

Financial Reserve Study Analysis

prepared for

Summit Crossing Home Owners Association

September 2025

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Introduction

The idea of having a reserve study got more attention when the condo Champlain Towers South in Surfside Florida collapsed on June 24, 2021. Their HOA had done engineering studies and knew they needed millions (they did not have) for needed repairs, but the residents, tragically, would not financially support the work. They should have had a reserve study and a reserve fund.

The purpose of this Reserve Study for the Association's assets to be replaced was to determine both current annual usage funding, and past reserve shortage funding as of December 31, 2025. The Association currently has CD investments which are considered part of our reserves and were included as part of this analysis.

The Reserve Studies were completed without regard to required funding amounts that may be stipulated by applicable laws or regulations governing the Association, or Lender requirements for those Owners subject to a mortgage on their units.

It is known that through the Association's by-laws or other similar governing agreements, the Association's Board of Directors can levy monthly assessments to Owners on a periodic basis to fund current usage amount for funding replacement assets, and to levy special assessments to Owners (if needed) on a one-time or periodic step basis to fund any reserve shortage amounts.

Having financial reserves to handle inevitable expenses is a prudent action for a Home Owners Association, but what inevitable expenses should we plan for? The National Reserve Study Standards (NRSS) has a three part test (Ref 1, p. 123) as follows:

- Association Obligation
- Reasonably Anticipated
- Significant Cost

The first requirement is obvious, but for the second one, what exactly is “reasonably anticipated”? Natural disasters like hurricanes clearly do not pass the test, but wear and tear on capital assets does pass, even if their costs occur infrequently. Finally, what is a significant cost? Typically, if an anticipated expense exceeds one to two percent of the annual operating budget, it probably should be included in the reserve study. Smaller expenses, even if not occurring annually, should be included the operating budget, not the reserves.

All input amounts and assumptions included in this Reserve Study Report were completed by personnel under the direction of the Association's Board of Directors, using the *Condominium Association Reserve Program V1 March 2025*, supplied by SimplifyCondo-Reserves.com. The book "Understanding Reserves" (Ref 1) was also a source of information contributing to this analysis and report.

(1) Leonard, K. and Nordlund, R. (2025), "*Understanding Reserves, A Guide to Your Associations Reserve Fund & Reserve Study (2nd ed.)*", ISBN 9798315887409

Qualifying Assets

What assets does Summit Crossing have that pass the NRSS test? Unlike condos, we do not have a lot of moving parts to maintain and support, but we do have some. The Board, in concert with other subject matter experts, has identified seven assets which might pass the NRSS test.

- Vegetation Winter Kill
- Irrigation System Hard Freeze
- Pool Shell
- Pool Mechanical
- Pool Deck
- Pool House Roof
- West Fence

Vegetation Winter Kill

We have a lot of vegetation to support and a cold winter could easily cost us in the high five figures – in fact, it already has. In the winter of February 2021, College Station had a major winter event that caused widespread electrical failures and brought record cold. College Station saw temperatures plummet to 5°F on February 16, 2021, with freezing temperatures persisting for 86 consecutive hours. Fortunately, we had funds to cover the resulting major damage to our foliage.

Some freezing temperatures occur almost every year in College Station and we budget for minor plant loss every year (\$15,000 in 2025). However, we need reserves for loss due to major freeze events which could easily cost us upwards of \$75,000.

Irrigation System Deep Hard Freeze

Our extensive irrigation system consists of miles of pipe, miles of wiring, thousands of sprinkler heads, hundreds of valves, and dozens of controllers all servicing some 270 homes. While we budget for routine irrigation system repair annually (\$8,500 in 2025), a major and extended deep hard freeze event could easily cause extensive damage to underground piping and valves.

Pool Shell

The most important part of a pool is the pool shell. It comprises the single most costly component. It can develop leaks or significant cracks, but on average should last 25 years or even more. Someday, we will need to replace the pool shell and we must reserve funds for that eventuality.

Pool Mechanical

Pool mechanical equipment has a finite lifespan and requires eventual replacement, so setting aside a reserve fund is a good budgeting strategy. Included in this category are the pool pumps, pump motors, filter assemblies, piping and valves, electrical panels and other electrical components.

Pool Deck

The pool deck is a large area of concrete surrounding the pool shell. Over time, it is subjected to staining plus wear and tear due to weathering, maintenance operations, and user abuse. Replacing the pool deck is a significant cost and must be provided for in our reserve fund.

Pool House Roof

In-ground pool construction costs average \$65,909 and that does not include the pool house. We have a pool house consisting of two bathroom/changing areas, a shower area, plus an extended 30 by 22 foot roof which provides shade to part of the pool deck. The HOA feels that the annual operating budget is sufficient to maintain the integrity of the pool house including the pool house roof. We replaced the pool house roof in 2025 due to major hail damage at a cost of \$2,800. This is less than one percent of our annual budget so the replacement of this roof does not pass the third NRSS test and is not included in the reserve study.

West Fence

There is a long fence along the west edge of Summit Crossing which is showing its age and will need to be replaced in the coming years. We have confirmed that this fence is not on our border and is fully owned by the Ridgeway development to our west. Therefore, this fence is not our responsibility and does not pass the first NRSS test. We will not include it in our reserve study.

Starting Assumptions

The following five Summit Crossing assets pass the NRSS test and will be included in the Summit Crossing Reserve Study.

**Summit Crossing HOA
Reserve Information
Asset Life Cycle Summary**

		Current year: 2025		Planning Period: 20 Years					
ASSET NAME	ADDRESS	YEAR		ASSET					
		NEW OR REFRESHED	CURRENT	USEFUL LIFE	CURRENT AGE	YEARS LEFT	EST YR	EST YR	EST 2025 COST
				YEARS	YEARS		1st REPLACE	2nd REPLACE	TO REPLACE
Vegetation Winter Kill	Entire HOA	2021	2025	15	4	11	2036	2051	\$60,000
Irrigation System Hard Freeze	Entire HOA	2012	2025	25	13	12	2037	2062	\$50,000
Pool Shell	3815 Silverthorne	2012	2025	25	13	12	2037	2062	\$45,000
Pool Mechanical	3815 Silverthorne	2012	2025	16	13	3	2028	2044	\$12,000
Pool Deck	3815 Silverthorne	2012	2025	20	13	7	2032	2052	\$10,000

The analysis must also include the starting reserve funding, the inflation rate, as well as the compound interest rate being earned by the HOA on our CDs. They currently are:

Starting Reserve Funding = \$200,000

Inflation rate = 2.5%

Interest rate = 3.7%

Calculation Details

Basic Calculation

The annual cost to replace an individual asset is simply the asset replacement cost (in the year it is replaced) divided by the number of years of useful life of the asset.

$$\text{Annual cost} = \text{replacement cost} / \text{useful life}$$

And then the monthly cost per individual asset per homeowner is

$$\text{Monthly cost per homeowner} = \text{Annual cost} / (12 * \text{number of homeowners})$$

These equations are the heart of the analysis but the actual calculations are much more complicated because the asset replacement cost increases every year due to inflation. In addition, the asset reserve account accumulates interest and deposits and loses any amounts spent on asset replacements in every year of the 20 year analysis period.

Because of these complications, each individual asset must be calculated separately and for every year in the 20 year analysis period. Then the individual asset calculations must be aggregated for all assets to determine the overall asset account balance. The overall asset account balance should never go negative in any years in the analysis period.

Reserve Analysis Results

Below are the spreadsheets showing the detailed calculations for each individual asset in this study.

Summit Crossing HOA																								
Vegation - Winter Kill																								
Forward Funding Need	25.0%																							
Calendar Year End	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046		
Assumptions																								
Current cost	\$ 60,000	\$ 61,500	\$ 63,038	\$ 64,613	\$ 66,229	\$ 67,884	\$ 69,582	\$ 71,321	\$ 73,104	\$ 74,932	\$ 76,805	\$ 78,725	\$ 80,693	\$ 82,711	\$ 84,778	\$ 86,898	\$ 89,070	\$ 91,297	\$ 93,580	\$ 95,919	\$ 98,317	\$ 100,775		
Useful Life	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20		
No of Owners	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266		
Annual inflation rate (CAGR):	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		
Long term investment earnings rate (CAGR):	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%		
Number of Owners in Assoc.	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266		
Monthly amount of dues per owner that will go toward reserves, starting month after Year End, with forward funding need %	\$ 0.23	\$ 0.24	\$ 0.25	\$ 0.25	\$ 0.26	\$ 0.27	\$ 0.27	\$ 0.28	\$ 0.29	\$ 0.29	\$ 0.30	\$ 0.31	\$ 0.32	\$ 0.32	\$ 0.33	\$ 0.34	\$ 0.35	\$ 0.36	\$ 0.37	\$ 0.38	\$ 0.39	\$ 0.39		
Replacement Cost-w/INFL	\$ 60,000	\$ 61,500	\$ 63,038	\$ 64,613	\$ 66,229	\$ 67,884	\$ 69,582	\$ 71,321	\$ 73,104	\$ 74,932	\$ 76,805	\$ 78,725	\$ 80,693	\$ 82,711	\$ 84,778	\$ 86,898	\$ 89,070	\$ 91,297	\$ 93,580	\$ 95,919	\$ 98,317	\$ 100,775		
Reserves / including investment earnings, before any spending (1)	80,000	83,710	87,576	91,604	95,801	100,174	104,729	109,474	114,416	119,563	124,923	130,505	54,680	57,712	60,881	64,194	67,655	71,272	75,050	78,996	83,118	87,423		
Vegation - Winter Kill																								
Total replacements by year	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0		
Spending by year (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,725	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Reserves (Deficit) by year	\$ 80,000	\$ 83,710	\$ 87,576	\$ 91,604	\$ 95,801	\$ 100,174	\$ 104,729	\$ 109,474	\$ 114,416	\$ 119,563	\$ 124,923	\$ 51,780	\$ 54,680	\$ 57,712	\$ 60,881	\$ 64,194	\$ 67,655	\$ 71,272	\$ 75,050	\$ 78,996	\$ 83,118	\$ 87,423		
% in reserves at current replacement cost	1.33	1.36	1.39	1.42	1.45	1.48	1.51	1.53	1.57	1.60	1.63	0.66	0.68	0.70	0.72	0.74	0.76	0.78	0.80	0.82	0.85	0.87		
Notes:																								
(1) Except for the 2025 column amount, includes end of prior year amount invested in interest bearing CDs, investment earnings for year, and current year reserve collections. For the 2025 column, includes reserve investment amount at Dec 31, 2025.																								
(2) Assumes spending takes place at end of year																								

Commit Crossing HOA																						
Irrigation Freeze																						
Forward Funding Need	25.0%																					
Calendar Year End	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Assumptions																						
Current cost	\$ 50,000	\$ 51,250	\$ 52,531	\$ 53,845	\$ 55,191	\$ 56,570	\$ 57,985	\$ 59,434	\$ 60,920	\$ 62,443	\$ 64,004	\$ 65,604	\$ 67,244	\$ 68,926	\$ 70,649	\$ 72,415	\$ 74,225	\$ 76,081	\$ 77,983	\$ 79,933	\$ 81,931	\$ 83,979
Useful Life	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
No of Owners	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266
Annual inflation rate (CAGR):	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Long term investment earnings rate (CAGR):	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Number of Owners in Assoc.	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266
Monthly amount of dues per owner that will go toward reserves, starting month after Year End, with forward funding need %	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.17	\$ 0.17	\$ 0.18	\$ 0.18	\$ 0.19	\$ 0.19	\$ 0.20	\$ 0.20	\$ 0.21	\$ 0.21	\$ 0.22	\$ 0.22	\$ 0.23	\$ 0.23	\$ 0.24	\$ 0.24	\$ 0.25	\$ 0.26	\$ 0.26
Replacement Cost w/inflation	\$ 50,000	\$ 51,250	\$ 52,531	\$ 53,845	\$ 55,191	\$ 56,570	\$ 57,985	\$ 59,434	\$ 60,920	\$ 62,443	\$ 64,004	\$ 65,604	\$ 67,244	\$ 68,926	\$ 70,649	\$ 72,415	\$ 74,225	\$ 76,081	\$ 77,983	\$ 79,933	\$ 81,931	\$ 83,979
Reserves / including investment earnings before any spending (1)	\$ 45,000	\$ 47,165	\$ 49,423	\$ 51,777	\$ 54,231	\$ 56,789	\$ 59,456	\$ 62,236	\$ 65,133	\$ 68,152	\$ 71,298	\$ 74,576	\$ 77,991	\$ 11,817	\$ 12,944	\$ 14,129	\$ 15,376	\$ 16,687	\$ 18,065	\$ 19,514	\$ 21,035	\$ 22,632
Irrigation Freeze																						
Total replacements by year	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0
Spending by year (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,244	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserves (Deficit) by year	\$ 45,000	\$ 47,165	\$ 49,423	\$ 51,777	\$ 54,231	\$ 56,789	\$ 59,456	\$ 62,236	\$ 65,133	\$ 68,152	\$ 71,298	\$ 74,576	\$ 10,747	\$ 11,817	\$ 12,944	\$ 14,129	\$ 15,376	\$ 16,687	\$ 18,065	\$ 19,514	\$ 21,035	\$ 22,632
% in reserves at current replacement cost	0.90	0.92	0.94	0.96	0.98	1.00	1.03	1.05	1.07	1.09	1.11	1.14	0.16	0.17	0.18	0.20	0.21	0.22	0.23	0.24	0.26	0.27
Notes:																						
(1) Except for the 2025 column amount, includes end of prior year amount invested in interest bearing CDs, investment earnings for year, and current year reserve collections. For the 2025 column, includes reserve investment amount at Dec 31, 2025.																						
(2) Assumes spending takes place at end of year																						

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Summit Crossing HOA
Pool Shell
Forward Funding Need

25%

Calendar Year End	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Assumptions																						
Current cost	\$ 45,000	\$ 46,125	\$ 47,278	\$ 48,460	\$ 49,672	\$ 50,913	\$ 52,186	\$ 53,491	\$ 54,828	\$ 56,199	\$ 57,604	\$ 59,044	\$ 60,520	\$ 62,033	\$ 63,584	\$ 65,173	\$ 66,803	\$ 68,473	\$ 70,185	\$ 71,939	\$ 73,738	\$ 75,581
Useful Life	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
No of Owners	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266
Annual inflation rate (CAGR):	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Long term investment earnings rate (CAGR):	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Number of Owners in Assoc.	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266
Monthly amount of dues per owner that will go toward reserves, starting month after Year End, with forward funding need %	\$ 0.14	\$ 0.14	\$ 0.15	\$ 0.15	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.17	\$ 0.17	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.19	\$ 0.19	\$ 0.20	\$ 0.20	\$ 0.21	\$ 0.21	\$ 0.22	\$ 0.23	\$ 0.23	\$ 0.24
Replacement Cost-w/INFL	\$ 45,000	\$ 46,125	\$ 47,278	\$ 48,460	\$ 49,672	\$ 50,913	\$ 52,186	\$ 53,491	\$ 54,828	\$ 56,199	\$ 57,604	\$ 59,044	\$ 60,520	\$ 62,033	\$ 63,584	\$ 65,173	\$ 66,803	\$ 68,473	\$ 70,185	\$ 71,939	\$ 73,738	\$ 75,581
Reserves / including investment earnings, before any spending (1)	\$ 40,000	\$ 41,930	\$ 43,943	\$ 46,041	\$ 48,229	\$ 50,511	\$ 52,889	\$ 55,367	\$ 57,951	\$ 60,643	\$ 63,449	\$ 66,373	\$ 69,419	\$ 72,487	\$ 75,581	\$ 78,699	\$ 81,834	\$ 84,987	\$ 88,159	\$ 91,349	\$ 94,548	\$ 97,756
Pool Shell																						
Total replacements by year	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0
Spending by year (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserves (Deficit) by year	\$ 40,000	\$ 41,930	\$ 43,943	\$ 46,041	\$ 48,229	\$ 50,511	\$ 52,889	\$ 55,367	\$ 57,951	\$ 60,643	\$ 63,449	\$ 66,373	\$ 8,899	\$ 9,834	\$ 10,818	\$ 11,854	\$ 12,944	\$ 14,091	\$ 15,297	\$ 16,565	\$ 17,897	\$ 19,297

% in reserves at current replacement cost 0.89 0.91 0.93 0.95 0.97 0.99 1.01 1.04 1.06 1.08 1.10 1.12 0.15 0.16 0.17 0.18 0.19 0.21 0.22 0.23 0.24 0.26

Notes:

(1) Except for the 2025 column amount, includes end of prior year amount invested in interest bearing CDs, investment earnings for year, and current year reserve collections. For the 2025 column, includes reserve investment amount at Dec 31, 2025.

(2) Assumes spending takes place at end of year

Summit Crossing HOA
Pool Mechanical
Forward Funding Need

25%

Calendar Year End	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Assumptions																						
Current cost	\$ 12,000	\$ 12,300	\$ 12,608	\$ 12,923	\$ 13,246	\$ 13,577	\$ 13,916	\$ 14,264	\$ 14,621	\$ 14,986	\$ 15,361	\$ 15,745	\$ 16,139	\$ 16,542	\$ 16,956	\$ 17,380	\$ 17,814	\$ 18,259	\$ 18,716	\$ 19,184	\$ 19,663	\$ 20,155
Useful Life	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16
No of Owners	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266
Annual inflation rate (CAGR):	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Long term investment earnings rate (CAGR):	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Number of Owners in Assoc.	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266
Monthly amount of dues per owner that will go toward reserves, starting month after Year End, with forward funding need %	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.10	\$ 0.10
Replacement Cost-w/INFL	\$ 12,000	\$ 12,300	\$ 12,608	\$ 12,923	\$ 13,246	\$ 13,577	\$ 13,916	\$ 14,264	\$ 14,621	\$ 14,986	\$ 15,361	\$ 15,745	\$ 16,139	\$ 16,542	\$ 16,956	\$ 17,380	\$ 17,814	\$ 18,259	\$ 18,716	\$ 19,184	\$ 19,663	\$ 20,155
Reserves / including investment earnings, before any spending (1)	\$ 18,000	\$ 18,854	\$ 19,743	\$ 20,671	\$ 8,237	\$ 8,748	\$ 9,284	\$ 9,845	\$ 10,432	\$ 11,047	\$ 11,690	\$ 12,362	\$ 13,066	\$ 13,801	\$ 14,570	\$ 15,374	\$ 16,215	\$ 17,093	\$ 18,011	\$ 18,970	\$ 78	\$ 388
Pool Mechanical																						
Total replacements by year	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0
Spending by year (2)	\$ -	\$ -	\$ -	\$ 12,923	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,184	\$ -	\$ -
Reserves (Deficit) by year	\$ 18,000	\$ 18,854	\$ 19,743	\$ 7,748	\$ 8,237	\$ 8,748	\$ 9,284	\$ 9,845	\$ 10,432	\$ 11,047	\$ 11,690	\$ 12,362	\$ 13,066	\$ 13,801	\$ 14,570	\$ 15,374	\$ 16,215	\$ 17,093	\$ 18,011	\$ (214)	\$ 78	\$ 388

% in reserves at current replacement cost 1.50 1.53 1.57 0.60 0.62 0.64 0.67 0.69 0.71 0.74 0.76 0.79 0.81 0.83 0.86 0.88 0.91 0.94 0.96 (0.01) 0.00 0.02

Notes:

(1) Except for the 2025 column amount, includes end of prior year amount invested in interest bearing CDs, investment earnings for year, and current year reserve collections. For the 2025 column, includes reserve investment amount at Dec 31, 2025.

(2) Assumes spending takes place at end of year

**Pool Deck
Forward Funding Need**

25%

Calendar Year End	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Assumptions																						
Current cost	\$ 10,000	\$ 10,250	\$ 10,506	\$ 10,769	\$ 11,038	\$ 11,314	\$ 11,597	\$ 11,887	\$ 12,184	\$ 12,489	\$ 12,801	\$ 13,121	\$ 13,449	\$ 13,785	\$ 14,130	\$ 14,483	\$ 14,845	\$ 15,216	\$ 15,597	\$ 15,987	\$ 16,386	\$ 16,796
Useful Life	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
No of Owners	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266
Annual inflation rate (CAGR):	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Long term investment earnings rate (CAGR):	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Number of Owners in Assoc.	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266
Monthly amount of dues per owner that will go toward reserves, starting month after Year End, with forward funding need %	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.11	\$ 0.11
Replacement Cost-w/INFL	\$ 10,000	\$ 10,250	\$ 10,506	\$ 10,769	\$ 11,038	\$ 11,314	\$ 11,597	\$ 11,887	\$ 12,184	\$ 12,489	\$ 12,801	\$ 13,121	\$ 13,449	\$ 13,785	\$ 14,130	\$ 14,483	\$ 14,845	\$ 15,216	\$ 15,597	\$ 15,987	\$ 16,386	\$ 16,796
Reserves / including investment earnings, before any spending (1)	\$ 17,000	\$ 17,837	\$ 18,711	\$ 19,622	\$ 20,572	\$ 21,564	\$ 22,597	\$ 23,675	\$ 24,792	\$ 25,951	\$ 27,155	\$ 28,407	\$ 29,709	\$ 31,063	\$ 32,471	\$ 33,935	\$ 35,457	\$ 37,039	\$ 38,683	\$ 40,391	\$ 42,165	\$ 44,007
Pool Deck																						
Total replacements by year	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Spending by year (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,887	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserves (Deficit) by year	\$ 17,000	\$ 17,837	\$ 18,711	\$ 19,622	\$ 20,572	\$ 21,564	\$ 22,597	\$ 11,788	\$ 12,472	\$ 13,187	\$ 13,935	\$ 14,717	\$ 15,535	\$ 16,390	\$ 17,284	\$ 18,218	\$ 19,194	\$ 20,213	\$ 21,278	\$ 22,390	\$ 23,552	\$ 24,764
% in reserves at current replacement cost	1.70	1.74	1.78	1.82	1.86	1.91	1.95	0.99	1.02	1.06	1.09	1.12	1.16	1.19	1.22	1.26	1.29	1.33	1.36	1.40	1.44	1.47

Notes:

(1) Except for the 2025 column amount, includes end of prior year amount invested in interest bearing CDs, investment earnings for year, and current year reserve collections. For the 2025 column, includes reserve investment amount at Dec 31, 2025.

(2) Assumes spending takes place at end of year

The below spreadsheet shows the overall picture considering all 5 assets. It shows the year by year reserve fund balance.

**TOTAL OF ALL 5 ASSETS
Forward Funding Need**

25%

Calendar Year End	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Assumptions																						
Current cost	\$ 177,000	\$ 181,425	\$ 185,961	\$ 190,610	\$ 195,375	\$ 200,259	\$ 205,266	\$ 210,397	\$ 215,657	\$ 221,049	\$ 226,575	\$ 232,239	\$ 238,045	\$ 243,996	\$ 250,096	\$ 256,349	\$ 262,757	\$ 269,326	\$ 276,060	\$ 282,961	\$ 290,035	\$ 297,286
Useful Life																						
No of Owners	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266
Annual inflation rate (CAGR):	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Long term investment earnings rate (CAGR):	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Number of Owners in Assoc.	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266
Monthly amount of dues per owner that will go toward reserves, starting month after Year End, with forward funding need %	\$ 0.66	\$ 0.67	\$ 0.69	\$ 0.71	\$ 0.72	\$ 0.74	\$ 0.76	\$ 0.78	\$ 0.80	\$ 0.82	\$ 0.84	\$ 0.86	\$ 0.88	\$ 0.91	\$ 0.93	\$ 0.95	\$ 0.97	\$ 1.00	\$ 1.02	\$ 1.05	\$ 1.08	\$ 1.10
Reserves / including investment earnings, before any spending (1)	\$ 200,000	\$ 209,496	\$ 219,395	\$ 229,715	\$ 237,786	\$ 248,955	\$ 260,597	\$ 266,403	\$ 272,592	\$ 285,295	\$ 298,534	\$ 310,692	\$ 324,927	\$ 340,554	\$ 357,769	\$ 375,769	\$ 394,769	\$ 414,935	\$ 436,435	\$ 459,435	\$ 484,080	\$ 510,504
TOTAL OF ALL 5 ASSETS																						
Spending by year (2)	\$ -	\$ -	\$ -	\$ 12,923	\$ -	\$ -	\$ -	\$ 11,887	\$ -	\$ -	\$ -	\$ 78,725	\$ 127,764	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,184	\$ -	\$ -
Reserves (Deficit) by year	\$ 200,000	\$ 209,496	\$ 219,395	\$ 216,792	\$ 227,071	\$ 237,786	\$ 248,955	\$ 248,710	\$ 272,592	\$ 285,295	\$ 298,534	\$ 310,692	\$ 324,927	\$ 340,554	\$ 357,769	\$ 375,769	\$ 394,769	\$ 414,935	\$ 436,435	\$ 459,435	\$ 484,080	\$ 510,504

Notes:

(1) Except for the 2025 column amount, includes end of prior year amount invested in interest bearing CDs, investment earnings for year, and current year reserve collections. For the 2025 column, includes reserve investment amount at Dec 31, 2025.

(2) Assumes spending takes place at end of year

Summary and Recommendation

If the HOA had no current reserves and was starting from scratch, we would have to put into the Reserve Fund about \$9,000 annually, or roughly three percent of our annual budget to fully cover the replacement costs. However the HOA has managed to accumulate a little over \$200,000 in our CDs which are contributing about \$7,400 annually to the reserve fund. This offsets some of what the homeowners would have to contribute.

We have defined a “forward funding need” which basically says that we can contribute less than 100% of normal because of this head start. In the spreadsheets on the previous pages, you will see the heading “Forward Funding Need”. The spreadsheets reduced the homeowner contribution by this amount. For example, a forward funding amount of 25% means the homeowner only contributes 25% of what they normally would.

When the head start of \$200,000 is included the Reserve Study, the amount each homeowner must contribute, or the “forward funding need”, is significantly reduced. With a trial and error, or “what if” analysis of the spreadsheets, it has been determined that we can contribute to the reserve fund at 25% of normal, or about \$2,000 annually and still never go negative on the reserve fund. In fact, at 25%, the reserve fund will never go below \$100,000 over the 20 year planning period, giving the HOA a comfortable pad for additional unexpected events.

We are aware that this reserve study must be revisited every few years as our actual replacement costs deviate from the assumptions of this study. However, we are confident that the HOA is in a comfortable position for future unexpected events, greatly reducing the probability of needing to apply any special assessments to our homeowners.

In the 2026 budget, this study recommends an entry of \$2,000, or less than 1% of our annual budget, for the reserve fund contribution.