

RESERVE STUDY
FOR
CHURCH POINT
HOMEOWNERS ASSOCIATION
VIRGINIA BEACH, VIRGINIA



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Church Point Reserve Study

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INTRODUCTION

DLM Architects is pleased to present this reserve study for *Church Point Homeowners Association*. Church Point is a 382 unit homeowners association located in Virginia Beach, Virginia. DLM Architects has been requested by the Association Manager, Allison Mercer with The Select Group and authorized by the Board of Directors to prepare this Reserve Study. The study aids the Association in determining the annual funding required for the capital reserve fund. This study is limited to the reservable items of common ownership. These reservable items are defined by the Declarations and agreed upon in the proposal by DLM Architects dated December 13, 2006, and signed by Neal Curtin, President on January 22, 2007. The common area elements covered by this study are identified on page three of this report.

The conditions presented in this study are as accurate as possible at the time this study was prepared. The conditions are assumed to be fairly accurate for one year. It must be noted that these conditions will change and conditions discovered in the future may be considerably different from those reported herein. Furthermore, rates of inflation and interest will change in the future which will affect the future financial projections of this study. It is our recommendation that the information contained in this study must be reviewed, and updated accordingly, once a year.

REQUIREMENT FOR THE RESERVE FUND

A Reserve Fund and Reserve Study are advantageous for the long term security of the homeowners and for accounting purposes. The Reserve Study is also an essential tool in determining the items and values to be included in the Reserve Fund for compliance with requirements of federal tax laws and restrictions. Furthermore, CHAPTER 459 of the Code of Virginia § 55-514.1. requires the following: "*Reserves for capital components. Except to the extent otherwise provided in the declaration and unless the declaration imposes more stringent requirements, the board of directors shall: Conduct at least once every five years a study to determine the necessity and amount of reserves required to repair, replace and restore the capital components.*" Finally, many mortgage lenders are requiring a Reserve Study to determine whether the Association is adequately funded before a resale to their borrower.

Without a Reserve Study, one alternative for accumulating funds is to have the Association guess at what people are willing to pay without objections and charge them that amount. This method would please the unit owners, because monthly fees may be somewhat lower. However, the community may run the risk of deterioration, if the appropriate funds are not available to cover necessary repairs or replacement to the common elements when the need arises.

The other alternative for accumulating funds is to have the Association levy a special assessment. The unit owners will be required to pay the cost of necessary repairs or replacement of deteriorated common elements as they occur. While this might raise the exact amount of money for the repair or replacement, it would inequitably assess future unit owners for costs associated with current depreciation of the common elements. Practically, a special assessment would depress resale values ahead of the assessment. This could be a financial burden on some unit owners, since it would have to be paid over a short period of time.

The proper method to obtain funds for a Replacement Reserve Fund is to estimate the costs to replace or repair materials and annually set aside funds in advance to cover these costs. That is exactly the purpose of this Reserve Study. If the recommendations of the Reserve Study are followed, then this method determines everyone's contribution into the Reserve Fund, which means that adequate funds will be available when repair or replacement of items is necessary. This method also ensures that those who are using the facilities are responsible for the depreciation of those facilities while they are being used.

DETERMINATION OF RESERVABLE ITEMS

DLM Architects conducted a visual survey of the buildings, grounds and related components, examined documents and spoke with Allison Mercer. We determined conditions, quantities, and ages of the various common elements included in this study. Various consultants and contractors were contacted to confirm our conclusions as to the age and condition of these items. The common elements are as defined by the Declarations and, therefore, must have the appropriate funds reserved to cover the expense of replacing or repairing them in the future. The common elements included in this study are as follows:

SITE	COMMON BUILDING AREA	DWELLING UNITS
Asphalt Paths	N/A	N/A
Community Signage		
Entrance Fence		
Retention Lake		
Fountain		
Gazebo		
Site Furniture		
Landscape Irrigation		
Pump Station		

ANNUAL FUNDING REQUIREMENT

It would seem that the annual funding required for a particular reservable item could be established by determining the cost to replace the component and dividing it by the remaining useful life of the

component. This over simplifies the formula, so it is important to know that many factors can affect the accuracy of the annual funding requirement.

To determine the cost of various components, we begin by determining the quantities of each component. This can be accomplished by actual field measurements and by quantity take-offs from field measurements and architectural construction drawings obtained by DLM Architects. Conditions and quantities shown on the drawings are assumed to be accurate. After the quantities are determined, costs can be estimated through the extensive database that DLM Architects has available to them. These costs are then verified with local contractors and with similar projects that were recently completed. They are also modified based on the project size, location, schedule and the difficulty of work. However, it should be noted that these costs are estimated and actual price quotations will vary.

Costs of replacement can also vary greatly due to fluctuation in the cost of materials, availability of replacement materials, status of the labor market, status of the economy as a whole and cost of contractor overhead, and insurance costs at the time the replacement work is done. All costs estimated in this Study are based on our recommendation that the Association contract directly with a contractor who specializes in the appropriate trade of the work to be done. In other words, we have not included any costs for the overhead and profit of a general contractor to oversee and coordinate the work of different trades because it is our assumption that each item of replacement work will be accomplished non-simultaneously with other items of replacement work.

According to information provided by the Association manager, construction began in 1992-1996. We have used an average of **fourteen (14)** years for the present age of all building materials unless otherwise noted.

The anticipated life of a building component is more difficult to determine. To determine what its performance should be, we have to rely on historical experiences with similar products used in the same way. Additional factors that affect the performance of a component include the proper detailing of the materials, the quality of the workmanship with which it was installed, its current condition and its exposure to the surrounding environment. The other big factor that determines the remaining life of a component is the quality and frequency of maintenance it receives. Better and more frequent maintenance can greatly extend the remaining life of a component. Regular painting, cleaning of gutters, seal coating asphalt and caulking are important for extending the component's remaining life as well as keeping the community looking good. The quantity, anticipated life and existing condition of the building components at *Church Point* are indicated on the following pages.

RESERVABLE ITEM:	ASPHALT PATHS
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TOTAL QUANTITY:	3,575 S.F.	% OF REPLACEMENT:	100%
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PRESENT AGE:	13 YRS.	REMAINING LIFE:	5 YRS.
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EXISTING CONDITIONS:

There are existing 5' wide asphalt paths in three locations. One is in the park in Section One, opposite the entrance at Church Point Road. This path is located in a bicycle and pedestrian easement, and connects from Church Point Place to the end of Five Forks Road in the adjacent Thoroughgood Subdivision. The second location is in Section Three C-2 Open Space, leading from Church Point Road to the corner of the property adjacent to First Court Road and the Bayville Golf Course. A utility easement is located in this same area. The third location is in the Section Two Open Space A, leading from Church Point Road to the end of Parish Road in the adjacent Thoroughgood Subdivision. A drainage easement is also located in this area.

All paths have significant intrusion by grass and turf, reducing the effective width to four feet or less. Where traffic is very light, grass will grow well in asphalt once it is established. The combination of roots penetrating the surface and freezing water will break up the asphalt. In both cases the adjacent ground is significantly higher than the path in some areas and therefore the paths also serve as drainageways. There is no edging visible.

The asphalt surface shows about 15% to 20% of the aggregate in the asphalt showing, indicating moderate erosion of the asphalt matrix and slight thinning of the pavement surface. Currently, the overall condition is good. However, the pace of deterioration will begin to accelerate rapidly until such time that resurfacing is no longer possible and replacement of the asphalt pavement will become necessary. It is for this reason that we have projected, just a 5 year remaining life until resurfacing is necessary.

Sealcoating is not necessary for pedestrian traffic. The asphalt should be replaced or overlaid when the surface begins to ravel or when cracking extends throughout the pavement. The turf and soil should be removed along the edges and the adjacent area regraded to provide drainage and walkable/mowable slopes as appropriate. Pavement should be removed within ten feet or so of adjacent concrete walks and the base prepared so the height of the new pavement aligns with the adjacent concrete walks. The pavement should also be removed where tree roots have lifted the asphalt, the roots removed if desired, and the base prepared for the new pavement. After resurfacing, all minor repairs, such as cracks, should be included in the preventive maintenance program and funded from the regular operating budget as routine repair.

The National Asphalt Pavement Association recommends the asphalt surface should be overlaid in the future with a minimum 1½" layer of asphalt once every twenty-five (25) years. NAPA also recommends that the association consider the following issues when writing a contract and selecting a contractor for the repaving:

- ✓ Assign specific responsibilities and make notes.
- ✓ Surface drainage is very important. Make sure your contractor plans and builds adequate surface slopes to produce good drainage. So-called "ponding," or standing water on the paths is undesirable.
- ✓ A construction contract should detail such items as the responsibility for measuring pavement thicknesses, milling the surface for pavement slopes and smoothness, payment schedule and guarantee of the finished product.
- ✓ It's important to make sure your contractor has adequate liability insurance. Ask for written proof of it.

When it comes time to repave, we strongly recommend a tack coat over the old pavement before the new asphalt is laid. The tack coat greatly improves the bond between the old and new pavement, reducing the probability that water will get between the layers, freeze and create potholes in the new pavement. Edging material may also be placed along the edges of the asphalt to assist lawn maintenance crews in keeping grass from growing onto the asphalt.

Maintenance should be scheduled regularly to avoid premature failure of the asphalt. Maintenance should consist of removing grass from the surface, sweeping, and repairing cracks.

RESERVABLE ITEM:	CONCRETE WALKS
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TOTAL QUANTITY:	3,350 S.F.	% OF REPLACEMENT:	10%
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PRESENT AGE:	16 YRS.	REMAINING LIFE:	INDEFINITE
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EXISTING CONDITIONS:

Concrete walks exist in several locations in Section One. There are short sections connecting to the wooden walkways at the retention pond on Lot 1-A, a short section connecting Hosskine Mews to Maycraft Road in the adjacent Thoroughgood Subdivision, and leading to the gazebo in the Section One Park. There are also approximately 716 linear feet of 4' walkway in an ingress/egress easement for pedestrian traffic along Spring House Trail in Section Two.

The existing exposed aggregate concrete walks are in fair condition. There are a limited number of open joints which should be filled with a polysulfide sealant to prevent the accumulation of dirt in the joint which can lead to vegetative growth. Severely broken or cracked sections should be replaced when damage occurs.

Under normal conditions, the sidewalks should last the life of the community. The "2001 Housing Facts, Figures and Trends" published by the National Association of Home Builders (NAHB) lists the life expectancy of concrete as 50 years. The American Concrete Institute states in several publications that concrete should exceed the life expectancy of the community.

The indiscriminate use of deicing salts in the wintertime, will significantly shorten the life of the exposed aggregate. Expanding tree roots and settlement can heave sidewalk sections, causing their misalignment and creating a trip hazard. When that happens, replacement of the misaligned sidewalk section will be required. It is estimated that over a thirty-year period, normally ten percent (10%) of the walks will need replacement in this manner. Minor repairs, such as cracks, should be included in the preventive maintenance program and funded from the regular operating budget as routine repair.

RESERVABLE ITEM:	WOODEN WALKWAYS/BRIDGES		
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TOTAL QUANTITY:	1,025 S.F.	% OF REPLACEMENT:	100%
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PRESENT AGE:	14 YRS.	REMAINING LIFE:	10 YRS.
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EXISTING CONDITIONS:

Wooden walkways/bridges are located along two sides of the retention pond and across one end, on Section One, Lot 1-A, connecting First Court Road and the end of Church Point Place to the Thoroughgood Commons commercial area. These are located in pedestrian easements dedicated to Church Point Homeowners Association and Church Point Commons Associates. The easement across the end of the retention pond connects First Court Road to the patio of the restaurant, and the bridge in this location has poles attached to it for thatched parasols which were stored on the restaurant patio. The owner of Lot 1-A reported that the bridge is used for deliveries to the restaurant from trucks illegally parked on First Court Road.

The joint ownership of these easements creates potential uncertainty with regard to maintenance responsibilities and liability. If this has not already been addressed, we recommend a formal maintenance agreement setting out those responsibilities be executed and recorded. If no agreement exists and agreement cannot be reached, we would recommend that an attorney be retained to take legal action seeking to vacate the easement so that the walkways can be removed. No funds have been scheduled for the engineering and legal work to accomplish this, until action by the Association is taken to pursue this.

The walkways consist of 6"x6" posts, 2"x8" and 2"x10" framing, 1"x6" decking, and 2"x6" and 2"x4" railings with 2"x2" pickets. Some of the railing posts have a decorative carved top. The exposed footbridge surfaces have been preservative treated in the past to extend the life of the wood components. Periodic preservative treatment, prevents the original treatment chemicals from being leached from the wood by repeated wettings from rain. Once the treatment chemicals leach from the wood the unprotected wood rapidly deteriorates from attack by wood destroying organisms such as termites, borers and fungal attack (rot).

The walkways are generally in good condition. Normal checking is present in the wood posts. Some pickets and floorboards have been replaced. Regular maintenance consisting of replacing deteriorated or rotted boards and timbers and pressure washing and resealing the wood can extend the remaining life of the walkways.

It needs to be noted that the wood used in the footbridges are probably treated with the preservative chromated copper arsenate (CCA) given its prevalent use as a wood preservative at the time these footbridges were built. There is no scientific consensus about the level of risk posed by the arsenic used in the preservative chromated copper arsenate, which may have leached into the ground or pond from the treated wood used to construct these footbridges. Until further research has been conducted defining the risk, then there has been no money set aside in the reserve fund for the remediation of contaminated soil or replacement of the footbridges due to the presence of CCA. For the foreseeable future the Association should monitor developments in this area at: http://www.epa.gov/oppad001/reregistration/cca/cca_qa.htm.

RESERVABLE ITEM:	COMMUNITY SIGNAGE
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TOTAL QUANTITY:	12 EA.	% OF REPLACEMENT:	100%
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PRESENT AGE:	14 YRS.	REMAINING LIFE:	6 YRS.
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EXISTING CONDITIONS:

- 1 - Entrance sign - 8" gold painted letters mounted on a brick wall.
- 2 - 24" x 36" Painted wooden signs reading "No Motorized Vehicles."
- 1 - 24" x 36" Painted wooden sign with sign panel missing.
- 2 - 24" x 36" Painted wooden signs reading "No Trespassing" etc.
- 1 - 24" x 36" Painted wooden sign reading "Thoroughgood House" etc.
- 1 - Hanging sign reading "Church Point."
- 2 - Small signs reading "Stay Off Rocks Unstable."
- 1 - Small sign reading "No Fishing Crabbing Swimming."
- 1 - Cast metal historical sign mounted on brick post.

The signs' structures have been maintained and should be periodically cleaned, repaired and painted to last their life expectancy. The entrance sign is illuminated with a ground mounted lamp connected to a timer and photocell. This device will need to be replaced periodically due to damage from landscape maintenance equipment. Given its cost, it falls below the threshold for a reserve. The painted sign surfaces are in need of repainting now. This activity should be part of the maintenance budget and funded from the operating account.

Care should be taken to avoid damaging the wooden posts with string trimmers and other yard maintenance equipment. The damage from string trimmers is especially a problem as it has cut into the wood reducing its strength at this critical location. We recommend copper collars be placed around the base of the posts to protect them or a herbicidal control be sparingly applied by the lawn maintenance crews instead of using the string trimmers for grass and weed control at the posts to extend the remaining life of the posts.

Because of the low cost of each individual sign, these components have been treated in the aggregate in the Reserve Schedules at the end of this study.

The entrance sign, the "No Trespassing" signs, and the hanging sign appear to be located on either individual lots or on public rights-of-way. No easements are shown on the plats to permit the association to maintain these facilities. If easements or other binding agreements do not exist, and if the Association

desires to maintain these signs, the location of the improvements should be determined by survey, and easements should be sought from the owners or an encroachment agreement entered into with the City, as appropriate. Funds have been scheduled for the engineering and legal work to accomplish this in the Reserve Schedules at the end of this study.

RESERVABLE ITEM: ENTRANCE FENCE

TOTAL QUANTITY:	Brick 1,400 S.F.	% OF REPLACEMENT:	10%
	Aluminum 232 S.F.		100%
	Wood 4,550 L.F.		100%

PRESENT AGE:	14 YRS.	REMAINING LIFE:	16/28/13 YRS.
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EXISTING CONDITIONS:

There is a brick masonry style fence located on both sides of the entrance at Church Point Road. The fence consists of double sided standard brick masonry of varying height with 8 feet tall corbeled pilasters at the end toward Church Point Road and in the middle of the fences and a plain post at the end. All the posts and pilasters have concrete caps. The ends toward Church Point Road are connected by wrought iron picket fences to free standing corbeled posts with acorn finials and wrought iron style aluminum electric "gas light" fixtures. The fence jogs toward First Court Road at a 45-degree angle, then a 90-degree angle, then runs parallel to First Court Road. There is a low brick wall in front of the jogging portion of the fence enclosing a planting area. There is some damage to the brick which needs repair. The portion of the fence parallel to First Court Road is 2 feet tall with a 1½' tall wrought iron picket fence on top. The fence is showing some corrosion which needs repainting or otherwise the fence will need to be replaced sooner than anticipated. The fence has a soldier course on top. The top of the fence is unsealed and some mortar has deteriorated and loosened. There is no evidence of settlement, cracking, or bowing but there are numerous mold stains and fungal growth on the brick which needs to be removed by a chemical washing (do not power wash!). A chemical washing will brighten the brick and remove fungus as a source for damage to the brick. The brick fences are lit by low voltage ground mounted spotlights.

There is also 8'-6" by 4'-3" brick wall 2' thick with a concrete cap in the median, forming a base for the letters of the entrance sign. There are low brick walls enclosing planting areas on each side of this fence. There is some damage to the brick which needs repair. There are also free standing corbeled brick posts along both sides of the entrance and along the front of the park opposite the entrance.

All of the brick masonry appears to be in good condition except as noted above. As with any type of brick, the life expectancy should exceed the life of the community. To prevent any deterioration, the mortar should be periodically inspected and repointed as needed. Such repairs should be an ongoing maintenance responsibility and should be funded from the maintenance budget along with repair of minor defects in the brick work.

Most cracking of the brick will be due to minor settlement and movement. This is normal, and expected, and is not likely to present any major problem unless it is left untended. It is estimated that over a thirty-year period, ten percent (10%) of the masonry will need repointing or repairs. Minor repairs, such as cracks, should be included in the preventive maintenance program and funded from the regular operating budget as routine repair.

The decorative wood fences consist of 8" square posts 3' tall with carved and beveled tops connected by ten foot long lengths of 2"x10" wood beams. These are located at various points along the asphalt paths, in the park areas, and along First Court Road. Free standing wood posts also exist at several points. Many of the posts show moderate to severe damage from landscape maintenance crews using string trimmers. We have taken this into account in determining the remaining life of this component. There are also board fences along First Court Road and around the Section One park which appear to be on the individual lots. Rail fences and board fences also exist along the boundary with Bayville Golf Course which appear to be on the Golf Course property or on the individual lots.

Care should be taken to avoid damaging the wooden posts with string trimmers and other yard maintenance equipment. The damage from string trimmers is especially a problem as it has cut into the wood reducing its strength at this critical location. We recommend copper collars be placed around the base of the posts to protect them or herbicidal control be sparingly applied by the lawn maintenance crews instead of using the string trimmers for grass and weed control at the posts to extend the remaining life of the posts.

We recommend the Association consider staining the wood fences to extend their remaining life. The treatment chemicals that protect wood members from attack by wood destroying organisms are gradually leached from the wood by repeated wettings from rain. Once the treatment chemicals have leached from the wood, the unprotected wood rapidly deteriorates from damage caused by wood destroying organisms. Therefore, a wood preservative periodically applied will greatly reduce the rate at which the treatment chemicals leach from the wood, increasing the remaining life of the fences.

The fences along First Court Road are on the individual lots, including the brick posts on Church Point Road. No easements are shown on the plats to permit the association to maintain these facilities. Therefore, the maintenance, repair and replacement of these fences are the responsibility of the individual owners. If easements or other binding agreements do not exist for the entrance fences and median improvements, and if the Association desires to maintain these fences and associated landscaping, the location of the improvements should be determined by survey, and easements should be sought from the owners or an encroachment agreement entered into with the City, as appropriate.

It needs to be noted that the wood used in the fences are probably treated with the preservative chromated copper arsenate (CCA) given its prevalent use as a wood preservative at the time these fences were built. There is no scientific consensus about the level of risk posed by the arsenic used in the preservative chromated copper arsenate, which may have leached into the ground or pond from the treated wood used to construct these fences. Until further research has been conducted defining the risk, then there has been no money set aside in the reserve fund for the remediation of contaminated soil or replacement of the fences due to the presence of CCA. For the foreseeable future the Association should monitor developments in this area at: http://www.epa.gov/oppad001/reregistration/cca/cca_qa.htm.

RESERVABLE ITEM: RETENTION LAKE

TOTAL QUANTITY:	Lake 12,000 S.F.	% OF REPLACEMENT:	10%
	Rip Rap 34,250 S.F.		0%

PRESENT AGE:	15 YRS.	REMAINING LIFE:	20 YRS.
	15 YRS.		INDEFINITE

EXISTING CONDITIONS:

The single retention lake in Church Point is located entirely within an impoundment easement on Lot 1-A in Section One and a drainage easement on the adjacent commercial property. The Association documents include as an addendum a Declaration of Covenants between the City of Virginia Beach and First Court Road, Inc., the developer, in which the developer and its assigns agree to maintain this storm water management facility. The City has the right to require maintenance and may perform maintenance and repair at the expense of the covenantor and its successors or assigns if they fail to do so. This agreement should have been assigned to the Association, the owners of the commercial property, and possibly also to the owner of Lot 1-A. Any uncertainty in the division of responsibilities should be resolved and appropriate agreements for maintenance of the facility should be recorded. Funds have been scheduled for the engineering and legal work to accomplish this.

The lake appears to be in good condition. There is some trash along the banks. The banks have been stabilized with rip-rap stone, which is now covered with turf and weeds. There are no indications of major subsidence or erosion. In some areas trees and shrubs are located at the lake edge, but do not present any danger to the stability of the lake edge.

It is estimated that the lake will require periodic dredging in order to maintain water depth. It is very difficult to ascertain the frequency of dredging the retention lake will require. It depends on many variables, such as weather, cleanliness of the streets, rainfall and stability of the lake edge. At this point we have used an average period based on our experience with similar facilities in the area. We believe the lake will function for approximately an additional 20 years before it will need dredging. Based on the current condition, a reserve of 10% of the cost of creating a new lake has been established to cover the costs of the dredging.

A preventive maintenance program with emphasis in repairing any erosion and maintaining the rip-rap stone should be funded through the operating budget. The stone rip-rap is on a bed of filter fabric. Approximately 30,000 linear feet of larger rip-rap stone also exist along the bank of the Western Branch

of the Lynnhaven River in the Section Two Park area on Spring House Trail. This is susceptible to dislodging from ice formation and the tidal action of the river. However, we have not made allowances for this occurrence given the milder winters in Southeastern Virginia over the past eight years.

There are many things that can be done to maintain the health of the lake as a storm water retention pond. As the algae and unwanted aquatic vegetation that often plague a shallow body of water during the warmer months of spring and summer fades away and goes dormant for the winter, it is very common for many homeowners to turn their attention away from their lakes and storm water ponds.

One of the most significant contributors to water quality problems in a lake or pond is the mass loading of that pond with nutrients that flow in with storm water runoff from yards, sidewalks, driveways, streets, roofs, and all other impervious surfaces within a community. Most people tend to rely very heavily on fertilizers for the lawns and shrubs during the fall. Improper or over application of these products can have very damaging effects on the water to which they flow. All residents within a community and the watershed should pay very close attention to label directions, and make sure that a minimal amount of fertilizer is applied each year. Residents should also be encouraged to pick up after their pets, even in their own yards, and feeding geese and other waterfowl should be discouraged.

Take advantage of research that has been done over recent years to develop measures that are effective in the breakdown of nutrients and organic buildup in ponds, even during cooler weather. These procedures work very well to rid the lakes and ponds of the excess nutrient and organic buildup, thus bringing the pond back into an ecological balance, and helping to prevent many potential water quality problems. The Virginia Lakes and Watersheds Association (<http://www.gky.com/VLWA/>) is a good source of information for maintaining water quality.

RESERVABLE ITEM:	FOUNTAIN
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TOTAL QUANTITY:	1 EA.	% OF REPLACEMENT:	100%
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PRESENT AGE:	15 YRS.	REMAINING LIFE:	9 YRS.
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EXISTING CONDITIONS:

There is an Otterbine Barebo, Inc. floating fountain located in the retention lake. It functions as an aerator for the pond, to reduce the growth of undesirable algae and to prevent the lake from becoming anoxic. The fountain also creates slight ripples in the lake, reducing the opportunity for mosquito eggs to hatch. The fountain is controlled by a timer and motor starter in a box on the bank of the lake. Electrical service appears to be provided from a meter on the back of the commercial building on the adjacent property.

The fountain has a submersible pump located beneath the fountain in the lake. The pump appears to have a 208/230 volt single phase motor. The panel contains an external reset button, and a "Hand-Off-Auto" switch that has been removed from its mounting hole and is hanging inside the door. The mounting hole has been blanked off.

The panel is not locked, and is accessible through an unlocked gate in the wooden walkway. This constitutes a potential shock hazard should children open the panel.

The panel also contains a label with space to record monthly testing of the ground fault circuit protector. No entries have been made, indicating that the testing has not been accomplished.

Periodic maintenance is also detailed on the label, consisting of an annual inspection and cleaning and a triennial oil change. These items should be included in the budget as maintenance items.

The remaining life is based on performance of the indicated maintenance. Failure to perform maintenance will shorten the remaining life, as will failure to remove trash and debris from the lake, leading to clogging of the pump.

RESERVABLE ITEM: GAZEBO

TOTAL QUANTITY: 1 EA. % OF REPLACEMENT: 10%

PRESENT AGE: 1 YR. REMAINING LIFE: 5 YRS.

EXISTING CONDITIONS:

The gazebo is located on the park in Section One, opposite the entrance at Church Point Road. The gazebo is an octagonal structure 8'-6" on each side with wooden deck flooring, and painted columns at each corner with painted wooden lattice railings on each side except at the entry steps on the side facing Church Point Road. There are three wooden benches inside the gazebo.

The roof is covered in asphalt shingles on the eight sides sloping up to a flat area with a painted wooden railing and a cupola in the center. The domed roof of the cupola appears to be rusted metal. The ceiling is painted plywood and wooden framing. There are four recessed light fixtures mounted in the ceiling. One fixture is missing the glass lens. There is also an electrical outlet mounted on the inside of one post.

The electrical fixtures are served from an electrical panel located to the east of the gazebo, which also serves a pump and irrigation system for this area. There did not appear to be ground fault protection on this circuit, which is required for outside outlets. There is also an outlet mounted on a Dominion Power light pole at the front of the park, which also appeared to lack ground fault protection. These are violations of the electrical code and funds have been scheduled to replace these circuits this year in the Reserve Schedules at the end of this study.

Significant rotting in the bottom of one column, in several locations in the ceiling and in the railing on the roof were repaired in the Spring of 2007 at a cost of \$6000. Leaking in the flat area of the roof was determined to be the cause. There shall be additional periodic costs to repair or replace a portion of this structure because of its exposed location and moisture sensitive design. As long as these periodic repairs are made in a timely fashion, there won't be a need to replace the entire structure. Therefore, we have only scheduled for these periodic repairs in the Reserve Schedules at the end of this study.

RESERVABLE ITEM: SITE FURNITURE

TOTAL QUANTITY: 8 EA. % OF REPLACEMENT: 100%

PRESENT AGE: SEE BELOW REMAINING LIFE: SEE BELOW

EXISTING CONDITIONS:

Quantity	Item	Present Age	Remaining Life
2	Concrete Trash Bin	14 Yrs.	16 Yrs.
6	Concrete Benches	14 Yrs.	16 Yrs.
8	TOTAL		

The concrete trash bins are octagonal exposed aggregate bases with coated metal lids. One is located at the gazebo. The other is in the Section Two park along Spring House Road. One is missing the lid.

The concrete benches are constructed with exposed aggregate frames and synthetic wood seats and backs. Two are in the Section One park. Three are in the Section Two park along Spring House Road. One bench in the Section Two park at Church Point Road and Timber Ridge Drive is a quarter-circular concrete bench with no back. All are in good condition and, barring any vandalism, they should remain in that state for an extended period of time due to their high quality construction and materials.

RESERVABLE ITEM:	LANDSCAPE IRRIGATION AND PUMP STATIONS		
-------------------------	---	--	--

TOTAL QUANTITY:	6,000 L.F.	% OF REPLACEMENT:	0%
	3 Pump Stations		100%

PRESENT AGE:	14 YRS.	REMAINING LIFE:	INDEFINITE
---------------------	---------	------------------------	------------

EXISTING CONDITIONS:

Irrigation systems were not active at the time of our inspection. Sketches were available showing a sprinkler system along First Court Road and the entrance at Church Point Road, and also showing a separate system along Court House Road in front of the Section One park. There is also a sprinkler system in the Section Two park at Church Point Road and Timber Ridge Road. The quantity of 1,000 l.f. was estimated for the underground piping for this system. Control unit cabinets were all locked preventing their inspection.

Each of the three systems has an electrical service with a meter, a single panel box, and an irrigation controller. The system in the Section One park is served from the same panel that serves the gazebo. This system has a submersible well pump with the well head located near the panel. The system along First Court Road has a panel located behind the entrance fence on the west side of Church Point Road with a pump and air tank apparently located in a locked plywood enclosure. This panel also serves three outlets, one on the east side of Church Point Road, which do not appear to be ground fault protected. The system in the Section Two park has a panel recessed into a small brick building which appears to hold the pump and an air tank. There is also an outlet at this location which does not appear to be ground fault protected. The pump house has an asphalt shingle roof which appears to have had new shingles applied in a nail-over. Shingles are missing and torn along two edges, and the plywood roof sheathing has rotted away of been vandalized where this has occurred. The roof is scheduled for replacement this year in the reserve schedules at the end of this study

None of the panel boxes were locked, representing a potential source of vandalism or accidental shock hazards for inquisitive children. The panel boxes are particularly accessible to small children because all are mounted near ground level. We recommend providing locks for these boxes. All of the control unit cabinets were locked.

The pumps appear to be 220-volt one phase. The control units are Hunter units with a Rainbird heads and electric control valves.

The major causes of damage to this type of system are broken heads damaged by yard maintenance equipment and freeze damage. The life of the system should be indefinite since these items normally would be repaired from the operating budget. In the future a preventive maintenance program of regular inspection, head replacement and periodic flushing of the system should be funded from the regular operating budget.

There is an encroachment agreement between the City and First Court Road, Inc., the declarant, for the maintenance of the sprinkler system along First Court Road only. The encroachment agreement does not cover the areas on Church Point Road, and the pump house and control units in this area appear to be on the individual lots. No easements are shown on the plats to permit the association to maintain these facilities. If easements or other binding agreements do not exist, and if the Association desires to maintain these systems, the location of the improvements should be determined by survey, and easements should be sought from the owners and the encroachment agreement with the City should be modified, as appropriate. No funds have been scheduled for the engineering and legal work to accomplish this, until action by the Association is taken to pursue this.

All other components indicated as common elements have a life span coincident with the life span of the structures, and should not need replacement or repair unless subjected to catastrophic conditions (fire, lightning, hail, hurricanes, earthquakes, etc.), which should be covered under an adequate property insurance policy. It should be noted that any problems that may arise and are not addressed by the Association maintenance program and repaired in a timely manner, may cause further deterioration.

CONCLUSION

The Association is facing several large projects (wooden walkways, bridges and fences) in the distant future. Because some needed maintenance had been deferred on the fences, the Association is facing that project sooner than would otherwise would be anticipated. The Association has on account, the proper amount of funds in the reserves for an association of this age. As a result, the recommended annual contribution to the reserve fund is \$5,000, now. Furthermore, in order to have sufficient funds on hand for future projects, we recommend increasing the annual contribution to the reserve fund by 2% per year for each year thereafter. These projections are graphically illustrated in the graph at the end of this reserve study.

INFLATION

There are other factors that must be considered when allocating funds for projects of this nature. One of the biggest factors and possibly the most difficult to predict is inflation and the interest rate on invested capital reserve funds. We have allowed for a **2% annual inflation rate** in our calculations. Given the economic patterns over the past decade, we feel this is a conservative figure and will ensure that the return on the fund keeps pace with inflation on an annual basis. Because the fund is receiving interest on the current balance on the reserve fund and not on the entire cost of the project, it is further necessary to update the replacement cost and therefore the annual contributions based on inflation of construction cost once a year. This assures the Association over the life of the project that the necessary funds are available as the particular items conclude their useful life. Please note that construction cost inflation rates differ from the Consumer Price Index (CPI) and can be obtained from the F. W. Dodge division of McGraw-Hill. See the table on the next page for a comparison of a hypothetical \$100,000 construction project cost inflated over five years to a non-adjusted reserve contribution and an inflation adjusted contribution to the reserve fund over a five (5) year period.

COMPARATIVE EXAMPLE FOR A HYPOTHETICAL RESERVE FUND

	COLUMN 1	COLUMN 2	COLUMN 3
YEAR	RESERVE REQUIREMENT SHOWING 7% ANNUAL INFLATION OF CONSTRUCTION COST	BALANCE OF RESERVE BASED ON THE ANNUAL CONTRIBUTION AS A CONSTANT AMOUNT* PLUS A 7% ANNUAL RETURN	BALANCE OF RESERVE BASED ON AN INFLATION ADJUSTED ANNUAL CONTRIBUTION** PLUS A 7% ANNUAL RETURN
1	\$100,000	\$21,400	\$21,400
2	\$107,000	\$44,298	\$45,796
3	\$114,490	\$68,799	\$73,503
4	\$122,504	\$95,015	\$104,864
5	\$131,080	\$123,066	\$140,255

* The Annual Contribution as a Constant Amount for subsequent years' contributions uses the first year's construction cost divided by the life of the item. This does not consider inflation of construction costs. As a result, the fifth year fund accumulation is \$8,000 short of the amount required in column 1.

** Inflation adjusted annual contribution uses the result of the current year's inflation adjusted construction cost divided by the life of the item. This allows the reserve fund to keep pace with inflation.

Column 3 shows that inflating the current year's annual contribution by the previous year's inflation rate provides the financial resources available to keep pace with the inflation rate of the construction cost shown in column 1.

VIRGINIA STATUTORY REQUIREMENTS FOR RESERVES

As of July 1, 2002, CHAPTER 459 of the Code of Virginia § 55-514.1. requires the following: Reserves for capital components.

A. Except to the extent otherwise provided in the declaration and unless the declaration imposes more stringent requirements, the board of directors shall:

1. Conduct at least once every five years a study to determine the necessity and amount of reserves required to repair, replace and restore the capital components;
2. Review the results of that study at least annually to determine if reserves are sufficient; and

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3. Make any adjustments the board of directors deems necessary to maintain reserves, as appropriate.

B. To the extent that the reserve study conducted in accordance with this section indicates a need to budget for reserves, the association budget shall include, without limitation:

1. The current estimated replacement cost, estimated remaining life and estimated useful life of the capital components;
2. As of the beginning of the fiscal year for which the budget is prepared, the current amount of accumulated cash reserves set aside, to repair, replace or restore capital components and the amount of the expected contribution to the reserve fund for that year; and
3. A general statement describing the procedures used for the estimation and accumulation of cash reserves pursuant to this section and the extent to which the association is funding its reserve obligations consistent with the study currently in effect.

PREVIOUSLY ACCUMULATED FUNDS

According to an account statement furnished by the former Community Manager, Allison Mercer, there are currently accumulated funds in the Replacement Reserve Fund for a total of \$89,088.18 as of February 28, 2007. This value is used in the Capital Repair and Replacement Reserve Summary as "TOTAL PRIOR ACCUMULATION." The funds are in Resource Bank earning an interest rate of 4.75% used in the calculations to determine the hypothetical accumulated Reserve Fund balance at year thirty (30) which follows at the end of this study.

EXCLUSIONS

Because the IRS does not allow routine maintenance items to be included in a Replacement Reserve Fund, we have not included them in this report. However, it should be noted that these items such as painting, termite treatment and repair, power washing, wood preservative treatment, reserve study fees and landscape replacement have the possibility of being major expenses and the Association should plan for them accordingly in their operating budget. This comes from IRS rulings and audit filings which state that these are "maintenance" items and not "contributions to capital." Note that these are IRS definitions, and these are only issues if the association is filing Federal Tax Form 1120 (Corporation Tax Return) rather than form 1120-H (Homeowners Association Tax Form). Therefore, by IRS definitions the assessments collected for these types of future expenses aren't deductible from taxable income under the "contributions to capital" definition. Even if the association chooses to file Form 1120, there are ways that your accountant can adjust for these tax differences. It is not uncommon to have differences between generally accepted

accounting principles and tax laws. With regards to non-capital reserves, your accountant should suggest that the cash set aside be segregated from other accounts.

The Reserve Study is predicated on replacing each item in kind. As a result, there are not enough monies anticipated to 'upgrade' the common element to a better grade or product. While a better grade or different product may last significantly longer than the existing product, the Reserve Study cannot plan for that upgrade since it would be the decision of the Board to make that change at the time of replacement. Throughout this study we have made notations of items that could be enhanced at the time of replacement which in our opinion would not constitute an 'upgrade'.

The financial analysis portion of the Reserve Study is at the end of this report and is broken down into two sections; Capital Repair/Replacement Reserve Summary (on a Component Basis), Capital Repair/Replacement Reserve Schedule (on a Cash Flow Basis) followed by a graph of the future projected reserve fund balances. Cash Flow and Component Basis are the two most common funding objectives. Funding on a Component Basis is typically the most conservative funding objective because the calculations for the Reserve Fund contribution include a contingency. Cash Flow Basis means establishing an objective of keeping the Reserve Fund balance above zero, with no contingency for unanticipated expenses. Unfortunately, due to having little or no "margin for error" this funding objective exposes the association to the risk of special assessments should the future predictions vary from actual performance or cost. Threshold Basis is an alternate funding objective which keeps the Reserve Fund above a predetermined dollar or Percent Funded amount (a kind of "middle ground" objective). Statutory Basis (setting the specific minimum amount of Reserves required by state statutes) is one specific form of Threshold Basis, where the threshold is set to that required by a state statute. This is not desirable because it gives the Association little say over their funding objectives and therefore Virginia does not have a threshold statute.

Because Reserve income and expenses never occur exactly as projected, decide in advance your risk strategy, and your tolerance for special assessments. Once you decide your tolerance for risk, determine an appropriate Reserve Funding objective for your association. An explanation of each section follows.

EXPLANATION OF CAPITAL REPAIR/REPLACEMENT RESERVE SUMMARY

The remaining life of the building and site components and the costs to replace them have previously been determined. Their values are found in the two columns entitled REMAINING LIFE and COST OF REPLACEMENT, respectively. From these two values, the following steps can be followed to determine the total annual contributions that are required to provide for repair and replacement of the components.

1. The TOTAL COST OF PROJECTS in current dollars is the sum of the values in the column titled COST OF REPLACEMENT.

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2. The PRIOR ACCUMULATION is an allocation of the COST OF REPLACEMENT for each item based on its age. The FUTURE REQUIREMENT is the balance of the COST OF REPLACEMENT.
3. The column titled ANNUAL CONTRIBUTION is the result of dividing the value in the column titled FUTURE REQUIREMENT by the value in the column titled REMAINING LIFE. The resulting value is the amount of money required to be accumulated the first year for each item. These values must be changed each subsequent year by the amount of the prior year's construction inflation rate as previously discussed.
4. The ANNUAL CONTRIBUTION (COMPONENT BASIS) is the resulting value required to maintain a contingency of 100% of the value of the most expensive reservable item. This does not factor in the effects of inflation and interest on the funds as indicated in the RESERVE SCHEDULE. When the interest rate exceeds the inflation rate, the accumulated balance will grow at a faster rate than the cost of replacement creating a surplus of funds. The ANNUAL CONTRIBUTION (CASH FLOW BASIS) is the resulting value that allows the value of the accumulated funds periodically dip to zero (\$0) at the conclusion of a major project yet still satisfies the requirements of the RESERVE SCHEDULE. The two different means of calculating the ANNUAL CONTRIBUTION are the result of the level of risk each of them represents. Carrying a contingency (COMPONENT BASIS) in the Reserve Fund allows the Association to use the reserve fund to pay for those unexpected items if they occur. The CASH FLOW BASIS assumes unexpected items would be paid by a special assessment or a temporary increase in the ANNUAL CONTRIBUTION. The Board of Directors must decide which level of risk is correct for their Association.

EXPLANATION OF THE CAPITAL REPAIR / REPLACEMENT RESERVE SCHEDULE ON A CASH FLOW BASIS - SHEET 1, SHEET 2 AND SHEET 3

This is a RESERVE SCHEDULE which tracks the project costs annually for a period of the next thirty (30) years on a cash flow basis. The non-inflated cost of each project is displayed under the column headed by the year in which that project is projected to occur. The sum of all projects is displayed at the bottom of each yearly column. Below this number at the bottom of the page is the sum of the project costs increased by the inflation rate mentioned in the left-hand column.

The annual amount contributed by the average unit is listed on the line titled "CONTRIBUTION PER UNIT" which is the following line divided by the total number of units in the Association. The following line titled "TOTAL ANNUAL CONTRIBUTION ADJUSTED @ _ % ANNUALLY" represents the number from the lower right-hand corner of the "CAPITAL REPAIR / REPLACEMENT RESERVE

SUMMARY" adjusted annually at a rate which is high enough to keep the Reserve Fund from having a negative balance in a future year where some very large project costs occur. The annual rate of adjustment is displayed in the title for this line. In cases where the Association is severely under-funded due to the large cost of a pending project, it may not be acceptable to annually adjust the annual contribution enough to prevent a negative balance in the Reserve Fund. In cases such as these, a special assessment may be the only way of curing a projected deficit. The Reserve Graph at the back of this section will illustrate the size and duration of any deficit. The line titled "TOTAL ACCUMULATED BALANCE" is the total of the previous annual contributions minus the inflated cost of the previous projects, without any interest on the accumulated funds. To find the balance of the Reserve Fund with interest you need to refer to the last line titled "ACCUMULATED BALANCE WITH INTEREST @ _ INTEREST RATE." The interest rate used for the calculation is the rate currently being paid to the Association as reported to DLM Architects.

SHEET 4

This sheet is an illustration of the devastating impact that changes in the inflation rate or interest rate have on the accumulated balance with interest of the Reserve Fund in year thirty (30). This matrix is based on the projected accumulated balance of your Reserve Fund thirty (30) years from now and you can read your projected fund balance directly from this matrix by selecting an interest rate from the left-hand column and reading across until you are under your selected rate of inflation. Read more about this on Sheet 4.

EXPLANATION OF THE CASH FLOW GRAPH

This graph plots, on a cash flow basis, the ACCUMULATED BALANCE WITH INTEREST, TOTAL ACCUMULATED BALANCE and the ADJUSTED ANNUAL CONTRIBUTION and graphically shows their balances throughout the thirty (30) year projection. Any negative balances in the ACCUMULATED BALANCE WITH INTEREST can be eliminated by increasing the rate of adjustment of the annual contribution or by a special assessment in the years where the negative balance occurs.

CAPITAL REPLACEMENT RESERVE SUMMARY FOR: CHURCH POINT HOMEOWNERS ASSOCIATION

COMPONENT METHOD

BASED ON FINANCIAL DATA CURRENT AS OF: FEBRUARY 28, 2007

DATE PRINTED: 12-Apr-07

ITEM	PRESENT AGE	REMAINING LIFE	YEAR TO REPLACE	QUANTITY	UNIT COST	COST OF REPLACEMENT	PERCENTAGE OF COST OF REPLACEMENT	PRIOR ACCUMULATION	FUTURE REQUIREMENT	ANNUAL CONTRIBUTION	
ASPHALT PATHS	13	5.0	2012	397 S.Y.	\$11.00	\$4,367	2.59%	\$2,306	\$2,061	\$412	
CONCRETE WALKS	16	14.0	2021	335 S.F.	\$16.00	\$5,360	3.18%	\$2,830	\$2,530	\$181	
WOODEN WALKWAYS/BRIDGES	14	10.0	2017	1,025 S.F.	\$22.00	\$22,550	13.36%	\$11,906	\$10,644	\$1,064	
COMMUNITY SIGNAGE	14	6.0	2013	12 EA.	\$550.00	\$6,600	3.91%	\$3,485	\$3,115	\$519	
ENTRANCE FENCE (Brick)	14	16.0	2023	140 S.F.	\$22.50	\$3,150	1.87%	\$1,663	\$1,487	\$93	
ENTRANCE FENCE (Aluminum)	14	28.0	2035	232 S.F.	\$27.50	\$6,380	3.78%	\$3,369	\$3,011	\$108	
DECORATIVE FENCE (Wood)	14	13.0	2020	4,550 L.F.	\$17.50	\$79,625	47.19%	\$42,041	\$37,584	\$2,891	
RETENTION LAKE (Dredging)	15	20.0	2027	1,200 S.F.	\$8.50	\$10,200	6.05%	\$5,385	\$4,815	\$241	
RETENTION LAKE (1/3 the cost of Engineering & Legal)	15	1.0	2008	1 EA.	\$5,500.00	\$5,500	3.26%	\$2,904	\$2,596	\$2,596	
FOUNTAIN	15	9.0	2016	1 EA.	\$1,750.00	\$1,750	1.04%	\$924	\$826	\$92	
GAZEBO	1	5.0	2012	1 EA.	\$10,500.00	\$10,500	6.22%	\$5,544	\$4,956	\$991	
SITE FURNITURE	14	16.0	2023	8 EA.	\$750.00	\$6,000	3.56%	\$3,168	\$2,832	\$177	
IRRIGATION PUMP STATIONS	14	16.0	2023	3 EA.	\$2,250.00	\$6,750	4.00%	\$3,564	\$3,186	\$199	
		TOTAL COST OF PROJECTS:				\$168,732	ANNUAL CONTRIBUTION (COMPONENT BASIS)			\$9,564	
		TOTAL PRIOR ACCUMULATION:				\$89,088	ANNUAL CONTRIBUTION (CASH FLOW BASIS)			\$5,000	
		PERCENTAGE OF TOTAL COST:				52.80%	RECOMMENDED INCREASE TO THE ANNUAL CONTRIBUTION			2%/YEAR	

ABBREVIATIONS: B.F.=BOARD FEET EA.=EACH L.F.=LINEAR FEET L.S.=LUMP SUM S.F.=SQUARE FEET S.Y.=SQUARE YARD SQ.=SQUARE 10'x10'

**CAPITAL REPAIR/REPLACEMENT RESERVE SCHEDULE FOR:
CHURCH POINT HOMEOWNERS ASSOCIATION**

SHEET 1

CASH FLOW BASIS

ITEM	2007 YEAR 1	2008 YEAR 2	2009 YEAR 3	2010 YEAR 4	2011 YEAR 5	2012 YEAR 6	2013 YEAR 7	2014 YEAR 8	2015 YEAR 9	2016 YEAR 10
ASPHALT PATHS						\$4,367				
CONCRETE WALKS										
WOODEN WALKWAYS/BRIDGES										
COMMUNITY SIGNAGE							\$6,600			
ENTRANCE FENCE (Brick)										
ENTRANCE FENCE (Aluminum)										
DECORATIVE FENCE (Wood)										
RETENTION LAKE (Dredging)										
RETENTION LAKE (1/3 the cost of Engineering & Legal)		\$5,500								
FOUNTAIN										\$1,750
GAZEBO						\$10,500				
SITE FURNITURE										
IRRIGATION PUMP STATIONS										
TOTAL COST IN 2007 DOLLARS		\$5,500				\$14,867	\$6,600			\$1,750
TOTAL COST IN INFLATION ADJUSTED @ 3.0% INFL RATE		\$5,665				\$17,235	\$7,881			\$2,283
CONTRIBUTION PER UNIT	\$13	\$13	\$14	\$14	\$14	\$14	\$15	\$15	\$15	\$16
TOTAL ANNUAL CONTRIBUTION ADJUSTED @ 2.0% ANNUALLY	\$5,000	\$5,100	\$5,202	\$5,306	\$5,412	\$5,520	\$5,631	\$5,743	\$5,858	\$5,975
TOTAL ACCUMULATED BALANCE	\$94,088	\$93,523	\$98,725	\$104,031	\$109,443	\$97,729	\$95,479	\$101,222	\$107,081	\$110,773
ACCUM. BALANCE W/INTEREST AT 4.8% INTEREST RATE	\$98,557	\$102,647	\$112,972	\$123,896	\$135,450	\$129,613	\$133,413	\$145,766	\$158,827	\$170,239

**CAPITAL REPAIR/REPLACEMENT RESERVE SCHEDULE FOR:
CHURCH POINT HOMEOWNERS ASSOCIATION**

SHEET 2

CASH FLOW BASIS

ITEM	2017 YEAR 11	2018 YEAR 12	2019 YEAR 13	2020 YEAR 14	2021 YEAR 15	2022 YEAR 16	2023 YEAR 17	2024 YEAR 18	2025 YEAR 19	2026 YEAR 20
ASPHALT PATHS										
CONCRETE WALKS					\$5,360					
WOODEN WALKWAYS/BRIDGES	\$22,550									
COMMUNITY SIGNAGE										
ENTRANCE FENCE (Brick)							\$3,150			
ENTRANCE FENCE (Aluminum)										
DECORATIVE FENCE (Wood)				\$79,625						
RETENTION LAKE (Dredging)										
RETENTION LAKE (1/3 the cost of Engineering & Legal)										
FOUNTAIN										
GAZEBO		\$10,500						\$10,500		
SITE FURNITURE							\$6,000			
IRRIGATION PUMP STATIONS							\$6,750			
TOTAL COST IN 2007 DOLLARS	\$22,550	\$10,500		\$79,625	\$5,360		\$15,900	\$10,500		
TOTAL COST IN INFLATION ADJUSTED \$ @ 3.0% INFL RATE	\$30,305	\$14,534		\$116,932	\$8,107		\$25,515	\$17,355		
CONTRIBUTION PER UNIT	\$16	\$16	\$17	\$17	\$17	\$18	\$18	\$18	\$19	\$19
TOTAL ANNUAL CONTRIBUTION ADJUSTED @ 2.0% ANNUALLY	\$6,095	\$6,217	\$6,341	\$6,468	\$6,597	\$6,729	\$6,864	\$7,001	\$7,141	\$7,284
TOTAL ACCUMULATED BALANCE	\$86,562	\$78,245	\$84,586	(\$25,878)	(\$27,388)	(\$20,659)	(\$39,310)	(\$49,663)	(\$42,522)	(\$35,238)
ACCUM. BALANCE W/INTEREST AT 4.8% INTEREST RATE	\$152,965	\$151,518	\$165,357	\$57,501	\$58,650	\$68,485	\$52,201	\$43,836	\$53,398	\$63,565

**CAPITAL REPAIR/REPLACEMENT RESERVE SCHEDULE FOR:
CHURCH POINT HOMEOWNERS ASSOCIATION**

ITEM	2027 YEAR 21	2028 YEAR 22	2029 YEAR 23	2030 YEAR 24	2031 YEAR 25	2032 YEAR 26	2033 YEAR 27	2034 YEAR 28	2035 YEAR 29	2036 YEAR 30
ASPHALT PATHS				\$4,367						
CONCRETE WALKS										
WOODEN WALKWAYS/BRIDGES										
COMMUNITY SIGNAGE							\$6,600			
ENTRANCE FENCE (Brick)										
ENTRANCE FENCE (Aluminum)									\$6,380	
DECORATIVE FENCE (Wood)										
RETENTION LAKE (Dredging)	\$10,200									
RETENTION LAKE (1/3 the cost of Engineering & Legal)										
FOUNTAIN										
GAZEBO				\$10,500						\$10,500
SITE FURNITURE										
IRRIGATION PUMP STATIONS										
TOTAL COST IN 2007 DOLLARS	\$10,200			\$14,867			\$6,600		\$6,380	\$10,500
TOTAL COST IN INFLATION ADJUSTED @ 3.0% INFL RATE	\$18,422			\$29,341			\$14,234		\$14,597	\$24,744
CONTRIBUTION PER UNIT	\$19	\$20	\$20	\$21	\$21	\$21	\$22	\$22	\$23	\$23
TOTAL ANNUAL CONTRIBUTION ADJUSTED @ 2.0% ANNUALLY	\$7,430	\$7,578	\$7,730	\$7,884	\$8,042	\$8,203	\$8,367	\$8,534	\$8,705	\$8,879
TOTAL ACCUMULATED BALANCE	(\$46,231)	(\$38,652)	(\$30,922)	(\$52,379)	(\$44,337)	(\$36,134)	(\$42,000)	(\$33,466)	(\$39,358)	(\$55,222)
ACCUM. BALANCE W/INTEREST AT 4.8% INTEREST RATE	\$55,069	\$65,623	\$76,837	\$58,011	\$69,191	\$81,070	\$78,776	\$91,458	\$89,630	\$77,269

IMPACT OF INFLATION/INTEREST ON ACCUMULATED BALANCE W/INTEREST FOR:

CHURCH POINT HOMEOWNERS ASSOCIATION

ASSUMES ADJUSTMENT IN THE ANNUAL CONTRIBUTION = 2.0%

*****		INFLATION RATE - percent										
		0	1	2	3	4	5	6	7	8	9	10
INTEREST RATE percent	1	\$167,271	\$139,621	\$106,715	\$67,474	\$20,597	(\$35,481)	(\$102,645)	(\$183,158)	(\$279,737)	(\$395,644)	(\$534,782)
	2	\$187,705	\$156,638	\$119,814	\$76,064	\$23,982	(\$38,124)	(\$112,287)	(\$200,950)	(\$307,042)	(\$434,075)	(\$586,253)
	3	\$211,926	\$176,914	\$135,588	\$86,682	\$28,675	(\$40,260)	(\$122,320)	(\$220,139)	(\$336,875)	(\$476,312)	(\$642,974)
	4	\$240,765	\$201,183	\$154,667	\$99,845	\$35,072	(\$41,628)	(\$132,625)	(\$240,764)	(\$369,447)	(\$522,751)	(\$705,546)
	5	\$275,250	\$230,358	\$177,839	\$116,207	\$43,681	(\$41,875)	(\$143,022)	(\$262,828)	(\$404,963)	(\$573,816)	(\$774,631)
	6	\$316,658	\$265,577	\$206,093	\$136,596	\$55,158	(\$40,533)	(\$153,243)	(\$286,283)	(\$443,609)	(\$629,952)	(\$850,956)
	7	\$366,572	\$308,258	\$240,670	\$162,062	\$70,345	(\$36,980)	(\$162,905)	(\$311,002)	(\$485,540)	(\$691,615)	(\$935,305)
	8	\$426,959	\$360,169	\$283,125	\$193,933	\$90,328	(\$30,395)	(\$171,469)	(\$336,754)	(\$530,854)	(\$759,260)	(\$1,028,518)
	9	\$500,267	\$423,518	\$335,413	\$233,891	\$116,498	(\$19,699)	(\$178,194)	(\$363,157)	(\$579,556)	(\$833,313)	(\$1,131,475)
	10	\$589,535	\$501,064	\$399,987	\$284,066	\$150,635	(\$3,481)	(\$182,066)	(\$389,626)	(\$631,524)	(\$914,145)	(\$1,245,080)

() = NEGATIVE NUMBER

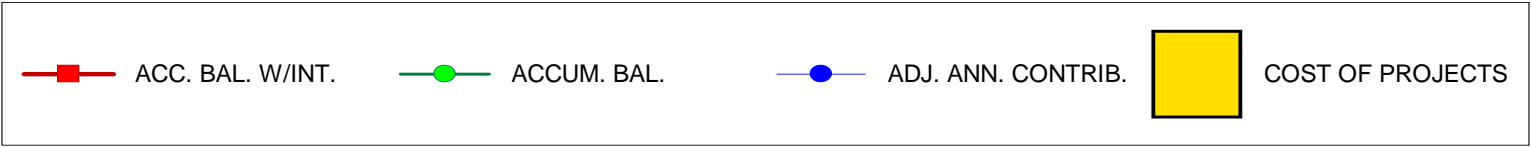
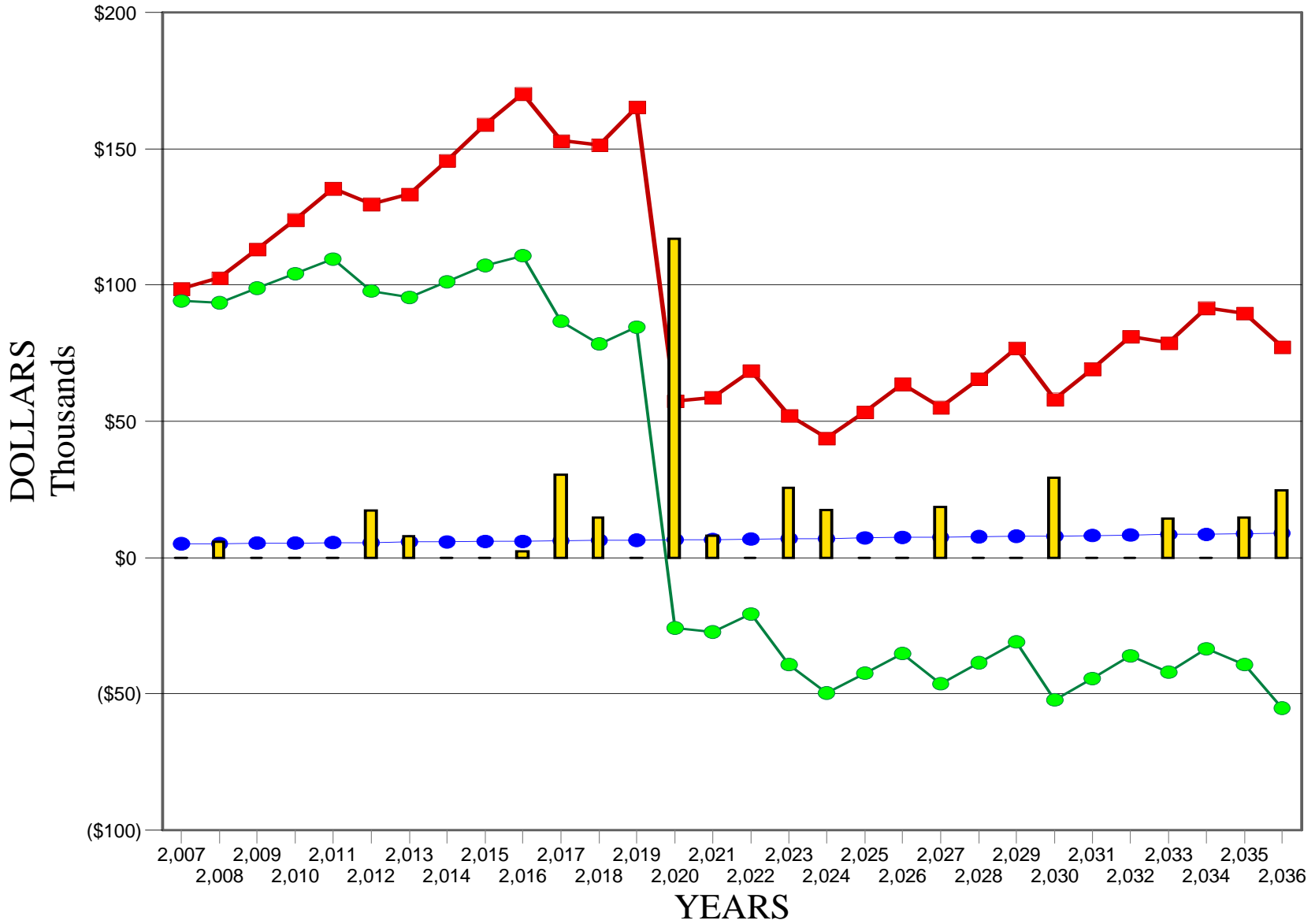
IT IS VERY IMPORTANT TO NOTE THE IMPACT THAT THE INFLATION RATE HAS ON THE AMOUNT OF INVESTED FUNDS AVAILABLE FOR FUTURE PROJECTS. THE TABLE ABOVE GRAPHICALLY DISPLAYS THE INFLATION RATE FOR A GIVEN RATE OF INTEREST ON THE ADJUSTED ANNUAL CONTRIBUTION. TO USE THIS TABLE, SELECT AN INTEREST RATE FOR YOUR INVESTED FUNDS IN THE LEFT-HAND COLUMN AND READ ACROSS TO THE RIGHT TO SEE HOW THE "ACCUMULATED BALANCE W/INTEREST " IN YEAR 30*, DECREASES WITH THE INCREASE IN THE INFLATION RATE. FOR EXAMPLE: IF THE ASSOCIATION WERE TO INVEST THE ANNUAL CONTRIBUTIONS IN AN INTEREST BEARING ACCOUNT AT 4% INTEREST, THE RESERVE FUND WOULD HAVE AN ACCUMULATED BALANCE W/ INTEREST OF \$35072 IN YEAR 30 IF THE INFLATION RATE STAYED A CONSTANT 4%. HOWEVER, THAT BALANCE OF \$35072 WOULD BECOME A BALANCE OF -\$132625 IF THE INFLATION RATE CLIMBS JUST 2%. THIS IS WHY RESERVE STUDIES PREPARED BY DLM ARCHITECTS RECOMMEND INCREASING THE ANNUAL CONTRIBUTION BY THE CURRENT DIFFERENCE BETWEEN THE INFLATION RATE AND THE INTEREST RATE TO PROVIDE ADEQUATE FUNDS FOR FUTURE PROJECTS.

* THIS IS THE VALUE IN THE LOWER RIGHT OF SHEET 3

**ANTICIPATED RESERVE CALENDAR FOR:
CHURCH POINT HOMEOWNERS ASSOCIATION**

2007	2008	2009	2010	2011	2012
	RETENTION LAKE (1/3 the cost of Engineering & Legal),				ASPHALT PATHS, GAZEBO,
2013	2014	2015	2016	2017	2018
COMMUNITY SIGNAGE,			FOUNTAIN,	WOODEN WALKWAYS/BRIDGES,	GAZEBO,
2019	2020	2021	2022	2023	2024
	DECORATIVE FENCE (Wood),	CONCRETE WALKS,		ENTRANCE FENCE (Brick), SITE FURNITURE, IRRIGATION PUMP STATIONS,	GAZEBO,
2025	2026	2027	2028	2029	2030
		RETENTION LAKE (Dredging),			ASPHALT PATHS, GAZEBO,
2031	2032	2033	2034	2035	2036
		COMMUNITY SIGNAGE,		ENTRANCE FENCE (Aluminum),	GAZEBO,

CHURCH POINT HOMEOWNERS ASSOCIATION



ARCHITECTURAL RESERVE STUDY NOTE

The existence of any environmental hazard such as the presence of hazardous wastes, toxic substances, radon gas, lead based paint, asbestos-containing materials, ureaformaldehyde insulation, etc. which may or may not be present in or on the subject community or any site within the vicinity of the community, was not observed by the architect and the architect has no knowledge of any such environmental hazard. The architect is not qualified to detect such substances. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.

The architect performed no testing of the treated wood products found in this community to confirm the presence of chromated copper arsenate (CCA), since testing is outside the scope of the reserve study. Given the age of the community and the prevalence of CCA used as a wood preservative, it is the architect's opinion that CCA treated wood may be present at this community.

The presence of such substances may affect the value of the reserve in the future. The reserve estimate is predicated on the assumption that there is no such material on or in the community and the regulations governing the possession of these substance remains unchanged.

The architect has not taken into consideration, since an Environmental Impact Study or Environmental Site Assessment was not provided, any consequence that the Clean Water Act of 1990 and/or the Chesapeake Bay Preservation Act may have on the community.

The Association may wish to retain an expert in these fields to make an accurate determination concerning the existence of such hazardous materials and their impact due to possible existence of environmentally protected property.

The existence of polybutylene pipe was not reviewed because it is not a common element. The reserve estimate is predicated on the assumption that there is no such material on or in the community.

The architect has not taken into consideration, any consequence that the Fair Housing Act of 1991 may have on the community, because the buildings are exempt from the Act's design and construction requirements due to its first occupancy occurring before March 13, 1991.