

**THE VINEYARD HOMEOWNERS ASSOCIATION**  
**“RESERVE FUNDS” POLICY**  
**Policy Amendment Effective: January 1, 2015**

The purpose of this amendment is to update this policy in order to adhere with new Colorado Laws. This amended policy replaces the original policy dated June 10, 2006. The following is the amended policy in its entirety:

**SUBJECT:** Amendment to the Reserve Funds Policy.

**PURPOSE:** To update this policy in order to adhere with Colorado Laws.

**AUTHORITY:** Colorado Laws governing Homeowner Associations.

**EFFECTIVE DATE:** January 1, 2015.

**RESOLUTION:** The Vineyard Homeowners Association (hereinafter referred to as the Association) hereby adopts the following policy and procedure:

**POLICY:** “Reserves” are funds the Association sets aside to cover the anticipated costs for the replacement of or significant repairs to major common area components that the Association is obligated to maintain. “Reserve Expenses” are those expenses incurred by the Association for such replacement or repairs. This policy outlines the procedures involved in conducting reserve studies and addresses the funding and investment of the reserve funds.

**PROCEDURE:**

- **Reserve Study:** The Board of Directors will conduct an internal reserve study every year. Each study will state whether the reserve study is based on a physical and/or financial analysis. The study will list the reserve fund starting balance, reserve contributions needed and expected reserve expenses. At a duly held Board meeting, a resolution will be adopted that will show the reserve expenses, the funding plan and the investment plan for the upcoming year.
- **Reserve Expenses – which is a listing of components to be maintained and/or replaced:** This list will include the useful life of each component, the remaining useful life and the current replacement cost.
- **Funding Plan:** The following options are available to the Board of Directors in planning to fund and/or reimburse the reserve fund:
  - 1) **OPTION 1:** Once expenditures are made from the reserve fund, the Board may decide to ask homeowners for a one-time special assessment to reimburse the fund. If the Board chooses this option, the special assessment vote must take place within one year after the expenditure. A special homeowners meeting will be required for this action;
  - 2) **OPTION 2:** In anticipation of expenditures from the reserve fund occurring, the Board may decide, by a Board vote, to have monies in the yearly budget to include a line item for deposits into the reserve fund on either a monthly, quarterly or yearly basis; or
  - 3) **OPTION 3:** The Board may decide to ask homeowners, in the way of a special vote, to approve securing a bank loan to reimburse the reserve funds. A special homeowners meeting will be required for this action. This option should be considered ONLY as a last

resort and ONLY if the above-listed Option 1 and Option 2 are unsuccessful in reimbursing the funds.

- **Financial Reporting on Reserve Fund:** The Treasurer of the Board of Directors will include the Reserve Funds starting balance, expenditures (if applicable), deposits, and ending balance on each monthly financial report for the Association.
- **Reserve Fund Investment:**
  - 1) In making any investment decisions, the Board of Directors must follow the “prudent investor rule”. The “prudent investor rule” provides that members of the Board shall exercise ordinary care under the facts and circumstances prevailing at the time of the decision. In doing so, the foremost objective should be the safety and liquidity of the reserve funds while considering the long-range and short-range needs of the Association, the Association’s present and anticipated financial requirements, and the expected return on the investments;
  - 2) Reserves may be invested in instruments such as money market accounts, certificates of deposits, US treasury bonds and/or municipal bonds; and
  - 3) Bank and saving institutions that are not currently being used by the Association shall be approved by written resolution by the Board of Directors. To be eligible, a bank or savings institution must have physical facilities for doing business in the City of Grand Junction, Colorado, must be a member of the FDIC, and must meet the minimum credit criteria of credit analysis provided by commercially available bank rating services.

**SUPPLEMENT TO LAW:** The provisions of this Policy shall be in addition to and in supplement of the terms and provisions of the Declaration of CC&Rs and the laws of the State of Colorado governing the Community.

**AMENDMENT:** This policy may be amended from time to time by the Board of Directors.

**BOARD CERTIFICATION:**  
The undersigned, being the President and the Secretary of the Vineyard Homeowners Association, a Colorado nonprofit corporation, certify that the foregoing Policy was approved and adopted by the Board of Directors of the Association, at a duly called and held meeting of the Vineyard Homeowners Association on November 22, 2014, and in witness thereof, the undersigned have subscribed their names.

**VINEYARD HOMEOWNERS ASSOCIATION**  
A Colorado non-profit corporation,

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Dean Corder, President

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Dennis Lowery, Secretary