

# EUCALYPTUS GROVE HOMEOWNERS' ASSOCIATION

## FINANCIAL & BUDGET

	2014	"Projected"	2012	2011	2010
	BUDGET	2013	ACTUAL	ACTUAL	ACTUAL
-- REVENUES --					
OWNER ASSESSMENTS	\$816,240.00	\$816,240.00	\$830,142.44	\$803,569.06	\$801,468.66
SPECIAL ASSESSMENT	0.00	0.00	0.00	0.00	0.00
INTEREST INCOME	4,000.00	3,600.00	4,447.84	4,443.60	4,599.24
OTHER INCOME	0.00	1,600.00	6,621.94	3,984.94	3,080.28
<b>TOTAL REVENUE</b>	<b>\$820,240.00</b>	<b>\$821,440.00</b>	<b>\$841,212.22</b>	<b>\$811,997.60</b>	<b>\$809,148.18</b>
-- EXPENDITURES --					
CLEANING	\$14,000.00	\$14,000.00	\$12,012.50	\$13,425.00	\$11,110.00
ELECTRIC	21,000.00	18,500.00	19,219.01	18,997.92	19,738.34
LANDSCAPING	65,000.00	63,000.00	61,020.00	61,020.00	66,105.00
LANDSCAPING SUPPLY/EXTRAS	25,000.00	25,000.00	13,253.98	13,136.02	11,476.97
MANAGEMENT	29,364.00	28,788.00	28,224.00	27,264.00	26,772.00
PAINTING	1,000.00	0.00	1,643.00	4,214.00	2,898.00
POOL MAINT & SUPPLIES	15,000.00	13,000.00	12,599.92	14,294.82	12,523.91
POOL HEATING (GAS)	8,000.00	8,000.00	6,664.92	7,386.15	7,754.43
REPAIRS & MAINT	50,000.00	30,000.00	66,340.41	43,429.64	48,176.53
RUBBISH REMOVAL	48,000.00	44,500.00	42,935.30	43,287.63	51,363.52
PATROL/ALARM SERVICES	2,500.00	0.00	0.00	0.00	0.00
SUPPLIES	6,000.00	3,000.00	4,923.18	5,520.26	3,469.27
WATER & SEWER	20,000.00	16,000.00	21,401.17	23,571.11	20,377.44
INSURANCE	105,000.00	100,000.00	101,663.30	101,150.00	101,039.50
PEST CONTROL	4,000.00	3,600.00	1,909.00	1,250.00	1,546.00
PROFESSIONAL FEES	2,000.00	3,100.00	981.20	4,827.75	5,988.65
TELEPHONE (ENTRY GATE)	600.00	500.00	492.86	483.71	475.84
TAXES	1,004.00	1,004.00	631.00	10.00	1,576.00
MISCELLANEOUS	2,000.00	800.00	962.51	743.38	2,204.73
<b>TOTAL OPERATING EXPENSES</b>	<b>\$419,468.00</b>	<b>\$372,792.00</b>	<b>\$396,877.26</b>	<b>\$384,011.39</b>	<b>\$394,596.13</b>
Plus: Amount Added to Reserve	400,772.00	448,648.00	444,334.96	427,986.21	414,552.05
<b>TOTAL FUNDS NEEDED</b>	<b>\$820,240.00</b>	<b>\$821,440.00</b>	<b>\$841,212.22</b>	<b>\$811,997.60</b>	<b>\$809,148.18</b>
<b>CHANGE IN RESERVE:</b>					
Total Funding	\$820,240.00	\$821,440.00	\$841,212.22	\$811,997.60	\$809,148.18
Less: Operating Expenses	(419,468.00)	(372,792.00)	(396,877.26)	(384,011.39)	(394,596.13)
Reserve Expenditures	(50,200.00)	(544,000.00)	(494,873.22)	(218,774.00)	(105,781.02)
<b>NET RESERVE Increase (Decrease)</b>	<b>\$350,572.00</b>	<b>(\$95,352.00)</b>	<b>(\$50,538.26)</b>	<b>\$209,212.21</b>	<b>\$308,771.03</b>

**Item #1. MONTHLY FEES:** In order to meet this budget, the monthly fees (assessments) will be:

(179 Units-13 Bldgs) **\$380.00 EFFECTIVE JANUARY 1, 2014**

=====

Note: Units paying fees after the 30th day of the Month, will be charged a late charge of 1.5% of the outstanding balance.

**Item #2. SPECIAL ASSESSMENT:** No Special Assessment is anticipated in 2014.

"Projected"

**Item #3. FUNDS AVAILABLE:**

12/31/13	Community West Bank	\$233,000.00		
	CDAR's Accounts	1,015,000.00		
	Operating Account	5,000.00	TOTAL	\$1,253,000.00
		-----		=====

**Item 4. MAJOR REPAIRS AND REPLACEMENTS:** The following cost estimates and reserve analysis is based on a reserve study which is reviewed by the Board of Directors each year to account for inflation and planning changes:

ITEM-Expected Life	LIFE	DATE DUE	EXPECTED	RECOMMENDED	BALANCE NEEDED	2014 ADDITIONS	PROJ. BAL. 12/31/14
			EXPECTED COST	IN RESERVE 12/31/13			
Cabana Water Htr.	12	2014	2,700	2,700	0	(2,475)	225
Gate Operator (Roll)	10	2014	2,900	2,900	0	(2,610)	290
Front Gate Wiring	10	2014	3,000	3,000	0	(2,700)	300
Intercom-Front Gate	15	2014	5,000	5,000	0	(4,667)	333
Gate Operator (Roll)	10	2014	2,900	2,900	0	(2,610)	290
Mailbox Pagodas	25	2014	15,000	15,000	0	(14,400)	600
Spa Filter	12	2014	1,300	1,300	0	(1,192)	108
Termite Fumigation (7606	15	2014	6,300	6,300	0	(5,880)	420
Termite Fumigation (7638	15	2014	6,300	6,300	0	(5,880)	420
Card Readers-Gym/Pool	12	2014	2,400	2,400	0	(2,200)	200
Card Reader/Buzzer-Gate	12	2014	2,400	2,400	0	(2,200)	200
Cabana Floor & Wall Tile	30	2015	11,700	11,310	390	390	11,700
Cabana Sauna/Bath Rerr	30	2015	5,200	5,027	173	173	5,200
Lights-Street Fixtures	30	2015	23,800	23,007	793	793	23,800
Paint Metal Fence & Rail	3	2015	4,800	3,200	1,600	1,600	4,800
Stair Rails (3.5')	30	2015	14,000	13,533	467	467	14,000
Termite Fumigation (7630	15	2015	6,300	5,880	420	420	6,300
Tree Trimming	3	2015	17,000	11,333	5,667	5,667	17,000
Asphalt Overlay	30	2016	300,000	280,000	20,000	10,000	290,000
Asphalt Seal Coat/Repair	3	2016	18,000	6,000	12,000	6,000	12,000
Pool Filter	12	2016	1,300	1,083	217	108	1,192
Pool Heater	10	2016	3,400	2,720	680	340	3,060
Termite Fumigation (7634	15	2016	6,300	5,460	840	420	5,880
Dryrot Repairs	4	2017	320,000	80,000	240,000	80,000	160,000
Paint Wood/Metal Trim	4	2017	52,500	13,125	39,375	13,125	26,250
Pool & Spa Pumps	8	2017	5,400	3,375	2,025	675	4,050
Spa Retile	30	2017	6,400	5,760	640	213	5,973
Termite Fumigation (7620	15	2017	6,300	5,040	1,260	420	5,460
Roof - Metal Carport	30	2018	192,000	166,400	25,600	6,400	172,800
Stair Landing Reseal	5	2018	16,900	3,380	13,520	3,380	6,760
Termite Fumigation (7632	15	2018	6,300	4,620	1,680	420	5,040
Paint - Wood Siding	6	2019	120,000	20,000	100,000	20,000	40,000
Paint Carports	6	2019	72,000	12,000	60,000	12,000	24,000
Paint Front Wood Fence	6	2019	4,800	800	4,000	800	1,600
Spa Heater	8	2019	3,200	1,200	2,000	400	1,600
Termite Fumigation (7602	15	2019	6,300	4,200	2,100	420	4,620
Split Rail Fence	35	2020	7,200	5,966	1,234	206	6,171
Bridge Repair	20	2022	11,700	7,020	4,680	585	7,605
Stair Landing Resurface	20	2023	41,600	22,880	18,720	2,080	24,960
Sauna Heater	20	2033	3,000	150	2,850	150	300
			-----	-----	-----	-----	-----
Sub-Totals			\$1,337,600	\$774,669	\$562,931	\$120,839	\$895,508

Sub-Totals (Previous Pg):		1,337,600	774,669	562,931	120,839	895,508
Termite Fumigation (7610)	15 2019	6,300	4,200	2,100	420	4,620
Pool Refiberglass	12 2020	11,000	5,500	5,500	917	6,417
Structural Plumbing	35 2020	624,000	517,029	106,971	17,829	534,857
Gates - Vehicle Roll	25 2022	6,800	4,624	2,176	272	4,896
Termite Fumigation (7624)	15 2023	6,300	2,520	3,780	420	2,940
Termite Fumigation (7636)	15 2023	6,300	2,520	3,780	420	2,940
Termite Fumigation (7640)	15 2023	6,300	2,520	3,780	420	2,940
Siding Replacement	20 2025	350,000	157,500	192,500	17,500	175,000
Termite Fumigation (7626)	15 2025	6,300	1,680	4,620	420	2,100
Termite Fumigation (7628)	15 2025	6,300	1,680	4,620	420	2,100
Exercise Room Equip.	15 2026	7,500	1,500	6,000	500	2,000
Front Wood Fence	20 2027	31,800	11,130	20,670	1,590	12,720
Pool Decking	20 2028	11,700	3,510	8,190	585	4,095
Pool Tile/Coping	20 2028	3,600	1,080	2,520	180	1,260
Sauna Remodel	20 2028	5,700	1,710	3,990	285	1,995
Gutters/Downspouts	25 2029	44,800	17,920	26,880	1,792	19,712
Roof Shingle 7626, 30 & 32	25 2031	84,000	26,880	57,120	3,360	30,240
Roof Shingle 7624 & 28	25 2034	56,000	11,200	44,800	2,240	13,440
Roof Shingle 7636 & 38	25 2035	56,000	8,960	47,040	2,240	11,200
Roof Shingle 7602, 06 & 08	25 2036	84,000	10,080	73,920	3,360	13,440
Metal Pool Fence (6')	25 2037	9,000	720	8,280	360	1,080
Roof Shingle 7620, 32 & 34	25 2037	84,000	6,720	77,280	3,360	10,080
Foundation Waterproofing	30 2042	172,000	11,467	160,533	5,733	17,200
Reserve Surplus (Shortage)			(240,372)	240,372	187,556	(52,816)
<b>TOTALS</b>		<b>\$3,017,300</b>	<b>\$1,346,947</b>	<b>\$1,670,353</b>	<b>\$373,017</b>	<b>\$1,719,964</b>

**Item #5.** Ratio of actual cash reserves on hand to estimated cash reserves currently required 84.9%  
=====

Projected Ratio at Year-End 97.0%  
=====

**Item #6:** Reserve Shortage per unit: (\$1,342.86)  
===== (\$295.06)  
=====

**Item #7:** Reserve Projections at year-end for next five years:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Estimated Required in Reserve	\$1,772,780	\$1,925,642	\$1,832,303	\$1,677,365	\$1,697,826
Based on Current Funding:					
Net Change In Reserves	373,017	317,972	71,772	10,172	185,572
Projected Reserve Balance	1,719,964	2,037,936	2,109,708	2,119,880	2,305,452
Projected Percentage Funded	97.0%	105.8%	115.1%	126.4%	135.8%
Based on Plan Being Implemented:					
Net Change In Reserves Per Plan	373,017	205,000	(92,661)	(155,305)	20,095
Projected Balance Per Plan	1,719,964	1,924,964	1,832,303	1,676,998	1,697,093
Projected Percentage Per Plan	97.0%	100.0%	100.0%	100.0%	100.0%

**Item #8:** Reserve Funding Plan: The Board of Directors has adopted a plan to fully fund the reserves with increases in assessments and/or special assessments as needed. In the event of a surplus, the Board will reduce assessments as needed to eliminate the surplus in an orderly fashion. Increases or decreases in assessments shall be effective annually on January 1st in an amount adequate to meet increased operating costs and to fund the reserves.

**Item #8a:** The last reserve study was prepared by J.D. Brooks (Sep, 2013) as of January 1, 2014.

**Item #8b:** Estimated Annual Interest Rate Earned on Reserve Funds: 0.5%  
Estimated Annual Rate of Inflation: 2.0%

**NOTES:**

IN 2009:

1. Preventive maintenance performed on all roofs (Approx \$4,000).
2. Building 7628 reroofed (Approx \$22,600).
3. Woodchips spread throughout common area (Approx \$1,600 for supplies only).
4. Raised concrete replaced at 7264, 7626, 7630, 7632, 7634, 7638, & 7640 (Approx \$8,600).
5. Building 7624 reroofed (Approx \$15,600).
6. Elliptical exercise machine & weights replaced (Approx \$1,100).
7. Trees trimmed throughout complex (Approx \$6,400).
8. Dryrot repaired at #214, 217, 313, 323, 234, 325, 339, 342, 343 & 363 and carport facia at 234 & 334 and a number of trash enclosures (Approx \$48,000).
9. Lumber & siding material purchased for dryrot project (Approx \$6,400).
10. Repaired dryrot areas painted (Approx \$5,700).
11. Asphalt slurry sealed (Approx \$42,000).
12. Structural & soil engineers hired to investigate 7606 foundation (Approx \$6,000).
13. Temporary supports installed for foundation of 7606 (Approx \$1,200).
14. Section of sewer line replaced near 7632 #124 (Approx \$1,200).
15. Roof maintenance performed on all roofs (Approx \$4,000).
16. Surface drains near 7606 inspected with camera (Approx \$1,300).

IN 2010:

1. Staircase at 7602 #301 replaced (Approx \$3,400).
2. Siding replaced at 7630 #120 (Approx \$2,400).
3. Bldgs 7636 & 7638 reroofed & dry rot repaired (Approx \$23,100 & \$26,400 respectively).
4. Jacuzzi pump replaced (Approx \$1,000).
5. Staircase replaced at 7638 #364 due to dryrot (Approx \$8,600).
6. Bldgs 7626 & 7628 fumigated for termites (Approx \$4,700 & \$6,000 respectively).
7. Staircase at 7640 #369 replaced due to dryrot (Approx \$2,600).
8. Eucalyptus trees treated for lerp psyllids (Approx \$2,300).
9. Common sewer lines and manholes cleared. (Approx \$2,500).
10. Trim installed on chimneys to prevent bat access (Approx \$4,900).
11. Concrete handicap ramp installed at 7620 (Approx \$2,500).
12. Carport facia replaced for stalls #259 & 360 due to dryrot (Approx \$2,000).
13. Retaining wall of railroad ties replaced at 7610 (Approx \$1,300).
14. Two Eucalyptus trees trimmed at 7620 (Approx \$2,900).
15. Foundations inspected and plans prepared to shore up foundations of 7602, 7606 & 7610 (Approx \$17,300).
16. Siding repaired at back balcony of 7602 #302 (Approx \$1,300).
17. Short wall replaced at front of 7602 #205 (Approx \$1,500).
18. Attorney retained to give legal opinion of slab leak responsibility (Approx \$1,300).
19. Board voted to increase foundation reserve to \$520,000 and move back trim painting to 2012.
20. Drywall repaired in 7630 electrical room (Approx \$1,100).
21. Diseased eucalyptus tree removed near 7634 #256 (Approx \$2,800).
22. Payment made on Small Claims Court judgment (\$6,518).
23. All Red Gum Eucalyptus trees were treated for lerp psyllid (Approx \$2,800).
24. Reserve study done by J.D. Brooks (\$1,280).
25. Proximity card readers installed at pool gate & exercise rooms (Approx \$3,300).

IN 2011:

1. Bldg 7606 was underpinned & foundation water proofed (Approx \$46,000).
2. Bldg 7610 was underpinned & foundation water proofed (Approx \$48,500).

3. Jacuzzi heater replaced (Approx \$3,000).
4. Creekbed cleared & vegetation removed (Approx \$2,800).
5. Trees trimmed at 7602, 7606, 7620, & 7634 (Approx \$5,000).
6. Red gum eucalyptus trees treated & fertilized (Approx \$2,800).
7. Foundations of buildings inspected (Approx \$1,100).
8. Main sewer line and manhole cleaned out for 7636, 7638, & 7640 (Approx \$2,800).
9. Carport fascias replaced at 7620 (Approx \$2,200).
10. Siding replaced at 7634 #256 & 356 due to dryrot (Approx \$12,500).
11. Siding replaced at 7620 #220 & 320 due to dryrot (Approx \$9,800).
12. Siding replaced at 7610 #315 due to dryrot (Approx \$1,700).
13. DG paths repaired and recompactd (Approx \$4,500).
14. Jute netting installed and 400 one gallon plants planted to stabilize creekbed (Approx \$5,800 to be paid in 2012).
15. Reserve created for plumbing repairs in foundations.
16. Association paid balance of Small Claims judgment (Approx \$3,300).
17. Bldgs 7602, 7606 & 7610 reroofed (Approx \$78,000).
18. Exercise room renovated (Approx \$7,300).
19. Slab leak repaired at pool (Approx \$1,400).
20. Foundation of 7602 waterproofed (Approx \$13,600 to be paid in 2012).
21. Siding & trim replaced at 104 (Approx \$2,300).
22. Some assessments written off as bad debt due to bankruptcy for owner of 213 (Approx 13,800).
23. Dirt under #105 front patio backfilled & recompactd (Approx \$1,300).
24. Utility enclosure replaced at 7606 (Approx \$1,600).
25. Siding replaced at #207 & #307 due to dryrot (Approx \$2,600).

IN 2012:

1. Carport fascia at 7632 was replaced (Approx \$1,100).
2. Foundations at 7602, 7634, 7638, & 7640 were waterproofed (Approx \$123,500).
3. Roof replaced and dryrot repaired at 7632 (Approx \$36,000).
4. Eucalyptus trees treated for lerp psyllids & fertilized (Approx \$2,700).
5. Spa pump replaced (Approx \$3,400).
6. Electrical at spa updated & spa timers installed (Approx \$2,000).
7. Roofs replaced and dryrot repaired at 7620 & 7640 (Approx \$57,000).
8. Various trees trimmed (Approx \$3,200).
9. Balconies at 125, 252, & 352 had dryrot repaired (Approx \$16,300).
10. Metal handrail between 7624 & 7626 replaced (Approx \$2,000).
11. Exterior of all buildings and parking lot lights prepped & painted - part done in 2012 (Approx \$72,000 for 2012).
12. Materials for dry rot repair (Approx \$10,000).
13. Jute netting and plants installed at creekbed (Approx \$5,800).
14. Insulation installed where missing under buildings (Approx \$16,000).
15. Uncollectable assessments written off due to bankruptcies (Approx \$16,700).
16. Roofs replaced on pool house and column posts (Approx \$5,000).
17. Pool fence replaced (Approx \$8,700).
18. Dry rot repaired on 2/3 of complex--balance to be done in 2013 (Approx \$145,000 paid in 2012).
19. Raised concrete replaced or ground down (Approx \$9,500).
20. Pool circulating pump replaced (Approx \$1,800)
21. Bollard light fixtures repaired & set in concrete (Approx \$2,600).
22. Common sewer lines & manholes cleared (Approx \$2,200).
23. Pagoda lights in Phases I & II repaired or replaced (Approx \$5,600).

IN 2013:

1. A reserve study was done by JD Brooks (\$1,380).
2. Landscape renovated & drip irrigation installed at Bldg 7610 (Approx \$4,100).
3. Red Gum trees treated for infestation (Approx \$2,700).
4. The sauna heater was replaced (Approx \$2,900).
5. Irrigation around pool converted to drip (Approx \$1,500).
6. Sauna room was refinished (Approx \$1,200).
7. Landscaping was renovated around Bldg 7628 (Approx \$6,300).

8. New bike rack installed by Bldg 7628 (Approx \$1,700).
9. Maintenance performed on all cleanouts at all buildings (Approx \$2,400).
10. Front deck and staircase landing resurfaced at #351 (Approx \$1,200).
11. Asphalt was slurry sealed (Approx \$48,000).
12. Car wash concrete pad replaced (Approx \$5,800).
13. Spa circulating pump replaced (Approx \$1,900).
14. Large leaning eucalyptus tree removed & another trimmed (Approx \$4,100).
15. Dryrot repaired to prepare for painting throughout complex (Approx \$303,000).
16. Exterior painting started in 2012 completed in 2013 (Approx \$180,000).
17. The Board increased the reserve for asphalt overlay because the asphalt will have to be removed first.

**Item #9. INSURANCE:** California Civil Code Section 1365 requires an annual insurance disclosure of the Association's insurance as follows:

**GENERAL LIABILITY INSURANCE:**

**Company:** Allstate Insurance Company  
**Coverage:** \$2,000,000 Per Occurrence  
**Umbrella:** \$1,000,000 Per Occurrence

**Anniversary Date:** November 15th

**Deductible:** None

**Anniversary Date:** March 5th

**PROPERTY INSURANCE: Coverage:** \$29,197,000

**Company:** Allstate Insurance Company

**Anniversary Date:** November 15th

**Deductible:** \$10,000

**EARTHQUAKE INSURANCE: Coverage:** \$31,406,823

**Company:** Insurance Company of the West

**Anniversary Date:** November 15th  
**Deductible:** 5% of Total Insurable Value

**FIDELITY INSURANCE: Coverage:** \$750,000

**Company:** Allstate Insurance Company

**Anniversary Date:** November 15th

**Deductible:** \$250

**FLOOD INSURANCE:** The Association has none.

**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 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 coverage.**

**REQUIRED DISCLOSURES:**

**ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY  
FOR CURRENT BUDGET YEAR (Required by Civil Code Section 1365.2.5)**

Item #'s are found on the first few pages.

(1) The regular assessment per ownership interest is as per **Item #1**. Note: If assessments vary by the size or type of ownership, the assessment applicable to the ownership interest may be found on the page of the attached summary as per **Item #1**.

(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 per **Item #2**. Note: If assessments vary by the size or type of ownership interest, the assessment applicable to the ownership interest may be found as per **Item #2**.

(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?

Subject to the information available as of the date of preparation hereof:

If the ratio as per **Item #5** is equal to or exceeds 100%, the answer is "Yes" for the years shown.

If the ratio is less than 100%, the answer is "No".

If the ratios as per **Item #7** are equal to or exceed 100% over the next 5 years, the answer is "Yes".

If the ratios are less than 100%, the answer is "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 or the members?

An assessment averaging the "Reserve Shortage" (if any) per unit would be necessary as per **Item #6**.

(5) The board has reasonably determined that all major components are included in the reserve study and are included in its calculation.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 of the California Civil Code, the estimated amount required in the reserve fund at the end of the current budget year is as per **Item #4**, based in whole or in part on the last reserve study or update prepared as per **Item #8a**. The projected reserve fund cash balance at the end of the current budget year is as per **Item #4**, resulting in the percentage of reserve funding being as per **Item #4**. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is explained as per **Item #4**.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 of the California Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is as per **Item #7** and the projected reserve fund cash balance in each taking into account only assessments already approved and other known revenues, is as per **Item #7**, leaving the reserve at the percent funding as per **Item #7**. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years and the percent funding will be as per **Item #7**.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer as of the date of preparation. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was as per **Item #8b**, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was as per **Item #8b**.

For the purposes of preparing this Summary Section 1365.2.5 (b) of the Civil Code states:

- (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.

**Note:** The information contained in this disclosure is a PROJECTION ONLY. Because the reserve study is a projection, the estimated lives and costs of components will likely change over time depending on a variety of factors such as (i) future inflation rates, (ii) levels of maintenance applied by future boards, unknown defects in materials that may lead to premature failures, etc. As a result, some components may experience longer lives while others will experience premature failures. Some components may cost less at the time of replacement while others may cost more.

**MINUTES & NAMES AVAILABLE:** Each year the Association is required to disclose that minutes for all Association or Directors' meetings, and a list of owners are available to all owners. The cost, if any, of providing copies of the minutes and owners' list is to be paid by the requester.

**DELINQUENCY & LIEN POLICY:** Unless otherwise stated all fees and assessments (including special assessments) are due on the first day of each month, in advance, and shall be delinquent 15 days after the due date. A late charge of 10% of the delinquent fee or assessment will be charged and added to the amount due. If fees, assessments, and/or late charges are unpaid at the end of any given month, a lien will be filed against the delinquent unit for the full amount due plus applicable interest, attorney fees, lien filing costs and other costs of collection. If the balance due is not paid within thirty (30) days after the lien is filed, the Association may take any and all actions permitted by law including, but not limited to, filing suit and/or foreclosing the lien.

**PRIOR ADR REQUIRED:** Each year the association is required to disclose that before an association or member files a lawsuit to enforce the governing documents, (other than for the collection of assessments), the parties must attempt to resolve the dispute by use of Alternative Dispute Resolution. "Failure of any member of the Association to comply with the alternative dispute resolution requirements of Section 1369.520 of the Civil Code may result in the loss of your rights to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."



**INTERNAL DISPUTE RESOLUTION PROCESS:** The Association has adopted the procedures as per Section 1363.840 of the Civil Code.

**INSURANCE:** See summary as per Item #9.

**MODIFICATIONS REQUIRE PRIOR APPROVAL:** Each year the Association is required by Section 1378 of the Civil Code to disclose that all modifications or alterations which alter the common area or the exterior appearance of any structure in any way, require prior written approval of the Board of Directors or a designated committee of the Board. In addition, any alterations to the structure of any unit or building or alterations which may impact another owner in any way also require prior written approval.

Written requests must be submitted to the Board or designated committee for approval which shall approve, conditionally approve, or reject the request in writing within a reasonable time, but in no event later than ninety days from date of receipt of the request. If denied, the requestor shall be given the opportunity to appeal the decision or ask for reconsideration of the Board at the Board's next regularly scheduled meeting.

The following is a notice required by Civil Code Section 1365.1:

**NOTICE: ASSESSMENTS AND FORECLOSURE**

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

**ASSESSMENTS AND FORECLOSURE**

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Section 1367.4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 1366, 1367.1, and 1367.4 of the Civil Code).

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this. (Sections 1366 and 1367.1 of the Civil Code).

The association must comply with the requirements of Section 1367.1 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 1367.1 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 1367.1 of the Civil Code).

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 1367.1 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

### **PAYMENTS**

When an owner makes a payment, he or she may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 1367.1 of the Civil Code). An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 5 (commencing with Section 1368.810) of Chapter 4 of Title 6 of Division 2 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 2 (commencing with Section 1369.510) of Chapter 7 of Title 6 of Division 2 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 1367.1 of the Civil Code).

### **MEETINGS AND PAYMENT PLANS**

An owner of a separate interest that is not a timeshare may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exist. (Section 1367.1 of the Civil Code).

The board of directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 1367.1 of the Civil Code).

Section 1363.005 of the California Civil Code provides that the following "Disclosure Documents Index" be provided to any member at the member's request. It is being provided as part of the annual disclosures.

**Disclosure Documents Index**

<b><u>Item &amp; Description</u></b>	<b><u>Civil Code Section Reference</u></b>
1. Assessment and Reserve Funding Disclosure Summary (form)	1365.25
2. Pro Forma Operating Budget or Pro Forma Operating Budget Summary	1365 (a)
3. Assessment Collection Policy	1365 (c) & 1367.1 (a)
4. Notice Assessments and Foreclosure (form)	1365.1
5. Insurance Coverage Summary	1365 (f)
6. Board Minutes Access	1363.05 (c)
7. Alternative Dispute Resolution (ADR) Rights (summary)	1369.590
8. Internal Dispute Resolution (IDR) Rights (summary)	1363.85
9. Architectural Changes Notice	1378 (c)
10. Secondary Address Notification Request	1367.1 (k)
11. Monetary Penalties Schedule	1363 (g)
12. Reserve Funding Plan (summary)	1365 (b)
13. Review of Financial Statement	1365 (c)
14. Annual Update of Reserve Study	1365 (a)