

RESOLUTION – TIMBERTON RESERVE FUND POLICIES

WHEREAS, The Articles of the Supplemental Declaration of Conditions, Covenants, and Restrictions for Timberton Village charge the Association with certain community service responsibilities; (1) that the Timberton Village Homeowners Association shall maintain or provide for the maintenance of the Association Limited Common Areas and improvements thereon, and (2) that the assessments shall be sufficient to, among other things, establish and maintain adequate maintenance, repair and replacement of Association assets; and

WHEREAS, there is a need to provide a sound financial plan for the delivery of such services; and

WHEREAS, among the expenses of the Association, are all expenses for the administration, maintenance, repair and replacement of the common areas and facilities, which are to be set aside and held in "reserve" to be subsequently expended for the replacement of the common facilities and improvements due to their damage, exhaustion, or obsolescence; and

WHEREAS, the members of the Association wish to avoid any adverse federal income tax consequences upon the contribution of their annual assessments to the capital of the Association, particularly the portion to be set aside and held in reserve for repair and replacement of improvements to the common areas; and

WHEREAS, in Internal Revenue Code (IRC) Section 118, the Internal Revenue Service indicates that amounts paid to a corporation as a conduit, agent, or trustee and with the prior understanding that such amounts are to be expended and applied for a specific capital purpose; and

WHEREAS, the Board, in order to satisfy the criteria of IRC Code Section 118 and Revenue Ruling 74-563, 75-370 and 75-371, wishes to formally segregate all portions of the annual assessments thus set aside and held in reserve, as well as such portion of any future annual assessments, and to hold and expend such sums solely and specifically in pursuance of the objects and purposes set forth in the Declarations, Articles, and By-laws of the Association; and

WHEREAS, the Board, in order to satisfy the criteria of Washington State House Bill 1309 wishes to assure that account balances will be sufficient at the end of each year to meet the Association's obligation for major maintenance, repair, or replacement of reserve components during the next thirty years; and

WHEREAS, the Board wishes to formally segregate each year a portion of the assessments, to be set aside in a separate interest-bearing account and held in reserve, to hold and expend such funds solely and specifically as set forth herein.

RESOLVED THAT:

1. A reserve fund for major repair and capital replacements shall be established.
2. The Association shall cause a reserve study to be prepared with reserve fund projections for at least thirty years.
3. The Association shall update the reserve study at least every three years.

4. The Association shall annually make all reserve disclosures necessary to its members as required by Governing Documents and State Code. The owners shall be advised that henceforth the portion of the annual assessment to be held in reserve will be transferred, held, and expended pursuant to the terms of this resolution, a copy of which shall be on file with the secretary of the Association for inspection by any owner.
5. The treasurer of the Association shall transfer all monies and property presently held in reserve to account[s] to be held, invested, and expended by the Board of Directors for the repair and replacement of improvements to the common areas. These accounts shall be maintained separately from the operating accounts of the Association.
6. The signatories for the reserve account shall be that of any two authorized directors. The signatures of the two authorized directors are required to make withdrawals from this account.
7. Reserve amounts shall be maintained in accordance with the Association's Reserve Study, which shall cover all real property, fixtures and equipment owned or maintained by the Association.
8. Withdrawals from the Reserve Fund may only be used for restoration, repair and replacement of existing capital improvements, not for new facilities or additions or improvements to existing facilities or property.
9. The Association's financial records (general ledger and financial statements) shall reflect the segregation of the cash account referred to in item 4 above.
10. The Association's reserve study, in order to be prepared on a consistent basis, shall contain assets meeting all of the following four-part National Reserve Study Standards criteria:
 - a) Assets that are Common Area maintenance responsibility and
 - b) Assets that limited Useful Life and
 - c) Assets that have a predictable remaining useful life and
 - d) Assets that are above the minimum threshold of 1% of the annual budget.
11. Association common area components shall be maintained in accordance with the association's maintenance plan.
12. The reserve study financial projection shall include provisions for:
 - a) investment earnings
 - b) inflation
 - c) income taxes

Certification

I, the undersigned, as the President of the Timberton Village Homeowners Association do hereby certify that the Timberton Village Board of Directors on this date, June 6, 2011, by an affirmative vote of 5-0 adopt this resolution.

W. J. Centobene

Bill Centobene