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WESTCHESTER COMMONS TOWNHOME ASSOCIATION, INC.

INDEX TO THE REPLACEMENT FUND STUDY
May, 2009

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WESTCHESTER COMMONS TOWNHOME ASSOCIATION, INC.

INTRODUCTION TO THE REPLACEMENT FUND STUDY

This is a study evaluating the adequacy of the Association's replacement funds, and the annual contribution thereto. It is not an engineering study and no professional engineers have been consulted in its preparation. It is primarily a financial analysis and should be considered as such. There are many reasons why replacement fund studies are customarily performed for community associations. The most important of these are as follows:

1. They provide detailed information on the current condition of the property, and alert the Board of Directors to the presence of any maintenance conditions which, absent immediate attention, can cause major problems.
2. They define, within a reasonable range, the amounts which constitutes an "adequate" current replacement fund balance, and an "adequate" annual replacement fund contribution, for the Association. By reference to the Association's current financial statements, which quantify the amount of actual replacement funds, the Board of Directors can now know whether Association replacement funds are adequate. If Association replacement funds are not now adequate, the amount of deficiency therein, and the appropriate annual replacement fund contribution to prevent further accumulation of deficiencies, are now known quantities and can be addressed by the Board in its budgetary process.

Once an Association has decided to conduct a replacement fund study, there are several alternative methods of proceeding. The study may be conducted by the Association's Board of Directors, its managing agent, outside professional organizations, or some combination thereof. The data to be used in the projections may be developed internally by the Association, solicited from association vendors, developed by outside professional estimators or engineers, or some combination thereof. This replacement fund study was conducted in the following manner:

1. By discussion with the Association Manager and a Board member a list of "reservable items" (i.e. items for which the Association is going to set aside replacement funds) was developed.
2. An individual with over 30 years experience in financial analysis for community associations, examined the property and the identified replacement fund items. By discussion with current Association vendors, the managing agent, and/or personal examination, he determined quantities, estimated current replacement costs, expected useful life after replacement, and expected remaining life for each identified item.
3. John Houseal, CPA, P.C., the Association's certified public accountants, took the information developed in step #2, prepared brief narrative explanations of our findings, created financial projections of current replacement fund adequacy, and future replacement fund flows, and prepared this report. An electronic copy of an EXCEL template accompanies this report to permit future correction of the information developed in this Study and to provide for the capability of continuing financial analysis of the Association's replacement fund adequacy and funds flow.

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WESTCHESTER COMMONS TOWNHOME ASSOCIATION, INC.

REPORT OF CONDITIONS

This Association appears well cared for and properly maintained. It is an upscale association in an area of similar associations and should be maintained to a high standard to maximize its intrinsic value.

ENTRANCE

There is one entrance into the property. It has concrete block entrance monuments faced with brick, fiberglass faux concrete caps, steel picket decorative fencing, and standard signage. Major repair and/or replacement of entrance walls and signage should be budgeted in seven years at a cost of \$3,000, and every ten years thereafter.

GAZEBO

There is a wooden gazebo on the common area built on a concrete slab. It has a standard asphalt shingle roof and interior benches and a fan. The wooden surfaces require minor repair, pressure washing and sealing within the next year at a cost of \$500, and every five years thereafter. Benches and fans should be budgeted for replacement in five years at a cost of \$1,000, and every ten years thereafter. The gazebo roof will require replacement in five years at a cost of \$1,000, and every fifteen years thereafter. When replacement is necessary we recommend that the Association install a more upscale dimensional shingle to enhance the appearance of this amenity.

DETENTION POND

The Association is responsible for the maintenance of one detention pond at the rear of the property. The pond has poured concrete walls and a standard drainage system. It is enclosed by coated chain link fencing and is quite overgrown with vegetation. Excessive vegetation within such ponds is not good because it inhibits easy examination of the pond and its drainage system and can affect its operation.

The maintenance typically required on such ponds includes periodic cleaning and vegetation removal within the pond, replacement of rip rap as required for the control of erosion and repairs to the fencing and drainage system. We believe a reasonable estimate for the cost of such items is \$5,000 to be incurred within the next year, and every five years thereafter.

RETAINING WALLS AND FENCING

There exist on the property three types of retaining walls topped with safety fencing.

In the interior of the property is a poured concrete wall faced with brick and topped with steel fencing. This wall currently appears to be in good condition following \$900 of repair work performed recently, but it should be carefully examined annually. There is substantial vegetation adjacent to this wall which may, in the future, affect the stability of the wall. At present, this vegetation is certainly a contributing factor in the extensive rust present on the steel fence. We recommend that the vegetation, to the extent possible, be cut back from the fence line and the fence properly prepared and painted. We estimate a cost for this work of \$4,000 and it will need to be repeated every five years.

WESTCHESTER COMMONS TOWNHOME ASSOCIATION, INC.

REPORT OF CONDITIONS

RETAINING WALLS AND FENCING (Continued)

Parallel to the East-West Connector and also toward the rear of the property are two different types of engineered retaining walls, much of which is topped with aluminum safety fencing. These walls are designed to last the life of the property and no funds need be provided for their repair or replacement, although the walls should be examined at least yearly to identify any developing problems in the wall systems on a timely basis. The aluminum safety fencing running along the top of these walls should never require complete replacement. Periodic replacement of damaged areas should be funded out of the operating budget of the Association.

The Association is responsible for the maintenance of thirty-four wood privacy fences surrounding the poured concrete patios and also the wood privacy fencing and wooden decking attached to six units. If and as necessary, the Association would also be responsible for the replacement of all wooden fencing, but the Association is specifically not responsible for the replacement, or structural integrity, of the wooden decking. The Association should provide for wood repair, pressure washing, and staining/sealing of all fencing and decks in three years at a cost of \$16,000, and every seven years thereafter.

MISCELLANEOUS

There are several places within the common area where rip rap has been installed by the Association to control erosion around drainage systems and retaining walls. In all such places the rip rap appears properly installed, adequate, and in good condition. Such erosion control measures should be funded out of the operating budget of the Association and no monies for rip rap installation or maintenance are included in this analysis.

The most important single step your Association can take to reduce its long-run costs for major repairs and replacements is to do annual preventative maintenance work in two areas: retaining walls and fencing. All Association retaining walls should be examined at least yearly for any obvious structural or drainage problems but should be expected to last the life of the property under normal conditions. All fence lines should be walked at least once a year, in the fall, to make minor repairs and to remove any vegetation on the fences or close to the fence lines. This work, done carefully, should take only a few hours and if the Association pays a reasonable hourly rate, plus material costs, it will save ten times the cost of this annual preventative maintenance in extended life, reduced maintenance, and improved appearance of these items.

WESTCHESTER COMMONS TOWNHOME ASSOCIATION, INC.					
NEEDED REPLACEMENT FUND PROVISION AND BALANCE					
2009					
ITEMS	LIFE	YEARS LEFT	EST. COST	ANNUAL AMOUNT	REQ. FUNDS
ENTRANCE	10	7	3,000.00	300.00	900.00
GAZEBO SEAL	5	0	500.00	100.00	500.00
GAZEBO REHAB	10	5	1,000.00	100.00	500.00
GAZEBO ROOF	15	5	1,000.00	66.67	666.67
DETENTION POND	5	0	5,000.00	1,000.00	5,000.00
STEEL FENCE PAINT	5	0	4,000.00	800.00	4,000.00
PATIO FENCES	7	3	16,000.00	2,285.71	9,142.86
RESERVED FOR FUTURE USE	1	0	-	-	-
RESERVED FOR FUTURE USE	1	0	-	-	-
TOTALS			30,500.00	4,652.38	20,709.52

WESTCHESTER COMMONS TOWNHOME ASSOCIATION, INC.

CONCLUSIONS

1. In May, 2009, we estimate that an "adequate" current replacement balance for the Association should be \$20,710. The actual replacement fund balance at April 30, 2009, was \$24,567, or \$3,857 more than required.
2. For 2009, we estimate that an "adequate" current year replacement fund contribution for the Association should be \$4,652. The actual replacement fund contribution expected from 2009 operations of the Association is \$5,000, or \$348 more than required.
3. Both the current replacement fund balance of the Association and the current contribution to the replacement fund is more than required for the Association based on our analysis. The fifteen-year replacement fund cash flow projection on page 5 indicates that if annual replacement fund contributions are increased by 2% less than the rate of inflation in the economy, the Association can expect positive replacement fund balances during the entire period of our analysis and will be able to fully meet its financial obligations during the foreseeable future.

We recommend that this Study be repeated in five to seven years.