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Update “With-Site-Visit” Reserve Study



Meadowcreek II Owners Association Bishop, CA

Report #: 30181-0
For Period Beginning: January 1, 2017
Ending: December 31, 2017

Date Prepared: July 26, 2016



Hello, and welcome to your Reserve Study!

This Report is a valuable budget planning tool, for with it you control the future of your association. It contains all the fundamental information needed to understand your current and future Reserve obligations, the most significant expenditures your association will face.

With respect to Reserves, this Report will tell you “where you are”, and “where to go from here”.

In this Report, you will find...

- 1) A List of What you’re Reserving For**
- 2) An Evaluation of your Reserve Fund Size and Strength**
- 3) A Recommended Multi-Year Reserve Funding Plan**

More Questions?

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3- Minute Executive Summary

Association: Meadowcreek II Owners Association **Assoc. #: 30181-0**
Location: Bishop, CA
of Units: 210
Report Period: January 1, 2017 through December 31, 2017

Results as-of 1/1/2017:

Projected Starting Reserve Balance:	\$111,857
Fully Funded Reserve Balance:	\$58,216
Average Reserve Deficit (Surplus) Per Unit:	\$(255)
Percent Funded:	192.1%
Recommended 2017 monthly Reserve Contribution:	\$840
Recommended 2017 Special Assessment for Reserves:	\$0
Most Recent Reserve Contribution Rate:	\$2,242

Economic Assumptions:

Net Annual “After Tax” Interest Earnings Accruing to Reserves..... 1.00%
Annual Inflation Rate..... 3.00%

- This is an “Update With-Site-Visit” Reserve Study, based on a prior Report prepared by Stone Mountain Corporation for your 2012 Fiscal Year. The information in this Reserve Study is based on our site inspection on June 9, 2016.
- This Reserve Study was prepared by a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is at 192.1% Funded, this means the association’s special assessment & deferred maintenance risk is currently low.
- The objective of your multi-year Funding Plan is to Fully Fund your Reserves, where associations enjoy a low risk of such Reserve cash flow problems.
- Based on this starting point, your anticipated future expenses and your historical Reserve contribution rate, our recommendation is to decrease your Reserve contributions.
- No assets appropriate for Reserve designation were excluded.

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
407	BBQ - Replace	30	11	\$1,650	\$2,284
408	Picnic Table/Benches - Replace	30	11	\$6,000	\$8,305
505	Choctaw Wood Fence - Replace	25	11	\$22,550	\$31,214
506	Park Common Fence - Replace (Share)	25	5	\$5,400	\$6,260
507	Wood Barricade Fence - Replace	25	15	\$9,450	\$14,723
1001	Backflow Device - Replace (2015)	30	28	\$2,000	\$4,576
1001	Backflow Devices - Replace (Old)	30	10	\$22,000	\$29,566
1008	Trees - Trim/Remove	3	2	\$10,000	\$10,609
1009	Landscaping - Replenishment	5	2	\$15,000	\$15,914
1105	Choctaw Wood Fence - Restain	5	1	\$2,500	\$2,575
1106	Park Common Fence - Restain	5	0	\$1,200	\$1,391
1107	Wood Barricade Fence - Restain	5	0	\$1,350	\$1,565
1402	Park Signs - Replace	15	7	\$1,800	\$2,214
13	Total Funded Components				

Note 1: Yellow highlighted line items are expected to require attention in initial year.

Note 2: a Useful Life of "N/A" means a one-time expense, not expected to repeat.

Introduction

A Reserve Study is the art and science of anticipating, and preparing for, an association’s major common area repair and replacement expenses. Partially art, because in this field we are making projections about the future. Partially science, because our work is a process of research and analysis along well defined methodologies.

In this Report you will find the Reserve Component List (what you are reserving for). It contains our estimates for Useful Life, Remaining Useful Life, and the current repair or replacement cost for each major component the association is obligated to maintain. Based on that List and your starting balance we computed the association’s Reserve Fund Strength (measured as “Percent Funded”), and created a recommended multi-year Reserve Funding Plan to offset future Reserve expenses.

Reserve Study

- Component List
- Reserve Fund Strength
- Recommended Contribs

As the physical assets age and deteriorate, it is important to accumulate financial assets to keep the two “in balance”. A stable Reserve Funding Plan that offsets the irregular Reserve expenses will ensure that each owner pays their own “fair share” of ongoing common area deterioration.

Methodology

First we establish what the projected expenses are, then we determine the association’s financial status and create a Funding Plan. For this “Update With-Site-Visit” Reserve Study, we started with a review of your prior Reserve Study, recent Reserve expenditures, an evaluation of how expenditures are handled (ongoing maintenance vs Reserves), and research into any well-established association precedents. We performed an on-site inspection to evaluate your common areas, updating and adjusting your Reserve Component List as appropriate.

Reserve Study Types

- Full
- ➔ • Update With-Site-Visit
- Update No-Site-Visit

Which Physical Assets are Covered by Reserves?

There is a national-standard four-part test to determine which expenses should be funded through Reserves. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the limited life must be predictable (or it by definition is a “surprise” which cannot be accurately anticipated). Fourth, the component must be above a minimum threshold cost. This limits Reserve

Reserve Components

- Common Area
- Limited Useful Life
- Predictable Life Limit
- Cost must be Significant

Components to major, predictable expenses. Within this framework, it is inappropriate to include “lifetime” components, unpredictable expenses (such as damage due to fire, flood, or earthquake), and expenses more appropriately handled from the Operational Budget or as an insured loss.

How are Useful Life and Remaining Useful Life established?

- 1) Visual Inspection (observed wear and age since last report)
- 2) Association Reserves database of experience
- 3) Client Component History
- 4) Vendor Evaluation and Recommendation

How are Cost Estimates Established?

Financial projections are based on the average of our Best Case and Worst Case estimates, which are established in this order...

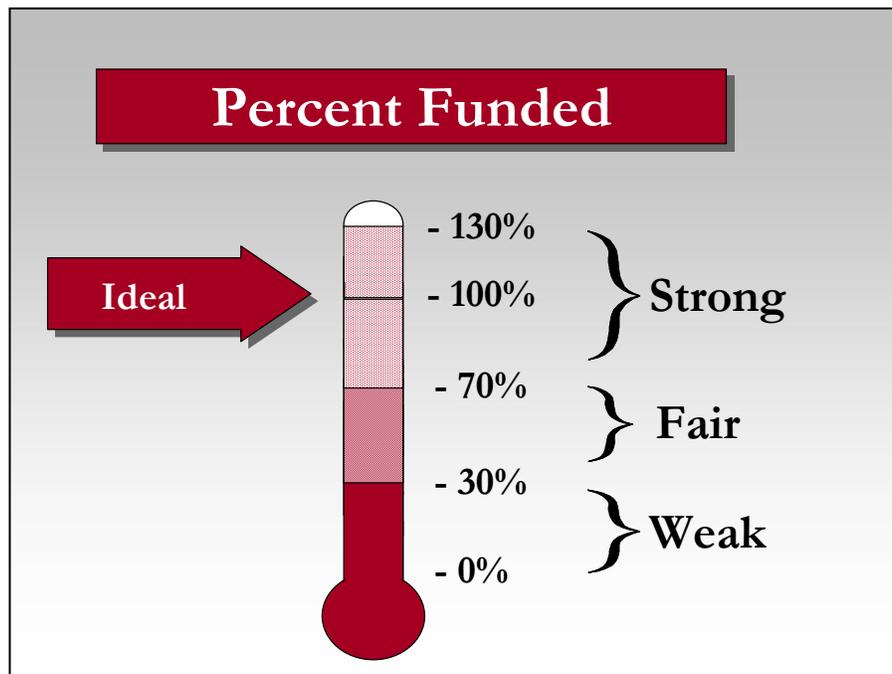
- 1) Client Cost History
- 2) Comparison to Association Reserves database of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

How much Reserves are enough?

Your Reserve cash Balance can measure reserves, but the true measure is whether the funds are adequate. Adequacy is measured in a two-step process:

- 1) Calculate the association's Fully Funded Balance (FFB).
- 2) Compare to the Reserve Fund Balance, and express as a percentage.

The FFB grows as assets age and the Reserve needs of the association increase, but shrinks when projects are accomplished and the Reserve needs of the association decrease. The Fully Funded Balance changes each year, and is a moving but predictable target.



Special assessments and deferred maintenance are common when the Percent Funded is below 30%. While the 100% point is Ideal, a Reserve Fund in the 70% -130% range is considered "strong" because in this range cash flow problems are rare.

Measuring your Reserves by Percent Funded tells how well prepared your association is for upcoming Reserve expenses. New buyers should be very aware of this important disclosure!

How much should we contribute?

There are four Funding Principles that we balance in developing your Reserve Funding Plan. Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects on time. A stable contribution rate is desirable because it is a hallmark of a proactive plan.

Reserve contributions that are evenly distributed over the owners, over the years, enable each owner to pay their “fair share” of the association’s Reserve expenses (this means we recommend special assessments only when all other options have been exhausted). And finally, we develop a plan that is fiscally responsible and “safe” for Board Members to recommend to their association.

Funding Principles

- Sufficient Cash
- Stable Contribution Rate
- Evenly Distributed
- Fiscally Responsible

What is our Recommended Funding Goal?

Maintaining the Reserve Fund at a level equal to the physical deterioration that has occurred is called “Full Funding” the Reserves (100% Funded). As each asset ages and becomes “used up”, the Reserve Fund grows proportionally. **This is simple, responsible, and our recommendation.** As stated previously, associations in the 100% range rarely experience special assessments or deferred maintenance.

Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. In these associations, deterioration occurs without matching Reserve contributions. With a low Percent Funded, special assessments and deferred maintenance are common.

Threshold Funding is the title of all other objectives randomly selected between Baseline Funding and Full Funding.

Funding Goals

- Full Funding
- Threshold Funding
- Baseline Funding

Site Inspection Notes

During our site visit on June 9, 2016, we started with a brief meeting with Debby Hidalgo (Board Member) and Tonya Miller (Property Manager), and then started the site inspection beginning with the park area. We visually inspected the property, and were able to see most areas.



Projected Expenses

The figure below shows the array of the projected future expenses at your association. This figure clearly shows the near term and future expenses that your association will face.

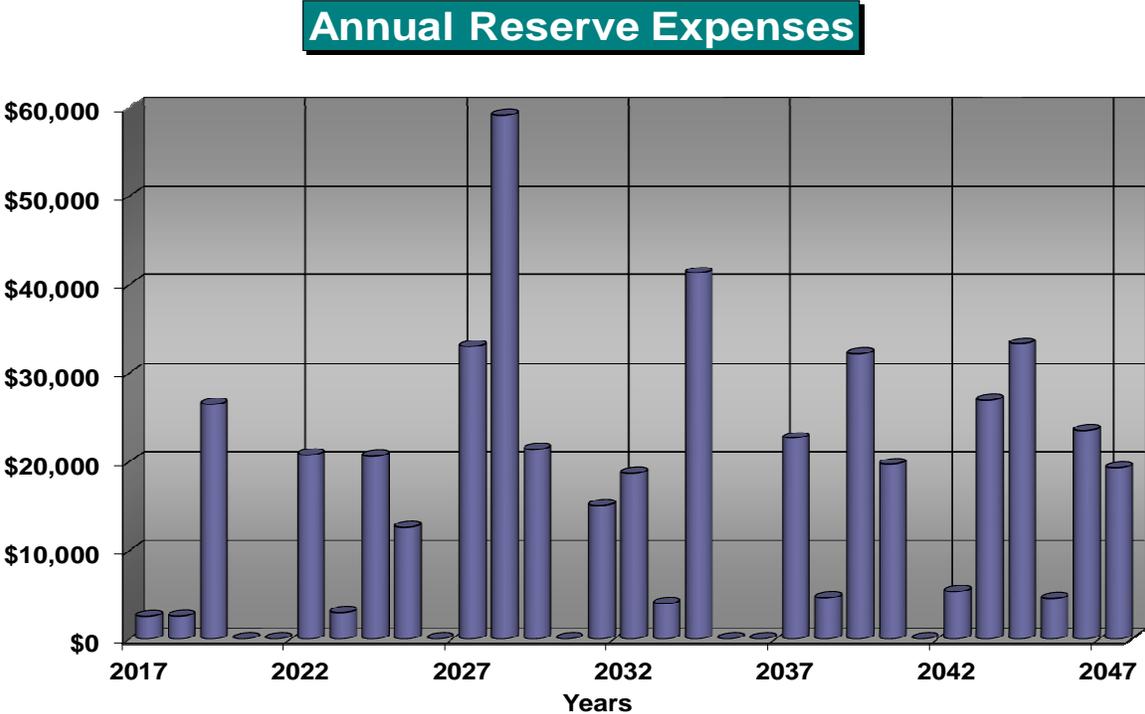


Figure 1

A summary of this information is shown in Table 4, while details of the projects that make up this information are shown in Table 5. Since this is a projection about future events that may or may not take place as anticipated, we feel more certain about “near-term” projects than those many years away. While this Reserve Study is a one-year document, it is based on 30 years worth of looking forward into the future.

Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$111,857 as-of the start of your Fiscal Year on January 1, 2017. This is based on your actual balance on 05/31/2016 of \$107,613 and anticipated Reserve contributions and expenses projected through the end of your Fiscal Year. As of January 1, 2017, your Fully Funded Balance is computed to be \$58,216 (see Table 3). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 192% Funded.

Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we are recommending Reserve contributions of \$840/month this Fiscal Year. This represents the first year of the 30-year Funding Plan shown below. This same information is shown numerically in both Table 4 and Table 5.

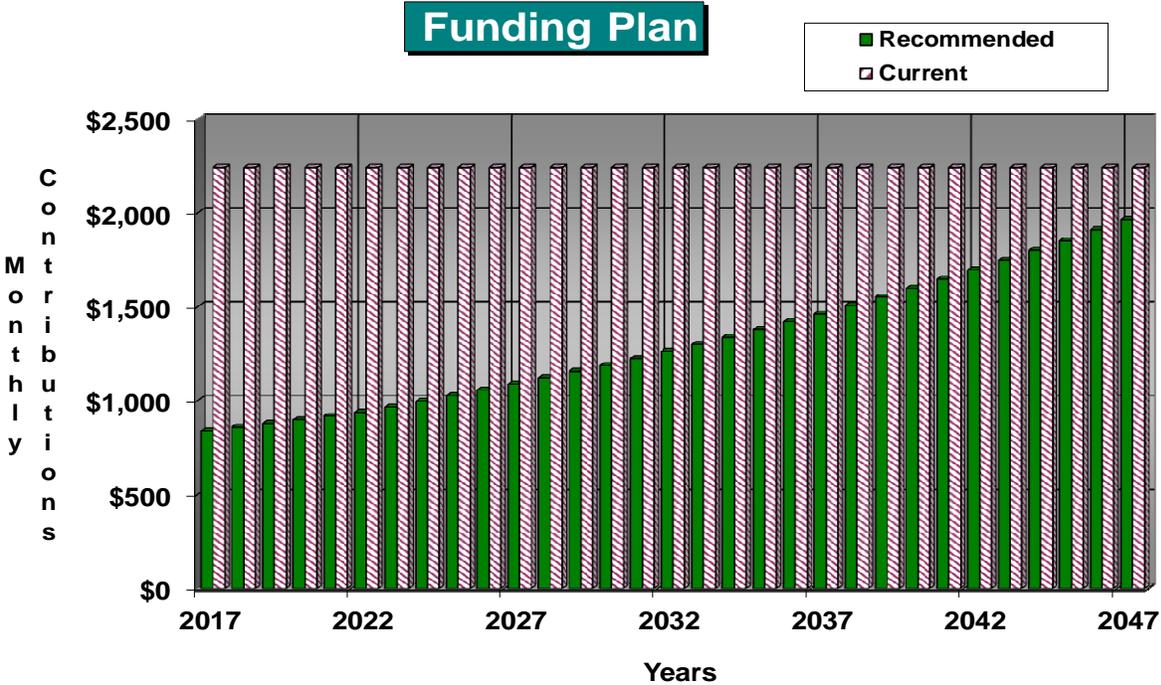


Figure 2

The following chart shows your Reserve balance under our recommended Funding Plan and your current Funding Plan, and your always-changing Fully Funded Balance target.

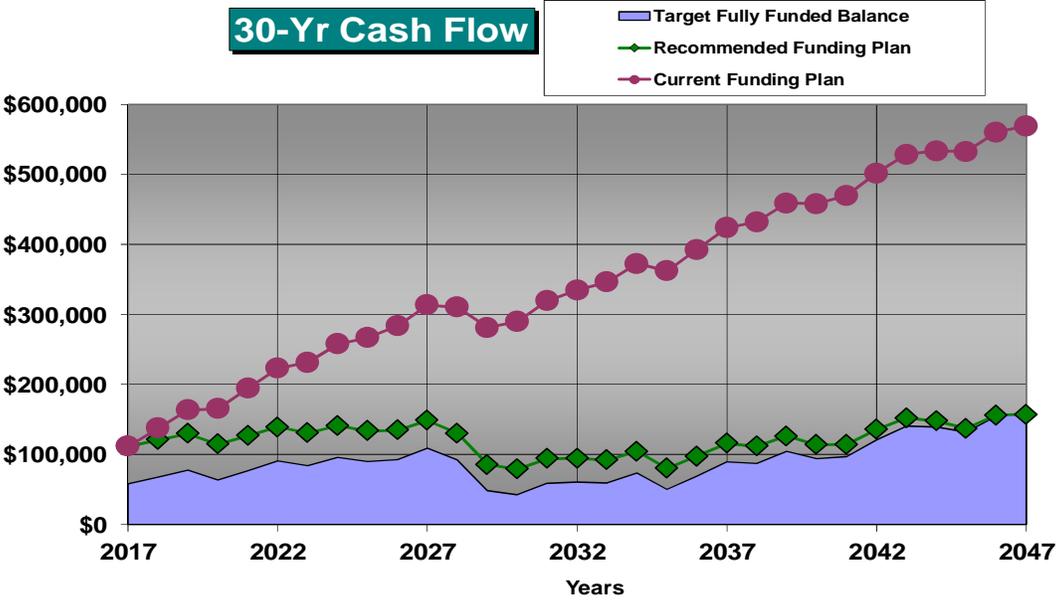


Figure 3

In this figure it is easy to see how your Reserve Fund gradually draws closer to the Fully Funded (100%) level.

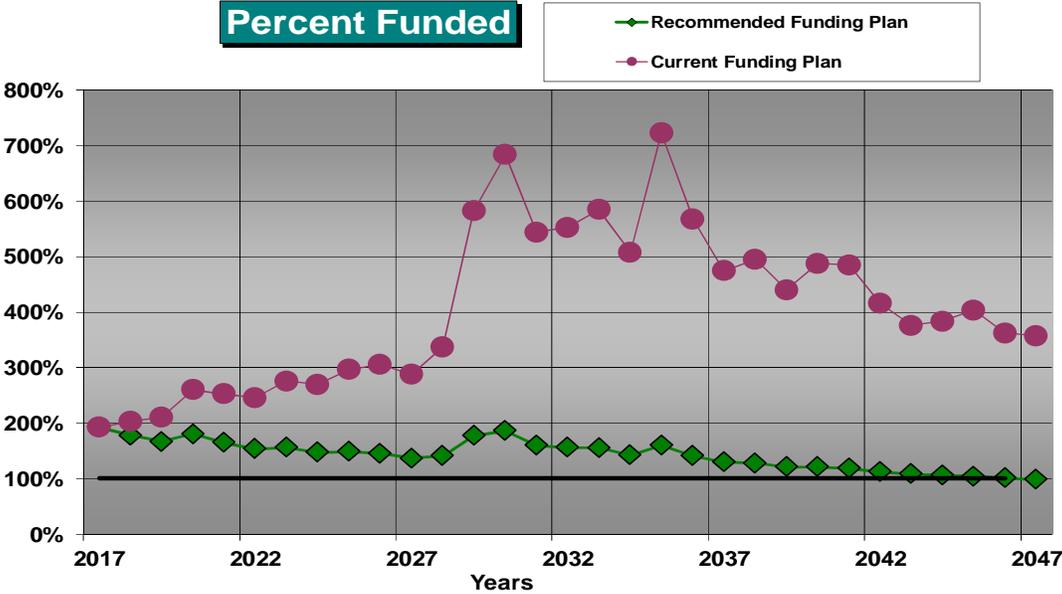


Figure 4

Table Descriptions

The tabular information in this Report is broken down into five tables.

Table 1 summarizes your funded Reserve Components, and is part of the Executive Report summary that appeared earlier in this Report.

Table 2 provides the main component description, life, and cost factors for all components determined to be appropriate for Reserve designation. This table represents the core information from which all other tables are derived.

Table 3 is presented primarily as an accounting summary page. The results of the individual line item Fully Funded Balance computations are shown. These individual quantities are summed to arrive at the Fully Funded Balance for the association as of the start date of the Report. The figures in the Current Fund Balance column and the Monthly Reserve Contribution column show our distribution throughout the line items. If the association is underfunded, Reserve Funds are distributed first to components with a short Remaining Useful Life. If the association's Reserve Balance is above 100% Funded, funds are distributed evenly for all components. Contribution rates for each component are a proportionate distribution of the total contribution on the basis of the component's significance to the association (current cost divided by useful life). This presentation is not meant to cause clients to redistribute association funds, it simply presents one way to evenly distribute the total among all the different line items.

Table 4: This table provides a one-page 30-year summary of the cash flowing into and out of the association, compared to the Fully Funded Balance for each year.

Table 5: This table shows the cash flow detail for the next 30 years. This table makes it possible to see what components are projected to require repair or replacement each year, and the size of those individual expenses.

Table 2: Reserve Component List Detail**30181-0**

#	Component	Quantity	Useful Life	Rem. Useful Life	Best Cost	Current Worst Cost
407	BBQ - Replace	(1) BBQ	30	11	\$1,500	\$1,800
408	Picnic Table/Benches - Replace	(1) Table, (2) Benches	30	11	\$5,400	\$6,600
505	Choctaw Wood Fence - Replace	Approx 410 LF	25	11	\$20,500	\$24,600
506	Park Common Fence - Replace (Share)	Approx 195 LF x 50%	25	5	\$4,900	\$5,900
507	Wood Barricade Fence - Replace	Approx 700 LF, (47) Sect.	25	15	\$8,400	\$10,500
1001	Backflow Device - Replace (2015)	(1) Device	30	28	\$1,800	\$2,200
1001	Backflow Devices - Replace (Old)	(11) Devices	30	10	\$20,000	\$24,000
1008	Trees - Trim/Remove	Tree Trimming/Removal	3	2	\$9,000	\$11,000
1009	Landscaping - Replenishment	Common Landscaped Areas	5	2	\$12,000	\$18,000
1105	Choctaw Wood Fence - Restain	Approx 410 LF	5	1	\$2,000	\$3,000
1106	Park Common Fence - Restain	Approx 195 LF	5	0	\$1,000	\$1,400
1107	Wood Barricade Fence - Restain	Approx 700 LF, (47) Sect.	5	0	\$1,200	\$1,500
1402	Park Signs - Replace	(4) Signs, (4) Posts	15	7	\$1,600	\$2,000
13	Total Funded Components					

Table 3: Contribution and Fund Breakdown**30181-0**

#	Component	Rem.		Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
		Useful Life	Useful Life				
407	BBQ - Replace	30	11	\$1,650	\$1,045	\$2,007.86	\$4.61
408	Picnic Table/Benches - Replace	30	11	\$6,000	\$3,800	\$7,301.31	\$16.78
505	Choctaw Wood Fence - Replace	25	11	\$22,550	\$12,628	\$24,263.42	\$75.66
506	Park Common Fence - Replace (Share)	25	5	\$5,400	\$4,320	\$8,300.44	\$18.12
507	Wood Barricade Fence - Replace	25	15	\$9,450	\$3,780	\$7,262.89	\$31.71
1001	Backflow Device - Replace (2015)	30	28	\$2,000	\$133	\$256.19	\$5.59
1001	Backflow Devices - Replace (Old)	30	10	\$22,000	\$14,667	\$28,180.51	\$61.51
1008	Trees - Trim/Remove	3	2	\$10,000	\$3,333	\$6,404.66	\$279.60
1009	Landscaping - Replenishment	5	2	\$15,000	\$9,000	\$17,292.58	\$251.64
1105	Choctaw Wood Fence - Restain	5	1	\$2,500	\$2,000	\$3,842.80	\$41.94
1106	Park Common Fence - Restain	5	0	\$1,200	\$1,200	\$2,305.68	\$20.13
1107	Wood Barricade Fence - Restain	5	0	\$1,350	\$1,350	\$2,593.89	\$22.65
1402	Park Signs - Replace	15	7	\$1,800	\$960	\$1,844.54	\$10.07
13	Total Funded Components				\$58,216	\$111,857	\$840

Table 4: 30-Year Reserve Plan Summary Recommended by Association Reserves

30181-0

Fiscal Year Beginning: 01/01/17

Interest:	1.00%	Inflation:	3.0%
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Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Rating	% Increase In Annual Reserve Contribs.	Annual Reserve Contribs.	Loans or Special Assmts	Interest Income	Projected Reserve Expenses
2017	\$111,857	\$58,216	192.1%	Surplus	-62.53%	\$10,080	\$0	\$1,162	\$2,550
2018	\$120,548	\$67,651	178.2%	Surplus	2.25%	\$10,307	\$0	\$1,250	\$2,575
2019	\$129,530	\$77,653	166.8%	Surplus	2.25%	\$10,539	\$0	\$1,221	\$26,523
2020	\$114,767	\$63,607	180.4%	Surplus	2.25%	\$10,776	\$0	\$1,207	\$0
2021	\$126,750	\$76,786	165.1%	Surplus	2.25%	\$11,018	\$0	\$1,329	\$0
2022	\$139,097	\$90,699	153.4%	Surplus	2.25%	\$11,266	\$0	\$1,349	\$20,809
2023	\$130,904	\$83,945	155.9%	Surplus	3.00%	\$11,604	\$0	\$1,358	\$2,985
2024	\$140,881	\$95,705	147.2%	Surplus	3.00%	\$11,952	\$0	\$1,372	\$20,662
2025	\$133,543	\$89,980	148.4%	Surplus	3.00%	\$12,311	\$0	\$1,340	\$12,668
2026	\$134,526	\$92,698	145.1%	Surplus	3.00%	\$12,680	\$0	\$1,415	\$0
2027	\$148,621	\$108,937	136.4%	Surplus	3.00%	\$13,061	\$0	\$1,393	\$32,993
2028	\$130,082	\$92,085	141.3%	Surplus	3.00%	\$13,452	\$0	\$1,077	\$59,107
2029	\$85,505	\$48,245	177.2%	Surplus	3.00%	\$13,856	\$0	\$821	\$21,386
2030	\$78,795	\$42,371	186.0%	Surplus	3.00%	\$14,272	\$0	\$863	\$0
2031	\$93,930	\$58,790	159.8%	Surplus	3.00%	\$14,700	\$0	\$941	\$15,126
2032	\$94,446	\$60,576	155.9%	Surplus	3.00%	\$15,141	\$0	\$931	\$18,696
2033	\$91,822	\$59,207	155.1%	Surplus	3.00%	\$15,595	\$0	\$981	\$4,012
2034	\$104,386	\$73,403	142.2%	Surplus	3.00%	\$16,063	\$0	\$922	\$41,321
2035	\$80,049	\$50,093	159.8%	Surplus	3.00%	\$16,545	\$0	\$887	\$0
2036	\$97,481	\$69,156	141.0%	Surplus	3.00%	\$17,041	\$0	\$1,065	\$0
2037	\$115,587	\$89,318	129.4%	Strong	3.00%	\$17,552	\$0	\$1,135	\$22,667
2038	\$111,609	\$87,280	127.9%	Strong	3.00%	\$18,079	\$0	\$1,189	\$4,651
2039	\$126,225	\$104,297	121.0%	Strong	3.00%	\$18,621	\$0	\$1,200	\$32,191
2040	\$113,856	\$94,034	121.1%	Strong	3.00%	\$19,180	\$0	\$1,141	\$19,736
2041	\$114,441	\$96,884	118.1%	Strong	3.00%	\$19,755	\$0	\$1,249	\$0
2042	\$135,445	\$120,758	112.2%	Strong	3.00%	\$20,348	\$0	\$1,436	\$5,339
2043	\$151,890	\$140,478	108.1%	Strong	3.00%	\$20,958	\$0	\$1,496	\$26,957
2044	\$147,387	\$139,171	105.9%	Strong	3.00%	\$21,587	\$0	\$1,422	\$33,319
2045	\$137,077	\$131,939	103.9%	Strong	3.00%	\$22,235	\$0	\$1,466	\$4,576
2046	\$156,201	\$154,784	100.9%	Strong	3.00%	\$22,902	\$0	\$1,566	\$23,566

Table 5: 30-Year Income/Expense Detail (yrs 0 through 4)**30181-0**

Fiscal Year	2017	2018	2019	2020	2021
Starting Reserve Balance	\$111,857	\$120,548	\$129,530	\$114,767	\$126,750
Annual Reserve Contribution	\$10,080	\$10,307	\$10,539	\$10,776	\$11,018
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,162	\$1,250	\$1,221	\$1,207	\$1,329
Total Income	\$123,098	\$132,105	\$141,290	\$126,750	\$139,097
# Component					
407 BBQ - Replace	\$0	\$0	\$0	\$0	\$0
408 Picnic Table/Benches - Replace	\$0	\$0	\$0	\$0	\$0
505 Choctaw Wood Fence - Replace	\$0	\$0	\$0	\$0	\$0
506 Park Common Fence - Replace (Share)	\$0	\$0	\$0	\$0	\$0
507 Wood Barricade Fence - Replace	\$0	\$0	\$0	\$0	\$0
1001 Backflow Device - Replace (2015)	\$0	\$0	\$0	\$0	\$0
1001 Backflow Devices - Replace (Old)	\$0	\$0	\$0	\$0	\$0
1008 Trees - Trim/Remove	\$0	\$0	\$10,609	\$0	\$0
1009 Landscaping - Replenishment	\$0	\$0	\$15,914	\$0	\$0
1105 Choctaw Wood Fence - Restain	\$0	\$2,575	\$0	\$0	\$0
1106 Park Common Fence - Restain	\$1,200	\$0	\$0	\$0	\$0
1107 Wood Barricade Fence - Restain	\$1,350	\$0	\$0	\$0	\$0
1402 Park Signs - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$2,550	\$2,575	\$26,523	\$0	\$0
Ending Reserve Balance:	\$120,548	\$129,530	\$114,767	\$126,750	\$139,097

Table 5: 30-Year Income/Expense Detail (yrs 5 through 9)**30181-0**

Fiscal Year	2022	2023	2024	2025	2026
Starting Reserve Balance	\$139,097	\$130,904	\$140,881	\$133,543	\$134,526
Annual Reserve Contribution	\$11,266	\$11,604	\$11,952	\$12,311	\$12,680
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,349	\$1,358	\$1,372	\$1,340	\$1,415
Total Income	\$151,713	\$143,866	\$154,205	\$147,194	\$148,621
# Component					
407 BBQ - Replace	\$0	\$0	\$0	\$0	\$0
408 Picnic Table/Benches - Replace	\$0	\$0	\$0	\$0	\$0
505 Choctaw Wood Fence - Replace	\$0	\$0	\$0	\$0	\$0
506 Park Common Fence - Replace (Share)	\$6,260	\$0	\$0	\$0	\$0
507 Wood Barricade Fence - Replace	\$0	\$0	\$0	\$0	\$0
1001 Backflow Device - Replace (2015)	\$0	\$0	\$0	\$0	\$0
1001 Backflow Devices - Replace (Old)	\$0	\$0	\$0	\$0	\$0
1008 Trees - Trim/Remove	\$11,593	\$0	\$0	\$12,668	\$0
1009 Landscaping - Replenishment	\$0	\$0	\$18,448	\$0	\$0
1105 Choctaw Wood Fence - Restain	\$0	\$2,985	\$0	\$0	\$0
1106 Park Common Fence - Restain	\$1,391	\$0	\$0	\$0	\$0
1107 Wood Barricade Fence - Restain	\$1,565	\$0	\$0	\$0	\$0
1402 Park Signs - Replace	\$0	\$0	\$2,214	\$0	\$0
Total Expenses	\$20,809	\$2,985	\$20,662	\$12,668	\$0
Ending Reserve Balance:	\$130,904	\$140,881	\$133,543	\$134,526	\$148,621

Table 5: 30-Year Income/Expense Detail (yrs 10 through 14)**30181-0**

Fiscal Year	2027	2028	2029	2030	2031
Starting Reserve Balance	\$148,621	\$130,082	\$85,505	\$78,795	\$93,930
Annual Reserve Contribution	\$13,061	\$13,452	\$13,856	\$14,272	\$14,700
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,393	\$1,077	\$821	\$863	\$941
Total Income	\$163,075	\$144,612	\$100,182	\$93,930	\$109,572
# Component					
407 BBQ - Replace	\$0	\$2,284	\$0	\$0	\$0
408 Picnic Table/Benches - Replace	\$0	\$8,305	\$0	\$0	\$0
505 Choctaw Wood Fence - Replace	\$0	\$31,214	\$0	\$0	\$0
506 Park Common Fence - Replace (Share)	\$0	\$0	\$0	\$0	\$0
507 Wood Barricade Fence - Replace	\$0	\$0	\$0	\$0	\$0
1001 Backflow Device - Replace (2015)	\$0	\$0	\$0	\$0	\$0
1001 Backflow Devices - Replace (Old)	\$29,566	\$0	\$0	\$0	\$0
1008 Trees - Trim/Remove	\$0	\$13,842	\$0	\$0	\$15,126
1009 Landscaping - Replenishment	\$0	\$0	\$21,386	\$0	\$0
1105 Choctaw Wood Fence - Restain	\$0	\$3,461	\$0	\$0	\$0
1106 Park Common Fence - Restain	\$1,613	\$0	\$0	\$0	\$0
1107 Wood Barricade Fence - Restain	\$1,814	\$0	\$0	\$0	\$0
1402 Park Signs - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$32,993	\$59,107	\$21,386	\$0	\$15,126
Ending Reserve Balance:	\$130,082	\$85,505	\$78,795	\$93,930	\$94,446

Table 5: 30-Year Income/Expense Detail (yrs 15 through 19)**30181-0**

Fiscal Year	2032	2033	2034	2035	2036
Starting Reserve Balance	\$94,446	\$91,822	\$104,386	\$80,049	\$97,481
Annual Reserve Contribution	\$15,141	\$15,595	\$16,063	\$16,545	\$17,041
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$931	\$981	\$922	\$887	\$1,065
Total Income	\$110,518	\$108,398	\$121,371	\$97,481	\$115,587
# Component					
407 BBQ - Replace	\$0	\$0	\$0	\$0	\$0
408 Picnic Table/Benches - Replace	\$0	\$0	\$0	\$0	\$0
505 Choctaw Wood Fence - Replace	\$0	\$0	\$0	\$0	\$0
506 Park Common Fence - Replace (Share)	\$0	\$0	\$0	\$0	\$0
507 Wood Barricade Fence - Replace	\$14,723	\$0	\$0	\$0	\$0
1001 Backflow Device - Replace (2015)	\$0	\$0	\$0	\$0	\$0
1001 Backflow Devices - Replace (Old)	\$0	\$0	\$0	\$0	\$0
1008 Trees - Trim/Remove	\$0	\$0	\$16,528	\$0	\$0
1009 Landscaping - Replenishment	\$0	\$0	\$24,793	\$0	\$0
1105 Choctaw Wood Fence - Restain	\$0	\$4,012	\$0	\$0	\$0
1106 Park Common Fence - Restain	\$1,870	\$0	\$0	\$0	\$0
1107 Wood Barricade Fence - Restain	\$2,103	\$0	\$0	\$0	\$0
1402 Park Signs - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$18,696	\$4,012	\$41,321	\$0	\$0
Ending Reserve Balance:	\$91,822	\$104,386	\$80,049	\$97,481	\$115,587

Table 5: 30-Year Income/Expense Detail (yrs 20 through 24)**30181-0**

Fiscal Year	2037	2038	2039	2040	2041
Starting Reserve Balance	\$115,587	\$111,609	\$126,225	\$113,856	\$114,441
Annual Reserve Contribution	\$17,552	\$18,079	\$18,621	\$19,180	\$19,755
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,135	\$1,189	\$1,200	\$1,141	\$1,249
Total Income	\$134,275	\$130,876	\$146,047	\$134,177	\$135,445
# Component					
407 BBQ - Replace	\$0	\$0	\$0	\$0	\$0
408 Picnic Table/Benches - Replace	\$0	\$0	\$0	\$0	\$0
505 Choctaw Wood Fence - Replace	\$0	\$0	\$0	\$0	\$0
506 Park Common Fence - Replace (Share)	\$0	\$0	\$0	\$0	\$0
507 Wood Barricade Fence - Replace	\$0	\$0	\$0	\$0	\$0
1001 Backflow Device - Replace (2015)	\$0	\$0	\$0	\$0	\$0
1001 Backflow Devices - Replace (Old)	\$0	\$0	\$0	\$0	\$0
1008 Trees - Trim/Remove	\$18,061	\$0	\$0	\$19,736	\$0
1009 Landscaping - Replenishment	\$0	\$0	\$28,742	\$0	\$0
1105 Choctaw Wood Fence - Restain	\$0	\$4,651	\$0	\$0	\$0
1106 Park Common Fence - Restain	\$2,167	\$0	\$0	\$0	\$0
1107 Wood Barricade Fence - Restain	\$2,438	\$0	\$0	\$0	\$0
1402 Park Signs - Replace	\$0	\$0	\$3,449	\$0	\$0
Total Expenses	\$22,667	\$4,651	\$32,191	\$19,736	\$0
Ending Reserve Balance:	\$111,609	\$126,225	\$113,856	\$114,441	\$135,445

Table 5: 30-Year Income/Expense Detail (yrs 25 through 29)**30181-0**

Fiscal Year	2042	2043	2044	2045	2046
Starting Reserve Balance	\$135,445	\$151,890	\$147,387	\$137,077	\$156,201
Annual Reserve Contribution	\$20,348	\$20,958	\$21,587	\$22,235	\$22,902
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,436	\$1,496	\$1,422	\$1,466	\$1,566
Total Income	\$157,229	\$174,345	\$170,396	\$160,777	\$180,669
# Component					
407 BBQ - Replace	\$0	\$0	\$0	\$0	\$0
408 Picnic Table/Benches - Replace	\$0	\$0	\$0	\$0	\$0
505 Choctaw Wood Fence - Replace	\$0	\$0	\$0	\$0	\$0
506 Park Common Fence - Replace (Share)	\$0	\$0	\$0	\$0	\$0
507 Wood Barricade Fence - Replace	\$0	\$0	\$0	\$0	\$0
1001 Backflow Device - Replace (2015)	\$0	\$0	\$0	\$4,576	\$0
1001 Backflow Devices - Replace (Old)	\$0	\$0	\$0	\$0	\$0
1008 Trees - Trim/Remove	\$0	\$21,566	\$0	\$0	\$23,566
1009 Landscaping - Replenishment	\$0	\$0	\$33,319	\$0	\$0
1105 Choctaw Wood Fence - Restain	\$0	\$5,391	\$0	\$0	\$0
1106 Park Common Fence - Restain	\$2,513	\$0	\$0	\$0	\$0
1107 Wood Barricade Fence - Restain	\$2,827	\$0	\$0	\$0	\$0
1402 Park Signs - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$5,339	\$26,957	\$33,319	\$4,576	\$23,566
Ending Reserve Balance:	\$151,890	\$147,387	\$137,077	\$156,201	\$157,103

Accuracy, Limitations, and Disclosures

Because we have no control over future events, we cannot claim that all the events we anticipate will occur as planned. We expect that inflationary trends will continue and we expect that financial institutions will provide interest earnings on funds on-deposit. We believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. The things we can control are measurements, which we attempt to establish within 5% accuracy. Your starting Reserve Balance and current Reserve interest earnings are also numbers that can be identified with a high degree of certainty. These figures have been provided to us, and were not confirmed by our independent research. Our projections assume a stable economic environment and lack of natural disasters.

Because both the physical status and financial status of the association change each year, this Reserve Study is by nature a “one-year” document. This information can and should be adjusted annually as part of the Reserve Study Update process so that more accurate estimates can be reflected in the Reserve plan. Reality often differs from even the best assumptions due to changing economic factors, physical factors, and ownership expectations. Because many years of financial preparation help prepare for large expenses, this Report shows expenses for the next 30 years. We fully expect a number of adjustments will be necessary through the interim years to both the cost and timing of distant expense projections. It is our recommendation and that of the American Institute of Certified Public Accountants (AICPA) that your Reserve Study be updated annually.

Association Reserves – SF, LLC, and its employees have no ownership, management, or other business relationships with the client other than this Reserve Study engagement. Derek Eckert, R.S., company president, is a credentialed Reserve Specialist (#114). All work done by Association Reserves is performed under his Responsible Charge. There are no material issues to our knowledge that have not been disclosed to the client that would cause a distortion of the association’s situation.

We have relied upon the client to provide the current (or projected) Reserve Balance, the estimated net-after-tax current rate of interest earnings, and to indicate if those earnings accrue to the Reserve Fund. In addition, we have considered the association’s representation of current and historical Reserve projects reliable, and we have considered the representations made by its vendors and suppliers to also be accurate and reliable.

Component quantities indicated in this Report were derived from the prior Reserve Study, unless otherwise noted in our “Site Inspection Notes”. No destructive or intrusive testing was performed, nor should the site inspection be assumed to be anything other than for budgeting purposes.

Association Reserves’ liability in any matter involving this Reserve Study is limited to our Fee for services rendered.

Where any uncertainties exist, we urge the association to obtain a legal review and written opinion of the legitimacy of the funding policies, as stipulated or permitted under your Declaration and local statutes. As these are legal questions, we highly recommend use of an experienced real property attorney specializing in association law.

Re-use of reserve study, figures or calculations in any other format absolves ARSF of all responsibility.

Terms and Definitions

BTU	British Thermal Unit (a standard unit of energy)
DIA	Diameter
GSF	Gross Square Feet (area)
GSY	Gross Square Yards (area)
HP	Horsepower
LF	Linear Feet (length)

Effective Age: The difference between Useful Life and Remaining Useful Life. Note that this is not necessarily equivalent to the chronological age of the component.

Fully Funded Balance (FFB): The Reserve Balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This benchmark balance represents the value of the deterioration of the Reserve Components. This number is calculated for each component, then summed together for an association total.

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age}) / \text{Useful Life}$$

Inflation: Cost factors are adjusted for inflation at the rate defined in the Executive Summary and compounded annually. These increasing costs can be seen as you follow the recurring cycles of a component on Table 5.

Interest: Interest earnings on Reserve Funds are calculated using the average balance for the year (taking into account income and expenses through the year) and compounded monthly using the rate defined in the Executive Summary. Annual interest earning assumption appears in the Executive Summary, page ii.

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 Fully Funded Balance, expressed as a percentage.

Remaining Useful Life: The estimated time, in years, that a common area component can be expected to continue to serve its intended function.

Useful Life: The estimated time, in years, that a common area component can be expected to serve its intended function.

Photographic Inventory Appendix

Client: 30181 Meadowcreek II Owners Association

General Common Areas

Comp #: 407 BBQ - Replace

Quantity: (1) BBQ

Funded?: Yes.

History:

Location: At park area

Evaluation: Bbq grill appears to be a custom designed steel bbq grounded in concrete. Functional however, some surface wear and fading observed along with minor corrosion. Informed the bbq grill receives minimal to moderate overall use. As routine maintenance, we suggest cleaning and painting of the bbq grill to help maintain overall functionality and possibly extend the useful life.

Useful Life:
30 years

Remaining Life:
11 years



Best Case: \$1,500
Lower allowance to replace

Worst Case: \$1,800
Higher allowance to replace

Cost Source: ARSF Cost Database

Client: 30181 Meadowcreek II Owners Association

Comp #: 408 Picnic Table/Benches - Replace

Quantity: (1) Table, (2) Benches

Funded?: Yes.

History:

Location: At park area

Evaluation: The picnic table and benches are vinyl coated and grounded in concrete. Surface wear and fading along with chipped surfaces noted. Informed the picnic table and bench receives minimal to moderate overall use. Life expectancy of picnic tables, benches and other outdoor furnishings can vary greatly depending on level of exposure to the elements, preventive maintenance, quality of material and aesthetic standards of the association. In our experience, it is prudent to plan for replacement of all items together to preserve a coordinated appearance. As routine maintenance, we suggest cleaning and painting of the picnic table and bench to help maintain overall functionality and possibly extend the useful life.

Useful Life:
30 years

Remaining Life:
11 years



Best Case: \$5,400
Lower allowance to replace

Worst Case: \$6,600
Higher allowance to replace

Cost Source: ARSF Cost Database

Client: 30181 Meadowcreek II Owners Association

Comp #: 505 Choctaw Wood Fence - Replace

Quantity: Approx 410 LF

Funded?: Yes.

History: Prior Reserve Study indicates last replaced in 2004.

Location: Adjacent to Choctaw Drive

Evaluation: Fence is functional and upright however, isolated boards show minor damage and cracking. As routine maintenance, inspect regularly for any damage, repair as needed and avoid contact with ground and surrounding vegetation wherever possible. Regular cycles of uniform, professional sealing/painting will help to maintain appearance and maximize life. Plan to replace at roughly the time frame below with funding included here for similar wood replacement.

Useful Life:
25 years

Remaining Life:
11 years



Best Case: \$20,500

Lower allowance to replace

Worst Case: \$24,600

Higher allowance to replace

Cost Source: ARSF Cost Database

Client: 30181 Meadowcreek II Owners Association

Comp #: 506 Park Common Fence - Replace (Share)

Quantity: Approx 195 LF x 50%

Funded?: Yes.

History:

Location: At park area; park-to-residential boundary

Evaluation: This is the wood fencing at the park area which borders the residential units, and is a shared responsibility with the neighboring residential units. Fence appears to be in fair to aging condition. Isolated boards show minor damaged. As routine maintenance, inspect regularly for any damage, repair as needed and avoid contact with ground and surrounding vegetation wherever possible. Regular cycles of uniform, professional sealing/painting will help to maintain appearance and maximize life. Plan to replace at roughly the time frame below with funding included here for similar wood replacement.

Useful Life: 25 years

Remaining Life: 5 years



Best Case: \$4,900
Lower allowance to replace 50%

Worst Case: \$5,900
Higher allowance to replace 50%

Cost Source: ARSF Cost Database

Client: 30181 Meadowcreek II Owners Association

Comp #: 507 Wood Barricade Fence - Replace Quantity: Approx 700 LF, (47) Sect.

Funded?: Yes.

History: Prior Reserve Study indicates last replaced in 2008.

Location: Perimeter of park area

Evaluation: This is the barricade split-rail wood fence constructed of pressure treated posts. Functional at this time however, isolated fencing shows leaning and minor damage at the base. No major damage observed. As routine maintenance, inspect regularly for any damage, repair as needed and avoid contact with ground and surrounding vegetation wherever possible. Regular cycles of uniform, professional sealing/painting will help to maintain appearance and maximize life. Plan to replace at roughly the time frame below with funding included here for similar wood replacement.

Useful Life:
25 years

Remaining Life:
15 years



Best Case: \$8,400
Lower allowance to replace

Worst Case: \$10,500
Higher allowance to replace

Cost Source: ARSF Cost Database

Client: 30181 Meadowcreek II Owners Association

Comp #: 1001 Backflow Device - Replace (2015) **Quantity:** (1) Device

Funded?: Yes.

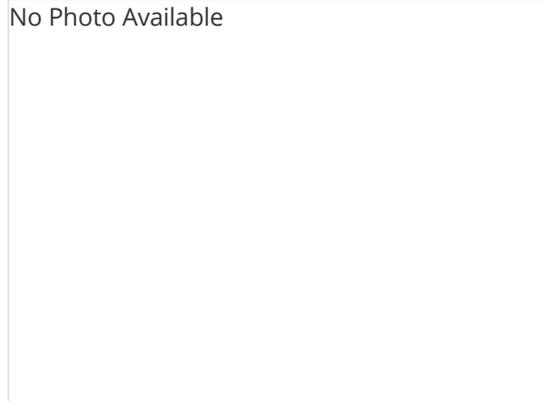
History: Information provided by the client indicates installed in approximately 2015.

Location: Throughout common areas

Evaluation: Information provided by the client indicates this is a 2" Febco LF825Y backflow device. No problems or issues reported. We recommend annual inspection and testing by a licensed backflow professional to help ensure the devices are aging and functioning properly.

Useful Life:
30 years

Remaining Life:
28 years



Best Case: \$1,800

Lower allowance to replace

Worst Case: \$2,200

Higher allowance to replace

Cost Source: ARSF Cost Database

Comp #: 1001 Backflow Devices - Replace (Old) **Quantity:** (11) Devices

Funded?: Yes.

History:

Location: Throughout common areas

Evaluation: Combination of 1" and 2" Watts and Wilkins Zurn backflow devices. No problems or issues reported. We recommend annual inspection and testing by a licensed backflow professional to help ensure the devices are aging and functioning properly.

Useful Life:
30 years

Remaining Life:
10 years



Best Case: \$20,000

Lower allowance to replace

Worst Case: \$24,000

Higher allowance to replace

Cost Source: ARSF Cost Database

Client: 30181 Meadowcreek II Owners Association

Comp #: 1003 Irrigation Controllers - Replace **Quantity:** Approx (9) Controllers

Funded?: No. Individual replacement of this component does not meet the minimum cost threshold to be deemed a Reserve component. No Reserve funding allocated.

History: Informed by Bishop Nursery the irrigation controller at the park was replaced in approximately 2012.

Location: At park area

Evaluation: Unable to access the irrigation controller during the site visit. Research with Bishop Nursery indicates there is (1) controller at the park area and approximately (7-8) battery powered controllers throughout the common areas. Irrigation controllers are functional. There is no expectation to replace all irrigation controllers at the same time, and individual replacement is a minimal overall expense. We suggest handling individual replacement as needed out of the Operating budget. No Reserve funding allocated.

Useful Life:

Remaining Life:

No Photo Available

Best Case:

Worst Case:

Cost Source:

Client: 30181 Meadowcreek II Owners Association

Comp #: 1006 Irrigation System - Repair/Replace **Quantity:** Irrigation System
Funded?: No. The timing and cost for large-scale repairs and/or replacement of this component cannot be reasonably determined. At this time, there is no basis for Reserve funding.

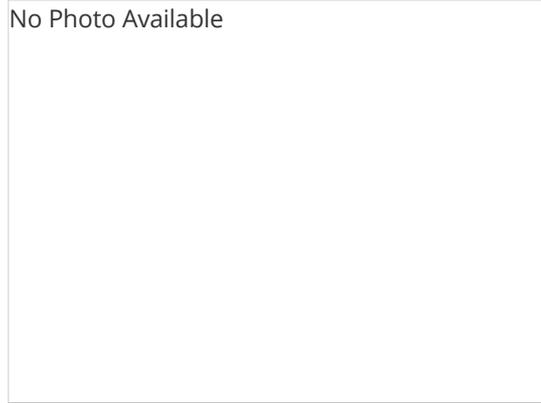
History:

Location: Common area landscaping

Evaluation: As routine maintenance, inspect regularly, test system and repair as needed from the Operating budget. At this time, there have been no major repairs and are no plans for large-scale replacement upgrades of the irrigation system. If a pattern of significant repairs and/or replacement emerges, funding may be incorporated into future studies. At this time there is no basis for Reserve funding

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:

Client: 30181 Meadowcreek II Owners Association

Comp #: 1008 Trees - Trim/Remove

Quantity: Tree
Trimming/Removal

Funded?: Yes.

History: Last addressed in 03/2016.

Location: At park area

Evaluation: This component may be utilized for larger tree removal/trimming projects which do not occur on an annual basis. If the community has not already done so, consult with a qualified arborist for a long term plan for the care and management of the trees within the community, balancing aesthetics with protection of association assets. Reserve funding recommend at level indicated below for periodic, larger tree removal/trimming needs.

Useful Life:
3 years

Remaining Life:
2 years



Best Case: \$9,000
Lower allowance for trim/removal

Worst Case: \$11,000
Higher allowance for trim/removal

Cost Source: Cost History, plus Inflation

Client: 30181 Meadowcreek II Owners Association

Comp #: 1009 Landscaping - Replenishment

Quantity: Common Landscaped Areas

Funded?: Yes.

History:

Location: At park area

Evaluation: Although typically funded as ongoing maintenance item, this component may be utilized for setting aside funds for larger expenses that do not occur on an annual basis, such as large scale plantings, resodding lawn areas, bark/mulch replenishment, etc. Adjust as conditions, actual expense patterns dictate within future Reserve study updates. If large-scale renovation projects become a part of the agenda, we recommend consulting with the landscape vendor to establish a viable renovation plan that fits the Association's desired aesthetics.

Useful Life:
5 years

Remaining Life:
2 years



Best Case: \$12,000

Lower allowance to replenish

Worst Case: \$18,000

Higher allowance to replenish

Cost Source: ARSF Cost Database

Client: 30181 Meadowcreek II Owners Association

Comp #: 1105 Choctaw Wood Fence - Restain Quantity: Approx 410 LF

Funded?: Yes.

History: Prior Reserve Study indicates last addressed between 2007 and 2008.

Location: Adjacent to Choctaw Drive

Evaluation: Fence stain appears to show signs of fading and overall surface wear. Regular uniform, professional paint or sealer applications are recommended for appearance, protection of wood and maximum design life. Repair as needed and clean prior to application. Plan for regular applications as shown below. Repair/paint should be coordinated with eventual fence replacement. Wood surfaces will need to be stained or painted in this environment every 5-6 years to protect against wood rot and natural deterioration.

Useful Life:
5 years

Remaining Life:
1 years



Best Case: \$2,000
Lower allowance to restain

Worst Case: \$3,000
Higher allowance to restain

Cost Source: ARSF Cost Database

Client: 30181 Meadowcreek II Owners Association

Comp #: 1106 Park Common Fence - Restain

Quantity: Approx 195 LF

Funded?: Yes.

History:

Location: At park area; park-to-residential boundary

Evaluation: Fence surfaces are faded overall. Regular uniform, professional paint or sealer applications are recommended for appearance, protection of wood and maximum design life. Repair as needed and clean prior to application. Plan for regular applications as shown below. Repair/paint should be coordinated with eventual fence replacement. Wood surfaces will need to be stained or painted in this environment every 5-6 years to protect against wood rot and natural deterioration.

Useful Life:
5 years

Remaining Life:
0 years



Best Case: \$1,000
Lower allowance to restain

Worst Case: \$1,400
Higher allowance to restain

Cost Source: ARSF Cost Database

Client: 30181 Meadowcreek II Owners Association

Comp #: 1107 Wood Barricade Fence - Restain **Quantity:** Approx 700 LF, (47) Sect.

Funded?: Yes.
 History:
 Location: Perimeter of park area
 Evaluation: The barricade split-rail wood fence surfaces are stained. General surface wear and signs of fading noted. Wood surfaces will need to be stained or painted in this environment every 5-6 years to protect against wood rot and natural deterioration.

Useful Life:
 5 years

Remaining Life:
 0 years



Best Case: \$1,200 Worst Case: \$1,500
 Lower allowance to restain Higher allowance to restain
 Cost Source: ARSF Cost Database

Comp #: 1402 Park Signs - Replace **Quantity:** (4) Signs, (4) Posts

Funded?: Yes.
 History: Prior Reserve Study indicates last replaced in 2009.
 Location: At park area
 Evaluation: These are the custom Association park signs attached to pressure treated posts. Functional and legible. Isolated signage shows some minor damage. No signs of major abuse or vandalism. This component funds for periodic replacement of the park signage including the posts at the interval below.

Useful Life:
 15 years

Remaining Life:
 7 years



Best Case: \$1,600 Worst Case: \$2,000
 Lower allowance to replace Higher allowance to replace
 Cost Source: ARSF Cost Database

Client: 30181 Meadowcreek II Owners Association

Comp #: 1834 Drainage System - Repair/Replace Quantity: Common Area Drainage

Funded?: No. The useful life of this component cannot be reasonably determined at this time. Once a pattern of major repairs and/or replacement emerges, funding may be incorporated into future studies. No Reserve funding allocated.

History:

Location: Throughout property

Evaluation: Informed by the client there are various french drainage systems throughout the property. Analysis of the drainage system is beyond the scope of our services. The french drainage system is assumed to have been properly designed with adequate provisions for community drainage needs. We recommend periodic inspections and consultation with a licensed professional to help ensure the drainage systems are intact and functioning properly without any obstruction to drainage from tree roots, sediment, etc. If patterns of significant repair emerge, funding may be incorporated into future Reserve study updates. At this time, there is no basis for Reserve funding.

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source: