RESERVE DATA ANALYSIS RDA

RDA Reserve Study Guide

The RDA reserve study is a multi-purpose tool that is designed to assist the Board of Directors and Community Management team in the financial management of the Association's long term assets. To properly manage these assets, the Board of Directors and Community Manager need to spend some time reading, digesting and understanding what the reserve study is advising. The following instructions provide a step-by-step guide of what to do now that you have a reserve study prepared by Reserve Data Analysis.

Step 1: Review the last page of the report titled the "Detail Report Index" to familiarize yourself with the assets that make up your RDA Reserve Study.

Step 2: Pick a single asset to review. Your goal is to obtain a clear understanding of the pieces that go into budgeting for a specific asset including the placed in service date, useful life, quantity and unit cost. Once you have a clear understanding of how a single asset works, apply that knowledge to all other assets in the report.

Step 3: Review the detailed information that budgeting for each asset is based on. Look at each asset in the report. If the placed in service date, useful life, quantity, and replacement cost are considered reasonable and accurate, then the calculations and results of your RDA reserve study will be reasonable and accurate. Most questions can be answered by reading the detailed **"Remarks"** included with each asset.

Step 4: Review Page 2 – 1. The top of page 2 – 1 identifies the parameters that were used to generate the RDA Reserve Study calculations including budget year, reserve fund balance, annual contribution increase, interest rate earned on invested reserve funds, and contingency. The bottom of this page provides the summarized RDA Reserve Study results for the 1st year, including the recommended monthly reserve contribution in total and per unit.

Step 5: Review the page titled "Distribution of Accumulated Reserves". This page will provide justification for the percent funded calculations. It shows, by asset, how much money should be in the reserve account, based on the level of depreciation each asset has experienced as of the beginning of the budget year the RDA Reserve Study has been prepared for. Note that the figures listed in the column labeled "Fully Funded Reserves" do not represent the replacement cost unless the remaining life shows "0".

Step 6: Review the page titled "Cash Flow Specific Projections". This page will provide a rolling year to year projection of the reserve account for the next 30 years including recommended annual contributions, estimated interest earnings on invested reserve funds, expected annual expenditures, projected year end reserve balances, and the fully funded amount that should be in the reserve account at the end of each year. ***This is your funding strategy.*** The goal of an RDA funding strategy is to allow the Association to cover all planned reserve expenditures, build the reserve account to a fully funded (100%) position by end of the reporting period (30 years in most cases), all while starting with the lowest possible contribution to reserves.

Step 7: Review the Annual Expenditure Detail pages. These pages will show the projected future costs by year for each planned reserve expense through the end of the reporting period.

Step 8: Call us with questions! For someone who does not deal with them on a daily basis, reserve studies can be difficult to wade through. If there is something you don't understand, or something that you disagree with, we encourage you to call us to discuss it. RDA is committed to a long-term relationship with you and will spend the time on the phone with you to ensure that you understand where we are coming from, where we obtained our information or assumptions, and why we did what we did. Again, please call us with any questions you have as we are here to help in any way we can.

RDA REPORT

Western Skies Estates
Gilbert, Arizona
Account 2336 - Version 002
March 26, 2014

RESERVE DATA ANALYSIS, INC.
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Please Note

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

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

We recommend that your reserve analysis study be updated every two to three years due to fluctuating interest rates, inflationary changes and the unpredictable nature of the lives of many of the assets under consideration. All of the information collected during our inspection of the association and subsequent computations made in preparing this reserve analysis study are retained in our computer files. Therefore, updates can typically be completed in a more timely manner than the original study.

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

RESERVE DATA ANALYSIS, INC.

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TABLE OF CONTENTS

PART I - INTRODUCTION

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

■ 1. Funding Options

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

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

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

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

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

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

■ 2. The Reserve Study

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

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

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

- In an Update – with site inspection, the reserve provider conducts a component inventory (verification only, not quantification), a condition assessment (based on on-site visual observations), and life and valuation estimates to determine both the "fund status" and "funding plan."

- In an Update – without site inspection, the reserve provider conducts life and valuation estimates to determine the "fund status" and "funding plan."

■ 3. Developing a Component List

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

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

Utilities:

- Electricity
- Gas
- Water
- Telephone
- Cable TV

Administrative:

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

Services:

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

Repair Expenses:

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

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

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

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

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

■ 4. Preparing the Reserve Study

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

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

■ 5. Funding Methods

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

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

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

■ 6. Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are two basic strategies widely used by associations. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association's need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The two funding plans and descriptions of both are detailed below.

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

important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. The formula is based on current replacement cost, and is a measure in time, independent of future inflationary or investment factors:

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

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

• Threshold Funding (RDA Modified Cash Flow Reports) — There are two goals of this funding method. The first goal is to make sure that all scheduled reserve expenditures are covered by keeping the reserve cash balance above zero during the projected period. The second goal is to reach and maintain a 100% fully funded reserve balance during the projected period. Depending on the association's current percent funded, it may take the entire projected period (typically 30 years) before the 100% fully funded level is achieved.

Reaching and maintaining a 100% fully funded reserve balance by uniformly distributing the costs of the replacements over time benefits both current and future members of an association, and is the best approach the board of directors can take to fulfill its fiduciary responsibility. The modified cash flow method creates a funding strategy that gives the membership the lowest reserve funding recommendation as possible over time, while approaching the 100% fully funded level.

Another advantage of the modified cash flow method is that in most cases several strategies can be manually tested by Reserve Data Analysis, Inc. (the strategy is not based strictly on each components current funding status) until the best funding strategy is created – one that has consistent, incremental contribution increases from year to year. This very important aspect of the reserve study will aid the board of directors during the annual budgeting process.

■ 7. Distribution of Accumulated Reserves

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

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

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

After identifying the ideal level of reserves for each asset, the beginning reserve balance must be allocated to each of the individual components identified in the analysis.

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

If at the completion of this task there are additional moneys which have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such initially, but are then considered to be available reserves in the report funding computations.

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

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

■ 8. Funding Reserves

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

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

■ 9. Users' Guide to Your Reserve Analysis Study

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

REPORT SUMMARY

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

INDEX REPORTS

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

DETAIL REPORTS

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

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

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

PROJECTIONS AND CHARTS

Thirty-year Projections of projected data add to the usefulness of your reserve analysis study.

■ 10. Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

■ 11. A Multi-Purpose Tool

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

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

- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.

- A reserve analysis study is required by your accountant during the preparation of the association's annual audit.

- A reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.

- Your RDA REPORT is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.

- Your RDA REPORT is a tool which can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components which the association is obligated to maintain.

- Since the RDA reserve analysis study includes precise measurements and cost estimates of the client's assets, the detail reports may be used to evaluate the accuracy and price of contractor bids when assets are due to be repaired or replaced.

- The reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.

Western Skies Estates
Gilbert, Arizona
CFS Reserve Analysis Report Summary

Report Date	March 26, 2014
Version	002
Account Number	2336
Budget Year Beginning	1/ 1/15
Ending	12/31/15
Total Units Included	410
Phase Development	1 of 1

Parameters:

Inflation	3.00%
Annual Contribution Increase	3.00%
Investment Yield	0.00%
Taxes on Yield	0.00%
Contingency	3.00%

Reserve Fund Balance as of 1/ 1/15: $151,018.00

Project Profile & Introduction

Refer to the Detail Report by Category section for the placed in service dates used for the components examined in this analysis.

Refer to Asset ID #1000 (** Reserve Balance Calculation) for an explanation of how the projected 1/1/2015 reserve balance was determined.

Calculation Method: Modified Cash Flow
Funding Strategy: Threshold
RDA Reports: April 2005. Updated March 2014.

Cash Flow Specific Summary of Calculations

Monthly Contribution to Reserves Required: ($2.26 per unit per month)	$925.00
Average Net Monthly Interest Contribution This Year:	0.00
Net Monthly Allocation to Reserves 1/ 1/15 to 12/31/15: ($2.26 per unit per month)	$925.00

Western Skies Estates

Distribution of Accumulated Reserves

REPORT DATE: March 26, 2014
VERSION: 002
ACCOUNT NUMBER: 2336

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
** Reserve Balance Calculation	0	0.00	0.00
BB Court - Resurface (Palomino Crk)	0	2,000.00	2,000.00
Concrete Components - Unfunded	0	0.00	0.00
Drywells - Repair & Clean Out	0	2,700.00	2,700.00
Granite Replenishment - Unfunded	0	0.00	0.00
Irrigation Controllers (1998)	0	3,050.00	3,050.00
Irrigation System - Unfunded	0	0.00	0.00
Light Fixtures - Unfunded	0	0.00	0.00
Monument Signs - Letters, Unfunded	0	0.00	0.00
Paint - Wrought Iron (50%)	0	1,930.00	1,930.00
Paint - Painted Walls	3	1,250.00	2,000.00
Paint - Ramada (Palomino Creek)	3	312.50	500.00
Paint - Ramada (Sandstone St)	3	312.50	500.00
Paint - Ramada (Sunrise Way)	3	437.50	700.00
Park Equipment (Palomino Creek)	3	4,304.35	4,950.00
Park Equipment (Sandstone St)	3	3,347.83	3,850.00
Park Equipment (Sunrise Way)	3	1,173.91	1,350.00
Irrigation Controllers (2005)	5	666.67	1,000.00
Playstructure (Sandstone St)	5	40,000.00	50,000.00
Irrigation Controllers (2007)	7	453.33	850.00
Fencing - Wrought Iron (50%)	10	7,453.33	11,180.00
Roof - Ramada, Metal (Palomino Crk)	10	2,000.00	3,000.00
Roof - Ramada, Metal (Sandstone St)	10	2,000.00	3,000.00
Roof - Ramada, Tile (Sunrise Way)	10	1,133.33	1,700.00
Swing Set (Palomino Creek)	10	2,000.00	3,000.00
Walls - Block, Repairs	10	11,166.67	16,750.00
BB Backboard (Palomino Creek)	11	225.00	500.00
Playstructure (Palomino Creek)	23	4,798.66	32,109.42
Total Asset Summary:		92,715.58	146,619.42
Contingency @ 3.00%:		2,781.47	4,398.58
Grand Total:		95,497.05	151,018.00
Excess Reserves Not Used:			0.00

Percent Fully Funded: 158%

Western Skies Estates

Cash Flow Specific Projections

REPORT DATE: March 26, 2014
VERSION: 002
ACCOUNT NUMBER: 2336

Beginning Accumulated Reserves: $151,018

YEAR	CURRENT REPLACEMENT COST	ANNUAL CONTRBTN	ANNUAL INTEREST CONTRBTN	ANNUAL EXPENDTRS	PROJECTED ENDING RESERVES	FULLY FUNDED RESERVES	PERCENT FULLY FUNDED
'15	179,510	11,100	0	9,680	152,438	96,937	157%
'16	184,895	11,433	0	0	163,871	108,954	150%
'17	190,442	11,776	-0	0	175,647	121,606	144%
'18	196,155	12,129	0	15,134	172,642	118,939	145%
'19	202,040	12,493	-0	0	185,135	132,541	140%
'20	208,101	12,868	0	64,490	133,513	78,434	170%
'21	214,344	13,254	-0	0	146,767	91,431	161%
'22	220,775	13,652	0	1,045	159,373	104,029	153%
'23	227,398	14,061	0	2,534	170,900	115,754	148%
'24	234,220	14,483	0	0	185,383	130,858	142%
'25	241,246	14,917	-0	58,138	142,163	86,678	164%
'26	248,484	15,365	-0	5,814	151,714	97,090	156%
'27	255,938	15,826	-0	0	167,540	114,402	146%
'28	263,616	16,301	0	0	183,841	132,665	139%
'29	271,525	16,790	0	0	200,631	151,921	132%
'30	279,671	17,293	-0	11,965	205,959	159,519	129%
'31	288,061	17,812	0	3,209	220,562	177,106	125%
'32	296,703	18,347	0	0	238,908	199,111	120%
'33	305,604	18,897	-0	0	257,805	222,278	116%
'34	314,772	19,464	-0	6,488	270,781	239,772	113%
'35	324,215	20,048	-0	40,421	250,408	222,323	113%
'36	333,941	20,649	-0	0	271,058	247,780	109%
'37	343,960	21,269	0	1,629	290,698	272,837	107%
'38	354,279	21,907	0	148,315	164,290	143,570	114%
'39	364,907	22,564	0	4,066	182,788	164,056	111%
'40	375,854	23,241	0	9,694	196,335	179,799	109%
'41	387,130	23,938	-0	0	220,273	206,933	106%
'42	398,744	24,656	0	8,219	236,710	226,814	104%
'43	410,706	25,396	0	0	262,106	256,682	102%
'44	423,027	26,158	0	0	288,264	288,138	100%

Western Skies Estates
Annual Expenditure Detail

REPORT DATE: March 26, 2014
VERSION: 002
ACCOUNT NUMBER: 2336

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2015	
BB Court - Resurface (Palomino Crk)	2,000.00
Drywells - Repair & Clean Out	2,700.00
Irrigation Controllers (1998)	3,050.00
Paint - Wrought Iron (50%)	1,930.00
*** ANNUAL TOTAL:	9,680.00
REPLACEMENT YEAR 2016	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2017	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2018	
Paint - Painted Walls	2,185.45
Paint - Ramada (Palomino Creek)	546.36
Paint - Ramada (Sandstone St)	546.36
Paint - Ramada (Sunrise Way)	764.91
Park Equipment (Palomino Creek)	5,409.00
Park Equipment (Sandstone St)	4,207.00
Park Equipment (Sunrise Way)	1,475.19
*** ANNUAL TOTAL:	15,134.27
REPLACEMENT YEAR 2019	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2020	
Drywells - Repair & Clean Out	3,130.04
Irrigation Controllers (2005)	1,159.28
Paint - Wrought Iron (50%)	2,237.41
Playstructure (Sandstone St)	57,963.70
*** ANNUAL TOTAL:	64,490.43
REPLACEMENT YEAR 2021	
*** ANNUAL TOTAL:	0.00

Western Skies Estates
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2022	
Irrigation Controllers (2007)	1,045.39
*** ANNUAL TOTAL:	1,045.39
REPLACEMENT YEAR 2023	
BB Court - Resurface (Palomino Crk)	2,533.53
*** ANNUAL TOTAL:	2,533.53
REPLACEMENT YEAR 2024	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2025	
Drywells - Repair & Clean Out	3,628.58
Fencing - Wrought Iron (50%)	15,025.00
Paint - Wrought Iron (50%)	2,593.78
Roof - Ramada, Metal (Palomino Crk)	4,031.75
Roof - Ramada, Metal (Sandstone St)	4,031.75
Roof - Ramada, Tile (Sunrise Way)	2,284.66
Swing Set (Palomino Creek)	4,031.75
Walls - Block, Repairs	22,510.61
*** ANNUAL TOTAL:	58,137.88
REPLACEMENT YEAR 2026	
BB Backboard (Palomino Creek)	692.11
Paint - Painted Walls	2,768.46
Paint - Ramada (Palomino Creek)	692.11
Paint - Ramada (Sandstone St)	692.11
Paint - Ramada (Sunrise Way)	968.98
*** ANNUAL TOTAL:	5,813.77
REPLACEMENT YEAR 2027	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2028	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2029	
*** ANNUAL TOTAL:	0.00

Western Skies Estates
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2030	
Drywells - Repair & Clean Out	4,206.52
Irrigation Controllers (1998)	4,751.80
Paint - Wrought Iron (50%)	3,006.90
*** ANNUAL TOTAL:	11,965.22
REPLACEMENT YEAR 2031	
BB Court - Resurface (Palomino Crk)	3,209.41
*** ANNUAL TOTAL:	3,209.41
REPLACEMENT YEAR 2032	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2033	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2034	
Paint - Painted Walls	3,507.01
Paint - Ramada (Palomino Creek)	876.75
Paint - Ramada (Sandstone St)	876.75
Paint - Ramada (Sunrise Way)	1,227.47
*** ANNUAL TOTAL:	6,487.98
REPLACEMENT YEAR 2035	
Drywells - Repair & Clean Out	4,876.51
Irrigation Controllers (2005)	1,806.13
Paint - Wrought Iron (50%)	3,485.82
Walls - Block, Repairs	30,252.40
*** ANNUAL TOTAL:	40,420.86
REPLACEMENT YEAR 2036	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2037	
Irrigation Controllers (2007)	1,628.69
*** ANNUAL TOTAL:	1,628.69

Western Skies Estates
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2038	
Park Equipment (Palomino Creek)	9,769.28
Park Equipment (Sandstone St)	7,598.31
Park Equipment (Sunrise Way)	2,664.35
Playstructure (Palomino Creek)	128,283.12
*** ANNUAL TOTAL:	148,315.06
REPLACEMENT YEAR 2039	
BB Court - Resurface (Palomino Crk)	4,065.60
*** ANNUAL TOTAL:	4,065.60
REPLACEMENT YEAR 2040	
Drywells - Repair & Clean Out	5,653.21
Paint - Wrought Iron (50%)	4,041.01
*** ANNUAL TOTAL:	9,694.22
REPLACEMENT YEAR 2041	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2042	
Paint - Painted Walls	4,442.60
Paint - Ramada (Palomino Creek)	1,110.63
Paint - Ramada (Sandstone St)	1,110.63
Paint - Ramada (Sunrise Way)	1,554.93
*** ANNUAL TOTAL:	8,218.79
REPLACEMENT YEAR 2043	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2044	
*** ANNUAL TOTAL:	0.00

Western Skies Estates

Cash Flow Detail Report by Category

REPORT DATE: March 26, 2014
VERSION: 002
ACCOUNT NUMBER: 2336

** Reserve Balance Calculation

ASSET ID 1000
GROUP/FACILITY 0
CATEGORY 5

PLACED IN SERVICE 0/ 0
0 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2015
0 YEAR REM LIFE

QUANTITY	1 comment
UNIT COST	0.000
PERCENT REPL	0.00%
CURRENT COST	0.00
FUTURE COST	0.00
SALVAGE VALUE	0.00

REMARKS:

Current Reserve Balance Per Client (12/31/13):	$	127,018
Budgeted 2014 Reserve Contributions: $2,000/month x 12 months	+	24,000
Projected January 1, 2015 Reserve Balance:	$	151,018

Concrete Components - Unfunded		
ASSET ID	1001	
GROUP/FACILITY	0	
CATEGORY	10	
	QUANTITY	1 comment
	UNIT COST	0.000
	PERCENT REPL	0.00%
	CURRENT COST	0.00
	FUTURE COST	0.00
	SALVAGE VALUE	0.00

PLACED IN SERVICE 0/ 0
0 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2015
0 YEAR REM LIFE

REMARKS:

The following comments also apply to the concrete trash receptacles at the three park area ramadas:

We are not budgeting for repair or replacement of concrete decks, pads, sidewalks, or driveways as a reserve component. It is anticipated that any repairs required will be addressed immediately due to safety concerns. Good maintenance practice won't allow the need for repairs to accumulate to a point of major expense. We recommend that the client includes a line item in the annual operating budget for repairs and/or replacements on an "as needed" basis. However, should the client wish to include budgeting for concrete components, we will do so at their request (cost and useful life to be provided by client).

Roof - Ramada, Metal (Palomino Crk)			
ASSET ID	1033	QUANTITY	1 total
GROUP/FACILITY	0	UNIT COST	3,000.000
CATEGORY	20	PERCENT REPL	100.00%
		CURRENT COST	3,000.00
		FUTURE COST	4,031.75
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/95
30 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2025
10 YEAR REM LIFE

REMARKS:

This component budgets to replace the corrugated metal roof (16' x 16') atop the ramada at the Palomino Creek Drive park area.

Roof - Ramada, Metal (Sandstone St)			
ASSET ID	1006	QUANTITY	1 total
GROUP/FACILITY	0	UNIT COST	3,000.000
CATEGORY	20	PERCENT REPL	100.00%
		CURRENT COST	3,000.00
		FUTURE COST	4,031.75
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/95
30 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2025
10 YEAR REM LIFE

REMARKS:

This component budgets to replace the corrugated metal roof (16' x 16') atop the ramada at the Sandstone Street park area.

Roof - Ramada, Tile (Sunrise Way)			
ASSET ID	1007	QUANTITY	425 sq. ft.
GROUP/FACILITY	0	UNIT COST	4.000
CATEGORY	20	PERCENT REPL	100.00%
		CURRENT COST	1,700.00
		FUTURE COST	2,284.66
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/95
30 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2025
10 YEAR REM LIFE

Roof - Ramada, Tile (Sunrise Way), Continued ...

REMARKS:

This component budgets to replace the tile roof underlayment atop the ramada located at the Sunrise Way & Black Diamond Drive park area.

Paint - Painted Walls

ASSET ID	1029
GROUP/FACILITY	0
CATEGORY	30

QUANTITY	1 total
UNIT COST	2,000.000
PERCENT REPL	100.00%
CURRENT COST	2,000.00
FUTURE COST	2,185.45
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/10
8 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2018
3 YEAR REM LIFE

REMARKS:

This component budgets to repaint the walls at the following locations:

- painted block walls at the Ray Road & Western Skies Drive entrance to the community (approx. 1,440 sq. ft.)

- stucco monument walls (6)

For budgeting purposes we have used 2010 as the basis for aging this component.

Paint - Ramada (Palomino Creek)

ASSET ID	1010
GROUP/FACILITY	0
CATEGORY	30

QUANTITY	1 ramada
UNIT COST	500.000
PERCENT REPL	100.00%
CURRENT COST	500.00
FUTURE COST	546.36
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/10
8 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2018
3 YEAR REM LIFE

REMARKS:

This component budgets to repaint the metal ramada support structure.

Location: Palomino Creek Drive park area

Paint - Ramada (Sandstone St)			
ASSET ID	1009	QUANTITY	1 ramada
GROUP/FACILITY	0	UNIT COST	500.000
CATEGORY	30	PERCENT REPL	100.00%
		CURRENT COST	500.00
PLACED IN SERVICE	1/10	FUTURE COST	546.36
8 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2018		
3 YEAR REM LIFE			

REMARKS:

This component budgets to repaint the metal ramada support structure.

Location: Sandstone Street park area

Paint - Ramada (Sunrise Way)			
ASSET ID	1008	QUANTITY	1 total
GROUP/FACILITY	0	UNIT COST	700.000
CATEGORY	30	PERCENT REPL	100.00%
		CURRENT COST	700.00
PLACED IN SERVICE	1/10	FUTURE COST	764.91
8 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2018		
3 YEAR REM LIFE			

REMARKS:

This component budgets to repaint the ramada's wood trim and ceiling.

Location: Sunrise Way park area

Paint - Wrought Iron (50%)			
ASSET ID	1030	QUANTITY	3,860 sq. ft.
GROUP/FACILITY	0	UNIT COST	1.000
CATEGORY	30	PERCENT REPL	50.00%
		CURRENT COST	1,930.00
PLACED IN SERVICE	1/97	FUTURE COST	1,930.00
5 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2015		
0 YEAR REM LIFE			

Paint - Wrought Iron (50%), Continued ...

REMARKS:

The wrought iron view fencing at the following locations doesn't appear to have ever been repainted by the Association. Given the many different paint colors and various conditions of this wrought iron, it appears as though the lot owners are the only ones who have attempted to maintain this fencing. Should the client advise us that the Association isn't going to take any responsibility for this wrought iron, we will remove it from the report in a revision or future update. However, for the time being, we are going to continue to budget to maintain this wrought iron on a 50% - 50% basis between the Association and the individual lot owners, as indicated in the CC&Rs.

- wrought iron view fencing at lot lines bordering the Palomino Creek Drive park area

- wrought iron view fencing at the lot line bordering the Sandstone Street park area

Fencing - Wrought Iron (50%)

ASSET ID	1032
GROUP/FACILITY	0
CATEGORY	40

QUANTITY	1 total
UNIT COST	22,360.000
PERCENT REPL	50.00%
CURRENT COST	11,180.00
FUTURE COST	15,024.99
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/95
30 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2025
10 YEAR REM LIFE

REMARKS:

860 - lin. ft. of 4'6" fencing	@	$ 26.00	=	$ 22,360.00
		TOTAL	=	$ 22,360.00

This component budgets to replace the wrought iron view fencing located on boundary lines between lots and common area. See Asset ID #1030 for the locations of this fencing. The cost to maintain this fencing is to be shared on a 50% - 50% basis between the Association and the individual lot owners. The condition of this wrought iron varies from lot to lot. The accumulated funds should be used to replace this fencing on an "as needed" basis.

Walls - Block, Repairs

ASSET ID	1028
GROUP/FACILITY	0
CATEGORY	40

QUANTITY	33,500 sq. ft.
UNIT COST	10.000
PERCENT REPL	5.00%
CURRENT COST	16,750.00
FUTURE COST	22,510.60
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/95
10 YEAR USEFUL LIFE
+20 YEAR ADJUSTMENT
REPLACEMENT YEAR 2025
10 YEAR REM LIFE

REMARKS:

This component will accumulate funds for 30 years, and then on a continuous 10 year cycle, for the major repair/replacement of a percentage of the common area walls, the majority of which are unpainted. The accumulated funds should be used "as needed", and the percentage budgeted for repair/replacement should be adjusted over time as conditions dictate.

** Note: We have not included any walls or fencing bordering the golf course because they are to be maintained solely by the individual lot owners (see page 26 of the CC&Rs).

Light Fixtures - Unfunded			
ASSET ID	1003	QUANTITY	1 comment
GROUP/FACILITY	0	UNIT COST	0.000
CATEGORY	50	PERCENT REPL	0.00%
		CURRENT COST	0.00
		FUTURE COST	0.00
		SALVAGE VALUE	0.00

PLACED IN SERVICE 0/ 0
0 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2015
0 YEAR REM LIFE

REMARKS:

We are not budgeting to replace any ground level pagoda type or spot/flood-light fixtures because the cost to do so is most often considered an operating expense. It is difficult to determine a useful life for these types of fixtures because they are frequently damaged by pedestrians, landscape personnel, and weather conditions. Any repairs and/or replacements should be handled on an "as needed" basis, and the expense paid for out of the operating budget.

BB Backboard (Palomino Creek)			
ASSET ID	1015	QUANTITY	1 backboard
GROUP/FACILITY	0	UNIT COST	500.000
CATEGORY	60	PERCENT REPL	100.00%
		CURRENT COST	500.00
		FUTURE COST	692.12
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/06
20 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2026
11 YEAR REM LIFE

REMARKS:

This is a metal basketball backboard. The cost does not include the replacement of the pole or mounting bracket.

Location: Palomino Creek Drive park area

BB Court - Resurface (Palomino Crk)			
ASSET ID	1016	QUANTITY	1 total
GROUP/FACILITY	0	UNIT COST	2,000.000
CATEGORY	60	PERCENT REPL	100.00%
		CURRENT COST	2,000.00
		FUTURE COST	2,000.00
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/95
8 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2015
0 YEAR REM LIFE

REMARKS:

This component is to resurface the acrylic basketball court surface (2,250 sq. ft.).

Location: Palomino Creek Drive park area

Park Equipment (Palomino Creek)

ASSET ID 1012
GROUP/FACILITY 0
CATEGORY 60

PLACED IN SERVICE 1/95
20 YEAR USEFUL LIFE
+3 YEAR ADJUSTMENT
REPLACEMENT YEAR 2018
3 YEAR REM LIFE

QUANTITY	1 total
UNIT COST	4,950.000
PERCENT REPL	100.00%
CURRENT COST	4,950.00
FUTURE COST	5,409.00
SALVAGE VALUE	0.00

REMARKS:

2 - 8' picnic tables, ADA accessible	@	$ 1,000.00	=	$ 2,000.00
2 - 6' benches w/backs	@	700.00	=	1,400.00
2 - trash receptacles w/lids	@	600.00	=	1,200.00
1 - BBQ grill, pedestal mounted	@	350.00	=	350.00
		TOTAL	=	$ 4,950.00

Location: Palomino Creek Drive park area

The useful life of this asset has been extended due to its present condition.

Playstructure (Palomino Creek)

ASSET ID 1018
GROUP/FACILITY 0
CATEGORY 60

PLACED IN SERVICE 3/13
25 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2038
23 YEAR REM LIFE

QUANTITY	1 total
UNIT COST	65,000.000
PERCENT REPL	100.00%
CURRENT COST	65,000.00
FUTURE COST	128,283.12
SALVAGE VALUE	0.00

REMARKS:

A new Miracle playstructure was installed in March 2013. This component budgets to replace the playstructure, and also includes a provision for sand replenishment on an "as needed" basis.

Location: Palomino Creek Drive park area

Swing Set (Palomino Creek)			
ASSET ID	1034	QUANTITY	1 total
GROUP/FACILITY	0	UNIT COST	3,000.000
CATEGORY	60	PERCENT REPL	100.00%
		CURRENT COST	3,000.00
		FUTURE COST	4,031.75
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/95
30 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2025
10 YEAR REM LIFE

REMARKS:

This component budgets to replace the swing set.

Location: Palomino Creek Drive park area

Park Equipment (Sandstone St)

ASSET ID	1011
GROUP/FACILITY	0
CATEGORY	61

QUANTITY	1 total
UNIT COST	3,850.000
PERCENT REPL	100.00%
CURRENT COST	3,850.00
FUTURE COST	4,207.00
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/95
20 YEAR USEFUL LIFE
+3 YEAR ADJUSTMENT
REPLACEMENT YEAR 2018
3 YEAR REM LIFE

REMARKS:

2 - 6' picnic tables	@	$ 800.00	=	$ 1,600.00
1 - 6' bench w/back	@	700.00	=	700.00
2 - trash receptacles w/lids	@	600.00	=	1,200.00
1 - BBQ grill, pedestal mounted	@	350.00	=	350.00
		TOTAL	=	$ 3,850.00

Location: Sandstone Street park area

The useful life of this asset has been extended due to its present condition.

Playstructure (Sandstone St)

ASSET ID	1017
GROUP/FACILITY	0
CATEGORY	61

QUANTITY	1 total
UNIT COST	50,000.000
PERCENT REPL	100.00%
CURRENT COST	50,000.00
FUTURE COST	57,963.70
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/95
25 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2020
5 YEAR REM LIFE

REMARKS:

This component budgets to remove and replace the following park area components:

- Playworld Systems playstructure
- Tot Turf (300 sq. ft.)
- Spring Mates (2)
- Sand Replenishment

Park Equipment (Sunrise Way)

ASSET ID	1005
GROUP/FACILITY	0
CATEGORY	62

QUANTITY	1 total
UNIT COST	1,350.000
PERCENT REPL	100.00%
CURRENT COST	1,350.00
FUTURE COST	1,475.18
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/95
20 YEAR USEFUL LIFE
+3 YEAR ADJUSTMENT
REPLACEMENT YEAR 2018
3 YEAR REM LIFE

REMARKS:

1 - 8' picnic table	@	$ 1,000.00	=	$ 1,000.00
1 - BBQ grill, pedestal mounted	@	350.00	=	350.00
		TOTAL	=	$ 1,350.00

Location: Sunrise Way park area

The useful life of this asset has been extended due to its present condition.

Drywells - Repair & Clean Out			
ASSET ID	1004	QUANTITY	2 drywells
GROUP/FACILITY	0	UNIT COST	1,350.000
CATEGORY	100	PERCENT REPL	100.00%
		CURRENT COST	2,700.00
		FUTURE COST	2,700.00
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/95
5 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2015
0 YEAR REM LIFE

REMARKS:

These are Type IV drywells located in the Palomino Creek Drive park retention area/tract. The following comments apply:

Drywell systems should be inspected annually to determine how much debris has accumulated in the system and to develop a clean out schedule. Some drywell systems will require the immediate repair of broken components and clean out, while others won't require maintenance for a number of years. On average, drywell systems require clean out every 3 - 5 years. A drywell should be cleaned out once 10% or more of the chamber is occupied. If maintained properly, drywells are designed to last as long as any other part of the community infrastructure.

A great majority of the drywell systems in Arizona are installed by Torrent Resources. Torrent Resources has developed a maintenance program to aid communities with drywell maintenance. Their comprehensive three year maintenance program waives the annual inspection fee, provides a 25% discount on replacement parts & site drainage modifications, and provides a detailed inspection report indicating the location and status of each drywell.

Given that no current maintenance program for your community's drywells is known to RDA, we have included a provision to repair and clean out the drywells. It is likely that the clean out schedule will vary over time, and, therefore, the cost should be considered as a general indication of budgetary needs.

We recommend contacting Jeremy Livengood (602.268.0785) with Torrent Resources to obtain additional information about drywells and/or to set up your community's maintenance program. The maintenance and clean out recommendations provided by Torrent Resources can then be incorporated into a revision or future update of this report.

Granite Replenishment - Unfunded

ASSET ID	1002
GROUP/FACILITY	0
CATEGORY	100

QUANTITY	1 comment
UNIT COST	0.000
PERCENT REPL	0.00%
CURRENT COST	0.00
FUTURE COST	0.00
SALVAGE VALUE	0.00

PLACED IN SERVICE 0/ 0
0 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2015
0 YEAR REM LIFE

REMARKS:

There are substantial quantities of granite located throughout the community. We are not budgeting to replenish this granite because the cost to do so is most often considered an operating expense. We recommend that a line item be set up in the operating budget to account for this asset, that it be monitored over time, and adjusted as experience dictates.

Should the client wish to have granite replenishment included in the reserve study, we will do so at their request. However, the client will need to provide the sq. ft. of the common area granite. Otherwise, there would be an additional charge to have Reserve Data Analysis, Inc. provide the measurement.

Irrigation Controllers (1998)

ASSET ID	1026
GROUP/FACILITY	0
CATEGORY	100

QUANTITY	1 total
UNIT COST	3,050.000
PERCENT REPL	100.00%
CURRENT COST	3,050.00
FUTURE COST	3,050.00
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/98
15 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2015
0 YEAR REM LIFE

REMARKS:

2 - Rain Bird, ESP-8MC controllers	@	$ 500.00	=	$ 1,000.00
2 - Rain Bird, ESP-12MC controllers	@	600.00	=	1,200.00
1 - Rain Bird, ESP-16MC controller	@	850.00	=	850.00
		TOTAL	=	$ 3,050.00

These controllers were installed in approximately 1998.

Irrigation Controllers (2005)

ASSET ID	1027
GROUP/FACILITY	0
CATEGORY	100

QUANTITY	1 total
UNIT COST	1,000.000
PERCENT REPL	100.00%
CURRENT COST	1,000.00
FUTURE COST	1,159.27
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/05
15 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2020
5 YEAR REM LIFE

REMARKS:

2 - Rain Bird, ESP-8MC controllers	@	$ 500.00	=	$ 1,000.00
		TOTAL	=	$ 1,000.00

These controllers were installed in approximately 2005.

Location: behind the two monument signs off of Val Vista Drive

Irrigation Controllers (2007)

ASSET ID	1035
GROUP/FACILITY	0
CATEGORY	100

QUANTITY	1 total
UNIT COST	850.000
PERCENT REPL	100.00%
CURRENT COST	850.00
FUTURE COST	1,045.39
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/07
15 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2022
7 YEAR REM LIFE

REMARKS:

1 - Hunter ICC, 8 station controller	@	$ 325.00	=	$ 325.00
1 - Hunter ICC, 24 station controller	@	525.00	=	525.00
		TOTAL	=	$ 850.00

These controllers were installed in approximately 2007.

Irrigation System - Unfunded			
ASSET ID	1036	QUANTITY	1 comment
GROUP/FACILITY	0	UNIT COST	0.000
CATEGORY	100	PERCENT REPL	0.00%
		CURRENT COST	0.00
		FUTURE COST	0.00
		SALVAGE VALUE	0.00

PLACED IN SERVICE 0/ 0
0 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2015
0 YEAR REM LIFE

REMARKS:

We have been advised that irrigation systems (pvc piping, sprinkler heads, valves, etc.) have a useful life of approximately 20 years, and should be included as a reserve component. However, budgeting for the replacement of the irrigation system requires evaluating the present condition (remaining useful life) and replacement cost - both of which call for expert evaluation, but fall outside the scope of a reserve study. Therefore, we recommend that the client have the system evaluated to determine these two factors so that budgeting can be included in a revision or future update of this report.

Monument Signs - Letters, Unfunded			
ASSET ID	1025	QUANTITY	1 comment
GROUP/FACILITY	0	UNIT COST	0.000
CATEGORY	100	PERCENT REPL	0.00%
		CURRENT COST	0.00
		FUTURE COST	0.00
		SALVAGE VALUE	0.00

PLACED IN SERVICE 0/ 0
0 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2015
0 YEAR REM LIFE

REMARKS:

There are six monument signs with metal letters & decorative artwork that indicate "WESTERN SKIES" at the following locations:

(2) Ray Road & Western Skies Drive
(2) Val Vista Drive & Black Diamond Drive
(1) Ray Road & Sandstone Street
(1) Warner Road & Western Skies Drive

We are not budgeting to replace the solid steel letters making up the monument sign(s) because they have an indefinite life, and should last for the life of the community if properly maintained. Any repairs and/or re-

Monument Signs - Letters, Unfunded, Continued ...

placements should be handled on an "as needed" basis, and the expense paid for out of the operating budget.

Please note, should the client wish to budget for the replacement of these components for aesthetic/remodeling purposes we will do so at their request.

DETAIL REPORT INDEX

TOTAL ASSET LINES INCLUDED: 28