

SURFSIDE HOMEOWNERS ASSOCIATION
RESERVE STUDY
LEVEL I: FULL RESERVE STUDY FUNDING ANALYSIS
2014

Executive Summary

Year of Report:

January, 01 2014 to December, 31 2014

Number of Units:

2853 Units

Parameters:

Beginning Balance: \$635,213

Year 2014 Suggested Contribution: \$110,000

Year 2014 Projected Interest Earned: \$682

Inflation: 2.50%

Annual Increase to Suggested Contribution: 0%

Lowest Cash Balance Over 30 Years (Threshold): \$192,795

Average Reserve Assessment per Unit: \$38.56

RCW 64.38.070(HOA) Section 4.2 Disclosures:

- (a) A reserve component list: Please see pages 9-11
- (b) Date of study: April, 22 2013
This reserve study meets the requirements of RCW 64.38.070 (HOA) section 4
- (c) Level I: Full Reserve Study Funding Analysis and Plan
- (d) Reserve account balance as of 01/01/14: \$635,213
- (e) Percent funded as of 2014: 49%
- (f) Special assessments implemented or planned: Please see page 8
- (g) Interest rate: 0.10% Inflation rate: 2.50%
- (h) Current reserve account contribution rate: \$110,000
- (i) 2014 Recommended reserve contribution: \$110,000
2014 Fully funded contribution: \$243,845
2014 Baseline contribution: \$104,657
- (j) Projected account balance for thirty years: Please see page 8
- (k) This reserve study was prepared by a reserve study professional

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**Surfside Homeowners Association
Reserve Study – Onsite
Disclosure Information
2014**

We have conducted a Level I Full Reserve Study with a site visit for the Surfside Homeowners Association for the year beginning January 1, 2014 in accordance with guidelines established by Community Associations Institute and the American Institute of Certified Public Accountants.

Site visits should not be considered a project audit or quality inspection of Association property. This site visit does not evaluate the condition of the property to determine the useful life or needed repairs. Schwindt & Company suggests the Association perform a building envelope inspection to determine the condition, performance, and the useful life of all the components.

We have no other involvement with the Association other than providing the Reserve Study.

This Reserve Study meets the requirements of Washington state statutes. We have added a provision to the cost of each component to take in account Washington state sales tax.

Certain information such as the beginning balance of reserve funds and other information as detailed on the component detail reports were provided by Association representatives and are deemed to be reliable by us. This reserve study is a reflection of the information provided to us and cannot be used for the purpose of performing an audit, quality/forensic analysis, or background checks of historical records.

Certain costs outlined in the reserve study are subjective and as a result are for planning purposes only. All work should be bid out at the time of work. Actual costs will depend upon the scope of work as defined at the time the repair, replacement or restoration is performed. All estimates relating to future work are good faith estimates and projections are based on the estimated inflation rate, which may or may not prove accurate. All future costs and life expectancies should be reviewed and adjusted annually. All information regarding the useful lives and costs of reserve components were derived by the Association, local vendors, and various construction pricing and scheduling manuals. The terms RS Means, National Construction Estimator, Fannie Mae Expected Useful Life Tables and Forms refer to construction industry estimating databases that are used throughout the industry to establish cost estimates and useful life estimates for common building components and products. We suggest that the Association obtain firm bids for these services.

Assumptions used for inflation, interest, and other factors are detailed in PAGE 7. Income tax factors were not considered due to the uncertainty of factors affecting net taxable income and the election of tax form to be filed.

This reserve study, unless specifically stated in the report, assumes no fungi, mold, asbestos, lead paint, urea-formaldehyde foam insulation, termite control substances other chemicals, toxic wastes, radon gas, electro-magnetic radiation or other potentially hazardous materials (on the surface or sub-surface), or termites on the property. The existence of any of these substances may adversely affect the accuracy of this reserve study. Schwindt and Company assumes no responsibility regarding such conditions, as we are not qualified to detect substances, determine the impact or develop remediation plans/costs.

Since destructive testing was not performed, this reserve study does not attempt to address latent and/or patent defects, nor does it address useful life expectancies that are abnormally short due either to improper design or installation, or to subsequent improper maintenance. This reserve study assumes all components will be reasonably maintained for the remainder of their life expectancy.



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Schwindt & Company believes that every Association should have a complete building envelope inspection within 12 months of completion of all construction. This inspection must be performed by a licensed building envelope inspector. Ongoing inspections of the property should be performed by a licensed inspector, with the exception of a roof inspection which may be performed by a licensed roofing contractor.

David T. Schwindt, the representative in charge of this report, is a designated Reserve Study Specialist, Professional Reserve Analyst, and Certified Public Accountant licensed in the State of Oregon, Washington, California, and Arizona.

Additional Information:

This reserve study uses information provided by Bill Neal, the General Manager of the North Beach Water District, for information regarding the water system components.

We are not aware of any material issues which, if not disclosed, would cause a material distortion of this report.

According to the Association, the insurance deductible is under \$10,000 and will be paid for out of the operating budget in the event a claim is made.

According to RCW 64.38.070 (2)(a) “A reserve component list, including any reserve component that would cost more than one percent of the annual budget of the association, not including the reserve account, for major maintenance, repair, or replacement.” At the time of study, the annual budget for the Association is approximately \$1,000,000. Therefore all items with an estimated cost under \$10,000 are assumed to be paid for out of the operating budget.

According to the Association, the Board is responsible for the maintenance, repair and replacement of the common areas, water pumping and distribution systems. The common areas include a clubhouse, playground area, 3 cabanas, pedestrian bridges, RV lot, trash compactor area, and warehouses. The Association is also responsible for all equipment needed to maintain these systems. That includes vehicles, and excavator, backhoe, dump truck, and water treatment equipment.

***Note: RCW 64.38.070(2)(a) provides that a component with a value of more than one percent of the annual budget may be excluded from the reserve study. The statute suggests that the reserve study provide commentary explaining the basis for its exclusion. The Surfside water distribution system has been excluded from the reserve study. For more information please see the component detail on page 38.**

Physical Analysis:

New Projects generally include information provided by developers and/or refer to drawings.

Full onsite reserve studies generally include field measurements and do not include destructive testing. Drawings are usually not available for existing projects.

Onsite updates generally include observations of physical characteristics but do not include field measurements.

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.

Surfside Homeowners Association
Property Description

Surfside Homeowners Association consists of 2,853 lots located in Ocean Park, Washington. The Association consists of several buildings, including an office and 3 cabanas, a water treatment facility and distribution system, RV park, and trash compactors. The individual homeowners are responsible for all maintenance and repairs of their home and the private property adjacent to the homes.

A site visit was performed by Schwindt and Company in 2013. Schwindt and Company did not investigate components as to condition and estimated useful life.

Funds are being accumulated in the replacement fund based on estimates of future need for repairs and replacement of common property components. Actual expenditures, investment income, and provisions for income taxes however, may vary from estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future funding needs.

If additional funds are needed, the Association has the right, subject to approval, to increase regular assessments, levy special assessments, or it may delay repairs or replacements until funds are available.

Surfside Homeowners Association
 Ocean Park, Washington
Cash Flow Method - Threshold Funding Model Summary

Report Date	April 22, 2013
Budget Year Beginning	January 01, 2014
Budget Year Ending	December 31, 2014
Total Units	2853

<i>Report Parameters</i>	
Inflation	2.50%
Annual Assessment Increase	0.00%
Interest Rate on Reserve Deposit	0.10%
2014 Beginning Balance	\$635,213.00

**Threshold Funding
 Fully Reserved Model Summary**

- This study utilizes the cash flow method and the threshold funding model, which establishes a reserve funding goal that keeps the reserve balance above a specified dollar or percent funded amount. The threshold method assumes that the threshold method is funded with a positive threshold balance, therefore, "fully reserved".
- The following items were not included in the analysis because they have useful lives greater than 30 years: grading/drainage; foundation/footings; storm drains; telephone, cable, and internet lines.
- This funding scenario begins with a contribution of **\$110,000** in **2014** and **remains constant** each year for the remaining years of the study. A minimum balance of **\$162,795** is maintained.
- The purpose of this study is to insure that adequate replacement funds are available when components reach the end of their useful life. Components will be replaced as required, not necessarily in their expected replacement year. This analysis should be updated annually.

<i>Cash Flow Method - Threshold Funding Model Summary of Calculations</i>	
Required Annually Contribution	\$110,000.00
<i>\$38.56 per unit annually</i>	
Average Net Annually Interest Earned	<u>\$682.21</u>
Total Annually Allocation to Reserves	\$110,682.21
<i>\$38.79 per unit annually</i>	

Surfside Homeowners Association
Cash Flow Method - Threshold Funding Model Projection

Beginning Balance: \$635,213

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2014	110,000	682	63,000	682,895	1,382,330	49%
2015	110,000	689	103,525	690,060	1,425,346	48%
2016	110,000	716	84,050	716,726	1,490,210	48%
2017	110,000	827		827,552	1,643,577	50%
2018	110,000	871	66,229	872,195	1,737,085	50%
2019	110,000	743	238,727	744,211	1,663,823	44%
2020	110,000	779	75,380	779,610	1,755,416	44%
2021	110,000	860	29,717	860,753	1,898,097	45%
2022	110,000	971		971,723	2,077,275	46%
2023	110,000	1,023	58,697	1,024,050	2,205,529	46%
2024	110,000	1,121	12,801	1,122,370	2,386,261	47%
2025	110,000	517	715,087	517,800	1,872,684	27%
2026	110,000	516	111,626	516,691	1,953,276	26%
2027	110,000	474	153,015	474,150	1,998,129	23%
2028	110,000	540	44,332	540,358	2,156,511	25%
2029	110,000	621	28,966	622,013	2,338,907	26%
2030	110,000	546	185,563	546,996	2,373,202	23%
2031	110,000	634	22,824	634,806	2,575,128	24%
2032	110,000	698	46,790	698,714	2,762,273	25%
2033	110,000	673	135,885	673,502	2,870,837	23%
2034	110,000	726	57,352	726,876	3,065,035	23%
2035	110,000	640	196,511	641,006	3,129,982	20%
2036	110,000	639	111,902	639,743	3,285,783	19%
2037	110,000	750		750,492	3,562,117	21%
2038	110,000	719	141,081	720,131	3,709,133	19%
2039	110,000	189	641,465	188,855	3,364,417	5%
2040	110,000	194	104,516	194,534	3,553,132	5%
2041	110,000	275	29,217	275,592	3,827,093	7%
2042	110,000	206	179,685	206,113	3,962,793	5%
2043	110,000	163	153,481	162,795	4,133,583	3%

**Surfside Homeowners Association
Component Summary By Category**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Admin Building								
Admin Building: Exterior - Repair	2003	2028	25	0	14	1 Total	10,000.00	10,000
Admin Building: Interior - Remodel	2003	2028	25	0	14	1 Total	10,000.00	10,000
Admin Building: Roof - Replacement	2003	2028	25	0	14	3,250 SF	3.50	11,375
Admin Building: Septic System - Replace..	2005	2035	20	10	21	1 Total	20,000.00	<u>20,000</u>
Admin Building - Total								\$51,375
Cabanas								
Cabana 15 - Renovation	2003	2023	20	0	9	1 Total	10,000.00	10,000
Cabana 16 - Renovation	2003	2023	20	0	9	1 Total	10,000.00	10,000
Cabana 17 - Renovation	2003	2023	20	0	9	1 Total	10,000.00	10,000
Cabana 15 Septic System - Replacement	2003	2033	20	10	19	1 Total	20,000.00	20,000
Cabana 16 Septic System - Replacement	2003	2033	20	10	19	1 Total	20,000.00	20,000
Cabana 17 Septic System - Replacement	2003	2033	20	10	19	1 Total	20,000.00	<u>20,000</u>
Cabanas - Total								\$90,000
Bridges								
Pedestrian Bridges - Replacement	2009	2039	30	0	25	1 Total	325,000.00	<u>325,000</u>
Bridges - Total								\$325,000
RV/Trash Areas								
RV/Trash Area: Compactor 1 - Replacement	2005	2015	10	0	1	1 Total	15,000.00	15,000
RV/Trash Area: Electrical Systems - Repla..	1979	2019	40	0	5	1 Total	150,000.00	150,000
RV/Trash Area: Fence - Replacement	1979	2019	40	0	5	1,800 LF	20.00	36,000
RV/Trash Area: Asphalt - Overlay	2000	2020	20	0	6	7,500 SF	2.00	15,000
RV/Trash Area: Buildings - Repair	1990	2020	30	0	6	1 Total	10,000.00	10,000
RV/Trash Area: Compactor 2 - Replacement	2010	2020	10	0	6	1 Total	15,000.00	15,000
RV/Trash Area: Septic System - Replacem..	1990	2020	20	10	6	1 Total	15,000.00	<u>15,000</u>
RV/Trash Areas - Total								\$256,000
Warehouse								
Warehouse: Building - Repair	1979	2014	30	5	0	1 Total	10,000.00	<u>10,000</u>
Warehouse - Total								\$10,000
Equipment								
Equipment: Chevy S10 - Replacement	2002	2014	12	0	0	1 Total	18,000.00	18,000
Equipment: Chevy Truck - Replacement	2003	2015	12	0	1	1 Total	21,000.00	21,000
Equipment: Dump Truck - Replacement	2008	2015	20	-13	1	1 Total	65,000.00	65,000
Equipment: Excavator - Replacement	2008	2016	10	-2	2	1 Total	65,000.00	65,000
Equipment: Backhoe - Replacement	2000	2018	20	-2	4	1 Total	60,000.00	60,000
Equipment: Utility Truck - Replacement	2009	2021	12	0	7	1 Total	25,000.00	25,000
Equipment: Ford Ranger - Replacement	2011	2023	12	0	9	1 Total	17,000.00	<u>17,000</u>
Equipment - Total								\$271,000

**Surfside Homeowners Association
Component Summary By Category**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Maintenance Building								
Maintenance Building - Repair	1979	2014	10	5	0	1 Total	10,000.00	<u>10,000</u>
Maintenance Building - Total								\$10,000
Playground								
Playground Area - Replacement	1979	2014	20	0	0	1 Total	25,000.00	<u>25,000</u>
Playground - Total								\$25,000
J- Well Field Area								
Water System Area: Manifold Building Ex..	1979	2016	25	12	2	1 Total	15,000.00	15,000
Water System Area: Booster Building Exte..	1979	2019	25	15	5	1 Total	25,000.00	25,000
Booster Building Septic - Replacement	1979	2029	20	30	15	1 Total	20,000.00	20,000
Water System Area: Filter Plant Building E..	2005	2030	25	0	16	1 Total	30,000.00	30,000
Water System Area: Generator - Replacem..	2005	2030	25	0	16	1 Total	70,000.00	<u>70,000</u>
J- Well Field Area - Total								\$160,000
Water Systems								
Water Systems: Potassium Permaganate Fee..	2010	2020	10	0	6	1 Total	10,000.00	10,000
Water Systems: ATEC Filtration Plant - Re..	2005	2025	20	0	11	1 Total	450,000.00	450,000
Water Systems: Booster Station Electrical -..	2005	2025	20	0	11	1 Total	80,000.00	80,000
Water Systems: Manifold Building Mecha..	1991	2031	40	0	17	1 Total	15,000.00	15,000
Water Systems: Manifold Building Electric..	2012	2032	20	0	18	1 Total	30,000.00	30,000
Water Systems: Booster Station Mechanica..	2005	2045	40	0	31	1 Total	50,000.00	50,000
Water Systems: Backwash Basin - Replac..	2005	2055	50	0	41	1 Total	25,000.00	25,000
Water Systems: Distribution - Repair		<i>Unfunded</i>						
Water Systems - Total								<u>\$660,000</u>
Pumps								
Water Systems: J-2A Pump - Replacement	2012	2027	15	0	13	1 Total	15,000.00	15,000
Water Systems: J-3 Pump - Replacement	2012	2027	15	0	13	1 Total	15,000.00	15,000
Water Systems: J-4 Pump - Replacement	2012	2027	15	0	13	1 Total	15,000.00	15,000
Water Systems: J-5 Pump - Replacement	2012	2027	15	0	13	1 Total	15,000.00	15,000
Water Systems: J-6 Pump - Replacement	2012	2027	15	0	13	1 Total	15,000.00	15,000
Water Systems: J-7 Pump - Replacement	2012	2027	15	0	13	1 Total	15,000.00	<u>15,000</u>
Pumps - Total								\$90,000
Reservoirs								
Water Systems: Reservoirs #1 - Replaceme..	1984	2044	60	0	30	1 Total	190,000.00	190,000
Water Systems: Reservoirs #2 - Replaceme..	1984	2044	60	0	30	1 Total	190,000.00	190,000
Water Systems: Reservoirs #3 - Replaceme..	1995	2055	60	0	41	1 Total	190,000.00	190,000
Water Systems: Reservoirs #4 - Replaceme..	2001	2061	60	0	47	1 Total	190,000.00	<u>190,000</u>
Reservoirs - Total								\$760,000

**Surfside Homeowners Association
Component Summary By Category**

Description	<i>Date in Service</i>	<i>Replacement Year</i>	<i>Useful</i>	<i>Adjustment</i>	<i>Remaining</i>	<i>Units</i>	<i>Unit Cost</i>	<i>Current Cost</i>
Wells								
Water Systems: J-2A Well - Replacement	1983	2043	60	0	29	1 Total	45,000.00	45,000
Water Systems: J-3 Well - Replacement	1991	2051	60	0	37	1 Total	45,000.00	45,000
Water Systems: J-4 Well - Replacement	1994	2054	60	0	40	1 Total	45,000.00	45,000
Water Systems: J-5 Well - Replacement	1994	2054	60	0	40	1 Total	45,000.00	45,000
Water Systems: J-6 Well - Replacement	1996	2056	60	0	42	1 Total	45,000.00	45,000
Water Systems: J-7 Well - Replacement	1996	2056	60	0	42	1 Total	45,000.00	<u>45,000</u>
Wells - Total								<u>\$270,000</u>
Total Asset Summary								<u>\$2,978,375</u>

**Surfside Homeowners Association
Component Summary By Name**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Admin Building: Exterior - Repair	2003	2028	25	0	14	1 Total	10,000.00	10,000
Admin Building: Interior - Remodel	2003	2028	25	0	14	1 Total	10,000.00	10,000
Admin Building: Roof - Replacement	2003	2028	25	0	14	3,250 SF	3.50	11,375
Admin Building: Septic System - Replace..	2005	2035	20	10	21	1 Total	20,000.00	20,000
Booster Building Septic - Replacement	1979	2029	20	30	15	1 Total	20,000.00	20,000
Cabana 15 - Renovation	2003	2023	20	0	9	1 Total	10,000.00	10,000
Cabana 15 Septic System - Replacement	2003	2033	20	10	19	1 Total	20,000.00	20,000
Cabana 16 - Renovation	2003	2023	20	0	9	1 Total	10,000.00	10,000
Cabana 16 Septic System - Replacement	2003	2033	20	10	19	1 Total	20,000.00	20,000
Cabana 17 - Renovation	2003	2023	20	0	9	1 Total	10,000.00	10,000
Cabana 17 Septic System - Replacement	2003	2033	20	10	19	1 Total	20,000.00	20,000
Equipment: Backhoe - Replacement	2000	2018	20	-2	4	1 Total	60,000.00	60,000
Equipment: Chevy S10 - Replacement	2002	2014	12	0	0	1 Total	18,000.00	18,000
Equipment: Chevy Truck - Replacement	2003	2015	12	0	1	1 Total	21,000.00	21,000
Equipment: Dump Truck - Replacement	2008	2015	20	-13	1	1 Total	65,000.00	65,000
Equipment: Excavator - Replacement	2008	2016	10	-2	2	1 Total	65,000.00	65,000
Equipment: Ford Ranger - Replacement	2011	2023	12	0	9	1 Total	17,000.00	17,000
Equipment: Utility Truck - Replacement	2009	2021	12	0	7	1 Total	25,000.00	25,000
Maintenance Building - Repair	1979	2014	10	5	0	1 Total	10,000.00	10,000
Pedestrian Bridges - Replacement	2009	2039	30	0	25	1 Total	325,000.00	325,000
Playground Area - Replacement	1979	2014	20	0	0	1 Total	25,000.00	25,000
RV/Trash Area: Asphalt - Overlay	2000	2020	20	0	6	7,500 SF	2.00	15,000
RV/Trash Area: Buildings - Repair	1990	2020	30	0	6	1 Total	10,000.00	10,000
RV/Trash Area: Compactor 1 - Replacement	2005	2015	10	0	1	1 Total	15,000.00	15,000
RV/Trash Area: Compactor 2 - Replacement	2010	2020	10	0	6	1 Total	15,000.00	15,000
RV/Trash Area: Electrical Systems - Repla..	1979	2019	40	0	5	1 Total	150,000.00	150,000
RV/Trash Area: Fence - Replacement	1979	2019	40	0	5	1,800 LF	20.00	36,000
RV/Trash Area: Septic System - Replacem..	1990	2020	20	10	6	1 Total	15,000.00	15,000
Warehouse: Building - Repair	1979	2014	30	5	0	1 Total	10,000.00	10,000
Water System Area: Booster Building Exte..	1979	2019	25	15	5	1 Total	25,000.00	25,000
Water System Area: Filter Plant Building E..	2005	2030	25	0	16	1 Total	30,000.00	30,000
Water System Area: Generator - Replacem..	2005	2030	25	0	16	1 Total	70,000.00	70,000
Water System Area: Manifold Building Ex..	1979	2016	25	12	2	1 Total	15,000.00	15,000
Water Systems: ATEC Filtration Plant - Re..	2005	2025	20	0	11	1 Total	450,000.00	450,000
Water Systems: Backwash Basin - Replace..	2005	2055	50	0	41	1 Total	25,000.00	25,000
Water Systems: Booster Station Electrical -..	2005	2025	20	0	11	1 Total	80,000.00	80,000
Water Systems: Booster Station Mechanica..	2005	2045	40	0	31	1 Total	50,000.00	50,000
Water Systems: Distribution - Repair		<i>Unfunded</i>						
Water Systems: J-2A Pump - Replacement	2012	2027	15	0	13	1 Total	15,000.00	15,000
Water Systems: J-2A Well - Replacement	1983	2043	60	0	29	1 Total	45,000.00	45,000
Water Systems: J-3 Pump - Replacement	2012	2027	15	0	13	1 Total	15,000.00	15,000
Water Systems: J-3 Well - Replacement	1991	2051	60	0	37	1 Total	45,000.00	45,000
Water Systems: J-4 Pump - Replacement	2012	2027	15	0	13	1 Total	15,000.00	15,000
Water Systems: J-4 Well - Replacement	1994	2054	60	0	40	1 Total	45,000.00	45,000

**Surfside Homeowners Association
Component Summary By Name**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Water Systems: J-5 Pump - Replacement	2012	2027	15	0	13	1 Total	15,000.00	15,000
Water Systems: J-5 Well - Replacement	1994	2054	60	0	40	1 Total	45,000.00	45,000
Water Systems: J-6 Pump - Replacement	2012	2027	15	0	13	1 Total	15,000.00	15,000
Water Systems: J-6 Well - Replacement	1996	2056	60	0	42	1 Total	45,000.00	45,000
Water Systems: J-7 Pump - Replacement	2012	2027	15	0	13	1 Total	15,000.00	15,000
Water Systems: J-7 Well - Replacement	1996	2056	60	0	42	1 Total	45,000.00	45,000
Water Systems: Manifold Building Electric..	2012	2032	20	0	18	1 Total	30,000.00	30,000
Water Systems: Manifold Building Mecha..	1991	2031	40	0	17	1 Total	15,000.00	15,000
Water Systems: Potassium Permaganate Fee..	2010	2020	10	0	6	1 Total	10,000.00	10,000
Water Systems: Reservoirs #1 - Replaceme..	1984	2044	60	0	30	1 Total	190,000.00	190,000
Water Systems: Reservoirs #2 - Replaceme..	1984	2044	60	0	30	1 Total	190,000.00	190,000
Water Systems: Reservoirs #3 - Replaceme..	1995	2055	60	0	41	1 Total	190,000.00	190,000
Water Systems: Reservoirs #4 - Replaceme..	2001	2061	60	0	47	1 Total	190,000.00	190,000
Total Asset Summary								<u>\$2,978,375</u>

**Surfside Homeowners Association
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2014	
Equipment: Chevy S10 - Replacement	18,000
Maintenance Building - Repair	10,000
Playground Area - Replacement	25,000
Warehouse: Building - Repair	10,000
Total for 2014	<u>\$63,000</u>
Replacement Year 2015	
Equipment: Chevy Truck - Replacement	21,525
Equipment: Dump Truck - Replacement	66,625
RV/Trash Area: Compactor 1 - Replacement	15,375
Total for 2015	<u>\$103,525</u>
Replacement Year 2016	
Equipment: Excavator - Replacement	68,291
Water System Area: Manifold Building Exterior	15,759
Total for 2016	<u>\$84,050</u>
<i>No Replacement in 2017</i>	
Replacement Year 2018	
Equipment: Backhoe - Replacement	66,229
Total for 2018	<u>\$66,229</u>
Replacement Year 2019	
RV/Trash Area: Electrical Systems - Replacement	169,711
RV/Trash Area: Fence - Replacement	40,731
Water System Area: Booster Building Exterior	28,285
Total for 2019	<u>\$238,727</u>
Replacement Year 2020	
RV/Trash Area: Asphalt - Overlay	17,395
RV/Trash Area: Buildings - Repair	11,597
RV/Trash Area: Compactor 2 - Replacement	17,395
RV/Trash Area: Septic System - Replacement	17,395
Water Systems: Potassium Permaganate Feed System - Replacement	11,597
Total for 2020	<u>\$75,380</u>

**Surfside Homeowners Association
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2021	
Equipment: Utility Truck - Replacement	29,717
Total for 2021	<u>\$29,717</u>
<i>No Replacement in 2022</i>	
Replacement Year 2023	
Cabana 15 - Renovation	12,489
Cabana 16 - Renovation	12,489
Cabana 17 - Renovation	12,489
Equipment: Ford Ranger - Replacement	21,231
Total for 2023	<u>\$58,697</u>
Replacement Year 2024	
Maintenance Building - Repair	12,801
Total for 2024	<u>\$12,801</u>
Replacement Year 2025	
RV/Trash Area: Compactor 1 - Replacement	19,681
Water Systems: ATEC Filtration Plant - Replacement	590,439
Water Systems: Booster Station Electrical - Replacement	104,967
Total for 2025	<u>\$715,087</u>
Replacement Year 2026	
Equipment: Chevy S10 - Replacement	24,208
Equipment: Excavator - Replacement	87,418
Total for 2026	<u>\$111,626</u>
Replacement Year 2027	
Equipment: Chevy Truck - Replacement	28,949
Water Systems: J-2A Pump - Replacement	20,678
Water Systems: J-3 Pump - Replacement	20,678
Water Systems: J-4 Pump - Replacement	20,678
Water Systems: J-5 Pump - Replacement	20,678
Water Systems: J-6 Pump - Replacement	20,678
Water Systems: J-7 Pump - Replacement	20,678
Total for 2027	<u>\$153,015</u>

**Surfside Homeowners Association
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2028	
Admin Building: Exterior - Repair	14,130
Admin Building: Interior - Remodel	14,130
Admin Building: Roof - Replacement	16,073
Total for 2028	\$44,332
Replacement Year 2029	
Booster Building Septic - Replacement	28,966
Total for 2029	\$28,966
Replacement Year 2030	
RV/Trash Area: Compactor 2 - Replacement	22,268
Water System Area: Filter Plant Building Exterior	44,535
Water System Area: Generator - Replacement	103,915
Water Systems: Potassium Permanganate Feed System - Replacement	14,845
Total for 2030	\$185,563
Replacement Year 2031	
Water Systems: Manifold Building Mechanical - Replacement	22,824
Total for 2031	\$22,824
Replacement Year 2032	
Water Systems: Manifold Building Electrical - Replacement	46,790
Total for 2032	\$46,790
Replacement Year 2033	
Cabana 15 Septic System - Replacement	31,973
Cabana 16 Septic System - Replacement	31,973
Cabana 17 Septic System - Replacement	31,973
Equipment: Utility Truck - Replacement	39,966
Total for 2033	\$135,885
Replacement Year 2034	
Maintenance Building - Repair	16,386
Playground Area - Replacement	40,965
Total for 2034	\$57,352

**Surfside Homeowners Association
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2035	
Admin Building: Septic System - Replacement	33,592
Equipment: Dump Truck - Replacement	109,173
Equipment: Ford Ranger - Replacement	28,553
RV/Trash Area: Compactor 1 - Replacement	25,194
Total for 2035	<u>\$196,511</u>
Replacement Year 2036	
Equipment: Excavator - Replacement	111,902
Total for 2036	<u>\$111,902</u>
<i>No Replacement in 2037</i>	
Replacement Year 2038	
Equipment: Backhoe - Replacement	108,524
Equipment: Chevy S10 - Replacement	32,557
Total for 2038	<u>\$141,081</u>
Replacement Year 2039	
Equipment: Chevy Truck - Replacement	38,933
Pedestrian Bridges - Replacement	602,532
Total for 2039	<u>\$641,465</u>
Replacement Year 2040	
RV/Trash Area: Asphalt - Overlay	28,504
RV/Trash Area: Compactor 2 - Replacement	28,504
RV/Trash Area: Septic System - Replacement	28,504
Water Systems: Potassium Permanganate Feed System - Replacement	19,003
Total for 2040	<u>\$104,516</u>
Replacement Year 2041	
Water System Area: Manifold Building Exterior	29,217
Total for 2041	<u>\$29,217</u>
Replacement Year 2042	
Water Systems: J-2A Pump - Replacement	29,947

**Surfside Homeowners Association
Annual Expenditure Detail**

Description	Expenditures
<i>Replacement Year 2042 continued...</i>	
Water Systems: J-3 Pump - Replacement	29,947
Water Systems: J-4 Pump - Replacement	29,947
Water Systems: J-5 Pump - Replacement	29,947
Water Systems: J-6 Pump - Replacement	29,947
Water Systems: J-7 Pump - Replacement	29,947
Total for 2042	<u>\$179,685</u>
Replacement Year 2043	
Cabana 15 - Renovation	20,464
Cabana 16 - Renovation	20,464
Cabana 17 - Renovation	20,464
Water Systems: J-2A Well - Replacement	92,088
Total for 2043	<u>\$153,481</u>

**Surfside Homeowners Association
Detail Report by Category**

Admin Building: Exterior - Repair		1 Total	@ \$10,000.00
Asset ID	1002	Asset Cost	\$10,000.00
	Capital	Percent Replacement	100%
	Admin Building	Future Cost	\$14,129.74
Placed in Service	January 2003		
Useful Life	25		
Replacement Year	2028		
Remaining Life	14		

This provision is for the repair of the exterior on the admin building. This includes the windows, doors, and exterior siding.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The Association should obtain a bid to confirm this estimate.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater than or less than the amount provided for herein, this study should be updated to reflect the actual component cost.

Admin Building: Interior - Remodel		1 Total	@ \$10,000.00
Asset ID	1003	Asset Cost	\$10,000.00
	Capital	Percent Replacement	100%
	Admin Building	Future Cost	\$14,129.74
Placed in Service	January 2003		
Useful Life	25		
Replacement Year	2028		
Remaining Life	14		

This provision is for the remodel of the interior of the admin building.

The cost is based on information from the Association. The Association should obtain a bid to confirm this estimate.

The useful life assumption is based on accepted industry estimates as established by RS Means and/or The National Construction Estimator.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater than or less than the amount provided for herein, this study should be updated to reflect the actual component cost.

**Surfside Homeowners Association
Detail Report by Category**

Admin Building: Roof - Replacement			
		3,250 SF	@ \$3.50
Asset ID	1001	Asset Cost	\$11,375.00
	Capital	Percent Replacement	100%
	Admin Building	Future Cost	\$16,072.58
Placed in Service	January 2003		
Useful Life	25		
Replacement Year	2028		
Remaining Life	14		

This provision is for the replacement of the shingle roof on the admin building.

Schwindt and Company estimated the roof to measure 3,250 square feet.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The Association should obtain a bid to confirm this estimate.

Admin Building: Septic System - Replacement			
		1 Total	@ \$20,000.00
Asset ID	1004	Asset Cost	\$20,000.00
	Capital	Percent Replacement	100%
	Admin Building	Future Cost	\$33,591.64
Placed in Service	January 2005		
Useful Life	20		
Adjustment	10		
Replacement Year	2035		
Remaining Life	21		

This provision is for the replace the septic system of the admin building.

The useful life of this component is dependent on routine maintenance and inspections.

The cost and useful life are based on information from DPR Buildings and Developers.

Admin Building - Total Current Cost \$51,375

**Surfside Homeowners Association
Detail Report by Category**

Cabana 15 - Renovation		1 Total	@ \$10,000.00
Asset ID	1005	Asset Cost	\$10,000.00
	Capital	Percent Replacement	100%
	Cabanas	Future Cost	\$12,488.63
Placed in Service	January 2003		
Useful Life	20		
Replacement Year	2023		
Remaining Life	9		

This provision is for the replacement and repair of cabana 15. This includes replacement of the roof, repair of the exterior siding, 2 bathrooms, and chimney.

Schwindt and Company estimate the roof to measure 1,200 square feet.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The Association should obtain a bid to confirm this estimate.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater than or less than the amount provided for herein, this study should be updated to reflect the actual component cost.

Cabana 15 Septic System - Replacement		1 Total	@ \$20,000.00
Asset ID	1008	Asset Cost	\$20,000.00
	Capital	Percent Replacement	100%
	Cabanas	Future Cost	\$31,973.00
Placed in Service	January 2003		
Useful Life	20		
Adjustment	10		
Replacement Year	2033		
Remaining Life	19		

This provision is for the replacement of the septic system on cabana 15.

The useful life of this component is dependent on routine maintenance and inspections.

The cost and useful life are based on information from DPR Buildings and Developers.

**Surfside Homeowners Association
Detail Report by Category**

Cabana 16 - Renovation

		1 Total	@ \$10,000.00
Asset ID	1006	Asset Cost	\$10,000.00
	Capital	Percent Replacement	100%
	Cabanas	Future Cost	\$12,488.63
Placed in Service	January 2003		
Useful Life	20		
Replacement Year	2023		
Remaining Life	9		

This provision is for the replacement and repair of cabana 16. This includes replacement of the roof, repair of the exterior siding, 2 bathrooms, and chimney.

Schwindt and Company estimate the roof to measure 1,200 square feet.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The Association should obtain a bid to confirm this estimate.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater than or less than the amount provided for herein, this study should be updated to reflect the actual component cost.

Cabana 16 Septic System - Replacement

		1 Total	@ \$20,000.00
Asset ID	1009	Asset Cost	\$20,000.00
	Capital	Percent Replacement	100%
	Cabanas	Future Cost	\$31,973.00
Placed in Service	January 2003		
Useful Life	20		
Adjustment	10		
Replacement Year	2033		
Remaining Life	19		

This provision is for the replacement of the septic system on cabana 16.

The useful life of this component is dependent on routine maintenance and inspections.

The cost and useful life are based on information from DPR Buildings and Developers.

**Surfside Homeowners Association
Detail Report by Category**

Cabana 17 - Renovation

Asset ID	1007	1 Total	@ \$10,000.00
	Capital	Asset Cost	\$10,000.00
	Cabanas	Percent Replacement	100%
Placed in Service	January 2003	Future Cost	\$12,488.63
Useful Life	20		
Replacement Year	2023		
Remaining Life	9		

This provision is for the replacement and repair of cabana 17. This includes replacement of the roof, repair of the exterior siding, and 2 bathrooms.

Schwindt and Company estimate the roof to measure 1,100 square feet.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The Association should obtain a bid to confirm this estimate.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater than or less than the amount provided for herein, this study should be updated to reflect the actual component cost.

Cabana 17 Septic System - Replacement

Asset ID	1010	1 Total	@ \$20,000.00
	Capital	Asset Cost	\$20,000.00
	Cabanas	Percent Replacement	100%
Placed in Service	January 2003	Future Cost	\$31,973.00
Useful Life	20		
Adjustment	10		
Replacement Year	2033		
Remaining Life	19		

This provision is for the replacement of the septic system on cabana 17.

The useful life of this component is dependent on routine maintenance and inspections.

The cost and useful life are based on information from DPR Buildings and Developers.

Cabanas - Total Current Cost \$90,000

Surfside Homeowners Association
Detail Report by Category

Pedestrian Bridges - Replacement

Asset ID	1011	1 Total	@ \$325,000.00
	Capital	Asset Cost	\$325,000.00
	Bridges	Percent Replacement	100%
Placed in Service	January 2009	Future Cost	\$602,531.83
Useful Life	30		
Replacement Year	2039		
Remaining Life	25		

This provision is for the replacement of the pedestrian bridges. The bridges should be inspected regularly to ensure they are wearing as intended.

According to the Association, the bridges were replaced in 2009 for \$325,000.

The useful life is based on information from the Association.

Bridges - Total Current Cost **\$325,000**

**Surfside Homeowners Association
Detail Report by Category**

RV/Trash Area: Asphalt - Overlay		7,500 SF	@ \$2.00
Asset ID	1024	Asset Cost	\$15,000.00
	Capital	Percent Replacement	100%
	RV/Trash Areas	Future Cost	\$17,395.40
Placed in Service	January 2000		
Useful Life	20		
Replacement Year	2020		
Remaining Life	6		

This provision is for the overlay of the asphalt at the trash compactor.

Schwindt and Company estimated 7,500 square feet of asphalt.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The Association should obtain a bid to confirm this estimate.

RV/Trash Area: Buildings - Repair		1 Total	@ \$10,000.00
Asset ID	1026	Asset Cost	\$10,000.00
	Capital	Percent Replacement	100%
	RV/Trash Areas	Future Cost	\$11,596.93
Placed in Service	January 1990		
Useful Life	30		
Replacement Year	2020		
Remaining Life	6		

This provision is for the repair of the RV and trash compactor area buildings. This includes replacement of the roofs and repair of the siding.

Schwindt and Company estimated 1,400 square feet of roofing on the dry box building and compactor building.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The Association should obtain a bid to confirm this estimate.

**Surfside Homeowners Association
Detail Report by Category**

RV/Trash Area: Compactor 1 - Replacement

Asset ID	1021	1 Total	@ \$15,000.00
	Capital	Asset Cost	\$15,000.00
	RV/Trash Areas	Percent Replacement	100%
Placed in Service	January 2005	Future Cost	\$15,375.00
Useful Life	10		
Replacement Year	2015		
Remaining Life	1		

This provision is for the replacement of trash compactor 1.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The Association should obtain a bid to confirm this estimate.

RV/Trash Area: Compactor 2 - Replacement

Asset ID	1022	1 Total	@ \$15,000.00
	Capital	Asset Cost	\$15,000.00
	RV/Trash Areas	Percent Replacement	100%
Placed in Service	January 2010	Future Cost	\$17,395.40
Useful Life	10		
Replacement Year	2020		
Remaining Life	6		

This provision is for the replacement of trash compactor 2.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The Association should obtain a bid to confirm this estimate.

**Surfside Homeowners Association
Detail Report by Category**

RV/Trash Area: Electrical Systems - Replacement

		1 Total	@ \$150,000.00
Asset ID	1023	Asset Cost	\$150,000.00
	Capital	Percent Replacement	100%
	RV/Trash Areas	Future Cost	\$169,711.23
Placed in Service	January 1979		
Useful Life	40		
Replacement Year	2019		
Remaining Life	5		

This provision is for the replacement of electrical system at the RV park.

The cost is based on information from Doug's Electric. (541)265-8630. This is a preliminary number. The actual cost will depend on the level of service desired. The Association should obtain an actual bid and the reserve study should be updated when the information is available.

RV/Trash Area: Fence - Replacement

		1,800 LF	@ \$20.00
Asset ID	1025	Asset Cost	\$36,000.00
	Capital	Percent Replacement	100%
	RV/Trash Areas	Future Cost	\$40,730.70
Placed in Service	January 1979		
Useful Life	40		
Replacement Year	2019		
Remaining Life	5		

This provision is for the replacement of the RV and trash compactor area chain link fence.

Schwindt and Company estimated 1,800 linear feet on fencing.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The Association should obtain a bid to confirm this estimate.

**Surfside Homeowners Association
Detail Report by Category**

RV/Trash Area: Septic System - Replacement

Asset ID	1027	1 Total	@ \$15,000.00
Capital		Asset Cost	\$15,000.00
RV/Trash Areas		Percent Replacement	100%
Placed in Service	January 1990	Future Cost	\$17,395.40
Useful Life	20		
Adjustment	10		
Replacement Year	2020		
Remaining Life	6		

This provision is for the replacement of the RV and trash area septic system.
The useful life of this component is dependent on routine maintenance and inspections.
The cost and useful life are based on information from DPR Buildings and Developers.

RV/Trash Areas - Total Current Cost \$256,000

**Surfside Homeowners Association
Detail Report by Category**

Warehouse: Building - Repair		1 Total	@ \$10,000.00
Asset ID	1028	Asset Cost	\$10,000.00
	Capital	Percent Replacement	100%
	Warehouse	Future Cost	\$10,000.00
Placed in Service	January 1979		
Useful Life	30		
Adjustment	5		
Replacement Year	2014		
Remaining Life	0		

This provision is for the repair of the warehouse building and area.

Schwindt and Company estimated 1,500 square feet of roofing and 192 linear feet of fencing.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The Association should obtain a bid to confirm this estimate.

Warehouse - Total Current Cost	\$10,000
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**Surfside Homeowners Association
Detail Report by Category**

Equipment: Backhoe - Replacement

		1 Total	@ \$60,000.00
Asset ID	1039	Asset Cost	\$60,000.00
	Capital	Percent Replacement	100%
	Equipment	Future Cost	\$66,228.77
Placed in Service	January 2000		
Useful Life	20		
Adjustment	-2		
Replacement Year	2018		
Remaining Life	4		

This provision is for the replacement of the backhoe. The Association may replace it with a Skid Steer.

The cost is based on information from the Association.

Equipment: Chevy S10 - Replacement

		1 Total	@ \$18,000.00
Asset ID	1032	Asset Cost	\$18,000.00
	Capital	Percent Replacement	100%
	Equipment	Future Cost	\$18,000.00
Placed in Service	January 2002		
Useful Life	12		
Replacement Year	2014		
Remaining Life	0		

This provision is for the replacement of the Chevy S10 truck.

The cost is based on information from the Association.

Equipment: Chevy Truck - Replacement

		1 Total	@ \$21,000.00
Asset ID	1035	Asset Cost	\$21,000.00
	Capital	Percent Replacement	100%
	Equipment	Future Cost	\$21,525.00
Placed in Service	January 2003		
Useful Life	12		
Replacement Year	2015		
Remaining Life	1		

This provision is for the replacement of the Chevy Truck.

The cost is based on information from the Association.

**Surfside Homeowners Association
Detail Report by Category**

Equipment: Dump Truck - Replacement

Asset ID	1038	1 Total	@ \$65,000.00
	Capital	Asset Cost	\$65,000.00
	Equipment	Percent Replacement	100%
Placed in Service	January 2008	Future Cost	\$66,625.00
Useful Life	20		
Adjustment	-13		
Replacement Year	2015		
Remaining Life	1		

This provision is for the replacement of the dump truck.
The cost is based on information from the Association.

Equipment: Excavator - Replacement

Asset ID	1040	1 Total	@ \$65,000.00
	Capital	Asset Cost	\$65,000.00
	Equipment	Percent Replacement	100%
Placed in Service	January 2008	Future Cost	\$68,290.62
Useful Life	10		
Adjustment	-2		
Replacement Year	2016		
Remaining Life	2		

This provision is for the replacement of the excavator.
The cost is based on information from the Association.

Equipment: Ford Ranger - Replacement

Asset ID	1033	1 Total	@ \$17,000.00
	Capital	Asset Cost	\$17,000.00
	Equipment	Percent Replacement	100%
Placed in Service	January 2011	Future Cost	\$21,230.67
Useful Life	12		
Replacement Year	2023		
Remaining Life	9		

This provision is for the replacement of the Ford Ranger.
The cost is based on information from the Association.

**Surfside Homeowners Association
Detail Report by Category**

Equipment: Utility Truck - Replacement

Asset ID	1034	1 Total	@ \$25,000.00
Capital Equipment		Asset Cost	\$25,000.00
Placed in Service	January 2009	Percent Replacement	100%
Useful Life	12	Future Cost	\$29,717.14
Replacement Year	2021		
Remaining Life	7		

This provision is for the replacement of the Chevy Utility Truck.
The cost is based on information from the Association.

Equipment - Total Current Cost \$271,000

Surfside Homeowners Association
Detail Report by Category

Maintenance Building - Repair		1 Total	@ \$10,000.00
Asset ID	1029	Asset Cost	\$10,000.00
	Capital	Percent Replacement	100%
	Maintenance Building	Future Cost	\$10,000.00
Placed in Service	January 1979		
Useful Life	10		
Adjustment	5		
Replacement Year	2014		
Remaining Life	0		

This provision is for the repair for maintenance building including the siding, roof, doors and all other components. It is a metal building with a metal roof.

Schwindt and Company estimated the building to measure 77 feet x 33 feet.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The Association should obtain a bid to confirm this estimate.

Maintenance Building - Total Current Cost \$10,000

**Surfside Homeowners Association
Detail Report by Category**

Playground Area - Replacement

		1 Total	@ \$25,000.00
Asset ID	1031	Asset Cost	\$25,000.00
	Capital	Percent Replacement	100%
	Playground	Future Cost	\$25,000.00
Placed in Service	January 1979		
Useful Life	20		
Replacement Year	2014		
Remaining Life	0		

This provision is for the replacement of the playground equipment. At the time of site visit there was a swing set and jungle gym.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The Association should obtain a bid to confirm this estimate.

Playground - Total Current Cost	\$25,000
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**Surfside Homeowners Association
Detail Report by Category**

Booster Building Septic - Replacement

		1 Total	@ \$20,000.00
Asset ID	1016	Asset Cost	\$20,000.00
	Capital	Percent Replacement	100%
	J- Well Field Area	Future Cost	\$28,965.96
Placed in Service	January 1979		
Useful Life	20		
Adjustment	30		
Replacement Year	2029		
Remaining Life	15		

This provision is for the replacement of the septic system at the J- Well Field Area.
The useful life of this component is dependent on routine maintenance and inspections.
The cost and useful life are based on information from DPR Buildings and Developers.

Water System Area: Booster Building Exterior

		1 Total	@ \$25,000.00
Asset ID	1066	Asset Cost	\$25,000.00
	Capital	Percent Replacement	100%
	J- Well Field Area	Future Cost	\$28,285.21
Placed in Service	January 1979		
Useful Life	25		
Adjustment	15		
Replacement Year	2019		
Remaining Life	5		

This provision is for the repair of the booster building exterior (including the roof).
The cost and useful life assumptions are based on estimates from the Association. The Association should obtain a bid to confirm this estimate.

Water System Area: Filter Plant Building Exterior

		1 Total	@ \$30,000.00
Asset ID	1067	Asset Cost	\$30,000.00
	Capital	Percent Replacement	100%
	J- Well Field Area	Future Cost	\$44,535.17
Placed in Service	January 2005		
Useful Life	25		
Replacement Year	2030		
Remaining Life	16		

This provision is for the repair of the filter plant building exterior (including the roof).

**Surfside Homeowners Association
Detail Report by Category**

Water System Area: Filter Plant Building Exterior continued...

The cost and useful life assumptions are based on estimates from the Association. The Association should obtain a bid to confirm this estimate.

Water System Area: Generator - Replacement

		1 Total	@ \$70,000.00
Asset ID	1015	Asset Cost	\$70,000.00
	Capital	Percent Replacement	100%
	J- Well Field Area	Future Cost	\$103,915.39
Placed in Service	January 2005		
Useful Life	25		
Replacement Year	2030		
Remaining Life	16		

This provision is for the replacement of the emergency generator.

The cost and useful life are based on information from the Association.

Water System Area: Manifold Building Exterior

		1 Total	@ \$15,000.00
Asset ID	1013	Asset Cost	\$15,000.00
	Capital	Percent Replacement	100%
	J- Well Field Area	Future Cost	\$15,759.37
Placed in Service	January 1979		
Useful Life	25		
Adjustment	12		
Replacement Year	2016		
Remaining Life	2		

This provision is for the repair of the manifold building exterior (including the roof).

The cost and useful life assumptions are based on estimates from the Association. The Association should obtain a bid to confirm this estimate.

J- Well Field Area - Total Current Cost \$160,000

**Surfside Homeowners Association
Detail Report by Category**

Water Systems: ATEC Filtration Plant - Replacement

Asset ID	1055	1 Total	@ \$450,000.00
	Capital	Asset Cost	\$450,000.00
	Water Systems	Percent Replacement	100%
Placed in Service	January 2005	Future Cost	\$590,439.00
Useful Life	20		
Replacement Year	2025		
Remaining Life	11		

This provision is for the replacement of the ATEC Filtration Plant.
The cost and useful life are based on information from the Association.

Water Systems: Backwash Basin - Replacement

Asset ID	1056	1 Total	@ \$25,000.00
	Capital	Asset Cost	\$25,000.00
	Water Systems	Percent Replacement	100%
Placed in Service	January 2005	Future Cost	\$68,804.76
Useful Life	50		
Replacement Year	2055		
Remaining Life	41		

This provision is for the replacement of the backwash basin.
The cost and useful life are based on information from the Association.

Water Systems: Booster Station Electrical - Replacement

Asset ID	1062	1 Total	@ \$80,000.00
	Capital	Asset Cost	\$80,000.00
	Water Systems	Percent Replacement	100%
Placed in Service	January 2005	Future Cost	\$104,966.93
Useful Life	20		
Replacement Year	2025		
Remaining Life	11		

This provision is for the replacement of the booster station electrical systems.
The cost and useful life are based on information from the Association.

**Surfside Homeowners Association
Detail Report by Category**

Water Systems: Booster Station Mechanical - Replacement

		1 Total	@ \$50,000.00
Asset ID	1061	Asset Cost	\$50,000.00
	Capital	Percent Replacement	100%
	Water Systems	Future Cost	\$107,500.34
Placed in Service	January 2005		
Useful Life	40		
Replacement Year	2045		
Remaining Life	31		

This provision is for the replacement of the booster station mechanical systems.
The cost and useful life are based on information from the Association.

Water Systems: Distribution - Repair

		100,660 Each	@ \$28.00
Asset ID	1020	Asset Cost	\$2,818,480.00
	Capital	Percent Replacement	100%
	Water Systems	Future Cost	\$2,818,480.00
Placed in Service	January 1960		
Useful Life	60		
Adjustment	-10		
Replacement Year	2014		
Remaining Life	0		

***Note: RCW 64.38.070(2)(a) provides that a component with a valve of more than one percent of the annual budget may be excluded from the reserve study. The statute suggests that the reserve study provide commentary explaining the basis for its exclusion. The Surfside water distribution system has been excluded from the reserve study for the following reasons:**

This provision is for the repair of the distribution system. According to the Association, repairs will be made as needed and paid for out of the operating budget.

The cost and useful life are based on information from the Association.

Surfside has approximately 22 miles of water distribution system (water mains). The water mains consist of 8-inch, 6-inch, and 4-inch diameter pipes. The water mains are mostly asbestos cement (AC) pipe. In 2008 the Surfside Board of Trustees authorized and initiated a water main replacement program. The program's goal is to replace all 22 miles of AC water main with high quality PVC C-900 water mains. The plan calls for the replacement of one mile of water main a year. The original plan authorized an annual \$50.00 per lot assessment to pay for the water main replacement program. The Board of Trustees, through the annual budget process, reviews the annual assessment and makes recommendations for adjustments. The Board of Trustees increased the annual assessment to \$52.00 per lot in 2013.

Surfside is replacing the water main in-house. Surfside has taken the following steps to assure they will be able to professionally replace their water mains in-house: purchased specialized equipment, hired experienced

**Surfside Homeowners Association
Detail Report by Category**

Water Systems: Distribution - Repair continued...

tradesman, and contracted with a water system manager with underground utilities project management experience.

From 2008 through 2012 Surfside crews have been replacing water main for an average of \$28.00 per lineal foot. At \$28.00 per lineal foot the current value of the water distribution system is \$3,252,480.00.

Water Systems: Manifold Building Electrical - Replacement

		1 Total	@ \$30,000.00
Asset ID	1053	Asset Cost	\$30,000.00
	Capital	Percent Replacement	100%
	Water Systems	Future Cost	\$46,789.76
Placed in Service	January 2012		
Useful Life	20		
Replacement Year	2032		
Remaining Life	18		

This provision is for the replacement of the manifold building electrical systems.

The cost and useful life are based on information from the Association.

Water Systems: Manifold Building Mechanical - Replacement

		1 Total	@ \$15,000.00
Asset ID	1052	Asset Cost	\$15,000.00
	Capital	Percent Replacement	100%
	Water Systems	Future Cost	\$22,824.27
Placed in Service	January 1991		
Useful Life	40		
Replacement Year	2031		
Remaining Life	17		

This provision is for the replacement of the manifold building mechanical systems.

The cost and useful life are based on information from the Association.

**Surfside Homeowners Association
Detail Report by Category**

Water Systems: Potassium Permanganate Feed System - Replacement

		1 Total	@ \$10,000.00
Asset ID	1054	Asset Cost	\$10,000.00
	Capital	Percent Replacement	100%
	Water Systems	Future Cost	\$11,596.93
Placed in Service	January 2010		
Useful Life	10		
Replacement Year	2020		
Remaining Life	6		

This provision is for the replacement of the Potassium Permanganate Feed System.
The cost and useful life are based on information from the Association.

Water Systems - Total Current Cost	\$660,000
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**Surfside Homeowners Association
Detail Report by Category**

Water Systems: J-2A Pump - Replacement

Asset ID	1046	1 Total	@ \$15,000.00
	Capital	Asset Cost	\$15,000.00
	Pumps	Percent Replacement	100%
Placed in Service	January 2012	Future Cost	\$20,677.66
Useful Life	15		
Replacement Year	2027		
Remaining Life	13		

This provision is for the replacement of the J-2A Pump.

The cost and useful life are based on information from the Association.

Water Systems: J-3 Pump - Replacement

Asset ID	1047	1 Total	@ \$15,000.00
	Capital	Asset Cost	\$15,000.00
	Pumps	Percent Replacement	100%
Placed in Service	January 2012	Future Cost	\$20,677.66
Useful Life	15		
Replacement Year	2027		
Remaining Life	13		

This provision is for the replacement of the J-3 Pump.

The cost and useful life are based on information from the Association.

Water Systems: J-4 Pump - Replacement

Asset ID	1048	1 Total	@ \$15,000.00
	Capital	Asset Cost	\$15,000.00
	Pumps	Percent Replacement	100%
Placed in Service	January 2012	Future Cost	\$20,677.66
Useful Life	15		
Replacement Year	2027		
Remaining Life	13		

This provision is for the replacement of the J-4 Pump.

The cost and useful life are based on information from the Association.

**Surfside Homeowners Association
Detail Report by Category**

Water Systems: J-5 Pump - Replacement

Asset ID	1049	1 Total	@ \$15,000.00
	Capital	Asset Cost	\$15,000.00
	Pumps	Percent Replacement	100%
Placed in Service	January 2012	Future Cost	\$20,677.66
Useful Life	15		
Replacement Year	2027		
Remaining Life	13		

This provision is for the replacement of the J-5 Pump.

The cost and useful life are based on information from the Association.

Water Systems: J-6 Pump - Replacement

Asset ID	1050	1 Total	@ \$15,000.00
	Capital	Asset Cost	\$15,000.00
	Pumps	Percent Replacement	100%
Placed in Service	January 2012	Future Cost	\$20,677.66
Useful Life	15		
Replacement Year	2027		
Remaining Life	13		

This provision is for the replacement of the J-6 Pump.

The cost and useful life are based on information from the Association.

Water Systems: J-7 Pump - Replacement

Asset ID	1051	1 Total	@ \$15,000.00
	Capital	Asset Cost	\$15,000.00
	Pumps	Percent Replacement	100%
Placed in Service	January 2012	Future Cost	\$20,677.66
Useful Life	15		
Replacement Year	2027		
Remaining Life	13		

This provision is for the replacement of the J-7 Pump.

The cost and useful life are based on information from the Association.

**Surfside Homeowners Association
Detail Report by Category**

Pumps - Total Current Cost	\$90,000
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**Surfside Homeowners Association
Detail Report by Category**

Water Systems: Reservoirs #1 - Replacement

Asset ID	1057	1 Total	@ \$190,000.00
	Capital	Asset Cost	\$190,000.00
	Reservoirs	Percent Replacement	100%
Placed in Service	January 1984	Future Cost	\$398,537.84
Useful Life	60		
Replacement Year	2044		
Remaining Life	30		

This provision is for the replacement of reservoir #1.

The cost and useful life are based on information from the Association.

Water Systems: Reservoirs #2 - Replacement

Asset ID	1058	1 Total	@ \$190,000.00
	Capital	Asset Cost	\$190,000.00
	Reservoirs	Percent Replacement	100%
Placed in Service	January 1984	Future Cost	\$398,537.84
Useful Life	60		
Replacement Year	2044		
Remaining Life	30		

This provision is for the replacement of reservoir #2.

The cost and useful life are based on information from the Association.

Water Systems: Reservoirs #3 - Replacement

Asset ID	1059	1 Total	@ \$190,000.00
	Capital	Asset Cost	\$190,000.00
	Reservoirs	Percent Replacement	100%
Placed in Service	January 1995	Future Cost	\$522,916.18
Useful Life	60		
Replacement Year	2055		
Remaining Life	41		

This provision is for the replacement of reservoir #3.

The cost and useful life are based on information from the Association.

Surfside Homeowners Association
Detail Report by Category

Water Systems: Reservoirs #4 - Replacement

			1 Total @ \$190,000.00
Asset ID	1060	Asset Cost	\$190,000.00
	Capital Reservoirs	Percent Replacement	100%
Placed in Service	January 2001	Future Cost	\$606,422.45
Useful Life	60		
Replacement Year	2061		
Remaining Life	47		

This provision is for the replacement of reservoir #4.

The cost and useful life are based on information from the Association.

Reservoirs - Total Current Cost	\$760,000
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**Surfside Homeowners Association
Detail Report by Category**

Water Systems: J-2A Well - Replacement

Asset ID	1018	1 Total	@ \$45,000.00
	Capital	Asset Cost	\$45,000.00
	Wells	Percent Replacement	100%
Placed in Service	January 1983	Future Cost	\$92,088.33
Useful Life	60		
Replacement Year	2043		
Remaining Life	29		

This provision is for the replacement of the J-2A Well.

The cost and useful life are based on information from the Association.

Water Systems: J-3 Well - Replacement

Asset ID	1041	1 Total	@ \$45,000.00
	Capital	Asset Cost	\$45,000.00
	Wells	Percent Replacement	100%
Placed in Service	January 1991	Future Cost	\$112,200.69
Useful Life	60		
Replacement Year	2051		
Remaining Life	37		

This provision is for the replacement of the J-3 Well.

The cost and useful life are based on information from the Association.

Water Systems: J-4 Well - Replacement

Asset ID	1042	1 Total	@ \$45,000.00
	Capital	Asset Cost	\$45,000.00
	Wells	Percent Replacement	100%
Placed in Service	January 1994	Future Cost	\$120,827.87
Useful Life	60		
Replacement Year	2054		
Remaining Life	40		

This provision is for the replacement of the J-4 Well.

The cost and useful life are based on information from the Association.

**Surfside Homeowners Association
Detail Report by Category**

Water Systems: J-5 Well - Replacement

Asset ID	1043	1 Total	@ \$45,000.00
		Asset Cost	\$45,000.00
	Capital Wells	Percent Replacement	100%
		Future Cost	\$120,827.87
Placed in Service	January 1994		
Useful Life	60		
Replacement Year	2054		
Remaining Life	40		

This provision is for the replacement of the J-5 Well.

The cost and useful life are based on information from the Association.

Water Systems: J-6 Well - Replacement

Asset ID	1044	1 Total	@ \$45,000.00
		Asset Cost	\$45,000.00
	Capital Wells	Percent Replacement	100%
		Future Cost	\$126,944.78
Placed in Service	January 1996		
Useful Life	60		
Replacement Year	2056		
Remaining Life	42		

This provision is for the replacement of the J-6 Well.

The cost and useful life are based on information from the Association.

Water Systems: J-7 Well - Replacement

Asset ID	1045	1 Total	@ \$45,000.00
		Asset Cost	\$45,000.00
	Capital Wells	Percent Replacement	100%
		Future Cost	\$126,944.78
Placed in Service	January 1996		
Useful Life	60		
Replacement Year	2056		
Remaining Life	42		

This provision is for the replacement of the J-7 Well.

The cost and useful life are based on information from the Association.

**Surfside Homeowners Association
Detail Report by Category**

Wells - Total Current Cost	\$270,000
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Surfside Homeowners Association
 Ocean Park, Washington
Fully Funded Method Summary

Report Date	April 22, 2013
Budget Year Beginning	January 01, 2014
Budget Year Ending	December 31, 2014
Total Units	2853

<i>Report Parameters</i>	
Inflation	2.50%
Interest Rate on Reserve Deposit	0.10%
2014 Beginning Balance	\$635,213.00

Full Funding
100% Funded Model Summary

- This scenario uses the fully funded method. A goal of being 100% funded is used.
- The following items were not included in the analysis because they have useful lives greater than 30 years: grading/drainage; foundation/footings; storm drains; telephone, cable, and internet lines.
- This funding scenario begins with an initial contribution of **\$243,845** in **2014** and varies each year for the remaining years of the study. A goal of being 100% funded is used.
- The purpose of this study is to insure that adequate replacement funds are available when components reach the end of their useful life. Components will be replaced as required, not necessarily in their expected replacement year. This analysis should be updated annually.

<i>Fully Funded Method Summary of Calculations</i>	
Required Annually Contribution	\$243,845.27
<i>\$85.47 per unit annually</i>	
Average Net Annually Interest Earned	<u>\$816.06</u>
Total Annually Allocation to Reserves	\$244,661.33
<i>\$85.76 per unit annually</i>	

**Surfside Homeowners Association
Fully Funded Method Projection**

Beginning Balance: \$635,213

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2014	243,845	816	63,000	816,874	1,382,330	59%
2015	235,122	948	103,525	949,420	1,425,346	66%
2016	232,149	1,098	84,050	1,098,617	1,490,210	73%
2017	235,366	1,334		1,335,317	1,643,577	81%
2018	238,733	1,508	66,229	1,509,330	1,737,085	86%
2019	240,395	1,511	238,727	1,512,508	1,663,823	90%
2020	242,940	1,680	75,380	1,681,749	1,755,416	95%
2021	246,045	1,898	29,717	1,899,975	1,898,097	100%
2022	249,409	2,149		2,151,533	2,077,275	103%
2023	221,426	2,314	58,697	2,316,577	2,205,529	105%
2024	197,823	2,502	12,801	2,504,100	2,386,261	104%
2025	231,330	2,020	715,087	2,022,363	1,872,684	107%
2026	236,073	2,147	111,626	2,148,957	1,953,276	110%
2027	242,370	2,238	153,015	2,240,550	1,998,129	112%
2028	239,682	2,436	44,332	2,438,336	2,156,511	113%
2029	237,797	2,647	28,966	2,649,814	2,338,907	113%
2030	245,482	2,710	185,563	2,712,443	2,373,202	114%
2031	241,901	2,932	22,824	2,934,451	2,575,128	113%
2032	240,779	3,128	46,790	3,131,569	2,762,273	113%
2033	246,816	3,242	135,885	3,245,742	2,870,837	113%
2034	248,220	3,437	57,352	3,440,047	3,065,035	112%
2035	259,063	3,503	196,511	3,506,101	3,129,982	112%
2036	267,569	3,662	111,902	3,665,430	3,285,783	111%
2037	264,722	3,930		3,934,082	3,562,117	110%
2038	270,447	4,063	141,081	4,067,512	3,709,133	109%
2039	296,516	3,723	641,465	3,726,286	3,364,417	110%
2040	295,161	3,917	104,516	3,920,848	3,553,132	110%
2041	283,810	4,175	29,217	4,179,616	3,827,093	109%
2042	285,716	4,286	179,685	4,289,933	3,962,793	108%
2043	288,648	4,425	153,481	4,429,526	4,133,583	107%

Surfside Homeowners Association

Ocean Park, Washington

Baseline Method Summary

Report Date	April 22, 2013
Budget Year Beginning	January 01, 2014
Budget Year Ending	December 31, 2014
Total Units	2853

Report Parameters	
Inflation	2.50%
Annual Assessment Increase	0.00%
Interest Rate on Reserve Deposit	0.10%
2014 Beginning Balance	\$635,213.00

**Baseline Funding
Fully Reserved Model Summary**

- This study utilizes the cash flow method and the threshold funding model, which establishes a reserve funding goal that keeps the reserve balance above 0 dollars. This scenario represents the minimum funding requirement.
- The following items were not included in the analysis because they have useful lives greater than 30 years: grading/drainage; foundation/footings; storm drains; telephone, cable, and internet lines.
- This funding scenario begins with a contribution of **\$104,657** in **2014** and **remains constant** each year for the remaining years of the study. A minimum balance of **\$0** is maintained.
- The purpose of this study is to insure that adequate replacement funds are available when components reach the end of their useful life. Components will be replaced as required, not necessarily in their expected replacement year. This analysis should be updated annually.

Baseline Method Summary of Calculations

Required Annually Contribution	\$104,657.13
<i>\$36.68 per unit annually</i>	
Average Net Annually Interest Earned	<u>\$676.87</u>
Total Annually Allocation to Reserves	\$105,334.00
<i>\$36.92 per unit annually</i>	

**Surfside Homeowners Association
Baseline Model Projection**

Beginning Balance: \$635,213

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2014	104,657	677	63,000	677,547	1,382,330	49%
2015	104,657	679	103,525	679,358	1,425,346	47%
2016	104,657	700	84,050	700,665	1,490,210	47%
2017	104,657	805		806,127	1,643,577	49%
2018	104,657	845	66,229	845,400	1,737,085	48%
2019	104,657	711	238,727	712,042	1,663,823	42%
2020	104,657	741	75,380	742,060	1,755,416	42%
2021	104,657	817	29,717	817,817	1,898,097	43%
2022	104,657	922		923,397	2,077,275	44%
2023	104,657	969	58,697	970,326	2,205,529	43%
2024	104,657	1,062	12,801	1,063,245	2,386,261	44%
2025	104,657	453	715,087	453,268	1,872,684	24%
2026	104,657	446	111,626	446,745	1,953,276	22%
2027	104,657	398	153,015	398,786	1,998,129	19%
2028	104,657	459	44,332	459,570	2,156,511	21%
2029	104,657	535	28,966	535,797	2,338,907	22%
2030	104,657	455	185,563	455,345	2,373,202	19%
2031	104,657	537	22,824	537,716	2,575,128	20%
2032	104,657	596	46,790	596,178	2,762,273	21%
2033	104,657	565	135,885	565,515	2,870,837	19%
2034	104,657	613	57,352	613,434	3,065,035	20%
2035	104,657	522	196,511	522,101	3,129,982	16%
2036	104,657	515	111,902	515,371	3,285,783	15%
2037	104,657	620		620,648	3,562,117	17%
2038	104,657	584	141,081	584,809	3,709,133	15%
2039	104,657	48	641,465	48,049	3,364,417	1%
2040	104,657	48	104,516	48,239	3,553,132	1%
2041	104,657	124	29,217	123,803	3,827,093	3%
2042	104,657	49	179,685	48,824	3,962,793	1%
2043	104,657		153,481	0	4,133,583	0%

Additional Disclosures

Levels of Service

The following three categories describe the various types of Reserve Studies from exhaustive to minimal.

I. Full: A Reserve Study in which the following five Reserve Study tasks are performed:

- Component Inventory
- Condition Assessment (based upon on-site visual observations)
- Life and Valuation Estimates
- Fund Status
- Funding Plan

II. Update, With Site Visit/On-Site Review: A Reserve Study update in which the following five Reserve Study tasks are performed:

- Component Inventory (verification only, not quantification)
- Condition Assessment (based on on-site visual observations)
- Life and Valuation Estimates
- Fund Status
- Funding Plan

III. Update, No Site Visit/Off Site Review: A Reserve Study update with no on-site visual observations in which the following three Reserve Study tasks are performed:

- Life and Valuation Estimates
- Fund Status
- Funding Plan

Terms and Definitions

CASH FLOW METHOD: A method of developing a reserve *Funding Plan* where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve *Funding Plans* are tested against the anticipated schedule of reserve expenses until the desired *Funding Goal* is achieved.

COMPONENT: The individual line items in the *Reserve Study* developed or updated in the *Physical Analysis*. These elements form the building blocks for the *Reserve Study*. *Components* typically are: 1) association responsibility; 2) with limited *Useful Life* expectancies; 3) predictable *Remaining Useful Life* expectancies; 4) above a minimum threshold cost; and 5) as required by local codes.

COMPONENT INVENTORY: The task of selecting and quantifying reserve *Components*. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s) of the Association or cooperative.

COMPONENT METHOD: A method of developing a reserve *Funding Plan* where the total contribution is based on the sum of contributions for individual *Components*. See *Cash Flow Method*.

CONDITION ASSESSMENT: The task of evaluating the current condition of the *Component* based on observed

or reported characteristics.

CURRENT REPLACEMENT COST: See *Replacement Cost*.

DEFICIT: An actual or projected *Reserve Balance* that is less than the *Fully Funded Balance*. The opposite would be a *Surplus*.

EFFECTIVE AGE: The difference between *Useful Life* and *Remaining Useful Life*. Not always equivalent to chronological age since some *Components* age irregularly. Used primarily in computations.

FINANCIAL ANALYSIS: The portion of a *Reserve Study* where current status of the reserves (measured as cash or *Percent Funded*) and a recommended reserve contribution rate (reserve *Funding Plan*) are derived, and the projected reserve income and expense over time is presented. The *Financial Analysis* is one of the two parts of a *Reserve Study*.

FULLY FUNDED: 100% Funded. When the actual or projected *Reserve Balance* is equal to the *Fully Funded Balance*.

FULLY FUNDED BALANCE (FFB): Total accrued depreciation, an indicator against which actual or projected *Reserve Balance* can be compared. The *Reserve Balance* that is in direct proportion to the fraction of life “used up” of the current repair or *Replacement Cost*. This number is calculated for each *Component*, then added together for an association total. Two formulas can be utilized, depending on the provider’s sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

$$\text{FFB} = \text{Current Cost} \times \text{Effective Age} / \text{Useful Life}$$

or

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) + [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Interest Rate})^{\text{Remaining Life}}] - [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Inflation Rate})^{\text{Remaining Life}}]$$

FUND STATUS: The status of the reserve fund as compared to an established benchmark such as percent funding. The Association appears to be adequately funded as the threshold method.

FUNDING GOALS: Independent of methodology utilized, the following represent the basic categories of *Funding Plan* goals:

- **Baseline Funding:** Establishing a reserve funding goal of keeping the reserve cash balance above zero.
- **Full Funding:** Setting a reserve funding goal of attaining and maintaining reserves at or near 100% funded.
- **Statutory Funding:** Establishing a reserve funding goal of setting aside the specific minimum amount of reserves required by local statutes.

- **Threshold Funding:** Establishing a reserve funding goal of keeping the *Reserve Balance* above a specified dollar or *Percent Funded* amount. Depending on the threshold, this may be more or less conservative than fully funding.

The **baseline method** involves preparing a funding model that funds all expected costs over a specified period, in most cases 30 years. Although this model funds the replacement reserve bank account for all expected costs, it does not include a contingency amount should any components cost more than expected. Proponents of this method only want to fund expected costs to maintain, repair and replace common area components. It should be noted that this is the bare amount needed to fund expenditures and has no provision for unexpected costs.

The **threshold method** involves preparing a funding model that funds all expected costs much like the baseline method, but also includes a contingency amount for unexpected costs. Reserve study specialists refer to this contingency as the “threshold”. Over a 30 year period, the **baseline model** would show a funding schedule that would allow the replacement reserve cash balance to drop to zero at some point in a 30 year period. The **threshold method** would provide an amount that the projected replacement reserve cash balance would not fall below, say \$100,000. The \$100,000 is called the threshold and provides for unexpected costs. Proponents of this method realize that over a 30 year period, unexpected costs may arise and it may be prudent to have extra cash to pay for these costs.

The **fully funded model** uses a formula for computing the threshold. This formula mirrors the method used for computing depreciation. It computes a threshold that in some cases allows funding for twice the amount of expected costs. The fully funded model also allows for not being 100% fully funded. If you are 50% funded, the threshold or contingency would theoretically be half of what it would be if the Association is 100% funded. Proponents of this method realize Associations have “surprises” and it is prudent to have as much cash as you can as a contingency to provide for these costs. Many Association managers have seen their Associations run into trouble when surprises occur which may lead to special assessments to pay for needed repairs and replacements.

FUNDING PLAN: An association’s plan to provide income to a reserve fund to offset anticipated expenditures from that fund.

FUNDING PRINCIPLES:

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

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.

LIFE AND VALUATION ESTIMATES: The task of estimating *Useful Life*, *Remaining Useful Life*, and repair or *Replacement Costs* for the reserve *Components*.

PERCENT FUNDED: The ratio at a particular point of time (typically the beginning of the Fiscal Year) of the actual or projected *Reserve Balance* to the *Fully Funded Balance*, expressed as a percentage.

PHYSICAL ANALYSIS: The portion of the *Reserve Study* where the *Component Inventory*, *Condition Assessment*, and *Life and Valuation Estimate* tasks are performed. This represents one of the two parts of the

Reserve Study.

REMAINING USEFUL LIFE (RUL): Also referred to as “Remaining Life” (RL). The estimated time, in years, that a reserve *Component* can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have “zero” *Remaining Useful Life*.

REPLACEMENT COST: 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 that particular year.

RESERVE BALANCE: Actual or projected funds as of a particular point in time that the Association has identified for use to defray the future repair or replacement of those major *Components* which the Association is obligated to maintain. Also known as reserves, reserve accounts, or cash reserves. Based upon information provided and not audited.

RESERVE PROVIDER: An individual that prepares *Reserve Studies*.

RESERVE STUDY: A budget planning tool which identifies the current status of the reserve fund and a stable and equitable *Funding Plan* to offset the anticipated future major common area expenditures. The *Reserve Study* consists of two parts: the *Physical Analysis* and the *Financial Analysis*.

RESPONSIBLE CHARGE: A reserve specialist in *Responsible Charge* of a *Reserve Study* shall render regular and effective supervision to those individuals performing services which directly and materially affect the quality and competence rendered by the reserve specialist. A reserve specialist shall maintain such records as are reasonably necessary to establish that the reserve specialist exercised regular and effective supervision of a *Reserve Study* of which he was in *Responsible Charge*. A reserve specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

- The regular and continuous absence from principal office premises from which professional services are rendered, except for performance of field work or presence in a field office maintained exclusively for a specific project;
- The failure to personally inspect or review the work of subordinates where necessary and appropriate;
- The rendering of a limited, cursory, or perfunctory review of plans or projects in lieu of an appropriate detailed review;
- The failure to personally be available on a reasonable basis or with adequate advance notice for consultation and inspection where circumstances require personal availability.

SPECIAL ASSESSMENT: An assessment levied on the members of an association in addition to regular assessments. *Special Assessments* are often regulated by governing documents or local statutes.

SURPLUS: An actual or projected *Reserve Balance* greater than the *Fully Funded Balance*. The opposite would be a *Deficit*.

USEFUL LIFE (UL): Total *Useful Life* or depreciable 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.

