

POLICY MANUAL
Wind Meadows Corporation, Racine, WI

Subject:	Revision Date:	January 1, 2013
	Issue Date:	June 1, 1988

RESERVE FUNDS	Page No.	Policy No.
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BACKGROUND/OBJECTIVES

To establish guidelines for the preservation and disbursement of individual Parcel Service Area and Leisure Center "Contingency Reserve" and "Capital Reserve" bank accounts.

The guidelines are intended to limit the expenditure of the Reserve monies to designated types of projects, to set appropriate approval procedures for the expenditure of monies and to insure that Reserve funds are debited or credited to the accounts owned by each Parcel Service Area and to minimize the need for special assessments.

DEFINITIONS

The Contingency Reserve account is for short-range (generally up to four years) accumulation of money to fund unforeseen emergency projects and to hold prepaid monthly assessments for the purpose of earning interest.

The Capital Reserve account is for long term (generally over four years) accumulation of money to fund repair or replacement of major assets.

- I. The Leisure Center and PSA's I, II, III, VI and VIII will maintain an ongoing ten-year maintenance plan. The plans will be updated every three years or sooner if current conditions require.
 - A. The Capital Reserve Plan will include, at a minimum, projected maintenance expenses for roof replacement and reconstruction of dedicated roads not maintained by the county or village.
 - B. The PSA Director has the responsibility for updating the ten-year plan.
- II. PSA's I, II, III, VI and VIII will include in their annual budget a specific amount of money to fund each of their Reserve accounts, which may differ by PSA depending on current conditions and requirements.

- A. The PSA Director and his maintenance committee have the responsibility to establish the appropriate Contingency Reserve account.
 - 1. The objective is to fund short-range projects as well as to provide for unforeseen projects.
 - B. The PSA Director and his maintenance committee also have the responsibility to establish the appropriate Capital Reserve account and the annual funding to meet the objectives of the ten-year maintenance plan.
 - 1. The objective is to fund major projects identified in the ten-year plan and to minimize the need for special assessments.
 - C. The PSA Director will keep all unit owners informed on the use of Reserve Account funds.
 - D. The PSA Director may borrow from their Capital Reserve account to fund a necessary project. The money may be transferred with the approval of the President. When the PSA Director is the President, the Vice-President will confirm the transfer.
 - 1. The loan will be repaid preferably during the current fiscal year or at the very latest within twelve months of incurring the total debt. The funds will come from the operating budget or from a year-end assessment. The year-end assessment will have the terms of repayment set by the Board of Directors.
 - 2. The Site Manager will keep a record of PSA transfers and identify the transfers in the Site Manager's report to the Board.
 - 3. Perspective homebuyers will be advised of any outstanding Capital Reserve loans and the possibility of a special assessment.
- III. All PSA's will participate in the Capital Reserve account established for the Leisure Center for projects identified in the Capital Reserve Plan.
- A. The amount budgeted for the Leisure Center Capital Reserve account will be recommended by the Leisure Center Committee and the President.
 - 1. The President will keep all unit owners advised on the use of the Leisure Center Capital Reserve account.
- IV. It is intended that routine maintenance projects be funded within the annual budget of each PSA and the Leisure Center.

- V. There is no guarantee that current or future Capital Reserve accounts will be adequate for major repairs and replacements. A special assessment may be required to provide for those repairs and replacements.
- VI. The amounts set-aside for Contingency and Capital Reserve accounts may vary from year to year. The annual amount will be a balance between forecasted expense requirements and current economic conditions.
- VII. At year-end all excess funds not spent from PSA or Leisure Center operations, or funds accumulated in the Contingency Reserve accounts, may be transferred to the appropriate PSA or Leisure Center Capital Reserve accounts. However, funds may be retained in the Contingency Reserve accounts for an ongoing or previous but deferred project(s) such as painting.
- VIII. The Board of Directors has the responsibility to review and approve the amounts set aside for Capital and Contingency Reserve accounts.
 - A. In the event of a dispute, the Board of Directors will consider an appeal from the PSA Director and by a simple majority of those present at a regularly scheduled meeting, make a final determination.
- IX. Disbursement of all Reserve account monies is subject to defined approval levels. The Site Manager is required to obtain approval before making a commitment for expenditure.
 - A. Disbursement of funds from the Contingency Reserve or the Capital Reserve account is accomplished by a transfer from the Reserve Account into a Checking account.
 - 1. All expenditures under \$1,000 from a checking account require the approval of the Site Manager and notification of any unexpected expenditure to the PSA Director.
 - 2. All expenditures over \$1,000 from a checking account require the approval of the Site Manager, PSA Director and the President.
 - B. Approval for transfer of funds from a Contingency Reserve account is as follows:
 - 1. Transfers from a Contingency Reserve account to a checking account require the approval of the President.
 - 2. The Contingency Reserve balance will be monitored monthly in the normal course of reviewing the financial statements by the Treasurer and will be reported to the Board if unusual circumstances dictate.
 - C. Transfers from a Capital Reserve account require the approval of the Site Manger, PSA Director and the President. The PSA Director must present information as to the use of the Reserve funds to the Board of Directors at the next regularly scheduled meeting.

- X. The Contingency and the Capital Reserve accounts will be invested in interest bearing bank accounts or Certificates of Deposit (CD's).
 - A. There will be Contingency Reserve regular savings type bank accounts for PSA's I, II, III, VI, VIII and the Leisure Center.
 - B. There will be Capital Reserve money market type bank accounts or Certificates of Deposit for PSA's I, II, III, VI, VIII and the Leisure Center.
 - C. All earned interest will be credited to the appropriate PSA/LC Capital Reserve account.
 - D. Each PSA Director will determine the type of Capital Reserve account (money market or CD) for his/her respective PSA, based on projected capital expenditures and their timing.
 - E. Each PSA Director will determine how to invest his/her Capital Reserve funds on an annual basis or whenever a CD comes to maturity. The Treasurer will provide assistance as needed.
 - F. All accounts will be maintained at one banking institution.
 - G. There may be Contingency Reserve regular savings accounts, when needed, for PSA's IV and VII.
 - H. Reports will be prepared each month showing disbursements, interest earned, interest rates (quarterly) and the ending balance for each account. The maturation date(s) for all CD's will be included in the monthly financial report.

- XI. Year-end operating deficits may be assessed directly to the unit owners or funded from the appropriate Reserve Account.
 - A. Deficits of \$10/unit or less shall be charged to the appropriate Reserve Account.
 - B. Deficits greater than \$10/unit may be funded from a Reserve Account upon receipt of a written recommendation from the appropriate Director and with approval by a simple majority of the Board.
 - C. Administration year-end operating income or deficit may be transferred to the Leisure Center Contingency and/or Capital Reserve account. This decision will be at the discretion of the Board, depending on current expense requirements.
 - D. All income from Leisure Center operations shall be credited to the corresponding Reserve Account. Deficits may be billed directly to the unit owners or funded from the corresponding Reserve account.

REFERENCES

Restated Articles of Incorporation (1975).

Restated By-laws, Article VII, Section 2 (a).

Restated Declaration of Conditions, Covenants, Restrictions and Easements Affecting All of Wind Meadows, Article V, paragraph 5.1.

Letter from Gordon J. Maier & Co. 5/8/87

BOD Minutes 1/21/86, 2/24/86, 2/27/89 & 12/18/92