

Villa Monterey IV Annual Meeting

April 17, 2021

The Meeting was held outdoors on the Clubhouse grounds.

Board Members Present

Susan Thomas, President

Joanie Reid, Vice President

Rob McBride, Treasurer

Julie Karcis, Secretary

Debra Lentz, Architectural Review Committee Chair

Tammy Vogel, Social Director

Stan Hughes, Facility Management Director

Amy MacAulay, Real Estate Officer & Liaison to the Scottsdale Historic Preservation Office

Call to Order

Susan Thomas called the meeting to order at 4:15.

President's Annual Report – Susan Thomas

- Susan reported that even with the COVID-19 pandemic, VMIV has enjoyed a number of successes this year, including:
 - The *VMIV Bylaws and Rules and Regulations* were updated, after a thorough review and approval process.
 - Contact information and documentation confirming at least one household resident is 55 or older has been collected. The latter brings us into compliance with state law.
 - We did not need to dip into our financial reserves to cover expenses.
- Some challenges remain, including:
 - Our *VMIV Declaration of Restrictions* was recorded with the County in 1989, and has had few amendments, which are small in scope. It needs to be revised and approved, with legal assistance.
 - Additional resources are needed to address capital improvement projects.
- See *Attachment A* of this document for the *President's Letter to Owners and Residents* with additional information on these topics, and more.

Special Tribute to Stan Hughes, Facility Management Director – Susan Thomas

Susan expressed the Board's appreciation to Stan for his efforts in keeping the Clubhouse and grounds in excellent condition.

Treasurer Report – Rob McBride

- Rob reviewed VMIV finances and budget, including the Budget and Cashflow Statement through 3/31/2021, noting that expenses and income are closely matched. Association dues have not increased over the last several years.
- Capital improvement needs for 2021 – 2022 are forecast to be \$21,800, based on a reserve study that was done seven years ago. We have been able to budget \$11,800 for those capital improvements.
- The Board is investigating other approaches to resource development.
- A new reserve study would help us to anticipate future costs.
- See *Attachment B* of this document for the Treasurer materials handed out at the meeting.

Secretary Report – Julie Karcis

Our current website has served us well, and now some new tools are available to enhance it. Please provide suggestions for any additional content to Julie.

Architectural Review Committee (ARC) – Debra Lentz

- Volunteers are needed to help with the book of photos, a visual survey of VMIV that will help the ARC in its activities.
- A review of the process and penalties related to infractions of VMIV *Rules and Regulations* is underway. We appreciate everyone's help in keeping VMIV looking its best, and will be taking steps in situations of noncompliance.
- Debra and the ARC are working with the City on guidelines to address the lack of on-street parking for homes on Miller and Chaparral. Volunteers can help gather feedback and suggestions from those affected.

Vice President Report – Joanie Reid

Joanie is coordinating an effort to document VMIV HOA processes and procedures. Reviewing and documenting each of the activities done in support of the HOA will facilitate smoother operations, and make it easier for homeowners to participate.

Real Estate and Historic Preservation Report – Amy MacAulay

- There were 53 sales within Villa Monterey Units I through V, and the majority (15) were in Unit IV. Prices ranged from \$286,000 to \$459,000, making it a strong year for VMIV.
- As a designated historic district, VMIV is subject to guidelines from Scottsdale's Historic Preservation Commission for any exterior changes. The Commission has been without a presiding officer for several months, so related activities are on hold.

Social Director Report - Tammy Vogel

- Although the pandemic curtailed activities for much of last year, a variety of activities are back on the schedule. The First Saturday Donuts and Coffee gathering started again

in March. Tammy reported solid community participation in the Spring Garage Sale held in early April. Happy Hour meets Thursdays from 4:30 to 6:30 around the pool. Yappy Hours for dogs are held Sundays and Wednesdays on the Clubhouse grounds, with separate sessions for small and large dogs. A Farewell Party for longtime VMIV resident Kathy Feld is planned for 4/23/2021 from 5:30 to 7:30 at the Clubhouse. Additional communitywide social events are being planned.

- Group activities, such as yoga, pool exercise, or a book club, can be developed, based on interest. Contact Tammy to get involved. Volunteers can also sign up to help with needed maintenance and social events.
- Please let Tammy know (or email the Board at info@resortpark.org) if you are not receiving information about VMIV activities. Our email distribution list now supports multiple entries per household, and includes owners and renters. In addition, event notices are posted outside each of the gates.

Facility Management Report - Stan Hughes

Stan discussed the ongoing activities to maintain the HOA grounds. VMIV residents are welcome to cut some roses and enjoy them at home.

Question and Answer Period

The ARC's collection of photos of homes was discussed. Applications that homeowners submit requesting permission to change the exterior or paint require photos of the current conditions. The book of photos captures a point-in-time, not specific to changes.

Election Results

- 59 ballots were returned from our community of 144 homeowners, for an approximate 41% participation rate.
- Board members for 2021 – 2022:
 - Susan Thomas (current President)
 - Joanie Reid (current Vice President)
 - Rob McBride (current Treasurer)
 - Julie Karcis (current Secretary)
 - Tammy Vogel (current Director of Social Activities)
 - Stan Hughes (current Facility Management Director)
 - Amy MacAulay (current Director of Real Estate, and Liaison with Scottsdale Historic Preservation Office)
 - Debra Lentz (current Architectural Review Committee Chair)

Adjournment

The Meeting adjourned at 5:40 PM.

Attachment A

Annual Board of Directors Meeting
Villa Monterey IV
April 17, 2021 4:00PM
Outside on the common area grounds
Snacks and Drinks will be served.
Please Plan to Attend

**President's Letter to Owners and Residents
Fiscal Year 2020 – 2021**

I would like to take this opportunity to thank all the members of the Board of Directors who volunteer their time to not only serve on the Board but also to work every day on the duties required to be a self-managed, Homeowners Association.

This year we have been fortunate to have two new members join the Board of Directors. Rob McBride as Treasurer and Julie Karcis as Secretary. Both are highly qualified in their level of expertise. Rob has a great deal of experience being VMIV President for 4 years prior to me. He is already looking at ways we can save money with our vendors. He has hired a new cleaning company for our facilities and works closely with Jerry Moiser bookkeeper to produce financial reports. Julie has hit the road running with the position of Secretary. Many of the tasks she has taken on have long been overlooked. She is working on an updated website that is more user friendly, sitting on committees and volunteering for duties not associated with being a Board Secretary. Thank you to both for your dedication to our community.

The Board of Directors of Villa Monterey IV hope all residents and owners have been spared contracting Covid 19 this past year and hopefully most of you have been vaccinated. As we find our way "back to future", we also must reflect on the year of the Corona virus and its impact on all of us who call Villa Monterey IV home.

In the early days of the pandemic the Board scrambled with "how are we going to maintain a safe environment for our residents?" We found ourselves trying to interpret the directives of the CDC, the Governor, and the Arizona Health Department. We decided, in the beginning the only way to accomplish this was to shut everything down until we knew more. Slowly as additional information was received, we learned that Covid 19 was spread through droplets in the air from person to person, thus masks. We also learned that being outside with others was safer than inside activities, thus open the swimming pool but keeping the clubhouse closed. Opening the swimming pool to residents and guests brought a flood of people to the pool mostly due to "Covid Fatigue" and extremely hot weather. The Board tossed around many ideas to try to limit pool use but most rendered themselves difficult to monitor. Time was our friend and slowly the novelty of the pool being open wore off and today we have our normal use of the pool.

The Board is pleased to announce there will be no dues increase for fiscal year 2021-2022. So far, we have not had to dip into our reserve account of \$25,000 however we cannot sustain this for long. As prices increase for labor and materials, we will need to find additional forms of income. The Board was very much in favor of instituting a Capital Investment Fee (CIF) of $\frac{1}{2}$ of 1% of the selling price charged at the time of sale. We were advised by our attorney, that to raise dues or do a CIF we would need to have it approved by ~~two-thirds (2/3)~~ ^{9/} _{75%} of the owners. When the time comes to ask for a dues increase or a Capital Investment fee we hope we will have your support.

Thank you to Jerry Moiser, bookkeeper, and Rob McBride Board Treasurer for your expertise in producing clear, accurate and transparent financial reports. This allows the Board to evaluate our finances, create a budget and determine how they can best monitor expenses.

Major Accomplishments

Even though Covid 19 shut down the use of our facilities that did not stop the Board from moving on with many important changes to the operations of VMIV.

The bylaws and rules and regulations were evaluated, revised, and approved by the Board. The last update was in the 1990's almost 30 years ago. These updates now reflect what is necessary to run a successful HOA that better serves our community.

It came to the Board's attention that every two years a survey of residents was required for us to comply with Arizona state law. The intention of the survey was to be used to document that residents met the requirement of having at least one person 55 or older and no one under 18 living in the house, to qualify as an age restricted community. The task of organizing this survey was carried out by Board members Joanie Reid and Debra Lentz with help from Jerry Mosier. Looking at the task ahead it became obvious that we could also incorporate a request for updated emergency contact information, owner's place of residence if not in VMIV, email addresses and phone numbers. The results have been a great help in communicating with residents and owners through bulletins, mailings, and dues notices. A big thank you to John Galati and Jerry Mosier for helping with data entry of this new information.

The Board would like to thank Anne Gold owner on Mariposa for donating the large stained glass art piece that has been installed across from the clubhouse door. Thank you also to Lynda McBride and Linda Galati for adding to the beauty of the piece.

If you have not recently visited the common area pool/spa and grounds you should. It has never looked more beautiful. The new pool furniture makes the area look like a true resort. The pool and spa are crystal clear. The grounds are impeccable. The memorial rose garden is well trimmed and blossoming. The exercise facility and bathrooms are clean and well maintained. Notice boards have been moved to the outside walls at the North and South gates for residents to easily see what is posted as they take their walk. I big thank you to Stan Hughes, Rob McBride, John Galati and Jerry Mosier for working to keep the area pristine.

Real Estate Sales

It was a banner year in real estate sales for VMIV. 15 homes sold in Villa Monterey IV from July 1, 2020 to date. Three are currently under contract and one is listed as active. For each sale, the HOA receives \$475 in application and transfer fees. So far this year we received \$7,125 adding to our cash flow. The price range is from \$286,000 to \$459,000. This, of course is dependent on location, square footage, and condition. It is interesting to note that "flippers" (investors who buy a property, remodel it, and put it back on the market have been most active in Villa Monterey IV. So far this year five properties have been bought, renovated, and sold for substantially high prices. For an example one flipper bought a property on Chaparral for \$286,000 (the lowest price sold) renovated it and sold it for \$459,000 (the highest price sold this year. In many ways people who flip houses help keep our property values high. However, it has become difficult to get them to follow our rules and regulations. This will be discussed in greater length at the Annual Meeting on April 17th at 4:00PM.

Rentals

We are incredibly pleased to report VMIV leased properties are slowly being reduced. Because of the amendment to our CC&R's restricting rentals to those who have owned their property for at least 18 months, we have had 18 transactions this year that have sold or under contract that will not be bought by investors to lease out.

A big thank you to Amy McAulay Board member in charge of Real Estate, Candee O'Bannon, Real Estate Transaction Coordinator, Laurie Mosier for sending out the Welcome Package to new owners and Board Secretary Julie Karcis for facility key distribution.

Architectural Review Committee (ARC)

ARC had an incredibly productive year under the direction of Debra Lentz Chairman and her committee. The Committee helps residents complete an HOA Application for Architectural Review/Exterior Changes. This makes it easier for residents to comply with the Historic Preservation Commission (HPC) and the City of Scottsdale to issue permits. There are challenges with owners and flippers going rogue and not making an application to ARC for renovations. This includes paint, awnings, landscape, hardscape, driveway coverings, solar electrical piping, and car charges visible to the street. We are making progress but please help keep our community beautiful by following our rules and regulations. For a copy of ARC forms and information, they are available on our website www.resortpark.org. Debra has also taken on the thankless task of calling owners when their house and yard are out of compliance. A huge thank you to Debra for single handedly taking on this job,

Social Committee

It has been a challenging year for Tammy Vogel Board member and Social Activities chair. The "stay at home" order shut down everything March 15, 2020. We all missed the many activities we learned to enjoy and appreciate. But, as time marches on Tammy persevered. We started with the "First Saturday of the Month" doughnuts and coffee outside on the patio, Yappy Hour was scheduled, and new days and hours were posted. Happy Hour came next on Thursdays at 4:30 to 6:30 around the pool. This is a great opportunity for neighbors to get together in a safe environment. A big thank you to Tammy for her leadership and organizing this year's Annual Meeting.

Corresponding Secretary

Thank you, Sharon Babin who volunteers to send out greeting cards to owners and residents who need a boost while being ill, lonely, loss of a loved one or for any reason. If you wish to call or email her to send a card of someone you know needs attention, please call her at 480-526-1011 or email jandssales4630@gmail.com

Historic Preservation Commission (HPC)

A huge thank you to Amy MacAulay, our HPC representative. She has worked for over 3 years with the Historic Preservation Commission (HPC) to help revise and re-revise the guidelines for living in a Historic Neighborhood. As of this date the City of Scottsdale is has staffing problems and there has been truly little progress on approving the guidelines for Villa Monterey.

What are our challenges?

As stated earlier we need to update and approve our Declaration of Restrictions allowing the Board to make financial decisions regarding the increased cost of maintenance, materials, and labor.

Parking on Chaparral and Miller have become an issue. Some residents are parking their vehicles in their front yard. This is completely against our rules and regulations however Chaparral and Miller continues to be a problem with the lack of guest parking and turn around space. It will require creative ways to solve this situation.

In the past we have not charged HOA violation fees for non-compliance with our CC&R's. With more investors flipping homes we need to develop a fair fee structure that can be used to encourage owners to maintain their property.

In Conclusion

Once again, the Board of Directors wish all our residents and owners to stay safe, stay well and get vaccinated. We will soon be able to continue as we have before with indoor clubhouse board meetings, social activities and cards and games.

Not getting Bulletins – make sure we have your email address. We can accommodate more than 1 email per household. Owners and renters can sign up.

Thank you all for making this year successful in every way.

Susan Thomas

President

Board of Directors Villa Monterey IV

Attachment B

Month	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Totals
Opening Cash Balance	94,307	78,675	73,342	67,174	60,343	54,686	44,302	38,160	32,420	26,298	46,866	76,260	--
Income													
Annual Dues	1,900	1,200	0	0	0	0	0	0	0	27,600	35,400	20,300	86,400
Interest Income	13	13	12	11	11	10	10	9	8	4	10	13	123
Fees Received													
Clubhouse Rental Fees	0	0	0	0	75	75	75	75	0	0	0	0	300
Key Fees	20	0	20	0	20	0	20	0	20	0	20	0	120
Application Fees	75	75	75	75	75	75	75	75	75	75	75	75	900
Late Fees & Fines	60	120	0	0	0	0	0	0	0	0	0	0	180
Lease Fees	0	0	25	0	0	25	0	0	25	0	0	25	100
Property Transfer Fees	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Total Fees Received	555	595	520	475	570	575	570	550	520	475	495	500	6,400
Total Income	2,468	1,808	532	486	581	585	580	559	528	28,079	35,905	20,813	92,923
Expense													
Attorney & Legal Fees	0	0	500	0	0	500	0	0	500	0	0	500	2,000
Licenses, Permits, & Taxes	0	500	0	10	0	0	0	0	10	0	0	0	520
Bookkeeping & Accounting	500	500	500	500	500	500	500	500	500	1,200	500	500	6,700
Bank Charges	0	0	10	0	0	10	0	0	10	0	0	10	40
Social Events	0	0	0	0	125	125	75	75	75	0	0	0	475
Insurance	0	0	0	0	0	2,600	0	0	0	0	0	0	2,600
Interest Paid	246	241	237	232	228	223	219	214	209	204	200	196	2,649
Office Equipment & Supplies	0	0	50	0	0	50	0	0	50	0	0	250	400
Printing	0	0	0	0	0	250	0	0	0	0	0	250	500
Maintenance & Repairs													
Supplies	40	40	40	40	40	40	40	40	40	40	40	40	480
Fire System Monitoring	111	0	0	111	0	0	111	0	0	111	0	0	444
Housekeeping	180	180	180	180	180	180	180	180	180	180	180	180	2,160
Clubhouse	1,000	240	75	75	75	75	75	75	75	75	75	75	1,990
Coolidge Entrance	672	331	288	687	445	470	197	240	202	277	820	350	4,979
Grounds	650	650	650	650	650	1,800	650	650	650	650	650	1,800	10,100
Pest Control	0	92	0	92	0	92	0	92	0	92	0	92	552
Pool	850	850	850	850	850	850	850	850	850	850	850	850	10,200
Utilities													
Gas	500	300	225	225	400	700	750	900	875	725	650	450	6,700
Electric	675	835	735	775	625	455	445	625	535	465	425	465	7,050
Telephone	175	175	175	175	175	175	175	175	175	175	175	175	2,100
Water/Sanitation	1,000	1,000	975	750	725	650	475	450	475	475	700	1,100	8,775
Website	45	45	45	45	45	45	45	45	45	45	45	45	540
Loan Payable - Current Year	1,156	1,161	1,166	1,170	1,175	1,179	1,184	1,188	1,193	1,197	1,202	1,207	14,178
Capital Expenditures	10,300	0	0	750	0	0	750	0	0	750	0	0	12,550
Total Expense	18,100	7,140	6,701	7,317	6,238	10,969	6,721	6,299	6,649	7,511	6,512	8,535	98,692
Net Income	-15,632	-5,332	-6,169	-6,831	-5,657	-10,384	-6,141	-5,741	-6,121	20,568	29,393	12,278	-5,769
Ending Cash Balance	78,675	73,342	67,174	60,343	54,686	44,302	38,160	32,420	26,298	46,866	76,260	88,538	--

Resort Park Association, Inc.

4/16/2021

2020/2021 Budget vs Actuals as of March 31, 2021

July 20 - March 21	Budgeted	Actuals	Difference
Income			
Annual Dues	3,100	21,111	18,011
Interest Income	96	45	-51
Fees Received			
Clubhouse Rental Fees	300	0	-300
Key Fees	100	120	20
Application Fees	675	1,125	450
Late Fees & Fines	180	204	24
Lease Fees	75	100	25
Property Transfer Fees	3,600	6,000	2,400
Total Fees Received	4,930	7,549	2,619
Total Income	8,126	28,705	20,579
Expense			
Attorney & Legal Fees	1,500	873	-628
Licenses, Permits, & Taxes	520	499	-21
Bookkeeping & Accounting	4,500	4,500	0
Bank Charges	30	0	-30
Social Events	475	0	-475
Insurance	2,600	2,625	25
Interest Paid	2,049	2,006	-43
Office Equipment & Supplies	150	878	728
Printing	250	174	-76
Maintenance & Repairs			
Supplies	360	597	237
Fire System Monitoring	333	444	111
Housekeeping	1,620	1,260	-360
Clubhouse	1,765	2,009	244
Coolidge Entrance	3,532	4,482	949
Grounds	7,000	5,102	-1,898
Pest Control	368	460	92
Pool	7,650	6,262	-1,388
Utilities			
Gas	4,875	4,789	-86
Electric	5,705	5,379	-326
Telephone	1,575	1,521	-54
Water/Sanitation	6,500	7,955	1,455
Website	405	367	-38
Loan Payable - Current Year	10,572	9,405	-1,167
Capital Expenditures	11,800	9,777	-2,023
Total Expense	76,134	71,363	-4,771
Net Income	-68,008	-42,658	25,350

INCOME:
 Negative means we did not make projections.
 Positive means we exceeded projections.

EXPENSES:
 Negative means we underspent our projections.
 Positive means we overspent our projections.

We have spent \$4,771 less than projected expenses and have recieved \$25,350 more than projected income as of 03/31/21.

CAPITAL IMPROVEMENT NEEDS 2021-2022
Villa Monterey IV

• Resurface pool decking	\$13,000
• Locate and repair under pool deck water leaks	\$ 800
• Repair loose grouting around pool and spa tiles	\$ 500
• Legal fees for revision of CC and R	\$ 3,000
• Replace office computer and update software	\$ 1,000
• Repair A/C over dining area in clubhouse	\$ 500
• Pool heater replacement (life expectancy) 2022	\$ 4,000
• 7 year reserve study	\$ 1,000
 Total Forecasted Capital Improvement Needs	 \$ 21,800
 Budgeted Capital Improvements 2021-2022	 \$ 11,800

Commentary: The pool heater replacement is based on the reserve study 7 years ago.

A 5-7 year reserve study should be done. We may avoid expense if done by volunteers.

Looking Ahead At Resource Development

- Develop a more robust revenue stream to ensure adequate funding to maintain and replace common property identified in updated reserve studies
- Allocate a higher percentage of fees to the reserve fund
- Accelerate the pay down of our loan which would give us an extra \$1500 per month
- Maintain transparency with homeowners on the status of the reserve fund and operating fund and options for improving funding
- Any dues increase, assessment or capital improvement fees collected at the close of property sales require a 75 % approval of the owners
- Continue to reach out to the community for volunteerism to reduce costs

Commentary:

Implementing a capital improvement fee (CIF) as discussed by the Board that is collected at the closing of any sale of property may generate \$15,000 to \$20,000 of annual revenue to the HOA based upon current annual home sales and would not require a necessary dues increase to all of the owners. This would also allow the Board to begin to earmark those funds and over time meet the objectives as outlined in the above recommendations.

Kuester Management Group's offices are closed to the public at this time.
To find out how to make your HOA payments, please
visit our [Payments Page](https://kuester.com/homeowners/make-a-payment/) (<https://kuester.com/homeowners/make-a-payment/>).

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([HTTPS://KUESTER.COM/CONTACT-
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HOMEOWNER LOGIN
([HTTPS://KMG.CINCWEBAXIS.COM/](https://kmg.cincwebaxis.com/))



(<https://kuester.com>)

(<https://kuester.com/for-members/>)

(<https://kuester.com/n/>)

How Much Should the HOA Have in its Reserve Fund?

👤 By Bryan Kuester 📅 Updated on August 31, 2017

📌 [HOA Accounting and Financials](https://kuester.com/category/hoa-accounting-and-financials/) (<https://kuester.com/category/hoa-accounting-and-financials/>), [HOA Management](https://kuester.com/category/hoa-management/) (<https://kuester.com/category/hoa-management/>), [Kuester Blog](https://kuester.com/category/blog/) (<https://kuester.com/category/blog/>)

HOAs have two major accounts: the operating fund and the reserve fund. The operating fund – as its name states – is used for keeping up with day-to-day expenses and maintenance of the association's assets. This is where the most transactions take place. The reserve fund is essentially a savings account. It is where the HOA saves money for more costly repairs and replacements.

Unfortunately, many HOAs have underfunded reserves. They don't have enough money put back to cover estimated expenses in the future. Not every state has laws requiring reserve studies, but it is a good idea for every HOA, regardless of the laws, to have a professional reserve study conducted at least every few years. A reserve study evaluates the condition of major assets and amenities, estimates when they will need to be repaired or replaced, and how much that will cost.

Ideally, the HOA wants to have a 100% funded reserve meaning that it has enough money to cover all anticipated costs. However, having at least 70% is a

good start. Less than that and the HOA runs the risk of having to implement special assessments or raise association fees to cover costs. This can be a burden on homeowners who must come up with this money on short notice.

Here are a few things to keep in mind when it comes to the HOA's reserve funds:

- Hire a professional to conduct the reserve study. They know exactly what they are looking for and can guide the HOA in determining how much to save.
- If funding is coming up short, look for ways to readjust the budget and allocate a higher percentage of association fees to the reserve fund. Typically between 25% and 40% of fees should be put toward the reserve fund.
- Be transparent with homeowners about the status of the reserve fund and options for improving funding. This may require a larger increase in dues upfront, or smaller increases each year.
- Stay on top of preventive maintenance to keep assets in good working condition and prolong their lifespan. Repairs and replacement are inevitable, but proper maintenance can help protect against unexpected damages.
- Monitor the wear and tear on assets and amenities to anticipate repairs or replacements and be better able to plan for them when possible.

Yes, emergencies do happen, and they are unpredictable, but having an adequately – or preferably fully – funded reserve can offset some stress because the HOA knows that the money is readily available to address these issues. The team at Kuester works with HOAs to ensure they understand the importance of reserve funds and plan accordingly to meet future needs. We

help manage HOA communities in Charlotte (<https://kuester.com/hoa-locations/charlotte/>) and Myrtle Beach ([_wp_link_placeholder](#)) areas.

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BRYAN KUESTER

Bryan is the CEO of Kuester Management Group. He has over 15 years of managing community associations throughout North and South Carolina.

HOA Reserve Fund Laws: A Beginner's Guide

October 23, 2018

This article provides a brief guide about hoa reserve fund laws. You will find answers to common questions such as: Is a reserve fund required? How can we spend reserve funds? Is there a law requirement for how much should be in the reserve fund account? HOA reserve fund laws vary by state. This article will focus on Arizona HOA reserve fund laws. To view an interactive guide containing general information regarding hoa reserve fund laws in your state click here. (<https://azreserveanalysts.com/resources/>)

****DISCLAIMER**** *This information is intended for general educational and informational purposes only; it may not reflect the legislation in your state and may contain errors or omissions. It is not intended to be a substitute for advice from a lawyer.*

To begin with, laws and regulations for "Planned Communities" and "Condominiums" are located in Title 33 of the Arizona Revised Statutes (<https://www.azleg.gov/arsDetail/?title=33>) and can be viewed in detail by following the link provided. There is no specific statute that requires the funding or regulates the use of hoa reserve funds in Arizona. However, this does not mean that board of directors will not be held accountable for mismanagement of reserve funds.

HOA Reserve Fund Laws (Arizona)

Condominiums

Associations may adopt and amend annual budgets for Revenues, Expenses and Reserves and collect assessments from unit owners for common expenses **Section 33-1242**. Resale disclosures must include the amount of money held in reserves by the association. The buyer must also receive a copy of the most recent Reserve Study **Section 33-1260**.

Planned Communities or HOAs

Resale disclosure must include the amount of money held in reserves by the association. Buyer must receive a copy of the most recent Reserve Study **Section 33-1806**.

Additional Guidelines

Although, the statutes listed above do not provide specific requirements regarding reserve studies, reserve fund levels or reserve fund usage, the following guidelines apply:

- **Good Faith Requirement** -- Every association is a business and most HOAs are non-profit corporations. Under **Section 10-3830**, directors of nonprofit organizations are required to discharge duties in good faith, with the care an ordinary prudent

person in a like position would exercise under similar circumstances, and in a manner the director reasonably believes to be in the best interests of the corporation.

- **Generally Accepted Accounting Principals** (<http://archives.cpajournal.com/old/07085824.htm>) – A common interest realty association is expected to maintain and replace common property. Some statutes require a CIRA to accumulate funds for future major repairs and replacements. If provision for replacement of the CIRA's assets is not made through other means, it is generally desirable to set aside funds periodically to provide for replacement. Some accountants and industry associations believe that periodic accounting should charge the appropriate expense account (Repair and Replacement Reserve) and credit an appropriate balance sheet account (also Repair and Replacement Reserve—part of the Members' Equity). However, the Task Force stated that a CIRA should not recognize liabilities related to future maintenance of an entity's assets, regardless of its duties to maintain such property. The members recommended the use of fund accounting as the most informative method of presenting a CIRA's normal operations and long-term major repair and replacement requirements. It was reasoned that the net assets included in such a presentation would inform users of the amount of resources accumulated for future major repairs and replacements.
- **Community Governing Documents** – Refer to your individual governing documents for reserve fund requirements and usage.

Summary

When an association fails to plan for the future by not following a reserve study or worse not conducting a reserve study, it faces two choices – put off needed repairs or special assess unit owners to pay for needed repairs. Both choices will cause discontent. In order to avoid these choices, make sure your association has an updated Reserve Study and follows its recommendations.

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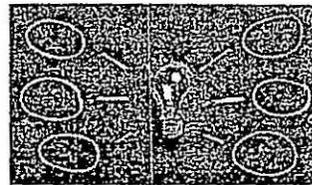


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