

Old Mill Village Homeowners Association, Inc.

Reserve Analysis



Prepared as of: 11-23-2012

Next review/update: 11-23-2015

For period beginning: 01-01-2013

For period ending: 12-31-2038

Background

Utah State law (Title 57-8a-211) requires that, except as otherwise provided in the governing documents, the Board should conduct a reserve analysis at least every six years and review/update the previous reserve analysis at least every three years. A 'reserve analysis' means "an analysis to determine the need for a reserve fund to accumulate money to cover the cost of repairing, replacing, and restoring common areas that have a useful life of three years or more."

The Board should maintain a reserve fund separate from other association funds. The Board may not use money in the reserve fund for daily maintenance expenses, unless a majority of the association members vote to approve the use of reserve fund money for that purpose. The reserve fund money can only be used by the Board for the purpose for which the reserve fund was established (for the common area assets listed below).

Annually, at the annual meeting of the homeowners the Board should present the reserve analysis and provide an opportunity for the homeowners to discuss reserves and to vote on whether to fund the reserve fund and, if so, how to fund it and in what amount.

Reserve Analysis

One of the responsibilities of the Board is to maintain, protect, and enhance the common area assets of the Association. It is important that before the physical assets age and deteriorate, the HOA accumulate financial assets for maintenance and eventual replacement of certain items so that large special assessments are not required of the homeowners. This reserve analysis lists out all the physical assets the Association currently owns with an estimated life of three years or more. Also, this analysis proposes a plan for creating and funding a reserve account.

Physical Assets of the Association:

Asset	Quantity	Estimated Useful Life	Estimated Life remaining	Estimated cost to repair/replace
Park benches	8	25 years	18 years	\$2,800.00
Park tables	4	25 years	18 years	\$4,800.00
15x15 pavilion	1	25 years	18 years	\$7,500.00
Pedestal grill	1	25 years	18 years	\$200.00
35x35 concrete slab basketball court	1	25 years	18 years	\$3,000.00
10 Foot basketball standard	1	25 years	18 years	\$500.00
Concrete borders around play grounds	2	25 years	18 years	\$500.00
Play ground/climbing/slides	1	25 years	18 years	\$5,000.00
Large swing set	1	25 years	18 years	\$2,000.00
Various vinyl fences	-	25 years	18 years	\$3,000.00
Various concrete borders around garden areas	-	25 years	18 years	\$500.00
Sprinkler boxes/power lines	10	25 years	18 years	\$200.00
Asphalt pathways/jogging trails	-	25 years	18 years	\$10,000.00
Total Estimated Cost to Repair/Replace				\$40,000.00
Recommended Funding for 2013				\$10,000.00
Remaining Unfunded				\$30,000.00
Remaining to Fund per year				\$1,666.67

Conclusion

The current reserve fund amount that has been set aside for the sole purpose of maintaining and replacing these items is zero. It is recommended by the Board that \$10,000 be transferred from the "General Fund" to the "Reserve Fund" now and that an additional \$2,000 be transferred per year going forward so that the HOA will have funds in the future to cover the possible repair and replacement needs for the stated assets. The homeowners will have a chance to discuss and vote on this proposal in the annual HOA meeting in June.

Accuracy, Limitations and Disclosures

Because we have no control over the future events, we cannot claim that all maintenance and replacement will occur as planned and that special assessments will not be needed. We cannot predict inflationary trends as to the future costs to repair or replace the stated items. While it is impossible to predict the actual funds that will be needed in the future, the Board feels that setting aside the \$10,000 now and adding the \$2,000 per year is a safe and sound practice for the HOA.

The financial and physical condition of the HOA assets will change and vary from year to year. It is recommended that this reserve study be reviewed by the Board annually to determine if any changes need to be made and to update the physical asset listing, if needed.