RICHARD AVELAR & ASSOCIATES

ARCHITECTS

Reserve Study Transmittal Letter

Date: September 23, 2015
To: John Linkletter, Sand Dollar Beach - Homeowner
From: Richard Avelar & Associates (RA&A)

Re: Sand Dollar Beach - Homeowner; Update w/ Site Visit Review

Attached, please find the reserve study for Sand Dollar Beach - Homeowner. To assist in your understanding of the study, and to highlight key information you may need quickly, we have listed below some of the important information contained in the study. At RA&A our goal is to bring clarity from complexity, so should you have any questions, please do not hesitate to contact us anytime.

1. Where do I find the recommended reserve contribution for next year's budget?

   This is found in *Section III, "30 Year Reserve Funding Plan, Cash Flow Method."* **$38,424** is the annual amount. Directly under the annual amount is the amount per ownership interest, per month, or other period, as applicable. **$36.80 /Unit/month @ 87.** For any other funding related issues, if any, see *Section III, "30 Year Reserve Funding Plan, Cash Flow Method."*

2. Where do I find the status of the reserve fund, based on the Percent Funded calculation?

   This is found for the 30-year term of the study in *Section IV, "30 Year Reserve Funding Plan, Including Fully Funded Balance and % Funded."* For the year for which the study was prepared, 2016, the Association is **102.3%** funded.

   Based on the 30 year cash flow projection, the Association's reserves appear adequately funded as the reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years.

   California statute imposes no reserve funding level requirements nor does it address funding level adequacy, and although one or more of the reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

3. Where do I find the assumptions for interest and inflation factors?

   While this information is in various places in the study, it can always be found in *Section III, "30 Year Reserve Funding Plan, Cash Flow Method."* For this study the assumption is **1.00%** for the interest rate and **2.50%** for the inflation factor. Please be advised these rates estimate the values that will stand the test of time over the 30-year term of the study, not simply only next year.

4. What pages from the reserve study get mailed to the members (homeowners)?

   Please see the last section of the reserve study, "Member Distribution Materials." These are the last six pages (or more) of the study which can be removed, and copied, for distribution to the membership with the budget packet. This packet includes all state mandated disclosures related to the reserves and the reserve study. **This section of the study is a stand-alone packet with it's own cover and table of contents.**

5. What are the next steps?

   This study meets the CA Civil Code Requirements for a site visit study every three years. The next site visit study will be due in three years. For the intervening two years, RA&A proposes doing an Update Without Site Visit Study during the next two years at a nominal cost which will include the preparation of a reserve study and required disclosures including the “California Assessment and Reserve Funding Disclosure Summary,” which under law, must be presented to the association members each year.

Please read the two helpful sections entitled “Glossary” and “Notes to the Auditor.” The glossary explains common reserve study terms as well as RA&A specific terminology. The Notes to the Auditor while intended to assist the auditor, has useful information for the casual reader on how year zero, (2015) the current fiscal year is dealt with in the study.

Thank you for the opportunity to work with the Sand Dollar Beach - Homeowner on this study.

RESERVE STUDY

Update w/ Site Visit Review

Sand Dollar Beach - Homeowner

Draft_For Review Purposes Only
Published - September 23, 2015
Prepared for the 2016 Fiscal Year

Richard Avelar & Associates

318 Harrison St., #103 / Oakland, CA 94607
Office (510) 893-5501   Fax (510) 893-5874
Thess@Ravelar / www.Ravelar.com

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Sand Dollar Beach - Homeowner

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A R C H I T E C T S

Sand Dollar Beach - Homeowner

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Homeowner Distribution Materials

The following Reserve Study sections should be provided to each Homeowner.

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Sand Dollar Beach - Homeowner

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Reserve Study Summary

A Reserve Study was conducted of Sand Dollar Beach - Homeowner (the "**Association**"). An **Update With Site-Visit Review** is a reserve study update in which the following tasks are performed:

- development of a reserve component inventory (verification only, not quantification);
- condition assessment based upon on-site visual observation;
- life and valuation estimates;
- fund status;
- and a funding plan.

Sand Dollar Beach - Homeowner is a Planned Development with a total of 87 Units.

Physical Inspection

Richard Avelar & Associates ("**RA&A**") conducted a physical inspection of the Association. The inspection encompassed those major components that the Association is required to maintain. For this study components are determined to be major components if:

1. As of the date of the study, they have a remaining useful life of less than 30 years, and a value greater than $1,000.
2. Such additional components, if any, determined by the Board of Directors.

During the inspection, RA&A utilized the services of our own construction cost estimator. In addition, independent contractors were retained to render opinions on selected components as indicated in *Section VI, Included Component Listing.*

Supplemental information to the physical inspection may have been obtained from the following sources:

1. Project plans where available.
2. Maintenance records of the reserve components where available.
3. Association board members, management and staff.

Summary of Reserves

For the first year of the Reserve Study, the reserve contribution is based upon the existing budget unless otherwise noted in *"Section III, Reserve Funding Plan."* In addition RA&A relied on the Association to provide an accurate Beginning Reserve Balance.

318 Harrison St., #103 / Oakland, CA 94607
Office (510) 893-5501 Fax (510) 893-5874
Thess@Ravelar / www.Ravelar.com

The status of the Association's reserves, as reflected in the following Reserve Study, is as follows:

1. **The Expenditure Forecast of the following Reserve Study identifies the major components which the Association is obligated to repair, replace, restore or maintain, as determined in accordance with the criteria specified above, and specifies for each such component:**
   a. **Its current estimated replacement cost;**
   b. **Its estimated useful life; and**
   c. **Its estimated remaining useful life.**
2. **It is estimated that the total cash reserves necessary to repair, replace, restore or maintain such major components (in the aggregate) during and at the end of their first remaining useful life is $272,771.**
   - **[For purposes of this calculation, "necessary" is defined as the Fully Funded Balance (FFB) (Component Current Cost X Effective Age / Useful Life, including a provision for interest and inflation in future years.)]**
3. **The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain such major components as of the fiscal year ending December 31, 2016 is estimated to be $279,059, constituting 102.3% of the total expenditures anticipated for all such major components through their first end of useful life replacement.**
4. **Based upon the schedule of annual reserve contributions necessary to defray the cost of repairing, replacing, restoring or maintaining such major components in the years such expenditures are estimated to be required, it is estimated that annual reserve contributions in the initial amount of $38,424 *[$36.80 per Unit per month (average)]* for the fiscal year ending December 31, 2016 (the first full fiscal year following first distribution of this report) will be necessary in order to meet all such reserve expenditures when they are projected to come due.**

Funding Assessment

Based on the 30 year cash flow projection, the Association's reserves appear adequately funded as the reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years.

California statute imposes no reserve funding level requirements nor does it address funding level adequacy, and although one or more of the reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

Percent Funded Status

Based on paragraphs 1 - 3 above, the Association is 102.3% funded. The following scale can be used as a measure to determine the Association's financial picture whereas the lower the percentage, the higher the likelihood of the Association requiring a special assessment, or other large increases to the reserve contribution in the future.

Methodology

The above recommended reserve contribution for the next fiscal year (and future fiscal years as outlined in *Section III, Reserve Fund Balance Forecast)* was developed using the cash flow method. This is a method of developing a reserve funding plan where the 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.

Funding Goals

The funding goal employed for Sand Dollar Beach - Homeowner is

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."

Limitations

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

Statutory Disclosures

Compliance

The Reserve Study was conducted pursuant to *Sections 5300 and 5520* of the California Civil Code.

Open Meeting

California *Civil Code Section 5500* says (in part):

The (Reserve Funding) plan shall be adopted by the board of directors at an open meeting before the membership of the association as described in *Section 4900*. If the board of directors determines that an assessment increase is necessary to fund the reserve funding plan, any increase shall be approved in a separate action of the board that is consistent with the procedure described in *Section 5600*.

Supplemental Disclosures

General:

RA&A has no other involvement(s) with the Association which could result in actual or perceived conflicts of interest.

Personnel Credentials:

RA&A is an Architectural Firm and a licensed general building contractor in California. Ken Kosloff, PRA, RS, Principal, holds the Professional Reserve Analyst designation from The Association of Reserve Analysts along with the Reserve Specialist designation from the Community Associations Institute.

Completeness:

RA&A has found no material issues which, if not disclosed, would cause a distortion of the Association's situation.

Reliance on Client Data:

Information provided by the official representative of the Association regarding financial, physical, quantity, or historical issues will be deemed reliable by RA&A.

Scope:

This Reserve Study is a reflection of information provided to RA&A and assembled for the Association's use, not for the purpose of performing an audit, quality/forensic analysis, health and safety inspection, or background checks of historical records.

Reserve Balance:

The actual beginning reserve fund balance in this Reserve Study is based upon information provided and was not audited.

Reserve Projects:

Information provided about reserve projects will be considered reliable. Any on-site inspection should not be considered a project audit, quality inspection, or health and safety review.

Component Quantities:

The Association warrants the previously developed component quantities are accurate and reliable.

Richard Avelar & Associates

30 Year Expense Forecast - Detailed

Draft_For Review Purposes Only
Prepared for the 2016 Fiscal Year

Reserve Component	*Current Replacement Cost*	*Life Useful /*	*Remaining*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*	*2026*	*2027*	*2028*	*2029*
00110 - Mechanical Equipment - Security System																		
100 - Entry Access System w/keyless operator	12,142	20	0	12,142														
Total 00110 - Mechanical Equipment - Security System	12,142			12,142														
01000 - Paving																		
100 - Asphalt: Seal Coat 34,000 Sq. Ft. Roads- Sand Dollar Ln & Shoreline	1,437	5	1		1,473					1,667					1,886			
200 - Asphalt: Repairs: Cut & Patch 3,400 Sq. Ft. roads- Sand Dollar Ln & Shoreline	16,513	5	1		16,926					19,150					21,667			
311 - Asphalt: Resurface 5,490 Sq. Ft. Linda Vista	33,330	25	1		34,163													
762 - Pathways Upper Pathways Repair Fund	4,371	5	1		4,480					5,069					5,735			
763 - Pathways Upper Pathways Seal Coat	1,104	5	1		1,131					1,280					1,448			
764 - Pathways Lower Pathways Repair Fund	17,545	5	1		17,984					20,347					23,021			
765 - Pathways Lower Pathways Seal Coat	4,388	5	1		4,497					5,088					5,757			
Total 01000 - Paving	78,688				80,655					52,601					59,514			
01500 - Siding/Trim (Repair/Replace)																		
190 - Gazebo (Wood) Lower Pathway	2,692	20	14															3,804
Total 01500 - Siding/Trim (Repair/Replace)	2,692																	3,804
02500 - Landings/Stairs/Railings																		
001 - Stair Structure North Stairway	56,294	25	10											72,062				
002 - Stair Structure South Stairway	56,294	25	8									68,589						
100 - Stair Treads Treads & Handrails Repair Fund	4,500	1	0	4,500	4,613	4,728	4,846	4,967	5,091	5,219	5,349	5,483	5,620	5,760	5,904	6,052	6,203	6,358
Total 02500 - Landings/Stairs/Railings	117,089			4,500	4,613	4,728	4,846	4,967	5,091	5,219	5,349	74,072	5,620	77,822	5,904	6,052	6,203	6,358
18000 - Landscaping																		
420 - General Repairs/Upgrades Annual Upgrade/Maintenance Fund	276	1	0	276	283	290	297	305	312	320	328	336	345	353	362	371	380	390
500 - Tree Maintenance Pruning/Maintenance	2,692	3	1		2,760			2,972			3,200			3,446			3,711	
920 - Miscellaneous Entrance Upgrade	10,000	30	0	10,000														
Total 18000 - Landscaping	12,968			10,276	3,042	290	297	3,276	312	320	3,528	336	345	3,800	362	371	4,092	390

Reserve Component	*Current Replacement Cost*	*Life Useful /*	*Remaining*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*	*2026*	*2027*	*2028*	*2029*
19000 - Fencing (Repair/Replace)																		
300 - Wood 45 Lin. Ft. Area "F"	2,181	15	13														3,006	
990 - Miscellaneous Maintenance Yard	10,486	20	16															
Total 19000 - Fencing (Repair/Replace)	12,667																3,006	
19500 - Retaining Wall																		
101 - Wood North Stairway	13,246	35	15															
102 - Wood Area C repair fund	2,000	1	0	2,000	2,050	2,101	2,154	2,208	2,263	2,319	2,377	2,437	2,498	2,560	2,624	2,690	2,757	2,826
Total 19500 - Retaining Wall	15,246			2,000	2,050	2,101	2,154	2,208	2,263	2,319	2,377	2,437	2,498	2,560	2,624	2,690	2,757	2,826
21000 - Signage																		
104 - Entrance Signage Repair/Upgrade	5,519	10	3				5,943										7,608	
Total 21000 - Signage	5,519						5,943										7,608	
23000 - Misc. Mechanical Equipment																		
900 - Sewer System Generator Housing (Stainless Steel)	5,519	5	1		5,657					6,400					7,241			
901 - Sewer System Generator	55,191	20	15															
902 - Sewer System 4 Sewer Pumps	6,623	10	6							7,681								
903 - Sewer System 833 Lin. Ft. Pipe Replacement	133,324	40	35															
904 - Sewer System Sewer Tank Re-lining	33,114	30	26															
905 - Sewer System Drainage Pump (Area B)	7,727	20	16															
Total 23000 - Misc. Mechanical Equipment	241,498				5,657					14,081					7,241			
30000 - Miscellaneous																		
006 - Sea Wall 30 Lin. Ft. HOA Responsibility	22,352	30	10											28,613				
210 - Storage Shed Maintenance Yard	16,153	30	2			16,971												
Total 30000 - Miscellaneous	38,506					16,971								28,613				
Total Expenditures Inflated @ 2.50%				28,918	96,017	24,090	13,240	10,451	7,666	74,540	11,255	76,845	8,462	112,794	75,646	9,113	23,666	13,378
Total Current Replacement Cost	537,014																	

Reserve Component	*2030*	*2031*	*2032*	*2033*	*2034*	*2035*	*2036*	*2037*	*2038*	*2039*	*2040*	*2041*	*2042*	*2043*	*2044*
00110 - Mechanical Equipment - Security System															
100 - Entry Access System w/keyless operator						19,896									
Total 00110 - Mechanical Equipment - Security System						19,896									
01000 - Paving															
100 - Asphalt: Seal Coat 34,000 Sq. Ft. Roads- Sand Dollar Ln & Shoreline		2,134					2,414					2,731			
200 - Asphalt: Repairs: Cut & Patch 3,400 Sq. Ft. roads- Sand Dollar Ln & Shoreline		24,514					27,735					31,380			
311 - Asphalt: Resurface 5,490 Sq. Ft. Linda Vista												63,336			
762 - Pathways Upper Pathways Repair Fund		6,489					7,342					8,306			
763 - Pathways Upper Pathways Seal Coat		1,639					1,854					2,098			
764 - Pathways Lower Pathways Repair Fund		26,046					29,468					33,341			
765 - Pathways Lower Pathways Seal Coat		6,513					7,369					8,338			
Total 01000 - Paving		67,334					76,183					149,530			
01500 - Siding/Trim (Repair/Replace)															
190 - Gazebo (Wood) Lower Pathway															
Total 01500 - Siding/Trim (Repair/Replace)															
02500 - Landings/Stairs/Railings															
001 - Stair Structure North Stairway															
002 - Stair Structure South Stairway															
100 - Stair Treads Treads & Handrails Repair Fund	6,517	6,680	6,847	7,018	7,194	7,374	7,558	7,747	7,941	8,139	8,343	8,551	8,765	8,984	9,209
Total 02500 - Landings/Stairs/Railings	6,517	6,680	6,847	7,018	7,194	7,374	7,558	7,747	7,941	8,139	8,343	8,551	8,765	8,984	9,209
18000 - Landscaping															
420 - General Repairs/Upgrades Annual Upgrade/Maintenance Fund	400	410	420	430	441	452	463	475	487	499	512	524	538	551	565
500 - Tree Maintenance Pruning/Maintenance		3,997			4,304			4,635			4,991			5,375	
920 - Miscellaneous Entrance Upgrade															
Total 18000 - Landscaping	400	4,406	420	430	4,745	452	463	5,110	487	499	5,503	524	538	5,926	565
19000 - Fencing (Repair/Replace)															
300 - Wood 45 Lin. Ft. Area "F"														4,354	
990 - Miscellaneous Maintenance Yard		15,567													
Total 19000 - Fencing (Repair/Replace)		15,567												4,354	

Reserve Component	*2030*	*2031*	*2032*	*2033*	*2034*	*2035*	*2036*	*2037*	*2038*	*2039*	*2040*	*2041*	*2042*	*2043*	*2044*
19500 - Retaining Wall															
101 - Wood North Stairway	19,184														
102 - Wood Area C repair fund	2,897	2,969	3,043	3,119	3,197	3,277	3,359	3,443	3,529	3,617	3,708	3,801	3,896	3,993	4,093
Total 19500 - Retaining Wall	22,080	2,969	3,043	3,119	3,197	3,277	3,359	3,443	3,529	3,617	3,708	3,801	3,896	3,993	4,093
21000 - Signage															
104 - Entrance Signage Repair/Upgrade									9,739						
Total 21000 - Signage									9,739						
23000 - Misc. Mechanical Equipment															
900 - Sewer System Generator Housing (Stainless Steel)		8,193					9,270					10,488			
901 - Sewer System Generator	79,933														
902 - Sewer System 4 Sewer Pumps		9,832										12,585			
903 - Sewer System 833 Lin. Ft. Pipe Replacement															
904 - Sewer System Sewer Tank Re-lining												62,927			
905 - Sewer System Drainage Pump (Area B)		11,470													
Total 23000 - Misc. Mechanical Equipment	79,933	29,495					9,270					86,000			
30000 - Miscellaneous															
006 - Sea Wall 30 Lin. Ft. HOA Responsibility															
210 - Storage Shed Maintenance Yard															
Total 30000 - Miscellaneous															
Total Expenditures Inflated @ 2.50%	108,930	126,452	10,310	10,568	15,136	30,999	96,833	16,300	21,696	12,256	17,553	248,406	13,198	23,257	13,866

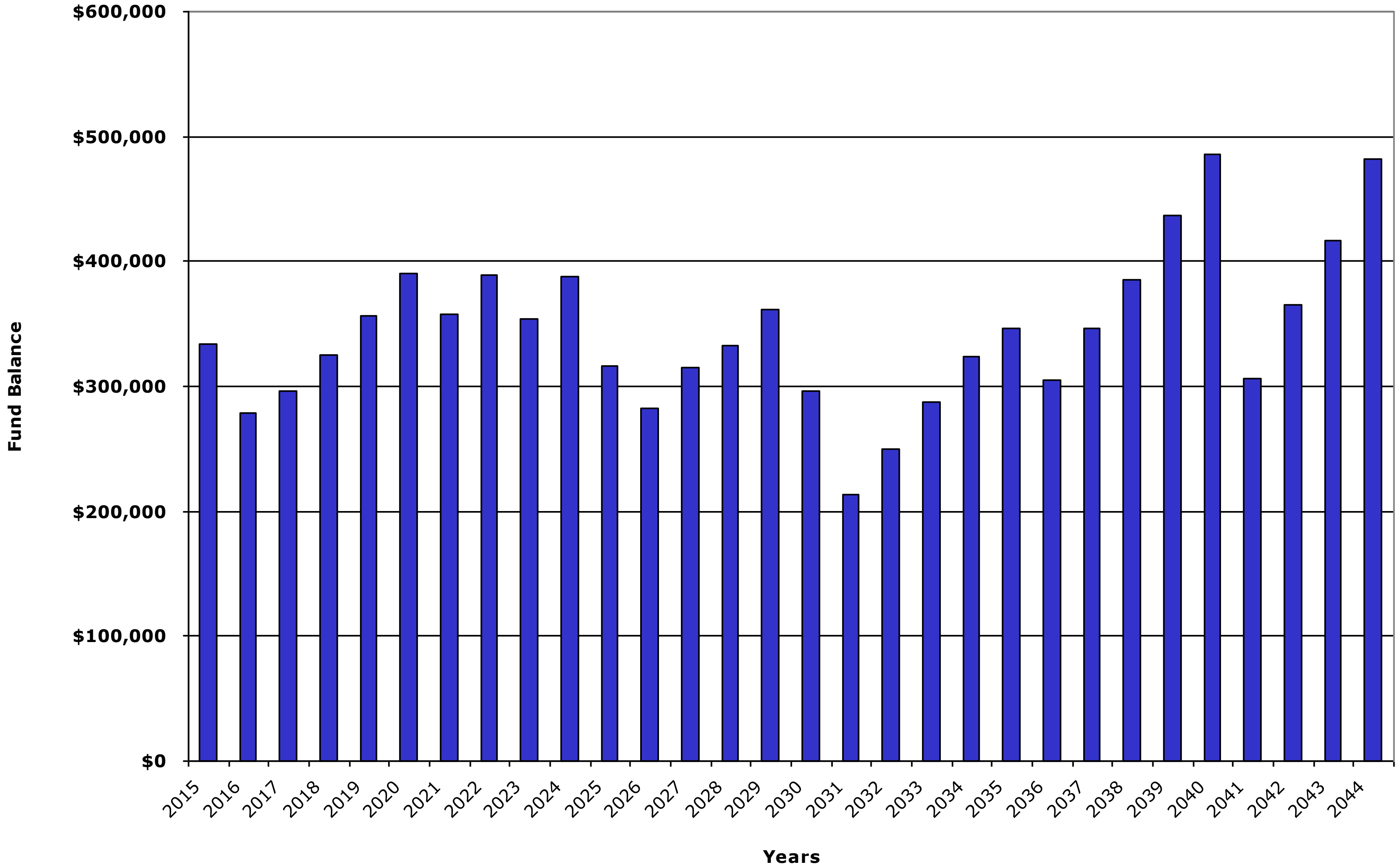
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Beginning Balance	320,842	333,604	279,059	296,255	324,527	355,885	390,356	357,962	388,847	354,122
Inflated Expenditures @ 2.5%	28,918	96,017	24,090	13,240	10,451	7,666	74,540	11,255	76,845	8,462
Reserve Contribution	38,424	38,424	38,424	38,424	38,424	38,424	38,424	38,424	38,424	38,424
Units/month @ 87	*36.80*	*36.80*	*36.80*	*36.80*	*36.80*	*36.80*	*36.80*	*36.80*	*36.80*	*36.80*
Percentage Increase		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 1.00%	3,256	3,048	2,862	3,088	3,385	3,713	3,723	3,715	3,696	3,691
Ending Balance	333,604	279,059	296,255	324,527	355,885	390,356	357,962	388,847	354,122	387,775

	2025	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
Beginning Balance	387,775	316,911	282,672	314,956	332,937	361,437	295,931	213,976	249,821	287,748
Inflated Expenditures @ 2.5%	112,794	75,646	9,113	23,666	13,378	108,930	126,452	10,310	10,568	15,136
Reserve Contribution	38,424	38,424	38,424	38,424	38,424	40,153	41,960	43,848	45,821	47,883
Units/month @ 87	*36.80*	*36.80*	*36.80*	*36.80*	*36.80*	*38.46*	*40.19*	*42.00*	*43.89*	*45.86*
Percentage Increase	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 1.00%	3,506	2,983	2,973	3,223	3,455	3,270	2,537	2,307	2,674	3,041
Ending Balance	316,911	282,672	314,956	332,937	361,437	295,931	213,976	249,821	287,748	323,536

	2035	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**	**2044**
Beginning Balance	323,536	345,906	304,599	346,179	385,224	436,730	486,125	306,826	365,066	416,858
Inflated Expenditures @ 2.5%	30,999	96,833	16,300	21,696	12,256	17,553	248,406	13,198	23,257	13,866
Reserve Contribution	50,038	52,290	54,643	57,102	59,672	62,357	65,163	68,095	71,159	74,361
Units/month @ 87	*47.93*	*50.09*	*52.34*	*54.70*	*57.16*	*59.73*	*62.42*	*65.23*	*68.16*	*71.23*
Percentage Increase	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 1.00%	3,331	3,236	3,238	3,639	4,089	4,591	3,945	3,343	3,890	4,471
Ending Balance	345,906	304,599	346,179	385,224	436,730	486,125	306,826	365,066	416,858	481,824

30 Year Reserve Funding Plan Cash Flow Method - Ending Balances

Draft_For Review Purposes Only
Prepared for the 2016 Fiscal Year



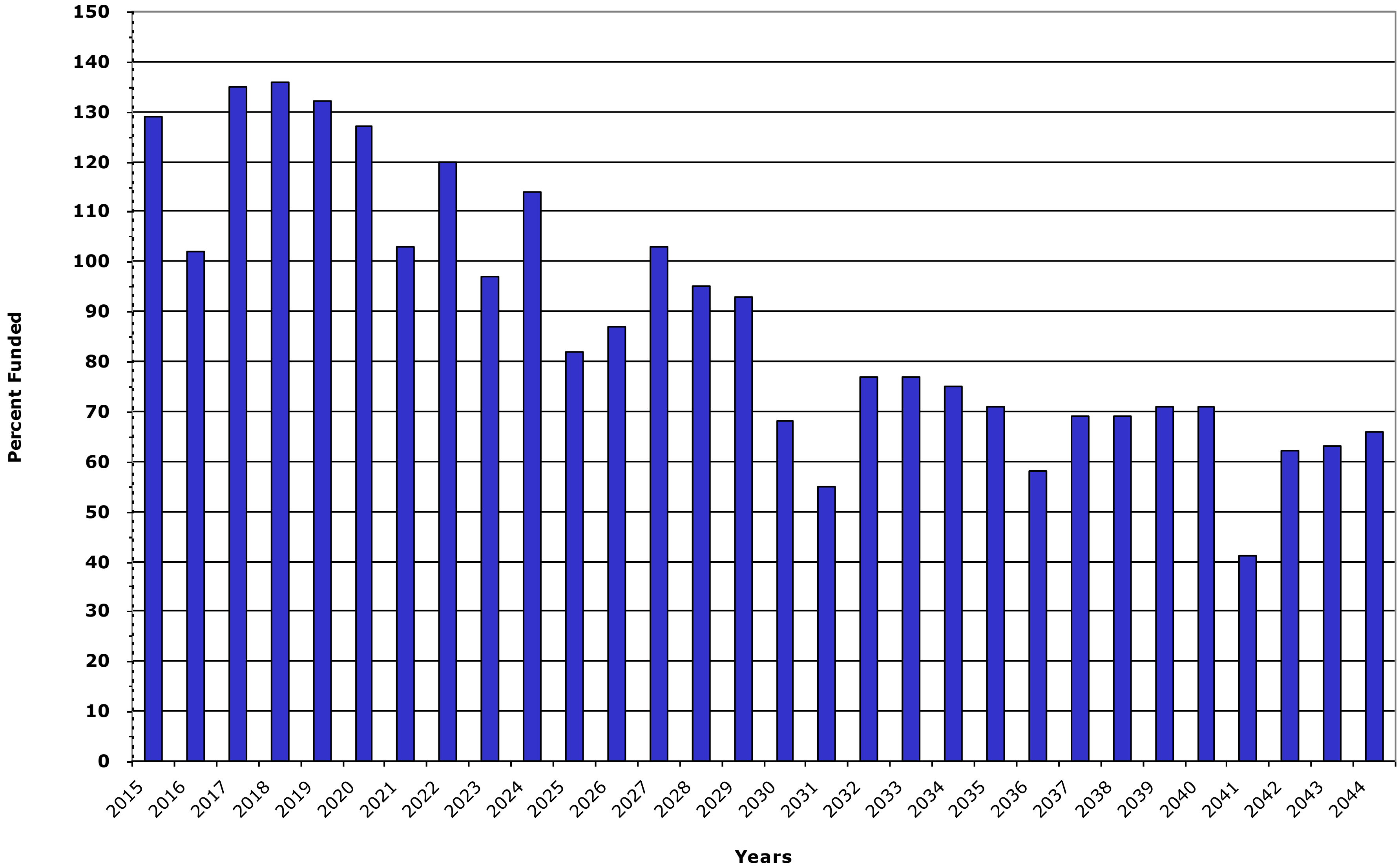
30 Year Reserve Funding Plan Including Fully Funded Balance and % Funded

Draft_For Review Purposes Only
Prepared for the 2016 Fiscal Year

Year	Beginning Balance	Fully Funded Balance	Percent Funded	Inflated Expenditures @ 2.50%	Reserve Contribution	Special Assessments & Other Contributions	Interest	Ending Balance
2015	320,842	259,147	128.7%	28,918	38,424	0	3,256	333,604
2016	333,604	272,771	102.3%	96,017	38,424	0	3,048	279,059
2017	279,059	218,879	135.4%	24,090	38,424	0	2,862	296,255
2018	296,255	238,307	136.2%	13,240	38,424	0	3,088	324,527
2019	324,527	270,309	131.7%	10,451	38,424	0	3,385	355,885
2020	355,885	306,959	127.2%	7,666	38,424	0	3,713	390,356
2021	390,356	348,396	102.7%	74,540	38,424	0	3,723	357,962
2022	357,962	323,363	120.3%	11,255	38,424	0	3,715	388,847
2023	388,847	363,638	97.4%	76,845	38,424	0	3,696	354,122
2024	354,122	338,784	114.5%	8,462	38,424	0	3,691	387,775
2025	387,775	384,521	82.4%	112,794	38,424	0	3,506	316,911
2026	316,911	325,609	86.8%	75,646	38,424	0	2,983	282,672
2027	282,672	304,479	103.4%	9,113	38,424	0	2,973	314,956
2028	314,956	352,224	94.5%	23,666	38,424	0	3,223	332,937
2029	332,937	387,482	93.3%	13,378	38,424	0	3,455	361,437
2030	361,437	435,435	68.0%	108,930	40,153	0	3,270	295,931
2031	295,931	387,946	55.2%	126,452	41,960	0	2,537	213,976
2032	213,976	322,641	77.4%	10,310	43,848	0	2,307	249,821
2033	249,821	376,114	76.5%	10,568	45,821	0	2,674	287,748
2034	287,748	432,058	74.9%	15,136	47,883	0	3,041	323,536
2035	323,536	486,154	71.2%	30,999	50,038	0	3,331	345,906
2036	345,906	526,812	57.8%	96,833	52,290	0	3,236	304,599
2037	304,599	502,514	68.9%	16,300	54,643	0	3,238	346,179
2038	346,179	561,700	68.6%	21,696	57,102	0	3,639	385,224
2039	385,224	618,418	70.6%	12,256	59,672	0	4,089	436,730
2040	436,730	687,853	70.7%	17,553	62,357	0	4,591	486,125
2041	486,125	755,257	40.6%	248,406	65,163	0	3,945	306,826
2042	306,826	589,427	61.9%	13,198	68,095	0	3,343	365,066
2043	365,066	662,287	62.9%	23,257	71,159	0	3,890	416,858
2044	416,858	728,450	66.1%	13,866	74,361	0	4,471	481,824

30 Year Reserve Funding Plan Cash Flow Method - Percent Funded

Draft_For Review Purposes Only
Prepared for the 2016 Fiscal Year



Reserve Component	Current Repl. Cost	Useful Life	Remaining Life	Estimated Future Replacement Costs	Per Year	2015 Fully Funded Balance	2016 Fully Funded Balance	% Per Year Straight Line	2016 Line Item Contribution based on Cash Flow Method
00110 - Mechanical Equipment - Security System									
100 - Entry Access System w/keyless operator	12,142	20	0	12,142	607	12,142	622	1.64%	630
01000 - Paving									
100 - Asphalt: Seal Coat 34,000 Sq. Ft. Roads- Sand Dollar Ln & Shoreline	1,437	5	1	1,473	295	1,150	1,473	0.80%	306
200 - Asphalt: Repairs: Cut & Patch 3,400 Sq. Ft. roads- Sand Dollar Ln & Shoreline	16,513	5	1	16,926	3,385	13,210	16,926	9.14%	3,511
311 - Asphalt: Resurface 5,490 Sq. Ft. Linda Vista	33,330	25	1	34,163	1,367	31,996	34,163	3.69%	1,417
762 - Pathways Upper Pathways Repair Fund	4,371	5	1	4,480	896	3,497	4,480	2.42%	929
763 - Pathways Upper Pathways Seal Coat	1,104	5	1	1,131	226	883	1,131	0.61%	235
764 - Pathways Lower Pathways Repair Fund	17,545	5	1	17,984	3,597	14,036	17,984	9.71%	3,731
765 - Pathways Lower Pathways Seal Coat	4,388	5	1	4,497	899	3,510	4,497	2.43%	933
Sub-total [01000 - Paving]	78,688			80,655	10,665	68,283	80,655	28.79%	11,063
01500 - Siding/Trim (Repair/Replace)									
190 - Gazebo (Wood) Lower Pathway	2,692	20	14	3,804	190	808	966	0.51%	197
02500 - Landings/Stairs/Railings									
001 - Stair Structure North Stairway	56,294	25	10	72,062	2,882	33,777	36,929	7.78%	2,990
002 - Stair Structure South Stairway	56,294	25	8	68,589	2,744	38,280	41,545	7.41%	2,846
100 - Stair Treads Treads & Handrails Repair Fund	4,500	1	0	4,500	4,500	4,500	4,613	12.15%	4,668
Sub-total [02500 - Landings/Stairs/Railings]	117,089			145,151	10,126	76,557	83,087	27.34%	10,504

Reserve Component	Current Repl. Cost	Useful Life	Remaining Life	Estimated Future Replacement Costs	Per Year	2015 Fully Funded Balance	2016 Fully Funded Balance	% Per Year Straight Line	2016 Line Item Contribution based on Cash Flow Method
18000 - Landscaping									
420 - General Repairs/Upgrades Annual Upgrade/Maintenance Fund	276	1	0	276	276	276	283	0.74%	286
500 - Tree Maintenance Pruning/Maintenance	2,692	3	1	2,760	920	1,795	2,760	2.48%	954
920 - Miscellaneous Entrance Upgrade	10,000	30	0	10,000	333	10,000	342	0.90%	346
Sub-total [18000 - Landscaping]	12,968			13,035	1,529	12,071	3,384	4.13%	1,586
19000 - Fencing (Repair/Replace)									
300 - Wood 45 Lin. Ft. Area "F"	2,181	15	13	3,006	200	291	447	0.54%	208
990 - Miscellaneous Maintenance Yard	10,486	20	16	15,567	778	2,097	2,687	2.10%	807
Sub-total [19000 - Fencing (Repair/Replace)]	12,667			18,573	979	2,388	3,134	2.64%	1,015
19500 - Retaining Wall									
101 - Wood North Stairway	13,246	35	15	19,184	548	7,569	8,146	1.48%	569
102 - Wood Area C repair fund	2,000	1	0	2,000	2,000	2,000	2,050	5.40%	2,075
Sub-total [19500 - Retaining Wall]	15,246			21,184	2,548	9,569	10,196	6.88%	2,643
21000 - Signage									
104 - Entrance Signage Repair/Upgrade	5,519	10	3	5,943	594	3,863	4,526	1.60%	617
23000 - Misc. Mechanical Equipment									
900 - Sewer System Generator Housing (Stainless Steel)	5,519	5	1	5,657	1,131	4,415	5,657	3.05%	1,174
901 - Sewer System Generator	55,191	20	15	79,933	3,997	13,798	16,971	10.79%	4,146
902 - Sewer System 4 Sewer Pumps	6,623	10	6	7,681	768	2,649	3,394	2.07%	797
903 - Sewer System 833 Lin. Ft. Pipe Replacement	133,324	40	35	0	0	16,666	20,499	0.00%	0
904 - Sewer System Sewer Tank Re-lining	33,114	30	26	62,927	2,098	4,415	5,657	5.66%	2,176
905 - Sewer System Drainage Pump (Area B)	7,727	20	16	11,470	574	1,545	1,980	1.55%	595
Sub-total [23000 - Misc. Mechanical Equipment]	241,498			167,667	8,567	43,488	54,158	23.13%	8,887

Reserve Component	*Current Repl. Cost*	*Useful Life*	*Remaining Life*	*Estimated Future Replacement Costs*	*Per Year*	*2015 Fully Funded Balance*	*2016 Fully Funded Balance*	*% Per Year Straight Line*	*2016 Line Item Contribution based on Cash Flow Method*
30000 - Miscellaneous									
006 - Sea Wall 30 Lin. Ft. HOA Responsibility	22,352	30	10	28,613	954	14,901	16,038	2.57%	989
210 - Storage Shed Maintenance Yard	16,153	30	2	8,486	283	15,076	16,005	0.76%	293
Sub-total [30000 - Miscellaneous]	38,506			37,098	1,237	29,978	32,043	3.34%	1,283
						[A]	[B]		
Totals	**537,014**			**505,253**	**37,042**	**259,147**	**272,771**	**100.00%**	**38,424**
						[EndBal] / [A]	[EndBal] / [B]		
Percent Funded						**129%**	**102%**		

00110 - Mechanical Equipment - Security System

100 - Entry Access System

w/keyless operator

Useful Life	20	Remaining Life	0
Quantity	1	Unit of Measure	Fund
Cost /Fnd	$12,142		
% Included	100.00%	Total Cost/Study	$12,142
Replacement Year	2015	Future Cost	$12,142

Summary

Line item includes the replacement of the operator and the control

01000 - Paving

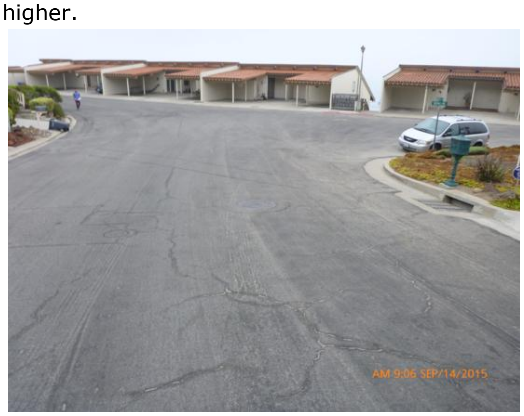
100 - Asphalt: Seal Coat

34,000 Sq. Ft. Roads- Sand Dollar Ln & Shoreline

Useful Life	5	Remaining Life	1
Quantity	34,000	Unit of Measure	Square Feet
Cost /SqFt	$0.042		
% Included	100.00%	Total Cost/Study	$1,437
Replacement Year	2016	Future Cost	$1,473

Summary

This is to apply a single coat asphalt emulsion product. Includes asphalt surface preparation prior to application. If a second coat is desired the cost is generally 10% to 20% higher.



01000 - Paving

200 - Asphalt: Repairs: Cut & Patch

3,400 Sq. Ft. roads- Sand Dollar Ln & Shoreline

Useful Life	5	Remaining Life	1
Quantity	3,400	Unit of Measure	Square Feet
Cost /SqFt	$4.86		
% Included	100.00%	Total Cost/Study	$16,513
Replacement Year	2016	Future Cost	$16,926

Summary

This is for miscellaneous repairs including crackfill, skin patching and minor dig out & fill.

311 - Asphalt: Resurface

5,490 Sq. Ft. Linda Vista

Useful Life	25	Remaining Life	1
Quantity	5,490	Unit of Measure	Square Feet
Cost /SqFt	$6.07		
% Included	100.00%	Total Cost/Study	$33,330
Replacement Year	2016	Future Cost	$34,163

Summary

This line item is included for budget purposes only. No funding has been set aside in this report at the request of the HOA.

01000 - Paving

762 - Pathways

Upper Pathways Repair Fund

Useful Life	5	Remaining Life	1
Quantity	1	Unit of Measure	Fund
Cost /Fnd	$4,371		
% Included	100.00%	Total Cost/Study	$4,371
Replacement Year	2016	Future Cost	$4,480

Summary

This line item is a repair fund established to have funds available to maintain/repair the upper pathways every 5 years.

763 - Pathways

Upper Pathways Seal Coat

Useful Life	5	Remaining Life	1
Quantity	1	Unit of Measure	Fund
Cost /Fnd	$1,104		
% Included	100.00%	Total Cost/Study	$1,104
Replacement Year	2016	Future Cost	$1,131

Summary

This line item is to seal the lower pathways every 5 years.

01000 - Paving

764 - Pathways

Lower Pathways Repair Fund

Useful Life	5	Remaining Life	1
Quantity	1	Unit of Measure	Fund
Cost /Fnd	$17,545		
% Included	100.00%	Total Cost/Study	$17,545
Replacement Year	2016	Future Cost	$17,984

Summary

This line item is a repair fund established to have funds available to maintain/repair the lower pathways every 5 years. This line item is in addition to the annual fund established in a separate line item.

765 - Pathways

Lower Pathways Seal Coat

Useful Life	5	Remaining Life	1
Quantity	1	Unit of Measure	Fund
Cost /Fnd	$4,388		
% Included	100.00%	Total Cost/Study	$4,388
Replacement Year	2016	Future Cost	$4,497

Summary

This line item is to seal the lower pathways every 5 years.

01500 - Siding/Trim (Repair/Replace)

190 - Gazebo (Wood)

Lower Pathway

Useful Life	20	Remaining Life	14
Quantity	1	Unit of Measure	Items
Cost /Itm	$2,692		
% Included	100.00%	Total Cost/Study	$2,692
Replacement Year	2029	Future Cost	$3,804

Summary

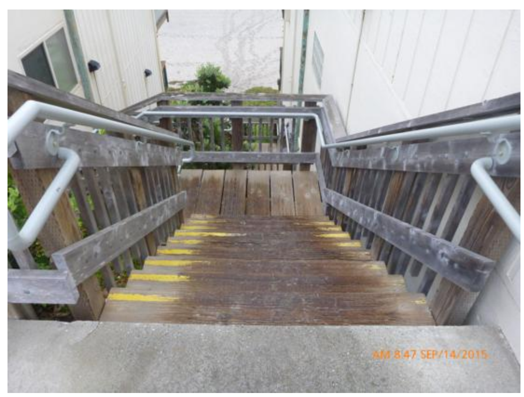
02500 - Landings/Stairs/Railings

001 - Stair Structure

North Stairway

Useful Life	25	Remaining Life	10
Quantity	1	Unit of Measure	Fund
Cost /Fnd	$56,294		
% Included	100.00%	Total Cost/Study	$56,294
Replacement Year	2025	Future Cost	$72,062

Summary



02500 - Landings/Stairs/Railings

002 - Stair Structure

South Stairway	Useful Life 25	Remaining Life 8	
	Quantity 1	Unit of Measure	Fund
	Cost /Fnd $56,294		
	% Included 100.00%	Total Cost/Study	$56,294
Summary	Replacement Year 2023	Future Cost	$68,589

100 - Stair Treads

Treads & Handrails Repair Fund	Useful Life 1	Remaining Life 0	
	Quantity 1	Unit of Measure	Fund
	Cost /Fnd $4,500		
	% Included 100.00%	Total Cost/Study	$4,500
Summary	Replacement Year 2015	Future Cost	$4,500

This is for miscellaneous repairs to the treads and handrails on the beach access stairs. This does not include any structural repairs. See separate line items within this study for structural repairs.

18000 - Landscaping

420 - General Repairs/Upgrades

Annual Upgrade/Maintenance Fund

Useful Life	1	Remaining Life	0
Quantity	1	Unit of Measure	Fund
Cost /Fnd	$276		
% Included	100.00%	Total Cost/Study	$276
Replacement Year	2015	Future Cost	$276

Summary

This is to perform annual upgrade/maintenance to the landscaped areas.

500 - Tree Maintenance

Pruning/Maintenance

Useful Life	3	Remaining Life	1
Quantity	1	Unit of Measure	Fund
Cost /Fnd	$2,692		
% Included	100.00%	Total Cost/Study	$2,692
Replacement Year	2016	Future Cost	$2,760

Summary

This is to prune, remove and replace trees as needed to enhance the association's landscaping and to avoid branch and root damage to nearby objects. This is in excess of the operating budget.

920 - Miscellaneous

Entrance Upgrade

Useful Life	30	Remaining Life	0
Quantity	1	Unit of Measure	Lump Sum
Cost /LS	$10,000		
% Included	100.00%	Total Cost/Study	$10,000
Replacement Year	2015	Future Cost	$10,000

Summary

This is to have funds available for landscape expenses in excess of the annual operating budget.

19000 - Fencing (Repair/Replace)

300 - Wood

45 Lin. Ft. Area "F"

Useful Life	15	Remaining Life	13
Quantity	45	Unit of Measure	Linear Feet
Cost /l.f.	$48.46		
% Included	100.00%	Total Cost/Study	$2,181
Replacement Year	2028	Future Cost	$3,006

Summary

This is to replace the wood fencing including discarded fence material removal and disposal.

19000 - Fencing (Repair/Replace)

990 - Miscellaneous

Maintenance Yard

Useful Life	20	Remaining Life	16
Quantity	1	Unit of Measure	Lump Sum
Cost /LS	$10,486		
% Included	100.00%	Total Cost/Study	$10,486
Replacement Year	2031	Future Cost	$15,567

Summary

Funding for this line item has been removed at the request of the HOA

19500 - Retaining Wall

101 - Wood

North Stairway

Useful Life	35	Remaining Life	15
Quantity	1	Unit of Measure	Fund
Cost /Fnd	$13,246		
% Included	100.00%	Total Cost/Study	$13,246
Replacement Year	2030	Future Cost	$19,184

Summary

102 - Wood

Area C repair fund

Useful Life	1	Remaining Life	0
Quantity	1	Unit of Measure	Fund
Cost /Fnd	$2,000		
% Included	100.00%	Total Cost/Study	$2,000
Replacement Year	2015	Future Cost	$2,000

Summary

21000 - Signage

104 - Entrance Signage | Useful Life 10 | Remaining Life 3
Repair/Upgrade | Quantity 1 | Unit of Measure Items
Cost /Itm $5,519
% Included 100.00% | Total Cost/Study $5,519
Summary | Replacement Year 2018 | Future Cost $5,943

23000 - Misc. Mechanical Equipment

900 - Sewer System | Useful Life 5 | Remaining Life 1
Generator Housing (Stainless Steel) | Quantity 1 | Unit of Measure Items
Cost /Itm $5,519
% Included 100.00% | Total Cost/Study $5,519
Summary | Replacement Year 2016 | Future Cost $5,657

901 - Sewer System | Useful Life 20 | Remaining Life 15
Generator | Quantity 1 | Unit of Measure Items
Cost /Itm $55,191
% Included 100.00% | Total Cost/Study $55,191
Summary | Replacement Year 2030 | Future Cost $79,933

902 - Sewer System | Useful Life 10 | Remaining Life 6
4 Sewer Pumps | Quantity 4 | Unit of Measure Items
Cost /Itm $1,656
% Included 100.00% | Total Cost/Study $6,623
Summary | Replacement Year 2021 | Future Cost $7,681

903 - Sewer System | Useful Life 40 | Remaining Life 35
833 Lin. Ft. Pipe Replacement | Quantity 833 | Unit of Measure Linear Feet
Cost /l.f. $160
% Included 100.00% | Total Cost/Study $133,324
Summary | Replacement Year 2050 | Future Cost $316,405

23000 - Misc. Mechanical Equipment

904 - Sewer System | Useful Life 30 | Remaining Life 26
Sewer Tank Re-lining | Quantity 1 | Unit of Measure Fund
Cost /Fnd $33,114
% Included 100.00% | Total Cost/Study $33,114
Summary | Replacement Year 2041 | Future Cost $62,927

905 - Sewer System | Useful Life 20 | Remaining Life 16
Drainage Pump (Area B) | Quantity 1 | Unit of Measure Fund
Cost /Fnd $7,727
% Included 100.00% | Total Cost/Study $7,727
Summary | Replacement Year 2031 | Future Cost $11,470

30000 - Miscellaneous

006 - Sea Wall | Useful Life 30 | Remaining Life 10
30 Lin. Ft. HOA Responsibility | Quantity 30 | Unit of Measure Linear Feet
Cost /l.f. $745
% Included 100.00% | Total Cost/Study $22,352
Summary | Replacement Year 2025 | Future Cost $28,613

210 - Storage Shed | Useful Life 30 | Remaining Life 2
Maintenance Yard | Quantity 1 | Unit of Measure Fund
Cost /Fnd $16,153
% Included 100.00% | Total Cost/Study $16,153
Summary | Replacement Year 2017 | Future Cost $16,971

This line item is to replace the maintenance shed

Component Tabular Listing Included Components

Component	*Current Replacement Cost*	*Useful Life*	*Remaining Life*	*Quantity*	*Cost/ U of M*	*Treatment*	*Location*
00110 - Mechanical Equipment - Security System							
100 - Entry Access System	$12,142	20	0	1	$12,142/Fnd		w/keyless operator
01000 - Paving							
100 - Asphalt: Seal Coat	$1,437	5	1	34,000	$.04/SqFt		Roads- Sand Dollar Ln & Shoreline
200 - Asphalt: Repairs: Cut & Patch	$16,513	5	1	3,400	$4.86/SqFt		roads- Sand Dollar Ln & Shoreline
311 - Asphalt: Resurface	$33,330	25	1	5,490	$6.07/SqFt		Linda Vista
762 - Pathways	$4,371	5	1	1	$4,371/Fnd		Upper Pathways Repair Fund
763 - Pathways	$1,104	5	1	1	$1,104/Fnd		Upper Pathways Seal Coat
764 - Pathways	$17,545	5	1	1	$17,545/Fnd		Lower Pathways Repair Fund
765 - Pathways	$4,388	5	1	1	$4,388/Fnd		Lower Pathways Seal Coat
01500 - Siding/Trim (Repair/Replace)							
190 - Gazebo (Wood)	$2,692	20	14	1	$2,692/Itm		Lower Pathway
02500 - Landings/Stairs/Railings							
001 - Stair Structure	$56,294	25	10	1	$56,294/Fnd		North Stairway
002 - Stair Structure	$56,294	25	8	1	$56,294/Fnd		South Stairway
100 - Stair Treads	$4,500	1	0	1	$4,500/Fnd		Treads & Handrails Repair Fund
18000 - Landscaping							
420 - General Repairs/Upgrades	$276	1	0	1	$276/Fnd		Annual Upgrade/Maintenance Fund
500 - Tree Maintenance	$2,692	3	1	1	$2,692/Fnd		Pruning/Maintenance
920 - Miscellaneous	$10,000	30	0	1	$10,000/LS		Entrance Upgrade
19000 - Fencing (Repair/Replace)							
300 - Wood	$2,181	15	13	45	$48.46/l.f.		Area "F"
990 - Miscellaneous	$10,486	20	16	1	$10,486/LS		Maintenance Yard
19500 - Retaining Wall							
101 - Wood	$13,246	35	15	1	$13,246/Fnd		North Stairway
102 - Wood	$2,000	1	0	1	$2,000/Fnd		Area C repair fund
21000 - Signage							
104 - Entrance Signage	$5,519	10	3	1	$5,519/Itm		Repair/Upgrade

Component	Current Replacement Cost	Useful Life	Remaining Life	Quantity	Cost/ U of M	Treatment	Location
23000 - Misc. Mechanical Equipment							
900 - Sewer System	$5,519	5	1	1	$5,519/Itm		Generator Housing (Stainless Steel)
901 - Sewer System	$55,191	20	15	1	$55,191/Itm		Generator
902 - Sewer System	$6,623	10	6	4	$1,656/Itm		Sewer Pumps
903 - Sewer System	$133,324	40	35	833	$160/l.f.		Pipe Replacement
904 - Sewer System	$33,114	30	26	1	$33,114/Fnd		Sewer Tank Re-lining
905 - Sewer System	$7,727	20	16	1	$7,727/Fnd		Drainage Pump (Area B)
30000 - Miscellaneous							
006 - Sea Wall	$22,352	30	10	30	$745/l.f.		HOA Responsibility
210 - Storage Shed	$16,153	30	2	1	$16,153/Fnd		Maintenance Yard

Expenditures by Year - Next 3 Years

Reserve Component	*Life Useful*	*Current Replacement Cost*	*Forecast Inflated Cost @ 2.50%*
2015			
00110 - Mechanical Equipment - Security System			
100 - Entry Access System w/keyless operator	20	12,142	
02500 - Landings/Stairs/Railings			
100 - Stair Treads Treads & Handrails Repair Fund	1	4,500	
18000 - Landscaping			
420 - General Repairs/Upgrades Annual Upgrade/Maintenance Fund	1	276	
920 - Miscellaneous Entrance Upgrade	30	10,000	
Total 18000 - Landscaping:		10,276	10,276
19500 - Retaining Wall			
102 - Wood Area C repair fund	1	2,000	
Total 2015:		28,918	
2016			
01000 - Paving			
100 - Asphalt: Seal Coat 34,000 Sq. Ft. Roads- Sand Dollar Ln & Shoreline	5	1,437	1,473
200 - Asphalt: Repairs: Cut & Patch 3,400 Sq. Ft. roads- Sand Dollar Ln & Shoreline	5	16,513	16,926
311 - Asphalt: Resurface 5,490 Sq. Ft. Linda Vista	25	33,330	34,163
762 - Pathways Upper Pathways Repair Fund	5	4,371	4,480
763 - Pathways Upper Pathways Seal Coat	5	1,104	1,131
764 - Pathways Lower Pathways Repair Fund	5	17,545	17,984
765 - Pathways Lower Pathways Seal Coat	5	4,388	4,497
Total 01000 - Paving:		78,688	80,654
02500 - Landings/Stairs/Railings			
100 - Stair Treads Treads & Handrails Repair Fund	1	4,500	4,613
18000 - Landscaping			
420 - General Repairs/Upgrades Annual Upgrade/Maintenance Fund	1	276	283
500 - Tree Maintenance Pruning/Maintenance	3	2,692	2,760
Total 18000 - Landscaping:		2,968	3,043

Reserve Component	Life Useful	Current Replacement Cost	Forecast Inflated Cost @ 2.50%
2016			
19500 - Retaining Wall			
102 - Wood Area C repair fund	1	2,000	2,050
23000 - Misc. Mechanical Equipment			
900 - Sewer System Generator Housing (Stainless Steel)	5	5,519	5,657
	Total 2016:	93,675	96,017
2017			
02500 - Landings/Stairs/Railings			
100 - Stair Treads Treads & Handrails Repair Fund	1	4,500	4,728
18000 - Landscaping			
420 - General Repairs/Upgrades Annual Upgrade/Maintenance Fund	1	276	290
19500 - Retaining Wall			
102 - Wood Area C repair fund	1	2,000	2,101
30000 - Miscellaneous			
210 - Storage Shed Maintenance Yard	30	16,153	16,971
	Total 2017:	22,929	24,090

This report is intended to assist the auditor while preparing the audit, review or compilation of Sand Dollar Beach - Homeowner's (the "Association") financial documents.

Richard Avelar & Associates ("RA&A") prepared a reserve study for the Association during the 2015 fiscal year. This was done to help determine the Association's reserve contribution for the next fiscal year (2016) and future fiscal years. In addition, RA&A prepared the proper statutory disclosures for distribution to the Association members.

This Reserve Study is an Update w/ Site Visit Review. An **Update With Site-Visit Review** is a reserve study update in which the following tasks are performed:

- development of a reserve component inventory (verification only, not quantification);
- condition assessment based upon on-site visual observation;
- life and valuation estimates;
- fund status;
- and a funding plan. Please note, in order to complete these study tasks, one or more visits were conducted by RA&A to Sand Dollar Beach - Homeowner.

For RA&A reserve studies, the year in which the study is being conducted, is the first year of the study. For example, this study is being prepared during 2015 and is the Association's first year in the study. This enables RA&A to use a starting point which ties to the last audited financial statement, December 31, 2014. You will notice in *Section III, Reserve Fund Balance Forecast*, a Beginning Reserve Balance of $320,842 is being used which ties to the last completed audit or review of the Association's financial statements. RA&A then re-builds the first year of the study, in this case 2015, and estimates an ending reserve fund balance. Again, see *Section III* and the 2015 ending reserve balance estimate of $333,604.

"Re-building" the first year of the study as mentioned above simply means using the 2015 adopted budget for the 2015 reserve contribution. Finally, the 2015 reserve expenses both actual and projected are estimated.

We find by using the above method a more accurate reserve study is possible because the beginning reserve fund balance ties directly to the Association's audited financial statement or, in the absence of an audit or review, the year end balance sheet. There is no need to rely on others for determining mid year reserve balances or estimating current year ending reserve balances. This approach forces all involved, to look at the current year's reserve fund activities so a more accurate ending reserve fund balance can be estimated.

With respect to the reserve component information on the next page/s, here are the calculations:

FFB = Current Cost X Effective Age / Useful Life

% Funded = First Year Estimated Ending Reserve Balance / FFB

Please see *Section V - Reserve Fund Balance Forecast*.

Richard Avelar & Associates

Schedule of Supplementary Information for Auditor
Component Method

Draft_For Review Purposes Only
Prepared for the 2016 Fiscal Year

Reserve Component	*Current Repl. Cost*	*Useful Life*	*Remaining Life*	*2015 Fully Funded Balance*	*2016 Fully Funded Balance*	*2016 Line Item Contribution based on Cash Flow Method*
00110 - Mechanical Equipment - Security System						
100 - Entry Access System w/keyless operator	12,142	20	0	12,142	622	630
01000 - Paving						
100 - Asphalt: Seal Coat 34,000 Sq. Ft. Roads- Sand Dollar Ln & Shoreline	1,437	5	1	1,150	1,473	306
200 - Asphalt: Repairs: Cut & Patch 3,400 Sq. Ft. roads- Sand Dollar Ln & Shoreline	16,513	5	1	13,210	16,926	3,511
311 - Asphalt: Resurface 5,490 Sq. Ft. Linda Vista	33,330	25	1	31,996	34,163	1,417
762 - Pathways Upper Pathways Repair Fund	4,371	5	1	3,497	4,480	929
763 - Pathways Upper Pathways Seal Coat	1,104	5	1	883	1,131	235
764 - Pathways Lower Pathways Repair Fund	17,545	5	1	14,036	17,984	3,731
765 - Pathways Lower Pathways Seal Coat	4,388	5	1	3,510	4,497	933
01500 - Siding/Trim (Repair/Replace)						
190 - Gazebo (Wood) Lower Pathway	2,692	20	14	808	966	197
02500 - Landings/Stairs/Railings						
001 - Stair Structure North Stairway	56,294	25	10	33,777	36,929	2,990
002 - Stair Structure South Stairway	56,294	25	8	38,280	41,545	2,846
100 - Stair Treads Treads & Handrails Repair Fund	4,500	1	0	4,500	4,613	4,668
18000 - Landscaping						
420 - General Repairs/Upgrades Annual Upgrade/Maintenance Fund	276	1	0	276	283	286
500 - Tree Maintenance Pruning/Maintenance	2,692	3	1	1,795	2,760	954
920 - Miscellaneous Entrance Upgrade	10,000	30	0	10,000	342	346
19000 - Fencing (Repair/Replace)						
300 - Wood 45 Lin. Ft. Area "F"	2,181	15	13	291	447	208
990 - Miscellaneous Maintenance Yard	10,486	20	16	2,097	2,687	807
19500 - Retaining Wall						
101 - Wood North Stairway	13,246	35	15	7,569	8,146	569
102 - Wood Area C repair fund	2,000	1	0	2,000	2,050	2,075
21000 - Signage						
104 - Entrance Signage Repair/Upgrade	5,519	10	3	3,863	4,526	617
23000 - Misc. Mechanical Equipment						
900 - Sewer System Generator Housing (Stainless Steel)	5,519	5	1	4,415	5,657	1,174
901 - Sewer System Generator	55,191	20	15	13,798	16,971	4,146
902 - Sewer System	6,623	10	6	2,649	3,394	797

Reserve Component	*Current Repl. Cost*	*Useful Life*	*Remaining Life*	*2015 Fully Funded Balance*	*2016 Fully Funded Balance*	*2016 Line Item Contribution based on Cash Flow Method*
23000 - Misc. Mechanical Equipment						
4 Sewer Pumps						
903 - Sewer System 833 Lin. Ft. Pipe Replacement	133,324	40	35	16,666	20,499	0
904 - Sewer System Sewer Tank Re-lining	33,114	30	26	4,415	5,657	2,176
905 - Sewer System Drainage Pump (Area B)	7,727	20	16	1,545	1,980	595
30000 - Miscellaneous						
006 - Sea Wall 30 Lin. Ft. HOA Responsibility	22,352	30	10	14,901	16,038	989
210 - Storage Shed Maintenance Yard	16,153	30	2	15,076	16,005	293
				[A]	[B]	
Totals	**537,014**			**259,147**	**272,771**	**38,424**
				[EndBal] / [A]	[EndBal] / [B]	
Percent Funded				**129%**	**102%**	

Terms & Definitions CAI

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 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 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.

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.

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 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.

FFB = Current Cost X Effective Age / Useful Life

or

FFB = (Current Cost X Effective Age / Useful Life) +
[(Current Cost X Effective Age / Useful Life) / (1 + *Interest* Rate) ^ Remaining Life] -
[(Current Cost X Effective Age / Useful Life) / (1 + *Inflation* Rate) ^ Remaining Life]

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

FUND STATUS: The status of the reserve fund as compared to an established benchmark such as percent funding.

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 statues.
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 and Cash Reserves. Based upon information provided and not audited.

RESERVE PROVIDER: An individual that prepares Reserve Studies.

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

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

1. The regular and continuous absence from principal office premises from which professional services are rendered; except for performance of field work or presence in a field office maintained exclusively for a specific project;
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.

The above terms and definitions are from the Community Associations Institute (CAI) national standards.

Terms & Definitions RA

Richard Avelar & Associates reserve studies use several terms that are unique to our reports. Our specialized systems have been developed to offer flexibility in many areas of our reporting. Please see below for definitions of abbreviations and symbols used in many of our reserve studies.

NR-1 (LIMITED RECURRENCE, 1 TIME): This signifies a major reserve component recurs for only a fixed number of cycles. Most often used to display a cost in a specific year only, NR-1 signifies the component only occurs one time. An NR-2 means the component will display for two cycles and so on. This makes it easy to enter one-time costs that pop up from time to time, or to display a cost that may be unique at one replacement date only.

SE-2 (SPREAD EVENLY OVER 2 YEARS): This signifies the major component, when replaced is spread evenly over 2 or more years. For example if a component will be replaced in year 8 of the study, and there is a SE-2, then the component will be replaced over 2 years, year 8 and year 9. Although the component is split over 2 or more years, each subsequent year will increase by the study's inflation factor. An SE-3 signifies the component is split over three years and so on.

NSE-2 (SPREAD NON-EVENLY OVER 2 YEARS): Similar to above, but the spread is not equal in each year. The spread is entered at a different amount for each year in the spread. The total of the spread will always equal 100% of the total replacement cost, excluding inflation.

% (PERCENT TO INCLUDE): This signifies that the component is being replaced at less than 100 percent of its replacement cost or quantity. Perhaps a component is replaced partially at each replacement year. Another example would be to do a small portion of the work at each replacement year. Oftentimes wood fencing is replaced over several cycles, and the study will display a percentage of the fence at each replacement cycle.

DELAYED START (REMAINING LIFE GREATER THAN USEFUL): In many instances a component's replacement cycle may not begin immediately, so the replacement cycle start is delayed. Delay is accomplished by setting the remaining life greater than the useful life.

ZERO REMAINING LIFE: Zero remaining life signifies that the component is replaced in the year which the study is prepared. All replacements are reflected in their replacement year, and the year in which the study is prepared is no different than any other year.

RICHARD AVELAR & ASSOCIATES

ARCHITECTS

RESERVE STUDY

Member Distribution Materials

Sand Dollar Beach - Homeowner

Update w/ Site Visit Review

Draft_For Review Purposes Only

Published - September 23, 2015

Prepared for the 2016 Fiscal Year

Richard Avelar & Associates

www.Ravelar.com

California Homeowner Summary

Draft_For Review Purposes Only
Prepared for the 2016 Fiscal Year

September 23, 2015

This is a summary of the Reserve Study that has been performed for Sand Dollar Beach - Homeowner, (the "Association"). This study was done in compliance with California Civil Code Section 5300 and 5500 and is being provided to you, as a member of the Association, as required under these statutes. A full copy is available (through the Association) for review by members of the Association.

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. This is done utilizing the "Cash Flow Method." This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund.

Richard Avelar & Associates prepared this Update w/ Site Visit Review for the January 1, 2016 - December 31, 2016 fiscal year.

Sand Dollar Beach - Homeowner is a Planned Development with a total of 87 Units.

The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

Funding Assessment

Based on the 30 year cash flow projection, the Association's reserves appear adequately funded as the reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years.

California statute imposes no reserve funding level requirements nor does it address funding level adequacy, and although one or more of the reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

Reserve Component	Current Replacement Cost	Useful Life	Remaining Life	2015 Fully Funded Balance	2016 Fully Funded Balance	2016 Line Item Contribution based on Cash Flow Method
00110 - Mechanical Equipment - Security System	**12,142**	**20-20**	**0-0**	**12,142**	**622**	**630**
01000 - Paving	**78,688**	**5-25**	**1-1**	**68,283**	**80,655**	**11,063**
01500 - Siding/Trim (Repair/Replace)	**2,692**	**20-20**	**14-14**	**808**	**966**	**197**
02500 - Landings/Stairs/Railings	**117,089**	**1-25**	**0-10**	**76,557**	**83,087**	**10,504**
18000 - Landscaping	**12,968**	**1-30**	**0-1**	**12,071**	**3,384**	**1,586**
19000 - Fencing (Repair/Replace)	**12,667**	**15-20**	**13-16**	**2,388**	**3,134**	**1,015**
19500 - Retaining Wall	**15,246**	**1-35**	**0-15**	**9,569**	**10,196**	**2,643**
21000 - Signage	**5,519**	**10-10**	**3-3**	**3,863**	**4,526**	**617**
23000 - Misc. Mechanical Equipment	**241,498**	**5-40**	**1-35**	**43,488**	**54,158**	**8,887**
30000 - Miscellaneous	**38,506**	**30-30**	**2-10**	**29,978**	**32,043**	**1,283**
Totals	**$537,014**			**$259,147**	**$272,771**	**$38,424**
Estimated Ending Balance				**$333,604**	**$279,059**	**$36.80** /Unit/month @ 87
Percent Funded				**128.7%**	**102.3%**	

California Assessment and Reserve Funding Disclosure Summary 2016

Draft_For Review Purposes Only

September 23, 2015

(1) The regular assessment per ownership interest is ____________ per month for the fiscal year beginning January 1, 2016.

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page ___ of the attached summary.

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date assessment will be due:	Amount per ownership interest per month or year (if assessments are variable, see note immediately below):	Purpose of the assessment:
N/A	$0.00	N/A
Total:	$0.00	

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page ___ of the attached report.

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes___**X**___No______

This disclosure has been prepared by Richard Avelar & Associates and has been reviewed and approved by the association's board of directors based upon the best information available to the association at the time of its preparation. The accuracy of this information over the next 30 years will be dependent upon circumstances which are impossible to predict with specificity, and will require future action to adjust assessments over the period in accordance with the current projections and future developments.

(4) If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members

Approximate date assessment will be due:	Amount per ownership interest per month or year:
N/A	N/A

(5) All major components are included in the reserve study and are included in its calculations. See next page §5300(b)(4), for any major component exclusions.

(6) Based on the method of calculation in paragraph (4) of the subdivision (b) of section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is $259,147, based in whole or in part on the last reserve study or update prepared by Richard Avelar & Associates as of September, 2015. The projected reserve fund cash balance at the end of the current fiscal year is $333,604 resulting in reserves being 129% percent funded at this date.

An alternate and generally accepted method of calculation has been utilized to determine future reserve contribution amounts. The reserve contribution for the next fiscal year has been determined using the Cash Flow method of calculation (see section III, Reserve Fund Balance Forecast). This is a method of developing a reserve funding plan where the contributions to the reserve fund are designated 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.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is presented in column (b) 'Fully Funded Balance' in the table immediately below; and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is presented in column (c) 'Reserve Ending Balance'; leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

Fiscal Year (a)	Fully Funded Balance (b)	Reserve Ending Balance (c)	Percent Funded (d)
2016	$272,771	$279,059	102.3%
2017	$218,879	$296,255	135.4%
2018	$238,307	$324,527	136.2%
2019	$270,309	$355,885	131.7%
2020	$306,959	$390,356	127.2%

If the reserve funding plan approved by the association is implemented, the projected fund cash balance in each of those years will be the amounts presented in column (c) 'Reserve Ending Balance' in the table immediately above, leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 1.00% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2.50% per year.

Additional Disclosures

§5565(d) The current deficiency in reserve funding as of December 31, 2016 is zero dollars per ownership interest (average).

This is calculated as the current estimate of the amount of cash reserves necessary as of the end of the fiscal year for which the study is prepared, less, the amount of accumulated cash reserves actually (Projected to be) set aside to repair, replace, restore, or maintain the major components.

Deficiency = $\dfrac{\text{2016 Fully Funded Balance - 2016 Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$

§5300(b)(4) The current board of directors of the association has not deferred or determined to not undertake repairs or replacements over the next 30 years.

Major Component:	Justification for Deferral:
N/A	N/A

§5300(b)(5) The board of directors as of the date of the study does not anticipate the levy of a special assessment for the repair, replacement, or restoration of the major components.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Beginning Balance	320,842	333,604	279,059	296,255	324,527	355,885	390,356	357,962	388,847	354,122
Inflated Expenditures @ 2.5%	28,918	96,017	24,090	13,240	10,451	7,666	74,540	11,255	76,845	8,462
Reserve Contribution	38,424	38,424	38,424	38,424	38,424	38,424	38,424	38,424	38,424	38,424
Units/month @ 87	*36.80*	*36.80*	*36.80*	*36.80*	*36.80*	*36.80*	*36.80*	*36.80*	*36.80*	*36.80*
Percentage Increase		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 1.00%	3,256	3,048	2,862	3,088	3,385	3,713	3,723	3,715	3,696	3,691
Ending Balance	333,604	279,059	296,255	324,527	355,885	390,356	357,962	388,847	354,122	387,775

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Beginning Balance	387,775	316,911	282,672	314,956	332,937	361,437	295,931	213,976	249,821	287,748
Inflated Expenditures @ 2.5%	112,794	75,646	9,113	23,666	13,378	108,930	126,452	10,310	10,568	15,136
Reserve Contribution	38,424	38,424	38,424	38,424	38,424	40,153	41,960	43,848	45,821	47,883
Units/month @ 87	*36.80*	*36.80*	*36.80*	*36.80*	*36.80*	*38.46*	*40.19*	*42.00*	*43.89*	*45.86*
Percentage Increase	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 1.00%	3,506	2,983	2,973	3,223	3,455	3,270	2,537	2,307	2,674	3,041
Ending Balance	316,911	282,672	314,956	332,937	361,437	295,931	213,976	249,821	287,748	323,536

	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Beginning Balance	323,536	345,906	304,599	346,179	385,224	436,730	486,125	306,826	365,066	416,858
Inflated Expenditures @ 2.5%	30,999	96,833	16,300	21,696	12,256	17,553	248,406	13,198	23,257	13,866
Reserve Contribution	50,038	52,290	54,643	57,102	59,672	62,357	65,163	68,095	71,159	74,361
Units/month @ 87	*47.93*	*50.09*	*52.34*	*54.70*	*57.16*	*59.73*	*62.42*	*65.23*	*68.16*	*71.23*
Percentage Increase	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 1.00%	3,331	3,236	3,238	3,639	4,089	4,591	3,945	3,343	3,890	4,471
Ending Balance	345,906	304,599	346,179	385,224	436,730	486,125	306,826	365,066	416,858	481,824