RESERVE STUDY | ANNUAL REPORT

CHESTNUT TRAILS HOMEOWNERS ASSOCIATION
LEVEL I | FULL RESERVE STUDY
Bothell, WA 98012
Report #1570-12-WA
FINANCIAL YEAR 01.2012—12.2012

RESERVE STUDY GROUP

701 Fifth Ave, Suite 4200, Seattle WA 98104
www.reservestudygroup.com (888)-315 2843

08.23.12

RESERVE STUDY GROUP

Contact Information

Reserve Study Group, LLC
701 Fifth Ave, Suite 4200
Seattle WA 98104
Phone: (888)-315 2843
Fax: (888)-316 4587
Email: mail@reservestudygroup.com
Web: www.reservestudygroup.com

Published By

Reserve Study Group, LLC
Seattle, WASHINGTON

RESERVE STUDY GROUP

TABLE OF CONTENTS

REPORT SUMMARY

Guide to the Report

The Board of Directors is responsible for maintaining common areas of the physical property. They also have a duty to exercise careful planning for the funding of future major repairs and replacement of the Association ’s common elements or components. This report is intended to assist the Board in making necessary decisions regarding the development of their current and future reserve fund and contributions. This report is intended to be used for budgeting and planning purposes, and provides guidelines and estimates for anticipated repair or replacement events.

This reserve study has been completed by a designated Reserve Specialist® and adheres to the Community Association Institute ’s (CAI) standards regarding service levels and disclosures. The American Institute of Certified Public Accountants (AICPA) guidelines for Common Interest Realty Associations are also considered in the preparation of this report. Recommendations and accompanying assumptions included herein are based on information provided to the Reserve Study Group and assembled for the Association ’s use.

The report has been designed for ease of use and is divided into the following sections:

Report Summary – Provides an overview of the Association ’s current physical condition and financial situation, outlining significant findings and conclusions. This section of the report should be used as a quick reference in helping the reader to understand the parameters and results of the study.

Methodology - Details the framework, methods, and materials used in developing the reserve study and the associated funding plan. This section provides a comprehensive understanding of the methodology and the process taken to develop the report.

Financial Analysis – Examines report findings and results with projections for individual reserve component expenses and recommended funding.

Physical Analysis – Individually reviews each of the reserve components, highlighting recommended preventative maintenance requirements and areas of concern. Includes a maintenance plan which provides an organized, systematic and cost-effective approach to maintaining the value and maximizing the service life of the Association ’s capital assets.

PROJECT OVERVIEW

Association Name
Chestnut Trails Homeowners Association

Location
Bothell, WA 98012

Year Constructed
1996

Project Description
HOA

Type of Study
Level I—With site visit

Funding Strategy Recommended
Full Funding

Number of Units
105

Report Date
04.11.12

Next Study
April 2013

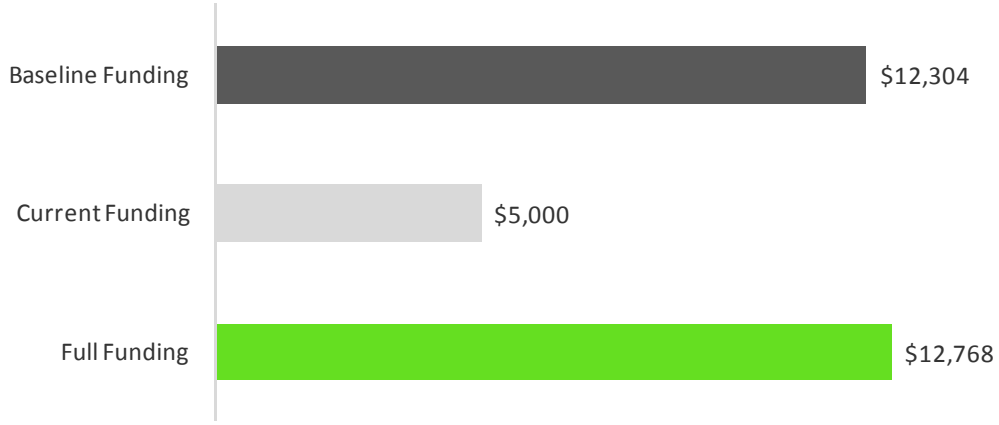
Project Summary

Report Period (Fiscal Year)	*2012 (January 1, 2012—December 31, 2012)*
Inflation Rate	*2.45%*
Interest Rate	*1.45%*
Projected Starting Reserve Fund Balance	*$10,268*
Fully Funded Balance (Ideal Amount)	*$85,726*
Percent Funded	*12%*
Budgeted Annual Contribution (2011)	*$5,000*
Recommended Annual Contribution (Full Funding)	*$12,768*
Special Assessment	*N/A*

FINANCIAL OVERVIEW

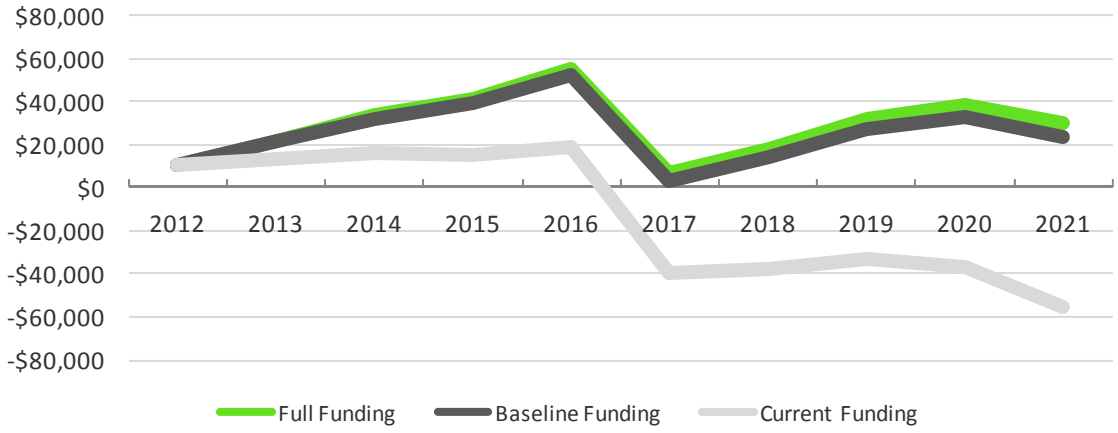
Reserve Funding Options

The graph below shows the comparison between the current level of reserve contributions as measured against Baseline Funding and Full Funding.



Estimated Reserve Account Cash Balances

The graph below highlights the estimated reserve account cash balances over the coming ten years if the contribution amounts listed above are increased by 2.0% per annum.



FIVE YEAR INVESTMENT SUMMARY

Full Funding	2012	2013	2014	2015	2016
Fully Funded Balance	$85,726	$95,112	$104,004	$109,349	$120,568
Percentage Funded (%)	12%	22%	31%	36%	43%
Beginning Balance	$10,268	$21,373	$31,963	$39,040	$51,899
Reserve Contribution	$12,768	$13,023	$13,283	$13,549	$13,820
Avg Unit Contribution (mth)	$10.13	$10.34	$10.54	$10.75	$10.97
Contribution Increase (%)		2.00%	2.00%	2.00%	2.00%
Special Assessment					
Interest Earned	$228	$384	$511	$655	$417
Reserve Expenditures	$1,890	$2,817	$6,717	$1,344	$60,041
ENDING BALANCE	$21,373	$31,963	$39,040	$51,899	$6,096

Current Funding	2012	2013	2014	2015	2016
Fully Funded Balance	$85,726	$95,112	$104,004	$109,349	$120,568
Percentage Funded (%)	12%	14%	15%	13%	16%
Beginning Balance	$10,268	$13,549	$16,045	$14,751	$18,955
Reserve Contribution	$5,000	$5,100	$5,202	$5,306	$5,412
Avg Unit Contribution (mth)	$3.97	$4.05	$4.13	$4.21	$4.30
Contribution Increase (%)		2.00%	2.00%	2.00%	2.00%
Special Assessment					
Interest Earned	$171	$213	$222	$243	$0
Reserve Expenditures	$1,890	$2,817	$6,717	$1,344	$60,041
ENDING BALANCE	$13,549	$16,045	$14,751	$18,955	-$35,673

Baseline Funding	2012	2013	2014	2015	2016
Fully Funded Balance	$85,726	$95,112	$104,004	$109,349	$120,568
Percentage Funded (%)	12%	22%	30%	34%	41%
Beginning Balance	$10,268	$20,906	$31,012	$37,589	$49,931
Reserve Contribution	$12,304	$12,550	$12,801	$13,057	$13,318
Avg Unit Contribution (mth)	$9.76	$9.96	$10.16	$10.36	$10.57
Contribution Increase (%)		2.00%	2.00%	2.00%	2.00%
Special Assessment					
Interest Earned	$224	$374	$494	$630	$385
Reserve Expenditures	$1,890	$2,817	$6,717	$1,344	$60,041
ENDING BALANCE	$20,906	$31,012	$37,589	$49,931	$3,594

METHODOLOGY

An important aspect of living in a common area development such as a cooperative, condominium, or homeowner association is the community 's ownership and commitment to maintain its common areas. Association members have a vested interest in maintaining and preserving their investment. To meet these obligations, the Association should prudently prepare for the future and contribute funds into a reserve account. Periodic contributions, verses 'special assessments', provide the freedom to gradually accumulate for anticipated expenditures while limiting the need to raise large sums of money through alternative means.

When implementing a policy to fund major repair or replacement, the Board must educate owners about the benefits of accumulating reserve funds in advance through periodic contributions. Benefits of a systematic accumulation of funds include the following:

- having assurance that funds for major repairs and replacements will be available when needed;
- development of an equitable method of charging current rather than future owners with the cost of the current use of assets;
- preservation of the market value of individual units; and
- compliance with the governing documents, statutes, mortgages, and the like.

A reserve study recommends the preferable mode of funding through smaller monthly contributions rather than risking large, unanticipated special assessments. The purpose of a reserve study is to avoid these situations by providing an Association with access to information and materials that will assist them in making informed decisions about their reserve fund and contributions.

A reserve study is the sum of two parts: the physical and financial analysis. The physical analysis is a result of the on-site collection and review of data specific to the property 's reserve components, common areas, and limited common areas. Through an onsite inspection and the use of source materials, the Reserve Specialist quantifies and establishes the reserve component inventory and assesses the physical condition of the Association' s reserve components. Data from the physical analysis is used to define the scope and timing of future anticipated expenses.

The financial analysis evaluates the condition of the Association 's reserve fund in relation to its income and anticipated expenses. It appraises the adequacy of the reserve fund, and associated member contributions, against the current and future expenditures of the Association. To adequately forecast these expenditures over the 30-year projection period, current costs, projected inflation, and interest rates must be established. Recommendations are then provided to establish a reserve fund that addresses anticipated expenses, without having to resort to special assessments.

Due to the long-term nature of a reserve study, certain assumptions must be made. Every effort has been made to ensure that the recommendations are based upon reliable and experienced sources in the building industry. However, there can be no guarantee that events will occur at the predicted specific intervals, or that they will occur at all. Any reserve study must be viewed in the light of circumstances existing at the actual time of the study.

PHYSICAL ANALYSIS

As part of this reserve study a comprehensive list of reserve components (major common and limited common elements) has been compiled. Estimates for the useful life, remaining life, plus current repair and replacement costs for each of these reserve components have been calculated. This list is not intended to be exhaustive. However, an inaccurate or incomplete list of components can have an adverse impact upon the Association 's long-term funding plan.

Site Inspection

A site inspection is conducted to assess the general condition of the property and its common areas. The on-site inspection is visual in nature, and no destructive or invasive testing is conducted. Observations are recorded using a representative sampling of the Association 's common areas and reserve components. The component inventory and associated field measurements are also substantiated as part of the inspection.

Reserve Components

Determination of what constitutes a reserve component is dependent on a number of factors. A four-part test is generally used to distinguish a reserve item from an operational or maintenance expense. A component is included as a reserve item only if it satisfies ALL criteria outlined below:

- It is part of the Association' s common and limited common area responsibilities.
- It has a predictable useful service life.
- Its useful life fits within the projection period. This means that components with a life of 30 years or more may not be included as part of the report if it is determined that they will last beyond the projection period.
- Its cost for repair or replacement is too high to include as part of the operating budget.

The components of common property that an Association includes in its reserve funding plan are also dependent on the type of project, the construction properties and the Association 's applicable governing documents and state statutes.

Component Useful Life

The useful life of a reserve component relates to the number of years it is expected to last, given reasonable care and maintenance. The prediction of reserve and building component life can be no more than an informed estimate based upon information made available at the time of the report' s development. Consideration is given to vendor recommendations, material war-

ranty information provided at the time of the report's development, along with other published sources. The data and service life estimates in this report are based on information gathered from various groups and industry sources as outlined below:

- Historical data and feedback from the Association;
- Management groups and maintenance managers;
- Manufacturer recommendations and industry standards;
- Published sources of service life data;
- Manufacturers and suppliers data.

Component Remaining Useful Life

The remaining life of a reserve component refers to the number of years left before an item's expected repair or replacement. A component's remaining life is contingent upon the following factors:

- Age/years in service;
- Physical condition;
- Frequency and quality of inspections and maintenance;
- General use;
- Environment, impact of weather and building location;
- Installation methods that meets or exceed industry standards;
- Design and quality of materials used.

In addition to deterioration or anticipated failure of a component, the longevity may be impacted by obsolescence. The accuracy of the estimate is contingent upon reliable information made available at the time of the report's development. It is important to note that even with the highest degree of diligence and experience, outcomes will vary, and no guarantee can be given as to the timing or service life of the reserve components. All service life assessments in this report are based on the assumption that installation is carried out in accordance with manufacturer's recommendations and installation instructions, together with industry standards of workmanship. Consideration is given to visible design and signs of improper installation of components, that will have an impact upon the anticipated service life of the component.

Financial Analysis

An Association, like any business entity, must prepare financially for the replacement and repair of its assets. Reserve study funding analysis is an important part of the annual budget process. Reserve funding should be reviewed at least once annually to help determine the annual assessment to be charged to members. The following elements are used in the financial analysis.

Recommended Funding Rate

We advocate a program of regular reserve fund contributions and promote a gradual means of reserving for future repair and replacement expenses. Recommended contributions are set at a

level where they require only minor annual increases. The rate is designed to distribute the anticipated cost of common property ownership equitably between all members over the entire projection period.

Fully Funded Balance

The Fully Funded balance is equal to the total depreciable cost of all the Association 's reserve components. It is determined by dividing each reserve component 's cost by its useful life, and multiplying that by the number of years the component has been in service (effectively its age). The recommendations in this report are based upon a Full Funding plan, which sets the goal of achieving one hundred percent fully funded reserves by the end of the 30-year projection period. We advocate full funding as we feel that this approach provides a solid platform to address future needs, thus dramatically reducing the need for special assessment.

Percent Funded

An Association 's reserve fund status is assessed by comparing the ratio of actual or projected funds available verses how much they 'should have saved '. The result is presented as a percentage and is commonly known as "percent funded". In other words, percent funded is calculated by dividing the Association 's current reserve fund balance by the fully funded balance. This equation is an industry measure of how well prepared an Association is to meet its current and future repair and replacement obligations. Percent funded highlights the strength of the association ' s reserve account in relation to the anticipated costs of repair and replacement.

Reserve Component Cost

Current cost estimates for reserve components are derived from a variety of sources but typically are based on the latest local vendor pricing acquired from regional contractors and suppliers. When needed, additional information and cost data is sourced from national construction estimators. All cost estimates formulated from national estimators are based upon the latest specific geographical information for the area. Future cost estimates are determined by applying the assumed annual inflation rate to the current cost of each component.

Inflation Rate

The effect of inflation on the cost of reserve components is a key factor in the financial projections. Historically, the cost of construction materials and labor rise at a higher rate than that experienced by the general economy. RSG has chosen to use an inflationary multiplier that is somewhat higher than the current general consumer index for inflation. The rate used is based upon the historical average of inflation over the previous decade. This rate reflects a realistic appreciation of future costs for reserve components and assists the Association in adequately budgeting for increasing cost.

Interest Rate

The interest rate used in this report is formulated on a conservative rate of return. Unless otherwise advised by the Association, an assumed net interest rate of 1.45% is used. RSG offers no

guarantee or opinion in relation to investment decisions made by the Association or the rate of return achieved.

Current Reserve Fund Balance

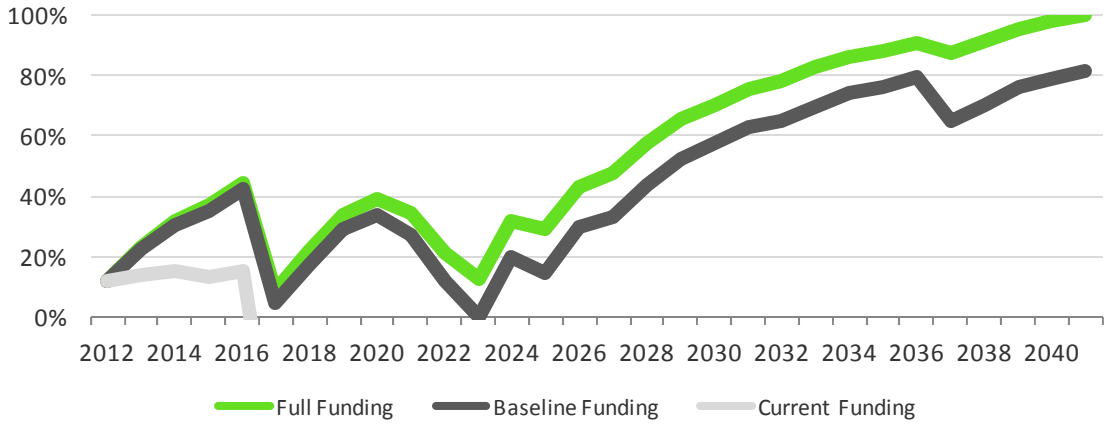
The analysis, recommendations, and financial projections made within this report are heavily reliant on information provided by the Association and its representatives. The starting reserve fund balance (current or projected) and member contribution totals are supplied by these sources. This information has not been audited nor have the financial projections or recommendations.

FINANCIAL ANALYSIS

This section of the report is intended to provide the Association with the awareness to adequately plan for the ongoing major maintenance, repair and replacement of their common property components. The recommendations included within this report represent one scenario, and are not intended to represent the only means of achieving the Association 's goals. We recommend that the Board of Directors use the following information as a guide in planning for their future objectives.

Percent Funded

The "Percent Funded" equation is an industry measure of how well prepared an Association is to meet its current and future repair and replacement needs. Percent funded highlights the strength of the association 's reserve account in relation to the anticipated costs of repair and replacement. We recommend that the association implement the Full Funding plan outlined in this report.

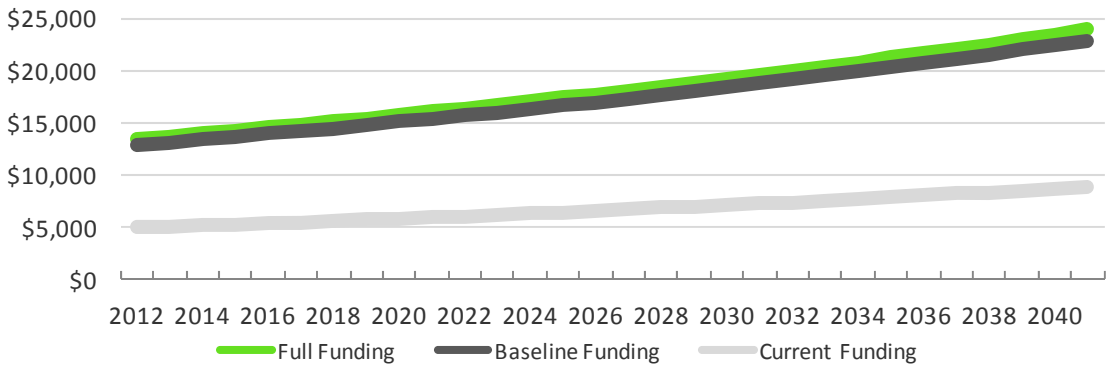


FULL FUNDING	Establishes a goal of achieving one hundred percent fully funded reserves by the end of the projection period.
THRESHOLD FUNDING	Sets out to keep the cash reserves above a specified dollar or percent funded amount for the duration of the projection period.
BASELINE FUNDING	Establishes a goal of maintaining a reserve account balance above zero dollars throughout the study period.
STATUTORY FUNDING	Sets aside a minimum amount of reserves as required by local statutes.

RESERVE FUND ACCOUNT

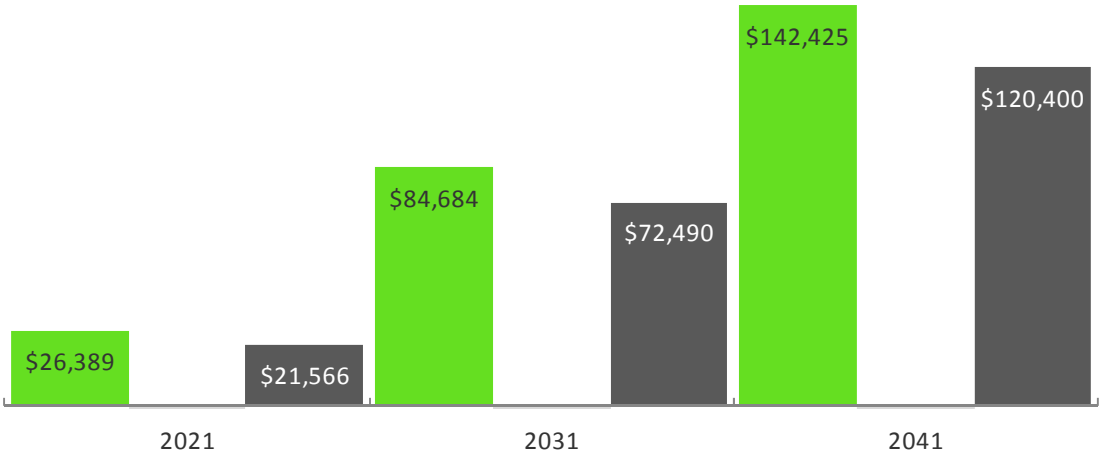
Projected Reserve Contributions

Typically recommended contributions are set at a level where they will likely require minor annual increases.



Projected Reserve Account Balance

The growth of the Association ’s reserve account is largely dependent upon the level of reserve funds contributed on an annual basis (see figure above) and the funding objective chosen (Full, Baseline and Current).



Projected amounts based upon a starting balance of $10,268 and annual contribution increases of 2.0%.

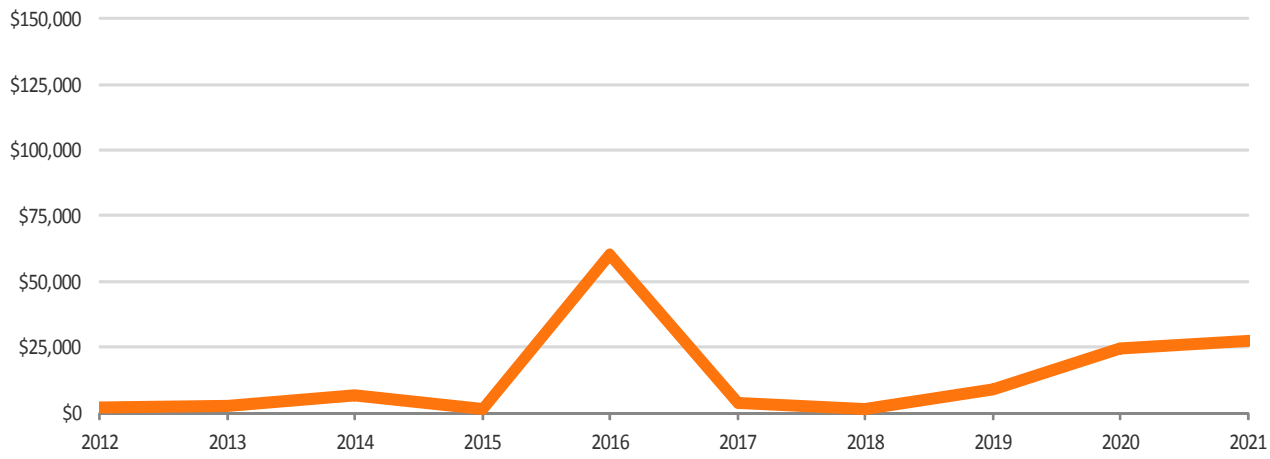
RESERVE COMPONENT LIST

Component	Useful Service Life	Remaining Useful Life	Quantity	Unit of Measure	Unit Cost	Current Cost	Current Fully Funded Balance
Equipment - Playground (Tract 989)	25	9	1	Each	$16,000.00	$16,000	$10,240
Equipment - Playground (Tract 990)	25	10	1	Each	$16,000.00	$16,000	$9,600
Equipment - Playground (Tract 992)	25	8	1	Each	$16,000.00	$16,000	$10,880
Equipment - Sports Court (Tract 991)	10	5	1	Each	$2,000.00	$2,000	$1,000
Equipment - Benches	25	14	5	Each	$600.00	$3,000	$1,320
Landscape - Bark (Tract 989)	3	1	55	CY	$50.00	$2,750	$1,833
Landscape - Bark (Tract 990)	3	2	28	CY	$50.00	$1,400	$467
Landscape - Bark (Tract 992)	3	0	25	CY	$50.00	$1,250	$1,250
Landscape - Tree Replacement	5	4	1	Allowance	$3,000.00	$3,000	$600
Signage - Entry	10	8	1	Each	$1,500.00	$1,500	$300
Trellis - Entry	10	8	3	Each	$500.00	$1,500	$300
Mailbox - Cluster Box Units	25	12	7	Each	$1,400.00	$9,800	$5,096
Fence - Split Rail (Tract 992)	20	0	40	LF	$16.00	$640	$640
Fence - Privacy 6' (Maltby Rd & Tract 992)	20	4	1,950	LF	$25.00	$48,750	$39,000
Stormwater - Detention Facility (Tract 988)	5	2	1	Allowance	$5,000.00	$5,000	$3,000
Concrete - Flatwork	10	9	1	Allowance	$2,000.00	$2,000	$200
					TOTALS	$130,590	$85,726

PROJECTED RESERVE EXPENSES (Years 1 - 10)

Component	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Equipment - Playground (Tract 989)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$19,894
Equipment - Playground (Tract 990)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Equipment - Playground (Tract 992)	$0	$0	$0	$0	$0	$0	$0	$0	$19,419	$0
Equipment - Sports Court (Tract 991)	$0	$0	$0	$0	$0	$2,257	$0	$0	$0	$0
Equipment - Benches	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Landscape - Bark (Tract 989)	$0	$2,817	$0	$0	$3,030	$0	$0	$3,258	$0	$0
Landscape - Bark (Tract 990)	$0	$0	$1,469	$0	$0	$1,580	$0	$0	$1,699	$0
Landscape - Bark (Tract 992)	$1,250	$0	$0	$1,344	$0	$0	$1,445	$0	$0	$1,554
Landscape - Tree Replacement	$0	$0	$0	$0	$3,305	$0	$0	$0	$0	$3,730
Signage - Entry	$0	$0	$0	$0	$0	$0	$0	$0	$1,820	$0
Trellis - Entry	$0	$0	$0	$0	$0	$0	$0	$0	$1,820	$0
Mailbox - Cluster Box Units	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Fence - Split Rail (Tract 992)	$640	$0	$0	$0	$0	$0	$0	$0	$0	$0
Fence - Privacy 6' (Maltby Rd & Tract 992)	$0	$0	$0	$0	$53,706	$0	$0	$0	$0	$0
Stormwater - Detention Facility (Tract 988)	$0	$0	$5,248	$0	$0	$0	$0	$5,923	$0	$0
Concrete - Flatwork	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,487
Annual Expenditure	$1,890	$2,817	$6,717	$1,344	$60,041	$3,837	$1,445	$9,181	$24,759	$27,665

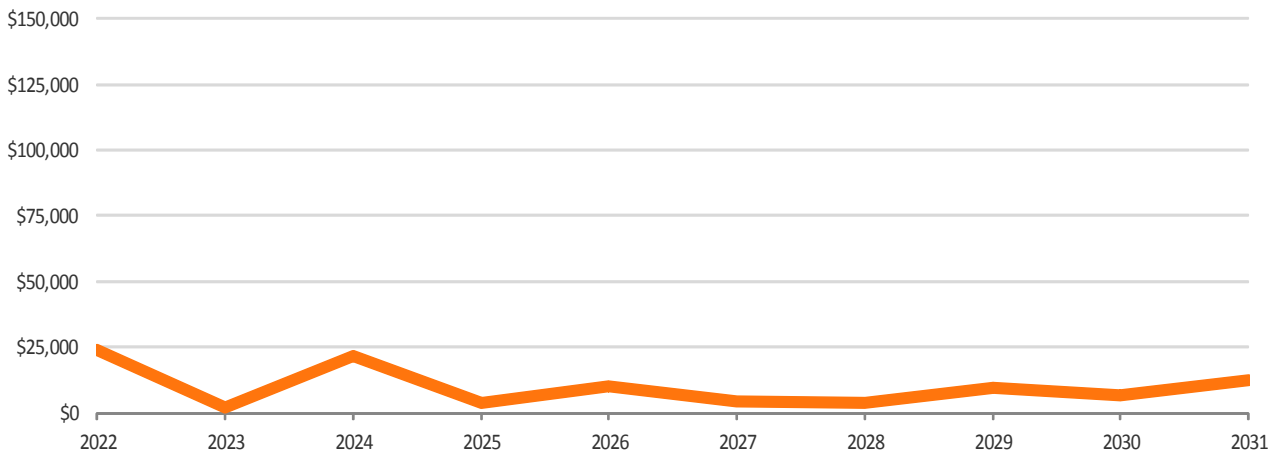
YEARS 1 THROUGH 10



PROJECTED RESERVE EXPENSES (Years 11 - 20)

Component	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Equipment - Playground (Tract 989)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Equipment - Playground (Tract 990)	$20,382	$0	$0	$0	$0	$0	$0	$0	$0	$0
Equipment - Playground (Tract 992)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Equipment - Sports Court (Tract 991)	$0	$0	$0	$0	$0	$2,875	$0	$0	$0	$0
Equipment - Benches	$0	$0	$0	$0	$4,210	$0	$0	$0	$0	$0
Landscape - Bark (Tract 989)	$3,503	$0	$0	$3,767	$0	$0	$4,051	$0	$0	$4,356
Landscape - Bark (Tract 990)	$0	$1,827	$0	$0	$1,965	$0	$0	$2,113	$0	$0
Landscape - Bark (Tract 992)	$0	$0	$1,671	$0	$0	$1,797	$0	$0	$1,933	$0
Landscape - Tree Replacement	$0	$0	$0	$0	$4,210	$0	$0	$0	$0	$4,752
Signage - Entry	$0	$0	$0	$0	$0	$0	$0	$0	$2,319	$0
Trellis - Entry	$0	$0	$0	$0	$0	$0	$0	$0	$2,319	$0
Mailbox - Cluster Box Units	$0	$0	$13,103	$0	$0	$0	$0	$0	$0	$0
Fence - Split Rail (Tract 992)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Fence - Privacy 6' (Maltby Rd & Tract 992)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Stormwater - Detention Facility (Tract 988)	$0	$0	$6,685	$0	$0	$0	$0	$7,545	$0	$0
Concrete - Flatwork	$0	$0	$0	$0	$0	$0	$0	$0	$0	$3,168
Annual Expenditure	$23,885	$1,827	$21,459	$3,767	$10,385	$4,673	$4,051	$9,658	$6,571	$12,275

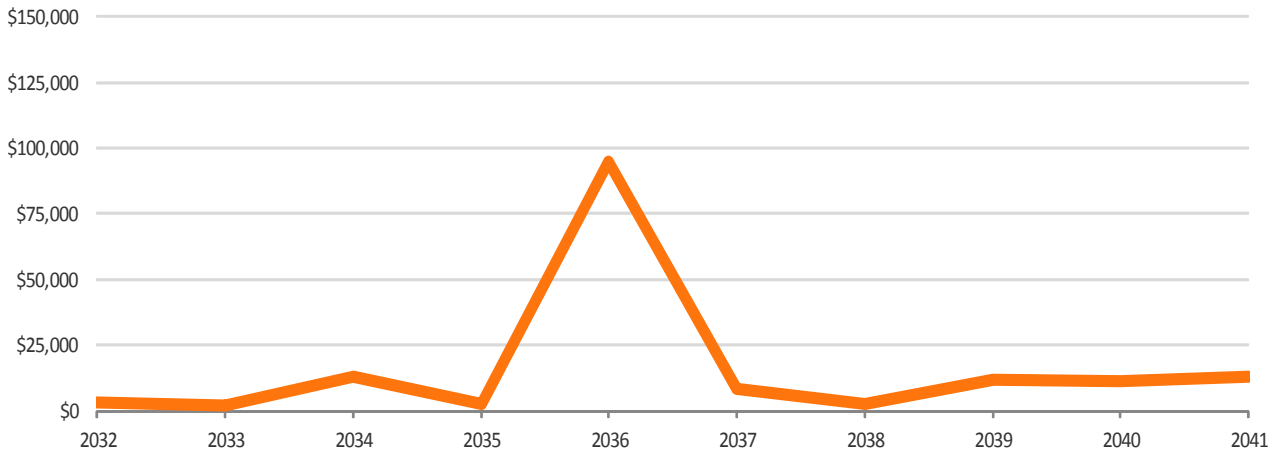
YEARS 11 THROUGH 20



PROJECTED RESERVE EXPENSES (Years 21 - 30)

Component	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Equipment - Playground (Tract 989)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Equipment - Playground (Tract 990)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Equipment - Playground (Tract 992)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Equipment - Sports Court (Tract 991)	$0	$0	$0	$0	$0	$3,663	$0	$0	$0	$0
Equipment - Benches	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Landscape - Bark (Tract 989)	$0	$0	$4,684	$0	$0	$5,037	$0	$0	$5,416	$0
Landscape - Bark (Tract 990)	$2,272	$0	$0	$2,443	$0	$0	$2,627	$0	$0	$2,825
Landscape - Bark (Tract 992)	$0	$2,078	$0	$0	$2,235	$0	$0	$2,403	$0	$0
Landscape - Tree Replacement	$0	$0	$0	$0	$5,363	$0	$0	$0	$0	$6,053
Signage - Entry	$0	$0	$0	$0	$0	$0	$0	$0	$2,954	$0
Trellis - Entry	$0	$0	$0	$0	$0	$0	$0	$0	$2,954	$0
Mailbox - Cluster Box Units	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Fence - Split Rail (Tract 992)	$1,039	$0	$0	$0	$0	$0	$0	$0	$0	$0
Fence - Privacy 6' (Maltby Rd & Tract 992)	$0	$0	$0	$0	$87,149	$0	$0	$0	$0	$0
Stormwater - Detention Facility (Tract 988)	$0	$0	$8,516	$0	$0	$0	$0	$9,612	$0	$0
Concrete - Flatwork	$0	$0	$0	$0	$0	$0	$0	$0	$0	$4,035
Annual Expenditure	$3,310	$2,078	$13,200	$2,443	$94,746	$8,699	$2,627	$12,014	$11,324	$12,913

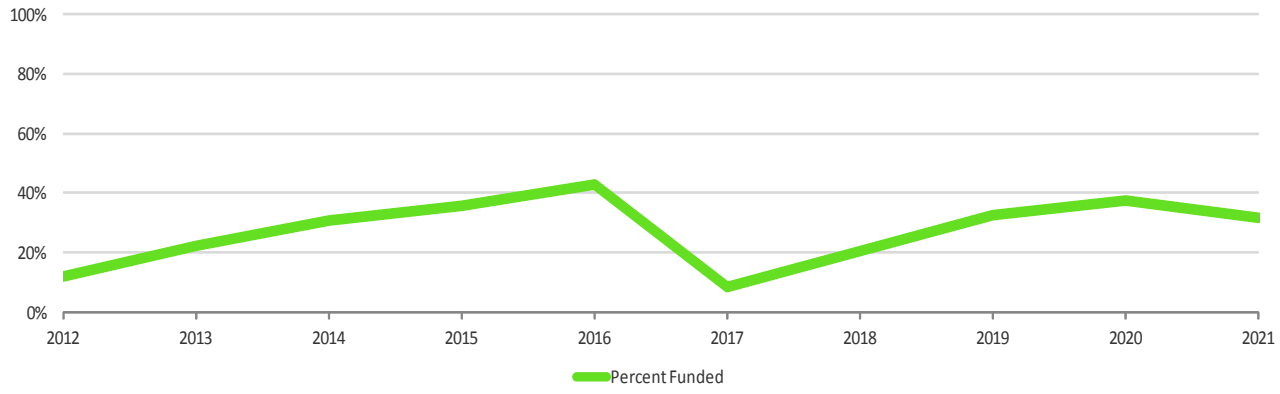
YEARS 21 THROUGH 30

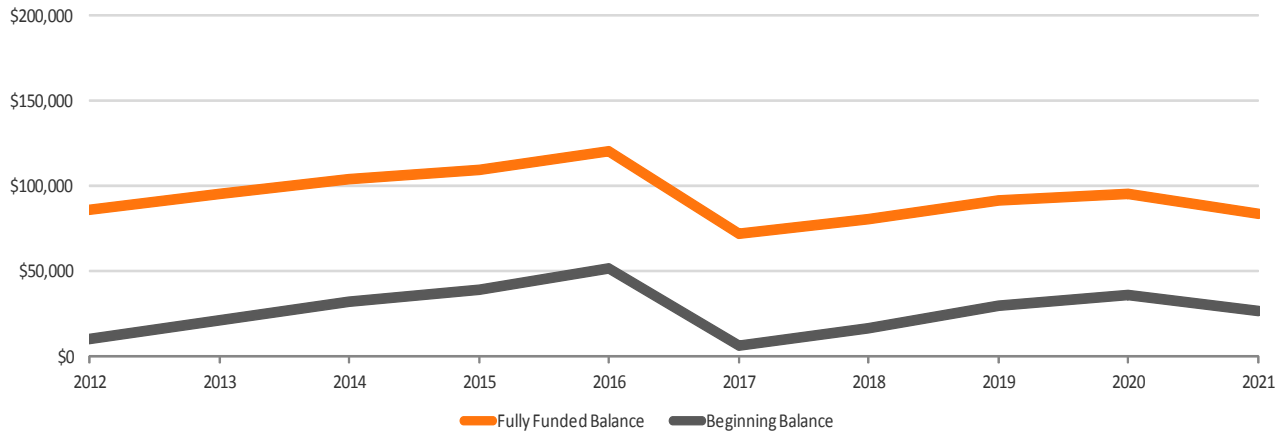


RESERVE FUNDING PLAN (Years 1 - 10)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Fully Funded Balance	$85,726	$95,112	$104,004	$109,349	$120,568	$72,170	$80,415	$91,568	$95,330	$83,493
Percentage Funded (%)	12%	22%	31%	36%	43%	8%	21%	33%	37%	32%
Beginning Balance	$10,268	$21,373	$31,963	$39,040	$51,899	$6,096	$16,518	$29,785	$35,741	$26,389
Reserve Contribution	$12,768	$13,023	$13,283	$13,549	$13,820	$14,097	$14,378	$14,666	$14,959	$15,259
Avg Unit Contribution (mth)[1]	$10.13	$10.34	$10.54	$10.75	$10.97	$11.19	$11.41	$11.64	$11.87	$12.11
Contribution Increase (%)		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Special Assessment										
Interest Earned	$228	$384	$511	$655	$417	$163	$333	$472	$447	$293
Reserve Expenditures	$1,890	$2,817	$6,717	$1,344	$60,041	$3,837	$1,445	$9,181	$24,759	$27,665
ENDING BALANCE	$21,373	$31,963	$39,040	$51,899	$6,096	$16,518	$29,785	$35,741	$26,389	$14,275

YEARS 1 THROUGH 10



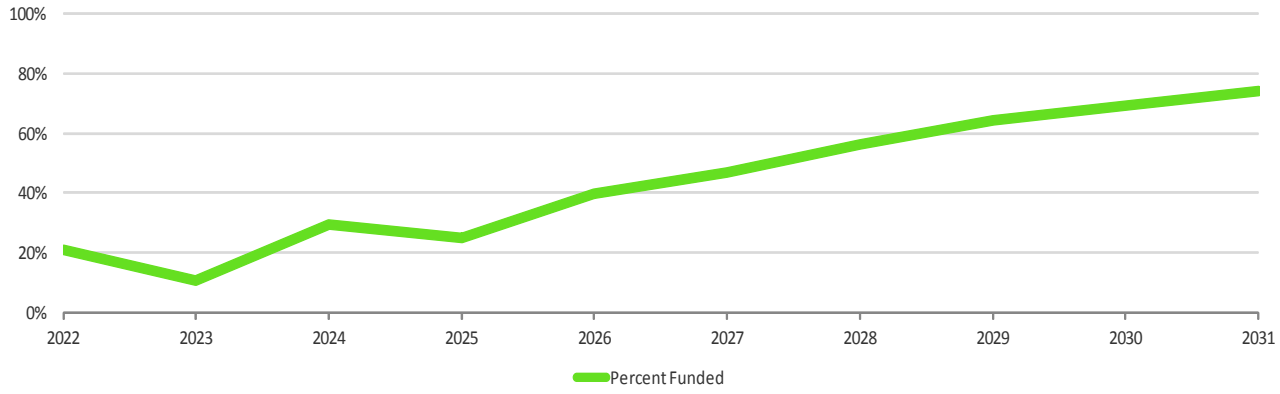


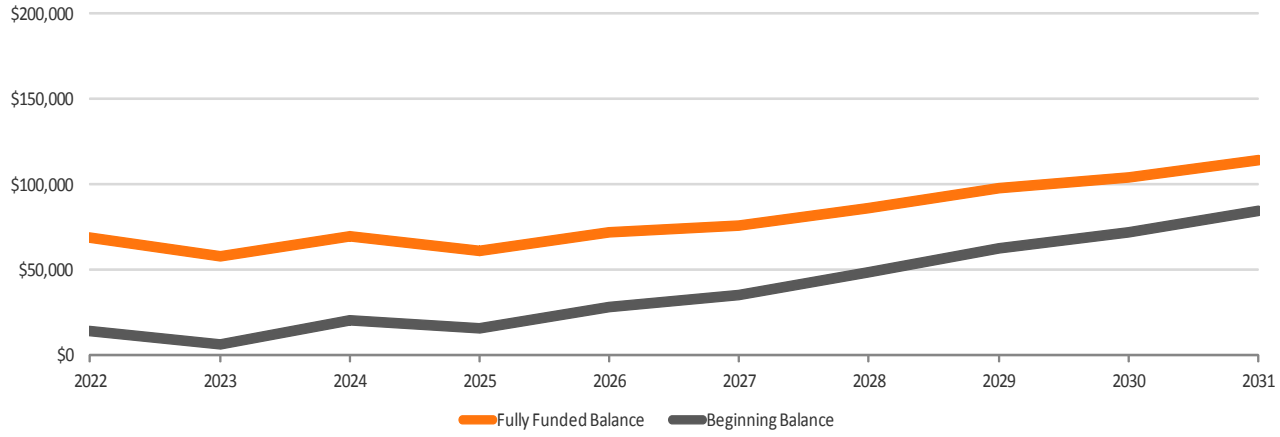
[1] The per unit calculation is an average and does not take into consideration percentage ownership.

RESERVE FUNDING PLAN (Years 11 - 20)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Fully Funded Balance	$68,662	$57,622	$69,197	$61,237	$71,511	$75,565	$85,888	$97,426	$103,835	$113,905
Percentage Funded (%)	21%	11%	29%	25%	40%	47%	56%	64%	69%	74%
Beginning Balance	$14,275	$6,101	$20,339	$15,329	$28,393	$35,313	$48,427	$62,704	$71,892	$84,684
Reserve Contribution	$15,564	$15,875	$16,192	$16,516	$16,847	$17,184	$17,527	$17,878	$18,235	$18,600
Avg Unit Contribution (mth)[1]	$12.35	$12.60	$12.85	$13.11	$13.37	$13.64	$13.91	$14.19	$14.47	$14.76
Contribution Increase (%)	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Special Assessment										
Interest Earned	$147	$190	$257	$315	$459	$603	$800	$969	$1,127	$1,274
Reserve Expenditures	$23,885	$1,827	$21,459	$3,767	$10,385	$4,673	$4,051	$9,658	$6,571	$12,275
ENDING BALANCE	$6,101	$20,339	$15,329	$28,393	$35,313	$48,427	$62,704	$71,892	$84,684	$92,283

YEARS 11 THROUGH 20



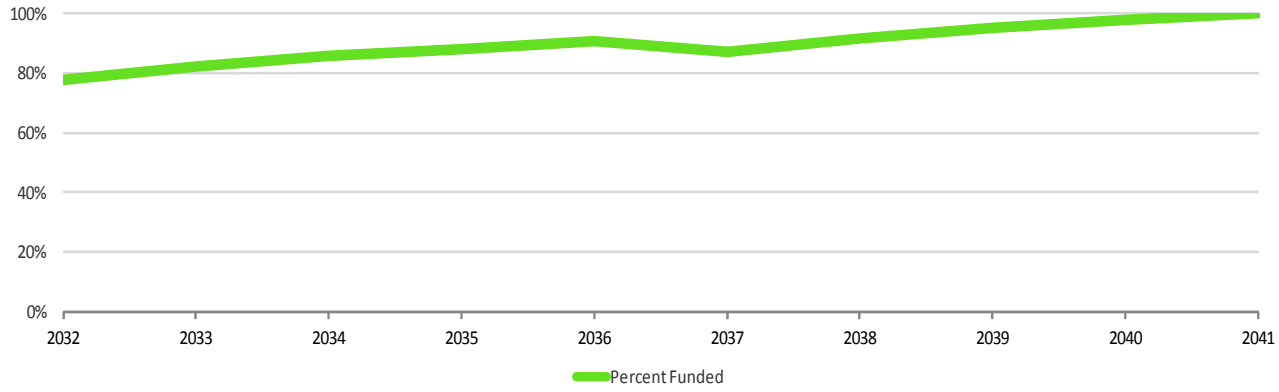


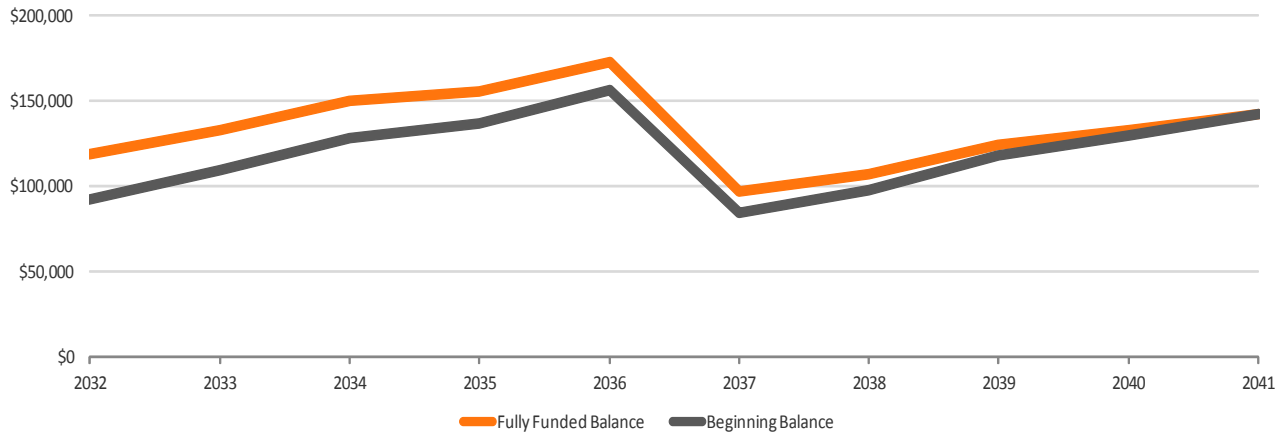
[1] The per unit calculation is an average and does not take into consideration percentage ownership.

RESERVE FUNDING PLAN (Years 21 - 30)

	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Fully Funded Balance	$118,727	$133,209	$149,675	$155,525	$172,925	$96,580	$106,923	$124,155	$132,616	$142,425
Percentage Funded (%)	78%	82%	86%	88%	91%	87%	91%	95%	98%	100%
Beginning Balance	$92,283	$109,396	$128,381	$136,829	$156,632	$84,154	$97,711	$118,002	$129,563	$142,425
Reserve Contribution	$18,972	$19,352	$19,739	$20,133	$20,536	$20,947	$21,366	$21,793	$22,229	$22,673
Avg Unit Contribution (mth)[1]	$15.06	$15.36	$15.67	$15.98	$16.30	$16.62	$16.96	$17.30	$17.64	$17.99
Contribution Increase (%)	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Special Assessment										
Interest Earned	$1,452	$1,711	$1,909	$2,112	$1,733	$1,309	$1,553	$1,782	$1,958	$2,136
Reserve Expenditures	$3,310	$2,078	$13,200	$2,443	$94,746	$8,699	$2,627	$12,014	$11,324	$12,913
ENDING BALANCE	$109,396	$128,381	$136,829	$156,632	$84,154	$97,711	$118,002	$129,563	$142,425	$154,321

YEARS 21 THROUGH 30





[1] The per unit calculation is an average and does not take into consideration percentage ownership.

THIRTY YEAR RESERVE FUND SUMMARY

Year	Fully Funded Balance	Percentage Funded	Beginning Balance	Reserve Contribution	Special Assessment	Interest Earned	Reserve Expenditures	Ending Balance
2012	$85,726	12%	$10,268	$12,768	$0	$228	$1,890	$21,373
2013	$95,112	22%	$21,373	$13,023	$0	$384	$2,817	$31,963
2014	$104,004	31%	$31,963	$13,283	$0	$511	$6,717	$39,040
2015	$109,349	36%	$39,040	$13,549	$0	$655	$1,344	$51,899
2016	$120,568	43%	$51,899	$13,820	$0	$417	$60,041	$6,096
2017	$72,170	8%	$6,096	$14,097	$0	$163	$3,837	$16,518
2018	$80,415	21%	$16,518	$14,378	$0	$333	$1,445	$29,785
2019	$91,568	33%	$29,785	$14,666	$0	$472	$9,181	$35,741
2020	$95,330	37%	$35,741	$14,959	$0	$447	$24,759	$26,389
2021	$83,493	32%	$26,389	$15,259	$0	$293	$27,665	$14,275
2022	$68,662	21%	$14,275	$15,564	$0	$147	$23,885	$6,101
2023	$57,622	11%	$6,101	$15,875	$0	$190	$1,827	$20,339
2024	$69,197	29%	$20,339	$16,192	$0	$257	$21,459	$15,329
2025	$61,237	25%	$15,329	$16,516	$0	$315	$3,767	$28,393
2026	$71,511	40%	$28,393	$16,847	$0	$459	$10,385	$35,313
2027	$75,565	47%	$35,313	$17,184	$0	$603	$4,673	$48,427
2028	$85,888	56%	$48,427	$17,527	$0	$800	$4,051	$62,704
2029	$97,426	64%	$62,704	$17,878	$0	$969	$9,658	$71,892
2030	$103,835	69%	$71,892	$18,235	$0	$1,127	$6,571	$84,684
2031	$113,905	74%	$84,684	$18,600	$0	$1,274	$12,275	$92,283
2032	$118,727	78%	$92,283	$18,972	$0	$1,452	$3,310	$109,396
2033	$133,209	82%	$109,396	$19,352	$0	$1,711	$2,078	$128,381
2034	$149,675	86%	$128,381	$19,739	$0	$1,909	$13,200	$136,829
2035	$155,525	88%	$136,829	$20,133	$0	$2,112	$2,443	$156,632
2036	$172,925	91%	$156,632	$20,536	$0	$1,733	$94,746	$84,154
2037	$96,580	87%	$84,154	$20,947	$0	$1,309	$8,699	$97,711
2038	$106,923	91%	$97,711	$21,366	$0	$1,553	$2,627	$118,002
2039	$124,155	95%	$118,002	$21,793	$0	$1,782	$12,014	$129,563
2040	$132,616	98%	$129,563	$22,229	$0	$1,958	$11,324	$142,425
2041	$142,425	100%	$142,425	$22,673	$0	$2,136	$12,913	$154,321

PHYSICAL ANALYSIS

This section of the report provides specific information regarding the physical condition of the property. The physical data that follows is a result of the visual (non-intrusive) site review, that includes discussion with on-site managers (or Board members) regarding known conditions of the components. Advance planning results in the mitigation of component deterioration, and provides a direct correlation between components and their remaining useful life.

Site Inspection

A site inspection is conducted to assess the general condition of the property and its reserve components. The on-site inspection is visual in nature, and no destructive or invasive testing is conducted. Observations are recorded using a representative sampling of the Association's common areas and reserve components. The component inventory and associated field measurements are also substantiated as part of the inspection.

Physical conditions that are observed and deemed to require additional review, repair and/or replacement, will be highlighted to assist the association in determining if additional action is necessary. We may recommend additional further studies such as Building Envelope (Intrusive) Investigations, Roofing consultations by a licensed and bonded contractor, and Civil/Structural/ Geotechnical review by Professional Engineers.

Maintenance Plan

The maintenance plan creates an organized, systematic and cost-effective approach to maintaining the value and maximizing the service life of the Association's capital assets. Monthly, seasonal and annual maintenance activities are established to provide a clear understanding of the timing required for recommended preventative care items.

Component Inventory

The component inventory summarizes associated costs of each reserve component, and additionally highlights preventative maintenance requirements and provides a graphic of the remaining useful life. The inventory provides a visual reference point for understanding the Association's common area responsibilities. Preventative maintenance requirements (highlighted in orange) are coordinated for use in conjunction with items outlined in the preceding Maintenance Plan.

SITE REVIEW

Items observed that require attention are outlined below. The checklist was recorded as part of the site inspection and in conjunction with the development of this report. The list is not intended to be exhaustive and may not include all areas that require special attention. As stated elsewhere in this report, we recommend regular and ongoing review of the property and its common areas. Due to the general and non-invasive nature of the site inspection, RSG cannot comment on components and conditions not visible to the naked eye.

Playground—Surfacing

The association should recognize and address hazards that exist at all three (3) playgrounds. At a minimum, a protective surfacing material should be established to reduce the risk of injury. Exposed concrete footings (pictured) pose an unnecessary risk to all those who utilize the equipment.

Playground—Exposed Rebar

Exposed rebar at the stair entry to the playground on 200th Pl SE (Tract 992) should be reviewed and addressed.

Concrete—Flatwork

Typically repairs are required when concrete slabs crack and twist to a point where there is a significant difference in elevation on either side of the crack. Where this occurs, the potential for a trip hazard increases, as does the Association 's potential liability. We recommend that all such conditions are addressed on an as-needed basis.

Fence

Decayed boards at the Maltby Road street front fence should be repaired prior to complete replacement of the existing structure in 2016.

MAINTENANCE PLAN

The life expectancy estimates of reserve components highlighted in this report can be greatly affected by the quality and level of maintenance received. To achieve the goals set within this report, a preventative maintenance program needs to support the scheduled cycle of repair and replacement.

Maintenance Log Book

We recommend use of a log book to record all maintenance work carried out, including a description of the work, date of completion, estimated and actual cost, contractor and warranty information. By implementing this simple practice, a log book can provide a valuable source for future budgeting.

Inspections

Regular inspections are basic to planned maintenance. There is no general rule on how often maintenance surveys need to be carried out. Frequency is generally influenced by the rates of decay and deterioration of various building elements. However, the main purpose of a maintenance plan is to provide guidance to the Association. We have proposed a conservative approach that results in inspections at shorter intervals. Gradually as more information and background data is collected, we recommend that the Association adjust the interval timing to meet their needs.

Three categories have been used to highlight the frequency with which maintenance activities must be carried out:

- Annual Maintenance
- Seasonal Maintenance
- Monthly (Ongoing) Maintenance

It should be noted that the maintenance activities outlined in the following pages are general in nature and should be used as a guideline. The activities are not intended to replace any manufacturer, trade association, and/or other professional recommendations made available to the Association. Warranties (manufacturer or service) should also be carefully reviewed prior to engaging maintenance or repair services.

MAINTENANCE SCHEDULE

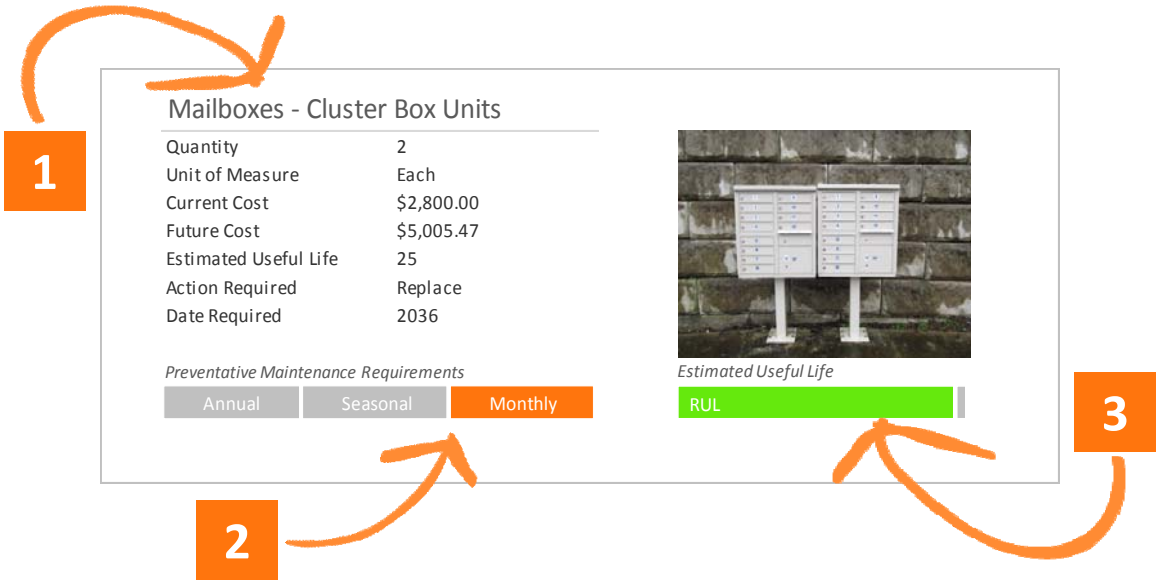
Component	Action Required
General Site	
Concrete Flatwork	Check cracking and displacement of concrete for potential trip hazards especially at control joints. Displacement of 1/4" to 1/2" steps are generally ground with a 1:2 ratio so that a gradual transition becomes manageable. Greater displacement such as 1/2 - 1" steps are treated as a "ramp" in accordance with recommended standards of a 1:12 ration. For large sections of slab displacement such as driveways, "slab jacking" is frequently a preferred process.
Concrete Cracking	Check frequently for cracking of concrete walks. Simple cracks may be repaired by patching with an epoxy based patch filler, or alternative lower cost cement patching materials.
Mailbox Facilities	Replace and repair faulty hinges and locks as required.
Cedar Fencing	Remove all dirt and organic matter at base of wood pickets and fencing material.
Cedar Fencing	During visual inspection, check integrity and alignment of posts.
Retaining Walls	Check base of walls for weep hole function to prevent build-up of pressure behind wall at all mortared CMU walls, brick face or concrete walls.
Landscaping	Check lawns and any need for bark mulching.
Landscaping	Prune branches & remove growth away from buildings, electrical lines & equipment.
Detention Pond	Remove cattails and sediment from cell 1 to original grade 3.9ft below center berm.
Detention Pond	Remove cattails and sediment from cell 2 to original grade 5.9ft below center berm.
Detention Pond	Skim floating debris from control structure.
Detention Pond	Remove any trees that are in the bottom of the pond (both cells).
Detention Pond	Remove all trees that are leaning over anywhere within the facility.
Trees and Shrubs	Trees will require pruning, branch removal, complete removal if planted too close to exterior walls of buildings, or where extensive root upheaval creates tripping situations or the cracking of concrete sidewalks.
Irrigation System	Review and replace any non-functioning electronic timers on an annual basis. Check and note specific deficiencies related to timers, housings, doors and locks, electrical connections and overall condition.
Irrigation System	Annually investigate irrigation system for leaks.
Irrigation System	As needed, redirect any sprinkler heads away from buildings.
Irrigation System	Start up entire system, checking functionality of controllers, sprinkler heads & main valves.
Playground Equipment	Check the surfacing material under and around playground equipment to ensure adequate depth and absence of harzardous materials.
Playground Equipment	Regular maintenance inspection of the equipment (undertaken by a qualified professional).
Fitness Equipment	Monitor, service and replace as required to prevent accidents.

COMPONENT INVENTORY

The following inventory summarizes the cost, timing and maintenance needs of the each of reserve components funded through the Association's reserves. The list of components is unique to the Association and may serve as a general guide in determining the current condition and level of care needed to adequately maintain each component.

Understanding the Component Inventory

In addition to a photo, three key sections of information are provided for each reserve component. The information is intended to visually simplify and summarize the key points of information on a component by component basis.



1 Key Component Information

Key information including the quantity, unit of measure, current cost, future cost, estimated and useful life expectations, action and date required is tabulated for easy reference.

2 Preventative Maintenance Requirements

Preventative maintenance requirements specific to the reserve component are highlighted in orange. Details on the recommended maintenance activity can be found in the preceding maintenance schedule.

3 Estimated Useful Life

The bar chart graphically represents the remaining useful life (RUL) of the reserve component in green. The RUL visualizes the percentage of time remaining until the next repair or replacement event as measured against the component's estimated useful life.

Equipment - Playground (Tract 989)

Quantity	1
Unit of Measure	Each
Current Cost	$16,000.00
Future Cost	$19,894.25
Estimated Useful Life	25
Action Required	Replace
Date Required	2021

Preventative Maintenance Requirements

Annual | Seasonal | Monthly

Estimated Useful Life

RUL

Equipment - Playground (Tract 990)

Quantity	1
Unit of Measure	Each
Current Cost	$16,000.00
Future Cost	$20,381.66
Estimated Useful Life	25
Action Required	Replace
Date Required	2022

Preventative Maintenance Requirements

Annual | Seasonal | Monthly

Estimated Useful Life

RUL

Equipment - Playground (Tract 992)

Quantity	1
Unit of Measure	Each
Current Cost	$16,000.00
Future Cost	$19,418.50
Estimated Useful Life	25
Action Required	Replace
Date Required	2020

Preventative Maintenance Requirements

Annual | Seasonal | Monthly

Estimated Useful Life

RUL

Equipment - Sports Court (Tract 991)

Quantity	1
Unit of Measure	Each
Current Cost	$2,000.00
Future Cost	$2,257.30
Estimated Useful Life	10
Action Required	Replace
Date Required	2017

Preventative Maintenance Requirements

Annual	Seasonal	Monthly

Estimated Useful Life

RUL	

Equipment - Benches

Quantity	5
Unit of Measure	Each
Current Cost	$3,000.00
Future Cost	$4,210.06
Estimated Useful Life	25
Action Required	Replace
Date Required	2026

Preventative Maintenance Requirements

Annual	Seasonal	Monthly

Estimated Useful Life

RUL	

Landscape - Bark (Tract 989)

Quantity	55
Unit of Measure	CY
Current Cost	$2,750.00
Future Cost	$2,817.38
Estimated Useful Life	3
Action Required	Replace
Date Required	2013

Preventative Maintenance Requirements

Annual	Seasonal	Monthly

Estimated Useful Life

RUL	

Landscape - Bark (Tract 990)

Quantity	28
Unit of Measure	CY
Current Cost	$1,400.00
Future Cost	$1,469.44
Estimated Useful Life	3
Action Required	Replace
Date Required	2014

Preventative Maintenance Requirements

Annual	Seasonal	Monthly

Estimated Useful Life

RUL	

Landscape - Bark (Tract 992)

Quantity	25
Unit of Measure	CY
Current Cost	$1,250.00
Future Cost	$1,250.00
Estimated Useful Life	3
Action Required	Replace
Date Required	2012

Preventative Maintenance Requirements

Annual	Seasonal	Monthly

Estimated Useful Life

RUL

Landscape - Tree Replacement

Quantity	1
Unit of Measure	Allowance
Current Cost	$3,000.00
Future Cost	$3,304.98
Estimated Useful Life	5
Action Required	Replace
Date Required	2016

Preventative Maintenance Requirements

Annual	Seasonal	Monthly

Estimated Useful Life

RUL	

Signage - Entry

Quantity	1
Unit of Measure	Each
Current Cost	$1,500.00
Future Cost	$1,820.48
Estimated Useful Life	10
Action Required	Repair
Date Required	2020

Preventative Maintenance Requirements

Annual | Seasonal | Monthly

Estimated Useful Life

RUL

Trellis - Entry

Quantity	3
Unit of Measure	Each
Current Cost	$1,500.00
Future Cost	$1,820.48
Estimated Useful Life	10
Action Required	Repair
Date Required	2020

Preventative Maintenance Requirements

Annual | Seasonal | Monthly

Estimated Useful Life

RUL

Mailbox - Cluster Box Units

Quantity	7
Unit of Measure	Each
Current Cost	$9,800.00
Future Cost	$13,102.97
Estimated Useful Life	25
Action Required	Replace
Date Required	2024

Preventative Maintenance Requirements

Annual | Seasonal | Monthly

Estimated Useful Life

RUL

Fence - Split Rail (Tract 992)

Quantity	40
Unit of Measure	LF
Current Cost	$640.00
Future Cost	$640.00
Estimated Useful Life	20
Action Required	Replace
Date Required	2012

Preventative Maintenance Requirements

Annual | Seasonal | Monthly

Estimated Useful Life

RUL

Fence - Privacy 6' (Maltby Rd & Tract 992)

Quantity	1,950
Unit of Measure	LF
Current Cost	$48,750.00
Future Cost	$53,705.96
Estimated Useful Life	20
Action Required	Replace
Date Required	2016

Preventative Maintenance Requirements

Annual | Seasonal | Monthly

Estimated Useful Life

RUL

Stormwater - Detention Facility (Tract 988)

Quantity	1
Unit of Measure	Allowance
Current Cost	$5,000.00
Future Cost	$5,248.00
Estimated Useful Life	5
Action Required	Maintain
Date Required	2014

Preventative Maintenance Requirements

Annual | Seasonal | Monthly

Estimated Useful Life

RUL

Concrete - Flatwork

Quantity	1
Unit of Measure	Allowance
Current Cost	$2,000.00
Future Cost	$2,486.78
Estimated Useful Life	10
Action Required	Repair
Date Required	2021

Preventative Maintenance Requirements

Annual | Seasonal | Monthly

Estimated Useful Life

RUL

DISCLOSURES

As a guideline for establishing and spending reserves, it is assumed that the reserve study will be regularly updated to address the Association's changing physical and financial circumstances. As such this report is valid at the date shown and Reserve Study Group, LLC (RSG) cannot be held responsible for subsequent changes in physical/chemical environmental conditions and/or legislation over which we have no control.

This reserve study is based on visual inspections of the physical plant's major components. No invasive or destructive testing, or testing of materials was conducted during the inspections, or at any other time during the preparation of this report. It is assumed that all building and ancillary components have been designed and constructed properly and that life cycles will approximate normal industry performance standards. RSG shall not be responsible for accurate determination of remaining life expectancies of components that may have been improperly designed and constructed. Our opinions of the remaining life expectancy of the property's components do not represent a guarantee or warranty of performance in relation to the product, materials or workmanship.

Cost estimates used represent a preliminary opinion only and are neither a quote nor a warranty of actual costs that may be incurred. These estimates are based on typical cost data that may not fully characterize the scope of the underlying property conditions. It should be anticipated that actual cost outcomes will be impacted by varying physical and economic conditions, maintenance practices, changes in technology, and future regulatory actions.

The authors of this report make no representation or warranty, expressed or implied, with respect to the contents of this publication or any part thereof and cannot accept any legal responsibility or liability for any inaccuracies, errors or omissions contained in this publication or any part thereof. Our best professional judgment has been used, however certain facts forming the basis of this report are subject to professional interpretation and differing conclusions could be reached.

RSG nor any of its representatives, agents or employees maintain management roles or vested interest in, or have other business relationships with the Association. There is no perceived or actual conflicts of interest between RSG and the Association.

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.

GLOSSARY OF TERMS

Component
The individual line items in the Reserve Study which are included in the Physical Analysis. These elements form the building blocks for the Reserve Study.

Estimated Useful Life
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.

Fully Funded
When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

Fully Funded Balance (FFB)
The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost. This number is calculated for each component, then summed together for an Association total.

FFB = Current Cost x Effective Age / Useful Life

Percent Funded
The ratio, at a particular point of time, of the actual Reserve Balance to the Fully Funded Balance (FFB), expressed as a percentage.

Remaining Useful Life
The estimated time, in years, that a Reserve Component can be expected to continue to service its intended function. Projects anticipated to occur in the initial year have a "zero" Remaining Life.

Unit Cost Estimate
The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during the current year.

Unit of Measure
Various units of measure have been used as the quantify the amounts and costs in relation to each reserve component. Below are the key units used as part of this report.

SF = Square Foot	SY = Square Yard
LF = Linear Foot	SQUARE = 100 Square Feet (Roofing)

RESERVE STUDY GROUP

WASHINGTON
701 Fifth Avenue
Suite 4200
Seattle, WA 98104

OREGON
1001 SW 5th Avenue
Suite 1100
Portland, OR 97204

CALIFORNIA
PO Box 2687
Los Angeles, CA 90078

TEXAS
PO Box 42317
Austin, TX 78704

UTAH
PO Box 329
Salt Lake City, UT 84110

888.315.2843 · reservestudygroup.com

Serving Associations Empowering Communities