

M & M Business Enterprises

Exceeding Your Expectations

STONEBRIDGE II MAINTENANCE CORPORATION

RESERVE FUNDING STUDY (Onsite Visit)

FY 2015
(Based on July 2015 Financials)



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INTRODUCTION

PURPOSE OF THE STUDY: The purpose of this study is to provide information regarding the common area components that the Association is responsible for maintaining with a remaining useful life 30 years or less. The information includes estimates of replacement costs, life expectancy and probable remaining useful life of the components, potential and/or existing problems requiring the Association's attention and maintenance recommendations, as needed, and recommended reserve allocations to maintain or become fully funded.

STATE REQUIREMENTS: California Civil Code Chapter 7, Finances, Article 3 sets forth California's legal requirements for reserve study information to be included in the annual association budget packet. The Civil Code also requires the Board of Directors of existing associations that have completed a reserve study, to review the report annually and consider and implement any necessary adjustments as a result of that review, and effective July 1, 2005 provide an Assessment and Reserve Funding Disclosure Summary. Additionally, the Civil Code requires that a physical analysis be conducted at least every three years. The law does not specify the funding goal to be achieved by the association.

SOURCE OF DATA: This reserve study reflects assumptions regarding future events based on information supplied by the Association's Board of Directors, property management company, contractors and/or published replacement guides. The Board of Directors agrees with all assumptions as the most probable course of events and is solely responsible for updating the report for any changes in assumptions.

IMPORTANCE OF A RESERVE STUDY:

- Ensures that the association complies with the applicable legal requirements.
- Helps the Board distinguish between operating and reserve expenses.
- May be used as a management tool for the scheduling and planning of future repairs and/or replacement of components to help eliminate the need for special assessments.
- Helps to give a more accurate and complete picture of an association's financial position and future needs.

GENERAL INFORMATION

Stonebridge II Maintenance Corporation is a 39-unit condominium project located at 1434 Hilltop Drive, Chula Vista, California, 91911. The project was originally constructed as apartments in 1972 and Hilltop Castle, LLC, a California Limited Liability Company filed the Declaration in November 2002.

Stonebridge II Maintenance Corporation consists of 8 wood frame (3-, 4-, 5- and 6-plex) residential buildings that have stucco with wood trim exteriors. The buildings have a flat roof system. Project amenities include a swimming pool, clubhouse, laundry facilities, private driving/parking spaces, and landscaping.

The following is a brief description of the reports included in this study:

1. The **Reserve Study Summary** identifies the major reserve components and their probable remaining useful life, estimates the cost of repair, replacement, restoration or maintenance of the major components and estimates the annual contribution needed to defray those costs. The report shows the difference between the Estimated Year End Required Balance and the Projected Year End Cash Balance and options for funding a deficit or adjusting for excess funding to achieve/maintain a fully funded reserve. **This comprehensive report may be used for your budget packet.**
2. The **30-Year Cash Flow Projection(s)** estimates the projected reserve cash balance at the end of each fiscal year and compares it to the estimated required balance to show percent funded for each year for the next 30 years. It starts with the Association's projected reserve cash balance for the current fiscal year end, adds the annual reserve contribution and subtracts the annual reserve disbursements. This report is designed to assist in the completion of the *Assessment and Reserve Funding Disclosure Summary* and helps to give the Board a more accurate picture of the Association's financial position and future needs. The projection does not reflect increases in reserve contributions, inflation or interest received on reserve accounts.
3. The **Chart of Suggested Annual Reserve Allocation** visually shows the Association where their reserve dollars are suggested to be allocated annually; and
4. The **Notes and Recommendations** section details the description of the components, an explanation of the allocation, if needed, as well as recommendations for the components.

STONEBRIDGE II MAINTENANCE CORPORATION

RESERVE STUDY SUMMARY

Onsite Visit

M & M Business Enterprises

825 College Blvd., Suite 102-115

Oceanside, CA 92057

760-806-1007

Projected Reserve Balance at 2015 FYE

\$46,104

(Based on July 2015 financials)

COMPONENT/ DESCRIPTION	CURRENT REPLACEMENT COST	EST LIFE	EST REM LIFE	ANNUAL RESERVE REQRMNT	ESTIMATED YEAR END REQUIRED BALANCE	PROJECTED YEAR END CASH BALANCE	ESTIMATED YEAR END EXCESS/ (DEFICIT)
AWNINGS	\$11,880	10	0	\$1,188	\$11,880	\$1,773	(\$10,107)
FENCES/RAILINGS							
Patio Fences	\$26,060	20	7	\$1,303	\$16,939	\$2,528	(\$14,411)
Ornamental Iron Railings/Fences	\$3,584	25	8	\$143	\$2,431	\$363	(\$2,068)
Ornamental Iron Gate	\$1,485	25	15	\$59	\$590	\$88	(\$502)
Wood Fence	\$36,300	20	7	\$1,815	\$23,595	\$3,521	(\$20,074)
Total Fences/Railings	\$67,428			\$3,320	\$43,555	\$6,499	(\$37,056)
IRRIGATION							
Controllers	\$1,500	10	9	\$150	\$150	\$22	(\$128)
Backflow	\$3,000	20	7	\$150	\$1,950	\$291	(\$1,659)
Total Irrigation	\$4,500			\$300	\$2,100	\$313	(\$1,787)
LIGHT FIXTURES	\$6,494	20	7	\$325	\$4,225	\$630	(\$3,595)
MAILBOXES	\$4,700	30	17	\$157	\$2,041	\$305	(\$1,736)
PAINTING							
Exterior (Wood Trim/Wood Railings)	\$16,225	5	1	\$3,245	\$12,980	\$1,937	(\$11,043)
Wood Fences	\$2,920	5	0	\$584	\$2,920	\$436	(\$2,484)
Wood Replacement	\$15,000	5	1	\$3,000	\$12,000	\$1,791	(\$10,209)
Ornamental Iron Railings/Fences	\$687	5	0	\$137	\$687	\$103	(\$585)
Stucco	\$33,970	12	5	\$2,831	\$19,817	\$2,957	(\$16,860)
Total Painting	\$68,803			\$9,797	\$48,404	\$7,223	(\$41,181)
RECREATION FACILITY							
Flooring				Repair/replace from Contingency			
Pool Furniture	\$1,000	10	10	\$100	\$0	\$0	\$0
Laundry Rooms				Maintained by Web Services			
Total Recreation Facility	\$1,000			\$100	\$0	\$0	\$0
ROOFS							
Flat	\$143,460	15	2	\$9,564	\$124,332	\$18,553	(\$105,779)
Flat (#34 & #35)	\$3,500	15	11	\$233	\$932	\$139	(\$793)
Metal - Carport (Limited)	\$7,524	25	12	\$301	\$3,913	\$584	(\$3,329)
Total Roofs	\$154,484			\$10,098	\$129,177	\$19,276	(\$109,901)
STREETS/SIDEWALKS							
Asphalt Surfaces							
Reseal/Repair	\$3,030	4	0	\$758	\$3,030	\$452	(\$2,578)
Resurface	\$23,810	25	1	\$952	\$22,848	\$3,409	(\$19,439)
Concrete Surfaces	\$10,000	10	2	\$1,000	\$8,000	\$1,194	(\$6,806)
Total Streets/Sidewalks	\$36,840			\$2,710	\$33,878	\$5,055	(\$28,823)
SWIMMING POOL							
Filter	\$1,200	15	2	\$80	\$1,040	\$155	(\$885)
Pump	\$925	8	3	\$116	\$580	\$87	(\$493)
Replaster/Tile/Coping	\$10,000	12	0	\$833	\$10,000	\$1,492	(\$8,508)
Total Swimming Pool	\$12,125			\$1,029	\$11,620	\$1,734	(\$9,886)
WATER HEATERS							
Heater	\$5,700	15	11	\$380	\$1,520	\$227	(\$1,293)
Heater	\$11,400	15	13	\$760	\$1,520	\$227	(\$1,293)
Total Water Heaters	\$17,100			\$1,140	\$3,040	\$454	(\$2,586)
SUBTOTALS	\$380,654			\$30,164	\$289,921	\$43,263	(\$246,657)
Contingency (5%)	\$19,033			\$1,508	\$19,033	\$2,840	(\$16,193)
TOTAL	\$399,687			\$31,672	\$308,953	\$46,104	(\$262,850)

Based on the information provided as of the date of this report:

Estimated amount required in reserves as of the fiscal year end:	\$308,953	
Projected cash balance in reserves as of the fiscal year end:	\$46,104	
Percent funded as of the fiscal year end:	15%	
Estimated deficit as of the fiscal year end:	\$262,850	Average per unit deficit: \$6,740

Reserve Funding Plans: (reserve allocations are average per unit per month)

- Fully funded:** A special assessment of \$6,740 and a new reserve allocation of \$67.68
- Fully funded in five years:** a reserve allocation of \$180.00 for five years, then \$67.68
- Baseline funded** (to keep the reserve cash balance above zero): a reserve allocation of \$186.00 for three years, then \$67.68

Current Average Reserve Allocation per unit per month is: **\$65.00**

STONEBRIDGE II MAINTENANCE CORPORATION

30-Year Cash Flow Projection

(Based on the current year reserve allocation)

Fiscal Year	Beginning Balance	Annual Reserve Contribution*	Estimated Annual Disbursement	Projected Year End Cash Balance	Estimated Required Balance	Percent Funded
2016	\$46,104	\$30,420	\$87,731	-\$11,207	\$252,895	-4%
2017	-\$11,207	\$30,420	\$162,393	-\$143,180	\$122,174	-117%
2018	-\$143,180	\$30,420	\$971	-\$113,731	\$152,875	-74%
2019	-\$113,731	\$30,420	\$0	-\$83,311	\$184,547	-45%
2020	-\$83,311	\$30,420	\$38,851	-\$91,742	\$177,369	-52%
2021	-\$91,742	\$30,420	\$36,574	-\$97,896	\$172,467	-57%
2022	-\$97,896	\$30,420	\$75,446	-\$142,922	\$128,693	-111%
2023	-\$142,922	\$30,420	\$3,763	-\$116,265	\$156,602	-74%
2024	-\$116,265	\$30,420	\$4,757	-\$90,602	\$183,518	-49%
2025	-\$90,602	\$30,420	\$1,050	-\$61,232	\$214,140	-29%
2026	-\$61,232	\$30,420	\$59,679	-\$90,491	\$186,133	-49%
2027	-\$90,491	\$30,420	\$18,400	-\$78,472	\$199,405	-39%
2028	-\$78,472	\$30,420	\$21,977	-\$70,029	\$209,100	-33%
2029	-\$70,029	\$30,420	\$0	-\$39,609	\$240,772	-16%
2030	-\$39,609	\$30,420	\$1,559	-\$10,748	\$270,885	-4%
2031	-\$10,748	\$30,420	\$36,574	-\$16,902	\$265,983	-6%
2032	-\$16,902	\$30,420	\$195,679	-\$182,161	\$101,977	-179%
2033	-\$182,161	\$30,420	\$0	-\$151,741	\$133,649	-114%
2034	-\$151,741	\$30,420	\$2,546	-\$123,867	\$162,775	-76%
2035	-\$123,867	\$30,420	\$1,050	-\$94,497	\$193,397	-49%
2036	-\$94,497	\$30,420	\$52,230	-\$116,307	\$172,839	-67%
2037	-\$116,307	\$30,420	\$10,500	-\$96,387	\$194,011	-50%
2038	-\$96,387	\$30,420	\$0	-\$65,967	\$225,684	-29%
2039	-\$65,967	\$30,420	\$0	-\$35,547	\$257,356	-14%
2040	-\$35,547	\$30,420	\$10,007	-\$15,134	\$279,021	-5%
2041	-\$15,134	\$30,420	\$71,235	-\$55,949	\$239,458	-23%
2042	-\$55,949	\$30,420	\$76,417	-\$101,946	\$194,713	-52%
2043	-\$101,946	\$30,420	\$11,970	-\$83,496	\$214,415	-39%
2044	-\$83,496	\$30,420	\$41,147	-\$94,223	\$204,940	-46%
2045	-\$94,223	\$30,420	\$1,050	-\$64,853	\$235,563	-28%

*This projection reflects the current year (2015) annual reserve contribution. This projection shows where the funding is projected to be in 30 years if the Association continues with the current reserve allocation. The projection does not reflect changes in reserve contributions, inflation or interest received on reserve accounts.

STONEBRIDGE II MAINTENANCE CORPORATION

30-Year Cash Flow Projection

(Based on the fully funded in five years funding plan)

Fiscal Year	Beginning Balance	Annual Reserve Contribution*	Estimated Annual Disbursement	Projected Year End Cash Balance	Estimated Required Balance	Percent Funded
2016	\$46,104	\$84,242	\$87,731	\$42,615	\$252,895	17%
2017	\$42,615	\$84,242	\$162,393	-\$35,536	\$122,174	-29%
2018	-\$35,536	\$84,242	\$971	\$47,735	\$152,875	31%
2019	\$47,735	\$84,242	\$0	\$131,977	\$184,547	72%
2020	\$131,977	\$84,242	\$38,851	\$177,369	\$177,369	100%
2021	\$177,369	\$31,672	\$36,574	\$172,467	\$172,467	100%
2022	\$172,467	\$31,672	\$75,446	\$128,693	\$128,693	100%
2023	\$128,693	\$31,672	\$3,763	\$156,602	\$156,602	100%
2024	\$156,602	\$31,672	\$4,757	\$183,518	\$183,518	100%
2025	\$183,518	\$31,672	\$1,050	\$214,140	\$214,140	100%
2026	\$214,140	\$31,672	\$59,679	\$186,133	\$186,133	100%
2027	\$186,133	\$31,672	\$18,400	\$199,405	\$199,405	100%
2028	\$199,405	\$31,672	\$21,977	\$209,100	\$209,100	100%
2029	\$209,100	\$31,672	\$0	\$240,772	\$240,772	100%
2030	\$240,772	\$31,672	\$1,559	\$270,885	\$270,885	100%
2031	\$270,885	\$31,672	\$36,574	\$265,983	\$265,983	100%
2032	\$265,983	\$31,672	\$195,679	\$101,977	\$101,977	100%
2033	\$101,977	\$31,672	\$0	\$133,649	\$133,649	100%
2034	\$133,649	\$31,672	\$2,546	\$162,775	\$162,775	100%
2035	\$162,775	\$31,672	\$1,050	\$193,397	\$193,397	100%
2036	\$193,397	\$31,672	\$52,230	\$172,839	\$172,839	100%
2037	\$172,839	\$31,672	\$10,500	\$194,011	\$194,011	100%
2038	\$194,011	\$31,672	\$0	\$225,684	\$225,684	100%
2039	\$225,684	\$31,672	\$0	\$257,356	\$257,356	100%
2040	\$257,356	\$31,672	\$10,007	\$279,021	\$279,021	100%
2041	\$279,021	\$31,672	\$71,235	\$239,458	\$239,458	100%
2042	\$239,458	\$31,672	\$76,417	\$194,713	\$194,713	100%
2043	\$194,713	\$31,672	\$11,970	\$214,415	\$214,415	100%
2044	\$214,415	\$31,672	\$41,147	\$204,940	\$204,940	100%
2045	\$204,940	\$31,672	\$1,050	\$235,563	\$235,563	100%

*This reserve allocation reflects the option of becoming fully funded in five years. Please refer to Funding Plan 2 on the Reserve Study Summary. The projection does not reflect changes in reserve contributions (other than what is indicated in the funding plan), inflation or interest received on reserve accounts.

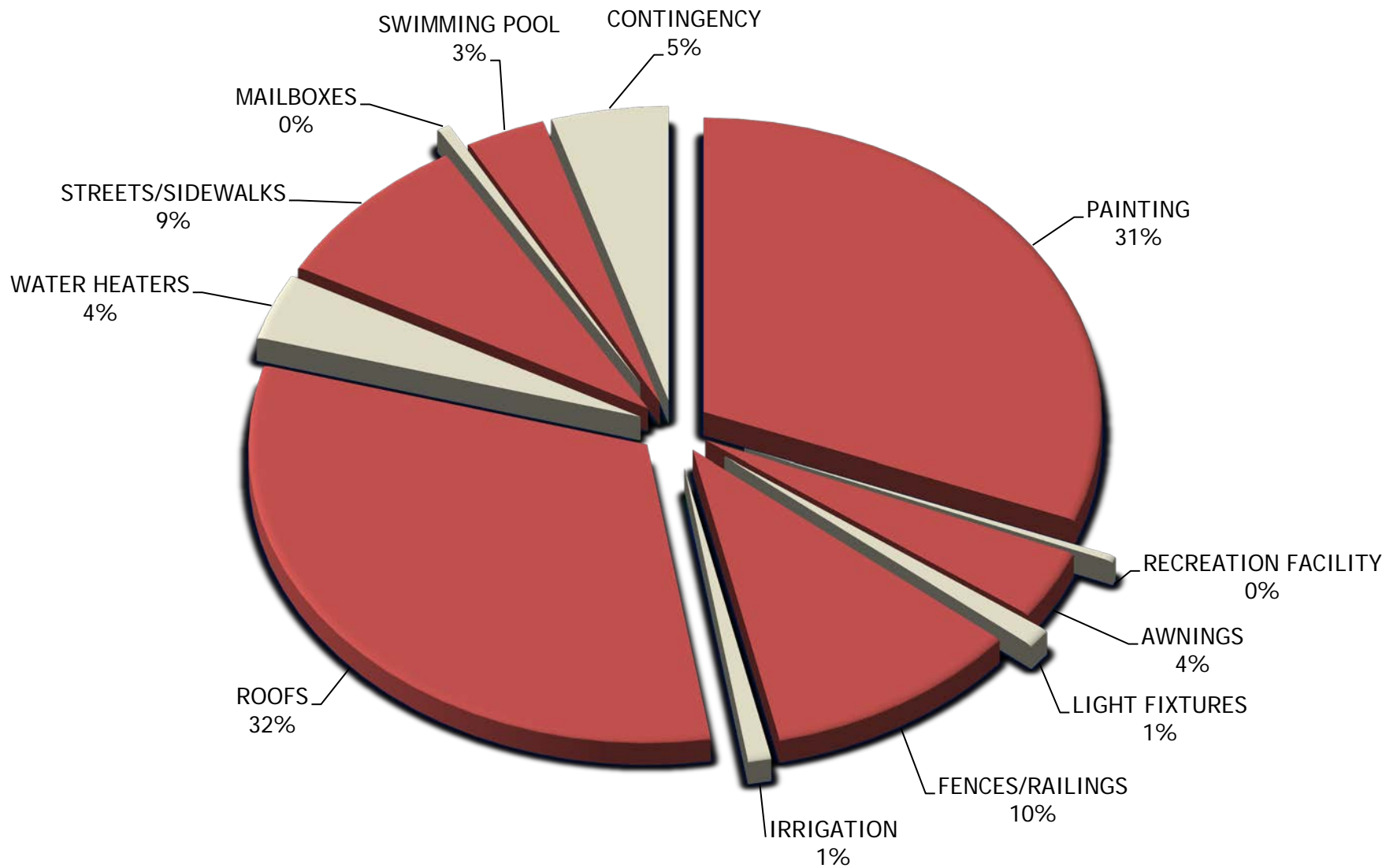
STONEBRIDGE II MAINTENANCE CORPORATION
30-Year Cash Flow Projection
(Based on the baseline funding plan)

Fiscal Year	Beginning Balance	Annual Reserve Contribution*	Estimated Annual Disbursement	Projected Year End Cash Balance	Estimated Required Balance	Percent Funded
2016	\$46,104	\$87,048	\$87,731	\$45,421	\$252,895	18%
2017	\$45,421	\$87,048	\$162,393	-\$29,924	\$122,174	-24%
2018	-\$29,924	\$87,048	\$971	\$56,153	\$152,875	37%
2019	\$56,153	\$31,672	\$0	\$87,825	\$184,547	48%
2020	\$87,825	\$31,672	\$38,851	\$80,646	\$177,369	45%
2021	\$80,646	\$31,672	\$36,574	\$75,744	\$172,467	44%
2022	\$75,744	\$31,672	\$75,446	\$31,970	\$128,693	25%
2023	\$31,970	\$31,672	\$3,763	\$59,880	\$156,602	38%
2024	\$59,880	\$31,672	\$4,757	\$86,795	\$183,518	47%
2025	\$86,795	\$31,672	\$1,050	\$117,417	\$214,140	55%
2026	\$117,417	\$31,672	\$59,679	\$89,410	\$186,133	48%
2027	\$89,410	\$31,672	\$18,400	\$102,682	\$199,405	51%
2028	\$102,682	\$31,672	\$21,977	\$112,377	\$209,100	54%
2029	\$112,377	\$31,672	\$0	\$144,050	\$240,772	60%
2030	\$144,050	\$31,672	\$1,559	\$174,163	\$270,885	64%
2031	\$174,163	\$31,672	\$36,574	\$169,261	\$265,983	64%
2032	\$169,261	\$31,672	\$195,679	\$5,254	\$101,977	5%
2033	\$5,254	\$31,672	\$0	\$36,926	\$133,649	28%
2034	\$36,926	\$31,672	\$2,546	\$66,052	\$162,775	41%
2035	\$66,052	\$31,672	\$1,050	\$96,675	\$193,397	50%
2036	\$96,675	\$31,672	\$52,230	\$76,117	\$172,839	44%
2037	\$76,117	\$31,672	\$10,500	\$97,289	\$194,011	50%
2038	\$97,289	\$31,672	\$0	\$128,961	\$225,684	57%
2039	\$128,961	\$31,672	\$0	\$160,633	\$257,356	62%
2040	\$160,633	\$31,672	\$10,007	\$182,298	\$279,021	65%
2041	\$182,298	\$31,672	\$71,235	\$142,736	\$239,458	60%
2042	\$142,736	\$31,672	\$76,417	\$97,991	\$194,713	50%
2043	\$97,991	\$31,672	\$11,970	\$117,693	\$214,415	55%
2044	\$117,693	\$31,672	\$41,147	\$108,218	\$204,940	53%
2045	\$108,218	\$31,672	\$1,050	\$138,840	\$235,563	59%

*This reserve allocation reflects the baseline funding plan where the year end balance never falls below zero once a positive cash flow has been achieved. Please refer to Funding Plan 3 on the Reserve Study Summary. The projection does not reflect changes in reserve contributions (other than what is indicated in the funding plan), inflation or interest received on reserve accounts.

STONEBRIDGE II MAINTENANCE CORPORATION

CHART OF SUGGESTED ANNUAL RESERVE ALLOCATIONS



NOTES TO THE PHYSICAL AUDIT & RESERVE STUDY

DEFINITIONS: This section is an inventory of the components shown within the Reserve Study Summary. The components should be reviewed carefully to insure that no item has been omitted.

Component descriptions include recommendations for the consideration of the Board. The recommendations are comprised of suggestions made by a board member(s), the property manager, employee(s) of the Association, contractors employed by the Association and/or M & M Business Enterprises. The recommendations are provided to encourage the Board to investigate further possibilities or ways to promote and enhance the care and maintenance of the Association's Common Areas.

COMMON AREA COMPONENTS

AWNINGS: The canvas awnings over the entranceways.

Recommendations: The awnings should be hosed off on a 4-6 week cycle to prevent the accumulation of salt and dust which, in combination with environmental moisture, promotes deterioration of the canvas from mildew.

FENCES/RAILINGS (Replace): The ornamental iron pool/walkway fencing, fire gate and wood fencing.

Recommendations: Fences should be inspected on an annual basis for deterioration from natural causes and/or abuse with minor repairs completed at this time. The base of a fence should be several inches above ground or more ideally set on a concrete foundation with landscape sprinklers directed away from the fence and/or any structure.

IRRIGATION: A pressurized distribution system that utilizes PVC piping, five automatic sprinkler controllers, valves, sprinklers and three backflow devices.

Explanation of Allocation: The allocation shown is for the automatic controllers and backflow devices. It is our understanding that replacing the sprinklers and valves are Association operating expenses.

LIGHT FIXTURES: Approximately six breezeway ceiling lights, twenty-eight security lights, five coach lamp wall fixtures at clubhouse, and eighteen carport lights were seen during the property inspection.

MAILBOXES: Three pedestal (one 12-cluster and two 16-cluster) delivery and collection mailbox units.

PAINTING: Painting the wood trim and doors of buildings, carports, interior surfaces (the clubhouse, storage room, restroom and laundry room), ornamental iron pool fence, ornamental iron walkway fencing and gate, wood fencing and exterior stucco building surfaces.

Recommendations: For maximum life expectancy, industry sources recommend that wood and ornamental iron surfaces be painted or stained immediately upon installation. Thereafter, the surfaces should be thoroughly cleaned of rust and old paint, water sealed, painted or stained with particular attention given to the tops and bottoms of the surfaces on a regular cycle to protect from wood rot/rust, water staining, warping and to maintain the project's cosmetic appearance.

Recommendations: Stucco surfaces should be inspected annually for signs of peeling, cracking, and other deterioration or damage, with minor touch-up completed at this time. Typically, all stucco surfaces should be repainted on a 10-12 year cycle.

RECREATIONAL FACILITY:

Flooring: The allocation for the carpet in the clubhouse and the linoleum in the laundry room is included in Contingency.

Furniture (Patio/Pool Area): The common area pool furniture.

Laundry Room: It is our understanding that the washers/dryers are leased from and maintained by Web Services.

ROOFS (Replacement): The flat built-up roof system (residential buildings and four carports) and the two metal carport roofs.

Explanation of Allocation: The estimated replacement cost shown makes no allowance for repairs to the roof other than the flat roof system. Damage to the roof structure from sources such as, but not limited to, improper installation and drainage, usage, maintenance procedures, termites and dry rot is not allowed for.

Recommendations: A qualified roofer or a knowledgeable professional should inspect the roofs annually, with sealing, patching, repair work and general maintenance (i.e. removal of debris from the roofs, cleaning out of the gutters and trees trimmed away from the buildings) performed as needed.

STREETS/SIDEWALKS:

Asphalt Surfaces: Private driveway and parking spaces.

Explanation of Allocation: The allocations recommended allow for reseal/restripe of the asphalt every 3-4 years; and, repair/renovation of the existing areas approximately every 20-25 years.

The estimated allocations shown make no allowance for extensive repairs or total reconstruction of the asphalt. Extensive damage to the asphalt from sources such as, but not limited to, original construction of the streets (e.g. defective installation, improper design or defective materials) improper drainage, chemical deterioration, ground subsidence, use of the streets by heavy vehicles and the age of the asphalt materials is not taken into consideration in this report.

Recommendations: Asphalt surfaces should be swept regularly and inspected on a semiannual basis for signs of possible deterioration from soil expansion, tree root intrusion, water runoff, chemical damage and improper installation with patching and sealing completed at that time.

Concrete: Walkways and the pool decking.

Explanation of Allocation: The allocation shown is for limited repair of the concrete surfaces, which may be caused by tree root intrusion, use of the driveway by heavy vehicles, soil expansion or contraction and age of concrete.

Recommendations: Concrete surfaces should be swept regularly and inspected on a semiannual basis for signs of possible deterioration from soil expansion, tree root intrusion and improper installation with patching and sealing completed.

SWIMMING POOL: The pool equipment consists of one filter and one 1.5-HP motor/pump.

Recommendations: A pool should be replastered approximately every 10-12 years. The life expectancy of the pool is directly proportionate to the maintenance program followed.

HOT WATER HEATER: Replacement of the three 100 Gallon water heaters.

CONTINGENCY: The allocation represents 5% of the subtotal of the reserve allocation. It is intended to offset possible dollar shortages due to situations such as, but not limited to, premature failure of component(s) or miscellaneous items not specifically included under a reserve category.

APPENDIX A

ASSUMPTIONS

(Limitations of Report)

1. This report has been prepared based on information provided by the Association's Board of Directors, property management company and/or contractors currently working for the community.
2. The scope of the report is limited to a visual inspection of the accessible areas of Association's major components. Components may not be included that are not readily apparent by visual inspection or were not disclosed. No site visit is made for an accounting update.
3. The findings in this report are applicable as of the date of this report. It should be noted that even if accurately estimated initially, expenses increase with the age of the property and inflation. The terms of our engagement do not provide for reporting on events and analyses subsequent to the date of this report. Therefore, we accept no responsibility to update or revise this report.
4. All allocations are presented in "today's" dollars. No adjustment is made for inflation. It is assumed that the Association will maintain its reserve funds in a high yield interest-bearing account and that any discrepancy between the rate of inflation and the interest earned will be calculated and adjusted by the Board in conjunction with the annual review of the Association's budget.
5. All dollar figures included within this report are subject to rounding error.
6. The component life expectancies used within the study are "average" life expectancies. These estimates assume that a regular maintenance program of the components will be followed. Lack of proper maintenance may significantly decrease the components' life expectancies. The occurrence of abuse, vandalism, severe weather conditions, earthquakes, floods or other acts of God cannot be accounted for and are excluded when assessing the life expectancy of the components.
7. The replacement costs provided herein are estimates based on bids/contracts provided by the Association's Board of Directors, property management company and contractors; or estimates based upon construction replacement figures as published within the latest editions of construction cost estimating manuals.
8. Certain components included within this report may already be allowed for elsewhere in the Association's budget. The Board retains the right and responsibility of making the final decision for implementation of the information provided within the Reserve Study. **The Reserve Study is intended to be a tool for the Association and should not be considered the only answer to the Association's reserve funding requirements.**
9. Regular inspections by the Board should occur to validate the condition of the components. The findings within the Reserve Study should be reviewed and updated annually to comply with current State law.
10. For the purposes of this report, tree trimming and termite extermination will be considered operating expenses. Damage due to termites/dry-rot is not allowed for as this type of damage is largely unforeseeable and the extent of repairs is proportionate to the level of maintenance and routine pest control inspections (or lack thereof) performed by the Association. Repairs and maintenance to plumbing, sewer, gas and electrical systems (except for the common area light fixtures) are not included herein. The Board may, at its discretion, determine and include an allocation to cover the afore-described situations as necessary.
11. Project completion date was used as the base year to establish the component life expectancies where the actual dates of the work completed were not available.
12. Some assumptions inevitably will not materialize and unanticipated events/circumstances may occur subsequent to the date of the report. Therefore, the actual replacement cost and remaining life may vary from the replacement fund program and the variation may be significant.

APPENDIX B

RESERVE STUDY SUMMARY COLUMN DEFINITIONS

COMPONENTS/DESCRIPTION: Describes the component by name/category.

CURRENT REPLACEMENT COST: Represents the estimated dollar amount necessary to maintain and/or replace the component in today's dollars. No allowance has been made for inflation or for cost increases in materials and labor. This estimate is based on one of the following sources:

1. Information provided by the Association's Board of Directors or the property management company; and/or,
2. A proposal/written bid provided by a contractor; and/or,
3. Current construction figures as published in the latest editions of construction cost estimating manuals.

EST LIFE (Estimated Life): Represents an estimate based on information provided by the Association's Board of Directors and/or property management company regarding actual Association experience with the applicable component life, estimates by contractors employed by the Association and/or published standards.

EST REM LIFE (Estimated Remaining Life): Represents the estimated life expectancy of the component less the component's age. The estimate is not intended to be predictive, but rather an educated guess based on available historic evidence provided by the Board of Directors, property management company, the various contractors working for the Association and/or published standards.

ANNUAL RESERVE REQUIREMENT: Represents the annual reserve contribution based on a straight-line calculation of the Current Replacement Cost divided by Estimated Life.

ESTIMATED YEAR END REQUIRED BALANCE: Represents an estimate of the fiscal year end required balance in today's dollars for a particular component. It is calculated by multiplying the Annual Reserve Requirement by the expended life of each component. The total represents the estimated balance for a 100% funded level.

PROJECTED YEAR END CASH BALANCE: Represents the fiscal year end components' pro rata share of the Association's actual reserve balance as provided by the Association.

ESTIMATED YEAR END EXCESS/DEFICIT: Represents the difference between the Estimated Year End Required Balance and the Projected Year End Cash Balance per component. The total of the column represents the total projected dollar amount that the Association's reserve account is either deficient or in excess of the Estimated Year End Required Balance.

CONTINGENCY: Represents the allocation for each column as follows:

1. **Current Replacement Cost** – the specified percentage of the column subtotal.
2. **Annual Reserve Requirement** – the suggested annual reserve allocation.
3. **Estimated Year End Required Balance** – the recommended reserve balance for Contingency as of the current fiscal year, based on the age of the property.
4. **Projected Year End Cash Balance** – the pro rata share of the projected year end reserve balance as provided by the Association.
5. **Estimated Year End Excess/Deficit** – the difference between the Estimated Year End Required Balance and the Projected Year End Cash Balance as of the fiscal year end.