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VILLA PORTOFINO WEST PROPERTY OWNERS ASSOCIATION, INC.

FINANCIAL POLICIES & PROCEDURES HANDBOOK

ADOPTED BY THE VILLA PORTOFINO PROPERTY OWNERS ASSOCIATION, INC.'S
BOARD OF DIRECTORS

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I. Introduction

The policies and procedural guidelines contained in this handbook are designed to:

1. Describe all financial policies and procedures currently in use at Villa Portofino West Property Owners Association, Inc. (VPW);
2. To ensure that the financial statements conform to the U.S. generally accepted accounting principles (GAAP).
3. Protect the assets of the Villa Portofino West Property Owners Association, Inc. ("VPW" or the "Association").
4. Ensure the maintenance of accurate records of VPW financial activities;
5. Adhere to the prescribed VPW Restrictions and Bylaws;
6. Provide a framework of financial operating standards and behavioral expectations;
7. Ensure compliance with federal, state, and local legal and reporting requirements; and
8. Ensure finances are managed with accuracy, efficiency, and transparency.

The President of the VPW Homeowners Association has the responsibility for administering these policies and ensuring compliance with procedures that have been approved by the Board of Directors. Exceptions to written policies may only be made with the prior approval of the VPW Board of Directors. Changes or amendments to these policies may be approved by the Board of Directors at any time.

All VPW's board of directors and staff with a role in the management of fiscal and accounting operations are expected to comply with the policies and procedures in this manual.

These policies will be reviewed every two years and revised as needed by VPW's Accountant and On-site Property Manager and approved by the Board of Directors of VPW.

Every member of VPW is expected to be familiar with and operate within the parameters of these policies and guidelines.

II. Financial Powers and Duties

Division of Responsibilities

The following is a list of the Board of Directors, President, and Treasurer accounting responsibilities:

Board of Directors

The Board of Directors has the authority to execute any policies it deems to be in the best interest of VPW within the parameters of the organization's articles of incorporation, restrictions, declarations, bylaws, or federal, state, and local law.

The Board has the authority to increase or decrease dues by a majority vote of the Board of Directors and assess late fees according to the by-laws and levy special assessments pursuant to Declarations, Article VII Sections: 2, 5 and 9 and By-Laws, Article 5.

Designated members of the Board of Directors have the authority to sign all checks, drafts or other orders for the payment of money, notes or other evidence of indebtedness issued in the name of the Association pursuant to Declarations, Article VII Sec: 2, items a - l and By-Laws, Article 5, Sec: 5.18.

President

The President shall have all of the powers and duties which are usually vested in the office of president of a corporation. Some specific financial duties include seeing that orders and resolutions of the Board are carried out and sign all leases, mortgages, deeds and other written instruments (Declarations, Article III, Sections: 1 and 2 / By-Laws, Article 6, Section: 6.2).

Treasurer

The Treasurer shall arrange for the receipt and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall ascertain that proper books of account are maintained; shall cause a VPW Financial Policies & Procedures compliance review by a certified public accountant not less than annually; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its annual meeting, and provide a copy of each to the members (Declarations, Article III, Sections: 1 and 2 / By-Laws, Article 6, Section 6.7).

Treasurer Financial Supervision

PURPOSE: The treasurer of VPW reports to the Board of Directors and is responsible for advising the board and other VPW's committees on financial matters that pertain to the organization and operation of the Association.

RESPONSIBILITIES: The Treasurer will advise the board as to preparing an annual budget and statement of income and expenditures, keeping financial records, investing HOA funds, collecting assessments and delinquencies, reserving funds for future needs, arranging for filing of income tax returns, and the need for an audit of the books.

III. EXPENDITURES POLICY

- The President of the Board of Directors has the authority to approve expenditures within the budget guidelines up to \$5,000 for any one expense. Any other expenditures of a greater amount, individually or in the aggregate, require board majority approval. The President of the Board of Directors shall provide receipts for all expenditures to the Accountant on a monthly basis. A report of expenditures and net proceeds will be forwarded to Board members.
- In order to expedite purchases, after approval by all members of the board, the HOA may establish a business account with a specific vendor. These accounts will name an individual, preferably the President of the Board, who may charge items to the HOA's account as long as the expenditure is within approved budget limits.
- Payments made on behalf of the Association are discouraged. In the rare event, this happens, all receipts from payments made on behalf of the HOA must be attached to a VPW Expense Form, be signed by a different board member from the one who made the payment, with signatory authority, and has the designated line item name indicated on the form. The Expense Form and receipts must be submitted to the Accountant for reimbursement.

IV. INDEMNITY POLICY

- The Association shall purchase and maintain insurance on behalf of any person who is or was serving at the request of the HOA, as a Director, Officer, Employee, Agent, Staff, Volunteer or other enterprises, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such.
- No such reimbursement or indemnity shall relate to any expense incurred or settlement made in connection with any matter arising out of their negligence or misconduct as determined either by a court of competent jurisdiction or, in the absence of such a determination, by the Association acting on the advice of counsel.

V. INVESTMENT POLICY

- The investment objectives of VPW, in order of importance, shall be the safety of principal, liquidity, and a competitive rate of return.
- The VPW Board of Directors shall have primary responsibility for the development and administration of the investment policy and for establishing any specific guidelines as to the mix and quality and time horizon of the investment account(s). The board may be guided by the recommendations from the HOA's Accountant and banking and investment professionals.

VI. MANAGEMENT AND ACCOUNTING SYSTEM OVERVIEW

- The VPW's Accountant is primarily responsible for designing and maintaining the management and accounting system. He will work in conjunction with VPW's Board of Directors and On-Site Property Manager, computer system experts, and other persons who are knowledgeable about such systems.
- Bookkeeping support will be provided by VPW's Accountant.
- The Association will operate on an accrual basis accounting system.
- The fiscal period for the Association shall be January 1 to December 31.

VII. OPERATIONS

a. POLICIES ON DISBURSEMENTS/ACCOUNTS PAYABLE

(Refer to Page 16 for Bill Payments Flowchart)

i. Procedure for Signing Checks

- All checks are written by the Association's Accountant on Wednesdays. Currently, checks are approved electronically and e-signed by the authorized VPW check signers who are normally notified by the Accountant, by e-mail, when there are checks to sign. Special "emergency" checks can be requested by the Board at any time and signed ASAP, but this practice is discouraged.
- All disbursements are made by check and are accompanied by substantiating documentation.
 - Routine bills such as utility invoices (Energy, water, internet, etc.) also require electronic approval from a board authorized check signer.
 - Checks are written to pay invoices for contracted services (cleaning, lawn care, etc.) invoices require two authorized VPW board member signatures. Any extra expenses to the contracted spending also require two signatures on the invoice.
 - Checks will be written to pay the balance of the Association's credit card, for approved expenses incurred, after all, related original receipts have been submitted by the 25th day of the month, along with a 'VPW Expense Form' (Expense Report") with two signatures. The signatures required on the Expense Report are the following: 1) BOD President and 2) Another board member, excluding the Treasurer. The check must be signed by the Treasurer.
- The On-Site Property Manager stamps all invoices with the date received, and the Accountant stamps all the invoices with the date the check is paid, and the check number.
- On Tuesdays, the On-Site Property Manager will scan and submit electronic copies of all invoices received.
- No checks may be written to "cash" or "bearer".
- Blank checks may never be signed in advance.
- All voided checks must be defaced and retained either on the check stub or with canceled checks.
- A best practice is for all of the VPW authorized check signers to communicate a lack of availability for check signing (vacations, etc.) to the remaining authorized check signers.
- Invoices from new vendors will be processed once all the following required documentation is received and the vendor has been set up into the system by the Accountant:
 1. A copy of the agreement you have with us,
 2. A completed W-9 form,
 3. A copy of the driver's license of the person in charge or representative,
 4. Proof that your company is Insured and bonded,
 5. Copy of your company's Professional License.

b. POLICIES ON RECEIPTS

- No checks will be accepted that are made out to a board member. All checks should be payable to the Villa Portofino West Property Owners Association, Inc.
- The On-Site Property Manager will be responsible for preparing a deposit slip before making daily deposits and will scan such deposit slips and send the electronic copies to the Accountant on a daily basis.
- The receipt of cash is prohibited.
- All checks received are restrictively endorsed immediately by the On-Site Property Manager with a "For Deposit Only" stamp and recorded in the cash receipts register, listing the date received, payroll, check number, and the amount received.
- When payments are received by mail or in person at the Association's office, the On-Site Property Manager will perform the following steps in the system:
 - Go to "Associations"/"Ownership Accounts"/ Search by Unit Number and go to the "Financials" tab.
 - Then, click on "Enter Charge" to enter the charge being assessed.
 - Then, Click on "Receive Payment" to enter the payment received and generate a receipt.

c. BANK RECONCILIATIONS

- On a monthly basis, the Accountant will reconcile the bank statement(s) and the Treasurer will review the bank statement(s) and notify the President and the On-Site Property Manager of any discrepancies.
- The President and the On-Site Property Manager will resolve any discrepancies with the assistance of the Accountant, and bank personnel if necessary. The President will report the resolution of the d discrepancies to the Treasurer.

d. BILLINGS AND RECEIVABLES

- All rates for dues and special assessments are established and approved by the Board of Directors.
- All billings for dues and special assessments are approved in advance by the Board of Directors.
- **Procedure for Dues and Assessment Collection:**
 - > **Dues are due monthly, prior to or on the first of the month. No discount will be given for paying dues early.**
 - > **The On-site Manager, with the assistance of the Accountant, prepares all past-due billings and invoices on a timely basis. Past dues notices are mailed or handled monthly from the Association office.**

- If dues/assessments are not received within **ten (10) days** of the due date, dues/assessments are considered to be delinquent. The member is notified, reminded of the delinquency, asked to make payment arrangements, and informed that a late fee of fifteen (\$15) dollars needs to be paid in conjunction with the monthly assessment and an additional late fee of fifteen (\$15) dollars will be charged if not paid within thirty (30) days of the due date.
- If the dues/assessments are not received within **thirty (30) days** of the due date, the On-Site Property Manager, with the authorization of the President, may instruct the HOA attorney to prepare a certified letter notifying the resident that a lien will be filed within seven days of the delivery of the letter. Copies of a sworn detailed statement of delinquent dues/ assessments, late fees and invoices shall accompany the letter. If the full amount of the debt is paid, no further action is taken. Failure to pay or make arrangements to pay the debt within the 30 days may also result in legal action being brought against the resident for the full amount of the debt, as well as legal interest, attorney fees and the cost of court filings. There is also an opportunity to dispute the amount claimed due within 30 days.

VIII.

BUDGETS

- An annual operating budget is prepared by the On-Site Property Manager and the Accountant and recommended to the Board of Directors who approves the budget. The budget includes reserve funds.
- The budget is reviewed mid-year (June) and may be adjusted as deemed necessary by the Accountant with recommendations sent to the Board of Directors.
- A Chart of Accounts is available and used to code receipts and disbursements to the proper accounts.
- At the Annual Meeting, a budget for the next calendar year plus a recommendation as to the annual assessment needed is reported.
- Referenced explanations for all budget variances of 10% or more must be contained in the budget reports.

IX. FINANCIAL REPORTING

- Monthly financial reports are provided to the Board of Directors within 30 days of the close of the reporting period. The reports may also be made available to the homeowners.
 - > The Balance sheet hall includes current assets as well as current liabilities and equity.

> The Budget and Income Statement shall include a comparison of the actual income and expenses for the current year-to-date (YTD), the current budget, the amount that budget item is over or under budget, and the total actual for the previous year.

- At the Annual Meeting, a report of receipts and expenditures for the past calendar year and current year-to-date is given.
- At least every year the VPW's Treasurer shall cause a Financial Audit or Review (depending on revenue amounts) by a Florida certified public accountant, different from the Association's Accountant. Copies of the report will be furnished to the homeowners (By-Laws, Article 7, Section: 7.4).
- On a monthly basis, an "Aging Report" on all outstanding dues/assessments, will be reviewed by the Treasurer or designee.

X. TAXES

- The Association will file federal taxes each year by the specified dates.
- The Accountant will notify the President and the Treasurer, or his/her designee when the Association tax returns have been completed. The Treasurer, or his/her designee, will review the taxes for accuracy and the President will sign the forms before payments are made by the Accountant.
- The date for filing federal 1120 H taxes is midnight on March 15th each year. Several weeks prior to the deadline dates, the Treasurer, in conjunction with the Accountant, will ascertain the proper procedures required to ensure the timely filing of returns and the transmission of funds

XI. SAFEGUARDING ASSETS

- The Board of Directors shall provide fiscal oversight in the safeguarding of the assets of the Association and shall have primary responsibilities for ensuring that all internal and external financial reports fairly present its financial condition.
- The Board President shall have primary responsibility for ensuring that proper financial Management procedures are maintained and that the policies of the Board are carried out.
- At least two board members' signatures are required to make withdrawals and transfers from any account. Withdrawals and transfers from reserve accounts require board approval.

Procedure for Selection and resolution of signatories: Immediately following the annual meeting, at least three board members shall be selected to sign all checks or other orders for the payment of money. The board shall formalize the names by resolution at their next regular board meeting. Board members selected shall promptly complete the appropriate forms at the bank.

- The Association's federal identification number (FIN) is available to the President, Vice President, and Treasurer in order for them to verify existing accounts and open new accounts.
- Moving of funds requires two signatures and may not be done by telephone.
- The person who approves expenditures must not be the person writing the checks.
- The check signer(s) must not be the person who writes checks or who does the accounting.
- Pre-numbered checks should be used and the sequences accounted for monthly.
- Bank statements of the operating, security deposits and reserve accounts will be promptly reconciled on a monthly basis.
- Actual income and expenditures will be compared to the budget on a monthly basis.
- All association funds should be placed in government-insured accounts or similarly protected investments. Accounts will not exceed the amount insured. All excess cash will be kept in an interest-bearing account.
- No petty cash funds will be issued for use by VPW members.
- A proper filing system will be maintained for all financial records.
- Appropriate insurance for all assets will be maintained.

XII. RESERVE FUNDS

- Periodically a reserve study will be conducted.
- All reserve funds within the checking account will be accounted for separately as restricted, retained earnings.

XIII. INVENTORY

- Inventory records will be maintained on all fixed assets. Inventory records will contain a description, serial numbers, date of purchase or receipt, valuation, and date of valuation.
- Documents regarding all securities and fixed assets will be kept in a locked fire-proof file.

XIV. JOURNAL ENTRIES

Journal entries record accounting information into the management and accounting system's general ledger that are not typically processed through the cash receipts or cash disbursement cycle. Journal entries can be classified as recurring and non-recurring. Recurring journal entries are typically routine in nature and can be repeated daily, weekly, monthly, or quarterly. Non-recurring journal entries are typically entries that record one-time transactions, correct mistakes into the accounting records or are considered unusual.

Responsibility for VPW's day-to-day accounting records, including journal entry processing, support, and posting, is a function of the Association's Accountant with the collaboration of the On-site Property Manager.

All journal entries, recurring or non-recurring, shall be supported by appropriate supporting documentation maintained with the accounting records.

1. Examples of Recurring Journal Entries:

- Prepaid Expenses
- Payroll Expenses
- Insurance Expenses
- Utilities Expenses
- Postage Expenses
- Supplies Expenses
- Copier Expenses
- Rent Expense
- Etc.

2. Examples of Non-recurring Journal Entries:

- Journal entries that correct errors in posting to accounts.
- Journal entries which reflect transfers of cash between bank accounts.
- Month-end and year-end journal entries which adjust cash basis accounting records to accrual-based records (i.e. accrual of income or expenses)
- Journal entries for fixed asset disposal and/or write-offs.
- Recording of non-cash transactions.
- Any other journal entry that is unusual and infrequent in nature.

XV. PERSONEL RECORDS

1. All personnel files shall contain the following documents: an application and/or resume, date of employment, position and pay rate, authorization of payroll deductions, W-4 withholding authorization, a termination data where applicable, an emergency contact form, and other forms as deemed appropriate by the Board of Directors.

2. All employees shall fill out an I-9 form and submit the allowable forms of identification to the hiring Manager.
3. All personnel files are to be kept in a secure, locked file cabinet and accessed only by authorized personnel.

XVI. PAYROLL PROCESSING

1. Janitors and Pool Monitors are hourly employees and will report their hours on a weekly basis to the On-site Property Manager.
2. Salaried employees, such as the On-site Property Manager, do not submit timesheets and are paid the standard 40 hours a week unless they take a vacation or personal time off, for which they are required to notify the Accountant and the President of the Board of Directors by email.
3. On a weekly basis, the On-site Property Manager will review the accuracy of the Janitor and Pool Monitor's timesheets and review the accuracy and completeness of their time.
4. On a semi-monthly basis, three (3) business days before the 15th and the 30th, the On-site Property Manager will email the timesheets to the Accountant by email.
5. The Accountant will enter such hours into Paychex's system for processing. Paychex is VPW's payroll processor.
6. Once payroll has been verified and approved, the file is transmitted to Paychex, and Paychex generates all of the summary payroll registers which are printed by the Accountant.
7. Once finalized the Accountant will "accept" the payroll file.
8. Paychex will send the final payroll register, checks and vouchers to the Accountant.
9. Payroll may be received by direct deposit or by payroll checks.
10. Check stock is maintained by Paychex.
11. Payroll checks are distributed by the On-site Property Manager.
12. All quarterly federal and state payroll reports will be prepared and filed appropriately.
13. All W-2 statements are issued to employees prior to January 31st of the following year for the prior calendar year.

XVII. RECORD RETENTION SCHEDULE

- All permanent records will be stored in a fire-proof file at the Association's office.
- Unnecessary files or files exceeding the filing storage schedule date will be shredded.

File Name	Current File	Storage	Location
Annual Reports	3 years	7 years	VPW Office
Articles of Incorporation	Permanently	Permanently	VPW Office
Architectural Control Approvals	1 year	Permanently	VPW Office
Assessment Information	1 year	7 years	VPW Office
Assessment Status	1 year	7 years	VPW Office
Audits/Reviews Reports	3 years	7 years	VPW Office
Budget	1 year	Permanently	VPW Office
Bylaws	Permanently	Permanently	VPW Office
Canceled Checks and Bank Statements	1 year	7 years	VPW Office
Certificates of Insurance	1 year	Permanently	VPW Office
Board Meeting Minutes	1 year	Permanently	VPW Office
Contracts	1 year	7 years	VPW Office
Correspondence: General Matters	1 year	3 years	VPW Office
Correspondence: Legal and Contract	1 year	Permanently	VPW Office
Declarations and Covenants (Restrictions)	Permanently	Permanently	VPW Office
Deeds/Conveyances	1 year	Permanently	VPW Office
Lease	1 year	Permanently	VPW Office

Monthly Financial Statements	1 year	7 years	VPW Office
General Ledgers	1 year	Permanently	Accounting System
General Journals	1 year	Permanently	Accounting System
Federal Identification Numbers	Permanently	Permanently	Sunbiz.org
Insurance Policies	1 year	7 years	VPW Office
Settled Insurance Claims	1 year	7 years	VPW Office
Investment Statements & Closed Passbooks	1 year	7 years	VPW Office
Supply Invoices	1 year	7 years	VPW Office
Unexpired Leases	1 year	3 years	VPW Office
Open Legal Files	Until Closed	N/A	VPW Office
Closed Legal Files	1 year	Permanently	VPW Office
Management Notices	1 year	3 years	VPW Office
Board Meeting Minutes	1 year	Permanently	VPW Office
Newsletters	1 year	3 years	VPW Office
Surveys and Proxies	Permanently	Permanently	VPW Office
Proposals	1 year	7 years	VPW Office
Refusal Letters	1 year	Permanently	VPW Office
Rules and Regulations	Permanently	Permanently	VPW Office
Federal Income Tax Returns	3 years	Permanently	VPW Office
Expired Warranties	3 years	7 years	VPW Office

INVOICE PROCESSING

