

## **Indian Camp Ranch Homeowners Association Reserve Fund Study January 2021**

Starting Balance as of January 1, 2021 - \$22,373.24

Ideal Reserve Balance as of January 1, 2021 - \$40,000.00

Percent Funded as of January 1, 2021 - 55.9%

The Indian Camp Ranch HOA's reserve fund is an account dedicated to unanticipated and deferred expenditures, particularly large ones. The association allocates money toward its reserve account over time so that, when a costly repair or comparable outlay becomes necessary, cash reserves are available to handle the expense without sacrificing day-to-day functions.

"Reserves" are funds that have been set aside to cover the anticipated costs for the replacement of or significant repairs to major common area components that the Association is obligated to maintain. Reserve expenses are those expenses incurred by the Association for such replacement or repairs.

Reserves are not for regular maintenance. Regular maintenance of fences and the roads is not a reserve expense. Neither is regular snow plowing. Those expenses are part of the annual budget.

A reserve fund can also be used to cover expenses that are not necessarily unforeseen, but arise infrequently enough that it wouldn't make sense to include them within the annual budget.

The Indian Camp Ranch HOA Ideal Reserve Balance is based on the 2021 researched costs of replacing a large section of the roads in the event of a weather disaster. Past history shows that in years with unexpected frequent snow storms and large accumulations of snow, the expense of bringing in outside equipment to clear the roads is excessive. Based on those calculations, the Ideal Reserve Balance should be \$40,000.

To determine whether an HOA Reserve Fund is adequately funded, a metric called "Percent Funded" is used. This calculation measures the current strength of your HOA Reserve Fund. Percent Funded is defined in National Reserve Study Standards, where 100% funded means that enough cash is on hand to exactly match the deteriorated fraction of your Reserve components. However, in practical application, most Reserve experts agree that anything over 70% funded is considered a strong HOA Reserve Fund.

The goal of the Indian Camp Ranch HOA Reserve fund is to gradually build the fund to over 70% through contribution to the fund of any surplus funds left over at the end of each fiscal year.