

**Sample Community Association  
Reserve Study Budget Disclosures  
For Year Beginning October, 1, 2009**

Version # 1229 V. 2009 - 1

**Sample**

**Summary Member Disclosures Per California Civil Code Sections 1365 and 1365.2.5**

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***Executive Summary***

Project Completion Date:	2/1/1973		
Inspection Date:	5/28/2009		
Report Effective Date:	10/1/2009		
Type of Project:	Planned Development		
Number of Lots	249		
Projected Reserve Balance at	9/30/2009	\$	425,000

	Year	
	2009	2010
Annual Contribution to Reserves	\$ 75,000	\$ 110,000
Monthly Contribution to Reserves	\$ 6,250.00	\$ 9,166.67
Monthly Contribution to Reserves Per Homeowner	\$ 25.10	\$ 36.81
Estimated Percent Increase Contribution to Reserves Beginning Next Year		47%

**Major assumptions used in reserve study funding calculation**

This financial projection was prepared for the Association by Facilities Advisors, Inc., and is based upon certain assumptions regarding condition, replacement costs, and estimated useful lives of the components contained in this study. Estimated replacement costs are based upon bids received, prior costs paid, construction costs manuals and other sources. This study is limited to those components contained herein. Certain components have been omitted as they have useful lives in excess of the scope of this study (30 years), or major repair and replacement costs are included in the operating budget. Funding has been calculated using a pooled, cash flow calculation. Assumptions for interest earnings on invested funds, the inflation rates estimated for future replacement costs, and the applicable net income tax rate are shown below.

Minimum Funding Level	\$	50,000
Estimated Interest Rate:		2.00%
Estimated Inflation Rate:		3.00%
Estimated Contingency Rate:		3.00%
Estimated Tax Rate:		15.00%

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**California Civil Code Section 1365**

**1365(a)(2)**

**Summary of Major Components  
As of September 30, 2009**

Major Components	Estimated Useful Life	Estimated Remaining Life	Current Replacement Cost	Allocation of Cash Actually Set Aside	Ideal Funding	% Funded
Buildings	15 to 20	4.6 to 16.6	\$ 14,005	\$ -	\$ 7,688	0.00%
Equipment	3 to 15	0.6 to 14.6	66,210	15,649	32,536	48.10%
Landscaping	12 to 12	7.4 to 7.4	10,000	-	3,828	0.00%
Roof	6 to 25	0.6 to 21.6	7,670	94	4,248	2.21%
Paint	6 to 8	0.6 to 6.6	11,050	3,920	7,524	52.10%
Fixtures	15 to 20	4.6 to 9.6	2,445	-	1,613	0.00%
Lighting	15 to 15	10.8 to 10.8	1,800	-	512	0.00%
Structure	30 to 40	0.6 to 0.7	31,650	26,953	31,058	86.78%
Signs	15 to 15	4.6 to 4.6	1,000	-	695	0.00%
Streets	4 to 40	0.6 to 9.6	465,414	330,454	416,172	79.40%
Vehicle	10 to 10	0.6 to 0.6	3,500	2,861	3,297	86.78%
Sand	4 to 4	0.8 to 0.8	2,400	1,650	1,901	86.78%
Irrigation	15 to 15	4.6 to 14.6	7,950	-	3,713	0.00%
Drains	2 to 4	0.6 to 2.6	10,800	3,823	5,471	69.88%
Termite Control	15 to 15	0.6 to 0.6	3,500	2,920	3,365	86.78%
Security System	10 to 10	6.6 to 6.6	22,750	-	7,792	0.00%
Fence-Gate-Railings	10 to 25	1.6 to 15.6	46,986	20,326	30,571	66.49%
X - Contingency	5 to 5	4.7 to 4.7	1,000	-	68	0.00%
Dock	20 to 20	2.6 to 9.6	22,375	-	15,394	0.00%
Streets / curbs	40 to 40	0.7 to 0.7	19,200	16,351	18,842	86.78%
<b>Totals</b>			<b>\$ 751,705</b>	<b>\$ 425,000</b>	<b>\$ 596,288</b>	

**Percent funded disclosure per civil code section 1365(a)(2)( C)**

**71.27%**

**Construction defect disclosure per civil code section 1365(a)(2)(B)iii**

Construction defect settlements or awards received during year ended 09/30/2009	\$ -
Construction defect expenditures during year ended 09/30/2009	\$ -

**Current deficiency in reserve funding per civil code section 1365(a)(2)(D)**

Ideal Funding - Current estimate of amounts necessary to repair, replace, or maintain the common area components	\$ 596,288
Current Allocation of Cash Actually Set Aside for Reserves	425,000
Current (Deficiency)/Excess in reserve funding	\$ (171,288)
Current (Deficiency)/Excess Per Unit	\$ (688)

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**California Civil Code Section 1365**

**1365(a)(3)**

**Disclosure per civil code section 1365(a)(3)(A)**

The board of directors has not determined to defer or not undertake repairs or replacement of any major component with a remaining life of 30 years or less.

**Disclosure per civil code section 1365(a)(3)(B)**

The Board of Directors has determined that, based upon the reserve study, **no special assessments are presently anticipated** for any year covered by this study. However, actual expenditures may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet future needs. The Board regularly updates assumptions and estimates used in the reserve study in order to have accurate financial projections of future cash needs.

**Disclosure per civil code section 1365(a)(3)(C)**

The board of directors has determined that it will use the following mechanisms to fund reserves for the repair or replacement of the Association's common area components:

Method	Yes	No
Regular assessments	<b>X</b>	
Special assessments		<b>X</b>
Borrowing funds		<b>X</b>
Use of other assets		<b>X</b>
Deferral of selected repairs or replacements		<b>X</b>
Alternative mechanisms		<b>X</b>

The mechanisms noted above to fund reserves for the repair or replacement of the Association's common area components are those that are anticipated based upon the current reserve study. It is possible that other of the mechanisms not presently anticipated may be considered at a future date.

**Disclosure per civil code section 1365(a)(3)(D)**

The Association has no outstanding loans with an original term of more than one year.

**1365(a)(4)**

An evaluation of the Association's common area components was made to determine the age, condition, estimated remaining life, and estimated current replacement cost. This information, combined with an inflation rate of 3.00% and a contingency rate of 3.00% have been applied to determine the timing and amount of estimated future expenditures.

The reserve study funding plan has been calculated using a pooled, cash flow method. Under this method, funding is not directly linked to any specific component, but is intended to provide adequate funding for the future estimated expenditures of all common area components considered together. Factors considered in the calculation of the funding plan are estimated interest rates, tax rates, and projected incremental increases in the regular annual assessment, which are intended to compensate for the effects of inflation.

The maximum interest rate permitted by statute is 2% in excess of the discount rate published by the Federal Reserve Bank of San Francisco at the date of this report. The maximum rate for purposes of this funding study is 4.50%.

The actual interest rate used in this reserve study funding calculation is 2.00%, which is less than the maximum rate established by statute. A tax rate of 15.00% is calculated as an offset of interest earned for purposes of this funding calculation.

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**1365(b) - Summary of reserve funding plan**

Year	Fiscal Year End	Beginning Balance	Income	Investment		Ending Balance	Percent Funded	Ideal Balance
				Earnings Net of Taxes	Expenses			
1	9/30/10	\$ 425,000	\$ 110,000	\$ 4,265	\$ (458,253)	\$ 81,012	36.88%	\$ 219,683
2	9/30/11	\$ 81,012	\$ 113,300	\$ 1,641	\$ (82,263)	\$ 113,690	54.58%	\$ 208,296
3	9/30/12	\$ 113,690	\$ 116,699	\$ 2,697	\$ (26,839)	\$ 206,246	80.34%	\$ 256,716
4	9/30/13	\$ 206,246	\$ 120,200	\$ 4,342	\$ (21,864)	\$ 308,924	97.42%	\$ 317,113
5	9/30/14	\$ 308,924	\$ 123,806	\$ 5,614	\$ (81,234)	\$ 357,110	110.04%	\$ 324,519
6	9/30/15	\$ 357,110	\$ 127,520	\$ 7,073	\$ (9,631)	\$ 482,072	117.53%	\$ 410,161
7	9/30/16	\$ 482,072	\$ 131,346	\$ 8,641	\$ (78,881)	\$ 543,179	124.95%	\$ 434,707
8	9/30/17	\$ 543,179	\$ 135,286	\$ 10,157	\$ (26,749)	\$ 661,872	127.52%	\$ 519,025
9	9/30/18	\$ 661,872	\$ 139,345	\$ 12,036	\$ (47,131)	\$ 766,122	129.17%	\$ 593,100
10	9/30/19	\$ 766,122	\$ 143,525	\$ 12,590	\$ (194,552)	\$ 727,686	138.15%	\$ 526,731
11	9/30/20	\$ 727,686	\$ 147,831	\$ 13,327	\$ (35,333)	\$ 853,511	136.60%	\$ 624,847
12	9/30/21	\$ 853,511	\$ 152,266	\$ 15,476	\$ (38,571)	\$ 982,681	134.26%	\$ 731,934
13	9/30/22	\$ 982,681	\$ 156,834	\$ 17,365	\$ (79,212)	\$ 1,077,668	132.94%	\$ 810,663
14	9/30/23	\$ 1,077,668	\$ 161,539	\$ 19,469	\$ (26,348)	\$ 1,232,328	128.97%	\$ 955,497
15	9/30/24	\$ 1,232,328	\$ 166,385	\$ 22,117	\$ (29,015)	\$ 1,391,815	124.93%	\$ 1,114,042
16	9/30/25	\$ 1,391,815	\$ 171,376	\$ 24,762	\$ (41,884)	\$ 1,546,069	121.06%	\$ 1,277,138
17	9/30/26	\$ 1,546,069	\$ 176,518	\$ 25,810	\$ (232,222)	\$ 1,516,174	120.00%	\$ 1,263,479
18	9/30/27	\$ 1,516,174	\$ 181,813	\$ 27,153	\$ (19,736)	\$ 1,705,404	115.54%	\$ 1,475,990
19	9/30/28	\$ 1,705,404	\$ 187,268	\$ 30,167	\$ (48,960)	\$ 1,873,879	111.46%	\$ 1,681,160
20	9/30/29	\$ 1,873,879	\$ 192,886	\$ 31,389	\$ (247,826)	\$ 1,850,328	108.46%	\$ 1,705,971
21	9/30/30	\$ 1,850,328	\$ 198,672	\$ 22,012	\$ (1,309,737)	\$ 761,275	116.79%	\$ 651,809
22	9/30/31	\$ 761,275	\$ 204,632	\$ 14,062	\$ (72,847)	\$ 907,121	111.45%	\$ 813,933
23	9/30/32	\$ 907,121	\$ 210,771	\$ 16,496	\$ (84,292)	\$ 1,050,096	106.45%	\$ 986,443
24	9/30/33	\$ 1,050,096	\$ 231,849	\$ 19,822	\$ -	\$ 1,301,767	102.58%	\$ 1,269,028
25	9/30/34	\$ 1,301,767	\$ 255,033	\$ 22,955	\$ (157,995)	\$ 1,421,760	100.08%	\$ 1,420,636
26	9/30/35	\$ 1,421,760	\$ 280,537	\$ 26,024	\$ (62,383)	\$ 1,665,938	98.33%	\$ 1,694,207
27	9/30/36	\$ 1,665,938	\$ 308,590	\$ 28,026	\$ (343,245)	\$ 1,659,310	96.95%	\$ 1,711,515
28	9/30/37	\$ 1,659,310	\$ 339,449	\$ 30,035	\$ (124,580)	\$ 1,904,213	96.62%	\$ 1,970,832
29	9/30/38	\$ 1,904,213	\$ 373,394	\$ 33,918	\$ (191,430)	\$ 2,120,096	96.59%	\$ 2,195,037
30	9/30/39	\$ 2,120,096	\$ 410,734	\$ 34,059	\$ (644,022)	\$ 1,920,866	96.59%	\$ 1,988,732
<b>Totals</b>		<b>\$ 425,000</b>	<b>\$ 5,769,404</b>	<b>\$ 543,499</b>	<b>\$ (4,817,037)</b>	<b>\$ 1,920,866</b>		

Notice to members - A full copy of this reserve study is available upon request from the Association office.

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**California Civil Code Section 1365.2.5**

**Assessment and Reserve Funding Disclosure Summary**

- 1) The current regular assessment per Lot is \$1,880 per year, or \$156.63 per Lot per month.  
Note: If assessments vary by size or type of Lot, the assessment applicable to this ownership type may be found on 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, are as follows:

Amount Per Lot	Interest per month/year	Date Due	Purpose
\$ -		9/30/10	
N/A		N/A	N/A

Note: If assessments vary by the size or type of unit, the assessment applicable to this unit may be found on the attached summary.

- 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.
- 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 been approved by the board or the members?

<b>Total Amount per Lot per month or year</b>	<b>Approximate Date Assessment Will Be Due</b>
N/A	N/A

- 5) All major components with a remaining life of less than 30 years are included in the reserve study and are included in its calculations. The following major components are NOT included in the existing reserve funding:

Major Component	Remaining Life	Reason Not Included	Cost
Building Structures	Unable to determine	Lifetime Component	Unknown
Landscaping	Unable to determine	Lifetime Component	Unknown
Street base - Hardscape	Unable to determine	Lifetime Component	Unknown
Underground Utilities	Unable to determine	Lifetime Component	Unknown
Drains - Replacement	Unable to determine	Lifetime Component	Unknown

- 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 \$596,288, based in whole or in part on the last reserve study or update prepared by Facilities Advisors, Inc. as of 09/30/2009.

The projected reserve fund cash balance at the end of the current fiscal year is \$425,000, resulting in reserves being 71.27 percent funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required amount is N/A. (No alternate method considered)

- 7) 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, the projected reserve fund cash balance, and percent funded at the end of each of the next five budgeted year is shown in the table below.

Year	Estimated amount required in the reserve fund	Projected reserve fund cash balance	Percent Funded
9/30/10	\$ 219,683	\$ 81,012	36.88%
9/30/11	\$ 208,296	\$ 113,690	54.58%
9/30/12	\$ 256,716	\$ 206,246	80.34%
9/30/13	\$ 317,113	\$ 308,924	97.42%
9/30/14	\$ 324,519	\$ 357,110	110.04%

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.