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Members American Institute of  
Certified Public Accountants /  
Oregon Society of Certified Public  
Accountants*

September 27, 2010

R.P. Homeowners Association  
c/o Angela Whelan  
Whelan Community Association Management, Inc.  
PO Box 9544  
Bend Or 97708

Dear Angela,

We have been engaged by the Board of Directors of R.P. Homeowners Association to create a reserve study for the Association. Based on the Declaration and Bylaws for the Association, the reserve study has been divided into two parts, General Common Elements and Limited Common Element Townhomes. The annual assessment for 2011 is as follows:

General Common Elements	\$ 6,700 / 17 = \$32.85
<u>Townhomes</u>	<u>\$11,000 / 16 = \$57.30</u>
Total	\$17,700

General: \$32.85 per lot per month  
Townhomes: \$90.15 per lot per month

If you have any questions concerning this reserve study, please do not hesitate to call.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Dave Schwindt', is written in black ink.

Dave Schwindt

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**R. P. HOMEOWNERS ASSOCIATION**

**RESERVE STUDY**

**LEVEL III: UPDATE WITH NO VISUAL SITE INSPECTION**

**2011**

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**Rocky Point HOA**

Disclosure Information

**PART I • RESERVE STUDY**

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**R. P. Homeowners Association  
Reserve Study Update – Offsite  
Disclosure Information  
2011**

We have conducted an offsite Reserve Study update for the R. P. Homeowners Association for the year beginning January 1, 2011 in accordance with guidelines established by Community Associations Institute and the American Institute of Certified Public Accountants.

This Reserve Study is in compliance with the legislative changes made in 2007 to ORS Chapters 94 and 100.

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

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.

Assumptions used for inflation, interest and other factors are detailed in PAGE 1-2. This reserve study incorporates a provision for income taxes by reducing the net amount of interest earned.

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.

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.

**According to Section 8.7 of the Declaration, the Association shall maintain and keep all portions of the common property (including, without limitation, the lawns, irrigation systems, and other landscaping located on the common property) in good and slightly state of appearance and in first-class condition, order and repair (and free of ice and snow, with respect to all roads, walks and paths located on the Common Property)**

**According to section 8.8 of the Declaration, the Association responsibility to provide said maintenance, repair and replacement is limited to: (i) roof shingles, gutters and downspouts located on the exterior of the Townhomes and (ii) exterior siding and trim surface paint )but not glass, locks, doors, windows, or the mechanical operation of doors, garage doors or windows, or replacement of siding or trim).**

**According to Section 8.8 of the Declaration, Each Townhome Lot Owner shall, at his /her sole expense, provide all other maintenance, repair and replacement supplies, materials and services, including without limitation: (i) windows and doors (including garage doors) maintenance, paint, mechanical operation, glass repair, locks, and lock repair (ii) repair and/or replacement of siding and/or trim; (iii) mechanical, electrical, fire suppression sprinkler systems, and plumbing systems maintenance, repair and replacement; and (iv) asphalt, stone, concrete and flatwork maintenance and repair.**



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

This study does not include maintenance Plan components required by state law effective January 1, 2006. The impact of this omission to reserve assessments is not determinable at this time. Once a maintenance plan is prepared, it should be incorporated into this study.

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.

Onsite inspections should not be considered a project audit or quality inspection of Association property.

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.

Please note that the Association has elected not to have a complete building envelope inspection. The effects of not having information relating to this inspection are not known. The amounts used in this report are solely the representations of the developer.

**This reserve study is based on a reserve study completed by a different provider. Schwindt and Company takes no responsibility for the accuracy and completeness of the information in the previous study.**

The client is considered to have deemed previously developed component quantities as accurate and reliable. The current work is reliant on the validity of prior Reserve Studies.

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.

**Rocky Point HOA  
Category Detail Index**

Asset ID	Description	Replacement	Page
<b>Building Components</b>			
1013	Reserve Study - Update	2013	1-11
<b>Streets/Asphalt</b>			
1002	Asphalt - Overlay	2032	1-12
1001	Asphalt - Seal Coat	2015	1-12
<b>Fencing/Security</b>			
1011	Wood Fence - Maintenance	2013	1-14
1010	Wood Fence - Replacement	2033	1-14
<b>Equipment</b>			
1014	Fountain Pump - Replacement	2018	1-15
<b>Grounds Components</b>			
1015	Bark Refreshing	2011	1-16
1016	Entry Monument - Paint	2013	1-16
1012	Landscaping - Renewal	2023	1-16
1007	Landscaping Irrigation System - Upgrade	2023	1-17
	Total Funded Assets	10	
	Total Unfunded Assets	<u>0</u>	
	Total Assets	10	

## **R. P. Homeowners Association**

### **Property Description**

R.P. Homeowners Association consists of 6 buildings with 16 units located in Bend, Oregon. The Association shall provide exterior improvements upon each unit, such as paint, maintenance, repair and replacement of roofs, gutters, downspouts, rain drains and common areas. The individual homeowners are responsible for all maintenance and repair of the windows and doors. Siding repair and replacement is also the responsibility of the unit owners, however painting is the responsibility of the Association.

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 or levy special assessments, or it may delay repairs or replacements until funds are available.

**Rocky Point HOA**  
 Bend, OR  
**Cash Flow Method - Threshold Funding Model Summary**

Report Date	September 16, 2010
Account Number	2rocky
Budget Year Beginning	January 01, 2011
Budget Year Ending	December 31, 2011
Total Units	17

<i>Report Parameters</i>	
Inflation	2.00%
Annual Assessment Increase	3.25%
Interest Rate on Reserve Deposit	0.10%
Tax Rate on Interest	0.00%
Contingency	0.00%
2011 Beginning Balance	\$4,262.00

**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, gutters & downspouts, foundation/footings, concrete parking and driving surfaces, sanitary sewage and storm drains, telephone, cable, and Internet lines.
- This funding scenario begins with a contribution of **\$6,700** in **2011** and increases **3.25%** each year for the remaining years of the study. A minimum balance of **\$4,920** 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>AFM Model Summary of Calculations</i>	
Required Monthly Contribution	\$558.33
<i>\$32.84 per unit monthly</i>	
Average Net Monthly Interest Earned	<u>\$0.41</u>
Total Monthly Allocation to Reserves	\$558.74
<i>\$32.87 per unit monthly</i>	

**Rocky Point HOA**  
**Cash Flow Method - Threshold Funding Model Projection**

Beginning Balance: \$4,262

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves
2011	6,700	5	3,000	7,967
2012	6,918	9	3,060	11,833
2013	7,143	8	7,283	11,701
2014	7,375	13	3,184	15,905
2015	7,614	11	8,551	14,980
2016	7,862	16	3,312	19,545
2017	8,117	21	3,378	24,305
2018	8,381	19	10,338	22,366
2019	8,654	24	3,515	27,528
2020	8,935	29	3,585	32,907
2021	9,225	34	3,657	38,509
2022	9,525	34	9,823	38,245
2023	9,835	14	29,423	18,671
2024	10,154	20	3,881	24,965
2025	10,484	27	3,958	31,517
2026	10,825	33	4,038	38,338
2027	11,177	40	4,118	45,436
2028	11,540	39	12,602	44,413
2029	11,915	40	11,283	45,085
2030	12,302	47	4,370	53,064
2031	12,702	56	4,458	61,364
2032	13,115	19	49,108	25,391
2033	13,541		34,012	4,920
2034	13,981	8	4,731	14,179
2035	14,436	17	4,825	23,806
2036	14,905	19	12,961	25,769
2037	15,389	29	5,020	36,167
2038	15,889	2	43,014	9,045
2039	16,406	13	5,223	20,240
2040	16,939	24	5,328	31,876

**Rocky Point HOA**  
**Component Summary By Category**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
<b>Building Components</b>								
Reserve Study - Update	2008	2013	5	0	2	1 Total	1,500.00	<u>1,500</u>
Building Components - Total								\$1,500
<b>Streets/Asphalt</b>								
Asphalt - Seal Coat	2008	2015	7	0	4	24,500 SF	0.20	4,900
Asphalt - Overlay	2008	2032	24	0	21	24,500 SF	1.20	<u>29,400</u>
Streets/Asphalt - Total								\$34,300
<b>Fencing/Security</b>								
Wood Fence - Maintenance	2008	2013	5	0	2	500 LF	4.00	2,000
Wood Fence - Replacement	2008	2033	25	0	22	500 LF	30.00	<u>15,000</u>
Fencing/Security - Total								\$17,000
<b>Equipment</b>								
Fountain Pump - Replacement	2008	2018	10	0	7	1 Total	2,000.00	<u>2,000</u>
Equipment - Total								\$2,000
<b>Grounds Components</b>								
Bark Refreshing	2010	2011	1	0	0	1 Total	3,000.00	3,000
Entry Monument - Paint	2008	2013	5	0	2	1 Total	500.00	500
Landscaping - Renewal	2008	2023	15	0	12	1 Total	7,000.00	7,000
Landscaping Irrigation System - Upgrade	2008	2023	15	0	12	1 Total	9,200.00	<u>9,200</u>
Grounds Components - Total								\$19,700
Total Asset Summary								<u>\$74,500</u>

**Rocky Point HOA  
Component Summary By Group**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
<b>Capital</b>								
Asphalt - Overlay	2008	2032	24	0	21	24,500 SF	1.20	29,400
Fountain Pump - Replacement	2008	2018	10	0	7	1 Total	2,000.00	2,000
Landscaping - Renewal	2008	2023	15	0	12	1 Total	7,000.00	7,000
Landscaping Irrigation System - Upgrade	2008	2023	15	0	12	1 Total	9,200.00	9,200
Wood Fence - Replacement	2008	2033	25	0	22	500 LF	30.00	<u>15,000</u>
Capital - Total								<u>\$62,600</u>
<b>Non-Capital</b>								
Asphalt - Seal Coat	2008	2015	7	0	4	24,500 SF	0.20	4,900
Bark Refreshing	2010	2011	1	0	0	1 Total	3,000.00	3,000
Entry Monument - Paint	2008	2013	5	0	2	1 Total	500.00	500
Reserve Study - Update	2008	2013	5	0	2	1 Total	1,500.00	1,500
Wood Fence - Maintenance	2008	2013	5	0	2	500 LF	4.00	<u>2,000</u>
Non-Capital - Total								<u>\$11,900</u>
Total Asset Summary								<u>\$74,500</u>

**Rocky Point HOA  
Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2011</b>	
Bark Refreshing	3,000
<b>Total for 2011</b>	<u>\$3,000</u>
<b>Replacement Year 2012</b>	
Bark Refreshing	3,120
<b>Total for 2012</b>	<u>\$3,120</u>
<b>Replacement Year 2013</b>	
Bark Refreshing	3,245
Entry Monument - Paint	541
Reserve Study - Update	1,622
Wood Fence - Maintenance	2,163
<b>Total for 2013</b>	<u>\$7,571</u>
<b>Replacement Year 2014</b>	
Bark Refreshing	3,375
<b>Total for 2014</b>	<u>\$3,375</u>
<b>Replacement Year 2015</b>	
Asphalt - Seal Coat	5,732
Bark Refreshing	3,510
<b>Total for 2015</b>	<u>\$9,242</u>
<b>Replacement Year 2016</b>	
Bark Refreshing	3,650
<b>Total for 2016</b>	<u>\$3,650</u>
<b>Replacement Year 2017</b>	
Bark Refreshing	3,796
<b>Total for 2017</b>	<u>\$3,796</u>
<b>Replacement Year 2018</b>	
Bark Refreshing	3,948
Entry Monument - Paint	658
Fountain Pump - Replacement	2,632

**Rocky Point HOA  
Annual Expenditure Detail**

Description	Expenditures
<i>Replacement Year 2018 continued...</i>	
Reserve Study - Update	1,974
Wood Fence - Maintenance	2,632
<b>Total for 2018</b>	<b>\$11,843</b>
<b>Replacement Year 2019</b>	
Bark Refreshing	4,106
<b>Total for 2019</b>	<b>\$4,106</b>
<b>Replacement Year 2020</b>	
Bark Refreshing	4,270
<b>Total for 2020</b>	<b>\$4,270</b>
<b>Replacement Year 2021</b>	
Bark Refreshing	4,441
<b>Total for 2021</b>	<b>\$4,441</b>
<b>Replacement Year 2022</b>	
Asphalt - Seal Coat	7,543
Bark Refreshing	4,618
<b>Total for 2022</b>	<b>\$12,162</b>
<b>Replacement Year 2023</b>	
Bark Refreshing	4,803
Entry Monument - Paint	801
Landscaping - Renewal	11,207
Landscaping Irrigation System - Upgrade	14,729
Reserve Study - Update	2,402
Wood Fence - Maintenance	3,202
<b>Total for 2023</b>	<b>\$37,144</b>
<b>Replacement Year 2024</b>	
Bark Refreshing	4,995
<b>Total for 2024</b>	<b>\$4,995</b>
<b>Replacement Year 2025</b>	
Bark Refreshing	5,195
<b>Total for 2025</b>	<b>\$5,195</b>

**Rocky Point HOA  
Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2026</b>	
Bark Refreshing	5,403
<b>Total for 2026</b>	<u>\$5,403</u>
<b>Replacement Year 2027</b>	
Bark Refreshing	5,619
<b>Total for 2027</b>	<u>\$5,619</u>
<b>Replacement Year 2028</b>	
Bark Refreshing	5,844
Entry Monument - Paint	974
Fountain Pump - Replacement	3,896
Reserve Study - Update	2,922
Wood Fence - Maintenance	3,896
<b>Total for 2028</b>	<u>\$17,531</u>
<b>Replacement Year 2029</b>	
Asphalt - Seal Coat	9,926
Bark Refreshing	6,077
<b>Total for 2029</b>	<u>\$16,004</u>
<b>Replacement Year 2030</b>	
Bark Refreshing	6,321
<b>Total for 2030</b>	<u>\$6,321</u>
<b>Replacement Year 2031</b>	
Bark Refreshing	6,573
<b>Total for 2031</b>	<u>\$6,573</u>
<b>Replacement Year 2032</b>	
Asphalt - Overlay	66,996
Bark Refreshing	6,836
<b>Total for 2032</b>	<u>\$73,832</u>
<b>Replacement Year 2033</b>	
Bark Refreshing	7,110

**Rocky Point HOA  
Annual Expenditure Detail**

Description	Expenditures
<b><i>Replacement Year 2033 continued...</i></b>	
Entry Monument - Paint	1,185
Reserve Study - Update	3,555
Wood Fence - Maintenance	4,740
Wood Fence - Replacement	35,549
<b>Total for 2033</b>	<b><u>\$52,138</u></b>
<b>Replacement Year 2034</b>	
Bark Refreshing	7,394
<b>Total for 2034</b>	<b><u>\$7,394</u></b>
<b>Replacement Year 2035</b>	
Bark Refreshing	7,690
<b>Total for 2035</b>	<b><u>\$7,690</u></b>
<b>Replacement Year 2036</b>	
Asphalt - Seal Coat	13,063
Bark Refreshing	7,998
<b>Total for 2036</b>	<b><u>\$21,060</u></b>
<b>Replacement Year 2037</b>	
Bark Refreshing	8,317
<b>Total for 2037</b>	<b><u>\$8,317</u></b>
<b>Replacement Year 2038</b>	
Bark Refreshing	8,650
Entry Monument - Paint	1,442
Fountain Pump - Replacement	5,767
Landscaping - Renewal	20,184
Landscaping Irrigation System - Upgrade	26,527
Reserve Study - Update	4,325
Wood Fence - Maintenance	5,767
<b>Total for 2038</b>	<b><u>\$72,661</u></b>
<b>Replacement Year 2039</b>	
Bark Refreshing	8,996
<b>Total for 2039</b>	<b><u>\$8,996</u></b>

**Rocky Point HOA  
Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2040</b>	
Bark Refreshing	9,356
<b>Total for 2040</b>	<u><b>\$9,356</b></u>



**Rocky Point HOA  
Detail Report by Category**

<b>Asphalt - Overlay</b>		24,500 SF	@ \$1.20
Asset ID	1002	Asset Cost	\$29,400.00
	Capital	Percent Replacement	100%
	Streets/Asphalt	Future Cost	\$66,995.78
Placed in Service	July 2008		
Useful Life	24		
Replacement Year	2032		
Remaining Life	21		

This provision funds for the renewal of the asphalt driving and parking surfaces. Renewal of asphalt paving refers to the periodic application of a bituminous asphalt overlay that is typically applied in 1” to 2” thicknesses, depending on the individual project specifications. This overlay is known as a “wearing course” and is designed to renew the life of the pavement for another lifecycle of equal duration to the initial life expectancy of the pavement. The new surface will subsequently be maintained in the same manner as the original asphalt surface.

24,500 SF per previous reserve study.

This work should be performed by a licensed paving contractor.

All asphalt striping will need to be renewed each time an overlay is applied. The component expense includes the cost of this work as well as the overlay cost.

Schwindt and Company's useful life assumptions are based on information provided by the association. Costs are based on a per square foot estimate from Coast Pavement. The association should obtain a bid for this work.

<b>Asphalt - Seal Coat</b>		24,500 SF	@ \$0.20
Asset ID	1001	Asset Cost	\$4,900.00
	Non-Capital	Percent Replacement	100%
	Streets/Asphalt	Future Cost	\$5,732.31
Placed in Service	July 2008		
Useful Life	7		
Replacement Year	2015		
Remaining Life	4		

Maintenance of asphalt paving includes the periodic application of an asphalt emulsion sealer or "seal coat". This involves thorough cleaning of all pavement, filling of any surface cracks

**Rocky Point HOA  
Detail Report by Category**

*Asphalt - Seal Coat continued...*

and patching of any locally damaged pavement surfaces, then application of the emulsion sealer. This component funds for seal coating of the asphalt surfaces in 2015, 2022 and 2029. No seal coat will be necessary in 2036 due to the scheduled asphalt overlay procedure.

24,500 SF per previous reserve study.

All asphalt striping will need to be renewed each time that a seal coat is applied. The component expense includes the cost of this work as well as the seal coating cost.

This work should be performed by a licensed paving contractor.

Schwindt and Company's useful life assumptions are based on information provided by the association. Costs are based on a per square foot estimate from Coast Pavement. The association should obtain a bid for this work.

<b>Streets/Asphalt - Total Current Cost</b>	<b>\$34,300</b>
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**Rocky Point HOA  
Detail Report by Category**

<b>Wood Fence - Maintenance</b>		500 LF	@ \$4.00
Asset ID	1011	Asset Cost	\$2,000.00
	Non-Capital	Percent Replacement	100%
	Fencing/Security	Future Cost	\$2,163.20
Placed in Service	July 2008		
Useful Life	5		
Replacement Year	2013		
Remaining Life	2		

This provision is for the painting/staining of the wood fence.

500 LF per the previous reserve study.

Cost and useful life assumptions are based on information from the previous study.

<b>Wood Fence - Replacement</b>		500 LF	@ \$30.00
Asset ID	1010	Asset Cost	\$15,000.00
	Capital	Percent Replacement	100%
	Fencing/Security	Future Cost	\$35,548.78
Placed in Service	July 2008		
Useful Life	25		
Replacement Year	2033		
Remaining Life	22		

This provision is for the replacement of the wood fence.

500 LF per the previous reserve study.

Cost and useful life assumptions are based on information from the previous study.

**Fencing/Security - Total Current Cost                      \$17,000**



**Rocky Point HOA  
Detail Report by Category**

<b>Bark Refreshing</b>		1 Total	@ \$3,000.00
Asset ID	1015	Asset Cost	\$3,000.00
	Non-Capital	Percent Replacement	100%
	Grounds Components	Future Cost	\$3,000.00
Placed in Service	January 2010		
Useful Life	1		
Replacement Year	2011		
Remaining Life	0		

This provision is to refresh the barkdust on the property.  
Cost and useful life assumptions are based on information from the Association.

<b>Entry Monument - Paint</b>		1 Total	@ \$500.00
Asset ID	1016	Asset Cost	\$500.00
	Non-Capital	Percent Replacement	100%
	Grounds Components	Future Cost	\$540.80
Placed in Service	July 2008		
Useful Life	5		
Replacement Year	2013		
Remaining Life	2		

This provision is for the painting of the entry monument.  
Cost and useful life assumptions are based on information from the previous study.

<b>Landscaping - Renewal</b>		1 Total	@ \$7,000.00
Asset ID	1012	Asset Cost	\$7,000.00
	Capital	Percent Replacement	100%
	Grounds Components	Future Cost	\$11,207.22
Placed in Service	July 2008		
Useful Life	15		
Replacement Year	2023		
Remaining Life	12		

This provision is for the renewal of the landscaping.

**Rocky Point HOA  
Detail Report by Category**

*Landscaping - Renewal continued...*

Costs and useful life assumptions are based on information from the previous reserve study.

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.

<b>Landscaping Irrigation System - Upgrade</b>
--

		1 Total	@ \$9,200.00
Asset ID	1007	Asset Cost	\$9,200.00
	Capital	Percent Replacement	100%
	Grounds Components	Future Cost	\$14,729.50
Placed in Service	July 2008		
Useful Life	15		
Replacement Year	2023		
Remaining Life	12		

This provision is for the renewal of the irrigation system.

Costs and useful life assumptions are based on information from the previous reserve study.

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.

<b>Grounds Components - Total Current Cost</b>	<b>\$19,700</b>
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**R. P. HOMEOWNERS ASSOCIATION**

**TOWNHOMES**

**RESERVE STUDY**

**LEVEL III: UPDATE WITH NO VISUAL SITE INSPECTION**

**2011**

**Rocky Point HOA - Townhomes**  
 Bend, OR  
**Cash Flow Method - Threshold Funding Model Summary**

Report Date	September 16, 2010
Account Number	2rocky
Budget Year Beginning	January 01, 2011
Budget Year Ending	December 31, 2011
Total Units	16

<i>Report Parameters</i>	
Inflation	2.00%
Annual Assessment Increase	3.25%
Interest Rate on Reserve Deposit	0.10%
Tax Rate on Interest	0.00%
Contingency	0.00%
2011 Beginning Balance	\$3,934.00

**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, gutters & downspouts, foundation/footings, concrete parking and driving surfaces, sanitary sewage and storm drains, telephone, cable, and Internet lines.
- This funding scenario begins with a contribution of **\$11,000** in **2011** and increases **3.25%** each year for the remaining years of the study. A minimum balance of **\$448** 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>AFM Model Summary of Calculations</i>	
Required Monthly Contribution	\$916.67
<i>\$57.29 per unit monthly</i>	
Average Net Monthly Interest Earned	<u>\$0.82</u>
Total Monthly Allocation to Reserves	\$917.49
<i>\$57.34 per unit monthly</i>	

**Rocky Point HOA - Townhomes**  
**Cash Flow Method - Threshold Funding Model Projection**

Beginning Balance: \$3,934

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves
2011	11,000	10		14,944
2012	11,357	20	918	25,404
2013	11,727	25	6,367	30,788
2014	12,108		42,448	448
2015	12,501	7		12,956
2016	12,908	19	994	24,889
2017	13,327	32		38,248
2018	13,760	39	7,030	45,017
2019	14,207	6	46,866	12,364
2020	14,669	19	1,076	25,977
2021	15,146	34		41,157
2022	15,638	50		56,844
2023	16,146	58	7,762	65,287
2024	16,671	21	52,909	29,071
2025	17,213	38		46,322
2026	17,772	56		64,150
2027	18,350	74		82,574
2028	18,946	83	9,830	91,774
2029	19,562	45	57,130	54,252
2030	20,198	65		74,515
2031	20,854	86		95,455
2032	21,532	106	1,364	115,728
2033	22,232	118	9,461	128,617
2034	22,954	78	63,076	88,573
2035	23,700	101		112,375
2036	24,471	124	1,477	135,493
2037	25,266	149		160,908
2038	26,087	94	81,393	105,696
2039	26,935	51	69,641	63,041
2040	27,810	77	1,598	89,329

**Rocky Point HOA - Townhomes  
Component Summary By Category**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
<b>Roofing</b>								
Roof - Maintenance	2008	2013	5	0	2	51,000 SF	0.12	6,120
Roof - Restoration	2008	2038	30	0	27	51,000 SF	0.74	<u>37,740</u>
Roofing - Total								<u>\$43,860</u>
<b>Siding</b>								
Exterior Siding - Renewal	<i>unfunded</i>							
<b>Painting</b>								
Exterior Siding, Garage Doors, Front Door..	2008	2014	5	1	3	32,000 SF	1.25	<u>40,000</u>
Painting - Total								<u>\$40,000</u>
<b>Gutters and Downspouts</b>								
Gutters and Downspouts - Renewal	2008	2038	30	0	27	637 LF	6.00	<u>3,825</u>
Gutters and Downspouts - Total								<u>\$3,825</u>
<b>Decks and Railings</b>								
Decks - Renewal	<i>unfunded</i>							
<b>Grounds Components</b>								
Driveways - Resealed	2008	2012	4	0	1	1 Total	900.00	<u>900</u>
Grounds Components - Total								<u>\$900</u>
Total Asset Summary								<u>\$88,585</u>

**Rocky Point HOA - Townhomes  
Component Summary By Group**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
<b>Capital</b>								
Decks - Renewal		<i>unfunded</i>						
Exterior Siding - Renewal		<i>unfunded</i>						
Gutters and Downspouts - Renewal	2008	2038	30	0	27	637 LF	6.00	<u>3,825</u>
Capital - Total								<u>\$3,825</u>
<b>Non-Capital</b>								
Driveways - Resealed	2008	2012	4	0	1	1 Total	900.00	900
Exterior Siding, Garage Doors, Front Door..	2008	2014	5	1	3	32,000 SF	1.25	40,000
Roof - Maintenance	2008	2013	5	0	2	51,000 SF	0.12	6,120
Roof - Restoration	2008	2038	30	0	27	51,000 SF	0.74	<u>37,740</u>
Non-Capital - Total								<u>\$84,760</u>
Total Asset Summary								<u>\$88,585</u>

**Rocky Point HOA - Townhomes  
Annual Expenditure Detail**

Description	Expenditures
<i>No Replacement in 2011</i>	
<b>Replacement Year 2012</b>	
Driveways - Resealed	936
<b>Total for 2012</b>	<u>\$936</u>
<b>Replacement Year 2013</b>	
Roof - Maintenance	6,619
<b>Total for 2013</b>	<u>\$6,619</u>
<b>Replacement Year 2014</b>	
Exterior Siding, Garage Doors, Front Doors - Paint	44,995
<b>Total for 2014</b>	<u>\$44,995</u>
<i>No Replacement in 2015</i>	
<b>Replacement Year 2016</b>	
Driveways - Resealed	1,095
<b>Total for 2016</b>	<u>\$1,095</u>
<i>No Replacement in 2017</i>	
<b>Replacement Year 2018</b>	
Roof - Maintenance	8,054
<b>Total for 2018</b>	<u>\$8,054</u>
<b>Replacement Year 2019</b>	
Exterior Siding, Garage Doors, Front Doors - Paint	54,743
<b>Total for 2019</b>	<u>\$54,743</u>
<b>Replacement Year 2020</b>	
Driveways - Resealed	1,281
<b>Total for 2020</b>	<u>\$1,281</u>
<i>No Replacement in 2021</i>	
<i>No Replacement in 2022</i>	

**Rocky Point HOA - Townhomes  
Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2023</b>	
Roof - Maintenance	9,798
<b>Total for 2023</b>	<u><b>\$9,798</b></u>
<b>Replacement Year 2024</b>	
Driveways - Resealed	1,499
Exterior Siding, Garage Doors, Front Doors - Paint	66,603
<b>Total for 2024</b>	<u><b>\$68,102</b></u>
<i>No Replacement in 2025</i>	
<i>No Replacement in 2026</i>	
<i>No Replacement in 2027</i>	
<b>Replacement Year 2028</b>	
Driveways - Resealed	1,753
Roof - Maintenance	11,921
<b>Total for 2028</b>	<u><b>\$13,674</b></u>
<b>Replacement Year 2029</b>	
Exterior Siding, Garage Doors, Front Doors - Paint	81,033
<b>Total for 2029</b>	<u><b>\$81,033</b></u>
<i>No Replacement in 2030</i>	
<i>No Replacement in 2031</i>	
<b>Replacement Year 2032</b>	
Driveways - Resealed	2,051
<b>Total for 2032</b>	<u><b>\$2,051</b></u>
<b>Replacement Year 2033</b>	
Roof - Maintenance	14,504
<b>Total for 2033</b>	<u><b>\$14,504</b></u>
<b>Replacement Year 2034</b>	
Exterior Siding, Garage Doors, Front Doors - Paint	98,589
<b>Total for 2034</b>	<u><b>\$98,589</b></u>

**Rocky Point HOA - Townhomes  
Annual Expenditure Detail**

Description	Expenditures
<i>No Replacement in 2035</i>	
<b>Replacement Year 2036</b>	
Driveways - Resealed	2,399
<b>Total for 2036</b>	<b><u>\$2,399</u></b>
<i>No Replacement in 2037</i>	
<b>Replacement Year 2038</b>	
Gutters and Downspouts - Renewal	11,029
Roof - Maintenance	17,646
Roof - Restoration	108,818
<b>Total for 2038</b>	<b><u>\$137,493</u></b>
<b>Replacement Year 2039</b>	
Exterior Siding, Garage Doors, Front Doors - Paint	119,948
<b>Total for 2039</b>	<b><u>\$119,948</u></b>
<b>Replacement Year 2040</b>	
Driveways - Resealed	2,807
<b>Total for 2040</b>	<b><u>\$2,807</u></b>

**Rocky Point HOA - Townhomes  
Detail Report by Category**

<b>Roof - Maintenance</b>		51,000 SF	@ \$0.12
Asset ID	1003	Asset Cost	\$6,120.00
	Non-Capital	Percent Replacement	100%
	Roofing	Future Cost	\$6,619.39
Placed in Service	July 2008		
Useful Life	5		
Replacement Year	2013		
Remaining Life	2		

This provision is for the maintenance of the tile roofs.  
Schwindt and Company estimate 51,000 SF.  
Cost and useful life assumptions are based on information from the previous study.

<b>Roof - Restoration</b>		51,000 SF	@ \$0.74
Asset ID	1004	Asset Cost	\$37,740.00
	Non-Capital	Percent Replacement	100%
	Roofing	Future Cost	\$108,818.33
Placed in Service	July 2008		
Useful Life	30		
Replacement Year	2038		
Remaining Life	27		

This provision is for the repair and restoration of the tile roofs.  
Schwindt and Company estimate 51,000 SF.  
Cost and useful life assumptions are based on information from the previous study.

**Roofing - Total Current Cost                      \$43,860**

**Rocky Point HOA - Townhomes  
Detail Report by Category**

<b>Exterior Siding - Renewal</b>		32,000 SF	@ \$1.25
Asset ID	1006	Asset Cost	\$8,000.00
	Capital Siding	Percent Replacement	20%
Placed in Service	July 2008	Future Cost	\$23,066.95
Useful Life	30		
Replacement Year	2038		
Remaining Life	27		

*According to 8.8 of the Declaration, this is the responsibility of the lot owner, therefore this component is unfunded.*

This provision funds for a partial replacement of the siding and trim.

Since the expected useful life of a siding installation is greater than 30 years, this provision only funds for the replacement of any damaged portions of the exterior siding, which generally amounts to 10-20% of the total area.

Schwindt and Company estimate 32,000 SF.

Schwindt & Company's assumptions for the cost and useful life of this component are based on the estimates provided by AE Associates, Inc. and accepted industry estimates as established by RS Means and/or The National Construction Estimator.

**Siding - Total Current Cost** **\$0**

**Rocky Point HOA - Townhomes  
Detail Report by Category**

**Exterior Siding, Garage Doors, Front Doors - Paint**

		32,000 SF	@ \$1.25
Asset ID	1005	Asset Cost	\$40,000.00
	Non-Capital	Percent Replacement	100%
	Painting	Future Cost	\$44,994.56
Placed in Service	July 2008		
Useful Life	5		
Adjustment	1		
Replacement Year	2014		
Remaining Life	3		

This provision funds the periodic painting and sealing of the exterior siding and related building components every 5 years. This will include painting all exterior trim, garage doors, and front doors and exposed wood sections.

**According to Section 8.8 of the Declaration, the garage door and front door maintenance is the responsibility of the unit owner. However, the Association is considering amending their Declaration, therefore the Association has elected to included funding of the painting in the reserve study.**

Schwindt and Company estimate 32,000 SF.

Schwindt & Co. recommends that a qualified painting contractor be retained perform this work which should include renewal of all exterior caulking and sealants.

Schwindt & Company's useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. Cost estimate based on a general painting quote provided by Verhaalen Painting.

<b>Painting - Total Current Cost</b>	<b>\$40,000</b>
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**Rocky Point HOA - Townhomes  
Detail Report by Category**

<b>Gutters and Downspouts - Renewal</b>		2,550 LF	@ \$6.00
Asset ID	1008	Asset Cost	\$3,825.00
Capital		Percent Replacement	25%
Gutters and Downspouts		Future Cost	\$11,028.88
Placed in Service	July 2008		
Useful Life	30		
Replacement Year	2038		
Remaining Life	27		

This component provides funding for the replacement of 25% of the gutters and downspouts at the same time that the roofing is replaced. 25% funding is based on the expectation that some portion of the gutter system is likely to be in acceptable enough condition that it may not require replacement. This is particularly true of the downspouts.

Schwindt and Company estimate 2,550 LF.

It is recommended that the gutters be replaced at the time the roofing is replaced to ensure a high quality, water-tight transition between the roof edge and the gutters.

All ongoing expenses for cleaning, maintenance and minor repairs should be included in the annual operating budget for the association.

Schwindt & Company’s useful life assumptions are based on accepted industry estimates as established by RS Means and/or The National Construction Estimator. The cost for this component is based on an estimate obtained from Great Northwest Gutters, a local service provider.

**Gutters and Downspouts - Total Current Cost** **\$3,825**





# 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 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 summed together for an association total. Two formulae 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 per-cent 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.”

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

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, 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. “Our budget and finance committee is soliciting proposals to update our Reserve Study for next year’s budget.”

**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:

1. The regular and continuous absence from principal office premises from which professional services are rendered; expect for performance of field work or presence in a field office maintained exclusively for a specific project;
2. The failure to personally inspect or review the work of subordinates where necessary and appropriate;
3. The rendering of a limited, cursory or perfunctory review of plans or projects in lieu of an appropriate detailed review;
4. 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.  
See "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.