

Background

In September 2018, Joe Macarelli and Joe Claro contacted vendors and did an audit of the physical components of the pool, cabana, and irrigation system that had lives of 3 years or more. As a result, we found 1 pool pump and 1 water heater that each should have been carried as 2 items, so the cost doubled, and another instance where a pump had been carried at \$1000 and should be \$2500. They also added the 2 well pumps for the irrigation wells by the pool at \$2500 each.

The only asset not discussed in the following, is the front wall. The HOA#1 pays to paint the street side and top of the wall, and we pay for the inside of the wall. (Our side is fully accrued so is omitted from discussion.)

Since Villas' homeowners are responsible for all the exterior maintenance on their building, including the roof, walkways and driveways, our Association has a much shorter Reserves list than normal.

Calculation Process

Using the new data on replacement cost, estimated life, remaining life, and combining it with the last detail list of capital assets provided by Keys-Caldwell (i.e. *2016 budget*, from Judy Liston's home files), Judy developed the attached accrual schedule covering each asset thru 2028, showing accruals thru 12/31/2018 and the additional required each year going forward. This allowed us to recognize the new values for life, cost and new items added to the schedule, while spreading the impact over remaining life of the asset. In addition, the total accrual thru 12/31/2018 was compared to the bank balance and a "catchup" line added to fund the deficit.

Detailed Assets

1-Refurbish cement pool. This was last done in 2004. It involves emptying the pool and refinishing the cement as required by the county.

We had been carrying this as 20-year life, \$20,000 replacement cost with 9 years remaining as of 1/2018. That means it had accumulated reserves of $\$20,000 / 20 \text{ years} * (20-9+1) = \$12,000$ by 12/2018. Starting with 2019 reserves we changed this to 18-year life with 6 years remaining effective January 1, 2019. This meant the accrual that had been \$1000 per year now needs to be $\$20,000 / 18 \text{ years} = \$1,111$ per year. The additional \$111 per year for the prior 12 years is spread over the 6 years remaining life = \$222 added each year to the \$1,111 for a total new accrual of \$1333 starting in 2019 to cover extra amount in the 12 years where we only accrued \$1000 per year.

2-Geothermal Heater. This heats the water in the pool. Estimated life 18 years, replacement cost \$13,000, remaining life January 1, 2018 was 9 years with \$6500 accrued thru Dec 2018, accruing \$722/year.

3-Water Heater. There are 2 units @ \$600 each replacement cost. We had been carrying only 1 unit @ \$600 with 15-year life, remaining life 2 years so we had \$520 accrued toward the \$600 for 1 unit. Now need to change to \$1200 replacement cost so need an additional \$520 accrued thru 2018 / 2 years remaining life = \$260 additional accrual for 2 years. Normal accrual $\$1200/15=\$80/\text{year}$. Total accrual for 2019 and 2020 is $\$260+\$80=\$340$ changing to \$80 in 2021 when we start over accruing for \$1200 over 15 years.

4-Pool pump/motor. There are 2 units @ \$2500 each replacement cost with estimated life of 5 years. We had been carrying this as 1 pool pump/motor est life 5 years at \$1000 replacement cost with remaining life of 2 years as of January 1, 2018 so accrual for 1 motor is \$600 thru Dec 31, 2018. We changed remaining life to 3 years and need the accrual to be an additional \$467/year for 2019-2021. ($\$5000 \text{ replacement cost} - 600 \text{ accrued} = 4400/3 \text{ years remaining life} = 1467/\text{year for 3 years}$. Then it reverts to \$1000/year as normal accrual for 5 years.)

5-Cabinets. These were replaced in 2017 for \$5174. Use that as replacement cost over 10 years, 9 years remaining = \$517 accrued in 2018 and same in 2019.

6-Paver deck/sidewalk. This was replaced in 2017 for \$15,215. Use that as replacement cost over 20 years, 19 years remaining. \$761 accrued in 2018 and same in 2019.

7-Doors (4). These are the doors to the pool mechanical closet, and the men and women's restrooms. \$1000 total over 20-year life, 13 years remaining as of January 1, 2018. Accrual to date is $\$1000 / 20\text{-year life} * (20 \text{ years} - 13 \text{ remaining} = 7\text{yrs used up as of January 1, 2018} + 1 \text{ year to cover to Dec 2018}) = \400 accrued thru 12/31/2018.

8-Fixtures (electric/plumbing). These are the sinks, toilets etc in the bathrooms, the sink in the cabana, the fans and lights in the cabana. \$1000 replacement cost over 10-year life, estimated 3 years remaining beginning January 2018 = $\$1000/10 \text{ yr} * (10-3) = \700 accrued thru 12/31/2018.

9-Pool Furniture. Started 2018 with \$8000 estimated replacement cost, 10-year life, 4 years remaining. This makes an accrual of $8000/10 * (10 \text{ yrs} - 4 \text{ yrs} + 1 \text{ year}) = \5600 accrued thru 12/31/2018. In the October board meeting, the board approved spending \$2953 for 10 chaises and 5 side tables ($\$2690 * 1.07 \text{ tax} + \$75 \text{ delivery charge} = \2953). This left $\$5600 \text{ accrual} - \$2953 \text{ spent} = \$2647$ accrual carried into January 2019 reserves schedule. In the November meeting, the board approved 10 pool chairs @ \$88 each, with tax = \$942 (no delivery charge) paid out of the furniture *expense* budget. Total furniture still on the "want list" is 4 large tables @ \$490 each and 32 chairs for the tables @ \$88 each. Total pool furniture is $\$8346 * 1.07 \text{ tax} + \225 for 3 delivery charges @ \$75 each = \$9155

We will buy the remaining furniture with accruals of reserves in 2019 and 2020 of \$1207 each year. ($\$9155 \text{ total furniture} - 2953 \text{ spent in 2018 from reserves} - 942 \text{ spent in 2018 from expense} - 2647 \text{ accrual left} = \2613 still needed / 2 years = \$1307/year.

10-Roof. Replaced in 2010. Replacement cost \$5000, 30-year life, 22 years remaining \$1333 accrued thru 12/31/18 ($5000/30 \text{ years}) * (30 \text{ years} - 22 \text{ years}) = \1333 accruing at \$167/year.

11-Catch up bank balance to accrual

In 2018 reserves adds \$5489/year which is \$1372/qr. Reserves bank balance as of 9/30/2018 is \$19,166. Add to that \$1372 for 4th qtr = 20,538 total reserves in bank – 1500 for front wall reserves = 19,038 – 2953 spent on pool furniture Dec 2018 = \$16,085 available in the bank Dec 31, 2018 to cover total accrued as of Dec 31, 2018 of \$23,331 + pool furniture \$2647 accrual thru 12/31/2018 after spending \$2953 = \$25,978.

$\$25,978 \text{ total accrued} - \$16,085 \text{ cash in reserves bank acct} = \9893 shortage.

NOTE: This shortage likely occurred because the Board overspent on pool pavers and cabinets in 2017.

The pool paver deck and sidewalk were replaced at a cost of \$15,215 but were carried in the 2016 reserves schedule with a replacement cost of \$6500, 10-year life and 5 years remaining, accrued balance of \$3673 + \$565 so overspent by \$10,977. The project was approved in 2017 based on the bank balance since the board did not have any asset detail (last distributed in Nov 2015 for 2016 budget).

Likewise, the cabinets were replaced at a cost of \$5174 but were carried in the 2016 reserves schedule with a replacement cost of \$3500, 10 years life with 6 years remaining, accrued balance of \$2408 + \$182 = \$2590 so this was overspent by \$2584.

Submitted by,

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