

## **DEERLAKE VILLAGE COMMUNITY ASSOCIATION CAPITAL RESERVE POLICY**

### **I. INTRODUCTION:**

The Deerlake Village Community Association sets aside Capital reserve funds for anticipated future costs of designated items in order to prevent significant fluctuations in the annual assessment and assure that sufficient funding is available when needed. Establishment of a reserve fund is required by the covenants.

### **II. POLICY:**

The Deerlake Village Community Association's Board of Directors will prepare annually a separate capital budget. The budget will identify individual items to be repaired, replaced or added to the common amenities in future years. The estimated cost for each and the year the expense is anticipated will be included. A portion of the future cost for each item will be funded in the following years' budgets and will be set aside each year in the reserve fund which is maintained as a separate account. Additional items may be added to the capital budget each year. The estimated cost, funding and timing of items from the previous year's capital budget will be reviewed and revised, if necessary, before inclusion in the updated capital budget. Funding for each year's capital contribution will be from the annual DVCA assessments.

Only items of significant cost that do not recur annually will be included in the capital budget. Individual items are not required to meet the accounting definition of a capital expense.

The capital budget will contain a capital contingency fund equal to 10-20% of the total estimated cost of current reserves. The exact percentage of contingency will be approved by the board with the advice of the Finance Committee as part of the budget process.

### **III. IMPLEMENTATION:**

Cost estimates should include a reasonable allowance for inflation. The estimated cost of items that have been in the capital budget for more than 5 years should be reexamined 2 years prior to the expenditure to verify the validity of the estimate. An adjustment to the funding level will be made if needed.

Committees responsible for the common amenities will be polled each year for identification of additional items for consideration for the capital budget.

Funding for each item will generally be by equal annual installments to bring the reserve up to the estimated cost in the year of anticipated expenditure. The Board may deviate from this approach for valid reasons. For example the five year spending plan may indicate a significant reduction in the total annual capital funding requirement, which might justify lower funding of some long-term items in the early years.

Each item will be assigned a unique project identification number. This number will be retained until the funds are spent or the item is removed from the capital budget.

A one-page summary of the status of the capital budget will be included with the budget presented to the membership for ratification.

This Capital Reserves Policy was adopted and approved by the Board the 21st day of September 2010.