

FULL RESERVE STUDY

Prairie Woods Homeowners Association, Inc.



**Island Lake, Illinois
September 30, 2020**



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Prairie Woods Homeowners Association, Inc.
Island Lake, Illinois

Dear Board of Directors of Prairie Woods Homeowners Association, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Prairie Woods Homeowners Association, Inc. in Island Lake, Illinois and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, September 30, 2020.

This *Full Reserve Study* exceeds the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level I Full Reserve Study."

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help Prairie Woods Homeowners Association, Inc. plan for a successful future.

As part of our long-term thinking and everyday commitment to our clients, we are available to answer any questions you may have regarding this study.

Respectfully submitted on October 22, 2020 by

Reserve Advisors, LLC

Visual Inspection and Report by: Shira Tessler

Review by: Alan M. Ebert, RS¹, PRA², Director of Quality Assurance



¹ RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.

² PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at <http://www.apra-usa.com>.



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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Prairie Woods Homeowners Association, Inc. (Prairie Woods)

Location: Island Lake, Illinois

Reference: 192311

Property Basics: Prairie Woods Homeowners Association, Inc. is a homeowners association which is responsible for the common elements currently shared by 55 single family homes. The community began construction in 2006. The date of completion is unknown at this time. At the time of completion, the community will comprise 99 homes. The community contains fences, mailboxes, ponds and a playground.

Reserve Components Identified: Five Reserve Components.

Inspection Date: September 30, 2020.

Funding Goal: The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes these threshold funding years in 2026 and 2046 due to replacement of the playground.

Cash Flow Method: We use the Cash Flow Method to compute the Reserve Funding Plan. This method offsets future variable Reserve Expenditures with existing and future stable levels of reserve funding. Our application of this method also considers:

- Current and future local costs of replacement
- 0.01% anticipated annual rate of return on invested reserves
- 2.3% future Inflation Rate for estimating Future Replacement Costs

Sources for Local Costs of Replacement: Our proprietary database, historical costs and published sources, i.e., R.S. Means, Incorporated.

Cash Status of Reserve Fund:

- \$40,032 as of October 8, 2020
- The Association did not budget Reserve Contributions in 2020.

Project Prioritization: We note anticipated Reserve Expenditures for the next 30 years in the *Reserve Expenditures* tables and include a **Five-Year Outlook** table following the *Reserve Funding Plan* in Section 3. We recommend the Association prioritize the following projects in the next five years based on the conditions identified:

- Replacement of the fence due to noted deterioration
- Renovation of the entrance monuments in order to maintain community aesthetics

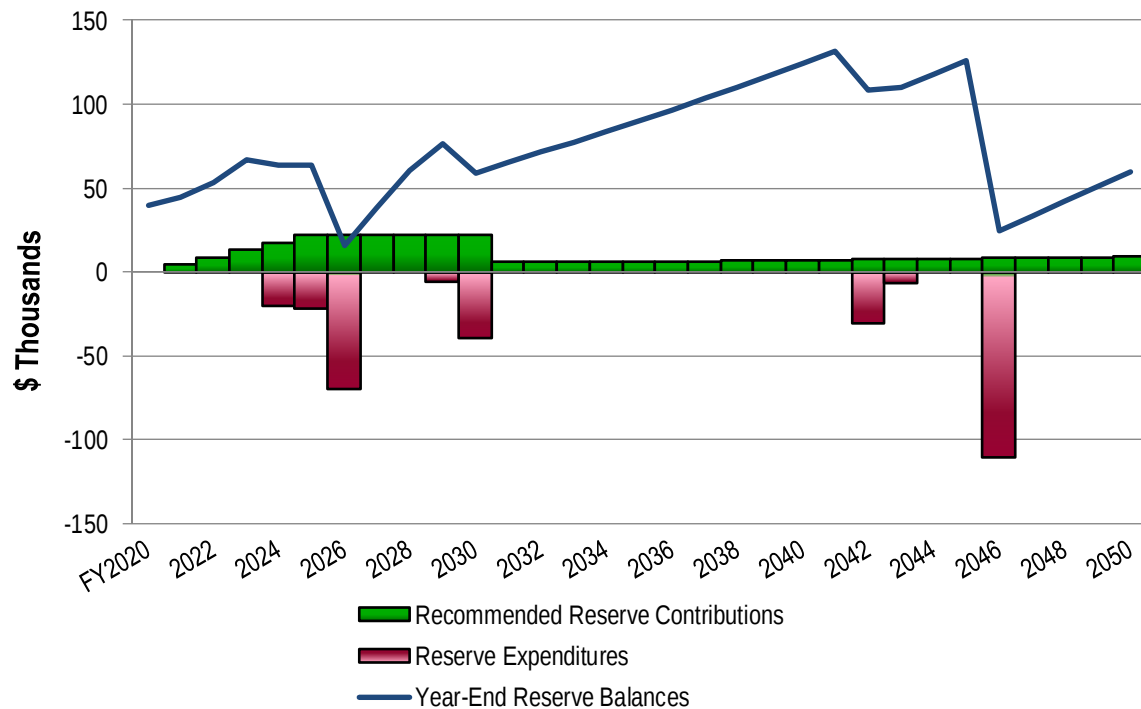
Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Funding Plan:

- Phased increases of \$4,400 from 2021 through 2025
- Stable contributions of \$22,000 from 2025 through 2030
- Decrease to \$6,000 by 2031 due to fully funding for sediment removal at the ponds
- Inflationary increases through 2050, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of \$4,400 represents an average annual increase of \$80.00 per homeowner and about a twenty-three percent (23.2%) adjustment in the 2020 total Operating Budget of \$18,968.

- The Association may ascribe the actual contributions and assessments per owner based upon percent ownership, as defined by the Association's governing documents.

Prairie Woods
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2021	4,400	44,437	2031	6,000	65,224	2041	7,400	131,821
2022	8,800	53,242	2032	6,100	71,331	2042	7,600	108,759
2023	13,200	66,448	2033	6,200	77,538	2043	7,800	109,822
2024	17,600	63,684	2034	6,300	83,846	2044	8,000	117,833
2025	22,000	63,954	2035	6,400	90,255	2045	8,200	126,045
2026	22,000	16,041	2036	6,500	96,764	2046	8,400	24,275
2027	22,000	38,044	2037	6,600	103,374	2047	8,600	32,878
2028	22,000	60,049	2038	6,800	110,185	2048	8,800	41,682
2029	22,000	76,534	2039	7,000	117,196	2049	9,000	50,687
2030	22,000	59,218	2040	7,200	124,408	2050	9,200	59,893





2.RESERVE STUDY REPORT

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of

Prairie Woods Homeowners Association, Inc.

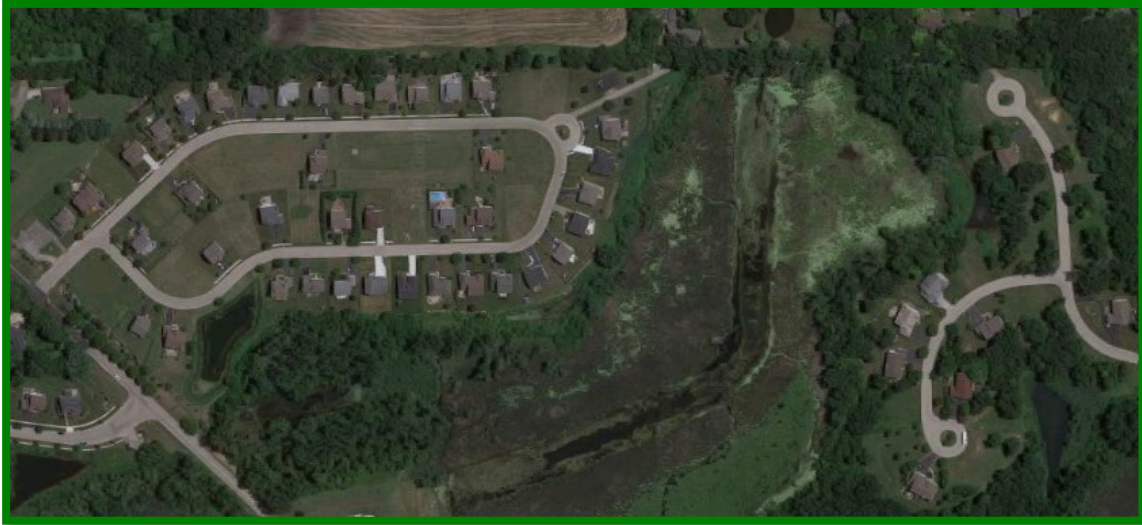
Island Lake, Illinois

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, September 30, 2020.

We present our findings and recommendations in the following report sections and spreadsheets:

- **Identification of Property** - Segregates all property into several areas of responsibility for repair or replacement
- **Reserve Expenditures** - Identifies reserve components and related quantities, useful lives, remaining useful lives and future reserve expenditures during the next 30 years
- **Reserve Funding Plan** - Presents the recommended Reserve Contributions and year-end Reserve Balances for the next 30 years
- **Five-Year Outlook** - Identifies reserve components and anticipated reserve expenditures during the first five years
- **Reserve Component Detail** - Describes the reserve components, includes photographic documentation of the condition of various property elements, describes our recommendations for repairs or replacement, and includes detailed solutions and procedures for replacements for the benefit of current and future board members
- **Methodology** - Lists the national standards, methods and procedures used to develop the Reserve Study
- **Definitions** - Contains definitions of terms used in the Reserve Study, consistent with national standards
- **Professional Service Conditions** - Describes Assumptions and Professional Service Conditions
- **Credentials and Resources**

IDENTIFICATION OF PROPERTY



Our investigation includes Reserve Components or property elements as set forth in your Declaration. The Expenditure tables in Section 3 list the elements contained in this study. Our analysis begins by segregating the property elements into several areas of responsibility for repair and replacement.

Our process of identification helps assure that future boards and the management team understand whether reserves, the operating budget or Homeowners fund certain replacements and assists in preparation of the annual budget. We derive these segregated classes of property from our review of the information provided by the Association and through conversations with the Board. These classes of property include:

- Reserve Components
- Long-Lived Property Elements
- Operating Budget Funded Repairs and Replacements
- Property Maintained by Homeowners
- Property Maintained by Others

We advise the Board conduct an annual review of these classes of property to confirm its policy concerning the manner of funding, i.e., from reserves or the operating budget. The Reserve Study identifies Reserve Components as set forth in your Declaration or which were identified as part of your request for proposed services. Reserve Components are defined by CAI as property elements with:

- Prairie Woods responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

Long-Lived Property Elements may not have predictable Remaining Useful Lives or their replacement may occur beyond the 30-year scope of the study. The operating budget should fund infrequent repairs. Funding untimely or unexpected replacements from reserves will necessitate increases to Reserve Contributions. Periodic updates of this Reserve Study will help determine the merits of adjusting the Reserve Funding Plan. We identify the following Long-Lived Property Elements as excluded from the 30-year Reserve Expenditures at this time:

- Electrical Systems, Common
- Signage, Entrance Monuments, Cast Stone



Cast stone

The operating budget provides money for the repair and replacement of certain Reserve Components. The Association may develop independent criteria for use of operating and reserve funds. For purposes of calculating appropriate Reserve Contributions, we identify the following list of Operating Budget Funded Repairs and Replacements:

- General Maintenance to the Common Elements
- Expenditures less than \$3,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Landscape
- Playground, Rubber Mulch, Interim Replenishment
- Wetlands, Maintenance (The Association historically conducts maintenance at the wetland borders every two years funded through the operating budget. The Board informs us the Association considered controlled burns and received a bid for approximately \$8,000. The Association does not plan to proceed with the controlled burns and plans to continue to maintain the wetland area funded through the operating budget. Future updates of this Reserve Study may consider the need to fund maintenance through reserves.)



Wetlands

- Signage, Entrance Monument, Interim Repairs
- Other Repairs normally funded through the Operating Budget

Certain items have been designated as the responsibility of the homeowners to repair or replace at their cost. Property Maintained by Homeowners, including items billed back to Homeowners, relates to unit:

- Homes and Lots
- Mailbox Stations, Mailboxes

Certain items have been designated as the responsibility of others to repair or replace. Property Maintained by the Village of Island Lake relates to:

- Lift Station
- Light Posts and Fixtures
- Pipes, Subsurface Utilities
- Street Systems (Including the access road and the sidewalks along the streets)

3. RESERVE EXPENDITURES and FUNDING PLAN

The tables following this introduction present:

Reserve Expenditures

- Line item numbers
- Total quantities
- Quantities replaced per phase (in a single year)
- Reserve component inventory
- Estimated first year of event (i.e., replacement, application, etc.)
- Life analysis showing
 - useful life
 - remaining useful life
- 2020 local cost of replacement
 - Per unit
 - Per phase
 - Replacement of total quantity
- Percentage of future expenditures anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

Reserve Funding Plan

- Reserves at the beginning of each year
- Total recommended reserve contributions
- Estimated interest earned from invested reserves
- Anticipated expenditures by year
- Anticipated reserves at year end
- Predicted reserves based on current funding level

Five-Year Outlook

- Line item numbers
- Reserve component inventory of only the expenditures anticipated to occur within the first five years
- Schedule of estimated future costs for each reserve component anticipated to occur within the first five years

The purpose of a Reserve Study is to provide an opinion of reasonable annual Reserve Contributions. Prediction of exact timing and costs of minor Reserve Expenditures typically will not significantly affect the 30-year cash flow analysis. Adjustments to the times and/or costs of expenditures may not always result in an adjustment in the recommended Reserve Contributions.

Financial statements prepared by your association, by you or others might rely in part on information contained in this section. For your convenience, we have provided an electronic data file containing the tables of ***Reserve Expenditures*** and ***Reserve Funding Plan***.

RESERVE EXPENDITURES

Prairie Woods
Homeowners Association, Inc.
Island Lake, Illinois

Explanatory Notes:

- 1) 2.3% is the estimated Inflation Rate for estimating Future Replacement Costs.
2) FY2020 is Fiscal Year beginning January 1, 2020 and ending December 31, 2020.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			Percentage of Future Expenditures	RUL = 0 FY2020	1 2021	2 2022	3 2023	4 2024	5 2025	6 2026	7 2027	8 2028	9 2029	10 2030	11 2031	12 2032	13 2033	14 2034	15 2035
						Useful	Remaining	Unit (2020)	Per Phase (2020)	Total (2020)																	
4.286	600	600	Linear Feet	Fences, Wood, Split Rail	2024	15 to 20	4	31.00	18,600	18,600	16.8%					20,371											
4.600	15	15	Each	Mailbox Stations, Posts and Cross Braces	2029	to 25	9	300.00	4,500	4,500	1.8%										5,522						
4.660	1	1	Allowance	Playground Equipment	2026	15 to 20	6	61,000.00	61,000	61,000	59.2%						69,917										
4.730	4,970	4,475	Square Yards	Ponds, Man-made, Sediment Removal, Partial	2030	to 25	10	7.00	31,325	34,790	12.9%										39,323						
4.800	2	2	Each	Signage, Entrance Monuments (2025 is Adjusted)	2025	15 to 20	5	2,000.00	4,000	4,000	9.4%						21,736										
Anticipated Expenditures, By Year (\$304,469 over 30 years)												0	0	0	0	20,371	21,736	69,917	0	0	5,522	39,323	0	0	0	0	0

RESERVE EXPENDITURES

Prairie Woods Homeowners Association, Inc. Island Lake, Illinois				Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			Percentage of Future Expenditures	16 2036	17 2037	18 2038	19 2039	20 2040	21 2041	22 2042	23 2043	24 2044	25 2045	26 2046	27 2047	28 2048	29 2049	30 2050
Line Item	Total Quantity	Per Phase Quantity	Units		Useful	Remaining	Unit (2020)	Per Phase (2020)	Total (2020)																
Reserve Component Inventory																									
4.286	600	600	Linear Feet	Fences, Wood, Split Rail	2024	15 to 20	4	31.00	18,600	18,600	16.8%						30,674								
4.600	15	15	Each	Mailbox Stations, Posts and Cross Braces	2029	to 25	9	300.00	4,500	4,500	1.8%														
4.660	1	1	Allowance	Playground Equipment	2026	15 to 20	6	61,000.00	61,000	61,000	59.2%									110,178					
4.730	4,970	4,475	Square Yards	Ponds, Man-made, Sediment Removal, Partial	2030	to 25	10	7.00	31,325	34,790	12.9%														
4.800	2	2	Each	Signage, Entrance Monuments (2025 is Adjusted)	2025	15 to 20	5	2,000.00	4,000	4,000	9.4%						6,748								
Anticipated Expenditures, By Year (\$304,469 over 30 years)											0	0	0	0	0	0	30,674	6,748	0	0	110,178	0	0	0	0

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS		Individual Reserve Budgets & Cash Flows for the Next 30 Years																
Prairie Woods																		
Homeowners Association, Inc.																		
Island Lake, Illinois		FY2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
Reserves at Beginning of Year	(Note 1)	40,032	40,033	44,437	53,242	66,448	63,684	63,954	16,041	38,044	60,049	76,534	59,218	65,224	71,331	77,538	83,846	
Total Recommended Reserve Contributions	(Note 2)	0	4,400	8,800	13,200	17,600	22,000	22,000	22,000	22,000	22,000	22,000	6,000	6,100	6,200	6,300	6,400	
Estimated Interest Earned, During Year	(Note 3)	1	4	5	6	7	6	4	3	5	7	7	6	7	7	8	9	
Anticipated Expenditures, By Year		0	0	0	0	(20,371)	(21,736)	(69,917)	0	0	(5,522)	(39,323)	0	0	0	0	0	
Anticipated Reserves at Year End		<u>\$40,033</u>	<u>\$44,437</u>	<u>\$53,242</u>	<u>\$66,448</u>	<u>\$63,684</u>	<u>\$63,954</u>	<u>\$16,041</u>	<u>\$38,044</u>	<u>\$60,049</u>	<u>\$76,534</u>	<u>\$59,218</u>	<u>\$65,224</u>	<u>\$71,331</u>	<u>\$77,538</u>	<u>\$83,846</u>	<u>\$90,255</u>	
							(NOTE 5)											
Predicted Reserves based on 2020 funding level of:	\$0	40,033	40,037	40,041	40,045	19,677	(2,058)	(71,979)										

(continued)		Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued																
		2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050		
Reserves at Beginning of Year		90,255	96,764	103,374	110,185	117,196	124,408	131,821	108,759	109,822	117,833	126,045	24,275	32,878	41,682	50,687		
Total Recommended Reserve Contributions		6,500	6,600	6,800	7,000	7,200	7,400	7,600	7,800	8,000	8,200	8,400	8,600	8,800	9,000	9,200		
Estimated Interest Earned, During Year		9	10	11	11	12	13	12	11	11	12	8	3	4	5	6		
Anticipated Expenditures, By Year		0	0	0	0	0	0	(30,674)	(6,748)	0	0	(110,178)	0	0	0	0		
Anticipated Reserves at Year End		<u>\$96,764</u>	<u>\$103,374</u>	<u>\$110,185</u>	<u>\$117,196</u>	<u>\$124,408</u>	<u>\$131,821</u>	<u>\$108,759</u>	<u>\$109,822</u>	<u>\$117,833</u>	<u>\$126,045</u>	<u>\$24,275</u>	<u>\$32,878</u>	<u>\$41,682</u>	<u>\$50,687</u>	<u>\$59,893</u>		
												(NOTE 5)				(NOTE 4)		

Explanatory Notes:

- 1) Year 2020 starting reserves are as of October 8, 2020; FY2020 starts January 1, 2020 and ends December 31, 2020.
- 2) Reserve Contributions for 2020 are the remaining budgeted 12 annuals; 2021 is the first year of recommended contributions.
- 3) 0.01% is the estimated annual rate of return on invested reserves; 2020 is a partial year of interest earned.
- 4) Accumulated year 2050 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Years (reserve balance at critical point).

FIVE-YEAR OUTLOOK

**Prairie Woods
Homeowners Association, Inc.**
Island Lake, Illinois

Line Item	Reserve Component Inventory	RUL = 0 FY2020	1 2021	2 2022	3 2023	4 2024	5 2025
4.286	Fences, Wood, Split Rail					20,371	
4.800	Signage, Entrance Monuments (2025 is Adjusted)						21,736
	Anticipated Expenditures, By Year (\$304,469 over 30 years)	0	0	0	0	20,371	21,736

4. RESERVE COMPONENT DETAIL

The Reserve Component Detail of this *Full Reserve Study* includes enhanced solutions and procedures for select significant components. This section describes the Reserve Components, documents specific problems and condition assessments, and may include detailed solutions and procedures for necessary capital repairs and replacements for the benefit of current and future board members. We advise the Board use this information to help define the scope and procedures for repair or replacement when soliciting bids or proposals from contractors. *However, the Report in whole or part is not and should not be used as a design specification or design engineering service.*

Fences, Wood, Split Rail

Line Item: 4.286

Quantity: Approximately 600 linear feet at the northeast entrance

History: Original

Condition: Fair to poor overall with systematic rot and isolated lean evident



Rot



Lean



Post rot



Rot and wood split



Rot

Useful Life: 15- to 20-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The Association should anticipate periodic partial replacements funded through the operating budget due to the non-uniform nature of wood deterioration.

Mailbox Stations

Line Item: 4.600

Quantity: 15 stations which consists of 15 posts and 23 cross braces. Unit Owners are responsible for the mailboxes.

History: Original

Condition: Fair overall. We note systematic finish deterioration and isolated lean.



Lean



Finish deterioration



Finish deterioration

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The Association may consider paint finish applications funded through the operating budget.

Playground Equipment

Line Item: 4.660

History: Original. The property where the playground is located is the responsibility of the Village of Island Lake, but the Association funded installation of the playground. The Board informs us the Association will consider gifting the playground to the Village of

Island Lake. At the request of the Board, we include future expenses related to the playground in this Reserve Study.

Condition: Fair overall. We note cracks at the slide and rock climber as well as finish deterioration and rust at the picnic tables. We also note diminished rubber mulch and recommend the Association fund interim replenishment through the operating budget.



Playground



Crack at the slide



Crack at the rock climber



Picnic table finish deterioration and rust



Diminished rubber mulch (note visible underlying fabric)

Useful Life: 15- to 20-years

Component Detail Notes: Safety is the major purpose for maintaining playground equipment. We recommend an annual inspection of the playground equipment to identify and repair as normal maintenance loose connections and fasteners or damaged elements. We suggest the Association learn more about the specific requirements of playground equipment at PlaygroundSafety.org. We recommend the use of a specialist for the design or replacement of the playground equipment environment.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We include an allowance in the unit cost for replacement of the safety surface and border.

Ponds, Sediment Removal

Line Item: 4.730

Quantity: Approximately 4,970 square yards of water surface area located at the three man-made ponds. The figure below depicts the locations of the man-made ponds:



Condition: The Board informs us of concerns regarding the grading of the landscape near the shorelines as well as growth intrusion at the rears of the homes bordering the wetlands. The Association considered controlled burns as well as installation of aerators. Due to the high cost of both projects, the Association did not proceed with either project. We note the growth of invasive species such as cattails and do not note any concerns with shoreline grading. We were unable to inspect Pond 3 due to the natural growth barrier surrounding the pond. We recommend the Association consider conducting a bathymetric survey in order to determine the amount of sediment accumulation at the ponds.



Pond 1



Pond 1



Pond 2



Unprotected shoreline and cattails at Pond 2



Pond 3

Useful Life: Based on the visual condition, construction, adjacent deciduous trees and visibly apparent erosion, we recommend the Association anticipate the need to remove pond sediment up to every 25 years.

Component Detail Notes: The gradual build-up of natural debris, including tree leaves, branches and silt, may eventually change the topography of areas of the pond. Silt typically accumulates at inlets, outlets and areas of shoreline erosion. Sediment removal of ponds becomes necessary if this accumulation alters the quality of pond water or the functionality of the ponds as storm water management structures. Sediment removal is the optimal but also the most capital intensive method of pond management.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. For reserve budgeting purposes, we estimate the need to remove an average depth of one yard from approximately ninety percent (90%) of the surface area. However, the actual volume of material to remove may vary dependent upon an invasive analysis at the time of removal. A visual inspection of a body of water cannot reveal the amount of accumulated silt. This is especially true on larger bodies of water. It is therefore inaccurate to assume an entire body of water will require sediment removal. It is more cost effective to spot remove in areas of intense silt accumulation as noted through bathymetric surveys. The amount or depth of silt is determined through prodding into the silt until a relatively solid base is found or through bathymetric surveys. A bathymetric survey establishes a base of data about the depth of the body of water over many locations against which the data of future surveys is compared. These invasive procedures are beyond the scope of a Reserve Study and require multiple visits to the site. We recommend Prairie Woods contract with a local engineer for periodic bathymetric surveys. Future updates of the Reserve Study can incorporate future anticipated expenditures based on the results of the bathymetric surveys.

Unit costs per cubic yard to remove can vary significantly based on the type of equipment used, quantity of removed material and disposal of removed material. Sediment removal costs must also include mobilization, or getting the equipment to and from the site. Also, the portion of the overall cost to remove associated with mobilization varies based on the volume removed. Costs for sediment disposal also vary depending on the site. Compact sites will require hauling and in some cases disposal fees.

Signage

Line Item: 4.800

Quantity: Two entrance monuments

History: Original

Condition: Fair overall with isolated portions of missing stone veneer, cracks and mortar deterioration at the capstones. We recommend the Association consider installation of flashing underneath the capstones to prolong the life of the stone veneer.



Entrance monument



Missing stone veneer



Cracks



Mortar deterioration

Useful Life: 15- to 20-years

Component Detail Notes: Community signage contributes to the overall aesthetic appearance of the property to owners and potential buyers. Renovation or replacement of community signs is often predicated upon the desire to "update" the perceived identity of the community rather than for utilitarian concerns. Therefore, the specific times for replacement or renovation are discretionary. The signage includes the following elements:

- Capstones
- Stone veneer

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost includes capital repairs to the stone veneer and capstones. Our cost in 2025 is adjusted and includes complete replacement of the stone veneer and repointing and partial replacement of the capstones.

Reserve Study Update

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. Many variables change after the study is conducted that may result in significant overfunding or underfunding the reserve account. Variables that may affect the Reserve Funding Plan include, but are not limited to:

- Deferred or accelerated capital projects based on Board discretion
- Changes in the interest rates on reserve investments
- Changes in the *local* construction inflation rate
- Additions and deletions to the Reserve Component Inventory
- The presence or absence of maintenance programs
- Unusually mild or extreme weather conditions
- Technological advancements

Periodic updates incorporate these variable changes since the last Reserve Study or Update. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. Budgeting for an Update demonstrates the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.

5.METHODOLOGY

Reserves for replacement are the amounts of money required for future expenditures to repair or replace Reserve Components that wear out before the entire facility or project wears out. Reserving funds for future repair or replacement of the Reserve Components is also one of the most reliable ways of protecting the value of the property's infrastructure and marketability.

Prairie Woods can fund capital repairs and replacements in any combination of the following:

1. Increases in the operating budget during years when the shortages occur
2. Loans using borrowed capital for major replacement projects
3. Level annual reserve assessments annually adjusted upward for inflation to increase reserves to fund the expected major future expenditures
4. Special assessments

We do not advocate special assessments or loans unless near term circumstances dictate otherwise. Although loans provide a gradual method of funding a replacement, the costs are higher than if the Association were to accumulate reserves ahead of the actual replacement. Interest earnings on reserves also accumulate in this process of saving or reserving for future replacements, thereby defraying the amount of gradual reserve collections. We advocate the third method of *Level Monthly Reserve Assessments* with relatively minor annual adjustments. The method ensures that Homeowners pay their "fair share" of the weathering and aging of the commonly owned property each year. Level reserve assessments preserve the property and enhance the resale value of the homes.

This Reserve Study is in compliance with and exceeds the National standards¹ set forth by the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level I Full Reserve Study." These standards require a Reserve Component to have a "predictable remaining Useful Life." Estimating Remaining Useful Lives and Reserve Expenditures beyond 30 years is often indeterminate. Long-Lived Property Elements are necessarily excluded from this analysis. We considered the following factors in our analysis:

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local² costs of material, equipment and labor
- Current and future costs of replacement for the Reserve Components
- Costs of demolition as part of the cost of replacement
- Local economic conditions and a historical perspective to arrive at our estimate of long-term future inflation for construction costs in Island Lake,

¹ Identified in the APRA "Standards - Terms and Definitions" and the CAI "Terms and Definitions".

² See Credentials for additional information on our use of published sources of cost data.

Illinois at an annual inflation rate³. Isolated or regional markets of greater construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

- The past and current maintenance practices of Prairie Woods and their effects on remaining useful lives
- Financial information provided by the Association pertaining to the cash status of the reserve fund and budgeted reserve contribution
- The anticipated effects of appreciation of the reserves over time in accord with a return or yield on investment of your cash equivalent assets. (We did not consider the costs, if any, of Federal and State Taxes on income derived from interest and/or dividend income).
- The Funding Plan excludes necessary operating budget expenditures. It is our understanding that future operating budgets will provide for the ongoing normal maintenance of Reserve Components.

Updates to this Reserve Study will continue to monitor historical facts and trends concerning the external market conditions.

³ Derived from Marshall & Swift, historical costs and the Bureau of Labor Statistics.



6. CREDENTIALS

HISTORY AND DEPTH OF SERVICE

Founded in 1991, Reserve Advisors is the leading provider of reserve studies, insurance appraisals, developer turnover transition studies, expert witness services, and other engineering consulting services. Clients include community associations, resort properties, hotels, clubs, non-profit organizations, apartment building owners, religious and educational institutions, and office/commercial building owners in 48 states, Canada and throughout the world.

The **architectural engineering consulting firm** was formed to take a leadership role in helping fiduciaries, boards, and property managers manage their property like a business with a long-range master plan known as a Reserve Study.

Reserve Advisors employs the **largest staff of Reserve Specialists** with bachelor's degrees in engineering dedicated to Reserve Study services. Our founders are also founders of Community Associations Institute's (CAI) Reserve Committee that developed national standards for reserve study providers. One of our founders is a Past President of the Association of Professional Reserve Analysts (APRA). Our vast experience with a variety of building types and ages, on-site examination and historical analyses are keys to determining accurate remaining useful life estimates of building components.

No Conflict of Interest - As consulting specialists, our **independent opinion** eliminates any real or perceived conflict of interest because we do not conduct or manage capital projects.

TOTAL STAFF INVOLVEMENT

Several staff members participate in each assignment. The responsible advisor involves the staff through a Team Review, exclusive to Reserve Advisors, and by utilizing the experience of other staff members, each of whom has served hundreds of clients. We conduct Team Reviews, an internal quality assurance review of each assignment, including: the inspection; building component costing; lifing; and technical report phases of the assignment. Due to our extensive experience with building components, we do not have a need to utilize subcontractors.

OUR GOAL

To help our clients fulfill their fiduciary responsibilities to maintain property in good condition.

VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

Reserve Advisors has conducted reserve studies for a multitude of different communities and building types. We've analyzed thousands of buildings, from as small as a 3,500-square foot day care center to the 2,600,000-square foot 98-story Trump International Hotel and Tower in Chicago. We also routinely inspect buildings with various types of mechanical systems such as simple electric heat, to complex systems with air handlers, chillers, boilers, elevators, and life safety and security systems.

We're familiar with all types of building exteriors as well. Our well-versed staff regularly identifies optimal repair and replacement solutions for such building exterior surfaces such as adobe, brick, stone, concrete, stucco, EIFS, wood products, stained glass and aluminum siding, and window wall systems.

OLD TO NEW

Reserve Advisors' experience includes ornate and vintage buildings as well as modern structures. Our specialists are no strangers to older buildings. We're accustomed to addressing the unique challenges posed by buildings that date to the 1800's. We recognize and consider the methods of construction employed into our analysis. We recommend appropriate replacement programs that apply cost effective technologies while maintaining a building's character and appeal.

SHIRA TESSLER
Engineer

CURRENT CLIENT SERVICES

Shira Tessler is an Engineer and Advisor for Reserve Advisors. Ms. Tessler is responsible for the inspection and analysis of the condition of clients' property and recommending engineering solutions to prolong the lives of the components. She also forecasts capital expenditures for the repair and/or replacement of the property components, and prepares technical reports on assignments. She is responsible for conducting Life Cycle Cost Analysis and Capital Replacement Forecast services and the preparation of Reserve Study Reports for apartments, condominiums, townhomes and homeowner associations.



The following is a partial list of clients served by Shira Tessler demonstrating her breadth of experiential knowledge of community associations in construction and related buildings systems.

Wesmere Country Club Association is a development consisting of 1,406 units located in Plainfield, Illinois. Multiple playgrounds, lakes, pools, tennis courts, baseball fields and a clubhouse ensure residents have all they could desire within walking distance of their home.

The Brookledge Commons Condominium Association is an apartment style development of 150 units in 18 buildings built in 1998 in Cuyahoga Falls, Ohio. The Association includes finished interior hallways, breezeways, detached garage buildings, a clubhouse, pool and maintenance building.

Euclid Place Homeowners Association comprises six buildings built from 1978 to 1981. The Association maintains decorative masonry exteriors original to the Francisco Terrace Apartments built in 1895 and designed by architect Frank Lloyd Wright. The Association also maintains the flat roofs, asphalt pavement, fences and pavers at this property located in Oak Park, Illinois.

Plymouth Farms Homeowners' Association is located in Vernon Hills, Illinois and was built between 1975 and 1978. The Association comprises 296 units in 74 buildings. The building exteriors comprise aluminum siding, stucco board, composite hardboard, masonry veneer and vinyl siding with mansard asphalt shingle roofs.

The Regency Neighborhood Association, Inc. is located in Atlanta, Georgia and is responsible for the common elements shared by 90 single family homes that were constructed between 1997 and 2001. The Association maintains a clubhouse, security system, tennis court, playground, two pools, masonry perimeter walls, timber retaining walls, gates, an irrigation system, asphalt pavement and detention ponds.

Terra Villa Homeowners Association is a homeowners association located in Crystal Lake, Illinois that is responsible for the common elements shared by 52 units. Built between 2002 and 2006, this development contains 52 septic systems, six lift stations, 10 wells, walking paths and multiple masonry retaining walls.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Ms. Tessler successfully completed the Bachelor program in Chemical Engineering from University of Maryland. After graduation, she worked as an Engineer performing on-site inspections of electromechanical equipment involved in insurance claims.

EDUCATION

University of Maryland, College Park – B.S. Chemical Engineering

ALAN M. EBERT, P.E., PRA, RS
Director of Quality Assurance

CURRENT CLIENT SERVICES

Alan M. Ebert, a Professional Engineer, is the Director of Quality Assurance for Reserve Advisors. Mr. Ebert is responsible for the management, review and quality assurance of reserve studies. In this role, he assumes the responsibility of stringent report review analysis to assure report accuracy and the best solution for Reserve Advisors' clients.

Mr. Ebert has been involved with thousands of Reserve Study assignments. The following is a partial list of clients served by Alan Ebert demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.



Brownsville Winter Haven Located in Brownsville, Texas, this unique homeowners association contains 525 units. The Association maintains three pools and pool houses, a community and management office, landscape and maintenance equipment, and nine irrigation canals with associated infrastructure.

Rosemont Condominiums This unique condominium is located in Alexandria, Virginia and dates to the 1940's. The two mid-rise buildings utilize decorative stone and brick masonry. The development features common interior spaces, multi-level wood balconies and common asphalt parking areas.

Stillwater Homeowners Association Located in Naperville, Illinois, Stillwater Homeowners Association maintains four tennis courts, an Olympic sized pool and an upscale ballroom with commercial-grade kitchen. The community also maintains three storm water retention ponds and a detention basin.

Birchfield Community Services Association This extensive Association comprises seven separate parcels which include 505 townhome and single family homes. This Community Services Association is located in Mt. Laurel, New Jersey. Three lakes, a pool, a clubhouse and management office, wood carports, aluminum siding, and asphalt shingle roofs are a few of the elements maintained by the Association.

Oakridge Manor Condominium Association Located in Londonderry, New Hampshire, this Association includes 104 units at 13 buildings. In addition to extensive roads and parking areas, the Association maintains a large septic system and significant concrete retaining walls.

Memorial Lofts Homeowners Association This upscale high rise is located in Houston, Texas. The 20 luxury units include large balconies and decorative interior hallways. The 10-story building utilizes a painted stucco facade and TPO roof, while an on-grade garage serves residents and guests.

PRIOR RELEVANT EXPERIENCE

Mr. Ebert earned his Bachelor of Science degree in Geological Engineering from the University of Wisconsin-Madison. His relevant course work includes foundations, retaining walls, and slope stability. Before joining Reserve Advisors, Mr. Ebert was an oilfield engineer and tested and evaluated hundreds of oil and gas wells throughout North America.

EDUCATION

University of Wisconsin-Madison - B.S. Geological Engineering

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

Professional Engineering License – Wisconsin, North Carolina, Illinois, Colorado

Reserve Specialist (RS) - Community Associations Institute

Professional Reserve Analyst (PRA) - Association of Professional Reserve Analysts



RESOURCES

Reserve Advisors utilizes numerous resources of national and local data to conduct its Professional Services. A concise list of several of these resources follows:

Association of Construction Inspectors, (ACI) the largest professional organization for those involved in construction inspection and construction project management. ACI is also the leading association providing standards, guidelines, regulations, education, training, and professional recognition in a field that has quickly become important procedure for both residential and commercial construction, found on the web at www.iami.org.

American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., (ASHRAE) the American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., devoted to the arts and sciences of heating, ventilation, air conditioning and refrigeration; recognized as the foremost, authoritative, timely and responsive source of technical and educational information, standards and guidelines, found on the web at www.ashrae.org. Reserve Advisors actively participates in its local chapter and holds individual memberships.

Community Associations Institute, (CAI) America's leading advocate for responsible communities noted as the only national organization dedicated to fostering vibrant, responsive, competent community associations. Their mission is to assist community associations in promoting harmony, community, and responsible leadership.

Marshall & Swift / Boeckh, (MS/B) the worldwide provider of building cost data, co-sourcing solutions, and estimating technology for the property and casualty insurance industry found on the web at www.marshallswift.com.

R.S. Means CostWorks, North America's leading supplier of construction cost information. As a member of the Construction Market Data Group, Means provides accurate and up-to-date cost information that helps owners, developers, architects, engineers, contractors and others to carefully and precisely project and control the cost of both new building construction and renovation projects found on the web at www.rsmeans.com.

Reserve Advisors' library of numerous periodicals relating to reserve studies, condition analyses, chapter community associations, and historical costs from thousands of capital repair and replacement projects, and product literature from manufacturers of building products and building systems.

7. DEFINITIONS

Definitions are derived from the standards set forth by the Community Associations Institute (CAI) representing America's 305,000 condominium and homeowners associations and cooperatives, and the Association of Professional Reserve Analysts, setting the standards of care for reserve study practitioners.

Cash Flow Method - A method of calculating Reserve Contributions where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

Component Method - A method of developing a Reserve Funding Plan with the total contribution is based on the sum of the contributions for individual components.

Current Cost of Replacement - That amount required today derived from the quantity of a *Reserve Component* and its unit cost to replace or repair a Reserve Component using the most current technology and construction materials, duplicating the productive utility of the existing property at current *local* market prices for *materials*, *labor* and manufactured equipment, contractors' overhead, profit and fees, but without provisions for building permits, overtime, bonuses for labor or premiums for material and equipment. We include removal and disposal costs where applicable.

Fully Funded Balance - The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost similar to Total Accrued Depreciation.

Funding Goal (Threshold) - The stated purpose of this Reserve Study is to determine the adequate, not excessive, minimal threshold reserve balances.

Future Cost of Replacement - *Reserve Expenditure* derived from the inflated current cost of replacement or current cost of replacement as defined above, with consideration given to the effects of inflation on local market rates for materials, labor and equipment.

Long-Lived Property Component - Property component of Prairie Woods responsibility not likely to require capital repair or replacement during the next 30 years with an unpredictable remaining Useful Life beyond the next 30 years.

Percent Funded - The ratio, at a particular point of 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 remaining functional or useful time in years of a *Reserve Component* based on its age, condition and maintenance.

Reserve Component - Property elements with: 1) Prairie Woods responsibility; 2) limited Useful Life expectancies; 3) predictable Remaining Useful Life expectancies; and 4) a replacement cost above a minimum threshold.

Reserve Component Inventory - Line Items in *Reserve Expenditures* that identify a *Reserve Component*.

Reserve Contribution - An amount of money set aside or *Reserve Assessment* contributed to a *Reserve Fund* for future *Reserve Expenditures* to repair or replace *Reserve Components*.

Reserve Expenditure - Future Cost of Replacement of a Reserve Component.

Reserve Fund Status - The accumulated amount of reserves in dollars at a given point in time, i.e., at year end.

Reserve Funding Plan - The portion of the Reserve Study identifying the *Cash Flow Analysis* and containing the recommended Reserve Contributions and projected annual expenditures, interest earned and reserve balances.

Reserve Study - A budget planning tool that identifies the current status of the reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures.

Useful Life - The anticipated total time in years that a *Reserve Component* is expected to serve its intended function in its present application or installation.



8. PROFESSIONAL SERVICE CONDITIONS

Our Services - Reserve Advisors, LLC (RA) performs its services as an independent contractor in accordance with our professional practice standards and its compensation is not contingent upon our conclusions. The purpose of our reserve study is to provide a budget planning tool that identifies the current status of the reserve fund, and an opinion recommending an annual funding plan to create reserves for anticipated future replacement expenditures of the property.

Our inspection and analysis of the subject property is limited to visual observations, is noninvasive and is not meant to nor does it include investigation into statutory, regulatory or code compliance. RA inspects sloped roofs from the ground and inspects flat roofs where safe access (stairs or ladder permanently attached to the structure) is available. The report is based upon a "snapshot in time" at the moment of inspection. RA may note visible physical defects in our report. The inspection is made by employees generally familiar with real estate and building construction but in the absence of invasive testing RA cannot opine on, nor is RA responsible for, the structural integrity of the property including its conformity to specific governmental code requirements for fire, building, earthquake, and occupancy, or any physical defects that were not readily apparent during the inspection.

RA is not responsible for conditions that have changed between the time of inspection and the issuance of the report. RA does not investigate, nor assume any responsibility for any existence or impact of any hazardous materials, such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, environmental mold or other potentially hazardous materials or structural defects that are latent or hidden defects which may or may not be present on or within the property. RA does not make any soil analysis or geological study as part of its services; nor does RA investigate water, oil, gas, coal, or other subsurface mineral and use rights or such hidden conditions. RA assumes no responsibility for any such conditions. The Report contains opinions of estimated costs and remaining useful lives which are neither a guarantee of the actual costs of replacement nor a guarantee of remaining useful lives of any property element.

RA assumes, without independent verification, the accuracy of all data provided to it. You agree to indemnify and hold RA harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement, because of any false, misleading or incomplete information which we have relied upon supplied by you or others under your direction, or which may result from any improper use or reliance on the Report by you or third parties under your control or direction. Your obligation for indemnification and reimbursement shall extend to any director, officer, employee, affiliate, or agent of RA. Liability of RA and its employees, affiliates, and agents for errors and omissions, if any, in this work is limited to the amount of its compensation for the work performed in this engagement.

Report - RA completes the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations and is deemed complete. RA, however, considers any additional information made available to us within 6 months of issuing the Report if a timely request for a revised Report is made. RA retains the right to withhold a revised Report if payment for services was not tendered in a timely manner. All information received by RA and all files, work papers or documents developed by RA during the course of the engagement shall remain the property of RA and may be used for whatever purpose it sees fit.

Your Obligations - You agree to provide us access to the subject property for an on-site visual inspection. You agree to provide RA all available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete the Report. You agree to pay actual attorneys' fees and any other costs incurred to collect on any unpaid balance for RA's services.

Use of Our Report and Your Name - Use of this Report is limited to only the purpose stated herein. You hereby acknowledge that any use or reliance by you on the Report for any unauthorized purpose is at your own risk and you shall hold RA harmless from any consequences of such use. Use by any unauthorized third party is unlawful. The Report in whole or in part **is not and cannot be used as a design specification for design engineering purposes or as an appraisal**. You may show our Report in its entirety to the following third parties: members of your organization, your accountant, attorney, financial institution and property manager who need to review the information contained herein. Without the written consent of RA, you shall not disclose the Report to any other third party. The Report contains intellectual property developed by RA and **shall not be reproduced or distributed to any party that conducts reserve studies without the written consent of RA**.

RA will include your name in our client lists. RA reserves the right to use property information to obtain estimates of replacement costs, useful life of property elements or otherwise as RA, in its sole discretion, deems appropriate.

Payment Terms, Due Dates and Interest Charges - Retainer payment is due upon authorization and prior to inspection. The balance is due net 30 days from the report shipment date. Any balance remaining 30 days after delivery of the Report shall accrue an interest charge of 1.5% per month. Any litigation necessary to collect an unpaid balance shall be venued in Milwaukee County Circuit Court for the State of Wisconsin.