

Calmes Neck Property Owners Association, Inc.
Reserve Study
Proposed for Adoption – May 20, 2023

Summary of Major Points

1. The Reserve Study¹ (Study) of the Calmes Neck Property Owners Association, Inc. (CNPOA) is prepared pursuant to Bylaw VI(8).²
2. The CNPOA is a community association pursuant to Section 814.1 of the Virginia Nonstock Corporation Act (Nonstock Act) and comprises 62 Ownership Units³ who paid an Annual Assessment of \$1,107.23 in 2023, and an Annual Operating Budget of \$68,658.26.⁴
3. The starting balance of the Reserve Fund on January 1, 2023 was \$82,210.79.
4. Despite significant increases in estimated replacement costs since the 2014 Reserve Study, due to Annual Operating Budget constraints, the Board recommends that annual Reserve Fund contributions remain at the current level of \$6,000, with increases to a fully funding level of \$10,726.56, through Annual Operating Budget increases, budget carryover, or certificates of deposit.
5. The Study estimates the total replacement cost of Depreciable Assets at \$266,758.35. These estimates are based on new assets. This is not to say the CNPOA would buy only new assets, or would not consider used assets, but rather to establish an upper limit of cost, because the availability, remaining useful life, condition, and cost of used assets are unpredictable.
6. The Study includes an Emergency Fund of \$30,000. See Appendix C for more detail. The increase in the Emergency Fund from \$10,000 to \$30,000 requires that the funds allocable to Depreciable Assets be re-allocated. The re-allocation of Depreciable Assets reflects current information on estimated useful life, remaining useful life, and replacement cost.
7. The Study is based on a funding period of 20 years.
8. The funding obligations are based on an evaluation of each Depreciable Asset's acquisition cost, and on estimates of useful life, remaining useful life, and replacement cost.
9. Appendix A is a worksheet listing the Depreciable Assets with estimates of useful life, remaining useful life, and replacement cost.
10. The Depreciable Assets fall into four (4) major categories: (a) Roads, (b) Security Gate (referred to herein as Gate), (c) Pool, and (d) Recreation Area.
11. Estimates of useful life, remaining useful life, and replacement cost are based on (a) inventory of Depreciable Assets, including model, serial numbers, and condition; (b) review of operator manuals, warranty information, or other published data; (c) review of contractor, supplier, and/or vendor quotes, price lists, and other information; (d) discussion or site visits with contractors, suppliers, and/or vendors; (e) review of CNPOA historical records available on the CNPOA website, including Meeting minutes and attachments and financial records; (f) bank statements, invoices, QuickBooks account information, and records from prior secretaries and treasurers; (g) analysis by the Board of the condition and maintenance level of the respective Depreciable Assets; and (h) the judgment and experience of the Board.
12. The rationale for, and history of, the Reserve Study is found in Appendix C.

¹ Capitalized terms are defined in Appendix C.

² Bylaw VI(8) reads as follows:

CNPOA Bylaw VI, Section 8. The Board of Directors shall prepare a Reserve Fund Budget for the Association at least every five years and present it to the members for review and approval. The proposed Reserve Fund Budget shall include a projection of the replacement costs for all equipment and other capital assets owned by the Association and a savings and investment strategy that will ensure Reserve Fund monies will be available as needed. The Reserve Fund Budget shall be reviewed annually in the process of preparing the Annual Operating Budget. Reserve Funds that have been approved by the members as being designated for emergencies may be accessed by a majority vote of the Board of Directors with the immediate notification to the Members. Reserve Funds designated for equipment and capital components may be accessed by the Board only after approval of the members; provided, however, that the Board may replace equipment and capital components which need frequent repair, replacement or restoration from the Annual Operating Budget.

³ There are 62 Owners, including the owner of the MacDougall Tract, who is a non-Calmes Neck owner.

⁴ The Annual Operating Budget includes 62 full Annual Assessments and two (2) \$5 assessments.

Summary

The Study is an evaluation of the Depreciable Assets and provides projections for 20-year funding requirements for replacement, and if necessary, repair of the Depreciable Assets, including Roads, Gate, Pool, and Recreation Area. The Study also includes an Emergency Fund. Excluded from the Study are those assets provided for in the Annual Operating Budget and those that are not CNPOA property, such as the sections of Calmes Neck Lane not owned by the CNPOA.

The Study and Summary were prepared by Mark Taylor and the CNPOA President, Karen Taylor, who worked under authority of the Board. The 2014 Study was prepared by the Board in 2013 and approved by the Members on May 3, 2014.

The Study provides a basis for the Board to make decisions about Annual Operating Budgets and future funding.

The Study is not a spending plan. The Board will assess the condition of the Depreciable Assets each year and make spending decisions based on then-current information and circumstances.

The funding needs were calculated by estimating the replacement cost and timing for replacement of Depreciable Assets over the next 20 years. The Study does not account for the effects of inflation.

The current level of annual funding required to establish a Fully Funding Reserve Fund would be \$10,726.56. This level of funding is not currently practicable given the prior practice of funding at a Threshold Funding level, the possible need for Reserve Funds during the Study period, and the current level of inflation.

Accordingly, the Study proposes continuation of a Threshold Funding level. Annual funding will continue at \$6,000, with the Board evaluating increases to a fully funding level of \$10,726.56, through Annual Operating Budget increases, budget carryover, or certificates of deposit. The goal would be to move the Reserve Fund from a Threshold Funding toward a Fully Funding level.

The Board has reviewed and evaluated the Study. After discussion, the Board approved the Study at its Board Meeting on April 16, 2023 and recommends its approval by the Members at its Spring Meeting on May 20, 2023.

Reserve Study Table

	A	B	C	D	E	F	G	H	I	J
	Depreciable Asset Category Totals & Emergency Fund Total	Estimated Retail Or Replacement Cost	Approved Reserve Allocation As Of	Proposed Reserve Allocation As Of	Reserves Required (5 Years)	Reserves Required (10 Years)	Reserves Required (15 Years)	Reserves Required (20 Years)	Annual Allocation At \$6,000 Contribution	Annual Allocation At 20-Year Funding Contribution
1			5/3/2014	5/20/2023						
2	ROADS - KUBOTA TRACTOR									
3	ROADS - KUBOTA TRACTOR SUBTOTAL	55,778.87		10,795.48	16,967.77	24,962.69	34,364.44	47,557.58	1,191.61	2,128.32
4	ROADS - OTHER EQUIPMENT									
5	ROADS - OTHER EQUIPMENT SUBTOTAL	35,565.21		6,237.32	9,467.03	12,696.73	15,926.43	19,156.14	645.94	1,155.05
6	ROADS - CULVERTS & SIGNS									
7	ROADS CULVERTS & SIGNS SUBTOTAL	4,500.00	-	1,036.89	1,430.20	1,823.52	2,216.83	2,610.15	78.66	140.66
8	ROADS TOTAL	95,844.08	10,538.00	18,069.69	27,864.99	39,482.94	52,507.71	69,323.87	1,916.21	3,424.04
9	GATE									
10	GATE SUBTOTAL	15,775.00	-	360.73	1,144.28	1,927.83	2,711.38	3,292.98	156.71	280.23
11	GATE - OTHER EQUIPMENT									
12	GATE - OTHER EQUIPMENT SUBTOTAL	37,370.67		7,789.80	13,637.25	18,044.47	22,387.08	25,877.63	1,212.34	2,167.87
13	GATE TOTAL	53,145.67	10,065.00	8,150.53	14,781.53	19,972.30	25,098.46	29,170.61	3,285.26	2,448.09
14	POOL									
15	POOL SUBTOTAL	75,914.60	-	17,973.14	26,424.34	34,875.54	43,326.74	50,205.16	1,690.24	3,022.45
16	POOL - SHED & OTHER EQUIPMENT									
17	POOL - SHED & OTHER EQUIPMENT SUBTOTAL	32,450.00	-	6,946.01	10,941.00	14,553.58	16,823.94	17,968.99	799.00	1,428.75
18	POOL - MAINTENANCE EQUIPMENT									
19	POOL - MAINTENANCE EQUIPMENT SUBTOTAL	7,719.00	-	926.90	1,926.60	2,926.30	3,925.99	4,886.41	199.94	357.53
20	POOL TOTAL	116,083.60	6,259.00	\$ 25,846.05	39,291.94	52,355.41	64,076.67	73,060.56	2,689.18	4,808.72
21	RECREATION AREA EQUIPMENT									
22	RECREATION AREA EQUIPMENT SUBTOTAL	1,685.00	-	144.52	272.33	400.13	527.94	655.75	25.56	45.71
23	RECREATION AREA EQUIPMENT TOTAL	1,685.00	-	144.52	272.33	400.13	527.94	655.75	25.56	45.71
24	DEPRECIABLE ASSETS TOTAL	266,758.35	26,862.00	52,210.79	82,210.79	112,210.79	142,210.79	172,210.79	6,000.00	10,726.56
25	EMERGENCY FUND TOTAL	30,000.00	10,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	-	-
26	TOTALS	296,758.35	36,862.00	82,210.79	112,210.79	142,210.79	172,210.79	202,210.79	6,000.00	10,726.56