

Resolution 009-09
Of The
Dutch Creek Village Homeowners & Recreational Association
POLICY AND PROCEDURE FOR CONDUCT OF FINANCIAL OPERATIONS OF
THE ASSOCIATION

SUBJECT: Adoption of a procedure for the Conduct of Financial Operations of the Association

PURPOSE: To adopt a policy regarding the Conduct of Financial Operations of the Association

AUTHORITY: The Declaration, Articles of Incorporation and Bylaws of the Association and Colorado law.

EFFECTIVE

DATE: 01-13-2009

RESOLUTION: The Association hereby adopts the following Policy and Procedures:

1. Preparation of Financial Statements
 - a. Prepare Financial Statements in accordance with one of the commonly used bases of accounting which is required by Generally Accepted Accounting Principles (GAAP) or Other Comprehensive Basis of Accounting (OCBOA), and Colorado Law. Currently, the Modified Cash Basis of Accounting has been implemented, which is the Cash Basis with some aspects of the Accrual Basis of Accounting. Under this basis some accounts, such as assessment income, are maintained using the accrual method of accounting, while other accounts, such as expenses, are on a cash basis.
 - b. Balance and post the General Ledger and Subsidiary Ledgers Monthly
 - c. Provide financial statements for Board review at least quarterly.
 - d. Provide homeowners with annual financial statements, or inform them where the annual financial statements are available for review by owners and prospective purchasers or interested parties. This report may be an annual review, compilation, or an audit of the Books of the Association.

2. Banking and Financial Operations
 - a. Maintain the association's Operating and Reserve funds in the Association's name in a safe, FDIC insured banking institution and ensure that the Board has direct access to the accounts/Investments.

- b. Invest the Reserve funds in accordance with Resolution 007-06 of The Dutch Creek Village Homeowners & Recreational Association Regarding Investment of Reserve Policy
- c. Maintain an Operating cash balance of approximately two months' expenses.
- d. Notify Bank immediately when an authorized check signer leaves/resigns
- e. Receipts
 - i. Deposit Receipts without Delay
 - ii. Control Assessment revenues adequately so that non-receipt is noted and investigated
 - 1. Invoice and Collect Owner Assessments in accordance with Resolution 002-06 Of The Dutch Creek Village Homeowners & Recreational Association Regarding Policy and procedures for Collection of Unpaid Assessments
 - iii. Prohibit practice of drawing checks to cash
 - iv. Properly Age owner balances
 - v. Work with collections attorney to facilitate receipt of past due balances, thereby avoiding writ-off of bad debt.
 - vi. Assure that Write-offs of owner balances are approved by the Board
- f. Disbursements
 - i. Verify vendor invoices regarding quantities, prices, clerical accuracy, duplication
 - ii. Assure that any expenditure not budgeted for was specifically pre-approved by a vote of board members.
 - iii. Assure that Major contracts are obtained through a bidding process approved by the Board
 - iv. Assure that checks are numbered and accounted for
 - v. Assure that checks exceeding the amount of \$250 have two bank-authorized Board-members' signatures
 - vi. Assure that invoices and supporting documentation are examined by check signer prior to signature
 - vii. Assure that supporting documentation is defaced to prevent re-use
 - viii. Assure that Voided checks are retained and defaced
 - ix. Payroll
 - 1. Maintain appropriate payroll records
 - 2. Obtain detailed individual employee records
 - 3. Obtain adequate time records
 - 4. Obtain proper Board approval of pay rates and pay rate changes
 - 5. Maintain proper authorization for payroll deductions

6. Timely prepare payroll reports and deposit with appropriate Federal/State/Local taxing authority all payroll taxes
- g. Prepare Bank Reconciliations promptly at end of each month
 - i. Inspect checks for signatures
 - ii. Inspect checks for endorsements
 - iii. Examine checks for number, payee, date, and amount
 - iv. Provide for Board review copies of reconciled bank statements at least on a quarterly basis
 - v. Research and resolve any uncashed checks over 90 days outstanding
- h. Maintain inventory of property assets where each asset is tagged, and address appropriately on financials the depreciation of fixed assets. Abide by the board's determination of the cost threshold of assets to be depreciated, i.e., assets over \$____.00 must be capitalized.
- i. Establish a long-term financial strategy for the Association's assets (cash, A/R, Reserve Funds – Operating and Improvement, Investments, etc.) that is reviewed by the Board annually. This should incorporate planning for unexpected operating expenses.
- j. The Board may commission a Reserve study (either outside or by the Board) and/or update the current Reserve study at least every three years and review the report annually.
- k. Prepare an annual operating budget
 - i. Include reasonable reserves for future major repairs and replacement of common facilities in assessments as determined by the Association's most recent Reserve study
 - ii. Assign budget items during the period which expenses are expected to be incurred
 - iii. Require Board approval for checks in payment of non-budgeted, non-recurring expenses in excess of an established limit.
 - iv. Compare income statement with the budget on a periodic (at least quarterly) basis, and provide to the Board for review Federal and State Income Tax Filing Responsibilities
 - v. Prepare (or arrange to have prepared, whichever the Board has approved in advance (in accordance with State and Federal laws), the Federal and State income tax returns due for the Association. The Dutch Creek Village Homeowner's and Recreation Association has elected to file as a homeowner's association using form 1120H, since it meets the requirements necessary to file that form. Returns are due 2-1/2 months after the fiscal year end.

3. In accordance with the documents of Authority for the Association, arrange for and secure the appropriate annual **Audit or Review by a Certified Public Accountant** specializing in Community Associations, and provide the final Audit/Review Opinion Report to homeowners annually, or inform them where it is available for review.
4. Review **Insurance Coverage** annually to ensure coverage is appropriate and in accordance with the Association's Documents of Authority.
5. **Creation of Records.** Nothing contained in this Policy shall be construed to require the Association to create records that do not exist or compile records in a particular format or order.
6. **Definitions.** Unless otherwise defined in this Resolution, initially capitalized or terms defined in the Declaration shall have the same meaning herein.
7. **Supplement to Law.** The provisions of this Resolution shall be in addition to and in supplement of the terms and provisions of the Declaration and the law of the State of Colorado governing the Project.
8. **Deviations.** The Board may deviate from the procedures set forth in this Resolution if in its sole discretion such deviation is reasonable under the circumstances.
9. **Amendment.** This policy may be amended from time to time by the Board of Directors.

PRESIDENT'S CERTIFICATION: The undersigned, being the President of the Association, certifies that the foregoing Resolution was approved and adopted by the Board of Directors of the Association, at a duly called and held meeting of the Board of Directors of the Association on January 13, 2008 and in witness thereof, the undersigned has subscribed his/her name.

**DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION,**
a Colorado nonprofit corporation

By: **/S/ Marcel Savoie**
President