

Heather Lake Estates HOA Reserve Policy

Reserve Study – Funding requirements for the HLE HOA reserve fund are established by a professionally conducted independent reserve study. An updated reserve study should be conducted every 5 to 7 years. The reserve study will establish what funding is required to maintain HOA assets in future years, but the decision on how much is contributed to the reserve fund will be established annually by the HLE HOA Board.

Use of Funds –The reserve funds can only be used to maintain/improve/replace an existing asset of the HOA. Adding a new asset must be funded via a Special Assessment for Capital Improvements as defined in in the Association Covenants, Conditions & Restrictions (CCRs).

Reporting on Use of Reserve Funds – The Reserve fund will be accounted for as a separate financial statement from the annual Association financials. The reserve fund will be noted as an asset on the Association’s balance sheet. The regular financial reporting prepared by the HOA Treasurer will include the accounting for the reserve fund. The status of the reserve fund will be reported out to the HLE HOA membership in the semi-annual financial reports that are posted to the HOA web site. Any use of reserve funds will be communicated out to HOA membership in advance of the expenditure.

Investment of Reserve Funds - The reserve funds will be invested in conservative financial instruments. The HLE HOA Board has a fiduciary responsibility to protect the Association reserve funds. Therefore, safety is the primary objective, then liquidity and finally yield.

HOA Member Reserve Contributions – Funding for the reserve fund will be in addition to the annual assessment [which is used for operations, enforcement, routine maintenance, repairs of existing assets]. The Board will set the annual contribution to the reserve fund when establishing the annual HOA budget. The amount to be assessed to each HOA member for the reserve fund will be communicated along with the annual membership dues.

Limits on Reserve Fund Annual Membership Assessments – HLE HOA Board establishes the annual contributions to the reserve fund taking into account the HOA reserve study. The maximum annual contribution to the reserve fund shall not exceed 50% of the annual dues.

Funding Shortfalls – If an asset needs to be repaired or replaced and sufficient funds do not exist in the HLE HOA reserve fund, the Board will need to build in the additional necessary funding into the annual HOA budget or pursue a special assessment per the CCR’s.

Future HLE HOA Boards have the authority to develop or change HOA policies, however it is highly recommended that future Boards will continue this Reserve Policy. In instances where a future Board wants to propose an annual reserve funding that deviates from this policy, then it is recommended that the Reserve Policy change be put in front of the HOA membership and achieve a 51% voting approval.