

Subject:
Restricted Cash Accounts

Funding Reserve Equity Funds

In 2016 ACC sold property to the school district. As part of that transaction two Reserve Equity Funds were established in the amount of \$250,000 each.

Reserve Equity Funds:	
Primary Reserve Fund	\$250,000.00
Secondary Reserve Fund	250,000.00
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	\$500,000.00
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As specified in **Article 09** of the **Bylaws** \$500,000 is not to be used for Operating or CIF activities. In other words, this Restricted Cash is not to be comingled with any other accounts. It does not appear that any formal process was established to accomplish this separation.

Internally Financed Loan

Utilizing one of the provisions in **Article 09** of the **Bylaws**, on February 10, 2020, ACC borrowed \$125,000 (Internally Financed Loan) from the Secondary Reserve Equity Fund to pay for the replacement of the clubhouse roof as part of the Solar Panel Project. The loan was to be repaid to the Secondary Reserve Equity fund over a period of five years at the rate of \$25,000 per year. In November 2023 we established a protocol whereby the January transfer payment would be \$3,000 and the remaining eleven transfer payments would be \$2,000.

The outstanding balance on this loan on December 31, 2023, was \$50,000.

Internally Financed Loan:	
Internally Financed Loan	\$125,000.00
Payments in 2021	(25,000.00)
Payments in 2022	(25,000.00)
Payments in 2023	(25,000.00)
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Balance, December 31, 2023	\$50,000.00
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Based on the activity in the Reserve Equity Funds the required cash set aside on this date was \$450,000.

Reserve Funds:	
Primary Reserve Fund	\$250,000.00
Secondary Reserve Fund	\$250,000.00
Less: Internally Financed Loan	(50,000.00)
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Reserve Funds Balance	\$450,000.00
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Restricted Money Market Fund A/C #11015

In June of 2023 we became aware that the cash set aside in Certificates of Deposit was insufficient to meet the criteria and therefore was in violation of the restrictions imposed by Article 09 of the Bylaws. To address this deficiency, we recommended that the Treasurer open a Restricted Money Market Account (MMF) A/C #11015 to make up for this shortfall. The following is a schedule of the activity in this account through December 31, 2023.

Date	Description	Amount	Balance
06/29/23	Establish Account	\$10,000.00	\$10,000.00
06/30/23	Interest	0.99	10,000.99
07/13/23	Error - Loan	(30,000.00)	(19,999.01)
07/24/23	Correction of Error - Repaid Loan	30,000.00	10,000.99
07/31/23	Interest	15.29	10,016.28
08/31/23	Interest	15.31	10,031.59
09/30/23	Interest	14.35	10,045.94
10/31/23	Interest	15.85	10,061.79
11/17/23	Transfer from Jumbo MMF	85,000.00	95,061.79
11/29/23	Payment - Internally Financed Loan	2,000.00	97,061.79
11/30/23	Interest	81.08	97,142.87
12/28/23	Payment - Internally Financed Loan	2,000.00	99,142.87
12/31/23	Interest	154.58	99,297.45

The combined balances of the four Certificates of Deposit and the Rio Bank Restricted MMF was \$449,297.45, thus meeting the requirements of Article 09 of the Bylaws.

Certificate of Deposit	\$200,000.00	
Certificate of Deposit	50,000.00	
Certificate of Deposit	50,000.00	
Certificate of Deposit	<u>50,000.00</u>	
Total Certificates of Deposit		\$350,000.00
Rio Bank Restricted MMF		<u>99,297.45</u>
Total Restricted Cash Accounts		<u><u>\$449,297.45</u></u>

Conclusion

On December 31, 2025, the internally financed loan will be paid in full, and the Reserve Equity Funds will be restored to the original balance of \$500,000. If the monthly transfer payments are made from the Operating account to the Restricted MMF A/C #11015 the corresponding cash set aside will match this balance, and the Association will be in compliance with the provisions of Article 09 of the Bylaws.

Sid & Terry Glandon
 Lot 93