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# RDA REPORT

SCANNED

Arizona Renaissance Homeowners Assn.  
Mesa, Arizona  
Account 1994 - Version 002  
February 17, 2006

## RESERVE DATA ANALYSIS, INC.

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## Please Note

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

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

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

Reserve Data Analysis, Inc., would like to thank you for using our services, and we invite you to call us at any time should you have any questions or comments or need assistance. In addition, any of the parameters and estimates used in this study may be changed at your request, after which we will provide you with a revised study.

**RESERVE DATA ANALYSIS, INC.**

**(480) 473-7643**

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## PART I - INTRODUCTION

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Preparing the annual budget and overseeing the association's finances are perhaps the most important responsibilities of board members. The annual operating and reserve budgets reflect the planning and goals of the association and set the level and quality of service for all of the association's activities.

### ■ 1. Funding Options

When a major repair or replacement is required in a community, an association has essentially four options available to address the expenditure:

The first option is to pass a "special assessment" to the membership in an amount required to cover the expenditure. Although not commonplace, there have been special assessments in the amount of \$10,000 per member assessed in associations in Virginia and southern California. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure if necessary. However, an association operating on a special assessment basis cannot guarantee that an assessment, when needed, will be passed. Consequently, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated to maintain when the need arises. Additionally, while relatively new communities require very little in the way of major "reserve" expenditures, associations reaching 12 to 15 years of age and older find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, can be devastating to an association's overall budget.

The second option is for the association to acquire a loan from a lending institution in order to effect the required repairs. In many cases, banks will lend money to an association using "future homeowner assessments" as collateral for the loan. With this method, not only is the current board of directors pledging the future assets of an association, they are also required to pay interest fees on the loan payback in addition to the original principal. In the case of a \$150,000 roofing replacement, the association may be required to pay back the loan over a three to five year period, with interest; whereas, if the association was setting aside reserves for this purpose, using the

vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof in order to accumulate the necessary moneys. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The third option, too often used, is simply to defer the required repair or replacement. This option can create an environment of declining property values due to the increasing deferred maintenance and the association's financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the Association by making it difficult or even impossible for potential buyers to obtain financing from lenders. Increasingly, many lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association, a prospective purchaser, or for an individual within such association.

The fourth, and only logical means that the board of directors has to ensure its ability to maintain the assets for which it is obligated, uniformly distributing the costs of the replacements over the entire membership, is by assessing an adequate level of reserves as part of the regular membership assessment. The community is not only comprised of present members, but also future members. Any decision by the board of directors to adopt a calculation method or funding plan which would disproportionately burden future members in order to make up for past reserve deficits would be a breach of its fiduciary responsibility to those future members. Unlike individuals determining their own course of action, the board is responsible to the "community" as a whole.

## ■ 2. The Reserve Study

There are two components of a reserve study – a physical analysis and a financial analysis. During the physical analysis, a reserve provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates. A financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent funded) to determine a recommendation for an appropriate reserve contribution rate in the future known as the "funding plan."

Reserve studies fit into one of three categories: 1) Full Study; 2) Update - with site inspection; and 3) Update - without site inspection.

- In a Full reserve study, the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a "fund status" and "funding plan."

- In an Update – with site inspection, the reserve provider conducts a component inventory (verification only, not quantification), a condition assessment (based on on-site visual observations), and life and valuation estimates to determine both the “fund status” and “funding plan.”
- In an Update – without site inspection, the reserve provider conducts life and valuation estimates to determine the “fund status” and “funding plan.”

### ■ 3. Developing a Component List

The budget process begins with an accurate inventory of all the major components for which the association is responsible. The determination of whether an expense should be labeled as operational, reserve, or excluded altogether is sometimes subjective. Since this labeling may have a major impact on the financial plans of the association, subjective determinations should be minimized. We suggest the following considerations when labeling an expense:

**OPERATIONAL EXPENSES** occur at least annually, no matter how large the expense, and can be effectively budgeted for each year. They are characterized as being reasonably predictable both in terms of frequency and cost. Operational expenses include all minor expenses which would not otherwise adversely affect an operational budget from one year to the next. Examples of Operational Expenses include:

Utilities:

- Electricity
- Gas
- Water
- Telephone
- Cable TV

Services:

- Landscaping
- Pool Maintenance
- Street Sweeping
- Accounting
- Reserve Study

Administrative:

- Supplies
- Bank Service Charges
- Dues & Publications
- Licenses, Permits & Fees

Repair Expenses:

- Tile Roof Repairs
- Equipment Repairs
- Minor Concrete Repairs
- Operating Contingency

**RESERVE EXPENSES** are major expenses that occur other than annually and which must be budgeted for in advance in order to provide the necessary funds in time

for their occurrence. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets which have an indeterminable but potential liability which may be demonstrated as a likely occurrence. They are expenses that when incurred would have a significant affect on the smooth operation of the budgetary process from one year to the next if they were not reserved for in advance. Examples of Reserve Expenses include:

- Roof Replacements
- Painting
- Deck Resurfacing
- Fencing Replacement
- Street Slurry Coating
- Asphalt Overlays
- Pool Re-plastering
- Pool Equipment Replacement
- Pool Furniture Replacement
- Tennis Court Resurfacing
- Park & Play Equipment
- Equipment Replacement
- Interior Furnishings
- Lighting Replacement

**BUDGETING IS NORMALLY EXCLUDED FOR** repairs or replacements of assets which are deemed to have an estimated useful life equal to or exceeding the estimated useful life of the facility or community itself, or exceeding the legal life of the community as defined in an association's governing documents. Examples include the complete replacement of elevators, tile roofs, wiring and plumbing. Also excluded are insignificant expenses which may be covered either by an operating or reserve contingency, or otherwise in a general maintenance fund. Costs which are caused by acts of God, accidents or other occurrences which are more properly insured for, rather than reserved for, are also excluded.

#### ■ 4. Preparing the Reserve Study

Once the reserve assets have been identified and quantified, their respective replacement costs, useful lives and remaining lives must be assigned so that a funding schedule can be constructed. Replacement costs and useful lives can be found in published manuals such as construction estimators, appraisal handbooks, and valuation guides. Remaining lives are calculated from the useful lives and ages of assets and adjusted according to conditions such as design, manufacture quality, usage, exposure to the elements and maintenance history.

By following the recommendations of an effective reserve study the association should avoid any major shortfalls. However, to remain accurate, the report should be updated on an annual basis to reflect such changes as shifts in economic parameters, additions of phases or assets, or expenditures of reserve funds. The association can assist in simplifying the reserve analysis update process by keeping accurate records of these changes throughout the year.

## ■ 5. Funding Methods

From the simplest to most complex, reserve analysis providers use many different computational processes to calculate reserve requirements. However, there are two basic processes identified as industry standards: the cash-flow method and the component method.

The cash flow method develops a reserve-funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a “window” in which all future anticipated replacement costs are computed, based on the individual lives of the components under consideration.

The component method develops a reserve-funding plan where the total contribution is based on the sum of contributions for individual components. The component method is the more conservative of the two funding options, and assures that the association will achieve and maintain an ideal level of reserves over time. This method also allows for computations on individual components in the analysis. The RDA Summary and RDA Projection Reports are based upon the component methodology.

## ■ 6. Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are four basic strategies from which most associations select. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association’s need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The four funding plans and descriptions of each are detailed below. Associations will have to update their reserve studies more or less frequently depending on the funding strategy they select.

- Full Funding — Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each year. At the end

of three years, one would expect that three-tenths of the replacement cost to have accumulated, and if so, that component would be "fully-funded." This model is important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. The formula is based on current replacement cost, and is a measure in time, independent of future inflationary or investment factors:

$$\text{Fully Funded Reserves} = \frac{\text{Age of Component}}{\text{Useful Life}} \times \text{Current Replacement Cost}$$

When an association's total accumulated reserves for all components meet this criteria, its reserves are "fully-funded."

- Baseline Funding (RDA Cash Flow Minimum Reports) — The goal of this funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balance overall does not drop below zero during the projected period. An association using this funding method must understand that even a minor reduction in a component's remaining useful life can result in a deficit in the reserve cash balance.
- Threshold Funding (RDA Cash Flow Specific Reports) — This method is based on the baseline funding concept. The minimum reserve cash balance in threshold funding, however, is set at a predetermined dollar amount.
- Statutory Funding — This method is based on local statutes. To use it, associations set aside a specific minimum amount of reserves as required by statutes.

## ■ 7. Distribution of Accumulated Reserves

The "Distribution of Accumulated Reserves Report" can be viewed and printed after performing the "RDA Summary Calculations," which is a "Component or Segregated Calculation Process," as opposed to the "Cash Flow Calculation Process," also available to the user in the program.

When calculating reserves based upon the component methodology, a beginning reserve balance must be allocated for each of the individual components considered in the analysis before the individual calculations can be completed. When this distribution is not available, or of sufficient detail, the following method is suggested for allocating reserves:

The first step the program performs in this process is subtracting, from the total accumulated reserves, any amounts for assets which have predetermined (fixed) reserve balances. The user can "fix" the accumulated reserve balance within the program on the individual asset's detail page. If by error these amounts total more than the amount of funds available, then the remaining assets are adjusted accordingly. A provision for a contingency reserve is then deducted by the determined percentage used, and if there are sufficient remaining funds available.

The second step is to identify the ideal level of reserves for each asset. As indicated in the prior section, this is accomplished by evaluating the component's age proportionate to its estimated useful life and current replacement cost. Again, the equation used is as follows:

$$\text{Fully Funded Reserves} = \frac{\text{Age of Component}}{\text{Useful Life}} \times \text{Current Replacement Cost}$$

The RDA RESERVE MANAGEMENT SOFTWARE™ program performs the above calculations to the very month the component was placed-in-service. It also allows for the accumulation of the necessary reserves for the replacement to be available on the first day of the fiscal year it is scheduled to be replaced.

The next step the program performs is to arrange all of the assets used in the study in ascending order by remaining life, and alphabetically within each grouping of remaining life items. These assets are then assigned their respective ideal level of reserves until the amount of funds available are depleted, or until all assets are appropriately funded. If any assets are assigned a zero remaining life (schedule for replacement this fiscal year), then the amount assigned equals the current replacement cost and funding begins for the next cycle of replacement. If there are insufficient funds available to accomplish this, then the software automatically adjust the zero remaining life item to 1 year and that asset assumes its new grouping position alphabetically in the final printed report.

If at the completion of this task there are additional moneys which have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such and are not factored into any of the report computations. If at the end of this assignment process there are designated excess funds, they can be used to offset the monthly contribution requirements recommended, or used in any other manner the client may desire.

Assigning the reserves in this manner defers the make-up period for any underfunding over the longest remaining life of all the assets under consideration, thereby minimizing the impact of deficiency. For example, if the report indicates an underfunding of \$50,000, this underfunding will be assigned to components with the longest remaining life possible in order to give more time to "replenish" the account. If the \$50,000 underfunding were to be assigned to short remaining life items, the impact would be immediately felt.

If the reserves are underfunded, the monthly contribution requirements as outlined in this report can be expected to be higher than normal. In future years, as individual assets are replaced, the funding requirements will return to their normal levels. In the case of a large deficiency, a special assessment may be considered. The program can easily generate revised reports outlining how the monthly contributions would be affected by such an adjustment, or by any other changes which may be under consideration.

## ■ 8. Funding Reserves

Two contribution numbers are provided in the report, the "Monthly Membership Contribution" and the "Net Monthly Allocation." The association should contribute to reserves each month the "Monthly Membership Contribution" figure, when the interest earned on the reserves is left in the reserve accounts as part of the contribution. When interest is earned on the reserves, that interest must be left in reserves and only amounts set aside for taxes should be removed.

The second alternative is to allocate the "Net Monthly Allocation" to reserves (this is the member contribution plus the anticipated interest earned for the fiscal year). This method assumes that all interest earned will be assigned directly as operating income. This allocation takes into consideration the anticipated interest earned on accumulated reserves regardless of whether or not it is actually earned. When taxes are paid the amount due will be taken directly from the association's operating accounts as the reserve accounts are allocated only those moneys net of taxes.

## ■ 9. Users' Guide to Your Reserve Analysis Study

Part II of your RDA REPORT contains the reserve analysis study for your association. There are seven types of pages in the study as described below.

### REPORT SUMMARY

The **Report Summary** lists all of the parameters which were used in calculating the report as well as the summary of your reserve analysis study.

### INDEX REPORTS

The **Distribution of Accumulated Reserves** report lists all assets in remaining life order. It also identifies the ideal level of reserves which should have accumulated for the association as well as the actual reserves available.

The **Asset Listing/Summary** lists all assets by category (i.e. roofing, painting, lighting, etc.) together with their remaining life, current cost, monthly reserve contribution, and net monthly allocation.

### DETAIL REPORTS

The **Detail Report** itemizes each asset and lists all measurements, current and future costs and calculations for that asset. Provisions for percentage replacements, salvage values and one-time replacements can also be utilized.

The numerical listings for each asset are enhanced by extensive narrative detailing factors such as design, manufacture quality, usage, exposure to elements and maintenance history.

The **Detail Report Index** is an alphabetical listing of all assets together with the page number of the asset's detail report and asset number.

## PROJECTIONS AND CHARTS

*Thirty-year Projections* as well as *Charts and Graphs* of projected data add to the usefulness of your reserve analysis study.

### ■ 10. Definitions

**REPORT I.D.** - Includes the REPORT DATE (ex. November 15, 1992), VERSION (ex. 001), and ACCOUNT NUMBER (ex. 9773). Please use this information when referencing your report. (Displayed on the summary page.)

**BUDGET YEAR BEGINNING/ENDING** - The budgetary year for which the report is prepared. For associations with fiscal years ending December 31, the monthly contribution figures indicated are for the 12 month period beginning 1/1/2X and ending 12/31/2X.

**NUMBER OF UNITS/PHASES** - If applicable, the number of units and/or phases included in this version of the report.

**INFLATION** - This figure is used to approximate the future cost to repair or replace each component in the report. The current cost for each component is compounded on an annual basis by the number of remaining years to replacement and the total is used in calculating the monthly reserve contribution which will be necessary in order to accumulate the required funds in time for replacement.

**ANNUAL CONTRIBUTION INCREASE** - The percentage rate at which the association will increase its contribution to reserves at the end of each year until the year in which the asset is replaced. For example, in order to accumulate \$10,000 in 10 years, you could set aside \$1,000 per year. As an alternative, you could set aside \$795 the first year and increase that amount by 5% each year until the year of replacement. In either case you arrive at the same amount. The idea is that you start setting aside a lower amount and increase that number each year in accordance with the planned percentage. Ideally this figure should be equal to the rate of inflation. It can, however, be used to aid those associations that have not set aside appropriate reserves in the past by making the initial year's allocation less formidable.

**INVESTMENT YIELD** - The average interest rate anticipated by the association based upon its current investment practices.

**TAXES ON YIELD** - The estimated percentage of interest income which will be set aside for taxes.

**ACCUMULATED RESERVE BALANCE** - The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. Based upon information provided and not audited.

**PERCENT FULLY FUNDED** - The ratio, at the beginning of the fiscal year, of the actual (or projected) reserve balance to the calculated fully funded balance, expressed as a percentage.

**PHASE INCREMENT DETAIL/AGE** - Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

**MONTHLY CONTRIBUTION** - The contribution to reserves required by the association each month.

**INTEREST CONTRIBUTION** - The interest that should be earned on the reserves, net of taxes, based upon their beginning reserve balance and monthly contributions for one year. This figure is averaged for budgeting purposes.

**NET MONTHLY ALLOCATION** - The sum of the monthly contribution and interest contribution figures.

**GROUP OR FACILITY NUMBER/CATEGORY NUMBER** - The report may be prepared and sorted either by group or facility (location, building, phase, etc.) or by category (roofing, painting, etc.). Standard report printing format is by category.

**PERCENTAGE OF REPLACEMENT** - In some cases, an asset may not be replaced in its entirety or the cost may be shared with a second party. Examples are budgeting for a percentage of replacement of streets over a period of time, or sharing the expense to replace a common wall with a neighboring party.

**PLACED-IN-SERVICE** - The month and year that the asset was placed-in-service. - This may be the construction date, the first escrow closure date in a given phase, or the date of the last servicing or replacement.

**ESTIMATED USEFUL LIFE** - The estimated useful life of an asset based upon industry standards, manufacturer specifications, visual inspection, location, usage, association standards and prior history. All of these factors are taken into consideration when tailoring the estimated useful life to the particular asset. For example, the carpeting in a hallway or elevator (a heavy traffic area) will not have the same life as the identical carpeting in a seldom-used meeting room or office.

**ADJUSTMENT TO USEFUL LIFE** - Once the useful life is determined it may be adjusted +/- by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

**ESTIMATED REMAINING LIFE** - This calculation is completed internally based upon the report's fiscal year date and the date the asset was placed-in-service.

**REPLACEMENT YEAR** - The year that the asset is scheduled to be replaced. The appropriate funds will be available by the first day of the fiscal year for which replacement is anticipated.

**FIXED ACCUMULATED RESERVES** - An optional figure which, if used, will override the normal process of allocating reserves to each asset.

**FIXED MONTHLY CONTRIBUTION** - An optional figure which, if used, will override all calculations and set the contribution at this amount.

**SALVAGE VALUE** - The salvage value of the asset at the time of replacement, if applicable.

**ONE-TIME REPLACEMENT** - Notation if the asset is to be replaced on a one-time basis.

**CURRENT REPLACEMENT COST** - The estimated replacement cost effective as of the beginning of the fiscal year for which the report is being prepared.

**FUTURE REPLACEMENT COST** - The estimated cost to repair or replace the asset at the end of its estimated useful life based upon the current replacement cost and inflation.

**COMPONENT INVENTORY** - The task of selecting and quantifying reserve components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents and discussion with appropriate association representative(s).

## ■ 11. A Multi-Purpose Tool

Your RDA REPORT is an important part of your association's budgetary process. Following its recommendations should ensure the association's smooth budgetary transitions from one fiscal year to the next, and either decrease or eliminate the need for "special assessments".

In addition, your RDA reserve study serves a variety of useful purposes:

- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.
- A reserve analysis study is required by your accountant during the preparation of the association's annual audit.
- A reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.
- Your RDA REPORT is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.
- Your RDA REPORT is a tool which can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components which the association is obligated to maintain.
- Since the RDA reserve analysis study includes precise measurements and cost estimates of the client's assets, the detail reports may be used to evaluate the accuracy and price of contractor bids when assets are due to be repaired or replaced.
- The reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.

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**Arizona Renaissance Homeowners Assn.**  
Distribution of Accumulated Reserves

REPORT DATE: February 17, 2006  
 VERSION: 002  
 ACCOUNT NUMBER: 1994

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Basketball Court - Resurface	0	2,006.40	2,006.40
Concrete Components - Unfunded	0	0.00	0.00
Monument Sign - Letters, Unfunded	0	0.00	0.00
Roofs - Ramadas, Metal, Unfunded	0	0.00	0.00
Walls - Block, Repairs, 2006	0	40,000.00	40,000.00
Paint - Ramada Support Structures	2	600.00	600.00
Granite Replenishment	4	45,000.00	7,975.73
Paint - Block Walls	4	7,927.20	0.00
Sand Replenishment	4	237.60	0.00
Tot Turf - Replace	4	1,188.00	0.00
Irrigation Controllers - Replace	6	725.00	0.00
Park Equipment - Replace	10	2,100.00	0.00
Playstructure - Replace	10	4,781.25	0.00
Basketball Backboards - Replace	14	240.00	0.00
Mailboxes - Replace	14	6,727.50	0.00
Total Asset Summary:		111,532.95	50,582.13
Contingency @ 3.00%:		3,345.99	1,517.46
Grand Total:		114,878.94	52,099.59
Excess Reserves Not Used:			0.00
Percent Fully Funded:	45%		

**Arizona Renaissance Homeowners Assn.**  
Asset Listing - Summary by Category

REPORT DATE: February 17, 2006  
 VERSION: 002  
 ACCOUNT NUMBER: 1994

DESCRIPTION	REM LIFE	CURRENT COST	MONTHLY CONTRIBUTION	NET MONTHLY ALLOCATION
Concrete Components - Unfunded	0	0	0.00	0.00
*** CATEGORY SUMMARY:		0	0.00	0.00
Roofs - Ramadas, Metal, Unfunded	0	0	0.00	0.00
*** CATEGORY SUMMARY:		0	0.00	0.00
Paint - Block Walls	4	13,212	292.59	294.47
Paint - Ramada Support Structures	2	800	9.43	10.20
*** CATEGORY SUMMARY:		14,012	302.02	304.67
Walls - Block, Repairs, 2006	0	40,000	0.00	0.00
*** CATEGORY SUMMARY:		40,000	0.00	0.00
Basketball Backboards - Replace	14	800	5.74	5.78
Basketball Court - Resurface	0	2,006	30.38	30.58
Park Equipment - Replace	10	5,600	53.52	53.86
Playstructure - Replace	10	12,750	121.84	122.62
*** CATEGORY SUMMARY:		21,156	211.48	212.84
Granite Replenishment	4	75,000	1,494.98	1,513.98
Irrigation Controllers - Replace	6	1,450	21.96	22.10
Mailboxes - Replace	14	22,425	161.00	162.04
Monument Sign - Letters, Unfunded	0	0	0.00	0.00
Sand Replenishment	4	396	8.77	8.83
Tot Turf - Replace	4	1,980	43.85	44.13
*** CATEGORY SUMMARY:		101,251	1,730.56	1,751.08
TOTAL ASSET SUMMARY:		176,419	2,244.06	2,268.59
CONTINGENCY @ 3.00%:			67.32	69.54
GRAND TOTAL:			2,311.38	2,338.13

**Arizona Renaissance Homeowners Assn.**  
RDA Standard Projections

REPORT DATE: February 17, 2006  
 VERSION: 002  
 ACCOUNT NUMBER: 1994

Beginning Accumulated Reserves: \$52,100

YEAR	CURRENT REPLACEMENT COST	ANNUAL CONTRBTN	ANNUAL INTEREST CONTRBTN	ANNUAL EXPENDTRS	PROJECTED ENDING RESERVES	FULLY FUNDED RESERVES	PERCENT FULLY FUNDED
'06	176,419	27,737	321	42,006	38,151	86,409	44%
'07	140,512	26,751	710	0	65,611	102,029	64%
'08	144,727	25,194	1,075	849	91,031	117,608	77%
'09	149,069	20,142	1,412	0	112,585	134,957	83%
'10	153,541	18,994	272	101,958	29,894	45,075	66%
'11	158,147	18,372	540	0	48,806	61,090	80%
'12	162,892	18,748	750	4,127	64,177	73,647	87%
'13	167,779	19,110	1,027	0	84,315	91,412	92%
'14	172,812	19,497	1,314	0	105,125	110,176	95%
'15	177,996	19,888	1,609	0	126,623	129,985	97%
'16	183,336	20,239	1,552	25,736	122,677	123,579	99%
'17	188,836	20,160	1,858	0	144,696	144,795	100%
'18	194,501	20,740	2,132	2,861	164,707	164,137	100%
'19	200,337	20,817	2,455	0	187,979	187,635	100%
'20	206,347	21,644	362	172,152	37,833	29,760	127%
'21	212,537	20,935	668	0	59,436	50,358	118%
'22	218,913	21,313	975	0	81,723	72,165	113%
'23	225,480	21,691	1,291	0	104,706	95,236	110%
'24	232,245	23,034	1,521	7,246	122,015	111,938	109%
'25	239,212	23,375	1,870	0	147,260	137,475	107%
'26	246,389	23,744	2,228	0	173,232	164,443	105%
'27	253,780	24,084	2,596	0	199,911	192,906	104%
'28	261,394	24,357	2,974	0	227,242	222,928	102%
'29	269,235	24,414	3,359	0	255,016	254,579	100%
'30	277,313	29,045	1,128	188,225	96,964	88,239	110%
'31	285,632	26,382	1,536	0	124,882	117,369	106%
'32	294,201	29,644	1,369	41,299	114,596	104,353	110%
'33	303,027	30,017	1,808	0	146,422	135,579	108%
'34	312,118	30,567	2,260	0	179,249	168,584	106%
'35	321,481	31,117	2,726	0	213,092	203,448	105%

NOTE: In some cases, the projected ending reserves may exceed the fully funded reserves during years following high expenditures. This is a result of the provision for a contingency in the report, which in the projections, is never expended. The contingency is continually adjusted according to present needs and any excess is redistributed among all assets considered.

Arizona Renaissance Homeowners Assn.  
Annual Expenditure Detail

REPORT DATE: February 17, 2006  
VERSION: 002  
ACCOUNT NUMBER: 1994

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DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2006	
Basketball Court - Resurface	2,006.40
Walls - Block, Repairs, 2006	40,000.00
*** ANNUAL TOTAL:	<hr/> 42,006.40
REPLACEMENT YEAR 2007	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2008	
Paint - Ramada Support Structures	848.72
*** ANNUAL TOTAL:	<hr/> 848.72
REPLACEMENT YEAR 2009	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2010	
Granite Replenishment	84,413.17
Paint - Block Walls	14,870.22
Sand Replenishment	445.70
Tot Turf - Replace	2,228.51
*** ANNUAL TOTAL:	<hr/> 101,957.60
REPLACEMENT YEAR 2011	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2012	
Basketball Court - Resurface	2,395.75
Irrigation Controllers - Replace	1,731.38
*** ANNUAL TOTAL:	<hr/> 4,127.13
REPLACEMENT YEAR 2013	
*** ANNUAL TOTAL:	0.00

Arizona Renaissance Homeowners Assn.  
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2014	
*** ANNUAL TOTAL:	0.00
 REPLACEMENT YEAR 2015	
*** ANNUAL TOTAL:	0.00
 REPLACEMENT YEAR 2016	
Paint - Ramada Support Structures	1,075.13
Park Equipment - Replace	7,525.94
Playstructure - Replace	17,134.95
*** ANNUAL TOTAL:	25,736.02
 REPLACEMENT YEAR 2017	
*** ANNUAL TOTAL:	0.00
 REPLACEMENT YEAR 2018	
Basketball Court - Resurface	2,860.65
*** ANNUAL TOTAL:	2,860.65
 REPLACEMENT YEAR 2019	
*** ANNUAL TOTAL:	0.00
 REPLACEMENT YEAR 2020	
Basketball Backboards - Replace	1,210.06
Granite Replenishment	113,444.25
Mailboxes - Replace	33,919.83
Paint - Block Walls	19,984.32
Sand Replenishment	598.99
Tot Turf - Replace	2,994.93
*** ANNUAL TOTAL:	172,152.38
 REPLACEMENT YEAR 2021	
*** ANNUAL TOTAL:	0.00
 REPLACEMENT YEAR 2022	
*** ANNUAL TOTAL:	0.00

Arizona Renaissance Homeowners Assn.  
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2023	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2024	
Basketball Court - Resurface	3,415.77
Irrigation Controllers - Replace	2,468.52
Paint - Ramada Support Structures	1,361.93
*** ANNUAL TOTAL:	7,246.22
REPLACEMENT YEAR 2025	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2026	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2027	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2028	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2029	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2030	
Basketball Court - Resurface	4,078.60
Granite Replenishment	152,459.59
Paint - Block Walls	26,857.27
Sand Replenishment	805.00
Tot Turf - Replace	4,024.93
*** ANNUAL TOTAL:	188,225.39
REPLACEMENT YEAR 2031	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2032	
Paint - Ramada Support Structures	1,725.27
Park Equipment - Replace	12,076.94

Arizona Renaissance Homeowners Assn.  
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
Playstructure - Replace	27,496.55
*** ANNUAL TOTAL:	<hr/> 41,298.76
REPLACEMENT YEAR 2033	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2034	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2035	
*** ANNUAL TOTAL:	0.00

**Arizona Renaissance Homeowners Assn.**  
Detail Report by Category

REPORT DATE: February 17, 2006  
 VERSION: 002  
 ACCOUNT NUMBER: 1994

Concrete Components - Unfunded		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1001	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	10	FUTURE COST	0.00
		ASSIGNED RESERVES	0.00
PLACED IN SERVICE	0/ 0	SALVAGE VALUE	0.00
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	0.00
REPLACEMENT YEAR	2006	INTEREST	0.00
0 YEAR REM LIFE		MONTHLY ALLOCTN	0.00

REMARKS:

It is normally a standard policy not to fund for concrete deck, sidewalk, or driveway repairs as a reserve component. It is anticipated that any repairs required will be addressed immediately due to safety concerns. Good maintenance practice would not allow the need for repairs to accumulate to a point that they would become a major expense. Minor repairs, as needed, may be covered by the operational budget, operational contingency or reserve contingency. Should the client feel otherwise, we would be happy to incorporate this element into our analysis.

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CATEGORY SUMMARY:	ASSIGNED RESERVES	0.00
	MONTHLY CNTRBTN	0.00
	INTEREST	0.00
	MONTHLY ALLOCTN	0.00

**Arizona Renaissance Homeowners Assn.**  
Detail Report by Category

Roofs - Ramadas, Metal, Unfunded	QUANTITY	1 comment
	UNIT COST	0.000
ASSET ID 1003	PERCENT REPL	0.00%
GROUP/FACILITY 0	CURRENT COST	0.00
CATEGORY 20	FUTURE COST	0.00
	ASSIGNED RESERVES	0.00
PLACED IN SERVICE 0/ 0	SALVAGE VALUE	0.00
0 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	0.00
REPLACEMENT YEAR 2006	INTEREST	0.00
0 YEAR REM LIFE	MONTHLY ALLOCTN	0.00

REMARKS:

We are not budgeting to replace the metal ramada roof(s) because they have an indefinite life, and should last for the life of the community if properly maintained. Any repairs should be handled on an "as needed" basis, and the expense paid for out of the operating budget.

CATEGORY SUMMARY:	ASSIGNED RESERVES	0.00
	MONTHLY CNTRBTN	0.00
	INTEREST	0.00
	MONTHLY ALLOCTN	0.00

Arizona Renaissance Homeowners Assn.  
Detail Report by Category

Paint - Block Walls		QUANTITY	44,040 sq. ft.
		UNIT COST	0.300
ASSET ID	1009	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	13,212.00
CATEGORY	30	FUTURE COST	14,870.22
		ASSIGNED RESERVES	0.00
PLACED IN SERVICE	1/00	SALVAGE VALUE	0.00
10 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	292.59
REPLACEMENT YEAR	2010	INTEREST	1.88
4 YEAR REM LIFE		MONTHLY ALLOCTN	294.47

REMARKS:

This component is to paint the perimeter and interior common area block walls. The cost includes an estimate for prep., repairs, and painting.

Paint - Ramada Support Structures		QUANTITY	1 total
		UNIT COST	800.000
ASSET ID	1004	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	800.00
CATEGORY	30	FUTURE COST	848.72
		ASSIGNED RESERVES	600.00
PLACED IN SERVICE	1/00	SALVAGE VALUE	0.00
8 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	9.43
REPLACEMENT YEAR	2008	INTEREST	0.77
2 YEAR REM LIFE		MONTHLY ALLOCTN	10.20

REMARKS:

This component is to paint the metal support beams and poles at the two common area ramadas.

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CATEGORY SUMMARY:	ASSIGNED RESERVES	600.00
	MONTHLY CNTRBTN	302.02
	INTEREST	2.65
	MONTHLY ALLOCTN	304.67

Arizona Renaissance Homeowners Assn.  
Detail Report by Category

Walls - Block, Repairs, 2006	QUANTITY	1 total
ASSET ID 1010	UNIT COST	40,000.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 40	CURRENT COST	40,000.00
	FUTURE COST	40,000.00
PLACED IN SERVICE 1/00	ASSIGNED RESERVES	40,000.00
6 YEAR USEFUL LIFE	SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	0.00
REPLACEMENT YEAR 2006	INTEREST	0.00
0 YEAR REM LIFE (One Time Repl)	MONTHLY ALLOCTN	0.00

REMARKS:

See Asset ID #1009 for a description of the block walls. The client has advised us that the Association will spend approximately \$40,000.00 for repairs to damaged common walls. This is a one time expense for these repairs.

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CATEGORY SUMMARY:	ASSIGNED RESERVES	40,000.00
	MONTHLY CNTRBTN	0.00
	INTEREST	0.00
	MONTHLY ALLOCTN	0.00

Arizona Renaissance Homeowners Assn.  
Detail Report by Category

Basketball Backboards - Replace		QUANTITY	2 backboards
		UNIT COST	400.000
ASSET ID	1015	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	800.00
CATEGORY	60	FUTURE COST	1,210.07
		ASSIGNED RESERVES	0.00
PLACED IN SERVICE	1/00	SALVAGE VALUE	0.00
20 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	5.74
REPLACEMENT YEAR	2020	INTEREST	0.04
14 YEAR REM LIFE		MONTHLY ALLOCTN	5.78

REMARKS:

These are metal basketball backboards.

The cost does not include the replacement of the poles and/or mounting brackets.

Basketball Court - Resurface		QUANTITY	3,344 sq. ft.
		UNIT COST	0.600
ASSET ID	1014	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	2,006.40
CATEGORY	60	FUTURE COST	2,006.40
		ASSIGNED RESERVES	2,006.40
PLACED IN SERVICE	1/00	SALVAGE VALUE	0.00
6 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	30.38
REPLACEMENT YEAR	2006	INTEREST	0.20
0 YEAR REM LIFE		MONTHLY ALLOCTN	30.58

REMARKS:

The basketball court measures 44' x 76'.

Park Equipment - Replace		QUANTITY	1 total
		UNIT COST	5,600.000
ASSET ID	1006	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	5,600.00
CATEGORY	60	FUTURE COST	7,525.93
		ASSIGNED RESERVES	0.00
PLACED IN SERVICE	1/00	SALVAGE VALUE	0.00
16 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	53.52
REPLACEMENT YEAR	2016	INTEREST	0.34
10 YEAR REM LIFE		MONTHLY ALLOCTN	53.86

Arizona Renaissance Homeowners Assn.  
Detail Report by Category

Park Equipment - Replace, Continued ...

REMARKS:

3 - 8' benches w/backs, in-ground	@	\$ 600.00	=	\$ 1,800.00
4 - 48" sq. picnic tables w/4 seats, in-ground	@	800.00	=	3,200.00
2 - trash receptacles w/flat lids	@	300.00	=	600.00
				-----
		TOTAL	=	\$ 5,600.00

The costs include an estimate for installation.

Playstructure - Replace	QUANTITY	1 total
	UNIT COST	12,750.000
ASSET ID 1005	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	12,750.00
CATEGORY 60	FUTURE COST	17,134.93
	ASSIGNED RESERVES	0.00
PLACED IN SERVICE 1/00	SALVAGE VALUE	0.00
16 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	121.84
REPLACEMENT YEAR 2016	INTEREST	0.78
10 YEAR REM LIFE	MONTHLY ALLOCTN	122.62

REMARKS:

This is a Miracle playstructure made up of the following components: 1 - spiral slide, 2 - straight slides, 1 - horizontal loop ladder, 1 - ladder, 1 - spiral climb, 2 - stairways, 1 - roof, and platforms.

We are not budgeting to replace the steel Jungle Jim at the play area because it has an indefinite life, and should last for the life of the community if properly maintained.

CATEGORY SUMMARY:	ASSIGNED RESERVES	2,006.40
	MONTHLY CNTRBTN	211.48
	INTEREST	1.36
	MONTHLY ALLOCTN	212.84

Arizona Renaissance Homeowners Assn.  
Detail Report by Category

Granite Replenishment		QUANTITY	1,500 tons
		UNIT COST	50.000
ASSET ID	1002	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	75,000.00
CATEGORY	100	FUTURE COST	84,413.16
		ASSIGNED RESERVES	7,975.73
PLACED IN SERVICE	1/00	SALVAGE VALUE	0.00
10 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	1,494.98
REPLACEMENT YEAR	2010	INTEREST	19.00
4 YEAR REM LIFE		MONTHLY ALLOCTN	1,513.98

REMARKS:

The client has advised us to budget for granite replenishment. The client has indicated that there is approximately 360,000 sq. ft. of granite in common areas throughout the community. We are budgeting to replenish with a 1" layer of new granite added to the existing base. The cost is an estimate for purchase, delivery, and installation.

Irrigation Controllers - Replace		QUANTITY	1 total
		UNIT COST	1,450.000
ASSET ID	1011	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	1,450.00
CATEGORY	100	FUTURE COST	1,731.38
		ASSIGNED RESERVES	0.00
PLACED IN SERVICE	1/00	SALVAGE VALUE	0.00
12 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	21.96
REPLACEMENT YEAR	2012	INTEREST	0.14
6 YEAR REM LIFE		MONTHLY ALLOCTN	22.10

REMARKS:

1 - 6 station controller	@	\$ 230.00	=	\$ 230.00
2 - 9 station controllers	@	255.00	=	510.00
1 - 12 station controller	@	330.00	=	330.00
1 - 15 station controller	@	380.00	=	380.00
				-----
		TOTAL	=	\$ 1,450.00

These are Irritrol, Total Control time clocks. The costs include an estimate for installation.

**Arizona Renaissance Homeowners Assn.**  
Detail Report by Category

Mailboxes - Replace		QUANTITY	1 total
		UNIT COST	22,425.000
ASSET ID	1012	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	22,425.00
CATEGORY	100	FUTURE COST	33,919.82
		ASSIGNED RESERVES	0.00
PLACED IN SERVICE	1/00	SALVAGE VALUE	0.00
20 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	161.00
REPLACEMENT YEAR	2020	INTEREST	1.04
14 YEAR REM LIFE		MONTHLY ALLOCTN	162.04

REMARKS:

9 - sets of 12 boxes w/1 package box	@	\$ 1,475.00	=	\$ 13,275.00
6 - sets of 16 boxes w/2 package boxes	@	1,525.00	=	9,150.00
				-----
		TOTAL	=	\$ 22,425.00

These are pedestal mounted mailboxes.

Monument Sign - Letters, Unfunded		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1013	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	100	FUTURE COST	0.00
		ASSIGNED RESERVES	0.00
PLACED IN SERVICE	0/ 0	SALVAGE VALUE	0.00
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	0.00
REPLACEMENT YEAR	2006	INTEREST	0.00
0 YEAR REM LIFE		MONTHLY ALLOCTN	0.00

REMARKS:

The monument sign indicates, "ARIZONA RENAISSANCE". We are not budgeting to replace the plastic letters making up this sign because they have an indefinite life, and should last for the life of the community if properly maintained. Any repairs and/or replacements should be handled on an "as needed" basis, and the expense paid for out of the operating budget.

**Arizona Renaissance Homeowners Assn.**  
Detail Report by Category

<b>Sand Replenishment</b>		QUANTITY	11 cubic yds
		UNIT COST	36.000
ASSET ID	1007	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	396.00
CATEGORY	100	FUTURE COST	445.70
		ASSIGNED RESERVES	0.00
PLACED IN SERVICE	1/00	SALVAGE VALUE	0.00
10 YEAR USEFUL LIFE		MONTHLY CNTRBTN	8.77
+0 YEAR ADJUSTMENT		INTEREST	0.06
REPLACEMENT YEAR	2010	MONTHLY ALLOCTN	8.83
4 YEAR REM LIFE			

REMARKS:

There are approximately 1,780 sq. ft. of sand at the playstructure play area. We are budgeting to replenish this sand by adding a 2" layer of new sand to the existing base.

<b>Tot Turf - Replace</b>		QUANTITY	180 sq. ft.
		UNIT COST	11.000
ASSET ID	1008	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	1,980.00
CATEGORY	100	FUTURE COST	2,228.51
		ASSIGNED RESERVES	0.00
PLACED IN SERVICE	1/00	SALVAGE VALUE	0.00
10 YEAR USEFUL LIFE		MONTHLY CNTRBTN	43.85
+0 YEAR ADJUSTMENT		INTEREST	0.28
REPLACEMENT YEAR	2010	MONTHLY ALLOCTN	44.13
4 YEAR REM LIFE			

REMARKS:

This Tot Turf is located at the playstructure play area.

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CATEGORY SUMMARY:	ASSIGNED RESERVES	7,975.73
	MONTHLY CNTRBTN	1,730.56
	INTEREST	20.52
	MONTHLY ALLOCTN	1,751.08

Arizona Renaissance Homeowners Assn.  
Detail Report by Category

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TOTAL ALL ASSETS:	ASSIGNED RESERVES	50,582.13
	MONTHLY CNTRBTN	2,244.06
	INTEREST	24.53
	MONTHLY ALLOCTN	2,268.59
CONTINGENCY @ 3.00%:	ASSIGNED RESERVES	1,517.46
	MONTHLY CNTRBTN	67.32
	INTEREST	2.22
	MONTHLY ALLOCTN	69.54
GRAND TOTALS:	ASSIGNED RESERVES	52,099.59
	MONTHLY CNTRBTN	2,311.38
	INTEREST	26.75
	MONTHLY ALLOCTN	2,338.13

DETAIL REPORT INDEX

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TOTAL ASSET LINES INCLUDED:            15