



**Sample Reserve Study**  
**Your City, Your State**  
Account 10456 -- Version 12.0  
January 29, 2013

**Applied Reserve Analysis**

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# *Important Information*

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

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

We recommend that your reserve analysis study be updated on an annual basis due to fluctuating interest rates, inflationary changes, and the unpredictable nature of the lives of many of the assets under consideration. All of the information collected during our inspection of the association and computations made subsequently in preparing this reserve analysis study are retained in our computer files. Therefore, annual updates may be completed quickly and inexpensively each year.

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

This reserve analysis study is provided as an aid for planning purposes and not as an accounting tool. Since it deals with events yet to take place, there is no assurance that the results enumerated within it will, in fact, occur as described.

## *Introduction*

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

## **Funding Options**

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

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

Whereas, if the association was setting aside reserves for this purpose, using the vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof, for example, to accumulate the necessary moneys. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The second option is for the association to **acquire a loan** from a lending institution in order to effect the required repairs. In many cases, banks will lend to an association using “future homeowner assessments” as collateral for the loan. With this method, the current board is pledging the future assets of an association. They are also incurring the additional expense of interest fees along with the original principal amount. In the case of a \$150,000 roofing replacement, the association may be required to pay back the loan over a three to five year period, with interest.

The third option, too often used, is simply to **defer the required repair or replacement**. This option, which is not recommended, can create an environment of declining property values due to expanding lists of deferred maintenance items and the association’s financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the association by making it difficult, or even impossible, for potential buyers to obtain financing from lenders. Increasingly, lending institutions are requesting copies of the association’s most recent reserve study before granting loans, either for the association itself, a prospective purchaser, or for an individual within such an association.

The fourth option is to pass a “**special assessment**” to the membership in an amount required to cover the expenditure. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure, if necessary. However, an association considering a special assessment cannot guarantee that an assessment, when needed, will be passed. Consequently, the association cannot guarantee its ability to perform the required repairs or replacements to those major components for which it is obligated when the need arises. Additionally, while relatively new communities require very little in the way of major “reserve” expenditures, associations reaching 12 to 15 years of age and older, find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, could be devastating to an association’s overall budget.

## *Types of Reserve Studies*

Most reserve studies fit into one of three categories:

Full Reserve Study;

Update with site inspection; and

Update without site inspection.

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

In an **Update with site inspection**, the reserve provider conducts a component inventory (verification only, not quantification unless new components have been added to the inventory), a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both the “fund status and “funding plan.”

In an **Update without site inspection**, the reserve provider conducts life and valuation estimates to determine the “fund status” and “funding plan.”

## *The Reserve Study: A Physical and a Financial Analysis*

There are two components of a reserve study: a physical analysis and a financial analysis.

### *Physical Analysis*

During the physical analysis, a reserve study provider evaluates information regarding the physical status and repair/replacement cost of the association’s major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates.

### *Developing a Component List*

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

### *Operational Expenses*

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

Examples of *operational expenses* include:

<b>Utilities:</b>	<b>Administrative:</b>	<b>Services:</b>	<b>Repair Expenses:</b>
Electricity	Bank Service Charges	Accounting	Equipment Repairs
Gas	Dues & Publications	Landscaping	Minor Concrete Repairs
Water	Insurance(s)	Pool Maintenance	Operating Contingency
Telephone	Licenses, Permits & Fees	Reserve Study	Tile Roof Repairs
Cable TV	Supplies	Street Sweeping	

### *Reserve Expenses*

These are major expenses that occur other than annually, and which must be budgeted for in advance in order to ensure the availability of the necessary funds in time for their use. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets that have an indeterminable but potential liability that may be demonstrated as a likely occurrence. They are expenses that, when incurred, would have a significant effect on the smooth operation of the budgetary process from one year to the next, if they were not reserved for in advance.

Examples of reserve expenses include:

Asphalt Overlays	Equipment Replacement	Painting	Roof Replacements
Asphalt Repairs	Fencing Replacement	Park/Play Equipment Replacement	Security System Replacement
Asphalt Seal Coating	Interior Furnishings Replacement	Pool/Spa Re-plastering	Siding Replacement
Deck Resurfacing	Interior Remodeling	Pool Equipment Replacement	Tennis Court Resurfacing
Deck Replacement	Lighting Replacement	Pool Furniture Replacement	Vehicle Replacement

Budgeting is Normally Excluded for:

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

### *Financial Analysis*

The financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent fully funded) to determine a recommendation for the appropriate reserve contribution rate in the future, known as the "funding plan".

## *Preparing the Reserve Study*

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

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

## *Funding Methods*

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

The cash flow method develops a reserve-funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a “window” in which all future anticipated replacement costs are computed, based upon the individual lives of the components under consideration. The Applied Reserve Analysis, LLC® “Threshold” and the “Current Assessment” funding models are based upon the cash flow method.

The component method develops a reserve-funding plan where the total contribution is based upon the sum of contributions for individual components. The component method is the more conservative of the two funding options, and assures that the association will achieve and maintain an ideal level of reserve over time. This method also allows for computations on individual components in the analysis. **The Applied Reserve Analysis** “Component Funding” model is based upon the component methodology.

## *Funding Strategies*

Once an association has established its funding goals, the association can select an appropriate funding plan. There are four basic strategies from which most associations select. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association’s need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The four funding plans and descriptions of each are detailed below. Associations will have to update their reserve studies more or less frequently depending on the funding strategy they select.

Full Funding---Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each

year. At the end of three years, one would expect three-tenths of the replacement cost to have accumulated, and if so, that component would be “fully-funded.” This model is important in that it is a measure of the adequacy of an association’s reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. This formula represents a snapshot in time and is based upon current replacement cost, independent of future inflationary or investment factors:

Fully Funded Reserves = **Age** divided by **Useful Life** the results multiplied by **Current Replacement Cost**

When an association’s total accumulated reserves for all components meet this criterion, its reserves are considered “fully-funded.”

The **Applied Reserve Analysis “Threshold Funding Model” (Minimum Funding)**. The goal of this funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balance overall does not drop below zero during the projected period. An association using this funding method must understand that even a minor reduction in a component’s remaining useful life can result in a deficit in the reserve cash balance.

The **Applied Reserve Analysis “Threshold Funding Model”**. This method is based upon the cash flow funding concept. The minimum reserve cash balance in threshold funding, however, is set at a predetermined dollar amount (other than \$0) or at the percentage of the fully funded level.

The **Applied Reserve Analysis “Current Assessment Funding Model”**. This method is also based upon the cash flow funding concept. The initial reserve assessment is set at the association’s current fiscal year funding level and a 30-year projection is calculated to illustrate the adequacy of the current funding over time.

The **Applied Reserve Analysis “Component Funding Model”**. This is a straight-line funding model. It distributes the cash reserves to individual reserve components and then calculates what the reserve assessment and interest contribution (minus taxes) should be, again by each reserve component. The current annual assessment is then determined by summing all the individual component assessments, hence the name “Component Funding Model”. This is the most conservative funding model. It leads to or maintains the fully funded reserve position. The following details this calculation process.

### ***Component Funding Model Distribution of Accumulated Reserves***

The “Distribution of Accumulated Reserves Report” is a “Component Funding Model” calculation. This distribution **does not** apply to the cash flow funding models.

When calculating reserves based upon the component methodology, a beginning reserve balance must be allocated for each of the individual components considered in the analysis, before the individual calculations can be completed. When this distribution is not available, or of sufficient detail, the following method is suggested for allocating reserves:

The first step the program performs in this process is subtracting, from the total accumulated reserves, any amounts for assets that have predetermined (fixed) reserve balances. The user can “fix” the accumulated reserve balance within the program on the individual asset’s detail page. If, by error, these amounts total more than the amount of funds available, then the remaining assets are adjusted accordingly. A provision for a contingency reserve is then deducted by the determined percentage used, and if there are sufficient remaining funds available.

The second step is to identify the ideal level of reserves for each asset. As indicated in the prior section,

this is accomplished by evaluating the component's age proportionate to its estimated useful life and current replacement cost. Again, the equation used is as follows:

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

The software program that **Applied Reserve Analysis** uses performs the above calculations to the actual month the component was placed-in-service. The program projects that the accumulation of necessary reserves for repairs or replacements will be available on the first day of the fiscal year in which they are scheduled to occur.

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

If, at the completion of this task, there are additional moneys that have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such and are not factored into any of the report computations. If, at the end of this assignment process there are designated excess funds, they can be used to offset the monthly contribution requirements recommended, or used in any other manner the client may desire.

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

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

## *Funding Reserves*

Three assessment and contribution figures are provided in the report, the “Monthly Reserve Assessment Required”, the “Average Net Monthly Interest Earned” contribution and the “Total Monthly Allocation to Reserves.” The association should allocate the “Monthly Reserve Assessment Required” amount to reserves each month when the interest earned on the reserves is left in the reserve accounts as part of the contribution. Any interest earned on reserve deposits, must be left in reserves and only amounts set aside for taxes should be removed.

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

## *Users’ Guide to your Reserve Analysis Study*

Part II of your **Applied Reserve Analysis** report contains the reserve analysis study for your association. There are seven types of reports in the study as described below.

### *Report Summaries*

The Report Summary for all funding models lists all of the parameters that were used in calculating the report as well as the summary of your reserve analysis study.

### *Index Reports*

The **Distribution of Accumulated Reserves** report lists all assets in remaining life order. It also identifies the ideal level of reserves that should have accumulated for the association as well as the actual reserves available. This information is valid only for the “Component Funding Model” calculation.

The **Component Listing/Summary** lists all assets by category (i.e. roofing, painting, lighting, etc.) together with their remaining life, current cost, monthly reserve contribution, and net monthly allocation.

### *Detail Reports*

The Detail Report itemizes each asset and lists all measurements, current and future costs, and calculations for that asset. Provisions for percentage replacements, salvage values, and one-time replacements can also be utilized. These reports can be sorted by category or group.

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

The **Applied Reserve Analysis** Detail Index is an alphabetical listing of all assets, together with the page number of the asset’s detail report, the projected replacement year, and the asset number.

## **Projections**

Thirty-year projections add to the usefulness of your reserve analysis study.

## **Definitions**

### **Report I.D.**

Includes the Report Date (example: November 15, 1992), Account Number (example: 9773), and Version (example: 1.0). Please use this information (displayed on the summary page) when referencing your report.

### **Budget Year Beginning/Ending**

The budgetary year for which the report is prepared. For associations with fiscal years ending December 31<sup>st</sup>, the monthly contribution figures indicated are for the 12-month period beginning 1/1/20xx and ending 12/31/20xx.

### **Number of Units and/or Phases**

If applicable, the number of units and/or phases included in this version of the report.

### **Inflation**

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

### **Annual Assessment Increase**

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

### **Investment Yield Before Taxes**

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

### **Taxes on Interest Yield**

The estimated percentage of interest income that will be set aside to pay income taxes on the interest earned.

**Projected Reserve Balance**

The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. This is based upon information provided and not audited.

**Percent Fully Funded**

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

**Phase Increment Detail and/or Age**

Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

**Monthly Assessment**

The assessment to reserves required by the association each month.

**Interest Contribution (After Taxes)**

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

**Total Monthly Allocation**

The sum of the monthly assessment and interest contribution figures.

**Group and Category**

The report may be prepared and sorted either by group (location, building, phase, etc.) or by category (roofing, painting, etc.). The standard report printing format is by category.

**Percentage of Replacement or Repairs**

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

**Placed-In-Service Date**

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

**Estimated Useful Life**

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

**Adjustment to Useful Life**

Once the useful life is determined, it may be adjusted, up or down, by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

**Estimated Remaining Life**

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

**Replacement Year**

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

**Annual Fixed Reserves**

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

**Fixed Assessment**

An optional figure which, if used, will override all calculations and set the assessment at this amount. This assessment can be set for monthly, quarterly or annually as necessary.

**Salvage Value**

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

**One-Time Replacement**

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

**Current Replacement Cost**

The estimated replacement cost effective at the beginning of the fiscal year for which the report is being prepared

## **Future Replacement Cost**

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

## **Component Inventory**

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

## ***A Multi-Purpose Tool***

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

In addition, your **Applied Reserve Analysis** reserve study serves a variety of useful purposes:

- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.
- A reserve analysis study is required by your accountant during the preparation of the association's annual audit.
- The **Applied Reserve Analysis** reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.
- Your Report is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.
- Your **Applied Reserve Analysis** report is a tool that can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated.
- The **Applied Reserve Analysis** reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.
- The **Applied Reserve Analysis** Owners' Summary meets the disclosure requirements of the California Civil Code and also the recently adopted ECHO standards.
- Your **Applied Reserve Analysis** report provides a record of the time, cost, and quantities of past reserve replacements. At times the association's management company and board of directors are transitory which may result in the loss of these important records.

**Sample Reserve Study**  
**ARA • Current Assessment Funding Model Summary**

Report Date	January 29, 2013
Account Number	10456
Version	12.0
Budget Year Beginning	January 01, 2014
Budget Year Ending	December 31, 2014
Total Units	55
Phase Development	3 of 3

<i>Report Parameters</i>	
Inflation	3.00%
Annual Assessment Increase	3.00%
Interest Rate on Reserve Deposit	2.00%
Tax Rate on Interest	30.00%
Contingency	3.00%
2014 Beginning Balance	\$133,500.00

**Current Assessment Funding Model Summary**

For budgeting purposes, unless otherwise indicated, we have used January 1990 to begin aging the original components in this reserve study.

This 55 unit condominium is located at the intersection of 1st Street and Main Street, Your Town, Your State.

The last Applied Reserve Analysis, LLC field inspection was completed on January 5, 2013.

NOTE: This reserve analysis study is provided as an aid for planning purposes and not as an accounting tool. Since it deals with events yet to take place, there is no assurance that the results enumerated within it will, in fact, occur as described. A reserve analysis, to remain accurate, should be updated on an annual basis to reflect such changes as shifts in economic parameters, the addition of assets or phases, or the expenditure of reserve funds.

***AFM Model Summary of Calculations***

Required Monthly Contribution	\$2,419.58
<i>\$43.99 per unit monthly</i>	
Average Net Monthly Interest Earned	<u>\$54.18</u>
Total Monthly Allocation to Reserves	\$2,473.76
<i>\$44.98 per unit monthly</i>	

**Sample Reserve Study**  
**ARA • Current Assessment Funding Model Projection**

Report Date                    January 29, 2013  
Beginning Fiscal Year        January 01, 2014  
Account Number                10456

Version Number 12.0

Beginning Balance: \$133,500

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2014	377,710	29,035	650	103,054	60,131	214,733	28%
2015	389,042	29,906	496	41,100	49,433	208,603	23%
2016	400,713	30,803	104	58,713	21,627	185,363	11%
2017	412,734	31,727	399	10,434	43,320	212,071	20%
2018	425,116	32,679	133	51,543	24,589	198,155	12%
2019	437,870	33,660	603		58,851	237,945	24%
2020	451,006	34,669		129,151	-35,630	146,798	-24%
2021	464,536	35,709		2,166	-2,087	184,875	-1%
2022	478,472	36,781		21,792	12,902	204,939	6%
2023	492,826	37,884	470		51,256	249,180	20%
2024	507,611	39,021	864	11,035	80,106	284,516	28%
2025	522,839	40,191	1,050	27,335	94,012	305,284	30%
2026	538,525	41,397	1,204	30,935	105,678	324,176	32%
2027	554,680	42,639	1,727	6,168	143,876	370,417	38%
2028	571,321	43,918	2,324	2,664	187,454	422,944	44%
2029	588,460	45,236	2,776	14,876	220,590	465,781	47%
2030	606,114	46,593	1,473	141,258	127,398	380,978	33%
2031	624,298	47,990	1,434	51,572	125,250	387,496	32%
2032	643,026	49,430	1,342	56,692	119,331	390,378	30%
2033	662,317	50,913	2,069		172,313	453,283	38%
2034	682,187	52,440		268,134	-43,381	243,184	-17%
2035	702,652	54,014		40,011	-29,379	263,543	-11%
2036	723,732	55,634	10		26,265	327,390	8%
2037	745,444	57,303	700	7,579	76,689	387,018	19%
2038	767,807	59,022	1,303	16,096	120,919	441,383	27%
2039	790,841	60,793	2,043	8,794	174,961	506,687	34%
2040	814,567	62,617		220,261	17,316	357,776	4%
2041	839,004	64,495	436	21,209	61,039	411,495	14%
2042	864,174	66,430		137,586	-10,117	348,796	-2%
2043	890,099	68,423	379		58,684	428,060	13%

**Sample Reserve Study**  
**ARA • Threshold Funding Model Summary**

Report Date	January 29, 2013
Account Number	10456
Version	12.0
Budget Year Beginning	January 01, 2014
Budget Year Ending	December 31, 2014
Total Units	55
Phase Development	3 of 3

<i>Report Parameters</i>	
Inflation	3.00%
Annual Assessment Increase	3.00%
Interest Rate on Reserve Deposit	2.00%
Tax Rate on Interest	30.00%
Contingency	3.00%
2014 Beginning Balance	\$133,500.00

**Threshold Funding Model Summary**

For budgeting purposes, unless otherwise indicated, we have used January 1990 to begin aging the original components in this reserve study.

This 55 unit condominium is located at the intersection of 1st Street and Main Street, Your Town, Your State.

The last Applied Reserve Analysis, LLC field inspection was completed on January 5, 2013.

NOTE: This reserve analysis study is provided as an aid for planning purposes and not as an accounting tool. Since it deals with events yet to take place, there is no assurance that the results enumerated within it will, in fact, occur as described. A reserve analysis, to remain accurate, should be updated on an annual basis to reflect such changes as shifts in economic parameters, the addition of assets or phases, or the expenditure of reserve funds.

***TFM Model Summary of Calculations***

Required Monthly Contribution	\$3,288.32
<i>\$59.79 per unit monthly</i>	
Average Net Monthly Interest Earned	<u>\$60.79</u>
Total Monthly Allocation to Reserves	\$3,349.11
<i>\$60.89 per unit monthly</i>	

**Sample Reserve Study**  
**ARA • Threshold Funding Model Projection**

Report Date                    January 29, 2013  
 Beginning Fiscal Year        January 01, 2014  
 Account Number                10456

Version Number 12.0

Beginning Balance: \$133,500

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2014	377,710	39,460	730	103,054	70,635	214,733	32%
2015	389,042	40,644	726	41,100	70,904	208,603	33%
2016	400,713	41,863	491	58,713	54,545	185,363	29%
2017	412,734	43,119	950	10,434	88,180	212,071	41%
2018	425,116	44,412	854	51,543	81,904	198,155	41%
2019	437,870	45,745	1,502		129,151	237,945	54%
2020	451,006	35,285	269	129,151	35,554	146,798	24%
2021	464,536	36,344	747	2,166	70,479	184,875	38%
2022	478,472	37,434	971	21,792	87,092	204,939	42%
2023	492,826	38,557	1,521		127,170	249,180	51%
2024	507,611	39,714	1,939	11,035	157,788	284,516	55%
2025	522,839	40,905	2,150	27,335	173,509	305,284	56%
2026	538,525	42,132	2,330	30,935	187,036	324,176	57%
2027	554,680	43,396	2,879	6,168	227,143	370,417	61%
2028	571,321	44,698	3,503	2,664	272,681	422,944	64%
2029	588,460	46,039	3,983	14,876	307,828	465,781	66%
2030	606,114	47,420	2,708	141,258	216,699	380,978	56%
2031	624,298	48,843	2,699	51,572	216,669	387,496	55%
2032	643,026	50,308	2,637	56,692	212,922	390,378	54%
2033	662,317	51,818	3,395		268,135	453,283	59%
2034	682,187	53,372	406	268,134	53,779	243,184	22%
2035	702,652	54,973	613	40,011	69,353	263,543	26%
2036	723,732	56,623	1,408		127,384	327,390	38%
2037	745,444	58,321	2,132	7,579	180,259	387,018	46%
2038	767,807	60,071	2,771	16,096	227,005	441,383	51%
2039	790,841	61,873	3,546	8,794	283,630	506,687	55%
2040	814,567	63,729	1,378	220,261	128,476	357,776	35%
2041	839,004	65,641	2,011	21,209	174,919	411,495	42%
2042	864,174	67,610	1,041	137,586	105,985	348,796	30%
2043	890,099	69,639	2,024		177,647	428,060	41%

**Sample Reserve Study  
ARA • Component Funding Model Summary**

Report Date	January 29, 2013
Account Number	10456
Version	12.0
Budget Year Beginning	January 01, 2014
Budget Year Ending	December 31, 2014
Total Units	55
Phase Development	3 of 3

<i>Report Parameters</i>	
Inflation	3.00%
Interest Rate on Reserve Deposit	2.00%
Tax Rate on Interest	30.00%
Contingency	3.00%
2014 Beginning Balance	\$133,500.00

**Component Funding Model Summary**

For budgeting purposes, unless otherwise indicated, we have used January 1990 to begin aging the original components in this reserve study.

This 55 unit condominium is located at the intersection of 1st Street and Main Street, Your Town, Your State.

The last Applied Reserve Analysis, LLC field inspection was completed on January 5, 2013.

NOTE: This reserve analysis study is provided as an aid for planning purposes and not as an accounting tool. Since it deals with events yet to take place, there is no assurance that the results enumerated within it will, in fact, occur as described. A reserve analysis, to remain accurate, should be updated on an annual basis to reflect such changes as shifts in economic parameters, the addition of assets or phases, or the expenditure of reserve funds.

***CFM Model Summary of Calculations***

Required Monthly Contribution	\$6,183.16
<i>\$112.42 per unit monthly</i>	
Average Net Monthly Interest Earned	<u>\$82.84</u>
Total Monthly Allocation to Reserves	\$6,265.99
<i>\$113.93 per unit monthly</i>	

**Sample Reserve Study**  
**ARA • Component Funding Model Projection**

Report Date                    January 29, 2013  
 Beginning Fiscal Year        January 01, 2014  
 Account Number                10456

Version Number 12.0

Beginning Balance: \$133,500

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2014	377,710	74,198	994	103,054	105,638	214,733	49%
2015	389,042	53,176	1,314	41,100	119,028	208,603	57%
2016	400,713	48,742	1,221	58,713	110,279	185,363	59%
2017	412,734	47,513	1,769	10,434	149,126	212,071	70%
2018	425,116	42,568	1,699	51,543	141,850	198,155	71%
2019	437,870	42,252	2,320		186,423	237,945	78%
2020	451,006	41,273	1,121	129,151	99,666	146,798	67%
2021	464,536	42,281	1,696	2,166	141,477	184,875	76%
2022	478,472	42,968	2,014	21,792	164,666	204,939	80%
2023	492,826	44,128	2,656		211,450	249,180	84%
2024	507,611	45,362	3,169	11,035	248,947	284,516	87%
2025	522,839	46,413	3,476	27,335	271,502	305,284	88%
2026	538,525	47,191	3,749	30,935	291,507	324,176	89%
2027	554,680	48,452	4,389	6,168	338,180	370,417	91%
2028	571,321	50,356	5,111	2,664	390,984	422,944	92%
2029	588,460	53,443	5,706	14,876	435,257	465,781	93%
2030	606,114	53,788	4,552	141,258	352,340	380,978	92%
2031	624,298	55,508	4,661	51,572	360,937	387,496	93%
2032	643,026	57,146	4,722	56,692	366,113	390,378	93%
2033	662,317	61,616	5,628		433,356	453,283	95%
2034	682,187	59,593	2,782	268,134	227,597	243,184	93%
2035	702,652	59,873	3,099	40,011	250,557	263,543	95%
2036	723,732	61,541	3,999		316,097	327,390	96%
2037	745,444	63,495	4,831	7,579	376,845	387,018	97%
2038	767,807	65,792	5,584	16,096	432,125	441,383	97%
2039	790,841	70,070	6,498	8,794	499,900	506,687	98%
2040	814,567	69,416	4,469	220,261	353,524	357,776	98%
2041	839,004	72,393	5,234	21,209	409,942	411,495	99%
2042	864,174	72,426	4,389	137,586	349,172	348,796	100%
2043	890,099	74,379	5,486		429,037	428,060	100%

**Sample Reserve Study**  
**ARA • Component Funding Model Assessment & Category Summary**

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
<b>Streets, Asphalt</b>							
Streets - Asphalt, Overlay	2014	20	0	0	95,597	95,597	95,597
Streets - Asphalt, Repairs	2015	5	8	1	3,596	427	3,320
Streets - Asphalt, Seal Coat	2015	5	8	1	<u>7,700</u>	<u>0</u>	<u>7,108</u>
Streets, Asphalt - Total					\$106,893	\$96,024	\$106,024
<b>Roofing</b>							
Roofs - Built Up w/Gravel, Replace	2016	15	0	2	<u>31,202</u>	0	<u>27,041</u>
Roofing - Total					\$31,202		\$27,041
<b>Gutters/Downspouts</b>							
Gutters/Downspouts - Replace	2016	22	4	2	<u>2,667</u>	0	<u>2,462</u>
Gutters/Downspouts - Total					\$2,667		\$2,462
<b>Skylights</b>							
Skylights - Roof, Replace	2016	22	4	2	<u>1,480</u>	0	<u>1,366</u>
Skylights - Total					\$1,480		\$1,366
<b>Painting, Exterior</b>							
Paint - Exterior, Stucco, Units	2020	10	0	6	65,170	0	26,068
Paint - Exterior, Wood Siding, Units	2015	5	0	1	5,100	4,080	4,080
Paint - Exterior, Wrought Iron, Pool	2015	5	0	1	<u>3,351</u>	<u>2,681</u>	<u>2,681</u>
Painting, Exterior - Total					\$73,621	\$6,761	\$32,829
<b>Painting, Interior</b>							
Paint - Interior, Lobby, Atrium, Halls	2018	8	0	4	<u>17,926</u>	0	<u>8,963</u>
Painting, Interior - Total					\$17,926		\$8,963
<b>Lighting, Exterior</b>							
Lighting - Exterior, Buildings, Replace	2020	22	0	6	<u>1,946</u>	0	<u>1,415</u>
Lighting, Exterior - Total					\$1,946		\$1,415
<b>Lighting, Interior</b>							
Lighting - Int, Ceiling Recess Rds, Replace	2020	22	0	6	1,656	0	1,204
Lighting - Int, EXIT/Emergency, Replace	2020	22	0	6	5,993	0	4,359
Lighting - Int, Fluorescent, Replace	2020	22	0	6	6,942	0	5,049
Lighting - Int, Wall Sconces, Replace	2020	22	0	6	<u>6,708</u>	<u>0</u>	<u>4,879</u>
Lighting, Interior - Total					\$21,299		\$15,490
<b>Floor Cover</b>							
Floor Cover - Carpet, Halls, Replace	2016	8	3	2	<u>8,211</u>	0	<u>6,718</u>
Floor Cover - Total					\$8,211		\$6,718

**Sample Reserve Study**  
**ARA • Component Funding Model Assessment & Category Summary**

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
<b>Fencing</b>							
Fencing - W/I, Pool, Driveways, Replace	2022	20	0	8	<u>17,203</u>	0	<u>10,322</u>
Fencing - Total					\$17,203		\$10,322
<b>Railings</b>							
Railings - Wrought Iron, Decks, Replace	2015	22	3	1	<u>3,840</u>	<u>3,686</u>	<u>3,686</u>
Railings - Total					\$3,840	\$3,686	\$3,686
<b>Security</b>							
Security - Access Phone, Replace	2015	15	7	1	3,110	2,969	2,969
Security - Gate Operators, Sliding, Replace	2015	12	5	1	<u>4,200</u>	<u>3,953</u>	<u>3,953</u>
Security - Total					\$7,310	\$6,922	\$6,922
<b>Elevator</b>							
Elevator - Cab Refurbishing	2018	14	0	4	6,641	0	4,744
Elevator - Major Repairs	2016	18	0	2	<u>11,783</u>	0	<u>10,474</u>
Elevator - Total					\$18,424		\$15,217
<b>Hot Water System</b>							
Hot Water System - Boiler, Replace	2032	30	0	18	18,449	0	7,380
Hot Water System - Storage Tank, Replace	2018	16	0	4	<u>4,812</u>	0	<u>3,609</u>
Hot Water System - Total					\$23,261		\$10,989
<b>Doors</b>							
Doors - Exterior, Metal, Replace	2015	25	0	1	<u>9,006</u>	<u>8,646</u>	<u>8,646</u>
Doors - Total					\$9,006	\$8,646	\$8,646
<b>Pool</b>							
Pool - Filter, 60 Sq. Ft., Replace	2014	12	0	0	1,383	1,383	1,383
Pool - Furniture, Replace	2014	7	0	0	1,761	1,761	1,761
Pool - Heater, 400K BTU, Replace	2014	12	0	0	2,388	2,388	2,388
Pool - Replaster/Tile, Replace	2017	12	0	3	<u>7,640</u>	<u>0</u>	<u>5,730</u>
Pool - Total					\$13,172	\$5,532	\$11,262
<b>Mailboxes</b>							
Mailboxes - Wall Clusters, Replace	2014	20	3	0	<u>1,925</u>	<u>1,925</u>	<u>1,925</u>
Mailboxes - Total					\$1,925	\$1,925	\$1,925
<b>Play Equipment</b>							
Play Equipment - Replace	2018	16	0	4	<u>16,416</u>	0	<u>12,312</u>
Play Equipment - Total					\$16,416		\$12,312

**Sample Reserve Study**  
**ARA • Component Funding Model Assessment & Category Summary**

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
<b>Irrigation</b>							
Irrigation - Controllers, Replace	2017	12	-3	3	<u>1,908</u>	0	<u>1,272</u>
Irrigation - Total					<u>\$1,908</u>		<u>\$1,272</u>
Total Asset Summary					<u>\$377,710</u>	<u>\$129,495</u>	<u>\$284,862</u>
Contingency at 3.00%						<u>\$4,005</u>	<u>\$8,810</u>
Summary Total						<u>\$133,500</u>	<u>\$293,672</u>

Percent Fully Funded	45%
Current Average Liability per Unit (Total Units: 55)	-\$2,912

**Sample Reserve Study**  
**ARA • Distribution of Accumulated Reserves**

Report Date                    January 29, 2013  
 Beginning Fiscal Year        January 01, 2014  
 Account Number                10456

Version Number 12.0

Description	Remaining Life	Replacement Year	Assigned Reserves	Fully Funded Reserves
Mailboxes - Wall Clusters, Replace	0	2014	1,925	1,925
Pool - Filter, 60 Sq. Ft., Replace	0	2014	1,383	1,383
Pool - Furniture, Replace	0	2014	1,761	1,761
Pool - Heater, 400K BTU, Replace	0	2014	2,388	2,388
Streets - Asphalt, Overlay	0	2014	95,597	95,597
Doors - Exterior, Metal, Replace	1	2015	8,646	8,646
Paint - Exterior, Wood Siding, Units	1	2015	4,080	4,080
Paint - Exterior, Wrought Iron, Pool	1	2015	2,681	2,681
Railings - Wrought Iron, Decks, Replace	1	2015	3,686	3,686
Security - Access Phone, Replace	1	2015	2,969	2,969
Security - Gate Operators, Sliding, Replace	1	2015	3,953	3,953
Streets - Asphalt, Repairs	1	2015	*427	3,320
Streets - Asphalt, Seal Coat	1	2015		7,108
Elevator - Major Repairs	2	2016		10,474
Floor Cover - Carpet, Halls, Replace	2	2016		6,718
Gutters/Downspouts - Replace	2	2016		2,462
Roofs - Built Up w/Gravel, Replace	2	2016		27,041
Skylights - Roof, Replace	2	2016		1,366
Irrigation - Controllers, Replace	3	2017		1,272
Pool - Replaster/Tile, Replace	3	2017		5,730
Elevator - Cab Refurbishing	4	2018		4,744
Hot Water System - Storage Tank, Replace	4	2018		3,609
Paint - Interior, Lobby, Atrium, Halls	4	2018		8,963
Play Equipment - Replace	4	2018		12,312
Lighting - Exterior, Buildings, Replace	6	2020		1,415
Lighting - Int, Ceiling Recess Rds, Replace	6	2020		1,204
Lighting - Int, EXIT/Emergency, Replace	6	2020		4,359
Lighting - Int, Fluorescent, Replace	6	2020		5,049
Lighting - Int, Wall Sconces, Replace	6	2020		4,879
Paint - Exterior, Stucco, Units	6	2020		26,068
Fencing - W/I, Pool, Driveways, Replace	8	2022		10,322
Hot Water System - Boiler, Replace	18	2032		7,380

**Sample Reserve Study**  
**ARA • Distribution of Accumulated Reserves**

Description	Remaining Life	Replacement Year	Assigned Reserves	Fully Funded Reserves
			<u>\$129,495</u>	<u>\$284,862</u>
			<u>\$4,005</u>	<u>\$8,810</u>
			\$133,500	\$293,672

Percent Fully Funded	45%
Current Average Liability per Unit (Total Units: 55)	-\$2,912

*'\*' Indicates Partially Funded*

**Sample Reserve Study**  
**ARA • Annual Expenditure Detail**

Report Date                    January 29, 2013  
 Beginning Fiscal Year        January 01, 2014  
 Account Number                10456

Version Number 12.0

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Description	Expenditures
<b>Replacement Year 2014</b>	
Mailboxes - Wall Clusters, Replace	1,925
Pool - Filter, 60 Sq. Ft., Replace	1,383
Pool - Furniture, Replace	1,761
Pool - Heater, 400K BTU, Replace	2,388
Streets - Asphalt, Overlay	95,597
<b>Total for 2014</b>	<b>\$103,054</b>
<b>Replacement Year 2015</b>	
Doors - Exterior, Metal, Replace	9,276
Paint - Exterior, Wood Siding, Units	5,253
Paint - Exterior, Wrought Iron, Pool	3,451
Railings - Wrought Iron, Decks, Replace	3,955
Security - Access Phone, Replace	3,203
Security - Gate Operators, Sliding, Replace	4,326
Streets - Asphalt, Repairs	3,704
Streets - Asphalt, Seal Coat	7,931
<b>Total for 2015</b>	<b>\$41,100</b>
<b>Replacement Year 2016</b>	
Elevator - Major Repairs	12,501
Floor Cover - Carpet, Halls, Replace	8,711
Gutters/Downspouts - Replace	2,829
Roofs - Built Up w/Gravel, Replace	33,102
Skylights - Roof, Replace	1,570
<b>Total for 2016</b>	<b>\$58,713</b>
<b>Replacement Year 2017</b>	
Irrigation - Controllers, Replace	2,085
Pool - Replaster/Tile, Replace	8,349
<b>Total for 2017</b>	<b>\$10,434</b>
<b>Replacement Year 2018</b>	
Elevator - Cab Refurbishing	7,475

**Sample Reserve Study**  
**ARA • Annual Expenditure Detail**

Description	Expenditures
<b><i>Replacement Year 2018 continued...</i></b>	
Hot Water System - Storage Tank, Replace	5,416
Paint - Interior, Lobby, Atrium, Halls	20,176
Play Equipment - Replace	18,476
<b>Total for 2018</b>	<b><u>\$51,543</u></b>
 <i>No Replacement in 2019</i>	
<b>Replacement Year 2020</b>	
Lighting - Exterior, Buildings, Replace	2,324
Lighting - Int, Ceiling Recess Rds, Replace	1,977
Lighting - Int, EXIT/Emergency, Replace	7,156
Lighting - Int, Fluorescent, Replace	8,289
Lighting - Int, Wall Sconces, Replace	8,010
Paint - Exterior, Stucco, Units	77,816
Paint - Exterior, Wood Siding, Units	6,090
Paint - Exterior, Wrought Iron, Pool	4,001
Streets - Asphalt, Repairs	4,294
Streets - Asphalt, Seal Coat	9,194
<b>Total for 2020</b>	<b><u>\$129,151</u></b>
 <b>Replacement Year 2021</b>	
Pool - Furniture, Replace	2,166
<b>Total for 2021</b>	<b><u>\$2,166</u></b>
 <b>Replacement Year 2022</b>	
Fencing - W/I, Pool, Driveways, Replace	21,792
<b>Total for 2022</b>	<b><u>\$21,792</u></b>
 <i>No Replacement in 2023</i>	
 <b>Replacement Year 2024</b>	
Floor Cover - Carpet, Halls, Replace	11,035
<b>Total for 2024</b>	<b><u>\$11,035</u></b>
 <b>Replacement Year 2025</b>	
Paint - Exterior, Wood Siding, Units	7,060
Paint - Exterior, Wrought Iron, Pool	4,638

**Sample Reserve Study**  
**ARA • Annual Expenditure Detail**

Description	Expenditures
<b><i>Replacement Year 2025 continued...</i></b>	
Streets - Asphalt, Repairs	4,978
Streets - Asphalt, Seal Coat	10,659
<b>Total for 2025</b>	<b><u>\$27,335</u></b>
<b>Replacement Year 2026</b>	
Paint - Interior, Lobby, Atrium, Halls	25,559
Pool - Filter, 60 Sq. Ft., Replace	1,972
Pool - Heater, 400K BTU, Replace	3,405
<b>Total for 2026</b>	<b><u>\$30,935</u></b>
<b>Replacement Year 2027</b>	
Security - Gate Operators, Sliding, Replace	6,168
<b>Total for 2027</b>	<b><u>\$6,168</u></b>
<b>Replacement Year 2028</b>	
Pool - Furniture, Replace	2,664
<b>Total for 2028</b>	<b><u>\$2,664</u></b>
<b>Replacement Year 2029</b>	
Irrigation - Controllers, Replace	2,973
Pool - Replaster/Tile, Replace	11,903
<b>Total for 2029</b>	<b><u>\$14,876</u></b>
<b>Replacement Year 2030</b>	
Paint - Exterior, Stucco, Units	104,579
Paint - Exterior, Wood Siding, Units	8,184
Paint - Exterior, Wrought Iron, Pool	5,377
Security - Access Phone, Replace	4,991
Streets - Asphalt, Repairs	5,771
Streets - Asphalt, Seal Coat	12,356
<b>Total for 2030</b>	<b><u>\$141,258</u></b>
<b>Replacement Year 2031</b>	
Roofs - Built Up w/Gravel, Replace	51,572
<b>Total for 2031</b>	<b><u>\$51,572</u></b>

**Sample Reserve Study**  
**ARA • Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2032</b>	
Elevator - Cab Refurbishing	11,306
Floor Cover - Carpet, Halls, Replace	13,978
Hot Water System - Boiler, Replace	31,408
<b>Total for 2032</b>	<b><u>\$56,692</u></b>
 <i>No Replacement in 2033</i>	
<b>Replacement Year 2034</b>	
Elevator - Major Repairs	21,281
Hot Water System - Storage Tank, Replace	8,691
Mailboxes - Wall Clusters, Replace	3,477
Paint - Interior, Lobby, Atrium, Halls	32,377
Play Equipment - Replace	29,649
Streets - Asphalt, Overlay	172,659
<b>Total for 2034</b>	<b><u>\$268,134</u></b>
<b>Replacement Year 2035</b>	
Paint - Exterior, Wood Siding, Units	9,488
Paint - Exterior, Wrought Iron, Pool	6,234
Pool - Furniture, Replace	3,276
Streets - Asphalt, Repairs	6,690
Streets - Asphalt, Seal Coat	14,324
<b>Total for 2035</b>	<b><u>\$40,011</u></b>
 <i>No Replacement in 2036</i>	
<b>Replacement Year 2037</b>	
Railings - Wrought Iron, Decks, Replace	7,579
<b>Total for 2037</b>	<b><u>\$7,579</u></b>
<b>Replacement Year 2038</b>	
Gutters/Downspouts - Replace	5,421
Pool - Filter, 60 Sq. Ft., Replace	2,811
Pool - Heater, 400K BTU, Replace	4,854
Skylights - Roof, Replace	3,009
<b>Total for 2038</b>	<b><u>\$16,096</u></b>

**Sample Reserve Study**  
**ARA • Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2039</b>	
Security - Gate Operators, Sliding, Replace	8,794
<b>Total for 2039</b>	<b><u>\$8,794</u></b>
<b>Replacement Year 2040</b>	
Doors - Exterior, Metal, Replace	19,422
Floor Cover - Carpet, Halls, Replace	17,707
Paint - Exterior, Stucco, Units	140,545
Paint - Exterior, Wood Siding, Units	10,999
Paint - Exterior, Wrought Iron, Pool	7,226
Streets - Asphalt, Repairs	7,756
Streets - Asphalt, Seal Coat	16,606
<b>Total for 2040</b>	<b><u>\$220,261</u></b>
<b>Replacement Year 2041</b>	
Irrigation - Controllers, Replace	4,238
Pool - Replaster/Tile, Replace	16,971
<b>Total for 2041</b>	<b><u>\$21,209</u></b>
<b>Replacement Year 2042</b>	
Fencing - W/I, Pool, Driveways, Replace	39,359
Lighting - Exterior, Buildings, Replace	4,452
Lighting - Int, Ceiling Recess Rds, Replace	3,789
Lighting - Int, EXIT/Emergency, Replace	13,712
Lighting - Int, Fluorescent, Replace	15,883
Lighting - Int, Wall Sconces, Replace	15,347
Paint - Interior, Lobby, Atrium, Halls	41,015
Pool - Furniture, Replace	4,029
<b>Total for 2042</b>	<b><u>\$137,586</u></b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

Report Date                    January 29, 2013  
Beginning Fiscal Year        January 01, 2014  
Account Number                10456

Version Number 12.0

**Streets - Asphalt, Overlay - 2014**

	Asset ID	1069	Asset Cost	\$95,597.00
			Percent Replacement	100%
	Streets, Asphalt		Future Cost	\$95,597.00
Placed in Service	January 1990		Assigned Reserves	\$95,597.00
Useful Life	20			
Replacement Year	2014		Monthly Assessment	\$523.39
Remaining Life	0		Interest Contribution	<u>\$3.99</u>
			Reserve Allocation	\$527.37



During the 2010 field inspection the asphalt appeared to need overlay. We are budgeting for a complete overlay during 2010.

35,000 - sq. ft., of asphalt overlay	@	\$2.58 =	\$90,300.00
7 - manhole cover adjustments	@	491.00 =	3,437.00
12 - valve cover adjustments	@	155.00 =	<u>1,860.00</u>
		Total =	\$95,597.00

Most asphalt areas can be expected to last approximately 20 to 25 years before it will become necessary for an overlay to be applied. This can double the life of the surface upon application. It will be necessary to adjust manhole and valve covers at the time the overlay is applied. Testing should be conducted by an independent consultant to determine the condition of the asphalt near the end of the estimated useful life.

The cost of asphalt overlay is based on a minimum thickness of 1.5" and includes the cost of applying a paving fabric.

A consultant may be obtained to prepare the asphalt application specifications, and to work with the contractor during the actual installation. We recommend the client obtain bids for such a consultation near the end of the estimated useful life. As costs vary, we have not included such an expense in our cost estimates. Should the client request, we will be happy to incorporate this cost in our calculations.

**Sample Reserve Study**  
**ARA • Detail Report by Category**

Streets - Asphalt, Repairs - 2015			
Asset ID	1058	35,000 sq. ft.	@ \$6.85
		Asset Cost	\$3,596.25
		Percent Replacement	1.5%
	Streets, Asphalt	Future Cost	\$3,704.14
Placed in Service	January 2002	Assigned Reserves	\$426.56
Useful Life	5		
Adjustment	8	Monthly Assessment	\$227.28
Replacement Year	2015	Interest Contribution	<u>\$2.23</u>
Remaining Life	1	Reserve Allocation	\$229.51



We are budgeting for future asphalt repairs and seal coat during the 2015 and thereafter every 5 years.

During the 2013 field inspection the asphalt appeared to need overlay. We are budgeting for a complete overlay during the 2015 fiscal year.

The actual date this item was "placed in service" was not available. For budgeting purposes, we have estimated this date based upon its present condition.

It is estimated that a percentage of the asphalt areas will require repair or replacement. The actual condition of the asphalt should be monitored through time and the estimates adjusted accordingly.

Streets - Asphalt, Seal Coat - 2015			
Asset ID	1059	35,000 sq. ft.	@ \$0.22
		Asset Cost	\$7,700.00
		Percent Replacement	100%
	Streets, Asphalt	Future Cost	\$7,931.00
Placed in Service	January 2002	Assigned Reserves	<i>none</i>
Useful Life	5		
Adjustment	8	Monthly Assessment	\$550.97
Replacement Year	2015	Interest Contribution	<u>\$4.20</u>
Remaining Life	1	Reserve Allocation	\$555.17

**Sample Reserve Study**  
**ARA • Detail Report by Category**

*Streets - Asphalt, Seal Coat continued...*



We are budgeting for future asphalt repairs and seal coat beginning during the 2015 fiscal year and thereafter every 5 years.

During the 2013 field inspection the asphalt appeared to need overlay. We are budgeting for a complete overlay during 2015.

The actual date this item was "placed in service" was not available. For budgeting purposes, we have estimated this date based upon its present condition.

Asphalt surfaces should be sealed within 3 years of their initial installation. Thereafter, a 4 to 5 year cycle should be observed and adjusted according to the client's particular needs. The cost includes any restriping that may be necessary.

<b>Streets, Asphalt - Total Current Cost</b>	<b>\$106,893</b>
<b>Assigned Reserves</b>	<b>\$96,024</b>
<b>Fully Funded Reserves</b>	<b>\$106,024</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

Roofs - Built Up w/Gravel, Replace - 2016

		5,090 sq. ft.	@ \$6.13
Asset ID	1001	Asset Cost	\$31,201.70
		Percent Replacement	100%
	Roofing	Future Cost	\$33,101.88
Placed in Service	June 2001	Assigned Reserves	<i>none</i>
Useful Life	15		
Replacement Year	2016	Monthly Assessment	\$1,141.77
Remaining Life	2	Interest Contribution	<u>\$8.70</u>
		Reserve Allocation	\$1,150.46



It is recommended that the association secure cost proposals for the roofing replacement from qualified roofing contractors or consultants as soon as practical. Roofing costs have risen significantly due to new environmental and safety regulations, as well as higher costs of materials. In addition, existing or changes to roofing specifications, choice of the quality of the product, possible structural repairs, or other unknown factors can add to the cost. We can amend this analysis using the current cost proposals in an updated or revised reserve study when the information becomes available.

The cost used on this component includes the removal and disposal of the existing material.

The roofing specifications are unknown; therefore, the cost used on this built-up roof is based upon replacing it with a 3-ply roof membrane. The useful life estimate is based upon the assumption that the roof will be inspected annually and maintained as needed.

<b>Roofing - Total Current Cost</b>	<b>\$31,202</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$27,041</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

<b>Gutters/Downspouts - Replace - 2016</b>			300 lin. ft.	@ \$8.89
Asset ID	1004		Asset Cost	\$2,667.00
			Percent Replacement	100%
	Gutters/Downspouts		Future Cost	\$2,829.42
Placed in Service	January 1990		Assigned Reserves	<i>none</i>
Useful Life	22			
Adjustment	4		Monthly Assessment	\$97.59
Replacement Year	2016		Interest Contribution	_ \$0.74
Remaining Life	2		Reserve Allocation	\$98.34
gutters		-	210	
downspouts		-	<u>90</u>	
	Total =		300	lin. ft.

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

<b>Gutters/Downspouts - Total Current Cost</b>	<b>\$2,667</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$2,462</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

**Skylights - Roof, Replace - 2016**

		2 skylights	@ \$740.00
Asset ID	1013	Asset Cost	\$1,480.00
		Percent Replacement	100%
	Skylights	Future Cost	\$1,570.13
Placed in Service	January 1990	Assigned Reserves	<i>none</i>
Useful Life	22		
Adjustment	4	Monthly Assessment	\$54.16
Replacement Year	2016	Interest Contribution	_ \$0.41
Remaining Life	2	Reserve Allocation	\$54.57



These skylights are 4' x 3'.

The useful life of this asset has been extended at the request of the client.

<b>Skylights - Total Current Cost</b>	<b>\$1,480</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$1,366</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

**Paint - Exterior, Stucco, Units - 2020**

Asset ID	1007	Asset Cost	\$65,170.00
		Percent Replacement	100%
	Painting, Exterior	Future Cost	\$77,816.39
Placed in Service	May 2010	Assigned Reserves	<i>none</i>
Useful Life	10		
Replacement Year	2020	Monthly Assessment	\$869.78
Remaining Life	6	Interest Contribution	<u>\$6.62</u>
		Reserve Allocation	\$876.40



The client advised the interior and exterior of the association was painted during May 2010 (2013 comment).

$$24,500 - \text{sq. ft., of stucco} \quad @ \quad \$2.66 = \underline{\$65,170.00}$$

$$\text{Total} = \quad \$65,170.00$$

It is recommended that the association secure cost proposals for painting from qualified painting contractors or consultants as soon as practical. Painting costs have risen significantly due to new environmental and safety regulations, as well as higher costs of materials. Conditions, damage not clearly visible, or other factors could also be of concern and create additional costs. We can amend this analysis using the most current cost proposals in an updated or revised reserve study when the information becomes available.

**Paint - Exterior, Wood Siding, Units - 2015**

Asset ID	1066	Asset Cost	\$5,100.00
		Percent Replacement	100%
	Painting, Exterior	Future Cost	\$5,253.00
Placed in Service	January 2010	Assigned Reserves	\$4,080.00
Useful Life	5		
Replacement Year	2015	Monthly Assessment	\$77.50
Remaining Life	1	Interest Contribution	<u>\$5.38</u>
		Reserve Allocation	\$82.88

**Sample Reserve Study  
ARA • Detail Report by Category**

*Paint - Exterior, Wood Siding, Units continued...*



The client advised the interior and exterior of the association was painted during May 2010 (2010 comment).

2,000 - sq. ft., siding	@	\$2.55 =	<u>\$5,100.00</u>
		Total =	\$5,100.00

It is recommended that the association secure cost proposals for painting from qualified painting contractors or consultants as soon as practical. Painting costs have risen significantly due to new environmental and safety regulations, as well as higher costs of materials. Conditions, damage not clearly visible, or other factors could also be of concern and create additional costs. We can amend this analysis using the most current cost proposals in an updated or revised reserve study when the information becomes available.

**Paint - Exterior, Wrought Iron, Pool - 2015**

Asset ID	1067	2,148 sq. ft.	@ \$1.56
		Asset Cost	\$3,350.88
		Percent Replacement	100%
		Future Cost	\$3,451.41
		Assigned Reserves	\$2,680.70
Placed in Service	Painting, Exterior January 2010	Monthly Assessment	\$50.92
Useful Life	5	Interest Contribution	<u>\$3.54</u>
Replacement Year	2015	Reserve Allocation	\$54.45
Remaining Life	1		

**Sample Reserve Study**  
**ARA • Detail Report by Category**

*Paint - Exterior, Wrought Iron, Pool continued...*



The client advised the interior and exterior of the association was painted during May 2010 (2010 comment).

To ensure the longevity of wrought iron, it should be painted as recommended.

<b>Painting, Exterior - Total Current Cost</b>	<b>\$73,621</b>
<b>Assigned Reserves</b>	<b>\$6,761</b>
<b>Fully Funded Reserves</b>	<b>\$32,829</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

Paint - Interior, Lobby, Atrium, Halls - 2018

		18,870 sq. ft.	@ \$0.95
Asset ID	1011	Asset Cost	\$17,926.50
		Percent Replacement	100%
	Painting, Interior	Future Cost	\$20,176.43
Placed in Service	May 2010	Assigned Reserves	<i>none</i>
Useful Life	8		
Replacement Year	2018	Monthly Assessment	\$343.10
Remaining Life	4	Interest Contribution	<u>\$2.61</u>
		Reserve Allocation	\$345.71



The client advised the interior and exteriors of the association was painted during May 2010. This is the interior for the main building. Building A has no interior (2013 comment).

entry doors	-	690	
lobby	-	1,130	
hallway/atrium, 1st floor	-	4,380	
hallway, 2nd floor	-	1,610	
hallway, 3rd floor	-	1,610	
hallway, 4th floor	-	420	
garage, wall only	-	3,840	
stairwells	-	<u>5,190</u>	
Total =		18,870	sq. ft.

It is recommended that the association secure cost proposals for painting from qualified painting contractors or consultants as soon as practical. Painting costs have risen significantly due to new environmental and safety regulations, as well as higher costs of materials. Conditions, damage not clearly visible, or other factors could also be of concern and create additional costs. We can amend this analysis using the most current cost proposals in an updated or revised reserve study when the information becomes available.

<b>Painting, Interior - Total Current Cost</b>	<b>\$17,926</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$8,963</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

**Lighting - Exterior, Buildings, Replace - 2020**

Asset ID	1068	Asset Cost	\$1,946.00
		Percent Replacement	100%
	Lighting, Exterior	Future Cost	\$2,323.63
Placed in Service	August 1998	Assigned Reserves	<i>none</i>
Useful Life	22		
Replacement Year	2020	Monthly Assessment	\$25.97
Remaining Life	6	Interest Contribution	\$0.20
		Reserve Allocation	\$26.17



The client advised all light fixtures were replaced or modified during August 1998. The interior hallway wall sconces and emergency exit signs were not included in this project (2013 comment).

4 - vapor flood fixtures, main building	@	\$456.00 =	\$1,824.00
2 - wall mount lanterns, building A	@	61.00 =	<u>122.00</u>
		Total =	\$1,946.00

All cost estimates have been calculated based upon the original inventory as identified in this section. It is likely that future replacements will vary and therefore the cost used may be considered as a general indication of budgetary needs rather than specific for these components.

<b>Lighting, Exterior - Total Current Cost</b>	<b>\$1,946</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$1,415</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

**Lighting - Int, Ceiling Recess Rds, Replace - 2020**

		12 fixtures	@ \$138.00
Asset ID	1026	Asset Cost	\$1,656.00
		Percent Replacement	100%
	Lighting, Interior	Future Cost	\$1,977.35
Placed in Service	August 1998	Assigned Reserves	<i>none</i>
Useful Life	22		
Replacement Year	2020	Monthly Assessment	\$22.10
Remaining Life	6	Interest Contribution	<u>\$0.17</u>
		Reserve Allocation	\$22.27



The client advised all light fixtures were replaced or modified during August 1998. The interior hallway wall sconces and emergency exit signs were not included in this project (2013 comment).

All cost estimates have been calculated based upon the original inventory as identified in this section. It is likely that future replacements will vary and therefore the cost used may be considered as a general indication of budgetary needs rather than specific for these components.

**Lighting - Int, EXIT/Emergency, Replace - 2020**

		Asset Cost	\$5,993.00
Asset ID	1022	Percent Replacement	100%
	Lighting, Interior	Future Cost	\$7,155.96
Placed in Service	January 1998	Assigned Reserves	<i>none</i>
Useful Life	22		
Replacement Year	2020	Monthly Assessment	\$79.98
Remaining Life	6	Interest Contribution	<u>\$0.61</u>
		Reserve Allocation	\$80.59

**Sample Reserve Study  
ARA • Detail Report by Category**

*Lighting - Int, EXIT/Emergency, Replace continued...*



13 - EXIT emergency signs @ \$461.00 = \$5,993.00  
Total = \$5,993.00

All cost estimates have been calculated based upon the original inventory as identified in this section. It is likely that future replacements will vary and therefore the cost used may be considered as a general indication of budgetary needs rather than specific for these components.

**Lighting - Int, Fluorescent, Replace - 2020**

Asset ID	1020	Asset Cost	\$6,942.00
		Percent Replacement	100%
	Lighting, Interior	Future Cost	\$8,289.11
Placed in Service	August 1998	Assigned Reserves	<i>none</i>
Useful Life	22		
Replacement Year	2020	Monthly Assessment	\$92.65
Remaining Life	6	Interest Contribution	<u>\$0.71</u>
		Reserve Allocation	<u>\$93.36</u>



The client advised all light fixtures were replaced or modified during August 1998. The interior hallway wall sconces and emergency exit signs were not included in this project (2013)

**Sample Reserve Study**  
**ARA • Detail Report by Category**

*Lighting - Int, Fluorescent, Replace continued...*

comment).

24 - fluor, 8' dbl, w/o lens, garage	@	\$183.00 =	\$4,392.00
3 - fluor, 4' dbl, w/o lens, garage	@	110.00 =	330.00
15 - fluor, 4' dbl, w/lens, hallways	@	148.00 =	<u>2,220.00</u>
		Total =	\$6,942.00

All cost estimates have been calculated based upon the original inventory as identified in this section. It is likely that future replacements will vary and therefore the cost used may be considered as a general indication of budgetary needs rather than specific for these components.

**Lighting - Int, Wall Sconces, Replace - 2020**

		39 sconces	@ \$172.00
Asset ID	1024	Asset Cost	\$6,708.00
		Percent Replacement	100%
	Lighting, Interior	Future Cost	\$8,009.70
Placed in Service	January 1998	Assigned Reserves	<i>none</i>
Useful Life	22		
Replacement Year	2020	Monthly Assessment	\$89.53
Remaining Life	6	Interest Contribution	<u>\$0.68</u>
		Reserve Allocation	\$90.21



These wall sconces are located in the hallways.

All cost estimates have been calculated based upon the original inventory as identified in this section. It is likely that future replacements will vary and therefore the cost used may be considered as a general indication of budgetary needs rather than specific for these components.

**Sample Reserve Study**  
**ARA • Detail Report by Category**

<b>Lighting, Interior - Total Current Cost</b>	<b>\$21,299</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$15,490</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

Floor Cover - Carpet, Halls, Replace - 2016

		160 sq. yds.	@ \$47.96
Asset ID	1027	Asset Cost	\$8,210.75
		Percent Replacement	107%
	Floor Cover	Future Cost	\$8,710.79
Placed in Service	January 2005	Assigned Reserves	<i>none</i>
Useful Life	8		
Adjustment	3	Monthly Assessment	\$300.46
Replacement Year	2016	Interest Contribution	<u>\$2.29</u>
Remaining Life	2	Reserve Allocation	\$302.74



The client advised \$6,998 was expended for the replacement of the carpeting during December 2004.

1st floor	-	45	
2nd floor	-	50	
3rd floor	-	50	
4th floor	-	<u>15</u>	
Total	=	160	sq. yds.

For budgeting purposes, we have used the next fiscal year's beginning date as the placed-in-service date for this component.

The current cost used on this asset is based upon actual expenditures incurred at last replacement, and has been adjusted for inflation where applicable.

The measurement indicated represents the actual area to be replaced. The percentage of replacement has been increased above 100% to allow for a waste factor which should be considered when replacing this component.

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

<b>Floor Cover - Total Current Cost</b>	<b>\$8,211</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$6,718</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

Fencing - W/I, Pool, Driveways, Replace - 2022

Asset ID	1016	Asset Cost	\$17,203.00
		Percent Replacement	100%
	Fencing	Future Cost	\$21,792.25
Placed in Service	January 2002	Assigned Reserves	<i>none</i>
Useful Life	20		
Replacement Year	2022	Monthly Assessment	\$180.10
Remaining Life	8	Interest Contribution	<u>\$1.37</u>
		Reserve Allocation	\$181.48



This is a painted steel fencing with a spear top.

120 - lin. ft., of 6'H fencing, pool	@	\$51.00 =	\$6,120.00
1 - gate, 2'W x 6'H, pool	@	215.00 =	215.00
150 - lin. ft., of 6'H fencing, driveway	@	51.00 =	7,650.00
1 - vehicle gate, 18'x6'H, driveway	@	3,218.00 =	<u>3,218.00</u>
		Total =	\$17,203.00

The actual date this item was "placed in service" was not available. For budgeting purposes, we have estimated this date based upon its present condition.

To ensure the longevity of wrought iron, it should be painted as recommended.

Please note that the costs estimated for fencing replacement are based on replacing all the fencing at the same time with similar type fencing. Replacing the fencing in sections, by area, or changing the fencing specifications could increase the cost.

<b>Fencing - Total Current Cost</b>	<b>\$17,203</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$10,322</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

**Railings - Wrought Iron, Decks, Replace - 2015**

Asset ID	1053	Asset Cost	\$3,840.00
		Percent Replacement	100%
	Railings	Future Cost	\$3,955.20
Placed in Service	January 1990	Assigned Reserves	\$3,686.40
Useful Life	22		
Adjustment	3	Monthly Assessment	\$15.07
Replacement Year	2015	Interest Contribution	_ \$4.44
Remaining Life	1	Reserve Allocation	\$19.51



During the 2013 field inspection the wrought iron railings appeared to be in good condition.

$$120 \text{ - lin. ft., of 3.5'H railing, decks} \quad @ \quad \$32.00 = \underline{\$3,840.00}$$

$$\text{Total} = \quad \$3,840.00$$

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

To ensure the longevity of wrought iron, it should be painted as recommended.

<b>Railings - Total Current Cost</b>	<b>\$3,840</b>
<b>Assigned Reserves</b>	<b>\$3,686</b>
<b>Fully Funded Reserves</b>	<b>\$3,686</b>

**Sample Reserve Study  
ARA • Detail Report by Category**

**Security - Access Phone, Replace - 2015**

Asset ID	1028	Asset Cost	\$3,110.00
		Percent Replacement	100%
	Security	Future Cost	\$3,203.30
Placed in Service	January 1993	Assigned Reserves	\$2,968.64
Useful Life	15		
Adjustment	7	Monthly Assessment	\$13.40
Replacement Year	2015	Interest Contribution	<u>\$3.59</u>
Remaining Life	1	Reserve Allocation	\$16.98



This is a Nutone, "hands free", access phone. It is in working condition.  
The useful life of this asset has been extended due to its present condition.

**Security - Gate Operators, Sliding, Replace - 2015**

Asset ID	1030	Asset Cost	\$4,200.00
		Percent Replacement	100%
	Security	Future Cost	\$4,326.00
Placed in Service	January 1998	Assigned Reserves	\$3,952.94
Useful Life	12		
Adjustment	5	Monthly Assessment	\$22.05
Replacement Year	2015	Interest Contribution	<u>\$4.81</u>
Remaining Life	1	Reserve Allocation	\$26.86

**Sample Reserve Study**  
**ARA • Detail Report by Category**

*Security - Gate Operators, Sliding, Replace continued...*



The gate operator opens the driveway vehicle gate. It appears to be in working order.

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

The actual date this item was "placed in service" was not available. For budgeting purposes, we have estimated this date based upon its present condition.

<b>Security - Total Current Cost</b>	<b>\$7,310</b>
<b>Assigned Reserves</b>	<b>\$6,922</b>
<b>Fully Funded Reserves</b>	<b>\$6,922</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

**Elevator - Cab Refurbishing - 2018**

Asset ID	1036	Asset Cost	\$6,641.00
		Percent Replacement	100%
	Elevator	Future Cost	\$7,474.50
Placed in Service	January 2004	Assigned Reserves	<i>none</i>
Useful Life	14		
Replacement Year	2018	Monthly Assessment	\$127.10
Remaining Life	4	Interest Contribution	<u>\$0.97</u>
		Reserve Allocation	\$128.07

This is a 5' x 6.5' elevator cab.

**Elevator - Major Repairs - 2016**

Asset ID	1037	Asset Cost	\$11,783.00
		Percent Replacement	100%
	Elevator	Future Cost	\$12,500.58
Placed in Service	January 1998	Assigned Reserves	<i>none</i>
Useful Life	18		
Replacement Year	2016	Monthly Assessment	\$431.18
Remaining Life	2	Interest Contribution	<u>\$3.28</u>
		Reserve Allocation	\$434.46

This category is for the additional major repair costs associated with hydraulic style elevators such as valve and cylinder replacements. Cab refurbishing alone is generally sufficient for traction style elevators as all additional maintenance is usually covered within the elevator service agreements.

<b>Elevator - Total Current Cost</b>	<b>\$18,424</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$15,217</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

**Hot Water System - Boiler, Replace - 2032**

Asset ID	1039	Asset Cost	\$18,449.00
		Percent Replacement	100%
	Hot Water System	Future Cost	\$31,408.19
Placed in Service	March 2002	Assigned Reserves	<i>none</i>
Useful Life	30		
Replacement Year	2032	Monthly Assessment	\$107.34
Remaining Life	18	Interest Contribution	<u>\$0.82</u>
		Reserve Allocation	\$108.16



The client advised \$15,000 was expended for the replacement of the boiler during March 2002.

This is a 15.5K BTU input, Teledyne Laars boiler.

The current cost used on this asset is based upon actual expenditures incurred at last replacement, and has been adjusted for inflation where applicable.

**Hot Water System - Storage Tank, Replace - 2018**

Asset ID	1040	Asset Cost	\$4,812.00
		Percent Replacement	100%
	Hot Water System	Future Cost	\$5,415.95
Placed in Service	March 2002	Assigned Reserves	<i>none</i>
Useful Life	16		
Replacement Year	2018	Monthly Assessment	\$92.10
Remaining Life	4	Interest Contribution	<u>\$0.70</u>
		Reserve Allocation	\$92.80

**Sample Reserve Study**  
**ARA • Detail Report by Category**

*Hot Water System - Storage Tank, Replace continued...*



The client advised \$3,913 was expended for the replacement of the water storage tank during March 2002.

This is an insulated, 150 gallon, hot water storage tank.

The current cost used on this asset is based upon actual expenditures incurred at last replacement, and has been adjusted for inflation where applicable.

<b>Hot Water System - Total Current Cost</b>	<b>\$23,261</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$10,989</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

Doors - Exterior, Metal, Replace - 2015

Asset ID	1014	Asset Cost	\$9,006.00
		Percent Replacement	100%
	Doors	Future Cost	\$9,276.18
Placed in Service	January 1990	Assigned Reserves	\$8,645.76
Useful Life	25		
Replacement Year	2015	Monthly Assessment	\$35.33
Remaining Life	1	Interest Contribution	\$10.42
		Reserve Allocation	\$45.75

9 - doors, 3'W x 7'H, stairwells	@	\$522.00 =	\$4,698.00
6 - doors, 3'W x 7'H, pkg. area	@	522.00 =	3,132.00
2 - doors, 4'W x 8'H, main bldg, util, 2 vnts	@	588.00 =	<u>1,176.00</u>
		Total =	\$9,006.00

<b>Doors - Total Current Cost</b>	<b>\$9,006</b>
<b>Assigned Reserves</b>	<b>\$8,646</b>
<b>Fully Funded Reserves</b>	<b>\$8,646</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

**Pool - Filter, 60 Sq. Ft., Replace - 2014**

Asset ID	1063	Asset Cost	\$1,383.00
		Percent Replacement	100%
	Pool	Future Cost	\$1,383.00
Placed in Service	January 2002	Assigned Reserves	\$1,383.00
Useful Life	12		
Replacement Year	2014	Monthly Assessment	\$10.56
Remaining Life	0	Interest Contribution	<u>\$0.08</u>
		Reserve Allocation	\$10.64



The pool contractor advised the Purex 60 sq. ft., pool filter was placed in service during 2002. The information used on this asset has been provided with the assistance of the client's maintenance contractor.

The actual month this item was "placed in service" was not available. For budgeting purposes we have used the month corresponding to the beginning of the client's fiscal year.

**Pool - Furniture, Replace - 2014**

Asset ID	1061	Asset Cost	\$1,761.00
		Percent Replacement	100%
	Pool	Future Cost	\$1,761.00
Placed in Service	January 2007	Assigned Reserves	\$1,761.00
Useful Life	7		
Replacement Year	2014	Monthly Assessment	\$20.60
Remaining Life	0	Interest Contribution	<u>\$0.16</u>
		Reserve Allocation	\$20.76

**Sample Reserve Study**  
**ARA • Detail Report by Category**

*Pool - Furniture, Replace continued...*



This Tropi-Kai style furniture appear to be in good conditon (2013 comment).

4 - chairs	@	\$235.00 =	\$940.00
1 - brunch table	@	388.00 =	388.00
1 - fabric umbrella	@	433.00 =	<u>433.00</u>
		Total =	<u>\$1,761.00</u>

All cost estimates have been calculated based upon the original inventory as identified in this section. It is likely that future replacements will vary and therefore the cost used may be considered as a general indication of budgetary needs rather than specific for these components.

**Pool - Heater, 400K BTU, Replace - 2014**

Asset ID	1062	Asset Cost	\$2,388.00
		Percent Replacement	100%
	Pool	Future Cost	\$2,388.00
Placed in Service	January 1990	Assigned Reserves	\$2,388.00
Useful Life	12		
Replacement Year	2014	Monthly Assessment	\$18.23
Remaining Life	0	Interest Contribution	<u>\$0.14</u>
		Reserve Allocation	\$18.37

**Sample Reserve Study**  
**ARA • Detail Report by Category**

*Pool - Heater, 400K BTU, Replace continued...*



The pool contractor advises the 400K Teledyne Laars pool heater is original and is in poor condition.

The information used on this asset has been provided with the assistance of the client's maintenance contractor.

**Pool - Replaster/Tile, Replace - 2017**

	Asset ID	1060	Asset Cost	\$7,640.20
			Percent Replacement	100%
		Pool	Future Cost	\$8,348.65
Placed in Service	January	2005	Assigned Reserves	<i>none</i>
Useful Life		12		
Replacement Year		2017	Monthly Assessment	\$190.63
Remaining Life		3	Interest Contribution	<u>\$1.45</u>
			Reserve Allocation	<u>\$192.08</u>



The pool plaster and tile appear to be in good condition.

800 - sq. ft., of pool replastering	@	\$6.64 =	\$5,312.00
120 - lin. ft., of trim tile	@	16.63 =	1,995.60
20 - lin. ft., of lane tile	@	16.63 =	<u>332.60</u>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

*Pool - Replaster/Tile, Replace continued...*

Total =     \$7,640.20

The actual date this item was "placed in service" was not available. For budgeting purposes, we have estimated this date based upon its present condition.

<b>Pool - Total Current Cost</b>	<b>\$13,172</b>
<b>Assigned Reserves</b>	<b>\$5,532</b>
<b>Fully Funded Reserves</b>	<b>\$11,262</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

**Mailboxes - Wall Clusters, Replace - 2014**

		35 boxes	@ \$55.00
Asset ID	1047	Asset Cost	\$1,925.00
		Percent Replacement	100%
	Mailboxes	Future Cost	\$1,925.00
Placed in Service	January 1990	Assigned Reserves	\$1,925.00
Useful Life	20		
Adjustment	3	Monthly Assessment	\$10.54
Replacement Year	2014	Interest Contribution	<u>\$0.08</u>
Remaining Life	0	Reserve Allocation	\$10.62



These mailboxes are located in the lobby.

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

<b>Mailboxes - Total Current Cost</b>	<b>\$1,925</b>
<b>Assigned Reserves</b>	<b>\$1,925</b>
<b>Fully Funded Reserves</b>	<b>\$1,925</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

**Play Equipment - Replace - 2018**

Asset ID	1064	Asset Cost	\$16,416.00
		Percent Replacement	100%
	Play Equipment	Future Cost	\$18,476.35
Placed in Service	January 2002	Assigned Reserves	<i>none</i>
Useful Life	16		
Replacement Year	2018	Monthly Assessment	\$314.19
Remaining Life	4	Interest Contribution	\$2.39
		Reserve Allocation	\$316.58



During the 2013 field inspection the play equipment appeared to be in good condition.

The actual date this item was "placed in service" was not available. For budgeting purposes, we have estimated this date based upon its present condition.

All cost estimates have been calculated based upon the original inventory as identified in this section. It is likely that future replacements will vary and therefore the cost used may be considered as a general indication of budgetary needs rather than specific for these components.

<b>Play Equipment - Total Current Cost</b>	<b>\$16,416</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$12,312</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

**Irrigation - Controllers, Replace - 2017**

Asset ID	1046	Asset Cost	\$1,908.00
		Percent Replacement	100%
	Irrigation	Future Cost	\$2,084.92
Placed in Service	January 2008	Assigned Reserves	<i>none</i>
Useful Life	12		
Adjustment	-3	Monthly Assessment	\$47.61
Replacement Year	2017	Interest Contribution	_ \$0.36
Remaining Life	3	Reserve Allocation	\$47.97

The landscape contractor advised the Irritrol irrigation controllers are in poor condition (2013 comment).

$$2 - 8 \text{ station controllers, Irritrol} \quad @ \quad \$954.00 = \underline{\underline{\$1,908.00}}$$

$$\text{Total} = \underline{\underline{\$1,908.00}}$$

The information used on this asset has been provided with the assistance of the client's maintenance contractor.

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

<b>Irrigation - Total Current Cost</b>	<b>\$1,908</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$1,272</b>

**Sample Reserve Study**  
**ARA • Detail Report by Category**

**Detail Report Summary**

**Total of All Assets**

Assigned Reserves	\$129,495.00
Monthly Contribution	\$6,183.16
Monthly Interest	\$78.14
Monthly Allocation	\$6,261.29

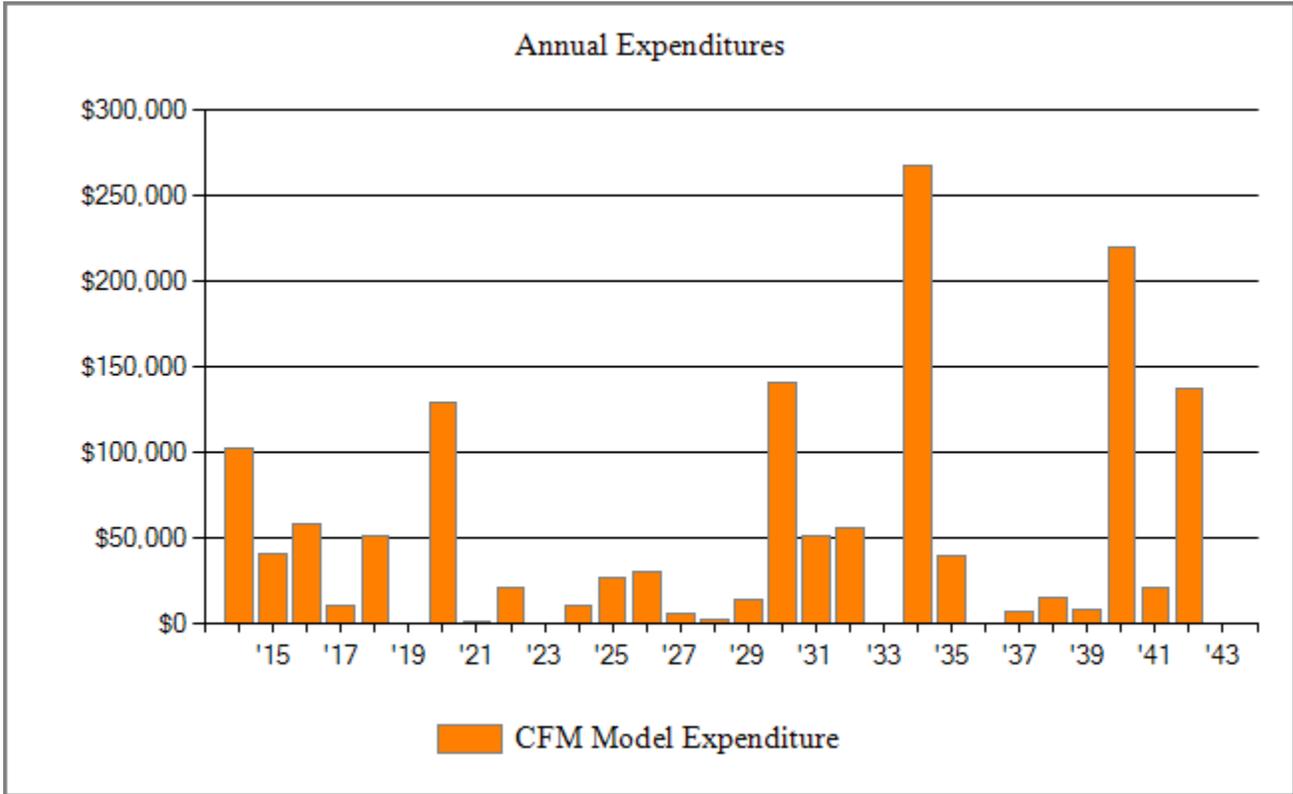
**Contingency at 3.00%**

Assigned Reserves	\$4,005.00
Monthly Contribution	\$191.23
Monthly Interest	\$2.42
Monthly Allocation	\$193.65

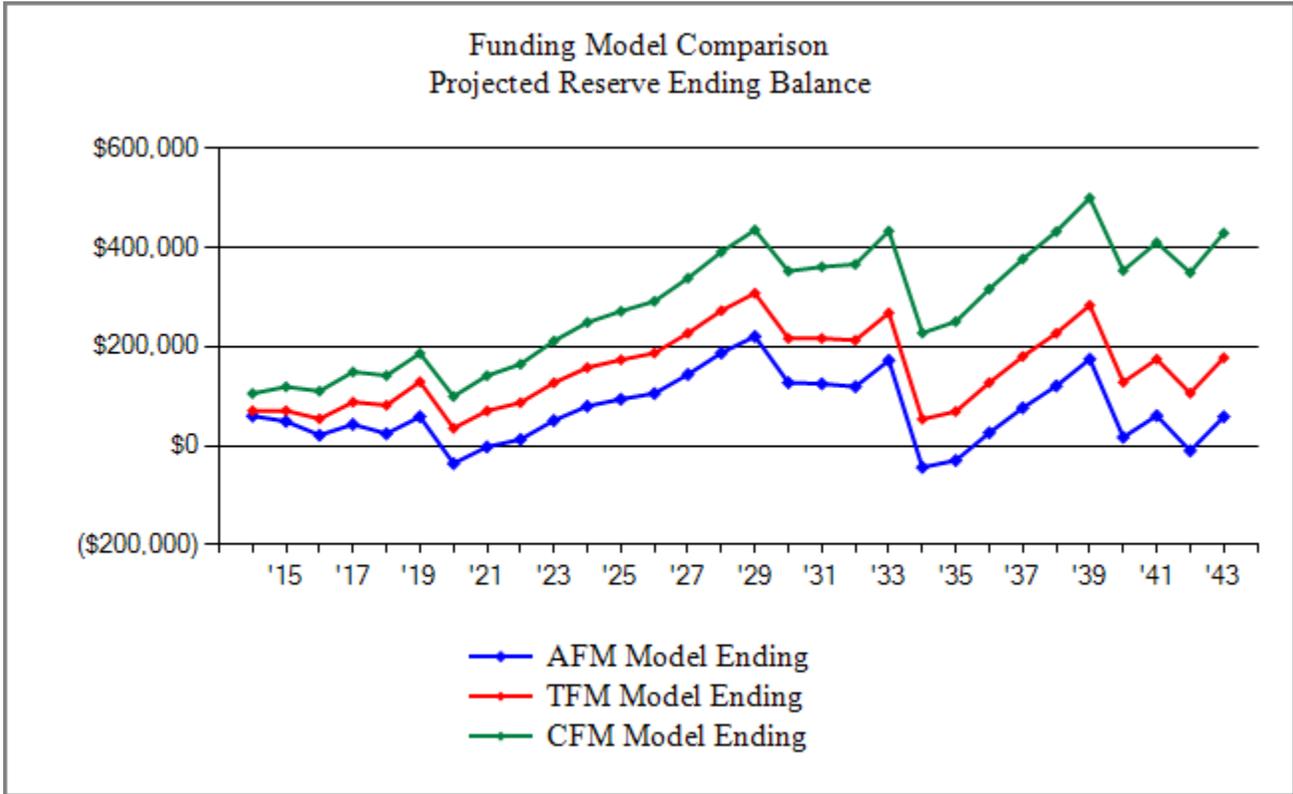
**Grand Total**

Assigned Reserves	\$133,500.00
Monthly Contribution	\$6,374.39
Monthly Interest	\$80.55
Monthly Allocation	\$6,454.94

**Sample Reserve Study**  
**ARA • Annual Asset Expenditure Charts**

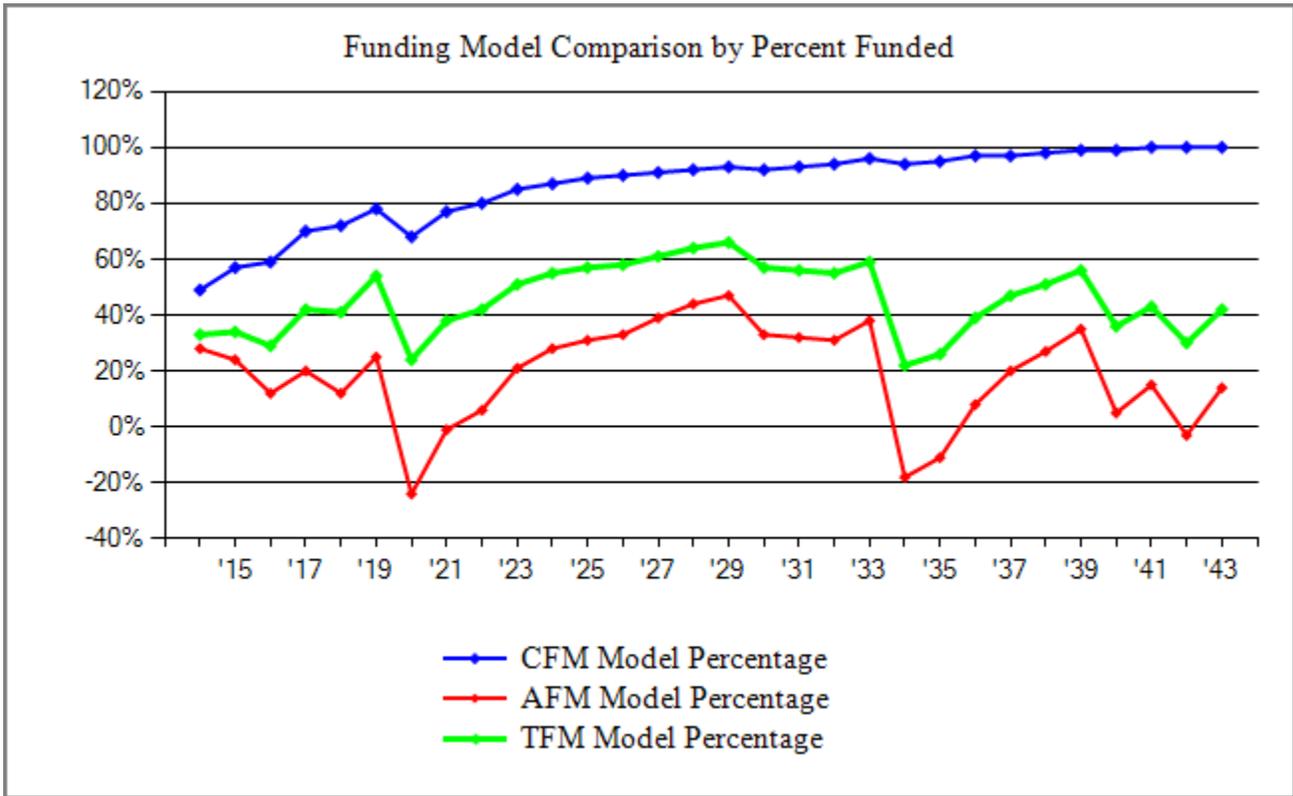


**Sample Reserve Study**  
**ARA • Funding Model Reserve Ending Balance Comparison Chart**



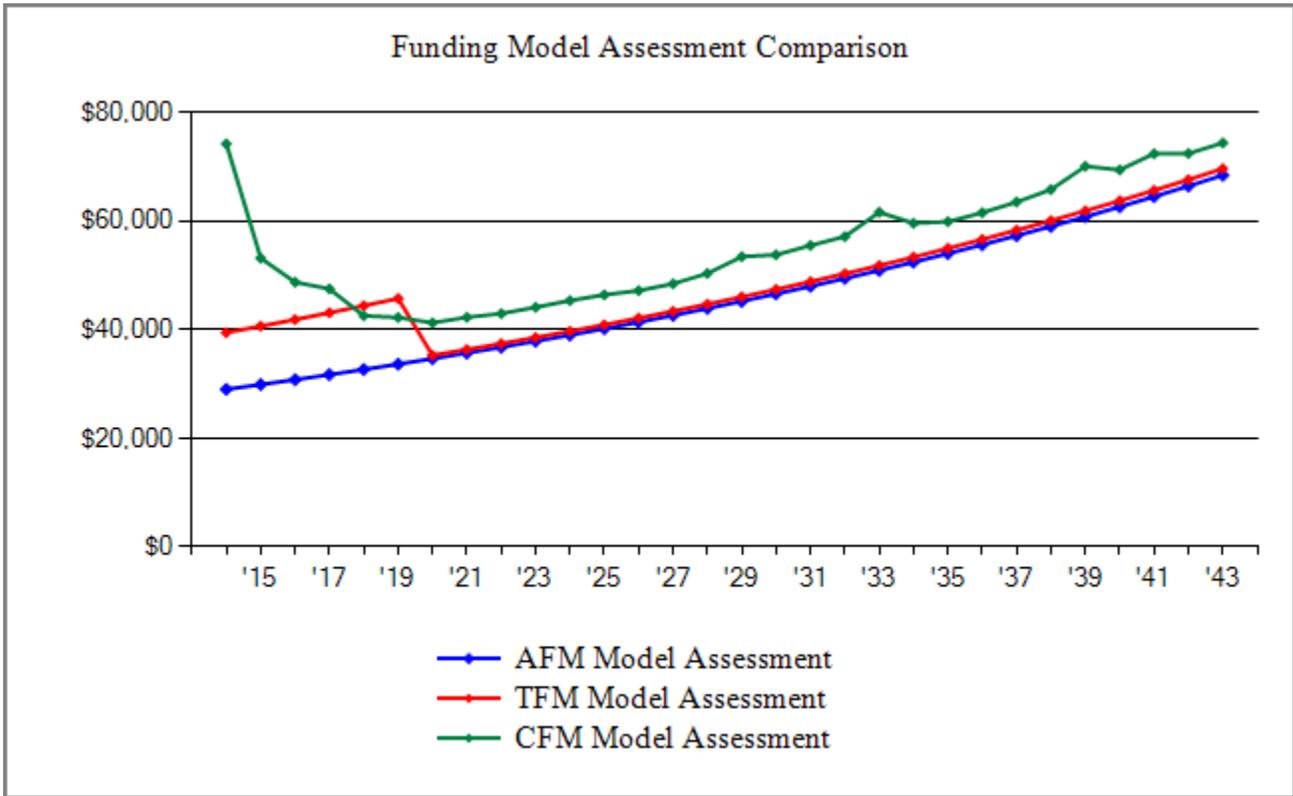
The chart above compares the projected reserve ending balances of the three funding models (Current Assessment Funding Model, Threshold Funding Model and Component Funding Model) over 30 years.

**Sample Reserve Study**  
**ARA • Funding Model Comparison By Percent Funded Chart**



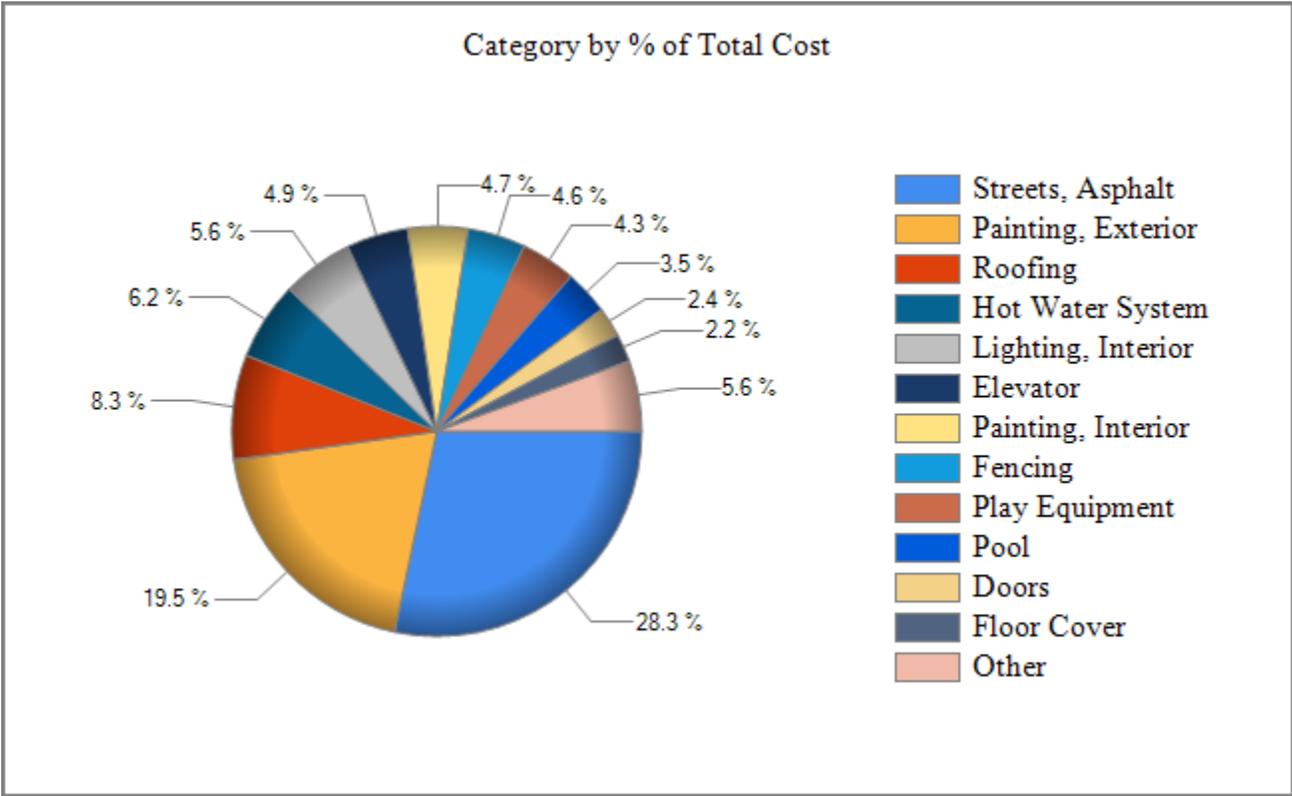
The chart above compares the three funding models (Current Assessment Funding Model, Threshold Funding Model and Component Funding Model) by the percentage fully funded over 30 years. This allows your association to view and then choose the funding model that might best fit your community’s needs.

**Sample Reserve Study**  
**ARA • Funding Model Annual Assessment Comparison Chart**



The chart above compares the annual assessment of the three funding models (Current Assessment Funding Model, Threshold Funding Model and Component Funding Model) over 30 years.

**Sample Reserve Study  
ARA • Asset Current Cost by Category**



**Sample Reserve Study**  
**ARA • Component Funding Model Spread Sheet**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Beginning Balance</b>	133,500	105,638	119,028	110,279	149,126	141,850	186,423	99,666	141,477
<b>Annual Assessment</b>	74,198	53,176	48,742	47,513	42,568	42,252	41,273	42,281	42,968
<b>Interest Earned</b>	994	1,314	1,221	1,769	1,699	2,320	1,121	1,696	2,014
<b>Expenditures</b>	103,054	41,100	58,713	10,434	51,543		129,151	2,166	21,792
<b>Fully Funded Reserves</b>	214,733	208,603	185,363	212,071	198,155	237,945	146,798	184,875	204,939
<b>Percent Fully Funded</b>	49%	57%	59%	70%	71%	78%	67%	76%	80%
<b>Ending Balance</b>	105,638	119,028	110,279	149,126	141,850	186,423	99,666	141,477	164,666

Description

**Streets, Asphalt**

Streets - Asphalt, Overlay	95,597								
Streets - Asphalt, Repairs		3,704					4,294		
Streets - Asphalt, Seal Coat		7,931					9,194		
<b>Streets, Asphalt Total:</b>	<b>95,597</b>	<b>11,635</b>					<b>13,488</b>		

**Roofing**

Roofs - Built Up w/Gravel, Replace			33,102						
<b>Roofing Total:</b>			<b>33,102</b>						

**Gutters/Downspouts**

Gutters/Downspouts - Replace			2,829						
<b>Gutters/Downspouts Total:</b>			<b>2,829</b>						

**Skylights**

Skylights - Roof, Replace			1,570						
<b>Skylights Total:</b>			<b>1,570</b>						

**Painting, Exterior**

Paint - Exterior, Stucco, Units							77,816		
Paint - Exterior, Wood Siding, Units		5,253					6,090		
Paint - Exterior, Wrought Iron, Pool		3,451					4,001		
<b>Painting, Exterior Total:</b>		<b>8,704</b>					<b>87,907</b>		

**Painting, Interior**

Paint - Interior, Lobby, Atrium, Halls					20,176				
<b>Painting, Interior Total:</b>					<b>20,176</b>				

**Sample Reserve Study  
ARA • Component Funding Model Spread Sheet**

	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Description</b>									
Lighting, Exterior									
Lighting - Exterior, Buildings, Replace							2,324		
<b>Lighting, Exterior Total:</b>							<b>2,324</b>		
Lighting, Interior									
Lighting - Int, Ceiling Recess Rds, Replace							1,977		
Lighting - Int, EXIT/Emergency, Replace							7,156		
Lighting - Int, Fluorescent, Replace							8,289		
Lighting - Int, Wall Sconces, Replace							8,010		
<b>Lighting, Interior Total:</b>							<b>25,432</b>		
Floor Cover									
Floor Cover - Carpet, Halls, Replace			8,711						
<b>Floor Cover Total:</b>			<b>8,711</b>						
Fencing									
Fencing - W/I, Pool, Driveways, Replace									21,792
<b>Fencing Total:</b>									<b>21,792</b>
Railings									
Railings - Wrought Iron, Decks, Replace		3,955							
<b>Railings Total:</b>		<b>3,955</b>							
Security									
Security - Access Phone, Replace		3,203							
Security - Gate Operators, Sliding, Replace		4,326							
<b>Security Total:</b>		<b>7,529</b>							
Elevator									
Elevator - Cab Refurbishing					7,475				
Elevator - Major Repairs			12,501						
<b>Elevator Total:</b>			<b>12,501</b>		<b>7,475</b>				
Hot Water System									
Hot Water System - Boiler, Replace									
Hot Water System - Storage Tank, Replace					5,416				
<b>Hot Water System Total:</b>					<b>5,416</b>				

**Sample Reserve Study**  
**ARA • Component Funding Model Spread Sheet**

<b>Description</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Doors</b>									
Doors - Exterior, Metal, Replace		9,276							
<b>Doors Total:</b>		<b>9,276</b>							
<b>Pool</b>									
Pool - Filter, 60 Sq. Ft., Replace	1,383								
Pool - Furniture, Replace	1,761							2,166	
Pool - Heater, 400K BTU, Replace	2,388								
Pool - Replaster/Tile, Replace				8,349					
<b>Pool Total:</b>	<b>5,532</b>			<b>8,349</b>				<b>2,166</b>	
<b>Mailboxes</b>									
Mailboxes - Wall Clusters, Replace	1,925								
<b>Mailboxes Total:</b>	<b>1,925</b>								
<b>Play Equipment</b>									
Play Equipment - Replace					18,476				
<b>Play Equipment Total:</b>					<b>18,476</b>				
<b>Irrigation</b>									
Irrigation - Controllers, Replace				2,085					
<b>Irrigation Total:</b>				<b>2,085</b>					
<b>Year Total:</b>	<b>103,054</b>	<b>41,100</b>	<b>58,713</b>	<b>10,434</b>	<b>51,543</b>		<b>129,151</b>	<b>2,166</b>	<b>21,792</b>

**Sample Reserve Study**  
**ARA • Component Funding Model Spread Sheet**

	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
<b>Beginning Balance</b>	164,666	211,450	248,947	271,502	291,507	338,180	390,984	435,257	352,340
<b>Annual Assessment</b>	44,128	45,362	46,413	47,191	48,452	50,356	53,443	53,788	55,508
<b>Interest Earned</b>	2,656	3,169	3,476	3,749	4,389	5,111	5,706	4,552	4,661
<b>Expenditures</b>		11,035	27,335	30,935	6,168	2,664	14,876	141,258	51,572
<b>Fully Funded Reserves</b>	249,180	284,516	305,284	324,176	370,417	422,944	465,781	380,978	387,496
<b>Percent Fully Funded</b>	84%	87%	88%	89%	91%	92%	93%	92%	93%
<b>Ending Balance</b>	211,450	248,947	271,502	291,507	338,180	390,984	435,257	352,340	360,937

Description

**Streets, Asphalt**

Streets - Asphalt, Overlay									
Streets - Asphalt, Repairs			4,978					5,771	
Streets - Asphalt, Seal Coat			10,659					12,356	
<b>Streets, Asphalt Total:</b>			<b>15,637</b>					<b>18,127</b>	

**Roofing**

Roofs - Built Up w/Gravel, Replace									51,572
<b>Roofing Total:</b>									<b>51,572</b>

**Gutters/Downspouts**

Gutters/Downspouts - Replace									
<b>Gutters/Downspouts Total:</b>									

**Skylights**

Skylights - Roof, Replace									
<b>Skylights Total:</b>									

**Painting, Exterior**

Paint - Exterior, Stucco, Units								104,579	
Paint - Exterior, Wood Siding, Units			7,060					8,184	
Paint - Exterior, Wrought Iron, Pool			4,638					5,377	
<b>Painting, Exterior Total:</b>			<b>11,698</b>					<b>118,140</b>	

**Painting, Interior**

Paint - Interior, Lobby, Atrium, Halls				25,559					
<b>Painting, Interior Total:</b>				<b>25,559</b>					

**Sample Reserve Study**  
**ARA • Component Funding Model Spread Sheet**

**2023      2024      2025      2026      2027      2028      2029      2030      2031**

**Description**

Lighting, Exterior

Lighting - Exterior, Buildings, Replace

**Lighting, Exterior Total:**

Lighting, Interior

Lighting - Int, Ceiling Recess Rds, Replace

Lighting - Int, EXIT/Emergency, Replace

Lighting - Int, Fluorescent, Replace

Lighting - Int, Wall Sconces, Replace

**Lighting, Interior Total:**

Floor Cover

Floor Cover - Carpet, Halls, Replace

11,035

**Floor Cover Total:**

**11,035**

Fencing

Fencing - W/I, Pool, Driveways, Replace

**Fencing Total:**

Railings

Railings - Wrought Iron, Decks, Replace

**Railings Total:**

Security

Security - Access Phone, Replace

4,991

Security - Gate Operators, Sliding, Replace

6,168

**Security Total:**

**6,168**

**4,991**

Elevator

Elevator - Cab Refurbishing

Elevator - Major Repairs

**Elevator Total:**

Hot Water System

Hot Water System - Boiler, Replace

Hot Water System - Storage Tank, Replace

**Hot Water System Total:**

**Sample Reserve Study**  
**ARA • Component Funding Model Spread Sheet**

<b>Description</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
<b>Doors</b>									
Doors - Exterior, Metal, Replace									
<b>Doors Total:</b>									
<b>Pool</b>									
Pool - Filter, 60 Sq. Ft., Replace				1,972					
Pool - Furniture, Replace						2,664			
Pool - Heater, 400K BTU, Replace				3,405					
Pool - Replaster/Tile, Replace							11,903		
<b>Pool Total:</b>				<b>5,377</b>		<b>2,664</b>	<b>11,903</b>		
<b>Mailboxes</b>									
Mailboxes - Wall Clusters, Replace									
<b>Mailboxes Total:</b>									
<b>Play Equipment</b>									
Play Equipment - Replace									
<b>Play Equipment Total:</b>									
<b>Irrigation</b>									
Irrigation - Controllers, Replace							2,973		
<b>Irrigation Total:</b>							<b>2,973</b>		
<b>Year Total:</b>		<b>11,035</b>	<b>27,335</b>	<b>30,935</b>	<b>6,168</b>	<b>2,664</b>	<b>14,876</b>	<b>141,258</b>	<b>51,572</b>

**Sample Reserve Study**  
**ARA • Component Funding Model Spread Sheet**

	<b>2032</b>	<b>2033</b>	<b>2034</b>	<b>2035</b>	<b>2036</b>	<b>2037</b>	<b>2038</b>	<b>2039</b>	<b>2040</b>
<b>Beginning Balance</b>	360,937	366,113	433,356	227,597	250,557	316,097	376,845	432,125	499,900
<b>Annual Assessment</b>	57,146	61,616	59,593	59,873	61,541	63,495	65,792	70,070	69,416
<b>Interest Earned</b>	4,722	5,628	2,782	3,099	3,999	4,831	5,584	6,498	4,469
<b>Expenditures</b>	56,692		268,134	40,011		7,579	16,096	8,794	220,261
<b>Fully Funded Reserves</b>	390,378	453,283	243,184	263,543	327,390	387,018	441,383	506,687	357,776
<b>Percent Fully Funded</b>	93%	95%	93%	95%	96%	97%	97%	98%	98%
<b>Ending Balance</b>	366,113	433,356	227,597	250,557	316,097	376,845	432,125	499,900	353,524

Description

**Streets, Asphalt**

Streets - Asphalt, Overlay			172,659						
Streets - Asphalt, Repairs				6,690					7,756
Streets - Asphalt, Seal Coat				14,324					16,606
<b>Streets, Asphalt Total:</b>			<b>172,659</b>	<b>21,014</b>					<b>24,361</b>

**Roofing**

Roofs - Built Up w/Gravel, Replace									
<b>Roofing Total:</b>									

**Gutters/Downspouts**

Gutters/Downspouts - Replace							5,421		
<b>Gutters/Downspouts Total:</b>							<b>5,421</b>		

**Skylights**

Skylights - Roof, Replace							3,009		
<b>Skylights Total:</b>							<b>3,009</b>		

**Painting, Exterior**

Paint - Exterior, Stucco, Units									140,545
Paint - Exterior, Wood Siding, Units				9,488					10,999
Paint - Exterior, Wrought Iron, Pool				6,234					7,226
<b>Painting, Exterior Total:</b>				<b>15,721</b>					<b>158,770</b>

**Painting, Interior**

Paint - Interior, Lobby, Atrium, Halls			32,377						
<b>Painting, Interior Total:</b>			<b>32,377</b>						

**Sample Reserve Study**  
**ARA • Component Funding Model Spread Sheet**

	2032	2033	2034	2035	2036	2037	2038	2039	2040
<b>Description</b>									
Lighting, Exterior									
Lighting - Exterior, Buildings, Replace									
<b>Lighting, Exterior Total:</b>									
Lighting, Interior									
Lighting - Int, Ceiling Recess Rds, Replace									
Lighting - Int, EXIT/Emergency, Replace									
Lighting - Int, Fluorescent, Replace									
Lighting - Int, Wall Sconces, Replace									
<b>Lighting, Interior Total:</b>									
Floor Cover									
Floor Cover - Carpet, Halls, Replace	13,978								17,707
<b>Floor Cover Total:</b>	<b>13,978</b>								<b>17,707</b>
Fencing									
Fencing - W/I, Pool, Driveways, Replace									
<b>Fencing Total:</b>									
Railings									
Railings - Wrought Iron, Decks, Replace						7,579			
<b>Railings Total:</b>						<b>7,579</b>			
Security									
Security - Access Phone, Replace									
Security - Gate Operators, Sliding, Replace								8,794	
<b>Security Total:</b>								<b>8,794</b>	
Elevator									
Elevator - Cab Refurbishing	11,306								
Elevator - Major Repairs			21,281						
<b>Elevator Total:</b>	<b>11,306</b>		<b>21,281</b>						
Hot Water System									
Hot Water System - Boiler, Replace	31,408								
Hot Water System - Storage Tank, Replace			8,691						
<b>Hot Water System Total:</b>	<b>31,408</b>		<b>8,691</b>						

**Sample Reserve Study**  
**ARA • Component Funding Model Spread Sheet**

<b>Description</b>	<b>2032</b>	<b>2033</b>	<b>2034</b>	<b>2035</b>	<b>2036</b>	<b>2037</b>	<b>2038</b>	<b>2039</b>	<b>2040</b>
<b>Doors</b>									
Doors - Exterior, Metal, Replace									19,422
<b>Doors Total:</b>									<b>19,422</b>
<b>Pool</b>									
Pool - Filter, 60 Sq. Ft., Replace							2,811		
Pool - Furniture, Replace				3,276					
Pool - Heater, 400K BTU, Replace							4,854		
Pool - Replaster/Tile, Replace									
<b>Pool Total:</b>				<b>3,276</b>			<b>7,666</b>		
<b>Mailboxes</b>									
Mailboxes - Wall Clusters, Replace			3,477						
<b>Mailboxes Total:</b>			<b>3,477</b>						
<b>Play Equipment</b>									
Play Equipment - Replace			29,649						
<b>Play Equipment Total:</b>			<b>29,649</b>						
<b>Irrigation</b>									
Irrigation - Controllers, Replace									
<b>Irrigation Total:</b>									
<b>Year Total:</b>	<b>56,692</b>		<b>268,134</b>	<b>40,011</b>		<b>7,579</b>	<b>16,096</b>	<b>8,794</b>	<b>220,261</b>

**Sample Reserve Study**  
**ARA • Component Funding Model Spread Sheet**

	<b>2041</b>	<b>2042</b>	<b>2043</b>
<b>Beginning Balance</b>	353,524	409,942	349,172
<b>Annual Assessment</b>	72,393	72,426	74,379
<b>Interest Earned</b>	5,234	4,389	5,486
<b>Expenditures</b>	21,209	137,586	
<b>Fully Funded Reserves</b>	411,495	348,796	428,060
<b>Percent Fully Funded</b>	99%	100%	100%
<b>Ending Balance</b>	409,942	349,172	429,037

Description

Streets, Asphalt

Streets - Asphalt, Overlay

Streets - Asphalt, Repairs

Streets - Asphalt, Seal Coat

**Streets, Asphalt Total:**

Roofing

Roofs - Built Up w/Gravel, Replace

**Roofing Total:**

Gutters/Downspouts

Gutters/Downspouts - Replace

**Gutters/Downspouts Total:**

Skylights

Skylights - Roof, Replace

**Skylights Total:**

Painting, Exterior

Paint - Exterior, Stucco, Units

Paint - Exterior, Wood Siding, Units

Paint - Exterior, Wrought Iron, Pool

**Painting, Exterior Total:**

Painting, Interior

Paint - Interior, Lobby, Atrium, Halls

**Painting, Interior Total:**

**Sample Reserve Study**  
**ARA • Component Funding Model Spread Sheet**

**2041      2042      2043**

**Description**

Lighting, Exterior

Lighting - Exterior, Buildings, Replace	4,452
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<b>Lighting, Exterior Total:</b>	<b>4,452</b>
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Lighting, Interior

Lighting - Int, Ceiling Recess Rds, Replace	3,789
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Lighting - Int, EXIT/Emergency, Replace	13,712
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Lighting - Int, Fluorescent, Replace	15,883
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Lighting - Int, Wall Sconces, Replace	15,347
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<b>Lighting, Interior Total:</b>	<b>48,731</b>
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Floor Cover

Floor Cover - Carpet, Halls, Replace	
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<b>Floor Cover Total:</b>	
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Fencing

Fencing - W/I, Pool, Driveways, Replace	39,359
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<b>Fencing Total:</b>	<b>39,359</b>
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Railings

Railings - Wrought Iron, Decks, Replace	
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<b>Railings Total:</b>	
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Security

Security - Access Phone, Replace	
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Security - Gate Operators, Sliding, Replace	
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<b>Security Total:</b>	
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Elevator

Elevator - Cab Refurbishing	
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Elevator - Major Repairs	
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<b>Elevator Total:</b>	
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Hot Water System

Hot Water System - Boiler, Replace	
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Hot Water System - Storage Tank, Replace	
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<b>Hot Water System Total:</b>	
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**Sample Reserve Study**  
**ARA • Component Funding Model Spread Sheet**

**2041      2042      2043**

**Description**

Doors

Doors - Exterior, Metal, Replace

**Doors Total:**

Pool

Pool - Filter, 60 Sq. Ft., Replace

Pool - Furniture, Replace

4,029

Pool - Heater, 400K BTU, Replace

Pool - Replaster/Tile, Replace

16,971

**Pool Total:**

**16,971**

**4,029**

Mailboxes

Mailboxes - Wall Clusters, Replace

**Mailboxes Total:**

Play Equipment

Play Equipment - Replace

**Play Equipment Total:**

Irrigation

Irrigation - Controllers, Replace

4,238

**Irrigation Total:**

**4,238**

**Year Total:**

**21,209**

**137,586**

**Sample Reserve Study**  
**ARA • Category Detail Index**

Asset ID	Description	Replacement	Page
1014	Doors - Exterior, Metal, Replace	2015	2-40
1036	Elevator - Cab Refurbishing	2018	2-37
1037	Elevator - Major Repairs	2016	2-37
1016	Fencing - W/I, Pool, Driveways, Replace	2022	2-33
1027	Floor Cover - Carpet, Halls, Replace	2016	2-32
1004	Gutters/Downspouts - Replace	2016	2-21
1039	Hot Water System - Boiler, Replace	2032	2-38
1040	Hot Water System - Storage Tank, Replace	2018	2-38
1046	Irrigation - Controllers, Replace	2017	2-47
1068	Lighting - Exterior, Buildings, Replace	2020	2-27
1026	Lighting - Int, Ceiling Recess Rds, Replace	2020	2-28
1022	Lighting - Int, EXIT/Emergency, Replace	2020	2-28
1020	Lighting - Int, Fluorescent, Replace	2020	2-29
1024	Lighting - Int, Wall Sconces, Replace	2020	2-30
1047	Mailboxes - Wall Clusters, Replace	2014	2-45
1007	Paint - Exterior, Stucco, Units	2020	2-23
1066	Paint - Exterior, Wood Siding, Units	2015	2-23
1067	Paint - Exterior, Wrought Iron, Pool	2015	2-24
1011	Paint - Interior, Lobby, Atrium, Halls	2018	2-26
1064	Play Equipment - Replace	2018	2-46
1063	Pool - Filter, 60 Sq. Ft., Replace	2014	2-41
1061	Pool - Furniture, Replace	2014	2-41
1062	Pool - Heater, 400K BTU, Replace	2014	2-42
1060	Pool - Replaster/Tile, Replace	2017	2-43
1053	Railings - Wrought Iron, Decks, Replace	2015	2-34
1001	Roofs - Built Up w/Gravel, Replace	2016	2-20
1028	Security - Access Phone, Replace	2015	2-35
1030	Security - Gate Operators, Sliding, Replace	2015	2-35
1013	Skylights - Roof, Replace	2016	2-22
1069	Streets - Asphalt, Overlay	2014	2-17
1058	Streets - Asphalt, Repairs	2015	2-18
1059	Streets - Asphalt, Seal Coat	2015	2-18
	Total Funded Assets	32	
	Total Unfunded Assets	<u>0</u>	
	Total Assets	32	

# **CALIFORNIA CORPORATIONS CODE § 7231**

## **• GOVERNING BOARDS OF DIRECTORS**

### Duties and Liabilities:

A director shall perform the duties of a director, including duties a member of any committee of the board upon which the director may serve, in good faith, in a manner such director believes to be in the best interests of the corporation and with such care, including reasonable inquiry as an ordinarily prudent person in a like position would use under similar circumstances.

In performing the duties of a director, a director shall be entitled to rely upon information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by:

One or more officers or employees of the corporation whom the director believes to be reliable and competent in the matters presented; counsel, independent accountants or other persons as to matters which the director believes to be within such person's professional or expert competence; or

A committee of the board, upon which the director does not serve, as to matters within its designated authority, which the director believes to merit confidence, so long as, in any such case, the director acts in good faith and after reasonable inquiry, when the need therefore is indicated by the circumstances, and without knowledge that would cause such reliance to be unwarranted.

A person who performs the duties of a director, in accordance with subdivisions (a) and (b), shall have no liability based upon any alleged failure to discharge the person's obligations as a director, including, without limiting the generality of the foregoing, any actions or omissions which exceed or defeat a public or charitable purpose to which assets held by a corporation are dedicated.

## **CALIFORNIA CIVIL CODE § 1351 ( I )**

### **• EXCLUSIVE USE COMMON AREA**

As used in this title, the following terms have the following meanings:

“Exclusive use common area” means a portion of the common areas designated by the declaration for the exclusive use of one or more, but fewer than all, of the owners of the separate interests and, which is, or will be, appurtenant to the separate interest or interests. Unless the declaration otherwise provides, any shutters, awnings, window boxes, doorsteps, stoops, porches, balconies, patios, exterior doors, door frames, and hardware incident thereto, screens and windows or other fixtures designed to serve a single separate interest, but located outside the boundaries of the separate interest, are exclusive use common area allocated exclusively to that separate interest. Notwithstanding the provisions of the declaration internal and external telephone wiring designed to serve a single separate interest, but located outside the boundaries of the separate interest, are exclusive use common areas allocated exclusively to that separate interest.

## **CALIFORNIA CIVIL CODE § 1364**

### **• RESPONSIBILITY FOR MAINTENANCE OF COMMON INTEREST DEVELOPMENT:**

Unless otherwise provided in the declaration of a common interest development, the association is responsible for repairing, replacing, or maintaining the common areas, other than exclusive use common area, and the owner of each separate interest is responsible for maintaining that separate interest and any exclusive use common area appurtenant to the separate interest. In a community apartment project, condominium project, or stock cooperative, as defined in Section 1351, unless otherwise provided in the declaration, the association is responsible for the repair and maintenance of the common area occasioned by the presence of wood destroying pests or organisms. In a planned development as defined in Section 1351, unless a different maintenance scheme is provided in the declaration, each owner of a separate interest is responsible for the repair and maintenance of that separate interest as may be occasioned by the presence of wood destroying pests or organisms. Upon approval of the majority of all members of the association, the responsibility for

such repair and maintenance may be delegated to the association, which shall be entitled to recover the cost thereof as a special assessment.

The costs of temporary relocation during the repair and maintenance of the areas within the responsibility of the association shall be borne by the owner of the separate interest affected.

The association may cause the temporary, summary removal of any occupant of a common interest development for such periods and at such times as may be necessary for prompt, effective treatment of wood-destroying pests or organisms. The association shall give notice of the need to temporarily vacate a separate interest to the occupants and to the owners, not less than 15 days nor more than 30 days prior to the date of the temporary relocation. The notice shall state the reason for the temporary relocation, the date and time of the beginning of treatment, the anticipated date and time of termination of treatment, and that the occupants will be responsible for their own accommodations during the temporary relocation.

Notice by the association shall be deemed complete upon either:

Personal delivery of a copy of the notice to the occupants, and sending a copy of the notice to the owners, if different than the occupants, by first-class mail, postage prepaid, to the most current address shown on the books of the association.

By sending a copy of the notice to the occupants at the separate interest address, and a copy of the notice to the owners, if different than the occupants, by first-class mail, postage prepaid, to the most current address shown on the books of the association.

For purposes of this section, "occupant" means an owner, resident, guest, invitee, tenant, lessee, sub-lessee, or other person in possession of the separate interest.

Notwithstanding the provisions of the declaration, the owner of a separate interest is entitled to reasonable access to the common areas for the purpose of maintaining the internal and external telephone wiring made part of the exclusive use common areas of a separate interest, pursuant to paragraph (2) of subdivision (i) of Section 1351. The access shall be subject to the consent of the association, whose approval shall not be unreasonably withheld, and which may include the association's approval of telephone wiring upon the exterior of the common areas, and other conditions as the association determines reasonable.

# ASSEMBLY BILL NO. 2100

CHAPTER 188

FILED WITH SECRETARY OF STATE AUGUST 28, 2006

APPROVED BY GOVERNOR AUGUST 28, 2006

PASSED THE ASSEMBLY AUGUST 7, 2006

PASSED THE SENATE JUNE 29, 2006

AMENDED IN SENATE JUNE 19, 2006

AMENDED IN ASSEMBLY MAY 9, 2006

AMENDED IN ASSEMBLY APRIL 19, 2006

INTRODUCED BY Assembly Member Laird

(Coauthor: Assembly Member Mullin)

FEBRUARY 17, 2006

An act to amend Sections 1365, 1365.2.5, and 1365.5 of, and to add Section 1365.6 to, the Civil Code, relating to common interest developments.

## LEGISLATIVE COUNSEL'S DIGEST

AB 2100, Laird Common interest developments: reserve funding.

(1) Existing law requires the association of a common interest development to prepare and distribute to all members a pro forma operating budget that includes, among other things, a summary of the association's reserves, a statement regarding the mechanism or mechanisms by which the board of directors will fund reserves to repair or replace major components, and a statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the association is obligated to maintain.

This bill would require the pro forma operating budget to also include the current deficiency in reserve funding expressed on a per unit basis, a statement as to whether the board of directors of the association has determined to defer or not undertake repairs or replacement of any major component, and a statement whether the association has any outstanding loans, as specified.

(2) Existing law requires the board of directors, at least once every three years, to conduct a visual inspection of the major components that the association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the common interest development, as specified. The study is required to include, among other things, an estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the major components identified, after subtracting total reserve funds as of the date of the study. This bill would require the study to also include a reserve funding plan that indicates how the association plans to fund the annual contribution to meet the association's obligation for the repair and replacement of all major components, as specified. This bill would require, if the board of directors determines an assessment increase is required to fund the reserve funding plan, any assessment increase the board adopts to be approved in a separate board action from the action to adopt a reserve funding plan. The bill would require, commencing January 1, 2009, a summary of the reserve funding plan to be distributed to all members.

(3) Existing law requires the association of a common interest development to distribute a disclosure regarding assessment and reserve funding in a certain form. This bill would revise that form, as specified.

(4) Existing law provides that no contract or other transaction between a corporation and one or more of its directors, or any corporation, firm, or association in which any of its directors has a material financial interest or are directors thereof, is either void or void able because the director or directors, or the other corporation, firm, or association, are parties or present at the meeting of the board or a committee that authorizes, approves, or ratifies the contract or transaction, if certain disclosures are made and other specified conditions are met. Existing law also provides that interested or common directors may be counted in determining the presence of a quorum at a meeting of the board or a committee that authorizes, approves, or ratifies a contract or transaction.

This bill would make these provisions applicable to any contract or other transaction authorized, approved, or ratified by the board of directors of an association or a committee of the board, of whether the association is a corporation.

# THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 1365 of the Civil Code is amended to read:

1365. Unless the governing documents impose more stringent standards, the association shall prepare and distribute to all of its members the following documents:

(a) A pro forma operating budget, which shall include all of the following:

- (1) The estimated revenue and expenses on an accrual basis.
- (2) A summary of the association's reserves based upon the most recent review or study conducted pursuant to Section 1365.5, based only on assets held in cash or cash equivalents, which shall be printed in boldface type and include all of the following:

(A) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component.

(B) As of the end of the fiscal year for which the study is prepared:

- (i) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components.
- (ii) The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major components.
- (iii) If applicable, the amount of funds received from either a compensatory damage award or settlement to an association from any person or entity for injuries to property, real or personal, arising out of any construction or design defects, and the expenditure or disposition of funds, including the amounts expended for the direct and indirect costs of repair of construction or design defects. These amounts shall be reported at the end of the fiscal year for which the study is prepared as separate line items under cash reserves pursuant to clause (ii). Instead of complying with

the requirements set forth in this clause, an association that is obligated to issue a review of their financial statement pursuant to subdivision (b) may include in the review a statement containing all of the information required by this clause.

(C) The percentage that the amount determined for purposes of clause (ii) of subparagraph (B) equals the amount determined for purposes of clause (i) of subparagraph (B).

(D) The current deficiency in reserve funding expressed on a per unit basis. The figure shall be calculated by subtracting the amount determined for purposes of clause (ii) of subparagraph (B) from the amount determined for purposes of clause (i) of subparagraph (B) and then dividing the result by the number of separate interests within the association, except that if assessments vary by the size or type of ownership interest, then the association shall calculate the current deficiency in a manner that reflects the variation.

(3) A statement as to all of the following:

(A) Whether the board of directors of the association has determined to defer or not undertake repairs or replacement of any major component with a remaining life of 30 years or less, including a justification for the deferral or decision not to undertake the repairs or replacement.

(B) Whether the board of directors of the association, consistent with the reserve funding plan adopted pursuant to subdivision (e) of Section 1365.5, has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefore. If so, the statement shall also set out the estimated amount, commencement date, and duration of the assessment.

(C) The mechanism or mechanisms by which the board of directors will fund reserves to repair or replace major components, including assessments, borrowing, use of other assets, deferral of selected replacements or repairs, or alternative mechanisms.

(D) Whether the association has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.

(4) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the association is obligated to maintain. The report shall include, but need not be limited to, reserve calculations made using the formula described in paragraph (4) of subdivision (b) of Section 1365.2.5, and may not assume a rate of return on cash reserves in excess of 2 percent above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.

The summary of the association's reserves disclosed pursuant to paragraph (2) shall not be admissible in evidence to show improper financial management of an association, provided that other relevant and competent evidence of the financial condition of the association is not made inadmissible by this provision. Notwithstanding a contrary provision in the governing documents, a copy of the operating budget shall be annually distributed not less than 30 days nor more than 90 days prior to the beginning of the association's fiscal year.

(b) Commencing January 1, 2009, a summary of the reserve funding plan adopted by the board of directors of the association, as specified in paragraph (4) of subdivision (e) of Section 1365.5. The summary shall include notice to members that the full reserve study plan is available upon request, and the association shall provide the full reserve plan to any member upon request.

(c) A review of the financial statement of the association shall be prepared in accordance with generally accepted accounting principles by a licensee of the California Board of Accountancy for any fiscal year in which the gross income to the association exceeds seventy-five thousand dollars (\$75,000). A copy of the review of the financial statement shall be distributed within 120 days after the close of each fiscal year.

(d) Instead of the distribution of the pro forma operating budget required by subdivision (a), the board of directors may elect to distribute a summary of the pro forma operating budget to all of

its members with a written notice that the pro forma operating budget is available at the business office of the association or at another suitable location within the boundaries of the development, and that copies will be provided upon request and at the expense of the association. If any member requests that a copy of the pro forma operating budget required by subdivision (a) be mailed to the member, the association shall provide the copy to the member by first-class United States mail at the expense of the association and delivered within five days. The written notice that is distributed to each of the association members shall be in at least 10-point boldface type on the front page of the summary of the budget.

(e) A statement describing the association's policies and practices in enforcing lien rights or other legal remedies for default in payment of its assessments against its members shall be annually delivered to the members not less than 30 days nor more than 90 days immediately preceding the beginning of the association's fiscal year.

(f) (1) A summary of the association's property, general liability, earthquake, flood, and fidelity insurance policies, which shall be distributed not less than 30 days nor more than 90 days preceding the beginning of the association's fiscal year, that includes all of the following information about each policy:

- (A) The name of the insurer.
- (B) The type of insurance.
- (C) The policy limits of the insurance.
- (D) The amount of deductibles, if any.

(2) The association shall, as soon as reasonably practicable, notify its members by first-class mail if any of the policies described in paragraph (1) have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, as to any of those policies. If the association receives any notice of non-renewal of a policy described in paragraph (1), the association shall immediately notify its members if replacement coverage will not be in effect by the date the existing coverage will lapse.

(3) To the extent that any of the information required to be disclosed pursuant to paragraph (1) is specified in the insurance policy declaration page, the association may meet its obligation to disclose that information by making copies of that page and distributing it to all of its members.

(4) The summary distributed pursuant to paragraph (1) shall contain, in at least 10-point boldface type, the following statement: "This summary of the association's policies of insurance provides only certain information, as required by subdivision (f) of Section 1365 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or, real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage."

SEC. 2. Section 1365.2.5 of the Civil Code is amended to read:

1365.2.5. (a) The disclosures required by this article with regard to an association or a property shall be summarized on the following form:

# Assessment and Reserve Funding Disclosure Summary

(1)The current regular assessment per ownership interest is \$\_\_\_\_\_ per \_\_\_\_\_.

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page \_\_\_\_\_ of the attached summary.

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date assessment will be due:	Amount per ownership interest per month or year (if assessments are variable, see note immediately below):	Purpose of the Assessment:
	Total:	

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on (\_\_\_\_ of the attached report.

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes \_\_\_\_\_ No \_\_\_\_\_

(4) If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board and/or members:

Approximate date assessment will be due:	Amount per ownership interest per month per year:
	<b>Total:</b>

(5) All major components are included in the reserve study and are included in its calculations.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5, the estimated amount required in the reserve fund at the end of the current fiscal year is \$\_\_\_\_, based in whole or in part on the last reserve study or update prepared by \_\_\_\_ as of \_\_\_\_ (month), \_\_\_\_ (year). The projected reserve fund cash balance at the end of the current fiscal year is \$\_\_\_\_, resulting in reserves being \_\_\_\_ percent funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is \$\_\_\_\_. (See attached explanation)

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 of revenues, is leaving the reserve at \_\_\_\_\_ percent funding. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be \$\_\_\_\_\_, leaving the reserve at \_\_\_\_\_ percent funding.

Note: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. (b) For the purposes of preparing a summary pursuant to this section:

(1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement.

(2) "Major component" has the meaning used in Section 1365.5. Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.

(3) The form set out in subdivision (a) shall accompany each pro forma operating budget or summary thereof that is delivered pursuant to this article. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.

(4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.

SEC. 3. Section 1365.5 of the Civil Code is amended to read:

1365.5. (a) Unless the governing documents impose more stringent standards, the board of directors of the association shall do all of the following:

(1) Review a current reconciliation of the association's operating accounts on at least a quarterly basis.

(2) Review a current reconciliation of the association's reserve accounts on at least a quarterly basis.

(3) Review, on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget.

(4) Review the latest account statements prepared by the financial institutions where the association has its operating and reserve accounts.

(5) Review an income and expense statement for the association's operating and reserve accounts on at least a quarterly basis.

(b) The signatures of at least two persons, who shall be members of the association's board of directors, or one officer who is not a member of the board of directors and a member of the board of directors, shall be required for the withdrawal of moneys from the association's reserve accounts.

(c) (1) The board of directors shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components that the association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established. (2) However, the board may authorize the temporary transfer of moneys from a reserve fund to the association's general operating fund to meet short-term cash flow requirements or other expenses, if the board has provided notice of the intent to consider the transfer in a notice of meeting, which shall be provided as specified in Section 1363.05. The notice shall include the reasons the transfer is needed, some of the options for repayment, and whether a special assessment may be considered. If the board authorizes the transfer, the board shall issue a written finding, recorded in the board's minutes, explaining the reasons that the transfer is needed, and describing when how the moneys will be repaid to the reserve fund. The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except that the board may, after giving the same notice required for considering a transfer, and, upon making a finding supported by documentation that a temporary delay would be in the best interests of the common interest development, temporarily delay the restoration. The board shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits required by this section. This special assessment is subject to the limitation imposed by Section 1366. The board may, at its discretion, extend the date the payment on the, special assessment is due. Any extension shall not prevent the board from pursuing any legal remedy to enforce the collection of an unpaid special assessment.

(d) When the decision is made to use reserve funds or to temporarily transfer moneys from the reserve fund to pay for litigation, the association shall notify the members of the association of that decision in the next available mailing to all members pursuant to Section 5016 of the Corporations Code, and of the availability of an accounting of those expenses. Unless the governing documents impose more stringent standards, the association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by members of the association at the association's office.

**(e) At least once every three years, the board of directors shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components that the association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the common interest development, if the current replacement value of the major components is equal to or greater than one-half of the gross budget of the association, excluding the association's reserve account for that period. The board shall review this study, or cause it to be reviewed annually and shall consider and implement necessary adjustments to the board's analysis of the reserve account requirements as a result of that review.**

The study required by this subdivision shall at a minimum include:

**(1) Identification of the major components that the association is obligated to repair, replace, restore, or maintain that, as of the date of the study, have a remaining useful life of less than 30 years.**

**(2) Identification of the probable remaining useful life of the components identified in paragraph (1) as of the date of the study.**

**(3) An estimate of the cost of repair, replacement, restoration, or maintenance of the components identified in paragraph (1).**

**(4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components identified in paragraph (1) during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.**

**(5) A reserve funding plan that indicates how the association plans to fund the contribution identified in paragraph (4) to meet the association's obligation for the repair and replacement of all major components with an expected remaining life of 30 years or less, not including those components that the board has determined will not be replaced or repaired. The plan shall include a schedule of the date and amount of any change in regular or special assessments that would be needed to sufficiently fund the reserve funding plan.**

The plan shall be adopted by the board of directors at an open meeting before the membership of the association as described in Section 1363.05. If the board of directors determines that an assessment increase is necessary to fund the reserve funding plan, any increase shall be approved in a separate action of the board that is consistent with the procedure described in Section 1366.

(f) As used in this section, "reserve accounts" means both of the following:

(1) Moneys that the association's board of directors has identified for use to defray the future repair or replacement of, or additions to, those major components that the association is obligated to maintain.

(2) The funds received, and not yet expended or disposed of, from either a compensatory damage award or settlement to an association from any person or entity for injuries to property, real or personal, arising from any construction or design defects. These funds shall be separately itemized from funds described in paragraph (1).

(g) As used in this section, "reserve account requirements" means the estimated funds that the association's board of directors has determined are required to be available at a specified point in time to repair, replace, or restore those major components that the association is obligated to maintain.

(h) This section does not apply to an association that does not have a "common area" as defined in Section 1351.

SEC. 4. Section 1365.6 is added to the Civil Code, to read:

1365.6. Notwithstanding any other law, and regardless of whether an association is a corporation, as defined in Section 162 of the Corporations Code, the provisions of Section 310 of the Corporations Code shall apply to any contract or other transaction authorized, approved, or ratified by the board or a committee of the board.

## **CALIFORNIA CIVIL CODE § 1366** **• REGULAR AND SPECIAL ASSESSMENTS**

Except as provided in this section, the association shall levy regular and special assessments sufficient to perform its obligation under the governing documents and this title. However, annual increases in regular assessments for any fiscal year, as authorized by subdivision (b), shall not be imposed unless the board has complied with subdivision (a) of Section 1365 with respect to that fiscal year, or has obtained the approval of owners, constituting a quorum, casting a majority of votes at a meeting or election of the association conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of the Corporations Code, and Section 7613 of the Corporations Code. For the purpose of this section, “quorum” means more than 50 percent of the owners of an association.

Notwithstanding more restrictive limitations placed on the board by the governing documents, the board of directors may not impose a regular assessment that is more than 20 percent greater than the regular assessment for the association’s preceding fiscal year or impose special assessments which in the aggregate exceed 5 percent of the budgeted gross expenses of the association for that fiscal year without the approval of owners, constituting a quorum, casting a majority of the votes at a meeting or election of the association conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of the Corporations Code, section 7613 of the Corporations Code. For the purposes of this section, “quorum” means more than 50 percent of the owners of an association. This section does not limit assessment increases necessary for emergency situations. For purposes of this section, an emergency situation is any of the following:

An extraordinary expense required by an order of a court.

An extraordinary expense necessary to repair or maintain the common interest development or any of it for which the association is responsible where a threat to personal safety on the property is discovered.

An extraordinary expense necessary to repair or maintain the common interest development or any part of it for which the association is responsible that could not have been reasonably foreseen by the board in preparing and distributing the pro forma operating budget under Section 1365. However, prior to the imposition or collection of an assessment under this subdivision, the board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the members with the notice of assessment.

An extraordinary expense in making the first payment of the earthquake insurance surcharge pursuant to Section 5003 of the Insurance Code.

The association shall provide notice by first-class mail to the owners of the separate interests, of any increase in the regular or special assessments of the association, not less than 30 nor more than 60 days prior to the increased assessment becoming due.

Regular and special assessments levied pursuant to the governing documents are delinquent 15 days after they have become due. If an assessment is delinquent, the association may recover all of the following:

Reasonable cost incurred in collecting the delinquent assessment, including reasonable attorneys' fees.

A late charge not exceeding 10 percent of the delinquent assessment or ten dollars (\$10), whichever is greater, unless the declaration specifies a late charge in a smaller amount, in which case any late charge imposed shall not exceed the amount specified in the declaration.

Interest on all sums imposed in accordance with this section, including the delinquent assessment, reasonable costs of collection, and late charges, at an annual percentage rate not to exceed 12 percent interest, commencing 30 days after the assessment becomes due.

Associations are hereby exempted from interest-rate limitations imposed by Article XV of the California Constitution, subject to the limitations of this section.

## **CALIFORNIA CIVIL CODE § 1366.1**

### **• EXCESSIVE ASSESSMENTS**

An association shall not impose or collect an assessment or fee that exceeds the amount necessary to defray the costs for which it is levied.

## **CALIFORNIA CIVIL CODE § 1368**

### **• DOCUMENTS TO BE PROVIDED TO PROSPECTIVE PURCHASER**

The owner of a separate interest, other than an owner subject to the requirements of Section 11018.6 of the Business and Professions Code, shall, as soon as practicable before transfer of title to the separate interest or execution of a real property sales contract therefore, as defined in Section 2985, provide the following to the prospective purchaser:

A copy of the governing documents of the common interest development.

If there is a restriction in the governing documents limiting the occupancy, residency, or use of a separate interest on the basis of age in a manner different from that provided in Section 51.3, a statement that the restriction is only enforceable to the extent permitted by Section 51.3 and a statement specifying the applicable provisions of Section 51.3.

A copy of the most recent documents distributed pursuant to Section 1365.

A true statement in writing from an authorized representative of the association, as to the amount of the association's current regular and special assessments and fees, as well as any assessments levied upon the owner's interest in the common interest development, which are unpaid on the date of the statement. The statement shall also include true information on late charges, interest, and costs of collection, which as of the date of the statement, are or may be made a lien upon the owner's interest in a common interest development pursuant to Section 1367.

Any change in the association's current regular and special assessments and fees, which have been approved by the association's board of directors, but have not become due and payable as of the date disclosure is provided pursuant to this subdivision. Upon written request, an association shall, within 10 days of the mailing or delivery of the request, provide the owner of a separate interest with a copy of the requested items specified in paragraphs (1), (2), (3), and (4) of subdivision (a). The association may charge a fee for this service, which shall not exceed the association's reasonable cost to prepare and reproduce the requested items. An association shall not impose or collect any assessment, penalty, or fee in connection with a transfer of title or any other interest, except the association's actual costs to change its records and that authorized by subdivision (b).

Any person or entity who willfully violates this section shall be liable to the purchaser of a separate interest which is subject to this section, for actual damages occasioned thereby and, in addition, shall pay a civil penalty in an amount not to exceed five hundred dollars (\$500). In an action to enforce this liability, the prevailing party shall be awarded reasonable attorney's fees.

Nothing in this section affects the validity of title to real property transferred in violation of this section. In addition to the requirements of this section, an owner transferring title to a separate interest shall comply with applicable requirements of Section 1133 and 1134.