

Game Trail Association



Financial Policies & Procedures

**Revised
January 1, 2020**

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Responsibility Matrix

	Board of Directors	Fin / Audit Committee	Treasurer	Administrator	Committee Chairs
Financial Reporting Policies					
Overview		S	S	R	
Interim Reporting		S	S	R	
Annual Reporting				R	
Financial Statement Presentation				R	
Outside Certified Public Accountant	R	S	S	S	
Annual Report to Members	S	R	S	S	
Internal Financial Control Policies					
Overview	S	R			
Approval of Expenditures	R		S	S	S
Duplicate Signatures	R		S	S	S
Purchases by Board Members	R		R		
Limited Access to Financial Records				R	
Income and Operating Expense Management Policies					
Overview				R	
Payment of Member Fees		S		R	
Annual Budget Preparation	S	S	R	R	S
Unrestricted and Restricted Funds	R	S			
Designated Operating Expense Reserve	R	S			
Designated Repair and Replacement Reserve	R	S			
Designated Capital Reserve	R	S			
Other Reserves	R	S			
Outside Advisors	R				
Limitation on Borrowing	R				
Financial Record Keeping Policies					
Overview	S	S		R	
Accounting Software				R	
Owners Database				R	
Financial Obligations	R			S	
Official Reporting Requirements				R	
Asset Policies					
Overview	R	S	S	S	
Financial Assets	R	S	S	R	
Bank Account Reconciliations	S	S	*R	S	
Investment of Financial Assets	R		S	S	
Physical Assets	R	S			
Insurance Policies					
Overview	R				
Fidelity Insurance	R				
Outside Contractors				R	
Special Events	R			S	
Hazardous Activities	R			S	
Safekeeping of Insurance Documents				R	
R = Primary responsibility					
S = Support responsibility					
* Performed by the Asst Treasurer					

Financial Reporting Policies

Overview

The fiscal year of the Game Trail Association (“GTA”) is the calendar year, and books and records are kept on an accrual basis. Regular financial reports prepared for the leadership of the GTA will aid in keeping the Association on a sound financial footing. The Administrator, with assistance from the Treasurer and the Finance/Audit Committee as to the suggested type of reports, shall present monthly financial reports to the Board of Directors (“Board”) in advance of each Board meeting.

Interim Reporting

The primary responsibility for maintaining the books of account of the GTA is that of the Administrator, with oversight by the Treasurer and the Finance/Audit Committee. The Treasurer shall be prepared to present at each Board meeting a commentary on the financial reports that shall as a minimum include a Balance Sheet that compares actual to the prior year-end, and a Profit and Loss Statement that compares actual against budget. The Administrator and Treasurer shall be responsible for calling attention to any significant deviations from budget that merit input from or action by the Board.

Annual Reporting

Financial statements as of the end of the prior calendar year are sent to each lot owner prior to the annual meeting as part of the formal document package sent to owners. Copies of the prior year financial statements and current year-to-date reports are made available at the annual meeting.

Financial Statement Presentation

The presentation of the Financial Statements shall follow the recommendation of the Financial Accounting Standards No. 117, “Financial Statements of Not-For-Profit Organizations” (SFAS No. 117).

Outside Certified Public Accountant

The Finance/Audit Committee shall recommend to the Board for its approval the selection of a Certified Public Accounting firm to perform the annual audit (or review as may be determined by the Board). The CPA firm shall also provide annually a review of internal controls. The Treasurer, the Administrator, and the Chairman of the Finance/Audit Committee shall assist as necessary in the work of the CPA firm and report the final results to the Board.

Annual Report to Members

A representative of the CPA firm shall be invited to attend the annual meeting of the members and shall be asked to make a presentation to the membership on the financial condition of the GTA and the condition of its internal controls. The Finance/Audit Committee shall be responsible for reviewing and recommending possible procedural changes to address any issues contained in the audit firm's report.

Internal Financial Control Policies

Overview

Financial internal control policies shall be established to insure the integrity of all GTA's financial activities. Where possible, duties shall be segregated to maximize internal controls. The Finance/Audit Committee shall monitor GTA's financial procedures and activities for adherence to internal controls, and report to the BOD regarding any encountered weaknesses. The Finance/Audit Committee shall review financial statements quarterly for reasonableness, investigate any major unexplained budget variances and report to the Board thereon. The Finance/Audit Committee shall review internal financial controls annually and make any recommendations to the Board.

Approval of Expenditures

All expenditures shall be approved by the President to assure that appropriate funding is available. While the Board has authorized the Treasurer, Administrator, and Committee Chairs to make whatever budgeted expenditures are needed for the day-to-day operation of GTA, non-routine expenditures of \$5,000.00 or more shall be approved by the Board prior to purchase. Any expenditure of over \$5,000 for purchase of a single item shall have bids from three suppliers if possible. Each GTA Committee shall determine its own rules (lowest bidder, best value, etc.) for recommending the winning bidder. Bids are reviewed by the appropriate Committee Chairperson and the Treasurer, and the bid award must be specifically approved in advance by the Board. Purchases of less than \$5,000.00 may be made at the discretion of GTA's Treasurer without competitive bids. However, reasonable diligence shall be exercised to comparatively shop for available sources.

Duplicate Signatures

All financial activities, whether payment by check, wire or transfer of funds, in amounts equal to or greater than \$5,000 shall require at least two authorized check signers to sign/approve the financial transaction. These activities must be documented to provide an audit trail for each such

transaction. EXCEPTION: The treasurer individually, or the president and assistant treasurer as alternates, may initiate an intra-bank transfer within the same financial institution irrespective of amount. The intra-bank transfer must be for the benefit of Game Trail Association and documented on a bank transfer authorization form as any other bank transfer.

Purchases by Board Members

Any purchase made by a Board member on behalf of the GTA shall require prior approval by the Treasurer, or if made by the Treasurer approved by another Board member.

Limited Access to Financial Records

Financial records are restricted materials with limited access. Only the Treasurer and Administrator (or others so authorized) shall have access to financial records (vendor files, journals, payroll, etc.). All payments, transactions and invoices shall be filed with supporting documentation after execution by the Administrator, and files shall be kept secure. Physical security must be provided for all cash and financial instruments. In addition, all computers, passwords, financial data files/documents must be secured. All personal information related to GTA members must be secured to insure privacy.

A GTA member or a member's authorized agent may submit a written request to the Game Trail Board of Directors in order to examine financial records in accordance with the Colorado Common Interest Ownership Act.

Income and Operating Expense Management Policies

Overview

The purpose of these Income and Operating Expense Management Policies is to establish guidelines for the Board and the Administrator regarding standards and procedures to be applied to the collection of fees and payments of expenses related to the GTA. In addition, these policies will provide guidelines to allow for an effective management of the organization's funds.

Payment of Member Fees

Fees are collected from homeowners and lot-owners to pay for the reasonable needs of the Association. Fundamental to the charging for fees and assessments is the principle that those receiving specific services from GTA are those that shall pay for such services. All owner assessments, except Special Assessments, are billed the first of each year. Assessments are due the 31st of January. Statements are mailed to past due accounts at the end of every month. Finance charges are assessed at this time and billed according to the Late Payment Policy.

Annual Budget Preparation

The Administrator and the Treasurer shall be responsible for presenting to the Board an annual operating budget for approval prior to the beginning of the new calendar year. The Administrator shall solicit budget requests from the Board Committees and shall coordinate the internal preparation of the budget draft. The Finance/Audit Committee shall be responsible for presenting to the Board an annual capital budget for approval prior to the beginning of the new calendar year. Once the Board has approved the operating and capital budget, they shall be distributed to the membership within the first quarter of the new calendar year.

Unrestricted and Restricted Funds

The principal sources of unrestricted funds are property owners' assessments. Restricted funds in the form of designated reserves include amounts that are not subject to stipulations, and these

reserves are used to set aside resources available to carry out the purposes of the GTA in accordance with the limitations of its charter and bylaws. Reserves are to be established by the Board, with recommendations as necessary from the Finance/Audit Committee in accordance with the Board Designated Reserve Policy.

Designated Operating Expense Reserve

A reserve for unanticipated operating expenses for road maintenance, snow removal, water system maintenance and legal fees shall be established. The Designated Operating Expense Reserve shall be set at no more than one-third (1/3) of the sum of the largest amount of each expense item's actual expenditure during the five (5) years preceding the current budget year. If any of these expenses exceed the budget in any given year, the shortfall shall first be covered internally from other items in the current budget, and lastly covered by the designated operating expense reserve if required. The Board shall approve any activity in the designated operating expense reserves.

Designated Repair and Replacement Reserve

The Designated Repair and Replacement Reserve is dedicated to repair or maintenance of an existing capital asset or replacement or modification of an existing capital asset. Each year during the budgeting process, and from time to time during the year, the Board may add funds to Designated Repair and Replacement Reserve from normal operating funds. The Board shall approve any activity, and may request a review by the Finance/Audit Committee prior to approval of any expenditure.

Designated Capital Reserve

A capital reserve is used to provide funds for any new large capital projects that may be anticipated in the near future. Each year during the budgeting process, and from time to time during the year, the Board may add funds to Designated Capital Reserve from normal operating funds. The Board shall approve any activity, and may request a review by the Finance/Audit Committee prior to approval of any capital expenditure.

Other Reserves

The Board at its discretion, and at any time, may approve a special reserve to fund future activities from operating income. Regardless of the nature of any special reserve, the Board shall retain the right to approve all activity within the fund.

Outside Advisors

Arrangements and/or agreements between the GTA and an attorney, a CPA, and the Administrator shall be reviewed annually and approved by the Board.

Limitation on Borrowing

Borrowing is not contemplated, except in extraordinary circumstances, and any borrowing between the GTA and an outside party must be approved in advance by the Board.

Financial Record Keeping Policies

Overview

Records relating to the financial and lot owner activities of the Association are critical to the proper management of the GTA. The policies and procedures set forth below are to be used as a guide for the Board, the Finance/Audit Committee and the Administrator in the conduct of their work on behalf of the Association.

Accounting Software

Commercially available accounting software shall be used for the accounting and association member records, and backups shall be maintained of all data files used in these functions. Hardcopy files relating to each calendar year's activities shall be archived as appropriate. Confidentiality of association member information shall be respected where deemed sensitive.

Owners Database

An owner's database and hardcopy file folder shall be maintained for each lot. Changes in lot ownership, correspondence with lot owners and any other official communication between the GTA and an owner shall be kept in such hardcopy folder. Care shall be taken to ensure that the accounting records and owners database are kept current and consistent.

Financial Obligations

Any document establishing a formal indebtedness of the GTA (other than open accounts and routine banking transactions) shall require a Board resolution, and shall have two Board members as signatories. Any proposed lease obligation of the GTA shall be presented to the Board for ratification and signature. Leases shall correspond to the calendar year whenever possible and copies of all leases shall be maintained in the Administrator's office.

Official Reporting Requirements

IRS required reports shall be filed by the GTA, with assistance from the CPA firm as needed.

Asset Policies

Overview

Financial assets of the GTA are to be maintained at one or more local banking institutions, and to the extent possible be invested to produce income in a fashion that minimizes risk and preserves investment capital in accordance with GTA's Investment Policy. Physical assets shall be maintained to maximize their economic life, taking maintenance costs into consideration, and shall be replaced appropriately at the end of their economic life, presumably from reserve funds established by the Board.

Financial Assets

The Administrator, in conjunction with the Treasurer, shall maintain and oversee bank and investment accounts, and ensure that funds for meeting GTA's day-to-day financial needs are available. Several accounts may be maintained by the GTA such as checking accounts and investment accounts including bank CD or time deposit accounts. These accounts may be changed through Board action as GTA's financial conditions and requirements change. The Board will authorize all bank accounts and check signers at least annually. The Administrator will immediately notify the bank of any change to authorized check signers that have been approved by the Board.

Bank Account Reconciliations

All deposits are to be reviewed by the Administrator as received and deposited in the appropriate bank account(s). Bank statements shall be reconciled monthly by the Assistant Treasurer, and reviewed quarterly by a member of the Finance/Audit Committee.

Investment of Financial Assets

The Board shall use due diligence in overseeing the investment of GTA funds by establishing an investment strategy that gives proper recognition to risk and return. The Treasurer and

Finance/Audit Committee shall review and monitor GTA investments and suggest changes to the Board for their approval. The investment philosophy of GTA's short-term investments is safety of principal and liquidity appropriate to meet anticipated cash needs.

Physical Assets

The Finance/Audit Committee is responsible for periodically reviewing the capital asset policy and suggesting changes to the Board for their approval. The Board will approve all capital assets prior to their acquisition or disposition. A member vote is required if new construction is estimated to cost more than 5% of the budgeted income of the year in which the project is approved. A member vote is not required if the proposed project is a capital replacement or a new project that is for emergency repairs, signage, fencing, the central water system or the fire protection system.

Insurance Policies

Overview

Reasonable insurance coverage shall be maintained to protect GTA interests, as determined by the Board. Insurance policies shall be obtained and kept in-force for Property, General Liability, Fidelity, Workers Compensation, and Directors & Officers Liability. An Umbrella Liability policy shall also be obtained when deemed appropriate by the Board. The Board shall review and approve all insurance policies as they are put in place.

Fidelity Insurance

A fidelity insurance policy shall be obtained and maintained that names the Administrator and the Board of Directors as insured. The Board of Directors will determine the appropriate level of fidelity coverage using the language in 38-33.3-313(10) of the Colorado Common Interest Ownership Act as a guide.

Outside Contractors

A Certificate of Insurance shall be required from all Independent Contractors doing work on Association property. If the Contractor has employees, evidence of Workers Compensation insurance should also be required. The GTA shall be named as an additional insured on all certificates whenever possible.

Special Events

Any special or unusual event that is being contemplated on Association property shall be discussed with GTA's insurance agent to be sure coverage is available if deemed needed. A Special Events policy may be required.

Hazardous Activities

When a GTA sponsored activity is considered potentially hazardous by the Board, a Waiver and Release form may be used to minimize liability to the GTA.

Safekeeping of Insurance Documents

All insurance policies and certificates of insurance shall be maintained by the Administrator and filed appropriately. Insurance policies should correspond to the calendar year whenever possible. The Association shall maintain a current list of insurance policies as required by the Colorado Common Interest Ownership Act.

Appendices

Game Trail Association Inc.

Board Designated Reserve Policy

Revised

January 1, 2020

Designated Operating Expense

- Four expenses are used to determine a reserve fund for unexpected future expenses:
 - Road maintenance
 - Snow removal
 - Water system general maintenance
 - Legal
- A Designated Operating Expense Reserve will be set at no more than one-third (1/3) the sum of the largest amount of each expense item's actual expenditure during the five (5) years preceding the current budget year.
- If any of these expenses exceed the budget in any given year, the shortfall should:
 - First, be covered internally from other items in the budget, and
 - Lastly, be covered by Designated Operating Expense Reserve, if required.
- Each year during the budget process, Designated Operating Expense Reserve should be restored to full value, as calculated above.
- The Board of Directors will approve any activity in Designated Operating Expense Reserve.

Designated Capital

- New capital projects
 - A large expenditure for new projects (initial road paving, buildings & structures, signage, fencing, water system, fire protection, etc.) as defined in the GTA Capital Asset Policy.
- Each year during the budget process, and from time to time during the year, the Board of Directors may add funds to Designated Capital from normal operating funds.
- The Board of Directors will approve any activity in Designated Capital, and may request a review by the Finance/Audit Committee prior to approval of any capital expenditures.

- Capital expenditures for initial road paving and new buildings & structures that exceed 5% of the budgeted income for the year in which the project is approved require a member vote.

Designated Repair & Replacement

- There are two components to Designated Repair & Replacement Reserve:
 - The repair or maintenance of an existing capital asset
 - The replacement or modification of an existing capital asset
- Each year during the budget process, and from time to time during the year, the Board of Directors may add funds to Designated Repair & Replacement Reserve from normal operating funds.
- The Board of Directors will approve any activity in Designated Repair & Replacement Reserve, and may request a review by the Finance/Audit Committee prior to approval of any expenditure.

Designated Special Operating Expense

- There are two components to Designated Special Operating Expense Reserve:
 - The operating expense does not occur every year
 - The amount of the expense is equal to or greater than \$10,000
- Each year during the budget process, and from time to time during the year, the Board of Directors may add funds to Designated Special Operating Expense Reserve from normal operating funds.
- The Board of Directors will approve any activity in Designated Special Operating Expense Reserve, and may request a review by the Finance/Audit Committee prior to approval of any expenditure.

Investment Income

- All investment income will be recognized as income in the operating budget. The reserve funds will be funded directly from the operating budget as needed.

Temporary Investments

- Investments (CD's) will not be tied directly to a specific reserve, but will be managed independently to provide for funds availability when needed. Reserve fund balances will be tracked in the accounting system.

Game Trail Association Inc.

Capital Asset Policy

Effective January 1, 2019

OBJECTIVE:

To formalize the acquisition, depreciation and disposition of property to maintain an accurate inventory of fixed assets for the Game Trail Association.

CAPITALIZATION POLICY:

A. The Game Trail Board of Directors should approve all capital assets prior to their acquisition.

B. A capital asset is defined as an item (or group of like items acquired at the same time) which meets all of the following criteria:

1. Is owned by Game Trail Association Inc.
2. Exceeds \$2,000 in value, and
3. Is expected to have a useful life greater than two (2) year

C. All capital assets should be recorded at historical cost as of the date acquired or constructed and documented in a subsidiary fixed asset schedule.

D. Repairs and Maintenance items should normally be expensed as any other operating expense. However, if a repair or replacement increases the value of the capital asset, makes it more useful or lengthens its life, it should be treated as a capital asset and depreciated accordingly.

DEPRECIATION POLICY:

A. The straight-line method of depreciation should be utilized to depreciate capital assets over their estimated useful life, as follows:

<u>Depreciable Improvements</u>	<u>Useful Life</u>
Fire Protection System	50
Mail Center	40
Underground Systems (Utilities)	50
Water System – Telemetry	15
Water System – Booster Pump	10
Water System – Distribution	50
Water System – Wells	30

Roads – Black Top Surfaces	8
Office Furniture, Fixtures and Equip	10
Computers & Peripheral Equip	5
Water Meters	15

<u>Non-Depreciable Improvements</u>	<u>Useful Life</u>
Common Areas / Open Space	NA
Roads – Construction Costs	NA
Roads – Right of Ways	NA
Water Easement	NA
UAWCD Water	NA

DISPOSITION OF ASSETS

- A. The Game Trail Board of Directors should approve all capital asset dispositions.
- B. When capital assets are sold or otherwise disposed, the financial records should be relieved of the cost of the asset and associated accumulated depreciation.
- C. If a capital item is replaced and the old item(s) were part of an asset record that was not separately valued, the old item should not be removed from the financial records. The new item should be capitalized separately and depreciated over the remaining useful life of the original asset.

Game Trail Association Inc.

Capital Reserve Fund – Member Voting Requirements

Capital Replacement Items	Member Vote Required	
	Yes	No
Maintenance		X
Repair		X
Replacement		X
Modification		X

New Capital Projects

* Initial Road Paving	X	
* New Buildings & Structures	X	
Emergency repairs		X
Signage		X
Fencing		X
Central Water System		X
Fire Protection System		X

- * Does not require member vote if new construction is estimated to cost less than 5% of the budgeted income of the year in which the project is approved

Game Trail Association Inc.

Investment Policy

Effective December 31, 2007

The objectives for Game Trail Association investments are as follows:

- Minimize risk and preserve investment capital. To achieve this goal the primary investment vehicle is certificates of deposit (CDs). CD account balances with any single institution will be no more than the then current FDIC insurance limit.
- The Association would like to keep its investments locally. Investments will be made with local banks or other local institutions.
- Funds need to be available. Investments will provide enough flexibility so that funds can be accessed when needed by the Association.

Combined with the other objectives, the Association would like to maximize the income produced by these investments.