RESERVE ANALYSIS REPORT

Foothills Reserve Master Owners Association

Ahwatukee, Arizona

Version 001

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Foothills Reserve Master Owners Association

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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:

♦ ♦ ♦ ♦ 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

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"

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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	0% Increase	3% Increase	10% Increase
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 ♦ ♦ ♦ ♦

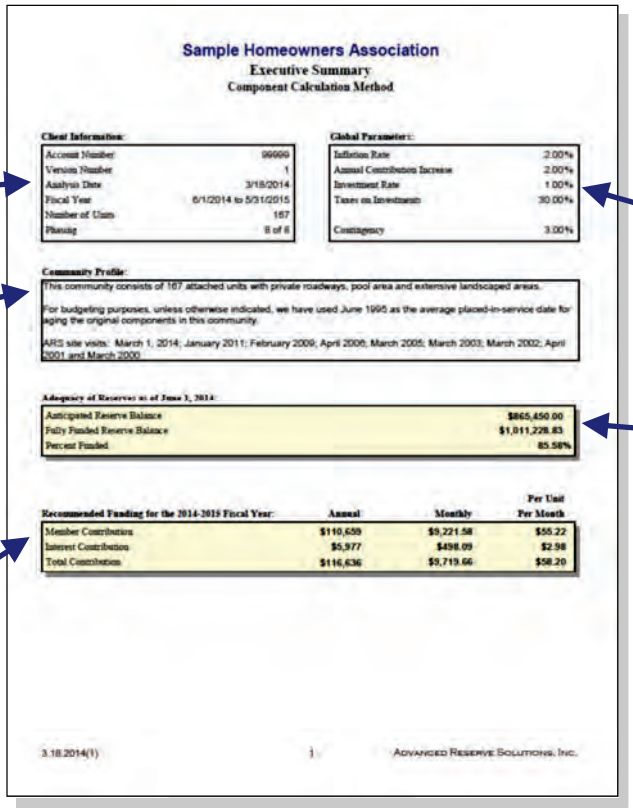
In some cases, the reserve analysis may be a lengthy document of one hundred pages or more. A complete and thorough review of the reserve analysis is always a good idea. However, if time is limited, it is suggested that a thorough review of the summary pages be made. If a "red flag" is raised in this 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.

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:

Account Number	99999
Version Number	1
Analysis Date	3/18/2014
Fiscal Year	6/1/2014 to 5/31/2015
Number of Units	167
Phasing	6 of 6

Global Parameters:

Inflation Rate	2.00%
Annual Contribution Increase	2.00%
Investment Rate	1.00%
Taxes on Investments	30.00%
Contingency	3.00%

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	$865,450.00
Fully Funded Reserve Balance	$1,011,228.83
Percent Funded	85.58%

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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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

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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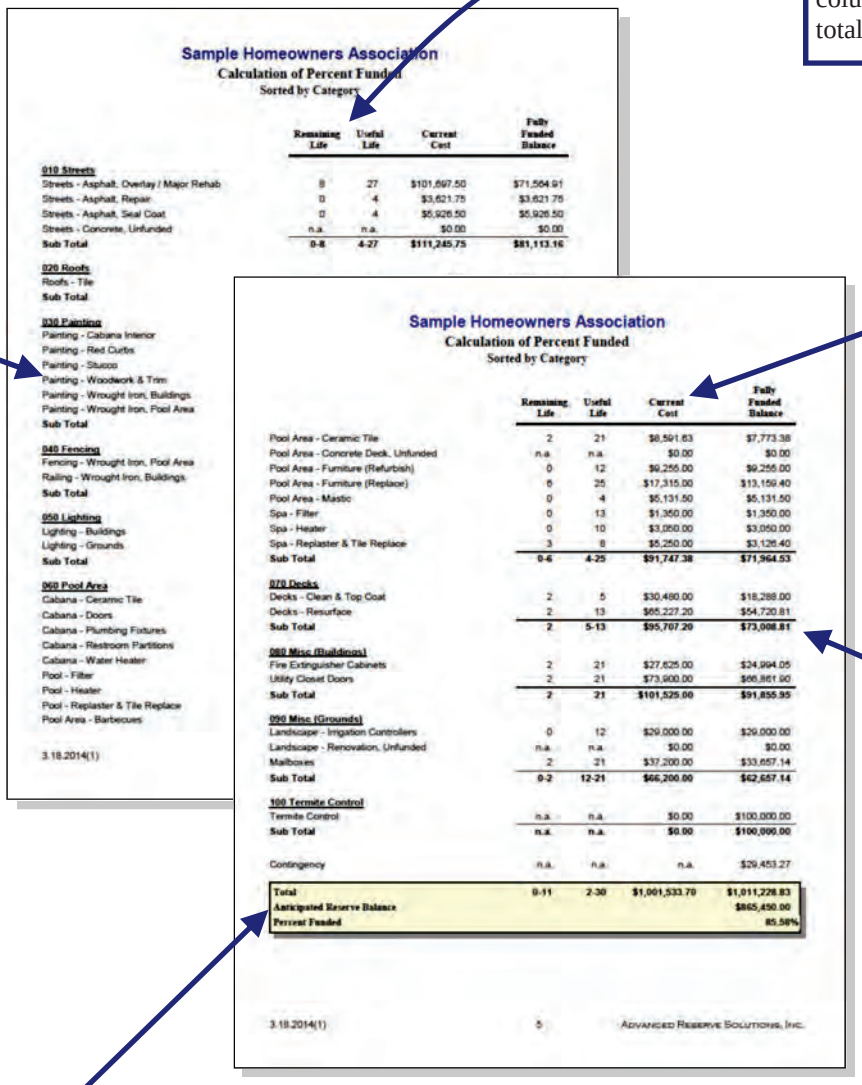
Calculation of Percent Funded

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.

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

Reserve Components
All components are displayed (shown here in "category" order).



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	9	27	$101,697.50	$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	0-9	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				

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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	$8,591.63	$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	$66,861.90
Sub Total	2	21	$101,525.00	$91,855.95
090 Misc (Grounds)				
Landscape - Irrigation Controllers	0	12	$29,000.00	$29,000.00
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.	$29,453.27
Total	0-11	2-30	$1,001,533.70	$1,011,228.83
Anticipated Reserve Balance				$865,450.00
Percent Funded				85.58%

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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.

Preface

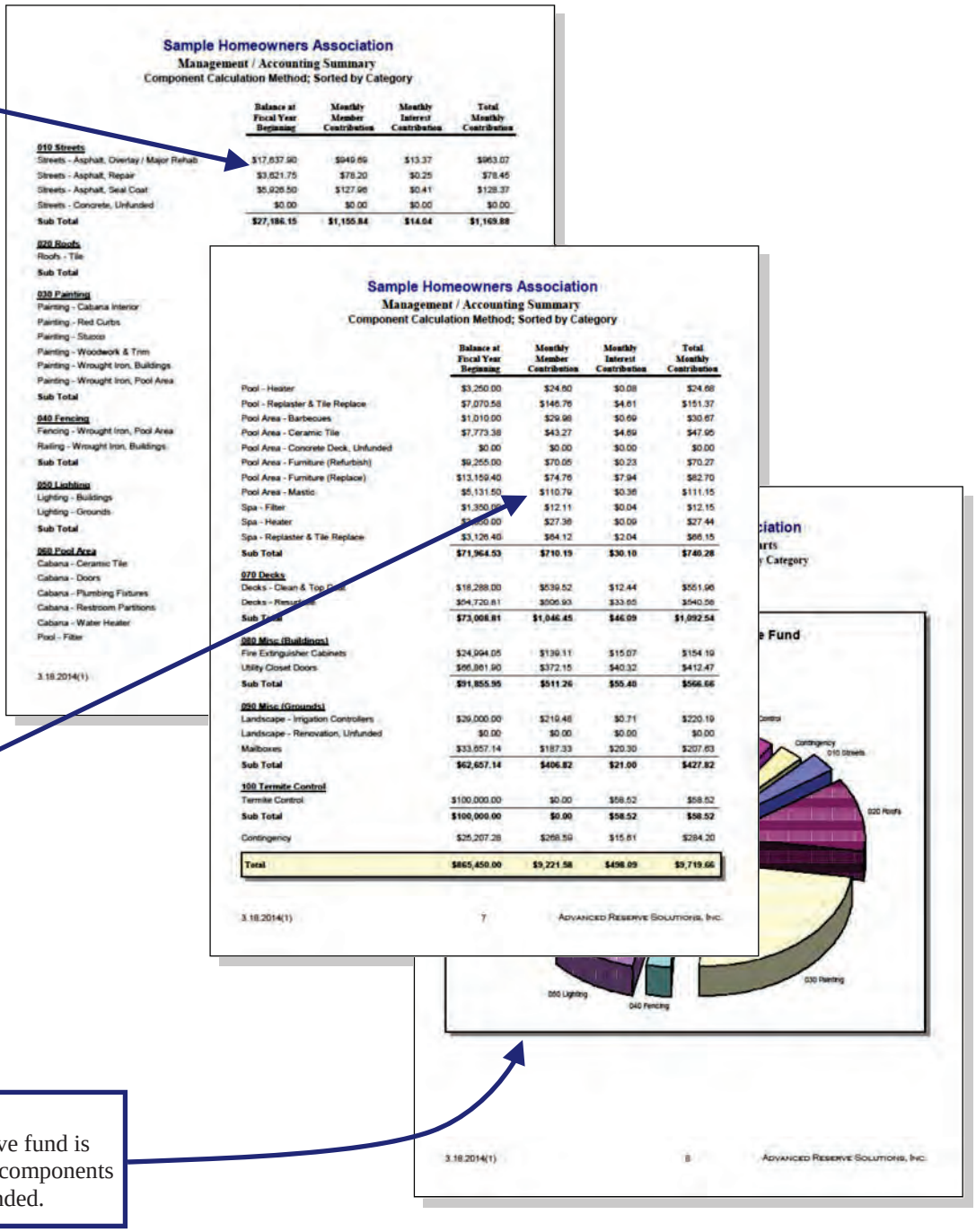
Management / Accounting Summary and Charts

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.

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.

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



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	$949.69	$13.37	$963.07
Streets - Asphalt, Repair	$3,821.75	$78.20	$0.25	$78.45
Streets - Asphalt, Seal Coat	$5,926.50	$127.96	$0.41	$128.37
Streets - Concrete, Unfunded	$0.00	$0.00	$0.00	$0.00
Sub Total	$27,586.15	$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				

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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	$24.60	$0.08	$24.68
Pool - Replaster & Tile Replace	$7,070.58	$146.76	$4.61	$151.37
Pool Area - Barbecues	$1,010.00	$29.98	$0.69	$30.67
Pool Area - Ceramic Tile	$7,773.38	$43.27	$4.69	$47.95
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	$74.76	$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	$3,650.00	$27.36	$0.09	$27.44
Spa - Replaster & Tile Replace	$3,126.40	$64.12	$2.04	$66.15
Sub Total	$71,964.53	$710.19	$30.10	$740.28
070 Decks				
Decks - Clean & Top Coat	$18,288.00	$539.52	$12.44	$551.96
Decks - Resurface	$54,720.81	$506.93	$33.65	$540.58
Sub Total	$73,008.81	$1,046.45	$46.09	$1,092.54
080 Misc (Buildings)				
Fire Extinguisher Cabinets	$24,994.05	$139.11	$15.07	$154.19
Utility Closet Doors	$66,861.90	$372.15	$40.32	$412.47
Sub Total	$91,855.95	$511.26	$55.40	$566.66
090 Misc (Grounds)				
Landscape - Irrigation Controllers	$29,000.00	$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	$62,657.14	$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	$26,207.28	$268.59	$15.61	$284.20
Total	$865,450.00	$9,221.58	$498.09	$9,719.66

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Fund

Contingency
010 Streets
020 Roofs
030 Painting
040 Fencing
050 Lighting

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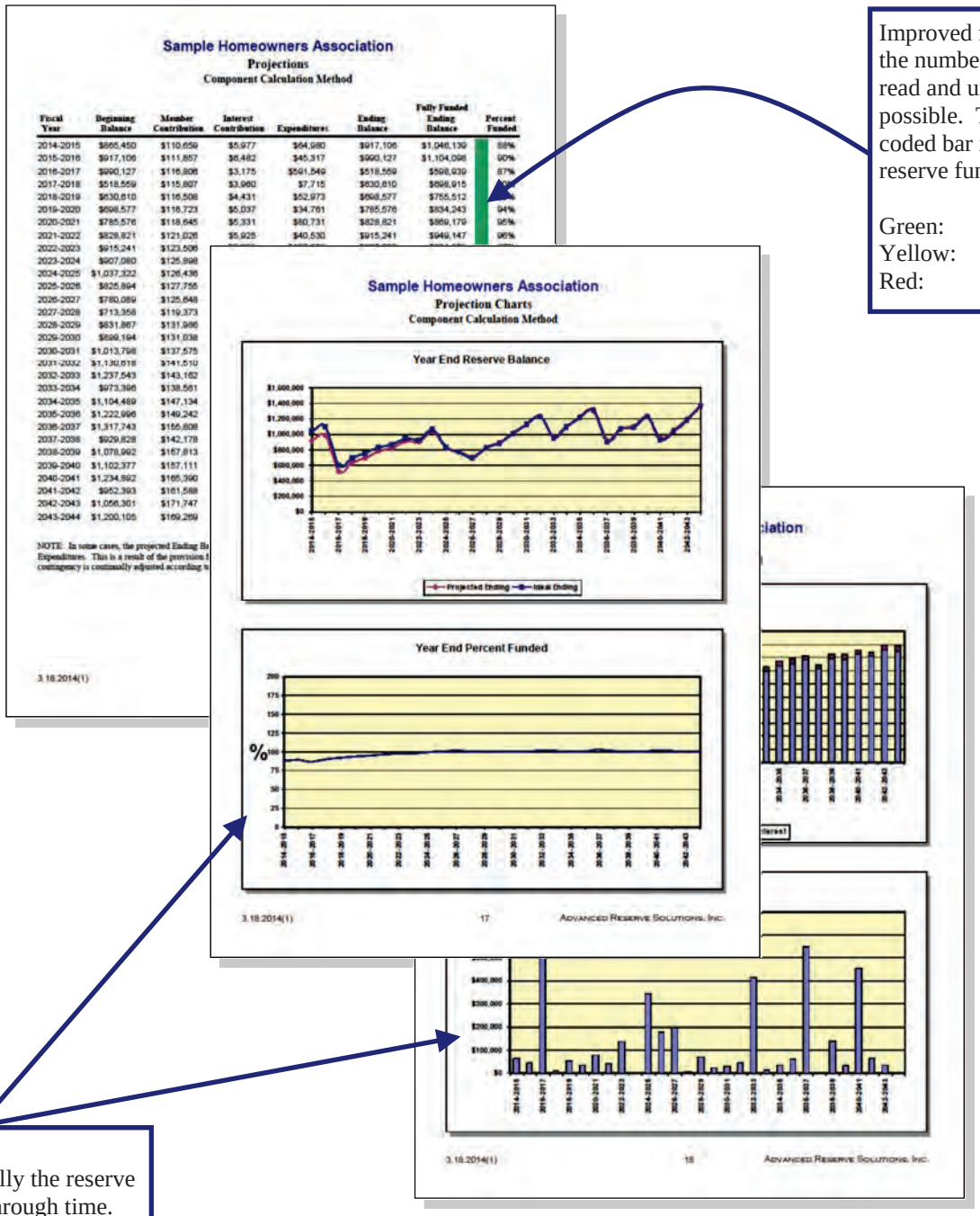
Projections and Charts

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.



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.

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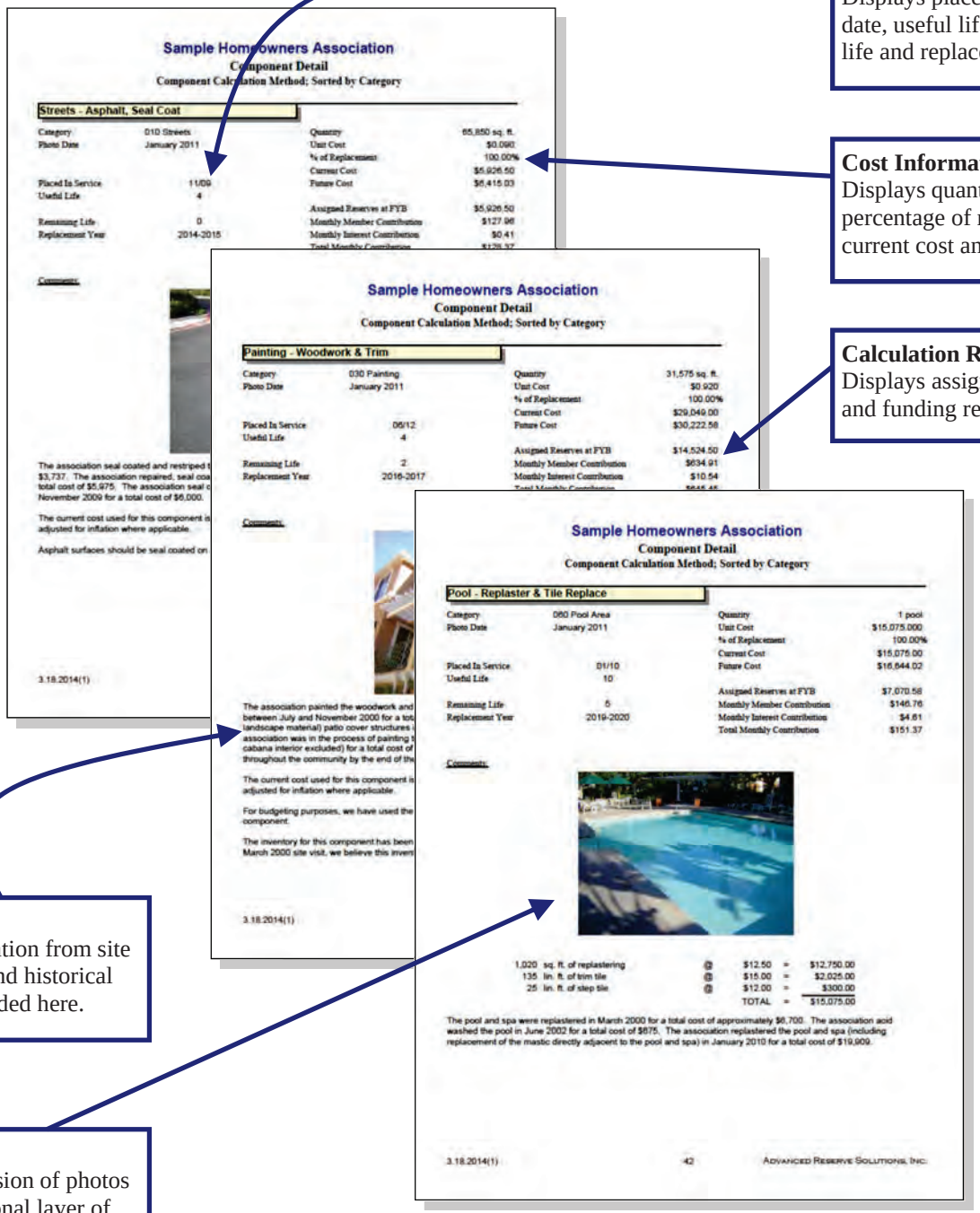
Component Detail

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.

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:

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

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.

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.

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 or 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.

Foothills Reserve Master Owners Association
Executive Summary
Directed Cash Flow Method

Client Information

Account Number	5812
Version Number	001
Analysis Date	2/5/2026
Fiscal Year	1/1/2026 to 12/31/2026
Number of Units	590

Global Parameters

Inflation Rate	3.00%
Annual Contribution Increase	3.00%
Investment Rate	0.01%
Taxes on Investments	0.00%
Contingency	0.00%

Community Profile

This community was built in late 2001. Refer to the Component Detail section for the dates used to age the components examined in this analysis.

The January 1, 2026 reserve balance is $31,906. We have been advised not to account for any of the ADOT settlement/awarded funds as part of the available reserves.

The client has advised us to provide a reserve funding recommendation for 2026 (see below).

REPORTS: 2026.

Adequacy of Reserves as of January 1, 2026

Anticipated Reserve Balance		**$31,906.00**
Fully Funded Reserve Balance		**$275,672.42**
Percent Funded	0 25 50 75 100	**11.57%**

Funding for the 2026 Fiscal Year	Annual	Monthly	Per Unit Per Month
Member Contribution	**$143,248**	**$11,937.30**	**$20.23**
Interest Contribution	**$9**	**$0.72**	**$0.00**
Total Contribution	**$143,256**	**$11,938.02**	**$20.23**

Foothills Reserve Master Owners Association

Distribution of Current Reserve Funds

Sorted by Remaining Life; Alphabetical

	Remaining Life	Fully Funded Balance	Assigned Reserves
Grounds: Low Voltage Light Fixtures Project (2026)	0	$11,226.02	$11,226.02
Grounds: Park Equipment (Ramadas)	2	$8,280.00	$8,280.00
Paint: Ramadas	2	$2,025.00	$2,025.00
Grounds: Main Monument Sign (Water Feature Pump/Motor)	6	$800.00	$800.00
Paint: Block Walls, Wrought Iron, Split Rail, Mailbox Kiosks	6	$19,230.77	$9,574.98
Recreation Area: Resurface Sport Courts	7	$774.19	$0.00
Walls: Block (Repair/Replace)	8	$52,167.50	$0.00
Grounds: Main Monument Sign (Water Feature Filter)	11	$333.33	$0.00
Recreation Area: Artificial Turf	14	$1,229.87	$0.00
Grounds: Artificial Turf (Monument Signs & Entry Areas)	15	$0.00	$0.00
Grounds: Benches (Walkways)	15	$3,230.77	$0.00
Grounds: Mailboxes (Wall Mounted)	15	$31,250.00	$0.00
Grounds: Main Monument Sign (Refurbish/Replace)	16	$6,000.00	$0.00
Fencing: Wrought Iron, Replace (Lots)	17	$58,806.69	$0.00
Grounds: Corrugated Metal Roofs (Ramadas)	17	$9,487.50	$0.00
Recreation Area: Basketball Backboard & Rim	19	$94.94	$0.00
Recreation Area: Fencing & Gate (Pickleball Court)	19	$209.81	$0.00
Recreation Area: Park Equipment	19	$7,974.68	$0.00
Recreation Area: Play Equipment & Tot Turf (East Side)	19	$9,493.67	$0.00
Recreation Area: Play Equipment & Tot Turf (West Side)	19	$3,797.47	$0.00
Fencing: Wrought Iron (Parcels A-1 & A-2)	22	$38,250.00	$0.00
Grounds: Irrigation System Renovation	24	$5,510.20	$0.00
Fencing/Gate: Wrought Iron, Replace (South Perimeter Area)	36	$5,500.00	$0.00
Fencing: Steel Split Rail (Unfunded)	n.a.	$0.00	$0.00
Grounds: Concrete Components (Unfunded)	n.a.	$0.00	$0.00
Grounds: Granite Replenishment (Unfunded)	n.a.	$0.00	$0.00
Grounds: Tree Trimming (Unfunded)	n.a.	$0.00	$0.00
Contingency	n.a.	$0.00	$0.00
Total	**0-36**	**$275,672.42**	**$31,906.00**
Percent Funded			**11.57%**

Foothills Reserve Master Owners Association

Projections

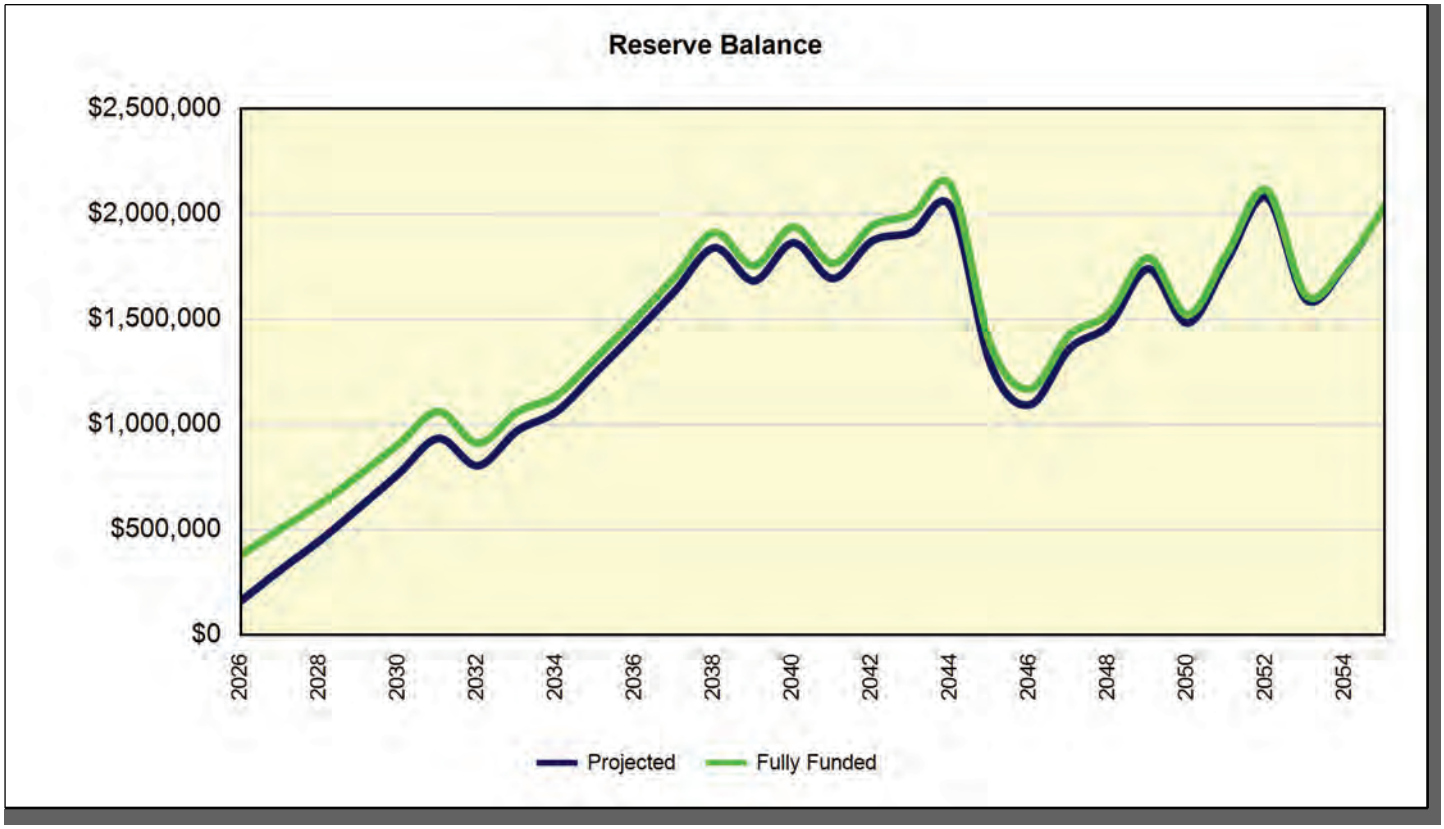
Directed Cash Flow Method

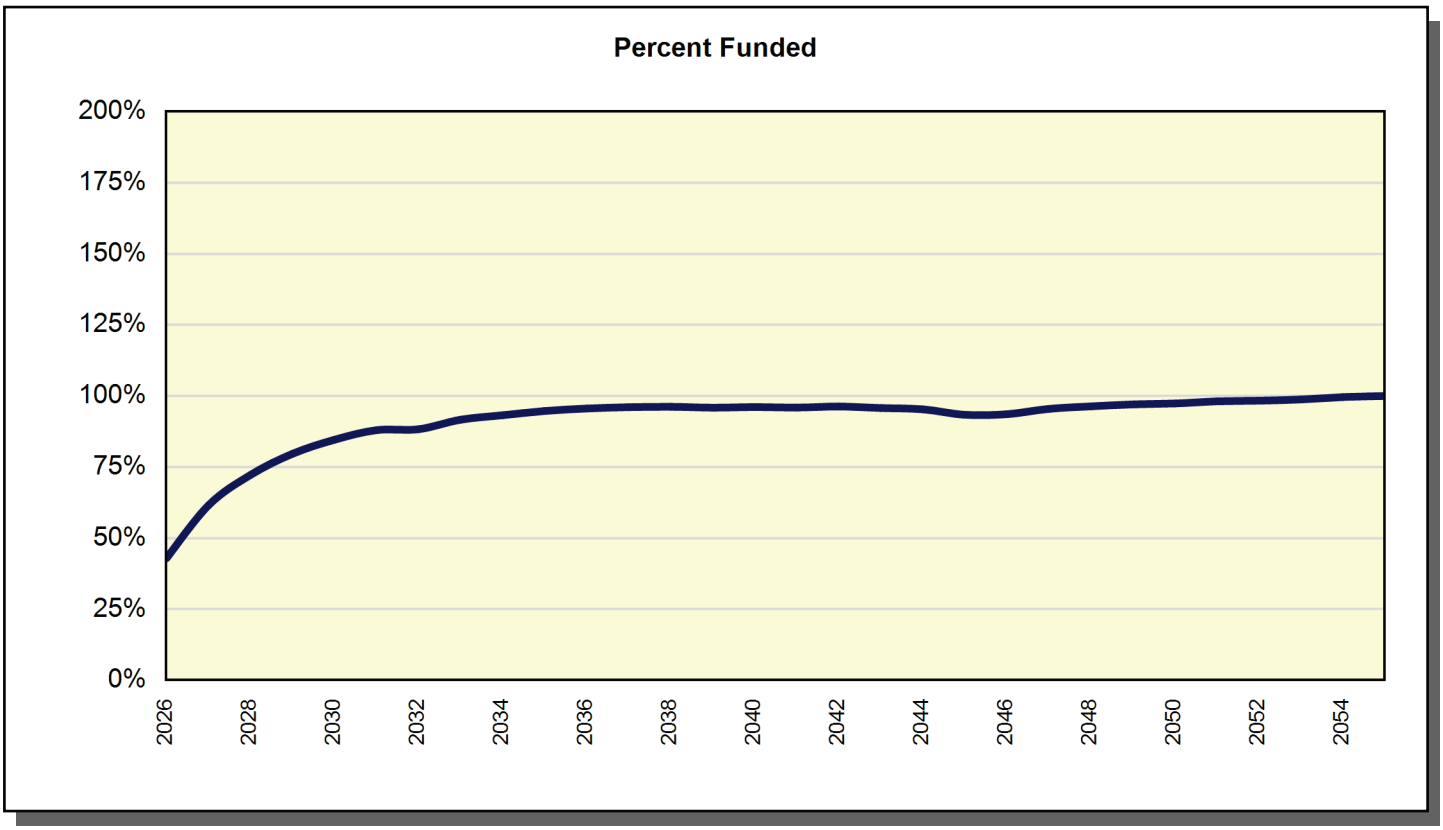
Fiscal Year	Beginning Balance	Member Contribution	Interest Contribution	Expenses	Ending Balance	Fully Funded Balance	Percent Funded
2026	$31,906	$143,248	$9	$11,226	$163,936	$381,773	43%
2027	$163,936	$147,545	$23	$0	$311,504	$505,900	62%
2028	$311,504	$151,971	$37	$12,413	$451,100	$624,347	72%
2029	$451,100	$156,531	$52	$0	$607,683	$762,614	80%
2030	$607,683	$161,226	$68	$0	$768,978	$908,615	85%
2031	$768,978	$166,063	$85	$0	$935,125	$1,062,690	88%
2032	$935,125	$171,045	$71	$300,901	$805,341	$911,885	88%
2033	$805,341	$176,177	$88	$9,839	$971,766	$1,060,125	92%
2034	$971,766	$181,462	$96	$90,115	$1,063,209	$1,140,248	93%
2035	$1,063,209	$186,906	$115	$0	$1,250,230	$1,319,826	95%
2036	$1,250,230	$192,513	$133	$3,629	$1,439,248	$1,505,415	96%
2037	$1,439,248	$198,288	$153	$1,730	$1,635,958	$1,703,020	96%
2038	$1,635,958	$204,237	$173	$0	$1,840,368	$1,912,961	96%
2039	$1,840,368	$210,364	$157	$367,133	$1,683,756	$1,755,819	96%
2040	$1,683,756	$216,675	$175	$36,586	$1,864,019	$1,939,292	96%
2041	$1,864,019	$223,175	$157	$392,666	$1,694,686	$1,766,533	96%
2042	$1,694,686	$229,870	$175	$51,351	$1,873,380	$1,945,350	96%
2043	$1,873,380	$236,766	$179	$196,313	$1,914,013	$1,998,642	96%
2044	$1,914,013	$243,869	$190	$125,703	$2,032,369	$2,132,173	95%
2045	$2,032,369	$251,186	$115	$996,035	$1,287,634	$1,378,711	93%
2046	$1,287,634	$258,721	$95	$451,528	$1,094,923	$1,169,742	94%
2047	$1,094,923	$266,483	$122	$0	$1,361,527	$1,426,021	95%
2048	$1,361,527	$274,477	$132	$162,869	$1,473,268	$1,528,868	96%
2049	$1,473,268	$282,712	$159	$15,789	$1,740,350	$1,793,128	97%
2050	$1,740,350	$291,193	$133	$548,854	$1,482,821	$1,522,836	97%
2051	$1,482,821	$299,929	$162	$0	$1,782,912	$1,816,992	98%
2052	$1,782,912	$308,927	$191	$12,832	$2,079,198	$2,114,211	98%
2053	$2,079,198	$318,194	$142	$802,491	$1,595,044	$1,614,675	99%
2054	$1,595,044	$327,740	$158	$162,757	$1,760,185	$1,766,987	100%
2055	$1,760,185	$337,572	$186	$56,999	$2,040,943	$2,040,943	100%

Foothills Reserve Master Owners Association

Projection Charts

Directed Cash Flow Method

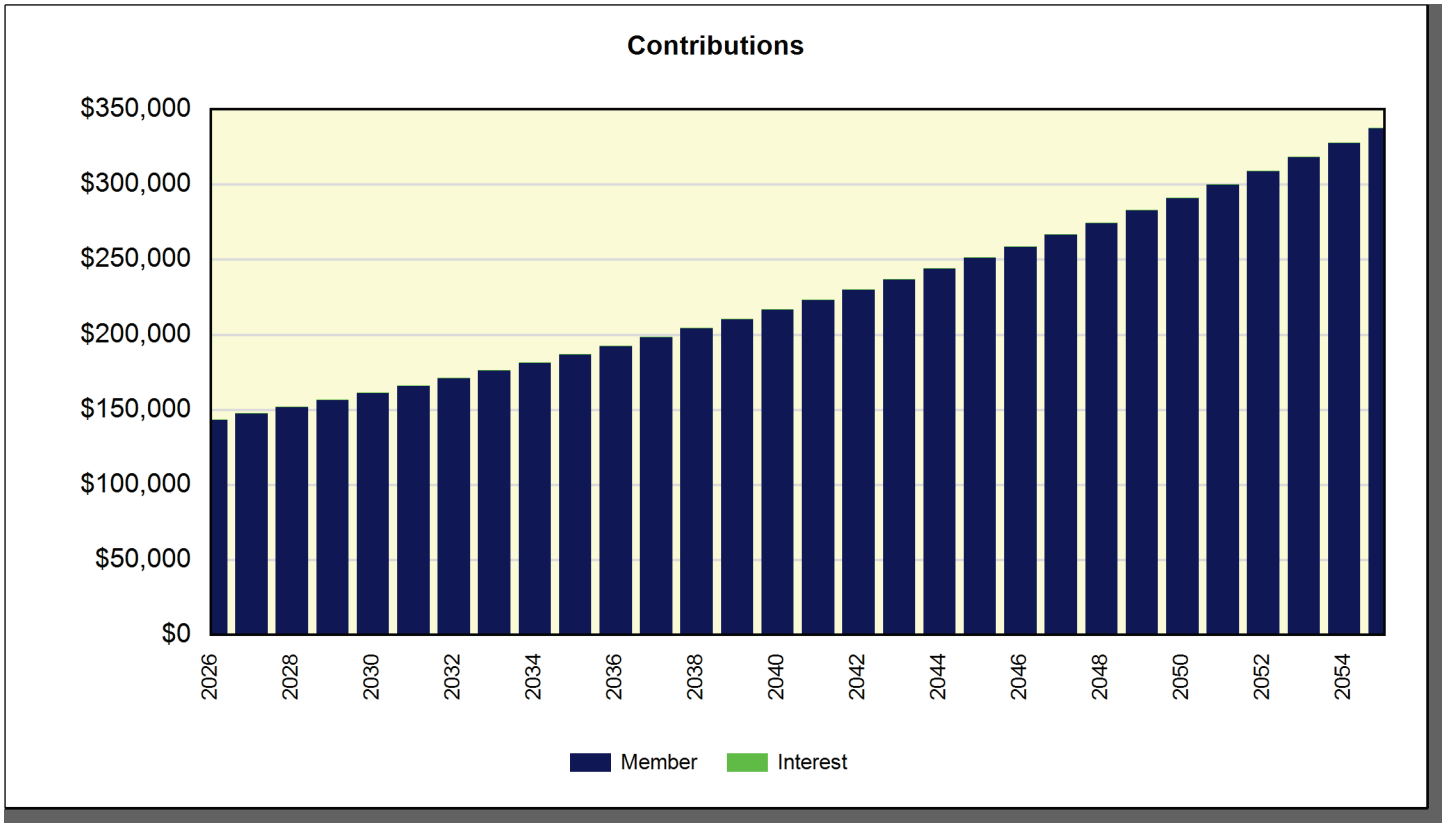


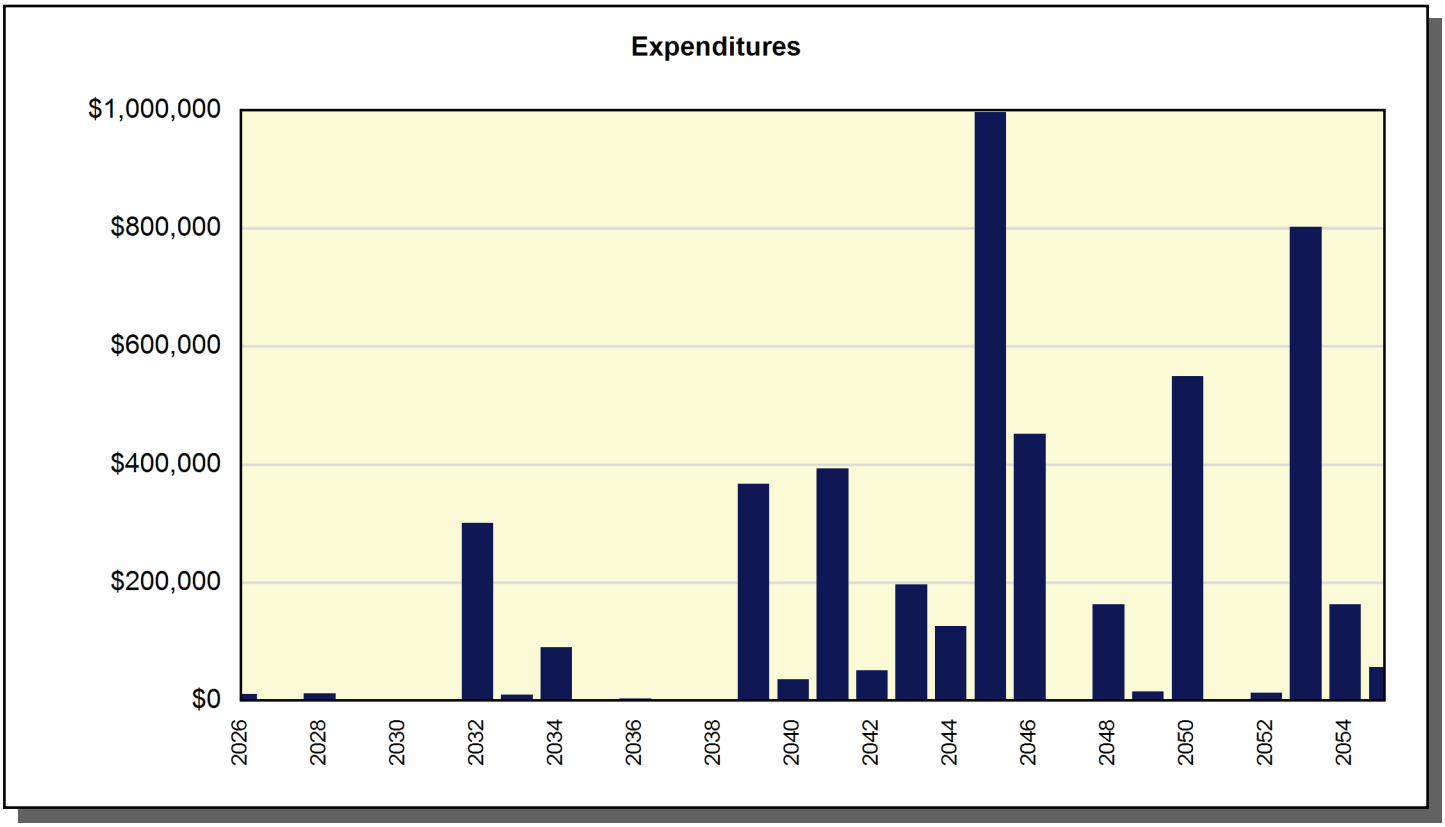


Foothills Reserve Master Owners Association

Projection Charts

Directed Cash Flow Method





Foothills Reserve Master Owners Association
Annual Expenditures
Sorted by Alphabetical

2026 Fiscal Year	
Grounds: Low Voltage Light Fixtures Project (2026)	$11,226.02
Sub Total	**$11,226.02**
2028 Fiscal Year	
Grounds: Park Equipment (Ramadas)	$9,548.10
Paint: Ramadas	$2,864.43
Sub Total	**$12,412.53**
2032 Fiscal Year	
Grounds: Main Monument Sign (Water Feature Pump/Motor)	$2,388.10
Paint: Block Walls, Wrought Iron, Split Rail, Mailbox Kiosks	$298,513.07
Sub Total	**$300,901.18**
2033 Fiscal Year	
Recreation Area: Resurface Sport Courts	$9,838.99
Sub Total	**$9,838.99**
2034 Fiscal Year	
Walls: Block (Repair/Replace)	$90,114.86
Sub Total	**$90,114.86**
2036 Fiscal Year	
Paint: Ramadas	$3,628.57
Sub Total	**$3,628.57**
2037 Fiscal Year	
Grounds: Main Monument Sign (Water Feature Filter)	$1,730.29
Sub Total	**$1,730.29**
2039 Fiscal Year	
Paint: Block Walls, Wrought Iron, Split Rail, Mailbox Kiosks	$367,133.43
Sub Total	**$367,133.43**
2040 Fiscal Year	
Recreation Area: Artificial Turf	$36,585.76
Sub Total	**$36,585.76**
2041 Fiscal Year	
Grounds: Artificial Turf (Monument Signs & Entry Areas)	$163,645.00
Grounds: Benches (Walkways)	$21,811.54
Grounds: Mailboxes (Wall Mounted)	$194,745.93

Recreation Area: Resurface Sport Courts	$12,463.74
Sub Total	**$392,666.21**

2042 Fiscal Year

Grounds: Main Monument Sign (Refurbish/Replace)	$48,141.19
Grounds: Main Monument Sign (Water Feature Pump/Motor)	$3,209.41
Sub Total	**$51,350.61**

2043 Fiscal Year

Fencing: Wrought Iron, Replace (Lots)	$169,040.86
Grounds: Corrugated Metal Roofs (Ramadas)	$27,271.99
Sub Total	**$196,312.85**

2044 Fiscal Year

Paint: Ramadas	$4,596.57
Walls: Block (Repair/Replace)	$121,106.83
Sub Total	**$125,703.40**

2045 Fiscal Year

Recreation Area: Basketball Backboard & Rim	$4,383.77
Recreation Area: Fencing & Gate (Pickleball Court)	$9,688.12
Recreation Area: Park Equipment	$368,236.27
Recreation Area: Play Equipment & Tot Turf (East Side)	$438,376.51
Recreation Area: Play Equipment & Tot Turf (West Side)	$175,350.61
Sub Total	**$996,035.28**

2046 Fiscal Year

Paint: Block Walls, Wrought Iron, Split Rail, Mailbox Kiosks	$451,527.81
Sub Total	**$451,527.81**

2048 Fiscal Year

Fencing: Wrought Iron (Parcels A-1 & A-2)	$162,868.79
Sub Total	**$162,868.79**

2049 Fiscal Year

Recreation Area: Resurface Sport Courts	$15,788.69
Sub Total	**$15,788.69**

2050 Fiscal Year

Grounds: Irrigation System Renovation	$548,854.41
Sub Total	**$548,854.41**

Foothills Reserve Master Owners Association
Annual Expenditures
Sorted by Alphabetical

2052 Fiscal Year

Grounds: Main Monument Sign (Water Feature Filter)	$2,695.74
Grounds: Main Monument Sign (Water Feature Pump/Motor)	$4,313.18
Paint: Ramadas	$5,822.80
Sub Total	**$12,831.72**

2053 Fiscal Year

Fencing: Wrought Iron, Replace (Lots)	$227,176.78
Grounds: Park Equipment (Ramadas)	$19,991.60
Paint: Block Walls, Wrought Iron, Split Rail, Mailbox Kiosks	$555,322.25
Sub Total	**$802,490.63**

2054 Fiscal Year

Walls: Block (Repair/Replace)	$162,757.46
Sub Total	**$162,757.46**

2055 Fiscal Year

Recreation Area: Artificial Turf	$56,999.43
Sub Total	**$56,999.43**

Foothills Reserve Master Owners Association
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Paint: Block Walls, Wrought Iron, Split Rail, Mailbox Kiosks

Category	030 Painting
Placed In Service	07/2025
Useful Life	7
Remaining Life	6
Replacement Year	2032

Quantity	1 total
Unit Cost	$250,000.00
% of Replacement	100.00%
Current Cost	$250,000.00
Future Cost	$298,513.07
Assigned Reserves at FYB	$9,574.98
Monthly Member Contribution	$3,442.53
Monthly Interest Contribution	$0.24
Total Monthly Contribution	$3,442.76


FOOTHILLS
RESERVE

In early-mid 2025, Evo Construction Services repainted the following components at a cost of $178,711.99:

- 79,000 sq. ft. of block walls
- 19,489 lin. ft. of wrought iron fencing
- stucco portions of seven (7) mailbox kiosks

In late 2025, Jr's Painting repainted the following at a cost of $3,585:

- stucco portions of the seven (7) monument signs

Please note the following:

- There are 17 mailbox kiosks & only seven (7) were repainted, but all 17 appear to have been recently repainted
- There is 1,080 LF of steel split rail culvert fencing that appears to have been recently repainted, but no info provided
- We measured 135,500 sq. ft. of block walls throughout the property (all of the block walls weren't repainted)
- We measured 20,353 lin. ft. of wrought iron throughout the property (all of the wrought iron wasn't repainted)
- The cost to repaint the wrought iron @ lots was supposed to be shared 50/50 with the lot owners, but wasn't

Going forward, this component budgets to repaint all of the block walls, all of the wrought iron fencing, all of the steel split rail culvert fencing, all of the mailbox kiosks & the stucco portions of the seven (7) monument signs on a seven year cycle. Should the client choose to repaint any of these components on a different schedule, we recommend using the accumulated funds to do so on an "as needed" basis, and then we will make adjustments to this component at the time of a future update of this report based on a paint plan/schedule developed by the board. For budgeting purposes we have used July 2025 as the basis for aging this component.

NOTE: Given that the cost to repaint the wrought iron view fencing located on boundary lines between lots & common areas was not split on a 50% - 50% basis with the individual lot owners where the fencing is located, we have not budgeted for it to be a split expense going forward. However, in the wrought iron view fence replacement component, we have accounted for it as a shared expense.

Paint: Ramadas

Category	030 Painting	Quantity	3 ramadas
		Unit Cost	$900.00
		% of Replacement	100.00%
		Current Cost	$2,700.00
Placed In Service	01/2020	Future Cost	$2,864.43
Useful Life	8		
		Assigned Reserves at FYB	$2,025.00
Remaining Life	2	Monthly Member Contribution	$31.86
Replacement Year	2028	Monthly Interest Contribution	$0.02
		Total Monthly Contribution	$31.88

This component budgets to repaint the stucco columns & metal roof support structures of the ramadas at the following locations:

1 - ramada in Parcel D next to Lot 17
1 - ramada in Parcel D next to Lot 61
1 - ramada in Parcel C at the SW corner of the Recreation Area

Foothills Reserve Master Owners Association

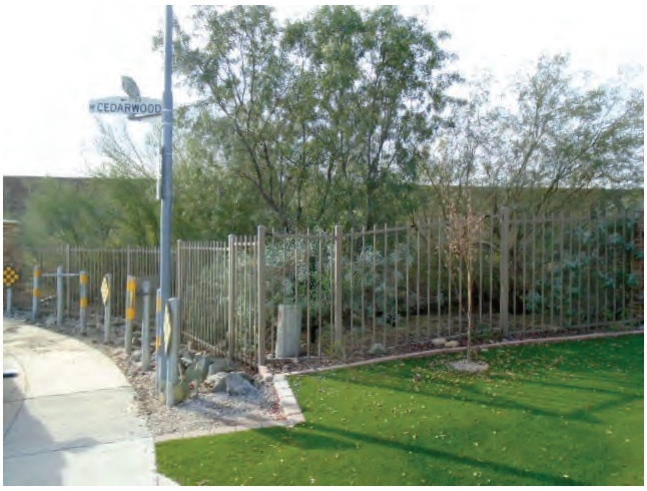
Component Detail

Directed Cash Flow Calculation Method; Sorted By Category

Fencing/Gate: Wrought Iron, Replace (South Perimeter Area)

Category	040 Fencing/Walls
Placed In Service	01/2022
Useful Life	40
Remaining Life	36
Replacement Year	2062

Quantity	1 total
Unit Cost	$55,000.00
% of Replacement	100.00%
Current Cost	$55,000.00
Future Cost	$159,405.31
Assigned Reserves at FYB	$0.00
Monthly Member Contribution	$193.92
Monthly Interest Contribution	$0.01
Total Monthly Contribution	$193.93



This component budgets to replace the wrought iron components installed in the 2020 - 2025 time frame at the following locations in the south part of the property:

56 - lin. ft. of 5'9" fencing (located next to Lot 96 in Parcel D)
32 - lin. ft. of 5'9" fencing (located next to Lot 89 in Parcel C)
523 - lin. ft. of 5'9" fencing (located along the south perimeter - enclosing the Recreation Area)
82 - lin. ft. of 5'10" fencing (located at the drainage area bordering the west playstructure in the Recreation Area)

1 - 5'9" x 4'4" pedestrian gate (located along the south perimeter by the Recreation Area basketball court)

Fencing: Steel Split Rail (Unfunded)

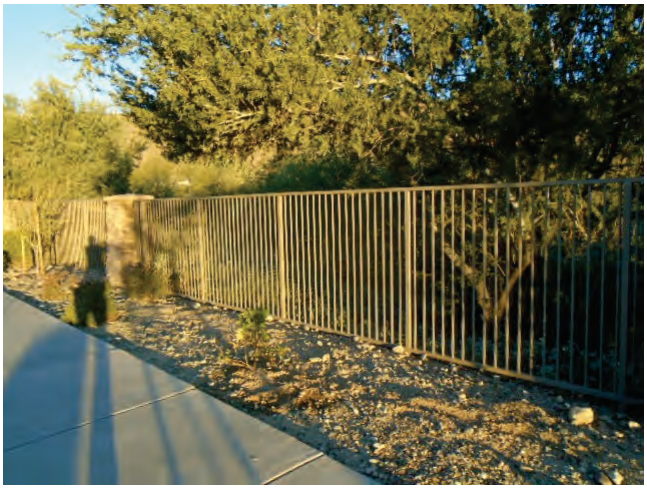
Category	040 Fencing/Walls	Quantity	1 comment
		Unit Cost	$0.00
		% of Replacement	0.00%
		Current Cost	$0.00
Placed In Service	01/2002	Future Cost	$0.00
Useful Life	n.a.		
		Assigned Reserves at FYB	$0.00
Remaining Life	n.a.	Monthly Member Contribution	$0.00
Replacement Year	n.a.	Monthly Interest Contribution	$0.00
		Total Monthly Contribution	$0.00

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

Fencing: Wrought Iron (Parcels A-1 & A-2)

Category	040 Fencing/Walls
Placed In Service	01/2008
Useful Life	40
Remaining Life	22
Replacement Year	2048

Quantity	1 total
Unit Cost	$85,000.00
% of Replacement	100.00%
Current Cost	$85,000.00
Future Cost	$162,868.79
Assigned Reserves at FYB	$0.00
Monthly Member Contribution	$410.76
Monthly Interest Contribution	$0.02
Total Monthly Contribution	$410.78



This component budgets to replace the wrought iron components installed in the 2007 - 2009 time frame at the following locations in Parcels A-1 & A-2:

205 - lin. ft. of 5'9" fencing (Parcel A-2 between Lots 114 & 117 at the Briarwood Terrace cul-de-sac
2 - 5'9" x 5'10" gates (Parcel A-2 near Lot 117 at the Briarwood Terrace cul-de-sac
860 - lin. ft. of 5'9" fencing (along Shaughnessy Road & at the SW corner of Parcel A-1)

Foothills Reserve Master Owners Association

Component Detail

Directed Cash Flow Calculation Method; Sorted By Category

Fencing: Wrought Iron, Replace (Lots)

Category	040 Fencing/Walls
Placed In Service	01/2003
Useful Life	10
Adjustment	+30
Remaining Life	17
Replacement Year	2043

Quantity	1 total
Unit Cost	$1,022,725.00
% of Replacement	10.00%
Current Cost	$102,272.50
Future Cost	$169,040.86
Assigned Reserves at FYB	$0.00
Monthly Member Contribution	$598.37
Monthly Interest Contribution	$0.03
Total Monthly Contribution	$598.40

None of the wrought iron view fencing located on boundary lines between lots & common areas is hit by sprinkler water from the common area side, and the majority of it sits 2' - 4' above the ground. As long as this fencing is regularly repainted, and isn't hit by sprinkler water from the homeowner/lot side, it should last a very long time, and likely won't require replacement all at the same time. Therefore, this component will accumulate funds for 40 years, and then on a 10 year cycle, for the replacement of 20% of this fencing at a time (association will only be responsible for 10% replacement per cycle give that the cost is to be shared with the individual lot owners where the fencing is located - see Section 4.1.16 (e) on Page 14 of the CC&Rs for details on the maintenance/replacement responsibilities). If necessary, the accumulated

funds should be used on an "as needed" basis for replacement prior to 2043. The budgeting methodology for this component should be adjusted over time as conditions/experience dictate.

18,595 lin. ft. of 4'0" view fencing	@	$55.00	=	$1,022,725.00
		TOTAL	=	$1,022,725.00

Foothills Reserve Master Owners Association
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Walls: Block (Repair/Replace)

Category	040 Fencing/Walls	Quantity	135,500 sq. ft.
		Unit Cost	$35.00
		% of Replacement	1.50%
		Current Cost	$71,137.50
Placed In Service	01/2004	Future Cost	$90,114.86
Useful Life	10		
Adjustment	+20	Assigned Reserves at FYB	$0.00
Remaining Life	8	Monthly Member Contribution	$780.94
Replacement Year	2034	Monthly Interest Contribution	$0.04
		Total Monthly Contribution	$780.98

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 facing block walls. The accumulated funds should be used “as needed”, and the percentage budgeted for repair/replacement should be adjusted over time as conditions dictate.

NOTE: The majority of the block walls were installed in the 2002 - 2005 time frame. For budgeting purposes we have used 2004 as an average placed in service date for the community's block walls.

Foothills Reserve Master Owners Association

Component Detail

Directed Cash Flow Calculation Method; Sorted By Category

Foothills Reserve Master Owners Association
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Recreation Area: Artificial Turf

Category	060 Recreation Area	Quantity	3,225 sq. ft.
		Unit Cost	$7.50
		% of Replacement	100.00%
		Current Cost	$24,187.50
Placed In Service	04/2025	Future Cost	$36,585.76
Useful Life	15		
		Assigned Reserves at FYB	$0.00
Remaining Life	14	Monthly Member Contribution	$164.96
Replacement Year	2040	Monthly Interest Contribution	$0.01
		Total Monthly Contribution	$164.97

This component budgets to replace the artificial turf located next to the east side playstructure & swing set at the Recreation Area (south side of property) on a 15 year cycle.

Recreation Area: Basketball Backboard & Rim

Category	060 Recreation Area	Quantity	1 set
		Unit Cost	$2,500.00
		% of Replacement	100.00%
		Current Cost	$2,500.00
Placed In Service	04/2025	Future Cost	$4,383.77
Useful Life	20		
		Assigned Reserves at FYB	$0.00
Remaining Life	19	Monthly Member Contribution	$13.44
Replacement Year	2045	Monthly Interest Contribution	$0.00
		Total Monthly Contribution	$13.44

This component budgets to replace the metal basketball backboard & rim at the Recreation Area (south side of property). The cost does not include the replacement of the metal pole.

Recreation Area: Fencing & Gate (Pickleball Court)

Category	060 Recreation Area	Quantity	1 total
		Unit Cost	$5,525.00
		% of Replacement	100.00%
		Current Cost	$5,525.00
Placed In Service	04/2025	Future Cost	$9,688.12
Useful Life	20		
		Assigned Reserves at FYB	$0.00
Remaining Life	19	Monthly Member Contribution	$29.71
Replacement Year	2045	Monthly Interest Contribution	$0.00
		Total Monthly Contribution	$29.71

The removable mesh fencing & gate at the pickleball court was installed in mid-2025 by Secure Swim LLC at a cost of $5,525. The bid indicates that 175 lin. ft. of fencing was installed. The actual inventory is:

140 - lin. ft. of 4' premium mesh fencing
1 - 4' gate

Foothills Reserve Master Owners Association
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Recreation Area: Park Equipment

Category	060 Recreation Area
Placed In Service	04/2025
Useful Life	20
Remaining Life	19
Replacement Year	2045

Quantity	1 total
Unit Cost	$17,500.00
% of Replacement	1,200.00%
Current Cost	$210,000.00
Future Cost	$368,236.27
Assigned Reserves at FYB	$0.00
Monthly Member Contribution	$1,129.25
Monthly Interest Contribution	$0.05
Total Monthly Contribution	$1,129.31

This component will accumulate funds on a 20 year cycle for the replacement of the following park equipment installed at the Recreation Area (south side of property) in April 2025:

- 1 - bench swing
- 2 - benches w/out backs
- 5 - benches w/backs
- 2 - trash receptacles

Foothills Reserve Master Owners Association

Component Detail

Directed Cash Flow Calculation Method; Sorted By Category

Recreation Area: Play Equipment & Tot Turf (East Side)

Category	060 Recreation Area	Quantity	1 total
		Unit Cost	$250,000.00
		% of Replacement	100.00%
		Current Cost	$250,000.00
Placed In Service	04/2025	Future Cost	$438,376.51
Useful Life	20		
		Assigned Reserves at FYB	$0.00
Remaining Life	19	Monthly Member Contribution	$1,344.35
Replacement Year	2045	Monthly Interest Contribution	$0.06
		Total Monthly Contribution	$1,344.41

This component budgets to replace the following components on the east side of the Recreation Area (south side of property):

1 - Burke playstructure w/attached sail shades
1 - swing set
3,150 - sq. ft. of Tot Turf

Recreation Area: Play Equipment & Tot Turf (West Side)

Category	060 Recreation Area	Quantity	1 total
		Unit Cost	$100,000.00
		% of Replacement	100.00%
		Current Cost	$100,000.00
Placed In Service	04/2025	Future Cost	$175,350.61
Useful Life	20		
		Assigned Reserves at FYB	$0.00
Remaining Life	19	Monthly Member Contribution	$537.74
Replacement Year	2045	Monthly Interest Contribution	$0.03
		Total Monthly Contribution	$537.77

This component budgets to replace the following components on the west side of the Recreation Area (south side of property):

1 - Burke playstructure w/attached hip/ridge shade structure
1 - swing set
1,560 - sq. ft. of Tot Turf

Recreation Area: Resurface Sport Courts

Category	060 Recreation Area	Quantity	1 total
		Unit Cost	$8,000.00
		% of Replacement	100.00%
		Current Cost	$8,000.00
Placed In Service	04/2025	Future Cost	$9,838.99
Useful Life	8		
		Assigned Reserves at FYB	$0.00
Remaining Life	7	Monthly Member Contribution	$98.96
Replacement Year	2033	Monthly Interest Contribution	$0.00
		Total Monthly Contribution	$98.96

This component budgets to resurface the acrylic basketball court & pickleball court at the Recreation Area (south side of property).

Foothills Reserve Master Owners Association
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Grounds: Artificial Turf (Monument Signs & Entry Areas)

Category	100 Grounds
Placed In Service	01/2026
Useful Life	15
Remaining Life	15
Replacement Year	2041

Quantity	14,005 sq. ft.
Unit Cost	$7.50
% of Replacement	100.00%
Current Cost	$105,037.50
Future Cost	$163,645.00
Assigned Reserves at FYB	$0.00
Monthly Member Contribution	$677.83
Monthly Interest Contribution	$0.03
Total Monthly Contribution	$677.86

In late 2025, White Rhino Turf completed a landscape enhancement project that included the purchase/installation of approximately 14,005 sq. ft. of artificial turf at the various monument & entry areas throughout the property (refer to the bid dated July 2, 2025 for details). This component budgets to replace the artificial turf on a 15 year cycle.

Grounds: Benches (Walkways)

Category	100 Grounds	Quantity	8 benches
		Unit Cost	$1,750.00
		% of Replacement	100.00%
		Current Cost	$14,000.00
Placed In Service	07/2021	Future Cost	$21,811.54
Useful Life	20		
		Assigned Reserves at FYB	$0.00
Remaining Life	15	Monthly Member Contribution	$90.34
Replacement Year	2041	Monthly Interest Contribution	$0.00
		Total Monthly Contribution	$90.35

This component will accumulate funds on a 20 year cycle to replace the 6' benches located along walkways throughout the community on an "as needed" basis. These benches were installed in the 2021 time frame.

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	01/2002	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

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).

Grounds: Corrugated Metal Roofs (Ramadas)

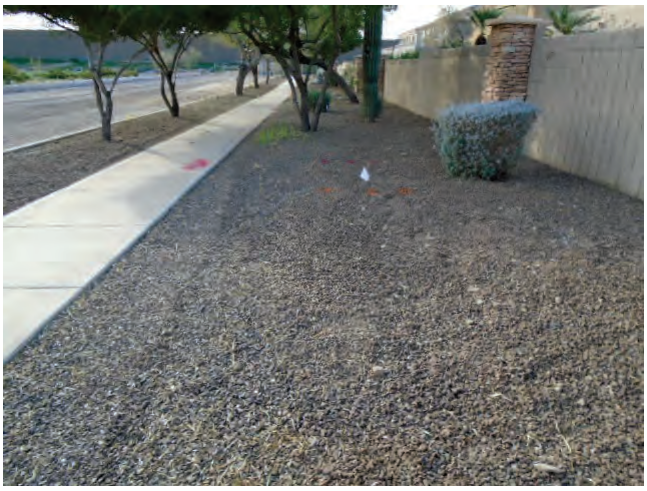
Category	100 Grounds	Quantity	3 ramadas
		Unit Cost	$5,500.00
		% of Replacement	100.00%
		Current Cost	$16,500.00
Placed In Service	01/2003	Future Cost	$27,271.99
Useful Life	40		
		Assigned Reserves at FYB	$0.00
Remaining Life	17	Monthly Member Contribution	$96.54
Replacement Year	2043	Monthly Interest Contribution	$0.00
		Total Monthly Contribution	$96.54

This component budgets to replace the corrugated metal roofs structures (16' x 16' each) atop the ramadas at the following locations:

1 - Ramada in Parcel D next to Lot 17
1- Ramada in Parcel D next to Lot 61
1 - Ramada in Parcel C at the SW corner of the Recreation Area

Grounds: Granite Replenishment (Unfunded)

Category	100 Grounds	Quantity	1 comment
		Unit Cost	$0.00
		% of Replacement	0.00%
		Current Cost	$0.00
Placed In Service	01/2002	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



We are not budgeting to replenish the common area granite landscape rock located throughout the community because the cost to do so is most often considered an operating expense. We recommend that a line item be set up in the annual operating budget to account for ongoing granite replenishment projects. Should the Association wish to have granite replenishment included in the reserve study, we will budget for it at the Board's request. However, in order to do so, the following information will need to be provided:

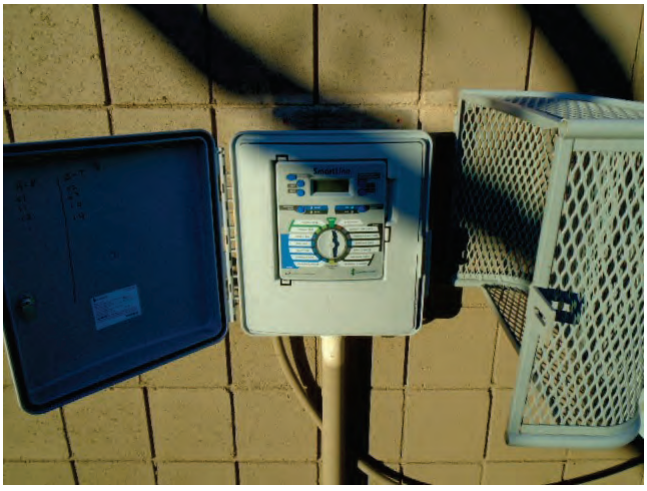
- $ amount to be budgeted (or total square footage of granite landscaped areas)
- Year in which the next expenditure should be scheduled to occur
- Number of years between expenditures (useful life cycle)

Foothills Reserve Master Owners Association
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Grounds: Irrigation System Renovation

Category	100 Grounds
Placed In Service	07/2025
Useful Life	25
Remaining Life	24
Replacement Year	2050

Quantity	1 total
Unit Cost	$270,000.00
% of Replacement	100.00%
Current Cost	$270,000.00
Future Cost	$548,854.41
Assigned Reserves at FYB	$0.00
Monthly Member Contribution	$1,227.75
Monthly Interest Contribution	$0.06
Total Monthly Contribution	$1,227.81



An irrigation renovation project was completed throughout the community in 2025 by LandCom Landscaping at a total cost of $240,388. This component budgets for similar work on a 25 year cycle, and also includes a provision for irrigation controller replacements on an "as needed" basis per the inventory below:

1 - Weathermatic Smartline SL1600 controller w/Wireless Landscape Network (2025 - Parcel D, Lot 1)
1 - Weathermatic Smartline SL1600 controller w/Wireless Landscape Network (2025 - Parcel C, Lot 169)

1 - Weathermatic Smartline SL1600 controller w/Wireless Landscape Network (2025 - Parcel A2, Lot 3)
1 - Weathermatic Smartline SL1600 controller w/Wireless Landscape Network (2025 - Parcel A1, Lot 66)
1 - Weathermatic Smartline SL4800 controller w/Wireless Landscape Network (2025 - Parcel A1, Lot 21)
1 - Irritrol, MC-24 Plus controller (2002 - Parcel C, Lot 124)
1 - Irritrol, MC-8 Plus controller (2004 - Parcel A2, Lot 31)
1 - Irritrol, MC-12 Plus controller (2005 - Parcel A2, Lot 60)
1 - Hunter XC Hybrid, 6 station controller (2024 - south park area)

Grounds: Low Voltage Light Fixtures Project (2026)

Category	100 Grounds	Quantity	1 total
		Unit Cost	$11,226.02
		% of Replacement	100.00%
		Current Cost	$11,226.02
Placed In Service	01/2002	Future Cost	
Useful Life	24		
		Assigned Reserves at FYB	$11,226.02
Remaining Life	0	Monthly Member Contribution	$0.00
Replacement Year	2026	Monthly Interest Contribution	$0.00
	One-Time Replacement	Total Monthly Contribution	$0.00

Desert Outdoor Landscape Lighting will be completing an $11,226.02 project in February 2026 along Shaughnessy Road (see the January 5, 2026 bid for details). This component accounts for this one time expense in 2026. Going forward, we recommend including a line item in the annual operating budget for repairs/replacements associated with the low voltage landscape lighting systems throughout the property. That being said, should the client wish to have reserve funds budgeted for such, they will need to provide the following budgeting data:

- dollar amount to be budgeted
- year that the next expenditure should be scheduled to occur
- useful life cycle to be used following the next expenditure

Foothills Reserve Master Owners Association
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Grounds: Mailboxes (Wall Mounted)

Category	100 Grounds	Quantity	1 total
		Unit Cost	$125,000.00
		% of Replacement	100.00%
		Current Cost	$125,000.00
Placed In Service	01/2021	Future Cost	$194,745.93
Useful Life	20		
		Assigned Reserves at FYB	$0.00
Remaining Life	15	Monthly Member Contribution	$806.65
Replacement Year	2041	Monthly Interest Contribution	$0.04
		Total Monthly Contribution	$806.69

All of the wall mounted mailbox sets were manufactured at some point in 2020. The previous reserve study lists October 2020 as the placed in service date. For budgeting purposes we have used January 2021 as the basis for aging the following mailbox sets:

3 - 6 box sets w/1 parcel locker
1 - 7 box set w/1 parcel locker
4 - 8 box sets w/1 parcel locker
1 - 14 box set w/1 parcel locker
5 - 15 box sets w/2 parcel lockers
15 - 16 box sets w/2 parcel lockers
11 - 17 box sets w/2 parcel lockers
2 - 18 box sets w/2 parcel lockers

Grounds: Main Monument Sign (Refurbish/Replace)

Category	100 Grounds
Placed In Service	01/2022
Useful Life	20
Remaining Life	16
Replacement Year	2042

Quantity	1 total
Unit Cost	$30,000.00
% of Replacement	100.00%
Current Cost	$30,000.00
Future Cost	$48,141.19
Assigned Reserves at FYB	$0.00
Monthly Member Contribution	$183.98
Monthly Interest Contribution	$0.01
Total Monthly Contribution	$183.99

According to the previous reserve study by FDRS, the main monument sign at the corner of Chandler Blvd & Shaughnessy Road was redone in October 2021. This monument sign includes a water feature, metal pergola structure & metal backlit letters that indicate "FOOTHILLS RESERVE". This component budgets for the refurbishment/replacement of the monument sign components on a 20 year cycle. For budgeting purposes we have used January 2022 as the basis for aging this component.

We are not budgeting to replace the 2'10" x 7'2" steel sign faces with laser cut letters making up all of the following secondary monument signs because they should last indefinitely under normal circumstances. Any necessary repairs should be handled on an "as needed" basis using operating funds. Should the client wish to budget for the replacement of the steel signs for aesthetic/remodeling purposes, we will do so at their request.

MOUNTAIN VIEW (2)
THE CROSSINGS (1)
THE VISTAS (1)
SUNRISE (1)
SUMMIT (1)

Grounds: Main Monument Sign (Water Feature Filter)

Category	100 Grounds	Quantity	1 filter
		Unit Cost	$1,250.00
		% of Replacement	100.00%
		Current Cost	$1,250.00
Placed In Service	01/2022	Future Cost	$1,730.29
Useful Life	15		
		Assigned Reserves at FYB	$0.00
Remaining Life	11	Monthly Member Contribution	$10.41
Replacement Year	2037	Monthly Interest Contribution	$0.00
		Total Monthly Contribution	$10.41

This is a Pentair, Clean & Clear 50 sq. ft. cartridge filter (manufactured 4/20/2021).

Grounds: Main Monument Sign (Water Feature Pump/Motor)

Category	100 Grounds	Quantity	1 pump/motor
		Unit Cost	$2,000.00
		% of Replacement	100.00%
		Current Cost	$2,000.00
Placed In Service	01/2022	Future Cost	$2,388.10
Useful Life	10		
		Assigned Reserves at FYB	$800.00
Remaining Life	6	Monthly Member Contribution	$18.92
Replacement Year	2032	Monthly Interest Contribution	$0.01
		Total Monthly Contribution	$18.92

This is a Pentair, Superflo VST 1.5HP pump/motor (manufactured 4/4/2021).

Foothills Reserve Master Owners Association
Component Detail
Directed Cash Flow Calculation Method; Sorted By Category

Grounds: Park Equipment (Ramadas)

Category	100 Grounds	Quantity	1 total
		Unit Cost	$9,000.00
		% of Replacement	100.00%
		Current Cost	$9,000.00
Placed In Service	01/2003	Future Cost	$9,548.10
Useful Life	25		
		Assigned Reserves at FYB	$8,280.00
Remaining Life	2	Monthly Member Contribution	$48.09
Replacement Year	2028	Monthly Interest Contribution	$0.07
		Total Monthly Contribution	$48.16

This component will accumulate funds on a 25 year cycle for the replacement of the following park equipment at the following three ramadas on an "as needed" basis:

Ramada in Parcel D next to Lot 17 (6' picnic table & trash receptacle)
Ramada in Parcel D next to Lot 61 (6' picnic table & trash receptacle)
Ramada in Parcel C at the SW corner of the Recreation Area (6' picnic table & trash receptacle)

Foothills Reserve Master Owners Association

Component Detail

Directed Cash Flow Calculation Method; Sorted By Category

Grounds: Tree Trimming (Unfunded)

Category	100 Grounds	Quantity	1 comment
		Unit Cost	$0.00
		% of Replacement	0.00%
		Current Cost	$0.00
Placed In Service	01/2002	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

Tree trimming is accounted for as an operating expense.

Foothills Reserve Master Owners Association

Component Detail Index

27 Components