

MOUNTAIN FAIRWAYS HOMEOWNERS ASSOCIATION – FINANCE TEAM
DRAFT UPDATES TO THE APPROVED FINANCIAL POLICIES & GUIDELINES [P&G’S]

THE BOARD APPROVED THE PREVIOUS VERSIONS AT THE 8/24/13 & 9/11/14 & 8/27/16 & 10/18/20 BOARD MEETINGS

THE 2021 DRAFT CHANGE IS SHOWN IN BOLD RED ITALICS

The policies and guidelines below are done within the framework of the MF HOA governing documents (Declarations, Articles of Incorporation, By-Laws and R&R’s). Should conflicts occur between this document and those, the provisions of those will prevail and this document will be revised to eliminate the conflict. See the Background section below for a brief definition of terms.

OVERALL P&G’S

Policies

- 1) No staff member, whether paid, volunteer or contract, should commit MF to an expenditure except as authorized by the MF Expense Authorities.
- 2) All MF expenditures (whether from operation funds or reserve funds) of \$500 or more will require the authorization of two of the authorized check signers. All others will only require one authorization. [See the MF Check Signing Signature Authorities for how on line (and other forms of) payments are handled].
- 3) MF staff will keep designated financial confidential information (as documented in the MF Information Management material) confidential.
- 4) Accounting and Audit related policies:
 - The books and records of the Association shall be maintained using generally accepted accounting practices ***original material used the term “principles” rather than the now approved term “practices”***
 - The books and records of the Association (for the just completed calendar year) shall be reviewed by September 30th of every even numbered year starting with 2014.

Guidelines

- 1) All MF expenditures will be done by MF check where possible. Other forms of expenditures (MF credit card, reimbursement for staff member personal expense, on line payments, etc.) may be used when necessary to accomplish the purpose of the expenditure.
- 2) No individual (or group), when executing their expense authority, may authorize expenditures that will cause the approved annual budget for that expense line item to be exceeded without prior approval. This approval may only be granted by the Treasurer or the Finance Committee chairman.
- 3) Whenever practical (does not lead to a significant burden on the organization), no individual that has check signing authority should participate as a check signer for an expenditure where that individual also has expense authority or is the payee. On checks where two signatures are required, the second check signer should be made aware of the situation so that his/her review takes place with the appropriate sensitivity.
- 4) MF will maintain “separation of duties” as much as is practical among the three key financial positions: a) financial secretary b) treasurer c) finance team chairman – this will also apply if other staff resources are used to handle activities that are part of the normal roles of the three key positions

5) The MF financial staff will, as a minimum, maintain logical views of the Operating Fund and the Reserve Fund that are separate and distinct from each other (this is not a fund accounting requirement).

6) The MF financial staff will create, and maintain, the following documentation which is reviewed & approved by the Finance team and confirmed by the board:

- a) our business financial design
- b) our accounting financial design
- c) our current key financial business practices.

OPERATING FUND SPECIFIC P&G'S

Policies

1) Effective with 2021 (1/1/21), cash payments (assessments, etc. being paid to the Association) will no longer be accepted by the Association. Acceptable payment methods are as follows (including, but not limited to): check, cashier's check, electronic banking techniques such as Electronic Funds Transfer [EFT], etc.

Guidelines

1) The Finance team will design and oversee a process to provide for a "reserve" of operating budget funds that can be utilized when a significant disruption or an emergency situation arises

2) The Finance team will design and oversee a process to provide for investment of;

- a) our Operating Reserve funds
- b) current operating funds, if any, that will not be utilized to meet near term needs and therefore allow for short term investment.

RESERVE FUND SPECIFIC P&G'S

Policies

1) Reserve Plan and Investment related policies:

- a) The names of the reserve funds maintained by the Association are: Roof Reserve, Exterior Reserve, Project Reserve
- b) All reserve funds shall be invested in savings accounts, money market accounts or certificates of deposit with commercial banking, federal savings banking or credit union institutions (or other financial institutions) approved by the Executive Board of the Association
- c) All reserve funds of the association shall be maintained in accounts that are insured against loss by either a) an agency of the United States Government or b) an agency approved by the Board

Guidelines

1) The Finance team will design and oversee a process to provide for investment of our Reserve Fund monies not being utilized to meet near term needs (through checking accounts and money market accounts) and therefore allow for investment, in particular longer term investment.

2) Separate line items will be used to allow financial views for each of the major components of the Reserve Plan.

3) Cumulative financial performance of each of the major components of the Reserve Plan will be maintained and monitored separately.

4) There will be no inter-component transfers of funds except as authorized pursuant to proposals reviewed and approved by the board.

- 5) There will be no over-expenditure of annual or cumulative component targets except as authorized pursuant to proposals reviewed and approved by the board.
- 6) All proposals for Reserve Fund expenditures will include a comparison with Reserve Fund projected expenditures for the items involved.
- 7) There will be no expenditures of any of the monies in the Roof Reserve component of the Reserve Fund being explicitly saved for the replacement of our roofs at the end of their useful life except as authorized pursuant to proposals reviewed and approved by the board. [see new Background item #5 for the implications of this guideline being approved]

BACKGROUND

1) DEFINITIONS

As an oversimplified definition, policies (*must be followed*) and guidelines (*should be followed unless good justification exists not to do so*) cover “what is expected” and procedures cover the “how it is to be accomplished” (including the information involved, whether in paper or electronic format). A business process includes both, as well as defining the split between manual and automated functions (including the technology and equipment involved) and the authorities.

2) As business processes/practices are developed that are specific to the financial area, they will be filed in both the new separate document covering our financial business processes/practices as well as in the Finance Team notebook (see next item #3).

3) In January 2019 the finance team made the decision to begin documentation of our key practices. Initially we did so using an ATTACHMENT ONE to this Financial Policies & Guidelines document. At some point in time we planned to use a separate document for that purpose (rather than as attachment to this document). In October 2020 the finance team made the decision to make our business practices document a separate document entitled Finance Team Business Practices.

4) See the separate document entitled *MF Financial Roles & Tools Overview* to put this document into perspective.

5) Should the proposed new Guideline #7 that is specific to the Reserve Fund be approved, the finance team will likely need to restructure how the Roof Reserve component assessments and expenses and Balance Sheet line items are structured – that is because at the current time we a) only one Roof Reserve assessment line item, b) only one Balance Sheet restricted monies line item for the Roof Reserve component, and c) we have separate expense line items within the Roof Reserve component to deal with the big three factors which are roof expenses, skylight expenses, and gutter expenses. Changes may also be necessary to the format of our annual Budget Worksheet document.

6) The finance team is currently reviewing the insurability status of our Fidelity accounts. We may need to either a) change our approach or b) modify the Reserve Fund specific policies “1a” and “1b”.