The Ranches HOA

Level II Reserve Study

Report Period – 1/01/08 – 12/31/08

Client Reference Number 10329
Property Type ..... Single Family Homes
Number of Units 1,750
Fiscal Year End ..... December 31

Date of Property Inspection ..... August 23rd, 2007
Inspector ..... Robert Forney

Report prepared on – Monday, December 17, 2007

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Glossary of Commonly used Words and Phrases

Executive Summary – The Ranches HOA - ID # 10329

Information to complete this Reserve Study was gathered on August 23rd, 2007 by performing an on-site inspection of the common area elements. In addition, we also obtained information by contacting any vendors and/or contractors that have worked on the property recently, as well as communicating with the property representative (BOD Member and/or Community Manager). To the best of our knowledge, the conclusions and recommendations of this report are considered reliable and accurate insofar as the information obtained from these sources.

Projected Starting Balance as of January 1, 2008	**$245,193**
Ideal Reserve Balance as of January 1, 2008	**$332,864**
Percent Funded as of January 1, 2008	**74%**
Recommended Reserve Contribution (per month)	**$7,425**
Minimum Reserve Contribution (per month)	**$6,500**
Recommended Special Assessment	**$0**
Minimum Recommended Special Assessment	**$0**

The Ranches HOA is a 1,750-unit master association consisting of single-family homes as well as apartment-style condominium homes. The property offers thirteen parks as well as eleven play structures and several miles of asphalt paths as amenities. At completion the total number of units at The Ranches is projected to be over 6,000.

Currently Programmed Projects

We have programmed the replacement of approximately ten irrigation time clocks to occur this year (FY 2008). We have programmed an estimated $9,750 in reserve expenditures toward the completion of these projects. (See page 15)

Major Reserve Expenditures

The first major reserve expenditure is programmed to occur in fiscal year 2010. Projects programmed to occur in fiscal year 2010 include staining the wood fencing (Comp# 209), replacing the street signs (Comp# 808), making replacements to the rail fencing (Comp# 1009), replacing approximately 45 trees (Comp# 1804), and sealing the asphalt paths (Comp# 1808). We have programmed approximately $128,121 in reserve funds or approximately 30% of fiscal year 2010's recommended starting balance towards the completion of these projects (see page 10).

Significant Reserve Projects

The association's significant reserve projects include replacing the play structures (Comp# 1301), overlaying the asphalt paths (Comp# 1807), making replacements to the trees (Comp# 1804), and staining the wood fencing (Comp# 209). The fiscal significance of these components is approximately 27%, 11%, 9%, and 9% respectively (see page 8). A component's significance is calculated by dividing its replacement cost by its useful life. In this way, not only is a component's replacement cost considered but also the frequency of occurrence. These components most significantly contribute to the total monthly reserve contribution. As these components have a high level of fiscal significance the association should properly maintain them to ensure they reach their full useful lives.

Reserve Funding

In comparing the projected starting reserve balance of $245,193 versus the ideal reserve balance of $332,864 we find the association's reserve fund to be approximately 74% funded. This indicates a relatively strong reserve fund position. In order to continue to strengthen the account fund, we suggest adopting a monthly reserve contribution of $7,425 ($2.65/unit) per month. We have also included a minimum reserve contribution of $6,500 ($2.32/unit) per month. If the contribution falls below this rate, then the reserve fund may fall into a situation where special assessments, deferred maintenance, and lower property values are likely at some point in the future.

Introduction

Reserve Study Purpose

The purpose of this Reserve Study is to provide an educated estimate of the necessary reserve allocation. The detailed schedules will serve as an advanced warning that major projects will need to be addressed in the future. This will allow the Board of Directors to have ample time to obtain competitive estimates and bids that will result in cost savings to the individual homeowners. It will also ensure the physical well-being of the property and ultimately enhance each owner's investment, while limiting the possibility of unexpected major projects that may lead to special assessments.

Preparer's Credentials

Mr. Forney has been conducting reserve studies for the past five years. After working for a notable national reserve study provider Mr. Forney started Complex Solutions Ltd. in 2001. Complex Solutions provides reserve study consulting services to clients primarily in Nevada, California and Utah. Mr. Forney holds a Bachelor of Science degree in Business Administration from Pepperdine University.

- Conducted over 300 reserve studies in the last five years.
- Created the proprietary software and databases used to prepare Complex Solutions' reserve studies. This proprietary software gives Complex Solutions the freedom and ability to create reports tailored to the individual clients needs.
- Projects have ranged in size from small apartment-style condominium communities to 1000+ Planned Unit Communities (PUD).
- Clients have ranged from developers interested in setting initial reserve accounts for communities under construction to high-rise communities, even an aero park (small airport).
- Active member of three local chapters of CAI (Nevada, Utah, and Channel Islands, CA).
- (2) Articles published in Community Interests.

Budget Breakdown

Every association conducts their business within a budget. There are typically two main parts to this budget, operating and reserves. The operating budget includes all expenses that are fixed on an annual basis. These would include management fees, maintenance fees, utilities, etc. The reserves is primarily made up of capital replacement items such as roofing, fencing, mechanical equipment, etc., that do not normally occur on an annual basis. Typically, the reserve contribution makes up 15% - 40% of the association's total budget. Therefore, reserves are considered to be a major part of the overall monthly association payment.

Report Sections

The ***Reserve Analysis*** *Section* contains the evaluation of the association's reserve balance, income, and expenses. It includes a finding of the client's current reserve fund status (measured as percent funded) and a recommendation for an appropriate reserve allocation rate (also known as the funding plan).

The ***Component Evaluation*** *Section* contains information regarding the physical status and replacement cost of major common area components the association is responsible to maintain. It is important to understand that while the component inventory will remain relatively "stable" from year to year, the condition assessment and life estimates will most likely vary from year to year.

General Information and Frequently Asked Questions

Why is it important to perform a Reserve Study?

As previously mentioned, the reserve allocation makes up a significant portion of the total monthly dues. This report provides the essential information that is needed to guide the Board of Directors in establishing the budget in order to run the daily operations of your association. It is suggested that a third party professionally prepare the Reserve Study since there is no vested interest in the property. Also, a professional knows what to look for and how to properly develop an accurate and reliable component list.

After we have a Reserve Study completed, what do we do with it?

Hopefully, you will not look at this report and think it is too cumbersome to understand. Our intention is to make this Reserve Study easy to read and understand. Please take the time to review it carefully and make sure the "main ingredients" (component information) are complete and accurate. If there are any inaccuracies, please inform us immediately so we may revise the report.

Once you feel the report is an accurate tool to work from, use it to help establish your budget for the upcoming fiscal year. The reserve allocation makes up a large portion of the total monthly dues and this report should help you determine the correct amount of money to go into the reserve fund. Additionally, the Reserve Study should act as a guide to obtain proposals in advance of pending projects. This will give you an opportunity to shop around for the best price available.

The Reserve Study should be readily available for real estate agents, brokerage firms, and lending institutions for potential future homeowners. As the importance of reserves becomes more of a household term, people are requesting homeowners associations reveal the strength of the reserve fund prior to purchasing a condominium, town home, or any property that belongs to an association.

How often do we update or review the Reserve Study?

Unfortunately, there is a misconception that these reports are good for an extended period of time since the report has projections for the next 30 years. Just like any major line item in the budget, the Reserve Study should be reviewed each year before the budget is established. Invariably, some assumptions have to be made during the compilation of this analysis. Anticipated events may not materialize and unpredictable circumstances could occur. Deterioration rates and repair/replacement costs will vary from causes that are unforeseen. Earned interest rates may vary from year to year. These variations could alter the content of the Reserve Study. Therefore, this analysis should be reviewed annually, and a property inspection should be conducted at least once every three years.

Is it the law to have a Reserve Study conducted?

The Government requires reserve analyses in approximately 20 States. Even if it is not currently governed by your State, the chances are very good that the documents of the association require the association to have a reserve fund established. This doesn't mean a Reserve Study is required, but how are you going to know you have enough funds in the account if you don't have the proper information? Some associations look at the Reserve fund and think that $50,000 is a lot of money and they are in good shape. What they don't know is that the roof is going to need to be replaced within 5 years, and the cost of the roof is going to exceed $75,000. So while $50,000 sounds like a lot of money, in reality it won't even cover the cost of a roof, let alone all the other amenities the association is responsible to maintain.

What is a "Reserve Component" versus an "Operating Component"?

A "Reserve" component is an item that is the responsibility of the association to maintain, has a limited useful life, predictable remaining useful life, typically occurs on a cyclical basis that exceeds 1 year, and costs above a minimum threshold amount. An "Operating" expense is typically a fixed expense that occurs on an annual basis. For instance, minor repairs to a roof for damage caused by high winds or other weather elements would be considered an "Operating" expense. However, if the entire roof needs to be replaced because it has reached the end of its life expectancy, then the replacement would be considered a reserve expense.

What are the GREY areas of "maintenance" items that are often seen in a Reserve Study?

One of the most popular questions revolves around major "maintenance" items, such as painting the buildings or seal coating the asphalt. You may hear from your accountant that since painting or seal coating is not replacing a "capital"

item, then it cannot be considered a Reserve issue. However, it is the opinion of several major Reserve Study providers that these items are considered to be major expenses that occur on a cyclical basis. Therefore, it makes it very difficult to ignore a major expense that meets the criteria to be considered a reserve component. Once explained in this context, many accountants tend to agree and will include any expenses, such as these examples, as a reserve component.

What happens during the Property Inspection?

The Property Inspection was conducted following a review of the documents that were established by the developer identifying all common area assets. In some cases, the Board of Directors at some point may have revised the documents. In either case, the most current set of documents was reviewed prior to inspecting the property. In addition, common area assets may have been reported to Complex Solutions by the client, or by other parties.

Estimated life expectancies and life cycles are based upon conditions that were readily accessible and visible at the time of the inspection. We did not destroy any landscape work, building walls, or perform any methods of intrusive investigation during the inspection. In these cases, information may have been obtained by contacting the contractor or vendor that has worked on the property.

What is the Financial Analysis?

We projected the starting balance by taking the most recent balance statement, adding expected reserve contributions for the rest of the fiscal year, and subtracting any pending projects that will be paid for before the end of the current fiscal year. We compared this number to the ideal reserve balance and arrived at the percent funded level.

Measures of strength are as follows:

0% - 30% Funded is considered to be a “weak” financial position. Associations that fall into this category are subject to special assessments and deferred maintenance, which could lead to lower property values. If the association is in this position, actions should be taken to improve the financial strength of the reserve fund.

31% - 69% Funded is considered a “fair” financial position. The majority of associations fall into this category. While this doesn’t represent financial strength and stability, the likelihood of special assessments and deferred maintenance is diminished. Effort should be taken to continue strengthening the financial position of the reserve fund.

70% - 99% Funded is considered a “strong” financial position. This indicates financial strength of a reserve fund and every attempt to maintain this level should be a goal of the association.

100% Funded is considered an “ideal” financial position. This means that the association has the exact amount of funds in the reserve account.

Funding Summary

Beginning Assumptions

# of units	2,800
Fiscal Year End	31-Dec
Budgeted Monthly Reserve Allocation	$8,000
Projected Starting Reserve Balance	$245,193
Ideal Starting Reserve Balance	$332,864

Economic Assumptions

Current Inflation Rate	4.00%
Reported After-Tax Interest Rate	1.50%

Current Reserve Status

Current Balance as a % of Ideal Balance	74%

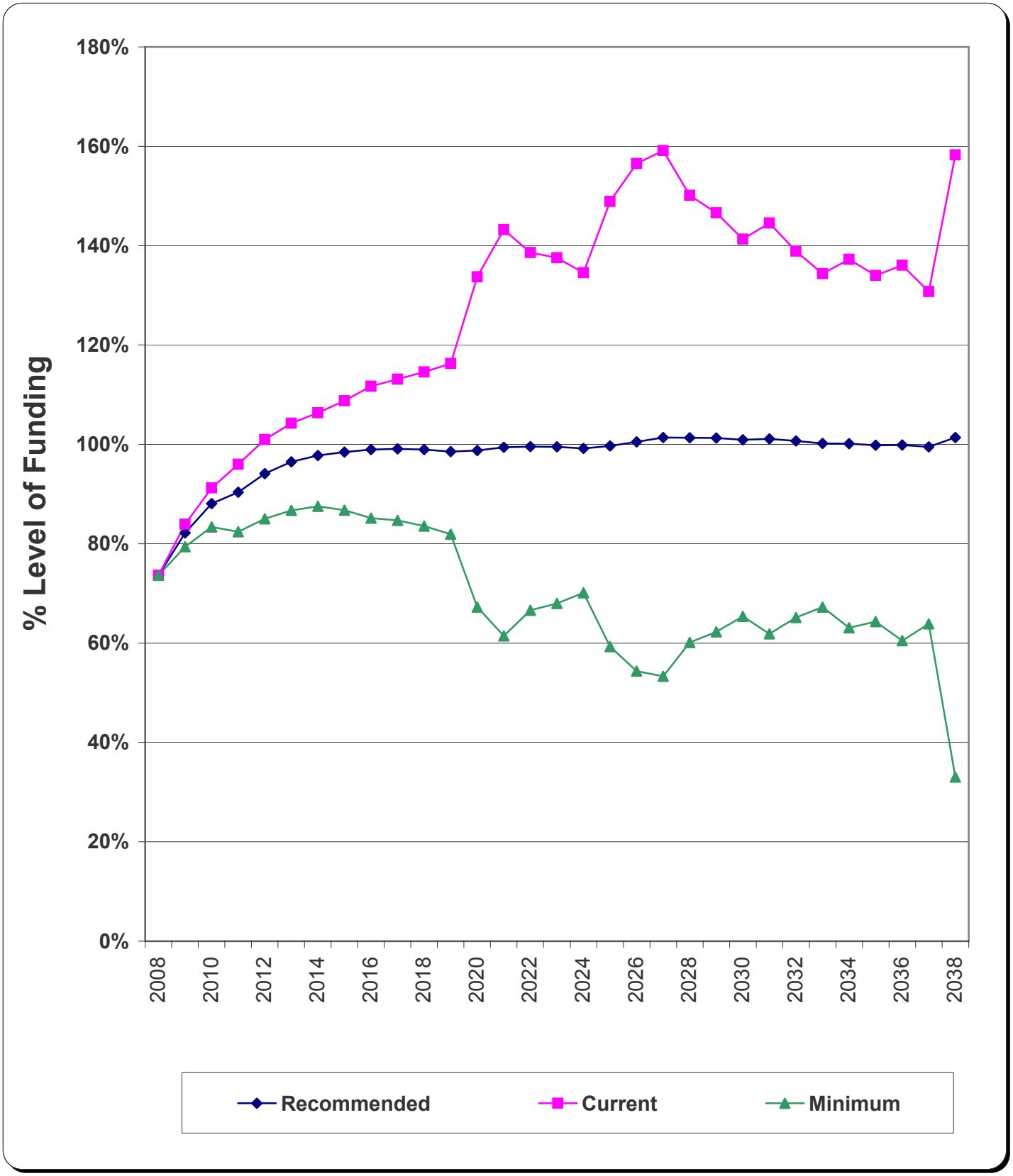
Recommendations

Recommended Monthly Reserve Allocation	$7,425
Per Unit	$2.65
Future Annual Increases	2.00%
For number of years:	12
Increases thereafter:	4.25%
Minimum Recommended Monthly Reserve Allocation	$6,500
Per Unit	$2.32
Future Annual Increases	2.00%
For number of years:	12
Increases thereafter:	4.25%

Changes From Prior Year

Recommended Increase to Reserve Allocation	-$575
as Percentage	-7%
Minimum Recommended Increase to Reserve Allocation	-$1,500
as Percentage	-19%

Percent Funded - Graph



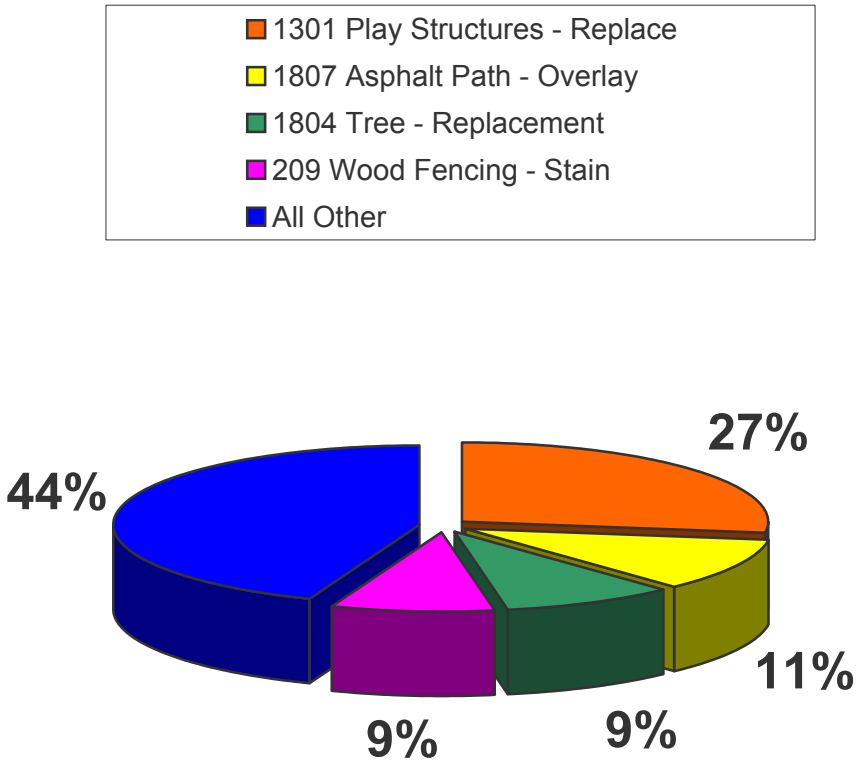
Component Inventory

Category	ID #	Component Name	Useful Life (yrs.)	Remaining Useful Life (yrs.)	Best Cost	Worst Cost
Roofing	105	Pavilion Roof - Repair	15	8	$4,000	$6,000
Painted Surfaces	209	Wood Fencing - Stain	5	2	$25,000	$28,000
Prop. Identification	801	Monuments - Re-Letter	15	10	$59,250	$71,100
	802	Main Monument Sign - Re-Letter	18	11	$7,000	$9,100
	805	Wood Direction Signs - Replace	N/A		$0	$0
	808	Street Signs - Replace	5	2	$13,100	$15,925
Fencing	1001	Privacy Fencing - Replace	16	9	$35,000	$49,000
	1009	Rail Fencing - Partial Replace	5	2	$15,210	$27,200
Recreation Equip.	1301	Play Structures - Replace	18	11	$275,000	$330,000
	1303	Tot Lot Groundcover - Refill	N/A		$0	$0
	1306	Park Furniture - Replace	12	6	$50,000	$55,000
Interiors	1413	Restrooms - Remodel	N/A			
Light Fixtures	1604	Pole Light Fixtures - Replace	N/A		$0	$0
Irrig. System	1703	Irrigation Time Clocks - Replace	3	0	$8,500	$11,000
Landscaping	1804	Tree - Replacement	5	2	$22,500	$33,750
	1807	Asphalt Path - Overlay	25	16	$154,600	$182,700
	1808	Asphalt Path - Seal	6	2	$25,300	$30,925
	1809	Horse Paths - Refurbish	N/A		$0	$0

Significant Components

ID #	Component Name	Useful Life (yrs.)	Remaining Useful Life (yrs.)	Average Current Cost	Significance: (Curr Cost/UL)	
					As $	As %
105	Pavilion Roof - Repair	15	8	$5,000	$333	0.5404%
209	Wood Fencing - Stain	5	2	$26,500	$5,300	8.5926%
801	Monuments - Re-Letter	15	10	$65,175	$4,345	7.0443%
802	Main Monument Sign - Re-Letter	18	11	$8,050	$447	0.7251%
808	Street Signs - Replace	5	2	$14,513	$2,903	4.7057%
1001	Privacy Fencing - Replace	16	9	$42,000	$2,625	4.2558%
1009	Rail Fencing - Partial Replace	5	2	$21,205	$4,241	6.8757%
1301	Play Structures - Replace	18	11	$302,500	$16,806	27.2459%
1306	Park Furniture - Replace	12	6	$52,500	$4,375	7.0929%
1703	Irrigation Time Clocks - Replace	3	0	$9,750	$3,250	5.2690%
1804	Tree - Replacement	5	2	$28,125	$5,625	9.1195%
1807	Asphalt Path - Overlay	25	16	$168,650	$6,746	10.9369%
1808	Asphalt Path - Seal	6	2	$28,113	$4,685	7.5962%

Significant Components - Graph

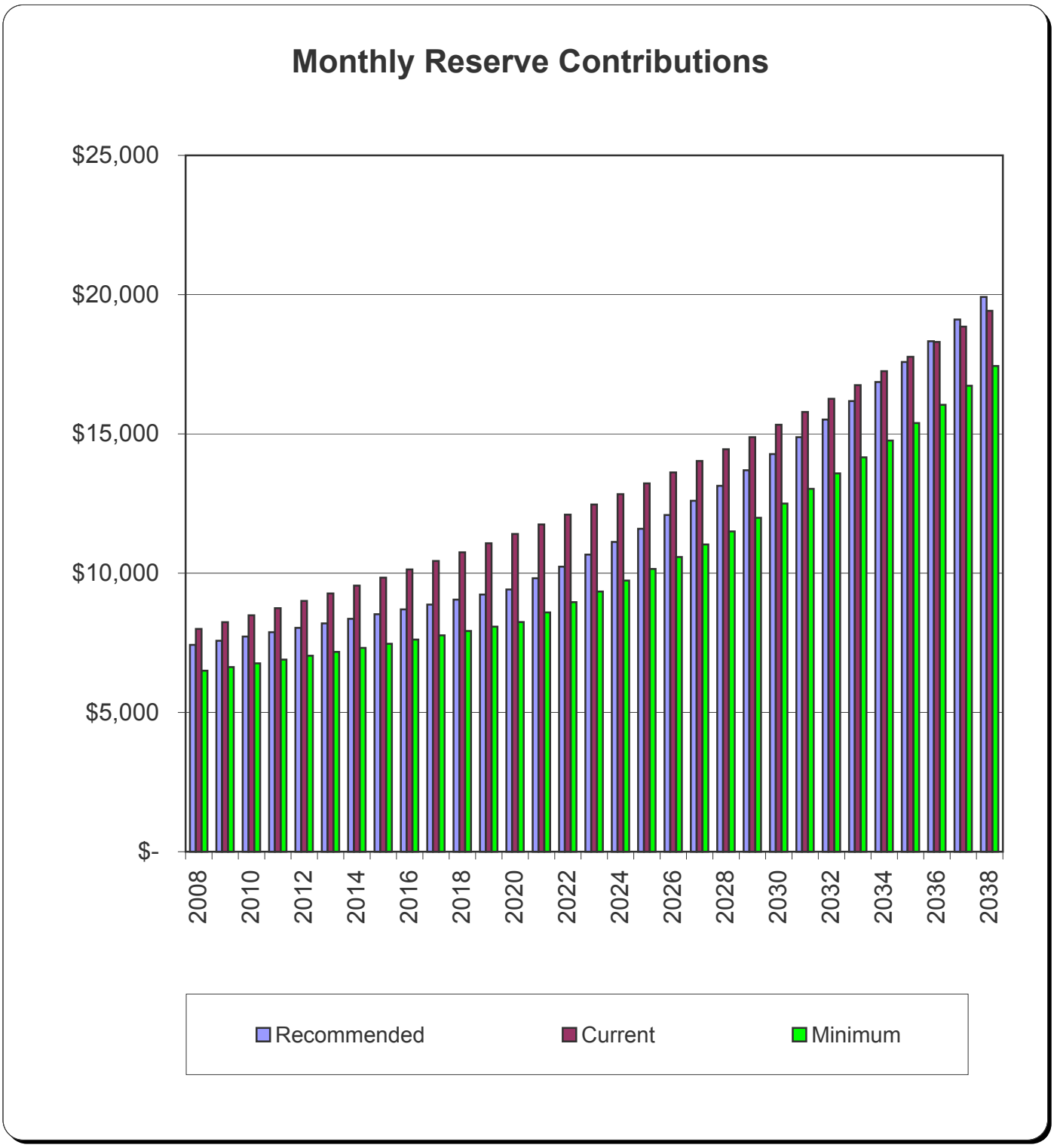


ID #	Component Name	Useful Life (yrs.)	Remaining Useful Life (yrs.)	Average Current Cost	Significance: (Curr Cost/UL)	
					As $	As %
1301	Play Structures - Replace	18	11	$302,500	$16,806	27%
1807	Asphalt Path - Overlay	25	16	$168,650	$6,746	11%
1804	Tree - Replacement	5	2	$28,125	$5,625	9%
209	Wood Fencing - Stain	5	2	$26,500	$5,300	9%
All Other	See Expanded Table For Breakdown				$27,204	44%

Yearly Summary

Year	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Reserve Contributions	Interest Income	Reserve Expenses
2008	$332,864	$245,193	74%	$89,100	$4,303	$9,750
2009	$400,187	$328,846	82%	$90,882	$5,653	$0
2010	$482,908	$425,381	88%	$92,700	$6,157	$128,121
2011	$438,362	$396,117	90%	$94,554	$6,614	$10,967
2012	$516,648	$486,317	94%	$96,445	$8,073	$0
2013	$612,359	$590,835	96%	$98,374	$9,667	$0
2014	$714,899	$698,875	98%	$100,341	$10,718	$78,766
2015	$742,746	$731,168	98%	$102,348	$10,918	$118,885
2016	$733,231	$725,550	99%	$104,395	$11,405	$45,317
2017	$803,222	$796,033	99%	$106,483	$12,271	$73,656
2018	$850,051	$841,130	99%	$108,612	$12,796	$96,475
2019	$878,675	$866,063	99%	$110,785	$10,307	$478,077
2020	$515,374	$509,077	99%	$113,000	$7,332	$160,251
2021	$472,031	$469,158	99%	$117,803	$7,976	$0
2022	$597,724	$594,937	100%	$122,809	$9,545	$48,682
2023	$682,088	$678,610	99%	$128,029	$11,084	$17,559
2024	$806,638	$800,163	99%	$133,470	$10,708	$315,878
2025	$630,538	$628,463	100%	$139,143	$9,214	$175,978
2026	$597,697	$600,841	101%	$145,056	$9,218	$126,107
2027	$620,406	$629,008	101%	$151,221	$10,642	$0
2028	$780,373	$790,872	101%	$157,648	$12,670	$61,598
2029	$888,083	$899,592	101%	$164,348	$14,660	$22,218
2030	$1,046,678	$1,056,382	101%	$171,333	$15,632	$214,104
2031	$1,017,903	$1,029,243	101%	$178,614	$16,801	$12,324
2032	$1,203,910	$1,212,335	101%	$186,206	$19,528	$24,992
2033	$1,390,506	$1,393,076	100%	$194,119	$20,349	$285,711
2034	$1,319,996	$1,321,833	100%	$202,369	$20,904	$77,941
2035	$1,469,586	$1,467,165	100%	$210,970	$21,573	$288,604
2036	$1,413,185	$1,411,105	100%	$219,936	$22,974	$0
2037	$1,662,074	$1,654,014	100%	$229,284	$19,399	$968,497

Reserve Contributions - Graph



Component Funding Information

ID	Component Name	Average Current Cost	Future Cost	Ideal Balance	Current Fund Balance	Monthly
105	Pavilion Roof - Repair	$5,000	$6,843	$2,333	$2,333	$40.13
209	Wood Fencing - Stain	$26,500	$28,662	$15,900	$15,900	$638.00
801	Monuments - Re-Letter	$65,175	$96,475	$21,725	$21,725	$523.04
802	Main Monument Sign - Re-Letter	$8,050	$12,393	$3,131	$3,131	$53.84
808	Street Signs - Replace	$14,513	$15,697	$8,708	$8,708	$349.40
1001	Privacy Fencing - Replace	$42,000	$59,779	$18,375	$18,375	$315.99
1009	Rail Fencing - Partial Replace	$21,205	$22,935	$12,723	$12,723	$510.52
1301	Play Structures - Replace	$302,500	$465,685	$117,639	$90,682	$2,023.01
1306	Park Furniture - Replace	$52,500	$66,429	$26,250	$26,250	$526.65
1703	Irrigation Time Clocks - Replace	$9,750	$10,967	$9,750	$9,750	$391.23
1804	Tree - Replacement	$28,125	$30,420	$16,875	$16,875	$677.12
1807	Asphalt Path - Overlay	$168,650	$315,878	$60,714	$0	$812.07
1808	Asphalt Path - Seal	$28,113	$30,406	$18,742	$18,742	$564.02
				$332,864	$245,193	$7,425

Current Fund Balance as a percentage of Ideal Balance: 74%

Yearly Cash Flow

Year	2008	2009	2010	2011	2012
Starting Balance	$245,193	$328,846	$425,381	$396,117	$486,317
Reserve Income	$89,100	$90,882	$92,700	$94,554	$96,445
Interest Earnings	$4,303	$5,653	$6,157	$6,614	$8,073
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$338,596	$425,381	$524,237	$497,284	$590,835
Reserve Expenditures	$9,750	$0	$128,121	$10,967	$0
Ending Balance	$328,846	$425,381	$396,117	$486,317	$590,835

Year	2013	2014	2015	2016	2017
Starting Balance	$590,835	$698,875	$731,168	$725,550	$796,033
Reserve Income	$98,374	$100,341	$102,348	$104,395	$106,483
Interest Earnings	$9,667	$10,718	$10,918	$11,405	$12,271
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$698,875	$809,935	$844,435	$841,350	$914,786
Reserve Expenditures	$0	$78,766	$118,885	$45,317	$73,656
Ending Balance	$698,875	$731,168	$725,550	$796,033	$841,130

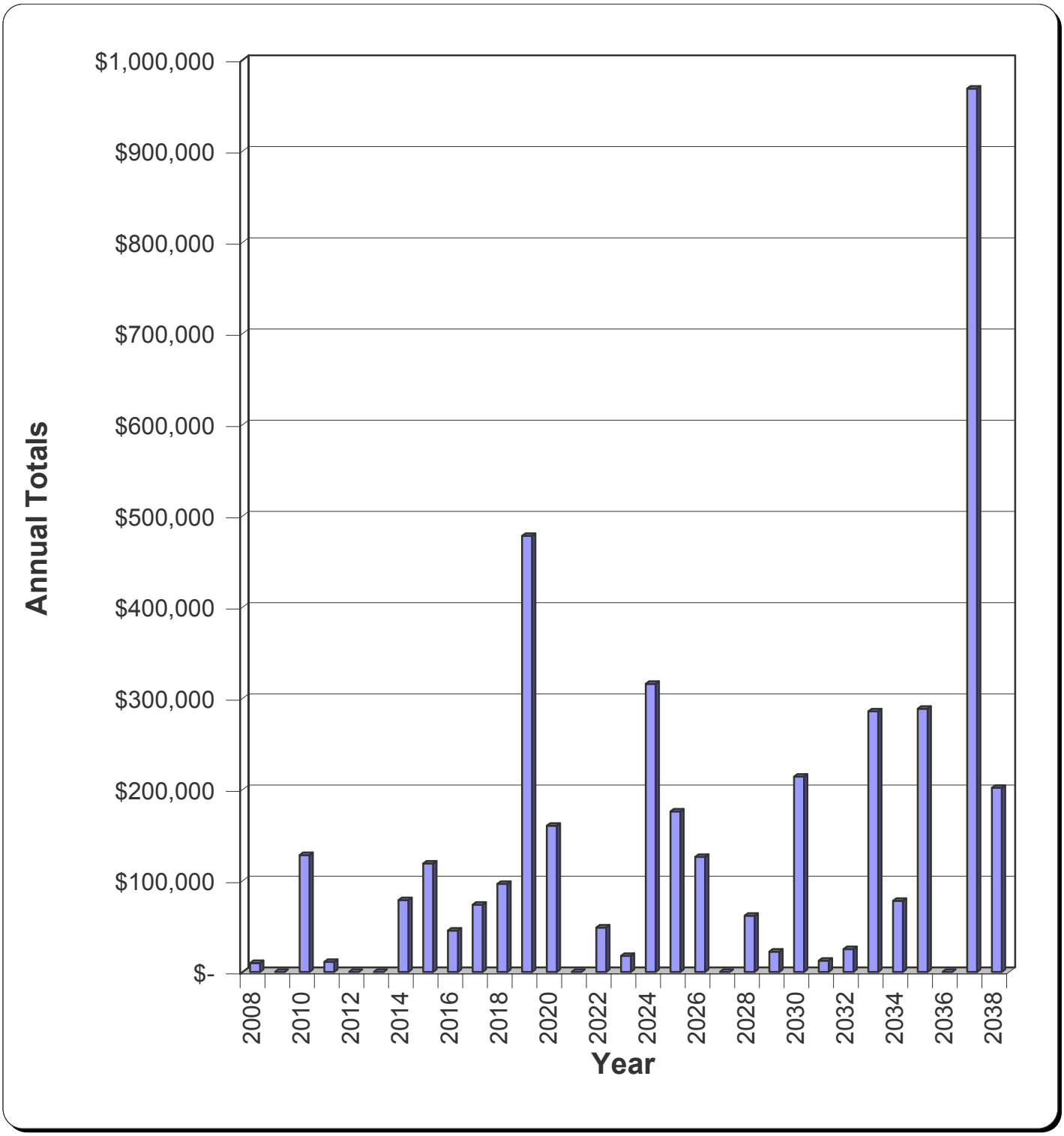
Year	2018	2019	2020	2021	2022
Starting Balance	$841,130	$866,063	$509,077	$469,158	$594,937
Reserve Income	$108,612	$110,785	$113,000	$117,803	$122,809
Interest Earnings	$12,796	$10,307	$7,332	$7,976	$9,545
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$962,538	$987,155	$629,410	$594,937	$727,292
Reserve Expenditures	$96,475	$478,077	$160,251	$0	$48,682
Ending Balance	$866,063	$509,077	$469,158	$594,937	$678,610

Year	2023	2024	2025	2026	2027
Starting Balance	$678,610	$800,163	$628,463	$600,841	$629,008
Reserve Income	$128,029	$133,470	$139,143	$145,056	$151,221
Interest Earnings	$11,084	$10,708	$9,214	$9,218	$10,642
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$817,723	$944,341	$776,819	$755,115	$790,872
Reserve Expenditures	$17,559	$315,878	$175,978	$126,107	$0
Ending Balance	$800,163	$628,463	$600,841	$629,008	$790,872

Year	2028	2029	2030	2031	2032
Starting Balance	$790,872	$899,592	$1,056,382	$1,029,243	$1,212,335
Reserve Income	$157,648	$164,348	$171,333	$178,614	$186,206
Interest Earnings	$12,670	$14,660	$15,632	$16,801	$19,528
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$961,190	$1,078,600	$1,243,347	$1,224,658	$1,418,068
Reserve Expenditures	$61,598	$22,218	$214,104	$12,324	$24,992
Ending Balance	$899,592	$1,056,382	$1,029,243	$1,212,335	$1,393,076

Year	2033	2034	2035	2036	2037
Starting Balance	$1,393,076	$1,321,833	$1,467,165	$1,411,105	$1,654,014
Reserve Income	$194,119	$202,369	$210,970	$219,936	$229,284
Interest Earnings	$20,349	$20,904	$21,573	$22,974	$19,399
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$1,607,544	$1,545,106	$1,699,708	$1,654,014	$1,902,697
Reserve Expenditures	$285,711	$77,941	$288,604	$0	$968,497
Ending Balance	$1,321,833	$1,467,165	$1,411,105	$1,654,014	$934,200

Yearly Reserve Expenditures - Graph



Projected Reserve Expenditures by Year

Year	ID #	Component Name	Projected Cost	Total Per Annum
2008	1703	Irrigation Time Clocks - Replace	$9,750	$9,750
2009		No Expenditures Projected		$0
2010	209	Wood Fencing - Stain	$28,662	
	808	Street Signs - Replace	$15,697	
	1009	Rail Fencing - Partial Replace	$22,935	
	1804	Tree - Replacement	$30,420	
	1808	Asphalt Path - Seal	$30,406	$128,121
2011	1703	Irrigation Time Clocks - Replace	$10,967	$10,967
2012		No Expenditures Projected		$0
2013		No Expenditures Projected		$0
2014	1306	Park Furniture - Replace	$66,429	
	1703	Irrigation Time Clocks - Replace	$12,337	$78,766
2015	209	Wood Fencing - Stain	$34,872	
	808	Street Signs - Replace	$19,097	
	1009	Rail Fencing - Partial Replace	$27,904	
	1804	Tree - Replacement	$37,011	$118,885
2016	105	Pavilion Roof - Repair	$6,843	
	1808	Asphalt Path - Seal	$38,474	$45,317
2017	1001	Privacy Fencing - Replace	$59,779	
	1703	Irrigation Time Clocks - Replace	$13,877	$73,656
2018	801	Monuments - Re-Letter	$96,475	$96,475
2019	802	Main Monument Sign - Re-Letter	$12,393	
	1301	Play Structures - Replace	$465,685	$478,077
2020	209	Wood Fencing - Stain	$42,427	
	808	Street Signs - Replace	$23,235	
	1009	Rail Fencing - Partial Replace	$33,950	
	1703	Irrigation Time Clocks - Replace	$15,610	
	1804	Tree - Replacement	$45,029	$160,251
2021		No Expenditures Projected		$0
2022	1808	Asphalt Path - Seal	$48,682	$48,682
2023	1703	Irrigation Time Clocks - Replace	$17,559	$17,559
2024	1807	Asphalt Path - Overlay	$315,878	$315,878
2025	209	Wood Fencing - Stain	$51,619	
	808	Street Signs - Replace	$28,269	
	1009	Rail Fencing - Partial Replace	$41,305	
	1804	Tree - Replacement	$54,785	$175,978
2026	1306	Park Furniture - Replace	$106,355	
	1703	Irrigation Time Clocks - Replace	$19,752	$126,107
2027		No Expenditures Projected		$0
2028	1808	Asphalt Path - Seal	$61,598	$61,598
2029	1703	Irrigation Time Clocks - Replace	$22,218	$22,218
2030	209	Wood Fencing - Stain	$62,803	
	808	Street Signs - Replace	$34,393	
	1009	Rail Fencing - Partial Replace	$50,254	
	1804	Tree - Replacement	$66,654	$214,104

Year	Comp ID	Component Name	Projected Cost	Total Per Annum
2031	105	Pavilion Roof - Repair	$12,324	$12,324
2032	1703	Irrigation Time Clocks - Replace	$24,992	$24,992
2033	801	Monuments - Re-Letter	$173,746	
	1001	Privacy Fencing - Replace	$111,965	$285,711
2034	1808	Asphalt Path - Seal	$77,941	$77,941
2035	209	Wood Fencing - Stain	$76,409	
	808	Street Signs - Replace	$41,845	
	1009	Rail Fencing - Partial Replace	$61,142	
	1703	Irrigation Time Clocks - Replace	$28,113	
	1804	Tree - Replacement	$81,095	$288,604
2036		No Expenditures Projected		$0
2037	802	Main Monument Sign - Re-Letter	$25,105	
	1301	Play Structures - Replace	$943,392	$968,497
2038	1306	Park Furniture - Replace	$170,278	
	1703	Irrigation Time Clocks - Replace	$31,623	$201,901

Component Evaluation

Comp #: 105 Pavilion Roof - Repair

Location: **Park at Peregrine**

Quantity: **Approx 1,800 Sq.ft.**

Life Expectancy: **15** *Remaining Life:* **8**

Best Cost: **$4,000**

Estimate to make general repairs / refurbishment

Worst Cost: **$6,000**

Higher estimate for more labor costs

Source of Information: CSL Cost Database

General Notes:

Observations:

No deterioration noted. No expectation to completely replace roof. We recommend funding to make periodic repairs. Seal wood regularly as an operating expense to protect wood.

Comp #: 209 Wood Fencing - Stain

Location: Common area

Quantity: Approx 24,800 Linear ft.

Life Expectancy: 5 *Remaining Life:* 2

Best Cost: $25,000

Estimate to stain fencing

Worst Cost: $28,000

Higher estimate for more labor

Source of Information: CSL Cost Database

General Notes:

Quantity breakdown:

23,400 Linear ft. - Rail fence
1,400 Linear ft. - Privacy fence

Observations:

Reported that these surfaces were stained in 2005. No problems noted at the time of inspection. We recommend staining the fencing approximately every 5 years to protect wood and ensure full life.

Comp #: 801 Monuments - Re-Letter

Location: **Entrance to each community**

Quantity: **(44) Double signs / (474) Letters**

Life Expectancy: **15** *Remaining Life:* **10**

Best Cost: **$59,250**

$125/Letter; Estimate to re-letter monument sign

Worst Cost: **$71,100**

$150/Letter; Higher estimate for better quality replacements

Source of Information: CSL Cost Database

General Notes:

Observations:

No rusting or pitting. Although this component may reach and extended life we recommend funding to completely replace the monument sign letters approximately every 15 years to ensure appearance.

Comp #: 802 Main Monument Sign - Re-Letter

Location: **Entrance to Master**

Quantity: **(14) Letters**

Life Expectancy: **18** *Remaining Life:* **11**

Best Cost: **$7,000**

$500/Letter; Estimate to re-letter monument

Worst Cost: **$9,100**

$650/Letter; Higher estimate

Source of Information: CSL Cost Database

General Notes:

Observations:

Letters are in good condition. We recommend funding to completely replace letters approximately every 18 years to ensure appearance and keep up with current decorative tastes. Remaining life based on current age and condition.

Comp #: 805 Wood Direction Signs - Replace

Picture Unavailable

Picture Unavailable

Location: Common area

Quantity: (5) Signs

Life Expectancy: N/A *Remaining Life:*

Best Cost: $0

Worst Cost: $0

Source of Information:

General Notes:

Observations:

No problems noted at the time of inspection. Recommend maintaining these signs as an operating expense or along with Comp# 808 Street Signs - Replace. No separate reserve funding necessary.

Comp #: 808 Street Signs - Replace

Location: **Common area**

Quantity: **See General Notes**

Life Expectancy: **5** *Remaining Life:* **2**

Best Cost: **$13,100**

$225/Sign; Estimate to replace approx. 15% of total poles / signs

Worst Cost: **$15,925**

$275/Sign; Higher estimate

Source of Information: CSL Cost Database

General Notes:

Quantity breakdown:

(124) Street signs
(220) Street signs with Stop
(42) Stop signs

Mounted on (386) wood poles

Observations:

No expectation to replace all signs at one time. Recommend reserving to replace 15% of signs approximately every 5 years.

Comp #: 1001 Privacy Fencing - Replace

Location: **Common area**

Quantity: **Approx 1,400 Linear ft.**

Life Expectancy: **16** *Remaining Life:* **9**

Best Cost: **$35,000**

$25/Linear ft.; Estimate to replace fence

Worst Cost: **$49,000**

$35/Linear ft.; Higher estimate for more installation costs

Source of Information: Z.A. Quality Fencing, LLC.

General Notes:

Observations:

No leaning or structural problems noted. With regular sealing expect a useful life of approximately 16 years from this type of fencing. Stain fence regularly (see Comp# 209 Wood Fencing - Stain) to ensure full life.

Comp #: 1009 Rail Fencing - Partial Replace

Location: **Common area**

Quantity: **Approx 5% of 23,400 Linear ft.**

Life Expectancy: **5** *Remaining Life:* **2**

Best Cost: **$15,210**

$13/Linear ft.; Estimate to replace fence

Worst Cost: **$27,200**

$16/Linear ft.; Higher estimate for more labor

Source of Information: CSL Cost Database

General Notes:

Observations:

Fencing is in good condition. No deterioration or stability problems noted. This fence has a relatively long useful life, no expectation to replace all fencing at one time. We recommend funding to make periodic repairs.

Comp #: 1301 Play Structures - Replace

Location: **Park areas**

Quantity: **(11) Play structures**

Life Expectancy: **18** *Remaining Life:* **11**

Best Cost: **$275,000**

$25,000/unit; Estimate to replace play structure

Worst Cost: **$330,000**

$30,000/unit; Higher estimate for higher quality play structure

Source of Information: CSL Cost Database

General Notes:

Observations:

No significant problems noted, no advanced signs of wear observed. We recommend funding to replace these structures approximately every 18 years. Remaining life based on average age.

Comp #: 1303 Tot Lot Groundcover - Refill

Location: Paly areas

Quantity: Approx 24,440 Sq.ft.

Life Expectancy: N/A *Remaining Life:*

Best Cost: $0

Worst Cost: $0

Source of Information:

General Notes:

Observations:

No problems noted at the time of inspection. Due to minimal cost maintain this component as an operating expense. No reserve funding necessary.

Comp #: 1306 Park Furniture - Replace

Location: **Park areas**

Quantity: **See General Notes**

Life Expectancy: **12** *Remaining Life:* **6**

Best Cost: **$50,000**

Estimate to replace

Worst Cost: **$55,000**

Higher estimate

Source of Information: CSL Cost Database

General Notes:

Quantity breakdown:

(28) Benches
(6) Bike Racks
(15) Trash Cans
(11) BBQs
(55) Picnic Tables
(2) Swing Sets ((1) 4-swing (1) 8-swing)

Observations:

No sun damage or appearance concerns noted. We recommend funding to replace this furniture approximately every 12 years. Make local repairs and replacements as necessary as an operating expense to ensure full life.

Comp #: 1413 Restrooms - Remodel

Picture Unavailable

Location: Nolan Park

Quantity: (2) Restrooms

Life Expectancy: N/A *Remaining Life:*

Best Cost:

Worst Cost:

Source of Information:

General Notes:

Observations:

Reported that these restrooms are the responsibility of the city. No reserve funding necessary.

Comp #: 1604 Pole Light Fixtures - Replace

Location: Common area

Quantity: Approx (321) Lights

Life Expectancy: N/A *Remaining Life:*

Best Cost: $0

Worst Cost: $0

Source of Information:

General Notes:

Observations:

Reported that these lights are the responsibility of the city. No reserve funding necessary.

Comp #: 1703 Irrigation Time Clocks - Replace

Location: **Common area**

Quantity: **Approx 40 clocks**

Life Expectancy: **3** *Remaining Life:* **0**

Best Cost: **$8,500**

$850/Clock; Estimate to replace approx 10 clocks every 3 years.

Worst Cost: **$11,000**

$1,100/Clock; Higher estimate

Source of Information: Elite Grounds

General Notes:

Observations:

No expectation to replace all clocks at one time. Reserve to replace approximately ten clocks every three years.

Comp #: 1804 Tree - Replacement

Location: Common area

Quantity: Approx 800 - 1,000 trees

Life Expectancy: 5 *Remaining Life:* 2

Best Cost: $22,500

Estimate to replace approximately 10% of trees

Worst Cost: $33,750

Higher estimate

Source of Information: Elite Grounds

General Notes:

Observations:

No expectation to replace all trees at one time. Reserve to replace approximately 5% of total trees every 5 years.

Comp #: 1807 Asphalt Path - Overlay

Location: **Asphalt paths**

Quantity: **Approx 281,085 Sq.ft.**

Life Expectancy: **25** *Remaining Life:* **16**

Best Cost: **$154,600**

$.55/Sq.ft.; Estimate to overlay paths

Worst Cost: **$182,700**

$.65/Sq.ft.; Higher estimate

Source of Information: CSL Cost Database

General Notes:

Observations:

No significant cracking or structural problems noted at the time of inspection. Because these asphalt surfaces do not carry vehicle traffic these asphalt paths should only require an overlay approximately every 25 years. Make local repairs as necessary at the same time as sealing (see Comp# 1807 Asphalt Path - Seal) to ensure full life.

Comp #: 1808 Asphalt Path - Seal

Location: **Asphalt paths**

Quantity: **Approx 281,085 Sq.ft.**

Life Expectancy: **6** *Remaining Life:* **2**

Best Cost: **$25,300**

$.09/Sq.ft.; Estimate to seal streets

Worst Cost: **$30,925**

$.11/Sq.ft.; Higher estimate for local repairs

Source of Information: CSL Cost Database

General Notes:

Observations:

Asphalt paths are in good condition. No significant cracking or settling noted. Seal asphalt approximately every 6 years to protect asphalt surface and prevent premature overlay (see Comp# 1807 Asphalt Path - Overlay).

Comp #: 1809 Horse Paths - Refurbish

Location: **Half Mile Rd., Pony Express Rd.**

Quantity: **Approx 20,820 Sq.ft.**

Life Expectancy: **N/A** *Remaining Life:*

Best Cost: **$0**

Worst Cost: **$0**

Source of Information:

General Notes:

Observations:

Due to minimal use we recommend refilling sand and generally maintaining these paths as an ongoing landscaping issue. No reserve funding necessary.

Glossary of Commonly Used Words And Phrases

(Provided by the National Reserve Study Standards of the Community Associations Institute)

Cash Flow Method – A method of developing a reserve funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

Component – Also referred to as an "Asset." Individual line items in the Reserve Study developed or updated in the physical analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited useful life expectancies, 3) have predictable remaining life expectancies, 4) above a minimum threshold cost, and 5) required by local codes.

Component Full Funding – When the actual (or projected) cumulative reserve balance for all components is equal to the fully funded balance.

Component Inventory – The task of selecting and quantifying reserve components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representatives.

Deficit – An actual (or projected reserve balance), which is less than the fully funded balance.

Effective Age – The difference between useful life and remaining useful life (UL - RUL).

Financial Analysis – The portion of the Reserve Study where current status of the reserves (measured as cash or percent funded) and a recommended reserve contribution rate (reserve funding plan) are derived, and the projected reserve income and expenses over time is presented. The financial analysis is one of the two parts of the Reserve Study.

Fully Funded Balance – An indicator against which the actual (or projected) reserve balance can be compared. The reserve balance that is in direct proportion to the fraction of life "used up" of the current repair or replacement cost of a reserve component. This number is calculated for each component, and then summed together for an association total.

FFB = Current Cost * Effective Age / Useful Life

Fund Status – The status of the reserve fund as compared to an established benchmark, such as percent funded.

Funding Goals – Independent of calculation methodology utilized, the following represent the basic categories of funding plan goals:

- *Baseline Funding*: Establishing a reserve-funding goal of keeping the reserve balance above zero.
- *Component Full Funding*: Setting a reserve funding goal of attaining and maintaining cumulative reserves at or near 100% funded.
- *Threshold Funding*: Establishing a reserve funding goal of keeping the reserve balance above a specified dollar or percent funded amount.

Funding Plan – An association's plan to provide income to a reserve fund to offset anticipated expenditures from that fund.

Funding Principles –

- Sufficient funds when required
- Stable contributions through the year
- Evenly distributed contributions over the years
- Fiscally responsible

GSF - Gross Square Feet

Life and Valuation Estimates – The task of estimating useful life, remaining useful life, and repair or replacement costs for the reserve components.

LF - Linear Feet

Percent Funded – The ratio, at a particular point in time (typically the beginning of the fiscal year), of the actual (or projected) reserve balance to the ideal fund balance, expressed as a percentage.

Physical Analysis – The portion of the Reserve Study where the component evaluation, condition assessment, and life and valuation estimate tasks are performed. This represents one of the two parts of the Reserve Study.

Remaining Useful Life (RUL) – Also referred to as "remaining life" (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the current fiscal year have a "0" remaining useful life.

Replacement Cost – The cost of replacing, repairing, or restoring a reserve component to its original functional condition. The current replacement cost would be the cost to replace, repair, or restore the component during that particular year.

Reserve Balance – Actual or projected funds as of a particular point in time (typically the beginning of the fiscal year) that the association has identified for use to defray the future repair or replacement of those major components that the association is obligated to maintain. Also known as "reserves," "reserve accounts," or "cash reserves." In this report the reserve balance is based upon information provided and is not audited.

Reserve Study – A budget-planning tool, which identifies the current status of the reserve fund and a stable and equitable funding plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: The Physical Analysis and the Financial Analysis.

Special Assessment – An assessment levied on the members of an association in addition to regular assessments. Governing documents or local statutes often regulate special assessments.

Surplus – An actual (or projected) reserve balance that is greater than the fully funded balance.

Useful Life (UL) – Also known as "life expectancy." The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed and maintained in its present application of installation.