

PORT TRINITIE ASSOCIATION

Financial Policies and Procedures

Adopted on November 1, 2020

Revised November 14, 2020

These financial policies and procedures are adopted by the Port Trinitie Association Board on the date noted above and are available to the entire Port Trinitie membership.

Preamble:

Financial Policies and Procedures (herein known as Policy) have been developed to establish clear and concise accounting practices, administrative management and reporting of financial statements. The board of Directors (BOD) will oversee the adherence to these policies and procedures including approval of any revisions/exceptions to the Policy.

Policy will conform to Generally Accepted Accounting Principles (GAAP) and transactions will be based on a cash basis of accounting. Fiscal year will be the calendar year, January 1 to December 31. Taxes will be prepared by qualified tax preparer and presented for review to the Port Trinitie Association (PTA) President and Treasurer.

Policy will be reviewed every two (2) years by (PTA) Budget Committee and quadrennial external audits of the financial transactions, processes, and internal controls will be required and conducted by an independent auditor contracted by the BOD. The Policy will be retained by the property manager and will be posted on its website to be available to PTA and PTHOA members. Following year end reporting, documents shall remain in the Property Manager's office for seven (7) years.

PTA will establish bank accounts insured by the Federal Deposit Insurance Corporation (FDIC). Sources and uses of funds will not be comingled in the same general ledger account. When possible, approved payments shall be made by Electronic Funds Transfer (EFT).

BUDGET MANAGEMENT

1. The Budget Committee shall be established each year and be comprised of not less than the PTA Treasurer, the PTHOA Treasurer, and 1 PTA board member. The Budget Committee is responsible to:
 - a. Prepare the Proposed Annual Operating Budget for approval at Annual Meeting
 - b. Prepare Recommended Community Facilities and Condominium Assessments for the next fiscal year to be approved at the Annual Meeting
 - c. Provide to the membership and Board of Directors financial statements as noted in Communications items 1 and 2.
 - d. Solicit Board members, Property Manager, and members of PTA for input on proposed PTA projects for the coming fiscal year. The information will be used by the committee for the determination of which projects are to be included in the proposed annual budget.
 - e. Hold committee meetings by October 1 of each year to prepare the provisional budget.
2. The Budget Committee shall prepare each year's annual operating budget for PTA Board of Directors' discussion and approval at the Annual Meeting held in November.
3. The Budget Committee shall be responsible for the chart of accounts structure and communication any changes in such to the PTA Board.

4. The proposed budget with notes shall be distributed to the Board of Directors at least 30 days in advance of the Fall Board meeting and the Annual Membership meeting. Input from all PTA Board of Directors members shall be requested prior to budget finalization.
5. The proposed budget with notes shall be distributed to entire PTA and PTHOA memberships with the Annual Membership Meeting announcement not less than 10 and not more than 50 days prior to Annual Meeting.
6. The PTA Treasurer shall present the operating budget to the membership for final approval per the PTA by-laws and Memorandum of Agreement. Only those present or by proxy may cast one vote per condominium by respective house representative or one vote per homeowner at the Annual meeting.

COMMUNICATION

1. A fund groups like accounts together for a common purpose. Each fund has a separate set of accounts and financial statements.
2. A separate budget shall be established for each fund.
3. Each fund will be named (Condominium Operating Fund, Community Facility Operating Fund, Condominium Reserve Fund, etc.)
4. For each fund, the Treasurer shall distribute reports within 45 days of each quarter end to the PTA Board. The reports shall include a summary of the PTA financial statements for the current fiscal year which include: year-to-date reports of expenditures against the budget, the Balance Sheet, and Statement of Cash.
5. For each fund, the Treasurer shall distribute within 45 days of the fiscal year's 6-month end (June 30) and 12-month end (December 31) to the PTA and PTHOA membership a summary of the PTA financial statements for the current fiscal year which include: year-to-date reports of expenditures against the budget, the Balance Sheet, and Statement of Cash.
6. External audits shall be required every four (4) years but not less frequent. The Treasurer shall report the audit findings and any recommendations to the PTA BOD at the next BOD meeting following the audit. The years an external quadrennial audit is not performed, a financial review shall be performed by an independent CPA, reviewed by the Treasurer and findings reported to the BOD.
7. If a budget amount is greater than \$1,000 and the related expense item exceeds 10% of the approved budget amount, the PTA and PTHOA membership shall be informed of this increase in expenditure. If this budget item is a direct pass through expense to the units (like insurance), the impacted membership shall be informed prior to the membership being billed for the additional funds.
8. If a unit expense or assessment is over funded by the membership, the funds shall be returned the appropriate condominium owners or homeowners by crediting the owner's next year's dues assessment.

SOURCES OF FUNDS

1. Condominium and Community Facilities assessments shall be posted as Sources of Funds in separate accounts.
2. The Bookkeeper shall post, by condominium unit and home, assessments paid. Each Condominium and home shall be listed as a separate account in the General Ledger Sources of Funds section. For each source of funds type (assessments, special assessments, etc.), there will be 57 accounts (1 per condominium and 1 per house.)

USES OF FUNDS

Approval

1. All *contractor and subcontractor* invoices (copies or scans) shall be shared with and reviewed by the President (or Vice President) and Treasurer for approval.
2. All invoices and disbursements shall be approved by both the President (or Vice President) and Treasurer by signature and date on the invoice/documentation with invoice referral.
3. Disbursements to the President or Treasurer shall not approve his/her own invoice. Another officer shall be the second approval.
4. Invoices remain in the Property Manager's office following the annual financial review and then are stored with the other PTA documents for 7 years after the fiscal year end.
5. Invoices for services shall be itemized by description of labor performed and materials purchased and separately identifying whether condominium or community facilities.
6. Contracts shall stipulate that services provided shall be broken down by labor, materials and fees. Contracts cannot charge cost plus a percentage fee. Contracts and subcontracts should be listed separately by property management, landscape, pool, Bookkeeper, attorney, etc. in annual budget.
7. The Treasurer may create a standing approval process for recurring invoices such as utilities, Bookkeeping, etc. These invoices shall be provided to and reviewed by the Treasurer and President (or Vice President)
8. The PTA President is authorized to spend a maximum of \$500 for each operational expense and each maintenance project without prior Board of Directors approval on unbudgeted expenditures. Expenditures cannot be split into separate invoices.

Disbursements

1. Every disbursement shall have a corresponding receipt and/or invoice marked with the amount and date paid.
2. The check number shall be written on every invoice or receipt paid.
3. Every disbursement shall have approval documentation attached. Approval documentation shall include but not be limited to:
 - a. an email from the President (Vice President) and/or Treasurer stating the approval of the invoice and the amount approved
 - b. A dated signature of the President (Vice President) and/or Treasurer on the original invoice
4. Expenses for Community Facilities Liability premiums and Condominium insurance premiums shall be charged to separate expense account for insurance premium.
5. The individual units shall reimburse the PTA for the pro rata amount of property and flood insurance as a Sources of Funds line item.
6. Property Labor and repairs shall include a description of the expenditures and identify name of storm, if applicable, and the type of repair.
7. Contracted services exceeding \$2,500 shall be placed out for bid to a minimum of 3 contractors. (Revised from \$1,500 to \$2,500 on 11/14/20)
8. PTA shall reimburse individual Board of Directors members for travel expenses incurred solely for attendance at a PTA Board meeting up to \$300 maximum per meeting. Travel expenses include lodging, tolls, and round-trip mileage from home to the meeting at the IRS reimbursement rate at the time the expense was incurred.
9. PTA shall budget annually for one House Representatives meeting, the fall Annual Membership Meeting, and for 2 Board of Directors Meetings.
10. 100% of the bank fees shall be allocated to community facilities.

11. Reason for expenses shall be recorded on the memo line of the general ledger.

Contracting and Payment Procedures

1. Contract proposals are solicited at least every five years for Property Management for the Condominiums and Community Facilities and awards are for a one-year annual period with four annual renewal opportunities if the Board of Directors deems satisfactory performance. Annual price increases shall be limited in the contract to the Consumer Price Index.
2. Executed Contracts and any Amendments or renewals shall reflect both parties' signatures. The original documents shall be maintained with other association records kept by the Secretary. Copies of the contracts and amendments shall be provided to the PTA President and Treasurer upon review of the invoices and the Bookkeeper contractor who executes the payments.
3. Monthly payments already approved in the contract for the Property Management of the Community Facilities and the Condominium properties may be paid monthly by the Bookkeeper without additional approvals by the President and the Treasurer. If contractor's performance is unsatisfactory, the President or Treasures shall inform Bookkeeper to stop payments.
4. Any additional tasks or work to be performed by the property manager that falls outside the scope of work under the contract by the property manager shall require the submission of a brief scope of work and price. The Board of Directors must approve all additional tasks to be performed
 - a. Photos of the damage shall be provided to the President if it affected the community facilities, and photos of the damage to any Condominium property shall be provided to the owners with the scope of work and proposed price. Work-in-progress photos and photos of completed work shall be provided by the Contractor. Any project which once finished is concealed shall have photos provided of the work done prior to the concealment (ie, wall removal for plumbing will require photos of the plumbing repair prior to the wall being sealed and finished.)
 - b. Payment shall be made only when the work is approved by the President and Treasurer and/or Owner(s) of the property. The President shall communicate to the Bookkeeper to execute payment.
5. If damages, repairs, maintenance, or approved projects fall outside the scope of the contract, exceeds \$500 in expense, and requires a subcontractor, Property Manager shall contact at least three contractors to submit proposals and prices to the Board of Directors. Once a majority of the Board of Directors has selected and approved the subcontract, bid, or invoice, the President and Treasurer shall review final invoices and once approved, shall direct the Bookkeeper to make payments upon satisfactory completion.
6. The PTA shall not pay the expenses of individually owned units. Owners engaging PTA contractors or other contractors for work shall be responsible for payments of such privately contracted services.

RESERVES

1. The reserve funds shall follow the North Carolina State and Federal laws for HOAs.
2. The reserve funds shall be kept in a separate bank account from the operating funds as mandated.
3. Each reserve fund shall be identified by purpose (Capital – road repairs), by ownership (Condominium or Community Facilities) and duration of availability.
4. PTA shall establish and maintain a Capital Reserve Funds for replacement and maintenance costs due to normal wear and tear for capital items.
5. Reserve Funds
 - a. The PTA shall maintain the Reserves to meet unexpected future operating costs or financial obligations that may occur.
 - b. The PTA shall maintain the following minimum Reserve balances for repairs:
 - i. Condominiums in the amount of \$10,000

- ii. Community Facilities in the amount of \$25,000
6. If the balance of any reserve fund falls below the required minimum for that reserve, a special assessment of the membership (Community or Condominium) shall be determined and implemented to restore the reserve to the required minimum.

DELINQUENCIES

Condominium Unit Delinquencies:

PTA Treasurer shall be notified immediately by the Unit Agent and/or Property Manager if a condominium unit is unable to meet the PTA authorized insurance premium or unit repair financial commitment. Subsequently, the Treasurer shall approve a disbursement of PTA funds to pay the bill. The PTA Treasurer shall immediately notify the House Representative of the problem and request a plan of action be submitted within 15 days to resolve the issue. The purpose of this plan is to ensure the funds shortfall does not reoccur and reimbursement to the shortfall of the budget. If the unit continues not to meet its financial commitment for a period of 60 days from the original date of delinquency, the PTA shall invoke its authority under Section 10 of the Declaration of Unit Ownership. The PTA shall file a suit to recover a money judgement, including legal and court fees, against the unit. The PTA also reserves the right to file a lien on the unit for purposes of foreclosure. The Budget Committee shall be responsible to approve the resolution plan and tracks the plan for compliance.

HOA Delinquencies:

PTHOA has the right to collect assessments and fees. PTHOA can assist PTA in collection of assessments for community facilities. PTA can suspend use of community facilities if payments not made by lot owner. PTHOA collects the debts, establishes the lien, and files with the Clerk of Superior Court of Dare County the amounts due, with 12% per annum interest, costs of collection, court costs, and reasonable attorney fees. (Article VI Sections 7 and 8 of DCCRs.) The PTHOA PTA Board members shall be responsible for managing any HOA delinquencies.