

POINTE ROYALE COA
FINANCE ADVISORY COMMITTEE

RESERVE FOR CURRENT
(OPERATING) BUDGETED EXPENSE

1. The account shall be used to offset unanticipated increases in budgeted expense as approved by the board of directors which are neither unbudgeted emergency expense nor major repairs or replacements.
2. The account shall be funded by the annual operating budget as a separate line item which shall be the greater of \$75,000 or the amount required by the lending institution.
3. Any unused amount shall be allocated first to reserve for contingencies and then to reserve for major repair and replacement but not in excess of the maximum balance approved for each reserve account.
4. Disbursements require a majority of the board of directors voting in the affirmative. (simple majority)

Approved at May 17th COA Board Meeting

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FINANCE ADVISORY COMMITTEE

RESERVE FOR CONTINGENCIES

1. The account shall be used to offset unbudgeted emergency expense resulting from acts of God, legal and/or legislation issues, insurance deductibles, and uninsured losses pertaining to common property only.
2. The account balance shall be an amount equal to ten percent (10%) of the annual budgeted expense as adjusted for the current year.
3. Annual budgeted expense as adjusted shall be the current annual budgeted expense determined without the line items reflecting the current reserve budgeted amount, debt principal and interest payments and capital projects. Example follows:

Current budgeted expense	\$1,203,124
Less: current reserve	(121,000)
debt P&I payments	-0-
capital projects	(181,330)
Adjusted expense	<u>\$ 900,794</u>

4. Disbursements for designated emergencies require a minimum of four (4) members of the Board of Directors voting in the affirmative (two-thirds (2/3) majority.)

Approved at May 17th COA Board Meeting

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RESERVE FOR
MAJOR REPAIRS AND REPLACEMENTS

1. The account shall be used for major repairs and replacement of wasting assets.
2. The account balance shall be the reserve balances less the amount allocated to the reserve for contingencies. Example follows:

Reserve balances	\$442,582
Less: allocated to reserve for contingencies	<u>(90,079)</u>
Reserve balance for R&R	<u>\$352,503</u>

3. Net over and under budgeted amounts for completed capital projects shall be transferred directly to reserve.
4. Disbursements for major repair and replacement of wasting assets require a minimum of four (4) members of the Board of Directors voting in the affirmative (two-thirds (2/3) majority).

Approved at May 17th COA Board Meeting