

RESPONSIBILITIES

At the direction of the Board the responsibilities of the Finance Committee are to:

- A. Create the Operating Budget for each fiscal year.
- B. Perform audits of the financial statements of the Association.
- C. Periodically update the financial status of the Reserve Study.
- D. Provide guidance on the Reserve Account investments.
- E. Work with Management Company to:
 - a. Assure the books of the Association are kept according to sound accounting principles.
 - b. Provide oversight of the water, sewage, liability insurance, and trash services and any contracts for these services. Make recommendations to the Board for any service changes.
- F. Work with each Committee to:
 - a. Receive forecasted expenses for Operating Budget preparation.
 - b. Audit the work performed and invoiced from contractors to assure the Association is getting what we pay for.
 - c. Receive forecasted expenses from Reserves.
- G. Review existing Rules and Regulations pertaining to the Finance Committee for:
 - a. Completeness.
 - b. Applicability to our community in whole and/or part.
 - c. Constructing new ones for Board approval.

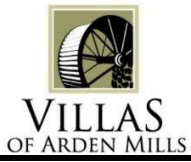
FINANCIAL APPROVAL PROCESS

Finance works in concert with Management Company to ensure all bills are paid according to budget, and in a timely manner. The Finance Chair and/or Board Treasurer has final approval of all invoices. Invoices are processed as follows:

- A. All invoices are to be submitted directly to Management Company. Management Company should ensure that payments be made promptly. No invoice submitted and approved should take more than two (2) weeks to process.
- B. Each week – no later than Thursday - the Management Company provides the Finance Chair and/or Board Treasurer with invoices for approval.
- C. By Friday of each week, the Finance Chair and/or Board Treasurer ensures that the amount submitted by invoice is correct as budgeted; receives confirmation from relevant Committee(s) that any contracted work was properly completed by the contractor; approves the invoice for payment as submitted or adjusted as necessary; and assigns proper accounting coding.
- D. Management Company issues checks for payment the following Monday.

COMPETITIVE BIDDING POLICY

NOW, THEREFORE, IT IS RESOLVED that the Villas of Arden Mills Homeowners Association does hereby adopt the following policy which addresses Competitive Bidding practices as follows:



FINANCE COMMITTEE PROCESSES AND POLICIES

“Any work to be done that exceeds \$2,500 in total cost requires competitive bids from three (3) qualified vendors be received and considered before awarding the work to a vendor. In the event it is not possible to obtain three (3) competitive bids (for example, in an emergency situation or where less three qualified vendors are available) the reason must be documented before awarding the work to a vendor.”

RESERVE FUND INVESTMENT POLICY

NOW, THEREFORE, IT IS RESOLVED that the Villas of Arden Mills Homeowners Association does hereby adopt the following policy which addresses the methods, procedures and practices which must be exercised to ensure effective and judicious fiscal investment management of the Associations' reserve funds.

1.0 SCOPE

The Board has a fiduciary duty to all Unit owners to make sure funds are insured properly; to protect the market value of the Unit Owners' homes and livability in the Community; to determine and institute proper policies and procedures for the ongoing management of its reserve funds; and to protect and ensure the safety of the assets and capital improvements of the Association.

2.0 PURPOSE OF THE RESERVE FUND

The purpose of the Reserve Fund shall be to conscientiously fund and finance the projected maintenance, repair and replacement of those items in the community for which the Association is responsible.

3.0 INVESTMENT OBJECTIVES

The Board has a legal responsibility to invest and manage the Association's reserve funds in accordance with the Association's governing documents in a manner that assures the following objectives (in order of importance).

1. **Safety:** The long term goal is safety of the reserve funds; ensuring funds are invested in instruments that a reasonable person would consider not to be risky or unsafe [Prudent Man Rule].
 - a. Safety of **Principal** refers to whether the principal value of the investment available at the outset will be available at maturity and promotes and ensures the preservation of the Reserve Fund's principal.
 - b. Safety of **Income** measures the likelihood that anticipated income from an investment will continue to be paid in the amount expected.
2. **Liquidity:** structures investments and maturities to ensure availability and accessibility of assets to meet projected expenditures with a portion

available which can be converted quickly into cash for emergency use or other investment opportunities.

3. **Maximization of Yield:** subject to the restriction of the types of investments, the Association's Reserve Fund should earn a competitive market rate of return and generate revenue that will accrue to the Reserve Fund accounts balance.
4. **Minimization of Costs:** Investment costs should be minimized (redemption fees, commissions, and other transactional costs).

4.0 TYPES OF INVESTMENTS

The Reserve Funds shall be invested in such amounts as authorized by the Board which are primarily fully guaranteed by the U.S. government or insured by FDIC (Federal Deposit Insurance Corporation). Examples of investment instruments considered suitable for the association may include: □ Certificates of Deposits (CDs)

- Money Market deposit accounts (savings, checking)
- Money Market Funds
- U.S. Treasuries (bills, notes and bonds) and U.S. treasury “strips”(zero coupons)

However, the Executive Board shall have the authority to direct investments of the Reserve Funds to other investment vehicles and in such amounts as the Board deems necessary. These investments may not be FDIC or U.S. Government insured, but in the opinion of the Board, offer a better return on investment while eliminating any potential loss of principal.

In order to better preserve the purchasing power of the initial principal, the Reserve Fund may be invested in instruments not FDIC insured or fully guaranteed by the U.S. government. No instrument will be utilized for investment which will result in a loss of principal. Examples of investment instruments considered suitable for the association may include:

- Annuities – principal payable at maturity
- Bonds: municipal or corporate

Reasonableness and care, in addition to the Investment Objectives detailed in Section 3 above should be exercised in choosing these investments.

5.0 INVESTMENT STRATEGY

- a. A maximum of \$250,000 shall be invested in any one institution/bank as based on FDIC criteria.
- b. Select securities which would mature in 1-10 years.
- c. Structure a “laddered” investment portfolio to provide above-average yields and maintain safety and liquidity.
- d. Funds should be invested to seek the highest level of return. The Investment goal would be to achieve long term investment performance that exceeds inflation by 1 to 3 percent on a net after-tax basis.
- e. The Finance Committee/Board of the Association may consult with professional investment counselors to assist in formulating a specific investment strategy - without obligation to purchase.

6.0 REVIEW AND CONTROL

The Board may review Reserve Fund investments periodically to ensure that:

- a. The fund is performing as expected;
- b. investments are receiving competitive yields; and
- c. the stated policies are in place.

The Board may make prudent adjustments as needed after review.

7.0 DEVIATIONS / AMENDMENTS

This policy may be amended from time to time by the Board as appropriate. The Board may deviate from the procedures set forth in this Resolution if, in its sole discretion, such deviation is reasonable and necessary.

This Revision supersedes all previously dated versions of the Investment Policy and Investment Strategy: *Originated March 3, 2010*

Revision dated March 10, 2010

Revision dated April 24, 2014

Revision dated August 13, 2021