

WEDGEFIELD PLANTATION ASSOCIATION POLICY MANUAL

SECTION VIII

FINANCE

1. ACCOUNTING SYSTEM

1.01 **Accounting Method:**

The financial records of The Association shall be maintained under the Cash method. (Rev. 6/19/18).

1.02 **Calendar Year:**

All records and reporting shall be maintained using the calendar year rather than a fiscal year.

1.03 **Year-End Closing:**

As of December 31, of each year, Income and Expense shall be closed-out to Net Income.

1.04 **Year-End Income:**

All Retained Earnings from the prior year shall be distributed to Reserve Accounts. (Rev. 6/19/18)

2. ACCOUNTING SERVICES

An outside accounting firm may be utilized for performing the accounting functions of The Association. This firm shall be retained on a yearly contractual basis. Every three years bids shall be secured for WPA accounting functions.

2.01 Functions to be performed by the Accounting Service Agent

Assessment & Miscellaneous Invoices- The Accounting Service Agent will issue all invoices for any funds owed to The Association.

Receipts- Members will be encouraged to remit payments directly to the Accounting Service Agent. The Accounting Service Agent will process all receipts, with the corresponding funds deposited by them to our account at our bank.

Disbursements- The Accounting Service Agent will process all check disbursements upon receipt of a properly signed approval voucher with a corresponding invoice.

Late Fines- The Accounting Service Agent will apply late fines to all appropriate receivables monthly according to The Association Late Fine Policy.

Delinquent Notices- The Accounting Service Agent will remit monthly statements to all members in arrears of any overdue payments.

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Lot Mowing Fees- The Accounting Service Agent will invoice all lot owners a lot mowing fee upon receipt of the approved list from The Association.

Marina Key Card Receipts- The Accounting Service Agent will process the receipts of payments for key cards upon receipt of the source document and a copy of the deposit slip.

ARC Fees- The Accounting Service Agent will process the receipts of payments for all ARC fees upon receipt of the source document and a copy of the deposit slip.

Refunds of Refundable Builder Deposits- The Accounting Service Agent will process all refunds of Refundable Builder Deposits upon receipt of the proper approval form and source documents.

Attorney & Real Estate Calls- The Accounting Service Agent will respond to all calls from attorneys and real estate offices regarding any unpaid assessments. The Accounting Service Agent shall also inform all parties calling that a “Waiver of Option to Repurchase” must be obtained from The Association and that would not be forthcoming until a “Settlement Statement” for the property exchange had been received by The Association.

Employee Payroll- The Accounting Service Agent will prepare periodic payroll checks upon receipt of an approval voucher from The Association. They will further prepare all government reporting, including but not limited to federal quarterly reports, state quarterly reports, and both federal and state year-end reports, including W-2 reporting.

1099 Reporting- The Accounting Service Agent will maintain records to enable 1099 MISC. Reporting to all outside contractors and to federal and state government.

Membership records- Individual accounts shall be maintained on each Property Owner, which shall include:

- Name of Owner & Name of Owner’s Spouse
- Lot Number
- Street Address of Property
- Secondary Address if Owner’s Address is different than property address
- Phone Number of Owner
- Current Resident
- Assessment & Payment History

Financial Reporting- The Accounting Service Agent shall provide the Association on a monthly basis the following reports:

- Statement of Assets, Liabilities & Equity – Income Tax Basis
- Statement of Revenues and Expenses-Income Tax Basis
- Budget Comparison

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Profit & Loss Budget vs. Actual
Delinquency Reports
Bank Account Check Reconciliation

3. **RESPONSIBILITIES OF/AND ACCOUNTING FUNCTIONS TO BE PERFORMED BY WPA.**

Staff employed by The Association shall advise the Accounting Service Agent and perform certain accounting functions. These are as follows:

Assessments & Miscellaneous Charges, Fees, and Fines- The Association shall advise the Accounting Service Agent in writing of any changes to the annual assessment, late fees, lot mowing fees to be assessed, fines to be assessed, or any other charges as approved by the Board at least ten (10) days prior to the effective date of the assessments or charges.

Receipts, Assessment Payments and Lot Mowing Fees- Any assessment payments or lot mowing fees that come directly to the WPA office will be date stamped upon receipt (to assure no late fines are erroneously applied), and then will be forwarded to the Accounting Service Agent for processing.

Receipts, ARC fees and Marina Key Cards- WPA will accept ARC fees and Marina Key Card fees. These fees will be documented on a source document noting the name of the lot owner, the lot number, the amount received, and the key card number if appropriate. A deposit slip will be prepared and the funds deposited with the WPA depository. The source document and a copy of the deposit slip will be sent to the Accounting Service Agent.

Disbursements- Upon receipt of a dual signed approval voucher, the WPA Secretary shall prepare a check for payment of the approved invoice. Two (2) authorized Board members must sign the check before it is remitted to the appropriate party, WPA shall maintain a copy of the approval voucher and check. The original approval voucher and invoice shall be forwarded to the Accounting Service Agent for processing.

Late Fees- The Association shall inform the Accounting Service Agent of any changes to the late fees policy.

Late Fee Waivers- The Association shall inform the Accounting Service Agent of any waivers of late fees upon written approval of the President and Treasurer.

Lot Mowing Fees- The Association shall inform the Accounting Service Agent of any and all fees to be assessed against property owners where there was the necessity for lot mowing or "bush whacking".

Marina Key Cards- The Association shall maintain on the WPA computer a record of all lot owners possessing marina key cards.

Refundable Builder Deposits WPA Records- The Association shall maintain on the WPA computer a record of all lot owners having deposited a refundable builder deposit.

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Petty Cash- The WPA shall maintain a petty cash fund and complete vouchers to support all disbursements from this fund.

4. ANNUAL BUDGET

4.01 The budget is our formal financial plan that determines our annual assessment. It is also a tool to measure our actual performance and activity. It reflects our expected revenue, operating expenses, and cash receipts and outlays. Every attempt will be made to stay “within budget”, however, approved budget variances can and will result.

4.02 At least two (2) months prior to the annual meeting the Treasurer shall be responsible for preparation of the next year’s operating budget after consulting with other board members and committee chairpersons. The budget will then be presented to the full Board for approval and/or modification.

4.03 A copy of the approved budget will accompany the annual meeting material mailed to the membership.

5. YEARLY ASSESSMENTS

5.01 Yearly assessments shall be posted to each individual property owner’s account as of January 1 of each year. All assessment invoices will be prepared prior to the posting, and will be mailed as soon as possible during the last week of December.

5.02.01 Annual Assessments are due by February 1.

5.02.02 Property owners who have not paid their assessments by February 1, are no longer in good standing, not eligible to attend meetings, vote, receive marina cards and stickers or obtain approvals from ARC for improvements or renovations to their properties. (Rev. 3/17/20)

5.02.03 A grace period with regard to late fees from February 2 to the last day of February shall be extended to all owners’ accounts without incurring late fees, provided there are no prior assessments due on that property. (Rev. 2/19/13) (Rev. 1/20/15)

6 LATE FEES

6.01 A \$20 late charge will be assessed on the 1st of each month beginning in March on unpaid assessments. (Rev 9/18/12; 2/19/13)

6.02 Any delinquent assessment will have a lien placed after 6 months. A 30 day notice of action will be sent prior to filing.

7. DELINQUENCY COLLECTIONS ACTION

7.01 Monthly Statements will be sent on delinquent accounts.

7.02 At the (1) one year delinquency, any assessment account in arrears will be eligible for a foreclosure action in accordance with S.C. Law.

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- 7.03.01 A reminder that bankruptcy does not restore a member in good standing. Section 6 of the bylaws state: “the lien shall run with the land until paid”.
- 7.03.02 When funds are received, any monies will pay all late fees, fines, penalties, lot maintenance fees, and any other levied charges prior to the funds being credited toward the annual assessment. If enough funds are not received to cover these fees, fines, penalties, or levied charges plus the annual assessment, the account will be placed in arrears and will not be in good standing. It will be subject to late fees and the approved steps to collect all monies owed to the Association will apply. (Rev. 3/15/16)
- 7.03.03 These changes will go into effect January 1, 2012. All actions will conform to provision of SC Law concerning liens and foreclosures. If adjudicated, modified payment plans must comply with court orders.
- 7.03.04 The Board attorney may negotiate any payment plan on delinquent accounts on a term not to exceed 18 months. Payment proposals in excess of 18 months in duration shall require Board approval. (Rev. 12/18/12)
- 7.03.05 The application of monies received on any delinquent account shall be the responsibility of the Treasurer, who, after consultation with the President, Finance Committee, and Legal Committee, shall determine the distribution of said funds.(Rev.7/18/17)

8. WAIVING OF FEES AND FINES

Any fee or fines to be waived for whatever reason must be approved by the President and Treasurer of the Board of Directors.

9. BAD DEBT ASSESSMENTS

All assessments delinquent nine months or more will be considered “Bad Debt Assessments”, and will be reclassified as such on all owner records and financial records. These assessments **are not forgiven**; they are simply reclassified for accounting purposes.

10. INVESTMENTS

10.01 **Policy:**

The Wedgefield Plantation Association shall adhere to the “SLY” Policy with regard to all investments:

S	-	Safety	-	First Priority
L	-	Liquidity	-	Second Priority
Y	-	Yield	-	Third Priority

- 10.02 Excess funds or reserves should only be invested into financial institutions such as Savings Accounts, Money Markets & Certificates of Deposits and/or Treasury Bills fully

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insured by the Federal Government not to exceed the current maximum limit at any one institution. All certificates shall be in the name of Wedgefield Plantation Association. (Rev. 1/21/14)

10.02.01 Investments shall be in amounts equal to at least one normal month's operating expense with staggered maturities to assure liquid funds are available to meet expenses.

10.02.02 In order to avoid being locked into long term investments at current rates which could increase over the term, investments shall be secured with maturities not to exceed six (6) months unless there are substantial reserves for longer terms.

10.02.03 The best rate of return will be secured, but not without first considering the safety and liquidity of the investment.

10.03 **Interest on Investments:**

10.03.01 All earned interest on investments shall be added to the principal and not paid to the Association.

10.04 **Signatures Required to Cash in Certificates:**

Two signatures shall be required in order to cash-in an investment. These signatures may be any of the individuals authorized to sign checks.

11. **FIXED ASSET CAPITALIZATION**

11.01 **Fixed Assets- Purchase Price of \$50 to \$1,000:**

All fixed assets (furniture, equipment, computer, software, and certain office fixtures) purchased in an amount of \$50 to \$1,000 shall be capitalized on the books of the organization with the depreciation immediately realized. These items shall be carried until they are disposed of by replacement or disuse. (Rev. 5/15/12)

11.02 **Fixed Assets- Purchase Price of \$1,001 and Above:**

All fixed assets with a purchase price or value in excess of \$1,001 shall be capitalized and depreciated according to the appropriate IRS schedule, unless a Section 179 depreciation is allowed and desirable. All fixed assets fully depreciated shall be carried in inventory until disposed of or replaced. Items removed from inventory shall be reported to the Board for approval.

12. **CORPORATE CHECKING ACCOUNT**

12.01 **Checking Account:**

12.01.01 It shall be the policy of the WPA to maintain only one checking account with all funds received deposited to this account and all checks written from this account except ARC refunds. (Ref to 12.01.03. (Rev. 6/19/18) (Rev. 3/19/19)

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- 12.01.02 A secondary checking account shall be opened and maintained with a maximum balance of \$2,500. This account will only be accessed by two debit cards. (Rev. 6/19/18)
- 12.01.03 An additional secondary checking account shall be created to hold all refundable portions of ARC deposits. Upon receipt of an ARC check, funds will be deposited to the Operating Account and a check will be written from Operating to the ARC Refundable Account for the portion of ARC fees to be refunded. ARC refunds will be paid from this account only after final approval from ARC Committee. (Rev. 10/16/18) (Rev. 3/19/19)
- 12.01.04 The President and Treasurer will each control one debit card. Each card will have its own pin number. Usage of these cards will be available to all Board Members. All requests for usage will be submitted on a disbursement form with the Board Member's name and exact purpose listed (See Appendix VIII-1). Two Executive Board Members must approve the purpose and sign the disbursement sheet. Following use, all receipts must be submitted and attached to the disbursement sheet. Reconciliation of the transaction must be done by one the approving Executive Board Members. Any deviation from the approved purpose or procedure may be considered fraud and the offending Board Member will have 10 days to make full restitution to avoid legal action. (Rev. 6/19/18)
- 12.02 **Checks and Drafts:**
- Disbursement of funds of this Association (except for Petty Cash Disbursements) shall be made by checks or other written instruments.
- 12.02.01 Checks written shall be countersigned by two authorized officers.
- 12.02.02 Checks, drafts, or orders for payment of money, notes or other evidences of indebtedness issued in the name of the Association shall be signed by the President, Vice President, Secretary, or Treasurer of the Association and countersigned by any one of these officers. (Rev. 6/19/18)
- 12.02.03 Checks shall be pre-numbered and a check register shall be maintained.
- 12.02.04 Checks shall never be made payable to "Cash" except for replenishment of the Petty Cash Fund. (Rev. 6/19/18).
- 12.02.05 The names of the authorized signatures shall be designated each year at the re-organizational meeting. The proper documents shall be completed with the financial institute promptly following the reorganization meeting to reflect any changes.
13. **PETTY CASH- LIMIT OF \$300.00**
- 13.01 A Petty Cash Fund shall be established for the office to facilitate making change when owners purchase Boat Landing Keys, pay ARC Fees, etc. This fund shall be carried on the books of the organization and shall be reconciled monthly. Petty cash vouchers shall support all activity, which depletes this fund in any matter. The Board shall set the limit of this fund by resolution from time to time. Petty cash expenditures must meet the authorization requirements of Section II, paragraph 11.01.03 and requires the concurrence of another board member. All expenditures require board concurrence.

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13.02 Petty Cash – Limit of \$300.00. Petty cash reimbursements are limited to a maximum of \$75.00 at any one time. All other reimbursements will be made by WPA check to be issued at the end of each week, provided the requirements of Section II, paragraph 11.02.01 have been met. (Rev. 1/21/14)

14. UN-CAPITALIZED PROPERTY

Wedgfield Plantation Association received title over the years from former developers to various parcels of real estate within the subdivision. These consist primarily of wetlands and unbuildable common grounds, and as such are considered common property directly related to the Association. The property shall not be capitalized since it does not, nor is it expected to, generate cash flows and the Association has no cost basis in it.

15. CAPITALIZED PROPERTY

15.01 Land purchased, specifically Lot 198 and 5A, shall be recorded on the books at purchase price and shall not be depreciated since land rarely loses its value and these lots are likely worth more than the purchase price.

15.02 The Roads are to be recorded on the books at purchase price and also shall not be depreciated, even though, in some ways, the roads are more of a liability than asset.

15.03 The Office is to be recorded on the books at cost and depreciated according to standard accounting practices.

16. INCOME TAXES

16.01 The Association may elect to file its tax return as a homeowners' association in accordance with Internal Revenue Code Section 528. Under that section, the Association is not taxed on assessments to members and other income received from property owners, solely as a function of their membership in the Association. The Association would be taxed at the rate of 30% on its non-exempt function income, which includes interest income, under this election.

16.02 The Board shall make its election each year as to whether it would be more advantageous to file as a corporation or as a homeowners association.

16.03 The Board shall utilize the services of qualified tax preparer to prepare these returns and to secure the best advice as to which election we should make.

17. FINANCIAL AUDIT COMMITTEE

In lieu of a yearly outside audit by a CPA firm, and in order to assure the accuracy of the Association financial record-keeping and reporting, and to assure there are proper safeguards to protect the Association's assets, and to assure compliance to The Association's Charter, By-Laws, Policies & Procedures, and all laws, regulations, and

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rules (local, federal & state) affecting Home Owner Associations, the Board may establish a Financial Audit Committee.

17.01 **Members:**

17.01.01 The Financial Audit Committee shall be comprised to three (3) or more members. The Financial Audit Committee shall be appointed by the Board from among the members of The Association, one of whom may be a director other than the Treasurer. No employee of the Association may be a member of this committee.

17.01.02 The Financial Audit Committee shall choose from among their number a chairman and a secretary. The secretary of the Financial Audit Committee shall prepare, maintain, and have custody of full and correct records of all actions taken by it. The same person may hold the office of chairman and secretary.

17.02 **Outside Assistance:**

The Financial Audit Committee may, when approved by the Board, may employ and use such clerical and auditing assistance as may be required to carry out its responsibilities as prescribed by this policy and the Position Description for Auditing Committee Members, and may request the Board to provide compensation for such assistance.

17.03 **Responsibilities:**

The Financial Audit Committee shall, from time to time, but not less frequently than once each calendar year, perform all auditing functions as prescribed by the Position Description for Financial Audit Committee Members. The Board of Directors may change the position description from time to time.

17.04 **Reporting Requirements:**

The Financial Audit Committee shall make, or cause to be made, such written reports to the Board that will attest to all actions taken by it. The Financial Audit Committee shall report yearly to The Association membership the results of their auditing functions and actions taken.

17.05 **Internal:**

17.05.01 Internal financial audits will be incorporated in any overall audit and compliance review of all Association operations.

17.05.02 In the absence of an overall Audit review, the Finance Committee may periodically have an internal financial audit. Such audit committee shall be appointed by the Board from members of the Association. The committee may include one board member. This board member may not be the Treasurer. No employee of the Association may serve on the Audit Committee.

17.05.03 Specific duties, responsibilities and reporting requirements are outlined in a description of the Audit Committee.

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17.06 External:

17.06.01 In addition to any internal audits, the Finance Committee, with Board approval, may periodically contract with a CPA firm for an external audit.

18. RESTRICTIONS APPLIED TO DELINQUENT ACCOUNTS AND/OR REFUNDABLE BUILDER DEPOSIT

18.01 Boat Landing Cards will be issued only to those property owners who have no delinquent fees and/or fines of any kind.

18.02 Building permits (new construction, additions, fences, etc.) will be issued only to property owners who have no delinquent fees and/or fines of any kind.

18.03 Any Refundable Deposits of any kind (ARC, etc.) will be refunded only if all condition requiring a deposit is met to the satisfaction of the appropriate board member(s)

FIVE YEAR PLANNING COMMITTEE

Purpose

The Board of Directors of the Wedgefield Plantation Association (WPA) has established a Five Year Planning Committee. This committee will develop projections of activities and expenditures that are likely to be needed by the Plantation over the next five (5) years to maintain and improve the physical condition of the Plantation.

Procedure

The Committee will address the following specific area of concern within the planation:

1. Roads
2. Drainage
3. Water Amenities
4. Storm Recovery/Grounds
5. WPA Office/Administrative/Finance

Committee Support

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The Five Year Planning Committee will be responsible for coordinating and developing the plan. To accomplish this, the individual chairperson(s) from the above named committees will provide input to the planning committee. This input will take the form of a needs assessment for each chairperson(s) area of responsibility. This should include the yearly scope of work to be performed over the next five years and estimates of the projected expenditures to accomplish this work. The near term projections should be in as much detail as possible. The more distant years can be addressed in less detail.

Reporting

The Five Year Planning Committee will accumulate this information and prepare a report documenting the proposed plans and expenditures for the five year study period. This report should be completed and submitted to the Board prior to the development of the budget for the subsequent year.

This report should be reviewed with all the membership at the Annual Meeting.