

Heritage Ranch HOA Reserve Fund Policy

Policy: The Heritage Ranch Board of Directors (Board) has created a Reserve Fund to accumulate funds for refurbishment and replacement of existing Capital Assets (structures, equipment, plant, facilities & components) owned by the Homeowners Association (HOA).

Purpose: The purpose of this policy is to document the responsibilities and the process to responsibly manage the replacement and refurbishment of Capital Assets as needed. All items shall be existing HOA equipment, plant, facilities, and structures.

Definitions:

Capital Assets – Assets with a life expectancy greater than 3 years and with a cost greater than \$2,000. The \$2,000 limit includes multiple items that individually are less than \$2,000 but in total, exceed the amount (for example 100 ballroom chairs).

Replacement – refers to the complete replacement with a new item. This shall also include incidental costs such as engineering fees, permits etc. The replacement may also include upgrades in technology, design and construction.

Refurbishment - refers to the act of refurbishing an asset through major restoration. Refurbishment covered by the Reserve Fund must extend the life of the asset past its current projected life.

Repairs & Maintenance - expenditures of day-to-day maintenance and repairs, inspection and service fees, maintenance contracts and the like are not part of the Reserve Fund, as they are expected to be paid out of the operating budget utilized by the HOA.

Reserve Fund – is an account funded by annual contributions from the operating budget to cover the cost of refurbishment and replacement of Capital Assets. The Reserve Fund study, performed each year prior to the preparation of the annual budget, provides a guideline for the annual contribution necessary to achieve the targeted lance in the account by year.

Reserve Report - A spreadsheet system, maintained by HOA Management and the Finance Committee, which lists all individual Capital Assets in the Reserve Fund. It includes pertinent data related to the anticipated replacement costs, useful lives and other important data reflected in the Reserve Report used to facilitate tracking and ongoing analysis. It is also referred to as the Reserve Study.

Process & Responsibilities:

1. The Reserve Fund will cover Replacement and Refurbishment of Capital Assets owned by the HOA.
2. **All** expenditures from the Reserve Fund require Board review and approval.
3. The Finance Committee and HOA Management are responsible for maintenance and update of the Reserve Report with input from the appropriate committees.
4. Prior to the expenditure being made, a recommendation will be presented by the appropriate organization (Infrastructure, Golf, F&B, Community, HOA Management, etc.) to the Board as to the funding source, reserves vs. operating budget, or annual capital budget. All expenditures from the Reserve Fund will be reviewed [and endorsed] by a representative from each of the Finance and Infrastructure Committees. Part of the review process is determining the current item

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identifier, recorded replacement cost and useful life, the proposed new replacement cost and useful life and any distinguishing technical nomenclature.

5. Refurbishment and replacement of assets with an estimated cost of \$2,000 or less shall be funded from the annual operating budget unless part of a decor group. A decor group is a grouping of Capital Assets usually replaced at the same time.
6. All expenditures for assets not specifically identified in the Reserve Report are considered to be new Capital Assets, unless they are considered to be a sub element or subset of an asset in the Reserve Report. In that case, the item in the Reserve Report may be broken down into a number of individual items.
7. HOA Management will maintain a list of all Reserve Fund expenditures for the current year.
8. Each year the Reserve Report will be updated to include any revisions in replacement cost, life expectancies and the additions of new Capital Assets. This needs to be updated in time for the Board to consider the level of reserve funding for the next year's budget.

Approved by the HOA Board

John Waupsh

Date

7/6/2015

Approved by the HOA Manager

Tony Reini

Date

7.6.15

Approved by the HOA Infrastructure Committee

usm & M.A.

Date

7.6.15

Approved by the Finance Committee

Jack L. Stone Jr

Date

7/6/2015

Reserve Fund Expenditure Approval

Date: _____

Project: _____

Scope of work: _____

Reserve Fund Item: _____

Estimated cost: _____

Infrastructure: _____

Finance: _____

Current dollars in Reserve Fund: _____

Current years in Reserve Report: _____

Board approval to develop: _____

Bid price: _____

New value for Reserve Report: _____

New expected life: _____

Reserve Report updated: _____