

Castlepoint Financial Management Policy

General Terms and Conditions

1. All accounts of the Castlepoint Homeowners Association shall be maintained in federally insured banking and/or credit union institutions.
2. The President, Vice-President, and Treasurer of the Association shall serve as authorized signatories on the accounts of the Association for the purpose of withdrawing funds from the Association's accounts.
 - a. The Treasurer and President shall serve as the primary signatories on the accounts of the Association. The Treasurer shall sign and the President shall cosign checks, electronic transfers, and all other types of withdrawals of Association funds.
 - b. The Vice-President shall serve as a secondary/backup signatory on the accounts of the Association. The Vice-President may sign/cosign checks, electronic transfers, and all other types of withdrawals of Association funds in place of either the Treasurer or President only if the Treasurer or President is unavailable to fulfill this duty in a timely manner.
3. The Association's Property Management Company shall be authorized to serve as an authorized party to transfer funds by electronic transfer among the Association's accounts, but shall at no time serve as a signatory to withdraw funds from the Association's accounts. All transfers among the Association's accounts must be approved by a majority of the Castlepoint Board of Directors (the "Board").
4. The Association's Property Management Company shall serve as the Association's "designated agent" for implementing and administering this policy at the direction of the Board and in accordance with all relevant Federal, State, and Local laws. The Association's Property Management Company shall also maintain the financial records of the Association in compliance with all relevant Federal, State, and Local laws and in compliance with Generally Accepted Accounting Practices.
5. The financial management of the Association shall be maintained via the accrual method of accounting.
6. This policy shall be available to all "Owners" (defined in Article 1 of the Covenants).
 - a. If the Association has an Internet Website, the Association's designated agent shall make this policy available to all Owners by posting and maintaining this policy on the Association's Website.
 - b. If the Association does not have a Website, or if an Owner does not have access to the Internet, the Association's designated agent shall provide a written copy of this policy to the Owner upon the Owner's request.

Accounts Receivable

The following policy and procedure is given as a clarification of the process for assessment billing and collection, and is intended to be consistent with the Association's governing documents (i.e. the Covenants, the Bylaws, etc.).

1. Payment schedules, due dates, and delinquency dates vary with the types of assessments as defined in Article 6 of the Covenants.
 - a. Regular assessments (frequently referred to as "monthly HOA dues") shall be payable in advance in monthly installments which are due on the first day of each successive month (i.e. the "Due Date").
 - (1) A late fee shall not be charged for regular assessments received by the Association's designated agent on or before the 10th day of the month.
 - (2) A late fee shall be charged for regular assessments received by the Association's designated agent on or after the 11th day of the month (known as the "Delinquency Date" for regular assessments).
 - b. All other types of assessments shall have payment schedules defined for and specific to those assessments, and shall be payable in accordance with their respective payment schedules.
 - (1) The payment schedule for each such assessment shall make each payment associated with that assessment payable on the first day of a month.
 - (2) A late fee shall not be charged for each such payment received by the Association's designated agent on or before the 10th day of the month in which the payment is due.
 - (3) A late fee may be charged for each such payment received by the Association's designated agent on or after the 11th day of the month in which the payment is due (known as the "Delinquency Date" for such assessments).
 - c. There is no penalty for prepayment of any regular or other type of assessment.
2. Notification to Owners of regular assessments (i.e. monthly HOA dues) shall be handled in either of two ways as decided by a majority vote of the Board:
 - a. Assessment coupon books will be mailed to all Owners no less than 30 days prior to the first day of the first month of the fiscal year. Each coupon shall reflect the due date and the amount due for each month.
 - b. Monthly statements will be mailed to each Owner between the 10th and 15th of each month. Each statement shall reflect the due date, the monthly assessment amount due the 1st of the month following the month in which it was mailed, and the Owner's current account balance including any assessment arrears and related fees and charges.

3. The collections policy and procedure for late payment of assessments is as follows:

- a. A late notice (known as the "First Notice") shall be sent to all Owners having outstanding balances on their accounts which are at least 30 days past due, including late fees, attorney's fees and/or other charges authorized pursuant to the governing documents or Board resolution. Each charge for late fees shall be in the amount of the 10% of the outstanding 30-day-past-due balance and shall be reflected in this First Notice.
- b. Another late notice (known as the "Second Notice") shall be sent to all Owners having outstanding balances on their accounts which are at least 60 days past due, again including late fees, attorney's fees and/or other charges authorized pursuant to the governing documents or Board resolution. A second late fee in the amount of 10% of the outstanding 60-day-past-due balance shall be assessed against each such account and reflected in this Second Notice.
- c. Late fees in the amount of 10% of the outstanding account balance shall continue to be assessed on the 11th day of each month until the account is brought current.
- d. An account is said to become a "Delinquent Account" on the day the First Notice is sent. If the account is not brought current within fifteen (15) days after the First Notice is sent, the Association may file an Assessment Lien against the property having one or more delinquent assessments, and may accelerate the total amount of the assessment due to collect all assessment through the end of the fiscal year. As well and to collect the amount owed, the Association may file a lawsuit, seek a court appointed receivership, obtain a civil judgment in court for purposes of garnishing wages, foreclose on the property, and/or pursue any appropriate legal action approved by the Board.
- e. A written and signed agreement defining a payment plan for an Owner's delinquent account may be entered into between the Association and the Owner at the sole discretion of a majority of the Board. Payment plans are initiated in an effort to assist homeowners having financial difficulties.
 - (1) Attorney, collections, and all other processing and legal fees incurred by the Association for collection of assessments shall not be waived.
 - (2) Late fees incurred prior to the date the plan is approved shall not be waived.
 - (3) The Association agrees to suspend late fees going forward from the approval date of the plan. This is an effort on the part of the Association to assist the homeowner in catching up on their arrears.
 - (4) The Board may immediately declare a payment plan "null and void" if the homeowner does not pay as agreed. If this occurs, all late fees suspended as of the date the agreement is approved and all late fees incurred prior to the date the plan is approved shall be reinstated.

4. The policy and procedure for the receipt and deposit of assessment payments (including any related fees and charges) is as follows:
 - a. Each payment received on a business day shall be date stamped and credited to the appropriate Owner account as of the date the payment is received. Each payment received on a weekend or holiday shall be credited to the appropriate Owner account the following business day.
 - b. Payments shall be applied to past due amounts before being applied to current assessments.
 - c. Each payment shall be endorsed "For Deposit Only" and shall be deposited into the appropriate Association account.
 - (1) Each such deposit shall occur within five (5) business days after the payment is received.
 - (2) Unless decided otherwise by a majority vote of the Board during a regularly scheduled Board meeting, the appropriate Association account for this purpose shall be the Association's operating account.
 - d. No payments shall be held in the office of the Association's designated agent for more than five (5) business days.
 - e. The record of all deposits shall include a printout showing a breakdown of all payments deposited (per deposit) with the actual deposit slip or funds transfer record for each deposit attached.
5. The Association's policy and procedure for an assessment payment of any kind (i.e. check, money order, electronic transfer, etc.) returned for insufficient funds is as follows:
 - a. Reinstatement of the assessment fee shall be charged against the Owner's account.
 - b. A *Non-Sufficient Funds* (NSF) fee of \$25.00 shall be charged against the Owner's account.
 - c. Verification of funds shall be made and the payment re-deposited/re-submitted.
 - d. Upon return of a payment because of NSF, the Owner shall be given written notice of the return of payment, informing the Owner if funds have or have not been verified and the payment has or has not been re-deposited. If a payment has not been re-deposited, a copy of the payment shall be retained in the Owner's file and the original (if check or money order) returned to the Owner. Upon receipt of a re-deposited payment returned because of NSF, a second NSF fee shall be charged to the Owner account and a second notice shall be sent to the Owner. This notice shall require that payment be made via certified funds, and that it be made within five (5) business days.

- e. All applicable late fees, charges and interest shall accumulate against the account as though no payment had been attempted until payment is received.

Accounts Payable

1. All invoices shall be sent directly to the Property Management Company's office.
2. All invoices shall be reviewed and verified by Property Management, and coded to the appropriate expense account in accordance with the approved budget or action of the Board. Any invoice not pre-approved (by virtue of a contract, the budget, or action of the Board) shall be submitted to the Board for approval prior to payment.
3. Property Management shall prepare payment of approved invoices twice per month. Payments shall be made in a timely manner to accept any discounts, if offered.
4. Two signatures shall be required for all payments by check and to authorize all electronic payments. The Treasurer and President shall serve as the primary signatories; the Vice-President shall serve as a secondary/backup signatory only if the Treasurer or President is unavailable to fulfill this duty in a timely manner.
5. All payments to vendors selling products and services to Castlepoint shall be made directly to those vendors from Association accounts. No Association payments to vendors shall pass through accounts of the Property Management Company.
6. Under no circumstances shall Association funds be commingled with funds of the Property Management Company, any other agent of Castlepoint, any Board member, or any Owner.
7. Property Management, verified by an officer of the Association, shall complete reconciliation with the official bank statement monthly. Verification must include a review of account balances on bank statements against bank balances on financial reports, and a review of anything unusual or outstanding for longer than 60 days.
8. All checks and signed authorizations for other forms of payment (such as electronic payments) shall be retained in the permanent records of the Association.
9. All voided Association checks shall be retained in the permanent records of the Association.

Funding of Reserves

1. A review of the Association's reserve fund needs and obligations shall be completed by the Association's Budget/Finance Committee (if and when appointed) and by the Board annually. Recommendations given to the Board by the Budget/Finance Committee for implementation shall be included in the annual budget at the discretion of the Board.

2. Reserve/replacement obligations shall be defined in the annual budget. The budget shall be reported on a fund-accounting basis to show the specific assets to which monies are being allotted.
3. All reserve funds shall be held in a separate account outside of the operating funds and shall not be commingled with operating monies.
4. All proposed expenditures for the replacement of Association assets should be reviewed by the Budget/Finance Committee (if and when appointed) and approved by the Board prior to implementation.
5. Expenditures shall not exceed the budgeted funds allocated for a specific line item in any given fiscal year unless reviewed by the Budget/Finance Committee (if and when appointed), and determined by the Board of Directors to be imminent or favoring the Association in future replacement costs.

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