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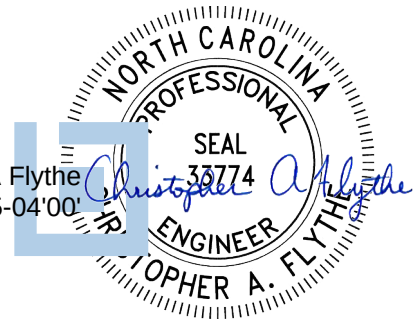
SCOTTS MILL HOMEOWNERS ASSOCIATION
APEX, NC

MANAGED BY:
OMEGA ASSOCIATION MANAGEMENT

MAY 22, 2025

RESERVE STUDY UPDATE WITH SITE INSPECTION

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INTRODUCTIONS

Scotts Mill Homeowners Association authorized Giles Flythe Engineers to perform a Reserve Study Update with a Site Inspection for the Scotts Mill community located in Apex, NC. The purpose of the reserve study is to assist the association in planning for future capital repair expenses. A reserve study is an important tool for an association to adequately fund capital reserve accounts through regular annual reserve contributions. Adequately funded capital reserve accounts reduce the need to defer capital repairs, collect special assessments, or borrow funds for capital repair projects.

A community association typically has certain responsibilities as described in the association governing documents. These responsibilities often include maintaining common areas and other components. An association, as a non-profit organization, will typically have two general asset cash accounts including an operating account and a reserve account. The operating account is funded from regular budgeted assessments and is used to fund routine operating expenses that occur on a predictable cycle, typically monthly or up to annually. The reserve account is funded from regular contributions and is primarily used to fund non-annual capital repair expenses.

The focus of the reserve study is on the reserve account. We have projected capital repair expenses over a term of thirty years. The capital repair expenses are limited to those components for which the association is responsible for maintaining. Capital repair expense estimates include an expected useful life and remaining useful life of the components to develop a projected schedule for capital repairs over the term. After developing a schedule of capital repairs over the term, we completed a cash flow analysis forecasting reserve account balances over the term and provided funding recommendations as needed. Capital repair expense estimates and funding estimates are most reliable in the first portion of the term. Updating a reserve study every three to five years will mitigate the impacts of variation in repair costs, component wear, inflation, and reserve funding over time.

Capital reserve funding recommendations are provided to address funding principles including providing sufficient funds required, a stable reserve contribution rate over the term, an equitable contribution rate over the term, and fiscal responsibility. The reserve study is intended to assist the association in developing budgeted reserve contributions.

The report includes a narrative section which describes the scope of the reserve study, a discussion of observations and capital repair allocations, a general description of capital repairs and a description of our cash flow analysis and funding recommendations. The report appendices include the capital reserve analysis with tables detailing an itemized list of capital repair expenses, an itemized list of expenses by year and our cash flow analysis. A photo log is provided and includes a representative sample of our observations. The report includes multiple sections with information presented in various forms and should, therefore, be read in its entirety.

EXECUTIVE SUMMARY

The Scotts Mill Homeowners Association is a private residential community comprised of 670 single-family homes in Apex, NC. The community is located at the intersection of Scotts Ridge Trail and Apex Barbecue Road. The amenity center, including the clubhouse, was constructed in 1997 per review of Wake County Real Estate Tax Records.

The association has responsibility for the clubhouse including the roofs, gutters, and siding, the interior furnishings and appliances, mechanical systems, and various site improvements. The most significant site improvements include the asphalt parking lot, concrete flatwork and curbing at the amenity center, entrance signage, the ponds and drainage systems, irrigation system, and site fencing. Amenities include tennis courts, a volleyball court, a basketball court, a pool, associated mechanical systems and furniture, and playground equipment.

The buildings, common areas, and grounds are generally in good condition. Based on our evaluation, the current level of funding does not maintain a positive balance through the term of this study. We have provided recommendations for annual reserve contribution schedules that are intended in the long term to provide a reserve balance over a minimum threshold balance. We generally recommend a threshold balance of at least an average year of capital repair expenditures. A more detailed analysis of the reserve fund has been provided in Appendix A.

- **Alternative 1:** Increase the contributions to capital reserves by $15,000 each year from 2026-2033.
- **Alternative 2:** In 2026, increase the contribution to capital reserves by $25,000. Then, increase the contributions to capital reserves by $10,000 each year from 2027-2035.

Some significant expenditures are expected over the term of the study. Some of the more notable examples are listed below:

- Repair, seal and resurface asphalt paved parking lot
- Drainage improvements, pond dredging
- Replace clubhouse roof
- Reconstruct tennis courts
- Resurface swimming pool surfaces and replace pool equipment

Additional capital expenditures are anticipated over the term of this study. Those items that will require repair or replacement are discussed later in this report.

PURPOSE & SCOPE

We have completed this study to estimate capital repair expenses the association is responsible for over the term of the study and provide a cash flow analysis and capital reserve funding plan. This study is intended to assist the association in determining the allocation requirements into the reserve fund which are projected to meet future anticipated capital expenditures for the community.

This report estimates capital repair expenses for the community thirty years into the future. Variations in capital repair expense forecasts due to the quality of maintenance, weather and other events may occur. Over time, age, premature deterioration, or other factors may necessitate the addition of assets into the reserve study. Additionally, fluctuations in material and labor costs beyond assumed inflation rates may also affect the accuracy of the forecasts. Therefore, a reserve study should be routinely updated, typically on a three to five-year cycle to provide the most accurate assessment of needs and financial obligations of the community.

What is a reserve study?

A reserve study is a long-term capital budget planning tool which compares the current reserve fund of an organization to future capital repairs and replacements.

A reserve study is a tool to help identify and prepare for major repair and replacement projects for a community.

It is recommended that a reserve study be performed every five years to ensure that communities are saving the necessary funds for capital repairs and improvements.

This study has been performed according to the scope as generally defined by Scotts Mill Homeowners Association, Giles Flythe Engineers Inc., and the standards of the Community Associations Institute. The findings and recommendations are based on interviews with the community's management personnel; a review of available documents; and a limited visual inspection of the components maintained by the association.

The Cash Flow Method of calculating reserves has been utilized, whereby contributions to the reserve fund are designed to offset the variable annual expenditures. Funding alternates are recommended which are intended in the long term to provide a reserve balance over a minimum threshold balance. We generally recommend a threshold balance of at least an average year of capital repair expenditures. This minimum threshold balance will help offset the risk of fluctuations in labor and material costs and component wear. Note that under certain circumstances to accommodate restricted budgets, projected balances may be below the threshold balance for a short period of time.

To determine which components should be included in this analysis, we used the following guidelines:

- The component must be maintained by the association.
- The component must have an estimated remaining useful life within the term of this study.
- The funding for the repair should be from the reserve account, not through an annual operating budget or other maintenance contracts.
- The cost of the capital repair must be significant enough to not be reasonably funded from an annual operating budget.

Our process for completing the reserve study includes:

1. Reviewing information provided including governing documents, association financial statements, and information on previous or planned capital repairs.
2. Reviewing available information on the property as needed. This may include plat maps, tax records, historical aerial photographs, available site, and building plans.
3. Conducting a visual inspection of the property. This may include interviewing association representatives during the inspection.
4. Developing an inventory of components to be included in the reserve study.
5. Predicting their remaining service life and, approximating how frequently they will require repair or replacement.
6. Estimating repair or replacement costs (in 2025 dollars) for each capital item.
7. Develop a cash flow analysis adjusting for inflation and return on invested monies to determine the adequacy of current reserve funding plans.
8. Develop funding recommendations with specific reserve contribution recommendations for each year of the term.

The statements in this report are opinions about the present condition of the areas inspected within the community. Our inspection is limited to a visual ground level inspection and we did not remove any surface materials, perform any testing, or move any furnishings. This study is not an exhaustive technical evaluation or building code compliance review. For additional limitations, see Conclusion and Limitations.

Standards of Reference

The following definitions are provided as a standard of reference:

Excellent: Component or system is in "as new" condition, requiring no rehabilitation and should perform in accordance with expected performance.

Good: Component or system is sound and performing its function, although it may show signs of normal wear and tear. Some minor rehabilitation work may be required.

Fair: Component or system falls into one or more of the following categories: a) Evidence of previous repairs not in compliance with commonly accepted practice, b) Workmanship not in compliance with commonly accepted standards, c) Component or system is obsolete, d) Component or system approaching the end of expected performance. Repair or replacement is required to prevent further deterioration or to prolong expected life.

Poor: Component or system has either failed or cannot be relied upon to continue performing its original function as a result of having exceeded its expected performance, excessive deferred maintenance, or state of disrepair. The present condition could contribute to or cause the deterioration of other adjoining elements or systems. Repair or replacement is required.

Adequate: A component or system is of a capacity that is defined as enough for what is required, sufficient, suitable, and/or conforms to standard construction practices.

SOURCES OF INFORMATION

Date of Inspection

Onsite inspection of the property occurred on February 24, 2025.

Interviews

We interviewed the following people in connection with this study:

- Tommie Neal, Omega Association Management, Community Manager

Documents

The following documents were made available to us and reviewed:

- Wake County real estate records
- 2025 HOA budget, income statement, financials and recent repairs
- Association Governing Documents

Cost Estimates

- Our internal data files on similar projects
- Local contractor estimates for similar projects
- R.S. Means Construction Cost Estimating Data

DESCRIPTION

The Scotts Mill Homeowners Association is a private residential community comprised of 670 single-family homes in Apex, NC. The community is located at the intersection of Scotts Ridge Trail and Apex Barbecue Road. The amenity center, including the clubhouse, was constructed in 1997 per review of Wake County Real Estate Tax Records.

The association has responsibility for the clubhouse including the roofs, gutters, and siding, the interior furnishings and appliances, mechanical systems, and various site improvements. The most significant site improvements include the asphalt parking lot, concrete flatwork and curbing at the amenity center, entrance signage, the ponds and drainage systems, irrigation system, and site fencing. Amenities include tennis courts, a volleyball court, a basketball court, a pool, associated mechanical systems and furniture, and playground equipment.

The building roofs are clad with asphaltic fiberglass, architectural grade shingles. Aluminum gutters and downspouts discharge stormwater to grade.

Site drainage is provided via landscaped swales and catch basins in the paved and landscaped areas. Drainage in the public streets is captured in the municipal drainage system, where it is discharged into one of two stormwater retention ponds maintained by the Association.

OBSERVATIONS

The following key observations were made about the current condition of the more significant and costly common elements of the property.

Site Improvements

The roads throughout the community are asphalt paved and are assumed to be maintained by the public entity. However, the parking lot at the amenity center is privately owned and maintained by the Association. The parking lot is in good condition and was resurfaced around 2015. Over time, the asphalt will begin to crack due to oxidation and normal wear and tear. We have included funds to remove the failed sections of pavement, replace any unsuitable subbase/subgrade materials, compact, and install new asphalt surface course. We have included funds for asphalt patching every 10 years beginning in 2028.

Typically, we recommend the application of an oil resistant sealant to all asphalt paved parking areas on an approximately 5 year cycle. At this same time, all cracks should be properly filled, patched, and sealed. We have allocated funds to seal the pavement in 2025. We recommend installing a pavement rejuvenator (Pavement Dressing Conditioner, or similar) in lieu of a federal specification sealcoat.

Assuming sealing and crack repairs occur in the interim, we anticipate the asphalt paving in the community to have an estimated useful life of approximately twenty to twenty-five years prior to full resurfacing. We have included funds to mill and fully replace the asphalt in 2038.

The association is responsible for maintaining the concrete sidewalks and pool deck in the common areas surrounding the amenity center. The concrete flatwork generally appears to be in good condition, with some minor cracking evident. We have allocated funds for periodic repairs and/or replacement of concrete surfaces as required and have assumed that 5% of the surfaces will require maintenance every 8 years beginning in 2030. We noted crack repairs and sections of previous flatwork replacement in the pool deck, which is an excellent way to help prevent future damage and extend the life of the flatwork. We noted the coping was fully replaced, and appears to have been completed in 2020.

Drainage systems include gutter downspouts that discharge to grade and over the landscape beds around the clubhouse. We did not note any significant concerns; however, there were slopes adjacent to the tennis courts/basketball court, rip rap swales adjacent to the dumpster area, and other similar locations that will require repairs/improvements over the term. We have allocated funds to repair the drainage systems on a 5 year cycle beginning in 2030. Repairs will likely include retrenching of swales to improve flow, adding rip rap or vegetation to stabilize exposed or steep areas (mostly in the areas of the detention ponds), extending gutter downspouts to underground systems at the clubhouse, installing french drains or other types of minor drainage systems. Erosion at the outlet pipe extending from the retention pond along Scotts Mill Drive south of Freestone Street was noted to be similar to previous inspections.

We noted 2 stormwater BMPs (retention ponds) along Scotts Ridge Trail and behind Country Valley Court. Based on our history with inspection of these ponds, significant deposits of sand accumulate throughout the year and are removed quarterly. This should continue to be funded out of the general operating budget. However, we have noted other repairs, have been required in addition to dredging, with more stringent requirements being imposed by the municipality. Repairs have included more significant dredging than usual, replacement of rip rap swales, and addressing other concerns. In addition, the pond adjacent to Country Valley Way includes a concrete riser that is out of plumb and may require replacement in the future. Because of the history of soil accumulation at the inlet points, it should be expected that full dredging of the ponds will be required, and is funded based on a 10-year schedule. We have allocated for dredging and sediment removal, and funding for major improvements of the ponds every 8 years beginning in 2031.

Short lengths anodized, aluminum fence surrounds the pool area. In lieu of painting and minor repairs, we have included funds to replace the fence every 35 years beginning in 2032.

PVC fencing is located along Scotts Ridge Trail adjacent to the amenity area as well as along Apex Barbecue Road. Ultraviolet rays will eventually lead to discoloration of the surfacing, and will require replacement to maintain the aesthetic value. The fence appears to be in generally good condition, with wear and tear noted, including cracked and damaged post caps and rails. We have assumed the fence will be replaced every 25 years beginning in 2030.

There are two entrance signage areas located at along Apex Barbecue Road and include lighting and irrigation. Each area consists of two precast concrete signs with glass mosaic lettering and are affixed on a brick wall. Precast concrete caps are located on top of the monument piers at the entrance sign and intermittently along the PVC fencing. Minor cracking and loose bricks were noted. The precast plaques generally have an expected useful life of 30 years until major repairs or replacement due to corrosion, fading, and the Association's wish for an updated sign. We have provided funding for replacement of the signs and repairs to the lighting and irrigation system every 30 years beginning in 2032. Limited replacement of precast caps are anticipated over the term, with surplus funds included as part of the signage repairs.

The retention pond along Scotts Ridge Trail includes a fountain, which typically carries a warranty of 5-7 years. We have assumed a 6-year replacement cycle, with funding scheduled for 2028.

Based on the amount of assets in the community, repairs to the dumpster enclosure is assumed to be funded from a maintenance budget.

Common Building Exteriors

The predominant pitched roof surfaces over the clubhouse and pool buildings are covered in asphaltic fiberglass, architectural grade shingles, and was reportedly replaced in 2021. Roof surfacing is applied over roof sheathing, and appears to be in good condition. We are unaware of any concerns with current roof leaks. Minor improvements over the term will likely include replacing vent boots, flashing and drip edge repairs, and gutter repairs.

If inspections and repairs occur in the interim, this type of roofing surface will last approximately twenty to twenty-five years. We strongly recommend that any re-roofing project closely follow procedures outlined by the National Roofing Contractors Association's *Roofing and Waterproofing Manual*, Fourth Edition. A re-roofing sequence should include removal of the existing roofing material, replacement of any inadequate roof sheathing, replacement of any damaged flashing, and replacement of drip edge components. Re-roofing of the building is scheduled for 2041.

Gutters and downspouts are in generally good condition and should not require replacement until the time of the second roof replacement, as this component typically provides forty years of relatively trouble free service. We have included funds for replacing the gutters and downspouts in 2041 along with the roof project.

The buildings at the amenity center are of wood framed construction and are primarily clad in fiber cement siding and trim with a masonry chimney. Painted wood ceiling panels are located above the stained wood porch. Limited sections of wood, PVC, and aluminum trim are also present. The buildings were most recently painted at the end of 2024, and we have provided funds for the next cycle in 2031 and continuing on a 7 year cycle thereafter.

The stained wood porch is anticipated to last for approximately 30-35 years, with replacement scheduled for 2033. In lieu of wood, the Association may choose to replace with a composite material.

Wood, thermal pane, glass windows are located on the clubhouse. We expect that these windows will provide approximately 30-35 years of useful life, and have included funds to replace them in 2033.

The pool pump and chemical room doors are in fair condition with noted corrosion on the vents, hardware, and limited portions of the door. We have provided funds for replacement in 2031.

Common Building Interiors

The clubhouse building includes a multi-purpose room, conference room/area, kitchen, storage closet, and men's/women's bathrooms. The restrooms include two urinals (men's room), toilets, stainless steel partitions, solid surface sinks, and upgraded plumbing fixtures. Tile flooring is located in the kitchen and bathrooms, while the remaining areas are covered in finished wood flooring.

In order to maintain a fresh appearance, the interior walls of the clubhouse will need periodic painting and spot repairs. Currently, the paint appears to be in good condition. We have included funds for re-painting on a 10-year cycle in 2033.

Five upholstered chairs, 2 sofas, area rugs, and 3 wooden/glass tables are located in the multi-purpose room. Folding tables and chairs are located adjacent to the kitchen. The kitchen includes melamine veneer cabinetry with engineered stone countertops and a stainless steel sink. Various artwork and window treatments are located along the walls. A fireplace sits adjacent to the wall-mounted LCD television. The clubhouse interior was renovated in 2013. We have allocated funds to refurbish the kitchen cabinetry and countertops every 20 years beginning in 2033. Funds for bathroom refurbishment are included every 20 years beginning in 2033.

An allocation to refurbish the multi-purpose room, including replacing the furniture and updating artwork and window treatments is included every 15 years beginning in 2028.

The wood floors should last beyond the term of this study. However, due to scratches and deterioration, refinishing should be expected. Due to the limited use and wear and tear noted, we have included funds for refinishing every 15 years beginning in 2033.

Depending upon use/abuse, tile flooring can last 20+ years. We have included funds to replace the tile flooring every 20 years beginning in 2033. We have included funds to replace the wall tiles in the men's room at the same time.

The stainless steel-look appliances include an oven, refrigerator, microwave, and dishwasher. Appliances generally provide 12 years of useful life; we have provided funds for replacement in 2026.

Mechanical

The pool pump and filtration room includes (2) 10 horsepower pumps and (3) Aquatech AT-140 and (1) Pentair TR-140 sand filters for the main pool and a ½ horsepower pump and (1) Pentair Triton II TR-60 sand filter for the wading pool; a chlorine pump provides chlorination. The pumps and chlorination equipment are typically replaced as the fail while the sand filter media is replaced on a 3-4 year cycle. We have provided funds to replace components of the pump and filtration system on a 4 year cycle beginning in 2025. A fund surplus is included to begin saving for limited piping replacement, as the copper pipes are showing signs of advanced corrosion.

The mechanical closet adjacent to the bathrooms in the clubhouse houses the building's 50-gallon water heater with a manufacturer's date of 2012. The water heater has an expected useful life of 15 years and is funded for replacement in 2027.

The clubhouse is served by a 4-ton, split-system heat pump unit that was replaced in 2015. We have provided funds to replace the HVAC system on a 15-year cycle next due in 2030.

Light fixtures include recessed can lights, ceiling fans, wall sconces, and industrial style lighting in the closets. Corrosion was noted on several of the exterior can lights. We have provided an allocation for replacing sections of the interior and exterior light fixtures every 10 years beginning in 2025.

An Elkay chilled water drinking fountain is located on the interior of the clubhouse adjacent to the bathroom doors. The fountain appears to have been replaced over the last few years (assumed around 2022). We have allocated funds to replace the water fountain on a 15 year cycle beginning in 2037.

An irrigation system is provided at the pool house, and has components that will require replacement/repairs on a variable cycle, such as controllers, valves, timers, etc. We have included funds to make repairs and to replace major items on a 12 year cycle beginning in 2033.

A secured access control system is located at the pool area, and generally requires replacement of the control center on a 12 year cycle as the system becomes obsolete and repairs cannot be made. We have included funds for this in 2026.

A video surveillance system with four cameras; DVR and monitor are housed in the mechanical closet. We have included funds to replace/upgrade this system in conjunction with the access control system in 2026 and every 12 years thereafter.

We observed moderate corrosion on the electrical panel in the pool pump room. We recommend engaging a licensed electrician to inspect the panel for any concerns and make repairs, as necessary. We have provided funds for unforeseen repairs and replacements to the mechanical, electrical, and plumbing systems every 20 years beginning in 2030. Replacements could include electrical panels, sections of piping, pool grounding, etc.

Amenities

Amenities owned and maintained by the Association include the pool and associated furnishings, (2) tennis courts, a volleyball court, a basketball court, and playground equipment adjacent the clubhouse.

The pool surface appears to be in good condition, and the pool appears to have been resurfaced around 2020, assumed to be in conjunction with installation of the perimeter coping. Typically, pools should be drained, minor cracks repaired, and recoated (possibly quartz plaster) on an approximately 10-12 year cycle. We have provided funding for the next resurfacing in 2030.

Pool and outdoor furniture consisted of blue vinyl and metal support chairs and chaise lounges, small and large tables, and fabric umbrellas. The furnishings were in varying condition, some due for replacement in the near term. Due to the unpredictability of the lifespan of these items, we have budgeted for replacement of approximately 1/3rd of the furniture every four years, beginning in 2025.

Wood rocking chairs and tables are located on the porch surrounding the clubhouse. Under normal use and protected from the elements, we expect that these units will last approximately 10 years or more. No significant wear was observed in these chairs. Funds have been included for replacement beginning in 2025.

An 8-foot outdoor umbrella is cantilevered over the wading pool, and appears to be in good condition. This type of large canopy umbrella has an expected useful life of 6 years. We have included funds to replace the canopy beginning in 2030.

A shade canopy is provided on the pool deck and at the pool entrance, and both appear to be in good condition with no tears observed. Similar to the umbrella, the outdoor fabric has an expected useful life of 6 years and is funded for replacement in 2028.

Playground equipment consists of a metal and plastic climbing pieces, steps, and slides. Benches and waste receptacles are also provided. The equipment was reportedly replaced in 2018, and should provide 20-25

years of useful life if properly maintained. We have included funds to replace the playground equipment and swing sets in 2038.

The basketball and tennis court surfaces are in fair to poor condition with cracks noted throughout the playing surface up to ½" in width. This type of playing surface requires resurfacing on a 4-6 year cycle, consisting of acrylic crack repairs, acrylic resurfacer, and a sand-filled color coat with new painted lines. Tennis court contractors have begun advocating for a polyester fabric to be installed on courts in an attempt to control smaller cracks. This fabric significantly increases the cost of resurfacing, but can be discussed with the contractor at the time of installation. Full reconstruction is typically performed every 20-25 years, consisting of pulverizing the existing asphalt base in-place, re-compaction, and installation of new asphalt materials and court surface. The courts appear to have been resurfaced around 2019-2020. Due to the extent and width of cracking, we have provided funds for a full re-construction in 2026. We have provided funds to resurface the courts every 5 years thereafter.

The basketball goal is in fair condition with limited corrosion noted. The goal should provide 20 years of useful life. A new acrylic goal and post have been funded for replacement at the time of full court re-construction in 2026.

Vinyl coated chain link fence in 4-foot and 10-foot heights surrounds the tennis courts, and is in good to fair condition. We expect that the life of the fence can be extended until the next full reconstruction, and have funded full replacement in 2029.

The pool area includes three gas grills that are in fair condition. Depending on use and cleaning, the grill has an expected useful life of 3-5 years in a community setting. We have included funds to the grill every 5 years beginning in 2026.

RESERVE FUND ANALYSIS

We have performed a cash flow analysis projecting balances in the reserve account over the term of this study. We have included estimated capital repair expenses detailed in the first several pages of Appendix A. We have included tables and graphs depicting current funding levels along with recommended funding alternatives.

The financial projections include an assumed inflation rate and average return on invested funds noted on the first page of the appendices. The inflation rate adjustment is noted at the bottom of the annual expense page and the return on invested funds is noted in the existing funding level and funding alternative cash flow tables.

The software utilized to analyze the reserve funds was developed by Giles Flythe Engineers, Inc. in cooperation with a technology consultancy. The software and our analysis system have been extensively reviewed by leading community association and non-profit certified public accountants.

The capital repairs listed were derived from the initial request for proposal, discussions with association representatives, our informal review of governing documents and our site inspection. The association should confirm that the items listed are, in fact, the responsibility of the association and appropriate to fund from the reserve account.

Appendix A includes the following:

1. The Project Summary page lists pertinent details specific to the association, the terms of the analysis and summarizes total over term expenses and recommended threshold balance.
2. The Expense Projection page that itemizes the capital repairs by category, illustrates our cost estimating by unit and provides estimated useful life and remaining useful life of each item.
3. The Annual Expense Projection pages that populate the capital repairs over the term of the study. This page includes a total adjusted for inflation at the bottom of the pages.
4. The Itemized Funding Analysis page provides a summary of the capital expenditures over the term and a graph breaking down the portion of the capital repairs into each category – Site Improvements, Building Exterior, Building Interior, Mechanical/Electrical/Plumbing Systems and Amenities.
5. The Current Funding Projection page provides a table and graph illustrating our cash flow analysis assuming the association maintains the current level of reserve contributions over the term of this study. The table includes projected reserve account balances, contributions, return on invested funds and capital repair expenses for each year of the term of this study.
6. The Funding Alternative pages each provide a table and graph illustrating our cash flow analysis assuming the association implements one of our funding recommendations detailed below.

Current Reserve Funding Rate:	**$40,000 per year**
Starting Reserve Balance:	**$415,459 (1/1/2025 balance)**

Note that based on our cash flow analysis, maintaining the current funding level is not projected to maintain a positive/healthy balance over the term. We have included recommended funding alternatives to your current reserve-funding program and recommend that the board adopt an alternative that best reflects the objectives of the community. We have provided recommendations for annual reserve contribution schedules that are intended in the long term to provide a reserve balance over a minimum threshold balance. We generally recommend a threshold balance of at least an average year of capital repair expenditures. Our funding recommendations are as follows:

- **Alternative 1:** Increase the contributions to capital reserves by $15,000 each year from 2026-2033.
- **Alternative 2:** In 2026, increase the contribution to capital reserves by $25,000. Then, increase the contributions to capital reserves by $10,000 each year from 2027-2035.

The reserve study is focused on the capital reserve account and budgeted contributions to reserves. The recommendations above are solely attributed to the annual reserve contributions. The association likely has many line items in the annual operating budget that should also be periodically adjusted as part of an annual budgeting process.

The capital repair/replacement cost estimates we have developed are based on 2025 dollars. Our reserve study does include an adjustment for inflation and an assumed rate of return on invested funds as indicated on Page 1 of the Appendix.

PREVENTATIVE MAINTENANCE

Preventative maintenance is a critical aspect affecting a property's life cycle costs and structural safety. It is encouraged that every property owner has a preventative maintenance plan prepared. The reserve study is not to be considered a preventative maintenance plan. A preventative maintenance plan should incorporate all applicable common elements, not just those components included within the reserve study.

Any information provided by the client regarding ongoing maintenance or repair being performed with any component has been noted within the notes for that component. We can only be aware of preventative maintenance plans or programs that have been disclosed by the client. Note that an audit or evaluation of any maintenance plan or maintenance contract is outside the scope of the services of this project.

In some states and municipalities, periodic structural inspection reports are required for certain types of buildings. This periodic inspection report is critical to assist the reserve study provider in incorporating necessary corrective maintenance costs and timing. We recommend the association complete any and all required structural inspections and reports and have assumed these reports would be made available for our review during the reserve study.

We have assumed repairs under a dollar value of approximately $1,000 would be funded as part of an annual maintenance budget. These repairs were not included in the funding allocations of this reserve study unless otherwise noted. We have assumed other component repairs/replacements would be funded from an annual maintenance budget as noted in the report.

CONCLUSION & LIMITATIONS

We have provided reserve funding recommendations based on our analysis of the association-maintained components, estimated capital repair costs over the term and the current funding levels. Further detail of the reserve fund analysis is provided in Appendix A.

The physical analysis portion of this reserve study was completed through a limited visual inspection. The visual inspection was completed from ground level unless otherwise specified. The visual inspection is generally limited to readily accessible and visible common areas that would likely require capital repair activities over the term. However, in some instances a representative sample inspection may be performed. Measurement of components is completed by a combination of field measurements, aerial imagery measuring tools and take-offs from construction drawings as available. Unless specifically noted, the components included in this study have an anticipated remaining useful life within 30-years from the time the field observations used in preparing the study was performed.

Note that this inspection does not include removing surface materials, excavation or any testing. The inspection does not include riparian buffers or other protected common areas. Buried utility components and other concealed components were not inspected as part of this analysis and we cannot be responsible for the condition of components not inspected.

The observations described in this study are valid on the date of the investigation and have been made under the conditions noted in the report. We prepared this study for the exclusive use of Scotts Mill Homeowners Association No other party should rely on the information in this report without consent. If another individual or party relies on this study, they shall indemnify and hold Giles Flythe Engineers Inc. harmless for any damages, losses, or expenses they may incur as a result of its use. This study is not to be considered a warranty of condition, and no warranty is implied. The appendices are an integral part of this report and must be included in any review. The Reserve Specialist shall incur no civil liability for performing the physical or financial portions of a reserve study performed in accordance with CAI standards.

Members of the Giles Flythe Engineers team working on this reserve study are not members of, or otherwise associated with, the association. Giles Flythe Engineers has disclosed any other involvement with the association that could result in conflicts of interest.

Information provided by the representatives of the association regarding financial, physical, quantity, or historical issues, will be deemed reliable by Giles Flythe Engineers. The reserve balance presented in the Reserve Study is based upon information provided and was not audited. Information provided about reserve projects will be considered reliable. Any on-site inspection should not be considered a project audit or quality inspection. Giles Flythe Engineers is not aware of any additional material issues which, if not disclosed, would cause a distortion of the association's situation.

This reserve study is partially a reflection of information provided to us. The reserve study is assembled for the association's use and is not intended to be used for the purpose of performing an audit, quality/forensic

analyses or background checks of historical records. Structural integrity evaluations are not included in the reserve study unless otherwise noted. The financial information provided, including starting balances and budgeted contribution rates are deemed reliable and have not been audited. Further, this study should not be considered a building code compliance analysis. The purpose of this study is to provide the association with a financial tool and is not to be considered an exhaustive technical or engineering evaluation which would consist of a broader scope of work. Except as noted in the report, we have not relied on the validity of prior reserve studies performed by other firms.

We have provided estimated costs of capital repairs. These costs are based on our general knowledge of the construction industry. We have relied on standard sources as needed, such as Means Building Construction Cost Data and estimates reviewed by Giles Flythe Engineers on similar projects. We have performed no design work or other engineering analysis as part of this study, nor have we obtained competitive quotations or estimates from contractors. Actual repair costs can vary due to a variety of factors. We cannot be responsible for the specific cost estimates provided.

This report has been prepared and reviewed by a professional engineer (PE) and reserve specialist (RS) on our staff.

If you have any questions about this reserve study, please feel free to contact us. Thank you for the opportunity to serve you.

Respectfully submitted,



Christopher A. Flythe, PE, RS
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Giles Flythe Engineers, Inc.
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APPENDIX A: RESERVE FUND PROJECTIONS

APPENDIX B: PROJECT PHOTOGRAPHS

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INTRODUCTIONS

Scotts Mill Homeowners Association authorized Giles Flythe Engineers to perform a Reserve Study Update with a Site Inspection for the Scotts Mill community located in Apex, NC. The purpose of the reserve study is to assist the association in planning for future capital repair expenses. A reserve study is an important tool for an association to adequately fund capital reserve accounts through regular annual reserve contributions. Adequately funded capital reserve accounts reduce the need to defer capital repairs, collect special assessments, or borrow funds for capital repair projects.

A community association typically has certain responsibilities as described in the association governing documents. These responsibilities often include maintaining common areas and other components. An association, as a non-profit organization, will typically have two general asset cash accounts including an operating account and a reserve account. The operating account is funded from regular budgeted assessments and is used to fund routine operating expenses that occur on a predictable cycle, typically monthly or up to annually. The reserve account is funded from regular contributions and is primarily used to fund non-annual capital repair expenses.

The focus of the reserve study is on the reserve account. We have projected capital repair expenses over a term of thirty years. The capital repair expenses are limited to those components for which the association is responsible for maintaining. Capital repair expense estimates include an expected useful life and remaining useful life of the components to develop a projected schedule for capital repairs over the term. After developing a schedule of capital repairs over the term, we completed a cash flow analysis forecasting reserve account balances over the term and provided funding recommendations as needed. Capital repair expense estimates and funding estimates are most reliable in the first portion of the term. Updating a reserve study every three to five years will mitigate the impacts of variation in repair costs, component wear, inflation, and reserve funding over time.

Capital reserve funding recommendations are provided to address funding principles including providing sufficient funds required, a stable reserve contribution rate over the term, an equitable contribution rate over the term, and fiscal responsibility. The reserve study is intended to assist the association in developing budgeted reserve contributions.

The report includes a narrative section which describes the scope of the reserve study, a discussion of observations and capital repair allocations, a general description of capital repairs and a description of our cash flow analysis and funding recommendations. The report appendices include the capital reserve analysis with tables detailing an itemized list of capital repair expenses, an itemized list of expenses by year and our cash flow analysis. A photo log is provided and includes a representative sample of our observations. The report includes multiple sections with information presented in various forms and should, therefore, be read in its entirety.

EXECUTIVE SUMMARY

The Scotts Mill Homeowners Association is a private residential community comprised of 670 single-family homes in Apex, NC. The community is located at the intersection of Scotts Ridge Trail and Apex Barbecue Road. The amenity center, including the clubhouse, was constructed in 1997 per review of Wake County Real Estate Tax Records.

The association has responsibility for the clubhouse including the roofs, gutters, and siding, the interior furnishings and appliances, mechanical systems, and various site improvements. The most significant site improvements include the asphalt parking lot, concrete flatwork and curbing at the amenity center, entrance signage, the ponds and drainage systems, irrigation system, and site fencing. Amenities include tennis courts, a volleyball court, a basketball court, a pool, associated mechanical systems and furniture, and playground equipment.

The buildings, common areas, and grounds are generally in good condition. Based on our evaluation, the current level of funding does not maintain a positive balance through the term of this study. We have provided recommendations for annual reserve contribution schedules that are intended in the long term to provide a reserve balance over a minimum threshold balance. We generally recommend a threshold balance of at least an average year of capital repair expenditures. A more detailed analysis of the reserve fund has been provided in Appendix A.

- **Alternative 1:** Increase the contributions to capital reserves by $15,000 each year from 2026-2033.
- **Alternative 2:** In 2026, increase the contribution to capital reserves by $25,000. Then, increase the contributions to capital reserves by $10,000 each year from 2027-2035.

Some significant expenditures are expected over the term of the study. Some of the more notable examples are listed below:

- Repair, seal and resurface asphalt paved parking lot
- Drainage improvements, pond dredging
- Replace clubhouse roof
- Reconstruct tennis courts
- Resurface swimming pool surfaces and replace pool equipment

Additional capital expenditures are anticipated over the term of this study. Those items that will require repair or replacement are discussed later in this report.

PURPOSE & SCOPE

We have completed this study to estimate capital repair expenses the association is responsible for over the term of the study and provide a cash flow analysis and capital reserve funding plan. This study is intended to assist the association in determining the allocation requirements into the reserve fund which are projected to meet future anticipated capital expenditures for the community.

This report estimates capital repair expenses for the community thirty years into the future. Variations in capital repair expense forecasts due to the quality of maintenance, weather and other events may occur. Over time, age, premature deterioration, or other factors may necessitate the addition of assets into the reserve study. Additionally, fluctuations in material and labor costs beyond assumed inflation rates may also affect the accuracy of the forecasts. Therefore, a reserve study should be routinely updated, typically on a three to five-year cycle to provide the most accurate assessment of needs and financial obligations of the community.

What is a reserve study?

A reserve study is a long-term capital budget planning tool which compares the current reserve fund of an organization to future capital repairs and replacements.

A reserve study is a tool to help identify and prepare for major repair and replacement projects for a community.

It is recommended that a reserve study be performed every five years to ensure that communities are saving the necessary funds for capital repairs and improvements.

This study has been performed according to the scope as generally defined by Scotts Mill Homeowners Association, Giles Flythe Engineers Inc., and the standards of the Community Associations Institute. The findings and recommendations are based on interviews with the community's management personnel; a review of available documents; and a limited visual inspection of the components maintained by the association.

The Cash Flow Method of calculating reserves has been utilized, whereby contributions to the reserve fund are designed to offset the variable annual expenditures. Funding alternates are recommended which are intended in the long term to provide a reserve balance over a minimum threshold balance. We generally recommend a threshold balance of at least an average year of capital repair expenditures. This minimum threshold balance will help offset the risk of fluctuations in labor and material costs and component wear. Note that under certain circumstances to accommodate restricted budgets, projected balances may be below the threshold balance for a short period of time.

To determine which components should be included in this analysis, we used the following guidelines:

- The component must be maintained by the association.
- The component must have an estimated remaining useful life within the term of this study.
- The funding for the repair should be from the reserve account, not through an annual operating budget or other maintenance contracts.
- The cost of the capital repair must be significant enough to not be reasonably funded from an annual operating budget.

Our process for completing the reserve study includes:

1. Reviewing information provided including governing documents, association financial statements, and information on previous or planned capital repairs.
2. Reviewing available information on the property as needed. This may include plat maps, tax records, historical aerial photographs, available site, and building plans.
3. Conducting a visual inspection of the property. This may include interviewing association representatives during the inspection.
4. Developing an inventory of components to be included in the reserve study.
5. Predicting their remaining service life and, approximating how frequently they will require repair or replacement.
6. Estimating repair or replacement costs (in 2025 dollars) for each capital item.
7. Develop a cash flow analysis adjusting for inflation and return on invested monies to determine the adequacy of current reserve funding plans.
8. Develop funding recommendations with specific reserve contribution recommendations for each year of the term.

The statements in this report are opinions about the present condition of the areas inspected within the community. Our inspection is limited to a visual ground level inspection and we did not remove any surface materials, perform any testing, or move any furnishings. This study is not an exhaustive technical evaluation or building code compliance review. For additional limitations, see Conclusion and Limitations.

Standards of Reference

The following definitions are provided as a standard of reference:

Excellent: Component or system is in "as new" condition, requiring no rehabilitation and should perform in accordance with expected performance.

Good: Component or system is sound and performing its function, although it may show signs of normal wear and tear. Some minor rehabilitation work may be required.

Fair: Component or system falls into one or more of the following categories: a) Evidence of previous repairs not in compliance with commonly accepted practice, b) Workmanship not in compliance with commonly accepted standards, c) Component or system is obsolete, d) Component or system approaching the end of expected performance. Repair or replacement is required to prevent further deterioration or to prolong expected life.

Poor: Component or system has either failed or cannot be relied upon to continue performing its original function as a result of having exceeded its expected performance, excessive deferred maintenance, or state of disrepair. The present condition could contribute to or cause the deterioration of other adjoining elements or systems. Repair or replacement is required.

Adequate: A component or system is of a capacity that is defined as enough for what is required, sufficient, suitable, and/or conforms to standard construction practices.

SOURCES OF INFORMATION

Date of Inspection

Onsite inspection of the property occurred on February 24, 2025.

Interviews

We interviewed the following people in connection with this study:

- Tommie Neal, Omega Association Management, Community Manager

Documents

The following documents were made available to us and reviewed:

- Wake County real estate records
- 2025 HOA budget, income statement, financials and recent repairs
- Association Governing Documents

Cost Estimates

- Our internal data files on similar projects
- Local contractor estimates for similar projects
- R.S. Means Construction Cost Estimating Data

DESCRIPTION

The Scotts Mill Homeowners Association is a private residential community comprised of 670 single-family homes in Apex, NC. The community is located at the intersection of Scotts Ridge Trail and Apex Barbecue Road. The amenity center, including the clubhouse, was constructed in 1997 per review of Wake County Real Estate Tax Records.

The association has responsibility for the clubhouse including the roofs, gutters, and siding, the interior furnishings and appliances, mechanical systems, and various site improvements. The most significant site improvements include the asphalt parking lot, concrete flatwork and curbing at the amenity center, entrance signage, the ponds and drainage systems, irrigation system, and site fencing. Amenities include tennis courts, a volleyball court, a basketball court, a pool, associated mechanical systems and furniture, and playground equipment.

The building roofs are clad with asphaltic fiberglass, architectural grade shingles. Aluminum gutters and downspouts discharge stormwater to grade.

Site drainage is provided via landscaped swales and catch basins in the paved and landscaped areas. Drainage in the public streets is captured in the municipal drainage system, where it is discharged into one of two stormwater retention ponds maintained by the Association.

OBSERVATIONS

The following key observations were made about the current condition of the more significant and costly common elements of the property.

Site Improvements

The roads throughout the community are asphalt paved and are assumed to be maintained by the public entity. However, the parking lot at the amenity center is privately owned and maintained by the Association. The parking lot is in good condition and was resurfaced around 2015. Over time, the asphalt will begin to crack due to oxidation and normal wear and tear. We have included funds to remove the failed sections of pavement, replace any unsuitable subbase/subgrade materials, compact, and install new asphalt surface course. We have included funds for asphalt patching every 10 years beginning in 2028.

Typically, we recommend the application of an oil resistant sealant to all asphalt paved parking areas on an approximately 5 year cycle. At this same time, all cracks should be properly filled, patched, and sealed. We have allocated funds to seal the pavement in 2025. We recommend installing a pavement rejuvenator (Pavement Dressing Conditioner, or similar) in lieu of a federal specification sealcoat.

Assuming sealing and crack repairs occur in the interim, we anticipate the asphalt paving in the community to have an estimated useful life of approximately twenty to twenty-five years prior to full resurfacing. We have included funds to mill and fully replace the asphalt in 2038.

The association is responsible for maintaining the concrete sidewalks and pool deck in the common areas surrounding the amenity center. The concrete flatwork generally appears to be in good condition, with some minor cracking evident. We have allocated funds for periodic repairs and/or replacement of concrete surfaces as required and have assumed that 5% of the surfaces will require maintenance every 8 years beginning in 2030. We noted crack repairs and sections of previous flatwork replacement in the pool deck, which is an excellent way to help prevent future damage and extend the life of the flatwork. We noted the coping was fully replaced, and appears to have been completed in 2020.

Drainage systems include gutter downspouts that discharge to grade and over the landscape beds around the clubhouse. We did not note any significant concerns; however, there were slopes adjacent to the tennis courts/basketball court, rip rap swales adjacent to the dumpster area, and other similar locations that will require repairs/improvements over the term. We have allocated funds to repair the drainage systems on a 5 year cycle beginning in 2030. Repairs will likely include retrenching of swales to improve flow, adding rip rap or vegetation to stabilize exposed or steep areas (mostly in the areas of the detention ponds), extending gutter downspouts to underground systems at the clubhouse, installing french drains or other types of minor drainage systems. Erosion at the outlet pipe extending from the retention pond along Scotts Mill Drive south of Freestone Street was noted to be similar to previous inspections.

We noted 2 stormwater BMPs (retention ponds) along Scotts Ridge Trail and behind Country Valley Court. Based on our history with inspection of these ponds, significant deposits of sand accumulate throughout the year and are removed quarterly. This should continue to be funded out of the general operating budget. However, we have noted other repairs, have been required in addition to dredging, with more stringent requirements being imposed by the municipality. Repairs have included more significant dredging than usual, replacement of rip rap swales, and addressing other concerns. In addition, the pond adjacent to Country Valley Way includes a concrete riser that is out of plumb and may require replacement in the future. Because of the history of soil accumulation at the inlet points, it should be expected that full dredging of the ponds will be required, and is funded based on a 10-year schedule. We have allocated for dredging and sediment removal, and funding for major improvements of the ponds every 8 years beginning in 2031.

Short lengths anodized, aluminum fence surrounds the pool area. In lieu of painting and minor repairs, we have included funds to replace the fence every 35 years beginning in 2032.

PVC fencing is located along Scotts Ridge Trail adjacent to the amenity area as well as along Apex Barbecue Road. Ultraviolet rays will eventually lead to discoloration of the surfacing, and will require replacement to maintain the aesthetic value. The fence appears to be in generally good condition, with wear and tear noted, including cracked and damaged post caps and rails. We have assumed the fence will be replaced every 25 years beginning in 2030.

There are two entrance signage areas located at along Apex Barbecue Road and include lighting and irrigation. Each area consists of two precast concrete signs with glass mosaic lettering and are affixed on a brick wall. Precast concrete caps are located on top of the monument piers at the entrance sign and intermittently along the PVC fencing. Minor cracking and loose bricks were noted. The precast plaques generally have an expected useful life of 30 years until major repairs or replacement due to corrosion, fading, and the Association's wish for an updated sign. We have provided funding for replacement of the signs and repairs to the lighting and irrigation system every 30 years beginning in 2032. Limited replacement of precast caps are anticipated over the term, with surplus funds included as part of the signage repairs.

The retention pond along Scotts Ridge Trail includes a fountain, which typically carries a warranty of 5-7 years. We have assumed a 6-year replacement cycle, with funding scheduled for 2028.

Based on the amount of assets in the community, repairs to the dumpster enclosure is assumed to be funded from a maintenance budget.

Common Building Exteriors

The predominant pitched roof surfaces over the clubhouse and pool buildings are covered in asphaltic fiberglass, architectural grade shingles, and was reportedly replaced in 2021. Roof surfacing is applied over roof sheathing, and appears to be in good condition. We are unaware of any concerns with current roof leaks. Minor improvements over the term will likely include replacing vent boots, flashing and drip edge repairs, and gutter repairs.

If inspections and repairs occur in the interim, this type of roofing surface will last approximately twenty to twenty-five years. We strongly recommend that any re-roofing project closely follow procedures outlined by the National Roofing Contractors Association's *Roofing and Waterproofing Manual*, Fourth Edition. A re-roofing sequence should include removal of the existing roofing material, replacement of any inadequate roof sheathing, replacement of any damaged flashing, and replacement of drip edge components. Re-roofing of the building is scheduled for 2041.

Gutters and downspouts are in generally good condition and should not require replacement until the time of the second roof replacement, as this component typically provides forty years of relatively trouble free service. We have included funds for replacing the gutters and downspouts in 2041 along with the roof project.

The buildings at the amenity center are of wood framed construction and are primarily clad in fiber cement siding and trim with a masonry chimney. Painted wood ceiling panels are located above the stained wood porch. Limited sections of wood, PVC, and aluminum trim are also present. The buildings were most recently painted at the end of 2024, and we have provided funds for the next cycle in 2031 and continuing on a 7 year cycle thereafter.

The stained wood porch is anticipated to last for approximately 30-35 years, with replacement scheduled for 2033. In lieu of wood, the Association may choose to replace with a composite material.

Wood, thermal pane, glass windows are located on the clubhouse. We expect that these windows will provide approximately 30-35 years of useful life, and have included funds to replace them in 2033.

The pool pump and chemical room doors are in fair condition with noted corrosion on the vents, hardware, and limited portions of the door. We have provided funds for replacement in 2031.

Common Building Interiors

The clubhouse building includes a multi-purpose room, conference room/area, kitchen, storage closet, and men's/women's bathrooms. The restrooms include two urinals (men's room), toilets, stainless steel partitions, solid surface sinks, and upgraded plumbing fixtures. Tile flooring is located in the kitchen and bathrooms, while the remaining areas are covered in finished wood flooring.

In order to maintain a fresh appearance, the interior walls of the clubhouse will need periodic painting and spot repairs. Currently, the paint appears to be in good condition. We have included funds for re-painting on a 10-year cycle in 2033.

Five upholstered chairs, 2 sofas, area rugs, and 3 wooden/glass tables are located in the multi-purpose room. Folding tables and chairs are located adjacent to the kitchen. The kitchen includes melamine veneer cabinetry with engineered stone countertops and a stainless steel sink. Various artwork and window treatments are located along the walls. A fireplace sits adjacent to the wall-mounted LCD television. The clubhouse interior was renovated in 2013. We have allocated funds to refurbish the kitchen cabinetry and countertops every 20 years beginning in 2033. Funds for bathroom refurbishment are included every 20 years beginning in 2033.

An allocation to refurbish the multi-purpose room, including replacing the furniture and updating artwork and window treatments is included every 15 years beginning in 2028.

The wood floors should last beyond the term of this study. However, due to scratches and deterioration, refinishing should be expected. Due to the limited use and wear and tear noted, we have included funds for refinishing every 15 years beginning in 2033.

Depending upon use/abuse, tile flooring can last 20+ years. We have included funds to replace the tile flooring every 20 years beginning in 2033. We have included funds to replace the wall tiles in the men's room at the same time.

The stainless steel-look appliances include an oven, refrigerator, microwave, and dishwasher. Appliances generally provide 12 years of useful life; we have provided funds for replacement in 2026.

Mechanical

The pool pump and filtration room includes (2) 10 horsepower pumps and (3) Aquatech AT-140 and (1) Pentair TR-140 sand filters for the main pool and a ½ horsepower pump and (1) Pentair Triton II TR-60 sand filter for the wading pool; a chlorine pump provides chlorination. The pumps and chlorination equipment are typically replaced as the fail while the sand filter media is replaced on a 3-4 year cycle. We have provided funds to replace components of the pump and filtration system on a 4 year cycle beginning in 2025. A fund surplus is included to begin saving for limited piping replacement, as the copper pipes are showing signs of advanced corrosion.

The mechanical closet adjacent to the bathrooms in the clubhouse houses the building's 50-gallon water heater with a manufacturer's date of 2012. The water heater has an expected useful life of 15 years and is funded for replacement in 2027.

The clubhouse is served by a 4-ton, split-system heat pump unit that was replaced in 2015. We have provided funds to replace the HVAC system on a 15-year cycle next due in 2030.

Light fixtures include recessed can lights, ceiling fans, wall sconces, and industrial style lighting in the closets. Corrosion was noted on several of the exterior can lights. We have provided an allocation for replacing sections of the interior and exterior light fixtures every 10 years beginning in 2025.

An Elkay chilled water drinking fountain is located on the interior of the clubhouse adjacent to the bathroom doors. The fountain appears to have been replaced over the last few years (assumed around 2022). We have allocated funds to replace the water fountain on a 15 year cycle beginning in 2037.

An irrigation system is provided at the pool house, and has components that will require replacement/repairs on a variable cycle, such as controllers, valves, timers, etc. We have included funds to make repairs and to replace major items on a 12 year cycle beginning in 2033.

A secured access control system is located at the pool area, and generally requires replacement of the control center on a 12 year cycle as the system becomes obsolete and repairs cannot be made. We have included funds for this in 2026.

A video surveillance system with four cameras; DVR and monitor are housed in the mechanical closet. We have included funds to replace/upgrade this system in conjunction with the access control system in 2026 and every 12 years thereafter.

We observed moderate corrosion on the electrical panel in the pool pump room. We recommend engaging a licensed electrician to inspect the panel for any concerns and make repairs, as necessary. We have provided funds for unforeseen repairs and replacements to the mechanical, electrical, and plumbing systems every 20 years beginning in 2030. Replacements could include electrical panels, sections of piping, pool grounding, etc.

Amenities

Amenities owned and maintained by the Association include the pool and associated furnishings, (2) tennis courts, a volleyball court, a basketball court, and playground equipment adjacent the clubhouse.

The pool surface appears to be in good condition, and the pool appears to have been resurfaced around 2020, assumed to be in conjunction with installation of the perimeter coping. Typically, pools should be drained, minor cracks repaired, and recoated (possibly quartz plaster) on an approximately 10-12 year cycle. We have provided funding for the next resurfacing in 2030.

Pool and outdoor furniture consisted of blue vinyl and metal support chairs and chaise lounges, small and large tables, and fabric umbrellas. The furnishings were in varying condition, some due for replacement in the near term. Due to the unpredictability of the lifespan of these items, we have budgeted for replacement of approximately 1/3rd of the furniture every four years, beginning in 2025.

Wood rocking chairs and tables are located on the porch surrounding the clubhouse. Under normal use and protected from the elements, we expect that these units will last approximately 10 years or more. No significant wear was observed in these chairs. Funds have been included for replacement beginning in 2025.

An 8-foot outdoor umbrella is cantilevered over the wading pool, and appears to be in good condition. This type of large canopy umbrella has an expected useful life of 6 years. We have included funds to replace the canopy beginning in 2030.

A shade canopy is provided on the pool deck and at the pool entrance, and both appear to be in good condition with no tears observed. Similar to the umbrella, the outdoor fabric has an expected useful life of 6 years and is funded for replacement in 2028.

Playground equipment consists of a metal and plastic climbing pieces, steps, and slides. Benches and waste receptacles are also provided. The equipment was reportedly replaced in 2018, and should provide 20-25

years of useful life if properly maintained. We have included funds to replace the playground equipment and swing sets in 2038.

The basketball and tennis court surfaces are in fair to poor condition with cracks noted throughout the playing surface up to ½" in width. This type of playing surface requires resurfacing on a 4-6 year cycle, consisting of acrylic crack repairs, acrylic resurfacer, and a sand-filled color coat with new painted lines. Tennis court contractors have begun advocating for a polyester fabric to be installed on courts in an attempt to control smaller cracks. This fabric significantly increases the cost of resurfacing, but can be discussed with the contractor at the time of installation. Full reconstruction is typically performed every 20-25 years, consisting of pulverizing the existing asphalt base in-place, re-compaction, and installation of new asphalt materials and court surface. The courts appear to have been resurfaced around 2019-2020. Due to the extent and width of cracking, we have provided funds for a full re-construction in 2026. We have provided funds to resurface the courts every 5 years thereafter.

The basketball goal is in fair condition with limited corrosion noted. The goal should provide 20 years of useful life. A new acrylic goal and post have been funded for replacement at the time of full court re-construction in 2026.

Vinyl coated chain link fence in 4-foot and 10-foot heights surrounds the tennis courts, and is in good to fair condition. We expect that the life of the fence can be extended until the next full reconstruction, and have funded full replacement in 2029.

The pool area includes three gas grills that are in fair condition. Depending on use and cleaning, the grill has an expected useful life of 3-5 years in a community setting. We have included funds to the grill every 5 years beginning in 2026.

RESERVE FUND ANALYSIS

We have performed a cash flow analysis projecting balances in the reserve account over the term of this study. We have included estimated capital repair expenses detailed in the first several pages of Appendix A. We have included tables and graphs depicting current funding levels along with recommended funding alternatives.

The financial projections include an assumed inflation rate and average return on invested funds noted on the first page of the appendices. The inflation rate adjustment is noted at the bottom of the annual expense page and the return on invested funds is noted in the existing funding level and funding alternative cash flow tables.

The software utilized to analyze the reserve funds was developed by Giles Flythe Engineers, Inc. in cooperation with a technology consultancy. The software and our analysis system have been extensively reviewed by leading community association and non-profit certified public accountants.

The capital repairs listed were derived from the initial request for proposal, discussions with association representatives, our informal review of governing documents and our site inspection. The association should confirm that the items listed are, in fact, the responsibility of the association and appropriate to fund from the reserve account.

Appendix A includes the following:

1. The Project Summary page lists pertinent details specific to the association, the terms of the analysis and summarizes total over term expenses and recommended threshold balance.
2. The Expense Projection page that itemizes the capital repairs by category, illustrates our cost estimating by unit and provides estimated useful life and remaining useful life of each item.
3. The Annual Expense Projection pages that populate the capital repairs over the term of the study. This page includes a total adjusted for inflation at the bottom of the pages.
4. The Itemized Funding Analysis page provides a summary of the capital expenditures over the term and a graph breaking down the portion of the capital repairs into each category – Site Improvements, Building Exterior, Building Interior, Mechanical/Electrical/Plumbing Systems and Amenities.
5. The Current Funding Projection page provides a table and graph illustrating our cash flow analysis assuming the association maintains the current level of reserve contributions over the term of this study. The table includes projected reserve account balances, contributions, return on invested funds and capital repair expenses for each year of the term of this study.
6. The Funding Alternative pages each provide a table and graph illustrating our cash flow analysis assuming the association implements one of our funding recommendations detailed below.

Current Reserve Funding Rate:	**$40,000 per year**
Starting Reserve Balance:	**$415,459 (1/1/2025 balance)**

Note that based on our cash flow analysis, maintaining the current funding level is not projected to maintain a positive/healthy balance over the term. We have included recommended funding alternatives to your current reserve-funding program and recommend that the board adopt an alternative that best reflects the objectives of the community. We have provided recommendations for annual reserve contribution schedules that are intended in the long term to provide a reserve balance over a minimum threshold balance. We generally recommend a threshold balance of at least an average year of capital repair expenditures. Our funding recommendations are as follows:

- **Alternative 1:** Increase the contributions to capital reserves by $15,000 each year from 2026-2033.
- **Alternative 2:** In 2026, increase the contribution to capital reserves by $25,000. Then, increase the contributions to capital reserves by $10,000 each year from 2027-2035.

The reserve study is focused on the capital reserve account and budgeted contributions to reserves. The recommendations above are solely attributed to the annual reserve contributions. The association likely has many line items in the annual operating budget that should also be periodically adjusted as part of an annual budgeting process.

The capital repair/replacement cost estimates we have developed are based on 2025 dollars. Our reserve study does include an adjustment for inflation and an assumed rate of return on invested funds as indicated on Page 1 of the Appendix.

PREVENTATIVE MAINTENANCE

Preventative maintenance is a critical aspect affecting a property's life cycle costs and structural safety. It is encouraged that every property owner has a preventative maintenance plan prepared. The reserve study is not to be considered a preventative maintenance plan. A preventative maintenance plan should incorporate all applicable common elements, not just those components included within the reserve study.

Any information provided by the client regarding ongoing maintenance or repair being performed with any component has been noted within the notes for that component. We can only be aware of preventative maintenance plans or programs that have been disclosed by the client. Note that an audit or evaluation of any maintenance plan or maintenance contract is outside the scope of the services of this project.

In some states and municipalities, periodic structural inspection reports are required for certain types of buildings. This periodic inspection report is critical to assist the reserve study provider in incorporating necessary corrective maintenance costs and timing. We recommend the association complete any and all required structural inspections and reports and have assumed these reports would be made available for our review during the reserve study.

We have assumed repairs under a dollar value of approximately $1,000 would be funded as part of an annual maintenance budget. These repairs were not included in the funding allocations of this reserve study unless otherwise noted. We have assumed other component repairs/replacements would be funded from an annual maintenance budget as noted in the report.

CONCLUSION & LIMITATIONS

We have provided reserve funding recommendations based on our analysis of the association-maintained components, estimated capital repair costs over the term and the current funding levels. Further detail of the reserve fund analysis is provided in Appendix A.

The physical analysis portion of this reserve study was completed through a limited visual inspection. The visual inspection was completed from ground level unless otherwise specified. The visual inspection is generally limited to readily accessible and visible common areas that would likely require capital repair activities over the term. However, in some instances a representative sample inspection may be performed. Measurement of components is completed by a combination of field measurements, aerial imagery measuring tools and take-offs from construction drawings as available. Unless specifically noted, the components included in this study have an anticipated remaining useful life within 30-years from the time the field observations used in preparing the study was performed.

Note that this inspection does not include removing surface materials, excavation or any testing. The inspection does not include riparian buffers or other protected common areas. Buried utility components and other concealed components were not inspected as part of this analysis and we cannot be responsible for the condition of components not inspected.

The observations described in this study are valid on the date of the investigation and have been made under the conditions noted in the report. We prepared this study for the exclusive use of Scotts Mill Homeowners Association No other party should rely on the information in this report without consent. If another individual or party relies on this study, they shall indemnify and hold Giles Flythe Engineers Inc. harmless for any damages, losses, or expenses they may incur as a result of its use. This study is not to be considered a warranty of condition, and no warranty is implied. The appendices are an integral part of this report and must be included in any review. The Reserve Specialist shall incur no civil liability for performing the physical or financial portions of a reserve study performed in accordance with CAI standards.

Members of the Giles Flythe Engineers team working on this reserve study are not members of, or otherwise associated with, the association. Giles Flythe Engineers has disclosed any other involvement with the association that could result in conflicts of interest.

Information provided by the representatives of the association regarding financial, physical, quantity, or historical issues, will be deemed reliable by Giles Flythe Engineers. The reserve balance presented in the Reserve Study is based upon information provided and was not audited. Information provided about reserve projects will be considered reliable. Any on-site inspection should not be considered a project audit or quality inspection. Giles Flythe Engineers is not aware of any additional material issues which, if not disclosed, would cause a distortion of the association's situation.

This reserve study is partially a reflection of information provided to us. The reserve study is assembled for the association's use and is not intended to be used for the purpose of performing an audit, quality/forensic

analyses or background checks of historical records. Structural integrity evaluations are not included in the reserve study unless otherwise noted. The financial information provided, including starting balances and budgeted contribution rates are deemed reliable and have not been audited. Further, this study should not be considered a building code compliance analysis. The purpose of this study is to provide the association with a financial tool and is not to be considered an exhaustive technical or engineering evaluation which would consist of a broader scope of work. Except as noted in the report, we have not relied on the validity of prior reserve studies performed by other firms.

We have provided estimated costs of capital repairs. These costs are based on our general knowledge of the construction industry. We have relied on standard sources as needed, such as Means Building Construction Cost Data and estimates reviewed by Giles Flythe Engineers on similar projects. We have performed no design work or other engineering analysis as part of this study, nor have we obtained competitive quotations or estimates from contractors. Actual repair costs can vary due to a variety of factors. We cannot be responsible for the specific cost estimates provided.

This report has been prepared and reviewed by a professional engineer (PE) and reserve specialist (RS) on our staff.

If you have any questions about this reserve study, please feel free to contact us. Thank you for the opportunity to serve you.

Respectfully submitted,



Christopher A. Flythe, PE, RS
Principal Engineer
Giles Flythe Engineers, Inc.
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APPENDIX A: RESERVE FUND PROJECTIONS

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2025 Reserve Study Update

Client Name:	Scotts Mill
Service:	2025 Reserve Study Update
Number of Units:	670
Location:	Apex, NC
Date of Inspection:	2/27/2025
Term of Study in Years:	30
Beginning Year:	2025
Estimated Starting Reserve:	$415,459
Current Annual Contribution:	$40,000
Annual Inflation Rate:	4.00%
Assumed Rate of Return on Reserve Funds:	1.50%
Total Over Term Capital Expenditure with Inflation:	$4,441,157
Recommended Threshold Reserve Balance: (Average Annual Capital Expenditure with Inflation)	$148,039

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Expense Estimates

Description	Quantity	Unit of Measure	Unit Cost	Total Cost per Cycle	Years of Useful Life	Years Remaining	Notes
Site Improvements							
Crack fill, seal, & re-stripe asphalt paving	2,700	SY	$3.25	$8,775	5	0	
Asphalt Patching or Subgrade Repairs	250	SY	$65.00	$16,250	10	3	
Mill and Replace asphalt paving	2,700	SY	$35.00	$94,500	25	13	
Repair/replace sections of concrete flatwork	85	SY	$150.00	$12,750	8	5	Approx. 5% every 8 years
Drainage Repairs/Improvements	1	SYS	$5,000.00	$5,000	5	5	
Major repairs - stormwater ponds	2	EA	$25,000.00	$50,000	8	6	
Replace aluminum fencing	500	LF	$50.00	$25,000	40	12	
Replace PVC fencing	3,000	LF	$26.00	$78,000	25	5	
Repair/replace entrance signage, monument piers	1	LS	$20,000.00	$20,000	30	7	
Replace pond fountain	1	EA	$7,500.00	$7,500	6	3	
Building Exteriors							
Replace Pool Building Roof	65	SQ	$400.00	$26,000	20	17	
Replace gutters and downspouts	1	LS	$4,000.00	$4,000	40	17	
Paint/Repair clubhouse & pool buildings, stain porch	1	EA	$8,500.00	$8,500	7	6	
Replace wood porch	1,250	SF	$20.00	$25,000	35	8	
Replace windows	18	EA	$900.00	$16,200	30	8	
Replace Chemical/Pump Room Doors	2	EA	$1,200.00	$2,400	30	8	
Building Interiors							
Paint/Repair interior walls	1	LS	$4,500.00	$4,500	10	8	
Refurbish pool restrooms	2	Allowance	$15,000.00	$30,000	20	8	
Refurbish Kitchen	1	Allowance	$12,500.00	$12,500	20	8	
Replace various furnishings	1	SYS	$15,000.00	$15,000	15	3	
Refinish Wood Flooring	1,250	SF	$5.00	$6,250	15	8	Limited usage
Replace Tile Flooring & Walls	855	SF	$21.00	$17,955	20	8	
Replace Typical Kitchen Appliances	1	LS	$5,000.00	$5,000	12	1	
Mechanical/Electrical/Plumbing							
Repair pool pump and filtration equipment	1	LS	$8,500.00	$8,500	4	0	
Replace Water Heater	1	SYS	$1,800.00	$1,800	15	2	
Replace heat pump unit	4	Ton	$2,500.00	$10,000	15	5	
Allocation for light fixture replacement	1	LS	$4,000.00	$4,000	10	0	
Replace Drinking Fountains	1	SYS	$2,200.00	$2,200	15	12	
Repair Landscape Irrigation System	1	SYS	$6,000.00	$6,000	12	8	
Upgrade access control system	1	LS	$12,000.00	$12,000	12	1	
Repair/Upgrade Security System	1	SYS	$5,000.00	$5,000	12	1	
Allocation for electrical/plumbing repairs	1	LS	$25,000.00	$25,000	20	5	

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Description	Quantity	Unit of Measure	Unit Cost	Total Cost per Cycle	Years of Useful Life	Years Remaining	Notes
Amenities							
Resurface swimming pool	6,000	SF	$18.00	$108,000	10	5	
Replace pieces of pool furniture	80	EA	$300.00	$24,000	4	0	
Replace clubhouse porch furniture	1	LS	$2,500.00	$2,500	10	4	
Replace wading pool umbrella	1	LS	$2,250.00	$2,250	6	4	
Replace canopy at main pool	700	SF	$8.50	$5,950	6	3	
Replace canopy at entrance	140	SF	$8.50	$1,190	6	3	
Replace playground equipment	1	LS	$50,000.00	$50,000	20	13	
Resurface tennis/basketball courts	2	EA	$15,000.00	$36,000	5	1	
Reconstruct tennis/basketball courts	2	EA	$75,000.00	$180,000	25	1	
Replace basketball goal	1	EA	$3,000.00	$3,000	20	1	
Replace vinyl coated chain link fence	680	LF	$75.00	$51,000	25	1	
Replace grills	3	EA	$1,250.00	$3,750	5	1	

SY: Square Yard, **SF:** Square Feet, **LF:** Linear Feet, **SQ:** Roofing Square, **EA:** Each, **LS:** Lump Sum, **SYS:** System

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Annual Expense By Year With Inflation

Description	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Site Improvements										
Crack fill, seal, & re-stripe asphalt paving	$8,775					$10,676				
Asphalt Patching or Subgrade Repairs				$18,279						
Mill and Replace asphalt paving										
Repair/replace sections of concrete flatwork						$15,512				
Drainage Repairs/Improvements						$6,083				
Major repairs - stormwater ponds							$63,266			
Replace aluminum fencing										
Replace PVC fencing						$94,899				
Repair/replace entrance signage, monument piers								$26,319		
Replace pond fountain				$8,436						$10,675
Building Exteriors										
Replace Pool Building Roof										
Replace gutters and downspouts										
Paint/Repair clubhouse & pool buildings, stain porch							$10,755			
Replace wood porch									$34,214	
Replace windows									$22,171	
Replace Chemical/Pump Room Doors									$3,285	
Building Interiors										
Paint/Repair interior walls									$6,159	
Refurbish pool restrooms									$41,057	
Refurbish Kitchen									$17,107	
Replace various furnishings				$16,873						
Refinish Wood Flooring									$8,554	
Replace Tile Flooring & Walls									$24,573	
Replace Typical Kitchen Appliances		$5,200								
Mechanical/Electrical/Plumbing										
Repair pool pump and filtration equipment	$8,500				$9,944				$11,633	
Replace Water Heater			$1,947							
Replace heat pump unit						$12,167				
Allocation for light fixture replacement	$4,000									
Replace Drinking Fountains										
Repair Landscape Irrigation System									$8,211	
Upgrade access control system		$12,480								
Repair/Upgrade Security System		$5,200								
Allocation for electrical/plumbing repairs						$30,416				

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Description	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Amenities										
Resurface swimming pool						$131,399				
Replace pieces of pool furniture	$24,000				$28,077				$32,846	
Replace clubhouse porch furniture					$2,925					
Replace wading pool umbrella					$2,632					
Replace canopy at main pool				$6,693						$8,469
Replace canopy at entrance				$1,339						$1,694
Replace playground equipment										
Resurface tennis/basketball courts		$37,440					$45,551			
Reconstruct tennis/basketball courts		$187,200								
Replace basketball goal		$3,120								
Replace vinyl coated chain link fence		$53,040								
Replace grills		$3,900					$4,745			
Total	**$45,275**	**$307,580**	**$1,947**	**$51,620**	**$43,577**	**$301,152**	**$124,318**	**$26,319**	**$209,808**	**$20,837**

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Annual Expense By Year With Inflation

Description	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Site Improvements										
Crack fill, seal, & re-stripe asphalt paving	$12,989					$15,803				
Asphalt Patching or Subgrade Repairs				$27,057						
Mill and Replace asphalt paving				$157,349						
Repair/replace sections of concrete flatwork				$21,230						
Drainage Repairs/Improvements	$7,401					$9,005				
Major repairs - stormwater ponds					$86,584					
Replace aluminum fencing			$40,026							
Replace PVC fencing										
Repair/replace entrance signage, monument piers										
Replace pond fountain						$13,507				
Building Exteriors										
Replace Pool Building Roof								$50,645		
Replace gutters and downspouts								$7,792		
Paint/Repair clubhouse & pool buildings, stain porch				$14,153						
Replace wood porch										
Replace windows										
Replace Chemical/Pump Room Doors										
Building Interiors										
Paint/Repair interior walls									$9,116	
Refurbish pool restrooms										
Refurbish Kitchen										
Replace various furnishings									$30,387	
Refinish Wood Flooring										
Replace Tile Flooring & Walls										
Replace Typical Kitchen Appliances				$8,325						
Mechanical/Electrical/Plumbing										
Repair pool pump and filtration equipment			$13,609				$15,920			
Replace Water Heater								$3,506		
Replace heat pump unit										
Allocation for light fixture replacement	$5,921									
Replace Drinking Fountains			$3,522							
Repair Landscape Irrigation System										
Upgrade access control system				$19,981						
Repair/Upgrade Security System				$8,325						
Allocation for electrical/plumbing repairs										

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Description	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Amenities										
Resurface swimming pool						$194,502				
Replace pieces of pool furniture			$38,425				$44,952			
Replace clubhouse porch furniture					$4,329					
Replace wading pool umbrella	$3,331						$4,214			
Replace canopy at main pool						$10,716				
Replace canopy at entrance						$2,143				
Replace playground equipment				$83,254						
Resurface tennis/basketball courts		$55,420					$67,427			
Reconstruct tennis/basketball courts										
Replace basketball goal										
Replace vinyl coated chain link fence										
Replace grills		$5,773					$7,024			
Total	**$29,642**	**$61,193**	**$95,582**	**$339,675**	**$90,913**	**$245,676**	**$139,537**	**$61,943**	**$39,503**	**$0**

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Annual Expense By Year With Inflation

Description	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054
Site Improvements										
Crack fill, seal, & re-stripe asphalt paving	$19,227					$23,393				
Asphalt Patching or Subgrade Repairs				$40,052						
Mill and Replace asphalt paving										
Repair/replace sections of concrete flatwork		$29,054								$39,763
Drainage Repairs/Improvements	$10,956					$13,329				
Major repairs - stormwater ponds			$118,496							
Replace aluminum fencing										
Replace PVC fencing										
Repair/replace entrance signage, monument piers										
Replace pond fountain		$17,091						$21,625		
Building Exteriors										
Replace Pool Building Roof										
Replace gutters and downspouts										
Paint/Repair clubhouse & pool buildings, stain porch	$18,625							$24,509		
Replace wood porch										
Replace windows										
Replace Chemical/Pump Room Doors										
Building Interiors										
Paint/Repair interior walls									$13,494	
Refurbish pool restrooms									$89,961	
Refurbish Kitchen									$37,484	
Replace various furnishings										
Refinish Wood Flooring				$15,404						
Replace Tile Flooring & Walls									$53,842	
Replace Typical Kitchen Appliances						$13,329				
Mechanical/Electrical/Plumbing										
Repair pool pump and filtration equipment	$18,625				$21,788				$25,489	
Replace Water Heater										
Replace heat pump unit	$21,911									
Allocation for light fixture replacement	$8,764									
Replace Drinking Fountains								$6,343		
Repair Landscape Irrigation System	$13,147									
Upgrade access control system						$31,990				
Repair/Upgrade Security System						$13,329				
Allocation for electrical/plumbing repairs						$66,646				

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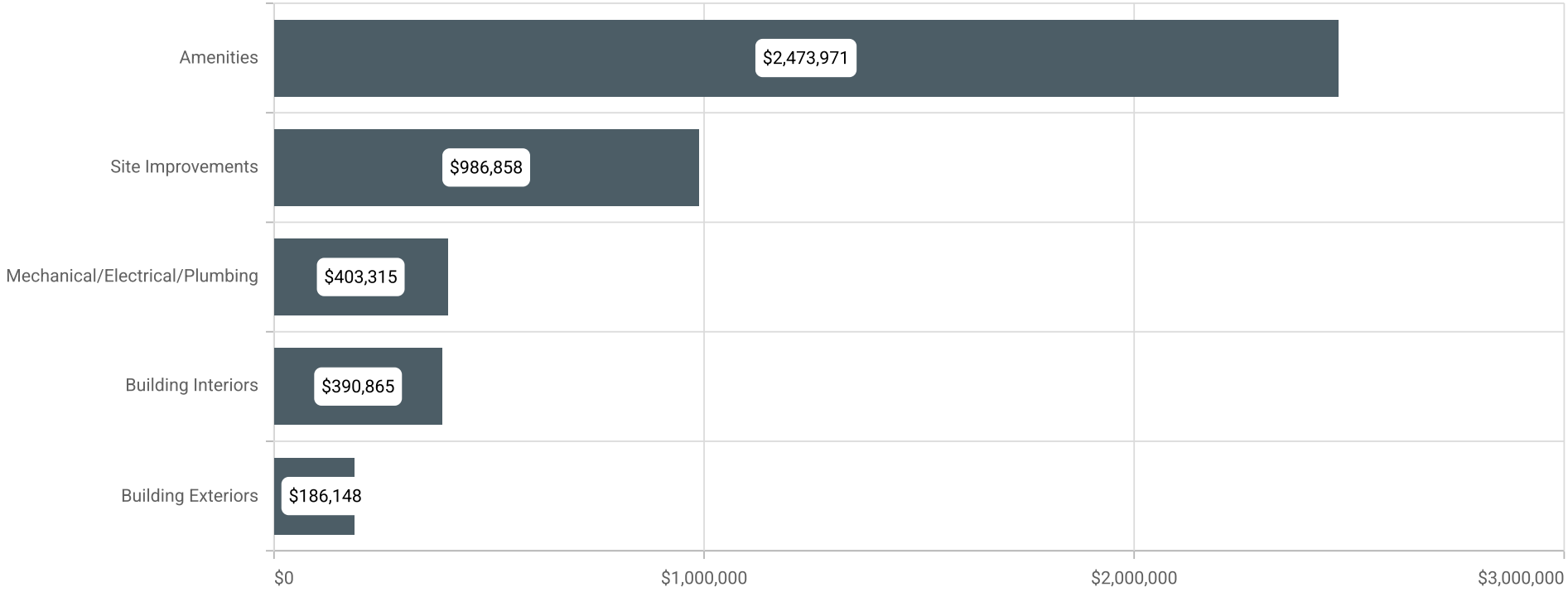
Description	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054
Amenities										
Resurface swimming pool						$287,910				
Replace pieces of pool furniture	$52,587				$61,519				$71,969	
Replace clubhouse porch furniture					$6,408					
Replace wading pool umbrella			$5,332						$6,747	
Replace canopy at main pool		$13,559						$17,156		
Replace canopy at entrance		$2,712						$3,431		
Replace playground equipment										
Resurface tennis/basketball courts		$82,036					$99,809			
Reconstruct tennis/basketball courts							$499,045			
Replace basketball goal		$6,836								
Replace vinyl coated chain link fence							$141,396			
Replace grills		$8,545					$10,397			
Total	**$163,841**	**$159,833**	**$123,828**	**$55,456**	**$89,716**	**$449,927**	**$750,646**	**$73,065**	**$298,986**	**$39,763**

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Expense Summary

Total Over Term Capital Expenditure with Inflation:	$4,441,157
Average Estimated Annual Capital Expenditure with Inflation:	$148,039
Current Reserve Account Balance:	$415,459
Full Funding Balance:	$694,018
Percent Funded:	59.86%

Breakdown of Total Costs by Type



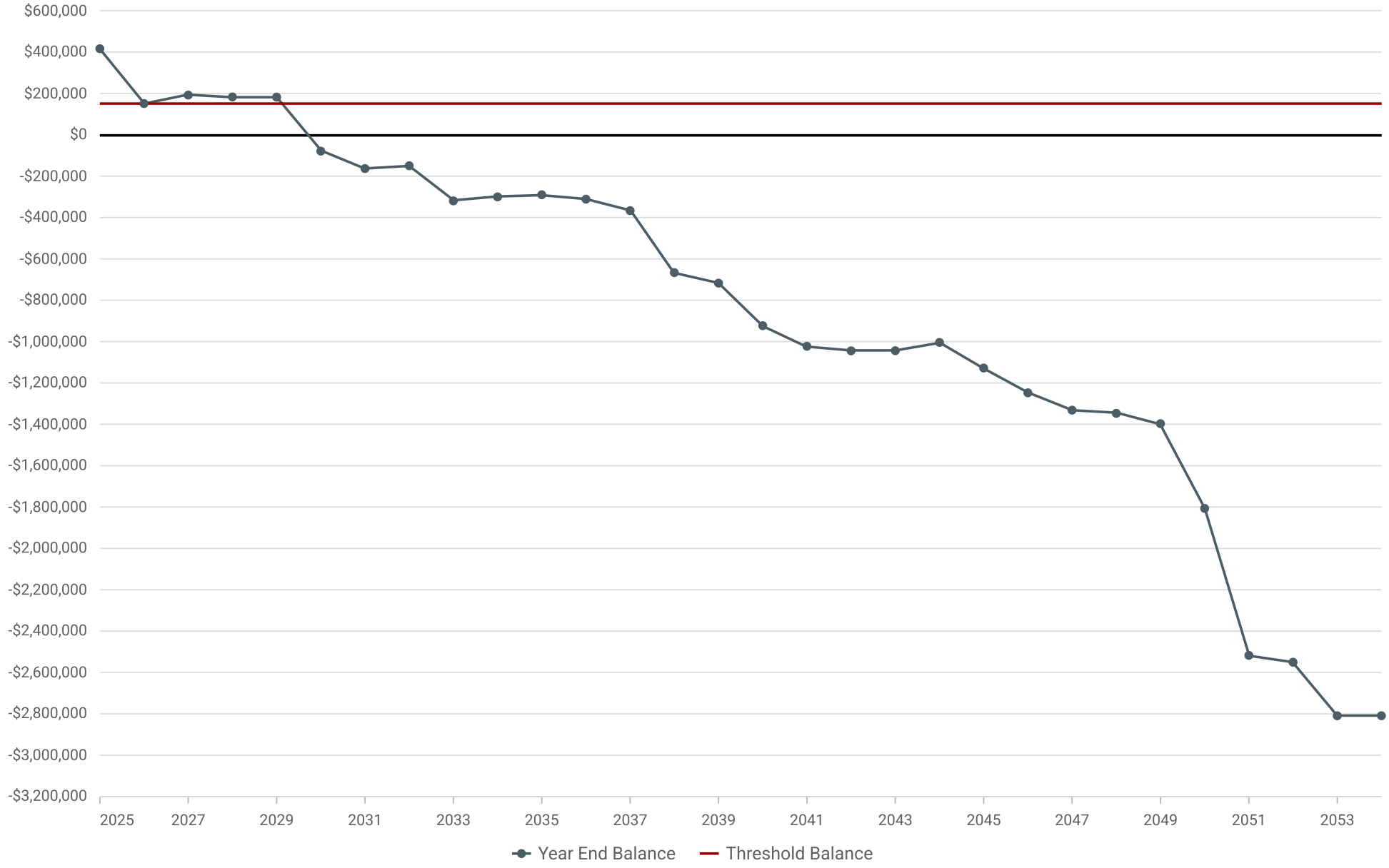
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Current Funding: Year End Balance Projection

Year	Starting Balance	Reserve Contribution	Average Per Unit Per Month	Return on Investment	Repair Expenses	Special Assessments	Year End Balance
2025	$415,459	$40,000	$4.98	$6,153	$45,275		$416,337
2026	$416,337	$40,000	$4.98	$2,231	$307,580		$150,988
2027	$150,988	$40,000	$4.98	$2,836	$1,947		$191,877
2028	$191,877	$40,000	$4.98	$2,704	$51,620		$182,961
2029	$182,961	$40,000	$4.98	$2,691	$43,577		$182,074
2030	$182,074	$40,000	$4.98	$0	$301,152		-$79,078
2031	-$79,078	$40,000	$4.98	$0	$124,318		-$163,395
2032	-$163,395	$40,000	$4.98	$0	$26,319		-$149,714
2033	-$149,714	$40,000	$4.98	$0	$209,808		-$319,523
2034	-$319,523	$40,000	$4.98	$0	$20,837		-$300,360
2035	-$300,360	$40,000	$4.98	$0	$29,642		-$290,002
2036	-$290,002	$40,000	$4.98	$0	$61,193		-$311,195
2037	-$311,195	$40,000	$4.98	$0	$95,582		-$366,777
2038	-$366,777	$40,000	$4.98	$0	$339,675		-$666,452
2039	-$666,452	$40,000	$4.98	$0	$90,913		-$717,365
2040	-$717,365	$40,000	$4.98	$0	$245,676		-$923,040
2041	-$923,040	$40,000	$4.98	$0	$139,537		-$1,022,577
2042	-$1,022,577	$40,000	$4.98	$0	$61,943		-$1,044,521
2043	-$1,044,521	$40,000	$4.98	$0	$39,503		-$1,044,024
2044	-$1,044,024	$40,000	$4.98	$0	$0		-$1,004,024
2045	-$1,004,024	$40,000	$4.98	$0	$163,841		-$1,127,865
2046	-$1,127,865	$40,000	$4.98	$0	$159,833		-$1,247,698
2047	-$1,247,698	$40,000	$4.98	$0	$123,828		-$1,331,526
2048	-$1,331,526	$40,000	$4.98	$0	$55,456		-$1,346,982
2049	-$1,346,982	$40,000	$4.98	$0	$89,716		-$1,396,698
2050	-$1,396,698	$40,000	$4.98	$0	$449,927		-$1,806,625
2051	-$1,806,625	$40,000	$4.98	$0	$750,646		-$2,517,271
2052	-$2,517,271	$40,000	$4.98	$0	$73,065		-$2,550,335
2053	-$2,550,335	$40,000	$4.98	$0	$298,986		-$2,809,321
2054	-$2,809,321	$40,000	$4.98	$0	$39,763		-$2,809,084

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Current Funding: Year End Balance Projection



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Funding Alternative #1: Year End Balance Projection

Increase the annual contributions to capital reserves by $15,000 each year 2026-2033

Year	Starting Balance	Reserve Contribution	Average Per Unit Per Month	Return on Investment	Repair Expenses	Special Assessments	Year End Balance
2025	$415,459	$40,000	$4.98	$6,153	$45,275		$416,337
2026	$416,337	$55,000	$6.84	$2,456	$307,580		$166,213
2027	$166,213	$70,000	$8.71	$3,514	$1,947		$237,780
2028	$237,780	$85,000	$10.57	$4,067	$51,620		$275,228
2029	$275,228	$100,000	$12.44	$4,975	$43,577		$336,625
2030	$336,625	$115,000	$14.30	$2,257	$301,152		$152,730
2031	$152,730	$130,000	$16.17	$2,376	$124,318		$160,789
2032	$160,789	$145,000	$18.03	$4,192	$26,319		$283,662
2033	$283,662	$160,000	$19.90	$3,508	$209,808		$237,362
2034	$237,362	$160,000	$19.90	$5,648	$20,837		$382,172
2035	$382,172	$160,000	$19.90	$7,688	$29,642		$520,218
2036	$520,218	$160,000	$19.90	$9,285	$61,193		$628,310
2037	$628,310	$160,000	$19.90	$10,391	$95,582		$703,120
2038	$703,120	$160,000	$19.90	$7,852	$339,675		$531,296
2039	$531,296	$160,000	$19.90	$9,006	$90,913		$609,389
2040	$609,389	$160,000	$19.90	$7,856	$245,676		$531,569
2041	$531,569	$160,000	$19.90	$8,280	$139,537		$560,312
2042	$560,312	$160,000	$19.90	$9,876	$61,943		$668,245
2043	$668,245	$160,000	$19.90	$11,831	$39,503		$800,572
2044	$800,572	$160,000	$19.90	$14,409	$0		$974,981
2045	$974,981	$160,000	$19.90	$14,567	$163,841		$985,707
2046	$985,707	$160,000	$19.90	$14,788	$159,833		$1,000,662
2047	$1,000,662	$160,000	$19.90	$15,553	$123,828		$1,052,386
2048	$1,052,386	$160,000	$19.90	$17,354	$55,456		$1,174,284
2049	$1,174,284	$160,000	$19.90	$18,669	$89,716		$1,263,237
2050	$1,263,237	$160,000	$19.90	$14,600	$449,927		$987,910
2051	$987,910	$160,000	$19.90	$5,959	$750,646		$403,223
2052	$403,223	$160,000	$19.90	$7,352	$73,065		$497,511
2053	$497,511	$160,000	$19.90	$5,378	$298,986		$363,903
2054	$363,903	$160,000	$19.90	$7,262	$39,763		$491,402

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Funding Alternative #1: Year End Balance Projection



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Funding Alternative #2: Year End Balance Projection

Increase the contributions to capital reserves by $20,000 each year 2025-2027; then by 8% each year 2028-2035

Year	Starting Balance	Reserve Contribution	Average Per Unit Per Month	Return on Investment	Repair Expenses	Special Assessments	Year End Balance
2025	$415,459	$40,000	$4.98	$6,153	$45,275		$416,337
2026	$416,337	$65,000	$8.08	$2,606	$307,580		$176,363
2027	$176,363	$75,000	$9.33	$3,741	$1,947		$253,157
2028	$253,157	$85,000	$10.57	$4,298	$51,620		$290,836
2029	$290,836	$95,000	$11.82	$5,134	$43,577		$347,392
2030	$347,392	$105,000	$13.06	$2,269	$301,152		$153,509
2031	$153,509	$115,000	$14.30	$2,163	$124,318		$146,354
2032	$146,354	$125,000	$15.55	$3,676	$26,319		$248,711
2033	$248,711	$135,000	$16.79	$2,609	$209,808		$176,511
2034	$176,511	$145,000	$18.03	$4,510	$20,837		$305,184
2035	$305,184	$155,000	$19.28	$6,458	$29,642		$437,000
2036	$437,000	$155,000	$19.28	$7,962	$61,193		$538,769
2037	$538,769	$155,000	$19.28	$8,973	$95,582		$607,160
2038	$607,160	$155,000	$19.28	$6,337	$339,675		$428,822
2039	$428,822	$155,000	$19.28	$7,394	$90,913		$500,303
2040	$500,303	$155,000	$19.28	$6,144	$245,676		$415,772
2041	$415,772	$155,000	$19.28	$6,469	$139,537		$437,703
2042	$437,703	$155,000	$19.28	$7,961	$61,943		$538,721
2043	$538,721	$155,000	$19.28	$9,813	$39,503		$664,031
2044	$664,031	$155,000	$19.28	$12,285	$0		$831,317
2045	$831,317	$155,000	$19.28	$12,337	$163,841		$834,812
2046	$834,812	$155,000	$19.28	$12,450	$159,833		$842,429
2047	$842,429	$155,000	$19.28	$13,104	$123,828		$886,705
2048	$886,705	$155,000	$19.28	$14,794	$55,456		$1,001,043
2049	$1,001,043	$155,000	$19.28	$15,995	$89,716		$1,082,322
2050	$1,082,322	$155,000	$19.28	$11,811	$449,927		$799,206
2051	$799,206	$155,000	$19.28	$3,053	$750,646		$206,614
2052	$206,614	$155,000	$19.28	$4,328	$73,065		$292,877
2053	$292,877	$155,000	$19.28	$2,233	$298,986		$151,125
2054	$151,125	$155,000	$19.28	$3,995	$39,763		$270,358

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Funding Alternative #2: Year End Balance Projection



APPENDIX B: PROJECT PHOTOGRAPHS

Description Entrance signage	
Photo No. **1**	

Description Minor cracking of PVC fencing, typical	
Photo No. **2**	

Description Typical pond	
Photo No. **3**	

Description Parking lot with fatigue cracking along centerline	
Photo No. **4**	

Description Basketball court	
Photo No. **5**	

Description Tennis court	
Photo No. **6**	

Description Cracking in court	
Photo No. **7**	

Description Peeling of sand and color coats	
Photo No. **8**	

Description Playground equipment	
Photo No. **9**	

Description Playground equipment	
Photo No. **10**	

Description Canopy	
Photo No. **11**	

Description Wading pool umbrella	
Photo No. **12**	

Description Pool furnishings	
Photo No. **13**	

Description Some furniture in fair condition	
Photo No. **14**	

Description Wading pool surface	
Photo No. **15**	

Description Pool surface	
Photo No. **16**	

Description Irrigation controller	
Photo No. **17**	

Description Pump and filtration equipment	
Photo No. **18**	

Description Clubhouse building	
Photo No. **19**	

Description Side elevation	
Photo No. **20**	

Description Clubhouse porch	
Photo No. **21**	

Description Wood floor	
Photo No. **22**	

Description Kitchen	
Photo No. **23**	

Description Bathroom	
Photo No. **24**	

Description Bathroom partitions	
Photo No. **25**	

Description Water heater	
Photo No. **26**	

Description Typical furnishings	
Photo No. **27**	

Description Water Fountain	
Photo No. **28**	

Description Clubhouse furnishings	
Photo No. **29**	

Description Video security system	
Photo No. **30**	