



RESERVE FUNDING By WSSC

A Division of Western States
Subdivision Consulting



Inland Shores Owners Association
603 Lakefair Place North
Keizer, Oregon
November 09, 2009

Prepared by D. L. "Dan" Huntley, RS, PRA

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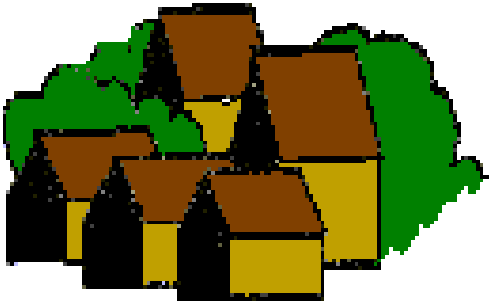
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**Inland Shores Owners Association
Category Detail Index**

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	Total Funded Assets	20	
	Total Unfunded Assets	<u>0</u>	
	Total Assets	20	



RESERVE FUNDING by WSSC

A DIVISION OF WESTERN STATES SUBDIVISION CONSULTING

Attached herewith is the reserve study (physical and financial analysis) for the Association. **Interest from reserve savings accounts must stay in the reserve account(s) and not be used as an offset against monthly assessments.**

When the term Limited Common Area is used it is assumed the Association is maintaining certain Limited Common Areas but not all. One would need to read the Declaration (CC&R's) to determine responsibilities of the Association and of the Owners.

You are encouraged to thoroughly review this document and its individual reports for conformity to the description of responsibility for the Association's Common or Limited Common Area as defined in your Declaration of Covenants, Conditions and Restrictions. In addition, please pay close attention to the reserve bank balance estimated to be on hand by your staff. **Any discrepancy in the figure or interest rate can have a significant effect on the reserve study and the outcome of the assumptions shown.**

The intention of the reserve study is to forecast, as they wear out in future years, the Association's ability to repair, replace, restore or maintain major components with a life expectancy of over one year and an estimated cost of over one thousand dollars. The reports will provide the Association's Board of Directors (Board) the information necessary to make the reserve projection disclosures required by existing statutes, lender's requirements, or the governing documents.

The cost outlined in the reserve study is subjective in some areas, therefore we may use costs submitted by the Declarant, Management or the Board, and are for budgetary and planning purposes only. Actual bid costs would depend upon the defined scope of work at the time the repair, replacement or restoration is done, and on actual price levels prevailing at the time the future repair, replacement, or restoration must be done.

The estimates on future repair, replacement and restoration in the reserve study will be good faith estimates and projections, based upon the estimated future inflation rate and interest (yield) on the monies set aside which may or may not prove accurate. Consultant submits that the probability that it may project in its reserve study, or that the Board could project in its disclosures, future costs or actual future remaining useful lives of components having useful lives extended beyond one year with precision is the functional equivalent of winning the lottery (while it may happen in rare instances by chance, one may not

Inland Shores Owners Association
Keizer, Oregon
Current Assessment Funding Model Summary

Report Date	November 09, 2009
Version	1:00 (2010) On-Site
Budget Year Beginning	January 01, 2010
Budget Year Ending	December 31, 2010
Total Units	177

<i>Report Parameters</i>	
Inflation	2.57%
Interest Rate on Reserve Deposit	1.78%
Contingency	0.00%
2010 Beginning Balance	\$177,555.00

Current Assessment Funding Model Summary
Cash Flow Time Value Of Money With Threshold

BUSINESS JUDGEMENT RULE
(as we understand it)

The business judgment of the Board require that board members make ordinary and reasonable inquiry before making a decision. They are protected if they act in good faith, with the best interests of the Association and with such care as an ordinary prudent and reasonable person in a like position would use.

- **NOTE: The Board MUST (under the new statutes) - adopt an annual budget that includes moneys to be allocated to the reserve account - see ORS 94.645(1)-(2). The old statute used to say that "unless otherwise provided in the bylaws" which would have allowed for schemes for budget approval by members. The Oregon State Legislature took that away in the 2007 session. The only way to reduce funding is by a vote of 75% of the owners. Complete non-funding is only by unanimous approval and must be done on an annual basis. See, e.g., ORS 94.595(8).**

So, the Board has mandatory duties to budget properly - the members can vote to depart from proper budget by vote. I presume if they underfunded the reserves for a good period of time they would have to come back to a special assessment to address the shortfall. (re-printed from RESERVE OVERVIEW by Eric J. TenBrook, Atty.)

Inland Shores Owners Association
Keizer, Oregon
Current Assessment Funding Model Summary

- **This reserve study is for budget and planning purposes and identifies the status of the reserve fund and schedules the anticipated major commonly owned item replacements.**

This reserve study will also estimate the expected useful life and remaining useful life of the building and site components or systems, and will provide an estimate replacement or refurbishment cost for those components or systems. Major components or systems may include, but are not limited to, painting, gutters and downspouts, mailboxes, roofing, siding, windows, doors, paving, mechanical equipment, common area furnishings and amenities and other commonly owned systems or items.

- **The scope of work identified within our contract is to provide the association with a "Full On-Site-with measurement (+/- 10%)" reserve study which includes:**

Component/System Inventory

Expected Useful Life and Remaining Useful Life Estimates

Condition Assessment (based upon on-site visual observations).

Component/System Replacement Schedule and Estimated Pricing

Identify Current Reserve Account Balance

30 Year Funding Plan

- **How to Use a Reserve Study**

The documents included within the reserve study are intended to be used as guidelines and estimates. It is nearly impossible to know exactly when a building component system will fail; however, an estimation of useful life based on similar product history and professional experience is used to estimate the time of replacement and associated costs. All costs included within this reserve study should be used as budgeting figures. For exact pricing, a qualified, licensed contractor should be contacted to provide a bid for any anticipated replacements.

Inland Shores Owners Association
Keizer, Oregon
Current Assessment Funding Model Summary

The replacement schedule lists all known components and systems that are anticipated to "wear out" or fail within 30 years. Items which are anticipated to be replaced or repaired in the current year are not included within the reserve study as those items should already be budgeted for, and scheduled to be replaced or repaired.

On the reserve schedule, review which items are anticipated to fail in the near future, and keep a close eye on them. It is always better to replace items prior to failure to eliminate the opportunity for surrounding components or associated systems to be affected. Be cognizant of items scheduled for replacement or repair within 2-3 years of the current year. Remember, items listed are scheduled based on history and replacement or repair is scheduled as an estimate. Items commonly fail sooner or later than the estimated date.

- **Disclosures**
- **General - The Inland Shores Owners Association and Reserve Funding by WSSC a Division of Western States Subdivision Consulting have no professional or personal involvements with each other, other than the scope of work identified in the reserve study contract. This relationship cannot be perceived as a conflict of interest.**
- **Physical Analysis - On-site observations were limited to visual observations only. Destructive testing (invasive testing) was not performed. Any items that were not clearly visible at the time of the site observation were not viewed, and therefore were not included in the drafting of this reserve study.**
- **Measurements - Measuring and inventory were identified via a combination of on-site physical measurements, previous reserve study and/or drawing take-offs. Drawing sets (if used) were provided by the property manager or Declarant for our use relating only to the reserve study scope of work.**
- **Completeness - Reserve Funding, in its limited review, has found no material issues which, if not disclosed, would cause a distortion of the Association's situation as this is a budget and planning tool study and not a building assessment or building envelope study.**

Inland Shores Owners Association
Keizer, Oregon
Current Assessment Funding Model Summary

- **Reliance on Client Data - Data received from property management, association representatives and/or Declarant is deemed reliable by Reserve Funding. Such data may include financial information, physical deficiencies or physical conditions, quantity of physical assets, or historical issues.**
- **Scope - The Reserve Study is a reflection of information provided to the Consultant and assembled for the Association's use, not for the purpose of performing an audit, quality/forensic analysis, or background checks of historical records.**
- **Reserve Balance - The actual or projected (estimated) total presented in this reserve study is based upon information provided or collected and was not audited.**
- **Reserve Projects -Information provided or collected for the purpose of this reserve study will be considered reliable and should not be considered a project audit or quality inspection.**
- **Adjustments to Reserve Study - Should components suggested by Consultant be removed from the reserve study or any life cycles or costs other than current bids, engineering construction standards, or current component history be used in this reserve study the Client accepts full responsibility for the results of the reserve study and is not warranted by Consultant.**
- **Information Provided - Quantity, design and material information included in this report was provided in part by the Association and is subject to course of construction changes.**
- **Limitations on Inventory -The following items, but not limited to, are not included in the physical analysis because they have a useful life greater than 30 years. Grading/drainage, foundations/footings, party walls, perimeter walls, beams, girders to the exterior surfaces, sub floors, unfinished floors, concrete stair surfaces, windows, doors, plumbing system, flues (chimneys), exterior doors and dorr frames, window frames, air delivery or return systems, ducts, chutes, conduits, pipes, plumbing, sanitary sewage and storm drains, wire, telephone, cable, central television system, sprinklers systems and internet lines.**

Inland Shores Owners Association
Keizer, Oregon
Current Assessment Funding Model Summary

- **Warranty or Guaranty** - This reserve study and its recommendations should not be construed in any way to constitute a warranty or guaranty regarding the current or future performance of the components. Components will be replaced as required, not necessarily in their expected replacement year.
- **Annual Updates** - Often times there can be a significant expenditure in those years that exceeds the life of the reserve study. Hence, annual updates should be done to allow adjustments in the reserve contribution each year if required.
- **Tax Consequences** - The tax consequences are not considered in this reserve study due to the uncertainty of all factors affecting net taxable income and the election of the tax form to be filed.
- **House Bill 955 (HB 955)**, in Oregon since 1/1/2006, specifically calls for the provision of a reserve study, reserve study update, maintenance plan and reserve summary. ORS 94.595 states that: "The board of directors of the association annually shall conduct a reserve study, or review and update an existing reserve study to determine the reserve study requirements". In addition ORS 94.595 (3)(B)(c) and ORS 100.175 (3)(C)(c) further require that a Reserve Study Update be done each year.
- **House Bill 2665 (Chapter 409, Oregon Laws 2007)** revises portions on SB 955 by removing the requirement for a maintenance plan from the reserve study and makes it a separate requirement. Also, after 9/27/2007 HB 2665 no longer requires that owners be provided a reserve summary of the reserve study or any revisions thereto.
- **Preparation of a Reserve Study**

Data is collected from many sources to prepare a reserve study and a variety of document reviews, interviews, and site observations are required to adequately fulfill our duties as a reserve provider. The following sources and methods were utilized in preparation of this reserve study document:

Property Management Personnel Interviews

As built Plans and Specifications Document Reviews

Inland Shores Owners Association
Keizer, Oregon
Current Assessment Funding Model Summary

On-site Observations

In-house company consultations with accredited RS and PRA personnel

Discussions with Engineering or Architectural Consultants

RS Means Facilities Maintenance & Repair Cost Data, 15th Edition (2008) printed manual

Interviewing General Contractor Consultants

- **A tabular list of commonly owned items has been developed and given a current condition grade, expected useful life, and remaining useful life. A portion of that data will determine in what year it is estimated the component should be replaced.**
- **Property Information**
- **Original Starting Date of Reserve Study - Unless otherwise indicated, we have used January 1, 1994 to begin aging the original components in this reserve study.**
- **Number of Units/Lots and Location - This reserve study is a total of 177 lots/units located in Keizer, Oregon.**
- **Date of Last Reserve Study (if applicable) - The last on-site physical analysis was completed on June 16, 2003.**

Inland Shores Owners Association
Keizer, Oregon
Current Assessment Funding Model Summary

BIOGRAPHY
D. L. "DAN" HUNTLEY

D. L. "Dan" Huntley has over 31 years experience that he brings to the table to assist his clients in the area of common interest subdivisions (homeowner associations and condominiums) and is the owner of Reserve Funding by WSSC, a division of his parent company, Western States Subdivision Consulting. That experience has been used by attorneys, management companies, title companies, engineers, developers, boards of directors for condominium and homeowner associations, and condominium and homeowner association committees.

Mr. Huntley is a certified Reserve Specialist by CAI and a certified Professional Reserve Analyst by APRA.

Mr. Huntley owned the largest homeowner association management firm in northern California, which was sold in 1987, with over 7,000 units under his management.

Mr. Huntley is a member of and has taught classes for the Community Association Institute (CAI) and the Association of Professional Reserve Analysts (APRA).

Mr. Huntley's expertise extends, but is not limited, to assistance in budget preparation, reserve study preparation, asset management, and liaison between developer, and association during the transition process.

Mr. Huntley has the ability to work with many entities to bring about a smooth and reliable solution to today's problems surrounding homeowner associations and day-to-day operations.

You can rely on Mr. Huntley's firm because it will be here today and tomorrow to serve your needs and provide affordable budget and reserve study services.

We specialize in reserve studies using the "Baseline Pooling" method of funding or the "Threshold Pooling" method of Funding and meet or exceed the Association of Independent Certified Public

Inland Shores Owners Association
Keizer, Oregon
Current Assessment Funding Model Summary

Accountant (AICPA-CIRA) standards, Association of Professional Reserve Analyst standards (APRA) and the Community Association Institute (CAI) standards. Our ultimate goal is to avoid special assessments if at all possible.

Licensed engineers and other reliable sources are used to develop costs and life cycles for all reserve components.

Experienced in condominiums, homeowner associations, planned developments, low rises, mid rises, high rises, moorage docks (boat and houseboat).

Northwest's most trusted name in reserve studies.

- **NOTE: All interest accrued from reserve savings account(s) must remain in the reserve savings account(s) and not used as an off-set for operating expenses.**
- **NOTE: No provision has been made in this reserve study for the new HUD guidelines. however, should the board determine to follow those guidelines the reserve study can be adjusted. See page 2-1 for current percent funded which is 30% which would require additional funds being added to the beginning balance to be at 60%. An adjustment would need to be made to the reserve assessment to meet the future 60% requirement.**
- **Funding Required - A minimum threshold of \$9,507.00 has been used over the thirty years of this reserve study with a monthly reserve assessment of \$25.00 per lot and an annual increase of 12% through the year 2013 (all things being status quo).**

Current Assessment Funding Model Summary of Calculations

Required Monthly Contribution	\$4,425.00
<i>\$25.00 per unit monthly</i>	
Average Net Monthly Interest Earned	<u>\$212.05</u>
Total Monthly Allocation to Reserves	\$4,637.05
<i>\$26.20 per unit monthly</i>	

**Inland Shores Owners Association
Current Assessment Funding Model Projection**

Beginning Balance: \$177,555

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2010	474,421	53,100	2,545	62,250	170,950	367,381	46%
2011	486,614	59,472	3,413	2,872	230,962	413,245	55%
2012	499,120	66,609	3,742	4,156	297,157	458,760	64%
2013	511,947	74,602	4,021	22,521	353,260	486,985	72%
2014	525,104	74,602		418,355	9,507	124,321	7%
2015	538,599	74,602		68,464	15,644	113,114	13%
2016	552,441	74,602	647		90,893	171,400	53%
2017	566,639	74,602	2,075	2,437	165,133	228,316	72%
2018	581,202	74,602	2,692	47,962	194,465	241,168	80%
2019	596,138	74,602	3,466	30,943	241,589	272,383	88%
2020	611,459	74,602	3,519	67,343	252,368	268,863	93%
2021	627,174	74,602	3,910		330,879	333,831	99%
2022	643,292	74,602	4,235	13,560	396,156	386,516	102%
2023	659,825	74,602	4,457	34,311	440,904	419,919	104%
2024	676,782	74,602	4,641	42,404	477,742	446,797	106%
2025	694,175	74,602	4,634	80,544	476,434	437,436	108%
2026	712,016	74,602	4,955	15,008	540,983	495,010	109%
2027	730,315	74,602	5,318	6,927	613,976	562,028	109%
2028	749,084	74,602	5,500	43,658	650,419	594,004	109%
2029	768,335	74,602	5,723	35,346	695,398	635,937	109%
2030	788,081	74,602	5,589	107,144	668,445	608,337	109%
2031	808,335	74,602	5,966	4,771	744,243	684,577	108%
2032	829,109	74,602	6,356	2,621	822,579	764,444	107%
2033	850,417	74,602	6,556	41,067	862,669	807,684	106%
2034	872,273	74,602	3,487	694,947	245,811	205,258	119%
2035	894,690	74,602	3,013	113,729	209,697	186,652	112%
2036	917,684	74,602	3,696		287,995	283,483	101%
2037	941,268	74,602	4,088		366,684	382,053	95%
2038	965,459	74,602	4,088	78,654	366,721	404,387	90%
2039	990,271	74,602	4,225	51,400	394,146	456,206	86%

Inland Shores Owners Association
Cash Flow Funding Model Assessment by Capital & Non-Capital

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
Asphalt							
Asphalt-Overlay	2014	20	0	4	229,900	0	183,920
Asphalt-Repairs	2014	5	0	4	21,825	0	4,365
Asphalt-Sealcoat	2011 D	5	1	1	<u>52,250</u>	0	<u>44,786</u>
Asphalt - Total					\$303,975		\$233,071
Bark Dust							
Bark Dust-A	2011 D	4	0	1	10,000	0	8,000
Bark Dust-B	2011	4	0	1	<u>2,800</u>	0	<u>2,100</u>
Bark Dust - Total					\$12,800		\$10,100
Benches							
Benches-Wood	2012	18	0	2	<u>2,250</u>	0	<u>2,000</u>
Benches - Total					\$2,250		\$2,000
Concrete							
Concrete-Flatwork	2014	10	0	4	<u>2,500</u>	0	<u>1,500</u>
Concrete - Total					\$2,500		\$1,500
Controllers							
Controllers-Timeclocks	2012	15	3	2	<u>1,700</u>	0	<u>1,511</u>
Controllers - Total					\$1,700		\$1,511
Dog Stations							
Fido-Waste Stations	2015	10	0	5	<u>756</u>	0	<u>378</u>
Dog Stations - Total					\$756		\$378
Fencing							
Fence-Wood-Replace	2014	20	0	4	<u>88,750</u>	0	<u>71,000</u>
Fencing - Total					\$88,750		\$71,000
Fountains							
Fountains-Equipment	2017	8	0	7	<u>2,040</u>	0	<u>255</u>
Fountains - Total					\$2,040		\$255
Landscaping							
Irrigation System	2018	14	0	8	<u>1,500</u>	0	<u>643</u>
Landscaping - Total					\$1,500		\$643
Lighting							
Lighting-Landscape	2013	5	0	3	<u>1,700</u>	0	<u>680</u>
Lighting - Total					\$1,700		\$680

Inland Shores Owners Association
Cash Flow Funding Model Assessment by Capital & Non-Capital

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
Litter Receptacles							
Litter Receptacles	2014	20	0	4	<u>2,200</u>	0	<u>1,760</u>
Litter Receptacles - Total					\$2,200		\$1,760
Mailboxes							
Mailboxes	2014	20	0	4	<u>17,400</u>	0	<u>13,920</u>
Mailboxes - Total					\$17,400		\$13,920
Monument							
Monument	2023	15	0	13	<u>1,000</u>	0	<u>133</u>
Monument - Total					\$1,000		\$133
Ponds							
Pond-Rework	2015	20	0	5	<u>4,500</u>	0	<u>3,375</u>
Ponds - Total					\$4,500		\$3,375
Signs							
Signage	2014	10	0	4	<u>5,400</u>	0	<u>3,240</u>
Signs - Total					\$5,400		\$3,240
Staining							
Fence-Wood-Stain	2013	5	0	3	<u>19,170</u>	0	<u>7,668</u>
Staining - Total					\$19,170		\$7,668
Storm Drains							
Storm Drains	2018	10	0	8	<u>6,780</u>	0	<u>1,356</u>
Storm Drains - Total					\$6,780		\$1,356
Total Asset Summary					<u>\$474,421</u>		<u>\$352,590</u>
Contingency at 3.00%							<u>\$10,905</u>
Summary Total							<u>\$363,495</u>

Fully Funded Level 0%

'D' Component Deferred, Life Extended One Year

Inland Shores Owners Association
Distribution by Percentage of Ideally Funded

Description	Remaining Life	Ideally Funded	Beginning Balance	Percent Funded	Assessment Distributed	Interest Distributed	Expenditures	Ending Balance
Asphalt								
Asphalt-Overlay	4	196,076	76,324	39%	27,272	1,307		104,902
Asphalt-Repairs	4	4,661	1,814	39%	648	31		2,494
Asphalt-Sealcoat	0	<u>52,250</u>	<u>44,635</u>	<u>85%</u>	<u>7,267</u>	<u>348</u>	<u>52,250</u>	<u>0</u>
Asphalt - Total		\$252,987	\$122,773	49%	\$35,187	\$1,686	\$52,250	\$107,396
Bark Dust								
Bark Dust-A	0	10,000	8,542	85%	1,391	67	10,000	0
Bark Dust-B	1	<u>2,135</u>	<u>831</u>	<u>39%</u>	<u>297</u>	<u>14</u>		<u>1,142</u>
Bark Dust - Total		\$12,135	\$9,373	77%	\$1,688	\$81	\$10,000	\$1,142
Benches								
Benches-Wood	2	<u>2,065</u>	<u>804</u>	<u>39%</u>	<u>287</u>	<u>14</u>		<u>1,105</u>
Benches - Total		\$2,065	\$804	39%	\$287	\$14		\$1,105
Concrete								
Concretete-Flatwork	4	<u>1,601</u>	<u>623</u>	<u>39%</u>	<u>223</u>	<u>11</u>		<u>856</u>
Concrete - Total		\$1,601	\$623	39%	\$223	\$11		\$856
Controllers								
Controllers-Timeclocks	2	<u>1,560</u>	<u>607</u>	<u>39%</u>	<u>217</u>	<u>10</u>		<u>835</u>
Controllers - Total		\$1,560	\$607	39%	\$217	\$10		\$835
Dog Stations								
Fido-Waste Stations	5	<u>410</u>	<u>160</u>	<u>39%</u>	<u>57</u>	<u>3</u>		<u>219</u>
Dog Stations - Total		\$410	\$160	39%	\$57	\$3		\$219
Fencing								
Fence-Wood-Replace	4	<u>75,693</u>	<u>29,464</u>	<u>39%</u>	<u>10,528</u>	<u>504</u>		<u>40,496</u>
Fencing - Total		\$75,693	\$29,464	39%	\$10,528	\$504		\$40,496
Fountains								
Fountains-Equipment	7	<u>286</u>	<u>111</u>	<u>39%</u>	<u>40</u>	<u>2</u>		<u>153</u>
Fountains - Total		\$286	\$111	39%	\$40	\$2		\$153
Landscaping								
Irrigation System	8	<u>732</u>	<u>285</u>	<u>39%</u>	<u>102</u>	<u>5</u>		<u>392</u>
Landscaping - Total		\$732	\$285	39%	\$102	\$5		\$392
Lighting								
Lighting-Landscape	3	<u>714</u>	<u>278</u>	<u>39%</u>	<u>99</u>	<u>5</u>		<u>382</u>
Lighting - Total		\$714	\$278	39%	\$99	\$5		\$382

**Inland Shores Owners Association
Distribution by Percentage of Ideally Funded**

Description	Remaining Life	Ideally Funded	Beginning Balance	Percent Funded	Assessment Distributed	Interest Distributed	Expenditures	Ending Balance
Litter Receptacles								
Litter Receptacles	4	<u>1,876</u>	<u>730</u>	<u>39%</u>	<u>261</u>	<u>13</u>		<u>1,004</u>
Litter Receptacles - Total		<u>\$1,876</u>	<u>\$730</u>	<u>39%</u>	<u>\$261</u>	<u>\$13</u>		<u>\$1,004</u>
Mailboxes								
Mailboxes	4	<u>14,840</u>	<u>5,777</u>	<u>39%</u>	<u>2,064</u>	<u>99</u>		<u>7,940</u>
Mailboxes - Total		<u>\$14,840</u>	<u>\$5,777</u>	<u>39%</u>	<u>\$2,064</u>	<u>\$99</u>		<u>\$7,940</u>
Monument								
Monument	13	<u>165</u>	<u>64</u>	<u>39%</u>	<u>23</u>	<u>1</u>		<u>88</u>
Monument - Total		<u>\$165</u>	<u>\$64</u>	<u>39%</u>	<u>\$23</u>	<u>\$1</u>		<u>\$88</u>
Ponds								
Pond-Rework	5	<u>3,656</u>	<u>1,423</u>	<u>39%</u>	<u>509</u>	<u>24</u>		<u>1,956</u>
Ponds - Total		<u>\$3,656</u>	<u>\$1,423</u>	<u>39%</u>	<u>\$509</u>	<u>\$24</u>		<u>\$1,956</u>
Signs								
Signage	4	<u>3,458</u>	<u>1,346</u>	<u>39%</u>	<u>481</u>	<u>23</u>		<u>1,850</u>
Signs - Total		<u>\$3,458</u>	<u>\$1,346</u>	<u>39%</u>	<u>\$481</u>	<u>\$23</u>		<u>\$1,850</u>
Staining								
Fence-Wood-Stain	3	<u>8,054</u>	<u>3,135</u>	<u>39%</u>	<u>1,120</u>	<u>54</u>		<u>4,309</u>
Staining - Total		<u>\$8,054</u>	<u>\$3,135</u>	<u>39%</u>	<u>\$1,120</u>	<u>\$54</u>		<u>\$4,309</u>
Storm Drains								
Storm Drains	8	<u>1,545</u>	<u>601</u>	<u>39%</u>	<u>215</u>	<u>10</u>		<u>827</u>
Storm Drains - Total		<u>\$1,545</u>	<u>\$601</u>	<u>39%</u>	<u>\$215</u>	<u>\$10</u>		<u>\$827</u>
Grand - Total		<u>\$381,778</u>	<u>\$177,555</u>		<u>\$53,100</u>	<u>\$2,545</u>	<u>\$62,250</u>	<u>\$170,950</u>

**Inland Shores Owners Association
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2010	
Asphalt-Sealcoat	52,250
Bark Dust-A	10,000
Total for 2010	\$62,250
Replacement Year 2011	
Bark Dust-B	2,872
Total for 2011	\$2,872
Replacement Year 2012	
Benches-Wood	2,367
Controllors-Timeclocks	1,789
Total for 2012	\$4,156
Replacement Year 2013	
Fence-Wood-Stain	20,686
Lighting-Landscape	1,834
Total for 2013	\$22,521
Replacement Year 2014	
Asphalt-Overlay	254,461
Asphalt-Repairs	24,157
Bark Dust-A	11,068
Concrctete-Flatwork	2,767
Fence-Wood-Replace	98,231
Litter Receptacles	2,435
Mailboxes	19,259
Signage	5,977
Total for 2014	\$418,355
Replacement Year 2015	
Asphalt-Sealcoat	59,318
Bark Dust-B	3,179
Fido-Waste Stations	858
Pond-Rework	5,109
Total for 2015	\$68,464

No Replacement in 2016

**Inland Shores Owners Association
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2017	
Fountains-Equipment	2,437
Total for 2017	<u>\$2,437</u>
 Replacement Year 2018	
Bark Dust-A	12,251
Fence-Wood-Stain	23,485
Irrigation System	1,838
Lighting-Landscape	2,083
Storm Drains	8,306
Total for 2018	<u>\$47,962</u>
 Replacement Year 2019	
Asphalt-Repairs	27,424
Bark Dust-B	3,518
Total for 2019	<u>\$30,943</u>
 Replacement Year 2020	
Asphalt-Sealcoat	67,343
Total for 2020	<u>\$67,343</u>
 <i>No Replacement in 2021</i>	
 Replacement Year 2022	
Bark Dust-A	13,560
Total for 2022	<u>\$13,560</u>
 Replacement Year 2023	
Bark Dust-B	3,894
Fence-Wood-Stain	26,662
Lighting-Landscape	2,364
Monument	1,391
Total for 2023	<u>\$34,311</u>
 Replacement Year 2024	
Asphalt-Repairs	31,134
Concrctete-Flatwork	3,566
Signage	7,703
Total for 2024	<u>\$42,404</u>

**Inland Shores Owners Association
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2025	
Asphalt-Sealcoat	76,452
Fido-Waste Stations	1,106
Fountains-Equipment	2,985
Total for 2025	<u>\$80,544</u>
 Replacement Year 2026	
Bark Dust-A	15,008
Total for 2026	<u>\$15,008</u>
 Replacement Year 2027	
Bark Dust-B	4,310
Controllers-Timeclocks	2,617
Total for 2027	<u>\$6,927</u>
 Replacement Year 2028	
Fence-Wood-Stain	30,268
Lighting-Landscape	2,684
Storm Drains	10,705
Total for 2028	<u>\$43,658</u>
 Replacement Year 2029	
Asphalt-Repairs	35,346
Total for 2029	<u>\$35,346</u>
 Replacement Year 2030	
Asphalt-Sealcoat	86,795
Bark Dust-A	16,611
Benches-Wood	3,738
Total for 2030	<u>\$107,144</u>
 Replacement Year 2031	
Bark Dust-B	4,771
Total for 2031	<u>\$4,771</u>
 Replacement Year 2032	
Irrigation System	2,621
Total for 2032	<u>\$2,621</u>

**Inland Shores Owners Association
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2033	
Fence-Wood-Stain	34,363
Fountains-Equipment	3,657
Lighting-Landscape	3,047
Total for 2033	\$41,067
Replacement Year 2034	
Asphalt-Overlay	422,695
Asphalt-Repairs	40,128
Bark Dust-A	18,386
Concrctete-Flatwork	4,597
Fence-Wood-Replace	163,176
Litter Receptacles	4,045
Mailboxes	31,992
Signage	9,928
Total for 2034	\$694,947
Replacement Year 2035	
Asphalt-Sealcoat	98,536
Bark Dust-B	5,280
Fido-Waste Stations	1,426
Pond-Rework	8,486
Total for 2035	\$113,729
<i>No Replacement in 2036</i>	
<i>No Replacement in 2037</i>	
Replacement Year 2038	
Bark Dust-A	20,350
Fence-Wood-Stain	39,011
Lighting-Landscape	3,460
Monument	2,035
Storm Drains	13,797
Total for 2038	\$78,654
Replacement Year 2039	
Asphalt-Repairs	45,556
Bark Dust-B	5,845
Total for 2039	\$51,400

**Inland Shores Owners Association
Annual Expenditure Detail**

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Asphalt-Overlay					254,461					
Asphalt-Repairs					24,157					27,424
Asphalt-Sealcoat	52,250					59,318				
Bark Dust-A	10,000				11,068				12,251	
Bark Dust-B		2,872				3,179				3,518
Benches-Wood			2,367							
Concrctete-Flatwork					2,767					
Controlllers-Timeclocks			1,789							
Fence-Wood-Replace					98,231					
Fence-Wood-Stain				20,686					23,485	
Fido-Waste Stations						858				
Fountains-Equipment								2,437		
Irrigation System									1,838	
Lighting-Landscape				1,834					2,083	
Litter Receptacles					2,435					
Mailboxes					19,259					
Monument										
Pond-Rework						5,109				
Signage					5,977					
Storm Drains									8,306	
Year Total:	62,250	2,872	4,156	22,521	418,355	68,464		2,437	47,962	30,943

**Inland Shores Owners Association
Annual Expenditure Detail**

Description	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Asphalt-Overlay										
Asphalt-Repairs					31,134					35,346
Asphalt-Sealcoat	67,343					76,452				
Bark Dust-A			13,560				15,008			
Bark Dust-B				3,894				4,310		
Benches-Wood										
Concrctete-Flatwork					3,566					
Controlllers-Timeclocks								2,617		
Fence-Wood-Replace										
Fence-Wood-Stain				26,662					30,268	
Fido-Waste Stations						1,106				
Fountains-Equipment						2,985				
Irrigation System										
Lighting-Landscape				2,364					2,684	
Litter Receptacles										
Mailboxes										
Monument				1,391						
Pond-Rework										
Signage					7,703					
Storm Drains									10,705	
Year Total:	67,343		13,560	34,311	42,404	80,544	15,008	6,927	43,658	35,346

**Inland Shores Owners Association
Annual Expenditure Detail**

Description	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Asphalt-Overlay					422,695					
Asphalt-Repairs					40,128					45,556
Asphalt-Sealcoat	86,795					98,536				
Bark Dust-A	16,611				18,386				20,350	
Bark Dust-B		4,771				5,280				5,845
Benches-Wood	3,738									
Concrctete-Flatwork					4,597					
Controlllers-Timeclocks										
Fence-Wood-Replace					163,176					
Fence-Wood-Stain				34,363					39,011	
Fido-Waste Stations						1,426				
Fountains-Equipment				3,657						
Irrigation System			2,621							
Lighting-Landscape				3,047					3,460	
Litter Receptacles					4,045					
Mailboxes					31,992					
Monument									2,035	
Pond-Rework						8,486				
Signage					9,928					
Storm Drains									13,797	
Year Total:	107,144	4,771	2,621	41,067	694,947	113,729			78,654	51,400

**Inland Shores Owners Association
Detail Report by Category**

Asphalt-Overlay		209,000 SF	@ \$1.10
Asset ID	1001	Asset Cost	\$229,900.00
Group	Capital	Percent Replacement	100%
Category	Asphalt	Future Cost	\$254,460.51
Placed in Service	January 1994		
Useful Life	20		
Replacement Year	2014		
Remaining Life	4		



Remarks:

This item is the 1 1/2" to 2" overlay of the existing asphalt surface including, but not limited to, re-setting of valve or manhole covers and storm drains and grinding of edges but using butt joints.

**Inland Shores Owners Association
Detail Report by Category**

Asphalt-Repairs

		1 Total	@ \$21,825.00
Asset ID	1019	Asset Cost	\$21,825.00
Group	Capital	Percent Replacement	100%
Category	Asphalt	Future Cost	\$24,156.59
Placed in Service	April 2009		
Useful Life	5		
Replacement Year	2014		
Remaining Life	4		



Remarks:

This component is the repairs to the asphalt surface every five years to assist in maintaining the integrity of the asphalt.

**Inland Shores Owners Association
Detail Report by Category**

Asphalt-Sealcoat		209,000 SF	@ \$0.25
Asset ID	1002	Asset Cost	\$52,250.00
Group	Non-Capital	Percent Replacement	100%
Category	Asphalt	Future Cost	\$52,250.00
Placed in Service	January 2004		
Useful Life	5		
Adjustment	1		
Replacement Year	2010		
Remaining Life	0		



Remarks:

This component is the sealcoating of the asphalt surface every five years to assist in preventing moisture from getting to the sub-base and includes, but is not limited to if applicable, curb painting, ADA stencils and re-striping.

**Inland Shores Owners Association
Detail Report by Category**

Bark Dust-A

		50 Units	@ \$200.00
Asset ID	1010	Asset Cost	\$10,000.00
Group	Non-Capital	Percent Replacement	100%
Category	Bark Dust	Future Cost	\$10,000.00
Placed in Service	January 2006		
Useful Life	4		
Replacement Year	2010		
Remaining Life	0		



Remarks:

This component is the common area bark dust application in the landscape areas of the common area throughout the association.

**Inland Shores Owners Association
Detail Report by Category**

Bark Dust-B

		14 Units	@ \$200.00
Asset ID	1011	Asset Cost	\$2,800.00
Group	Non-Capital	Percent Replacement	100%
Category	Bark Dust	Future Cost	\$2,871.96
Placed in Service	January 2007		
Useful Life	4		
Replacement Year	2011		
Remaining Life	1		



Remarks:

This component is the replacement of the bark dust at various areas in the common area.

**Inland Shores Owners Association
Detail Report by Category**

Benches-Wood

		5 Each	@ \$450.00
Asset ID	1015	Asset Cost	\$2,250.00
Group	Capital	Percent Replacement	100%
Category	Benches	Future Cost	\$2,367.14
Placed in Service	January 1994		
Useful Life	18		
Replacement Year	2012		
Remaining Life	2		



Remarks:

This component is the replacement of the wood and steel benches located at various places in the common area

**Inland Shores Owners Association
Detail Report by Category**

Concrctete-Flatwork

		1 Total	@ \$2,500.00
Asset ID	1013	Asset Cost	\$2,500.00
Group	Capital	Percent Replacement	100%
Category	Concrete	Future Cost	\$2,767.08
Placed in Service	January 2004		
Useful Life	10		
Replacement Year	2014		
Remaining Life	4		



Remarks:

This component is the re-work of an concrete that may have failed, broken, cracked or have uneven joints (liability issue).

**Inland Shores Owners Association
Detail Report by Category**

Controllers-Timeclocks

		2 Total	@ \$850.00
Asset ID	1006	Asset Cost	\$1,700.00
Group	Capital	Percent Replacement	100%
Category	Controllers	Future Cost	\$1,788.50
Placed in Service	January 1994		
Useful Life	15		
Adjustment	3		
Replacement Year	2012		
Remaining Life	2		



Remarks:

This item is the replacement of the landscape water irrigation time clock at the pond area and at the south side near the Lake Staats path.

**Inland Shores Owners Association
Detail Report by Category**

Fence-Wood-Replace

		3,550 LF	@ \$25.00
Asset ID	1005	Asset Cost	\$88,750.00
Group	Capital	Percent Replacement	100%
Category	Fencing	Future Cost	\$98,231.28
Placed in Service	January 1994		
Useful Life	20		
Replacement Year	2014		
Remaining Life	4		



Remarks:

This component is the replacement of the wooden perimeter fencing in the common area.

There are areas where there the boards are touching the ground and should be corrected to a minimum of 2 inches of clearance.

There are many warped or loose boards and some dry rot on the fence that should be repaired

**Inland Shores Owners Association
Detail Report by Category**

Fence-Wood-Stain		42,600 LF	@ \$0.45
Asset ID	1007	Asset Cost	\$19,170.00
Group	Non-Capital	Percent Replacement	100%
Category	Staining	Future Cost	\$20,686.32
Placed in Service	January 2008		
Useful Life	5		
Replacement Year	2013		
Remaining Life	3		



Remarks:

This component is the re-staining of the wood perimeter fencing.

**Inland Shores Owners Association
Detail Report by Category**

Fido-Waste Stations		2 Each	@ \$378.00
Asset ID	1014	Asset Cost	\$756.00
Group	Capital	Percent Replacement	100%
Category	Dog Stations	Future Cost	\$858.27
Placed in Service	January 2005		
Useful Life	10		
Replacement Year	2015		
Remaining Life	5		



Remarks:

This component is the replacement of the fido dog stations in the common area.

**Inland Shores Owners Association
Detail Report by Category**

Fountains-Equipment

		1 Total	@ \$2,040.00
Asset ID	1009	Asset Cost	\$2,040.00
Group	Capital	Percent Replacement	100%
Category	Fountains	Future Cost	\$2,436.53
Placed in Service	August 2009		
Useful Life	8		
Replacement Year	2017		
Remaining Life	7		



Remarks:

This component at Lake Forest Park is the replacement of the fountain pumps, an work on the electrical panels as needed including breakers.

**Inland Shores Owners Association
Detail Report by Category**

Irrigation System

		1 Total	@ \$1,500.00
Asset ID	1017	Asset Cost	\$1,500.00
Group	Non-Capital	Percent Replacement	100%
Category	Landscaping	Future Cost	\$1,837.61
Placed in Service	January 2004		
Useful Life	14		
Replacement Year	2018		
Remaining Life	8		



Remarks:

This component is an allowance for any work required on the landscape irrigation system including, but not limited to, heads.

**Inland Shores Owners Association
Detail Report by Category**

Lighting-Landscape

		20 Total	@ \$85.00
Asset ID	1003	Asset Cost	\$1,700.00
Group	Non-Capital	Percent Replacement	100%
Category	Lighting	Future Cost	\$1,834.47
Placed in Service	January 2008		
Useful Life	5		
Replacement Year	2013		
Remaining Life	3		



Remarks:

This component is the the replacement of the common area landscape light assorted fixtures as needed from time-to-time.

**Inland Shores Owners Association
Detail Report by Category**

Litter Receptacles

		4 Each	@ \$550.00
Asset ID	1016	Asset Cost	\$2,200.00
Group	Capital	Percent Replacement	100%
Category	Litter Receptacles	Future Cost	\$2,435.03
Placed in Service	January 1994		
Useful Life	20		
Replacement Year	2014		
Remaining Life	4		



Remarks:

This component is the replacement of the litter receptacle and basket.

**Inland Shores Owners Association
Detail Report by Category**

Mailboxes

		12 Each	@ \$1,450.00
Asset ID	1004	Asset Cost	\$17,400.00
Group	Capital	Percent Replacement	100%
Category	Mailboxes	Future Cost	\$19,258.86
Placed in Service	January 1994		
Useful Life	20		
Replacement Year	2014		
Remaining Life	4		



Remarks:

This component is the gang style mailboxes in the located at various places in common area.

The postal service will maintain the locks.

The mailboxes should be painted from time-to-time our the operating budget as it may be less than \$1,000.00.

**Inland Shores Owners Association
Detail Report by Category**

Monument		1 Total	@ \$1,000.00
Asset ID	1021	Asset Cost	\$1,000.00
Group	Capital	Percent Replacement	100%
Category	Monument	Future Cost	\$1,390.80
Placed in Service	June 2008		
Useful Life	15		
Replacement Year	2023		
Remaining Life	13		



Remarks:

This item is the repair, maintained or replacement of the monument sign in the common area.

**Inland Shores Owners Association
Detail Report by Category**

Pond-Rework

		1 Total	@ \$4,500.00
Asset ID	1018	Asset Cost	\$4,500.00
Group	Capital	Percent Replacement	100%
Category	Ponds	Future Cost	\$5,108.75
Placed in Service	January 1995		
Useful Life	20		
Replacement Year	2015		
Remaining Life	5		



Remarks:

This component is an allowance for any work required to maintain the integrity of the pond.

**Inland Shores Owners Association
Detail Report by Category**

Signage

		9 Each	@ \$600.00
Asset ID	1008	Asset Cost	\$5,400.00
Group	Capital	Percent Replacement	100%
Category	Signs	Future Cost	\$5,976.89
Placed in Service	January 2004		
Useful Life	10		
Replacement Year	2014		
Remaining Life	4		



Remarks:

This component is the replacement of the entrance monument signs and various post mounted signs in the common area.

**Inland Shores Owners Association
Detail Report by Category**

Storm Drains

		1 Total	@ \$6,780.00
Asset ID	1020	Asset Cost	\$6,780.00
Group	Capital	Percent Replacement	100%
Category	Storm Drains	Future Cost	\$8,306.01
Placed in Service	November 2008		
Useful Life	10		
Replacement Year	2018		
Remaining Life	8		



Remarks:

This item is the repair of the storm drains as required.

Important Information

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This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors, assorted vendors, specialist and independent contractors, the Community Association Institute, Association of Professional Reserve Analyst and various construction pricing and scheduling manuals including, but not limited to: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator, Dodge Cost Manual and McGraw-Hill Professional. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of property management and reserve study preparation.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and that each estimated useful life will approximate that of the norm per industry standards and/or manufacturer's specifications. In some cases, estimates may have been used on assets, which have an indeterminable but potential liability to the association. The decision for the inclusion of these as well as all assets considered is left to the client.

We recommend that your reserve analysis study be updated on an annual basis due to fluctuating interest rates, inflationary changes, and the unpredictable nature of the lives of many of the assets under consideration (our contract provides that we shall update the reserve study annually). All of the information collected during our physical analysis of the association and computations made subsequently in preparing this reserve analysis study are retained in our computer files. Therefore, annual updates may be completed quickly and inexpensively each year.

Reserve Funding by WSSC® would like to thank you for using our services. We invite you to call us at any time, should you have questions, comments or need assistance. In addition, any of the parameters and estimates used in this study may be changed at your request, after which we will provide a revised study. Client shall accept all responsibility and liability for changes made and the results thereof. Consultant does not warranty the results of the revised study.

This reserve analysis study is provided as an aid for planning purposes and not as an accounting tool. Since it deals with events yet to take place, there is no assurance that the results enumerated within it will, in fact, occur as described.

Part III

Introduction

Preparing the annual budget and overseeing the association's finances are perhaps the most important responsibilities of board members. The annual operating and reserve budgets reflect the planning and goals of the association and set the level and quality of service for all of the association's activities.

Funding Options

When a major repair or replacement is required in a community, an association has essentially four options available to address the expenditure:

The first, and only logical means that the Board of Directors has to ensure its ability to maintain the assets for which it is obligated, is by **assessing an adequate level of reserves** as part of the regular membership assessment, thereby distributing the cost of the replacements uniformly over the entire membership. The community is not only comprised of present members, but also future members. Any decision by the Board of Directors to adopt a calculation method or funding plan which would disproportionately burden future members in order to make up for past reserve deficits, would be a breach of its fiduciary responsibility to those future members. Unlike individuals determining their own course of action, the board is responsible to the "community" as a whole.

Whereas, if the association was setting aside reserves for this purpose, using the vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof, for example, to accumulate the necessary moneys. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The second option is for the association to **acquire a loan** from a lending institution in order to effect the required repairs. In many cases, banks will lend to an association using "future homeowner assessments" as collateral for the loan. With this method, the current board is pledging the future assets of an association. They are also incurring the additional expense of interest fees along with the original principal amount. In the case of a \$150,000 roofing replacement, the association may be required to pay back the loan over a three to five year period, with interest.

The third option, too often used, is simply to **defer the required repair or replacement**. This option, which is not recommended, can create an environment of declining property values due to expanding lists of deferred maintenance items and the association's financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the association by making it difficult, or even impossible, for potential buyers to obtain financing from lenders. Increasingly, lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association itself, a prospective purchaser, or for an individual within such an association.

The fourth option is to pass a "**special assessment**" to the membership in an amount required to cover the expenditure. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure, if necessary. However, an association considering a special assessment cannot guarantee that an assessment, when needed, will be passed. Consequently, the association cannot guarantee its ability to perform the required repairs or replacements to those major components for which it is obligated when the need arises. Additionally, while relatively new communities require very little in the way of major "reserve" expenditures, associations reaching 12 to 15 years of age and older, find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, could be devastating to an association's overall budget.

Types of Reserve Studies

Most reserve studies fit into one of three categories:

Full Reserve Study;

Update with site inspection; and

Update without site inspection.

In a **Full Reserve Study**, the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a “fund status” and “funding plan”.

In an **Update with site inspection**, the reserve provider conducts a component inventory (verification only, not quantification unless new components have been added to the inventory), a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both the “fund status and “funding plan.”

In an **Update without site inspection**, the reserve provider conducts life and valuation estimates to determine the “fund status” and “funding plan.”

The Reserve Study: A Physical and a Financial Analysis

There are two components of a reserve study: a physical analysis and a financial analysis.

Physical Analysis

During the physical analysis, a reserve study provider evaluates information regarding the physical status and repair/replacement cost of the association’s major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates.

Developing a Component List

The budget process begins with full inventory of all the major components for which the association is responsible. The determination of whether an expense should be labeled as operational, reserve, or excluded altogether is sometimes subjective. Since this labeling may have a major impact on the financial plans of the association, subjective determinations should be minimized. We suggest the following considerations when labeling an expense.

Operational Expenses

Occur at least annually, no matter how large the expense, and can be effectively budgeted each year. They are characterized as being reasonably predictable, both in terms of frequency and cost. Operational expenses include all minor expenses, which would not otherwise adversely affect an operational budget from one year to the next. Examples of *operational expenses* include:

Utilities:

Electricity

Gas

Water

Telephone

Cable TV

Administrative:

Supplies

Bank Service Charges

Dues & Publications

Licenses, Permits & Fees

Insurance(s)

Services:

Landscaping

Pool Maintenance

Street Sweeping

Accounting

Reserve Study

Repair Expenses:

Tile Roof Repairs

Equipment Repairs

Minor Concrete Repairs

Operating Contingency

Reserve Expenses

These are major expenses that occur other than annually, and which must be budgeted in advance in order to ensure the availability of the necessary funds in time for their use. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets that have an indeterminable but potential liability that may be demonstrated as a likely occurrence. They are expenses that, when incurred, would have a significant effect on the smooth operation of the budgetary process from one year to the next, if they were not reserved in advance. Examples of reserve expenses include:

Roof Replacements	Park/Play Equipment
Painting	Pool/Spa Re-plastering
Deck Resurfacing	Pool Equipment Replacement
Fencing Replacement	Pool Furniture Replacement
Asphalt Seal Coating	Tennis Court Resurfacing
Asphalt Repairs	Lighting Replacement
Asphalt Overlays	Insurance(s)
Equipment Replacement	Reserve Study
Interior Furnishings	

Budgeting is Normally Excluded for:

Repairs or replacements of assets which are deemed to have an estimated useful life equal to or exceeding the estimated useful life of the facility or community itself, or exceeding the legal life of the community as defined in an association's governing documents. Examples include the complete replacement of elevators, tile roofs, wiring and plumbing. Also excluded are insignificant expenses that may be covered either by an operating or reserve contingency, or otherwise in a general maintenance fund. Expenses that are necessitated by acts of nature, accidents, or other occurrences that are more properly insured, rather than reserved, are also excluded.

Financial Analysis

The financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent fully funded) to determine a recommendation for the appropriate reserve contribution rate in the future, known as the "funding plan."

Preparing the Reserve Study

Once the reserve assets have been identified and quantified, their respective replacement costs, useful lives, and remaining lives must be assigned so that a funding schedule can be constructed. Replacement costs and useful lives can be found in published manuals such as construction estimators, appraisal handbooks, and valuation guides. Remaining lives are calculated from the useful lives and ages of assets and adjusted according to conditions such as design, manufactured quality, usage, exposure to the elements, and maintenance history.

By following the recommendations of an effective reserve study, the association should avoid any major shortfalls. However, to remain accurate, the report should be updated on an annual basis to reflect such changes as shifts in economic parameters, additions of phases or assets, or expenditures of reserve funds. The association can assist in simplifying the reserve analysis update process by keeping accurate records of these changes throughout the year.

Funding Methods

From the simplest to the most complex, reserve analysis providers use many different computational processes to calculate reserve requirements. However, there are two basic processes identified as industry standards: the cash flow method and the component method.

The cash flow method develops 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 actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a “window” in which all future anticipated replacement costs are computed, based upon the individual lives of the components under consideration. The Reserve Funding by WSSC® Threshold and the Reserve Funding by WSSC® Current Assessment funding models are based upon the cash flow method.

The component method develops a reserve-funding plan where the total contribution is based upon the sum of contributions for individual components. The component method is the more conservative of the two funding options, and assures that the association will achieve and maintain an ideal level of reserve over time. This method also allows for computations on individual components in the analysis. The Reserve Funding by WSSC® Component Funding model is based upon the component methodology.

Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are four basic strategies from which most associations select. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association’s need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The four funding plans and descriptions of each are detailed below. Associations will have to update their reserve studies more or less frequently depending on the funding strategy they select.

Full Funding---Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each year. At the end of three years, one would expect three-tenths of the replacement cost to have accumulated, and if so, that component would be “fully-funded.” This model is important in that it is a measure of the adequacy of an association’s reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. This formula represents a snapshot in time and is based upon current replacement cost, independent of future inflationary or investment factors:

Fully Funded Reserves = **Age** divided by **Useful Life** the results multiplied by **Current Replacement Cost**

When an association’s total accumulated reserves for all components meet this criterion, its reserves are considered “fully-funded.”

The Reserve Funding by WSSC® **Threshold Funding Model (Minimum Funding)**. The goal of this funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balance overall does not drop below zero during the projected period. An association using this funding method must understand that even a minor reduction in a component’s remaining useful life can result in a deficit in the reserve cash balance.

The Reserve Funding by WSSC® **Threshold Funding Model**. This method is based upon the cash flow funding concept. The minimum reserve cash balance in threshold funding, however, is set at a predetermined dollar amount (other than \$0).

The Reserve Funding by WSSC® **Current Assessment Funding Model**. This method is also based upon the cash flow funding concept. The initial reserve assessment is set at the association's current fiscal year funding level and a 30-year projection is calculated to illustrate the adequacy of the current funding over time.

The Reserve Funding by WSSC® **Component Funding Model**. This is a straight-line funding model. It distributes the cash reserves to individual reserve components and then calculates what the reserve assessment and interest contribution (minus taxes) should be, again by each reserve component. The current annual assessment is then determined by summing all the individual component assessments, hence the name "Component Funding Model". This is the most conservative funding model. It leads to or maintains the fully funded reserve position. The following details this calculation process.

Component Funding Model Distribution of Accumulated Reserves


The "Distribution of Accumulated Reserves Report" is a "Component Funding Model" calculation. This distribution **does not** apply to the cash flow funding models.

When calculating reserves based upon the component methodology, a beginning reserve balance must be allocated for each of the individual components considered in the analysis, before the individual calculations can be completed. When this distribution is not available, or of sufficient detail, the following method is suggested for allocating reserves:

The first step the program performs in this process is subtracting, from the total accumulated reserves, any amounts for assets that have predetermined (fixed) reserve balances. The user can "fix" the accumulated reserve balance within the program on the individual asset's detail page. If, by error, these amounts total more than the amount of funds available, then the remaining assets are adjusted accordingly. A provision for a contingency reserve is then deducted by the determined percentage used, and if there are sufficient remaining funds available.

The second step is to identify the ideal level of reserves for each asset. As indicated in the prior section, this is accomplished by evaluating the component's age proportionate to its estimated useful life and current replacement cost. Again, the equation used is as follows:

Fully Funded Reserves = (Age/Useful Life) x Current Replacement Cost

The  Reserve Analyst® software program performs the above calculations to the actual month the component was placed-in-service. The program projects that the accumulation of necessary reserves for repairs or replacements will be available on the first day of the fiscal year in which they are scheduled to occur.

The next step the program performs is to arrange all of the assets used in the study in ascending order by remaining life, and alphabetically within each grouping of remaining life items. These assets are then assigned their respective ideal level of reserves until the amount of funds available is depleted, or until all assets are appropriately funded. If any assets are assigned a zero remaining life (scheduled for replacement in the current fiscal year), then the amount assigned equals the current replacement cost and funding begins for the next cycle of replacement. If there are insufficient funds available to accomplish this, then the software automatically adjusts the zero remaining life items to one year, and that asset assumes its new grouping position alphabetically in the final printed report.

If, at the completion of this task, there are additional moneys that have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the

current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such and are not factored into any of the report computations. If, at the end of this assignment process there are designated excess funds, they can be used to offset the monthly contribution requirements recommended, or used in any other manner the client may desire.

Assigning the reserves in this manner defers the make-up period for any under-funding over the longest remaining life of all assets under consideration, thereby minimizing the impact of any deficiency. For example, if the report indicates an under funding of \$50,000, this under-funding will be assigned to components with the longest remaining lives in order to give more time to “replenish” the account. If the \$50,000 under-funding were to be assigned to short remaining life items, the impact would be felt immediately.

If the reserves are under-funded, the monthly contribution requirements, as outlined in this report, can be expected to be higher than normal. In future years, as individual assets are replaced, the funding requirements will return to their normal levels. In the case of a large deficiency, a special assessment may be considered. The program can easily generate revised reports outlining how the monthly contributions would be affected by such an adjustment, or by any other changes that may be under consideration.

Funding Reserves

Three assessment and contribution figures are provided in the report, the “Monthly Reserve Assessment Required”, the “Average Net Monthly Interest Earned” contribution and the “Total Monthly Allocation to Reserves.” The association should allocate the “Monthly Reserve Assessment Required” amount to reserves each month when the interest earned on the reserves is left in the reserve accounts as part of the contribution. Any interest earned on reserve deposits, must be left in the reserve account.

Users’ Guide to your Reserve Analysis Study

Part II of your Reserve Funding by WSSC® Report contains the reserve analysis study for your association. There are seven types of reports in the study as described below.

Report Summaries

The Report Summary for all funding models lists all of the parameters that were used in calculating the report as well as the summary of your reserve analysis study.

Index Reports

The **Distribution of Accumulated Reserves** report lists all assets in remaining life order. It also identifies the ideal level of reserves that should have accumulated for the association as well as the actual reserves available. This information is valid only for the “Component Funding Model” calculation.

The **Component Listing/Summary** lists all assets by category (i.e. roofing, painting, lighting, etc.) together with their remaining life, current cost, monthly reserve contribution, and net monthly allocation.

Detail Reports

The Detail Report itemizes each asset and lists all measurements, current and future costs, and calculations for that asset. Provisions for percentage replacements, salvage values, and one-time replacements can also be utilized. These reports can be sorted by category or group.

The numerical listings for each asset are enhanced by extensive narrative detailing factors such as design, manufactured quality, usage, exposure to elements and maintenance history.

The Reserve Funding by WSSC® Detail Index is an alphabetical listing of all assets, together with the page number of the asset's detail report, the projected replacement year, and the asset number.

Projections

Thirty-year projections add to the usefulness of your reserve analysis study.

Definitions

Report I.D.

Includes the Report Date (example: June 19, 2006), Account Number (example: 9773), and Version (example: 1.0). Please use this information (displayed on the summary page) when referencing your report.

Budget Year Beginning/Ending

The budgetary year for which the report is prepared. For associations with fiscal years ending December 31st, the monthly contribution figures indicated are for the 12-month period beginning 1/1/20xx and ending 12/31/20xx.

Number of Units and/or Phases

If applicable, the number of units and/or phases included in this version of the report.

Inflation

This figure (information taken from "Inflationdata.com" is used to approximate the future cost to repair or replace each component in the report. The current cost for each component is compounded on an annual basis by the number of remaining years to replacement, and the total is used in calculating the monthly reserve contribution that will be necessary to accumulate the required funds in time for replacement.

Annual Assessment Increase

This represents the percentage rate at which the association will increase its assessment to reserves at the end of each year. For example, in order to accumulate \$10,000 in 10 years, you could set aside \$1,000 per year. As an alternative, you could set aside \$795 the first year and increase that amount by 5% each year until the year of replacement. In either case you arrive at the same amount. The idea is that you start setting aside a lower amount and increase that number each year in accordance with the planned percentage. Ideally this figure should be equal to the rate of inflation. It can, however, be used to aide those associations that have not set aside appropriate reserves in the past, by making the initial year's allocation less formidable.

Investment Yield Before Taxes

The average interest rate anticipated by the association based upon its current investment practices.

Taxes on Interest Yield

The estimated percentage of interest income that will be set aside to pay income taxes on the interest earned.

Projected Reserve Balance

The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. This is based upon information provided and not audited.

Percent Fully Funded

The ratio, at the beginning of the fiscal year, of the actual (or projected) reserve balance to the calculated fully funded balance, expressed as a percentage.

Phase Increment Detail and/or Age

Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

Monthly Assessment

The assessment to reserves required by the association each month.

Interest Contribution (After Taxes)

The interest that should be earned on the reserves, net of taxes, based upon their beginning reserve balance and monthly contributions for one year. This figure is averaged for budgeting purposes.

Total Monthly Allocation

The sum of the monthly assessment and interest contribution figures.

Group and Category

The report may be prepared and sorted either by group (location, building, phase, etc.) or by category (roofing, painting, etc.). The standard report printing format is by category.

Percentage of Replacement or Repairs

In some cases, an asset may not be replaced in its entirety or the cost may be shared with a second party. Examples are budgeting for a percentage of replacement of streets over a period of time, or sharing the expense to replace a common wall with a neighboring party.

Placed-In-Service Date

The month and year that the asset was placed-in-service. This may be the construction date, the first escrow closure date in a given phase, or the date of the last servicing or replacement.

Estimated Useful Life

The estimated useful life of an asset based upon industry standards, manufacturer specifications, visual inspection, location, usage, association standards and prior history. All of these factors are taken into consideration when tailoring the estimated useful life to the particular asset. For example, the carpeting in a hallway or elevator (a heavy traffic area) will not have the same life as the identical carpeting in a seldom-used meeting room or office.

Adjustment to Useful Life

Once the useful life is determined, it may be adjusted, up or down, by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

Estimated Remaining Life

This calculation is completed internally based upon the report's fiscal year date and the date the asset was placed-in-service.

Replacement Year

The year that the asset is scheduled to be replaced. The appropriate funds will be available by the first day of the fiscal year for which replacement is anticipated.

Annual Fixed Reserves

An optional figure which, if used, will override the normal process of allocating reserves to each asset.

Fixed Assessment

An optional figure which, if used, will override all calculations and set the assessment at this amount. This assessment can be set for monthly, quarterly or annually as necessary.

Salvage Value

The salvage value of the asset at the time of replacement, if applicable.

One-Time Replacement

Notation if the asset is to be replaced on a one-time basis.

Current Replacement Cost

The estimated replacement cost effective at the beginning of the fiscal year for which the report is being prepared

Future Replacement Cost

The estimated cost to repair or replace the asset at the end of its estimated useful life based upon the current replacement cost and inflation.

Component Inventory

The task of selecting and qualifying reserve components. This task can be accomplished through on-site visual, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s).

A Multi-Purpose Tool

Your Reserve Funding by WSSC® Report is an important part of your association's budgetary process. Following its recommendations should ensure the association's smooth budgetary transitions from one fiscal year to the next, and either decrease or eliminate the need for "special assessments".

In addition, your Reserve Funding by WSSC® reserve study serves a variety of useful purposes:

- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.
- A reserve analysis study is required by your accountant during the preparation of the association's annual audit.
- The Reserve Funding by WSSC® reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.
- Your Reserve Funding by WSSC® Report is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.
- Your Reserve Funding by WSSC® Report is a tool that can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated.
- Since the Reserve Funding by WSSC® reserve analysis study includes measurements and cost estimates of the client's assets, the detail reports may be used to evaluate the accuracy and price of contractor bids when assets are due to be repaired or replaced.
- The Reserve Funding by WSSC® reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.
- The Reserve Funding by WSSC® Owners' Summary meets the disclosure requirements of the Oregon Civil Codes §94.595 and §100.175 and also the recently adopted ECHO standards.
- Your Reserve Funding by WSSC® Report provides a record of the time, cost, and quantities of past reserve replacements. At times the association's management company and board of directors are transitory which may result in the loss of these important records.