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“Full” Reserve Study



Sample Hawaii AOA Kauai, HI

Report #: 9999-0HI
For Period Beginning: January 1, 2007
Ending: December 31, 2007
Date Prepared: June 20, 2006

Hello, and welcome to your Reserve Study!

It's all very simple, really. A Reserve Study is the *art and science* of anticipating, and preparing for, major common area repair and replacement costs. With our experience in this industry, we have gathered the information necessary to make an evaluation of the current status of your Reserve Components, an evaluation of the current status of your Reserve Fund, and a recommended Reserve Funding Plan.

This 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.

While this Report has been prepared to answer all of your questions, please don't hesitate to call us if unanswered questions remain. Our toll-free number is (800) 733-1365, and answers to most frequently asked questions are on our web site (www.ReserveStudy.com). A *Quick Reference Guide* is provided on the following page, to map out your Reserve Study and provide directions to the most valuable areas. From the entire staff of Association Reserves, thank you for selecting us as your Reserve-planning partner!



Quick Reference Guide



What do I distribute to the homeowners?

A good choice is to distribute copies of the “Executive Summary” immediately following the Table of Contents (a summary page and the Reserve Component Listing).

Where do I find...

...a listing of our Reserve Components?

Table 2 shows the name, Useful Life, Remaining Useful Life, and current Replacement Cost.

...our Percent Funded rating and recommended Reserve Contribution Rate?

With our major financial summary information, in the Executive Summary (Page i)

...a description of our objectives and methodology?

Beginning on Page 1 we introduce the Reserve Study, our objectives, and methodology.

...more detailed information on our site inspection?

General site inspection notes can be found on Page 5. Photographs and specific information on each component can be found in the Photographic Inventory Appendix.

More questions?

Visit our web site at www.ReserveStudy.com



or call us at (800) 733-1365.

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# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
103 Pool/Spa Deck - Repair	6	2	\$16,125	\$17,107
110 Walkway Deck - Recoat	4	0	\$18,300	\$20,597
201 Asphalt - Resurface	24	11	\$85,375	\$118,179
202 Asphalt - Seal/Repair	8	3	\$16,300	\$17,811
304 Parking Lights - Replace	20	12	\$24,000	\$34,218
404 Pool Furniture - Replace	5	0	\$8,200	\$9,506
502 Chain Link Fence - Replace	20	15	\$12,900	\$20,098
504 Woodwork - Repair	4	0	\$21,250	\$23,917
505 Wood Railing - Repair	4	0	\$8,750	\$9,848
909 Bathroom - Refurbish	15	10	\$2,125	\$2,856
1119 Building Exterior - Seal	6	3	\$136,850	\$149,540
1202 Pool - Retile	12	7	\$19,100	\$23,491
1203 Pool/Spa Filter - Replace	15	13	\$2,100	\$3,084
1204 Spa - Retile	12	6	\$8,500	\$10,149
1208 Spa Heater - Replace	8	2	\$3,700	\$3,925
1303 Shingle Roof - Replace	30	21	\$264,500	\$492,048
1803 Fire Alarm System - Replace	12	10	\$16,250	\$21,839
17 Total Funded Components				

Note: a Useful Life of "N/A" means a one-time expense, not expected to repeat.

Reserve Project Records

Use these pages to track Reserve Projects, leading up to your next Update

#: _____	Component: _____
Date Complete: ____ / ____ / ____	Description: _____
Vendor Name: _____	Phone: (____) ____ - _____
Cost: \$ _____	
#: _____	Component: _____
Date Complete: ____ / ____ / ____	Description: _____
Vendor Name: _____	Phone: (____) ____ - _____
Cost: \$ _____	
#: _____	Component: _____
Date Complete: ____ / ____ / ____	Description: _____
Vendor Name: _____	Phone: (____) ____ - _____
Cost: \$ _____	
#: _____	Component: _____
Date Complete: ____ / ____ / ____	Description: _____
Vendor Name: _____	Phone: (____) ____ - _____
Cost: \$ _____	
#: _____	Component: _____
Date Complete: ____ / ____ / ____	Description: _____
Vendor Name: _____	Phone: (____) ____ - _____
Cost: \$ _____	



Reserve Study Notes/Reminders

Overall: _____

Component: _____

Component: _____

Component: _____

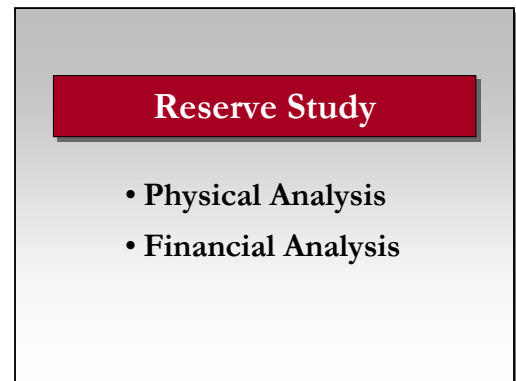
Component: _____

Component: _____

Introduction

It is all very simple, really. A Reserve Study is the art and science of anticipating and preparing for 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.

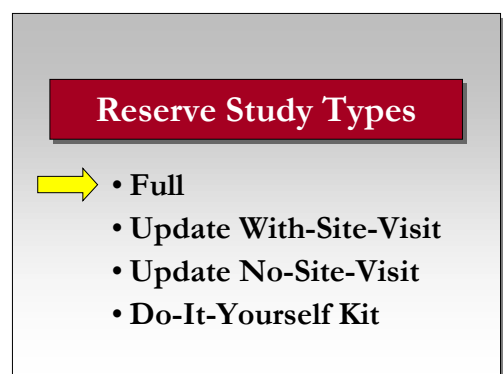
A Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis. The Physical Analysis contains the information about the current condition and repair or replacement cost of the major common area components the association is obligated to maintain. The Financial Analysis contains an evaluation of the association's Reserve balance (measured by Percent Funded) and a recommended Funding Plan to offset the anticipated Reserve expenses.



The primary responsibility of the Board of Directors is to maintain, protect, and enhance the assets of the association. As the physical assets age and deteriorate, it is important to accumulate financial assets, keeping the two "in balance". The Reserve Study is the document that helps keep the physical and financial assets of the association in balance. This Reserve Study is a budget-planning document. The primary information you will get from this document is a list of your major Reserve components, a finding of the current status (strength) of your Reserve Fund, and a recommended Funding Plan. The basic objective of the Reserve Study is to provide a plan to collect funds at a stable rate to offset the predicted irregular Reserve expenses. Setting a stable Reserve contribution rate will ensure that each owner pays their own "fair share" of the ongoing, gradual deterioration of the common areas.

Methodology

By necessity, the Physical Analysis occurs before the Financial Analysis (first we establish what the projected expenses are, then we determine the association's financial status and create a Funding Plan). For this "Full" Reserve Study, the Physical Analysis starts with a review of your Governing Documents, recent Reserve expenditures, an evaluation of how expenditures are handled (ongoing maintenance vs Reserves), and research into any well-established association precedents. We performed an on-site inspection to inventory (quantify and evaluate) your common areas, creating your Reserve Component List "from scratch". Your Reserve Component List (Table 1 or Table 2) contains a description and



quantification of individual line items, and estimates for the Useful Life, Remaining Useful Life, and current Replacement Cost of each component. The average of the Best and Worst Case cost estimates are used for all calculations throughout the Financial Analysis. With this information and an assumed inflation rate (as shown on the Executive Summary), we are able to project the array of future major expenses facing the association.

Which Physical Assets are Covered by Reserves?

Reserve expenses are the larger, infrequent expenses that require significant advance planning. Operating expenses, on the other hand, are those ongoing daily, weekly, or monthly expenses that occur and recur throughout the year. Small surprises are typically handled as maintenance contingencies, while the larger ones may be covered by insurance or require special assessments.

There is a national-standard four-part test to determine which expense items 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. We do not typically Reserve for building foundations and major infrastructure elements since they do not have limited life expectancies. Light bulbs or other small items are not listed as Reserve Components since their individual costs are insignificant. Finally, it is usually inappropriate to include unpredictable expenses such as damage due to fire, flood, or earthquake since these typically cannot be considered “reasonably predictable”.

Reserve Components

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

How are Useful Life and Remaining Useful Life established?

Useful Life is typically established by our experience with the component, adjusted by assumptions for quality, rate of wear and tear, expected normal maintenance, and weather exposure. Remaining Useful Life is established primarily by the component's current observed condition. The observed age of the component may or may not equal the “Chronological Age” of the component due to accelerated wear or low usage. For components requiring a particular expertise or components where age characteristics are not visible (elevators, chillers, security electronics, etc.), it is typical that we interview the association's service vendor to obtain a recommendation for Useful Life and Remaining Useful Life.

How are Cost Estimates Established?

The best way to obtain an accurate cost for a component is for it to be repaired or replaced, providing us with a valuable benchmark from which to make current cost estimates. In absence of “actual” costs, we regularly make comparisons to projects that were done recently at similar associations. In addition, we often contact local vendors who provide us with insights into current pricing trends. For components that require a particular expertise (major roof or roadway systems, elevators, etc.), it is our normal practice to interview your vendor who maintains that asset. In the absence of these estimating tools, we look to reliable industry cost guidebooks. A “Best Case” and “Worst Case” cost estimate is made for each component in an attempt to bracket the actual cost.

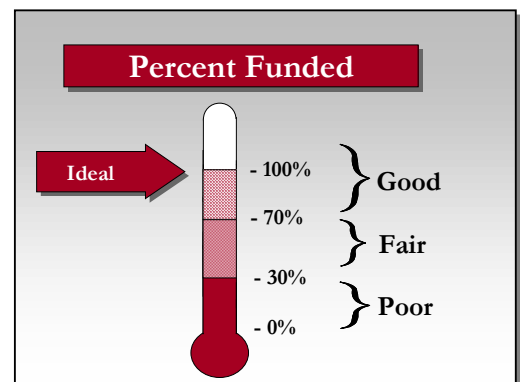
Cost Estimating Tools

- Association History
- Similar Properties
- Vendor Interviews
- Printed cost guides

How much Reserves are enough?

Your Reserve cash Balance can measure reserves, but the true measure is whether the funds are adequate for the needs of the association. Reserve Fund size is therefore measured by Percent Funded, which is the actual (or projected) Reserve Balance divided by the association’s calculated Fully Funded Balance (FFB), expressed as a percentage. Table 3 shows that the Fully Funded Balance is the current “value” of the deteriorated portion (not the total replacement value) of all the Reserve Components. To show how this works with one component, in the case of a \$10,000 component with a 10 year Useful Life, in the third year the Fully Funded Balance is three tenths of \$10,000, or \$3,000. The FFB grows as assets age, but shrinks as components are replaced. Deteriorated associations have a higher FFB than association with assets in good condition. The Fully Funded Balance changes each year, and is a predictable, but moving target.

Special assessments and deferred maintenance are common when the Percent Funded is weak (below 30%). While the 100% point is Ideal, a Reserve Fund above the 70% level should be considered “strong” because cash flow problems are rare. Measuring your Reserves by Percent Funded tells how well prepared your association is for upcoming Reserve expenses. An association with a strong Reserve Fund should experience smooth sailing financially, while an association with a weak Reserve Fund should expect cash flow problems. 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. First and foremost, our 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 indicates the association is being run on a stable financial platform, not being driven by the winds of change from year to year. For fairness, it is important to evenly distribute the contributions over the years so each owner pays their fair share of the deterioration in direct proportion to the amount of time they are owners. And finally, any Funding Plan must be based on fiscally responsible principles. Your Funding Plan was created by a process where different solutions were tested until one was found that most successfully met all four of these principles and achieved your Funding Goal.

Funding Principles


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

What is our Funding Goal?

There are different Funding Goals to strive for, ranging from conservative to risky. Establishing a goal of simply having sufficient cash for all future years is called “Baseline Funding”. The drawback is that there is little or no “margin for error”, and expenses that are higher than budgeted or projects that occur earlier than planned will often cause special assessments.

“Full Funding” is when the association has the goal of becoming Fully Funded (Reserve Cash equals the FFB). Such an objective means the association is following the simple and responsible principle that you “replace what you use up”. Believing this to be the responsible choice, our Funding Plan will direct you to Full Funding. Members of Fully Funded associations enjoy low exposure to the risk of special assessments or deferred maintenance. Strong interest earnings will minimize their Reserve contributions. Board members enjoy peace of mind that the association’s physical and financial assets are in balance, and therefore a degree of insulation from claims of fiscal irresponsibility.

Funding Goals



- Full Funding
- Threshold Funding
- Baseline Funding

Threshold Funding option is different in that the association selects a target other than 0% or 100%. This objective may be between 0% and 100% Funded, higher than 100% Funded, or a particular Reserve cash balance. Associations choosing Threshold Funding select this option to customize their risk exposure.

Site Inspection

During our site visit on May 26, 2006, we started with a brief meeting with on-site manager Ms. Keaton Howland and maintenance coordinator Mr. Steve Adkinson to discuss owner physical expectations for the association, their expectations for the Reserve Study (as they had never had a professionally prepared Reserve Study), and existing physical issues with the property. We started the site inspection therefore reviewing the walkway deck system and association woodwork, confirming that these two areas are in need of repairs at this time.

We visually inspected all three buildings, and were able to see all rooftop areas. We were not able to inspect the commercial side of the manager's office due to it being locked, but were informed that rental income from that office space was expected to offset any interior refurbish expenditures.

During the site inspection, we were informed that minor maintenance projects were accomplished or coordinated by Mr. Adkinson through the operational maintenance budget, not Reserves.

The association was largely refurbished post-Iniki, so while originally constructed in 1986 the association's common area assets are newer. Association members enjoy access rights to the tennis courts for the adjacent association, paying a nominal monthly sum for that privilege. Thus the tennis courts do not appear in this Report as they are not owned or maintained by this association.

Projected Expenses

The figure below shows the array of the projected future expenses at your association. As with all computations in this Report, the estimates in this figure are based on the average of Best and Worst Case expense projections. As you can see, expenses are projected 30 years into the future, using the Inflation rate shown in the Executive Summary. This figure clearly shows the near term and future expenses that your association will face. Note the general scatter of expenses through the years, with the “every-six years” painting visible in 2010, 2016, etc., as well as the significant re-roofing project anticipated in approximately 2028.

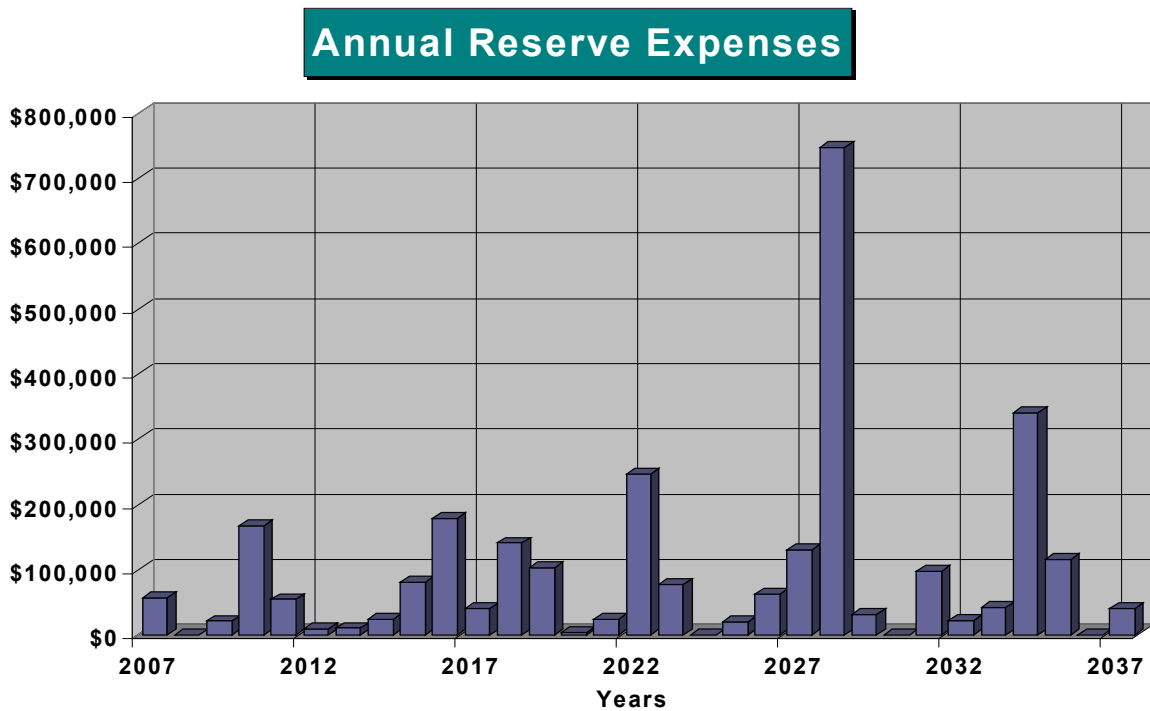


Figure 1

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 \$124,981 as-of the start of your Fiscal Year on January 1, 2007. This is based on your actual balance on 4/30/06 of \$138,218 and anticipated Reserve contributions and expenses through the end of your Fiscal Year. As of January 1, 2007, your Fully Funded Balance is computed to be \$302,962 (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 41% Funded. As indicated earlier in the Executive Summary, this represents a mid-range status.

Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we are recommending Reserve contributions of \$5,700/month this Fiscal Year. This represents the first year of a 30-year Funding Plan. To most fairly spread out the contribution burden over current and future owners in our inflationary economic environment, nominal annual increases should be expected in future years. This Reserve contribution rate was established by testing different contribution rates and balancing the four Funding Principles in an attempt to eventually achieve Full Funding. Generally, the tools we utilize are regular ongoing contributions (for stability and fairness), and special assessments (used only as a last resort). Our recommended multi-year Funding Plan is shown below. This same information is shown numerically in both Table 4 and Table 5.

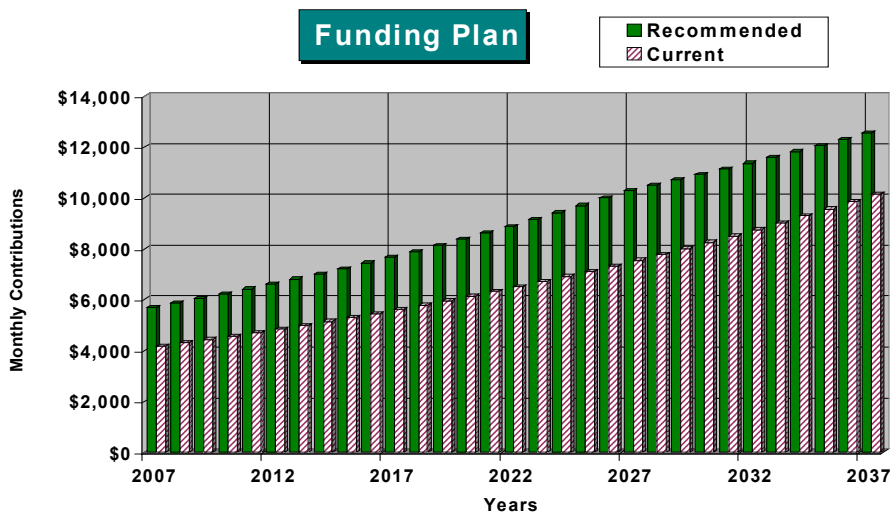


Figure 2

Your projected Reserve Balance as a result of following this Recommended multi-year Funding Plan and your Current Funding Plan is shown below, compared to your Fully Funded Balance target. This assumes the future expenses we have projected in this

Reserve Study. Note that your Reserve Fund gradually draws close to the Fully Funded Balance profile over a period of approximately 20-25 years (with no reliance on outside loans or special assessments). Note also that at your current Reserve contribution rate, your Reserves will be gradually depleted over that same timeframe. While your Reserve Balance might seem high in future years, remember that these figures are “inflated” future dollars. In addition, this Reserve Balance is necessary to prepare for expenses in following years and provide necessary “margin” for projects that will probably not occur exactly as planned.

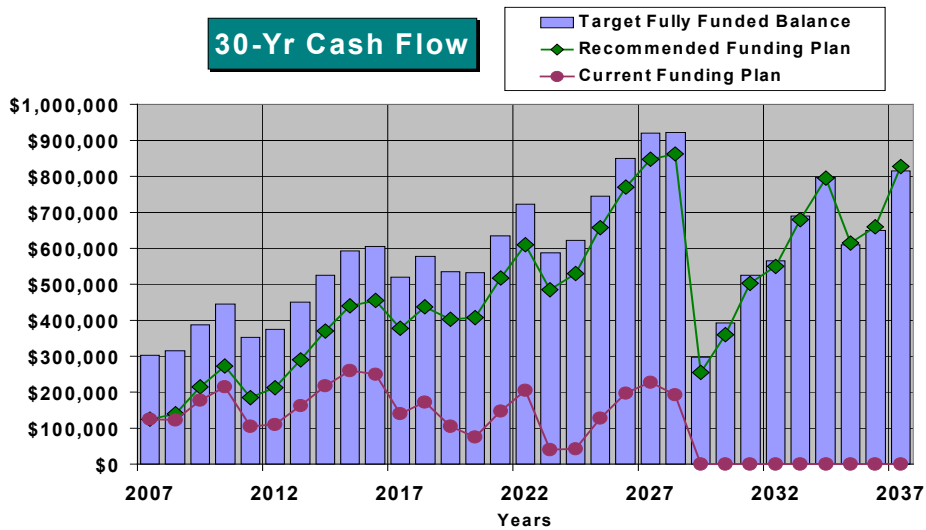


Figure 3

A simple comparison (a percentage comparison) of your Actual Reserve Balance to the moving Fully Funded Balance target is shown below. In this figure it is easy to see how your Reserve Fund gradually draws closer to the Fully Funded (100%) level.

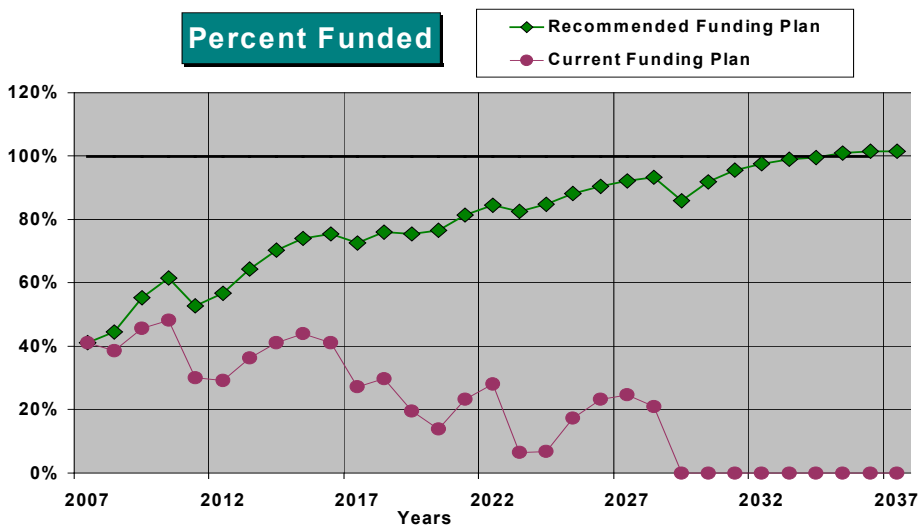


Figure 4

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 underfunded, 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**9999-0HI**

# Component	Quantity	Useful Life	Rem. Useful Life	Best Cost	Current Worst Cost
103 Pool/Spa Deck - Repair	Approx 1500 Sq Ft	6	2	\$12,000	\$20,250
110 Walkway Deck - Recoat	Approx 3850 Sq Ft	4	0	\$13,500	\$23,100
201 Asphalt - Resurface	Approx 31000 Sq Ft	24	11	\$69,750	\$101,000
202 Asphalt - Seal/Repair	Approx 31000 Sq Ft	8	3	\$14,000	\$18,600
304 Parking Lights - Replace	(12) Pole light fixtures	20	12	\$21,000	\$27,000
404 Pool Furniture - Replace	Approx (37) pieces	5	0	\$7,400	\$9,000
502 Chain Link Fence - Replace	Approx 430 Linear Feet	20	15	\$10,800	\$15,000
504 Woodwork - Repair	Various Local Areas	4	0	\$17,500	\$25,000
505 Wood Railing - Repair	Approx 775 Linear Feet	4	0	\$7,500	\$10,000
909 Bathroom - Refurbish	Standard fixtures	15	10	\$1,500	\$2,750
1119 Building Exterior - Seal	Approx 32000 Sq Ft	6	3	\$119,700	\$154,000
1202 Pool - Retile	Approx 730 SF	12	7	\$16,200	\$22,000
1203 Pool/Spa Filter - Replace	(2) Triton filters	15	13	\$1,900	\$2,300
1204 Spa - Retile	Approx 140 Sq Ft	12	6	\$6,800	\$10,200
1208 Spa Heater - Replace	(1) Raypak RD2100	8	2	\$3,200	\$4,200
1303 Shingle Roof - Replace	Approx 25500 Sq Ft	30	21	\$236,000	\$293,000
1803 Fire Alarm System - Replace	(1) Silent Knight #5204	12	10	\$12,500	\$20,000
17 Total Funded Components					

Table 3: Contribution and Fund Breakdown**9999-OHI**

# Component	Useful Life	Rem. Useful Life	Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
103 Pool/Spa Deck - Repair	6	2	\$16,125	\$10,750	\$10,750.00	\$255.89
110 Walkway Deck - Recoat	4	0	\$18,300	\$18,300	\$18,300.00	\$435.60
201 Asphalt - Resurface	24	11	\$85,375	\$46,245	\$0.00	\$338.70
202 Asphalt - Seal/Repair	8	3	\$16,300	\$10,188	\$0.00	\$194.00
304 Parking Lights - Replace	20	12	\$24,000	\$9,600	\$0.00	\$114.26
404 Pool Furniture - Replace	5	0	\$8,200	\$8,200	\$8,200.00	\$156.15
502 Chain Link Fence - Replace	20	15	\$12,900	\$3,225	\$0.00	\$61.41
504 Woodwork - Repair	4	0	\$21,250	\$21,250	\$21,250.00	\$505.82
505 Wood Railing - Repair	4	0	\$8,750	\$8,750	\$8,750.00	\$208.28
909 Bathroom - Refurbish	15	10	\$2,125	\$708	\$0.00	\$13.49
1119 Building Exterior - Seal	6	3	\$136,850	\$68,425	\$54,956.00	\$2,171.66
1202 Pool - Retile	12	7	\$19,100	\$7,958	\$0.00	\$151.55
1203 Pool/Spa Filter - Replace	15	13	\$2,100	\$280	\$0.00	\$13.33
1204 Spa - Retile	12	6	\$8,500	\$4,250	\$0.00	\$67.44
1208 Spa Heater - Replace	8	2	\$3,700	\$2,775	\$2,775.00	\$44.04
1303 Shingle Roof - Replace	30	21	\$264,500	\$79,350	\$0.00	\$839.46
1803 Fire Alarm System - Replace	12	10	\$16,250	\$2,708	\$0.00	\$128.93
17 Total Funded Components				\$302,962	\$124,981	\$5,700

Table 4: 30-Year Reserve Plan Summary**9999-0HI**

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Annual Reserve Contribs.	Special Assessments	Interest Income	Reserve Expenses
2007	\$124,981	\$302,962	41.3%	\$68,400	\$0	\$3,311	\$56,500
2008	\$140,192	\$315,518	44.4%	\$70,452	\$0	\$4,436	\$0
2009	\$215,080	\$388,495	55.4%	\$72,566	\$0	\$6,091	\$21,032
2010	\$272,704	\$443,903	61.4%	\$74,743	\$0	\$5,725	\$167,351
2011	\$185,821	\$352,228	52.8%	\$76,985	\$0	\$4,985	\$54,362
2012	\$213,429	\$376,202	56.7%	\$79,294	\$0	\$6,280	\$9,506
2013	\$289,497	\$449,180	64.5%	\$81,673	\$0	\$8,225	\$10,149
2014	\$369,246	\$525,828	70.2%	\$84,123	\$0	\$10,104	\$23,491
2015	\$439,983	\$593,244	74.2%	\$86,647	\$0	\$11,190	\$81,612
2016	\$456,208	\$605,092	75.4%	\$89,246	\$0	\$10,408	\$178,558
2017	\$377,304	\$519,785	72.6%	\$91,924	\$0	\$10,189	\$40,687
2018	\$438,730	\$576,338	76.1%	\$94,682	\$0	\$10,512	\$140,742
2019	\$403,182	\$534,018	75.5%	\$97,522	\$0	\$10,126	\$103,083
2020	\$407,747	\$531,779	76.7%	\$100,448	\$0	\$11,542	\$3,084
2021	\$516,653	\$635,108	81.3%	\$103,461	\$0	\$14,065	\$24,391
2022	\$609,789	\$722,307	84.4%	\$106,565	\$0	\$13,657	\$246,081
2023	\$483,930	\$586,580	82.5%	\$109,762	\$0	\$12,646	\$77,507
2024	\$528,830	\$623,294	84.8%	\$113,055	\$0	\$14,803	\$0
2025	\$656,688	\$743,910	88.3%	\$116,446	\$0	\$17,816	\$20,770
2026	\$770,181	\$849,809	90.6%	\$119,940	\$0	\$20,208	\$62,074
2027	\$848,255	\$919,491	92.3%	\$123,538	\$0	\$21,355	\$131,169
2028	\$861,978	\$923,339	93.4%	\$126,009	\$0	\$13,951	\$746,629
2029	\$255,309	\$296,720	86.0%	\$128,529	\$0	\$7,688	\$31,137
2030	\$360,389	\$391,701	92.0%	\$131,100	\$0	\$10,771	\$0
2031	\$502,260	\$525,147	95.6%	\$133,722	\$0	\$13,151	\$98,184
2032	\$550,948	\$565,117	97.5%	\$136,396	\$0	\$15,384	\$21,618
2033	\$681,110	\$688,909	98.9%	\$139,124	\$0	\$18,443	\$42,754
2034	\$795,922	\$798,518	99.7%	\$141,906	\$0	\$17,620	\$340,190
2035	\$615,258	\$609,046	101.0%	\$144,744	\$0	\$15,931	\$115,312
2036	\$660,622	\$649,624	101.7%	\$147,639	\$0	\$18,573	\$0

Table 5: 30-Year Reserve Plan Detail (yrs 0 through 4)**9999-OHI**

Fiscal Year	2007	2008	2009	2010	2011
Starting Reserve Balance	\$124,981	\$140,192	\$215,080	\$272,704	\$185,821
Annual Reserve Contribution	\$68,400	\$70,452	\$72,566	\$74,743	\$76,985
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$3,311	\$4,436	\$6,091	\$5,725	\$4,985
Subtotal	\$196,692	\$215,080	\$293,736	\$353,172	\$267,791
# Component					
103 Pool/Spa Deck - Repair	\$0	\$0	\$17,107	\$0	\$0
110 Walkway Deck - Recoat	\$18,300	\$0	\$0	\$0	\$20,597
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$0	\$17,811	\$0
304 Parking Lights - Replace	\$0	\$0	\$0	\$0	\$0
404 Pool Furniture - Replace	\$8,200	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0
504 Woodwork - Repair	\$21,250	\$0	\$0	\$0	\$23,917
505 Wood Railing - Repair	\$8,750	\$0	\$0	\$0	\$9,848
909 Bathroom - Refurbish	\$0	\$0	\$0	\$0	\$0
1119 Building Exterior - Seal	\$0	\$0	\$0	\$149,540	\$0
1202 Pool - Retile	\$0	\$0	\$0	\$0	\$0
1203 Pool/Spa Filter - Replace	\$0	\$0	\$0	\$0	\$0
1204 Spa - Retile	\$0	\$0	\$0	\$0	\$0
1208 Spa Heater - Replace	\$0	\$0	\$3,925	\$0	\$0
1303 Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1803 Fire Alarm System - Replace	\$0	\$0	\$0	\$0	\$0
Subtotal	\$56,500	\$0	\$21,032	\$167,351	\$54,362
Ending Reserve Balance:	\$140,192	\$215,080	\$272,704	\$185,821	\$213,429

Table 5: 30-Year Reserve Plan Detail (yrs 5 through 9) 9999-0HI

Fiscal Year	2012	2013	2014	2015	2016
Starting Reserve Balance	\$213,429	\$289,497	\$369,246	\$439,983	\$456,208
Annual Reserve Contribution	\$79,294	\$81,673	\$84,123	\$86,647	\$89,246
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$6,280	\$8,225	\$10,104	\$11,190	\$10,408
Subtotal	\$299,003	\$379,395	\$463,473	\$537,820	\$555,862
# Component					
103 Pool/Spa Deck - Repair	\$0	\$0	\$0	\$20,427	\$0
110 Walkway Deck - Recoat	\$0	\$0	\$0	\$23,182	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$0	\$0	\$0
304 Parking Lights - Replace	\$0	\$0	\$0	\$0	\$0
404 Pool Furniture - Replace	\$9,506	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0
504 Woodwork - Repair	\$0	\$0	\$0	\$26,919	\$0
505 Wood Railing - Repair	\$0	\$0	\$0	\$11,084	\$0
909 Bathroom - Refurbish	\$0	\$0	\$0	\$0	\$0
1119 Building Exterior - Seal	\$0	\$0	\$0	\$0	\$178,558
1202 Pool - Retile	\$0	\$0	\$23,491	\$0	\$0
1203 Pool/Spa Filter - Replace	\$0	\$0	\$0	\$0	\$0
1204 Spa - Retile	\$0	\$10,149	\$0	\$0	\$0
1208 Spa Heater - Replace	\$0	\$0	\$0	\$0	\$0
1303 Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1803 Fire Alarm System - Replace	\$0	\$0	\$0	\$0	\$0
Subtotal	\$9,506	\$10,149	\$23,491	\$81,612	\$178,558
Ending Reserve Balance:	\$289,497	\$369,246	\$439,983	\$456,208	\$377,304

Table 5: 30-Year Reserve Plan Detail (yrs 10 through 14) 9999-OHI

Fiscal Year	2017	2018	2019	2020	2021
Starting Reserve Balance	\$377,304	\$438,730	\$403,182	\$407,747	\$516,653
Annual Reserve Contribution	\$91,924	\$94,682	\$97,522	\$100,448	\$103,461
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$10,189	\$10,512	\$10,126	\$11,542	\$14,065
Subtotal	\$479,417	\$543,924	\$510,830	\$519,737	\$634,180
# Component					
103 Pool/Spa Deck - Repair	\$0	\$0	\$0	\$0	\$24,391
110 Walkway Deck - Recoat	\$0	\$0	\$26,091	\$0	\$0
201 Asphalt - Resurface	\$0	\$118,179	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$22,563	\$0	\$0	\$0
304 Parking Lights - Replace	\$0	\$0	\$34,218	\$0	\$0
404 Pool Furniture - Replace	\$11,020	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0
504 Woodwork - Repair	\$0	\$0	\$30,297	\$0	\$0
505 Wood Railing - Repair	\$0	\$0	\$12,475	\$0	\$0
909 Bathroom - Refurbish	\$2,856	\$0	\$0	\$0	\$0
1119 Building Exterior - Seal	\$0	\$0	\$0	\$0	\$0
1202 Pool - Retile	\$0	\$0	\$0	\$0	\$0
1203 Pool/Spa Filter - Replace	\$0	\$0	\$0	\$3,084	\$0
1204 Spa - Retile	\$0	\$0	\$0	\$0	\$0
1208 Spa Heater - Replace	\$4,972	\$0	\$0	\$0	\$0
1303 Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1803 Fire Alarm System - Replace	\$21,839	\$0	\$0	\$0	\$0
Subtotal	\$40,687	\$140,742	\$103,083	\$3,084	\$24,391
Ending Reserve Balance:	\$438,730	\$403,182	\$407,747	\$516,653	\$609,789

Table 5: 30-Year Reserve Plan Detail (yrs 15 through 19) 9999-0HI

Fiscal Year	2022	2023	2024	2025	2026
Starting Reserve Balance	\$609,789	\$483,930	\$528,830	\$656,688	\$770,181
Annual Reserve Contribution	\$106,565	\$109,762	\$113,055	\$116,446	\$119,940
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$13,657	\$12,646	\$14,803	\$17,816	\$20,208
Subtotal	\$730,011	\$606,337	\$656,688	\$790,950	\$910,329
# Component					
103 Pool/Spa Deck - Repair	\$0	\$0	\$0	\$0	\$0
110 Walkway Deck - Recoat	\$0	\$29,366	\$0	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$0	\$0	\$28,582
304 Parking Lights - Replace	\$0	\$0	\$0	\$0	\$0
404 Pool Furniture - Replace	\$12,775	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace	\$20,098	\$0	\$0	\$0	\$0
504 Woodwork - Repair	\$0	\$34,100	\$0	\$0	\$0
505 Wood Railing - Repair	\$0	\$14,041	\$0	\$0	\$0
909 Bathroom - Refurbish	\$0	\$0	\$0	\$0	\$0
1119 Building Exterior - Seal	\$213,208	\$0	\$0	\$0	\$0
1202 Pool - Retile	\$0	\$0	\$0	\$0	\$33,492
1203 Pool/Spa Filter - Replace	\$0	\$0	\$0	\$0	\$0
1204 Spa - Retile	\$0	\$0	\$0	\$14,471	\$0
1208 Spa Heater - Replace	\$0	\$0	\$0	\$6,299	\$0
1303 Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1803 Fire Alarm System - Replace	\$0	\$0	\$0	\$0	\$0
Subtotal	\$246,081	\$77,507	\$0	\$20,770	\$62,074
Ending Reserve Balance:	\$483,930	\$528,830	\$656,688	\$770,181	\$848,255

Table 5: 30-Year Reserve Plan Detail (yrs 20 through 24) 9999-OHI

Fiscal Year	2027	2028	2029	2030	2031
Starting Reserve Balance	\$848,255	\$861,978	\$255,309	\$360,389	\$502,260
Annual Reserve Contribution	\$123,538	\$126,009	\$128,529	\$131,100	\$133,722
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$21,355	\$13,951	\$7,688	\$10,771	\$13,151
Subtotal	\$993,147	\$1,001,938	\$391,526	\$502,260	\$649,132
# Component					
103 Pool/Spa Deck - Repair	\$29,124	\$0	\$0	\$0	\$0
110 Walkway Deck - Recoat	\$33,052	\$0	\$0	\$0	\$37,200
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$0	\$0	\$0
304 Parking Lights - Replace	\$0	\$0	\$0	\$0	\$0
404 Pool Furniture - Replace	\$14,810	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0
504 Woodwork - Repair	\$38,380	\$0	\$0	\$0	\$43,197
505 Wood Railing - Repair	\$15,803	\$0	\$0	\$0	\$17,787
909 Bathroom - Refurbish	\$0	\$0	\$0	\$0	\$0
1119 Building Exterior - Seal	\$0	\$254,581	\$0	\$0	\$0
1202 Pool - Retile	\$0	\$0	\$0	\$0	\$0
1203 Pool/Spa Filter - Replace	\$0	\$0	\$0	\$0	\$0
1204 Spa - Retile	\$0	\$0	\$0	\$0	\$0
1208 Spa Heater - Replace	\$0	\$0	\$0	\$0	\$0
1303 Shingle Roof - Replace	\$0	\$492,048	\$0	\$0	\$0
1803 Fire Alarm System - Replace	\$0	\$0	\$31,137	\$0	\$0
Subtotal	\$131,169	\$746,629	\$31,137	\$0	\$98,184
Ending Reserve Balance:	\$861,978	\$255,309	\$360,389	\$502,260	\$550,948

Table 5: 30-Year Reserve Plan Detail (yrs 25 through 29)**9999-0HI**

Fiscal Year	2032	2033	2034	2035	2036
Starting Reserve Balance	\$550,948	\$681,110	\$795,922	\$615,258	\$660,622
Annual Reserve Contribution	\$136,396	\$139,124	\$141,906	\$144,744	\$147,639
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$15,384	\$18,443	\$17,620	\$15,931	\$18,573
Subtotal	\$702,728	\$838,676	\$955,449	\$775,934	\$826,834
# Component					
103 Pool/Spa Deck - Repair	\$0	\$34,775	\$0	\$0	\$0
110 Walkway Deck - Recoat	\$0	\$0	\$0	\$41,869	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$36,207	\$0	\$0
304 Parking Lights - Replace	\$0	\$0	\$0	\$0	\$0
404 Pool Furniture - Replace	\$17,169	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0
504 Woodwork - Repair	\$0	\$0	\$0	\$48,618	\$0
505 Wood Railing - Repair	\$0	\$0	\$0	\$20,019	\$0
909 Bathroom - Refurbish	\$4,449	\$0	\$0	\$0	\$0
1119 Building Exterior - Seal	\$0	\$0	\$303,983	\$0	\$0
1202 Pool - Retile	\$0	\$0	\$0	\$0	\$0
1203 Pool/Spa Filter - Replace	\$0	\$0	\$0	\$4,805	\$0
1204 Spa - Retile	\$0	\$0	\$0	\$0	\$0
1208 Spa Heater - Replace	\$0	\$7,979	\$0	\$0	\$0
1303 Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1803 Fire Alarm System - Replace	\$0	\$0	\$0	\$0	\$0
Subtotal	\$21,618	\$42,754	\$340,190	\$115,312	\$0
Ending Reserve Balance:	\$681,110	\$795,922	\$615,258	\$660,622	\$826,834

Accuracy, Limitations, and Disclosures

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. Robert M. Nordlund, P.E., R.S., company president, is a California licensed Professional Engineer (Mechanical, #22322), and credentialed Reserve Specialist (#5). 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.

Component quantities indicated in this Report were developed by Association Reserves 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

BTU	British Thermal Unit (a standard unit of energy)
DIA	Diameter
GSF	Gross Square Feet (area)
GSY	Gross Square Yards (area)
HP	Horsepower
LF	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.

Photographic Inventory Appendix