

Financial Operations

Del Mesa Carmel Policies & Procedures

This document contains numbered sections that cover each of the major functions within the financial operations of Del Mesa Carmel. The sections are:

1. Introduction	1
2. Accounts Payable & Disbursements	3
3. Billing & Receipts	5
4. Budgets	7
5. Capital Budget & Reserve Fund	9
6. Computer File & Records Retention	12
7. Contracts	13
8. Finance Committee Interactions	15
9. Financial Reconciliations	16
10. Financial Reporting	18
11. Fixed Asset Management	21
12. Insurance	22
13. Membership Collection Policy	25
14. Payroll	28
15. Purchasing	30
16. Appendix: Yearly Accounting Calendar	33

1. Introduction

A. Purpose & Scope

The purpose of these Del Mesa Carmel (DMC) *Financial Operations Policies and Procedures* is to communicate the Board of Directors' intention that Del Mesa Carmel's accounting policies, procedures, and systems are intended to ensure that all:

- Assets are safe guarded,
- Financial obligations are recorded accurately and in a timely fashion,
- Financial statements are in conformity with generally accepted accounting principles,
- Finances are managed with responsible stewardship,
and
- The requirements of the governing documents and Davis-Stirling Act are fulfilled.

Additionally, these policies and procedures are intended to focus attention on continuously improving DMC's financial operations to the highest standards of professionalism and integrity in serving Association Members and supporting DMC's governing documents.

The scope of this policy includes all facets of DMC's financial operations, in support of and in collaboration with the General Manager (GM), Board of Directors (Board), Finance

Committee (FINCOM), and other approved Board Committees where applicable, as well as authorized external accounting services.

B. Policy

All personnel with a role in the management of DMC's fiscal operations are expected to uphold DMC's approved financial and accounting policies, to include, but not limited to the following:

- All financial statements will be prepared on the accrual basis in accordance with generally accepted accounting principles.
- Reasonable attempts shall be made to reflect Expenses in the month they are incurred.
- Reasonable estimates of appropriate reserves and accruals will be made and reviewed on at least an annual basis.
- Operating and Reserve Fund (capital) budgets will be prepared on at least an annual basis.
- Actual performance to budget will be tracked and monitored on a monthly basis for Operations and at least quarterly for Reserve Fund.

DMC achieves fundamental internal accounting controls by employing proper procedures and oversight within the accounting function, including cross-checking by the General Manager and Assistant General Manager.

Additional inspection/oversight will be provided through the monthly review of reports by the Finance Committee and presentation of reports to the Board, and at year end by the independent public accountant's audit. A summary of the audit findings will be communicated to the Membership.

Association monies for Operations and the Reserve Fund shall be kept separate in a manner consistent with *DMC Bylaws* V.5. See also Section 5. *Capital Budget & Reserve Fund* in this document.

C. Procedures

- 1) The General Manager, Accountant and Assistant General Manager will implement the best procedures to achieve oversight of duties and responsibilities acceptable to the DMC's independent public accountant (auditor) and the Board.
- 2) Financial reports will be prepared on a regularly scheduled basis for review by the Finance Committee and Board, and summaries presented to the Membership at an Open Board Meeting. See Section 10. *Financial Reporting* for more information.
- 3) On an annual basis, the Treasurer or General Manager will report results of the independent public accountant's Audit of DMC's financial operations to the Board and Finance Committee, to include, but not limited to:
 - a) Compliance with DMC's financial and accounting policies,
 - b) Compliance with generally accepted accounting principles, and

- c) Adequate oversight for, and where possible segregation of, accounting duties and responsibilities.
- 4) Additionally, the General Manager, in cooperation with the Treasurer and Auditor, will report the Audit results at the March regular Open Board Meeting. The Audit Executive Summary will be distributed to the Membership, along with the previous year-end summary financial statements that show the year-end actual performance against budget.

2. Accounts Payable & Disbursements

A. Purpose & Scope

This section describes the Del Mesa Carmel (DMC) accounting policies and procedures regarding Accounts Payable and Cash Disbursements.

The term “cash disbursement” refers to checks, electronic transfers, or other bank notes used to settle account balances, as well as currency from a small petty cash fund kept in the office.

The scope of this policy is determined by the fact DMC is a non-cash Home Owner’s Association (HOA) with a restaurant, guest rooms, and common areas and buildings, as well as the housing units owned by Members. The policy is intended to cover all payments from the Association. The process for Payroll disbursements are covered in Section 14 *Payroll*.

Payments will be made in a manner consistent with *DMC Bylaws* VIII.1.

B. Policy

- All financial obligations must be recorded in DMC’s financial accounts.
- Reasonable attempts shall be made to reflect expenses in the month they are incurred.
- Operating and Reserve Fund monies are held in separate bank accounts. Disbursements must either be paid from the correct bank account or accrued and shown on the Balance Sheet until reconciliation between accounts is accomplished.
- The scheduled monthly and YTD payment amounts to the Reserve Fund shall be shown on the monthly report of Revenues & Expenses (P&L) given to the Finance Committee, Board and available to the Membership. The Balance Sheet will reflect monies owed to Operations and Reserve Fund, including any loans from the Reserve Fund.
- A small imprest petty cash fund (not to exceed \$350) will be maintained in the office.
- Checks written on the Operating Account require two signatures, of which at least one must be a Board Officer, i.e., President, Treasurer, Vice President or Secretary. The General Manager is authorized to sign on this account.

- Signatures of two Board Officers are required on any checks written from the Reserve Fund accounts. *DMC Bylaws* V.7.c.
- The General Manager or Assistant General Manager shall ensure that signature authorities on Association bank accounts are maintained current when Officers of the Board change.
- The Board of Directors authorize use of a DMC credit card to take advantage of online pricing benefits, strictly within the following guidelines:
 - a) DMC's Purchasing Policy remains in effect for any and all purchases.
 - b) The General Manager, Department Heads and Assistant General Manager are authorized to use the DMC Credit Card, and each shall possess one (1) card.
 - c) The DMC credit card shall be used in conformance with DMC's Purchasing Policy and Authorization Limits (see Section 15 *Purchasing*).
 - d) Credit card statements will be reconciled against approved purchases with all receipts attached.
 - e) Redemption of DMC credit card points, cash-back dollars or gifts, shall be pre-approved by the General Manager or the Board.

C. Procedures

Following are the procedures used for normal disbursements and reimbursements. Payroll is covered in Section 14 *Payroll*.

C.1 Checks & Electronic Disbursements:

- 1) Invoices and requests for payment will be evaluated and properly coded as either Operating or Reserve or Contingency Fund expenses.
- 2) Cash disbursements (checks, electronic payments, etc) will be processed twice per month, or as required by specific agreement timing or legal deadlines. This schedule is subject to the limitations of cash flow and bank account balances.
- 3) All disbursements must be supported by approved documentation and/or check request vouchers that give appropriate evidence that the goods or services have been received to the satisfaction of the purchaser. Additionally, large purchases and contracts will contain reference to the project as approved by the Board.
- 4) For contracts, the Accountant will reconcile all invoices against the contract amount and details, as well as prior payment history, before issuing payment.
- 5) All disbursements must be approved by the General Manager and/or Assistant General Manager.
- 6) All non-payroll checks require two signatures of authorized signers.

C.2 Reimbursements:

- 1) Purchasing policy remains in effect.
- 2) All Association Member and Employee requests for reimbursement for purchases on behalf of DMC must be properly documented.

- At a minimum, proper documentation includes cash register receipts, invoices paid in full from businesses, and/or on-line printout of charge activity(s).
 - A Reimbursement Request Form signed either by a Member, employee or Department Head.
 - Department Heads may approve requests. For a Department Head request, the GM will sign to approve. For the GM, either the Assistant GM or Accountant will approve up to \$100, with amounts over \$100 being approved by the Treasurer or President.
- 3) Except in the event of an emergency or unavailability of the General Manager or Assistant GM, all purchases must be pre-approved in writing by the General Manager (or Assistant GM as authorized).
 - 4) Association Members may elect to be reimbursed in the form of currency (if less than \$25.00) or via accounts payable check.

C.3 Reserve Fund Related Payments:

- 1) On a monthly basis, the scheduled payment to the Reserve Fund will be disbursed from the Operating bank account.
 - If cash flow for the month is such that the scheduled amount is not available, it will be accrued and noted on the Balance Sheet.
- 2) Any Reserve Fund expenses that were initially paid from Operations will be accrued to the Operations account, shown on the Balance Sheet, and reconciled and paid back on at least a quarterly basis.

3. Billings & Receipts

A. Purpose & Scope

This section describes the Del Mesa Carmel (DMC) accounting policies and procedures regarding Billings and Receipts.

The policy is determined by the fact DMC is a non-profit Home Owner's Association (HOA) with a restaurant, guest rooms, and common areas and buildings, as well as the housing units owned by Members. In addition, the Association has a contract for Basic Cable service for each owner's unit that is included on the Members' monthly statements as a pass-through expense per **DMC Ground Rules 1.8**.

The term "cash receipt" refers to checks, money orders, electronic funds transfer, and similar bank credits or currency used to settle account balances.

The scope of this policy covers Association Member accounts, as well as non-resident diners and guest room occupants to whom credit has been extended. Employees who are extended credit in the dining room are also covered.

For information on related governing documents and on delinquent accounts, see Section 13. *Membership Collection Policy*.

B. Policy

- Cash receipts received in DMC's Office are to be held in a secure location until processed.
- Accounting personnel shall periodically process Accounts Receivable checks in a timely manner.
- Appropriate cash receipts summaries are to be made and used to update Accounts Receivable and to assist in reconciling the bank accounts.
- All cash receipts must be deposited in federally insured banks and shall not exceed the maximum amount insured by the FDIC.
- Processed checks from Members shall be maintained and shredded as outlined by banking protocol.

C. Procedures

C.1 Member Assessments & Other Charges:

- 1) All Association assessments and other charges (such as office, restaurant, guest units) will be billed once a month on statements for each Unit. The statements will be created on the last day of the month (e.g., January's statements are created and dated December 31st). The statements will be sent to Members on the 10th of the month and will show:
 - the monthly assessment for that Unit type (i.e., the statement created on 12/31 will show January's assessment),
 - the monthly pass-through expense for Basic Cable,
 - the previous month's charges in the restaurant, guest unit rental, and office, and
 - As applicable, all past due assessments, delinquency fees and interest, fines and other charges will be included.
- 2) Payment is due by the end of the month.
- 3) If payment is not received by the end of the month, within the next 10 days the Member will receive a phone call and a letter.
- 4) If the assessment remains unpaid 30 days after the original due date, it is delinquent and subject to the following which will be added to the next billing cycle as set by the *DMC Collection Policy* and **Ground Rules I.13**:
 - a) A late fee not to exceed 10% of the delinquent amount or \$50 whichever is less,.
 - b) Reasonable costs and attorney's fees incurred in collecting the delinquent account.
 - c) Interest at an annual rate of 12%, commencing 30 days after the original due date, to be imposed on (a) assessment itself, (b) the late charge, (c) reasonable costs of collection, and (d) reasonable attorney's fees incurred in the collection process.

- 5) Additionally, Members and their guests or tenants with accounts 60 days delinquent will be denied credit in the restaurant and office.

See Section 13 *Membership Collection Policy* for information on the procedures for collecting delinquent accounts.

C.2. Employee Credit Charges:

- 1) Employees may be extended credit in the dining room for meals during working hours.
- 2) Employees are expected to pay their dining room expenses at the end of the month. Employees who do not pay by the 17th of the following month, will receive notice and lose their charging privileges.

4. Budgets

A. Purpose & Scope

This section describes the Del Mesa Carmel (DMC) accounting policies and procedures regarding Budgets.

The scope of this policy involves all aspects of DMC's financial operations pertaining to Operating Fund and Reserve Fund (Capital) Budgets, however more detailed information on the latter is in *Section 5. Capital Budget & Reserve Fund*.

DMC's Fiscal Year for purposes of budgets runs from January 1st to December 31st.

B. Policy

Each year, the Operating and Capital/Reserve Fund Budgets shall be created for the upcoming year. These will be reviewed by the Finance Committee and refined as appropriate, before being approved by the Board of Directors.

- The pro-forma Operating and Capital/Reserve Fund budgets shall include estimated revenue and expenses.
- The budgets shall be used to calculate any adjustment in Association assessments, and a listing of the increase for each Unit type. (See related *DMC Declaration of Protective Restrictions* IV.3 and *Bylaws* IV.19.)
- As part of the Annual Disclosures, the Board and GM shall cause a summary of the pro-forma budgets, including estimated Reserve Fund contributions and assessment increases for each Unit type, for the upcoming fiscal year to be distributed to the Association Members by November 30th of each year. (See Section 10. *Financial Reporting* for more information on Annual Disclosures.)

C. Procedures

The General Manager is responsible for completing the up-coming year's pro-forma Operating and Capital/Reserve Fund Budgets for each department. The Finance Committee and Board of Directors are responsible for review and approval of budgets.

See section 5. *Capital Budget & Reserve Fund* for more information about the Reserve Fund budget preparation process.

Budget Preparation & Approval Process (August to November):

- 1) Prior year operating budgets and actual expenses are analyzed, in addition to inputs from Department Heads, to determine the Preliminary Annual Operating Budget.
- 2) In addition to the above, the Reserve Fund Study is used as the basis for the preliminary Capital/Reserve Fund budget which includes projected capital spending to be taken from the Reserve Fund account and the required annual contribution to be made to the Reserve Fund. See details in *Section 5. Capital Budget & Reserve Fund*.
- 3) Goals and objectives established by the Board of Directors, in collaboration with the General Manager, Department Heads, and approved Committees, are also used to develop Preliminary Annual Operating and Capital/Reserve Fund Budgets.
- 4) The GM and Accountant meet with the Treasurer and Finance Committee (FINCOM) to present the preliminary pro-forma budgets and facilitate FINCOM review.
 - a) This begins an iterative process during which the draft budgets are reviewed in working sessions by FINCOM, then appropriate revisions are made by staff in response to FINCOM suggestions and a draft returned to FINCOM for review. Staff may help FINCOM explore “what if” scenarios.
 - b) During this process, any required increase to HOA assessments will be calculated and discussed.
 - c) When the budgets are nearly final, the Board may be included in FINCOM’s working session so the Board can gain a more in-depth understanding of the budgets.
- 5) When finalized, copies of the draft budgets are included in the Board packet for review prior to the next Open Board Meeting.
- 6) At an Open Board Meeting no later than November 30, the Board is required by the Davis-Stirling Act to adopt the final budgets for the upcoming year. When approved by the Board, the Board Secretary will record the approval in the Board Meeting Minutes.
- 7) The General Manager, or Treasurer, will also present a brief summary of the pro-forma budgets and any assessment increase to the Association Membership in attendance at an Open Board Meeting in November.
- 8) By November 30th of the year, the General Manager will provide each Association Member with a summary of the Pro-forma Operating Budget, which includes the projected year-end balance of the Reserve Fund. See Annual Disclosures in *Section 10. Financial Reporting*.

- 9) The Board approved Capital/Reserve Fund and Operating Budgets will be implemented by the General Manager, Accountant and staff effective January 1st of each year.

5. Capital Budget & Reserve Fund

A. Purpose & Scope

This section communicates the Del Mesa Carmel (DMC) accounting policies and procedures regarding capital items and items in the Reserve Fund Study, and expenditures from and annual contributions to the Reserve Fund. See related information in sections: 3. Budgets and 11. Fixed Asset Management and 2. Accounts Payable and Disbursements, as well as *DMC Bylaws* V.7.

- Capital Assets are defined as capital items that have a cost greater than ~~\$2,000.00.~~
*The capitalization policy amount increased to \$5,000 on 05/27/2021 as noted in BOD Minutes of that day. *
- Reserve funds are not used for general maintenance or repair, but can cover the cost of replacing portions of current assets (for example, replacing a broken portion of sidewalk or leaking water lines). See *DMC Bylaws* V.7.

The scope of this policy involves all aspects of DMC's financial operations pertaining to capital items in the Reserve Fund Study, other Capital assets, and replacement costs for all significant Capital assets.

B. Policy

- Association Members are assessed monthly to develop funds to be set aside for the improvement or replacement of capital assets. The Board of Directors authorizes a portion of Association Membership's monthly assessment be set aside in the Reserve Fund accounts.
- All expenditures from Reserve Funds shall require approval of the Board of Directors, which is done by: 1) approval of the general items listed in the Capital/Reserve Fund Budget for the year and 2) approval of specific purchases or contracts as detailed in Section 15. Purchasing.
- DMC's overall Reserve Fund goal is to maintain the Reserve Fund at a minimum level determined by the Board.
- DMC shall maintain a schedule of capital components and their replacement costs which shall be reviewed and updated annually. Additionally, DMC shall have a Reserve Study completed by an independent, third party reserve specialist at least once every three (3) years, as mandated by the Davis-Stirling Act.
- Loans from the Reserve Fund to Operations must be approved by the Board and properly tracked in the accounting system. Such loans are most often made to resolve short-term cash flow problems and must be repaid within 1 year per the Davis-Stirling Act. See also *DMC Bylaws* V.7.b.

- The General Manager will assist the Treasurer in his duty to keep Reserve Funds invested as follows (per *DMC Bylaws* V.5):
 - (1) Deposited in financial institutions whose deposits are insured by an agency of the Federal Government, and not in excess of limits insured by the FDIC.
 - (2) Invested in securities issued or guaranteed by the Federal Government.
 - (3) Invested in general obligation tax exempt securities issued by states or municipalities having AA or AAA rating by both Moody and Standard and Poor's rating agencies.
 - (4) Prior to making any investments as authorized under subparagraphs (1), (2) and (3), it shall be the duty of the Treasurer to obtain the guidance of a majority of the Finance Committee Membership.

C. Procedures

The amount of the Reserve Fund assessment will be determined by the Board annually, in conjunction with their review and adoption of the Operating and Capital/Reserve Fund Budgets (refer to section 4. *Budgets*).

C.1. Reserve Fund Accounting & Reporting:

- 1) Reserve Funds shall be kept separate from Operating Funds, both in the Association's bookkeeping and in its bank and investment accounts.
- 2) Reserve Fund investment requirements (such as FDIC insured) are contained in *DMC Bylaws* V.5.c. It is the responsibility of the General Manager and Treasurer to ensure compliance.
- 3) Monthly deposits, in the amount approved by the Board during the annual budget process, shall be made into the Reserve Fund bank accounts.
 - Should cash flow requirements during a particular month be such that the regular payment cannot be made, the General Manager shall inform the Finance Committee and the Board, and it will be reported to the Membership at the next regular Board Meeting.
- 4) Monies owed to or from the Reserve Fund shall be tracked in the accounting system and reported on the Balance Sheet on a short-term basis.
- 5) Department Heads will code all invoices and expenditures with the appropriate Reserve Fund account numbers so the Accounting Staff can properly track these expenditures. At least monthly, Department Heads will turn their expenditures in to the Accounting Staff.
- 6) On a monthly basis, the Accounting Staff will prepare a Reserve Fund statement that shows the balances and interest earned for each of the Reserve Fund bank or investment accounts. The statement will be provided to FINCOM and the Board on the Friday before the next regular Board Meeting.
 - Reserve Fund investments' (such as CD's) due dates will be included in the report.
 - The Finance Committee, with GM input, shall recommend investments, renewals and liquidations of Reserve Funds to the Board, and upon

authorization by the Board, it shall be the responsibility of the Treasurer to implement such actions. (See investment guidelines in *B. Policy* above.)

- 7) At least quarterly, the Reserve Fund expenditures and transfers to/from the Operating Fund budget shall be reconciled. This information will be provided to the Treasurer, FINCOM, and the Board. (See the section *10. Financial Reporting* for more information.)

C.2. Annual Capital/Reserve Fund Budget Preparation:

Utilizing the Reserve Fund Study's annual recommendation and input from DMC Department Heads, a budget for replacement of components in the reserve replacement plan shall be prepared each year.

- 1) The Capital/Reserve Fund Budget process is part of the overall budget development that begins in August of each year (see section *4. Budgets* for the basic budget process).
- 2) DMC Department Heads review their capital improvement needs and prepare their individual capital budget requests for submission by the end of August of each year.
 - The Reserve Replacement Plan is used as a guide in budget preparation. Items due for replacement in the plan will be assessed by Department Heads to see if replacement is needed now or can be delayed until a future date.
 - Replacement of some components in the plan may need to be accelerated, because they did not last as long as anticipated.
 - Funding for all new capital purchases (i.e., items not in the Reserve Study) must be made from the Operating Fund.
- 3) Additionally, input may be solicited from various Committees (such as House Committee) regarding items they perceive as needing replacement or major overhaul.
- 4) All Capital/Reserve Fund Budget requests are forwarded to the General Manager, who works with the Accountant to draft a preliminary Capital/Reserve Fund Budget.
- 5) This budget is included with the Operating Budget in the approval process as documented in Section *4. Budgets*.
- 6) The Board approved Capital/Reserve Budget will be implemented by the General Manager, Accountant, and Department Heads effective January 1st of each year.

C.3. Reserve Fund Expenditures

- 1) Department Heads shall verify through the General Manager and the Accountant that adequate and dedicated budget funds have been approved by the Board, and are available for disbursement prior to placing a purchase order. (Refer to *15. Purchasing* for specific purchase order authorization limits).
- 2) Approved Reserve Projects are planned and managed to ensure project costs do not exceed budget.

- 3) Any monies not spent on approved Reserve items or projects will remain part of the Reserve Fund account.

C.4. Capital Replacement Cost Report – Reserve Study

The General Manager is responsible for:

- Maintaining an accurate schedule of replacement costs for all significant capital assets.
- Contracting to have a professionally prepared capital Reserve Study performed at least every three (3) years.

C.5. Disclosures to Members

See “Annual Disclosures” in *Section 10* Financial Reporting.

6. Computer Files & Records Retention

A. Purpose & Scope

This section describes the Del Mesa Carmel (DMC) computer file backup, records retention policy and procedures.

The scope of this policy involves all aspects of DMC's financial computer systems backup and records retention in order to ensure data integrity, maintain records as required by law, and support the annual audit.

B. Policy

DMC utilizes on premise financial accounting software located on an onsite server. Server Data is backed up daily through an automated process that stores an image of all server information including the software and operating system.

Important files of onsite computers are manually stored to the server daily. Selected files are also backed up on removable media within the office.

Password security will be vested only with the General Manager, the Assistant General Manager, and the Accountant.

DMC uses a local tech support company to assist with their onsite network including but not limited to the server, the onsite computers and various network equipment.

DMC maintains the proper paper records in the office or storage room.

C. Procedures

Data is backed up daily in two locations: locally in a network-attached storage device and offsite in a cloud location. All data is compressed, encrypted and password protected. Daily backed up data is stored for 30 days before the oldest backup is removed.

Files are retrieved by contacting the local IT support company who will assist in recovery of file data.

In the case of a disaster in which the server becomes unavailable or unusable due to damage such as normal electronic failure, the backup file can be used to create a Virtual machine on a temporary server device. This recovery process of the server can take up to 24 hours to restore normal use of the temporary server.

All financial reports are printed and filed in the office.

Paper financial records are kept according to the schedule of legal requirements maintained in the Administration office.

Audit reports are filed and kept indefinitely.

7. Contracts

A. Purpose & Scope

This section describes the Del Mesa Carmel (DMC) financial policies and procedures regarding Financial Commitments associated with contracts between DMC and approved Vendors. Reference authority given in *DMC Bylaws* VIII.2 and *DMC Declaration of Protective Restrictions* IV.1.i and basic cable in IV.1.o.

The scope of this policy involves all aspects of DMC's contractual procedures as it impacts DMC's financial commitments. See also related Section 15. *Purchasing* for purchase authorization limits, procedures and Board approval levels for contracts.

This policy does not apply to the purchase of goods and services that do not require contracts and are covered under normal purchase procedures. See Section 15. *Purchasing*. This policy does not apply to the legal contractual requirements, such as utilities.

B. Policy

Financial due diligence is required before any contract is submitted for DMC's review and approval process.

- Confirm that funds are budgeted and available to accommodate the costs associated with the contractual terms (total cost and payment amount schedule).
- See the purchase authorization and contract approval limits in Section 15. *Purchasing*. See also *DMC Board Practices* #032.
- Without approval or delegation of authority from the Board of Directors, no individual officer, employee or agent can bind DMC to a contract or purchase. *DMC Bylaws* VIII.2.

The Board has final approval on Reserve Fund contracts and multi-year contracts; the Finance Committee may be asked to review contracts and provide an opinion to the Board. Items listed in the Reserve Replacement Plan or listed as items in the Operating budget are considered approved when the budgets are approved; see Section 15 *Purchasing* for more information.

B. Procedure

In addition to the following process, circumstances may exist in the opinion of the General Manager, President, or Board which require additional review by outside accounting, legal, or other content experts at any point in the approval process outlined below.

Contract Content:

Contracts must be in writing and contractual "Financial Terms" must include the following:

- Scope of Work
- Start and End Dates
- Termination provisions for both parties
- Description of work to be performed, including duties and obligations of each party.
- Bonding and insurance requirements of Vendor.
- Pricing for service(s) performed.
- Payment terms, including specific payment schedule, with specified "final completion hold back amount(s)".
- Limits on DMC's liability in event of Vendor default or early termination by DMC.
- Dispute resolution terms.
- Subcontracting defined and only with DMC's written consent.

Process for Creating and Managing Contracts:

- 1) **Department Manager** initiation:
 - a. A draft contract should be prepared by the Department Head requesting the service and forwarded to the General Manager.
- 2) **General Manager:**
 - a. Comments, feedback, and revisions are discussed and made between the General Manager and the Department Head
 - b. Upon completion the contract is forwarded to the Assistant General Manager.
- 3) **Review** by Finance Committee is covered in Section 15 *Purchasing*.
- 4) **Approval and signing:**
 - a. See the General Manager's authorization limits in Section 15. *Purchasing*.
 - b. For contracts requiring Board approval as specified in Section 15. *Purchasing* and **DMC Board Practices** #032, contract formation and bid review will take place in Executive Board Meeting and discussions and final approval will be at an Open Board Meeting.
 - c. If an unplanned expenditure is proposed that will cost in its entirety a sum equal to or greater than one month's current total maintenance fee (one month's assessment), approval of five (5) Board members is required and Membership must be notified. **DMC Bylaws** IV.1.b

- d. When the contract is approved by the Board, the General Manager may sign and execute the contract.
- 5) **Contract Record Keeping:** Copies of all original signed contracts will be maintained in the office by the GM or Assistant GM.
- 6) **Contract Accounting:** The Accountant will reconcile all invoices against the contract amount and details, as well as prior payment history, before issuing payment.

8. Finance Committee Interactions

A. Purpose & Scope

This policy provides functional guidelines for interactions between the Del Mesa Carmel Accountant and General Manager (GM) and the Finance Committee (FINCOM).

The Board Treasurer is the FINCOM chairperson and the committee's scope of responsibilities is defined in *DMC Bylaws* VI.6 and the *Finance Committee Charter*.

B. Policy

The Finance Committee provides assistance to the Board of Directors in the exercise of the Board's fiduciary responsibility to oversee the financial affairs of the Association (*DMC Bylaws* VI.3).

DMC's Accountant and GM support the Finance Committee in its financial inspection and review duties by providing timely reports and access to needed financial information and by attending FINCOM meetings. See Section 10. *Financial Reporting* in this document for more information.

During preparation of the annual Operating and Capital/Reserve Fund budgets, the Accountant and GM meet with FINCOM as described in section 4. *Budgets*.

FINCOM may provide assistance to the GM, Accountant and Board on special projects.

The Finance Committee does not possess operating powers; only the General Manager can direct DMC's employees.

C. Procedures

C. 1. Monthly Meetings & Review:

- 1) DMC's Accountant prepares and GM reviews monthly reports prior to the monthly FINCOM meeting. These reports are given to the Treasurer and FINCOM members prior to their monthly meeting. (See Section "10. *Financial Reporting*" in this document for more information.)
- 2) Prior to the meeting, the Accountant and GM may also provide information to support the committee's preparation of special reports and projects.

- 3) The Accountant and GM attend FINCOM's monthly meetings to present the financial reports, answer questions and provide detail as needed.
- 4) FINCOM reviews the reports, noting areas of concern, and votes on their recommendation to the Board regarding acceptance of the reports. The Treasurer presents this information at the next Open Board Meeting.

C.2. Special Projects or Reports:

- 1) The GM, Accountant, Board or FINCOM may identify special reports or analysis that will benefit the Association. The Accountant or GM will assist the committee by providing needed information.

C.3. Quarterly Review:

- 1) On a quarterly basis, the GM will provide the Reserve Fund expenditures and reconciliations in the reports given to the Treasurer and reviewed at the appropriate monthly FINCOM meeting.

C.4. Yearly Audit:

- 1) Following the guidelines in the *DMC Bylaws* VI.3 and in the *Finance Committee Charter*, the GM will work with FINCOM to identify and recommend an Auditing Firm to the Board. The Board makes the final decision.
- 2) The Accountant or GM will provide audit information to FINCOM as described in section 10 *Financial Reporting* so that FINCOM can review and give comments and recommendations to the Board regarding the Audit.

C.5. Yearly Budgeting Process:

- 1) Interactions with FINCOM during the yearly budget process are described in Section 4 *Budgets*.

9. Financial Reconciliations

A. Purpose & Scope

This section describes the Del Mesa Carmel (DMC) accounting policies and procedures regarding Financial Reconciliations.

The scope of this policy covers DMC's accounting operations regarding reconciling all aspects of its various financial reports to the General Ledger.

B. Policy

General Ledger Accounts:

- Quarterly: All General Ledger accounts will be supported by detailed summary listing that agrees with the General Ledger.

Cash Disbursements & Receipts:

- Monthly: All bank cash accounts will be reconciled.

- Monthly: Cash disbursements and receipts per the bank must be reconciled to the General Ledger balance.
- Daily and Monthly: The Petty Cash fund is counted four times daily and reconciled monthly.

Accounts Receivable:

- Monthly: A detailed listing of Accounts Receivable will be reconciled to the General Ledger receivable balance.

Capital/Fixed Assets:

- Annually: A detailed inventory of fixed assets must support the General Ledger Fixed Asset Accounts.
- Bi-annually: A visual inspection is conducted.

Accounts Payable:

- Monthly: The Accounts Payable General Ledger Account will be supported by a detailed listing of Accounts Payable.

Reserve Fund:

- Monthly: Scheduled payments are made from Operations to the Reserve Fund.

C. Procedures

Reconciliations will be conducted on the above schedule. All completed reconciliations will be reviewed and approved by the General Manager and made available to the Treasurer.

C.1 All Bank Cash Accounts:

- 1) Reconciliation will be accomplished by the Accountant with the assistance of the Assistant GM or Bookkeeper.
- 2) The reconciliation can be reviewed by the Treasurer.

C.2 Petty Cash fund:

A small imprest petty cash fund (NTE \$350) is maintained in the office.

- 1) Each day the fund will be counted four (4) times by employees on the front office staff, normally during shift change.
- 2) The Accountant or Assistant GM (i.e., someone independent of the petty cash function) will reconcile and review the documents supporting transactions on a monthly basis.

C.3 All Other Reconciliations:

- 1) All other reconciliations will be accomplished by the Accountant or GM.

10. Financial Reporting

A. Purpose & Scope

This section describes the Del Mesa Carmel accounting policies and procedures regarding Financial Reporting. Timely and accurate financial reporting is crucial to enabling the Board to fulfill its fiduciary responsibilities and allowing the Board to make informed decisions to safeguard the Association's and Members' best interests.

The scope of this policy covers all aspects of DMC's financial reporting policies and procedures.

DMC's Fiscal Year runs from January 1st to December 31st.

B. Policies

On a monthly basis, a report packet will be prepared for the Finance Committee and Board. The Statement of Revenue & Expenses (P&L) is the top priority, and other monthly reports are the Balance Sheet, Delinquency Report, and Reserve Fund Report.

The reports will be produced by the 20th of the month which allows time for the GM to review the reports before sending them to the Finance Committee and Board.

The Finance Committee conducts their review prior to the regular monthly Open Board Meeting. The reports are due to the Finance Committee no later than the Friday prior to the Board Meeting. If resources are not available to produce all of the reports, the GM will notify the Treasurer and President.

- Statement of Revenue & Expenses (P&L): Monthly –
 - Reflect monthly and year-to-date (YTD) amounts in comparison with monthly and YTD budgets.
 - Reflect the monthly Reserve Fund contribution and YTD total and budget.
 - Include an overview of income and expenses, summary by department, and detailed financial results of each department monthly, YTD and budget.
- Balance Sheet: Monthly –
 - Reflect all current asset and liability equity account balances for Operating, Contingency, and Reserve funds.
 - Include Due To/Due From entries to show monies owed from one of the above funds to another.
 - Include any loans from the Reserve Fund.
 - Include value of Fixed Assets
- Delinquency Report: Monthly –
 - Reflect all Membership accounts that are 30, 60, 90 days or more in arrears. No names or unit #s will be included in the report, and the GM or Accountant should be prepared to give a recap of efforts to collect payments.

- Reserve Fund Statement: Monthly –
 - Show all accounts' balances and interest earned. (Note: current reserve fund project status and spending will be reported on a quarterly basis.)

Following is a summary of additional reports that should be produced during the year.

- Capital Statement and Reserve Fund: Quarterly –
 - Shows a recap of Reserve expenditures compared to Reserve Fund Budget.
- Audit Report: Yearly –
 - The report from the Auditor shall be distributed to the Finance Committee and Board and the executive summary shall be distributed to the Membership
- Special financial reports and analysis as may be requested by the Treasurer and Board of Directors. FINCOM may assist the GM and Accountant in producing such reports. The Accountant may also provide information for reports that FINCOM or another committee wants to prepare.
- Membership Reports:
 - 1) Annual Disclosures for Association Members:
 - The General Manager shall prepare and distribute a Budget Report 30 to 90 days before the end of the fiscal year in accordance with Sections 5300-5320 of Davis-Stirling. These include a Pro-forma Operating Budget showing estimated revenue and expenses on an accrual basis, a summary of the Association's reserves, a summary of the reserve funding plan, a statement whether the Board has determined to defer major repairs, a statement whether the Board anticipates any special assessments, a statement concerning the mechanisms for funding reserves, a statement concerning the procedures for calculating reserves, a statement whether the Association has any outstanding loans, and a summary of the Association's insurance policies and the *Collection Policy*. **DMC Bylaws** IV.19a and b
 - See section 4 *Budgets* for more on the annual Members' disclosures and upcoming year's Pro-forma Budget sent out by November 30.
 - 2) Yearly Audit Report for Association Members:
 - The General Manager, in cooperation with the Treasurer and a representative from the Audit firm, will report the Audit results at the March regular Open Board Meeting.
 - Pursuant to the Bylaws and Davis-Stirling Act and within 90 days of the close of each fiscal year, the Board shall have the previous year-end's Balance Sheet, and Operating Statement Revenues & Expenses (P&L), and a copy of the Executive portion of the Auditor's report delivered to each Member. **DMC Bylaws** IV.17.

C. Procedures

C.1. Basic Process for Financial Statements/Reports

- 1) Internal creation and review:
 - a. Accountant, with the help of the Assistant GM, creates and reviews the reports.
 - b. GM reviews the final report, investigates variances or anomalies and approves the report.
- 2) Reports are given to the Treasurer and included in the FINCOM pre-meeting packet. The reports are also included in the Board packet for the upcoming regular monthly Board Meeting.
 - a. The Treasurer will be notified if time and resource constraints cause a delay in producing and internally reviewing a report in time for inclusion in the FINCOM pre-meeting packet. Arrangements can be made for presenting the report at the FINCOM meeting.
 - b. FINCOM reviews and accepts DMC Financial Statements in advance of the regularly scheduled Board Meeting. The GM and Accountant attend the FINCOM meeting to answer questions and discuss the reports in facilitation for FINCOM's review and acceptance of the reports.
- 3) At the next open Board Meeting, the Treasurer and GM present DMC's financial performance/status and any FINCOM recommendations to the Board, who review and accept DMC financial reports. The Board's acceptance will be recorded in the Board meeting minutes by the Board Secretary.
 - a. Copies of the summary pages for the Monthly Statement of Revenue & Expense (P&L) will be available to the Membership who attend the open Board meeting, or who request a copy of such from the office after the meeting.
 - b. All detailed financial reports are made available to Members who request a copy from the Front Desk.

C.2. Yearly Audit Preparation & Report:

- 1) Prior to the end of the year, it is the responsibility of FINCOM to recommend to the Board a licensed independent accounting firm of certified accountants to perform the yearly audit. The GM will assist in this process as required. The Board gives final approval on the selection of the Auditor.
- 2) The GM prepares a contract for the Auditor and obtains Board approval.
- 3) Near the end of the year, the Accounting Staff will begin preparing the materials that the Auditor will need. The audit will include DMC's insurance policies.
- 4) The GM and Accounting Staff will interface with the Auditor throughout the auditing process.
- 5) The GM will respond to the Auditor's suggestions in the Management Report and provide this to the Auditor and to the Board of Directors.
- 6) When the audit is complete:

- a) The GM distributes the Auditor's complete report to the Board and FINCOM.
- b) The GM and Treasurer, along with a representative from the Auditing firm, will report the results of the Audit at the regular Open Board Meeting in April.
- c) The GM distributes the Audit Executive Summary to the Association Membership no later than April 30.

C.3. Other Reports:

- 1) When requested by the Board and/or FINCOM, the GM and Accountant will produce other reports to facilitate the Board and FINCOM understanding of the Association's finances and resources.
- 2) FINCOM may collaborate with and support the Accountant and GM by producing special reports (such as Water Report and WorkingCapital Analysis), as agreed upon by the Treasurer, GM, and FINCOM. In addition to assisting the General Manager, these reports will inform the Board with more in-depth information about the subjects selected for the reports.

11. Fixed Asset Management

A. Purpose & Scope

This section explains the Del Mesa Carmel (DMC) financial policies and procedures regarding Fixed Asset Management. (See also Section 5. *Capital Budget & Reserve Fund* for related information.)

The scope of this policy involves DMC's Fixed Assets and the annual Capital spending budget.

B. Policy

- 1) All capital items which have a cost greater than \$2,000.00 will be capitalized and depreciated.
 - Items costing less than \$2,000 will be purchased from the annual Operating Fund Budget, expensed in the year they are purchased, and will not be included in the Reserve Fund Study and account.
- 2) A permanent detailed Property Log will be maintained of all Fixed Assets originally conveyed or subsequently purchased by DMC.
 - The Property Log will contain information necessary to identify the cost basis and expected life of the fixed asset so it can be depreciated properly.
- 3) A physical inspection and inventory will be taken of all Fixed Assets and reconciled to the general ledger balances at least every other year.
 - Adjustments for obsolescence dispositions shall be included during physical inspection and inventory processes.

- 4) A capital reserve component review will be completed annually as part of the annual budget process.

C. Procedures

- 1) The General Manager (GM) and Department Heads are responsible to ensure the Fixed Asset physical inspection and inventory is accurately completed on a timely basis every other year.
- 2) The Department Heads will inspect the condition of items listed for replacement within the next year by the Reserve Fund Study. Their recommendation for replacement or for delaying replacement will be given to the GM in July and become part of the Capital/Reserve Fund budgeting process as described in Section 5. *Capital Budget & Reserve Fund*.

12. Insurance

A. Purpose & Scope

This section communicates the Del Mesa Carmel's (DMC) financial policies and procedures regarding the required insurance coverage for DMC's assets, common property, Units, operations and employees.

The scope of this policy covers the requirements set forth in *DMC's Declaration of Protective Restrictions* IV.1.e and *Bylaws* IV.19 and X in order to meet the requirement to provide current insurance policies for Casualty, Public Liability, Indemnity, Fidelity, and Worker's Compensation. Included is:

- DMC's need to provide competitive health care insurance benefits for DMC's eligible employees. Refer to DMC's Employee's Handbook for details regarding eligibility of DMC employees for health care insurance benefits.

B. Policy

The General Manager is responsible for working with the Board and FINCOM to ensure that all insurance specifications are adequate and premiums are competitive. *DMC Board Practices* 032.

The insurance coverage will also be included in the Annual Audit.

- 1) **General Liability Package:** DMC shall provide a General Liability Package of insurance coverage required by *DMC's Declaration of Protective Restrictions* IV.1.e and/or applicable law and good business practices, as described below:

Property:

- Coverage including Fire, Vandalism, and Malicious Mischief.
- A policy or policies insuring for the full insurable replacement values, without deduction for depreciation, of all DMC property and all improvements located

thereon, for the interest of and naming as insured DMC, for use and benefit of the Members, as their interests may appear.

- The amount of coverage shall be sufficient so that insurance proceeds from a covered loss shall provide at least the full amount of the covered damage or loss, minus the deductible.

Public Liability:

- A policy or policies insuring DMC, its Officers, the Board of Directors, and Members against any liability including Director's liability, to the public or to the Members, their guests, invitees, or tenants, incident to the ownership, management, or use of DMC's property, or the management of DMC.
- Limits of liability under such policy or policies of insurance shall not be less than a combined limit of Three Million Dollars (\$3,000,000.00).
- Coverages include Directors and Officers, and Employment Practices.
- Policy or policies shall contain severability of interest endorsement which shall preclude the insurer from denying the claim of named insured because of any neglect or other act or omission of another named insured.

Fidelity Bond:

- A bond or insurance policy for Directors, Officers, Trustees, Employees and Volunteers responsible for handling funds collected and held for DMC Members, naming as insured DMC, for a minimum of Three Hundred Thousand Dollars (\$300,000.00).

Umbrella Insurance:

- Excess insurance coverage that pays after an underlying primary policy is exhausted, and that conforms to the coverage of the underlying policy(s).

Auto Insurance:

- Coverage for Del Mesa vehicles for a minimum of \$1,000,000 Combined Single Limit for bodily injury and property damage.

Crime:

- Coverage for losses and resulting from dishonest acts committed by the Association's Directors, Officers, and/or employees.

Liquor Liability:

- Coverage for each common cause is limited to \$1,000,000 with a \$2,000,000 aggregate limit.

Worker's Compensation:

- Includes employer's liability insurance to the extent necessary to comply with applicable laws.

- 2) **Employee Health Care Insurances:** DMC provides health care insurance that is competitive within DMC's business scope, as it relates only to the area of operation within the Monterey Peninsula.
- 3) **Insurance Renewal Bidding:** DMC shall tender competitive bids for its insurance portfolio, or for individual insurance products every three years, to ensure the best insurance provider, coverage, and pricing is achieved using a DMC approved insurance broker.
- 4) **Disclosure to Membership:** The levels of coverage will be part of the Annual Disclosures sent to the Membership.

C. Procedure

The General Manager, with guidance and support from the Assistant GM and Accountant, ensures DMC's required insurance policy portfolio is current, is maintained, and in force as required by governing document and Board of Director approved coverage levels.

C.1 Process:

- 1) General Manager shops for and selects and recommends DMC's insurance broker, and reviews broker selection with the Board prior to engaging brokerage services. If a change is recommended, it requires Board approval.
- 2) General Manager oversees the insurance portfolio review and renewal process with the assistance of the Assistant GM and Accountant; the timing is based on the insurance renewal terms of each policy.
- 3) Competitive bids are shopped by DMC's approved broker and presented to the General Manager.
- 4) Treasurer verifies that DMC's insurance portfolio is complete, active, and addresses DMC's outside Auditing firm's recommendations.
- 5) Board of Directors approve recommended changes to DMC's insurance portfolio.

C.2 Insurance Portfolio - Renewal Terms:

General Liability Package – Public Liability, Fidelity, Umbrella, Auto, Crime, and Liquor Liability:

- Policy term is effective concurrent with DMC's fiscal year (January 1st to December 31st).
- Renewed annually.

Property Package:

- Policy term is effective concurrent with DMC's fiscal year (January 1st to December 31st).
- Renewed annually.

Worker's Compensation:

- Policy term is effective on a yearly basis (October 1st to November 31st).

- Renewed annually.

Employee Health Care Insurance:

- Policy term is normally effective January to December.
- Renewed annually.

C.3 External Accounting Review:

- 1) DMC's insurance portfolio is subject to DMC's annual external Audit to obtain an outside opinion and guidance regarding DMC's financial status and risk assessment relative to its current insurance portfolio.

C.4 Insurance Policy Record Keeping and Reporting:

- 1) Copies of all original insurance policies and related transactions will be maintained in DMC's Administrative Office and controlled by the GM and Assistant GM.
- 2) A summary of DMC's insurance coverage (except for employee-related insurances) will be sent to the Membership as part of the Annual Disclosure packet that goes out by November 30th each year. See Section 10 *Financial Reporting*.

13. Membership Collection Policy

A. Purpose & Scope

This section covers the Del Mesa Carmel (DMC) financial policies and procedures regarding Membership Collection of delinquent financial obligations.

The scope of this policy involves all aspects of DMC's Membership's financial commitments to include, but not limited to, the following:

- Monthly HOA Assessments (dues) (References: *DMC Declaration of Protective Restrictions* IV.3 and *DMC Bylaws* VII.3 and *DMC Ground Rules* I.13)
- Food and Beverage Purchases and Minimums (*DMC Ground Rules* I.15)
- Special Assessments (*Declaration of Protective Restrictions* IV.3.b and *DMC Bylaws* IV.19)
- Guest, Family, other Occupants and Tenant charges of any kind
- Member Sponsored Events, such as luncheon or birthday, involving DMC services of any kind
- Fines incurred by or Financial Damages caused by a Member, Guest, Family or Tenant (*DMC Declaration of Protective Restrictions* IV.1.l, IV.1.n and V, as well as IV.3.b for special charges.)

B. Policy

Homeowners: Homeowners are responsible for settling their financial obligations on a prompt basis when the charges become due. The charges are communicated by the

Association via monthly Member Statements and/or other approved means of notification. Refer to *DMC Bylaws* II.5 and VII.3 as well as *DMC Ground Rules* Section I.13.

Board of Directors: The DMC Board, in its fiduciary duty, is given the powers and authority necessary for the administration of the affairs of the Association and for the protection of the rights and interests of all Members, including by not limited to, enforcing and carrying out the provisions of the Declaration of Protective Restrictions, Bylaws, Ground Rules and other agreements. This includes the levying and collection of assessments, charges and fees. *DMC Declaration of Protective Restrictions* IV.3 and *DMC Bylaws* IV.1.a and VII.1-3.

Fines: Separate from regular assessments, the Board also has the right, pursuant to notice and hearing and to such other procedures as it may establish, to assess fines against any Member who violates, or whose tenants, residence occupants, or guests violate the Declaration of Protective Restrictions, Bylaws, or Ground Rules then in effect. *DMC Declaration of Protective Restrictions* IV.1.n and V, and *DMC Bylaws* VIII.7.

Members In Good Standing. "In Good Standing" refers to those Members who are current in assessment payments and not in violation of any governing documents. *DMC Declaration of Protective Restrictions* IV.3.e and defined in *DMC Bylaws* I.21.

Delinquency. Any account not paid within thirty (30) days after due date has passed, will be delinquent. Delinquency continues until the full amount of charges and assessments, together with all costs, late charges, legal fees, and interest, has been paid or otherwise satisfied. *DMC Declaration of Protective Restrictions* IV.3.d and *Ground Rules* I.13.

DMC Management (utilizing authority delegated by the Board) will make every effort to notify and provide a reasonable amount of time for payment of any and all outstanding monies to bring Member accounts current before taking the following actions. See *DMC Declaration of Protective Restrictions* IV.3 for details.

- **Late Fees and Interest:** Added to a past-due account after the 30-day grace period. *DMC Declaration of Protective Restrictions* IV.3.d , *DMC Ground Rules* Section I.13 and *DMC Collection Policy*.
- **Suspension of Credit:** Notwithstanding any other remedy or action available to DMC, the Member's right to credit in the Dining Room or for Front Office services (copies, faxes, etc.) will be suspended for failure to pay any assessment or charges within 60 days after the due date (whether or not the Member is personally responsible for such charges, e.g., charges made by tenants, guests, family, etc.). *DMC Ground Rules* I.13
- **Lien on Home:** Board Approval required. *DMC Declaration of Protective Restrictions* IV.3.c,d,e,f.
- **Attorney and other Fees:** In any action brought for enforcement, damages, or declaratory relief with respect to the provisions of Bylaws, Ground Rules or the Declaration of Protective Restriction, the prevailing party shall be entitled to attorney's fees, late charges, interest or other expenses in such amount as may be ordered by the Court. *DMC Declaration of Protective Restrictions* IV.3. and *DMC Bylaws* II.5.

C. Procedure

The Member Collection Process and past-due grace period are defined in the *DMC Collection Policy* document given to Members in the Annual Disclosures packet every year. (Also see **DMC Ground Rules I.13**).

Member Collection Process:

- 1) Member account statements are generated at the end of the month (e.g., January statement is created on December 31st) as described in Procedure C.1 in Section 3. *Billing & Receipts*. The statements are sent out on the 10th of the month. Payment is due by the end of the month, but a 30-day grace period extending into the next month is allowed. Any assessments remaining unpaid after the grace period, are considered Delinquent.
- 2) Ten days after the first of each month, all Member accounts with unpaid balances from the prior month's billing are:
 - a) Forwarded to General Manager for follow-up. The General Manager and staff will make every effort to obtain payment.
 - b) Members accounts less than 30 days in arrears will be notified by phone call and letter and on the 10th of the month, sent a statement showing the past-due amount, along with the current month's assessment and charges.
 - c) If the account is not paid within 30 days after the bill was due, it is considered Delinquent and subject to the following charges:
 - A late fee not to exceed 10% of the delinquent amount or \$50 whichever is less.
 - Reasonable costs and attorney's fees incurred in collecting the delinquent account.
 - Interest at an annual rate of 12%, commencing 30 days after the original due date, to be imposed on (a) assessment itself, (b) the late charge, (c) reasonable costs of collection, and (d) reasonable attorney's fees incurred in the collection process.
- 3) Delinquent accounts will be included on the monthly Delinquency Report unless paid before the report is generated (Section 10. *Financial Reporting*).
- 4) Member accounts 45 days in arrears will receive a pre-lien letter. The letter shall inform the Member that failure to remit payment will result in their account information being forwarded to DMC's Attorney's office for Lien processing.
 - During conversations with the delinquent Member, the GM and Member may reach an agreement on a payment plan. In such cases, this information will be relayed to the Board when the Delinquency Report is presented.
- 5) The General Manager will present any account 45 days in arrears to the Board and obtain permission to proceed with putting a lien on the property.

- 6) The General Manager will notify DMC's Attorney and prepare a Notice of Lien/Delinquency containing all the assessments and charges, as described in **DMC Declaration of Protective Restrictions IV.3.e** and **DMC Ground Rules 1.13**.
 - An officer of the Association will sign the Notice.
 - The lien may be recorded and placed on the property 31 days after the Notice was sent.
- 7) DMC's Attorney who will proceed with the process for affixing a lien as described in **DMC Declaration of Protective Restrictions IV.3.c,d,e,f** and in accordance with the Davis-Stirling Act and other applicable laws.
- 8) Members and their tenants with accounts 60 days delinquent will be denied further credit in the restaurant and office. The Member(s) will lose their "In good Standing" status and with it other membership rights such as voting.
- 9) Subsequently, the debt for the delinquent assessment and charges may be collected through judicial or non-judicial foreclosure following CA Civil Code Section 1367.4.
- 10) In addition to the above process, circumstances may exist in the opinion of the General Manager and the Board which require additional review by outside accounting, legal, or other experts at any point in the collection process outlined above.

Record Keeping

- 1) The Accountant and Assistant GM will maintain records of all financial transactions, statements, letters, notes on phone conversations, etc. for the Membership accounts.
- 2) Copies of all original documents involved in a Membership Collection Event will be maintained in the file for that Unit.

14. Payroll

A. Purpose & Scope

This section covers the Del Mesa Carmel (DMC) accounting policies and procedures regarding Payroll.

The scope of this policy involves DMC's Payroll for DMC employees (full-time, and part-time regular employees only). Refer to federal regulations detailing what constitutes a regular employee for purposes of withholding federal income taxes.

B. Policy

- Employees will be paid twice a month.
- All employee timesheets must be documented and secured in a confidential manner.

- Employees sign a verification that hours are correct and they received all break and meal periods.
- Vacation requests must be submitted by employee and approved.
- Confidential employee files are maintained for each employee's payroll and personnel records. The files include information on sick time and vacation time.
- DMC complies with all Federal and State withholding regulations, and reports its payroll activities in accordance with Federal and State rules and regulations.

C. Procedure

Payroll Policies:

- 1) Department Heads shall enforce DMC's payroll related rules and policies published in the *DMC Employee Handbook*, and forward all employee questions to Human Resources.

Payroll Time Cards:

- 1) Department Heads, together with assigned Supervisors, shall review and approve all hours recorded for employees assigned to their area of responsibility, verifying time cards against scheduled hours.
- 2) Department Heads shall ensure each employee has signed and dated their respective payroll time cards acknowledging their agreement with the hours submitted for payroll processing, as well as an acknowledgment that all breaks and meals were observed or waived.

Overtime:

- 1) Department Heads, together with assigned Supervisors, are required to submit written overtime requests to the General Manager in advance, except in emergency situations.
- 2) The General Manager, or Assistant GM or President in the absence of the General Manager, is required to approve all overtime hours in advance of actual overtime hours being worked.
- 3) Overtime for emergencies will be documented after the emergency. Some of this overtime may be attributable to the Reserve Fund.

Payroll Processing:

- 1) Payroll processing is supervised by the Assistant GM, processed by the Bookkeeper or Accountant, approved by the General Manager.
- 2) The payroll information is then submitted to the payroll company so that each twice-monthly payroll payment can be carried out.
- 3) Exceptions to standard payroll payments will be reported by the General Manager to the Board at Open Board Meetings.

Reporting:

- 1) Actual payroll costs, in total and by department, will be shown on the Statement of Revenue & Expenses (P&L) and compared to the monthly and YTD budget.

15. Purchasing

A. Purpose & Scope

This section describes the Del Mesa Carmel (DMC) policies and procedures regarding Purchases.

The scope of this policy covers DMC's accounting policies and procedures for approving and making purchases. Reference *DMC Board Practices* #032 and *DMC Bylaws* VIII.2, and see Section 7 *Contracts* for related information.

B. Policy

- Without delegation of authority from the Board of Directors, no individual officer, employee or agent can bind DMC to a contract or purchase. *DMC Bylaws* VIII.2.
- Purchase Authorization Limits:
 - Budgeted Items: Except for items where bids are required, the GM is authorized to purchase goods and services at the rate budgeted in the Operations or Capital/Reserve Budgets, up to \$15,000.
 - The GM shall report any budgeted item over \$15,000 to FINCOM and the Board before completing the purchase.
 - Unbudgeted items:
 - From \$400.00 to \$1,000.00 = General Manager.
 - From \$1,000.00 to \$3,000.00 = General Manager who will report the purchase at the next meeting of FINCOM.
 - Above \$3,000.00 = General Manager after Board approval.
- Complex or long-term contracts over \$5,000 require Board approval. See the detailed description in *DMC Board Practices* #032.
- Multiple bids or vendor sources should be sought for any single item or service costing more than \$5,000 unless the GM and Treasurer agree it is not necessary due to: 1) an emergency requires the item to be purchased immediately; 2) supplier is satisfactory and price is known to be competitive, 3) soliciting bids will cause current supplier to raise his low bid and no lower bid appears likely, 4) there is only a single supplier who meets requirements, 5) time and material contract is more appropriate. FINCOM should be notified of the decision.
- When bids have been solicited, the low bidder need not be selected if there is legitimate question about the bidder's abilities or history.

- No Member or employee (or former employee separated for less than 1 year) may be used as a supplier without the disclosure of the relationship and Board approval. This pertains to their immediate family (spouse, children, and grandchildren).
- The formation of Contracts is covered in Section 7. *Contracts*.

D. Procedure

Purchase Process:

- 1) The GM may direct staff to identify vendors and obtain bids or proposed contract information in keeping with the above policies and when applicable the procedures in Section 7. *Contracts*.
- 2) The GM will follow relevant Purchase Authorization Limits.
 - a) For budgeted items costing less than \$15,000 no prior Board or FINCOM approval is required, except that single items above \$5,000 require multiple bids.
 - b) The GM will consult with FINCOM and the Board prior to completing purchase of budgeted items above \$15,000.
 - c) Complex or long term contracts above \$5,000 require Board approval.
 - d) Unbudgeted items above \$1,000 will be reported to FINCOM. Unbudgeted items above \$3,000 require Board approval.
- 3) Contracts will be taken to the Board for formation or review of bids during an Executive Session and for final discussion and approval at an Open Board Meeting.
- 4) When a purchase has been authorized, the GM may delegate authority to the Department Head to make the purchase.

Record Keeping:

- 1) The General Manager is responsible for seeing that staff use the proper forms for purchase orders, requests for bids, and contracts in accordance with sound business practices.
- 2) Invoices will be matched to purchase documentation or contracts prior to payment as described in Section 2. *Accounts Payable and Disbursements*.
- 3) Vendor files will be maintained with records of all purchases, contracts, payments.

16. Appendix Annual Accounting Calendar Following is

Month	Description	Responsibility
January	•	
February	• Produce Year-end financial statements	Accountant
March	• Year-end financial statements to Membership	Admin Mgr, Accountant
April	• Auditor's Report to Membership	
May	•	
June	•	
July	•	
August	• Start Budgeting process	GM, Dept. Heads, Accountant
September	•	
October	•	
November	<ul style="list-style-type: none"> • Finalize Budgets • Annual Membership Disclosures • Prepare for Annual Audit 	Accountant, GM Administrative Mgr Accountant
December	• Prepare for Annual Audit	

