Lafayette Village Community Association

FINANCIAL MANAGEMENT PLAN

(Board adopted -- September 11, 2017)

Operating Account Procedures: As the Virginia Heritage operating account can be accessed by the management company, recommend continuing the following procedure:

a) Account balance should be no greater than $50,000 and no less than $10,000. This number was derived from the previous 12 months expenses and discussions with the management company.
b) The threshold above should be re-evaluated with every annual budget.
c) Any additional funds should be sent to Wells Fargo [see "Community Maintenance/Improvement Fund" account and descriptions below.]
d) To ease operational burden, a transfer should be initiated monthly and only when additional funds or those in excess of the stated account limits exceed $1,000.
e) Should the management company need funds for operational purposes, they will contact the Treasurer or President to affect the transfer with Wells Fargo.
f) Should the management company need funds immediately for unforeseen community expenses or lack of funds, they may contact the advisor but alert the entire Board. This should be a rare occurrence and in such an instance, the Board will review the operational account threshold.

Unappropriated Members Equity:

a) A balance sheet equity account entitled "Community Maintenance/Improvement Fund" shall be used to recognize the overages for equity purposes that relate to immediate Reserve Fund balances. This should reconcile to the balance at Wells Fargo for the same named account. The rationale behind this would be to mitigate any potential questions, concerns or even litigation related to the unappropriated members equity balance which is, in its current state, accumulated profit.
b) The amounts sitting in "Community Maintenance/Improvement Fund" should be supported by planned expenditures. This amount does not need to be to the dollar but should reflect reasonable expectations of costs for planned projects.

Reserve Funds: Based on discussions with our Advisor at Wells Fargo the following would be considered best practice.

a) Monthly reserve contributions should be sent directly to Wells Fargo.
b) The approved annual budget should be sent to our Advisor. The Board should also budget for annual reserve fund expenditures each year, and should submit that to the financial advisor along with the Association budget. This will allow the advisor to see

what our yearly budgeted expenditures are expected to be. This will inform the Advisor how to stagger any CDs or investments.

c) Advisor or Board will identify an appropriate cash balance that will trigger investment. The Advisor will confirm with the Board that there are no expected needs of the cash balance in the near term and seek approval to invest.

LVCA Replacement Reserve Fund Management Objectives: The LVCA Board of Directors, on behalf of the community association members, will endeavor to maximize earnings on HOA funds within the following objectives.

1. All Replacement Reserve Funds must remain 100% insured by FDIC
2. Ensure adequacy of funds for replacement reserve requirements by reviewing fund status and policy annually
3. No more than 25% or $150,000, whichever is less, will be kept in low interest (Money Market) accounts and remaining funds will be placed in “ladder” certificates of deposits as indicated below

LVCA Board Direction to Wells Fargo Advisors, LLC: The following directives are designed to meet the objectives above and the Association requests the continued advice and counsel of Wells Fargo Advisors to ensure our objectives are met.

1. Funds in excess of the liquidity required above (25% of total Association assets with Wells or $150,000.00, whichever is less) will be invested in six (6) or more blocks of $50,000.00 each into a ladder of certificates of deposit as follows:

    a. $50,000.00 0.5 Year CD
    b. $50,000.00 1.0 Year CD
    c. $50,000.00 1.5 Year CD
    d. $50,000.00 2.0 Year CD
    e. $50,000.00 2.5 Year CD
    f. $50,000.00 3.0 Year CD

2. Accrued Excess Funds and Rollover Instructions: As funds accumulate in excess of the caps listed above the excess funds and any maturing rollover amounts will be re-invested in new certificates at the longest term to ensure continued liquidity levels as described above and below.

    a. 0.5 Year CD’s 17%
    b. 1.0 Year CD’s 17%
    c. 1.5 Year CD’s 17%
    d. 2.0 Year CD’s 17%
    e. 2.5 Year CD’s 17%
    f. 3.0 Year CD’s 15%

3. As certificates of deposit or other instruments mature, they should be “rolled” over into the longest maturing funds to ensure maximum liquidity on a quarterly basis.