

Condo Treasurers' Workshop



May 6, 2025

Your Guide

Howard Silverstone

- COOCVE Treasurer – 2024/5
- COOCVE Controller – 2022/3
- CIAC Committee Member
- Oakridge F Assoc. Treasurer – for 4 years
- Oakridge F Assoc. Secretary – for 3 years



An earlier COOCVE Treasurer's Workshop (Oct. 9, 2024) focused on:

- 1. The role of the Association Treasurer***
- 2. Basic condo accounting concepts.***

<https://www.coocve.com/p/Workshop-Videos>

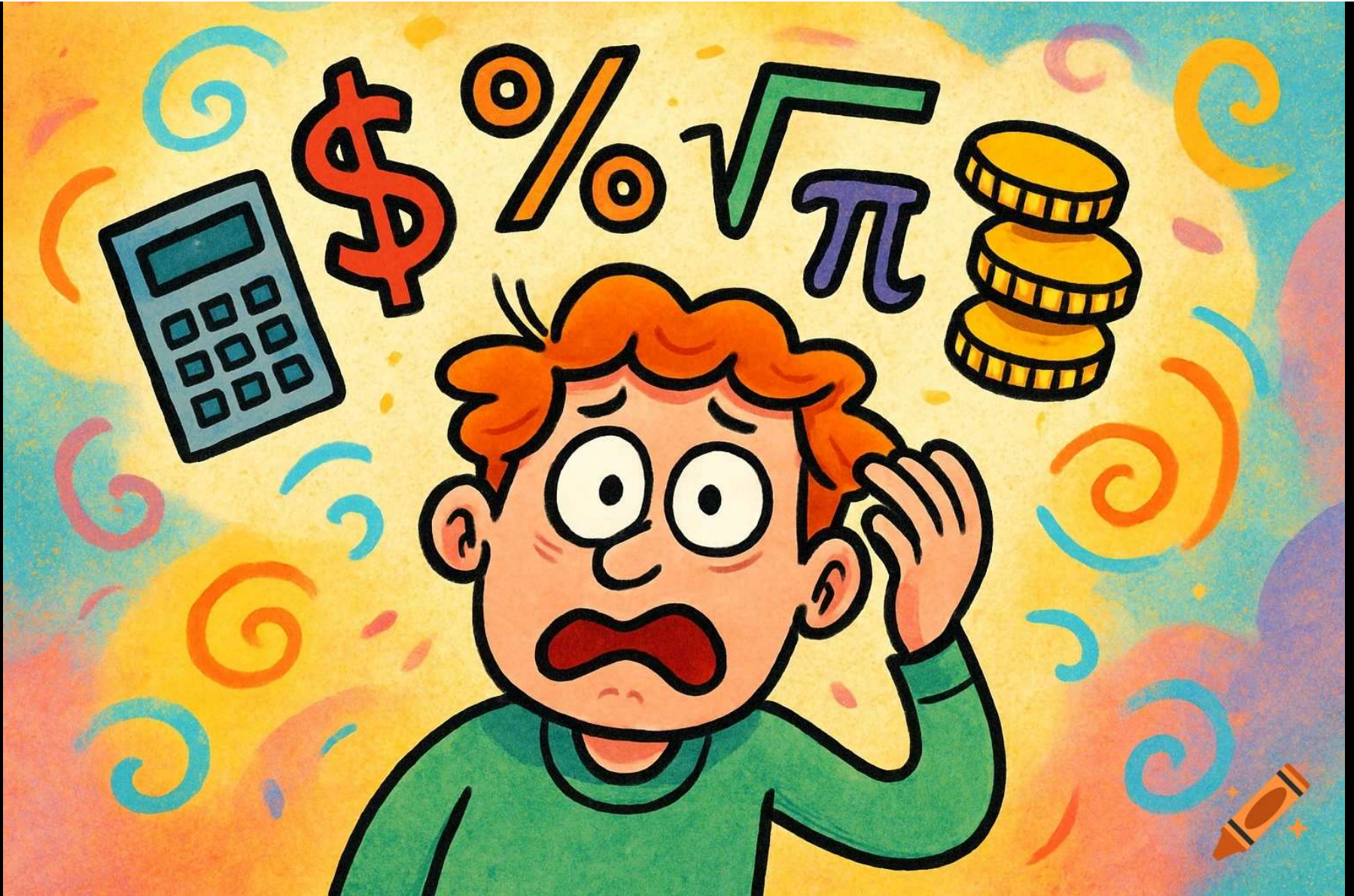
(Navigate to [coocve.com](https://www.coocve.com) > Reference Library > Workshop Videos)

Objectives of Today's Workshop

- 1. Securing & protecting the Association's financial assets..*
- 2. Effective planning and budgeting of the Association's Reserve Funds.*
- 3. Learn from each other*

Topics to be Covered

1. Setting up secure banking relationships (typically with the Management Co.)
2. Effective review and control of cash inflows
 - i. Monthly fees / Spec. Assessments / Late Fees / Fines
 - ii. Laundry Income
3. Controls and Authorization of expenditures.
4. Review and discussion of Reserve Funds
 - i. Florida Statute requirements
 - ii. SIRS & Milestone Studies
 - iii. Fully Funded Reserves – an explanation
 - iv. Planning and funding of reserves



Treasurer – Responsibilities

The entire board is responsible for the financial health of your Association.

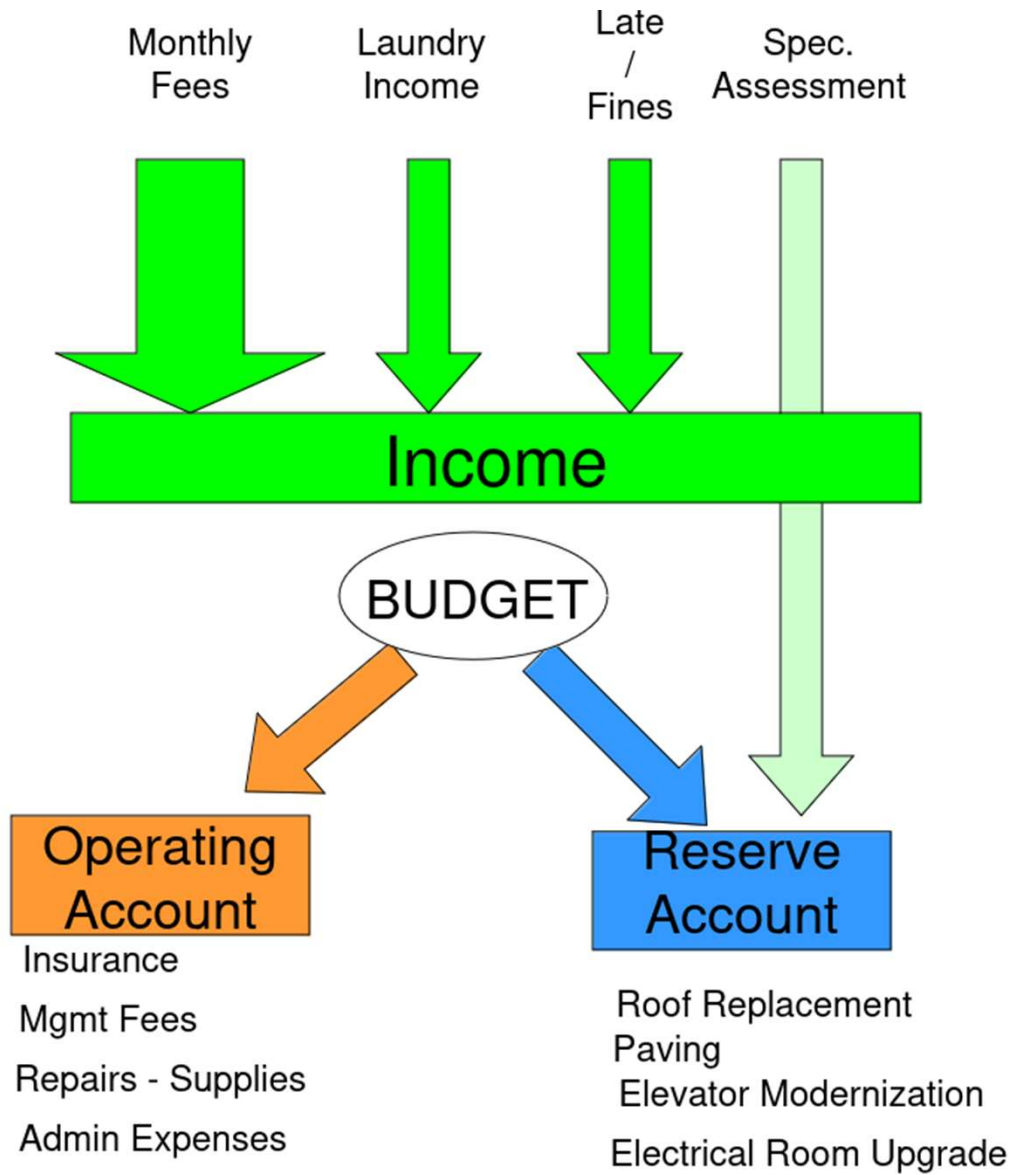
Treasurer is an Officer with Fiduciary responsibility to act in the best interest of the membership. The details are spelled out in FL Statute 718.111

The Treasurer has specific duties to protect the Association's assets.

Treasurer – Responsibilities

1. Financial oversight – management of association funds.
2. Maintaining financial records – according to good accounting practices
3. Preparing financial reports and statements incl. Tax filing and Compilations / Review / Audit
4. Participating in budget preparation
5. Ensuring proper collection of assessments
6. Working with other board members on financial decisions
7. Effective banking relationships
8. Effective and secure payables processes

The Basic Condo Financial Model





Part 1:

Securing Financial Assets



Secure Banking Relationships

1. Generally, your management company will select the bank(s), and will have custodial control of the Operating and Reserves accounts.
2. Some guidelines:
 - **Separate** bank accounts for Operating Funds and Reserves. Accounts setup in the name of the Association.
 - **Insist** that board members / officers are setup as signing officers on each bank account.
 - **Never** agree to have your Association's funds co-mingled with your management company's bank account, nor with any other condo Association's funds.
 - **FDIC** insurance limits - \$250,000 per depositor per institution. Have new accounts opened as you approach the FDIC threshold.
 - Watch interest rates and seek opportunities to increase yields. Check timing of cash requirements before locking into CDs.
 - Insist that your Management Company's monthly financial report package includes copies of bank statements, and that the balance sheet and the bank statements reconcile.

Effective Control of Cash Inflows

(Monthly Fees / Spec. Assessments / Late Fees / Fines / Laundry Income)

1. All inflows are made payable to the Association. Typically, the Management Co. will have an auto debit process so that monthly fees go directly into the association's bank account. Also, the bank will provide a lock box mailing address for payments sent by owners' banks' online bill-pay or via postal mail.
2. Every month end, review Actual vs. Expected (budgeted) deposits. Variances must be reconciled.
3. Laundry coin collection done according to board approved procedures. Typically, 2 people collecting coins, and jointly depositing them at the bank. Bank's deposit slip is forwarded to management co. for recording.

Effective Control of Cash Inflows

(Monthly Fees / Spec. Assessments / Late Fees / Fines / Laundry Income)

4. Re: Late Fees & Fines

- Per your docs, have written rules that define when monthly fees are due, and when they are considered late.
- Have an agreed procedure with the Management Co. re when “*Notice of Late Assessment*” letter will be mailed, and what conditions will lead to recording of lien and initiating foreclosure.
- Apply consistently & uniformly to all delinquent owners to avoid claims of selective enforcement.

Reconciled???



CVE SAMPLE ASSOCIATION

Sample Balance Sheet

As at 12/31/24

Assets:

Cash - Operating Acct.	\$ 48,000	a
Cash - Reserve Acct.	\$ 50,000	
Cert. Deposit - Reserve Acct	<u>\$ 174,000</u>	
Total Cash & Equivalent	\$ 272,000	
Accounts Receivable	\$ 10,500	b
Total Assets	<u>\$ 282,500</u>	

Liabilities and Equity:

Accounts Payable	\$ 17,500	
Replacement Reserves	<u>\$ 224,000</u>	
Total Liabilities	\$ 241,500	
Equity	\$ 41,000	
Total Liabilities and Equity	<u>\$ 282,500</u>	

CVE SAMPLE ASSOCIATION
Sample Balance Sheet
As at 12/31/24

Assets:			
Cash - Operating Acct.	\$	48,000	a
Cash - Reserve Acct.	\$	50,000	
Cert. Deposit - Reserve Acct	\$	<u>174,000</u>	
Total Cash & Equivalent	\$	272,000	
 Accounts Receivable	\$	10,500	b
 Total Assets	\$	<u>282,500</u>	
 Liabilities and Equity:			
Accounts Payable	\$	17,500	
Replacement Reserves	\$	<u>224,000</u>	
Total Liabilities	\$	241,500	
 Equity	\$	41,000	
 Total Liabilities and Equity	\$	<u>282,500</u>	

Sample Operating Cash Reconciliation For Month Ended 12/31/24		Sample Accts Receivable Reconciliation For Month Ended 12/31/24	
Cash Summary:		Receivable Summary:	
Beginning of Month	\$ 50,000	Receivable beginning of Mo	\$ 10,000
Receipts	\$ 4,500	Common Charges	\$ 5,000
Disbursements	\$ (6,500)	Collections	\$ (4,500)
End of Month	<u>\$ 48,000</u>	Receivable end of Month	<u>\$ 10,500</u>
Bank Reconciliation:		Monthly arrears report:	
Cash Balance Above	\$ 48,000	Unit #2	\$ 4,500
Add: Outstanding checks	\$ 1,000	Unit # 21	\$ 6,000
Balance per Bank	\$ 49,000	Arrears end of Month	\$ 10,500

Authorization of Expenditures

1. No petty cash, no Association debit or credit cards, no unrecorded “off-the-books” transactions.
2. All outflows from Operating and Reserve bank accounts authorized by the board. Ideally 2 signing officer’s signatures – either manually or digitally to authorize management co. to issue payment.
3. Management companies are now including electronic / online payables systems. This provides an effective and secure approval system, and a digital trail (history) connecting the vendor’s invoice to the signing officers’ approval. Verifying the expenditure vs the approved budget or to a board motion to approve the expenditure is now an easy task.



4. Payment history search / look-up is simplified. Electronic payment is a more secure option vs legacy systems that permitted telephone call authorization of expenditures – (with no paper trail).

Authorization of Expenditures (cont'd)

5. Have your vendors submit all invoices to your Management Company for processing. Treasurer / Board should occasionally verify with vendors that their invoices are being paid in an accurate & timely manner.

DISCUSSION



Part 2:

**Planning & Budgeting
Reserves**

Part 2:

Planning & Budgeting Reserves



Reserve Requirements under Florida Statute 718:

1. Mandatory Reserves:

Condominium associations **must include reserves in their annual budget** for certain major components, *unless properly waived or reduced by unit owners**.

1. Roof replacement
2. Building painting
3. Pavement resurfacing
4. Any other item with a replacement cost or deferred maintenance exceeding \$10,000

Reserve Requirements under Florida Statute 718:

2. How Reserves Are Calculated:

- Reserves must be based on **estimated remaining useful life** and the **estimated replacement cost or deferred maintenance expense** of each component.
- Contributions must be made in a way that the reserve is **fully funded** by the time the repair or replacement is expected.

Reserve Requirements under Florida Statute 718:

3. Waiver or Reduction of Reserves:

- Owners **can vote to waive or reduce*** reserve funding requirements.
- This requires a **majority vote** at a duly called meeting, with **specific disclosure** in the notice of meeting and on the proxy forms.

4. Special Structural Integrity Reserve Requirements (Post-Surfside Changes – SB-4D):

- For condominiums **3 stories or higher**, a **Structural Integrity Reserve Study (SIRS)** is required.
- As of **December 31, 2024**, associations **cannot waive reserves** for certain structural components identified in a SIRS (e.g., roofs, structure, fire safety, plumbing, electrical, etc.).
- These structural reserves must be **fully funded**, and **may not be waived**.

Reserve Requirements under Florida Statute 718:

5. Applicability:

- The new SIRS requirements apply to:
 - Buildings that are **3 or more stories tall**
 - Located **within 3 miles of the coastline** and **30 years old or more**, or **any building 25+ years old regardless of location**
 - Or, more generally, **all buildings 30+ years old** with 3+ stories

COOCVE Recommends:



**Don't WAIVE and don't REDUCE
reserve funding.**

SIRS vs. Milestone Studies

- **Milestone Inspection** checks **whether** the building is structurally sound.
- **SIRS** ensures there is sufficient **money set aside** to maintain or repair critical structural components over time.

Together, they address both the **physical safety** and **financial preparedness** of condominium buildings.

Feature	SIRS (Structural Integrity Reserve Study)	Milestone Inspection
Purpose	Ensure reserves for future structural repairs/replacements	Evaluate physical condition and structural safety
Mandated By	Florida Statute §718.112 (SB 4-D, 2022)	Florida Statute §553.899
Who Conducts It	Reserve specialist, engineer, or architect	Licensed engineer or architect
Applies To	Condominiums 3+ stories	Condominiums/co-ops 3+ stories
Trigger Timing	By December 31, 2024; every 10 years	30 years after CO (25 if coastal); then every 10 years
Scope	Roof, foundation, load-bearing walls, fire systems, etc.	All structural components and building safety
Phased Process	No	Yes – Phase 1 (visual), Phase 2 (detailed if issues found)
Reserve Funding Required	Yes – reserves for listed components cannot be waived	No – focuses on condition, not budgeting
Waiver Allowed?	No	No
Goal	Financial preparedness	Life-safety assurance

What Does "Fully Funded Reserves" Mean?

Definition:

"Fully funded reserves" means the association has saved enough money in its reserve accounts to **fully** cover the **anticipated cost of major repairs or replacements**, based on the components' **estimated remaining useful life**.

Key Points

- **Component-Based Funding:** Reserves are calculated for each major element (roof, paint, pavement, etc.).
- **Straight-Line Formula:**
(Cost of Replacement – Current Reserve Balance) ÷ Remaining Useful Life = Annual Funding Need
- **Fully Funded** = Reserve balance is on track with the expected wear and tear of each component.
- **Legal Requirement:**
Under Florida law (SB 4-D), some reserves (e.g., SIRS components) **must be fully funded and cannot be waived.**

Example

- Roof Replacement Cost: **\$100,000**
- Estimated Life: **20 years**
- Current Age: **10 years**
- Fully Funded Amount Today:** $\$100,000 \div 20 \times 10 = \$50,000$

If the reserve balance is \$50,000, the component is **fully funded**.

If it's only \$25,000, it is **50% funded**, and the association may face a future shortfall.

Reserves Funding - Pooled vs. Straight-Line Method

- Florida condominiums typically use two main reserve funding methods:
 - Straight-Line (Component) Method
 - Pooled (Cash Flow) Method
- SIRS (Structural Integrity Reserve Study) items must be funded using the straight-line method.

Straight Line vs Pooled - COMPARISON

Feature	Straight-Line	Pooled (Cash Flow)
Funding Style	Per item/component	One combined reserve pool
Flexibility	Lower	Higher
Complexity	Lower	Higher
Use of Surplus Funds	Requires member vote	Freely usable
Legal for SIRS Items	Yes (required)	No
Typical Annual Dues	Higher	Lower
Risk of Shortfall	Low	Medium

Straight-Line vs. Pooled: Key Takeaways

- SIRS components **must** be funded using straight-line reserves.
- For other components, pooled reserves offer some flexibility.
- Interested Associations should evaluate both methods **in consultation with LCAM, financial, and legal professionals.**

**CVE SAMPLE ASSOCIATION
SCHEDULE OF RESERVES for 2026**

(ASSUMPTION: Fully Funded)

COMPONENT FUNDING

ROOF REPLACEMENT / GUTTERS
PAINTING
PAVING

	ESTIMATED USEFUL LIFE	ESTIMATED REMAINING USEFUL LIFE	ESTIMATED REPLACEMENT COST	NORMAL ANNUAL CONTRIB.	FULLY FUNDED BALANCE	ASSOCIATION FUNDED BALANCE 12/31/2025	FUND DEFICIT	2026 ANNUAL RESERVE CONTRIB.
ROOF REPLACEMENT / GUTTERS	20	15	\$ 110,000	\$ 5,500	\$ 27,500	\$ 17,500	\$ 10,000	\$ 6,167
PAINTING	10	3	\$ 15,000	\$ 1,500	\$ 10,500	\$ 10,500	\$ -	\$ 1,500
PAVING	25	8	\$ 10,000	\$ 400	\$ 6,800	\$ 8,000	\$ (1,200)	\$ 250
TOTALS			\$ 135,000	\$ 7,400	\$ 44,800	\$ 36,000	\$ 8,800	\$ 7,917



Post Webinar Contact

Follow-up feedback & questions are always welcome. Please contact COOCVE at:

coocve@coocve.com

(954) 596-0775



Post Webinar - 2nd Chance Review



A recorded copy of this Zoom seminar will be available shortly on the COOCVE website at:

[*https://www.coocve.com/p/Workshop-Videos*](https://www.coocve.com/p/Workshop-Videos)

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Thank you!