

J.D. BROOKS

RESERVE STUDIES

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UPDATE - NO SITE INSPECTION

OAK RANCH ESTATES HOA

OAK VIEW, CA

RESERVE STUDY REPORT: JULY 23, 2023

**RECOMMENDATIONS FOR THE BUDGET YEAR PERIOD
FROM: JANUARY 1, 2024
THROUGH: DECEMBER 31, 2024**

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INTRODUCTION

UPDATE - NO SITE INSPECTION

This Reserve Study is an evaluation of the association's Common Area Components and their Reserve Funds.

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.

Oak Ranch Estates HOA

a residential development consisting of forty: single-family lots / homes, is located in: Oak View, CA

The community is comprised of 40 units built in 1978.

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 2023 is \$34,100.

The Ideal Reserve Fund Balance at Fiscal Year End 2023 is \$48,596.

Therefore, the Reserve Fund is theoretically 70% Funded.

The Current (2023) Annual Reserve Contribution is set at approximately \$1,440.

J.D. Brooks recommends increasing this Annual Reserve Contribution to \$3,547

(The Cash-Flow (Minimum) Contribution) for 2023, plus a contribution increase of 4% annually.

This funding plan *should* keep the association's Reserve Fund above \$4,649 over a thirty-year period.

NOTE: This Funding Plan includes the assumption that all Interest earned on the Reserve Funds will be re-invested into the Reserve Accounts (Net after Tax obligations)

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.

J.D. BROOKS
RESERVE STUDIES

RESERVE STUDY SUMMARY

ASSOCIATION INFORMATION:

Name of Association: **OAK RANCH ESTATES HOA**
Location: **OAK VIEW, CA**
Number of Units: **40**
Approximate Age of Complex: **45**

This report recommends contributions for Budget Year:

Beginning: **JANUARY 1, 2024**
Ending: **DECEMBER 31, 2024**

Reserve Study Report Date: **JULY 23, 2023**
Current Fiscal Year End: **DECEMBER 31, 2023**

CURRENT FUNDS SUMMARY:

Projected Reserve Balance at Current Fiscal Year End: **\$34,100**
Ideal Reserve Balance at Current Fiscal Year End: **\$48,596**

PERCENT FUNDED: 70%

CURRENT RESERVE CONTRIBUTIONS:

	Annual	Monthly	Monthly Per Unit
2023 Budgeted Reserve Contribution:	\$1,440	\$120	\$3.00

RECOMMENDATIONS FOR BUDGET YEAR 2024

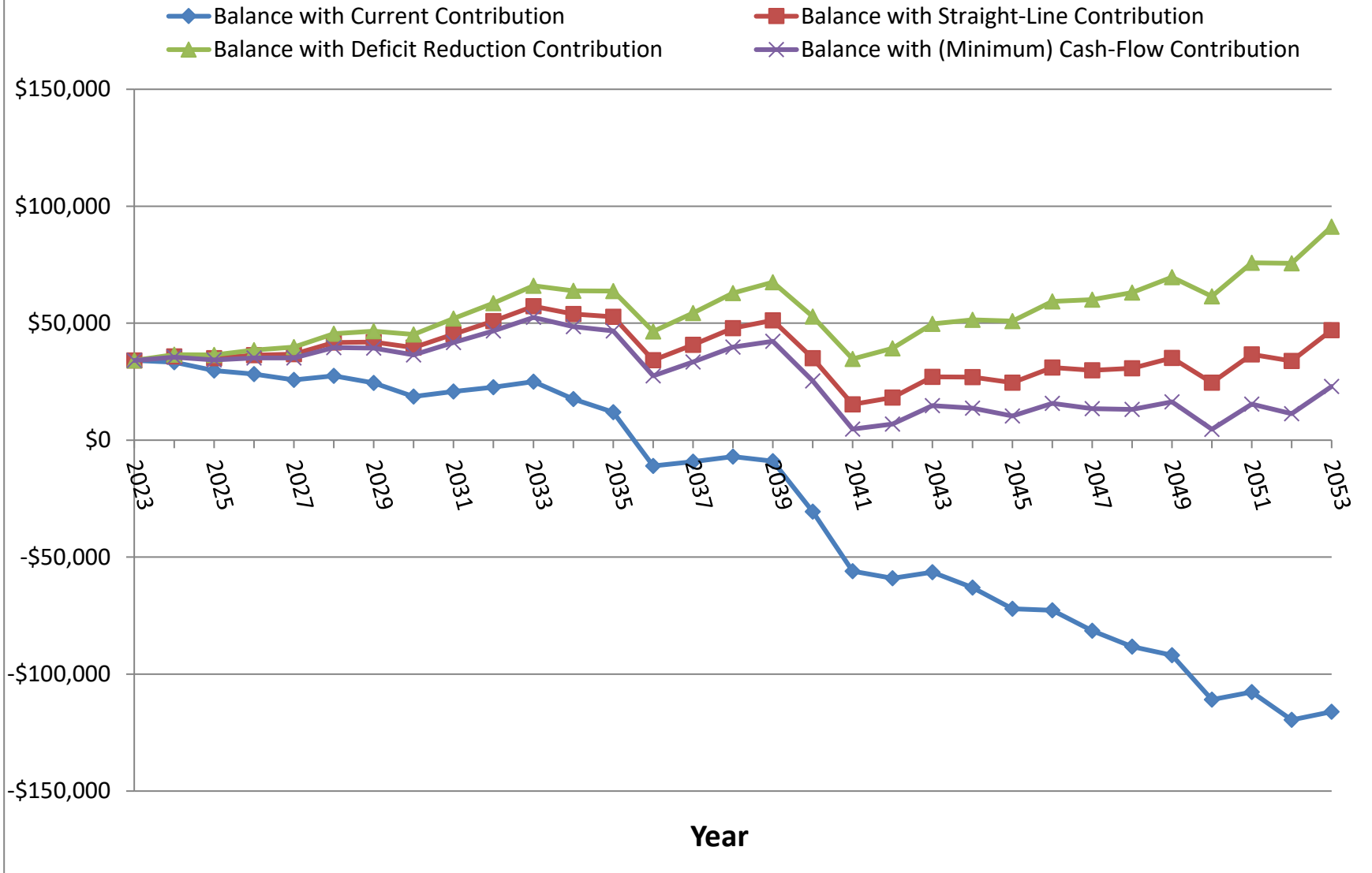
RESERVE CONTRIBUTION MODELS:

2024 J.D. Brooks Recommendation in Box

	Annual	Monthly	Monthly Per Unit
2024 Straight-Line Contribution:	\$3,911	\$326	\$8.15
2024 Deficit Reduction Contribution:	\$4,583	\$382	\$9.55
2024 Cash-Flow (Minimum) Contribution:	\$3,547	\$296	\$7.39

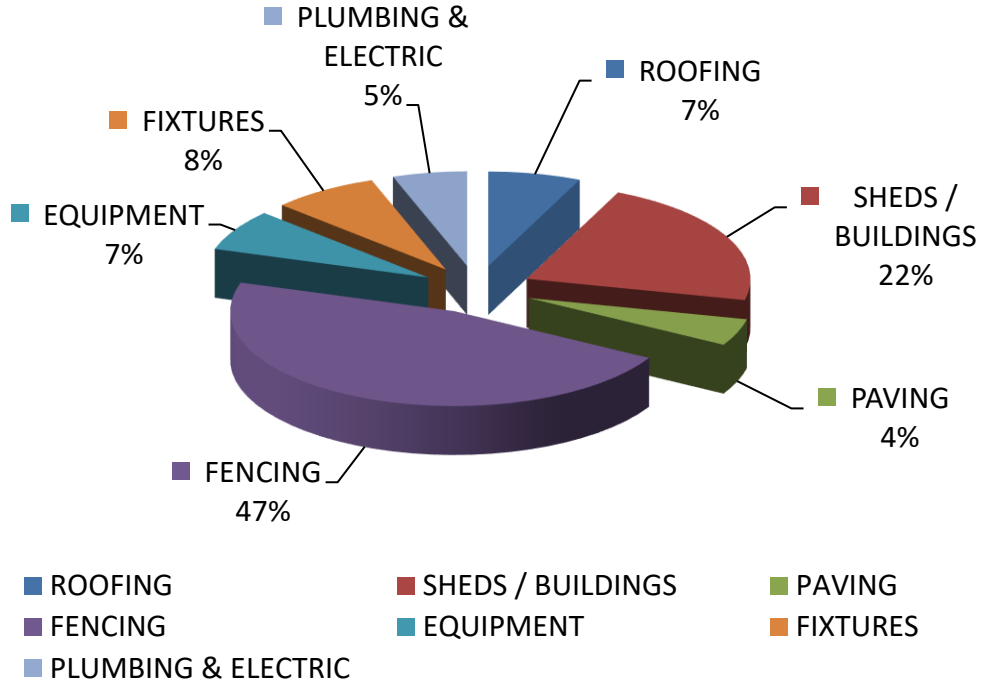
OAK RANCH ESTATES HOA

Thirty-Year Reserve Balance Projections

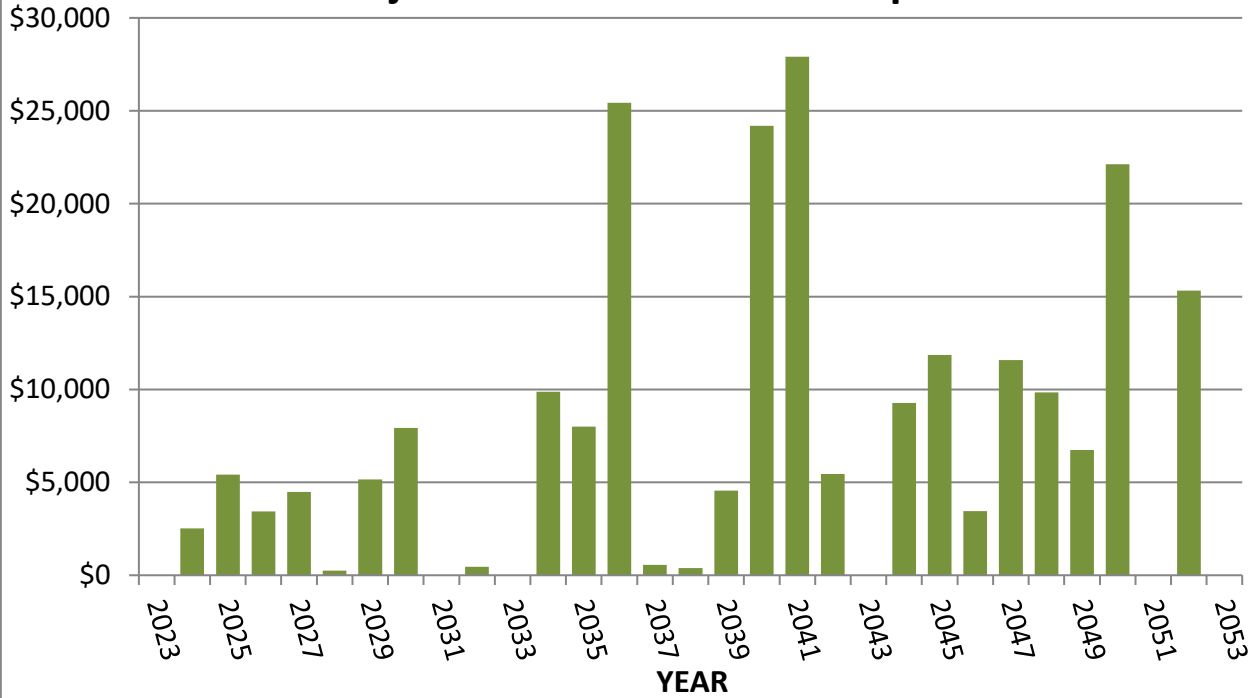


OAK RANCH ESTATES HOA

Reserve Category Values As Percentage Of All Components



Projected Annual Reserve Expenses



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OAK RANCH ESTATES HOA

CURRENT FISCAL YEAR END: DECEMBER 31, 2023

NUMBER OF UNITS: 40

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	CONTRIBUTION	ANNUAL	
			COST	COST		CONTRIBUTION	@F.Y.E.2023	@F.Y.E.2023	@F.Y.E.2023	CONTRIBUTION	
ROOFING											
CORRAL ROOF 1 (MIDDLE)	600	SqFT	3.90	2,340	40	17	59	1,404	1,204	(200)	70
CORRAL ROOF 2 (UPPER)	400	SqFT	3.90	1,560	40	11	39	1,170	1,170	-	39
CORRAL ROOF 3A (LOWER)	200	SqFT	3.90	780	40	11	20	585	585	-	20
CORRAL ROOF 3B (LOWER)	200	SqFT	3.90	780	40	25	20	312	-	(312)	32
CORRAL ROOF 4A (EAST)	200	SqFT	3.90	780	40	35	20	117	-	(117)	23
SHEDS / BUILDINGS											
STORAGE SHEDS	8	UNIT	1260	10,080	25	17	403	3,629	3,112	(516)	434
CONCRETE SHED BASES	8	UNIT	495	3,960	40	32	99	891	-	(891)	127
MANURE STORAGE	1	ALLOW	4200	4,200	30	24	140	980	-	(980)	181
RETAINING WALL (EAST C)	1	ALLOW	2120	2,120	40	35	53	318	-	(318)	62
PAVING											
CONCRETE DRIVE REPAIRS	1	ALLOW	1240	1,240	20	13	62	496	496	-	62
GRAVEL PAVING	1	ALLOW	1390	1,390	5	1	278	1,390	1,390	-	278
ARENA SAND	1	ALLOW	1650	1,650	8	3	206	1,238	1,238	-	206
FENCING											
PERIM. WIRE FENCE REPAIRS	1	ALLOW	1040	1,040	5	1	208	1,040	1,040	-	208
VINYL FENCE	320	LNFT	30.00	9,600	35	18	274	4,937	-	(4,937)	549
VINYL GATE	1	UNIT	4180	4,180	35	18	119	2,150	-	(2,150)	239
ARENA PIPE RAILING	300	LNFT	27.00	8,100	50	13	162	6,156	6,156	-	162
ARENA PIPE GATE	1	UNIT	1830	1,830	50	13	37	1,391	1,391	-	37
CORRAL RAILING -1 (MIDDLE)	220	LNFT	27.00	5,940	40	34	149	1,040	-	(1,040)	179
CORRAL RAILING -2 (UPPER)	170	LNFT	27.00	4,590	40	29	115	1,377	-	(1,377)	162
CORRAL RAILING -3A (LOWER)	100	LNFT	27.00	2,700	40	13	68	1,890	1,890	-	68
CORRAL RAILING -3B (LOWER)	100	LNFT	27.00	2,700	40	25	68	1,080	-	(1,080)	111
CORRAL RAILING -4A (EAST)	100	LNFT	27.00	2,700	40	35	68	405	-	(405)	79
EQUIPMENT											
PARK BENCHES	2	UNIT	490	980	20	7	49	686	686	-	49
PICNIC TABLES/BENCHES	4	UNIT	1260	5,040	20	7	252	3,528	3,528	-	252
ARENA DRAGGER	1	UNIT	210	210	10	5	21	126	126	-	21
BLOWER / WEED WACKER	2	ALLOW	160	320	5	4	64	128	128	-	64
FIXTURES											
LIGHTING FIXTURES	9	UNIT	390	3,510	40	4	88	3,247	3,247	-	88
ENTRANCE MONUMENTS	2	UNIT	310	620	25	19	25	174	-	(174)	34
NO TRESPASSING SIGNS	7	UNIT	200	1,400	10	3	140	1,120	1,120	-	140
ARENA SPRINKLERS	8	UNIT	205	1,640	15	6	109	1,093	1,093	-	109

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OAK RANCH ESTATES 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	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
ROOFING																
CORRAL ROOF 1 (MIDDLE)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL ROOF 2 (UPPER)	-	-	-	-	-	-	-	-	-	-	-	2,402	-	-	-	-
CORRAL ROOF 3A (LOWER)	-	-	-	-	-	-	-	-	-	-	-	1,201	-	-	-	-
CORRAL ROOF 3B (LOWER)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL ROOF 4A (EAST)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SHEDS / BUILDINGS																
STORAGE SHEDS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CONCRETE SHED BASES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MANURE STORAGE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RETAINING WALL (EAST C)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PAVING																
CONCRETE DRIVE REPAIRS	-	-	-	-	-	-	-	-	-	-	-	-	-	2,065	-	-
GRAVEL PAVING	-	1,446	-	-	-	-	1,759	-	-	-	-	2,140	-	-	-	-
ARENA SAND	-	-	-	1,856	-	-	-	-	-	-	-	2,540	-	-	-	-
FENCING																
PERIM. WIRE FENCE REPAIRS	-	1,082	-	-	-	-	1,316	-	-	-	-	1,601	-	-	-	-
VINYL FENCE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VINYL GATE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ARENA PIPE RAILING	-	-	-	-	-	-	-	-	-	-	-	-	-	13,487	-	-
ARENA PIPE GATE	-	-	-	-	-	-	-	-	-	-	-	-	-	3,047	-	-
CORRAL RAILING -1 (MIDDLE)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL RAILING -2 (UPPER)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL RAILING -3A (LOWER)	-	-	-	-	-	-	-	-	-	-	-	-	-	4,496	-	-
CORRAL RAILING -3B (LOWER)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL RAILING -4A (EAST)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EQUIPMENT																
PARK BENCHES	-	-	-	-	-	-	-	1,290	-	-	-	-	-	-	-	-
PICNIC TABLES/BENCHES	-	-	-	-	-	-	-	6,632	-	-	-	-	-	-	-	-
ARENA DRAGGER	-	-	-	-	-	255	-	-	-	-	-	-	-	-	-	378
BLOWER / WEED WACKER	-	-	-	-	374	-	-	-	-	455	-	-	-	-	554	-
FIXTURES																
LIGHTING FIXTURES	-	-	-	-	4,106	-	-	-	-	-	-	-	-	-	-	-
ENTRANCE MONUMENTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NO TRESPASSING SIGNS	-	-	-	1,575	-	-	-	-	-	-	-	-	-	2,331	-	-
ARENA SPRINKLERS	-	-	-	-	-	-	2,075	-	-	-	-	-	-	-	-	-

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OAK RANCH ESTATES 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	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
ROOFING															
CORRAL ROOF 1 (MIDDLE)	-	4,558	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL ROOF 2 (UPPER)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL ROOF 3A (LOWER)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL ROOF 3B (LOWER)	-	-	-	-	-	-	-	-	-	2,079	-	-	-	-	-
CORRAL ROOF 4A (EAST)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SHEDS / BUILDINGS															
STORAGE SHEDS	-	19,635	-	-	-	-	-	-	-	-	-	-	-	-	-
CONCRETE SHED BASES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MANURE STORAGE	-	-	-	-	-	-	-	-	10,766	-	-	-	-	-	-
RETAINING WALL (EAST C)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PAVING															
CONCRETE DRIVE REPAIRS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GRAVEL PAVING	2,603	-	-	-	-	3,167	-	-	-	-	3,854	-	-	-	-
ARENA SAND	-	-	-	3,476	-	-	-	-	-	-	-	4,758	-	-	-
FENCING															
PERIM. WIRE FENCE REPAIRS	1,948	-	-	-	-	2,370	-	-	-	-	2,883	-	-	-	-
VINYL FENCE	-	-	19,448	-	-	-	-	-	-	-	-	-	-	-	-
VINYL GATE	-	-	8,468	-	-	-	-	-	-	-	-	-	-	-	-
ARENA PIPE RAILING	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ARENA PIPE GATE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL RAILING -1 (MIDDLE)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL RAILING -2 (UPPER)	-	-	-	-	-	-	-	-	-	-	-	-	-	14,315	-
CORRAL RAILING -3A (LOWER)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL RAILING -3B (LOWER)	-	-	-	-	-	-	-	-	-	7,198	-	-	-	-	-
CORRAL RAILING -4A (EAST)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EQUIPMENT															
PARK BENCHES	-	-	-	-	-	-	-	-	-	-	-	2,826	-	-	-
PICNIC TABLES/BENCHES	-	-	-	-	-	-	-	-	-	-	-	14,532	-	-	-
ARENA DRAGGER	-	-	-	-	-	-	-	-	-	560	-	-	-	-	-
BLOWER / WEED WACKER	-	-	-	674	-	-	-	-	820	-	-	-	-	998	-
FIXTURES															
LIGHTING FIXTURES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENTRANCE MONUMENTS	-	-	-	1,306	-	-	-	-	-	-	-	-	-	-	-
NO TRESPASSING SIGNS	-	-	-	-	-	-	-	3,451	-	-	-	-	-	-	-
ARENA SPRINKLERS	-	-	-	-	-	3,737	-	-	-	-	-	-	-	-	-

7/23/2023

OAK RANCH ESTATES HOA

CURRENT FISCAL YEAR END: DECEMBER 31, 2023
 NUMBER OF UNITS: 40

RESERVE COMPONENT INVENTORY

CATEGORY	UNIT	UNIT	REPAIR / REPLACE	USEFUL	RMNG.	STRAIGHT-LINE ANNUAL	IDEAL BALANCE	PROJECTED BALANCE	DEFICIT	DEFICIT REDUCTION ANNUAL CONTRIBUTION	
RESERVE COMPONENT	QUANTITY	TYPE	COST	LIFE	LIFE	CONTRIBUTION@F.Y.E.2023	@F.Y.E.2023	@F.Y.E.2023	CONTRIBUTION	CONTRIBUTION	
PLUMBING & ELECTRIC											
PLUMB.UPGRADE/REPAIRS	1	ALLOW	2000	2,000	10	2	200	1,800	1,800	-	200
ELECT,UPGRADE/REPAIRS	1	ALLOW	3000	3,000	10	2	300	2,700	2,700	-	300
CONTINGENCY: 0%											
TOTALS:			92,980				3,911	48,596	34,100	(14,496)	4,583

NET INTEREST ON RESERVE SAVINGS :	1%
30-YEAR AVERAGE INFLATION RATE :	4%
INCREASE TO ANNUAL RESERVE CONTRIBUTION :	4%

<u>BALANCE FORECAST TYPE</u>	<u>ANNUAL CONTRIBUTION</u>
CURRENT ANNUAL CONTRIBUTION	1,440
STRAIGHT-LINE ANNUAL CONTRIBUTION	3,911
DEFICIT REDUCTION ANNUAL CONTRIBUTION	4,583
(CASH-FLOW) MINIMUM ANNUAL CONTRIBUTION	3,547

7/23/2023

OAK RANCH ESTATES 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	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038

PLUMBING & ELECTRIC

PLUMB.UPGRADE/REPAIRS	-	-	2,163	-	-	-	-	-	-	-	-	-	3,202	-	-	-
ELECT,UPGRADE/REPAIRS	-	-	3,245	-	-	-	-	-	-	-	-	-	4,803	-	-	-

CONTINGENCY: 0%

TOTALS:	0	2,527	5,408	3,431	4,481	255	5,150	7,922	0	455	0	9,883	8,005	25,426	554	378
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BALANCE FORECAST TYPE

THIRTY-YEAR PROJECTED ANNUAL RESERVE BALANCES

CURRENT																
ANNUAL CONTRIBUTION	34,100	33,348	29,812	28,290	25,763	27,525	24,456	18,643	20,810	22,620	24,989	17,534	11,981	-11,042	-9,204	-7,070
STRAIGHT-LINE																
ANNUAL CONTRIBUTION	34,100	35,832	35,007	36,331	36,790	41,684	41,899	39,529	45,304	50,895	57,222	53,913	52,701	34,220	40,813	47,920
DEFICIT REDUCTION																
ANNUAL CONTRIBUTION	34,100	36,507	36,418	38,515	39,786	45,530	46,638	45,203	51,959	58,576	65,979	63,796	63,763	46,517	54,401	62,859
(CASH-FLOW) MINIMUM																
ANNUAL CONTRIBUTION	34,100	35,466	34,241	35,145	35,164	39,596	39,327	36,449	41,692	46,725	52,469	48,549	46,696	27,546	33,438	39,812

7/23/2023

OAK RANCH ESTATES 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	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053

PLUMBING & ELECTRIC

PLUMB.UPGRADE/REPAIRS	-	-	-	-	-	-	4,740	-	-	-	-	-	-	-	-
ELECT.UPGRADE/REPAIRS	-	-	-	-	-	-	7,110	-	-	-	-	-	-	-	-

CONTINGENCY: 0%

TOTALS:	4,551	24,193	27,916	5,457	0	9,275	11,850	3,451	11,586	9,837	6,737	22,115	0	15,313	0
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BALANCE FORECAST TYPE

THIRTY-YEAR PROJECTED ANNUAL RESERVE BALANCES

CURRENT															
ANNUAL CONTRIBUTION	-9,004	-30,589	-56,018	-59,013	-56,432	-63,020	-72,129	-72,751	-81,413	-88,256	-91,897	-110,869	-107,638	-119,590	-116,092
STRAIGHT-LINE															
ANNUAL CONTRIBUTION	51,188	35,043	15,302	18,253	27,048	26,956	24,632	31,099	29,843	30,734	35,169	24,629	36,663	33,900	46,989
DEFICIT REDUCTION															
ANNUAL CONTRIBUTION	67,540	52,873	34,677	39,243	49,727	51,399	50,919	59,312	60,067	63,060	69,689	61,439	75,865	75,598	91,292
(CASH-FLOW) MINIMUM															
ANNUAL CONTRIBUTION	42,312	25,365	4,785	6,859	14,738	13,688	10,364	15,786	13,437	13,188	16,432	4,649	15,385	11,267	22,941

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.

30-YEAR AVERAGE INFLATION RATE:

Average Inflation Rate for the full 30-Year Forecast.

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.

Civil Code §5300. Annual Budget Report.

(a) Notwithstanding a contrary provision in the governing documents, an association shall distribute an annual budget report 30 to 90 days before the end of its fiscal year.

(b) Unless the governing documents impose more stringent standards, the annual budget report shall include all of the following information:

(1) A pro forma operating budget, showing the estimated revenue and expenses on an accrual basis.

(2) A summary of the association's reserves, prepared pursuant to **Section 5565**.

(3) A summary of the reserve funding plan adopted by the board, as specified in paragraph (5) of subdivision (b) of **Section 5550**. 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.

(4) A statement as to whether the board 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.

(5) A statement as to whether the board, consistent with the reserve funding plan adopted pursuant to **Section 5560**, 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 therefor. If so, the statement shall also set out the estimated amount, commencement date, and duration of the assessment.

(6) A statement as to the mechanism or mechanisms by which the board 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.

(7) 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 statement shall include, but need not be limited to, reserve calculations made using the formula described

in paragraph (4) of subdivision (b) of **Section 5570**, 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.

(8) A statement as to 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.

(9) A summary of the association's property, general liability, earthquake, flood, and fidelity insurance policies. For each policy, the summary shall include the name of the insurer, the type of insurance, the policy limit, and the amount of the deductible, if any. To the extent that any of the required information 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 with the annual budget report. The summary distributed pursuant to this paragraph 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 Section 5300 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.

(c) The annual budget report shall be made available to the members pursuant to **Section 5320**.

(d) The summary of the association's reserves disclosed pursuant to paragraph (2) of subdivision (b) 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.

(e) The Assessment and Reserve Funding Disclosure Summary form, prepared pursuant to **Section 5570**, shall accompany each annual budget report or summary of the annual budget report that is delivered pursuant to this article.

Civil Code §5550. Visual Inspection of Major Components.

(a) At least once every three years, the board 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.

(b) The study required by this section 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.

Civil Code §5560. Reserve Funding Plan.

(a) The reserve funding plan required by **Section 5550** 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.

(b) The plan shall be adopted by the board at an open meeting before the membership of the association as described in Article 2 (commencing with **Section 4900**) of Chapter 6.

(c) If the board 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 5605**.

Civil Code §5565. Summary of Association Reserves.

The summary of the association's reserves required by paragraph (2) of subdivision (b) of **Section 5300** shall be based on the most recent review or study conducted pursuant to **Section 5550**, shall be based only on assets held in cash or cash equivalents, shall be printed in boldface type, and shall 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:

(1) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components.

(2) The current amount of accumulated cash reserves actually set aside to repair, replace,

restore, or maintain major components.

(3) If applicable, the amount of funds received from either a compensatory damage award or settlement to an association from any person 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 paragraph (2). Instead of complying with the requirements set forth in this paragraph, an association that is obligated to issue a review of its financial statement pursuant to **Section 5305** may include in the review a statement containing all of the information required by this paragraph.

(c) The percentage that the amount determined for purposes of paragraph (2) of subdivision (b) equals the amount determined for purposes of paragraph (1) of subdivision (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 paragraph (2) of subdivision (b) from the amount determined for purposes of paragraph (1) of subdivision (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.