

Glenmore Community Association

1524 Insurance Lane, Suite C

Charlottesville, VA 22911

Treasurer's Report for 1 November through 30 November 2020

Summary

- Note that the Balance Sheet under Liabilities – Notes Payable (account code 2800) now shows \$0 dollars. The Equestrian Center Bank Loan has now been paid off.
- We will add two account codes to track the Reserve Loan liability and the repayment of the loan.
- The Board approved the 2021 Budget and 2020 update to the GCA Reserve Study.
- The Board approved an \$8.00 increase to the 2021 Assessment. The new annual assessment is \$1044.
- The treasurer has proposed an update to the GCA Financial Policies Regulation (2020-04) to replace the outdated 2013 Regulation (2013-02). The new regulation includes Associa for funds management.

Account Balances through 30 November 2020

- On 30 November, the GCA held \$172,574.91 in our PP&B operating account (Acct # 1000).
- On 30 November, the GCA held \$981,338.47 in Reserve accounts 1327, 1357, 1358, 1360, 1361, 1362, 1363, 1364, 1380, and 1381 earning from 0.1% to 3% on CD Accounts. For details, see the Balance Sheet Report for 30 November 2020.
- Five CDs have matured in 2020: Acct 1356 (7/6/20); Acct 1359 (5/8/20); Acct 1360 (7/20/20), Account 1359 round 2 (10/19/20), and account 1380 (11/9/20). We used the funds from 1356 and 1360 (\$246,786) to pay down the EC Atlantic Union Bank Loan. Account 1359, which was earning 2.4% and matured on 8 May, was replaced with a new six-month CD earning 0.25% (maturing on 10/19/20). We verified the rates again in November, and our investment manager is now offering rates at 0.1% to .2%. We replaced 1359 round 2 with a new six-month CD earning 0.1% and maturing on 4/29/21. Our account 1380 (\$200,000), which was earning 3%, matured in November, and has been replaced with two CDs. We placed \$100,000 into a 2-year CD at 0.20% and the remaining \$104,853.70 into the preferred savings at 0.10%.
- Morgan Stanley stated that the rates will likely remain very low for the foreseeable future. We anticipate similar rates for the other maturing CDs (four more CDs will mature in 2021) which will drive our interest income down with an estimated 2020 interest shortfall of \$6,416.50. In 2021, the interest shortfall will be over \$20,000.
- In 2020, we retained \$90,279.82 in unallocated reserves in case we are unable to immediately lease the EC after the previous tenant vacated the premises on 29 February 2020. We were able to re-lease the EC on 1 May but our anticipated revenue from the lease is \$19,000 lower this year than originally anticipated.
- The Equestrian Center Loan Reimbursement (Account 3446) should state \$11,345.46. We made two payments to reimburse our Reserve loan: \$1097.72 in October, and \$10,247.74 in November. We will correct the Balance Sheet accordingly on the December Balance Sheet.

Corrections to the Balance Sheet

- Account #1380 should read "Morgan Stanley – Nov 2020, placed \$100,000 into a 2-year CD at 0.20% and the remaining \$104,853.70 into the preferred savings at 0.10%."
- Account #3446 should read \$11,345.46 since we paid \$1097.72 on 6 Oct and \$10,247.74 on 6 Nov.

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Corrections and Questions for the Income Statement Report

- Account # 4205 ... why is there a reversal for \$1250 in November.
- Account # 5200 ... verify the \$3,426.79 expense in Nov. Assumed \$2000 was for Breezy Hill.
- Account # 6100 ... verify the expenditures. Anticipated expenditures of \$104,470. Actuals show \$104,740.
- Account # 6655 ... why is there a second (\$300) in November for a total of (\$600)
- Account # 9800 ... Assuming that the November amount would equal all of the contributions to the Reserves including the payback of the Reserve Loan, the amount should equal \$12,279 plus 10,274.47 plus \$1097.72. This is why I'm requesting a new account code 9801 for the Reserve Payback contribution. This may be confused with the Account # 3446.
- In the Equestrian Center Income Statement, Account codes 6100 and 6199 should both be moved to 6795 – Unplanned Expenses. These are CARB requirements, and we are paying them from the Operating Budget Contingency account.

GCA 2020 Budget Update

- On 3 December, the Board approved a funding change for the Holiday Bonuses for the Gatehouse staff. The approved budget was originally \$1000. The Board approved an increase to \$2,400.

GCA 2021 Budget (approved by Resolution 2020-014 on 22 October 2020) and GCA 2021 Assessments

- Per Article V, Section 7 of our C&Rs, the Board must approve the budget 60 days (2 November) before the beginning of the next fiscal year.
- Per the 22 Oct 2020 resolution 2020-014, the Board approved the GCA Budget for 2021 (enclosure 1).
- The 2021 GCA assessment was increased by 0.77% or \$8 per year driven by three factors: 1) the addition of the Equestrian Center Reserve Study and the safety sidewalk requirements in the 2019 reserve study update raised the 2020 annual Reserve Contribution by \$20,000 (2% of the operating budget); 2) \$9,226.01 in anticipated 2021 delinquent assessment debts will likely not be recovered in 2021 (1%). And the \$20,000 loss of interest income from the reduced CD rates on our maturing reserve CD accounts (2.0%). Some increases are offset by new homes added to the GCA accounts and reduced operating costs in other areas.
- Due to the significant cost of postage, we're investigating e-invoices to reduce printing costs, and requesting via Newsletter that residents elect the electronic delivery mode for the annual meeting. Per the VA Property Owners' Association Act, residents who choose to receive materials by email must request electronic receipt.

Delinquent Accounts Review

- As of 13 Dec, there are 14 GCA accounts that have not paid the 1 Sept assessment. Per GCA Regulation 2019-01 (approved on 21 March 2019), the accounts are now ready for liens. Of the delinquencies, there are four accounts with values greater than \$1000 for a total of \$9,226.01 (\$4411.85, \$1651.21, \$1633.00, \$1529.95).
- Two accounts additional have been approved by Board resolution to be written off on 31 December. The properties at 3389 Cesford Grange (\$4,570.51) and 3211 Sandown Park Rd (\$2389.93) were foreclosed and our liens were not recoverable.

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2020 Update to the 2017 GCA Reserve Study

- On 22 October, the Board adopted a Resolution to approve the 2020 changes to the GCA Reserve Study. By resolution, the Board unanimously approved four requests for additions to the Reserve Study, and one correction to the 2019 Equestrian Center Engineered study (by RMA Reserves).

Independent Audit for 2018

- Monfalcone & Garris Accountants and Consultants delivered our 2018 Independent Auditor's Report on 28 August. The report states that the auditor has sufficient and appropriate evidence to provide a basis for a clean audit report for 2018. The auditor is working on the 2019 audit.
- Per our five-year contract, the annual fee is \$8,200 for audit services and \$900 for the tax returns.
- Note: As we sell off or transfer GCA assets, (e.g., the sale of the truck and trailer to Cadeaux LLC), we will notify Monfalcone & Garris showing the transfer of assets from our GCA records.

Equestrian Center (EC) Financing for 2020

- The Equestrian Center was leased on 1 May 2020 for a period of 12 months. The lease will provide \$36,000 in rent for the 1-year term rather than the originally planned \$48,000 in the 2020 budget. As a result, our total revenue for calendar year 2020 will be \$29,000 as follows: \$4000 each for January and February rent, \$500 each for the apartment rent for March and April, \$2000 per month for May, June, July, and August EC rent, and \$3000 per month for September, October, November, and December EC rent. In January 2021 the rent increases to \$4000 per month.

Paying down the 5.05% Equestrian Center Mortgage Loan in lieu of earning 0.15% Interest on Reserves

- The EC Bank Loan. Prior to 6 October, the GCA held an Atlantic Union Bank mortgage at 5.05%.
- Morgan Stanley (MS) CD Rates in the Market Downturn. With the market downturn, the rates for maturing CDs are falling from a high of 3% to a low of 0.1%.
- Immediately Pay-down the EC Loan. The Treasurer recommended and the Board approved a plan to pay down the 5.05% EC Bank Loan using allocated reserve funds in lieu of reinvesting allocated reserves in CDs at rates of 0.1%. The downside of this strategy is that a portion of our GCA Allocated Reserves are no longer fully funded for 24 months while we reimburse the allocated reserve funds from planned mortgage payments. The Treasurer discussed the issue with our GCA independent auditor who advised this is a reasonable approach if we plan to reimburse the allocated reserve funds in the near term, and we clearly document the allocated reserves payback methodology. On the balance sheet, we are offsetting a "Note Payable - Long Term" (account 2800) liability, with an "Allocated Reserve account to be repaid" liability (account # TBD). The amount that is repaid will be shown in account code 3446. In December, we made our third GCA reserve loan reimbursement payment (\$1,097.72 in Oct, \$10,247.74 in Nov, \$10,247.74 in Dec) for a total of \$21,593.20 of the \$220,000 borrowed. The remaining reserve loan (\$178,406.80) is budgeted in 2021 where we will pay down an additional \$122,972.88. The remainder will be paid in 2022.
- The Allocated Reserves Payback Plan. In July, the GCA liquidated two CDs that would only earn 0.1% to 0.15% rates on new CDs. Our 2.75% MS CD (account #1356) matured and a replacement rate of 0.15% was offered. On 20 July, our Suntrust Bank 2.75% CD (account 1360) matured. The replacement

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CD rate offered was 0.15%. We liquidated both CDs for a total of \$246,786. We used these funds to pay \$220,000 of the EC loan on 21 August, leaving \$18,663.97 of mortgage to be paid in Sept and October. We will use the budgeted planned mortgage payment offsets (account 5060 at \$10,247.74 per month) to repay the reserves through 7 August 2022. At that point, the EC loan mortgage and reserves payback would both equal \$0. From that point forward, the \$122,973 annual mortgage expense would no longer be a requirement.

- Savings by Early Loan Payback. By paying down the entire loan in Aug 2020, we will replace the reserve funds within two years from the planned annual mortgage payments (\$122,973) that would no longer be required. As a result, we eliminate \$13,115 in bank loan interest payments (Aug 2020 through Aug 2022), while losing \$282 in CD interest (at a rate of .015%) for a total savings of \$12,833.43.
- Prepayment Penalty. Atlantic Union Bank provided a payoff principal payment of \$238,663.97, plus interest of \$401.75, plus a \$52 release fee, plus a 1% prepayment penalty of \$2,386.63 for a total of \$241,504.35. To avoid the prepayment penalty, we paid down \$220,000 in principal on 21 August, and paid off the remaining loan amount (\$18,663.97) naturally over the next two months. In doing so we saved approximately \$2,300 in prepayment penalty fees.

Kevin Fitzpatrick
Treasurer, GCA

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Enclosure 1

2021 Glenmore Community Association Budget Approved by the Board on 22 October 2020

GCA Chart of Accounts Code	2021 Approved Budget
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Lots and Dues

Average Number of Lots

863

Dues per GCA Lot

\$1,044

% increase

0.77%

Revenue

Dues (Net)

4000	\$900,972
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Glenmore Country Club's Share of Guard Fees

4814	\$61,690
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Construction Impact Fees

4125	\$30,000
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Interest Earned (Including Reserve Accounts)

4910	\$6,849
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ARB Income from New Builds

4205	\$25,000
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Total Revenue

	\$1,024,511
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Expenses

Administration

Miscellaneous Administration

5000	\$5,000
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Administrative Supplies & Postage

5210	\$4,000
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Website & Database

5115	\$100
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Management Company

7040	\$106,175
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Compliance -Stipend

5027	\$3,000
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Community Outreach

5200	\$6,000
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Sub-total

	\$124,275
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Professional Services, Insurance & Taxes

Attorney and Related Professional Services

7020	\$25,000
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Auditor

7000	\$8,200
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Tax Preparation

7000	\$900
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Federal & State Income Taxes

9000	\$2,000
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Insurance

5400	\$20,000
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License and Other Taxes

6300	\$1,600
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Sub-Total

	\$57,700
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Animal Control

Wild Animal Removal

6445	\$3,000
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Dog Stations

6155	\$10,752
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Sub-total

	\$13,752
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Common Area Maintenance

Irrigation Line Maintenance

6200	\$1,500
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Landscape Maintenance (Maintenance plus new add)

6199	\$13,400
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Multi-Use Trail Maintenance

6685	\$4,000
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PortaPotty and other Rentals

5085	\$1,100
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Tree Maintenance and Removal

6165	\$10,000
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Tree Additions & Replacements	6160	\$3,000
Turf Maintenance Contract	6100	\$125,230
Sports Field Maintenance/Equipment	6710	\$1,000
Sub-total		\$159,230

Residential Area Maintenance

Leaf and Limb Removal	6130	\$25,000
Sub-total		\$25,000

Storm Emergency Cleanup

Snow Removal	6442	\$20,000
Storm Cleanup	6755	\$5,000
Sub-total		\$25,000

Water Resources

Dams & Pond Maintenance	6580	\$20,000
Ponds Utilities	6017	\$5,000
Dam, Pond & Stream Regulation	6630	\$5,000
Dam/Pond Consulting	7005	\$4,000
Sub-total		\$34,000

Roads

Road Resurfacing and Repair	6760	\$20,000
Walking Path Maintenance	6740	\$5,000
Sub-total		\$25,000

Gatehouse

Gatehouse Maintenance and Repairs	6615	\$3,000
Supplies	5090	\$1,500
Computer and Software Maintenance	6675	\$1,000
Equipment Maintenance and Services	6410	\$2,000
Utilities	6075	\$7,200
Holiday Bonus	TBD	\$1,000
Guard Contact	6404	\$243,360
Vehicle Maintenance	6775	\$1,000
Sub-total		\$260,060

Crime Safety

Safety Patrol	6440	\$14,976
Sub-total		\$14,976

Operating Budget Contingency

6795	\$20,000
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Annual Contribution to Reserves Account

9800	\$170,292
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Reimburse Reserve Funds - Mortgage Paydown

9801	\$122,973
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Total Operational Expenses (less Equestrian Ctr)		\$1,052,258
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2021 GCA Equestrian Center Budget

Equestrian Center Revenue

Farm Lease	4400	\$48,000
Total Glenmore Farm Revenue		\$48,000

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Equestrian Center Expenses

Building/Carpentry Repairs	6515	\$13,000
Maintenance of pastures	6610	\$6,000
Unplanned Expenses	6795	\$2,000
Total Equestrian Center Expenses		\$21,000

2021 Total GCA Income (including Equestrian Ctr)	\$1,072,511
2021 Total GCA Operating Expenses (including Equestrian Ctr)	\$1,073,258
Total GCA Income less Operating Expenses (including Equestrian Ctr)	-\$747
2021 Increase to the Annual Assessment Per Residence	\$8.00

2021 GCA Reserves Expenditures

Expenditures from Reserves (less Equestrian Ctr)

Street Signage (Site Line #14)	3250	\$5,000
Road Signage (Site Line #15)	3252	\$7,500
Gatehouse Security Camera System (Security line #4)	TBD	\$5,000
Repairs to the Glen Lochen Bridge (Site line #9)	TBD	\$6,000
Safety Sidewalks (Site #3a approved in 2019, #3b approved in 2020)	TBD	\$186,000
Information Kiosk Outside Monitor NEW 2021 (Site line #33)	TBD	\$15,000
Total GCA Reserve Expenses		\$209,500

Expenditures from Reserves (Equestrian Center)

2-Rail Board Rail Fence - Paint (Lower Riding) 1.07 #24	6560	\$2,500
2-Rail Board Rail Fence - Replace (Lower Riding) 1.08. #25	6560	\$5,000
3-Rail Board Rail Fence - Paint (Pastures & Upper) 1.09. #26	6560	\$6,500
3-Rail Board Rail Fence - Replc (Pastures & Upper) 1.10. #27	6560	\$7,500
4-Rail Board Rail Fence - Paint (Perimeters) 1.11. #28	6560	\$2,500
4-Rail Board Rail Fence - Replc (Perimeters) 1.12. #29	6560	\$5,000
Rebuild Riding Ring Footing (Upper Ring) 1.13. #30	TBD	\$5,000
Rebuild Riding Ring Footing (Lower Ring) 1.14. #31	TBD	\$5,000
Paint Exterior - Barn 2.06. #54	TBD	\$12,000
Board and Batten Siding - Barn 2.05. #53	TBD	\$30,000
Paint Exterior - Pony Barn 4.04. #87	TBD	\$3,630
Eq Ctr Ring Drag NEW - 2021 #95	TBD	\$4,000
Total Equestrian Center Reserve Expenses		\$88,630