

Stafford Estates Homeowners Association

Financial Management Policy

Purpose: The Board of Directors (collectively “Board”) of Stafford Estates Homeowners Association (“Association”) is ultimately responsible for the financial management of the Association. To assist in this responsibility, the Board adopts this Financial Management Policy (“Policy”) which establishes policies and procedures to assure that 1) boards and officers understand their fiduciary responsibilities, 2) assets are managed properly, and 3) the purposes of the organization are carried out.

Responsibilities:

Specific duties of the Board and certain officers are described in the Association’s Bylaws. In addition to these specific duties, the Board, and each Director and Officer of the Association, shall:

- Adhere to the Associations’ purpose, as set forth in the Associations’ Covenants, Codes and Restrictions;
- Comply with applicable state laws and common ethical standards;
- Adhere to conflict of interest policies herein
- Review and maintain internal controls over the Associations’ activities, including recommending enhancements to the Internal Controls Policy for Financial Assets (“Controls Policy”) as may be appropriate;
- Comply with the expense approval and other accounting policies as may be documented from time to time, including those documented herein and in the Controls Policy;
- Review, approve (or modify) an HOA operating and capital expenditure budget consistent with the Controls Policy;
- Operate within the approved HOA operating budget;
- Establish a protocol for financial reporting to the Board and frequency of reporting (no less frequently than quarterly). The reports shall include a comparison of actual to budget.
- Review financial reports presented and raise any questions or concerns.
- Ensure that appropriate financial reports are timely filed with the IRS and state regulatory authorities;
- Ensure accurate and complete financial reporting for the Board and the Associations’ members; and
- For items or services expected to cost in excess of \$5,000 for a single expenditure or project; the Board member accountable for the expenditure shall obtain a minimum of 3 competitive bids.
 - The board may vote to override this requirement if 3 bids cannot be obtained after appropriate efforts to solicit bids or if current vendor is offering a substantial discount compared to market value of work and the work is of sufficient quality.
 - The board will vote to select the “winning bid”.

- Selection of the “winning bid” will be based on cost, service, and other elements of the contract. The HOA may award the bid to any provider and is not required to accept the lowest cost proposal.
- For existing and ongoing vendor contracts, the Board member accountable for the expenditure shall bring the contract to the Board for review and approval at least every 3 years. If the contract exceeds \$5,000 in annual spend, the responsible board member will obtain competitive bids as described above.
- Adopt and maintain a formalized bid *process* for single expenditures or projects that are expected to cost in excess of \$15,000. The process should be compliant with the requirements of state law.
- Establish guidelines for investing excess cash, such as thresholds for what is considered “excess”, and permissible types of investments in light of projected timing of the when the funds would be needed.
- Create (or update) written job descriptions for directors and officers. The President shall review these job descriptions to ensure there is no unwarranted duplication. Failure to understand responsibilities puts the organization at risk.

Additionally, the Treasurer shall:

- Draft proposed operating and capital budgets for review and discussion by the Board.
- Report the financial results of HOA operations according to the schedule established by the Board.
- Pay all obligations and file required reports in a timely manner.
- Make no contractual commitment for bank loans, corporate credit cards, or for real estate leases or purchases without specific approval of the majority of the Board.
- Pay only those expenses that are approved in accordance with the Control Policy.
- Timely post transactions to the books & records, file appropriate documentation, and perform monthly bank reconciliations.
- Invest excess cash in accordance with the Board’s policies.

Conflict of Interest:

No advances of funds to employees, officers, or directors are authorized. Director’s expenses may be reimbursed in accordance with Article 5 of the Association’s Bylaws; officer’s expenses may be reimbursed using that same guidance (as if they were directors).

In no case shall the Association borrow funds from any employee, officer, or director of the organization without a majority vote of the Board of Directors.

The Association shall not enter into any contract with a Director or an affiliate of a Director (including a company with which a Director is affiliated), unless the requirements in Texas Property Code Title 11 RESTRICTIVE COVENANTS, Section 209.0052 ASSOCIATION CONTRACTS (as may be amended from time to time), have been met. The Association shall meet those same requirements prior to entering into a contract with an Officer or an affiliate of an Officer (including or a company with which an Officer is affiliated). The Association shall meet those

same requirements prior to entering into a contract with an Employee or an affiliate of an Employee (including or a company with which an Employee is affiliated).

Asset Protection:

To ensure that the assets of the HOA are adequately protected and maintained, the Board shall:

- Insure against theft and casualty losses to the organization and against liability losses to Board members, staff, or the organization itself to levels indicated in consultation with suitable professional resources.
- Plan and carry out suitable protection and maintenance of property, building, and equipment, including maintaining working locks on the pool gates.
- Avoid actions that would expose the organization, its board, or its representatives to claims of liability.

Reserve Fund:

Consistent with the Consolidated Declaration of Covenants, Conditions and Restrictions for Stafford Estates, the Board is responsible for establishing a reserve fund to fund future costs associated with repairing or replacing the perimeter fence and other repairs necessary to maintain continuous and perpetual use of the HOA common areas. The reserve should not be funded with whatever is “left over” after the operating budget is prepared, but rather the capital expenditure budget should guide the Board in determining how much funds each year can be, and should be, set aside in a reserve fund. As a general rule, sufficient funds should be set aside to avoid the need for borrowing funds where possible.

General:

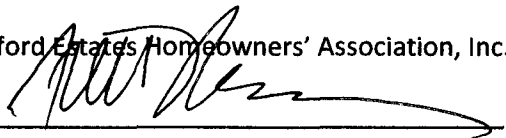
The following historical policy elections and practices are re-affirmed through this Policy and captured here for benefit of subsequent Boards:

- The Association reports its financial information on a cash basis.
- Financial reporting to the Board and to the members of the Association (“Members”) follows the fiscal year of May 1 through April 30. The Association has elected to use calendar year reporting for tax returns.
- The Association no longer accepts credit cards for payment of dues because when this option was provided the Association incurred significant unreimbursed processing fees.
- In accordance with section 5.5 of the Associations’ Consolidated Covenants, Conditions and Restrictions (“CCRs”), the Association assesses 10% interest on a compound basis on member dues not paid within 30 days of the due date. Interest accrues from the due date.

*****'

This policy was approved by the Board during its meeting on May 23, 2022.

Signed this 4 day of NOV, 2022

Stafford Estates Homeowners' Association, Inc.
By: 
Arnold Adkison, President

THE STATE OF TEXAS

COUNTY OF DENTON

This instrument was acknowledged before me on this 04 day of Nov 2022 by ARNOLD ADKISON on behalf of Stafford Estates Homeowners' Association, Inc.

