

5116 Heather Drive
Anacortes, WA 98221
360.588.9956

Funding Reserve Analysis
for
Mt. Baker Rim Community Club Level 2 Study 2024

April 12, 2024



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5116 Heather Drive
Anacortes, WA 9822
360.588.9956

April 12, 2024

Ms. Hannah McDermott
Board of Directors
10315 Mount Baker Highway
Deming WA 98244

Dear Ms. Hannah McDermott,

Introduction

First, we would like to thank you for utilizing our services. Our approach is to provide the members, the board and management with understandable information to make informed decisions needed to best manage your reserve fund and annual contributions. We strive to understand the association's needs and design a funding strategy for meeting those needs based on a realistic approach to finances available and real-world workings of most associations. We live and work in the local area and work hard to keep up to date with costs in your association's neighborhood.

Included within the following pages you will find:

Three funding models which detail how your association finances will look during the 30-year forecast window.

- Current Level of Contributions
- Baseline Funded
- Fully Funded (per the State of Washington RCW 64.34.380)

A list of the community components that the association is responsible for maintaining.

- Estimated current cost of replacement of each component.
- Timeline of estimated remaining life and estimated cost at replacement date per component.

Annual expenditure detail.

Expenses by item and by calendar year.

Average deficit or surplus from a Fully Funded Balance for the association and per member in dollar amount and percentage (based on equal percentage ownership for all units). This amount is calculated by subtracting the association's reserve account balance as of the date of the study (*Budget Year Beginning Date*) from the Fully Funded Balance. Also included is the same calculated amounts as projected at the end of the each study year (*Budget Year Ending Date*).

What is our Recommended Funding Goal? Maintaining the Reserve Fund at a level equal to the value of deterioration is called "Full Funding" (100% Funded). As each asset ages and becomes "used up", the Reserve Fund grows proportionally. This is simple, responsible, and our recommendation.

Evidence shows that associations in the:

- 0-30% range are considered in **Pool** condition and at a high risk of special assessments or deferred maintenance.
- 31-79% range are considered in **Good** condition and should strive to gradually increase reserves.
- 80-130% range are considered in **Excellent** condition and enjoy a low risk of special assessments or deferred maintenance.

The attached funding study is limited in scope to those expense items listed in the attached Expense Detail Report. Expense items which have an expected life of more than 30 Years are not included in this reserve study unless payment for these long-lived items overlaps the 30 Years reserve study envelope.

Mt. Baker Rim Community Club Level 2 Study 2024

Executive Summary

Name	Mt. Baker Rim Community Club Level 2 Study 2024
Location	Deming, WA
Contributing Members	432
Year Built	1978
Fiscal Year Ends	2024
Depth of Study	Level 2 Study (<i>With Site Visit</i>)
Date of Study	April 12, 2024
Last On-Site Inspection Date	April 3, 2024
Inflation Rate for Projections	5% Years 2024-2025/4% 2026>

Reserve Account Summary

Reported Current Annual Reserve Contribution	\$82,500 per year
Estimated Fiscal Year Starting Balance	\$368,829
Fiscal Year Beginning Balance If Fully Funded	\$517,203 (<i>ideal amount in reserves</i>)
Average Deficit/Surplus Per Member (<i>As of Budget Year Beginning Date</i>)	-\$343 Percent Funded 71%



5 - Year Summary - Current vs. Baseline vs. Fully Funded (*As of Budget Year Ending Date*)

	Current Funding Model <i>Contribution amount supplied by Client</i>		Baseline Funded Model <i>Reserve account above \$0 within study timeframe</i>		Fully Funded Model Recommended <i>Achieve 100% funded within the 30 year study timeframe</i>	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
2024	\$429,190	76%	\$404,917	72%	\$429,190	76%
2025	\$121,701	51%	\$71,481	30%	\$121,701	51%
2026	\$211,902	68%	\$133,972	43%	\$211,902	68%
2027	\$303,621	79%	\$197,045	51%	\$301,767	78%
2028	\$336,612	84%	\$200,454	50%	\$330,905	83%
	<i>Contribution increased at 5% per year</i>		<i>Contribution increased at 5% per year</i>		<i>Model goal is to achieve 100% funded by year 30</i>	

The percentage figures above represent the percentage each model is above or below fully funded for the noted time period

Project Description

Mt. Baker Rim Community Club is located near Glacier Washington near Mt. Baker recreational area. There are approximately 432.5 heavily wooded single family lots serviced by several miles of private asphalt paved road. Amenities include a large clubhouse, swimming pool, tennis & pickle ball courts, gate house including a managers apartment, utility garage plus other out buildings. Equipment includes two trucks, a tractor and various landscape maintenance equipment.

This year's report is a Level 2 Reserve Study which includes a field evaluation of the Association's physical assets, a review of current financial, other information provided by the client and prior reserve reports.

The association continues various projects updating the clubhouse & recreation areas in addition to maintenance and repair of the community grounds. Please refer to the detailed report pages in the following sections of the report.

(Report Note - material and labor costs appear to be continuing to increase in all construction categories. Many associations have reported dramatic cost differences in recent contractor bids on the same projects. We highly recommend associations request contractor bids on upcoming projects early in the process. Until such time as cost increases moderate all models will include an inflation factor of 5% through 2025 then decrease to 4%).

Reserve Fund Status and Funding Plan Recommendation - Based on our findings, the current level of funding of the reserve account is adequate to fund projected expenses for the long term. We recommend the association gradually adopt a reserve funding plan based on the Fully Funding Model in order to ensure that adequate funding is available throughout the 30-year study period.

Current Assessment Projection - The initial reserve assessment is the association's reported current fiscal year funding level and projected out 30 years to illustrate the adequacy of the current funding over time.

Current Total Reported Annual Reserve Contribution - \$82,500

Baseline Funded Model - The goal of this funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balance overall does not drop below zero during the projected period. A facility using this funding method must understand that even a minor reduction in a component's remaining useful life **or unplanned expenses** can result in a deficit in the reserve cash balance **and may require additional funding**.

Recommended Total Annual Reserve Contribution - \$58,677

Fully Funded Model - This is a straight-line funding model. It distributes the cash reserves to individual reserve components and then calculates what the reserve assessment and interest contribution (minus taxes) should be, again by each reserve component. The current annual assessment is then determined by summing all the individual component assessments. This is the most conservative funding model. It leads to or maintains a fully funded reserve position. (Please note that the Fully Funded Model incorporates funding parameters that seek to reach 100% funded at year 30 reserve study limit. The recommended contribution amount may be unusually high or low for the first few years depending on the current reserve account balance and upcoming expenses).

Recommended Total Annual Reserve Contribution - \$82,500

In this Reserve Study the following components are excluded:

Power Lines – Generally utility companies.

Utility Main Lines – Generally utility companies or City.

Interior Plumbing - The remaining useful life of the plumbing exceeds the 30-year scope of the study.

Depth of Study

We have completed a full-service Level 2 Reserve Study for your association. A field inspection was made to verify the current status of the various reserve study components, their physical condition, and to verify component quantities. In place testing, laboratory testing, and non-destructive testing of the reserve study components were not performed. Field measurements of component quantities were made to either verify improvement plan take offs or determine directly the quantities of various components. Photographs were taken of the site improvements.

Understanding the Budget Year

Your study is based on the standard calendar year January 1 through December 31st. January is the “*budget year beginning*”. This account balance is the starting point for determining the distribution of available funds for the year. Reserve contributions plus any addition income or deposits and interest for the 12-month period are calculated then projected expenses for the year are deducted. The result is the *budget year ending* balance estimated for December 31st.

Initial Reserves

Initial reserves for this reserve study are estimated to be \$368,829 as of December 31, 2023. We have relied upon the client to provide the current (or projected) reserve balance, the estimated net-after-tax current rate of interest earnings, and to indicate if those earnings accrue to the reserve fund.

Keeping Your Reserve Study Current

We recommend that your reserve analysis study be updated on an annual basis due to fluctuating interest rates, inflationary changes, and the unpredictable nature of the lives of many of the assets under consideration. All of the information collected during our inspection of the facilities site and computations made subsequently in preparing this reserve analysis study are retained in our computer files.

Conflict of Interest

As the preparer of this reserve study, Pacific Crest Reserves certifies that we do not have any vested interests, financial interests, or other interests that would cause a conflict of interest in the preparation of this reserve study.

Date of Physical Inspection

The property was physically inspected by Pacific Crest Reserves on April 3, 2024.

Pacific Crest Reserves would like to thank the members and management for the opportunity to be of service in the preparation of the attached funding study. Again, please feel free to contact us if you have any questions.

Prepared by:

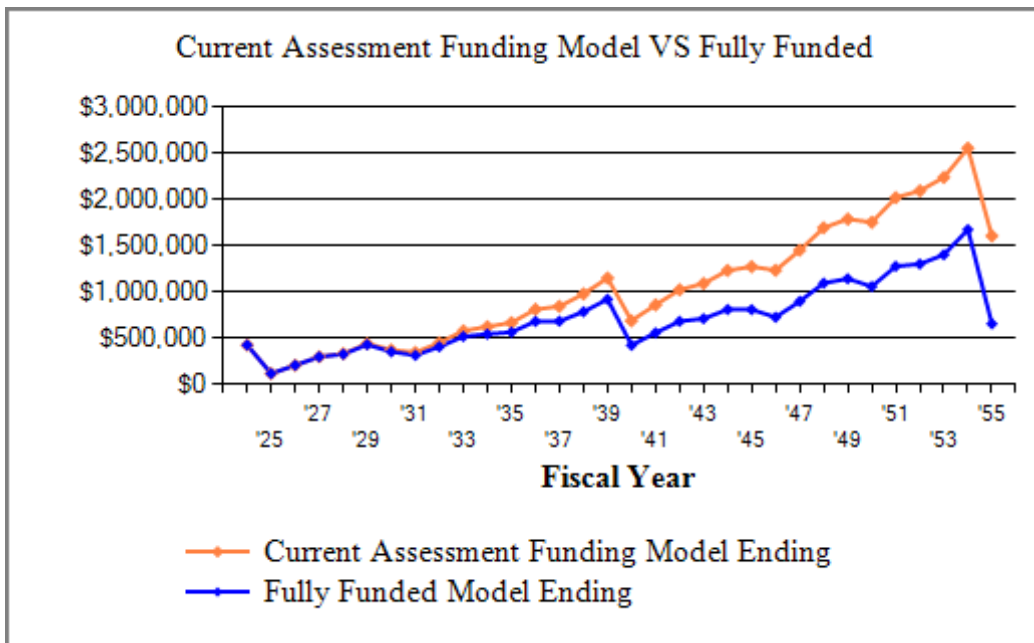
Charlie Barefield

Charlie Barefield
Reserve Analyst Principal

Mt. Baker Rim Community Club Level 2 Study 2024
 Deming, WA
Current Assessment Projection Summary

Report Date	April 12, 2024
Budget Year Beginning	January 1, 2024
Budget Year Ending	December 31, 2024
Total Units	432

Report Parameters	
Interest Rate on Reserve Deposit	2.70%
Tax Rate on Interest	30.00%
2024 Beginning Balance	\$368,829



The Current Assessment Funding Model is based on the current annual assessment, parameters, and reserve fund balance. Because it is calculated using the current annual assessment, it will give the accurate projection of how well the association is funded for the next 30 years of planned reserve expenditures.

Current Assessment Funding Model Summary of Calculations

Required Annual Contribution	\$82,500.00
<i>\$190.97 per unit annually</i>	
Average Net Annual Interest Earned	\$7,961.23
Total Annual Allocation to Reserves	\$90,461.23
<i>\$209.40 per unit annually</i>	

**Mt. Baker Rim Community Club Level 2 Study 2024
Current Assessment Projection**

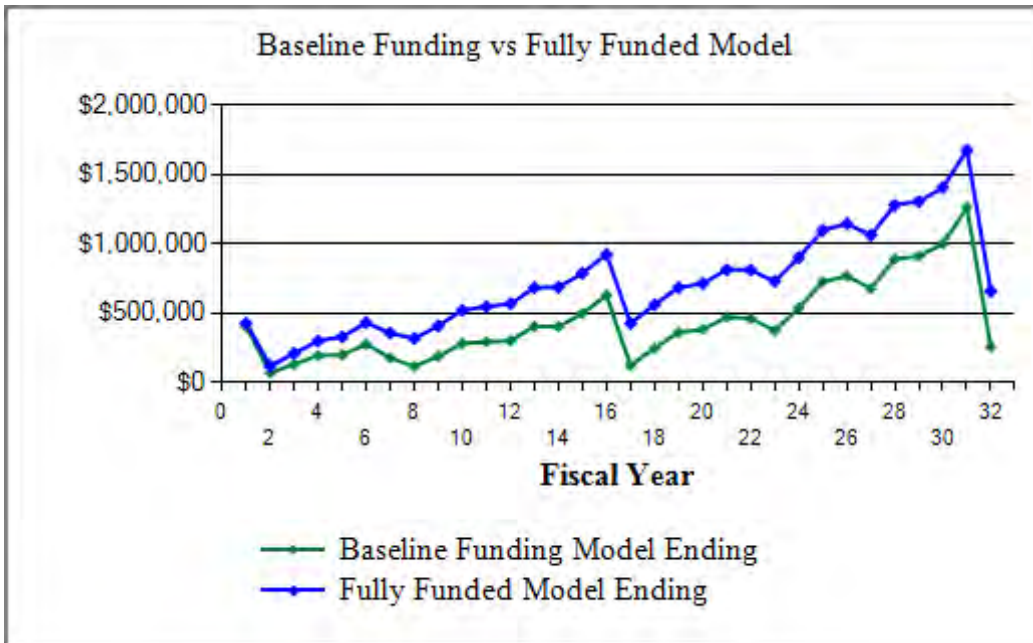
Beginning Balance: \$368,829

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2024	82,500	7,961	30,100	429,190	561,469	76%
2025	86,625	2,257	396,372	121,701	238,085	51%
2026	90,956	3,931	4,686	211,902	310,570	68%
2027	94,594	5,632	8,508	303,621	384,947	79%
2028	98,378	6,244	71,631	336,612	399,483	84%
2029	102,313	8,255	2,170	445,010	489,784	91%
2030	106,406	6,993	181,425	376,983	401,961	94%
2031	110,662	6,480	144,773	349,352	351,994	99%
2032	115,089	8,429	18,484	454,386	434,749	105%
2033	119,692	10,802	2,539	582,341	540,914	108%
2034	124,480	11,646	90,636	627,831	563,360	111%
2035	129,459	12,440	99,098	670,631	581,707	115%
2036	134,637	15,088	6,936	813,421	700,591	116%
2037	140,023	15,693	123,118	846,019	707,514	120%
2038	145,624	18,193	29,037	980,800	816,837	120%
2039	151,449	21,339	3,213	1,150,375	961,839	120%
2040	157,507	12,822	629,464	691,240	465,966	148%
2041	163,807	16,001	8,439	862,609	600,936	144%
2042	170,359	19,006	27,361	1,024,614	726,630	141%
2043	177,174	20,276	129,004	1,093,059	756,848	144%
2044	184,261	22,871	67,227	1,232,963	857,935	144%
2045	191,631	23,630	174,342	1,273,882	857,294	149%
2046	199,296	22,915	260,728	1,235,365	772,642	160%
2047	207,268	26,913	18,642	1,450,905	942,461	154%
2048	215,559	31,410	4,572	1,693,302	1,140,037	149%
2049	224,181	33,155	163,231	1,787,407	1,187,097	151%
2050	233,149	32,492	301,383	1,751,665	1,099,210	159%
2051	242,474	37,453	12,491	2,019,101	1,315,377	153%
2052	252,173	38,792	218,764	2,091,303	1,333,075	157%
2053	262,260	41,484	158,644	2,236,404	1,421,710	157%
2054	272,751	47,314	5,786	2,550,682	1,680,875	152%
2055	283,661	29,775	1,258,962	1,605,156	655,435	245%

Mt. Baker Rim Community Club Level 2 Study 2024
 Deming, WA
Baseline Funding Model Summary

Report Date	April 12, 2024
Budget Year Beginning	January 1, 2024
Budget Year Ending	December 31, 2024
Total Units	432

Report Parameters	
Annual Assessment Increase	5.00%
Interest Rate on Reserve Deposit	2.70%
Tax Rate on Interest	30.00%
2024 Beginning Balance	\$368,829



The **Baseline Funding Model** calculates the minimum reserve assessments, with the restriction that the reserve balance is not allowed to go below \$0 or other predetermined baseline, during the period of time examined. All funds for planned reserve expenditures will be available on the first day of each fiscal year. The **Baseline Funding Model** allows the client to choose the level of conservative funding they desire by choosing the baseline dollar amount.

Baseline Funding Model Summary of Calculations	
Required Annual Contribution	\$58,676.77
<i>\$135.83 per unit annually</i>	
Average Net Annual Interest Earned	<u>\$7,510.97</u>
Total Annual Allocation to Reserves	\$66,187.74
<i>\$153.21 per unit annually</i>	

**Mt. Baker Rim Community Club Level 2 Study 2024
Baseline Funding Model Projection**

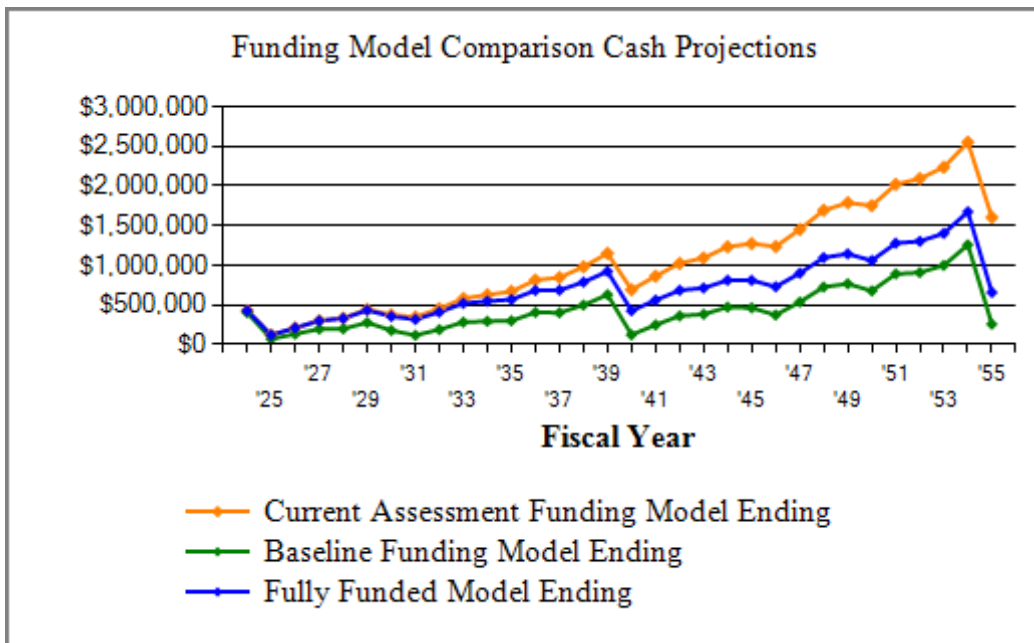
Beginning Balance: \$368,829

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2024	58,677	7,511	30,100	404,917	561,469	72%
2025	61,611	1,326	396,372	71,481	238,085	30%
2026	64,691	2,485	4,686	133,972	310,570	43%
2027	67,926	3,655	8,508	197,045	384,947	51%
2028	71,322	3,718	71,631	200,454	399,483	50%
2029	74,888	5,163	2,170	278,335	489,784	57%
2030	78,632	3,318	181,425	178,860	401,961	44%
2031	82,564	2,205	144,773	118,855	351,994	34%
2032	86,692	3,536	18,484	190,599	434,749	44%
2033	91,027	5,275	2,539	284,362	540,914	53%
2034	95,578	5,468	90,636	294,772	563,360	52%
2035	100,357	5,595	99,098	301,626	581,707	52%
2036	105,375	7,561	6,936	407,626	700,591	58%
2037	110,644	7,468	123,118	402,620	707,514	57%
2038	116,176	9,256	29,037	499,016	816,837	61%
2039	121,985	11,676	3,213	629,464	961,839	65%
2040	122,295	2,311	629,464	124,607	465,966	27%
2041	128,410	4,623	8,439	249,201	600,936	41%
2042	134,831	6,741	27,361	363,412	726,630	50%
2043	141,572	7,106	129,004	383,086	756,848	51%
2044	148,651	8,779	67,227	473,289	857,935	55%
2045	156,083	8,600	174,342	463,630	857,294	54%
2046	163,887	6,932	260,728	373,722	772,642	48%
2047	172,082	9,963	18,642	537,125	942,461	57%
2048	180,686	13,480	4,572	726,719	1,140,037	64%
2049	189,720	14,236	163,231	767,444	1,187,097	65%
2050	199,206	12,574	301,383	677,840	1,099,210	62%
2051	209,167	16,528	12,491	891,044	1,315,377	68%
2052	219,625	16,857	218,764	908,761	1,333,075	68%
2053	230,606	18,536	158,644	999,259	1,421,710	70%
2054	242,136	23,353	5,786	1,258,963	1,680,875	75%
2055	254,243	4,805	1,258,962	259,049	655,435	40%

Mt. Baker Rim Community Club Level 2 Study 2024
 Deming, WA
Fully Funded Model Summary

Report Date	April 12, 2024
Budget Year Beginning	January 1, 2024
Budget Year Ending	December 31, 2024
Total Units	432

Report Parameters	
Interest Rate on Reserve Deposit	2.70%
Tax Rate on Interest	30.00%
2024 Beginning Balance	\$368,829



The **Fully Funded Model's** long-term objective is to provide a plan to a fully funded reserve position over the longest period of time practical. This is the most conservative funding model.

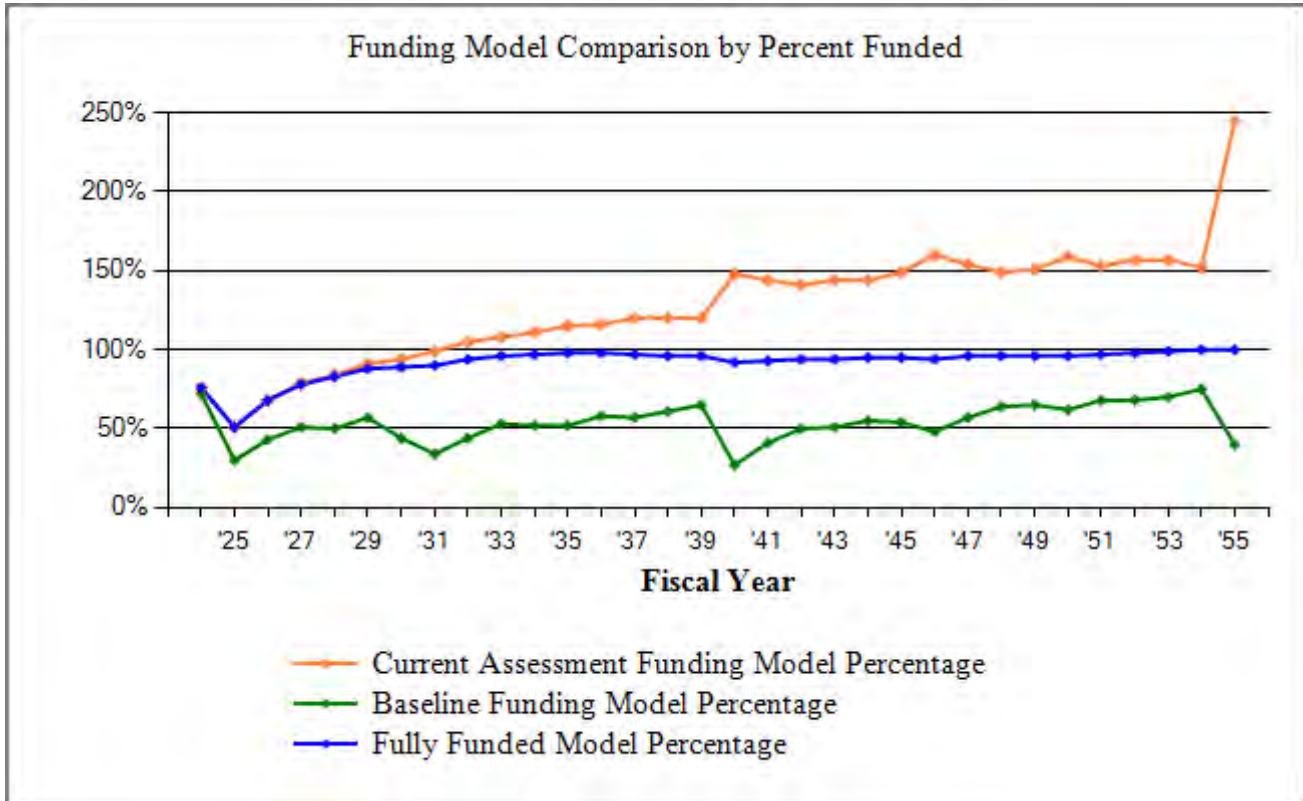
Fully Funded Model Summary of Calculations	
Required Annual Contribution	\$82,500.00
<i>\$190.97 per unit annually</i>	
Average Net Annual Interest Earned	\$7,961.23
Total Annual Allocation to Reserves	\$90,461.23
<i>\$209.40 per unit annually</i>	

**Mt. Baker Rim Community Club Level 2 Study 2024
Fully Funded Model Projection**

Beginning Balance: \$368,829

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2024	82,500	7,961	30,100	429,190	561,469	76%
2025	86,625	2,257	396,372	121,701	238,085	51%
2026	90,956	3,931	4,686	211,902	310,570	68%
2027	92,775	5,598	8,508	301,767	384,947	78%
2028	94,631	6,138	71,631	330,905	399,483	83%
2029	96,524	8,037	2,170	433,296	489,784	88%
2030	98,454	6,621	181,425	356,945	401,961	89%
2031	100,423	5,908	144,773	318,503	351,994	90%
2032	102,432	7,606	18,484	410,057	434,749	94%
2033	104,480	9,677	2,539	521,675	540,914	96%
2034	106,570	10,161	90,636	547,769	563,360	97%
2035	108,701	10,534	99,098	567,907	581,707	98%
2036	110,875	12,698	6,936	684,544	700,591	98%
2037	113,093	12,748	123,118	687,267	707,514	97%
2038	115,355	14,621	29,037	788,205	816,837	96%
2039	120,661	17,117	3,213	922,770	961,839	96%
2040	126,211	7,929	629,464	427,447	465,966	92%
2041	132,017	10,414	8,439	561,439	600,936	93%
2042	138,090	12,704	27,361	684,872	726,630	94%
2043	144,442	13,236	129,004	713,546	756,848	94%
2044	151,086	15,071	67,227	812,476	857,935	95%
2045	158,036	15,048	174,342	811,217	857,294	95%
2046	165,306	13,529	260,728	729,324	772,642	94%
2047	172,910	16,700	18,642	900,292	942,461	96%
2048	180,864	20,347	4,572	1,096,931	1,140,037	96%
2049	189,183	21,222	163,231	1,144,105	1,187,097	96%
2050	197,886	19,667	301,383	1,060,275	1,099,210	96%
2051	206,989	23,715	12,491	1,278,488	1,315,377	97%
2052	219,201	24,172	218,764	1,303,096	1,333,075	98%
2053	232,134	26,017	158,644	1,402,604	1,421,710	99%
2054	245,830	31,046	5,786	1,673,694	1,680,875	100%
2055	231,500	12,214	1,258,962	658,446	655,435	100%

**Mt. Baker Rim Community Club Level 2 Study 2024
Funding Model Comparison by Percent Funded**



The chart above compares the projected Reserve Percentage Funded of the three funding models (Current Assessment Funding Model, Baseline Funding Model and Fully Funded Model) over 30 years.

**Mt. Baker Rim Community Club Level 2 Study 2024
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2024	
Ford Tractor	28,350
Gate House, Garage, A-Frame Exterior Maintenance & Repair	1,750
Total for 2024	\$30,100
Replacement Year 2025	
Clubhouse - Exterior Painting	6,124
Clubhouse - Siding Replacement	35,721
Dike Repair & Maintenance	5,953
Gate Entry System	42,000
Gate House & Apartment Furnace/Hot Water Heater	11,907
Gate House, Garage, A-Frame Exterior Maintenance & Repair	1,837
General Equipment	11,314
Playground Equipment and Surrounds	5,953
Pool - Interior & Deck Surfaces	214,326
Road Major Repair	61,236
Total for 2025	\$396,372
Replacement Year 2026	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	1,929
General Culvert Maintenance Fund	2,756
Total for 2026	\$4,686
Replacement Year 2027	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	2,007
Sander/Spreader	6,501
Total for 2027	\$8,508
Replacement Year 2028	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	2,087
Road Major Repair	69,545
Total for 2028	\$71,631
Replacement Year 2029	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	2,170
Total for 2029	\$2,170

**Mt. Baker Rim Community Club Level 2 Study 2024
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2030	
Dike Repair & Maintenance	7,313
Gate House & Manager Apartment Interior Refurbish	14,626
Gate House, Garage, A-Frame Exterior Maintenance & Repair	2,257
Tennis Court Maintenance & Surface Replacement	102,382
Toyota Tacoma Pickup	43,878
Trash Enclosure & Compactor Maintenance	10,969
Total for 2030	\$181,425
Replacement Year 2031	
Dodge Truck 1 Ton	60,844
Gate House, Garage, A-Frame Exterior Maintenance & Repair	2,347
General Culvert Maintenance Fund	3,353
Road Major Repair	78,228
Total for 2031	\$144,773
Replacement Year 2032	
Clubhouse Interior Refurbish	16,043
Gate House, Garage, A-Frame Exterior Maintenance & Repair	2,441
Total for 2032	\$18,484
Replacement Year 2033	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	2,539
Total for 2033	\$2,539
Replacement Year 2034	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	2,640
Road Major Repair	87,996
Total for 2034	\$90,636
Replacement Year 2035	
Clubhouse - Exterior Painting	9,152
Clubhouse - Heat Pump Heating Equipment	52,498
Dike Repair & Maintenance	8,897
Gate House, Garage, A-Frame Exterior Maintenance & Repair	2,746
General Equipment	16,908
Playground Equipment and Surrounds	8,897
Total for 2035	\$99,098

**Mt. Baker Rim Community Club Level 2 Study 2024
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2036	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	2,856
General Culvert Maintenance Fund	4,080
Total for 2036	\$6,936
Replacement Year 2037	
Clubhouse - Sauna	11,541
Gate House, Garage, A-Frame Exterior Maintenance & Repair	2,970
Road Major Repair	98,984
Sander/Spreader	9,623
Total for 2037	\$123,118
Replacement Year 2038	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	3,089
Pool - Equipment Major Repair & Replacement	25,948
Total for 2038	\$29,037
Replacement Year 2039	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	3,213
Total for 2039	\$3,213
Replacement Year 2040	
Dike Repair & Maintenance	10,825
Gate Entry System	76,367
Gate House & Manager Apartment Interior Refurbish	21,650
Gate House, Garage, A-Frame Exterior Maintenance & Repair	3,341
Pool - Interior & Deck Surfaces	389,700
Road Major Repair	111,343
Trash Enclosure & Compactor Maintenance	16,238
Total for 2040	\$629,464
Replacement Year 2041	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	3,475
General Culvert Maintenance Fund	4,964
Total for 2041	\$8,439
Replacement Year 2042	
Clubhouse Interior Refurbish	23,747

**Mt. Baker Rim Community Club Level 2 Study 2024
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2042 continued...	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	3,614
Total for 2042	\$27,361
Replacement Year 2043	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	3,758
Road Major Repair	125,246
Total for 2043	\$129,004
Replacement Year 2044	
Ford Tractor	63,319
Gate House, Garage, A-Frame Exterior Maintenance & Repair	3,909
Total for 2044	\$67,227
Replacement Year 2045	
Clubhouse - Exterior Painting	13,547
Dike Repair & Maintenance	13,170
Gate House & Apartment Furnace/Hot Water Heater	26,341
Gate House, Garage, A-Frame Exterior Maintenance & Repair	4,065
General Equipment	25,028
Playground Equipment and Surrounds	13,170
Toyota Tacoma Pickup	79,022
Total for 2045	\$174,342
Replacement Year 2046	
Dodge Truck 1 Ton	109,577
Gate House, Garage, A-Frame Exterior Maintenance & Repair	4,227
General Culvert Maintenance Fund	6,039
Road Major Repair	140,884
Total for 2046	\$260,728
Replacement Year 2047	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	4,397
Sander/Spreader	14,245
Total for 2047	\$18,642
Replacement Year 2048	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	4,572
Total for 2048	\$4,572

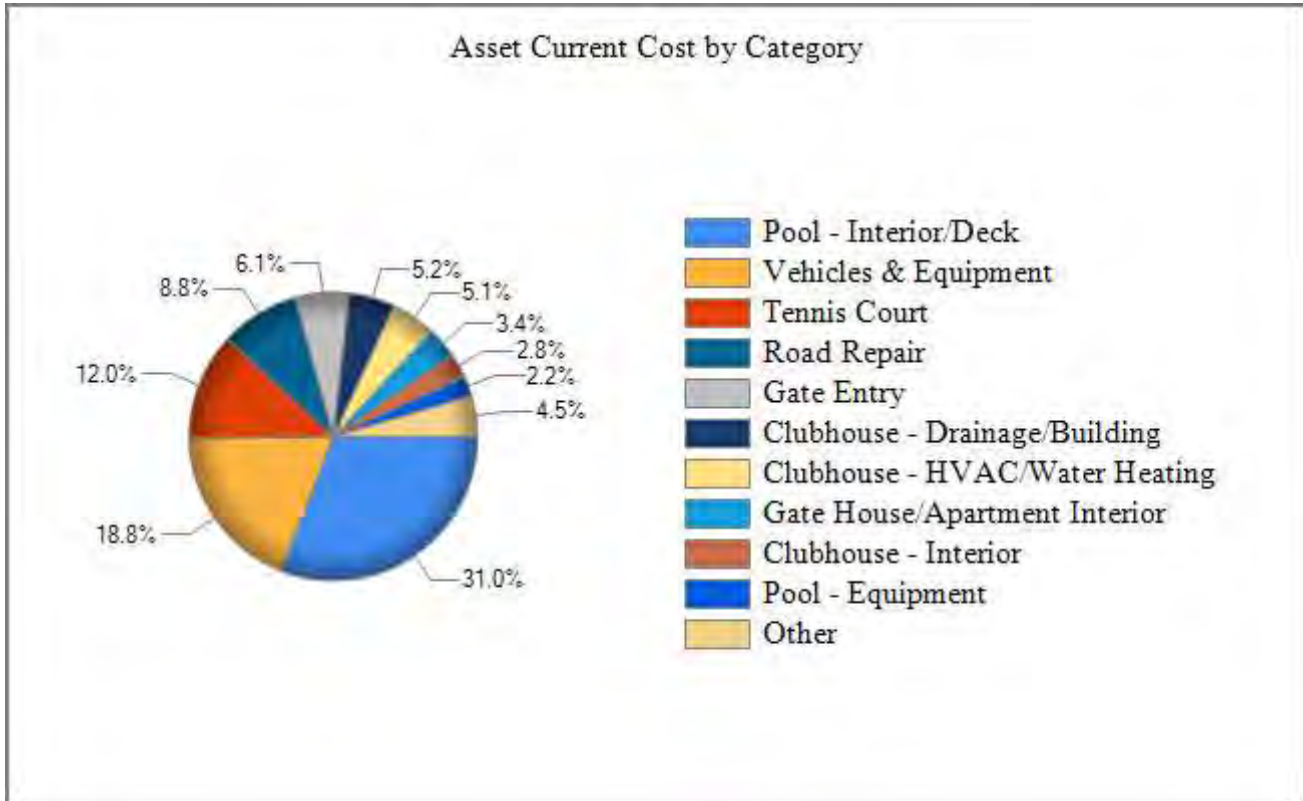
**Mt. Baker Rim Community Club Level 2 Study 2024
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2049	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	4,755
Road Major Repair	158,476
Total for 2049	\$163,231
Replacement Year 2050	
Dike Repair & Maintenance	16,024
Gate House & Manager Apartment Interior Refurbish	32,047
Gate House, Garage, A-Frame Exterior Maintenance & Repair	4,946
Tennis Court Maintenance & Surface Replacement	224,331
Trash Enclosure & Compactor Maintenance	24,035
Total for 2050	\$301,383
Replacement Year 2051	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	5,143
General Culvert Maintenance Fund	7,348
Total for 2051	\$12,491
Replacement Year 2052	
Clubhouse Interior Refurbish	35,151
Gate House, Garage, A-Frame Exterior Maintenance & Repair	5,349
Road Major Repair	178,264
Total for 2052	\$218,764
Replacement Year 2053	
Clubhouse - Heat Pump Heating Equipment	106,351
Gate House, Garage, A-Frame Exterior Maintenance & Repair	5,563
Pool - Equipment Major Repair & Replacement	46,730
Total for 2053	\$158,644
Replacement Year 2054	
Gate House, Garage, A-Frame Exterior Maintenance & Repair	5,786
Total for 2054	\$5,786
Replacement Year 2055	
Clubhouse - Exterior Painting	20,052
Clubhouse - Siding Replacement	116,971

**Mt. Baker Rim Community Club Level 2 Study 2024
Annual Expenditure Detail**

Description	Expenditures
<i>Replacement Year 2055 continued...</i>	
Dike Repair & Maintenance	19,495
Gate Entry System	137,533
Gate House, Garage, A-Frame Exterior Maintenance & Repair	6,017
General Equipment	37,048
Playground Equipment and Surrounds	19,495
Pool - Interior & Deck Surfaces	701,828
Road Major Repair	200,522
Total for 2055	<u>\$1,258,962</u>

**Mt. Baker Rim Community Club Level 2 Study 2024
Asset Current Cost by Category**



The above chart illustrates the current cost breakdown percentage of the Component Categories in this reserve study (highest percentage components listed at top, items less than 2% are listed as "Other"). Special attention should be given to those component categories which take up a bulk of the % of the current cost as these may require significant planning to adequately budget for their replacement. Refer to the Cash Flow Projections and the Annual Expenditure Report for the projected timeline of expected expenditures.

**Mt. Baker Rim Community Club Level 2 Study 2024
Detail Report by Category**

Clubhouse - Siding Replacement - 2025

Asset ID	1001	1 Allowance @	\$34,020.00
		Asset Actual Cost	\$34,020.00
		Percent Replacement	100%
		Future Cost	\$35,721.00
Category	Clubhouse - Drainage/Building		
Placed in Service	January 1978		
Useful Life	30		
Adjustment	17		
Replacement Year	2025		
Remaining Life	1		



The clubhouse has several sections of deteriorating siding that will require replacement. Recommend inspection and repair of reported rot damage within the wall structure prior to replacement of the existing siding.

Clubhouse - Exterior Painting - 2025

Asset ID	1002	1 Allowance @	\$5,832.00
		Asset Actual Cost	\$5,832.00
		Percent Replacement	100%
		Future Cost	\$6,123.60
Category	Clubhouse - Painting		
Placed in Service	January 2013		
Useful Life	10		
Adjustment	2		
Replacement Year	2025		
Remaining Life	1		

Exterior paint is the barrier coat that seals and protects the building materials from the elements. Modern paints when professionally applied over properly prepared materials should provide a useful life of 10 years or more. Inspection and touchup of any damaged areas will greatly increase the performance of

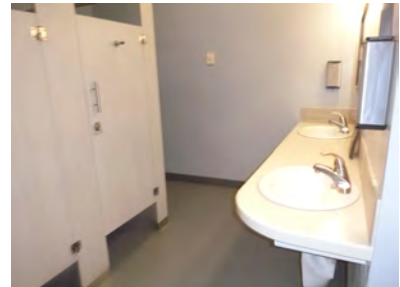
**Mt. Baker Rim Community Club Level 2 Study 2024
Detail Report by Category**

Clubhouse - Exterior Painting continued...

these products.

Clubhouse Interior Refurbish - 2032

Asset ID	1003	1 Allowance @ \$11,500.00
Category	Clubhouse - Interior	Asset Actual Cost \$11,500.00
Placed in Service	January 2022	Percent Replacement 100%
Useful Life	10	Future Cost \$16,042.66
Replacement Year	2032	
Remaining Life	8	



A major project listed as interior finish refurbish and plumbing was started in 2022 and completed in the past year at a reported cost of \$100,195. Funds are included for ongoing updating of the interior of the clubhouse common areas, restrooms and kitchen.

Clubhouse - Sauna - 2037

Asset ID	1004	1 Allowance @ \$6,800.00
Category	Clubhouse - Interior	Asset Actual Cost \$6,800.00
Placed in Service	January 2017	Percent Replacement 100%
Useful Life	20	Future Cost \$11,541.29
Replacement Year	2037	
Remaining Life	13	

**Mt. Baker Rim Community Club Level 2 Study 2024
Detail Report by Category**

Clubhouse - Sauna continued...



It was reported the sauna was replaced in 2017. Funds are included for future major repair and replacement.

Clubhouse - Heat Pump Heating Equipment - 2035

Asset ID	1005	1 Allowance @	\$33,455.00
Category	HVAC/Water Heating	Asset Actual Cost	\$33,455.00
Placed in Service	January 2017	Percent Replacement	100%
Useful Life	18	Future Cost	\$52,497.63
Replacement Year	2035		
Remaining Life	11		



The clubhouse heating system was upgraded to a modern heat pump system in 2017. This type of equipment should provide a useful life of 15-18 years as it is not in full time usage. An allowance is also included for hot water heating equipment.

**Mt. Baker Rim Community Club Level 2 Study 2024
Detail Report by Category**

Pool - Equipment Major Repair & Replacement - 2038

Asset ID	1006	1 Allowance @ \$14,700.00
		Asset Actual Cost \$14,700.00
		Percent Replacement 100%
Category	Pool - Equipment	Future Cost \$25,947.53
Placed in Service	January 2023	
Useful Life	15	
Replacement Year	2038	
Remaining Life	14	



The pool equipment replacement project was started in 2022 with \$14,000 cost. The final phase of this project was completed in 2023 with an additional cost of \$6,854. The budget includes funds for future replacement of the various pool equipment.

Pool - Interior & Deck Surfaces - 2025

Asset ID	1007	1 Allowance @ \$204,120.00
		Asset Actual Cost \$204,120.00
		Percent Replacement 100%
Category	Pool - Interior/Deck	Future Cost \$214,326.00
Placed in Service	January 2011	
Useful Life	15	
Adjustment	-1	
Replacement Year	2025	
Remaining Life	1	

**Mt. Baker Rim Community Club Level 2 Study 2024
Detail Report by Category**

Pool - Interior & Deck Surfaces continued...



Our understanding is the pool interior was last resurfaced in 2011. There have been some tiles that have come loose and some hollow areas found behind other tiles. The pool deck surface will also require replacement or major repair work as the existing concrete squares are shifting which causes trip hazards and constant adjustment of the wood expansion joint materials. The budget includes a placeholder estimate for this project.

Tennis Court Maintenance & Surface Replacement - 2030

Asset ID	1008	1 Allowance @ \$79,380.00
Category	Tennis Court	Asset Actual Cost \$79,380.00
Placed in Service	January 2008	Percent Replacement 100%
Useful Life	20	Future Cost \$102,381.87
Adjustment	2	
Replacement Year	2030	
Remaining Life	6	



It was reported the tennis courts were resurfaced in 2008 and continue to appear in good condition. Funds are included for maintenance, future resurfacing and fence repair as may be required.

**Mt. Baker Rim Community Club Level 2 Study 2024
Detail Report by Category**

Gate House, Garage, A-Frame Exterior Maintenance & Repair - 2024

Asset ID	1009	1 Allowance	@ \$1,750.00
		Asset Actual Cost	\$1,750.00
		Percent Replacement	100%
		Future Cost	\$1,750.00
Category	Gate House/Garage/A-Frame Exteriors		
Placed in Service	January 2020		
Useful Life	1		
Adjustment	3		
Replacement Year	2024		
Remaining Life	0		



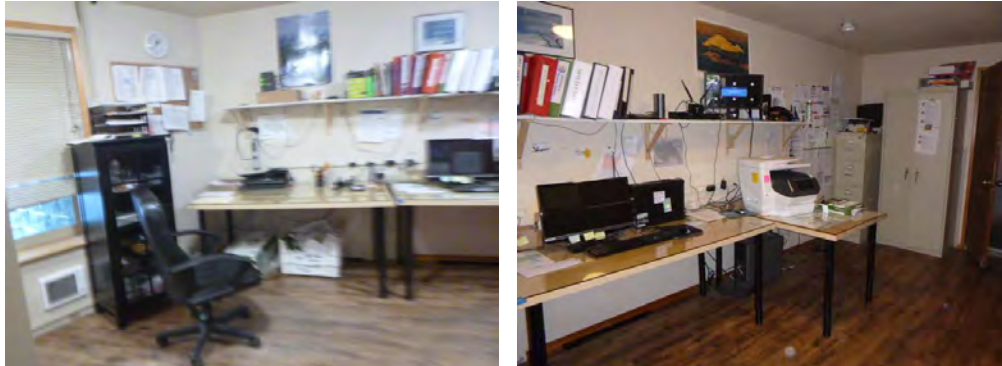
Funds are included annually for exterior maintenance, repair and painting/staining of the gate house & deck, garage and a-frame as required. All appear to be well maintained and in good condition currently.

Gate House & Manager Apartment Interior Refurbish - 2030

Asset ID	1010	1 Allowance	@ \$11,340.00
		Asset Actual Cost	\$11,340.00
		Percent Replacement	100%
		Future Cost	\$14,625.98
Category	Gate House/Manager Apartment Interior		
Placed in Service	January 2018		
Useful Life	10		
Adjustment	2		
Replacement Year	2030		
Remaining Life	6		

**Mt. Baker Rim Community Club Level 2 Study 2024
Detail Report by Category**

Gate House & Manager Apartment Interior Refurbish continued...



The interiors of the gate house office area and manager apartment have been updated over the years by staff. Funds are included for future refurbishing in 10 year cycles.

Gate House & Apartment Furnace/Hot Water Heater - 2025

Asset ID	1011	1 Allowance	@ \$11,340.00
		Asset Actual Cost	\$11,340.00
		Percent Replacement	100%
		Future Cost	\$11,907.00
Category	Gate House/Apartment Interior		
Placed in Service	January 2005		
Useful Life	20		
Replacement Year	2025		
Remaining Life	1		

It was reported the gate house apartment heat source is an gas heater that will require replacement within the next few years. Funds are included for replacement of the gas heater and building hot water heater.

Gate Entry System - 2025

Asset ID	1012	1 Allowance	@ \$40,000.00
		Asset Actual Cost	\$40,000.00
		Percent Replacement	100%
		Future Cost	\$42,000.00
Category	Gate Entry		
Placed in Service	January 2007		
Useful Life	15		
Adjustment	3		
Replacement Year	2025		
Remaining Life	1		

**Mt. Baker Rim Community Club Level 2 Study 2024
Detail Report by Category**

Gate Entry System continued...



Funds are included for the community gate entry system which requires significant maintenance and replacement in future years.

Dodge Truck 1 Ton - 2031

Asset ID	1013	1 Allowance @	\$45,360.00
		Asset Actual Cost	\$45,360.00
		Percent Replacement	100%
Category	Vehicles & Equipment	Future Cost	\$60,844.08
Placed in Service	January 2016		
Useful Life	15		
Replacement Year	2031		
Remaining Life	7		



**Mt. Baker Rim Community Club Level 2 Study 2024
Detail Report by Category**

Toyota Tacoma Pickup - 2030

Asset ID	1014	1 Allowance @	\$34,020.00
		Asset Actual Cost	\$34,020.00
		Percent Replacement	100%
Category/Vehicles & Equipment		Future Cost	\$43,877.94
Placed in Service	January 2012		
Useful Life	15		
Adjustment	3		
Replacement Year	2030		
Remaining Life	6		



Ford Tractor - 2024

Asset ID	1015	1 Allowance @	\$28,350.00
		Asset Actual Cost	\$28,350.00
		Percent Replacement	100%
Category/Vehicles & Equipment		Future Cost	\$28,350.00
Placed in Service	January 1994		
Useful Life	20		
Adjustment	9		
Replacement Year	2024		
Remaining Life	0		



It was reported the tractor will be replaced in 2024.

**Mt. Baker Rim Community Club Level 2 Study 2024
Detail Report by Category**

Ford Tractor continued...

Plans call for purchase of a newer and larger tractor in the next few years as the current model is nearing end of life and has proven itself to be not quite adequate for the community's needs.

Sander/Spreader - 2027

Asset ID	1016	1 Allowance	@ \$5,670.00
		Asset Actual Cost	\$5,670.00
		Percent Replacement	100%
Category	Vehicles & Equipment	Future Cost	\$6,501.22
Placed in Service	January 2011		
Useful Life	10		
Adjustment	6		
Replacement Year	2027		
Remaining Life	3		



Per management cycle revised.

General Equipment - 2025

Asset ID	1017	1 Allowance	@ \$10,775.00
		Asset Actual Cost	\$10,775.00
		Percent Replacement	100%
Category	Vehicles & Equipment	Future Cost	\$11,313.75
Placed in Service	January 2011		
Useful Life	10		
Adjustment	4		
Replacement Year	2025		
Remaining Life	1		

Funds are included for community lawn mowers and other maintenance equipment.

**Mt. Baker Rim Community Club Level 2 Study 2024
Detail Report by Category**

Road Major Repair - 2025

Asset ID	1018	1 Allowance	@ \$58,320.00
Category	Road Repair	Asset Actual Cost	\$58,320.00
Placed in Service	January 2019	Percent Replacement	100%
Useful Life	3	Future Cost	\$61,236.00
Adjustment	3		
Replacement Year	2025		
Remaining Life	1		



The community owns and maintains several miles of internal asphalt paved roads. Minor repair is carried out annually by staff members. Approximately every three years a commercial paving company is contracted to make major repairs.

Playground Equipment and Surrounds - 2025

Asset ID	1019	1 Allowance	@ \$5,670.00
Category	Playground Area	Asset Actual Cost	\$5,670.00
Placed in Service	January 2004	Percent Replacement	100%
Useful Life	10	Future Cost	\$5,953.50
Adjustment	11		
Replacement Year	2025		
Remaining Life	1		

**Mt. Baker Rim Community Club Level 2 Study 2024
Detail Report by Category**

Playground Equipment and Surrounds continued...



Trash Enclosure & Compactor Maintenance - 2030

Asset ID	1020	1 Allowance	@ \$8,505.00
		Asset Actual Cost	\$8,505.00
		Percent Replacement	100%
Category	Trash Enclosure	Future Cost	\$10,969.49
Placed in Service	January 2015		
Useful Life	10		
Adjustment	5		
Replacement Year	2030		
Remaining Life	6		



Funds are included for maintaining the trash enclosure and compacting equipment.

**Mt. Baker Rim Community Club Level 2 Study 2024
Detail Report by Category**

Dike Repair & Maintenance - 2025

Asset ID	1021	1 Allowance	@ \$5,670.00
Category	Dike	Asset Actual Cost	\$5,670.00
Placed in Service	January 2009	Percent Replacement	100%
Useful Life	5	Future Cost	\$5,953.50
Adjustment	11		
Replacement Year	2025		
Remaining Life	1		



The dike along the river requires ongoing inspection, maintenance and occasional repair. Our understanding is the association has applied for permits from the Washington State Fish & Game department but have not received final approval.

General Culvert Maintenance Fund - 2026

Asset ID	1022	1 Allowance	@ \$2,500.00
Category	Culvert Maintenance	Asset Actual Cost	\$2,500.00
Placed in Service	January 1978	Percent Replacement	100%
Useful Life	5	Future Cost	\$2,756.25
Adjustment	43		
Replacement Year	2026		
Remaining Life	2		

Funds are included for general maintenance of the community drainage culverts.

**Mt. Baker Rim Community Club Level 2 Study 2024
Expenses by Item and by Calender Year**

Description	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Clubhouse - Exterior Painting		6,124								
Clubhouse - Heat Pump Heating Equipment										
Clubhouse - Sauna										
Clubhouse - Siding Replacement		35,721								
Clubhouse Interior Refurbish									16,043	
Dike Repair & Maintenance		5,953					7,313			
Dodge Truck 1 Ton								60,844		
Ford Tractor	28,350									
Gate Entry System		42,000								
Gate House & Apartment Furnace/Hot Water ..		11,907								
Gate House & Manager Apartment Interior Ref..							14,626			
Gate House, Garage, A-Frame Exterior Mainte..	1,750	1,837	1,929	2,007	2,087	2,170	2,257	2,347	2,441	2,539
General Culvert Maintenance Fund			2,756					3,353		
General Equipment		11,314								
Playground Equipment and Surrounds		5,953								
Pool - Equipment Major Repair & Replacement										
Pool - Interior & Deck Surfaces		214,326								
Road Major Repair		61,236			69,545			78,228		
Sander/Spreader				6,501						
Tennis Court Maintenance & Surface Replace..							102,382			
Toyota Tacoma Pickup							43,878			
Trash Enclosure & Compactor Maintenance							10,969			
Year Total:	30,100	396,372	4,686	8,508	71,631	2,170	181,425	144,773	18,484	2,539

**Mt. Baker Rim Community Club Level 2 Study 2024
Expenses by Item and by Calender Year**

Description	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Clubhouse - Exterior Painting		9,152								
Clubhouse - Heat Pump Heating Equipment		52,498								
Clubhouse - Sauna				11,541						
Clubhouse - Siding Replacement										
Clubhouse Interior Refurbish									23,747	
Dike Repair & Maintenance		8,897					10,825			
Dodge Truck 1 Ton										
Ford Tractor										
Gate Entry System							76,367			
Gate House & Apartment Furnace/Hot Water ..										
Gate House & Manager Apartment Interior Ref..							21,650			
Gate House, Garage, A-Frame Exterior Mainte..	2,640	2,746	2,856	2,970	3,089	3,213	3,341	3,475	3,614	3,758
General Culvert Maintenance Fund			4,080					4,964		
General Equipment		16,908								
Playground Equipment and Surrounds		8,897								
Pool - Equipment Major Repair & Replacement					25,948					
Pool - Interior & Deck Surfaces							389,700			
Road Major Repair	87,996			98,984			111,343			125,246
Sander/Spreader				9,623						
Tennis Court Maintenance & Surface Replace..										
Toyota Tacoma Pickup										
Trash Enclosure & Compactor Maintenance							16,238			
Year Total:	90,636	99,098	6,936	123,118	29,037	3,213	629,464	8,439	27,361	129,004

**Mt. Baker Rim Community Club Level 2 Study 2024
Expenses by Item and by Calender Year**

Description	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
Clubhouse - Exterior Painting		13,547								
Clubhouse - Heat Pump Heating Equipment										106,351
Clubhouse - Sauna										
Clubhouse - Siding Replacement										
Clubhouse Interior Refurbish									35,151	
Dike Repair & Maintenance		13,170					16,024			
Dodge Truck 1 Ton			109,577							
Ford Tractor	63,319									
Gate Entry System										
Gate House & Apartment Furnace/Hot Water ..		26,341								
Gate House & Manager Apartment Interior Ref..							32,047			
Gate House, Garage, A-Frame Exterior Mainte..	3,909	4,065	4,227	4,397	4,572	4,755	4,946	5,143	5,349	5,563
General Culvert Maintenance Fund			6,039					7,348		
General Equipment		25,028								
Playground Equipment and Surrounds		13,170								
Pool - Equipment Major Repair & Replacement										46,730
Pool - Interior & Deck Surfaces										
Road Major Repair			140,884			158,476			178,264	
Sander/Spreader				14,245						
Tennis Court Maintenance & Surface Replace..							224,331			
Toyota Tacoma Pickup		79,022								
Trash Enclosure & Compactor Maintenance							24,035			
Year Total:	67,227	174,342	260,728	18,642	4,572	163,231	301,383	12,491	218,764	158,644

**Mt. Baker Rim Community Club Level 2 Study 2024
Expenses by Item and by Calender Year**

Description	2054	2055
Clubhouse - Exterior Painting		20,052
Clubhouse - Heat Pump Heating Equipment		
Clubhouse - Sauna		
Clubhouse - Siding Replacement		116,971
Clubhouse Interior Refurbish		
Dike Repair & Maintenance		19,495
Dodge Truck 1 Ton		
Ford Tractor		
Gate Entry System		137,533
Gate House & Apartment Furnace/Hot Water ..		
Gate House & Manager Apartment Interior Ref..		
Gate House, Garage, A-Frame Exterior Mainte..	5,786	6,017
General Culvert Maintenance Fund		
General Equipment		37,048
Playground Equipment and Surrounds		19,495
Pool - Equipment Major Repair & Replacement		
Pool - Interior & Deck Surfaces		701,828
Road Major Repair		200,522
Sander/Spreader		
Tennis Court Maintenance & Surface Replace..		
Toyota Tacoma Pickup		
Trash Enclosure & Compactor Maintenance		
Year Total:	5,786	1,258,962



Reserve Study Disclosure Form

In Compliance with RCW 64.34.308 and RCW 64.38.025 (2019)

Name of Association: Mt. Baker Rim Community Club

Current Year Reported Budget Contribution to Reserves: \$82,500

Recommended 2024 Contribution to Reserves, per study: \$82,500

Funding Plan Used for Recommendations: Full Funding

Projected Year End Reserve Balance at Current Funding Level: \$429,190
(Percentages below indicate the projected year end percentage level of the Reserve Fund vs Fully Funded at the Current Contribution Amount)

Projected Year End Balance If the account was Fully Funded: \$561,469

5 Year Balances

Estimates Per Study:	2024	2025	2026	2027	2028
Projected Year End Reserve Balances at Current Contribution Level	\$429,190	\$121,701	\$211,902	\$303,621	\$336,612
<i>Average Deficit/Surplus Per Member: \$-\$343 Percent Funded 71%</i>					
Projected Year End Reserve Balances at Recommended Funding Contribution Level:	\$429,190	\$121,701	\$211,902	\$301,767	\$330,905
Projected Year End Fully Funded Reserves If Fully Funded:	\$561,469	\$238,085	\$310,570	\$384,947	\$399,483
Percent Reserve is Fully Funded at Current Funding Level:	76%	51%	68%	79%	84%

Based upon the most recent reserve study, will the association have funds to meet obligations for the next 30 years at the current contribution rate? Yes

_____ To be Completed by Management

Proposed 2024 Budget's Contribution to Reserves: _____

Is Additional Funding (Regular or Special Assessment) Planned? Yes/No

When is it due? (Month/Year) _____

What is the Purpose? Description of Project(s): _____

Duration of Assessment: Start Date _____ End Date _____

Assessment Amount per Unit on Average: Per Month _____ Per Year _____

Author Name _____

Source Key: Budget/Reserve Study

Date of Completion _____

Mt. Baker Rim Community Club Level 2 Study 2024

Appendix - Disclosure, Definitions & Calculations

Percent Funded

Many reserve studies use the concept of "Percent Funded" to measure the reserve account balance against a theoretically perfect value. Percent Funded is often used as a measure of the "Financial Health" of an association. The assumption is, the higher the percentage, the greater the "Financial Health". The question of substance is simply: How much is enough? To answer the question, some understanding of Percent Funded is required. Percent Funded is the ratio of current cash reserves divided by the Fully Funded value at any instant in time. Fully Funded is defined as the present value of the sum of all Reserve Items divided by the expected life of each item. In essence, Fully Funded is simply the total of the average net present value of the association improvements. Reserve Items with a remaining life greater than the study life are not included in the calculation. For example; building framing, foundations, water lines, and other long-lived items that fall outside the envelope of the reserve study are excluded from the calculation. Percent Funded is then, the current reserve balance divided by the Fully Funded value multiplied by 100 (to give a percentage). The concept of percent funded is useful when the reserve study is comprehensive, but misleading when the reserve study is superficial or constrained. As a result, we recommend that the statement "Percent Funded" be used with caution.

Washington State Homeowners and Condominium Act Compliance with RCW 64.38 and RCW 64.34 (2019)

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. A reserve component list (as applicable), including roofing, painting, paving, decks, siding, plumbing, windows, and any other reserve component that would cost more than one percent of the annual budget for major maintenance, repair, or replacement. If one of these reserve components is not included in the reserve study, the study should provide commentary explaining the basis for its exclusion. The study must also include quantities and estimates for the useful life of each reserve component, remaining useful life of each reserve component, and current repair and replacement cost for each component.

Disclosures Required by RCW 64.90.550.

This Reserve Study meets all requirements of the Washington Uniform Common Interest Ownership Act.

- a) This Reserve Study was prepared with the assistance of a reserve study professional and that professional was independent;
- b) This Reserve Study includes all information required by RCW 64.90.550 Reserve Study – Contents; and
- c) 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 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 the association to (1) defer major maintenance, repair, or replacement, (2) increase future reserve contributions, (3) borrow funds to pay for major maintenance, repair, or replacement, or (4) impose special assessments for the cost of major maintenance, repair, or replacement.

Reserve Study Assumptions

The below listed assumptions are implicit in this reserve study:

- Cost estimates and financial information are accurate and current.
- No unforeseen circumstances will cause a significant reduction of reserves.
- Sufficient comprehensive property insurance exists to protect from insurable risks.
- The association plans to continue to maintain the existing common areas and amenities.
- Reserve payments occur at the end of every calendar month.
- Expenses occur at the end of the expense year.

Inflation Estimate

Inflation for the last year has been reviewed and a best fit regression analysis of the last 12 months has been used to determine future expense estimates. Based on the current economic conditions, the inflation rate will need to be closely monitored as this is a critical factor in reserve planning for future fund needs.

Impact of Component Life

The projected life expectancy of the major components and the reserve funding needs of the association are closely tied.

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Appendix - Disclosure, Definitions & Calculations

Performing the appropriate routine maintenance for each major component generally increases the components' useful life, effectively moving the component expense into the future which reduces the reserve funding payments of the association. Failure to perform such maintenance can shorten the remaining useful lives of the major components, bringing the replacement expense closer to the present which increases the reserve funding payments of the association.

Study Method

This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors, assorted vendors, specialist and independent contractors, the Community Association Institute, and various construction pricing and scheduling manuals including, but not limited to: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator, Dodge Cost Manual and McGraw-Hill Professional. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of property management and reserve study preparation.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and that each estimated useful life will approximate that of the norm per industry standards and/or manufacturer's specifications. In some cases, estimates may have been used on assets, which have an indeterminable but potential liability to the association. The decision for the inclusion of these as well as all assets considered is left to the client.

We recommend that your reserve analysis study be updated on an annual basis due to fluctuating interest rates, inflationary changes, and the unpredictable nature of the lives of many of the assets under consideration. All of the information collected during our inspection of the association and computations made subsequently in preparing this reserve analysis study are retained in our computer files. Therefore, annual updates may be completed quickly and inexpensively each year.

Items Beyond the Scope of this Report

Building or land appraisals for any purpose.

State or local zoning ordinance violations.

Building code violations.

Soils conditions, soils contamination or geological stability of site.

Engineering analysis or structural stability of site.

Air quality, asbestos, electromagnetic radiation, formaldehyde, lead, mercury, radon, water quality or other environmental hazards.

Invasions by pests, termites and any or all other destroying organisms, insects, birds, bats or animals to buildings or site.

This study is not a pest inspection.

Adequacy or efficiency of any system or component on site.

Specifically excluded reserve items:

Septic systems and septic tanks.

Buried or concealed portions of swimming pools, pool liners, Jacuzzis and spas or similar items.

Items concealed by signs.

Missing or omitted information supplied by the Client for the purposes of reserve study preparation.

Hidden improvements such as sewer lines, water lines, irrigation lines or other buried or concealed items.

Definitions:

Purpose of Distribution

Distribution will have no real meaning for a cash flow model. But the nature of the Fully Funded Model requires it. Annuity payments are based on an accumulation of reserves for each component in the study. Because a study will rarely start with 'perfect' funding for each component, a starting point for each year must be established.

At the start of the study (The beginning fiscal date)

The beginning balance is used for distribution

Going through the components ordered by remaining life and starting with the least remaining life, the balance is assigned to the components by the value of fully funded for each component. Fully funded for components with no

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life left is the replacement value of the component.

If after the last component there is still a balance remaining, the list of components is iterated again and the moneys are assigned at the replacement cost of each component.

If after the second pass on there are remaining funds then just the components being replaced are iterated and distribution is set to twice the replacement value.

If there are still funds after the above, they are considered excess funds.

In each following year of the projection

Money is accumulated from contributions and interest on deposit. Expenditures for replacement/repair of components is subtracted. This becomes the ending balance of the year. This money is distributed in the same manner as described above.

Calculations:

Fully Funded Methods

Basic Fully Funded

There are two published methods of calculating Fully Funded. The first only considers the present value of a component. Present value in each period will change according to the inflation applied.

$$FullyFunded = (Age / Useful Life) * Present Value$$

Community Association Press Fully Funded

To account for inflation and interest earned on deposit the writers of '**RESERVE FUNDS: How & Why community Associations Invest Assets**' came up with:

$$Basic_FF = (Age / Useful Life) * Present Value$$

$$CAI_FF = Basic_FF \\ + Basic_FF / (1 + interest)^{Remaining Life} \\ - Basic_FF / (1 + inflation)^{Remaining Life}$$