

**RUNAWAY BAY HOMEOWNERS ASSOCIATION, INC.**

**RESOLUTION ON FINANCIAL SYSTEMS AND CONTROLS**

**Fiscal Resolution No. F05-01  
As Revised on Dec 13, 2008**

**WHEREAS, the Board of Directors is responsible for the overall operation of the Association;**

**WHEREAS, the Directors are fiduciaries of the Association and as fiduciaries are responsible for the Associations finances; must act with care in fulfilling their responsibilities; and remain loyal to the Association and its members;**

**WHEREAS, the fiscal health of the Association has a direct impact on every member of the community, proper management of financial operations is an important element of building a better community;**

**NOW, THEREFORE, BE IT RESOLVED THAT the Board of Directors hereby adopts the following Financial Systems and Controls:**

**Financial Records**

- All financial books and records shall be kept in accordance with generally accepted accounting principles (GAAP). The accrual method of accounting shall be used.
- Financial statements shall be based on the fund accounting method, e.g. operating fund and reserve fund.
- The Property Owner Services Manager shall keep both a hard copy and an electronic copy of all monthly financial records and reports.
- To ensure that a copy of all financial records are maintained offsite, the Property Owner Services Manager shall provide the Treasurer with an electronic copy of the updated financial records on a monthly basis.

**Financial Statements**

- The Property Owner Services Manager shall provide the Treasurer with the following monthly statements.
  1. Balance Sheet
  2. Profit & Loss Monthly and YTD Comparison
  3. Statement of Cash Flows
  4. General Ledger

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- 5. Bank Reconciliation**
- 6. Schedule of Road/Completion Bonds**
- 7. List of Delinquent Accounts**
- 8. Income & Expenses Actual vs. Budget YTD Comparison**

**• The Property Owner Services Manager shall provide the following reports for the Board of Directors meetings:**

- 1. Balance Sheet**
- 2. Profit & Loss Monthly and YTD Comparison**
- 3. Statement of Cash Flows**
- 4. Income & Expenses Actual vs. Budget YTD Comparison**

### **Financial Institution Accounts**

- No Association funds shall be deposited or invested except in authorized investments. Authorized investments are those that are in accordance with the Virginia Property Owners' Association Act and that are obligations of, or fully guaranteed by, the U.S. Government.**
- The Treasurer shall make recommendations to the Board of Directors on short-term investments for excess operating funds and longer-term investments for the Reserve Fund. If none of the Board Members object to the recommendation within 10 business days, the Treasurer has the authority to make the investments as recommended. The Treasurer will direct the Property Owner Services Manager, who has the authority to purchase U.S. Treasury Bills, U.S Treasury Notes or bank CDs with a value up to \$30,000, to make the investment(s).**
- The Board of Directors shall approve all withdrawals and payments from the Reserve Fund.**
- Property Owner Services Manager shall update bank signature cards immediately after Board member or members are replaced.**
- Property Owner Services Manager shall maintain a check control log that identifies who is holding unused checks.**

### **Expenses/Invoices**

- Property Owner Services Manager may pay routine invoices, e.g. electricity and telephone bills, if the amount is similar to previous invoices and/or if there are no unusual charges on the bills and the amount does not exceed \$5,000.**
- All Committee Chairs, or his/her alternate, shall approve all invoices that**

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come under the purview of their respective committees.

- **The Treasurer shall approve all invoices or expenses that do not come under the purview of a Committee and exceed \$50. The President shall approve expenses that exceed \$50 incurred by the Treasurer. The Property Owner Services Manager may pay expenses or invoices that do not come under the purview of a Committee and are less than or equal to \$50 as long as there are appropriate receipts to substantiate the expenses or invoices.**
- **The Property Owner Services Manager shall provide the Treasurer with a monthly invoice for accounting and administrative services and expenses. The Treasurer shall approve the invoice and prepare the check for paying the Property Owner Services Manager. Two Board members shall sign the check.**
- **Documentation pertaining to all payments shall be retained in the Property Owner Services Manager's files. Such documentation will include the approved invoice, date invoice paid and check number.**

### **Budget**

- **The Board shall review and approve the annual operating and capital repair and replacement budget for the following year at its last General Board of Directors meeting of the calendar year.**

### **Contracts**

- **Each Committee has responsibility for obtaining bids for services and equipment that it is responsible for. After reviewing bids, Committee chairs shall make a recommendation to the Board of Directors for contracts for services and equipment. The Board has responsibility for approving all contracts for services and equipment and for documenting any decision for accepting other than the lowest bid.**

### **Accounts Receivable and Cash Disbursements**

- **Only the Board of Directors can approve any bad debt write-offs.**
- **All invoices shall be marked "Paid" to avoid duplicate payment.**
- **Property Owner Services Manager has the authority to sign checks for Association expenses up to \$5,000 without Board of Directors approval if the expenses are approved as specified under "Expenses/Invoices." However,**

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**the Property Owner Services Manager may not sign any check made out to her/himself.**

- **Checks written by Board members require two signatures.**
- **Checks shall never be made payable to cash.**
- **Neither the Property Owner Services Manager nor the Board of Directors shall pre-sign blank checks.**

### **Financial Reviews**

- **The Board of Directors shall hire a CPA firm to conduct a review of the financial books and records of the Association at least once every five years. This will involve the CPA and association agreeing to specific processes, accounts, etc. to be reviewed (referred to as an “Agreed Upon Procedures” review). In those years in which a CPA firm does not perform a review, the Board shall appoint a Review Committee to review the financial books and records for compliance with appropriate accounting procedures and policies of the association.**