

PROSPERITY HEIGHTS HOMEOWNERS ASSOCIATION, INC.

Resolution Proposed by Finance Committee on Budget, Banking and Financial Issues

WHEREAS, Prosperity Heights Homeowners Association, Inc. (“Association” or “HOA”) is a Virginia Non-Stock Corporation organized for the mutual benefit of its Members, who are homeowners in the Prosperity Heights Neighborhood; and

WHEREAS, the Amended and Restated By-Laws of the Prosperity Heights Homeowners Association, Inc., (“Bylaws”), as most recently enacted as of December 5, 2000, authorizes and directs the Board of Directors of the Association to establish a budget and to form committees; and

WHEREAS, the Bylaws authorize and Direct the Board of Directors of the Association to undertake such acts as may be required to accomplish the purposes of the Association, including actions necessary to establish budgets, financial management and other matters, as may be required;

NOW, THEREFORE BE IT RESOLVED that the Board of Directors of the Association hereby adopts the following resolution recommended by the Finance Committee:

1. Replacement Reserves. The Finance Committee recommends that the replacement reserves will be set in the amount of \$32,065, when the new Replacement Reserve Account is established pursuant to the banking resolution previously passed by the Board. This amount is consistent with the amount referenced in the June 30, 2018 audit report and would fully fund replacement of the items for which the HOA must reserve funds.

2. Reserve Study. The HOA governing documents and the Virginia Code mandate a reserve study every five years. The prior reserve study was in 2016, so a reserve study is required in 2021. The items encompassed by the reserve study are the stone entrance monument (and associated electrical/lighting) and the playground equipment. The reserve is to be used for the replacement of these items at the end of their useful life. This does not include periodic maintenance, cleaning, simple repairs, damage from storms, replacement mulch at the playground, etc. The 2016 reserve study cost was approximately \$2000. Based on the prior reserve study, the condition of the entrance monument, the expected remaining life of the playground equipment (10+ years) and the amount already set aside for the Replacement Reserve account, the Finance Committee recommends performing the reserve study in-house to save the estimated \$2000 expense. The Board would need to affirm this recommendation.

3. Two Signature Checks. Insurance policy conditions require that the Board establish a policy which controls the maximum amount of HOA checks with only one signature. (Note that most expenses are routine contract rates and are either automatic deductions or automatic payments and would not be subject to this policy.) The Finance

Committee recommends that the Board set \$5000 as the maximum amount of a check with one signature. (This policy would be in conjunction with a monitoring of the account via online, view-only access by Board members, and regular review of banking statements by the Board.) Board approval would still be required for expenditures greater than \$500.

4. Pre-Authorized Expenses. Finance Committee recommends that the Board authorize the Treasurer to write checks and make purchases up to \$500 without express authorization from the Board. This would cover routine purchases of office supplies, reimbursement of expenses for social events, etc.

5. QuickBooks. The Treasurer will use QuickBooks Desktop for finances and asks the Board to authorize expense for software. The cost would be approximately \$200, recurrent every 2 to 3 years.

6. Change to Calendar Year Budget. Finance Committee recommends that the Board authorize the change from a Fiscal Year budget (July 1 through June 30), as currently done, to a Calendar Year budget.

7. Interim Six-Month Budget and Assessment. To facilitate the change to a CY budget, the Finance Committee recommends that the Board adopt a six-month budget and assessment amount for the time period from July 1, 2021 through December 31, 2021, with the assessment due as of July 1, 2021.

8. Calendar Year 2022 Budget Plan. For the CY 2022 budget, the Finance Committee would meet again in the Fall of 2021 to establish a recommended CY 2022 budget, which would be approved by the Board in late Fall 2021 and presented to the owners at a Special Meeting of Owners. CY 2022 assessments would be due January 1, 2022 or as set by the Board when the CY 2022 budget is approved.

9. Audit Period. The HOA governing documents require an annual audit by a public accountant. With the change from a FY to CY budget, rather than paying for an audit covering only six months (from July 1, 2021 to December 31, 2021), the Finance Committee recommends a one-time 18-month audit period to cover the current FY and the next six months - from July 1, 2020 through December 31, 2021. Thereafter, audits would be based on the calendar year.

10. Late Fee for Unpaid Assessments. The Finance Committee recommends that the Board establish a late fee for unpaid assessments of 10% effective 10 days after the assessment is due but unpaid. This is based on the maximum amount permitted under the Virginia Code. Policy effective 30 days after notice to owners. The Treasurer is authorized to waive all or part of the late fee in his or her discretion based on uniform criteria.

11. Interest Rate for Unpaid Assessments. The Finance Committee recommends that the Board establish a policy of assessing interest on past due assessments in the amount of 15% per annum. This is based on the maximum amount permitted under the Virginia Code. Policy effective 30 days after notice to owners. The Treasurer is authorized to waive all or part of accrued interest in his or her discretion based on uniform criteria.

12. Electronic Invoices and Transaction Charge. If Treasurer uses electronic invoice feature in Quickbooks for future assessments, the charge is \$3 per transaction, but would facilitate processing of invoices and payments. The Finance Committee recommends that the Board authorize this expense and allow Treasurer to determine manner of invoicing.

13. Tax Returns and 1099 Forms. Co-Treasurers are authorized to prepare and file both US and Virginia tax returns for 2020 tax year and thereafter. Treasurer is also authorized and directed to prepare timely 1099 forms as required for vendors that provide service to the HOA.

This resolution was adopted by the Board of Directors of the Association on March 23, 2021, and shall be effective immediately, except as indicated.

IN WITNESS WHEREOF, the undersigned has hereunto affixed his hand and the seal of the Association this 23 day of March, 2021.

Prosperity Heights Homeowners Association, Inc.

By: Steve Boveri
Steve Boveri, President

CERTIFICATE

I, Andrew Frank, hereby certify that I am the Secretary for the Prosperity Heights Homeowners Association, Inc., and hereby attest the foregoing Resolution was unanimously adopted by the Board of Directors of the Prosperity Heights Homeowners Association, Inc. on March 23, 2021.

Andrew Frank
Andrew Frank, Secretary