

J.D. BROOKS

RESERVE STUDIES

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EUCALYPTUS GROVE HOA

GOLETA, CA

RESERVE STUDY REPORT: NOVEMBER 22, 2010

RECOMMENDATIONS FOR THE BUDGET YEAR PERIOD

FROM: JANUARY 1, 2011

THROUGH: DECEMBER 31, 2011

COVER

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INTRODUCTION

This Reserve Study is an evaluation of the association's Common Area Components and their Reserve Funds. It was prepared after a thorough on-site inspection performed on: August 25, 2010

The goal is to keep the Reserve Funds at a sufficient level for future repair and/or replacement of these components and to disclose this information formally to the Association.

Eucalyptus Grove HOA

a condominium development consisting of thirteen: three-story buildings and a pool house, is located in: Goleta, CA

The development is comprised of 179 units built in 1985.

The Association's Fiscal Year End is December 31.

This study's Reserve Component Inventory lists the components that require reserve funding.

The Projected Reserve Fund Balance at Fiscal Year End 2010 is \$1,265,200.

The Ideal Reserve Fund Balance at Fiscal Year End 2010 is \$1,653,588.

Therefore, the Reserve Fund is theoretically 77% Funded.

The Current (2010) Annual Reserve Contribution is set at approximately \$393,468.

J.D. Brooks recommends maintaining this Annual Reserve Contribution or reducing to \$270,452 (The Deficit Reduction Contribution) with a contribution increase of 3% annually.

This funding plan *should* keep the association's Reserve Fund above \$501,188 over a thirty-year period.

The Repair / Replace Estimates and other parameters used in this study were estimated with the assistance of information obtained from one or more of the following:

- 1 The Association's Board of Directors.
- 2 The Association's Property Manager.
- 3 Vendor (Subcontractor) Proposal / Contract for work.
- 4 Vendor (Subcontractor) experience with the Association.
- 5 Construction estimating reference books & databases.
- 6 J.D. Brooks database of area construction costs and similar reserve studies.

This reserve study does not imply a warranty or guarantee of any form.

The named Association, by receiving this study, agrees to release J.D. Brooks from any claims and/or lawsuits.

RESERVE STUDY SUMMARY

ASSOCIATION INFORMATION:

Name of Association: **EUCALYPTUS GROVE HOA**
Location: **GOLETA, CA**
Number of Units: **179**
Approximate Age of Complex: **25**

This report recommends contributions for Budget Year:

Beginning: **JANUARY 1, 2011**
Ending: **DECEMBER 31, 2011**

Reserve Study Report Date: **NOVEMBER 22, 2010**
Current Fiscal Year End: **DECEMBER 31, 2010**

CURRENT FUNDS SUMMARY:

Projected Reserve Balance at Current Fiscal Year End: **\$1,265,200**
Ideal Reserve Balance at Current Fiscal Year End: **\$1,653,588**

PERCENT FUNDED: **77%**

CURRENT RESERVE CONTRIBUTIONS:

	Annual	Monthly	Monthly Per Unit
2010 Budgeted Reserve Contribution:	\$393,468	\$32,789	\$183.18

RECOMMENDATIONS FOR BUDGET YEAR 2011

RESERVE CONTRIBUTION MODELS:

2011 J.D. Brooks Recommendation in Box

	Annual	Monthly	Monthly Per Unit
2011 Straight-Line Contribution:	\$228,743	\$19,062	\$106.49
2011 Deficit Reduction Contribution:	\$270,452	\$22,538	\$125.91
2011 Cash-Flow (Minimum) Contribution:	\$181,135	\$15,095	\$84.33

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RESERVE STUDIES

RESERVE STUDY DEFINITIONS

AVG. NET INTEREST ON RESERVE SAVINGS:

Average amount (after tax) of interest re-invested into the Reserve Account

CASH-FLOW (MINIMUM) CONTRIBUTION:

Calculated by not allowing the Reserve Balance to ever fall below (5% of the Total Replacement Cost of all the components) over a thirty-year period.

This Funding Plan should keep the Reserve Fund Balance just above \$0.

DEFICIT REDUCTION ANNUAL CONTRIBUTION:

Equals (the Straight-Line Annual Contribution) plus {(the Underfunded Balance if any) divided by (the Remaining Life)}.

F.Y.E. (FISCAL YEAR END):

End of the accounting budget year.

IDEAL BALANCE AT F.Y.E.:

Equals (the Straight-Line Annual Contribution) multiplied by (the age) of the component.

INFLATION RATE:

Average Inflation Rate for the region and year.

PERCENT FUNDED:

Equals (the Projected Reserve Balance at Fiscal Year End) divided by (the Ideal Reserve Balance at Fiscal Year End).

PROJECTED BALANCE AT F.Y.E.:

Projected Reserve Balances for each Reserve Component. Calculated according to priority (need) of replacement.

RESERVE COMPONENT:

Common Area item that requires replacement within thirty-years.

RMNG. LIFE (REMAINING LIFE):

Life-span remaining for the Reserve Component.

STRAIGHT-LINE ANNUAL CONTRIBUTION:

Equals (the Repair/Replace Cost) divided by (the Useful Life).

SURPLUS / DEFICIT:

Equals (the Ideal Balance at F.Y.E.) minus (the Projected Balance at F.Y.E.).

UNIT COST:

Cost per unit of measure.

UNIT TYPE:

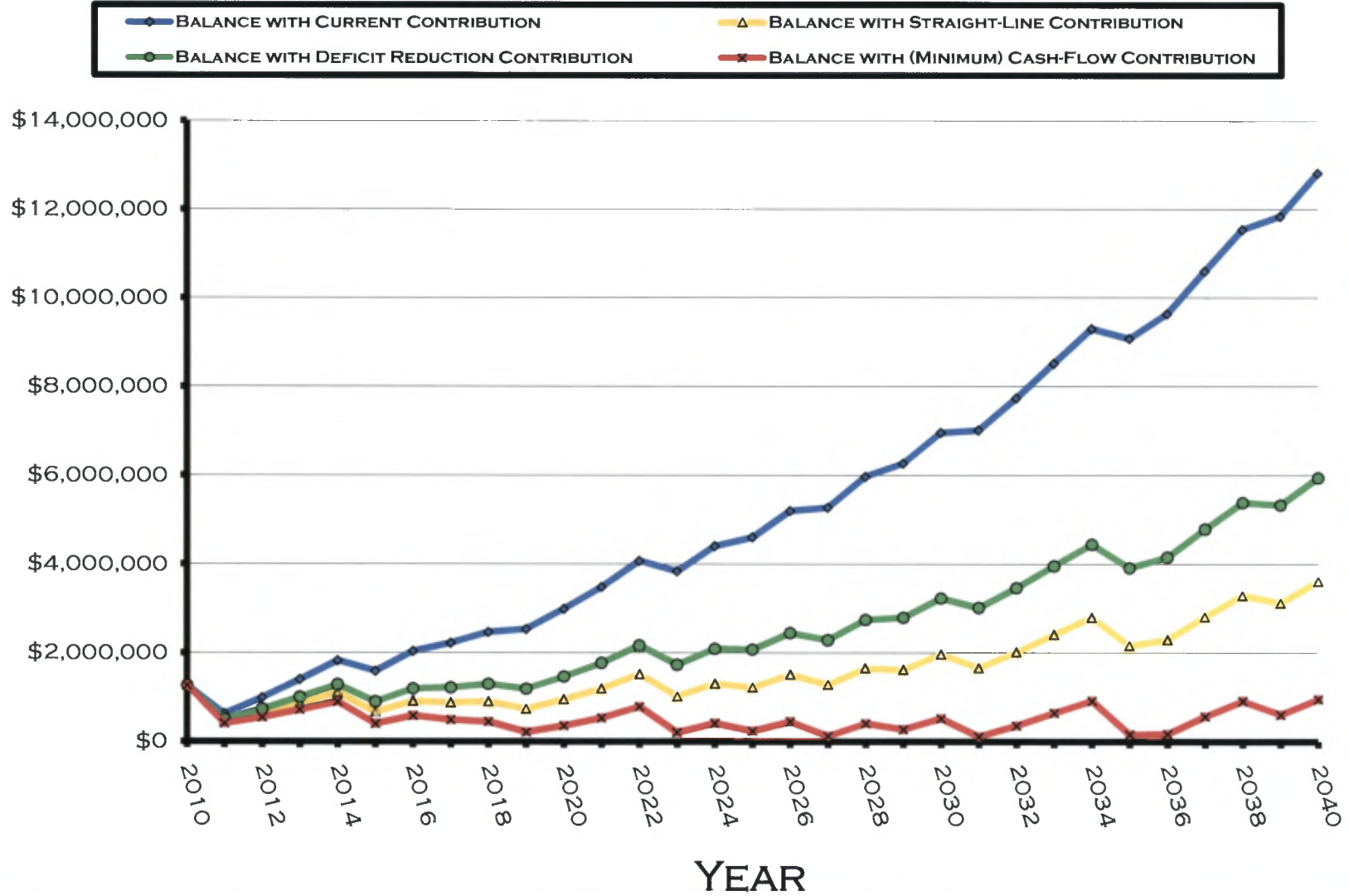
Unit of measure.

USEFUL LIFE:

Expected life-span of the Reserve Component.

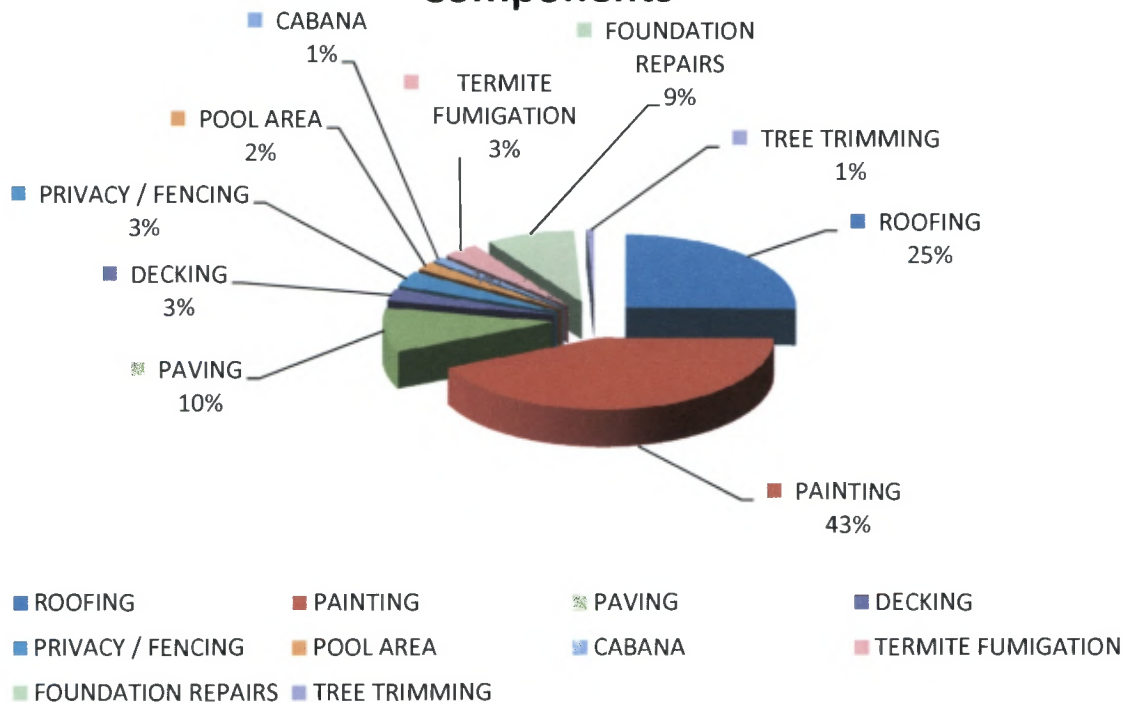
EUCALYPTUS GROVE HOA

THIRTY-YEAR RESERVE BALANCE PROJECTIONS

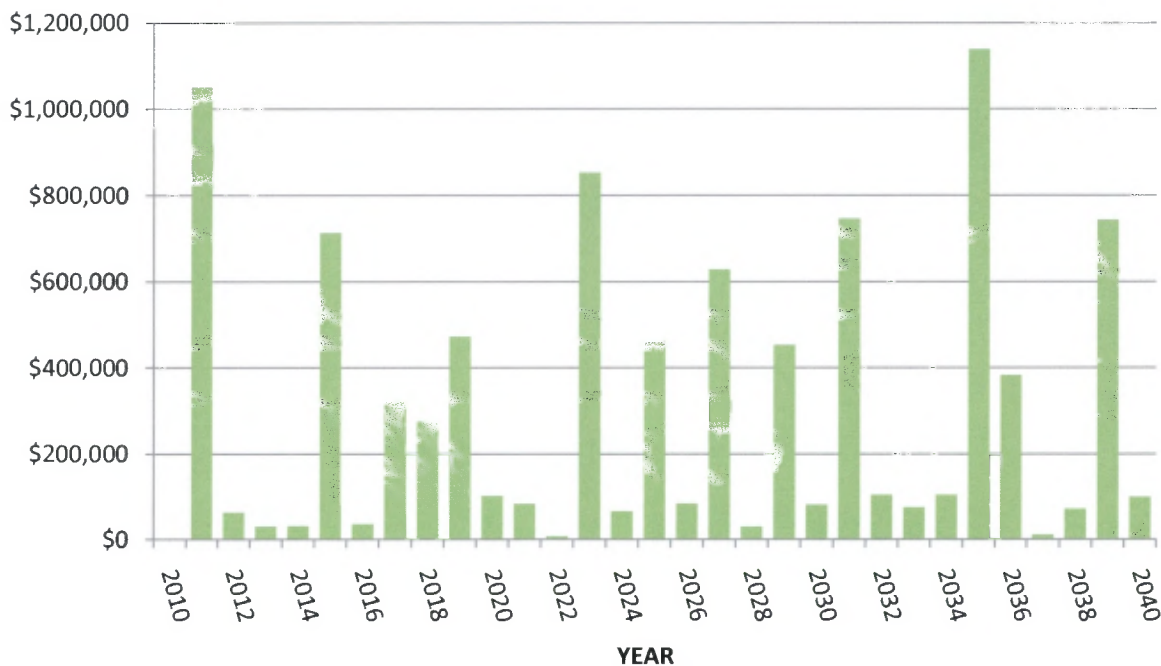


EUCALYPTUS GROVE HOA

Reserve Category Values As Percentage Of All Components



Projected Annual Reserve Expenses



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EUCALYPTUS GROVE HOA

CURRENT FISCAL YEAR END: DECEMBER 31, 2010

NUMBER OF UNITS: 179

**RESERVE COMPONENT
INVENTORY**

CATEGORY	RESERVE COMPONENT	UNIT QUANTITY	UNIT TYPE	UNIT COST	REPAIR /	USEFUL LIFE	RMNG. LIFE	STRAIGHT-LINE	IDEAL	PROJECTED	DEFICIT	DEFICIT
					REPLACE COST			ANNUAL CONTRIBUTION@F.Y.E.2010	BALANCE @F.Y.E.2010	BALANCE @F.Y.E.2010		REDUCTION ANNUAL CONTRIBUTION
ROOFING												
	COMPOSITION SHINGLE	6	BLDG.	26500	159,000	25	1	6,360	159,000	159,000	-	6,360
	COMP.S:7626,7630,7634	3	BLDG.	26500	79,500	25	21	3,180	15,900	-	(15,900)	3,937
	COMP.S: 7624, 7628	2	BLDG.	26500	53,000	25	24	2,120	4,240	-	(4,240)	2,297
	COMP.S: 7636, 7638	2	BLDG.	26500	53,000	25	25	2,120	2,120	-	(2,120)	2,205
	CARPORT METAL	30,000	SqFT	6.00	180,000	30	8	6,000	138,000	-	(138,000)	23,250
	GUTTER & DOWNSPOUTS	7,000	LNFT	6.00	42,000	25	19	1,680	11,760	-	(11,760)	2,299
PAINTING												
	WOOD SIDING	120,000	SqFT	1.30	156,000	6	1	26,000	156,000	156,000	-	26,000
	WOOD & METAL TRIM	35,000	SqFT	2.20	77,000	4	1	19,250	77,000	77,000	-	19,250
	CARPORTS	60,000	SqFT	1.40	84,000	6	1	14,000	84,000	84,000	-	14,000
	METAL FENCE & RAIL	4,000	SqFT	1.70	6,800	3	1	2,267	6,800	6,800	-	2,267
	FRONT WOOD FENCE	600	LNFT	11.00	6,600	6	3	1,100	4,400	4,400	-	1,100
	DRYROT REPAIRS	1	ALLOW	300000	300,000	4	1	75,000	300,000	300,000	-	75,000
	WOOD SIDING REPLACE	1	ALLOW	330000	330,000	20	15	16,500	99,000	-	(99,000)	23,100
INTERIOR PAINTING (600 SF) OPERATING MAINTENANCE EXPENSE												
PAVING												
	ASPHALT SLURRY/REPAIR	120,000	SqFT	0.35	42,000	3	2	14,000	28,000	28,000	-	14,000
	ASPHALT OVERLAYMENT	120,000	SqFT	1.50	180,000	30	5	6,000	156,000	125,974	(30,026)	12,005
CONCRETE REPAIR OPERATING MAINTENANCE EXPENSE												
DECKING												
	STAIR LANDING RESEAL	5,200	SqFT	3.00	15,600	5	1	3,120	15,600	15,600	-	3,120
	STAIR LANDING RESURFACE	5,200	SqFT	8.50	44,200	20	10	2,210	24,310	-	(24,310)	4,641
PRIVATE BALCONY SURFACES INDIVIDUAL HOMEOWNER'S EXPENSE												
PRIVACY / FENCING												
	INTERCOM	1	UNIT	3900	3,900	15	11	260	1,300	-	(1,300)	378
	GATE OPERATOR (SLIDE)	1	UNIT	2800	2,800	10	1	280	2,800	2,800	-	280
	GATE OPERATOR (SLIDE)	1	UNIT	2800	2,800	10	1	280	2,800	2,800	-	280
	SLIDE GATES	2	UNIT	3200	6,400	25	12	256	3,584	-	(3,584)	555
	CARD READERS/BUZZERS	4	UNIT	1100	4,400	12	8	367	1,833	-	(1,833)	596
	FRONT WOOD FENCE	600	LNFT	50.00	30,000	20	17	1,500	6,000	-	(6,000)	1,853
	METAL POOL FENCE 6'	180	LNFT	40.00	7,200	30	5	240	6,240	5,039	(1,201)	480
	STAIR RAILS 3.5'	500	LNFT	26.00	13,000	30	5	433	11,267	9,098	(2,169)	867
	SPLIT-RAIL FENCE	450	LNFT	14.00	6,300	35	10	180	4,680	-	(4,680)	648
TRASH GATES OPERATING MAINTENANCE EXPENSE												
POOL AREA												
	POOL HEATER	1	UNIT	3300	3,300	10	6	330	1,650	-	(1,650)	605
	POOL FILTER	1	UNIT	1300	1,300	12	6	108	758	-	(758)	235
	POOL PUMP	1	UNIT	850	850	6	2	142	708	708	-	142
	POOL REFIBERGLASS	1,000	SqFT	10.00	10,000	12	10	833	2,500	-	(2,500)	1,083
	POOL TILE/COPING	100	LNFT	34.00	3,400	20	18	170	510	-	(510)	198
	SPA HEATER	1	UNIT	3300	3,300	8	6	413	1,238	-	(1,238)	619

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RESERVE STUDIES

EUCALYPTUS GROVE HOA

RESERVE COMPONENT INVENTORY

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RESERVE COMPONENT	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
ROOFING																
COMPOSITION SHINGLE	-	162,180	-	-	-	-	-	-	-	-	-	-	-	-	-	-
COMP.S:7626,7630,7634	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
COMP.S: 7624, 7628	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
COMP.S: 7636, 7638	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CARPORT METAL	-	-	-	-	-	-	-	-	210,899	-	-	-	-	-	-	-
GUTTER & DOWNSPOUTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PAINTING																
WOOD SIDING	-	159,120	-	-	-	-	-	179,195	-	-	-	-	-	201,803	-	-
WOOD & METAL TRIM	-	78,540	-	-	-	85,014	-	-	-	92,022	-	-	-	99,608	-	-
CARPORTS	-	85,680	-	-	-	-	-	96,490	-	-	-	-	-	108,663	-	-
METAL FENCE & RAIL	-	6,936	-	-	7,361	-	-	7,811	-	-	8,289	-	-	8,797	-	-
FRONT WOOD FENCE	-	-	-	7,004	-	-	-	-	-	7,888	-	-	-	-	-	8,883
DRYROT REPAIRS	-	306,000	-	-	-	331,224	-	-	-	358,528	-	-	-	388,082	-	-
WOOD SIDING REPLACE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	444,137
PAVING																
ASPHALT SLURRY/REPAIR	-	-	43,697	-	-	46,371	-	-	49,210	-	-	52,222	-	-	55,418	-
ASPHALT OVERLAYMENT	-	-	-	-	-	198,735	-	-	-	-	-	-	-	-	-	-
DECKING																
STAIR LANDING RESEAL	-	15,912	-	-	-	-	17,568	-	-	-	-	19,397	-	-	-	-
STAIR LANDING RESURFACE	-	-	-	-	-	-	-	-	-	-	53,880	-	-	-	-	-
PRIVACY / FENCING																
INTERCOM	-	-	-	-	-	-	-	-	-	-	-	4,849	-	-	-	-
GATE OPERATOR (SLIDE)	-	2,856	-	-	-	-	-	-	-	-	-	3,481	-	-	-	-
GATE OPERATOR (SLIDE)	-	2,856	-	-	-	-	-	-	-	-	-	3,481	-	-	-	-
SLIDE GATES	-	-	-	-	-	-	-	-	-	-	-	-	8,117	-	-	-
CARD READERS/BUZZERS	-	-	-	-	-	-	-	-	5,155	-	-	-	-	-	-	-
FRONT WOOD FENCE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
METAL POOL FENCE 6'	-	-	-	-	-	7,949	-	-	-	-	-	-	-	-	-	-
STAIR RAILS 3.5'	-	-	-	-	-	14,353	-	-	-	-	-	-	-	-	-	-
SPLIT-RAIL FENCE	-	-	-	-	-	-	-	-	-	-	7,680	-	-	-	-	-
POOL AREA																
POOL HEATER	-	-	-	-	-	-	3,716	-	-	-	-	-	-	-	-	-
POOL FILTER	-	-	-	-	-	-	1,464	-	-	-	-	-	-	-	-	-
POOL PUMP	-	-	884	-	-	-	-	-	996	-	-	-	-	-	1,122	-
POOL REFIBERGLASS	-	-	-	-	-	-	-	-	-	-	12,190	-	-	-	-	-
POOL TILE/COPING	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SPA HEATER	-	-	-	-	-	-	3,716	-	-	-	-	-	-	-	4,354	-

11/22/2010

EUCALYPTUS GROVE HOA

RESERVE COMPONENT INVENTORY

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
RESERVE COMPONENT	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
ROOFING															
COMPOSITION SHINGLE	-	-	-	-	-	-	-	-	-	-	266,073	-	-	-	-
COMP.S:7626,7630,7634	-	-	-	-	-	120,495	-	-	-	-	-	-	-	-	-
COMP.S: 7624, 7628	-	-	-	-	-	-	-	-	85,247	-	-	-	-	-	-
COMP.S: 7636, 7638	-	-	-	-	-	-	-	-	-	86,952	-	-	-	-	-
CARPORT METAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GUTTER & DOWNSPOUTS	-	-	-	61,186	-	-	-	-	-	-	-	-	-	-	-
PAINTING															
WOOD SIDING	-	-	-	227,263	-	-	-	-	-	255,935	-	-	-	-	-
WOOD & METAL TRIM	-	107,819	-	-	-	116,706	-	-	-	126,327	-	-	-	136,740	-
CARPORTS	-	-	-	122,372	-	-	-	-	-	137,811	-	-	-	-	-
METAL FENCE & RAIL	9,335	-	-	9,906	-	-	10,513	-	-	11,156	-	-	11,839	-	-
FRONT WOOD FENCE	-	-	-	-	-	10,003	-	-	-	-	-	11,265	-	-	-
DRYROT REPAIRS	-	420,072	-	-	-	454,700	-	-	-	492,182	-	-	-	532,753	-
WOOD SIDING REPLACE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PAVING															
ASPHALT SLURRY/REPAIR	-	58,810	-	-	62,410	-	-	66,230	-	-	70,284	-	-	74,585	-
ASPHALT OVERLAYMENT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DECKING															
STAIR LANDING RESEAL	21,415	-	-	-	-	23,644	-	-	-	-	26,105	-	-	-	-
STAIR LANDING RESURFACE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80,062
PRIVACY / FENCING															
INTERCOM	-	-	-	-	-	-	-	-	-	-	6,526	-	-	-	-
GATE OPERATOR (SLIDE)	-	-	-	-	-	4,244	-	-	-	-	-	-	-	-	-
GATE OPERATOR (SLIDE)	-	-	-	-	-	4,244	-	-	-	-	-	-	-	-	-
SLIDE GATES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CARD READERS/BUZZERS	-	-	-	-	6,538	-	-	-	-	-	-	-	-	-	-
FRONT WOOD FENCE	-	42,007	-	-	-	-	-	-	-	-	-	-	-	-	-
METAL POOL FENCE 6'	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
STAIR RAILS 3.5'	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SPLIT-RAIL FENCE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POOL AREA															
POOL HEATER	4,530	-	-	-	-	-	-	-	-	-	5,522	-	-	-	-
POOL FILTER	-	-	1,857	-	-	-	-	-	-	-	-	-	-	-	2,355
POOL PUMP	-	-	-	-	1,263	-	-	-	-	-	1,422	-	-	-	-
POOL RE/FIBERGLASS	-	-	-	-	-	-	15,460	-	-	-	-	-	-	-	-
POOL TILE/COPING	-	-	4,856	-	-	-	-	-	-	-	-	-	-	-	-
SPA HEATER	-	-	-	-	-	-	5,102	-	-	-	-	-	-	-	5,977

11/22/2010

EUCALYPTUS GROVE HOA

CURRENT FISCAL YEAR END: DECEMBER 31, 2010
NUMBER OF UNITS: 179

RESERVE COMPONENT INVENTORY											
CATEGORY	UNIT	UNIT	REPAIR /	USEFUL	RMNG.	STRAIGHT-LINE	IDEAL	PROJECTED	DEFICIT		DEFICIT
RESERVE COMPONENT	QUANTITY	TYPE	REPLACE	LIFE	LIFE	ANNUAL	BALANCE	BALANCE	DEFICIT	CONTRIBUTION	ANNUAL
			COST			CONTRIBUTION@F.Y.E.2010	@F.Y.E.2010	@F.Y.E.2010			CONTRIBUTION
SPA FILTER	1	UNIT	1250	1,250	12	1	104	1,250	1,250	-	104
SPA PUMPS	2	UNIT	850	1,700	6	2	283	1,417	1,417	-	283
SPA RETILE	1	UNIT	6000	6,000	30	5	200	5,200	4,199	(1,001)	400
POOL DECKING	1	ALLOW	11000	11,000	20	18	550	1,650	-	(1,650)	642
CABANA											
BATH FLOOR & WALL TILE	650	SqFT	16.00	10,400	30	5	347	9,013	7,279	(1,735)	694
BATHROOMS REMODEL	2	ALLOW	2500	5,000	30	5	167	4,333	3,499	(834)	333
SAUNA REMODEL	1	ALLOW	5400	5,400	20	18	270	810	-	(810)	315
SAUNA HEATER	1	UNIT	2600	2,600	15	6	173	1,733	-	(1,733)	462
WATER HEATER	1	UNIT	2600	2,600	12	2	217	2,383	2,383	-	217
TERMITE FUMIGATION											
REMAINING BUILDINGS	2	ALLOW	6000	12,000	15	1	800	12,000	12,000	-	800
BLDG. 7606	1	ALLOW	6000	6,000	15	4	400	4,800	4,800	-	400
BLDG. 7630	1	ALLOW	6000	6,000	15	5	400	4,400	3,553	(847)	569
BLDG. 7634	1	ALLOW	6000	6,000	15	6	400	4,000	-	(4,000)	1,067
BLDG. 7620	1	ALLOW	6000	6,000	15	7	400	3,600	-	(3,600)	914
BLDG. 7632	1	ALLOW	6000	6,000	15	8	400	3,200	-	(3,200)	800
BLDG. 7602, 7610	2	ALLOW	6000	12,000	15	9	800	5,600	-	(5,600)	1,422
BLDG. 7636, 7640	2	ALLOW	6000	12,000	15	13	800	2,400	-	(2,400)	985
BLDG. 7624	1	ALLOW	6000	6,000	15	13	400	1,200	-	(1,200)	492
BLDG. 7626	1	ALLOW	6000	6,000	15	15	400	400	-	(400)	427
BRIDGE REPAIR	1	ALLOW	11000	11,000	15	7	733	6,600	-	(6,600)	1,676
FOUNDATION REPAIRS	1	ALLOW	190000	190,000	30	1	6,333	190,000	190,000	-	6,333
TREE TRIMMING	1	ALLOW	16500	16,500	3	1	5,500	16,500	16,500	-	5,500
EXERCISE ROOM											
EQUIPMENT / REMODEL	1	ALLOW	7000	7,000	15	1	467	7,000	7,000	-	467
LIGHTING											
LARGE STREET FIXTURES	14	UNIT	1600	22,400	28	3	800	20,800	20,800	-	800
OTHER LIGHT FIXTURES OPERATING MAINTENANCE EXPENSE											
MAILBOXES	200	UNIT	70	14,000	20	2	700	13,300	13,300	-	700
IRRIGATION CONTROLS & VALVES OPERATING MAINTENANCE EXPENSE											
PLUMBING, ELECTRICAL & WOOD REPLACEMENT OPERATING MAINTENANCE EXPENSE											
CONTINGENCY: 0%											
TOTALS:			2,292,500				228,743	1,653,588	1,265,200	(388,388)	270,452

11/22/2010

EUCALYPTUS GROVE HOA

RESERVE COMPONENT INVENTORY

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RESERVE COMPONENT	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
SPA FILTER																
SPA FILTER	-	1,275	-	-	-	-	-	-	-	-	-	-	-	1,617	-	-
SPA PUMPS																
SPA PUMPS	-	-	1,769	-	-	-	-	-	1,992	-	-	-	-	-	2,243	-
SPA RETILE																
SPA RETILE	-	-	-	-	-	6,624	-	-	-	-	-	-	-	-	-	-
POOL DECKING																
POOL DECKING	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CABANA																
BATH FLOOR & WALL TILE																
BATH FLOOR & WALL TILE	-	-	-	-	-	11,482	-	-	-	-	-	-	-	-	-	-
BATHROOMS REMODEL																
BATHROOMS REMODEL	-	-	-	-	-	5,520	-	-	-	-	-	-	-	-	-	-
SAUNA REMODEL																
SAUNA REMODEL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SAUNA HEATER																
SAUNA HEATER	-	-	-	-	-	-	2,928	-	-	-	-	-	-	-	-	-
WATER HEATER																
WATER HEATER	-	-	2,705	-	-	-	-	-	-	-	-	-	-	-	3,431	-
TERMITE FUMIGATION																
REMAINING BUILDINGS																
REMAINING BUILDINGS	-	12,240	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BLDG. 7606																
BLDG. 7606	-	-	-	-	6,495	-	-	-	-	-	-	-	-	-	-	-
BLDG. 7630																
BLDG. 7630	-	-	-	-	-	6,624	-	-	-	-	-	-	-	-	-	-
BLDG. 7634																
BLDG. 7634	-	-	-	-	-	-	6,757	-	-	-	-	-	-	-	-	-
BLDG. 7620																
BLDG. 7620	-	-	-	-	-	-	-	6,892	-	-	-	-	-	-	-	-
BLDG. 7632																
BLDG. 7632	-	-	-	-	-	-	-	-	7,030	-	-	-	-	-	-	-
BLDG. 7602, 7610																
BLDG. 7602, 7610	-	-	-	-	-	-	-	-	-	14,341	-	-	-	-	-	-
BLDG. 7636, 7640																
BLDG. 7636, 7640	-	-	-	-	-	-	-	-	-	-	-	-	-	15,523	-	-
BLDG. 7624																
BLDG. 7624	-	-	-	-	-	-	-	-	-	-	-	-	-	7,762	-	-
BLDG. 7626																
BLDG. 7626	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,075
BRIDGE REPAIR																
BRIDGE REPAIR	-	-	-	-	-	-	-	12,636	-	-	-	-	-	-	-	-
FOUNDATION REPAIRS																
FOUNDATION REPAIRS	-	193,800	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TREE TRIMMING																
TREE TRIMMING	-	16,830	-	-	17,860	-	-	18,953	-	-	20,113	-	-	21,345	-	-
EXERCISE ROOM																
EQUIPMENT / REMODEL																
EQUIPMENT / REMODEL	-	7,140	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LIGHTING																
LARGE STREET FIXTURES																
LARGE STREET FIXTURES	-	-	-	23,771	-	-	-	-	-	-	-	-	-	-	-	-
MAILBOXES																
MAILBOX PAGODA																
MAILBOX PAGODA	-	-	14,566	-	-	-	-	-	-	-	-	-	-	-	-	-

CONTINGENCY: 0%

TOTALS:	0	1,051,365	63,620	30,775	31,715	713,899	36,150	321,977	275,281	472,779	102,152	83,430	8,117	853,198	66,568	461,094
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11/22/2010

EUCALYPTUS GROVE HOA

**RESERVE COMPONENT
INVENTORY**

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
RESERVE COMPONENT	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
SPA FILTER	-	-	-	-	-	-	-	-	-	2,051	-	-	-	-	-
SPA PUMPS	-	-	-	-	2,526	-	-	-	-	-	2,845	-	-	-	-
SPA RETILE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POOL DECKING	-	-	15,711	-	-	-	-	-	-	-	-	-	-	-	-
CABANA															
BATH FLOOR & WALL TILE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BATHROOMS REMODEL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SAUNA REMODEL	-	-	7,713	-	-	-	-	-	-	-	-	-	-	-	-
SAUNA HEATER	-	-	-	-	-	3,941	-	-	-	-	-	-	-	-	-
WATER HEATER	-	-	-	-	-	-	-	-	-	-	4,351	-	-	-	-
TERMITE FUMIGATION															
REMAINING BUILDINGS	16,473	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BLDG. 7606	-	-	-	8,741	-	-	-	-	-	-	-	-	-	-	-
BLDG. 7630	-	-	-	-	8,916	-	-	-	-	-	-	-	-	-	-
BLDG. 7634	-	-	-	-	-	9,094	-	-	-	-	-	-	-	-	-
BLDG. 7620	-	-	-	-	-	-	9,276	-	-	-	-	-	-	-	-
BLDG. 7632	-	-	-	-	-	-	-	9,461	-	-	-	-	-	-	-
BLDG. 7602, 7610	-	-	-	-	-	-	-	-	19,301	-	-	-	-	-	-
BLDG. 7636, 7640	-	-	-	-	-	-	-	-	-	-	-	-	20,892	-	-
BLDG. 7624	-	-	-	-	-	-	-	-	-	-	-	-	10,446	-	-
BLDG. 7626	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,868
BRIDGE REPAIR	-	-	-	-	-	-	17,006	-	-	-	-	-	-	-	-
FOUNDATION REPAIRS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TREE TRIMMING	22,651	-	-	24,037	-	-	25,509	-	-	27,070	-	-	28,727	-	-
EXERCISE ROOM															
EQUIPMENT / REMODEL	9,609	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LIGHTING															
LARGE STREET FIXTURES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MAILBOXES															
MAILBOX PAGODA	-	-	-	-	-	-	21,644	-	-	-	-	-	-	-	-

CONTINGENCY: 0%

TOTALS:	84,014	628,708	30,136	453,505	81,653	747,072	104,508	75,691	104,548	1,139,483	383,129	11,265	71,904	744,079	99,263
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11/22/2010

EUCALYPTUS GROVE HOA

CURRENT FISCAL YEAR END: DECEMBER 31, 2010
 NUMBER OF UNITS: 179

RESERVE COMPONENT INVENTORY										
CATEGORY	UNIT	UNIT	REPAIR / REPLACE	USEFUL	RMNG.	STRAIGHT-LINE ANNUAL	IDEAL BALANCE	PROJECTED BALANCE	DEFICIT ANNUAL	DEFICIT ANNUAL
RESERVE COMPONENT	QUANTITY	TYPE	COST	LIFE	LIFE	CONTRIBUTION	@F.Y.E.2010	@F.Y.E.2010	DEFICIT	CONTRIBUTION

NET INTEREST ON RESERVE SAVINGS :	1%
INFLATION RATE :	2%
INCREASE TO ANNUAL RESERVE CONTRIBUTION:	3%

<i>BALANCE FORECAST TYPE</i>	ANNUAL CONTRIBUTION
CURRENT ANNUAL CONTRIBUTION	393,468
STRAIGHT-LINE ANNUAL CONTRIBUTION	228,743
DEFICIT REDUCTION ANNUAL CONTRIBUTION	270,452
(CASH-FLOW) MINIMUM ANNUAL CONTRIBUTION	181,135

11/22/2010

EUCALYPTUS GROVE HOA

RESERVE COMPONENT INVENTORY

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RESERVE COMPONENT	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025

BALANCE FORECAST TYPE

THIRTY-YEAR PROJECTED ANNUAL RESERVE BALANCES

CURRENT ANNUAL CONTRIBUTION	1,265,200	628,529	990,393	1,401,471	1,828,677	1,587,914	2,039,633	2,222,778	2,469,274	2,534,778	2,988,895	3,482,311	4,072,773	3,836,747	4,406,345	4,603,084
STRAIGHT-LINE ANNUAL CONTRIBUTION	1,265,200	458,013	642,541	869,241	1,104,798	664,880	909,694	877,936	901,271	735,090	948,727	1,192,583	1,524,115	1,019,487	1,310,506	1,218,366
DEFICIT REDUCTION ANNUAL CONTRIBUTION	1,265,200	501,188	730,618	1,004,003	1,288,087	898,595	1,195,798	1,218,454	1,298,294	1,190,777	1,465,304	1,772,350	2,169,443	1,732,827	2,094,382	2,075,388
(CASH-FLOW) MINIMUM ANNUAL CONTRIBUTION	1,265,200	408,732	542,008	715,421	895,590	398,113	583,130	489,262	448,101	214,962	359,097	530,828	787,526	205,270	415,776	240,147

11/22/2010

EUCALYPTUS GROVE HOA

RESERVE COMPONENT
INVENTORY

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
RESERVE COMPONENT	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040

BALANCE FORECAST TYPE

THIRTY-YEAR PROJECTED ANNUAL RESERVE BALANCES

CURRENT ANNUAL CONTRIBUTION	5,199,238	5,272,973	5,968,618	6,265,930	6,960,728	7,015,155	7,737,970	8,519,706	9,303,671	9,079,481	9,638,023	10,601,458	11,539,936	11,839,406	12,817,866
STRAIGHT-LINE ANNUAL CONTRIBUTION	1,515,015	1,278,281	1,652,143	1,615,999	1,965,298	1,661,800	2,013,874	2,411,643	2,798,000	2,162,131	2,294,479	2,816,746	3,298,613	3,125,542	3,615,033
DEFICIT REDUCTION ANNUAL CONTRIBUTION	2,447,873	2,289,750	2,745,089	2,793,377	3,230,157	3,017,287	3,463,234	3,958,225	4,445,257	3,913,627	4,153,888	4,787,860	5,385,343	5,331,921	5,945,220
(CASH-FLOW) MINIMUM ANNUAL CONTRIBUTION	450,237	123,773	404,637	272,120	521,567	114,625	359,550	646,349	917,794	162,945	172,117	566,883	916,784	607,144	955,318



ROOFING: Composition Shingle



ROOFING: Carport Metal



PAINTING: Wood Siding / Trim



PAVING: Asphalt Slurry / Repair / Overlayment



DECKING: Stair Landing ReSeal / ReSurface



PRIVACY/FENCING: Intercom



PRIVACY/FENCING: Slide Gates / Gate Operators



PRIVACY/FENCING: Front Wood Fence



PRIVACY/FENCING: Metal Pool Fence 6'



POOL AREA: Pool ReFiberglass



POOL AREA: Spa ReTile



EXERCISE ROOM: Equipment / Remodel



LIGHTING: Large Street Fixtures



MAILBOXES: Pagoda Cluster Boxes

ROOFING

Composition Shingle

Quantity: 6 Bldg.
 Estimated Total Cost to Replace: \$ 159,000
 Useful Life: 25
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 6,360
 Cost Source: Recent Association Expense

Comp.S:7626,7630,7634

Quantity: 3 Bldg.
 Estimated Total Cost to Replace: \$ 79,500
 Useful Life: 25
 Remaining Life: 21
 Straight-Line Annual Contribution: \$ 3,180
 Cost Source: Recent Association Expense

Comp.S: 7624, 7628

Quantity: 2 Bldg.
 Estimated Total Cost to Replace: \$ 53,000
 Useful Life: 25
 Remaining Life: 24
 Straight-Line Annual Contribution: \$ 2,120
 Cost Source: Recent Association Expense

Comp.S: 7636, 7638

Quantity: 2 Bldg.
 Estimated Total Cost to Replace: \$ 53,000
 Useful Life: 25
 Remaining Life: 25
 Straight-Line Annual Contribution: \$ 2,120
 Cost Source: Recent Association Expense

Carport Metal

Quantity: 30,000 SqFt
 Estimated Total Cost to Replace: \$ 180,000
 Useful Life: 30
 Remaining Life: 8
 Straight-Line Annual Contribution: \$ 6,000
 Cost Source: JDB Cost Database

Gutter & Downspouts

Quantity: 7,000 LnFt
 Estimated Total Cost to Replace: \$ 42,000
 Useful Life: 25
 Remaining Life: 19
 Straight-Line Annual Contribution: \$ 1,680
 Cost Source: JDB Cost Database

PAINTING

Wood Siding

Quantity: 120,000 SqFt
 Estimated Total Cost to Replace: \$ 156,000
 Useful Life: 6
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 26,000
 Cost Source: Recent Association Expense

Wood & Metal Trim

Quantity: 35,000 SqFt
 Estimated Total Cost to Replace: \$ 77,000
 Useful Life: 4
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 19,250
 Cost Source: Recent Association Expense

Carports

Quantity: 60,000 SqFt
 Estimated Total Cost to Replace: \$ 84,000
 Useful Life: 6
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 14,000
 Cost Source: Recent Association Expense

Metal Fence & Rail

Quantity: 4,000 SqFt
 Estimated Total Cost to Replace: \$ 6,800
 Useful Life: 3
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 2,267
 Cost Source: Recent Association Expense

Front Wood Fence

Quantity: 600 LnFt
 Estimated Total Cost to Replace: \$ 6,600
 Useful Life: 6
 Remaining Life: 3
 Straight-Line Annual Contribution: \$ 1,100
 Cost Source: Recent Association Expense

Dryrot Repairs

Quantity: 1 Allow
 Estimated Total Cost to Replace: \$ 300,000
 Useful Life: 4
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 75,000
 Cost Source: Allowance

Wood Siding Replace

Quantity: 1 Allow
 Estimated Total Cost to Replace: \$ 330,000
 Useful Life: 20
 Remaining Life: 15
 Straight-Line Annual Contribution: \$ 16,500
 Cost Source: Recent Association Expense

PAVING

Asphalt Slurry/Repair

Quantity: 120,000 SqFt
 Estimated Total Cost to Replace: \$ 42,000
 Useful Life: 3
 Remaining Life: 2
 Straight-Line Annual Contribution: \$ 14,000
 Cost Source: Recent Association Expense

Asphalt Overlayment

Quantity: 120,000 SqFt
 Estimated Total Cost to Replace: \$ 180,000
 Useful Life: 30
 Remaining Life: 5
 Straight-Line Annual Contribution: \$ 6,000
 Cost Source: JDB Cost Database

DECKING

Stair Landing ReSeal

Quantity: 5,200 SqFt
 Estimated Total Cost to Replace: \$ 15,600
 Useful Life: 5
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 3,120
 Cost Source: JDB Cost Database

Stair Landing ReSurface

Quantity: 5,200 SqFt
 Estimated Total Cost to Replace: \$ 44,200
 Useful Life: 20
 Remaining Life: 10
 Straight-Line Annual Contribution: \$ 2,210
 Cost Source: JDB Cost Database

PRIVACY / FENCING

Intercom

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 3,900
 Useful Life: 15
 Remaining Life: 11
 Straight-Line Annual Contribution: \$ 260
 Cost Source: Recent Association Expense

Gate Operator (Slide)

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 2,800
 Useful Life: 10
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 280
 Cost Source: JDB Cost Database

Gate Operator (Slide)

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 2,800
 Useful Life: 10
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 280
 Cost Source: JDB Cost Database

Slide Gates

Quantity: 2 Unit
 Estimated Total Cost to Replace: \$ 6,400
 Useful Life: 25
 Remaining Life: 12
 Straight-Line Annual Contribution: \$ 256
 Cost Source: JDB Cost Database

Card Readers/Buzzers

Quantity: 4 Unit
 Estimated Total Cost to Replace: \$ 4,400
 Useful Life: 12
 Remaining Life: 8
 Straight-Line Annual Contribution: \$ 367
 Cost Source: Recent Association Expense

Front Wood Fence

Quantity: 600 LnFt
 Estimated Total Cost to Replace: \$ 30,000
 Useful Life: 20
 Remaining Life: 17
 Straight-Line Annual Contribution: \$ 1,500
 Cost Source: Recent Association Expense

Metal Pool Fence 6'

Quantity: 180 LnFt
 Estimated Total Cost to Replace: \$ 7,200
 Useful Life: 30
 Remaining Life: 5
 Straight-Line Annual Contribution: \$ 240
 Cost Source: JDB Cost Database

Stair Rails 3.5'

Quantity: 500 LnFt
 Estimated Total Cost to Replace: \$ 13,000
 Useful Life: 30
 Remaining Life: 5
 Straight-Line Annual Contribution: \$ 433
 Cost Source: JDB Cost Database

Split-Rail Fence

Quantity: 450 LnFt
 Estimated Total Cost to Replace: \$ 6,300
 Useful Life: 35
 Remaining Life: 10
 Straight-Line Annual Contribution: \$ 180
 Cost Source: JDB Cost Database

POOL AREA

Pool Heater

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 3,300
 Useful Life: 10
 Remaining Life: 6
 Straight-Line Annual Contribution: \$ 330
 Cost Source: Recent Association Expense

Pool Filter

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 1,300
 Useful Life: 12
 Remaining Life: 6
 Straight-Line Annual Contribution: \$ 108
 Cost Source: Recent Association Expense

Pool Pump

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 850
 Useful Life: 6
 Remaining Life: 2
 Straight-Line Annual Contribution: \$ 142
 Cost Source: JDB Cost Database

Pool ReFiberglass

Quantity: 1,000 SqFt
 Estimated Total Cost to Replace: \$ 10,000
 Useful Life: 12
 Remaining Life: 10
 Straight-Line Annual Contribution: \$ 833
 Cost Source: Recent Association Expense

Pool Tile/Coping

Quantity: 100 LnFt
 Estimated Total Cost to Replace: \$ 3,400
 Useful Life: 20
 Remaining Life: 18
 Straight-Line Annual Contribution: \$ 170
 Cost Source: JDB Cost Database

Spa Heater

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 3,300
 Useful Life: 8
 Remaining Life: 6
 Straight-Line Annual Contribution: \$ 413
 Cost Source: Recent Association Expense

Spa Filter

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 1,250
 Useful Life: 12
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 104
 Cost Source: JDB Cost Database

Spa Pumps

Quantity: 2 Unit
 Estimated Total Cost to Replace: \$ 1,700
 Useful Life: 6
 Remaining Life: 2
 Straight-Line Annual Contribution: \$ 283
 Cost Source: JDB Cost Database

Spa Retile

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 6,000
 Useful Life: 30
 Remaining Life: 5
 Straight-Line Annual Contribution: \$ 200
 Cost Source: Allowance

Pool Decking

Quantity: 1 Allow
 Estimated Total Cost to Replace: \$ 11,000
 Useful Life: 20
 Remaining Life: 18
 Straight-Line Annual Contribution: \$ 550
 Cost Source: Recent Association Expense

CABANA

Bath Floor & Wall Tile

Quantity: 650 SqFt
 Estimated Total Cost to Replace: \$ 10,400
 Useful Life: 30
 Remaining Life: 5
 Straight-Line Annual Contribution: \$ 347
 Cost Source: JDB Cost Database

Bathrooms Remodel

Quantity: 2 Allow
 Estimated Total Cost to Replace: \$ 5,000
 Useful Life: 30
 Remaining Life: 5
 Straight-Line Annual Contribution: \$ 167
 Cost Source: Allowance

Sauna Remodel

Quantity: 1 Allow
 Estimated Total Cost to Replace: \$ 5,400
 Useful Life: 20
 Remaining Life: 18
 Straight-Line Annual Contribution: \$ 270
 Cost Source: Allowance

Sauna Heater

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 2,600
 Useful Life: 15
 Remaining Life: 6
 Straight-Line Annual Contribution: \$ 173
 Cost Source: JDB Cost Database

Water Heater

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 2,600
 Useful Life: 12
 Remaining Life: 2
 Straight-Line Annual Contribution: \$ 217
 Cost Source: Recent Association Expense

TERMITE FUMIGATION

All Buildings

Quantity: 13 Allow
 Estimated Total Cost to Replace: \$ 78,000
 Useful Life: 15
 Remaining Life: 1-15
 Straight-Line Annual Contribution: \$ 5,200
 Cost Source: Allowance

BRIDGE REPAIR

Quantity: 1 Allow
 Estimated Total Cost to Replace: \$ 11,000
 Useful Life: 15
 Remaining Life: 7
 Straight-Line Annual Contribution: \$ 733
 Cost Source: Allowance

FOUNDATION REPAIRS

Quantity: 1 Allow
 Estimated Total Cost to Replace: \$ 190,000
 Useful Life: 30
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 6,333
 Cost Source: Recent Estimate of Repair Cost

TREE TRIMMING

Quantity: 1 Allow
 Estimated Total Cost to Replace: \$ 16,500
 Useful Life: 3
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 5,500
 Cost Source: Recent Association Expense

EXERCISE ROOM

Equipment / Remodel

Quantity: 1 Allow
 Estimated Total Cost to Replace: \$ 7,000
 Useful Life: 15
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 467
 Cost Source: Allowance

LIGHTING

Large Street Fixtures

Quantity: 14 Unit
 Estimated Total Cost to Replace: \$ 22,400
 Useful Life: 28
 Remaining Life: 3
 Straight-Line Annual Contribution: \$ 800
 Cost Source: Allowance

MAILBOXES

Mailbox Pagoda

Quantity: 200 Unit
 Estimated Total Cost to Replace: \$ 14,000
 Useful Life: 20
 Remaining Life: 2
 Straight-Line Annual Contribution: \$ 700
 Cost Source: JDB Cost Database

DAVIS-STIRLING ACT

Civil Code 1365. Financial Records and Reporting

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 thereof. 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 nonrenewal 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."

Civil Code 1365.2.5. Assessment and Reserve Funding Disclosure Summary

(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:

Amount per Ownership	Interest per Month or Year (if assessments are variable see note immediately below)	Date Assessment Will be Due	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 page _____ 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 or the members

Amount per ownership interest per month or year	Approximate date assessment will be due
Total:	

(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 the Civil Code, the estimated amount required in the reserve fund at the end of each of the

next five budget years is \$_____, and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known 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. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was _____ percent per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was _____ percent per year.

(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.

Civil Code 1365.5. Financial Duties of Board; Reserve Transfers

(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 cashflow 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 and 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.