



ADVANCED RESERVE SOLUTIONS, INC.

Sunday, August 02, 2009

Mr. Christopher Neuhauser, Manager
South Shores Homeowners Association
c/o Terra West Property Management
2655 So. Rainbow, Suite 200
Las Vegas, NV 89146

Dear Mr. Neuhauser:

We are pleased to present you with the completed ARS REPORT for South Shores Homeowners Association. Your ARS REPORT contains the following valuable information:

- One digital pdf copy is provided, for review, with the final digital copy provided via email or CDROM upon inclusion of one set of any requested revisions or changes to the report. A final hard copy can be provided, at additional cost, if so requested.
- Informative introduction to reserve planning (14 pg. Preface Section)
- Report summary with recommended reserve contribution
- Distribution summary showing reserve fund allocations
- Category summary displaying individual components and group totals
- 30 year projections with accompanying charts
- Detail section providing all pertinent information for each component

It is important that you review the assumptions (Executive Summary), list of components (Management/Accounting Summary) and other overall report findings. If we have not heard from you within 45 days from the report date on the ARS report, we will assume that you agree with the findings in the report and have no questions, requests for changes, additions or deletions. At that time, the report in your possession becomes the final version.

Within this 45 day window, should you request it, the initial ARS report may be adjusted and your requested changes incorporated into a FINAL report. The FINAL digital or hard copy report (see above) will then be prepared and delivered to you. Please note that any requested changes (other than corrections) which ARS may feel are inappropriate or not in accordance with industry practice will be so noted as having been requested by the client.

Advanced Reserve Solutions, Inc. has enjoyed serving you and providing you with the most accurate and comprehensive reserve analysis available. If you have any questions or comments, please feel free to call me.

Sincerely,
ADVANCED RESERVE SOLUTIONS, INC.

Don Barry, AMS PCAM RS



ADVANCED RESERVE SOLUTIONS, INC.

HELPFUL HINTS FOR READING & UNDERSTANDING YOUR RESERVE REPORT

Key Report Pages to Review

1. “Report Preface” (14pgs) ... Physical pages 5-18 = Numbered report pages “Preface 1 of 14” thru “Preface 14 of 14”
2. “Executive Summary” ... Physical page 19 = Numbered report page 1
(Immediately following 14 page “Report Preface”)
3. “Additional Comments” ... Physical page 20 = Numbered report page 2a.
(Reading this page is critical as it contains commentary specific to your association.)
4. “Projections” ... Physical page 35 = Numbered report page 12

The above pages provide a basic understanding of how to read the report and provide the key financial data and comments relative to budgeting your reserves.

The remaining pages of the report display the data in various formats which are helpful for further understanding or explaining the report to others.

The “Component Detail” section contains all collected data on each component. It is from this collected data that all other report pages are created.

REQUESTED CHANGES OR REVISIONS

PLEASE MAKE ALL WRITTEN COMMENTS OR CHANGES TO THE “COMPONENT DETAIL” PAGES AT THE REAR OF THE REPORT. COMMENTS ON ANY OTHER REPORT PAGES OR PRESENTED IN ANY OTHER FORMAT MAY NOT BE CONSIDERED BY ARS WHEN MAKING REVISIONS TO A REPORT.

RESERVE ANALYSIS REPORT

South Shores Community Association

Las Vegas, Nevada

Version 2009-001

Sunday, August 02, 2009



ADVANCED RESERVE SOLUTIONS, INC.

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South Shores Community Association

Table of Contents

(A 14 page informational preface is found on pages i-xiv)

	Page
Preface	i
Executive Summary	1
Disclosure Statement	2
Membership Disclosure Summary	3
Calculation of Percent Funded	4
Distribution of Current Reserve Funds	5
Management Summary	6
Management Charts	7
Annual Expenditure Detail	9
Projections	12
Projection Charts	13
Component Detail	15
Index	24

Preface

This preface is intended to provide an introduction to the enclosed reserve analysis as well as detailed information regarding the reserve analysis report format and reserve fund calculation methods. The following sections are included in this preface:

- **Introduction to Reserve Budgeting**
- **Understanding the Reserve Analysis**
- **Reserve Budget Calculation Methods**
- **Glossary of Key Terms**

◆ ◆ INTRODUCTION TO RESERVE BUDGETING ◆ ◆

The Board of Directors of an association has a legal and fiduciary duty to maintain the community in a good state of repair. Individual unit property values are significantly impacted by the level of maintenance and upkeep provided by the association as well as the amount of the regular assessment charged to each owner.

A prudent plan must be implemented to address the issues of long-range maintenance, repair and replacement of the common areas. Additionally, the plan should recognize that the value of each unit is affected by the amount of the regular assessment charged to each unit.

There is a fine line between “not enough,” “just right” and “too much.” Each member of an association should contribute to the reserve fund for their proportionate amount of “depreciation” (or “use”) of the reserve components. Through time, if each owner contributes his “fair share” into the reserve fund for the depreciation of the reserve components, then the possibility of large increases in regular assessments or special assessments will be minimized.

An accurate reserve analysis and a “healthy” reserve fund are essential to protect and maintain the association's common areas and the property values of the individual unit owners. A comprehensive reserve analysis is one of the most significant elements of any association's long-range plan and provides the critical link between sound business judgment and good fiscal planning. The reserve analysis provides a “financial blueprint” for the future of an association.

◆ ◆ UNDERSTANDING THE RESERVE ANALYSIS ◆ ◆

In order for the reserve analysis to be useful, it must be understandable by a variety of individuals. Board members (from seasoned, experienced Board members to new Board members), property managers, accountants, attorneys and even homeowners may ultimately review the reserve analysis. The reserve analysis must be detailed enough to provide a comprehensive analysis, yet simple enough to enable less experienced individuals to understand the results.

Preface

There are four key bits of information that a comprehensive reserve analysis should provide. These items include:

- **Budget**

Amount recommended to be transferred into the reserve account each month of the fiscal year for which the reserve analysis was prepared. In some cases, the reserve analysis may present two or more funding plans based on different calculation models (i.e. Component Method (*Full Funding*), Minimum Cash Flow Method (*Baseline Funding*), etc.). The Board should have a clear understanding of the differences among these funding models prior to implementing one of them in the annual budget.

- **Percent Funded**

Measure of the reserve fund “health” (expressed as a percentage) as of the beginning of the fiscal year for which the reserve analysis was prepared. Remember, “100% funded” means the association has accumulated the proportionately correct amount of money, to date, for the reserve components it maintains (can only be achieved through the Component (*or Full Funding*) method).

- **Projections**

Indicate the “level of service” the association will provide the membership as well as a “road map” for the fiscal future of the association. The projections define the timetables for repairs and replacements, such as when the buildings will be painted or when the asphalt will be seal coated. The projections also show the financial plan for the association – when an under funded association will “catch up” or how a properly funded association will remain fiscally “healthy.”

- **Inventory**

Complete listing of the reserve components. Key bits of information are available for each reserve component, including placed-in-service date, useful life, remaining life, replacement year, quantity, current cost of replacement, future cost of replacement and analyst’s comments.

In this section, a description of most of the summary or report sections are provided along with comments regarding what to look for and how to use each section. All reserve analyses may not include all of the summaries or report formats described herein.

In some cases, the reserve analysis may be a lengthy document of one hundred pages or more. A complete and thorough review of the reserve analysis is always a good idea. However, if time is limited, it is suggested that a thorough review of the summary pages be made. If a “red flag” is raised in this review, the reader should then check the detail information, of the component in question, for all relevant information.

Preface

- **Executive Summary**

Provides general information about the client, global parameters used in the calculation of the reserve analysis as well as the core results of the reserve analysis.

Client Information
Provides various client information including fiscal year for which the analysis was prepared, number of units, phasing, etc.

Global Parameters
Displays the calculation parameters that were used to calculate the reserve analysis including inflation, annual contribution increase, investment rate, tax rate and contingency.

Community Profile
Provides brief description of the community, as well as other "global" type comments.

Adequacy of Reserves
Displays the results of calculations with regard to the "health" of the reserve fund as of the beginning of the fiscal year for which the reserve analysis was prepared. Provides the anticipated reserve balance, theoretically ideal reserve balance and the percent funded.

**Sample Community Association
Executive Summary
Component Calculation Method**

Client Information:		Global Parameters:	
Account Number	12345	Inflation Rate	3.00%
Version Number	1	Annual Contribution Increase	3.00%
Analysis Date	04/20/1999	Investment Rate	5.50%
Fiscal Year	1/1/1999 to 12/31/1999	Taxes on Investments	30.00%
Number of Units	150	Contingency	3.00%
Phasing	4 of 4		
Community Profile:			
This community was constructed in four phases between 1985 and 1987. For budgeting purposes, unless otherwise indicated, we have used January 1985 as the average placed-in-service date for aging the original components included in this analysis.			
Last field inspection: April 2, 1999			
Adequacy of Reserves as of January 1, 1999:			
Anticipated Reserve Balance	\$550,000.00		
Theoretically Ideal Reserve Balance	\$642,347.96		
Percent Funded	85.62%		
Recommended Funding for the 1999 Fiscal Year:			
	Monthly	Per Unit	
Member Contribution	\$8,922.43	\$59.48	
Interest Contribution	\$1,643.05	\$9.91	
Total Contribution	\$10,465.48	\$69.39	

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1
ADVANCED RESERVE SOLUTIONS, INC.

Preface

- Distribution of Current Reserve Funds**

Displays all reserve components, shown here in ascending “remaining life” order. Provides the remaining life, age and useful life of each component along with its theoretically ideal reserve balance as of the beginning of the fiscal year for which the reserve analysis was prepared. The far right-hand column displays the amount of money that was actually assigned to each component during the calculation process.

Theoretically Ideal Reserves
Displays the ideal reserve balance for each component.

Assigned Reserves
Displays the actual amount assigned to each component.

Reserve Components
All components are displayed (shown here in ascending “remaining life” order).

Sample Community Association Distribution of Current Reserve Funds Sorted by Remaining Life					
	Remaining	Adjusted	Theoretically	Assigned	
	Life	Age	Useful Life	Ideal Balance	Reserves
Landscape - Replacer					
Mailboxes - Unfunded					
Streets - Concrete, Ur					
Termite Control					
Painting - Woodwork					
Pool Area - Mastic					
Landscape - Tree Trim					
Painting - Wrought Iron					
Cabana - Restroom Pl					
Doors - Utility Closets					
Landscape - Irrigation					
Pool - Filter					
Pool Area - Furniture					
Streets - Asphalt, Rep					
Streets - Asphalt, Slur					
Landscape - Tree Trim					
Cabana - Water Heater					
Pool - Heater					
Roofs - Flat, Original					
Spa - Heater					
Painting - Red Curbs					
Painting - Interior, Cat					
Spa - Filter					
Access - Phone Syste					
Pool - Refiberglass &					
Decks - Top Coat					
Painting - Stucco & M					
Cabana - Doors					
Fire Extinguisher Cab					
Lighting - Grounds					
Access - Gate Operat					
4.20.1999(1)					
Cabana - Ceramic Tile, Exterior	7	13	20	\$1,018.37	\$1,018.37
Fencing - Wrought Iron, Perimeter	7	13	20	\$10,960.30	\$10,960.30
Fencing - Wrought Iron, Pool Area	7	13	20	\$6,833.90	\$6,833.90
Monument Sign	7	13	20	\$1,592.50	\$1,592.50
Pool Area - Wood Patio Cover	7	13	20	\$4,853.88	\$4,853.88
Decks - Resurface	8	2	10	\$19,648.00	\$19,648.00
Doors - Garages & Trash Enclosures	8	13	21	\$44,246.43	\$44,246.43
Lighting - Buildings	8	13	21	\$5,983.10	\$5,983.10
Streets - Asphalt, Overlay	9	13	22	\$30,949.45	\$30,949.45
Access - Gate Operator, Exit	9	1	10	\$206.00	\$206.00
Spa - Replaster & Tile Replace	9	1	10	\$149.23	\$149.23
Roofs - Flat, 1997	12	2	14	\$1,161.84	\$1,161.84
Lighting - Streets	12	13	25	\$7,254.00	\$7,254.00
Railing - Wrought Iron, Units	12	13	25	\$13,155.48	\$13,155.48
Roofs - Composition Shingle	12	13	25	\$107,094.00	\$34,442.50
Walls - Block, Repairs	12	13	25	\$2,663.93	\$2,663.93
Doors - Utility Closets, 1996	15	3	18	\$10,831.33	\$0.00
Cabana - Ceramic Tile, Interior	17	13	30	\$4,240.55	\$0.00
Cabana - Plumbing Fixtures	17	13	30	\$1,934.83	\$0.00
Contingency				\$18,709.16	\$18,019.42
Total	0 - 17	1 - 13	2 - 30	\$642,347.96	\$550,000.00
Percent Funded					85.62%

The total theoretically ideal reserves, assigned reserves and percent funded are provided at the bottom of this summary. Also shown is the range of reserve component remaining lives, ages and useful lives.

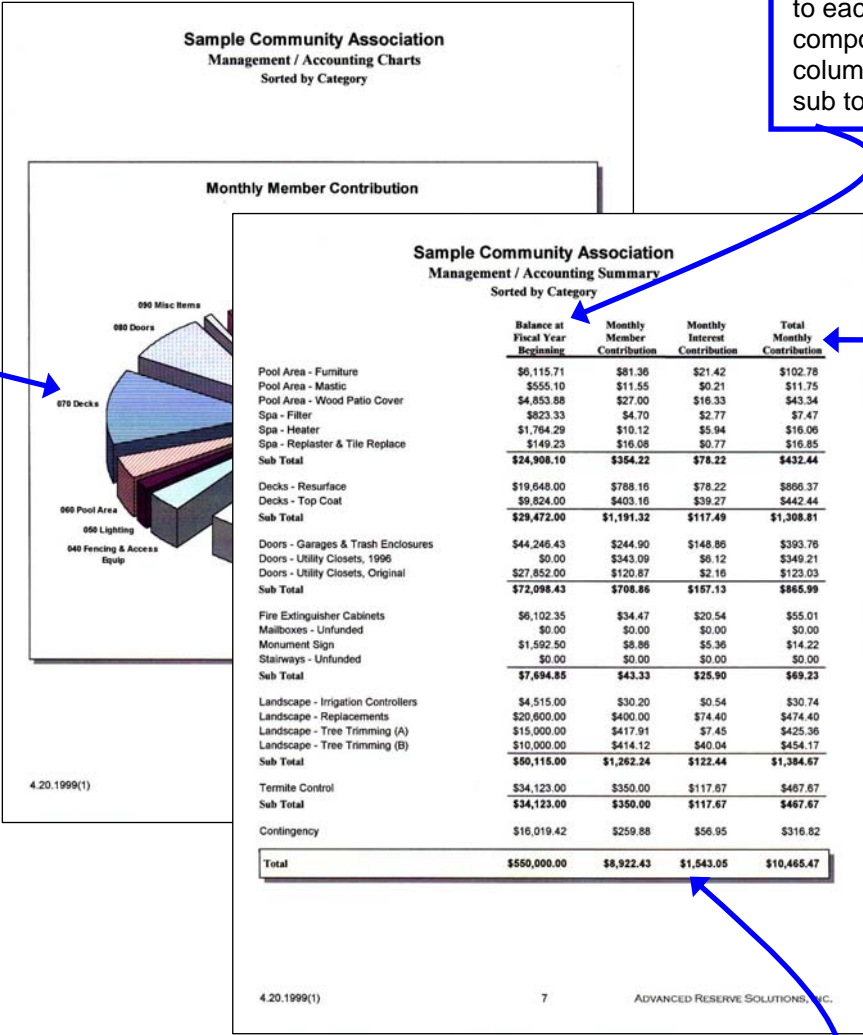
Preface

- Management / Accounting Summary and Charts**

Summary displays all reserve components, shown here in “category” order. Provides the assigned reserve funds at the beginning of the fiscal year for which the reserve analysis was prepared along with the monthly member contribution, interest contribution and total contribution for each component and category. Two to Three pie charts show graphically how the total reserve fund is distributed amongst the reserve component categories and how each category is funded on a monthly basis.

Pie Charts
Show graphically how the reserve fund is distributed amongst the reserve components and how the components are funded.

Balance at FYB
Shows the amount of reserve funds assigned to each reserve component. And, this column is conveniently sub totaled.



Monthly Funding
Displays the monthly funding for each component from the members and interest. Total monthly funding is also indicated. And, these columns are conveniently sub totaled.

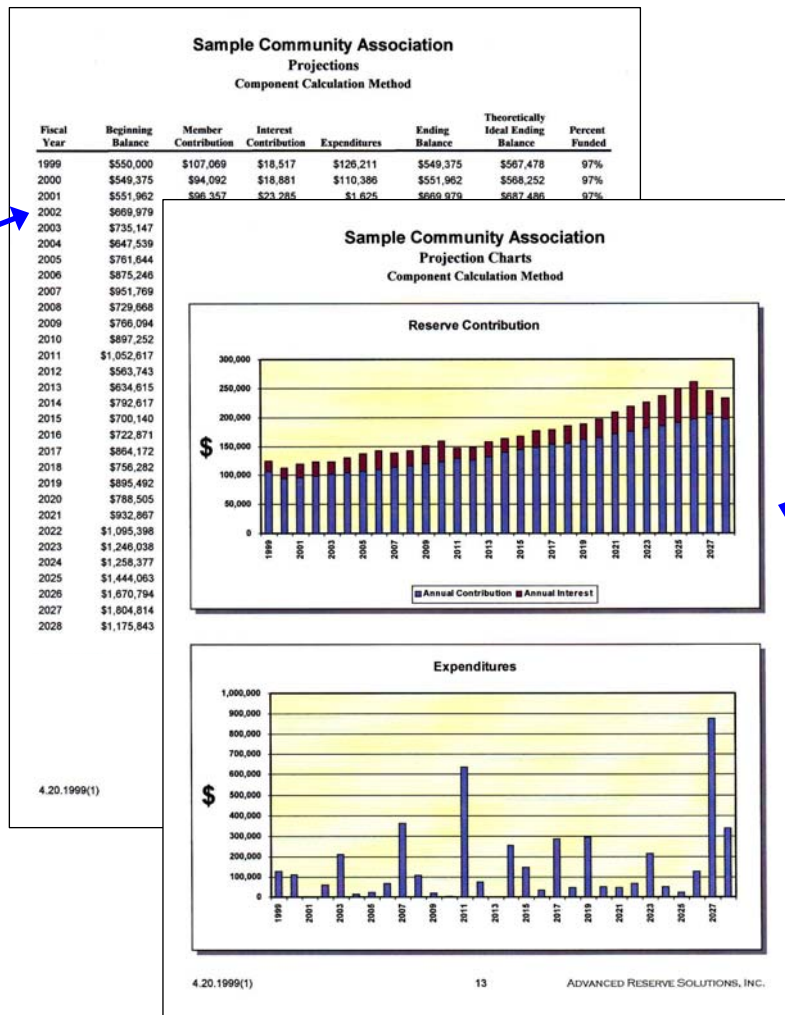
The total assigned reserves and monthly funding are provided at the bottom of this summary.

Could your Treasurer or accountant ask for anything else?

Preface

- Projections and Charts**

Summary displays projections of beginning reserve balance, member contribution, interest contribution, expenditures and ending reserve balance for each year of the projection period (shown here for 30 years). The two columns on the right-hand side provide the theoretically ideal ending balance and the percent funded for each year. Four charts show the same information in an easy-to-understand graphic format.



Improved format makes the numbers as easy to read and understand as possible.

Charts make it easy to understand the funding plan through time.

Preface

◆ ◆ CALCULATION METHODS ◆ ◆

There are only a few *true* reserve funding calculation methods used by reserve analysis firms. Some articles in trade publications seem to indicate that there are dozens of “unique” and different reserve calculation methods (i.e. component, cash flow, pooling, front-loading, splitting, etc.). Most “unique” calculation methods are actually hybrid derivatives of either the component method (*Full Funding*) or the cash flow method (*Baseline Funding*).

The following sections describe the calculation methods utilized most often for our clients.

- **Component Calculation (or Full Funding) Method**

This calculation method develops a funding plan for each individual reserve component included in the reserve analysis. The sum of the funding plans for each component equal the total funding plan for the association.

This calculation method is typically the most conservative. This method structures a funding plan that enables the association to pay all reserve expenditures as they come due, enables the association to achieve the ideal (*Full Funding*) level of reserves in time, and then enables the association to maintain the ideal level of reserves through time.

One of the major benefits of using this calculation method is that for any single component (or group of components), the accumulated balance and reserve funding can be reported. For example, using this calculation method, the reserve analysis can indicate the amount of current reserve funds “in the bank” for the roofs and the amount of money being funded towards the roofs each month. Using other calculation methods, this information cannot be calculated and therefore, cannot be reported.

The following is a detailed description of the Component Calculation (*Full Funding*) Method:

Step 1: Calculation of Theoretically Ideal Balance for each component

The theoretically ideal balance is calculated for each component based on its age, useful life and current cost. The actual formula is as follows:

$$\textit{Theoretically Ideal Balance} = (\textit{Age} \div \textit{Useful Life}) \times \textit{Current Cost}$$

Step 2: Distribution of current reserve funds

The association’s current reserve funds are assigned to (or distributed amongst) the reserve components based on each component’s remaining life and theoretically ideal balance as follows:

Preface

Pass 1: Components are organized in remaining life order, from least to greatest, and the current reserve funds are assigned to each component up to its theoretically ideal balance, until reserves are exhausted.

Pass 2: If all components are assigned their theoretically ideal balance and additional funds exist, they are assigned in a “second pass.” Again, the components are organized in remaining life order, from least to greatest, and the remaining current reserve funds are assigned to each component up to its current cost, until reserves are exhausted.

Pass 3: If all components are assigned their current cost and additional funds exist, they are assigned in a “third pass.” Components with a remaining life of zero years are assigned double their current cost.

Distributing, or assigning, the current reserve funds in this manner is the most efficient use of the funds on hand – it defers the make-up period of any under funded reserves over the lives of the components with the largest remaining lives.

Step 3: Developing a funding plan

After step 2, all components have a “starting” balance. A calculation is made to determine what funding would be required to get from the starting balance to the future cost over the number of years remaining until replacement. The funding plan incorporates the annual contribution increase parameter to develop “stair stepped” contribution.

For example, if an association needs to accumulate \$100,000 in ten years, \$10,000 could be contributed each year. Alternatively, the association could contribute \$8,723 in the first year and increase the contribution by 3% each year thereafter until the tenth year.

In most cases, this rate should match the Inflation Parameter. Matching the Annual Contribution Increase Parameter to the Inflation Parameter indicates, in theory, that Member Contributions should increase at the same rate as the cost of living (Inflation Parameter). Due to the “time value of money,” this creates the most equitable distribution of Member Contributions through time.

Using an Annual Contribution Increase Parameter that is greater than the Inflation Parameter will reduce the burden to the current membership at the expense of the future membership. Using an Annual Contribution Increase Parameter that is less than the Inflation Parameter will increase the burden to the current membership to the benefit of the future membership. The following chart shows a comparison:

Preface

	<u>0% Increase</u>	<u>3% Increase</u>	<u>10% Increase</u>
Year 1	\$10,000.00	\$8,723.05	\$6,274.54
Year 2	\$10,000.00	\$8,984.74	\$6,901.99
Year 3	\$10,000.00	\$9,254.28	\$7,592.19
Year 4	\$10,000.00	\$9,531.91	\$8,351.41
Year 5	\$10,000.00	\$9,817.87	\$9,186.55
Year 6	\$10,000.00	\$10,112.41	\$10,105.21
Year 7	\$10,000.00	\$10,415.78	\$11,115.73
Year 8	\$10,000.00	\$10,728.25	\$12,227.30
Year 9	\$10,000.00	\$11,050.10	\$13,450.03
Year 10	\$10,000.00	\$11,381.60	\$14,795.04
TOTAL	<u>\$100,000.00</u>	<u>\$100,000.00</u>	<u>\$100,000.00</u>

This parameter is used to develop a funding plan only; it does not mean that the reserve contributions must be raised each year. There are far more significant factors that will contribute to a Total Reserve Contribution increase or decrease from year to year than this parameter.

- **Minimum Cash Flow (or Baseline Funding) Method**

This calculation method develops a funding plan based on current reserve funds and projected expenditures during a “window,” typically 30 years.

This calculation method is not as conservative as the Component Method and will typically produce a lower monthly reserve contribution. This method structures a funding plan that enables the association to pay for all reserve expenditures as they come due, but is not concerned with the ideal (*Full Funding*) level of reserves through time. Consequently, this funding method can allow an association to become increasingly under funded, while never running completely out of money during the “window.”

This calculation method structures a funding plan that is the “bare” minimum required to pay for all reserve expenditures as they come due during the “window.” This method disregards components that do not have an expenditure associated with them during the “window.” This method tests reserve contributions to determine the minimum contribution necessary, based on the association's beginning reserve balance and anticipated expenses through time, so that the reserve balance in any one year does not drop below \$0 (or some other threshold level). This method allows for no margin of error. If any factor used in the calculations changes (ie; costs, timing of maintenance, etc.) the association could find itself short of funds.

- **Directed Cash Flow (or Threshold Funding) Method**

This calculation method is a hybrid of the Minimum Cash Flow Method which enables the development of “custom” or “non-traditional” funding plans which may include deferred contributions or special assessments. It is easy to establish percent funded goals as well as funding plans which set a minimum dollar amount for the reserve fund to remain above.

Preface

This calculation method can be used to calculate a reserve contribution that enables the association to become "ideally (or fully) funded" in time.

◆ ◆ GLOSSARY OF KEY TERMS ◆ ◆

- **Annual Contribution Increase Parameter**

The rate used in the calculation of the funding plan developed by the Component Calculation Method and Minimum Cash Flow Method. This rate is used on an annual compounding basis. This rate represents, in theory, the rate the association expects to increase contributions each year.

In most cases, this rate should match the Inflation Parameter. Matching the Annual Contribution Increase Parameter to the Inflation Parameter indicates, in theory, that Member Contributions should increase at the same rate as the cost of living (Inflation Parameter). Due to the "time value of money," this creates the most equitable distribution of Member Contributions through time.

This parameter is used to develop a funding plan only; it does not mean that the reserve contributions must be raised each year. There are far more significant factors that will contribute to a Total Reserve Contribution increase or decrease from year to year than this parameter.

See the description of "Calculation Methods" in this preface for more detail on this parameter.

- **Anticipated Reserve Balance (or Reserve Funds)**

The amount of money, as of a certain point in time, held by the association to be used for the repair or replacement of Reserve Components.

This figure is "anticipated" because it is calculated based on the most current financial information available as of the analysis date, which is almost always prior to the Fiscal Year beginning date for which the reserve analysis is prepared.

- **Assigned Funds (and "Fixed" Assigned Funds)**

The amount of money, as of the Fiscal Year beginning date for which the reserve analysis is prepared, that a Reserve Component has been assigned based on the Component Calculation Method.

Assigned Funds do not apply to the Minimum Cash Flow Calculation Method or the Directed Cash Flow Calculation Method.

The Assigned Funds are considered "Fixed" when the normal calculation process is bypassed and a specific amount of money is assigned to a Reserve Component. For example, if the normal calculation process assigns \$10,000 to the roofs, but the association would like to show \$20,000 assigned to roofs, "fixed" funds of \$20,000 can be assigned.

The Component Calculation Method assigns funds to each component in the most efficient manner possible; assigning "fixed" reserves in this manner can have a detrimental impact on the association's

Preface

overall budget structure in the long run. A more detailed description of the actual calculation process is included in the “Calculation Methods” section of the preface.

- **Component Calculation (or Fully Funded) Method**

Reserve funding calculation method developed based on each individual component. A more detailed description of the actual calculation process is included in the “Calculation Methods” section of the preface.

- **Contingency Parameter**

The rate used as a built-in buffer in the calculation of the funding plan developed by the Component Calculation Method. This rate will assign a percentage of the Reserve Funds, as of the Fiscal Year beginning, as contingency funds and will also determine the level of funding toward the contingency each month.

- **Current Replacement Cost**

The amount of money, as of the Fiscal Year beginning date for which the reserve analysis is prepared, that a Reserve Component is expected to cost to replace.

- **Directed Cash Flow (or Threshold) Calculation Method**

Reserve funding calculation method developed based on total annual expenditures. A more detailed description of the actual calculation process is included in the “Calculation Methods” section of the preface.

- **Fiscal Year**

Indicates the budget year for the association for which the reserve analysis was prepared. The fiscal year beginning (FYB) is the first day of the budget year; the fiscal year end (FYE) is the last day of the budget year.

- **Future Replacement Cost**

The amount of money, as of the Fiscal Year during which replacement of a Reserve Component is scheduled, that a Reserve Component is expected to cost to replace. This cost is calculated using the Current Replacement Cost compounded annually by the Inflation Parameter.

- **Global Parameters**

The financial parameters used to calculate the reserve analysis (see Inflation Parameter, Annual Contribution Increase Parameter, Investment Rate Parameter and Taxes on Investments Parameter).

- **Inflation Parameter**

The rate used in the calculation of future costs for Reserve Components. This rate is used on an annual compounding basis. This rate represents the rate the association expects to the cost of goods and services relating to their Reserve Components to increase each year.

- **Interest Contribution**

The amount of money contributed to the Reserve Fund by the interest earned on the Reserve Fund and Member Contributions.

Preface

- **Investment Rate Parameter**

The gross rate used in the calculation of Interest Contribution (interest earned) from the Reserve Balance and Member Contributions. This rate (net of the Taxes on Investments Parameter) is used on a monthly compounding basis. This parameter represents the weighted average interest rate the association expects to earn on their Reserve Fund investments.

- **Membership Contribution**

The amount of money contributed to the Reserve Fund by the association's membership.

- **Minimum Cash Flow Calculation Method (or Minimum Cash Flow Method)**

Reserve funding calculation method developed based on total annual expenditures. A more detailed description of the actual calculation process is included in the "Calculation Methods" section of the preface.

- **Monthly Contribution (and "Fixed" Monthly Contribution)**

The amount of money, for the Fiscal Year which the reserve analysis is prepared, that a Reserve Component will be funded based on the Component Calculation Method.

Monthly Contribution does not apply to the Minimum Cash Flow (*Baseline*) Calculation Method or the Directed Cash Flow (*Threshold*) Calculation Method.

The Monthly Contribution is considered "Fixed" when the normal calculation process is bypassed and a specific amount of money is funded to a Reserve Component. For example, if the normal calculation process funds \$1,000 to the roofs each month, but the association would like to show \$500 funded to roofs each month, a "fixed" contribution of \$500 can be assigned.

The Component Calculation Method funds each component in the most efficient manner possible; assigning a "fixed" contribution in this manner can have a detrimental impact on the association's overall budget structure in the long run. A more detailed description of the actual calculation process is included in the "Calculation Methods" section of the preface.

- **Number of Units (or other assessment basis)**

Indicates the number of units for which the reserve analysis was prepared. In "phased" developments (see Phasing), this number represents the number of units, and corresponding common area components, that existed as of a certain point in time.

For some associations, assessments and reserve contributions are based on a unit of measure other than the number of units. Examples include time-interval weeks for timeshare resorts or lot acreage for industrial developments.

- **One-Time Replacement**

Used for components that will be budgeted for only once.

Preface

- **Percent Funded**

A measure (expressed as a percentage) of the association's reserve fund "health" as of a certain point in time. This number is the ratio of the Anticipated Reserve Fund Balance to the Theoretically Ideal (*Full Funding*) Reserve Balance:

$$\text{Percent Funded} = \frac{\text{Anticipated Reserve Fund Balance}}{\text{Theoretically Ideal (Full Funding) Reserve Balance}}$$

An association that is 100% funded does not have all of the Reserve Funds necessary to replace all of its Reserve Components immediately; it has the proportionately appropriate Reserve Funds for the Reserve Components it maintains, based on each component's Current Replacement Cost, age and Useful Life.

- **Percentage of Replacement**

The percentage of the Reserve Component that is expected to be replaced.

For most Reserve Components, this percentage should be 100%. In some cases, this percentage may be more or less than 100%. For example, fencing which is shared with a neighboring community may be set at 50%.

- **Phasing**

Indicates the number of phases for which the reserve analysis was prepared and the total number of phases expected at build-out (i.e. Phase 4 of 7). In phased developments, the first number represents the number of phases, and corresponding common area components, that existed as of a certain point in time. The second number represents the number of phases that are expected to exist at build-out.

- **Placed-In-Service Date**

The date (month and year) that the Reserve Component was originally put into service or last replaced.

- **Remaining Life**

The length of time, in years, until a Reserve Component is scheduled to be replaced.

- **Remaining Life Adjustment**

The length of time, in years, that a Reserve Component is expected to last in excess (or deficiency) of its Useful Life for the current cycle of replacement.

If the current cycle of replacement for a Reserve Component is expected to be greater than or less than the "normal" life expectancy, the Reserve Component's life should be adjusted using a Remaining Life Adjustment.

For example, if wood trim is painted normally on a 4 year cycle, the Useful Life should be 4 years. However, when it comes time to paint the wood trim and it is determined that it can be deferred for an

Preface

additional year, the Useful Life should remain at 4 years and a Remaining Life Adjustment of +1 year should be used.

- **Replacement Year**

The Fiscal Year that a Reserve Component is scheduled to be replaced.

- **Reserve Components**

Line items included in the reserve analysis.

- **Salvage Value**

The amount of money that is expected to be received at the point in time that a Reserve Component is replaced.

For example, the “trade-in allowance” received at the time a security vehicle is replaced should be considered as its Salvage Value.

- **Taxes on Investments Parameter**

The rate used to offset the Investment Rate Parameter in the calculation of the Interest Contribution. This parameter represents the marginal tax rate the association expects to pay on interest earned by the Reserve Funds and Member Contributions.

- **Theoretically Ideal (or Full Funding) Reserve Balance**

The amount of money that should theoretically have accumulated in the reserve fund as of a certain point in time. Ideal reserves are calculated for each Reserve Component based on the Current Replacement Cost, Age and Useful Life:

$$\text{Ideal Reserves} = (\text{Age} \div \text{Useful Life}) \times \text{Current Replacement Cost}$$

The Theoretically Ideal Reserve Balance is the sum of the Ideal Reserves for each Reserve Component.

An association that has accumulated the Theoretically Ideal Reserve Balance does not have all of the funds necessary to replace all of its Reserve Components immediately; it has the proportionately appropriate Reserve Funds for the Reserve Components it maintains, based on each component's Current Replacement Cost, Age and Useful Life.

- **Total Contribution**

The sum of the Membership Contribution and Interest Contribution.

- **Useful Life**

The length of time, in years, that a Reserve Component is expected to last each time it is replaced. See also Remaining Life Adjustment.

South Shores Community Association

Executive Summary (Con't)

Additional Information & Disclosures

SPECIFIC COMMENTS (*Additional comments on specific components contained in Component Detail Section at end of report*)

Revision – 2009-001 ... This is the 2009 reserve report for the fiscal year beginning 01.01.2009.

General Administrative Comments – This is an update with site visit report. Calculations were performed using the Component (Full Funding) method of calculation. The method used for determining the component inventory (*actual field inventory, data provided by client, or previous reserve study with date of study*) was an update of the existing study with date provided by ARS observations and client input.

1. A recorded copy of the CC&Rs was (provided/previously provided) by the client.
2. Were written reports from consultants used for this report? If so, include with study ... n/s at this time .
3. Were any consultants or other persons, with expertise, used in the preparation of data for this study. If yes, their names and credentials are ... n/a at this time.
4. The source of the initial reserve balance for this report was ... the client's managing agent.
5. Inflation indices (*CPI and Inflation*) are acquired from US Government sources.
6. Will a reserve assessment be necessary? ... not likely at this time.

Financial – Based upon the data provided by the client and observations during the ARS site survey, the report shows a 200% initial funding level. With the age and overall condition of the common elements, we feel that the association is currently at a very acceptable level of funding and will remain so if the recommended funding plan is adopted and followed.

In order to best control changing assessment requirements from year to year, we recommend that the association have a professional update at least every two to three years.

General – In general, the property appears in good condition. New signage has made a significant difference approaching the community. Additionally, the work done with zeroscape conversion has given the community a new up-to-date look.

NAC 116.425.2 ... As used in this section, "adequately funded reserve" means the funds sufficient to maintain the common elements:

- (a) At the level described in the governing documents and in a reserve study; and
- (b) Without using the funds from the operating budget or without special assessments, except for occurrences that are a result of unforeseen catastrophic events.

NAC 116 425.1Q ... "The projected life expectancy of the major components and the funding needs of the reserves of the association are based upon the association performing appropriate routine and preventive maintenance for each major component. Failure to perform such maintenance can negatively impact the remaining useful life of the major components and dramatically increase the funding needs of the reserves of the association."

"Information provided to the preparer of a reserve study by an official representative of the association regarding financial, historical, physical, quantitative or reserve project issues will be deemed reliable by the preparer.

A reserve study is not intended to be used to perform an audit, an analysis of quality, a forensic study, or a background check of historical records. An on-site inspection (survey or inventory) conducted in conjunction with a reserve study should not be deemed to be a project audit or quality inspection."

"Updated Reserve Studies ... If the study is an update, quantities of major components as reported in previous reserve studies are deemed to be accurate and reliable. The reserve study relies upon the validity of previous reserve studies."

South Shores Community Association

Executive Summary (Con't)

Note on Projected Expenses –The Future Projections for expenses is based upon general industry life projections for components which can vary substantially based upon the amount and type of use and abuse, the amount of preventive maintenance, environment changes, etc., etc. Therefore, the projected life expectancies can and will likely vary from what is shown in this report. What this means is that because the projected end of life for replacement or required maintenance of a component says it is due this year, this does not mean the replacement or maintenance **MUST** be performed this year. If the board, based upon professional or other reliable advice, which should be recorded in the minutes, decides to defer the replacement or maintenance, this is a perfectly valid and allowable decision. The same is true, if the component or maintenance needs to be performed sooner than predicted in the 30 year schedule. THIS PROCEDURE DOES NOT provide a means for a board to defer spending money on needed maintenance due to its failure to fund the reserves accordingly.

*(Comments below this line should be considered general and not necessarily specific to this association.
Reserve Provider Disclosure Information can be found on the last two pages of this section.)*

This report is intended as a tool for the association board of directors to be used in evaluating the associations' current physical and financial condition with regard to reserve components. It is intended for the use of the board of directors and should not be used by anyone outside the association for any other purpose.

The accompanying report reflects assumptions based on the most probable course of events, as of the date published, based on information supplied by the Board of Directors, management company, licensed contractors, certain published information available from trade sources, and industry standards and guidelines. The Board of Directors agrees with those assumptions based upon the information presented. The Board of Directors takes responsibility for updating the study for any changes in the assumptions. Accordingly, this study should be updated annually to consider the impact of any changes in the assumptions. Individual state statutes may also govern the frequency of updates as well as dictate actions to be taken by boards of directors with regard to reserve funds and reserve studies. Please review any statutes which may exist in your state.

By its very nature, a reserve funding program contains numerous assumptions regarding current and future costs, remaining asset life, and future events, both planned and unplanned. The analysis relies, to a great extent, on published information and guidelines which the report is inherently based; on averages and assumptions not readily subject to materialize, and anticipated events and circumstances which may occur subject to the date of the analysis. Therefore, the actual replacement cost and/or remaining life may vary from that shown in the report and the variations may be material.

Development Maps, Plat Maps, As-Builts – It is the responsibility of the developer or association to provide development maps, drawings, plat maps, as-builts, etc. to the reserve study provider, as requested in the contract. Without these components, the estimation of painting surfaces, roof areas, and other required measurements can become extremely difficult, if not impossible to determine with any amount of accuracy. The client understands that if these components are not provided promptly, and in a usable state, the ARS consultant will make reasonable attempts to develop usable estimates based upon their ability to obtain these estimates manually. The client also understands that the plat maps are often the only, if not the most accurate source for determining actual common areas, as filed with the governing documents against the property. The inability of the reserve study provider to inspect these documents can lead to the incorrect identification of common areas.

Responsibility for Maintenance

The Board of Directors is responsible to ensure that the association assets are inspected on a regular schedule as recommended by the Declarant, manufacturers or installers, or as dictated by conditions. Good management dictates that a regular monthly inspection be performed of the association property with an eye on changing conditions that may require maintenance or a change in the maintenance plan.

Certain components such as asphalt streets and roofing should be inspected on a regular schedule by a licensed professional. At a minimum, roofing components should have a complete inspection in the spring and fall, but no less frequently than once a year. Asphalt surfaces should be inspected with the monthly inspection of the property. An inspec-

South Shores Community Association

Executive Summary (Con't)

tion of the asphalt by a licensed and qualified asphalt professional should be performed annually. Roofs should be inspected by a licensed and qualified roofing professional at least annually prior to the rainy season. Written reports should be kept of all maintenance inspections.

General Comments on Components

Existing Components vs. Additions – Per Nevada state legislation (*NRS 116*), reserve funds are only to be used for the long term repair, replacement and restoration of existing common elements. Any assets that do not already exist and are to be added (*for example the addition of a second swimming pool or adding a clubhouse where none existed previously*), must be provided for out of non-reserve funds. Once the expenditures are approved and the component is added to the common element inventory, the component can be placed in the reserve budget for long term maintenance funding (*if necessary*).

Components of low cost - Even though their life expectancy may be longer than one year and less than thirty, some components may not be included in the reserve budget. Components typically under \$750-\$1000 total dollars fall into this category unless there is sufficient quantity of the component to cause a larger expenditure and the life expectancies are the same and predictable. It is expected that the cost of these components, if not included in the reserve budget, will be provided for in the operating contingency or maintenance line items. Standard size pool pumps are a prime example. Many developments include a pool and spa. Often there is more than one pool area. In these situations, there may be numerous pumps. The total cost could be in the thousands for replacement. However, we normally do not fund for these components on a one or two quantity basis, due to the fact that these components fail unpredictably and when they fail. A good pool company can repair the pump, at a much lower cost to the association, as long as it is feasible.

Components included in the report but not funded – Often there are components which are included in the report, yet not funded. These components are included only to account for components which will require maintenance or replacement, yet may not be of substantial cost to include in the study.

Landscaping Softscape Elements - Landscape softscape (*trees, shrubs, bushes, ground cover, etc*) is a common area asset, and as such, requires maintenance repair and replacement as necessary. A separate budget allocation may or not have been provided, based upon the overall quantity, type, and level of landscaping throughout the community. Since it is difficult to determine how much money will actually be required, on a periodic basis, to “renovate” the grounds landscaping, ARS will create an initial estimate purely based upon the amount and level of landscaping. If none has been provided, it is assumed that provisions will be made in the annual operating budget for this component. The actual expense and maintenance history, when available, will help the board refine this budget item over time. The board should work with their landscaper to develop a long term maintenance plan for the landscaping and incorporate this information into the reserve study in a future update.

Condition Statements - Where no “Condition” statement is made, it should be assumed that the condition of the component is good at the time of the ARS site survey. A condition of “Good” means that the component is either at the beginning of its life or is in a normal condition state considering its estimated remaining life and shows no obvious or apparent signs of expedited aging or deterioration. No operational checks or intrusive site surveys are performed on any components. No condition statements will be made on components that are aging “normally” according to conditions and expected life expectancies. Condition statements will only be made on common area elements that appear to be lacking in maintenance and/or appear to be aging prematurely according to normal conditions and life expectancies.

Life Expectancy of Components – Life expectancies of components are based upon those common in the industry and in the geographic area of the study. When requested to use life expectancies other than those standard for the component or in the geographic area, it will be noted in the report. ARS may or may not state that it agrees or disagrees with the request. As an example, the typical life expectancy for residential asphalt pavement, as utilized in the reserve study industry, in the southwest is 20 to 25 years. While it is unclear what type of major maintenance may be required at that end of the 20 to 25 year timeframe, it is generally assumed, based upon many years of experience and observation by industry experts, that some level of major maintenance is likely to be required. This may mean repairing damaged sections and applying a new slurry surface or it may mean repairs and an overlay or it may mean total replacement of the pavement. Which action is necessary will depend on how well the pavement was originally installed, how well it was maintained, the environmental conditions during the life of the pavement and other conditions within the development.

South Shores Community Association

Executive Summary (Con't)

ARS will generally use 20 to 25 years as the life expectancy of asphalt, however, if it determines that an association has a well planned maintenance program and is funding and following that program, a life expectancy greater than 20 to 25 years may be used. Generally this will be 25 to 30 years. Anything over 25 years, if requested by the client or its agent, must be requested in writing. ARS will note in the report that the client has requested the Life Expectancy be extended.

Changes to the Initial Report

Requests for changes to the initial report must be submitted to ARS in writing. No verbal changes will be incorporated. ARS will make notation in the report for any changes it may disagree with and may feel are material to the outcome of the report.

IMPORTANT TO NOTE

AS STATED IN EARLIER DISCLOSURES, IT IS ASSUMED, FOR THE PURPOSES OF THIS REPORT, THAT ALL COMPONENTS HAVE BEEN INSTALLED PROPERLY, THAT NO CONSTRUCTION DEFECTS EXIST AND ALL COMPONENTS ARE OPERATIONAL UNLESS OTHERWISE NOTED BASED UPON INFORMATION PROVIDED BY THE CLIENT.

IT IS ASSUMED THAT ALL COMPONENTS WILL BE MAINTAINED PROPERLY AND AT PROPER INTERVALS, AS DICTATED BY THE COMPONENT MANUFACTURER, THE DEVELOPER OF THE COMMUNITY, ACCEPTED INDUSTRY STANDARDS, MAINTENANCE PROFESSIONALS OR ANY OTHER QUALIFIED INDIVIDUAL.

THE BOARD OF DIRECTORS IS RESPONSIBLE FOR REVIEWING THE INITIAL RESERVE REPORT AND ALL ASSUMPTIONS AND PARAMETERS FOUND ON THE EXECUTIVE SUMMARY PAGE AS WELL AS ALL LISTED COMMON AREA COMPONENTS AND GENERIC USE PATTERNS, ETC. THE BOARD IS EXPECTED TO PROVIDE FEEDBACK TO THE PREPARER IF CHANGES APPEAR NECESSARY IN ANY OF THESE AREAS.

Reserve Study Updates

Your Reserve Study should be updated on an annual basis in order to ensure that condition changes in common elements, replacements and financial variations are updated. Waiting more than one to two years to update the study is not advised, particularly for larger associations.

Disclosure Information

The Consultant certifies that:

- 1) General: Consultant has no other involvement with association which could result in actual or perceived conflicts of interest.
- 2) Type of Study: If this is a "Full Study," component inventories were developed by actual field inventory and representative sampling where accessibility of components is possible and reasonable. If an inventory was provided by the client, this is so noted. Component conditional assessments were developed by actual field observation (*where possible, uninhibited and practical*) and representative sampling. No invasive or destructive investigation is performed to determine condition. If this is an "Update w/Site Visit", the prior reserve study inventory is used and updated based upon information provided by the client, a site maintenance survey and relevant cost changes. If this is an "Update wo/Site Visit", no site work is performed, the prior inventory is updated with relevant cost changes and information supplied by the client.
- 3) Inspection vs. Site Survey: The Consultant is not obligated to perform any in-depth inspection or investigation to determine hidden defects or problems that may exist beyond the scope of this report. Should the client feel that problems of this nature exist in any component, it is the obligation and duty of the client to secure the services of an expert in that field to determine the extent of any deficiency that may exist. The "on-site Inspection", as discussed throughout this and other ARS documents, is defined as a Reserve Component Inventory and Visible Survey (*of maintenance condition*) of that inventory, as defined within this document.
- 4) Reliance on Client Data: Consultant does rely on the Board of Directors and other experts for gathering certain information not available or accessible to Consultant or where more readily acquired from another source.

South Shores Community Association

Executive Summary (Con't)

- 5) **Component Costing:** Component costing is obtained from industry pricing publications such as the Craftsman National Construction Estimator, RSMeans, Marshall & Swift (*or similar publication*), from manufacturer pricing catalogs, from actual contractor quotations and from experiential data. Current regional versions are maintained of any source utilized. No guarantees, implied or otherwise, are given regarding present costs, future costs or life expectancy predictions. It is important to understand that all costs change annually, if not more often. This is why it is very important to update a reserve study on a regular basis, more frequently than required by NRS 116. Associations with streets, buildings, large recreations facilities, etc. should update annually in order to minimize the impact of cost changes (*which equate to assessment increases*) realized in each update.
- 6) **Not Reliant on Previous Studies:** This report is not reliant upon the data from any previous reserve studies unless the study is an update of a previous study or is noted in the report.
- 7) **Completeness:** There are no material issues known to consultant at this time that would cause a distortion of the association's situation.
- 8) **Scope:** Information provided by the official representatives of the association regarding financial, physical, quantity, or historical issues will be deemed reliable by the consultant. The reserve study will be a reflection of information provided to the consultant and assembled for the association's use, not for the purpose of performing an audit, quality/forensic analysis, or background checks of historical records.
- 9) **Reserve Balance:** The actual or projected total reserve balance presented in the reserve study is based upon information provided and was not audited.
- 10) **Reserve Projects:** For reserve study updates w/site visit and reserve study updates wo/site visit levels of service, the client is considered to have deemed previously developed component quantities as accurate and reliable. Information provided by the client about reserve projects will be considered reliable. Any on-site survey should not be considered a project audit or quality inspection.
- 11) **Insurance:** The preparer has obtained current liability and/or other insurance or bonding as required by state or local statutes.

Preparer Qualifications

Advanced Reserve Solutions, Inc. provides over a decade of combined reserve consulting and other related experience which has well equipped ARS to provide superior analysis and quality service to our clients through a network of resident consultants in California and Nevada. This strength and experience has enabled ARS to serve thousands of unique clients across the US. ARS Consultants have prepared over 2500 reserve studies in close to 20 years of combined experience.

Advanced Reserve Solutions, Inc. serves all types of common interest real estate developments and a wide variety of other for-profit and not-for-profit entities. As of March 2000, all ARS Reserve Consultants hold the CAI Reserve Specialist designation (RS). ARS Reserve Studies meet and exceed Nevada Statute requirements.

ARS business is strictly Reserve Solutions. We are not involved in other unrelated fields such as the business of construction defect investigation, or consulting. We believe that providing Reserve Solutions is a demanding specialty in itself and requires focus and purpose. As a result of that belief, we are certain that you will find the newly updated ARS Reserve Study to be the leading product in the industry that provides the client with a clear, concise and easy to understand picture of the development's component and funding needs.

Mr. Barry was awarded the national CAI Reserve Specialist designation (RS) in March of 2000 and holds the AMS® (Association Management Specialist) and PCAM® (Professional Community Association Manager) designations since 1997. Mr. Barry has been providing services to the community association industry for over 25 years. Mr. Barry has been a working manager and co-owner of a successful Northern California Community Association Management Company and has served associations for many years in various supporting positions (*including board and executive positions*). Mr. Barry has a broad knowledge of association board management and maintenance responsibilities, and the maintenance needs of association common elements. Over the past 20 years, Mr. Barry has written numerous articles for community association industry publications and presented seminars at numerous industry events. Mr. Barry is currently a faculty member for the UNLV Accredited Manager Certification Course and a regular presenter at the

South Shores Community Association

Executive Summary (Con't)

Nevada State Ombudsman Training Seminars for Board Members. Mr. Barry has also been a member of the national faculty for CAI (*the Community Associations Institute*.) A local Nevada firm, Advanced Reserve Solutions of Nevada is committed to providing quality solutions to Common Interest Developments and Developers.

South Shores Community Association

Executive Summary

Component (Full Funding) Calculation Method

Client Information:

Account Number	30120
Version Number	2009-001
Analysis Date	8/2/2009
Fiscal Year	1/1/2009 to 12/31/2009
Number of units	974
Phasing	1 of 1

Global Parameters:

Inflation Rate	3.50 %
Annual Contribution Increase	3.50 %
Investment Rate	2.50 %
Taxes on Investments	30.00 %
Contingency	5.00 %

Community Profile:

South Shores is a community of 974 single family residences located in NW Las Vegas. The community is surrounded by perimeter stucco walls and spacious landscape areas. Construction of the community and the common elements began in 1989.

For budgeting purposes, unless otherwise indicated, we have used January, 1990 as the average placed-in-service date for aging the original components included in this analysis.

The ARS 2009 site update survey was conducted in May of 2009.

The ARS 2005 field update inspection: 092905

Adequacy of Reserves as of January 1, 2009:

Anticipated (Actual) Reserve Balance	\$169,641.00
Theoretical Ideal Full Funding Reserve Balance	\$83,572.23
Percent Funded	202.99%

Recommended Funding for the 2009 Fiscal Year:	Annual	Monthly	Per unit
			Per Month
Member Contribution	\$15,537	\$1,294.75	\$1.33
+ Interest Contribution	\$3,118	\$259.82	\$0.27
= Total Contribution	\$18,655	\$1,554.57	\$1.60

Additional Community Specific Commentary on Following Page (2a)

South Shores Community Association

Membership Disclosure Summary

Sorted by Category

Major Reserve Components	Current Cost	(**) Internal Allocation of Existing Funds	Remaining Life Range	Useful Life Range
010 Landscape	\$113,340	\$66,846	1-6	5-10
020 Painting	\$61,456	\$61,456	2-4	5
030 Fencing	\$1,280	\$1,280	4	23
040 Signage	\$17,750	\$1,183	14	15
060 Walls	\$26,437	\$26,437	4	5
100 Landscape	\$14,535	\$4,361	7	10
Contingency	n.a.	\$8,078	n.a.	n.a.
Total	\$234,798	\$169,641	1-14	5-23

*This report page meets the requirements of NRS 116.31151 section 1(b)(1) and other NRS and NAC disclosure sections. This page should be provided to the homeowners at budget time as an integral part of the operating and reserve budget package. (**) This data column has no accounting relevance. It is intended only for internal use by those board members, treasurers, etc., who wish to track internal component funding allocations. CPAs should disregard any implied General Accounting significance to this column. There is none intended.*

This reserve report was prepared by Advanced Reserve Solutions, Inc. The preparer carries the Reserve Specialist (RS) and Professional Community Association Manager (PCAM) designations through CAI and has over 10 years experience in the preparation of reserve studies for common interest and commercial communities. The Preparer creates and teaches maintenance and reserve study classes for CID manager license candidates in the State of Nevada and lectures on maintenance and reserves for the State of Nevada Ombudsman's Office. The Preparer is also Nevada Reserve Study Specialist (RSS) Permit Holder No. 0003.

*Type of Study is ... Update w/Site
(Full, Update with Site Visit, or Update w/o Site Visit)*

*The Method of Funding utilized for projecting future funding is Component (Full Funding)
(Component (Full Funding), Directed Cash Flow (Threshold), or Cash Flow (Baseline))*

This report was produced in July 2009. The data in this report was only current in the year the report was produced.

South Shores Community Association

Calculation of Percent Funded

Sorted by Category

	Remaining Life	Useful Life	Current Cost	Theoretically Ideal Balance
<u>010 Landscape</u>				
Landscape - Irrigation Controllers	6	10	\$38,340.00	\$15,336.00
Landscape - Periodic Tree Maint & Rplcmnt	5	5	\$25,000.00	\$0.00
Landscape - Refurbish/Renovate	1	5	\$50,000.00	\$40,000.00
Sub Total	1-6	5-10	\$113,340.00	\$55,336.00
<u>020 Painting</u>				
Painting - Perimeter Stucco Walls	4	5	\$61,263.75	\$12,252.75
Painting - Wrought Iron	2	5	\$192.00	\$115.20
Sub Total	2-4	5	\$61,455.75	\$12,367.95
<u>030 Fencing</u>				
Fencing - Wrought Iron	4	23	\$1,280.00	\$1,057.39
Sub Total	4	23	\$1,280.00	\$1,057.39
<u>040 Signage</u>				
Signage - Community Signs	14	15	\$17,750.00	\$1,183.33
Sub Total	14	15	\$17,750.00	\$1,183.33
<u>060 Walls</u>				
Perimeter Walls - Repairs	4	5	\$26,437.11	\$5,287.42
Sub Total	4	5	\$26,437.11	\$5,287.42
<u>100 Landscape</u>				
Landscape - Ground Cover, Crushed Stone	7	10	\$14,535.00	\$4,360.50
Sub Total	7	10	\$14,535.00	\$4,360.50
Contingency	n.a.	n.a.	n.a.	\$3,979.63
Total	1-14	5-23	\$234,797.86	\$83,572.23
Anticipated Reserve Balance				\$169,641.00
Percent Funded				202.99%

South Shores Community Association

Distribution of Current Reserve Funds

Sorted by Remaining Life

	Remaining Life	Theoretically Ideal Balance	Assigned Reserves
Landscape - Refurbish/Renovate	1	\$40,000.00	\$50,000.00
Painting - Wrought Iron	2	\$115.20	\$192.00
Fencing - Wrought Iron	4	\$1,057.39	\$1,280.00
Painting - Perimeter Stucco Walls	4	\$12,252.75	\$61,263.75
Perimeter Walls - Repairs	4	\$5,287.42	\$26,437.11
Landscape - Periodic Tree Maint & Rplcmnt	5	\$0.00	\$1,510.16
Landscape - Irrigation Controllers	6	\$15,336.00	\$15,336.00
Landscape - Ground Cover, Crushed Stone	7	\$4,360.50	\$4,360.50
Signage - Community Signs	14	\$1,183.33	\$1,183.33
Contingency	n.a.	\$3,979.63	\$8,078.14
Total	1-14	\$83,572.23	\$169,641.00
Percent Funded			202.99%

South Shores Community Association
Management / Accounting Summary
Sorted by Category

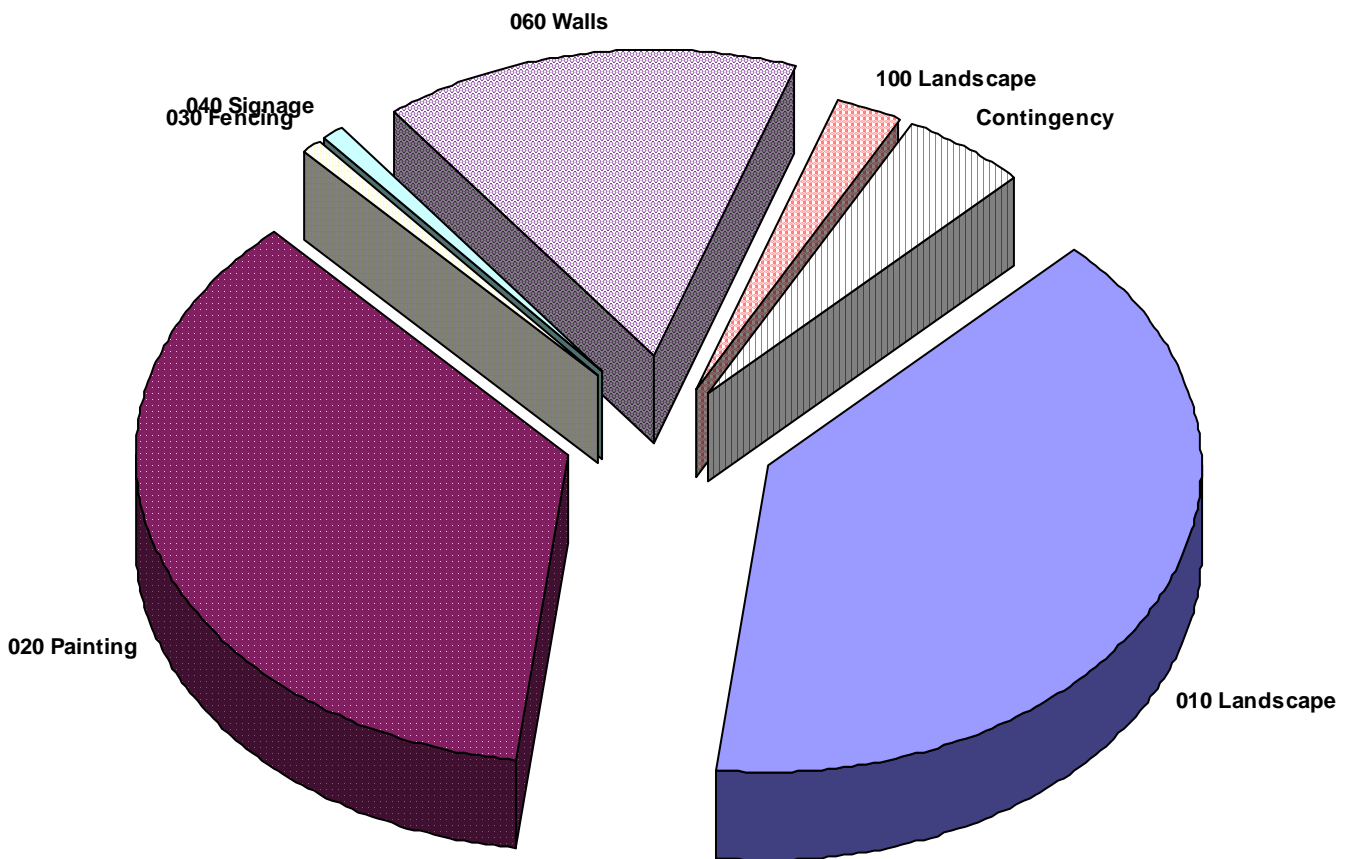
	Balance at Fiscal Year Beginning	Monthly Member Contribution	Monthly Interest Contribution	Total Monthly Contribution
<u>010 Landscape</u>				
Landscape - Irrigation Controllers	\$15,336.00	\$364.07	\$25.48	\$389.55
Landscape - Periodic Tree Maint & Rplcmnt	\$1,510.16	\$417.84	\$5.59	\$423.43
Landscape - Refurbish/Renovate	\$50,000.00	\$71.75	\$74.08	\$145.83
Sub Total	\$66,846.16	\$853.66	\$105.15	\$958.81
<u>020 Painting</u>				
Painting - Perimeter Stucco Walls	\$61,263.75	\$87.91	\$90.77	\$178.69
Painting - Wrought Iron	\$192.00	\$0.28	\$0.28	\$0.56
Sub Total	\$61,455.75	\$88.19	\$91.06	\$179.25
<u>030 Fencing</u>				
Fencing - Wrought Iron	\$1,280.00	\$1.84	\$1.90	\$3.73
Sub Total	\$1,280.00	\$1.84	\$1.90	\$3.73
<u>040 Signage</u>				
Signage - Community Signs	\$1,183.33	\$114.45	\$2.66	\$117.11
Sub Total	\$1,183.33	\$114.45	\$2.66	\$117.11
<u>060 Walls</u>				
Perimeter Walls - Repairs	\$26,437.11	\$37.94	\$39.17	\$77.11
Sub Total	\$26,437.11	\$37.94	\$39.17	\$77.11
<u>100 Landscape</u>				
Landscape - Ground Cover, Crushed Stone	\$4,360.50	\$137.02	\$7.51	\$144.53
Sub Total	\$4,360.50	\$137.02	\$7.51	\$144.53
Contingency	\$8,078.14	\$61.65	\$12.37	\$74.03
Total	\$169,641.00	\$1,294.75	\$259.82	\$1,554.57

South Shores Community Association

Management / Accounting Charts

Sorted by Category

Distribution of Current Reserve Fund

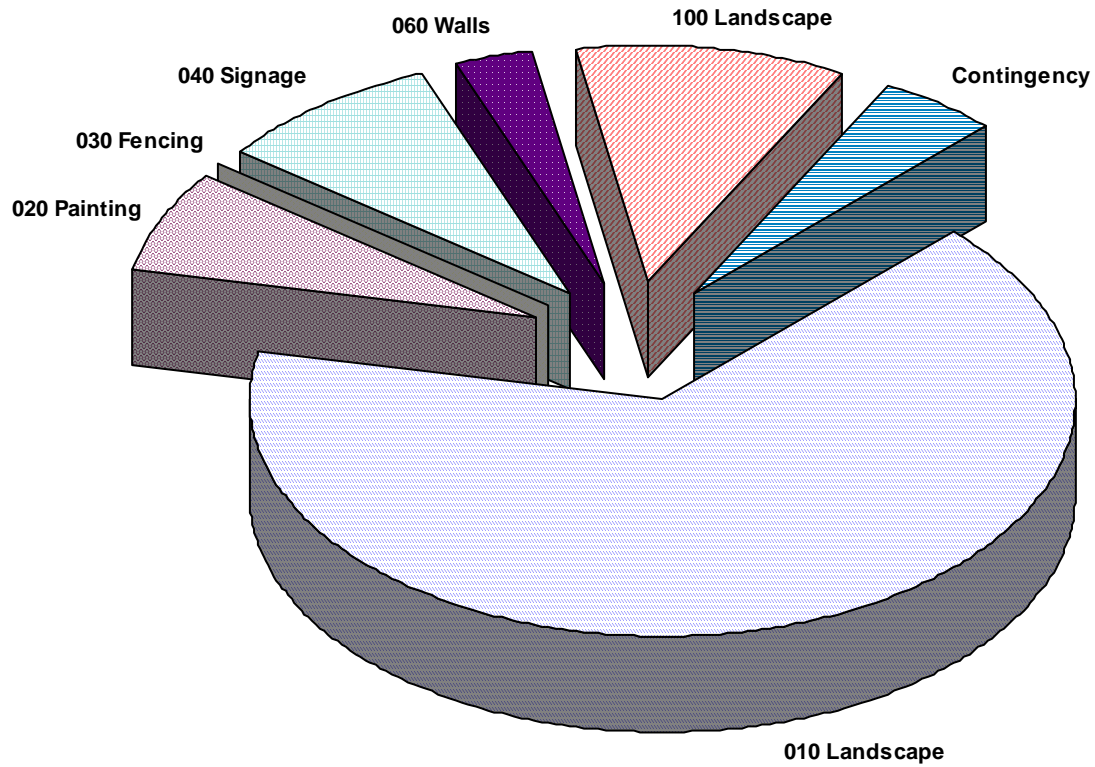


South Shores Community Association

Management / Accounting Charts

Sorted by Category

Monthly Member Contribution



South Shores Community Association
Annual Expenditure Detail
Sorted by Description

2010 Fiscal Year		
	Landscape - Refurbish/Renovate	\$51,750.00
Sub Total		\$51,750.00
2011 Fiscal Year		
	Painting - Wrought Iron	\$205.68
Sub Total		\$205.68
2013 Fiscal Year		
	Fencing - Wrought Iron	\$1,468.83
	Painting - Perimeter Stucco Walls	\$70,301.56
	Perimeter Walls - Repairs	\$30,337.19
Sub Total		\$102,107.58
2014 Fiscal Year		
	Landscape - Periodic Tree Maint & Rplcmnt	\$29,692.16
Sub Total		\$29,692.16
2015 Fiscal Year		
	Landscape - Irrigation Controllers	\$47,129.65
	Landscape - Refurbish/Renovate	\$61,462.77
Sub Total		\$108,592.42
2016 Fiscal Year		
	Landscape - Ground Cover, Crushed Stone	\$18,492.58
	Painting - Wrought Iron	\$244.28
Sub Total		\$18,736.86
2019 Fiscal Year		
	Landscape - Periodic Tree Maint & Rplcmnt	\$35,264.97
Sub Total		\$35,264.97
2020 Fiscal Year		
	Landscape - Refurbish/Renovate	\$72,998.49
Sub Total		\$72,998.49
2021 Fiscal Year		
	Painting - Perimeter Stucco Walls	\$92,573.73
	Painting - Wrought Iron	\$290.13
	Perimeter Walls - Repairs	\$39,948.29
Sub Total		\$132,812.15

South Shores Community Association
Annual Expenditure Detail
Sorted by Description

2023 Fiscal Year		
	Signage - Community Signs	\$28,731.83
Sub Total		\$28,731.83
2024 Fiscal Year		
	Landscape - Periodic Tree Maint & Rplcmnt	\$41,883.72
Sub Total		\$41,883.72
2025 Fiscal Year		
	Landscape - Irrigation Controllers	\$66,481.02
	Landscape - Refurbish/Renovate	\$86,699.30
Sub Total		\$153,180.33
2026 Fiscal Year		
	Landscape - Ground Cover, Crushed Stone	\$26,085.61
	Painting - Wrought Iron	\$344.58
Sub Total		\$26,430.19
2029 Fiscal Year		
	Landscape - Periodic Tree Maint & Rplcmnt	\$49,744.72
	Painting - Perimeter Stucco Walls	\$121,901.93
	Perimeter Walls - Repairs	\$52,604.27
Sub Total		\$224,250.92
2030 Fiscal Year		
	Landscape - Refurbish/Renovate	\$102,971.57
Sub Total		\$102,971.57
2031 Fiscal Year		
	Painting - Wrought Iron	\$409.25
Sub Total		\$409.25
2033 Fiscal Year		
	Fencing - Wrought Iron	\$2,922.66
Sub Total		\$2,922.66
2034 Fiscal Year		
	Landscape - Periodic Tree Maint & Rplcmnt	\$59,081.12
Sub Total		\$59,081.12
2035 Fiscal Year		
	Landscape - Irrigation Controllers	\$93,778.05

South Shores Community Association
Annual Expenditure Detail
Sorted by Description

Landscape - Refurbish/Renovate	\$122,297.93
Sub Total	\$216,075.98
 2036 Fiscal Year	
Landscape - Ground Cover, Crushed Stone	\$36,796.33
Painting - Wrought Iron	\$486.06
Sub Total	\$37,282.39
 2037 Fiscal Year	
Painting - Perimeter Stucco Walls	\$160,521.56
Perimeter Walls - Repairs	\$69,269.77
Sub Total	\$229,791.33
 2038 Fiscal Year	
Signage - Community Signs	\$48,135.83
Sub Total	\$48,135.83

South Shores Community Association

Projections

Component (Full Funding) Calculation Method

Fiscal Year	Beginning Balance	Member Contribution	Interest Contribution	Expenditures	Ending Balance	Theoretically Ideal Ending Balance (*)	Percent Funded
2009	\$169,641	\$15,537	\$3,118	\$0	\$188,296	\$128,995	146%
2010	\$188,296	\$26,642	\$2,624	\$51,750	\$165,811	\$121,255	137%
2011	\$165,811	\$26,655	\$3,136	\$206	\$195,397	\$170,800	114%
2012	\$195,397	\$27,444	\$3,668	\$0	\$226,509	\$223,895	101%
2013	\$226,509	\$40,740	\$2,523	\$102,108	\$167,665	\$161,341	104%
2014	\$167,665	\$38,590	\$2,745	\$29,692	\$179,308	\$176,714	101%
2015	\$179,308	\$43,833	\$1,601	\$108,592	\$116,149	\$108,351	107%
2016	\$116,149	\$45,168	\$2,083	\$18,737	\$144,663	\$136,767	106%
2017	\$144,663	\$45,844	\$2,922	\$0	\$193,428	\$188,114	103%
2018	\$193,428	\$46,566	\$3,788	\$0	\$243,782	\$242,887	100%
2019	\$243,782	\$52,940	\$4,105	\$35,265	\$265,562	\$262,941	101%
2020	\$265,562	\$52,854	\$3,823	\$72,998	\$249,241	\$244,435	102%
2021	\$249,241	\$54,479	\$2,493	\$132,812	\$173,401	\$162,085	107%
2022	\$173,401	\$52,486	\$3,482	\$0	\$229,370	\$223,057	103%
2023	\$229,370	\$55,054	\$3,983	\$28,732	\$259,675	\$256,874	101%
2024	\$259,675	\$60,859	\$4,333	\$41,884	\$282,983	\$279,585	101%
2025	\$282,983	\$62,151	\$2,791	\$153,180	\$194,744	\$184,212	106%
2026	\$194,744	\$64,135	\$3,486	\$26,430	\$235,935	\$225,394	105%
2027	\$235,935	\$65,244	\$4,688	\$0	\$305,867	\$298,960	102%
2028	\$305,867	\$66,571	\$5,932	\$0	\$378,370	\$377,400	100%
2029	\$378,370	\$73,731	\$3,313	\$224,251	\$231,163	\$217,260	106%
2030	\$231,163	\$73,478	\$2,854	\$102,972	\$204,523	\$185,778	110%
2031	\$204,523	\$74,047	\$4,198	\$409	\$282,358	\$267,202	106%
2032	\$282,358	\$76,080	\$5,594	\$0	\$364,033	\$354,558	103%
2033	\$364,033	\$77,742	\$6,997	\$2,923	\$445,849	\$444,526	100%
2034	\$445,849	\$89,187	\$7,542	\$59,081	\$483,497	\$479,439	101%
2035	\$483,497	\$88,507	\$5,431	\$216,076	\$361,358	\$347,884	104%
2036	\$361,358	\$82,524	\$6,382	\$37,282	\$412,982	\$409,055	101%
2037	\$412,982	\$94,595	\$3,994	\$229,791	\$281,779	\$266,291	106%
2038	\$281,779	\$87,015	\$4,823	\$48,136	\$325,482	\$319,187	102%

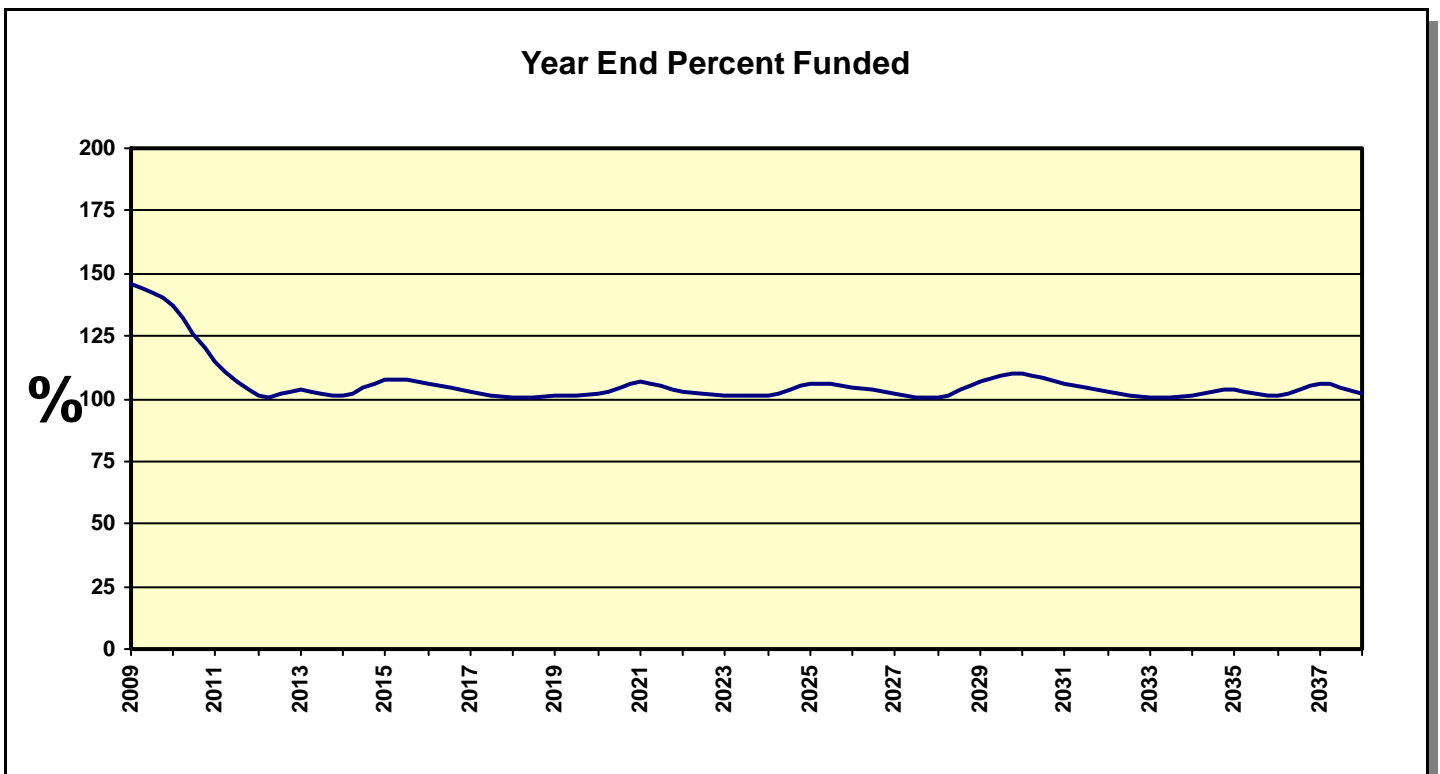
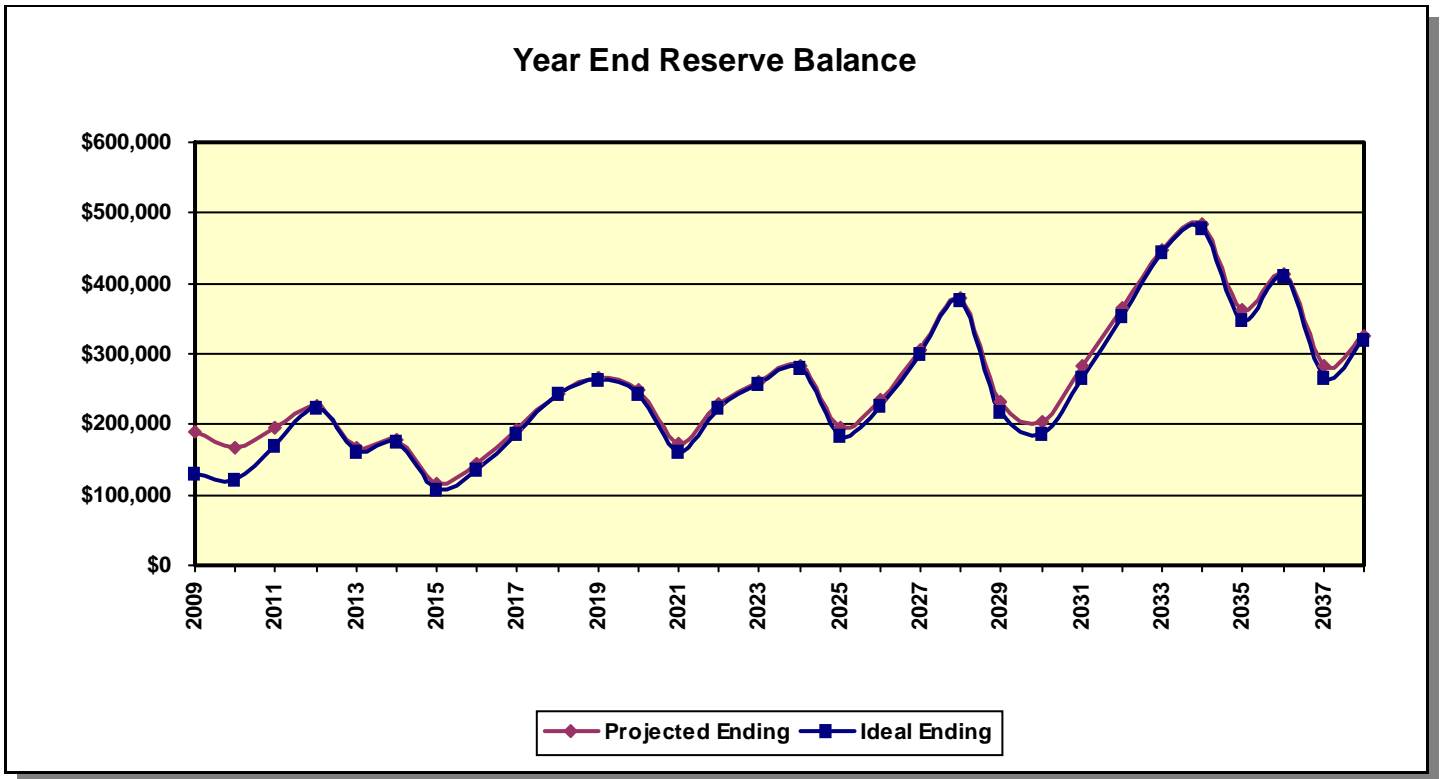
(*) = Theoretical Ideal (FULL FUNDING) Ending Balance

NOTE: In some cases, the projected Ending Balance may exceed the Theoretically Ideal Ending Balance in years following high Expenditures. This is a result of the provision for contingency in this analysis, which in these projections is never expended. The contingency is continually adjusted according to need and any excess is redistributed among all components included.

South Shores Community Association

Projection Charts

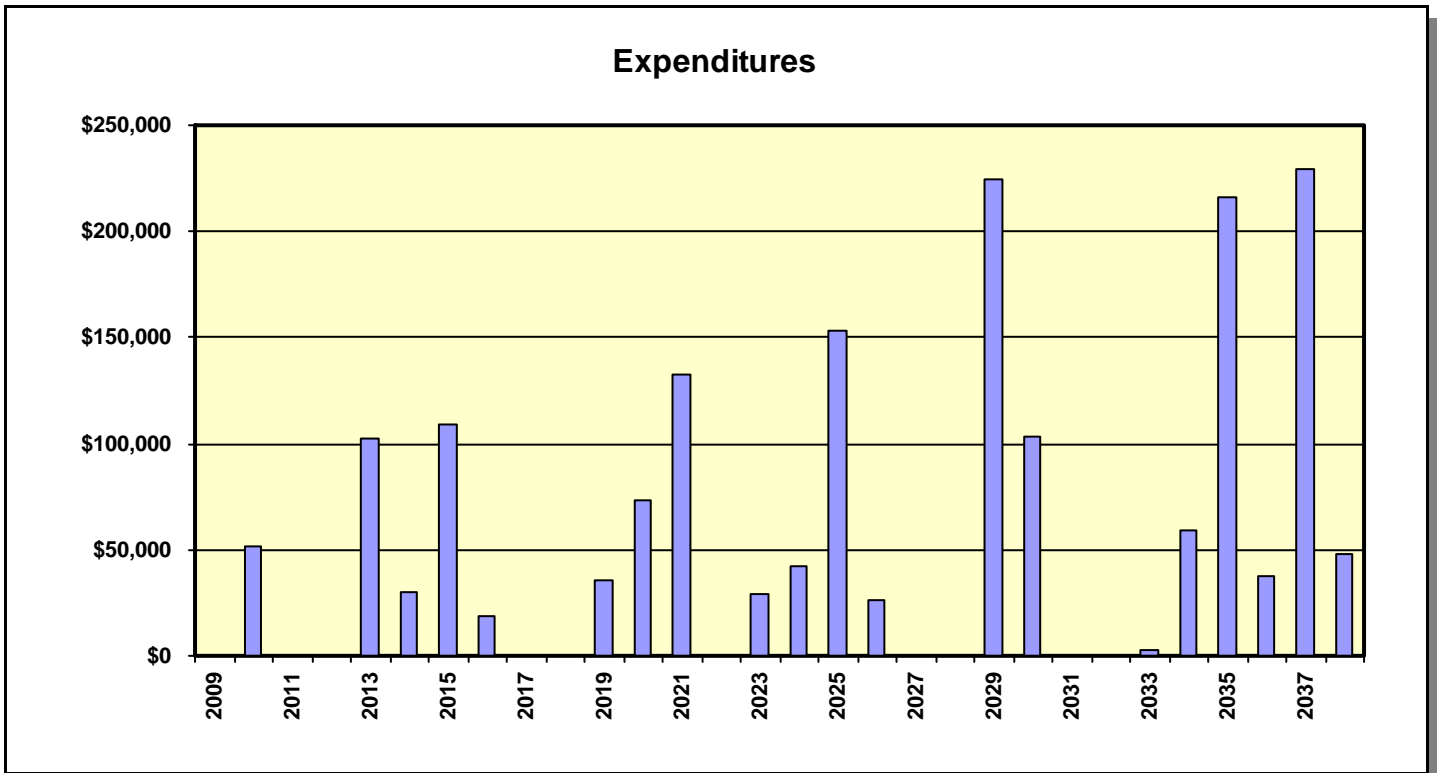
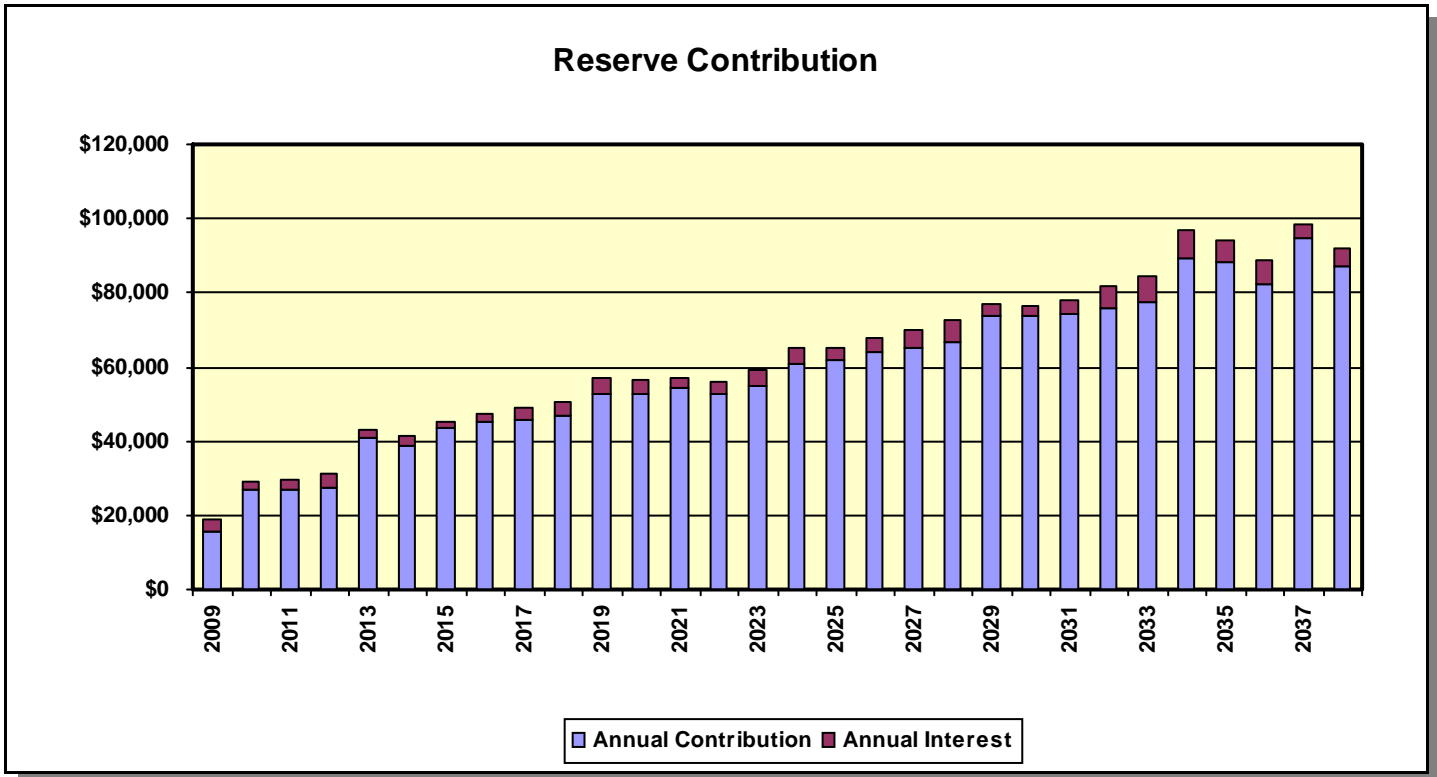
Component Calculation (Full Funding) Method



South Shores Community Association

Projection Charts

Component Calculation (Full Funding) Method



South Shores Community Association

Component Detail

Sorted by Category

Landscape - Irrigation Controllers

Category	010 Landscape	Quantity	20 controllers
		Unit Cost	\$1,917.000
		% of Replacement	100.00%
		Current Cost	\$38,340.00
Placed In Service	01/05	Future Cost	\$47,129.65
Useful Life	10		
		Assigned Reserves at FYB	\$15,336.00
Remaining Life	6	Monthly Member Contribution	\$364.07
Replacement Year	2015	Monthly Interest Contribution	\$25.48
		Total Monthly Contribution	\$389.55

Comments:



These are the solar irrigation controllers located throughout the community. We inventoried 20 locations.

The actual date this component was placed into service is not available. For budgeting purposes, this date has been estimated based on its condition at our 2005 site visit.

2009 - Cost estimates are LEIT X-series controller internet pricing off of mrdrip.com. 20% added for tax, shipping and installation. We have adjusted the placed in service date assuming that many of the controllers were replaced during the zeroscape conversion.

1 Leit X16 - 16 station (est)	@	\$1,598.00	=	\$1,598.00
1 installation and fees - 20%	@	\$319.00	=	\$319.00
		TOTAL	=	\$1,917.00

South Shores Community Association

Component Detail

Sorted by Category

Landscape - Periodic Tree Maint & Rplcmnt

Category	010 Landscape	Quantity	1 total
		Unit Cost	\$25,000.00
		% of Replacement	100.00%
		Current Cost	\$25,000.00
Placed In Service	01/09	Future Cost	\$29,692.16
Useful Life	5		
		Assigned Reserves at FYB	\$1,510.16
Remaining Life	5	Monthly Member Contribution	\$417.84
Replacement Year	2014	Monthly Interest Contribution	\$5.59
		Total Monthly Contribution	\$423.43

Comments:



2009 - We visually estimated 125 trees along Soft Winds. The ratio of palms to other tree varieties is roughly 50/50. This equates to approximately 650+ trees around the perimeter, assuming the same density ratio exists. At estimated costs of \$250 per tree replacement and \$2500 per palm the costs can be surprising. We recommend funding some money for unexpected tree replacements.

Additionally, there are a considerable number of mature trees throughout the perimeter of the community. These trees require continual maintenance (pruning, thinning, root control, etc.) In addition, older mature trees will have to be removed to prevent wall, sidewalk, utility damage, etc. A program identifying these trees and replacing with younger, less problematic varieties will help to control future costs.

South Shores Community Association

Component Detail

Sorted by Category

Landscape - Refurbish/Renovate

Category	010 Landscape	Quantity	1 total
		Unit Cost	\$50,000.00
		% of Replacement	100.00%
		Current Cost	\$50,000.00
Placed In Service	01/05	Future Cost	\$51,750.00
Useful Life	5		
		Assigned Reserves at FYB	\$50,000.00
Remaining Life	1	Monthly Member Contribution	\$71.75
Replacement Year	2010	Monthly Interest Contribution	\$74.08
		Total Monthly Contribution	\$145.83

Comments:



There is extensive perimeter landscaping throughout the perimeter areas of the community. Landscape softscape (trees, shrubs, bushes, ground cover, etc) is a common area asset, and as such, requires maintenance repair and replacement as necessary.

- Rampart - 1100lf, 10'deep, desertscape, & plantings
- Softwinds - 3413lf, 10' desertscape, & plantings
- Mariner - 4455lf, turf & plantings
- Lake Mead - 3350lf, 8'-10' desertscape, 4' sidewalk, & plantings
- Harbor - 1459lf, turf & plantings
- Harbor - 2240lf, sidewalk, turf & plantings

Total landscaped area approximately 140,000 sf.

It is estimated that a percentage of the total landscaping will require periodic repair or replacement. This is in addition to normal replacements that may occur during the routine periodic landscape maintenance operation. The actual condition of the total landscaping and associated expenditures should be monitored and the percentage of replacement and remaining life estimates adjusted accordingly.

South Shores Community Association

Component Detail

Sorted by Category

Painting - Perimeter Stucco Walls

Category	020 Painting	Quantity	72,075 gross sq. ft.
		Unit Cost	\$0.850
		% of Replacement	100.00%
		Current Cost	\$61,263.75
		Future Cost	\$70,301.56
Placed In Service	01/08	Assigned Reserves at FYB	\$61,263.75
Useful Life	8	Monthly Member Contribution	\$87.91
Adjustment	-3	Monthly Interest Contribution	\$90.77
Remaining Life	4	Total Monthly Contribution	\$178.68
Replacement Year	2013		

Comments:



2009 - This is for the painting the exterior side of the perimeter stucco walls. According to the client, most of the walls were painted when the signs were replaced. Approx date 1/1/08. We sobserved areas still in need of paint.

- Rampart - 1100lf, 4'-5' stucco wall
- Softwinds - 3413lf, 4'-5' stucco wall
- Mariner - 4455lf, 4'-5' stucco wall
- Lake Mead - 3350lf, 4'-5' stucco wall
- Harbor - 1459lf, 4'-5' stucco wall
- Harbor - 2240lf, 4'-5' stucco wall

Total SF approximately 16,070lf x 4.5' (avg ht) = 72,075sf. It appears that a higher quality paint was applied to the walls. The cost estimate reflects the use of a higher quality 100% acrylic.

South Shores Community Association

Component Detail

Sorted by Category

Painting - Wrought Iron

Category	020 Painting	Quantity	240 sq. ft.
		Unit Cost	\$0.800
		% of Replacement	100.00%
		Current Cost	\$192.00
Placed In Service	01/06	Future Cost	\$205.68
Useful Life	5		
		Assigned Reserves at FYB	\$192.00
Remaining Life	2	Monthly Member Contribution	\$0.28
Replacement Year	2011	Monthly Interest Contribution	\$0.28
		Total Monthly Contribution	\$0.56

Comments:



2009 - The date that this component was last painted is not known. We are estimating this date based upon our last site visit.

General Wrought Iron Fencing Maintenance Note: To ensure that wrought iron achieves its full useful life, it should be properly maintained. This type of fencing, gates, railings, etc. requires attentive maintenance in order to prolong its life. Bushes and shrubs should be kept well clear of fencing so as to allow fencing to dry and remain dry. Shrubs and bushes growing into and touching fencing will expedite deterioration. Sprinklers continually spraying on fencing will expedite rust. Fencing should also be kept above ground and ground coverings. Posts should be installed in capped concrete well above ground level so as to prevent pooling or standing water around the metal post.

Painting costs use \$.60 per sq foot for roller and \$1.10 per sq. ft. for brush work. If roller is used, joints should first be brush coated. Ideally, surfaces should be rust treated (where needed) and primed.

South Shores Community Association

Component Detail

Sorted by Category

Fencing - Wrought Iron

Category	030 Fencing	Quantity	40 lin. ft.
		Unit Cost	\$32.000
		% of Replacement	100.00%
		Current Cost	\$1,280.00
Placed In Service	01/90	Future Cost	\$1,468.83
Useful Life	20		
Adjustment	+3	Assigned Reserves at FYB	\$1,280.00
Remaining Life	4	Monthly Member Contribution	\$1.84
Replacement Year	2013	Monthly Interest Contribution	\$1.90
		Total Monthly Contribution	\$3.74

Comments:



This is the 5 ft. wrought iron fencing located at the drainage easement on Mariner Drive. 2009 - We have extended the remaining life based upon our observation at our last site visit.

General Wrought Iron Fencing Maintenance Note: To ensure that wrought iron achieves its full useful life, it should be properly maintained. This type of fencing, gates, railings, etc. requires attentive maintenance in order to prolong its life. Bushes and shrubs should be kept well clear of fencing so as to allow fencing to dry and remain dry. Shrubs and bushes growing into and touching fencing will expedite deterioration. Sprinklers continually spraying on fencing will expedite rust. Fencing should also be kept above ground and ground coverings. Posts should be installed in capped concrete well above ground level so as to prevent pooling or standing water around the metal post.

Painting costs use \$.60 per sq foot for roller and \$1.10 per sq. ft. for brush work. If roller is used, joints should first be brush coated. Ideally, surfaces should be rust treated (where needed) and primed.

South Shores Community Association

Component Detail

Sorted by Category

Signage - Community Signs

Category	040 Signage	Quantity	1 total
		Unit Cost	\$17,750.00
		% of Replacement	100.00%
		Current Cost	\$17,750.00
Placed In Service	01/08	Future Cost	\$28,731.83
Useful Life	15		
		Assigned Reserves at FYB	\$1,183.33
Remaining Life	14	Monthly Member Contribution	\$114.45
Replacement Year	2023	Monthly Interest Contribution	\$2.66
		Total Monthly Contribution	\$117.11

Comments:



These are the various signs mounted on the perimeter stucco walls that identify the community and the individual neighborhoods. Cost for metal letter signage is for letters only.

2009 - Based upon information provided by the client, renovation and/or replacement of the various community identity signage was completed approximately 1.5 years ago. We will use 01.01.08 as an approximate placed in service date.

66 metal letters - South Shores	@	\$75.00	=	\$4,950.00
73 metal letters - community signage	@	\$75.00	=	\$5,475.00
2 ceramic tile signs - Isla Vista	@	\$1,250.00	=	\$2,500.00
12 logos installed at community signs	@	\$200.00	=	\$2,400.00
1 installation, tax, misc chgs 20%	@	\$2,425.00	=	\$2,425.00
		TOTAL	=	\$17,750.00

South Shores Community Association

Component Detail

Sorted by Category

Perimeter Walls - Repairs

Category	060 Walls	Quantity	72,075 sq. ft.
		Unit Cost	\$9.170
		% of Replacement	4.00%
		Current Cost	\$26,437.11
		Future Cost	\$30,337.19
Placed In Service	01/08		
Useful Life	8		
Adjustment	-3	Assigned Reserves at FYB	\$26,437.11
Remaining Life	4	Monthly Member Contribution	\$37.94
Replacement Year	2013	Monthly Interest Contribution	\$39.17
		Total Monthly Contribution	\$77.11

Comments:



2009 - This is for periodic repairs to the exterior surface of the perimeter stucco walls. The cycle for this component has been adjusted to match the paint cycle.

- Rampart - 1100lf, 4'-5' stucco wall
- Softwinds - 3413lf, 4'-5' stucco wall
- Mariner - 4455lf, 4'-5' stucco wall
- Lake Mead - 3350lf, 4'-5' stucco wall
- Harbor - 1459lf, 4'-5' stucco wall
- Harbor - 2240lf, 4'-5' stucco wall

Total SF approximately 16,070lf x 4.5' (avg ht) = 72,075sf.

South Shores Community Association

Component Detail

Sorted by Category

Landscape - Ground Cover, Crushed Stone

Category	100 Landscape	Quantity	323 cubic yard
		Unit Cost	\$45.000
		% of Replacement	100.00%
		Current Cost	\$14,535.00
Placed In Service	01/06	Future Cost	\$18,492.58
Useful Life	10		
		Assigned Reserves at FYB	\$4,360.50
Remaining Life	7	Monthly Member Contribution	\$137.02
Replacement Year	2016	Monthly Interest Contribution	\$7.51
		Total Monthly Contribution	\$144.53

Comments:



There is extensive perimeter landscaping throughout the perimeter areas of the community. Much of the original turf has been removed and replaced with desertscape. The ground covering used with this type of landscaping is typically crushed stone. We estimate 70% coverage (the remaining being plant material).

- Rampart - 1100lf, 10'deep, desertscape, & plantings
- Softwinds - 3413lf, 10' desertscape, & plantings
- Mariner - 4455lf, turf & plantings
- Lake Mead - 3350lf, 8'-10' desertscape, 4' sidewalk, & plantings
- Harbor - 1459lf, turf & plantings
- Harbor - 2240lf, sidewalk, turf & plantings

Total desertscape area approximately 74,768 sf. This cost is for typical .5" - 1.0" crushed stone used for landscape groundcover. The cost is per cubic yard. One cubic yard covers 162 sf at 2" depth.

South Shores Community Association

Detail Report Index

	Page
Fencing - Wrought Iron	20
Landscape - Ground Cover, Crushed Stone	23
Landscape - Irrigation Controllers	15
Landscape - Periodic Tree Maint & Rplcmnt	16
Landscape - Refurbish/Renovate	17
Painting - Perimeter Stucco Walls	18
Painting - Wrought Iron	19
Perimeter Walls - Repairs	22
Signage - Community Signs	21

Number of components included in this reserve analysis is 9.