

Crosspointe Swim and Racquet (CSR), Inc.
Operation Budget FY2023

Appendix A: Replacement Reserve Disclosure

Purpose: The Virginia Property Owners’ Association Act requires community associations to provide the below information on replacement reserves for capital components (“replacement reserve items”) as part of the annual budget. The Act requires replacement reserve studies are to be conducted once every five years.

2021 Audit Report (Information as of April 2021):

The following information was provided by the Association’s Independent Auditor as part of the FY2021 Audit Report. This Audit information excerpt explains the funding methodology for replacement reserves, as well as the current estimated replacement cost and estimated remaining useful life of the Crosspointe Association’s capital components for the period from 2017 to 2022.

“Repair and Replacement Fund:- The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are identified in a separate fund and generally are not available for expenditures for normal operations.”

At the time of the 2021 Audit the Crosspointe Board of Trustees had last conducted a Replacement Reserve study in 2017, to estimate the remaining useful life and the replacement costs of the components of common property. The 2017 estimates were obtained from a firm that specializes in the preparation of replacement reserve studies and an inspection of the property was conducted. The table below, and the subsequent 2021 Audit explanation extract, were included in the unaudited supplementary information on future major repairs and replacements. The source of that supplementary information was provided in the 2017 Replacement Reserve study from August 2017.

Table extract of information from the 2017 Replacement Reserve Study as displayed in the Crosspointe 2021 Audit.

Common Property Components	2017 Estimated Useful Lives (Years)	2017 Estimated Replacement Cost
Recreation	1-38	\$1,882,490
Pavements/Concrete	1-8	156,000
Other Property Features	1-24	346,960
Replacement Reserve Study	3	4,000
Total		\$2,389,450

“The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of replacement costs and considering amounts previously accumulated in the repair and replacement fund. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the repair and replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.” The study covers a period of two replacement cycles, or 30 years. Some components are not replaced 100% during a cycle. Please refer to the 2017 replacement reserve study for more complete information.”

Crosspointe Reserve Study Update 2022:

The Crosspoint Board of Trustees recently commissioned an update to the 2017 Reserve Study. The draft 2022 study, which covers the period from 2023 to 2027, was provided to the Board of Trustees in November 2022. The recommended beginning Replacement Reserve Fund Balance for fiscal year 2023, based on the 2022 replacement reserve study update, is **\$1,208,260**. The study recommends a 2023 replacement reserve contribution amount of **\$197,560**. The 2022 draft study also estimates that in 2023, up to **\$410,240** “may” be spent on Replacement Reserve items.

As of August 31, 2022, accrued replacement reserves total \$1,288,344.82 and are fully supported by cash and investments. It is projected that as of January 1, 2023, the amount of accumulated replacement reserves set aside to repair, replace, or restore capital components, will be consistent with both the recommended beginning and ending Replacement Reserve Fund Balances for 2023, as reflected in the 2022 replacement reserve study draft update.

It is anticipated the Board of Trustees will approve the Replacement Reserve 2022 Study update as final in December 2022. The table on the previous page, cited from the 2021 Crosspointe Audit will be updated next Spring as part of the annual Crosspointe Audit. Said Audit to be conducted in 2023 will focus on the prior year 2022 budget’s actual results, and will also incorporate replacement reserve assumptions included in the 2022 Replacement Reserve Study, for the time period covering 2023 to 2027.

Crosspointe 2023 Budget:

The 2023 Crosspointe budget approved includes a 2023 replacement reserve contribution amount of **\$197,560**. This amount is consistent with the 2022 Reserve study update’s contribution recommendation. The approved 2023 budget anticipates that we will spend **\$342,475** from Replacement Reserves, excluding related interest income and expenses.