

VALENCIA OWNERS ASSOCIATION
c/o AAM, LLC
7740 N. 16th Street, Suite 300
Phoenix, AZ 85020
Phone 602.957.9191 / Fax 602.957.8802

November 1, 2006

Dear Valencia Owners Association Homeowner:

Please find the attached approved 2007 operating budget for your community. Please keep this with your permanent records. The Board of Directors has followed the limitations set forth governing the budget and assessment increases according to Article 4, Section 4.3 of the Covenants, Conditions, and Restrictions.

Please be advised the 2007 quarterly assessment has been increased 5% over the 2006 assessment to \$109.40 per quarter (or \$36.46 per month). This represents an increase of \$1.73 per month. This increase is effective January 1, 2007.

The increase will allow the Association to continue to properly fund the reserve and to pay for monthly maintenance expenses that have increased since 2006. The Board feels that the increase is necessary due to factors such as:

- Vandalism of common areas
- Park lighting in need of renovation
- Deterioration of the irrigation system due to age
- The need of landscape renovation due to aging plants and trees
- The need for granite replenishment
- Increase in water costs due to planting winter grass

Completed and anticipated projects are:

- Addition of new park benches (the old park benches will be refurbished and placed throughout different areas in the parks)
- Replacement/refurbishment of damaged park and monument lighting due to vandalism and age (currently in progress)
- Planting of Palo Verde trees at each monument (currently in progress)
- The addition of new plants at each monument (currently in progress)

The Board is working hard to update and improve the neighborhood as requested by many of the community members. With your continued support and understanding the Board will move forward in their efforts to beautify the community and maintain property values.

If you have questions regarding the budget, please contact your community manager, Paula Kennedy at the number above. Thank you.

Best regards,

The Board of Directors
Valencia Owners Association

**VALENCIA OWNERS ASSOCIATION
2007 OPERATING BUDGET
275 Lots @ 109.40 Per Quarter
5% INCREASE**

	TOTAL
INCOME	
4005 ASSESSMENTS	\$ 120,340
4090 C C & R VIOLATION FEES	\$ 480
4106 LEGAL FEES REIMBURSED	\$ 1,800
4110 LATE FEES	\$ 900
TOTAL INCOME	\$ 123,520
ADMINISTRATIVE EXPENSES	
5112 MEETING & COMMUNITY	\$ 600
5135 POSTAGE & COPIES	\$ 2,800
5136 BANK CHARGES	\$ 60
5151 CPA SERVICES	\$ 600
5152 EDUCATION	\$ 200
5159 LEGAL	\$ 2,400
5160 INSURANCE	\$ 4,000
5162 INCOME TAX - STATE	\$ 50
5163 PROPERTY TAX	\$ 50
5165 TAXES, LICENSES & FEES	\$ 10
TOTAL ADMIN EXPENSES	\$ 10,770
UTILITY EXPENSES	
5205 ELECTRIC	\$ 1,800
5215 WATER	\$ 24,500
TOTAL UTILITY EXPENSES	\$ 26,300
MAINTENANCE & LABOR	
5305 COMMON AREA MAINT	\$ 4,620
5315 PEST CONTROL	\$ 4,000
5318 STORM DAMAGE	\$ 1,500
5324 RYE OVERSEED	\$ 2,000
5355 LANDSCAPE - OTHER	\$ 1,800
5358 TREE PRUNING	\$ 5,600
5360 GRANITE REPLACEMENT	\$ 5,000
5356 PLANT REPLACEMENT	\$ 4,702
5366 SPRINKLER REPAIRS	\$ 6,000
TOTAL MAINTENANCE & LABOR	\$ 35,222
CONTRACT SERVICES	
5525 LANDSCAPE MAINT.	\$ 32,160
5530 MANAGEMENT CONTRACT	\$ 14,280
TOTAL CONTRACTS	\$ 46,440
TOTAL OPERATING EXPENSES	\$ 118,732
OPERATING INCOME	\$ 4,788
TRANSFER TO RESERVES	\$ (4,788)
NET INCOME	\$ -

**VALENCIA OWNERS ASSOCIATION
2007 RESERVE BUDGET**

	TOTAL
BEGINNING BALANCE	\$ 32,089
INCOME	
8190 TRANSFER TO RESERVES	\$ 4,788
8165 INTEREST INCOME	\$ 499
TOTAL INCOME	\$ 5,287
RESERVE EXPENDITURES	
9120 PAINT - STUCCO WALLS	\$ -
9122 PAINT WROUGHT IRON	\$ -
9140 IRRIGATION CONTROLLS	\$ 2,215
9160 BLOCK WALLS REPAIR	\$ -
TOTAL RESERVE EXPENDITURES	\$ 2,215
NET INCREASE/(DECREASE)	\$ 3,072
ENDING BALANCE	\$ 35,161
RECOMMENDED FULLY FUNDED	\$ 30,876
RESERVE BALANCE 12/31/07	\$ 35,161