

CIVANO 1 NEIGHBORHOOD 1 ASSOCIATION

RESOLUTION #10-02

REPLACEMENT RESERVE FUND POLICY

Revised 02/21/12

Whereas, Article 11, Section 11.1 of the *Amended and Restated Declaration of Covenants, Conditions and Restrictions for Civano 1: Neighborhood 1* (the "CC&Rs") grants the Association the right and power necessary for the reasonable administration of the affairs of the Association in order to effectuate all of the objectives and purposes of the Association, and which are contained in the Civano Master PAD; and

Whereas, Article 11, Section 11.2 of the CC&Rs empowers the Association's Board of Directors to adopt, amend and repeal rules and regulations pertaining to all aspects of the Association's rights, activities and duties; and

Whereas, Article 8, Sections 8.2.1.3 and 8.2.2 of the CC&Rs stipulate criteria for the establishment of a "Reserve Account" in terms of the Association's budgeting responsibilities;

Now therefore, in keeping with the requirements of its CC&Rs and industry-wide practice regarding the establishment and maintenance of a reserve fund, the Association authorizes the establishment of a "Replacement Reserve Fund" separate from any other operating or asset funds, effective March 1, 2010.

PURPOSE: "A Civano 1 Neighborhood 1 (CINI) Replacement Reserve Study was completed in 2009 that assessed the future costs of replacing CINI infrastructure and existing physical components. This policy will serve to ensure that the Association may better maintain its Replacement Reserve Fund to pay for the replacement of components as recommended in the 2009 Reserve Study and subsequent reserve studies.

Guidelines:

- 1) The Replacement Reserve Fund shall be used to pay for the major repair, renovation, restoration or replacement of existing physical components/assets of the Association, as well as any design or engineering fees and costs associated therewith.
- 2) The Replacement Reserve Fund shall not be used to meet the operating expenses of the Association, other than on a temporary basis as outlined in section 9 below.
- 3) The Replacement Reserve Fund shall not be used to purchase new capital assets that the Association does not already own.

The Board of Directors reserves the right to make reasonable interpretations regarding the intent and use of this Policy.


- 4) A component/asset within this Fund shall be defined as a readily-identifiable existing asset with a cost of \$1,000 or more that has a useful life of more than one (1) year.
- 5) The Association will maintain/upkeep a Replacement Reserve Schedule identifying, to the best of its ability, the estimated replacement cost of each item, remaining useful life, schedule of future replacement and year-end fund balances. This schedule shall be updated annually.
- 6) The primary source of funding for the Replacement Reserve Fund shall be from annual assessments, as approved and authorized by the Board of Directors in each annual budget.
- 7) All Association members shall be advised, on an annual basis through the distribution of the annual approved budget, the amount of funds to be contributed to the Replacement Reserve Fund each budget year.
- 8) The Replacement Reserve Fund shall be identified, maintained and accounted for separately from the Association's operating fund or other asset funds.
- 9) The Association is authorized to borrow from the Replacement Reserve Fund to temporarily fund operations, provided that it is authorized by the Board of Directors at a Board meeting or via a Board Action-in-Lieu. The action will stipulate the amount borrowed and length of time for repayment, after which the full amount shall be reimbursed to the Replacement Reserve Fund plus interest using the percentage rate earned on the amount from which the funds are borrowed for the same period of time.
- 10) Withdrawals from the Replacement Reserve Fund shall be authorized at all times by the Board, and shall only be used for the purposes outlined above in sections 1 and 9.
- 11) The Board designated Finance Committee shall review the Replacement Reserve fund every October and April to ensure that it is in compliance with the Reserve Study recommendations. The Finance Committee shall immediately forward any concerns to the Board for action, if necessary.

Approved by the Board of Directors on February 21, 2012

Dated this 21st of February, 2012.

CIVANO 1: NEIGHBORHOOD 1 ASSOCIATION,
An Arizona non-profit corporation

By: 
Its: President

ATTEST:  Secretary