

M & M Business Enterprises

Exceeding Your Expectations

CHERRYWOOD ESTATES HOMEOWNERS ASSOCIATION

RESERVE FUNDING STUDY
(Onsite Visit)

FY 2010
(Based on July 2010 Financials)



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TABLE OF CONTENTS

INTRODUCTION	1
Purpose of the Study	
State Requirements	
Source of Data	
Reserve Study Importance	
GENERAL INFORMATION	2
Project Description	
Analysis Summary	
Explanation of Reports	
REPORTS	
Reserve Study Summary	3
30-Year Cash Flow Projections	4-6
Chart of Suggested Annual Reserve Allocation	7
Notes and Recommendations	8-9
APPENDIX	
Assumptions	Appendix A
Reserve Study Summary Column Definitions	Appendix B

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 Section 1365 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

Cherrywood Estates Homeowners Association, a 15-lot planned unit development, is located at 820-848 Cherrywood Way, El Cajon, California, 92021. The project was constructed in 1987. Project amenities include a private street, swimming pool and landscaping.

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

- | | |
|--|---------------------------|
| ▪ The estimated amount required in reserves as of the fiscal year end: | \$43,549 |
| ▪ The projected cash balance in reserves as of the fiscal year end: | \$9,762 |
| ▪ The percent funded as of the fiscal year end: | 22% |
| ▪ Estimated deficit as of the fiscal year end: \$33,787 | Per unit deficit: \$2,252 |

Reserve Funding Plans:

- **Fully Funded:** a special assessment of \$2,252 per unit and a new reserve allocation of \$31.30 per unit per month.
- **Fully Funded in five years:** a reserve allocation of \$68.84 per unit per month for the next five years and then \$31.30 per unit per month thereafter.
- **Baseline Funding** (which keeps the reserve cash balance above zero): a reserve allocation of \$36.50 per unit per month.

The current reserve allocation per unit per month is \$29.48.

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.

CHERRYWOOD ESTATES HOMEOWNERS ASSOCIATION

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 2010 FYE \$9,762

(Based on July 2010 financials)

COMPONENT/ DESCRIPTION	CURRENT REPLACEMENT COST	EST LIFE	EST REM LIFE	ANNUAL RESERVE REORMNT	ESTIMATED YEAR END REQUIRED BALANCE	PROJECTED YEAR END CASH BALANCE	ESTIMATED YEAR END EXCESS/ (DEFICIT)
FENCES							
Chain Link Gates	\$388	30	7	\$13	\$299	\$67	(\$232)
Ornament Iron	\$7,372	25	10	\$295	\$4,425	\$992	(\$3,433)
Wood	\$6,541	20	5	\$327	\$4,905	\$1,099	(\$3,806)
Total Fences	\$14,301			\$635	\$9,629	\$2,158	(\$7,471)
LANDSCAPE/IRRIGATION							
Backflow	\$1,100	20	20	\$55	\$0	\$0	\$0
Controller	\$1,250	10	7	\$125	\$375	\$84	(\$291)
Tree Service	\$2,000	3	1	\$667	\$1,334	\$299	(\$1,035)
Total Landscape/Irrigation	\$4,350			\$847	\$1,709	\$383	(\$1,326)
LIGHT FIXTURES	\$1,000	20	5	\$50	\$750	\$168	(\$582)
MAILBOX	\$1,550	25	2	\$62	\$1,426	\$320	(\$1,106)
PAINTING	\$844	5	0	\$169	\$844	\$189	(\$655)
SIGNAGE				See "Notes" Section			
SOLAR	\$9,200	20	13	\$460	\$3,220	\$722	(\$2,498)
SWIMMING POOL							
Filter	\$1,100	15	0	\$73	\$1,100	\$247	(\$853)
Pump	\$875	8	0	\$109	\$875	\$196	(\$679)
Replaster/Tiles	\$6,700	10	4	\$670	\$4,020	\$901	(\$3,119)
Deck Joint Sealant	\$452	5	5	\$90	\$0	\$0	\$0
Total Swimming Pool	\$9,127			\$942	\$5,995	\$1,344	(\$4,651)
STREETS / CONCRETE							
Reseal Asphalt	\$3,399	4	4	\$850	\$0	\$0	\$0
Resurface Asphalt	\$28,761	25	15	\$1,150	\$11,500	\$2,578	(\$8,922)
Concrete	\$5,000	25	2	\$200	\$4,600	\$1,031	(\$3,569)
Total Streets / Concrete	\$37,160			\$2,200	\$16,100	\$3,609	(\$12,491)
SUBTOTALS	\$77,531			\$5,365	\$39,673	\$8,893	(\$30,780)
Contingency (5%)	\$3,877			\$268	\$3,877	\$869	(\$3,008)
TOTAL	\$81,408			\$5,633	\$43,549	\$9,762	(\$33,787)

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

Estimated amount required in reserves as of the fiscal year end:	\$43,549	
Projected cash balance in reserves as of the fiscal year end:	\$9,762	
Percent funded as of the fiscal year end:	22%	
Estimated deficit as of the fiscal year end:	\$33,787	Per unit deficit: \$2,252

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

- Fully funded:** A special assessment of \$2,252 and a new reserve allocation of \$31.30
- Fully funded in five years:** a reserve allocation of \$68.84 for five years, then \$31.30
- Baseline funded** (to keep the reserve cash balance above zero): a reserve allocation of \$36.50

Current Reserve Allocation per unit per month is: \$29.48

CHERRYWOOD ESTATES HOMEOWNERS ASSOCIATION
30-Year Cash Flow Projection
(Based on the current reserve allocation)

Fiscal Year	Beginning Balance	Annual Reserve Contribution*	Estimated Annual Disbursement	Projected Year End Cash Balance	Estimated Required Balance	Percent Funded
2011	\$9,762	\$5,306	\$5,060	\$10,008	\$44,123	23%
2012	\$10,008	\$5,306	\$6,878	\$8,436	\$42,879	20%
2013	\$8,436	\$5,306	\$0	\$13,742	\$48,512	28%
2014	\$13,742	\$5,306	\$12,704	\$6,344	\$41,441	15%
2015	\$6,344	\$5,306	\$8,392	\$3,258	\$38,682	8%
2016	\$3,258	\$5,306	\$886	\$7,678	\$43,429	18%
2017	\$7,678	\$5,306	\$3,819	\$9,164	\$45,243	20%
2018	\$9,164	\$5,306	\$3,569	\$10,901	\$47,308	23%
2019	\$10,901	\$5,306	\$919	\$15,289	\$52,022	29%
2020	\$15,289	\$5,306	\$10,315	\$10,280	\$47,341	22%
2021	\$10,280	\$5,306	\$886	\$14,700	\$52,088	28%
2022	\$14,700	\$5,306	\$3,569	\$16,437	\$54,152	30%
2023	\$16,437	\$5,306	\$11,760	\$9,982	\$48,025	21%
2024	\$9,982	\$5,306	\$7,035	\$8,253	\$46,624	18%
2025	\$8,253	\$5,306	\$30,673	(\$17,114)	\$21,584	-79%
2026	(\$17,114)	\$5,306	\$7,710	(\$19,518)	\$19,507	-100%
2027	(\$19,518)	\$5,306	\$2,231	(\$16,443)	\$22,909	-72%
2028	(\$16,443)	\$5,306	\$0	(\$11,137)	\$28,542	-39%
2029	(\$11,137)	\$5,306	\$2,100	(\$7,932)	\$32,075	-25%
2030	(\$7,932)	\$5,306	\$5,198	(\$7,824)	\$32,510	-24%
2031	(\$7,824)	\$5,306	\$886	(\$3,404)	\$37,258	-9%
2032	(\$3,404)	\$5,306	\$2,100	(\$198)	\$40,791	0%
2033	(\$198)	\$5,306	\$0	\$5,108	\$46,424	11%
2034	\$5,108	\$5,306	\$10,604	(\$190)	\$41,453	0%
2035	(\$190)	\$5,306	\$11,411	(\$6,295)	\$35,676	-18%
2036	(\$6,295)	\$5,306	\$886	(\$1,875)	\$40,423	-5%
2037	(\$1,875)	\$5,306	\$8,190	(\$4,759)	\$37,866	-13%
2038	(\$4,759)	\$5,306	\$5,669	(\$5,122)	\$37,830	-14%
2039	(\$5,122)	\$5,306	\$0	\$184	\$43,464	0%
2040	\$184	\$5,306	\$474	\$5,015	\$48,623	10%

*This projection reflects the current year (2010) 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.

CHERRYWOOD ESTATES HOMEOWNERS ASSOCIATION
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
2011	\$9,762	\$12,391	\$5,060	\$17,093	\$44,123	39%
2012	\$17,093	\$12,391	\$6,878	\$22,606	\$42,879	53%
2013	\$22,606	\$12,391	\$0	\$34,997	\$48,512	72%
2014	\$34,997	\$12,391	\$12,704	\$34,684	\$41,441	84%
2015	\$34,684	\$12,391	\$8,392	\$38,682	\$38,682	100%
2016	\$38,682	\$5,633	\$886	\$43,429	\$43,429	100%
2017	\$43,429	\$5,633	\$3,819	\$45,243	\$45,243	100%
2018	\$45,243	\$5,633	\$3,569	\$47,308	\$47,308	100%
2019	\$47,308	\$5,633	\$919	\$52,022	\$52,022	100%
2020	\$52,022	\$5,633	\$10,315	\$47,341	\$47,341	100%
2021	\$47,341	\$5,633	\$886	\$52,088	\$52,088	100%
2022	\$52,088	\$5,633	\$3,569	\$54,152	\$54,152	100%
2023	\$54,152	\$5,633	\$11,760	\$48,025	\$48,025	100%
2024	\$48,025	\$5,633	\$7,035	\$46,624	\$46,624	100%
2025	\$46,624	\$5,633	\$30,673	\$21,584	\$21,584	100%
2026	\$21,584	\$5,633	\$7,710	\$19,507	\$19,507	100%
2027	\$19,507	\$5,633	\$2,231	\$22,909	\$22,909	100%
2028	\$22,909	\$5,633	\$0	\$28,542	\$28,542	100%
2029	\$28,542	\$5,633	\$2,100	\$32,075	\$32,075	100%
2030	\$32,075	\$5,633	\$5,198	\$32,510	\$32,510	100%
2031	\$32,510	\$5,633	\$886	\$37,258	\$37,258	100%
2032	\$37,258	\$5,633	\$2,100	\$40,791	\$40,791	100%
2033	\$40,791	\$5,633	\$0	\$46,424	\$46,424	100%
2034	\$46,424	\$5,633	\$10,604	\$41,453	\$41,453	100%
2035	\$41,453	\$5,633	\$11,411	\$35,676	\$35,676	100%
2036	\$35,676	\$5,633	\$886	\$40,423	\$40,423	100%
2037	\$40,423	\$5,633	\$8,190	\$37,866	\$37,866	100%
2038	\$37,866	\$5,633	\$5,669	\$37,830	\$37,830	100%
2039	\$37,830	\$5,633	\$0	\$43,464	\$43,464	100%
2040	\$43,464	\$5,633	\$474	\$48,623	\$48,623	100%

*This reserve allocation reflects the funding plan 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.

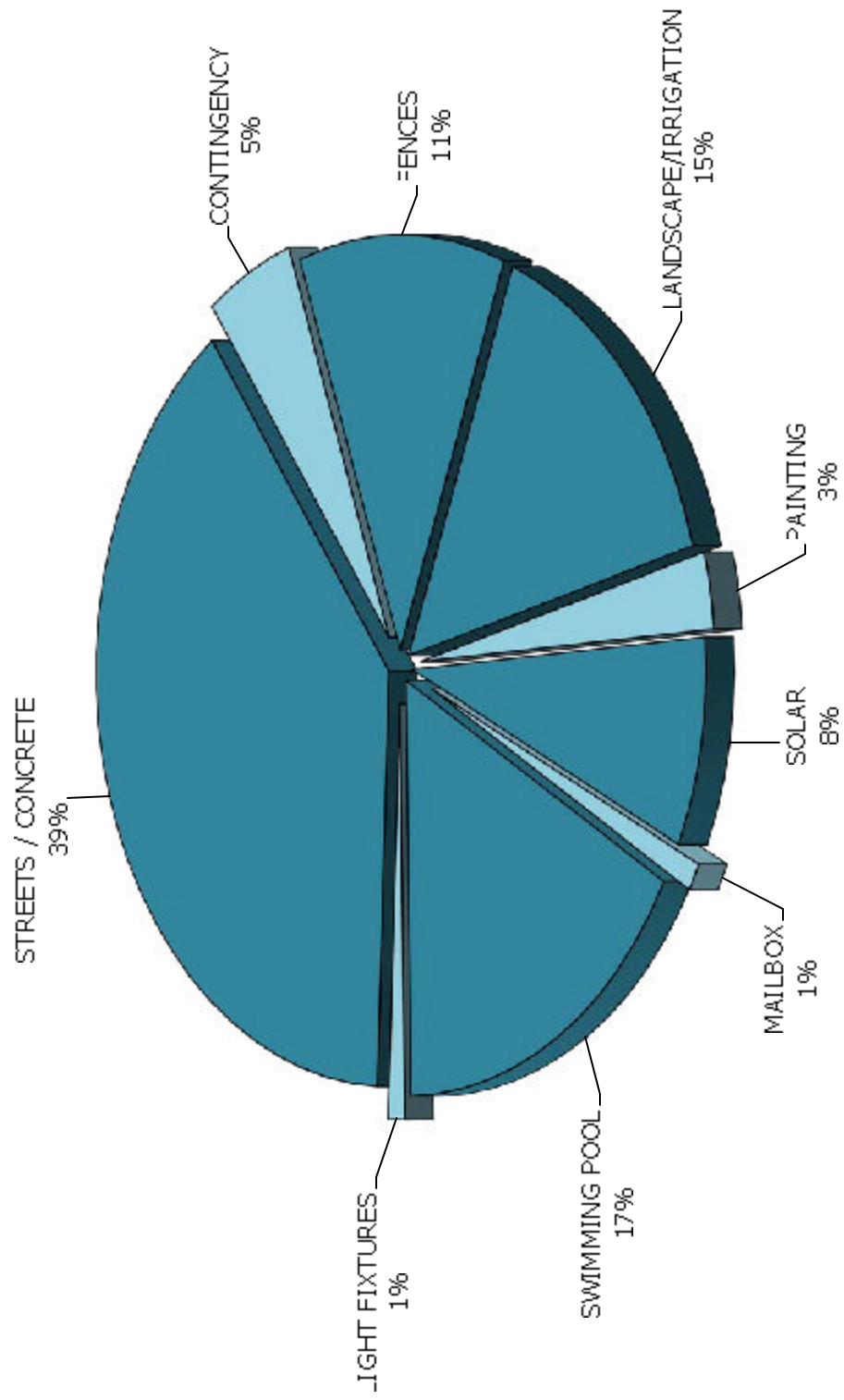
CHERRYWOOD ESTATES HOMEOWNERS ASSOCIATION
30-Year Cash Flow Projection
(Based on the baseline funding plan)

Fiscal Year	Beginning Balance	Annual Reserve Contribution*	Estimated Annual Disbursement	Projected Year End Cash Balance	Estimated Required Balance	Percent Funded
2011	\$9,762	\$6,570	\$5,060	\$11,272	\$44,123	26%
2012	\$11,272	\$6,570	\$6,878	\$10,965	\$42,879	26%
2013	\$10,965	\$6,570	\$0	\$17,535	\$48,512	36%
2014	\$17,535	\$6,570	\$12,704	\$11,401	\$41,441	28%
2015	\$11,401	\$6,570	\$8,392	\$9,578	\$38,682	25%
2016	\$9,578	\$6,570	\$886	\$15,262	\$43,429	35%
2017	\$15,262	\$6,570	\$3,819	\$18,013	\$45,243	40%
2018	\$18,013	\$6,570	\$3,569	\$21,014	\$47,308	44%
2019	\$21,014	\$6,570	\$919	\$26,665	\$52,022	51%
2020	\$26,665	\$6,570	\$10,315	\$22,921	\$47,341	48%
2021	\$22,921	\$6,570	\$886	\$28,605	\$52,088	55%
2022	\$28,605	\$6,570	\$3,569	\$31,606	\$54,152	58%
2023	\$31,606	\$6,570	\$11,760	\$26,416	\$48,025	55%
2024	\$26,416	\$6,570	\$7,035	\$25,951	\$46,624	56%
2025	\$25,951	\$6,570	\$30,673	\$1,847	\$21,584	9%
2026	\$1,847	\$6,570	\$7,710	\$707	\$19,507	4%
2027	\$707	\$6,570	\$2,231	\$5,046	\$22,909	22%
2028	\$5,046	\$6,570	\$0	\$11,616	\$28,542	41%
2029	\$11,616	\$6,570	\$2,100	\$16,086	\$32,075	50%
2030	\$16,086	\$6,570	\$5,198	\$17,458	\$32,510	54%
2031	\$17,458	\$6,570	\$886	\$23,142	\$37,258	62%
2032	\$23,142	\$6,570	\$2,100	\$27,612	\$40,791	68%
2033	\$27,612	\$6,570	\$0	\$34,182	\$46,424	74%
2034	\$34,182	\$6,570	\$10,604	\$30,148	\$41,453	73%
2035	\$30,148	\$6,570	\$11,411	\$25,307	\$35,676	71%
2036	\$25,307	\$6,570	\$886	\$30,991	\$40,423	77%
2037	\$30,991	\$6,570	\$8,190	\$29,371	\$37,866	78%
2038	\$29,371	\$6,570	\$5,669	\$30,272	\$37,830	80%
2039	\$30,272	\$6,570	\$0	\$36,842	\$43,464	85%
2040	\$36,842	\$6,570	\$474	\$42,938	\$48,623	88%

*This reserve allocation reflects the baseline funding plan where the year end balance never falls below zero. 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.

CHERRYWOOD ESTATES HOMEOWNERS ASSOCIATION

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

FENCES: Replacement of the ornamental iron pool fence, the chain link at the RV lot and the wood fences behind the pool, around the pool equipment and solar areas, and 50% of the fencing between the homes facing the common area.

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.

LANDSCAPE/IRRIGATION:

Irrigation: A pressurized system that utilizes one 18station automatic controller, valves, sprinklers and one backflow device.

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

Tree Service: Trimming, lacing, removing and replacing the common area trees.

Recommendations: Tree foliage and roots should be trimmed/removed away from utility lines, building exteriors/roofs, concrete/asphalt surfaces and fences on a regular basis to allow for the maximum life expectancy for the described common area components. Landscaping overgrowth typically decreases the life expectancy of common areas and increases the cost of maintenance/replacement to the Association.

LIGHT FIXTURES: The allocation shown is for replacing the common area pole lights.

Recommendations: Maintenance procedures should include semiannual inspections of all fixtures and standards for deterioration. Fixtures should be cleaned as lamps are replaced and painted as needed.

MAILBOXES: One pedestal cluster delivery and collection mailbox unit.

PAINTING: The ornamental iron pool fence. It is our understanding that as the wood fencing is replaced, they will not be painted and therefore painting of the wood fences is not included in this report.

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

SIGNAGE: The allocation for the signage to be replaced/refurbished on an as needed basis is included in Contingency.

SOLAR HEATING: The replacement of the solar heating system.

SPA/SWIMMING POOL: The pool equipment, the replastering of the pool surface and deck joint sealant. It is our understanding that the pool furniture is not going to be replaced and is therefore not included in this report.

Swimming Pool: The pool equipment consists of one filter and one motor/pump. It is our understanding that the pool heater has been disconnected and therefore it is not included in this report.

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

STREETS/CONCRETE:

Asphalt Surfaces: Private streets and guest parking spaces.

Explanation of Allocation: The allocations recommended allow for reseal/restripe of the asphalt every 34 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, curbing and pool deck surfaces.

Explanation of Allocation: The allocation shown is for limited repair of the concrete surfaces, which may be caused by tree root intrusion, inadequate supportive base, heavy vehicular usage, soil expansion or contraction and/or 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.

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.