property, or for an unanticipated expense that cannot be covered by regular assessments. Without member approval, the total of special assessments in any fiscal year cannot exceed 5 percent of the gross budgeted expenses for that year.

Regular and special assessments are the primary source of revenue for the HOA. The HOA also may collect **reimbursement assessments**, charges paid by members to pay for damage they have caused to the common area; **fines** levied against members as a penalty for rule violations; and **user fees,** charges paid by members or non-members to utilize an amenity owned or controlled by the HOA.

State law contains specific provisions regarding how assessments are determined, how they are noticed, how they may be increased, and how they are adopted, as well as limitations and procedures for special assessments. It also contains specific provisions regarding budget procedures and how delinquent assessments may be collected. A powerful collection tool of HOAs is their ability to file a lien against a delinquent member's property and to foreclose on the lien if necessary. All of these matters are specified in the CC&Rs.

THE PUBLIC REPORT

The subdivision developer is required by law to provide a prospective homebuyer with a copy of the public report before he/she signs a purchase contract.

In order to transfer an interest in a new subdivision, the developer must comply with state regulations (the Subdivided Lands Act), which usually require that a disclosure document called a **public report,** be provided to prospective homebuyers prior to their signing a purchase contract. The **public report** is produced by the DRE based on information submitted by the subdivision developer. The report contains summary information on:

- The location of the property relative to unusual land uses such as agricultural operations, airports, special conservation areas, and special hazard areas related to geologic, soils, or drainage conditions, etc.