

RESERVE ANALYSIS REPORT

Desert Summit
Scottsdale, Arizona
Version 007
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ADVANCED RESERVE SOLUTIONS, INC.
2761 E. Bridgeport Parkway - Gilbert, Arizona 85295
kthompson@arsinc.com
Phone (480) 473-7643

www.arsinc.com

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Desert Summit

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Preface

This preface is intended to provide an introduction to the enclosed reserve analysis as well as detailed information regarding the reserve analysis report format, reserve fund goals/objectives and calculation methods. The following sections are included in this preface:

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◆ ◆ ◆ ◆ INTRODUCTION TO RESERVE BUDGETING ◆ ◆ ◆ ◆

The Board of Directors of an association has a fiduciary duty to maintain the community in a good state of repair. Individual unit property values are significantly impacted by the level of maintenance and upkeep provided by the association as well as the amount of the regular assessment charged to each owner.

A prudent plan must be implemented to address the issues of long-range maintenance, repair and replacement of the common areas. Additionally, the plan should recognize that the value of each unit is affected by the amount of the regular assessment charged to each unit.

There is a fine line between “not enough,” “just right” and “too much.” Each member of an association should contribute to the reserve fund for their proportionate amount of “depreciation” (or “use”) of the reserve components. Through time, if each owner contributes his “fair share” into the reserve fund for the depreciation of the reserve components, then the possibility of large increases in regular assessments or special assessments will be minimized.

An accurate reserve analysis and a “healthy” reserve fund are essential to protect and maintain the association's common areas and the property values of the individual unit owners. A comprehensive reserve analysis is one of the most significant elements of any association's long-range plan and provides the critical link between sound business judgment and good fiscal planning. The reserve analysis provides a “financial blueprint” for the future of an association.

◆ ◆ ◆ ◆ UNDERSTANDING THE RESERVE ANALYSIS ◆ ◆ ◆ ◆

In order for the reserve analysis to be useful, it must be understandable by a variety of individuals. Board members (from seasoned, experienced Board members to new Board members), property managers, accountants, attorneys and even homeowners may ultimately review the reserve analysis. The reserve analysis must be detailed enough to provide a comprehensive analysis, yet simple enough to enable less experienced individuals to understand the results.

There are four key bits of information that a comprehensive reserve analysis should provide: Budget, Percent Funded, Projections and Inventory. This information is described as follows:

Budget

Amount recommended to be transferred into the reserve account for the fiscal year for which the reserve analysis was prepared. In some cases, the reserve analysis may present two or more funding plans based on different goals/objectives. The Board should have a clear understanding of the differences among these funding goals/objectives prior to implementing one of them in the annual budget.

Percent Funded

Measure of the reserve fund “health” (expressed as a percentage) as of the beginning of the fiscal year for which the

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reserve analysis was prepared. This figure is the ratio of the actual reserve fund on hand to the fully funded balance. A reserve fund that is “100% funded” means the association has accumulated the proportionately correct amount of money, to date, for the reserve components it maintains.

Projections

Indicate the “level of service” the association will provide the membership as well as a “road map” for the fiscal future of the association. The projections define the timetables for repairs and replacements, such as when the buildings will be painted or when the asphalt will be seal coated. The projections also show the financial plan for the association – when an underfunded association will “catch up” or how a properly funded association will remain fiscally “healthy.”

Inventory

Complete listing of the reserve components. Key bits of information are available for each reserve component, including placed-in-service date, useful life, remaining life, replacement year, quantity, current cost of replacement, future cost of replacement and analyst’s comments.

◆ ◆ ◆ ◆ RESERVE FUNDING GOALS / OBJECTIVES ◆ ◆ ◆ ◆

There are four reserve funding goals/objectives which may be used to develop a reserve funding plan that corresponds with the risk tolerance of the association: Full Funding, Baseline Funding, Threshold Funding and Statutory Funding. These goals/objectives are described as follows:

Full Funding

Describes the goal/objective to have reserves on hand equivalent to the value of the deterioration of each reserve component. The objective of this funding goal is to achieve and/or maintain a 100% percent funded reserve fund. The component calculation method or cash flow calculation method is typically used to develop a full funding plan.

Baseline Funding

Describes the goal/objective to have sufficient reserves on hand to never completely run out of money. The objective of this funding goal is to simply pay for all reserve expenses as they come due without regard to the association’s percent funded. The cash flow calculation method is typically used to develop a baseline funding plan.

Threshold Funding

Describes the goal/objective other than the 100% level (full funding) or just staying cash-positive (baseline funding). This threshold goal/objective may be a specific percent funded target or a cash balance target. Threshold funding is often a value chosen between full funding and baseline funding. The cash flow calculation method is typically used to develop a threshold funding plan.

Statutory Funding

Describes the pursuit of an objective as described or required by local laws or codes. The component calculation method or cash flow calculation method is typically used to develop a statutory funding plan.

◆ ◆ ◆ ◆ RESERVE FUNDING CALCULATION METHODS ◆ ◆ ◆ ◆

There are two funding methods which can be used to develop a reserve funding plan based on a reserve funding goal/objective: Component Calculation Method and Cash Flow Calculation Method. These calculation methods are described as follows:

Component Calculation Method

This calculation method develops a funding plan for each individual reserve component. The sum of the funding plan for each component equals the total funding plan for the association. This method is often referred to as the “straight line”

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method and is widely believed to be the most conservative reserve funding method. This method structures a funding plan that enables the association to pay all reserve expenditures as they come due, enables the association to achieve the ideal level of reserves in time, and then enables the association to maintain the ideal level of reserves through time. The following is a detailed description of the component calculation method:

Step 1: Calculation of fully funded balance for each component

The fully funded balance is calculated for each component based on its age, useful life and current cost. The actual formula is as follows:

$$\text{Fully Funded Balance} = \frac{\text{Age}}{\text{Useful Life}} \times \text{Current Cost}$$

Step 2: Distribution of current reserve funds

The association's current reserve funds are assigned to (or distributed amongst) the reserve components based on each component's remaining life and fully funded balance as follows:

Pass 1: Components are organized in remaining life order, from least to greatest, and the current reserve funds are assigned to each component up to its fully funded balance, until reserves are exhausted.

Pass 2: If all components are assigned their fully funded balance and additional funds exist, they are assigned in a "second pass." Again, the components are organized in remaining life order, from least to greatest, and the remaining current reserve funds are assigned to each component up to its current cost, until reserves are exhausted.

Pass 3: If all components are assigned their current cost and additional funds exist, they are assigned in a "third pass." Components with a remaining life of zero years are assigned double their current cost.

Distributing, or assigning, the current reserve funds in this manner is the most efficient use of the funds on hand – it defers the make-up period of any underfunded reserves over the lives of the components with the largest remaining lives.

Step 3: Developing a funding plan

After step 2, all components have a "starting" balance. A calculation is made to determine what funding would be required to get from the starting balance to the future cost over the number of years remaining until replacement. The funding plan incorporates the annual contribution increase parameter to develop a "stair stepped" contribution.

For example, if an association needs to accumulate \$100,000 in ten years, \$10,000 could be contributed each year. Alternatively, the association could contribute \$8,723 in the first year and increase the contribution by 3% each year thereafter until the tenth year.

In most cases, this rate should match the inflation parameter. Matching the annual contribution increase parameter to the inflation parameter indicates, in theory, that member contributions should increase at the same rate as the cost of living (inflation parameter). Due to the "time value of money," this creates the most equitable distribution of member contributions through time.

Using an annual contribution increase parameter that is greater than the inflation parameter will reduce the burden to the current membership at the expense of the future membership. Using an annual contribution increase parameter that is less than the inflation parameter will increase the burden to the current membership to the benefit of the future membership. The following chart shows a comparison:

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| | <u>0% Increase</u> | <u>3% Increase</u> | <u>10% Increase</u> |
|---------|--------------------|--------------------|---------------------|
| Year 1 | \$10,000.00 | \$8,723.05 | \$6,274.54 |
| Year 2 | \$10,000.00 | \$8,984.74 | \$6,901.99 |
| Year 3 | \$10,000.00 | \$9,254.28 | \$7,592.19 |
| Year 4 | \$10,000.00 | \$9,531.91 | \$8,351.41 |
| Year 5 | \$10,000.00 | \$9,817.87 | \$9,186.55 |
| Year 6 | \$10,000.00 | \$10,112.41 | \$10,105.21 |
| Year 7 | \$10,000.00 | \$10,415.78 | \$11,115.73 |
| Year 8 | \$10,000.00 | \$10,728.25 | \$12,227.30 |
| Year 9 | \$10,000.00 | \$11,050.10 | \$13,450.03 |
| Year 10 | \$10,000.00 | \$11,381.60 | \$14,795.04 |
| TOTAL | \$100,000.00 | \$100,000.00 | \$100,000.00 |

This parameter is used to develop a funding plan only; it does not necessarily mean that the reserve contributions must be raised each year. There are far more significant factors that will contribute to a total reserve contribution increase or decrease from year to year than this parameter.

One of the major benefits of using this calculation method is that for any single component (or group of components), the accumulated balance and reserve funding can be precisely calculated. For example, using this calculation method, the reserve analysis can indicate the exact amount of current reserve funds “in the bank” for the roofs and the amount of money being funded towards the roofs each month. This information is displayed on the Management / Accounting Summary and Charts as well as elsewhere within the report.

Cash Flow Calculation Method

This calculation method develops a funding plan based on current reserve funds and projected expenditures during a specific timeframe (typically 30 years). This funding method structures a funding plan that enables the association to pay for all reserve expenditures as they come due, but is not necessarily concerned with the ideal level of reserves through time.

This calculation method tests reserve contributions against reserve expenditures through time to determine the minimum contribution necessary (baseline funding) or some other defined goal/objective (full funding, threshold funding or statutory funding). Unlike the component calculation method, this calculation method cannot precisely calculate the reserve funding for any single component (or group of components). In order to work-around this issue to provide this bookkeeping information, a formula has been applied to component method results to calculate a reasonable breakdown. This information is displayed on the Management / Accounting Summary and Charts as well as elsewhere within the report.

The **Directed Cash Flow Calculation Method** is our primary calculation method. It allows for several funding strategies to be manually tested until the optimal funding strategy accomplishing three goals is created:

Goal #1: Ensures that all scheduled reserve expenditures are covered by keeping the reserve cash balance above zero during the projected period (typically 30 years)

Goal #2: Uniformly distributes the costs of replacements over time to benefit both current & future members of the association by using consistent, incremental contribution increases

Goal #3: Provides for the lowest reserve funding recommendation as possible over time with the goal of approaching, reaching and/or maintaining a 100% fully funded reserve balance

These very important aspects of the **Directed Cash Flow Calculation Method** will greatly aid the board of directors during the annual budgeting process.

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◆ ◆ ◆ ◆ READING THE RESERVE ANALYSIS ◆ ◆ ◆ ◆

In some cases, the reserve analysis may be a lengthy document of one hundred pages or more. A complete and thorough review of the reserve analysis is always a good idea. However, if time is limited, it is suggested that a thorough review of the summary pages be made. If a “red flag” is raised in this review, the reader should then check the detail information, of the component in question, for all relevant information. In this section, a description of most of the summary or report sections is provided along with comments regarding what to look for and how to use each section.

Executive Summary

Provides general information about the client, global parameters used in the calculation of the reserve analysis as well as the core results of the reserve analysis.

Client Information

Provides various client information including fiscal year for which the reserve analysis was prepared, number of units, phasing, etc.

Community Profile

Provides brief description of the community, as well as other “global” type comments.

Budget

Provides recommended funding for the fiscal year for which the reserve analysis was prepared. Indicates the reserve funding from the membership, anticipated interest contribution and the total contribution

Global Parameters

Displays the calculation parameters that were used to calculate the reserve analysis including inflation, annual contribution increase, investment rate, tax rate and contingency.

Sample Homeowners Association
Executive Summary
Component Calculation Method

| Client Information: | | Global Parameters: | |
|---------------------|-----------------------|------------------------------|--------|
| Account Number | 00000 | Inflation Rate | 2.00% |
| Version Number | 1 | Annual Contribution Increase | 2.00% |
| Analysis Date | 3/18/2014 | Investment Rate | 1.00% |
| Fiscal Year | 6/1/2014 to 5/31/2015 | Taxes on Investment | 30.00% |
| Number of Units | 167 | Contingency | 3.00% |
| Phasing | 8 of 8 | | |

Community Profile:
This community consists of 167 attached units with private roadways, pool area and extensive landscaped areas. For budgeting purposes, unless otherwise indicated, we have used June 1995 as the average placed-in-service date for aging the original components in this community.
ARS site visits: March 1, 2014; January 2011; February 2009; April 2006; March 2005; March 2003; March 2002; April 2001 and March 2000

Adequacy of Reserves as of June 1, 2014:

| | |
|------------------------------|----------------|
| Anticipated Reserve Balance | \$860,450.00 |
| Fully Funded Reserve Balance | \$1,011,228.83 |
| Percent Funded | 85.08% |

Recommended Funding for the 2014-2015 Fiscal Year:

| | Annual | Monthly | Per Unit Per Month |
|-----------------------|-----------|------------|--------------------|
| Member Contribution | \$110,659 | \$9,221.58 | \$55.22 |
| Interest Contribution | \$5,977 | \$498.09 | \$2.98 |
| Total Contribution | \$116,636 | \$9,719.66 | \$58.20 |

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Adequacy of Reserves

Displays the results of calculations with regard to the “health” of the reserve fund as of the beginning of the fiscal year for which the reserve analysis was prepared. Provides the anticipated reserve balance, fully funded reserve balance and the percent funded.

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Calculation of Percent Funded

Summary displays all reserve components, shown here in “category” order. Provides the remaining life, useful life, current cost and the fully funded balance at the beginning of the fiscal year for which the reserve analysis was prepared.

Reserve Components

All components are displayed (shown here in “category” order).

Lifespans

Remaining life and useful life are displayed. And, these columns are conveniently sub totaled to show range.

**Sample Homeowners Association
Calculation of Percent Funded
Sorted by Category**

| | Remaining Life | Useful Life | Current Cost | Fully Funded Balance |
|--|----------------|-------------|---------------------|----------------------|
| 010 Streets | | | | |
| Streets - Asphalt, Overlay / Major Rehab | 8 | 27 | \$101,867.50 | \$71,564.91 |
| Streets - Asphalt, Repair | 0 | 4 | \$3,621.75 | \$3,621.75 |
| Streets - Asphalt, Seal Coat | 0 | 4 | \$5,926.50 | \$5,926.50 |
| Streets - Concrete, Unfunded | n.a. | n.a. | \$0.00 | \$0.00 |
| Sub Total | 0-8 | 4-27 | \$111,245.75 | \$81,113.16 |
| 020 Roofs | | | | |
| Roofs - Tile | | | | |
| Sub Total | | | | |
| 030 Painting | | | | |
| Painting - Cabana Interior | | | | |
| Painting - Red Curbs | | | | |
| Painting - Stucco | | | | |
| Painting - Woodwork & Trim | | | | |
| Painting - Wrought Iron, Buildings | | | | |
| Painting - Wrought Iron, Pool Area | | | | |
| Sub Total | | | | |
| 040 Fencing | | | | |
| Fencing - Wrought Iron, Pool Area | | | | |
| Railing - Wrought Iron, Buildings | | | | |
| Sub Total | | | | |
| 050 Lighting | | | | |
| Lighting - Buildings | | | | |
| Lighting - Grounds | | | | |
| Sub Total | | | | |
| 060 Pool Area | | | | |
| Cabana - Ceramic Tile | | | | |
| Cabana - Doors | | | | |
| Cabana - Plumbing Fixtures | | | | |
| Cabana - Restroom Partitions | | | | |
| Cabana - Water Heater | | | | |
| Pool - Filter | | | | |
| Pool - Heater | | | | |
| Pool - Replaster & Tile Replace | | | | |
| Pool Area - Barbecues | | | | |
| Sub Total | | | | |
| 3.18.2014(1) | | | | |

**Sample Homeowners Association
Calculation of Percent Funded
Sorted by Category**

| | Remaining Life | Useful Life | Current Cost | Fully Funded Balance |
|-------------------------------------|----------------|--------------|-----------------------|-----------------------|
| Pool Area - Ceramic Tile | 2 | 21 | \$8,501.63 | \$7,773.38 |
| Pool Area - Concrete Deck, Unfunded | n.a. | n.a. | \$0.00 | \$0.00 |
| Pool Area - Furniture (Refurbish) | 0 | 12 | \$9,255.00 | \$9,255.00 |
| Pool Area - Furniture (Replace) | 6 | 25 | \$17,315.00 | \$13,159.40 |
| Pool Area - Mastic | 0 | 4 | \$5,131.50 | \$5,131.50 |
| Spa - Filter | 0 | 13 | \$1,350.00 | \$1,350.00 |
| Spa - Heater | 0 | 10 | \$3,050.00 | \$3,050.00 |
| Spa - Replaster & Tile Replace | 3 | 8 | \$5,250.00 | \$3,126.40 |
| Sub Total | 0-6 | 4-25 | \$91,747.38 | \$71,964.53 |
| 070 Decks | | | | |
| Decks - Clean & Top Coat | 2 | 5 | \$30,480.00 | \$18,288.00 |
| Decks - Resurface | 2 | 13 | \$65,227.20 | \$54,720.81 |
| Sub Total | 2 | 5-13 | \$95,707.20 | \$73,008.81 |
| 080 Misc (Buildings) | | | | |
| Fire Extinguisher Cabinets | 2 | 21 | \$27,625.00 | \$24,994.05 |
| Utility Closet Doors | 2 | 21 | \$73,900.00 | \$69,801.90 |
| Sub Total | 2 | 21 | \$101,525.00 | \$94,855.95 |
| 090 Misc (Grounds) | | | | |
| Landscape - Irrigation Controllers | 0 | 12 | \$20,000.00 | \$20,000.00 |
| Landscape - Renovation, Unfunded | n.a. | n.a. | \$0.00 | \$0.00 |
| Mailboxes | 2 | 21 | \$37,200.00 | \$33,657.14 |
| Sub Total | 0-2 | 12-21 | \$66,200.00 | \$62,657.14 |
| 100 Termite Control | | | | |
| Termite Control | n.a. | n.a. | \$0.00 | \$100,000.00 |
| Sub Total | n.a. | n.a. | \$0.00 | \$100,000.00 |
| Contingency | n.a. | n.a. | n.a. | \$20,453.27 |
| Total | 0-11 | 2-30 | \$1,091,533.70 | \$1,011,228.83 |
| Anticipated Reserve Balance | | | | \$865,456.00 |
| Percent Funded | | | | 85.58% |
| 3.18.2014(1) | | | | |

Current Cost

Displays the current cost to replace or otherwise maintain each component. This column is conveniently sub totaled.

Fully Funded Balance

Displays the fully funded balance for each component. This column is conveniently sub totaled.

The total current cost to replace or otherwise maintain all components, total fully funded balance, anticipated reserve balance and percent funded are provided at the bottom of this summary. Also shown is the range of reserve component remaining lives and useful lives.

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Management / Accounting Summary and Charts

Summary displays all reserve components, shown here in “category” order. Provides the assigned reserve funds at the beginning of the fiscal year for which the reserve analysis was prepared along with the monthly member contribution, interest contribution and total contribution for each component and category. Pie charts show graphically how the total reserve fund is distributed amongst the reserve component categories and how each category is funded on a monthly basis.

Balance at FYB
Shows the amount of reserve funds assigned to each reserve component. And, this column is conveniently sub totaled.

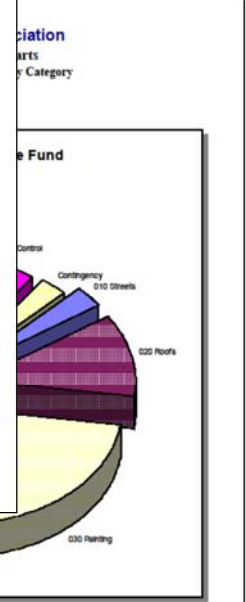
Sample Homeowners Association
Management / Accounting Summary
Component Calculation Method; Sorted by Category

| | Balance at Fiscal Year Beginning | Monthly Member Contribution | Monthly Interest Contribution | Total Monthly Contribution |
|--|----------------------------------|-----------------------------|-------------------------------|----------------------------|
| 010 Streets | | | | |
| Streets - Asphalt, Overlay / Major Rehab | \$17,837.90 | \$949.09 | \$13.37 | \$963.07 |
| Streets - Asphalt, Repair | \$3,821.75 | \$78.20 | \$0.25 | \$78.45 |
| Streets - Asphalt, Seal Coat | \$5,928.50 | \$127.96 | \$0.41 | \$128.37 |
| Streets - Concrete, Unfunded | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Sub Total | \$27,588.15 | \$1,155.84 | \$14.04 | \$1,169.88 |
| 020 Roofs | | | | |
| Roofs - Tile | | | | |
| Sub Total | | | | |
| 030 Painting | | | | |
| Painting - Cabana Interior | | | | |
| Painting - Red Curbs | | | | |
| Painting - Stucco | | | | |
| Painting - Woodwork & Trim | | | | |
| Painting - Wrought Iron, Buildings | | | | |
| Painting - Wrought Iron, Pool Area | | | | |
| Sub Total | | | | |
| 040 Fencing | | | | |
| Fencing - Wrought Iron, Pool Area | | | | |
| Railing - Wrought Iron, Buildings | | | | |
| Sub Total | | | | |
| 050 Lighting | | | | |
| Lighting - Buildings | | | | |
| Lighting - Grounds | | | | |
| Sub Total | | | | |
| 060 Pool Area | | | | |
| Cabana - Ceramic Tile | | | | |
| Cabana - Doors | | | | |
| Cabana - Plumbing Fixtures | | | | |
| Cabana - Restroom Partitions | | | | |
| Cabana - Water Heater | | | | |
| Pool - Filter | | | | |
| Sub Total | | | | |
| 070 Decks | | | | |
| Decks - Clean & Top Coat | \$18,288.00 | \$539.52 | \$12.44 | \$551.96 |
| Decks - Resurfacing | \$94,720.81 | \$306.93 | \$33.65 | \$340.58 |
| Sub Total | \$113,008.81 | \$846.45 | \$46.09 | \$892.54 |
| 080 Misc (Buildings) | | | | |
| Fire Extinguisher Cabinets | \$24,994.05 | \$139.11 | \$15.07 | \$154.19 |
| Utility Closet Doors | \$95,881.90 | \$372.15 | \$40.32 | \$412.47 |
| Sub Total | \$120,875.95 | \$511.26 | \$55.40 | \$566.66 |
| 090 Misc (Grounds) | | | | |
| Landscape - Irrigation Controllers | \$20,000.00 | \$219.48 | \$0.71 | \$220.19 |
| Landscape - Renovation, Unfunded | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Mailboxes | \$33,657.14 | \$187.33 | \$20.30 | \$207.63 |
| Sub Total | \$53,657.14 | \$406.82 | \$21.00 | \$427.82 |
| 100 Termite Control | | | | |
| Termite Control | \$100,000.00 | \$0.00 | \$58.52 | \$58.52 |
| Sub Total | \$100,000.00 | \$0.00 | \$58.52 | \$58.52 |
| Contingency | \$25,207.28 | \$268.59 | \$15.61 | \$284.20 |
| Total | \$865,450.00 | \$9,221.58 | \$498.09 | \$9,719.66 |

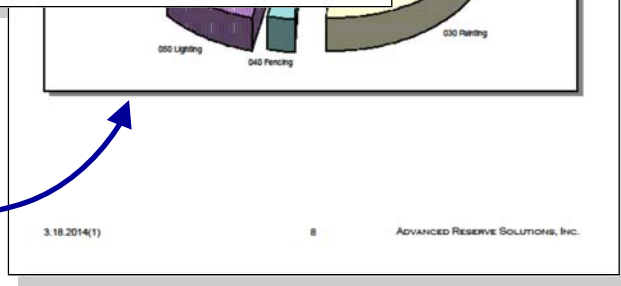
Monthly Funding
Displays the monthly funding for each component from the members and interest. Total monthly funding is also indicated. And, these columns are conveniently sub totaled.

Sample Homeowners Association
Management / Accounting Summary
Component Calculation Method; Sorted by Category

| | Balance at Fiscal Year Beginning | Monthly Member Contribution | Monthly Interest Contribution | Total Monthly Contribution |
|-------------------------------------|----------------------------------|-----------------------------|-------------------------------|----------------------------|
| Pool - Heater | \$3,250.00 | \$24.00 | \$0.08 | \$24.08 |
| Pool - Replaster & Tile Replace | \$7,070.58 | \$146.76 | \$4.61 | \$151.37 |
| Pool Area - Barbecues | \$1,010.00 | \$26.98 | \$0.69 | \$30.67 |
| Pool Area - Ceramic Tile | \$7,773.38 | \$43.27 | \$4.69 | \$47.96 |
| Pool Area - Concrete Deck, Unfunded | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Pool Area - Furniture (Refurbish) | \$9,255.00 | \$70.05 | \$0.23 | \$70.27 |
| Pool Area - Furniture (Replace) | \$13,159.40 | \$74.78 | \$7.94 | \$82.70 |
| Pool Area - Mastic | \$5,131.50 | \$110.79 | \$0.36 | \$111.15 |
| Spa - Filter | \$1,350.00 | \$12.11 | \$0.04 | \$12.15 |
| Spa - Heater | \$2,200.00 | \$27.36 | \$0.09 | \$27.44 |
| Spa - Replaster & Tile Replace | \$3,128.40 | \$54.12 | \$2.04 | \$56.15 |
| Sub Total | \$71,964.53 | \$716.19 | \$30.10 | \$746.28 |
| 070 Decks | | | | |
| Decks - Clean & Top Coat | \$18,288.00 | \$539.52 | \$12.44 | \$551.96 |
| Decks - Resurfacing | \$94,720.81 | \$306.93 | \$33.65 | \$340.58 |
| Sub Total | \$113,008.81 | \$846.45 | \$46.09 | \$892.54 |
| 080 Misc (Buildings) | | | | |
| Fire Extinguisher Cabinets | \$24,994.05 | \$139.11 | \$15.07 | \$154.19 |
| Utility Closet Doors | \$95,881.90 | \$372.15 | \$40.32 | \$412.47 |
| Sub Total | \$120,875.95 | \$511.26 | \$55.40 | \$566.66 |
| 090 Misc (Grounds) | | | | |
| Landscape - Irrigation Controllers | \$20,000.00 | \$219.48 | \$0.71 | \$220.19 |
| Landscape - Renovation, Unfunded | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Mailboxes | \$33,657.14 | \$187.33 | \$20.30 | \$207.63 |
| Sub Total | \$53,657.14 | \$406.82 | \$21.00 | \$427.82 |
| 100 Termite Control | | | | |
| Termite Control | \$100,000.00 | \$0.00 | \$58.52 | \$58.52 |
| Sub Total | \$100,000.00 | \$0.00 | \$58.52 | \$58.52 |
| Contingency | \$25,207.28 | \$268.59 | \$15.61 | \$284.20 |
| Total | \$865,450.00 | \$9,221.58 | \$498.09 | \$9,719.66 |



Pie Charts
Show graphically how the reserve fund is distributed amongst the reserve components and how the components are funded.



Preface

Projections and Charts

Summary displays projections of beginning reserve balance, member contribution, interest contribution, expenditures and ending reserve balance for each year of the projection period (shown here for 30 years). The two columns on the right-hand side provide the fully funded ending balance and the percent funded for each year. Charts show the same information in an easy-to-understand graphic format.

**Sample Homeowners Association
Projections
Component Calculation Method**

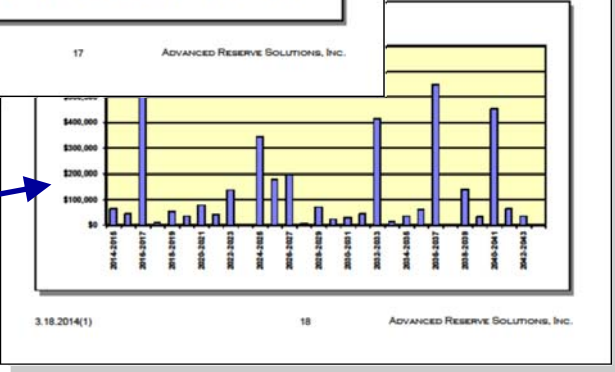
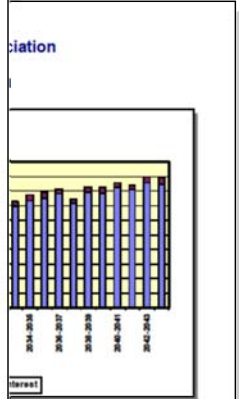
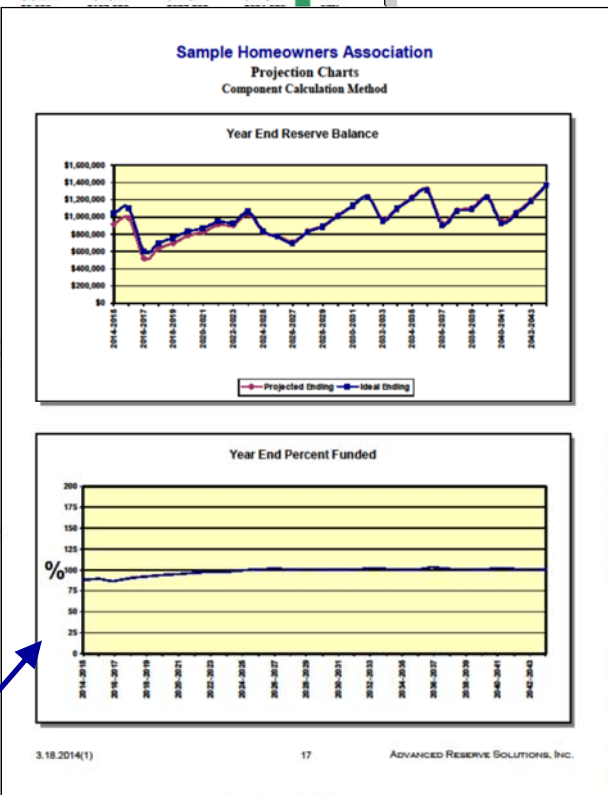
| Fiscal Year | Beginning Balance | Member Contribution | Interest Contribution | Expenditures | Ending Balance | Fully Funded Ending Balance | Percent Funded |
|-------------|-------------------|---------------------|-----------------------|--------------|----------------|-----------------------------|----------------|
| 2014-2015 | \$865,450 | \$110,659 | \$5,977 | \$54,980 | \$917,106 | \$1,046,139 | 88% |
| 2015-2016 | \$917,106 | \$111,857 | \$6,482 | \$45,317 | \$990,127 | \$1,104,098 | 90% |
| 2016-2017 | \$990,127 | \$116,806 | \$3,175 | \$591,549 | \$518,559 | \$598,939 | 87% |
| 2017-2018 | \$518,559 | \$115,807 | \$3,900 | \$7,715 | \$630,610 | \$698,915 | 90% |
| 2018-2019 | \$630,610 | \$116,508 | \$4,431 | \$52,973 | \$698,577 | \$755,512 | 92% |
| 2019-2020 | \$698,577 | \$116,723 | \$5,037 | \$34,701 | \$785,578 | \$834,243 | 94% |
| 2020-2021 | \$785,578 | \$118,645 | \$5,331 | \$80,731 | \$828,821 | \$896,179 | 92% |
| 2021-2022 | \$828,821 | \$121,028 | \$5,925 | \$40,530 | \$915,241 | \$949,147 | 96% |
| 2022-2023 | \$915,241 | \$123,506 | | | | | |
| 2023-2024 | \$907,080 | \$125,898 | | | | | |
| 2024-2025 | \$1,037,322 | \$126,436 | | | | | |
| 2025-2026 | \$825,894 | \$127,755 | | | | | |
| 2026-2027 | \$780,089 | \$125,648 | | | | | |
| 2027-2028 | \$713,358 | \$119,373 | | | | | |
| 2028-2029 | \$631,867 | \$131,699 | | | | | |
| 2029-2030 | \$696,194 | \$131,038 | | | | | |
| 2030-2031 | \$1,013,798 | \$137,575 | | | | | |
| 2031-2032 | \$1,130,018 | \$141,510 | | | | | |
| 2032-2033 | \$1,237,543 | \$143,162 | | | | | |
| 2033-2034 | \$973,396 | \$138,561 | | | | | |
| 2034-2035 | \$1,104,489 | \$147,134 | | | | | |
| 2035-2036 | \$1,222,996 | \$149,242 | | | | | |
| 2036-2037 | \$1,317,743 | \$150,808 | | | | | |
| 2037-2038 | \$929,828 | \$142,178 | | | | | |
| 2038-2039 | \$1,078,992 | \$157,813 | | | | | |
| 2039-2040 | \$1,102,377 | \$157,111 | | | | | |
| 2040-2041 | \$1,234,862 | \$165,390 | | | | | |
| 2041-2042 | \$952,393 | \$161,588 | | | | | |
| 2042-2043 | \$1,056,301 | \$171,747 | | | | | |
| 2043-2044 | \$1,200,105 | \$169,299 | | | | | |

NOTE: In some cases, the projected Ending Balance Expenditures. This is a result of the provision of contingency is continually adjusted according to

3.18.2014(1)

Improved format makes the numbers as easy to read and understand as possible. The color-coded bar indicates the reserve fund status:

Green: Good
Yellow: Fair
Red: Poor



Charts
Show graphically the reserve funding plan through time.

Preface

Component Detail

Summary provides detailed information about each reserve component. These pages display all information about each reserve component as well as comments from site observations and historical information regarding replacement or other maintenance.

Lifespan Information

Displays placed-in-service date, useful life, remaining life and replacement year.

Cost Information

Displays quantity, unit cost, percentage of replacement, current cost and future cost.

Calculation Results

Displays assigned reserves and funding requirements.

Streets - Asphalt, Seal Coat

| | | | |
|-------------------|--------------|-------------------------------|----------------|
| Category | 010 Streets | Quantity | 65,850 sq. ft. |
| Photo Date | January 2011 | Unit Cost | \$0.090 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$5,926.50 |
| | | Future Cost | \$6,415.03 |
| Placed In Service | 11/09 | Assigned Reserves at FYB | \$5,926.50 |
| Useful Life | 4 | Monthly Member Contribution | \$127.96 |
| Remaining Life | 0 | Monthly Interest Contribution | \$0.41 |
| Replacement Year | 2014-2015 | Total Monthly Contribution | \$128.37 |

Painting - Woodwork & Trim

| | | | |
|-------------------|--------------|-------------------------------|----------------|
| Category | 030 Painting | Quantity | 31,575 sq. ft. |
| Photo Date | January 2011 | Unit Cost | \$0.620 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$20,949.00 |
| | | Future Cost | \$30,222.58 |
| Placed In Service | 06/12 | Assigned Reserves at FYB | \$14,524.50 |
| Useful Life | 4 | Monthly Member Contribution | \$634.91 |
| Remaining Life | 2 | Monthly Interest Contribution | \$10.54 |
| Replacement Year | 2016-2017 | Total Monthly Contribution | \$645.45 |

Pool - Replaster & Tile Replace

| | | | |
|-------------------|---------------|-------------------------------|--------------|
| Category | 060 Pool Area | Quantity | 1 pool |
| Photo Date | January 2011 | Unit Cost | \$15,075.000 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$15,075.00 |
| | | Future Cost | \$16,644.02 |
| Placed In Service | 01/10 | Assigned Reserves at FYB | \$7,070.58 |
| Useful Life | 10 | Monthly Member Contribution | \$146.79 |
| Remaining Life | 5 | Monthly Interest Contribution | \$4.61 |
| Replacement Year | 2019-2020 | Total Monthly Contribution | \$151.37 |

Comments

The association seal coated and restriped the streets for a total cost of \$5,926.50. The association repaired, seal coated and restriped the streets for a total cost of \$5,926.50. The association seal coated and restriped the streets for a total cost of \$5,926.50.

The current cost used for this component is adjusted for inflation where applicable.

Asphalt surfaces should be seal coated on a regular basis.

3.18.2014(1)

The association painted the woodwork and trim for a total cost of \$20,949.00. The association painted the woodwork and trim for a total cost of \$20,949.00.

The current cost used for this component is adjusted for inflation where applicable.

For budgeting purposes, we have used the current cost.

The inventory for this component has been reviewed and we believe this inventory is accurate.

3.18.2014(1)

The pool and spa were replastered in March 2000 for a total cost of approximately \$6,700. The association washed the pool in June 2002 for a total cost of \$675. The association replastered the pool and spa (including replacement of the mastic directly adjacent to the pool and spa) in January 2010 for a total cost of \$15,000.

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42 ADVANCED RESERVE SOLUTIONS, INC.

Comments

Useful information from site observations and historical expenses included here.

Photos

Optional inclusion of photos adds an additional layer of detail to the reserve analysis.

Preface

◆ ◆ ◆ ◆ GLOSSARY OF KEY TERMS ◆ ◆ ◆ ◆

Annual Contribution Increase Parameter

The rate used in the calculation of the funding plan. This rate is used on an annual compounding basis. This rate represents, in theory, the rate the association expects to increase contributions each year.

In most cases, this rate should match the inflation parameter. Matching the annual contribution increase parameter to the inflation parameter indicates, in theory, that member contributions should increase at the same rate as the cost of living (inflation parameter). Due to the “time value of money,” this creates the most equitable distribution of member contributions through time.

This parameter is used to develop a funding plan only; it does not necessarily mean that the reserve contributions must be raised each year. There are far more significant factors that will contribute to a total reserve contribution increase or decrease from year to year than this parameter. See the description of “reserve funding calculation methods” in this preface for more detail on this parameter.

Anticipated Reserve Balance (or Reserve Funds)

The amount of money, as of a certain point in time, held by the association to be used for the repair or replacement of reserve components. This figure is “anticipated” because it is calculated based on the most current financial information available as of the analysis date, which is almost always prior to the fiscal year beginning date for which the reserve analysis is prepared.

Assigned Funds (and “Fixed” Assigned Funds)

The amount of money, as of the fiscal year beginning date for which the reserve analysis is prepared, that a reserve component has been assigned.

The assigned funds are considered “fixed” when the normal calculation process is bypassed and a specific amount of money is assigned to a reserve component. For example, if the normal calculation process assigns \$10,000 to the roofs, but the association would like to show \$20,000 assigned to roofs, “fixed” funds of \$20,000 can be assigned.

Cash Flow Calculation Method

Reserve funding calculation method developed based on total annual expenditures. A more detailed description of the actual calculation process is included in the “reserve funding calculation methods” section of the preface.

Component Calculation Method

Reserve funding calculation method developed based on each individual component. A more detailed description of the actual calculation process is included in the “reserve funding calculation methods” section of the preface.

Contingency Parameter

The rate used as a built-in buffer in the calculation of the funding plan. This rate will assign a percentage of the reserve funds, as of the fiscal year beginning, as contingency funds and will also determine the level of funding toward the contingency each month.

Current Replacement Cost

The amount of money, as of the fiscal year beginning date for which the reserve analysis is prepared, that a reserve component is expected to cost to replace.

Fiscal Year

Indicates the budget year for the association for which the reserve analysis was prepared. The fiscal year beginning (FYB) is the first day of the budget year; the fiscal year end (FYE) is the last day of the budget year.

Fully Funded Reserve Balance (or Ideal Reserves)

The amount of money that should theoretically have accumulated in the reserve fund as of a certain point in time. Fully funded reserves are calculated for each reserve component based on the current replacement cost, age and useful life:

Preface

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

The fully funded reserve balance is the sum of the fully funded reserves for each reserve component.

An association that has accumulated the fully funded reserve balance does not have all of the funds necessary to replace all of its reserve components immediately; it has the proportionately appropriate reserve funds for the reserve components it maintains, based on each component's current replacement cost, age and useful life.

Future Replacement Cost

The amount of money, as of the fiscal year during which replacement of a reserve component is scheduled, that a reserve component is expected to cost to replace. This cost is calculated using the current replacement cost compounded annually by the inflation parameter.

Global Parameters

The financial parameters used to calculate the reserve analysis. See also "inflation parameter," "annual contribution increase parameter," "investment rate parameter" and "taxes on investments parameter."

Inflation Parameter

The rate used in the calculation of future costs for reserve components. This rate is used on an annual compounding basis. This rate represents the rate the association expects the cost of goods and services relating to their reserve components to increase each year.

Interest Contribution

The amount of money contributed to the reserve fund by the interest earned on the reserve fund and member contributions.

Investment Rate Parameter

The gross rate used in the calculation of interest contribution (interest earned) from the reserve balance and member contributions. This rate (net of the taxes on investments parameter) is used on a monthly compounding basis. This parameter represents the weighted average interest rate the association expects to earn on their reserve fund investments.

Membership Contribution

The amount of money contributed to the reserve fund by the association's membership.

Monthly Contribution (and "Fixed" Monthly Contribution)

The amount of money, for the fiscal year which the reserve analysis is prepared, that a reserve component will be funded.

The monthly contribution is considered "fixed" when the normal calculation process is bypassed and a specific amount of money is funded to a reserve component. For example, if the normal calculation process funds \$1,000 to the roofs each month, but the association would like to show \$500 funded to roofs each month, a "fixed" contribution of \$500 can be assigned.

Number of Units (or other assessment basis)

Indicates the number of units for which the reserve analysis was prepared. In "phased" developments (see phasing), this number represents the number of units, and corresponding common area components, that existed as of a certain point in time.

For some associations, assessments and reserve contributions are based on a unit of measure other than the number of units. Examples include time-interval weeks for timeshare resorts or lot acreage for commercial/industrial developments.

Preface

One-Time Replacement

Used for components that will be budgeted for only once.

Percent Funded

A measure, expressed as a percentage, of the association's reserve fund "health" as of a certain point in time. This number is the ratio of the anticipated reserve fund balance to the fully funded reserve balance:

$$\text{Percent Funded} = \frac{\text{Anticipated Reserve Fund Balance}}{\text{Fully Funded Reserve Balance}}$$

An association that is 100% funded does not have all of the reserve funds necessary to replace all of its reserve components immediately; it has the proportionately appropriate reserve funds for the reserve components it maintains, based on each component's current replacement cost, age and useful life.

Percentage of Replacement

The percentage of the reserve component that is expected to be replaced.

For most reserve components, this percentage should be 100%. In some cases, this percentage may be more or less than 100%. For example, fencing which is shared with a neighboring community may be set at 50%.

Phasing

Indicates the number of phases for which the reserve analysis was prepared and the total number of phases expected at build-out (i.e. Phase 4 of 7). In phased developments, the first number represents the number of phases, and corresponding common area components, that existed as of a certain point in time. The second number represents the number of phases that are expected to exist at build-out.

Placed-In-Service Date

The date (month and year) that the reserve component was originally put into service or last replaced.

Remaining Life

The length of time, in years, until a reserve component is scheduled to be replaced.

Remaining Life Adjustment

The length of time, in years, that a reserve component is expected to last in excess (or deficiency) of its useful life for the current cycle of replacement.

If the current cycle of replacement for a reserve component is expected to be greater than or less than the "normal" life expectancy, the reserve component's life should be adjusted using a remaining life adjustment.

For example, if wood trim is painted normally on a 4 year cycle, the useful life should be 4 years. However, when it comes time to paint the wood trim and it is determined that it can be deferred for an additional year, the useful life should remain at 4 years and a remaining life adjustment of +1 year should be used.

Replacement Year

The fiscal year that a reserve component is scheduled to be replaced.

Reserve Components

Line items included in the reserve analysis.

Taxes on Investments Parameter

The rate used to offset the investment rate parameter in the calculation of the interest contribution. This parameter represents the marginal tax rate the association expects to pay on interest earned by the reserve funds and member contributions.

Preface

Total Contribution

The sum of the membership contribution and interest contribution.

Useful Life

The length of time, in years, that a reserve component is expected to last each time it is replaced. See also “remaining life adjustment.”

◆ ◆ ◆ ◆ LIMITATIONS OF RESERVE ANALYSIS ◆ ◆ ◆ ◆

This reserve analysis is intended as a tool for the association’s Board of Directors to be used in evaluating the association’s current physical and financial condition with regard to reserve components. The results of this reserve analysis represent the independent opinion of the preparer. There is no implied warranty or guarantee of this work product.

For the purposes of this reserve analysis, it has been assumed that all components have been installed properly, no construction defects exist and all components are operational. Additionally, it has been assumed that all components will be maintained properly in the future.

The representations set forth in this reserve analysis are based on the best information and estimates of the preparer as of the date of this analysis. These estimates are subject to change. This reserve analysis includes estimates of replacement costs and life expectancies as well as assumptions regarding future events. Some estimates are projections of future events based on information currently available and are not necessarily indicative of the actual future outcome. The longer the time period between the estimate and the estimated event, the more likely the possibility of error and/or discrepancy. For example, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the preparation of this reserve analysis. Therefore, the actual replacement costs and remaining lives may vary from this reserve analysis and the variation may be significant. Additionally, inflation and other economic events may impact this reserve analysis, particularly over an extended period of time and those events could have a significant and negative impact on the accuracy of this reserve analysis and, further, the funds available to meet the association’s obligation for repair, replacement or other maintenance of major components during their estimated useful life. Furthermore, the occurrence of vandalism, severe weather conditions, earthquakes, floods, acts of nature or other unforeseen events cannot be predicted and/or accounted for and are excluded when assessing life expectancy, repair and/or replacement costs of the components.

Desert Summit

Executive Summary

Directed Cash Flow Calculation Method

Client Information:

| | |
|-----------------|------------------------|
| Account Number | 1510 |
| Version Number | 007 |
| Analysis Date | 07/25/2019 |
| Fiscal Year | 1/1/2020 to 12/31/2020 |
| Number of Units | 132 |
| Phasing | 1 of 1 |

Global Parameters:

| | |
|------------------------------|--------|
| Inflation Rate | 2.55 % |
| Annual Contribution Increase | 0.00 % |
| Investment Rate | 1.95 % |
| Taxes on Investments | 0.00 % |
| Contingency | 0.00 % |

Community Profile:

Unless otherwise indicated in this report, we have used 1999 as the basis for aging the original components examined in this analysis.

Reserve Balance as of January 31, 2019: \$758,583

Remaining 2019 Reserve Contributions: \$53,098 (\$4,827.08/month x 11 months)

Remaining 2019 Interest to be Earned (1.95%): \$5,100

Remaining 2019 Reserve Expenditures: \$500,000 (Regional Pavement Maintenance - terminal blend overlay)

Projected January 1, 2020 Reserve Balance: \$316,781

REPORTS: 2000. Updated 2003, 2005, 2009, 2014, 2016 & 2019.

Adequacy of Reserves as of January 1, 2020:

| | |
|------------------------------|---------------------|
| Anticipated Reserve Balance | \$316,781.00 |
| Fully Funded Reserve Balance | \$45,256.72 |
| Percent Funded | 699.96% |

| Recommended Funding for the 2020 Fiscal Year: | Annual | Monthly | Per Unit |
|---|-----------------|-------------------|----------------|
| | | | Per Month |
| Member Contribution | \$48,100 | \$4,008.33 | \$30.37 |
| Interest Contribution | \$6,567 | \$547.22 | \$4.15 |
| Total Contribution | \$54,667 | \$4,555.55 | \$34.51 |

Desert Summit
Distribution of Current Reserve Funds
Sorted by Remaining Life

| | Remaining Life | Fully Funded Balance | Assigned Reserves |
|---|---------------------------|-------------------------------------|------------------------------|
| 115th Street Entry/Exit: Surveillance System | 0 | \$5,000.00 | \$5,000.00 |
| Lift Station: Level Controls (Floats) | 1 | \$2,200.00 | \$4,400.00 |
| Paint: Guardhouse & Walls (115th Street) | 1 | \$3,269.23 | \$4,250.00 |
| Paint: Gates & Walls (Lift Station) | 2 | \$810.00 | \$1,350.00 |
| Paint: Metal Gates (Entrances/Exits) | 3 | \$620.00 | \$1,550.00 |
| Paint: Rail Fencing, Sign Posts & Fire Hydrants | 3 | \$2,000.00 | \$5,000.00 |
| Grounds: Monument Sign Letters | 4 | \$1,680.00 | \$2,000.00 |
| Lift Station: Control Panel | 5 | \$4,977.27 | \$9,125.00 |
| Lift Station: Check Valves | 6 | \$0.00 | \$5,000.00 |
| Lift Station: Pump #1 | 6 | \$1,000.00 | \$7,000.00 |
| Lift Station: Pump #2 | 6 | \$3,500.00 | \$7,000.00 |
| 115th Street Entry/Exit: Gate Operators | 8 | \$6,363.64 | \$14,000.00 |
| Streets: Crack Sealing | 8 | \$0.00 | \$10,000.00 |
| 115th Street Entry/Exit: Vehicle Gates | 9 | \$5,950.00 | \$8,500.00 |
| Four Peaks Road Exit: Pedestrian/Vehicle Gates | 9 | \$3,675.00 | \$5,250.00 |
| Lift Station: Gates | 9 | \$910.00 | \$1,300.00 |
| 115th Street Entry: Access Phone | 10 | \$1,166.67 | \$3,500.00 |
| 115th Street Entry/Exit: Pedestrian Gate | 17 | \$469.66 | \$1,100.00 |
| Lift Station: Generator | 19 | \$1,250.00 | \$25,000.00 |
| Streets: Asphalt Overlay (Terminal Blend) | 20 | \$0.00 | \$196,040.75 |
| Guardhouse: Tile Roof Replacement | 26 | \$415.25 | \$415.25 |
| Fencing: Steel Split Rail (Unfunded) | n.a. | \$0.00 | \$0.00 |
| Grounds: Concrete Components (Unfunded) | n.a. | \$0.00 | \$0.00 |
| Grounds: Concrete Pavers (Unfunded) | n.a. | \$0.00 | \$0.00 |
| Grounds: Irrigation & Landscaping (Unfunded) | n.a. | \$0.00 | \$0.00 |
| Grounds: Light Fixtures (Unfunded) | n.a. | \$0.00 | \$0.00 |
| Guardhouse: Interior Components (Unfunded) | n.a. | \$0.00 | \$0.00 |

Desert Summit
Distribution of Current Reserve Funds
Sorted by Remaining Life

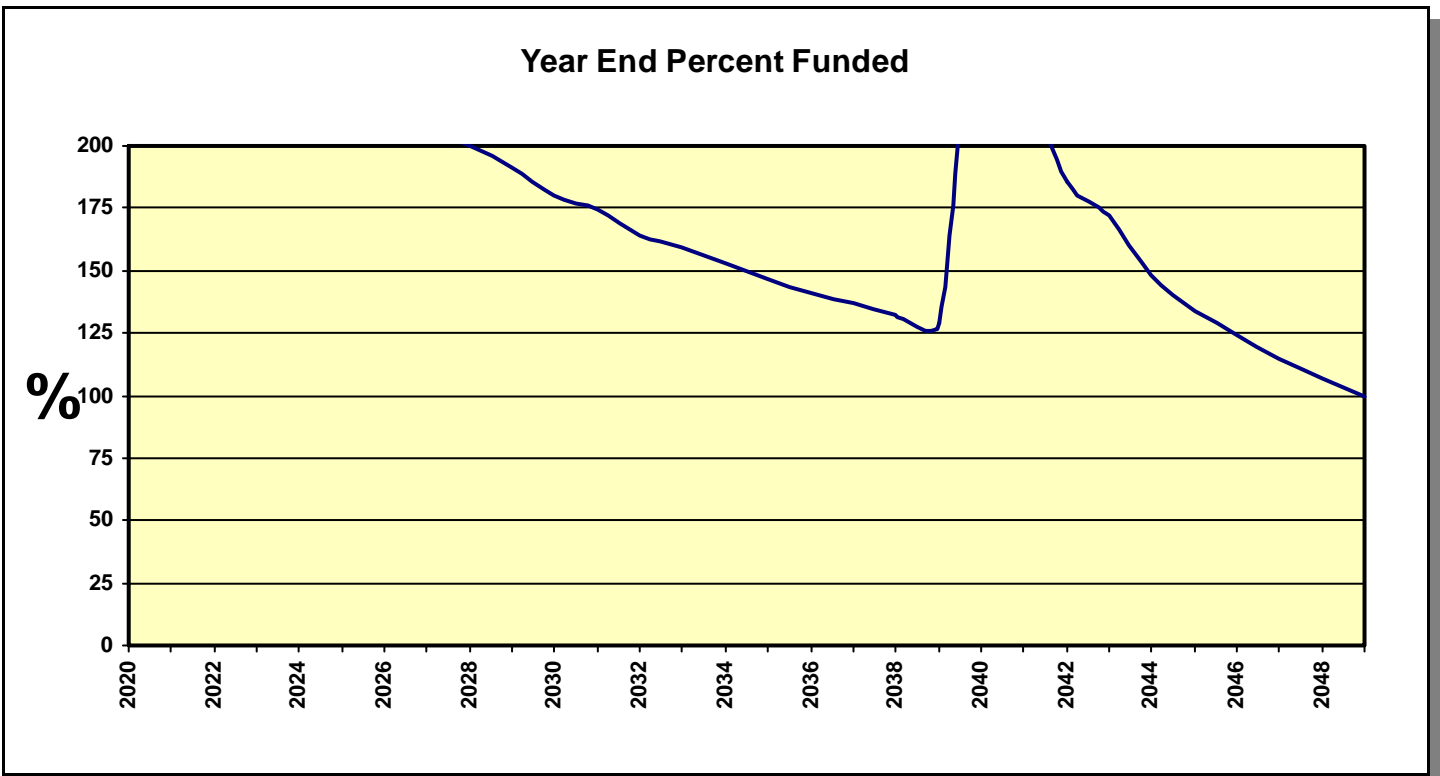
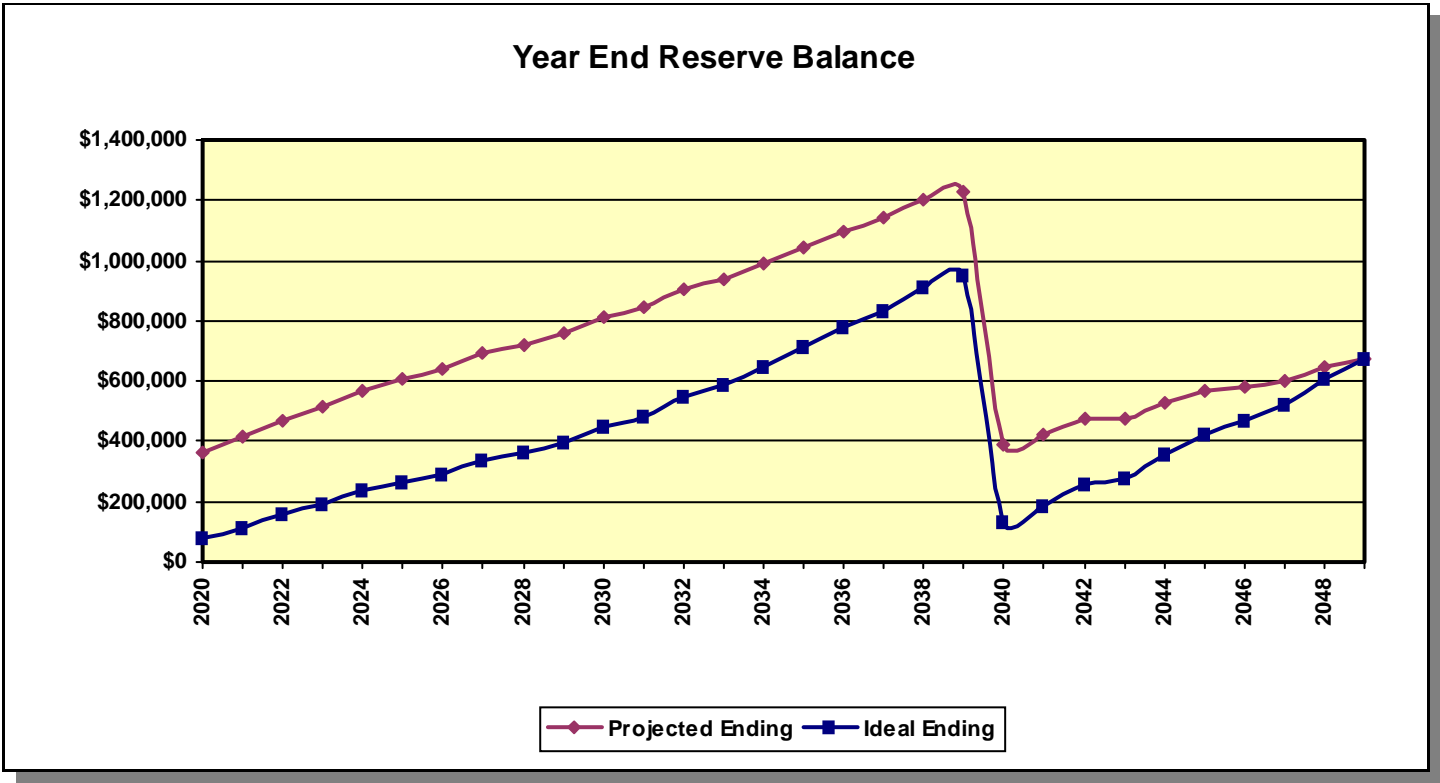
| | Remaining Life | Fully Funded Balance | Assigned Reserves |
|-----------------------|---------------------------|-------------------------------------|------------------------------|
| Contingency | n.a. | \$0.00 | \$0.00 |
| Total | 0-26 | \$45,256.72 | \$316,781.00 |
| Percent Funded | | | 699.96% |

Desert Summit
Projections
Directed Cash Flow Calculation Method

| Fiscal Year | Beginning Balance | Member Contribution | Interest Contribution | Expenditures | Ending Balance | Fully Funded Ending Balance | Percent Funded |
|--------------------|--------------------------|----------------------------|------------------------------|---------------------|-----------------------|------------------------------------|-----------------------|
| 2020 | \$316,781 | \$48,100 | \$6,567 | \$5,000 | \$366,448 | \$80,696 | 454% |
| 2021 | \$366,448 | \$48,100 | \$7,468 | \$8,871 | \$413,145 | \$113,936 | 363% |
| 2022 | \$413,145 | \$48,100 | \$8,533 | \$1,420 | \$468,358 | \$156,693 | 299% |
| 2023 | \$468,358 | \$48,100 | \$9,415 | \$11,809 | \$514,064 | \$190,938 | 269% |
| 2024 | \$514,064 | \$48,100 | \$10,503 | \$2,212 | \$570,455 | \$236,979 | 241% |
| 2025 | \$570,455 | \$48,100 | \$11,243 | \$21,011 | \$608,787 | \$265,767 | 229% |
| 2026 | \$608,787 | \$48,100 | \$11,878 | \$27,042 | \$641,723 | \$290,928 | 221% |
| 2027 | \$641,723 | \$48,100 | \$12,923 | \$6,858 | \$695,888 | \$338,606 | 206% |
| 2028 | \$695,888 | \$48,100 | \$13,389 | \$37,368 | \$720,009 | \$360,004 | 200% |
| 2029 | \$720,009 | \$48,100 | \$14,119 | \$24,397 | \$757,831 | \$396,552 | 191% |
| 2030 | \$757,831 | \$48,100 | \$15,128 | \$10,934 | \$810,124 | \$449,175 | 180% |
| 2031 | \$810,124 | \$48,100 | \$15,758 | \$31,198 | \$842,784 | \$483,728 | 174% |
| 2032 | \$842,784 | \$48,100 | \$16,978 | \$1,826 | \$906,036 | \$550,688 | 165% |
| 2033 | \$906,036 | \$48,100 | \$17,578 | \$34,613 | \$937,101 | \$587,174 | 160% |
| 2034 | \$937,101 | \$48,100 | \$18,590 | \$14,227 | \$989,565 | \$646,974 | 153% |
| 2035 | \$989,565 | \$48,100 | \$19,632 | \$13,714 | \$1,043,583 | \$710,339 | 147% |
| 2036 | \$1,043,583 | \$48,100 | \$20,693 | \$13,839 | \$1,098,537 | \$776,746 | 141% |
| 2037 | \$1,098,537 | \$48,100 | \$21,538 | \$25,853 | \$1,142,322 | \$834,119 | 137% |
| 2038 | \$1,142,322 | \$48,100 | \$22,705 | \$10,306 | \$1,202,821 | \$910,532 | 132% |
| 2039 | \$1,202,821 | \$48,100 | \$23,165 | \$47,438 | \$1,226,647 | \$952,490 | 129% |
| 2040 | \$1,226,647 | \$48,100 | \$7,048 | \$890,423 | \$391,372 | \$132,755 | 295% |
| 2041 | \$391,372 | \$48,100 | \$7,677 | \$23,162 | \$423,986 | \$183,255 | 231% |
| 2042 | \$423,986 | \$48,100 | \$8,728 | \$2,349 | \$478,465 | \$258,194 | 185% |
| 2043 | \$478,465 | \$48,100 | \$8,619 | \$62,369 | \$472,815 | \$275,347 | 172% |
| 2044 | \$472,815 | \$48,100 | \$9,735 | \$0 | \$530,650 | \$358,797 | 148% |
| 2045 | \$530,650 | \$48,100 | \$10,397 | \$24,209 | \$564,938 | \$421,497 | 134% |
| 2046 | \$564,938 | \$48,100 | \$10,686 | \$43,783 | \$579,940 | \$467,718 | 124% |
| 2047 | \$579,940 | \$48,100 | \$11,076 | \$38,979 | \$600,137 | \$522,093 | 115% |
| 2048 | \$600,137 | \$48,100 | \$11,979 | \$13,257 | \$646,960 | \$606,335 | 107% |
| 2049 | \$646,960 | \$48,100 | \$12,492 | \$34,039 | \$673,512 | \$673,569 | 100% |

Following the asphalt overlay in late 2019, the reserves will be significantly overfunded. We are recommending reducing the reserve contribution to \$48,100 in 2020, and keeping it there for the foreseeable future.

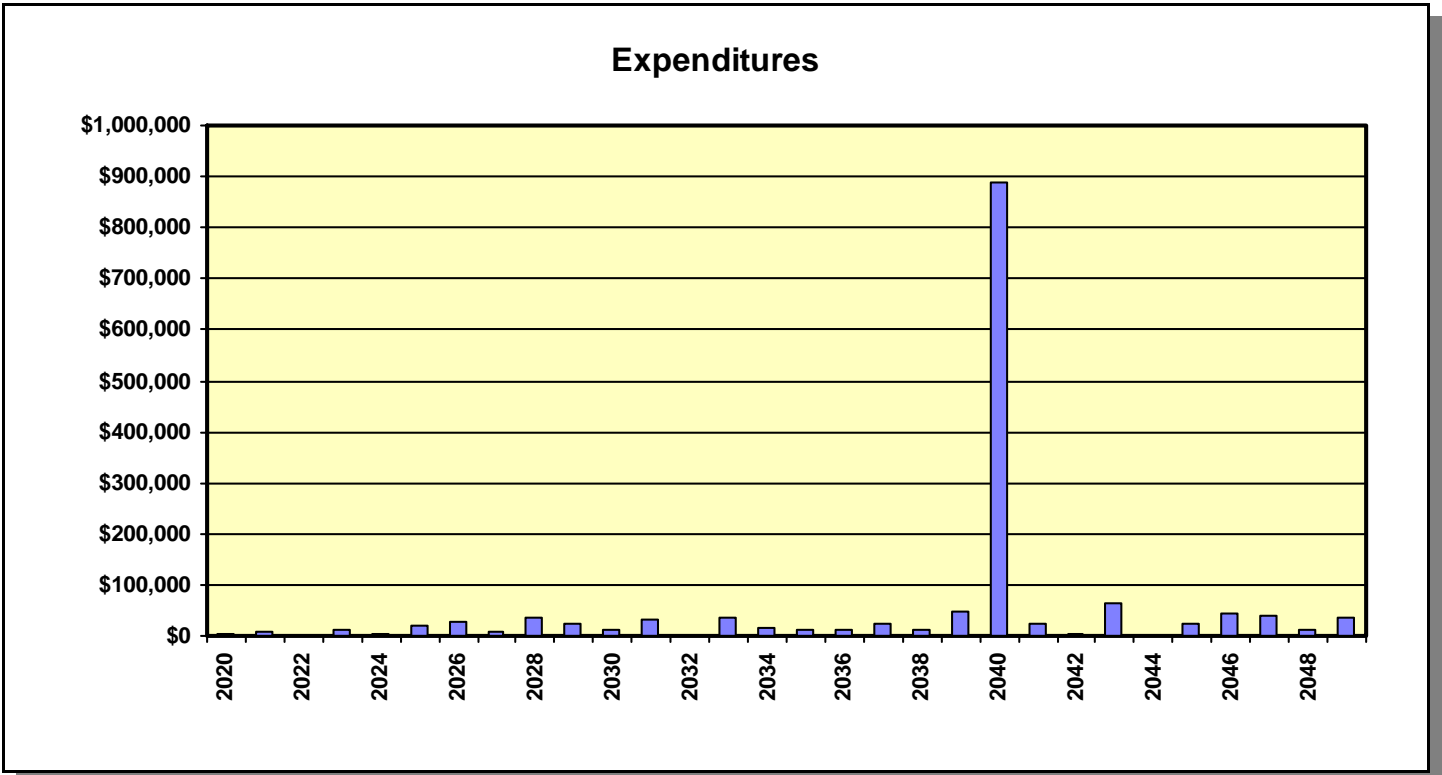
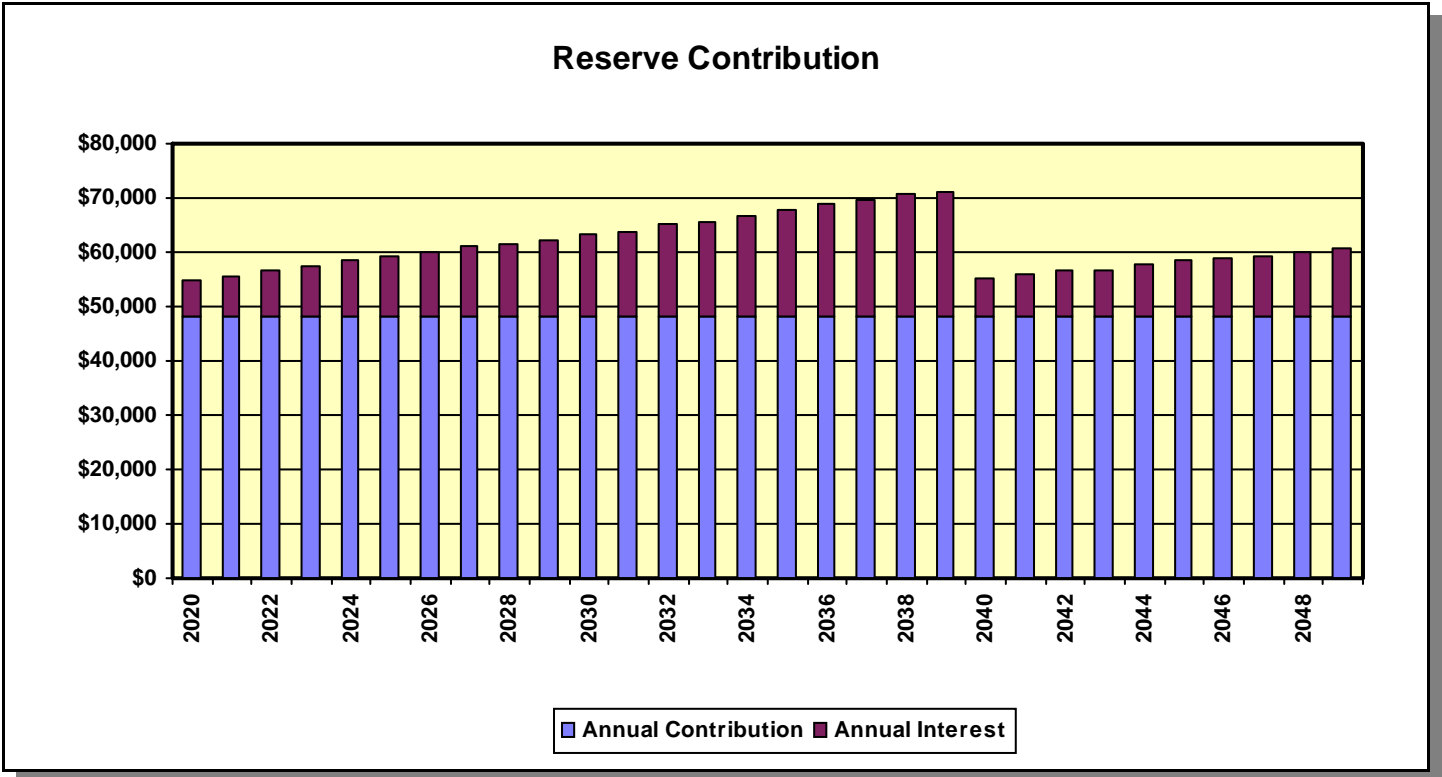
Desert Summit Projection Charts Directed Cash Flow Calculation Method



Desert Summit

Projection Charts

Directed Cash Flow Calculation Method



Desert Summit
Annual Expenditure Detail
Sorted by Description

2020 Fiscal Year

115th Street Entry/Exit: Surveillance System \$5,000.00

Sub Total \$5,000.00

2021 Fiscal Year

Lift Station: Level Controls (Floats) \$4,512.20

Paint: Guardhouse & Walls (115th Street) \$4,358.38

Sub Total \$8,870.58

2022 Fiscal Year

Paint: Gates & Walls (Lift Station) \$1,419.73

Sub Total \$1,419.73

2023 Fiscal Year

Lift Station: Level Controls (Floats) \$4,745.26

Paint: Metal Gates (Entrances/Exits) \$1,671.62

Paint: Rail Fencing, Sign Posts & Fire Hydrants \$5,392.34

Sub Total \$11,809.22

2024 Fiscal Year

Grounds: Monument Sign Letters \$2,211.94

Sub Total \$2,211.94

2025 Fiscal Year

115th Street Entry/Exit: Surveillance System \$5,670.85

Lift Station: Control Panel \$10,349.31

Lift Station: Level Controls (Floats) \$4,990.35

Sub Total \$21,010.51

2026 Fiscal Year

Lift Station: Check Valves \$5,815.46

Lift Station: Pump #1 \$8,141.64

Lift Station: Pump #2 \$8,141.64

Paint: Guardhouse & Walls (115th Street) \$4,943.14

Sub Total \$27,041.88

2027 Fiscal Year

Lift Station: Level Controls (Floats) \$5,248.10

Paint: Gates & Walls (Lift Station) \$1,610.21

Sub Total \$6,858.32

Desert Summit
Annual Expenditure Detail
Sorted by Description

2028 Fiscal Year

| | |
|---|-------------|
| 115th Street Entry/Exit: Gate Operators | \$17,124.32 |
| Paint: Metal Gates (Entrances/Exits) | \$1,895.91 |
| Paint: Rail Fencing, Sign Posts & Fire Hydrants | \$6,115.83 |
| Streets: Crack Sealing | \$12,231.66 |

| | |
|------------------|--------------------|
| Sub Total | \$37,367.71 |
|------------------|--------------------|

2029 Fiscal Year

| | |
|--|-------------|
| 115th Street Entry/Exit: Vehicle Gates | \$10,662.03 |
| Four Peaks Road Exit: Pedestrian/Vehicle Gates | \$6,585.37 |
| Lift Station: Gates | \$1,630.66 |
| Lift Station: Level Controls (Floats) | \$5,519.17 |

| | |
|------------------|--------------------|
| Sub Total | \$24,397.23 |
|------------------|--------------------|

2030 Fiscal Year

| | |
|--|------------|
| 115th Street Entry/Exit: Surveillance System | \$6,431.71 |
| 115th Street Entry: Access Phone | \$4,502.20 |

| | |
|------------------|--------------------|
| Sub Total | \$10,933.91 |
|------------------|--------------------|

2031 Fiscal Year

| | |
|--|-------------|
| Lift Station: Check Valves | \$6,595.72 |
| Lift Station: Level Controls (Floats) | \$5,804.24 |
| Paint: Guardhouse & Walls (115th Street) | \$5,606.36 |
| Streets: Crack Sealing | \$13,191.44 |

| | |
|------------------|--------------------|
| Sub Total | \$31,197.76 |
|------------------|--------------------|

2032 Fiscal Year

| | |
|-------------------------------------|------------|
| Paint: Gates & Walls (Lift Station) | \$1,826.26 |
|-------------------------------------|------------|

| | |
|------------------|-------------------|
| Sub Total | \$1,826.26 |
|------------------|-------------------|

2033 Fiscal Year

| | |
|---|------------|
| Lift Station: Level Controls (Floats) | \$6,104.03 |
| Lift Station: Pump #1 | \$9,710.95 |
| Lift Station: Pump #2 | \$9,710.95 |
| Paint: Metal Gates (Entrances/Exits) | \$2,150.28 |
| Paint: Rail Fencing, Sign Posts & Fire Hydrants | \$6,936.39 |

| | |
|------------------|--------------------|
| Sub Total | \$34,612.60 |
|------------------|--------------------|

2034 Fiscal Year

| | |
|------------------------|-------------|
| Streets: Crack Sealing | \$14,226.54 |
|------------------------|-------------|

Desert Summit
Annual Expenditure Detail
Sorted by Description

| | |
|---|---------------------|
| Sub Total | \$14,226.54 |
| 2035 Fiscal Year | |
| 115th Street Entry/Exit: Surveillance System | \$7,294.66 |
| Lift Station: Level Controls (Floats) | \$6,419.30 |
| Sub Total | \$13,713.96 |
| 2036 Fiscal Year | |
| Lift Station: Check Valves | \$7,480.67 |
| Paint: Guardhouse & Walls (115th Street) | \$6,358.57 |
| Sub Total | \$13,839.24 |
| 2037 Fiscal Year | |
| 115th Street Entry/Exit: Pedestrian Gate | \$1,687.71 |
| Lift Station: Level Controls (Floats) | \$6,750.86 |
| Paint: Gates & Walls (Lift Station) | \$2,071.29 |
| Streets: Crack Sealing | \$15,342.86 |
| Sub Total | \$25,852.72 |
| 2038 Fiscal Year | |
| Paint: Metal Gates (Entrances/Exits) | \$2,438.79 |
| Paint: Rail Fencing, Sign Posts & Fire Hydrants | \$7,867.05 |
| Sub Total | \$10,305.84 |
| 2039 Fiscal Year | |
| Lift Station: Generator | \$40,338.30 |
| Lift Station: Level Controls (Floats) | \$7,099.54 |
| Sub Total | \$47,437.85 |
| 2040 Fiscal Year | |
| 115th Street Entry/Exit: Surveillance System | \$8,273.39 |
| Lift Station: Control Panel | \$15,098.93 |
| Lift Station: Pump #1 | \$11,582.74 |
| Lift Station: Pump #2 | \$11,582.74 |
| Streets: Asphalt Overlay (Terminal Blend) | \$827,338.62 |
| Streets: Crack Sealing | \$16,546.77 |
| Sub Total | \$890,423.19 |
| 2041 Fiscal Year | |
| Lift Station: Check Valves | \$8,484.36 |
| Lift Station: Level Controls (Floats) | \$7,466.23 |

Desert Summit
Annual Expenditure Detail
Sorted by Description

| | |
|---|--------------------|
| Paint: Guardhouse & Walls (115th Street) | \$7,211.70 |
| Sub Total | \$23,162.30 |
| | |
| 2042 Fiscal Year | |
| Paint: Gates & Walls (Lift Station) | \$2,349.19 |
| Sub Total | \$2,349.19 |
| | |
| 2043 Fiscal Year | |
| 115th Street Entry/Exit: Gate Operators | \$24,983.21 |
| Lift Station: Level Controls (Floats) | \$7,851.87 |
| Paint: Metal Gates (Entrances/Exits) | \$2,766.00 |
| Paint: Rail Fencing, Sign Posts & Fire Hydrants | \$8,922.58 |
| Streets: Crack Sealing | \$17,845.15 |
| Sub Total | \$62,368.81 |
| | |
| 2045 Fiscal Year | |
| 115th Street Entry/Exit: Surveillance System | \$9,383.43 |
| 115th Street Entry: Access Phone | \$6,568.40 |
| Lift Station: Level Controls (Floats) | \$8,257.42 |
| Sub Total | \$24,209.25 |
| | |
| 2046 Fiscal Year | |
| Guardhouse: Tile Roof Replacement | \$6,735.90 |
| Lift Station: Check Valves | \$9,622.71 |
| Paint: Guardhouse & Walls (115th Street) | \$8,179.30 |
| Streets: Crack Sealing | \$19,245.42 |
| Sub Total | \$43,783.32 |
| | |
| 2047 Fiscal Year | |
| Lift Station: Level Controls (Floats) | \$8,683.92 |
| Lift Station: Pump #1 | \$13,815.32 |
| Lift Station: Pump #2 | \$13,815.32 |
| Paint: Gates & Walls (Lift Station) | \$2,664.38 |
| Sub Total | \$38,978.94 |
| | |
| 2048 Fiscal Year | |
| Paint: Metal Gates (Entrances/Exits) | \$3,137.11 |
| Paint: Rail Fencing, Sign Posts & Fire Hydrants | \$10,119.72 |
| Sub Total | \$13,256.84 |

Desert Summit
Annual Expenditure Detail
Sorted by Description

2049 Fiscal Year

| | |
|---------------------------------------|-------------|
| Grounds: Monument Sign Letters | \$4,151.11 |
| Lift Station: Level Controls (Floats) | \$9,132.44 |
| Streets: Crack Sealing | \$20,755.55 |

Sub Total \$34,039.10

Desert Summit

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Streets: Asphalt Overlay (Terminal Blend)

| | | | |
|-------------------|-------------|-------------------------------|---------------|
| Category | 010 Streets | Quantity | 1 total |
| | | Unit Cost | \$500,000.000 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$500,000.00 |
| Placed In Service | 01/20 | Future Cost | \$827,338.62 |
| Useful Life | 20 | | |
| | | Assigned Reserves at FYB | \$196,040.75 |
| Remaining Life | 20 | Monthly Member Contribution | \$3,674.81 |
| Replacement Year | 2040 | Monthly Interest Contribution | \$349.43 |
| | | Total Monthly Contribution | \$4,024.24 |

Comments:

The client received a bid from Regional Pavement Maintenance of Arizona (Jerry Chvarak) dated July 19, 2019 to install a 1.5" terminal blend rubberized asphalt overlay at a cost of \$479,000 (333,000 sq. ft. of asphalt). The client has advised us that this project will be completed in September 2019 at a total cost of approximately \$500,000 (expense is reflected in the January 1, 2020 reserve balance used to calculate this report). Going forward, Jerry has advised us to budget for similar work on a 20 year cycle. For budgeting purposes we have used January 2020 as the basis for aging this component.

Streets: Crack Sealing

| | | | |
|-------------------|-------------|-------------------------------|--------------|
| Category | 010 Streets | Quantity | 1 total |
| | | Unit Cost | \$10,000.000 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$10,000.00 |
| Placed In Service | 01/20 | Future Cost | \$12,231.66 |
| Useful Life | 3 | | |
| Adjustment | +5 | Assigned Reserves at FYB | \$10,000.00 |
| Remaining Life | 8 | Monthly Member Contribution | \$10.52 |
| Replacement Year | 2028 | Monthly Interest Contribution | \$17.00 |
| | | Total Monthly Contribution | \$27.52 |

Comments:

Jerry Chvarak advised us to include a provision every three years for crack sealing, beginning in approximately 2028.

NOTE: Jerry has advised us that the terminal blend rubberized asphalt does not need to be seal coated.

Desert Summit

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Paint: Gates & Walls (Lift Station)

| | | | |
|-------------------|--------------|-------------------------------|------------|
| Category | 030 Painting | Quantity | 1 total |
| | | Unit Cost | \$1,350.00 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$1,350.00 |
| Placed In Service | 01/17 | Future Cost | \$1,419.73 |
| Useful Life | 5 | | |
| | | Assigned Reserves at FYB | \$1,350.00 |
| Remaining Life | 2 | Monthly Member Contribution | \$1.32 |
| Replacement Year | 2022 | Monthly Interest Contribution | \$2.30 |
| | | Total Monthly Contribution | \$3.61 |

Comments:

\$1,260 was spent in 2017 to repaint the following components at the lift station:

- metal gates (2)
- stucco walls

We are budgeting to repaint these metal gates every five (5) years.

Desert Summit

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Paint: Guardhouse & Walls (115th Street)

| | | | |
|-------------------|--------------|-------------------------------|------------|
| Category | 030 Painting | Quantity | 1 total |
| | | Unit Cost | \$4,250.00 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$4,250.00 |
| Placed In Service | 09/16 | Future Cost | \$4,358.38 |
| Useful Life | 5 | | |
| | | Assigned Reserves at FYB | \$4,250.00 |
| Remaining Life | 1 | Monthly Member Contribution | \$4.10 |
| Replacement Year | 2021 | Monthly Interest Contribution | \$7.23 |
| | | Total Monthly Contribution | \$11.32 |

Comments:

\$3,835 was spent in mid-late 2016 to repaint the following components at the 115th Street entrance area:

- guardhouse exteriors (stucco & wood)
- stucco walls

We are budgeting to repaint these components every five (5) years.

Desert Summit

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Paint: Metal Gates (Entrances/Exits)

| | | | |
|-------------------|--------------|-------------------------------|------------|
| Category | 030 Painting | Quantity | 1 total |
| | | Unit Cost | \$1,550.00 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$1,550.00 |
| Placed In Service | 01/18 | Future Cost | \$1,671.62 |
| Useful Life | 5 | | |
| | | Assigned Reserves at FYB | \$1,550.00 |
| Remaining Life | 3 | Monthly Member Contribution | \$1.53 |
| Replacement Year | 2023 | Monthly Interest Contribution | \$2.64 |
| | | Total Monthly Contribution | \$4.17 |

Comments:

\$1,485 was spent in 2018 to repaint the metal gates at the following locations:

- metal gates at the 115th Street entrance/exit
- metal gates at the Four Peaks Road emergency exit

We are budgeting to repaint these metal gates every five (5) years.

Desert Summit

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Paint: Rail Fencing, Sign Posts & Fire Hydrants

| | | | |
|-------------------|--------------|-------------------------------|-------------|
| Category | 030 Painting | Quantity | 1 total |
| | | Unit Cost | \$5,000.000 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$5,000.00 |
| Placed In Service | 01/18 | Future Cost | \$5,392.34 |
| Useful Life | 5 | | |
| | | Assigned Reserves at FYB | \$5,000.00 |
| Remaining Life | 3 | Monthly Member Contribution | \$4.94 |
| Replacement Year | 2023 | Monthly Interest Contribution | \$8.50 |
| | | Total Monthly Contribution | \$13.44 |

Comments:

The client has advised us to budget \$5,000 to repaint the following components every five years using 2018 as the date of the last painting:

- steel split rail fencing
- sign posts
- fire hydrants

Fencing: Steel Split Rail (Unfunded)

| | | | |
|-------------------|-------------------|-------------------------------|-----------|
| Category | 040 Fencing/Walls | Quantity | 1 comment |
| | | Unit Cost | \$0.000 |
| | | % of Replacement | 0.00% |
| | | Current Cost | \$0.00 |
| Placed In Service | 01/99 | Future Cost | \$0.00 |
| Useful Life | n.a. | | |
| | | Assigned Reserves at FYB | \$0.00 |
| Remaining Life | n.a. | Monthly Member Contribution | \$0.00 |
| Replacement Year | n.a. | Monthly Interest Contribution | \$0.00 |
| | | Total Monthly Contribution | \$0.00 |

Comments:

We are not budgeting to replace the steel split rail fencing because it has an indefinite life. Repairs should be handled on an "as needed" basis using operating funds.

Desert Summit

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Guardhouse: Interior Components (Unfunded)

| | | | |
|-------------------|----------------|-------------------------------|-----------|
| Category | 075 Guardhouse | Quantity | 1 comment |
| | | Unit Cost | \$0.000 |
| | | % of Replacement | 0.00% |
| | | Current Cost | \$0.00 |
| Placed In Service | 01/99 | Future Cost | \$0.00 |
| Useful Life | n.a. | | |
| | | Assigned Reserves at FYB | \$0.00 |
| Remaining Life | n.a. | Monthly Member Contribution | \$0.00 |
| Replacement Year | n.a. | Monthly Interest Contribution | \$0.00 |
| | | Total Monthly Contribution | \$0.00 |

Comments:

With the exception of the tile roofing & exterior painting, we are not budgeting for any other components associated with the guardhouse (interior components, HVAC, etc.) because it is not being used.

Guardhouse: Tile Roof Replacement

| | | | |
|-------------------|----------------|-------------------------------|-------------|
| Category | 075 Guardhouse | Quantity | 1 total |
| | | Unit Cost | \$3,500.000 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$3,500.00 |
| Placed In Service | 07/16 | Future Cost | \$6,735.90 |
| Useful Life | 30 | | |
| | | Assigned Reserves at FYB | \$415.25 |
| Remaining Life | 26 | Monthly Member Contribution | \$29.84 |
| Replacement Year | 2046 | Monthly Interest Contribution | \$0.84 |
| | | Total Monthly Contribution | \$30.68 |

Comments:

The tile roof system (tiles & underlayment, approximately 380 sq. ft.) atop the guardhouse was replaced in 2016 at a cost of \$3,153. This component budgets for similar work on a 30 year cycle going forward.

Desert Summit

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

115th Street Entry/Exit: Pedestrian Gate

| | | | |
|-------------------|--------------------------------|-------------------------------|------------|
| Category | 080 115th Street Entrance/Exit | Quantity | 1 total |
| | | Unit Cost | \$1,100.00 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$1,100.00 |
| Placed In Service | 05/07 | Future Cost | \$1,687.71 |
| Useful Life | 30 | | |
| | | Assigned Reserves at FYB | \$1,100.00 |
| Remaining Life | 17 | Monthly Member Contribution | \$1.29 |
| Replacement Year | 2037 | Monthly Interest Contribution | \$1.87 |
| | | Total Monthly Contribution | \$3.16 |

Comments:

The pedestrian gate at the 115th Street entrance/exit area was installed in May 2007 at a cost of \$828:

1 - 5'8" x 2'8" pedestrian gate

115th Street Entry/Exit: Surveillance System

| | | | |
|-------------------|--------------------------------|-------------------------------|------------|
| Category | 080 115th Street Entrance/Exit | Quantity | 1 total |
| | | Unit Cost | \$5,000.00 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$5,000.00 |
| Placed In Service | 01/15 | Future Cost | \$5,670.85 |
| Useful Life | 5 | | |
| | | Assigned Reserves at FYB | \$5,000.00 |
| Remaining Life | 0 | Monthly Member Contribution | \$180.42 |
| Replacement Year | 2020 | Monthly Interest Contribution | \$0.84 |
| | | Total Monthly Contribution | \$181.26 |

Comments:

Safeguard advised the client to budget \$5,000, every 3 - 5 years, to replace surveillance system components. For budgeting purposes we have used 2015 as the basis for aging this component because we haven't been advised of any surveillance system expenditures since the last study in 2016.

Desert Summit

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

115th Street Entry/Exit: Gate Operators

| | | | |
|-------------------|-----------------------------|-------------------------------|------------------|
| Category | 080 115th Street Entry/Exit | Quantity | 4 gate operators |
| | | Unit Cost | \$3,500.000 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$14,000.00 |
| Placed In Service | 05/13 | Future Cost | \$17,124.32 |
| Useful Life | 15 | | |
| | | Assigned Reserves at FYB | \$14,000.00 |
| Remaining Life | 8 | Monthly Member Contribution | \$14.72 |
| Replacement Year | 2028 | Monthly Interest Contribution | \$23.80 |
| | | Total Monthly Contribution | \$38.53 |

Comments:

These are Elite, #CSW200ULDC3 swing gate operators that were installed in May 2013 at a cost of \$13,374.07.

115th Street Entry/Exit: Vehicle Gates

| | | | |
|-------------------|-----------------------------|-------------------------------|-------------|
| Category | 080 115th Street Entry/Exit | Quantity | 1 total |
| | | Unit Cost | \$8,500.000 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$8,500.00 |
| Placed In Service | 01/99 | Future Cost | \$10,662.03 |
| Useful Life | 30 | | |
| | | Assigned Reserves at FYB | \$8,500.00 |
| Remaining Life | 9 | Monthly Member Contribution | \$9.05 |
| Replacement Year | 2029 | Monthly Interest Contribution | \$14.46 |
| | | Total Monthly Contribution | \$23.51 |

Comments:

This component includes a provision to replace the vehicle gates at the 115th Street entrance/exit:

- 2 - 4'5" x 9'7" vehicle gates
- 2 - 4'5" x 9'10" vehicle gates

Desert Summit

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

115th Street Entry: Access Phone

| | | | |
|-------------------|-----------------------------|-------------------------------|----------------|
| Category | 080 115th Street Entry/Exit | Quantity | 1 access phone |
| | | Unit Cost | \$3,500.00 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$3,500.00 |
| Placed In Service | 01/15 | Future Cost | \$4,502.20 |
| Useful Life | 15 | | |
| | | Assigned Reserves at FYB | \$3,500.00 |
| Remaining Life | 10 | Monthly Member Contribution | \$3.77 |
| Replacement Year | 2030 | Monthly Interest Contribution | \$5.96 |
| | | Total Monthly Contribution | \$9.73 |

Comments:

This is a Door King 1835 access phone at the 115th Street entrance.

NOTE: The QuickPass keypad is not owned by the Association.

Four Peaks Road Exit: Pedestrian/Vehicle Gates

| | | | |
|-------------------|--------------------------|-------------------------------|------------|
| Category | 081 Four Peaks Road Exit | Quantity | 1 total |
| | | Unit Cost | \$5,250.00 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$5,250.00 |
| Placed In Service | 01/99 | Future Cost | \$6,585.37 |
| Useful Life | 30 | | |
| | | Assigned Reserves at FYB | \$5,250.00 |
| Remaining Life | 9 | Monthly Member Contribution | \$5.59 |
| Replacement Year | 2029 | Monthly Interest Contribution | \$8.92 |
| | | Total Monthly Contribution | \$14.51 |

Comments:

This component includes a provision to replace the gates at the Four Peaks Road emergency exit:

- 2 - 5'2" x 9'11" vehicle gates
- 1 - 4'10" x 3'5" pedestrian gate

Desert Summit

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Lift Station: Check Valves

| | | | |
|-------------------|------------------|-------------------------------|-------------|
| Category | 085 Lift Station | Quantity | 1 total |
| | | Unit Cost | \$5,000.000 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$5,000.00 |
| Placed In Service | 01/20 | Future Cost | \$5,815.46 |
| Useful Life | 5 | | |
| Adjustment | +1 | Assigned Reserves at FYB | \$5,000.00 |
| Remaining Life | 6 | Monthly Member Contribution | \$5.13 |
| Replacement Year | 2026 | Monthly Interest Contribution | \$8.50 |
| | | Total Monthly Contribution | \$13.63 |

Comments:

Based on information provided by the client's lift station maintenance contractor, we have been advised to replace the two check valves as follows:

Budget \$5,000, every five years, next in 2026

Lift Station: Control Panel

| | | | |
|-------------------|------------------|-------------------------------|-----------------|
| Category | 085 Lift Station | Quantity | 1 control panel |
| | | Unit Cost | \$9,125.000 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$9,125.00 |
| Placed In Service | 01/14 | Future Cost | \$10,349.31 |
| Useful Life | 15 | | |
| Adjustment | -4 | Assigned Reserves at FYB | \$9,125.00 |
| Remaining Life | 5 | Monthly Member Contribution | \$9.25 |
| Replacement Year | 2025 | Monthly Interest Contribution | \$15.51 |
| | | Total Monthly Contribution | \$24.76 |

Comments:

Based on information provided by the client's lift station maintenance contractor, we have been advised to replace the control panel as follows:

Budget \$9,125, every 15 years, last replaced in late 2013, budget to replace next in 2025

Desert Summit

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Lift Station: Gates

| | | | |
|-------------------|------------------|-------------------------------|------------|
| Category | 085 Lift Station | Quantity | 1 total |
| | | Unit Cost | \$1,300.00 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$1,300.00 |
| Placed In Service | 01/99 | Future Cost | \$1,630.66 |
| Useful Life | 30 | | |
| | | Assigned Reserves at FYB | \$1,300.00 |
| Remaining Life | 9 | Monthly Member Contribution | \$1.38 |
| Replacement Year | 2029 | Monthly Interest Contribution | \$2.21 |
| | | Total Monthly Contribution | \$3.60 |

Comments:

This component includes a provision to replace the wrought iron gates at the lift station:

2 - 5'10" x 4'8" gates

Lift Station: Generator

| | | | |
|-------------------|------------------|-------------------------------|-------------|
| Category | 085 Lift Station | Quantity | 1 generator |
| | | Unit Cost | \$25,000.00 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$25,000.00 |
| Placed In Service | 01/19 | Future Cost | \$40,338.30 |
| Useful Life | 20 | | |
| | | Assigned Reserves at FYB | \$25,000.00 |
| Remaining Life | 19 | Monthly Member Contribution | \$30.07 |
| Replacement Year | 2039 | Monthly Interest Contribution | \$42.52 |
| | | Total Monthly Contribution | \$72.59 |

Comments:

Based on information provided by the client's lift station maintenance contractor, we have been advised to replace the generator as follows:

Budget \$25,000, every 20 years, next in 2039

Desert Summit

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Lift Station: Level Controls (Floats)

| | | | |
|-------------------|------------------|-------------------------------|-------------|
| Category | 085 Lift Station | Quantity | 4 floats |
| | | Unit Cost | \$1,100.000 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$4,400.00 |
| Placed In Service | 01/19 | Future Cost | \$4,512.20 |
| Useful Life | 2 | | |
| | | Assigned Reserves at FYB | \$4,400.00 |
| Remaining Life | 1 | Monthly Member Contribution | \$4.24 |
| Replacement Year | 2021 | Monthly Interest Contribution | \$7.48 |
| | | Total Monthly Contribution | \$11.72 |

Comments:

Based on information provided by the client's lift station maintenance contractor, we have been advised to replace the four level controls (floats) as follows:

Budget \$1,100 each, every two years, next in 2021

Lift Station: Pump #1

| | | | |
|-------------------|------------------|-------------------------------|-------------|
| Category | 085 Lift Station | Quantity | 1 pump |
| | | Unit Cost | \$7,000.000 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$7,000.00 |
| Placed In Service | 01/19 | Future Cost | \$8,141.64 |
| Useful Life | 7 | | |
| | | Assigned Reserves at FYB | \$7,000.00 |
| Remaining Life | 6 | Monthly Member Contribution | \$7.18 |
| Replacement Year | 2026 | Monthly Interest Contribution | \$11.90 |
| | | Total Monthly Contribution | \$19.08 |

Comments:

Based on information provided by the client's lift station maintenance contractor, we have been advised to replace pump #1 as follows:

Budget \$7,000, every 7 - 10 years, last replaced in late 2018/early 2019

Desert Summit

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Lift Station: Pump #2

| | | | |
|-------------------|------------------|-------------------------------|------------|
| Category | 085 Lift Station | Quantity | 1 pump |
| | | Unit Cost | \$7,000.00 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$7,000.00 |
| Placed In Service | 01/14 | Future Cost | \$8,141.64 |
| Useful Life | 7 | | |
| Adjustment | +5 | Assigned Reserves at FYB | \$7,000.00 |
| Remaining Life | 6 | Monthly Member Contribution | \$7.18 |
| Replacement Year | 2026 | Monthly Interest Contribution | \$11.90 |
| | | Total Monthly Contribution | \$19.08 |

Comments:

Based on information provided by the client's lift station maintenance contractor, we have been advised to replace pump #2 as follows:

Budget \$7,000, every 7 - 10 years, last replaced in late 2013, budget to replace next in 2026

Grounds: Concrete Components (Unfunded)

| | | | |
|-------------------|-------------|-------------------------------|-----------|
| Category | 100 Grounds | Quantity | 1 comment |
| | | Unit Cost | \$0.00 |
| | | % of Replacement | 0.00% |
| | | Current Cost | \$0.00 |
| Placed In Service | 01/99 | Future Cost | \$0.00 |
| Useful Life | n.a. | | |
| | | Assigned Reserves at FYB | \$0.00 |
| Remaining Life | n.a. | Monthly Member Contribution | \$0.00 |
| Replacement Year | n.a. | Monthly Interest Contribution | \$0.00 |
| | | Total Monthly Contribution | \$0.00 |

Comments:

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

Desert Summit

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Grounds: Concrete Pavers (Unfunded)

| | | | |
|-------------------|-------------|-------------------------------|-----------|
| Category | 100 Grounds | Quantity | 1 comment |
| | | Unit Cost | \$0.00 |
| | | % of Replacement | 0.00% |
| | | Current Cost | \$0.00 |
| Placed In Service | 01/99 | Future Cost | \$0.00 |
| Useful Life | n.a. | | |
| | | Assigned Reserves at FYB | \$0.00 |
| Remaining Life | n.a. | Monthly Member Contribution | \$0.00 |
| Replacement Year | n.a. | Monthly Interest Contribution | \$0.00 |
| | | Total Monthly Contribution | \$0.00 |

Comments:

The following comments apply to the 6,600 sq. ft. of concrete pavers at the 115th Street entrance to the community:

Pavers are typically constructed with 1" of sand over a 3" base of ABC, and are usually 2 3/5" to 3 1/8" thick. Due to the construction and type of material used, the pavers are anticipated to last indefinitely, assuming they were properly installed. It is anticipated that any repairs required will be addressed immediately using operating funds. Good maintenance practice won't allow the need for repairs to accumulate to a point of major expense.

Grounds: Irrigation & Landscaping (Unfunded)

| | | | |
|-------------------|-------------|-------------------------------|-----------|
| Category | 100 Grounds | Quantity | 1 comment |
| | | Unit Cost | \$0.00 |
| | | % of Replacement | 0.00% |
| | | Current Cost | \$0.00 |
| Placed In Service | 01/99 | Future Cost | \$0.00 |
| Useful Life | n.a. | | |
| | | Assigned Reserves at FYB | \$0.00 |
| Remaining Life | n.a. | Monthly Member Contribution | \$0.00 |
| Replacement Year | n.a. | Monthly Interest Contribution | \$0.00 |
| | | Total Monthly Contribution | \$0.00 |

Comments:

The client has advised us that common area irrigation system replacements & landscaping improvements will be handled on an "as needed" basis using operating funds.

Desert Summit

Component Detail

Directed Cashflow Calculation Method; Sorted by Category

Grounds: Light Fixtures (Unfunded)

| | | | |
|-------------------|-------------|-------------------------------|-----------|
| Category | 100 Grounds | Quantity | 1 comment |
| | | Unit Cost | \$0.00 |
| | | % of Replacement | 0.00% |
| | | Current Cost | \$0.00 |
| Placed In Service | 01/99 | Future Cost | \$0.00 |
| Useful Life | n.a. | | |
| | | Assigned Reserves at FYB | \$0.00 |
| Remaining Life | n.a. | Monthly Member Contribution | \$0.00 |
| Replacement Year | n.a. | Monthly Interest Contribution | \$0.00 |
| | | Total Monthly Contribution | \$0.00 |

Comments:

We are not budgeting to replace any ground level landscape, monument or pathway lighting systems. Individual light fixtures are most often replaced as needed using operating funds due to frequent damage by pedestrians, landscape personnel, and/or weather conditions. Should complete replacement of the lighting system(s) be required, expert evaluation will be necessary to provide replacement cost information.

Grounds: Monument Sign Letters

| | | | |
|-------------------|-------------|-------------------------------|------------|
| Category | 100 Grounds | Quantity | 1 total |
| | | Unit Cost | \$2,000.00 |
| | | % of Replacement | 100.00% |
| | | Current Cost | \$2,000.00 |
| Placed In Service | 01/99 | Future Cost | \$2,211.94 |
| Useful Life | 25 | | |
| | | Assigned Reserves at FYB | \$2,000.00 |
| Remaining Life | 4 | Monthly Member Contribution | \$2.00 |
| Replacement Year | 2024 | Monthly Interest Contribution | \$3.40 |
| | | Total Monthly Contribution | \$5.40 |

Comments:

This component includes a provision to replace the decorative metal design & letters that indicate "DESERT SUMMIT" at the 115th Street entrance.

Desert Summit

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Number of components included in this reserve analysis is 27.