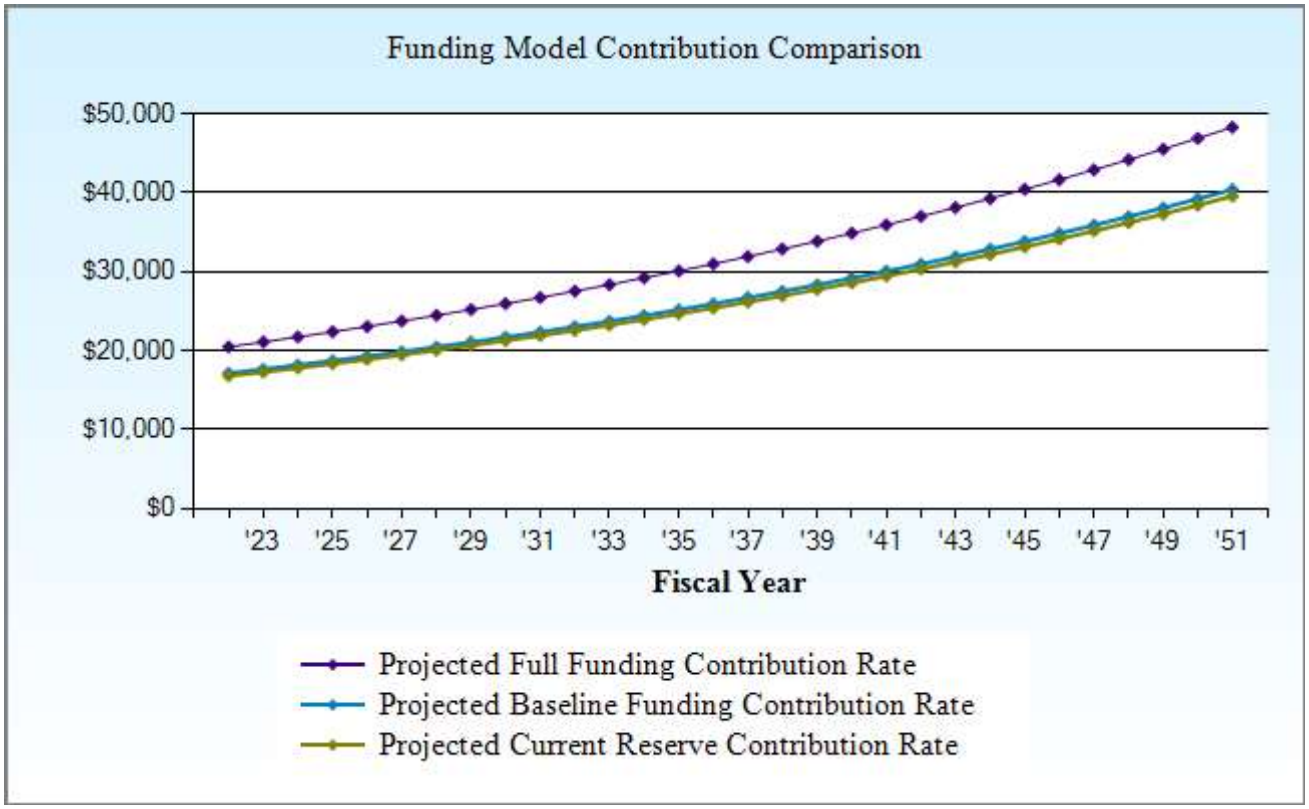
The charts within this section represent a visual comparison of the funding models included within this report. Each chart features a descriptive title indicating the data which is being compared and are extremely helpful for the association in comparing its current funding plan to the plans included within the study.

Sample HOA
Funding Model Comparison by Percent Funded



This chart compares the association's projected percent funded on an annual basis between the Full and Baseline funding models, along with the association's current contribution rate, over 30 years.

Sample HOA
Funding Model Assessment Comparison Chart



This chart compares the projected contribution rate between the Full and Baseline funding models, along with the association's current contribution rate, over 30 years.

Component Detail Report

The following section features a detailed breakdown of each of the association's reserve components. This section details component history, quantities, useful life, remaining useful life, cost breakdowns and maintenance recommendations, among other important data. For Level I Full and Level II With-Site-Visit reports, this section also features photographs of the components.

Sample HOA
Asset Index

Total Funded Assets	11
Total Unfunded Assets	3
Total Assets	14

Concrete - Repair - 2023

		1 Allowance	@ $3,296.00
Asset ID	1000	Asset Actual Cost	$3,296.00
		Percent Replacement	100%
	Grounds	Future Cost	$3,394.88
Placed in Service	January 2018		
Useful Life	5		
Replacement Year	2023		
Remaining Life	1		

Cost Range: The allowance included here is a basic flat fee allowance. Actual cost may vary based on actual scope of work.

Cost Source: Client Cost History

Location: Curbs and sidewalks throughout community

Component History: Repairs 2018 $3,200

Concrete appeared generally intact, with no major damage or deterioration observed.

Typically, concrete surfaces have a predictable useful life which exceeds the scope of this report, however we have included a rotating funding allowance for periodic repairs and spot replacements. Because this is a rotating component, the date in service represents the approximate last repair date.

Inspect and repair concrete as needed through annual operating budget. Clean periodically to remove stains and organic debris, and repair any trip hazards (defined as ¼" or more of vertical change at any joint or crack by the 1990 Americans with Disabilities Act) immediately.

Some jurisdictions make sidewalks along public roads the responsibility of the adjacent property owner to maintain, repair and replace. We recommend consulting with your local municipality to confirm responsibility if your governing documents are not clear on this matter.

The Portland Cement Association has extensive resources available regarding concrete and cement products on its website: Portland Cement

Asphalt - Repair & Sealcoat - 2022

		55,000 GSF	@ $0.26
Asset ID	1005	Asset Actual Cost	$14,300.00
		Percent Replacement	100%
	Grounds	Future Cost	$14,300.00
Placed in Service	January 2016		
Useful Life	5		
Replacement Year	2022		
Remaining Life	0		

Cost Range: The allowance included here is an average allowance based on a cost range of $0.20 to $0.30/SF.

Location: Private asphalt roads throughout community

Cost Source: Accurate Reserve Professionals, LLC Database

Component History: Reportedly sealed 2016 $8,650

Asphalt seal coat appeared generally deteriorated, with peeling and flaking observed in areas.

Regular cycles of seal coating are recommended to prevent water from penetrating the asphalt surface. We typically recommend that asphalt seal coat is applied at 5 year intervals, however areas of high traffic or water movement (such as on a slope) may require more frequent applications. Failure to regularly apply asphalt seal coat is likely to reduce the overall useful life of asphalt. Repairing asphalt and sealing cracks prior to seal coat application is imperative, and an allowance for repairs is included within the funding in this report. Repair costs can vary significantly based on scope, therefore costs may vary from the allowances included herein. Costs also factor re-striping asphalt following seal coat application.

The Washington State Department of Transportation has published a report detailing asphalt seal coats and techniques for application, which can be found here: Washington DOT Recommendations

Asphalt - Overlay - 2037

		55,000 GSF	@ $2.83
Asset ID	1015	Asset Actual Cost	$155,650.00
		Percent Replacement	100%
	Grounds	Future Cost	$242,497.63
Placed in Service	January 2008		
Useful Life	30		
Adjustment	-1		
Replacement Year	2037		
Remaining Life	15		

Cost Range: The allowance included here is an average allowance based on a cost range of $2.50 to $3.00/SF.

Cost Source: Accurate Reserve Professionals, LLC Database

Location: Private asphalt roads throughout community.

Component History: None known

Asphalt appeared generally intact, with local cracks and tree root uplift observed in areas.

The average useful life of asphalt can range significantly based on several factors including, but not limited to, quality of initial installation, traffic levels and type, proximity of tree roots, frequency of proactive repairs and frequency of seal coat or chip seal application. Typically asphalt is initially installed 2-4 inches in depth and resurfacing involves grinding down the top 1-2 inches and overlaying a new layer of asphalt. This is typically performed at 20-40 year intervals depending on the unique site conditions of the property and levels of proactive maintenance. Asphalt resurfacing is often one of the larger expenses experienced by an association, especially if the association is responsible for private roads, therefore proactive maintenance and sealing to prolong the useful life of the asphalt is a best practice.

Asphalt Path - Repair & Seal - 2022

		32,000 GSF	@ $0.31
Asset ID	1035	Asset Actual Cost	$9,920.00
		Percent Replacement	100%
	Grounds	Future Cost	$9,920.00
Placed in Service	January 2016		
Useful Life	5		
Replacement Year	2022		
Remaining Life	0		

Cost Range: The allowance included here is an average allowance based on a cost range of $0.25 to $0.35/SF.

Cost Source: Accurate Reserve Professionals, LLC Database

Location: Path within community park

Component History: Reportedly sealed 2016 ~ $8,800

Regular cycles of seal coat application are recommended at asphalt pathways to prevent water from penetrating the asphalt surface. We typically recommend that asphalt seal coat is applied at 5 year intervals. Failure to regularly apply asphalt seal coat is likely to reduce the overall useful life of asphalt. Repairing asphalt and sealing cracks prior to seal coat application is imperative, and an allowance for repairs is included within the funding in this report. Repair costs can vary significantly based on scope, therefore costs may vary from the allowances included herein.

The Washington State Department of Transportation has published a report detailing asphalt seal coats and techniques for application, which can be found here: Washington DOT Recommendations

Asphalt Path - Overlay - 2047

		32,000 GSF	@ $3.61
Asset ID	1040	Asset Actual Cost	$115,520.00
		Percent Replacement	100%
	Grounds	Future Cost	$241,873.22
Placed in Service	January 2008		
Useful Life	40		
Adjustment	-1		
Replacement Year	2047		
Remaining Life	25		

Cost Range: The allowance included here is an average allowance based on a cost range of $3.00 to $4.00/SF.

Cost Source: Accurate Reserve Professionals, LLC Database

Location: Path within community park.

Component History: None known

Asphalt path appeared generally intact, with no major damage or deterioration observed.

The average useful life of asphalt can range significantly based on several factors including, but not limited to, quality of initial installation, proximity of tree roots, frequency of proactive repairs and frequency of seal coat or chip seal application. Typically, resurfacing involves grinding down the top 1-2 inches and overlaying a new layer of asphalt. This is generally performed at 20-40 year intervals depending on the unique site conditions of the property and levels of proactive maintenance. Resurfacing asphalt paths is typically more expensive than resurfacing roadways and parking areas due to more difficult access, etc., therefore proactively maintaining asphalt through regular cycles of seal coat to prolong the useful life is a best practice.

Mailboxes - Replace - 2033

		4 Cluster Boxes	@ $1,802.50
Asset ID	1065	Asset Actual Cost	$7,210.00
		Percent Replacement	100%
	Grounds	Future Cost	$9,980.33
Placed in Service	January 2008		
Useful Life	25		
Replacement Year	2033		
Remaining Life	11		

Cost Range: The allowance included here is an average allowance based on a cost range of $1,500 to $2,000 per cluster unit.

Cost Source: Accurate Reserve Professionals, LLC Database

Location: Adjacent to roadways within community.

Component History: 2008 manufacture date

Plan to replace mailboxes at roughly 20-25 year cycles. Inspect, clean and repair as needed utilizing operating funds. Most common causes for premature replacement is damage caused by a vehicle and/or vandalism. Contact your local post office prior to replacement of mailboxes to ensure new boxes are installed according to post office guidelines and to coordinate installation of the master lock.

Wood Fence - Replace - 2027

		235 LF	@ $36.05
Asset ID	1070	Asset Actual Cost	$8,471.75
		Percent Replacement	100%
	Grounds	Future Cost	$9,821.08
Placed in Service	January 2008		
Useful Life	20		
Adjustment	-1		
Replacement Year	2027		
Remaining Life	5		

Cost Range: The allowance included here is an average allowance based on a cost range of $30 to $40 per LF.

Cost Source: Accurate Reserve Professionals, LLC Database

Location: Partial perimeter of community, primarily along N and NW perimeters.

Component History: None known

Wood fence appeared intact, with no major damage or deterioration observed.

The typical useful life of wood fence ranges from 15 to 25 years depending on multiple factors including, but not limited to, the thickness and quality of wood at the time of installation, exposure to the elements and regular cycles of paint/stain. According to the American Fence Association, cedar posts should be inserted directly into the ground and not mounted in concrete to avoid premature decay. Pressure treated pine posts may be set in concrete as the chemical treatment will help prevent decay. Ensure that vegetation is trimmed back from fencing and that soil does not touch the bottom of the fence to prevent premature decay. Adjust irrigation systems as needed to limit contact with fence.

Inspect and repair fence through the annual operating budget in between larger replacement cycles. It is strongly recommended that wood fences are regularly stained to prolong the useful life of the fencing, and for the aesthetic benefits that stain affords.

The American Fence Association has an excellent fencing resource available through its website: American Fence Association

Wood Fence - Repair & Stain - 2022

		235 LF	@ $6.18
Asset ID	1075	Asset Actual Cost	$1,452.30
		Percent Replacement	100%
	Grounds	Future Cost	$1,452.30
Placed in Service	January 2016		
Useful Life	5		
Replacement Year	2022		
Remaining Life	0		

Cost Range: The allowance included here is an average allowance based on a cost range of $5 to $7 per lineal foot.

Cost Source: Inflated Client Cost History

Location: Partial perimeter of community, primarily along N and NW perimeters.

Component History: Stained 2016 $1,200

Regular cycles of staining of wood fencing are recommended, typically at 5 year intervals. A semi-transparent or solid bodied stain typically yield the best results aesthetically as paint is prone to peel over time and may require additional prep work prior to each paint cycle, resulting in increased costs. In addition to the aesthetic benefit of staining the fence, stain also provides water repellency and may help extend the useful life of the fence. Ensure that fence is adequately cleaned prior to stain application and adjust irrigation systems as needed to limit contact with fence, as direct contact will result in deterioration and discoloration of stain in those areas.

Landscape - Refurbish - 2022

		1 Allowance	@ $2,575.00
Asset ID	1135	Asset Actual Cost	$2,575.00
		Percent Replacement	100%
	Grounds	Future Cost	$2,575.00
Placed in Service	January 2019		
Useful Life	3		
Replacement Year	2022		
Remaining Life	0		

Cost Range: The allowance included here is a basic flat fee allowance. Actual cost may vary based on actual scope of work.

Cost Source: Accurate Reserve Professionals, LLC Database

Location: Throughout association common area grounds.

Component History: Shrub replacement 2019 $450

Typically, landscape maintenance is handled through the operating budget however this component factors an allowance for larger periodic landscaping projects outside the scope of the annual maintenance contract. Actual costs may vary significantly based on scope of work, therefore track actual expenses, as well as frequency, and update future reserve studies as needed. Irrigation work, tree trimming and bark/mulch replacement are handled as separate components within this report, if applicable.

Because this is a rotating component, the date in service represents the approximate last landscape renovation date.

Trees - Trim/Remove - 2023

		1 Allowance	@ $1,545.00
Asset ID	1145	Asset Actual Cost	$1,545.00
		Percent Replacement	100%
	Grounds	Future Cost	$1,591.35
Placed in Service	January 2020		
Useful Life	3		
Replacement Year	2023		
Remaining Life	1		

Cost Range: The allowance included here is a basic flat fee allowance. Actual cost may vary based on actual scope of work.

Cost Source: Client Cost History

Location: Trees throughout community landscape.

Component History: Tree trimming 2020 $1,450

Prior to performing any tree trimming, removal or replacement, we strongly urge the association to consult with an arborist to assess the condition of the trees and to assist the association in formulating a tree maintenance plan. Typically, some minor tree work is included within an annual landscape maintenance contract, however many communities require a rotating allowance for larger tree projects. Cost may vary significantly from the allowance included here depending on the scope of work; track actual project costs and timeframes and adjust future reserve studies as needed.

Irrigation System - Repair - 2024

		1 Allowance	@ $1,545.00
Asset ID	1155	Asset Actual Cost	$1,545.00
		Percent Replacement	100%
	Grounds	Future Cost	$1,639.09
Placed in Service	January 2019		
Useful Life	5		
Replacement Year	2024		
Remaining Life	2		

Cost Range: The allowance included here is a basic flat fee allowance. Actual cost may vary based on actual scope of work.

Cost Source: Accurate Reserve Professionals, LLC Database

Location: Throughout common area landscape.

Component History: Repairs 2019 $1,200

It is beyond the scope of a reserve study to assess the design, quality and/or function of an irrigation system, however no problems related to irrigation system reported at the time of this report. Irrigation systems typically consist of three main components; timer(s), underground water distribution lines (generally constructed of PVC) and spray heads. The United States Golf Association suggests complete replacement of irrigation systems at 25-30 years of age, as lines can become brittle over time and parts obsolete.

Regularly inspect your system and consult with your landscape vendor to determine the condition of your specific system. There is no information available to indicate that full replacement of system is required within this report, therefore a rotating allowance has been included for periodic larger repairs. Cost can vary widely based on scope of work, therefore track actual expenses and update future reserve studies as needed. Proper winterization is key to prevent damage from frozen lines. Handle smaller repairs such as head replacement (typically done in the spring upon system start-up) through the annual operating budget. Because this is a rotating component, the date in service represents the approximate last repair date.

Drainage System - Maintain

		1 System	
Asset ID	1160	Asset Actual Cost	
		Percent Replacement	100%
	Grounds	Future Cost	
Placed in Service	January 2008		
No Useful Life			

Location: Throughout common area roads and landscaping

Component History: No major projects known

It is beyond the scope of a reserve study to assess the design, quality and/or function of the stormwater drainage system, however no problems reported by client as of this report. When properly installed with no known defects or deficiencies, there is no predictable basis to expect maintenance, repair or replacement of the drainage system within the scope of this report, therefore no reserve funding included.

Common stormwater system components include gutters, ditches, catch basins and control facilities. Catch basins are the drains commonly found in asphalt or concrete surfaces and consist of a metal grate with a compartment below ground. Water gathers inside the compartment and is then drained through an outlet pipe. Often, sediment removal is required within the compartment structure. This is typically done using a vactor truck. The frequency at which sediment removal is required varies by location and is dependent on numerous factors. We recommend assessing the sediment levels in your catch basins every 1-2 years and cleaning as-needed through the annual operating budget.

The Washington State Department of Ecology has extensive resources available pertaining to stormwater systems and stormwater management, including manuals specific to both Western Washington and Eastern Washington: Washington Department of Ecology Stormwater Manuals

Pole Lights - Replace

		5 Each	
Asset ID	1175	Asset Actual Cost	
		Percent Replacement	100%
	Grounds	Future Cost	
Placed in Service	January 2008		
No Useful Life			

Location: Adjacent to private roadways

Component History: Original to ~ 2008 construction

Our source reported that pole lights are the responsiblity of the local municipality to maintain, repair and replace, therefore no reserve funding included.

Reserve Study - Annual Update

		1 Annual	
Asset ID	6005	Asset Actual Cost	
		Percent Replacement	100%
	Professional	Future Cost	
Placed in Service	January 2022		
No Useful Life			

Time for your annual update, contact us today!

Location: Common and limited common elements within association

Component History: 2022 Full reserve study

It is recommended that this study is updated annually. Some states, including Washington and Oregon, feature statutes which require that studies are updated on an annual basis for many communities (consult with your legal counsel if you have questions about whether an update is required for your community). Regardless of any state requirements for updates, it is prudent to update your report annually to adjust for constantly changing information including, but not limited to, actual reserve account balance, actual project costs, vendor estimates, economic and market changes, etc. The cost to update your study annually is best treated through the operating budget, therefore no reserve funding included.

Common Terms & Definitions

A portion of this information is from the National Reserve Study Standards published by Community Associations Institute, dated 03/2018. A link to the full National Reserve Study Standards document can be found here: National Reserve Study Standards

ALLOWANCE (QUANTITY) When used in reference to quantity, the term allowance means that the component could not be reasonably quantified to assign a unit cost and therefore a flat cost allowance has been used.

ALLOWANCE (COST) When used in reference to cost, the term allowance refers to the cost range assigned to that component. For example, the cost allowance for replacement of a roof may be $4.00 per square foot to $6.00 per square foot.

CAPITAL IMPROVEMENTS Additions to the association's common elements that previously did not exist. While these components should be added to the reserve study for future replacement, the cost of construction should not be taken from the reserve fund.

CASH FLOW METHOD A method of developing a reserve funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

COMPONENT The individual line items in the reserve study developed or updated in the physical analysis. These elements form the building blocks for the reserve study. These components comprise the common elements of the community and typically are: 1. association responsibility, 2. with limited useful life expectancies, 3. predictable remaining useful life expectancies, and 4. above a minimum threshold cost. It should be noted that in certain jurisdictions there may be statutory requirements for including components or groups of components in the reserve study.

COMPONENT INVENTORY The task of selecting and quantifying reserve components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, review of association precedents, and discussion with appropriate representative(s) of the association.

COMPONENT METHOD A method of developing a reserve funding plan where the total contribution is based on the sum of contributions for the individual components.

CONDITION ASSESSMENT The task of evaluating the current condition of the component based on observed or reported characteristics.

CY Cubic yards.

EFFECTIVE AGE The difference between useful life and remaining useful life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

FINANCIAL ANALYSIS The portion of a reserve study where the current status of the reserves (measured as cash or percent funded) and a recommended reserve contribution rate (funding plan) are derived, and the projected reserve income and expense over a period of time are presented. The financial analysis is one of the two parts of a reserve study.

FULLY FUNDED 100 percent funded. When the actual (or projected) reserve balance is equal to the fully funded balance.

FULLY FUNDED BALANCE (FFB) An indicator against which the actual (or projected) reserve balance can be compared. The reserve balance that is in direct proportion to the fraction of life "used up" of the current repair or replacement cost. This number is calculated for each component, and then summed for an association total.

FFB = Current Cost X Effective Age/Useful Life

Example: For a component with a $10,000 current replacement cost, a 10-year useful life and effective age of 4 years the fully funded balance would be $4,000.

FUND STATUS The status of the reserve fund reported in terms of cash or percent funded.

FUNDING GOALS Independent of methodology used, the following represent the basic categories of funding plan goals. They are presented in order of greatest risk to least risk. Risk includes, but is not limited to, cash problems, special assessments, and deferred maintenance.

- **Baseline Funding:** Establishing a reserve funding goal of allowing the reserve cash balance to never be below zero during the cash flow projection. This is the funding goal with the greatest risk due to the variabilities encountered in the timing of component replacements and repair and replacement costs.

- **Threshold Funding:** Establishing a reserve funding goal of keeping the reserve balance above a specified dollar or percent funded amount. Depending on the threshold selected, this funding goal may be weaker or stronger than "Fully Funded" with respective higher risk or less risk of cash problems.

- **Full Funding:** Setting a reserve funding goal to attain and maintain reserves at or near 100 percent funded. This is the most conservative funding goal.

It should be noted that in certain jurisdictions there may be statutory funding requirements that would dictate the minimum requirements for funding.

FUNDING PLAN An association's plan to provide income to a reserve fund to offset anticipated expenditures from that fund. The plan must be a minimum of twenty (20) years.

FUNDING PRINCIPLES The reserve study must provide a funding plan addressing these principles:

- Sufficient funds when required.
- Stable contribution rate over the years.
- Equitable contribution rate over the years.
- Fiscally responsible.

GSF Gross square feet.

GSY Gross square yards.

LIFE & VALUATION ESTIMATES The task of estimating useful life, remaining useful life, and current repair or replacement costs for the reserve components.

LF Lineal feet.

PERCENT FUNDED The ratio, at a particular point in time related to the fiscal year end, of the actual (or projected) reserve balance to the fully funded balance, expressed as a percentage. While percent funded is an indicator of an association's reserve fund size, it should be viewed in the context of how it is changing due to the association's reserve funding plan in light of the association's risk tolerance.

PHYSICAL ANALYSIS The portion of the reserve study where the component inventory, condition assessment, and life and valuation estimate tasks are performed. This represents one of the two parts of the reserve study.

REMAINING USEFUL LIFE (RUL) Also referred to as "remaining life" (RL). The estimated time, in years, that a reserve component can be expected to serve its intended function. Projects expected to occur in the initial year have zero remaining useful life.

REPLACEMENT COST The cost to replace, repair, or restore the component to its original functional condition during that particular year, including all related expenses (including but not limited to shipping, engineering and design, permits, installation, disposal, etc.).

RESERVE BALANCE Actual or projected funds, as of a particular point in time that the association has identified, to defray the future repair or replacement cost of those major components that the association is obligated to maintain or replace. Also known as reserves, reserve accounts, cash reserves. Based on information provided and not audited.

RESERVE PROVIDER An individual who prepares reserve studies. In many instances the reserve provider will possess a specialized designation such as the Reserve Specialist (RS) designation provided by Community Associations Institute (CAI). This designation indicates that the provider has shown the necessary skills to perform a reserve study that conforms to these standards.

RESERVE STUDY A budget planning tool which identifies the components that the association is responsible to maintain or replace, the current status of the reserve fund, and a stable and equitable funding plan to offset the anticipated future major

common area expenditures. The reserve study consists of two parts: the physical analysis and the financial analysis.

SPECIAL ASSESSMENT A temporary assessment levied on the members of an association in addition to regular assessments. Note that special assessments are often regulated by governing documents or local statutes.

USEFUL LIFE (UL) The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.

Disclosures

The report was prepared by, or with the oversight of, Karen McDonald, CMCA, AMS, PCAM, RS, Reserve Study Specialist (RS) # 355 through Community Associations Institute.

As of the date of this report, there are no known conflicts of interest involving Accurate Reserve Professionals, LLC and the client for which this report was prepared.

Any site visit work performed in the process of preparing this report was done through a limited visual review and included a sampling of the organization's common areas. No destructive testing or structural evaluation was performed. Unless otherwise noted, and in addition to any information provided directly by client, the component list and quantities for Level IV Preliminary Community Not Yet Constructed reports are developed using plans and drawings. Level I Full report component lists are developed using field measurements, other technology available (satellite imagery, etc.) and data provided by client. All quantities are approximate and may not be exact.

If this report is an update of a prior reserve study, it is reliant on the validity of the prior study(s) and Accurate Reserve Professionals, LLC cannot guarantee the accuracy of this report.

All known reserve components are included within this report. Any components which are unfunded are notated within the inventory appendix. There are no known material issues excluded from this report which would affect the data provided.

Any information provided by client regarding financial, physical, quantity, or historical issues is deemed reliable by Accurate Reserve Professionals, LLC and is assembled within this report for the association's use. This information is not validated by Accurate Reserve Professionals, LLC and this report is not for the purpose of performing an audit, quality/forensics analysis or a background check of the client's historical records.

The actual or projected starting balance within this Reserve Study is based upon information provided by client and was not audited or verified in any way.

For Level II With-Site-Visit and Level III No-Site-Visit reports, the client is considered to have deemed the previously developed component quantities as accurate and reliable. This data is not audited or verified in any way for these reports.

Information provided about current and prior reserve projects will be considered reliable. Any site inspection is not considered a project audit or quality inspection for these projects.

Reserve studies are for budgetary purposes only and are based on limited information. Accurate Reserve Professionals, LLC does not guarantee the accuracy of the information and client may not be able to fully rely on the final figures in the report, due to a variety of factors outside of Accurate Reserve Professionals, LLC's control, including but not limited to reliance on information provided by client, hidden damages, latent defects, economical factors, environmental factors, deferred maintenance, third party information, and other such factors.

Washington State Client Disclosures

Washington State Client Disclosure for Clients Under RCW 64.34.682 and 64.38.070
“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.”

Washington State Client Disclosure for Clients Under RCW 64.90.550
"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 the association to (1) defer major maintenance, repair, or replacement, (2) increase future reserve contributions, (3) borrow funds to pay for major maintenance, repair, or replacement, or (4) impose special assessments for the cost of major maintenance, repair, or replacement."