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## Update “No-Site-Visit” Reserve Study



### HMC Management Lakebay, WA

**Report #: 24901-1**  
**For Period Beginning: October 1, 2014**  
**Expires: September 30, 2015**

**Date Prepared: March 17, 2014**



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## **Hello, and welcome to your Reserve Study!**

**T**his Report is a valuable budget planning tool, for with it you control the future of your association. It contains all the fundamental information needed to understand your current and future Reserve obligations, the most significant expenditures your association will face.

**W**ith respect to Reserves, this Report will tell you “where you are” and “where to go from here”.

**In this Report, you will find...**

- 1) A List of What you’re Reserving For**
- 2) An Evaluation of your Reserve Fund Size and Strength**
- 3) A Recommended Multi-Year Reserve Funding Plan**

### **More Questions?**

Visit our website at [www.ReserveStudy.com](http://www.ReserveStudy.com) or call us at:

253.661.5437



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### 3-Minute Executive Summary

**Association:** HMC Management **Assoc. #: 24901-1**  
**Location:** Lakebay, WA  
**# of Units:** 388  
**Report Period:** October 1, 2014 through September 30, 2015

#### *Results as-of 10/1/2014:*

<b>Projected Starting Reserve Balance:</b>	<b>\$364,143</b>
<b>Fully Funded Reserve Balance:</b>	<b>\$2,787,273</b>
<b>Average Reserve Deficit (Surplus) Per Unit:</b>	<b>\$6,245</b>
<b>Percent Funded:</b>	<b>13.1%</b>
<b>100% Full Funding 2014/2015 Monthly Reserve Contribution</b>	<b>\$329,200</b>
<b>70% Threshold Monthly Reserve Contribution</b>	<b>\$270,500</b>
<b>Baseline Contribution (min to maintain reserves above \$0)</b>	<b>\$207,200</b>
<b>Recommended 2014/2015 Special Assessment for Reserves:</b>	<b>\$0</b>
<b>2013/2014 Budget Reserve Contribution Rate:</b>	<b>\$106,500</b>

#### *Economic Assumptions:*

**Net Annual "After Tax" Interest Earnings Accruing to Reserves..... 1.00%**  
**Annual Inflation Rate..... 3.00%**

- This is an "Update No-Site-Visit" Reserve Study, based on our prior Report prepared for your 2013/2014 Fiscal Year- refer to photo pages of that report for additional component information. No site inspection was performed as part of this Reserve Study. This Reserve Study meets or exceeds all requirements of the RCW and was prepared by a credentialed Reserve Specialist (RS 153).
- Your Reserve Fund is 13.1% Funded. Comparatively, the 70-130% level is where associations statistically enjoy fiscal stability with low risk of special assessment and/or deferred maintenance.
- Based on this starting point and your anticipated future expenses, our recommendation is to substantially increase your Reserve contributions to within the 70% to 100% Full Funding level as noted above (Tables and charts herein reflect Full Funding as recommended contribution). Full and 70% contribution rates are designed to achieve the stated funding objective by the end of our 30-year report scope.

Table 1: Executive Summary

24901-1

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
<b>Site/Grounds</b>				
200 Asphalt Roads - Repair/Resurface	30	11	\$24,150	\$33,429
204 Gravel Roads/Lots - Maintain/Repair	5	4	\$23,000	\$25,887
<b>Small Boat Marina</b>				
302 Small Boat Docks/Floats-Replace	30	17	\$117,000	\$193,383
306 Small Boat Dock Pilings - Replace	50	47	\$195,000	\$782,320
320 Small Boat Trestle/Ramp - Replace	30	17	\$78,750	\$130,162
336 Small Boat Gangway - Replace	30	17	\$7,000	\$11,570
<b>Picnic/Recreation</b>				
350 Play Equipment - Replace	20	3	\$45,000	\$49,173
356 Basketball Court - Repair/Replace	25	24	\$17,500	\$35,574
370 Pavilion - Replace Roof	25	14	\$7,150	\$10,815
<b>Community Building</b>				
410 Community Building Siding-Replace	50	40	\$21,000	\$68,503
430 Community Building Roof - Replace	40	28	\$16,200	\$37,064
460 Community Blding Septic - Replace	50	17	\$8,000	\$13,223
<b>Equipment</b>				
530 Utility Tractor/Mower - Replace	10	2	\$13,500	\$14,322
540 Dust/Water Truck - Replace	12	1	\$15,000	\$15,450
<b>Ferry System</b>				
700 Ferry Terminals - Inspect/Repair	2	1	\$18,000	\$18,540
702 Ferry Terminals - Paint	12	2	\$233,200	\$247,402
704 Ferry Terminal Cables - Replace	6	0	\$34,500	\$41,195
707 Ferry Terminal Structures - Replace	60	38	\$2,250,000	\$6,918,263
708 Ferry Ramp Dolphins - Replace	50	6	\$845,000	\$1,008,974
712 Ferry Ramp Generators - Replace	20	12	\$35,000	\$49,902
740 Ferry Vessel - Shipyard	2	0	\$92,500	\$98,133
744 Ferry Vessel - Overhaul Engines	5	4	\$35,000	\$39,393
746 Ferry Vessel - Replace Engines	50	49	\$152,000	\$646,945
755 Ferry Vessel-Overhaul Transmissions	5	4	\$13,000	\$14,632
757 Ferry Vessel-Replace Transmissions	25	24	\$31,500	\$64,033
760 Ferry Vessel - Replace	60	35	\$1,500,000	\$4,220,794

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
<i>Professional/Special Projects</i>				
<b>940 Legal Contingency Fund</b>	<b>N/A</b>	<b>0</b>	<b>\$35,000</b>	<b>\$0</b>
<b>27 Total Funded Components</b>				

## Notes:

A Useful Life of “N/A” means a one-time expense, not expected to repeat.

Highlighting denotes projects either anticipated to occur in the initial.

A reserve-funding threshold of \$6,000 is established for your association (expenses below this level expected to be factored within operating budget).

## Introduction

A Reserve Study is the art and science of anticipating, and preparing for, an association's major common area repair and replacement expenses. Partially art, because in this field we are making projections about the future. Partially science, because our work is a process of research and analysis along well defined methodologies.

In this Report you will find the Reserve Component List (what you are reserving for). It contains our estimates for Useful Life, Remaining Useful Life, and the current repair or replacement cost for each major component the association is obligated to maintain. Based on that List and your starting balance we computed the association's Reserve Fund Strength (measured as "Percent Funded"), and created a recommended multi-year Reserve Funding Plan to offset future Reserve expenses.

### Reserve Study

- Component List
- Reserve Fund Strength
- Recommended Contribs

As the physical assets age and deteriorate, it is important to accumulate financial assets to keep the two "in balance". A stable Reserve Funding Plan that offsets the irregular Reserve expenses will ensure that each owner pays their own "fair share" of ongoing common area deterioration.

## Methodology

First we establish what the projected expenses are, then we determine the association's financial status and create a Funding Plan. For this "Update No-Site-Visit" Reserve Study, we started with a review of your prior Reserve Study, recent Reserve expenditures, an evaluation of how expenditures are handled (ongoing maintenance vs Reserves), and research into any well-established association precedents. We adjusted life and cost factors based on time since the last Reserve Study and interviews with association representatives.

### Reserve Study Types

- Full
- Update With-Site-Visit
- ➔ • Update No-Site-Visit



### *Which Physical Assets are Covered by Reserves?*

There is a national-standard four-part test to determine which expenses should be funded through Reserves. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the limited life must be predictable (or it by definition is a “surprise” which cannot be accurately anticipated). Fourth, the component must be above a minimum

threshold cost. This limits Reserve Components to major, predictable expenses. Within this framework, it is inappropriate to include “lifetime” components, unpredictable expenses (such as damage due to fire, flood, or earthquake), and expenses more appropriately handled from the Operational Budget or as an insured loss.

#### **Reserve Components**

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

### *How are Useful Life and Remaining Useful Life established?*

- 1) Reported Condition (wear and age since last report)
- 2) Association Reserves database of experience
- 3) Client Component History
- 4) Vendor Evaluation and Recommendation

### *How are Cost Estimates Established?*

Financial projections are based on the average of our Best Case and Worst Case estimates, which are established in this order...

- 1) Client Cost History
- 2) Comparison to Association Reserves database or work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

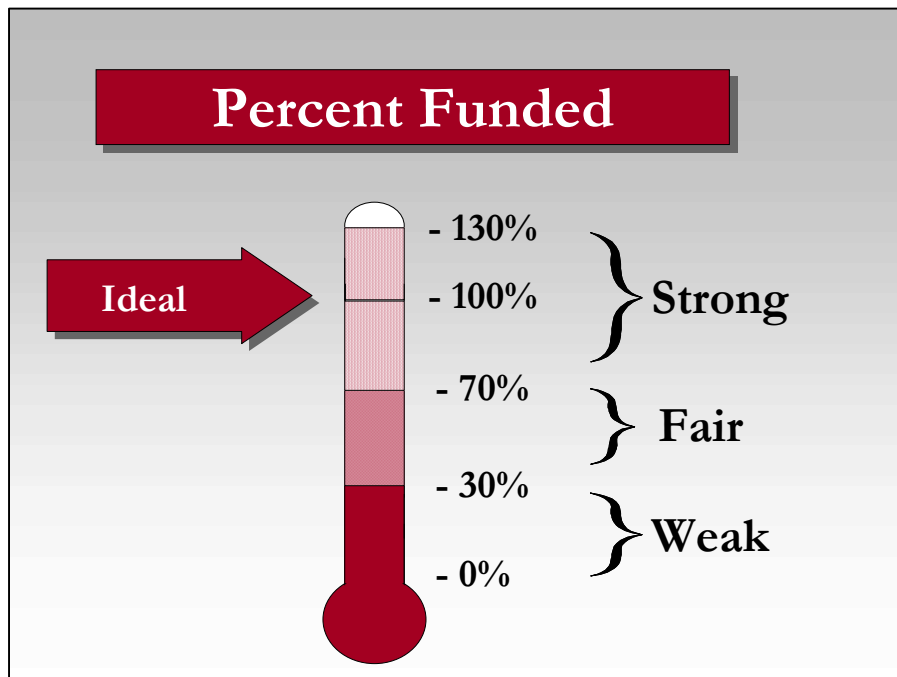


### *How much Reserves are enough?*

Your Reserve cash Balance can measure reserves, but the true measure is whether the funds are adequate. Adequacy is measured in a two-step process:

- 1) Calculate the association's Fully Funded Balance (FFB)
- 2) Compare to the Reserve Fund Balance, and express as a percentage.

The FFB grows as assets age and the Reserve needs of the association increase, but shrinks when projects are accomplished and the Reserve needs of the association decrease. The Fully Funded Balance changes each year, and is a moving but predictable target.



Special assessments and deferred maintenance are common when the Percent Funded is below 30%. While the 100% point is Ideal, a Reserve Fund in the 70% - 130% range is considered "strong" because in this range cash flow problems are rare.

Measuring your Reserves by Percent Funded tells how well prepared your association is for upcoming Reserve expenses. New buyers should be very aware of this important disclosure!

### *How much should we contribute?*

There are four Funding Principles that we balance in developing your Reserve Funding Plan. Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects on time. A stable contribution rate is desirable because it is a hallmark of a proactive plan.

Reserve contributions that are evenly distributed over the owners, over the years, enable each owner to pay their “fair share” of the association’s Reserve expenses (this means we recommend special assessments only when all other options have been exhausted). And finally, we develop a plan that is fiscally responsible and “safe” for Board members to recommend to their association.

#### **Funding Principles**

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


### *What is our Funding Goal?*

Maintaining the Reserve Fund at a level equal to the physical deterioration that has occurred is called “Full Funding” the Reserves (100% Funded). As each asset ages and becomes “used up”, the Reserve Fund grows proportionally. This is simple, responsible, and our recommendation. As stated previously, associations in the 100% range rarely experience special assessments or deferred maintenance.

Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. In these associations, deterioration occurs without matching Reserve contributions. With a low Percent Funded, special assessments and deferred maintenance are common.

Threshold Funding is the title of all other objectives randomly selected between Baseline Funding and Full Funding.

#### **Funding Goals**

- 
- Full Funding
  - Threshold Funding
  - Baseline Funding

Projected Expenses

The figure below shows the array of the projected future expenses at your association. This figure clearly shows the near term and future expenses that your association will face.

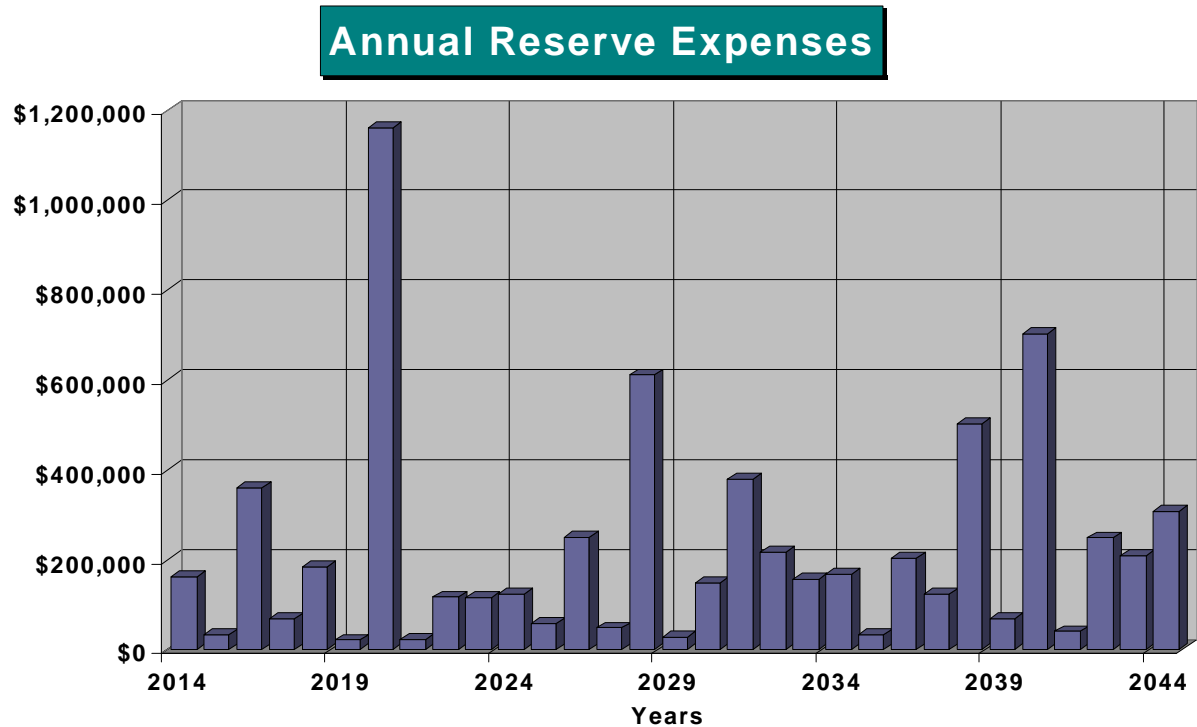


Figure 1

A summary of this information is shown in Table 4, while details of the projects that make up this information are shown in Table 5. Since this is a projection about future events that may or may not take place as anticipated, we feel more certain about “near-term” projects than those many years away. While this Reserve Study is a one-year document, it is based on 30 years worth of looking forward into the future.

## Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$364,143 as-of the start of your Fiscal Year on October 1, 2014. As of October 1, 2014, your Fully Funded Balance is computed to be \$2,787,273 (see Table 3). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 13% Funded. This currently represents a weak status well below the 70%-130% funding level where associations typically enjoy little risk of deferred maintenance and/or special assessments.

## Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we are recommending Reserve contributions of \$329,200/month this Fiscal Year. This represents only the first year of a 30-year Funding Plan. This same information is shown numerically in both Table 4 and Table 5.

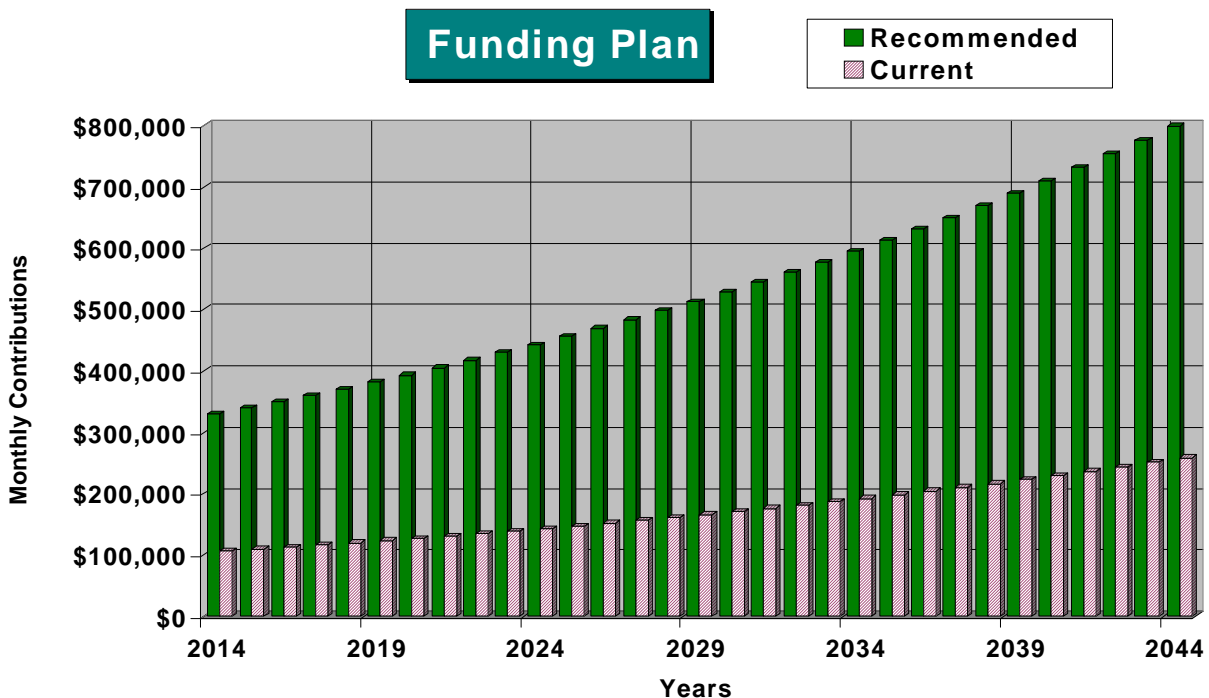


Figure 2

The following chart shows your Reserve Balance under our recommended Funding Plan and your current Funding Plan, and your always-changing Fully Funded Balance target.

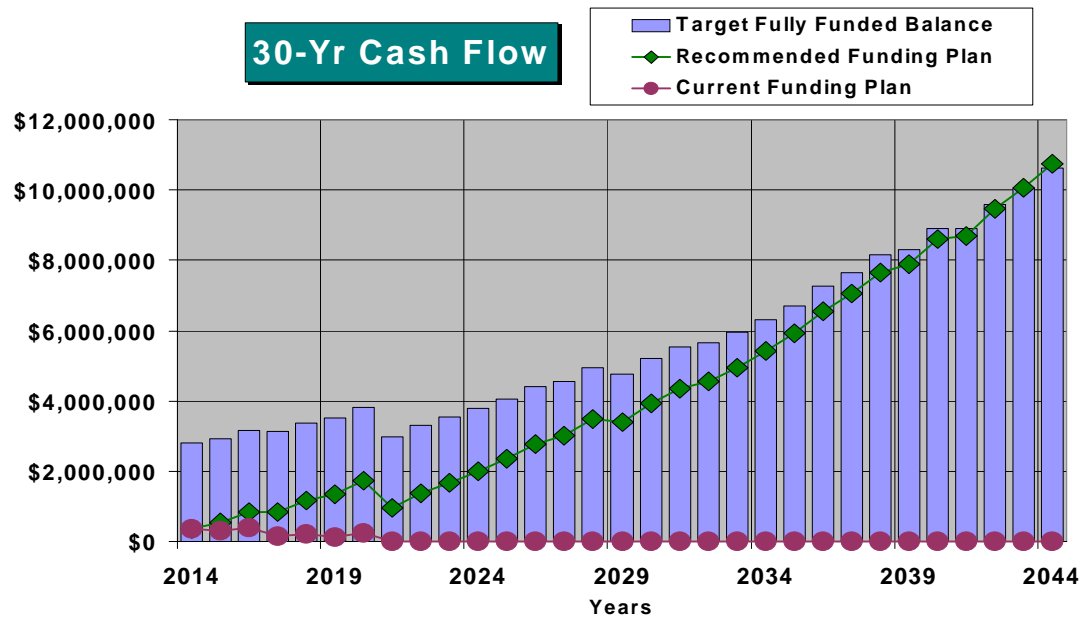


Figure 3

In this figure it is easy to see how your Reserve Fund gradually draws closer to the Fully Funded (100%) level.

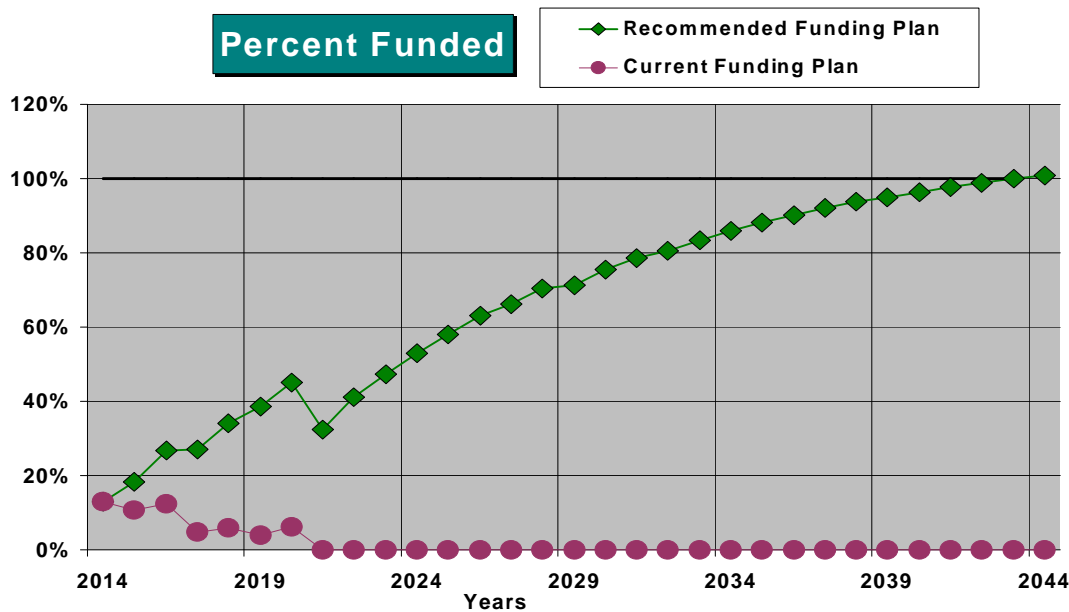


Figure 4

## Table Descriptions

The tabular information in this Report is broken down into five tables.

Table 1 summarizes your funded Reserve Components, and is part of the Executive Report summary that appeared earlier in this Report.

Table 2 provides the main component description, life, and cost factors for all components determined to be appropriate for Reserve designation. This table represents the core information from which all other tables are derived.

Table 3 is presented primarily as an accounting summary page. The results of the individual line item Fully Funded Balance computations are shown. These individual quantities are summed to arrive at the Fully Funded Balance for the association as of the start date of the Report. The figures in the Current Fund Balance column and the Monthly Reserve Contribution column show our distribution throughout the line items. If the association is under funded, Reserve Funds are distributed first to components with a short Remaining Useful Life. If the association's Reserve Balance is above 100% Funded, funds are distributed evenly for all components. Contribution rates for each component are a proportionate distribution of the total contribution on the basis of the component's significance to the association (current cost divided by useful life). This presentation is not meant to cause clients to redistribute association funds, it simply presents one way to evenly distribute the total among all the different line items.

Table 4: This table provides a one-page 30-year summary of the cash flowing into and out of the association, compared to the Fully Funded Balance for each year.

Table 5: This table shows the cash flow detail for the next 30 years. This table makes it possible to see what components are projected to require repair or replacement each year, and the size of those individual expenses.

**Table 2: Reserve Component List Detail****24901-1**

# Component	Quantity	Useful Life	Rem. Useful Life	Best Cost	Current Worst Cost
<b>Site/Grounds</b>					
200 Asphalt Roads - Repair/Resurface	Approx 10,500 square feet	30	11	\$22,050	\$26,250
204 Gravel Roads/Lots - Maintain/Repair	Approx 500,000 surface SF	5	4	\$20,000	\$26,000
<b>Small Boat Marina</b>					
302 Small Boat Docks/Floats-Replace	Approx 2,600 square feet	30	17	\$104,000	\$130,000
306 Small Boat Dock Pilings - Replace	(15) steel	50	47	\$180,000	\$210,000
320 Small Boat Trestle/Ramp - Replace	Approx 630 square feet	30	17	\$63,000	\$94,500
336 Small Boat Gangway - Replace	(1) aluminum, ~4'x20'	30	17	\$6,000	\$8,000
<b>Picnic/Recreation</b>					
350 Play Equipment - Replace	(5) assorted	20	3	\$40,000	\$50,000
356 Basketball Court - Repair/Replace	Approx 1,250 SF, total	25	24	\$15,000	\$20,000
370 Pavilion - Replace Roof	Approx 2,200 SF	25	14	\$6,600	\$7,700
<b>Community Building</b>					
410 Community Building Siding-Replace	Approx 1,400 GSF	50	40	\$16,800	\$25,200
430 Community Building Roof - Replace	Approx 2,700 GSF	40	28	\$13,500	\$18,900
460 Community Blding Septic - Replace	(1) system	50	17	\$6,000	\$10,000
<b>Equipment</b>					
530 Utility Tractor/Mower - Replace	(1) John Deere L130	10	2	\$12,000	\$15,000
540 Dust/Water Truck - Replace	(1) 1991 Chevy Kodiak	12	1	\$12,000	\$18,000
<b>Ferry System</b>					
700 Ferry Terminals - Inspect/Repair	Approx 6,100 square feet	2	1	\$16,000	\$20,000
702 Ferry Terminals - Paint	Approx 6,100 square feet	12	2	\$223,200	\$243,200
704 Ferry Terminal Cables - Replace	Extensive linear feet	6	0	\$32,000	\$37,000
707 Ferry Terminal Structures - Replace	Approx 6,100 square feet	60	38	\$2,000,000	\$2,500,000
708 Ferry Ramp Dolphins - Replace	(8) assemblies	50	6	\$740,000	\$950,000
712 Ferry Ramp Generators - Replace	(2) Generac 35kw	20	12	\$32,000	\$38,000
740 Ferry Vessel - Shipyard	65' LOA	2	0	\$85,000	\$100,000
744 Ferry Vessel - Overhaul Engines	(2) GM 300 HP, diesel	5	4	\$30,000	\$40,000
746 Ferry Vessel - Replace Engines	(2) GM 300 HP, diesel	50	49	\$144,000	\$160,000
755 Ferry Vessel-Overhaul Transmissions	(2) Twin Disc MG 5091 SC	5	4	\$12,000	\$14,000
757 Ferry Vessel-Replace Transmissions	(2) Twin Disc MG 5091 SC	25	24	\$27,000	\$36,000



**Table 2: Reserve Component List Detail****24901-1**

# Component	Quantity	Rem.		Best Cost	Current Worst Cost
		Useful Life	Useful Life		
760 Ferry Vessel - Replace	65' LOA	60	35	\$1,300,000	\$1,700,000
<b><i>Professional/Special Projects</i></b>					
940 Legal Contingency Fund	\$35,000	N/A	0	\$34,000	\$36,000
27 Total Funded Components					

**Table 3: Contribution and Fund Breakdown****24901-1**

# Component	Useful Life	Rem. Useful Life	Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
<b>Site/Grounds</b>						
200 Asphalt Roads - Repair/Resurface	30	11	\$24,150	\$15,295	\$0.00	\$1,335.93
204 Gravel Roads/Lots - Maintain/Repair	5	4	\$23,000	\$4,600	\$0.00	\$7,633.91
<b>Small Boat Marina</b>						
302 Small Boat Docks/Floats-Replace	30	17	\$117,000	\$50,700	\$0.00	\$6,472.22
306 Small Boat Dock Pilings - Replace	50	47	\$195,000	\$11,700	\$0.00	\$6,472.22
320 Small Boat Trestle/Ramp - Replace	30	17	\$78,750	\$34,125	\$0.00	\$4,356.30
336 Small Boat Gangway - Replace	30	17	\$7,000	\$3,033	\$0.00	\$387.23
<b>Picnic/Recreation</b>						
350 Play Equipment - Replace	20	3	\$45,000	\$38,250	\$0.00	\$3,733.98
356 Basketball Court - Repair/Replace	25	24	\$17,500	\$700	\$0.00	\$1,161.68
370 Pavilion - Replace Roof	25	14	\$7,150	\$3,146	\$0.00	\$474.63
<b>Community Building</b>						
410 Community Building Siding-Replace	50	40	\$21,000	\$4,200	\$0.00	\$697.01
430 Community Building Roof - Replace	40	28	\$16,200	\$4,860	\$0.00	\$672.12
460 Community Blding Septic - Replace	50	17	\$8,000	\$5,280	\$0.00	\$265.53
<b>Equipment</b>						
530 Utility Tractor/Mower - Replace	10	2	\$13,500	\$10,800	\$10,800.00	\$2,240.39
540 Dust/Water Truck - Replace	12	1	\$15,000	\$13,750	\$13,750.00	\$2,074.43
<b>Ferry System</b>						
700 Ferry Terminals - Inspect/Repair	2	1	\$18,000	\$9,000	\$9,000.00	\$14,935.90
702 Ferry Terminals - Paint	12	2	\$233,200	\$194,333	\$168,593.00	\$32,250.48
704 Ferry Terminal Cables - Replace	6	0	\$34,500	\$34,500	\$34,500.00	\$9,542.38
707 Ferry Terminal Structures - Replace	60	38	\$2,250,000	\$825,000	\$0.00	\$62,232.92
708 Ferry Ramp Dolphins - Replace	50	6	\$845,000	\$743,600	\$0.00	\$28,046.30
712 Ferry Ramp Generators - Replace	20	12	\$35,000	\$14,000	\$0.00	\$2,904.20
740 Ferry Vessel - Shipyard	2	0	\$92,500	\$92,500	\$92,500.00	\$76,753.94
744 Ferry Vessel - Overhaul Engines	5	4	\$35,000	\$7,000	\$0.00	\$11,616.81
746 Ferry Vessel - Replace Engines	50	49	\$152,000	\$3,040	\$0.00	\$5,045.02
755 Ferry Vessel-Overhaul Transmissions	5	4	\$13,000	\$2,600	\$0.00	\$4,314.82
757 Ferry Vessel-Replace Transmissions	25	24	\$31,500	\$1,260	\$0.00	\$2,091.03
760 Ferry Vessel - Replace	60	35	\$1,500,000	\$625,000	\$0.00	\$41,488.62

**Table 3: Contribution and Fund Breakdown****24901-1**

# Component	Useful Life	Rem. Useful Life	Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
<b>Professional/Special Projects</b>						
940 Legal Contingency Fund	N/A	0	\$35,000	\$35,000	\$35,000.00	\$0.00
27 Total Funded Components				\$2,787,273	\$364,143	\$329,200

**Table 4: 30-Year Reserve Plan Summary****24901-1****Fiscal Year Beginning: 10/01/14****Interest:****1.0%****Inflation:****3.0%**

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded		Rating	Annual Reserve Contribs.	Loans or Special Assmts	Interest Income	Projected Reserve Expenses
2014	\$364,143	\$2,787,273	13.1%		Weak	\$329,200	\$0	\$4,498	\$162,000
2015	\$535,841	\$2,908,350	18.4%		Weak	\$339,076	\$0	\$6,915	\$33,990
2016	\$847,842	\$3,171,039	26.7%		Weak	\$349,248	\$0	\$8,464	\$359,857
2017	\$845,698	\$3,112,278	27.2%		Weak	\$359,726	\$0	\$9,957	\$68,842
2018	\$1,146,538	\$3,358,004	34.1%		Fair	\$370,518	\$0	\$12,455	\$184,021
2019	\$1,345,490	\$3,499,166	38.5%		Fair	\$381,633	\$0	\$15,329	\$20,867
2020	\$1,721,585	\$3,819,509	45.1%		Fair	\$393,082	\$0	\$13,440	\$1,160,619
2021	\$967,488	\$2,982,624	32.4%		Fair	\$404,874	\$0	\$11,642	\$22,138
2022	\$1,361,866	\$3,300,587	41.3%		Fair	\$417,021	\$0	\$15,187	\$117,176
2023	\$1,676,898	\$3,537,738	47.4%		Fair	\$429,531	\$0	\$18,420	\$116,125
2024	\$2,008,725	\$3,790,851	53.0%		Fair	\$442,417	\$0	\$21,777	\$124,312
2025	\$2,348,608	\$4,051,122	58.0%		Fair	\$455,690	\$0	\$25,590	\$58,345
2026	\$2,771,542	\$4,395,385	63.1%		Fair	\$469,360	\$0	\$28,944	\$250,221
2027	\$3,019,625	\$4,560,829	66.2%		Fair	\$483,441	\$0	\$32,520	\$48,462
2028	\$3,487,124	\$4,947,787	70.5%		Strong	\$497,945	\$0	\$34,464	\$610,859
2029	\$3,408,674	\$4,776,086	71.4%		Strong	\$512,883	\$0	\$36,679	\$28,043
2030	\$3,930,192	\$5,208,805	75.5%		Strong	\$528,269	\$0	\$41,390	\$148,435
2031	\$4,351,417	\$5,540,053	78.5%		Strong	\$544,117	\$0	\$44,548	\$378,089
2032	\$4,561,993	\$5,654,530	80.7%		Strong	\$560,441	\$0	\$47,559	\$216,209
2033	\$4,953,784	\$5,949,310	83.3%		Strong	\$577,254	\$0	\$51,881	\$156,062
2034	\$5,426,857	\$6,325,319	85.8%		Strong	\$594,572	\$0	\$56,665	\$167,065
2035	\$5,911,029	\$6,712,024	88.1%		Strong	\$612,409	\$0	\$62,290	\$33,485
2036	\$6,552,243	\$7,258,988	90.3%		Strong	\$630,781	\$0	\$67,972	\$203,107
2037	\$7,047,889	\$7,659,053	92.0%		Strong	\$649,705	\$0	\$73,442	\$124,336
2038	\$7,646,699	\$8,163,999	93.7%		Strong	\$669,196	\$0	\$77,658	\$502,100
2039	\$7,891,453	\$8,307,094	95.0%		Strong	\$689,272	\$0	\$82,392	\$69,095
2040	\$8,594,022	\$8,912,937	96.4%		Strong	\$709,950	\$0	\$86,373	\$702,402
2041	\$8,687,943	\$8,897,483	97.6%		Strong	\$731,248	\$0	\$90,751	\$39,983
2042	\$9,469,959	\$9,577,076	98.9%		Strong	\$753,186	\$0	\$97,669	\$248,698
2043	\$10,072,116	\$10,075,696	100.0%		Strong	\$775,781	\$0	\$104,027	\$209,734

**Table 5: 30-Year Income/Expense Detail (yrs 0 through 4)****24901-1**

Fiscal Year	2014	2015	2016	2017	2018
Starting Reserve Balance	\$364,143	\$535,841	\$847,842	\$845,698	\$1,146,538
Annual Reserve Contribution	\$329,200	\$339,076	\$349,248	\$359,726	\$370,518
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$4,498	\$6,915	\$8,464	\$9,957	\$12,455
Total Income	\$697,841	\$881,832	\$1,205,555	\$1,215,380	\$1,529,511
# Component					
<b>Site/Grounds</b>					
200 Asphalt Roads - Repair/Resurface	\$0	\$0	\$0	\$0	\$0
204 Gravel Roads/Lots - Maintain/Repair	\$0	\$0	\$0	\$0	\$25,887
<b>Small Boat Marina</b>					
302 Small Boat Docks/Floats-Replace	\$0	\$0	\$0	\$0	\$0
306 Small Boat Dock Pilings - Replace	\$0	\$0	\$0	\$0	\$0
320 Small Boat Trestle/Ramp - Replace	\$0	\$0	\$0	\$0	\$0
336 Small Boat Gangway - Replace	\$0	\$0	\$0	\$0	\$0
<b>Picnic/Recreation</b>					
350 Play Equipment - Replace	\$0	\$0	\$0	\$49,173	\$0
356 Basketball Court - Repair/Replace	\$0	\$0	\$0	\$0	\$0
370 Pavilion - Replace Roof	\$0	\$0	\$0	\$0	\$0
<b>Community Building</b>					
410 Community Building Siding-Replace	\$0	\$0	\$0	\$0	\$0
430 Community Building Roof - Replace	\$0	\$0	\$0	\$0	\$0
460 Community Bldg Septic - Replace	\$0	\$0	\$0	\$0	\$0
<b>Equipment</b>					
530 Utility Tractor/Mower - Replace	\$0	\$0	\$14,322	\$0	\$0
540 Dust/Water Truck - Replace	\$0	\$15,450	\$0	\$0	\$0
<b>Ferry System</b>					
700 Ferry Terminals - Inspect/Repair	\$0	\$18,540	\$0	\$19,669	\$0
702 Ferry Terminals - Paint	\$0	\$0	\$247,402	\$0	\$0
704 Ferry Terminal Cables - Replace	\$34,500	\$0	\$0	\$0	\$0
707 Ferry Terminal Structures - Replace	\$0	\$0	\$0	\$0	\$0
708 Ferry Ramp Dolphins - Replace	\$0	\$0	\$0	\$0	\$0
712 Ferry Ramp Generators - Replace	\$0	\$0	\$0	\$0	\$0
740 Ferry Vessel - Shipyard	\$92,500	\$0	\$98,133	\$0	\$104,110

**Table 5: 30-Year Income/Expense Detail (yrs 0 through 4)****24901-1**

Fiscal Year	2014	2015	2016	2017	2018
744 Ferry Vessel - Overhaul Engines	\$0	\$0	\$0	\$0	\$39,393
746 Ferry Vessel - Replace Engines	\$0	\$0	\$0	\$0	\$0
755 Ferry Vessel-Overhaul Transmissions	\$0	\$0	\$0	\$0	\$14,632
757 Ferry Vessel-Replace Transmissions	\$0	\$0	\$0	\$0	\$0
760 Ferry Vessel - Replace	\$0	\$0	\$0	\$0	\$0
<b>Professional/Special Projects</b>					
940 Legal Contingency Fund	\$35,000	\$0	\$0	\$0	\$0
Total Expenses	\$162,000	\$33,990	\$359,857	\$68,842	\$184,021
Ending Reserve Balance:	\$535,841	\$847,842	\$845,698	\$1,146,538	\$1,345,490

**Table 5: 30-Year Income/Expense Detail (yrs 5 through 9)****24901-1**

Fiscal Year	2019	2020	2021	2022	2023
Starting Reserve Balance	\$1,345,490	\$1,721,585	\$967,488	\$1,361,866	\$1,676,898
Annual Reserve Contribution	\$381,633	\$393,082	\$404,874	\$417,021	\$429,531
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$15,329	\$13,440	\$11,642	\$15,187	\$18,420
Total Income	\$1,742,452	\$2,128,107	\$1,384,004	\$1,794,075	\$2,124,850
# Component					
<b>Site/Grounds</b>					
200 Asphalt Roads - Repair/Resurface	\$0	\$0	\$0	\$0	\$0
204 Gravel Roads/Lots - Maintain/Repair	\$0	\$0	\$0	\$0	\$30,010
<b>Small Boat Marina</b>					
302 Small Boat Docks/Floats-Replace	\$0	\$0	\$0	\$0	\$0
306 Small Boat Dock Pilings - Replace	\$0	\$0	\$0	\$0	\$0
320 Small Boat Trestle/Ramp - Replace	\$0	\$0	\$0	\$0	\$0
336 Small Boat Gangway - Replace	\$0	\$0	\$0	\$0	\$0
<b>Picnic/Recreation</b>					
350 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
356 Basketball Court - Repair/Replace	\$0	\$0	\$0	\$0	\$0
370 Pavilion - Replace Roof	\$0	\$0	\$0	\$0	\$0
<b>Community Building</b>					
410 Community Building Siding-Replace	\$0	\$0	\$0	\$0	\$0
430 Community Building Roof - Replace	\$0	\$0	\$0	\$0	\$0
460 Community Bldg Septic - Replace	\$0	\$0	\$0	\$0	\$0
<b>Equipment</b>					
530 Utility Tractor/Mower - Replace	\$0	\$0	\$0	\$0	\$0
540 Dust/Water Truck - Replace	\$0	\$0	\$0	\$0	\$0
<b>Ferry System</b>					
700 Ferry Terminals - Inspect/Repair	\$20,867	\$0	\$22,138	\$0	\$23,486
702 Ferry Terminals - Paint	\$0	\$0	\$0	\$0	\$0
704 Ferry Terminal Cables - Replace	\$0	\$41,195	\$0	\$0	\$0
707 Ferry Terminal Structures - Replace	\$0	\$0	\$0	\$0	\$0
708 Ferry Ramp Dolphins - Replace	\$0	\$1,008,974	\$0	\$0	\$0
712 Ferry Ramp Generators - Replace	\$0	\$0	\$0	\$0	\$0
740 Ferry Vessel - Shipyard	\$0	\$110,450	\$0	\$117,176	\$0



**Table 5: 30-Year Income/Expense Detail (yrs 5 through 9)****24901-1**

Fiscal Year	2019	2020	2021	2022	2023
744 Ferry Vessel - Overhaul Engines	\$0	\$0	\$0	\$0	\$45,667
746 Ferry Vessel - Replace Engines	\$0	\$0	\$0	\$0	\$0
755 Ferry Vessel-Overhaul Transmissions	\$0	\$0	\$0	\$0	\$16,962
757 Ferry Vessel-Replace Transmissions	\$0	\$0	\$0	\$0	\$0
760 Ferry Vessel - Replace	\$0	\$0	\$0	\$0	\$0
<b>Professional/Special Projects</b>					
940 Legal Contingency Fund	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$20,867	\$1,160,619	\$22,138	\$117,176	\$116,125
Ending Reserve Balance:	\$1,721,585	\$967,488	\$1,361,866	\$1,676,898	\$2,008,725

**Table 5: 30-Year Income/Expense Detail (yrs 10 through 14)****24901-1**

Fiscal Year	2024	2025	2026	2027	2028
Starting Reserve Balance	\$2,008,725	\$2,348,608	\$2,771,542	\$3,019,625	\$3,487,124
Annual Reserve Contribution	\$442,417	\$455,690	\$469,360	\$483,441	\$497,945
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$21,777	\$25,590	\$28,944	\$32,520	\$34,464
Total Income	\$2,472,920	\$2,829,887	\$3,269,846	\$3,535,586	\$4,019,533
# Component					
<b>Site/Grounds</b>					
200 Asphalt Roads - Repair/Resurface	\$0	\$33,429	\$0	\$0	\$0
204 Gravel Roads/Lots - Maintain/Repair	\$0	\$0	\$0	\$0	\$34,790
<b>Small Boat Marina</b>					
302 Small Boat Docks/Floats-Replace	\$0	\$0	\$0	\$0	\$0
306 Small Boat Dock Pilings - Replace	\$0	\$0	\$0	\$0	\$0
320 Small Boat Trestle/Ramp - Replace	\$0	\$0	\$0	\$0	\$0
336 Small Boat Gangway - Replace	\$0	\$0	\$0	\$0	\$0
<b>Picnic/Recreation</b>					
350 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
356 Basketball Court - Repair/Replace	\$0	\$0	\$0	\$0	\$0
370 Pavilion - Replace Roof	\$0	\$0	\$0	\$0	\$10,815
<b>Community Building</b>					
410 Community Building Siding-Replace	\$0	\$0	\$0	\$0	\$0
430 Community Building Roof - Replace	\$0	\$0	\$0	\$0	\$0
460 Community Bldg Septic - Replace	\$0	\$0	\$0	\$0	\$0
<b>Equipment</b>					
530 Utility Tractor/Mower - Replace	\$0	\$0	\$19,248	\$0	\$0
540 Dust/Water Truck - Replace	\$0	\$0	\$0	\$22,028	\$0
<b>Ferry System</b>					
700 Ferry Terminals - Inspect/Repair	\$0	\$24,916	\$0	\$26,434	\$0
702 Ferry Terminals - Paint	\$0	\$0	\$0	\$0	\$352,736
704 Ferry Terminal Cables - Replace	\$0	\$0	\$49,189	\$0	\$0
707 Ferry Terminal Structures - Replace	\$0	\$0	\$0	\$0	\$0
708 Ferry Ramp Dolphins - Replace	\$0	\$0	\$0	\$0	\$0
712 Ferry Ramp Generators - Replace	\$0	\$0	\$49,902	\$0	\$0
740 Ferry Vessel - Shipyard	\$124,312	\$0	\$131,883	\$0	\$139,915

**Table 5: 30-Year Income/Expense Detail (yrs 10 through 14)****24901-1**

Fiscal Year	2024	2025	2026	2027	2028
744 Ferry Vessel - Overhaul Engines	\$0	\$0	\$0	\$0	\$52,941
746 Ferry Vessel - Replace Engines	\$0	\$0	\$0	\$0	\$0
755 Ferry Vessel-Overhaul Transmissions	\$0	\$0	\$0	\$0	\$19,664
757 Ferry Vessel-Replace Transmissions	\$0	\$0	\$0	\$0	\$0
760 Ferry Vessel - Replace	\$0	\$0	\$0	\$0	\$0
<b>Professional/Special Projects</b>					
940 Legal Contingency Fund	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$124,312	\$58,345	\$250,221	\$48,462	\$610,859
Ending Reserve Balance:	\$2,348,608	\$2,771,542	\$3,019,625	\$3,487,124	\$3,408,674

**Table 5: 30-Year Income/Expense Detail (yrs 15 through 19)****24901-1**

Fiscal Year	2029	2030	2031	2032	2033
Starting Reserve Balance	\$3,408,674	\$3,930,192	\$4,351,417	\$4,561,993	\$4,953,784
Annual Reserve Contribution	\$512,883	\$528,269	\$544,117	\$560,441	\$577,254
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$36,679	\$41,390	\$44,548	\$47,559	\$51,881
Total Income	\$3,958,236	\$4,499,852	\$4,940,082	\$5,169,993	\$5,582,919
# Component					
<b>Site/Grounds</b>					
200 Asphalt Roads - Repair/Resurface	\$0	\$0	\$0	\$0	\$0
204 Gravel Roads/Lots - Maintain/Repair	\$0	\$0	\$0	\$0	\$40,331
<b>Small Boat Marina</b>					
302 Small Boat Docks/Floats-Replace	\$0	\$0	\$193,383	\$0	\$0
306 Small Boat Dock Pilings - Replace	\$0	\$0	\$0	\$0	\$0
320 Small Boat Trestle/Ramp - Replace	\$0	\$0	\$130,162	\$0	\$0
336 Small Boat Gangway - Replace	\$0	\$0	\$11,570	\$0	\$0
<b>Picnic/Recreation</b>					
350 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
356 Basketball Court - Repair/Replace	\$0	\$0	\$0	\$0	\$0
370 Pavilion - Replace Roof	\$0	\$0	\$0	\$0	\$0
<b>Community Building</b>					
410 Community Building Siding-Replace	\$0	\$0	\$0	\$0	\$0
430 Community Building Roof - Replace	\$0	\$0	\$0	\$0	\$0
460 Community Bldg Septic - Replace	\$0	\$0	\$13,223	\$0	\$0
<b>Equipment</b>					
530 Utility Tractor/Mower - Replace	\$0	\$0	\$0	\$0	\$0
540 Dust/Water Truck - Replace	\$0	\$0	\$0	\$0	\$0
<b>Ferry System</b>					
700 Ferry Terminals - Inspect/Repair	\$28,043	\$0	\$29,751	\$0	\$31,563
702 Ferry Terminals - Paint	\$0	\$0	\$0	\$0	\$0
704 Ferry Terminal Cables - Replace	\$0	\$0	\$0	\$58,734	\$0
707 Ferry Terminal Structures - Replace	\$0	\$0	\$0	\$0	\$0
708 Ferry Ramp Dolphins - Replace	\$0	\$0	\$0	\$0	\$0
712 Ferry Ramp Generators - Replace	\$0	\$0	\$0	\$0	\$0
740 Ferry Vessel - Shipyard	\$0	\$148,435	\$0	\$157,475	\$0

**Table 5: 30-Year Income/Expense Detail (yrs 15 through 19)****24901-1**

Fiscal Year	2029	2030	2031	2032	2033
744 Ferry Vessel - Overhaul Engines	\$0	\$0	\$0	\$0	\$61,373
746 Ferry Vessel - Replace Engines	\$0	\$0	\$0	\$0	\$0
755 Ferry Vessel-Overhaul Transmissions	\$0	\$0	\$0	\$0	\$22,796
757 Ferry Vessel-Replace Transmissions	\$0	\$0	\$0	\$0	\$0
760 Ferry Vessel - Replace	\$0	\$0	\$0	\$0	\$0
<b>Professional/Special Projects</b>					
940 Legal Contingency Fund	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$28,043	\$148,435	\$378,089	\$216,209	\$156,062
Ending Reserve Balance:	\$3,930,192	\$4,351,417	\$4,561,993	\$4,953,784	\$5,426,857

**Table 5: 30-Year Income/Expense Detail (yrs 20 through 24)****24901-1**

Fiscal Year	2034	2035	2036	2037	2038
Starting Reserve Balance	\$5,426,857	\$5,911,029	\$6,552,243	\$7,047,889	\$7,646,699
Annual Reserve Contribution	\$594,572	\$612,409	\$630,781	\$649,705	\$669,196
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$56,665	\$62,290	\$67,972	\$73,442	\$77,658
Total Income	\$6,078,094	\$6,585,728	\$7,250,996	\$7,771,035	\$8,393,553
# Component					
<b>Site/Grounds</b>					
200 Asphalt Roads - Repair/Resurface	\$0	\$0	\$0	\$0	\$0
204 Gravel Roads/Lots - Maintain/Repair	\$0	\$0	\$0	\$0	\$46,754
<b>Small Boat Marina</b>					
302 Small Boat Docks/Floats-Replace	\$0	\$0	\$0	\$0	\$0
306 Small Boat Dock Pilings - Replace	\$0	\$0	\$0	\$0	\$0
320 Small Boat Trestle/Ramp - Replace	\$0	\$0	\$0	\$0	\$0
336 Small Boat Gangway - Replace	\$0	\$0	\$0	\$0	\$0
<b>Picnic/Recreation</b>					
350 Play Equipment - Replace	\$0	\$0	\$0	\$88,811	\$0
356 Basketball Court - Repair/Replace	\$0	\$0	\$0	\$0	\$35,574
370 Pavilion - Replace Roof	\$0	\$0	\$0	\$0	\$0
<b>Community Building</b>					
410 Community Building Siding-Replace	\$0	\$0	\$0	\$0	\$0
430 Community Building Roof - Replace	\$0	\$0	\$0	\$0	\$0
460 Community Bldg Septic - Replace	\$0	\$0	\$0	\$0	\$0
<b>Equipment</b>					
530 Utility Tractor/Mower - Replace	\$0	\$0	\$25,867	\$0	\$0
540 Dust/Water Truck - Replace	\$0	\$0	\$0	\$0	\$0
<b>Ferry System</b>					
700 Ferry Terminals - Inspect/Repair	\$0	\$33,485	\$0	\$35,525	\$0
702 Ferry Terminals - Paint	\$0	\$0	\$0	\$0	\$0
704 Ferry Terminal Cables - Replace	\$0	\$0	\$0	\$0	\$70,131
707 Ferry Terminal Structures - Replace	\$0	\$0	\$0	\$0	\$0
708 Ferry Ramp Dolphins - Replace	\$0	\$0	\$0	\$0	\$0
712 Ferry Ramp Generators - Replace	\$0	\$0	\$0	\$0	\$0
740 Ferry Vessel - Shipyard	\$167,065	\$0	\$177,240	\$0	\$188,033

**Table 5: 30-Year Income/Expense Detail (yrs 20 through 24)****24901-1**

Fiscal Year	2034	2035	2036	2037	2038
744 Ferry Vessel - Overhaul Engines	\$0	\$0	\$0	\$0	\$71,148
746 Ferry Vessel - Replace Engines	\$0	\$0	\$0	\$0	\$0
755 Ferry Vessel-Overhaul Transmissions	\$0	\$0	\$0	\$0	\$26,426
757 Ferry Vessel-Replace Transmissions	\$0	\$0	\$0	\$0	\$64,033
760 Ferry Vessel - Replace	\$0	\$0	\$0	\$0	\$0
<b>Professional/Special Projects</b>					
940 Legal Contingency Fund	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$167,065	\$33,485	\$203,107	\$124,336	\$502,100
Ending Reserve Balance:	\$5,911,029	\$6,552,243	\$7,047,889	\$7,646,699	\$7,891,453



**Table 5: 30-Year Income/Expense Detail (yrs 25 through 29)****24901-1**

Fiscal Year	2039	2040	2041	2042	2043
Starting Reserve Balance	\$7,891,453	\$8,594,022	\$8,687,943	\$9,469,959	\$10,072,116
Annual Reserve Contribution	\$689,272	\$709,950	\$731,248	\$753,186	\$775,781
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$82,392	\$86,373	\$90,751	\$97,669	\$104,027
Total Income	\$8,663,117	\$9,390,345	\$9,509,942	\$10,320,814	\$10,951,925
# Component					
<b>Site/Grounds</b>					
200 Asphalt Roads - Repair/Resurface	\$0	\$0	\$0	\$0	\$0
204 Gravel Roads/Lots - Maintain/Repair	\$0	\$0	\$0	\$0	\$54,201
<b>Small Boat Marina</b>					
302 Small Boat Docks/Floats-Replace	\$0	\$0	\$0	\$0	\$0
306 Small Boat Dock Pilings - Replace	\$0	\$0	\$0	\$0	\$0
320 Small Boat Trestle/Ramp - Replace	\$0	\$0	\$0	\$0	\$0
336 Small Boat Gangway - Replace	\$0	\$0	\$0	\$0	\$0
<b>Picnic/Recreation</b>					
350 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
356 Basketball Court - Repair/Replace	\$0	\$0	\$0	\$0	\$0
370 Pavilion - Replace Roof	\$0	\$0	\$0	\$0	\$0
<b>Community Building</b>					
410 Community Building Siding-Replace	\$0	\$0	\$0	\$0	\$0
430 Community Building Roof - Replace	\$0	\$0	\$0	\$37,064	\$0
460 Community Bldg Septic - Replace	\$0	\$0	\$0	\$0	\$0
<b>Equipment</b>					
530 Utility Tractor/Mower - Replace	\$0	\$0	\$0	\$0	\$0
540 Dust/Water Truck - Replace	\$31,407	\$0	\$0	\$0	\$0
<b>Ferry System</b>					
700 Ferry Terminals - Inspect/Repair	\$37,688	\$0	\$39,983	\$0	\$42,418
702 Ferry Terminals - Paint	\$0	\$502,917	\$0	\$0	\$0
704 Ferry Terminal Cables - Replace	\$0	\$0	\$0	\$0	\$0
707 Ferry Terminal Structures - Replace	\$0	\$0	\$0	\$0	\$0
708 Ferry Ramp Dolphins - Replace	\$0	\$0	\$0	\$0	\$0
712 Ferry Ramp Generators - Replace	\$0	\$0	\$0	\$0	\$0
740 Ferry Vessel - Shipyard	\$0	\$199,485	\$0	\$211,633	\$0

**Table 5: 30-Year Income/Expense Detail (yrs 25 through 29)****24901-1**

Fiscal Year	2039	2040	2041	2042	2043
744 Ferry Vessel - Overhaul Engines	\$0	\$0	\$0	\$0	\$82,480
746 Ferry Vessel - Replace Engines	\$0	\$0	\$0	\$0	\$0
755 Ferry Vessel-Overhaul Transmissions	\$0	\$0	\$0	\$0	\$30,635
757 Ferry Vessel-Replace Transmissions	\$0	\$0	\$0	\$0	\$0
760 Ferry Vessel - Replace	\$0	\$0	\$0	\$0	\$0
<b>Professional/Special Projects</b>					
940 Legal Contingency Fund	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$69,095	\$702,402	\$39,983	\$248,698	\$209,734
Ending Reserve Balance:	\$8,594,022	\$8,687,943	\$9,469,959	\$10,072,116	\$10,742,191

## Accuracy, Limitations, and Disclosures

Washington disclosure, per RCW 64.34.382:

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.

Because we have no control over future events, we cannot claim that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect that financial institutions will provide interest earnings on funds on-deposit. We believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. The things we can control are measurements, which we attempt to establish within 5% accuracy. Your starting Reserve Balance and current Reserve interest earnings are also numbers that can be identified with a high degree of certainty. These figures have been provided to us, and were not confirmed by our independent research. Our projections assume a stable economic environment and lack of natural disasters.

Because both the physical status and financial status of the association change each year, this Reserve Study is by nature a “one-year” document. This information can and should be adjusted annually as part of the Reserve Study Update process so that more accurate estimates can be reflected in the Reserve plan. Reality often differs from even the best assumptions due to changing economic factors, physical factors, or ownership expectations. Because many years of financial preparation help the preparation for large expenses, this Report shows expenses for the next 30 years. We fully expect a number of adjustments will be necessary through the interim years to both the cost and timing of distant expense projections. It is our recommendation and that of the American Institute of Certified Public Accountants (AICPA) that your Reserve Study be updated annually.

Association Reserves, Inc., and its employees have no ownership, management, or other business relationships with the client other than this Reserve Study engagement. James D. Talaga R.S., company president, is a credentialed Reserve Specialist (#66). All work done by Association Reserves is performed under his Responsible Charge. There are no material issues to our knowledge that have not been disclosed to the client that would cause a distortion of the association’s situation.

We have relied upon the client to provide the current (or projected) Reserve Balance, the estimated net-after-tax current rate of interest earnings, and to indicate if those earnings accrue to the Reserve Fund. In addition, we have considered the association's representation of current and historical Reserve projects reliable, and we have considered the representations made by its vendors and suppliers to also be accurate and reliable.

Association Reserves developed component quantities indicated in this Report unless otherwise noted in our "Site Inspection Notes" comments. No destructive or intrusive testing was performed, nor should the site inspection be assumed to be anything other than for budget purposes.

## Terms and Definitions

<b>BTU</b>	British Thermal Unit (a standard unit of energy)
<b>DIA</b>	Diameter
<b>GSF</b>	Gross Square Feet (area)
<b>GSY</b>	Gross Square Yards (area)
<b>HP</b>	Horsepower
<b>LF</b>	Linear Feet (length)

**Effective Age:** The difference between Useful Life and Remaining Useful Life. Note that this is not necessarily equivalent to the chronological age of the component.

**Fully Funded Balance (FFB):** The Reserve Balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This benchmark balance represents the value of the deterioration of the Reserve Components. This number is calculated for each component, then summed together for an association total.

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

**Inflation:** Cost factors are adjusted for inflation at the rate defined in the Executive Summary and compounded annually. These increasing costs can be seen as you follow the recurring cycles of a component on Table 5.

**Interest:** Interest earnings on Reserve Funds are calculated using the average balance for the year (taking into account income and expenses through the year) and compounded monthly using the rate defined in the Executive Summary. Annual interest earning assumption appears in the Executive Summary, page ii.

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

**Remaining Useful Life:** The estimated time, in years, that a common area component can be expected to continue to serve its intended function.

**Useful Life:** The estimated time, in years, that a common area component can be expected to serve its intended function.