Administrative Resolution 2016-7
Contingency Reserve Fund Policy
Lake of the Woods Association

Purpose:

To establish a policy on the process for setting aside funds to be used for unforeseen spending requirements not anticipated in the Annual Budget.

Background:

LOWA was established primarily as both a residential and recreational lake community by the developer who transferred ownership to LOWA (a Home Owners Association) that offered amenities, e.g. golf course, lakes and marina, common areas, parks, roads, etc. for the benefit of its members. LOWA also provides adequate ingress and Common Area security for its members. LOWA is required to establish an Annual Budget to fund the costs and expenses of the Common Areas and to fund the Repair and Replacement Reserve. On occasion, unanticipated large expenses can arise during the Budget Year that are not provided for in the Annual Budget.

Responsibility:

It will be the responsibility of the LOWA Board of Directors to annually set aside in the budget process the amount of Contingency Reserve Fund that LOWA should maintain that would benefit the community and that would maintain or enhance the members’ property values. It will be the responsibility of the LOWA Board of Directors to establish the restricted cash Contingency Reserve fund account to be recorded in the accounting records of LOWA.

Procedure:

The General Manager of LOWA, under the direction of the Board of Directors, is delegated the responsibility to recommend an appropriate cash balance for the Contingency Reserve Fund on a yearly basis, as part of the Annual Budget process.

The amount to be funded for the Contingency Reserve Fund will be proposed by the General Manager to the Board, and the amount to be established and maintained must be approved by the Board. The Contingency Reserve Fund is to be included in a sub account of Restricted Cash account, separate from other Restricted Cash accounts, and recorded in LOWA’s accounting records, and any interest earned on this Restricted Cash is to be added to the Reserve Fund balance.
Disbursements from Reserves:

The Board of Directors will authorize any disbursement from the Contingency Reserve Fund and is responsible for ensuring that all disbursements from the Contingency Reserve Fund are in accordance with this policy and for the purposes allowed by this policy. The Contingency Reserve Fund is to be used to pay for an unanticipated, large operating cost and/or expense, that could be the result of an emergency event, which might occur in the budget year and was not included in the Annual Budget, and which is not covered by any other reserve.

Effective Date:

LAKE OF THE WOODS ASSOCIATION, INC.

By: ____________________________
    James Walsh, President

ATTEST:

I, as Secretary for Lake of the Woods Association, Inc., hereby attest that the foregoing Administrative Resolution 2014-7 was adopted by the Board of Directors at a duly-held and noticed Board of Directors meeting held on the 20th day of August, 2014.

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Louisa Rucker, Secretary