

Sunrise Bay Property Owners Association, Inc.

Reserve Study and Reserve Account

February 2009

Introduction

Significant changes occurred in the Property Owners' Association Act which became effective July 1, 2007. One of the changes significantly impact upon Associations; a requirement for Property Owners Association's to ensure funds are budgeted to maintain Capital Components, such as, docks, private roads, playground equipment, fences, etc.

The Virginia State law, Property Owners' Association Act, Section 55-514.1 "Reserves for Capital Components" states that all Property Owners' Association's in Virginia must perform a reserve study that identifies those assets that the association has the obligation for repair, restoration, or replacement.

The Sunrise Bay Board of Directors completed this study which identifies the useful life of identified assets, pro-rates on an annual basis the repair, restoration, or replacement of those assets, and identifies funding required to establish the Reserve Account.

In the past our Association has paid for these Capital Components (road paving) through our Annual Operating budget, using reserves built up over the last couple of years. This approach is no longer lawful. Associations' now must conduct a Reserve Study at least once every five years and make adjustments as necessary to maintain reserves.

Sunrise Bay Association, Inc. Assets

Sunrise Bay has two common areas which includes the following assets:

Common Area "A": paved road to boat dock, paved walkway, boat launch ramp with small dock, two boat docks, and playground area.

Common Area "D": boat dock.

Sunrise Bay also has responsibility for two Sunrise Bay signs placed at the entrances on Rt. 719.

Sunrise Bay Capital Components and Replacement Costs

The table below identifies each asset, an estimate of its useful life, an estimate of replacement cost, and an annual amount for the reserve account.

Owners Association Reserve Study

Item	Useful Life (Years)	Replacement Cost (In today's \$)	Annual Reserve	Date Put in Service	Reserve Required 2009
Area "A"					
Paved Road to Boat Dock	50	\$ 17,000.00	\$ 340.00	2008	\$ 680.00
Paved Walkway	50	\$ 3,800.00	\$ 76.00	2008	\$ 152.00
Boat Launch/ Small Dock	30	\$ 400.00	\$ 24.00	2006	\$ 96.00
Docks	30	\$ 13,760.00	\$ 459.00	2006	\$ 1,836.00
Playground Area	5	\$ 2,000.00	\$ 400.00	2006	\$ 1,600.00
Area "D"					
Dock	30	\$ 4,820.00	\$ 161.00	2006	\$ 644.00
Other Areas					
Entrance Signs (2)	10	\$ 1,000.00	\$ 100.00	2006	\$ 400.00
Total		\$ 42,780.00	\$ 1,560.00		\$ 5,408.00

These figures indicate that Sunrise Bay POA should have a Reserve Account with a balance of \$5,408.00 at the end of 2009. Also, an annual contribution of \$1560.00 should be made to fully fund the account.

Funding the Reserve Account

To fully fund the account and be in compliance with Section 55-514.1 of the Code of Virginia, the Reserve Account should be established and funded with \$5,408.00 in 2009. Our Association has sufficient funds to establish the Reserve Account.

Updates to Reserve Study

The Virginia State law, Property Owners' Association Act, Section 55-514.1 "Reserves for Capital Components" requires that a Reserve Study be conducted every five years and that study be reviewed annually to determine if reserves are sufficient.

Items excluded in the Reserve Study

This study assumes the following will be funded through the Association's annual operating budget.

- (1) Minimal required shoreline maintenance.
- (2) Parking area in Common Area "A" will be covered with loose stone as required.
- (3) Road into Common Area "D" will be covered with loose stone as required.