

Board Handbook of Policies and Procedures

The purpose of the handbook is to institutionalize board policies and procedures in order to maintain continuity of service as board membership changes over time. The Board is just getting started with respect to creating and/or organizing materials/information into a handbook format. This initial text was created in January 2009 to be augmented later in 2009 as the OPRs complete their handbook writing assignments. The initial text is being posted on the website to provide property owners an opportunity for review and comment. Comments provided by the community may change the contents and text in the handbook.

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INTRODUCTION

This handbook is being prepared to help institutionalize the business processes used by the CCS POA Board of Directors to conduct business on a day to day basis. The section titles were chosen to address those board

activities that are either mandated by regulations or were believed to be important aspects of a management framework to be used by the Board. This is especially important as the Board membership can change annually and the transition from one Board composition to another should be as seamless as possible. It is hoped that, by posting this handbook on our website as it is being developed, the general POA membership will provide constructive feedback that will improve the usefulness of the handbook.

CCSPOA ASSESSMENT COLLECTION POLICY

Applicable Covenant or By-Law: Council Creek South (CCS) Covenants, Conditions and Restrictions (CC&Rs).

Policy Statement: The CCSPOA has a fiduciary duty to collect maintenance fees from all property owners in CCS and expend those assets for the general good of all property owners. The following process for collection of maintenance fees was established by the CCSPOA Board to ensure that all property owners understand the process that is being used. The process will be executed in a fair and reasonable manner.

Property owners will pay maintenance fees as designated in the CCS CC&Rs. Invoices for annual assessments will be mailed to property owners during the last week of December.

Annual assessment payments are due in full before March 1. A \$5.00 late fee will be applied on March 1st and on the first day of every subsequent month until the assessment is paid in full. Post mark date will represent actual payment date.

The following process will be followed for mandatory maintenance assessments that are late:

- The first delinquency notice will be sent March 15th after the account becomes delinquent.
- If full payment is not received by April 1st, a second delinquency notice will be sent 30 days after the first delinquency notice (April 15th).
- If full payment is still not received by May 1st, a final delinquency notice will be sent 30 days after the second delinquency notice (May 15th).
- Thirty days after the final delinquency notice is sent (June 15th), any outstanding accounts will be acted upon by the CCSPOA Board.

Either the CCSPOA or the Association's attorney may send a demand letter to the delinquent property owner. The letter shall provide the total balance owed, including applicable administrative costs, attorney fees, and late fees, and provide a date by which the account must be paid to avoid the imposition of additional attorney fees and the filling of a lien.

- No later than 30 days from the mailing of the demand letter, the Association may file a lien on the property securing all amounts owed, including any additional assessments, attorney fees, or other fees that subsequently accrue. The property owner is responsible for all attorney fees and other costs associated with collection efforts.

Liens Installed on Properties: The CCSPOA Treasurer or Board designee has primary responsibility for the installation of liens. When it is necessary to place liens on a property owner's property, filing of the lien may be done with or without the aid of an attorney. Liens that are placed by CCSPOA may employ the use of the "CCSPOA Lien Instrument Template" which is a Microsoft Word document that the Association can fill out and file at the Burnet County Court House with the County Clerk. In this process, no attorney is required to install the lien.

To install a lien without the aid of an attorney, the CCSPOA board member will have to have the following information to be able to file the lien with the County Clerk's Office for Burnet County, TX.

- Owners name on record
- Lot number(s)
- Council Creek South Unit number (Cabinet # and Slide #)

Once the lien is in place, a copy of the recorded lien is mailed to owner of lot to communicate that a lien has been placed on property. The CCSPOA keeps the original copy of lien on record. The information on the lien document is needed to release lien in the future.

Recording Liens Process: Information of installment of lien is entered in an Excel spread sheet entitled "CCSPOA Liens", maintained by the CCSPOA Treasurer or Board designee.

Information in the spread sheet includes:

- Lot number(s)
- Council Creek South Unit number(s)

- Name of owner(s)
- Fiscal Year Delinquent; This information helps to document each year owner does not pay. This information is maintained in order to have owner pay all required dues, fees, etc. to the Association before liens are released.
- A one time administrative fee of \$100 is added to cover the cost of researching the deed information, notarizing the document, recording costs, and mailing the lien information.
- Total due is the total money owed to Association to release lien which may include late fees and administrative fees.
- Date lien was applied
- Check number is the check number noted on the check from the owner given to release lien.
- Date lien was released

Lien Release on Property: The CCSPOA Treasurer or Board designee has primary responsibility for the release of liens.

- Once all fees are paid to the Association and the check has cleared, the lien on the property can be released.
- Liens are released by CCSPOA using a “CCSPOA Lien Release Instrument Template” which is a Microsoft Word Document that a Board member can fill out and file in the Burnet County Court House with the County Clerk. If this template is used, no attorney is required to release the lien(s).
- Information needed to release a lien can be found on the copy of the lien that was installed by the Association. This information includes:
 - Name of owner
 - Date lien was installed
 - Deed Book # lien was filed
 - Page # lien was filed
- After release, a copy of the recorded release of lien is mailed to owner of lot.
- The original copy of lien release is kept on record by CCSPOA.

ACCOUNTING SYSTEM AND PROCESS

The CCSPOA Board has been using QuickBooks as its accounting software since 2006. QuickBooks is software that is better suited to the business environment than Quicken, which was previously used. It provides fields to collect information about property owners, services, contractors, etc., as well as simplifying the annual billing process. It also simplifies the creation of reports such as cash flow and balance sheets. This section will describe the details of our policies and procedures sufficiently to assist new Board members and other POA members understand how POA resources are managed.

One issue that must always be addressed in this area is that the POA itself has no office location, computers or other business equipment.

Consequently, Board members utilize their personal assets, such as laptop computers and printers, to ensure that the job gets done. Additionally, the small available talent pool in CCS does not always assure that there are board members who have the skill sets (or the volunteer time) to perform the accounting function. This kind of scenario increases the difficulty for creating smooth transitions with Board turnover. To avoid this problem the Board decided to outsource the bookkeeping/accounting function in early 2012.

The CCSPOA Board reviewed the services of three bookkeeping services and chose the firm of Taber & Burnett, P.C., a firm that is located in Burnet Texas. The board agreed unanimously that the idea of outsourcing the bookkeeping function was a good one because it

- a) Provides financial management continuity as the board membership changes over time, and
- b) It ensures the treasurer function gets done properly even if the needed skill set for effective and efficient bookkeeping may be absent in a particular board membership. CCSPOA has a small talent pool and the volunteer members may not always have the skills and/or time to ensure that the accounting of resources is complete, timely and transparent.

The following points were assembled to describe the major aspects on the subject. Hopefully, they will provide orientation to new board members as well as other POA members and property owners who are not POA members.

- **How do they charge?**

They estimated that the average cost per month would be \$125.00 for the required professional services. Some months would take more

hours than others but it is simpler for us to pay and them to receive the average monthly charge every month.

- **How much does CCSPOA expenditure reduction offset the monthly bookkeeping charge?**

The POA board was able to reduce the electric bill from about \$60 per month to about \$15 per month. The savings can be used to offset the bookkeeping charge by about \$45 per month, resulting in an effective bookkeeping charge of \$80 per month.

The Board was able to gain additional offsets by publishing a hardcopy newsletter once annually (saves about \$10 per month on average) and maintaining the website in-house – Susan Cowen is performing the webmaster duties at no charge – saves about \$85 per month). Effectively, the Board was able to cover the bookkeeping service average costs via offsets.

- **How long has company been in business?** The company has been in under the current name for two years but the personnel worked for a prior CPA (Warner and Associates) who retired and sold the business to the current management. They have two other POAs as clients and are familiar with that business line. Additionally, the ELBVFD uses this firm for audits.

- **What type of accounting systems does it use?**

The firm uses QuickBooks Pro. The previous and current CCSPOA Treasurers used QuickBooks. If we do have data in Excel that we want to provide them, they can import excel data into QuickBooks.

- **What is the best way for us to get data to them?** Email is efficient for most data but they also use fax. Information can also be exchanged via phone and/or they are conveniently located for in-person drop-off, pickup and/or discussion.

- **What data do they expect from CCSPOA?**

- Copy of maintenance fee collection policy. This policy will be fully implemented January 1, 2013. (next annual billing cycle)
- Photocopy of every check and/or other value received by POA.
- Photocopy of every check written by POA.
- Copy of bank statement – the bank provides it monthly as PDF file
- Complete and accurate list of property owners that show name, address and status of maintenance fees. Note: The only property owner information that will be provided to them is

public information at the Burnet County CAD. This includes mailing address but not phone number or email address.

- **What can we, the POA, expect from them in terms of services?**
 - Quarterly Reports
 - Annual Report
 - Prepare annual invoices and stuff envelopes – we need to get the stuffed envelopes from them, apply postage and mail.
 - Track and prepare delinquency notices to property owners – we are responsible for postage and mailing.
 - Reconcile our income and expenses with our bank statements on a monthly basis.
- **What steps do they take to secure our data while in their possession?** Secure computer systems, passwords, and locked file cabinets.
- **Who would be our main POC for the CCSPOA?** The current CCSPOA Treasurer.
- **Who will actually be handling our data to provide our service?** Paraprofessional with CPA oversight.

Do they have a contract? , Yes, they have a Letter of engagement that spells out our terms, conditions, and our confidentiality agreement?

POA WEBSITE MANAGEMENT

This section describes the procedure for maintaining and updating the CCS POA website. It provides the methodology for the Board OPR to capture the content and structure as determined by the Board and provide this information to the webmaster for implementation.

The CCSPOA website is functioning better now than ever before thanks to the outstanding personal effort put forth by Ms Susan Cowan who is a current board member that, also, serves as our webmaster. Her personal contributions created a better website that costs less. The biggest challenge is providing the right kind of useful information to Susan so that she can keep the content up to date. The procedure is still under development but, at some point, it will provide the methodology to capture the content and structure as determined by the Board and provide this information to the webmaster for implementation. The process will also contain a transitional element that will allow a seamless handoff to webmaster duties in the event the current webmaster is not longer available.

POA SIMPLIFIED RULES OF ORDER

The Board is currently developing a simplified form of Rules of Order that can be used as reference for the conduct of Board meetings and/or member meetings. Like most organizational rules of order they will be a derivative of Robert's Rules of Order but easier to understand and apply. After some literature search, the two primary references chosen as a basis for the CCS POA version are Rules of Order for Association Boards by: Jeffrey A. Goldberg and Rosenberg's Rules of Order: Simple Parliamentary Procedures for the 21st Century by Dave Rosenberg. Additionally, the Board has been using a simplified approach to conduct meetings that is consistent with all references mentioned here, Rules of Order for CCSPOA ANNUAL Meeting (PowerPoint Slides). This effort is reflected as a key action in the Projects and Key Actions/Events Summary spreadsheet. Until the formal CCS POA Rules of Order are completed as part of this handbook, these three references are available for your review.

RESIDENTIAL ARCHITECTURAL REVIEW AND CONSTRUCTION GUIDELINES

The Architectural Review and Construction Committee has been tasked by POA charter to develop residential architectural and construction guidelines for residential properties and/or common areas. The charter establishes the POA residential Architectural Review and Construction Committee to ensure that the architectural review and construction approval process is managed for the overall benefit of Council Creek South (CCS) and is open and fair to property owners. The committee reports to the CCSPOA board that holds ultimate responsibility.

RESIDENTIAL ARCHITECTURAL REVIEW AND CONSTRUCTION APPROVAL PROCESS

The Board, with input from the Architectural Review and Construction Committee, will document the procedures for review and approval of proposed architectural design and construction for residential property. The current policy and procedures below are included in the Application for Construction available on this website. This policy and procedure will be updated and extended as time permits.

(1) Metal buildings have historically been used in this subdivision for storage and a large number currently exist. However, metal buildings are not always OK and will be approved subject to certain conditions being met.

- Metal buildings will not be approved for use as a residential structure.

- Metal outbuildings will not be approved as a sole project unless the residential structure is already in place and fully constructed as previously proposed and approved.
- Metal outbuildings are OK as part of a larger proposal to build a residential structure. Approval of the metal building is conditioned on a clear formal commitment (all permits and contract in place) to fully construct the residence as proposed within a reasonable timeframe (12 months).

(2) Frame and/or masonry materials are typically used for residential structures but outbuildings constructed with these materials have the same restrictions as metal outbuildings.

- Outbuildings will not be approved for use as a residential structure.
- Outbuildings will not be approved as a sole project unless the residential structure is already in place and fully constructed as previously proposed and approved.
- Outbuildings are OK as part of a larger proposal to build a residential structure. Approval of the outbuilding is conditioned on a clear formal commitment (all permits and contract in place) to fully construct the residence as proposed within a reasonable timeframe (12 months).

COMMON AREA PROJECT PRIORITIZATION

The Board will document the prioritization, funding and project management for maintenance and construction in the common areas. For these CCS common area projects, such as road construction and maintenance, a primary objective is to describe all of the common areas and develop a prioritization process for ranking the list of individual projects in terms of expected value. As an example, the factors for road construction/maintenance may include such things as condition of the road, length/width of road to be repaired, number of property owners benefiting from the project and cost. It is important that this section clearly describe the ground rules and underlying concepts for ranking these projects to ensure fairness to everyone. At this point in 2012, there is no analytical process to determine the ranking of potential projects. Instead, the board members, as a group, decide the projects to accomplish each year by considering the above factors.

FILING POA TAX FORMS

The CCSPOA utilizes the simplified e-postcard method of filing a tax return with the IRS. The procedures in this process were taken from the IRS website and provided as follows.

Small tax-exempt organizations now have an important new reporting requirement. The e-Postcard or “Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations not required To File Form 990 or 990-EZ” is a simple, electronic form which should only take a few minutes of your time each year. Filing it will protect your tax-exempt status, and also gives donors and volunteers the most up-to-date information about your organization.

Who Needs to File, and When

Most small, tax-exempt organizations with \$25,000 or less in gross receipts must now file the e-Postcard. However, organizations that are included in a group return, as well as churches, their auxiliaries, and associations of churches are not required to file.

The e-Postcard is due every year by the 15th day of the fifth month after the close of your organization’s tax year. For example, if your tax year closes December 31, the form is due the following May 15th.

Simple and Straightforward

The e-Postcard is a simple, Internet-based form that asks a few identifying questions about your organization. You can only file the e-Postcard online – there is no paper form. All you need is access to a computer and an e-mail address. No special software is necessary, and there is no cost to file an e-Postcard. It’s free!

To file the e-Postcard, go to www.irs.gov/eo, and click on “Annual Electronic Filing Requirement for Small Exempt Organizations – Form 990-N (e-Postcard),” where you’ll find a link to the e-Postcard filing system. You will file the e-Postcard through the Web site of the IRS’s trusted partner, the Urban Institute.

If you choose to, you can file a Form 990 or Form 990-EZ instead of the e-Postcard, but it must be a complete return.

An incomplete or partially completed Form 990 or Form 990-EZ will not satisfy your annual filing requirement. In addition, you may be assessed a late filing penalty if you file Form 990 or Form 990-EZ late. There is no late filing penalty associated with the e-Postcard. However, if you fail to file your e-Postcard (or an information return) for three consecutive tax years, your organization will lose its tax-exempt status.

Protect Your Tax-Exempt Status

The first e-Postcards were due in 2008 and subsequent filings are due annually thereafter. The IRS will not assess a penalty if you file late or fail to file; however, after three consecutive years of non-filing, you will lose your tax-exempt status.

If this happens, you can request to be reinstated by filing an application for tax exemption (Form 1023 or Form 1024), along with the appropriate user fee. If you can show that you had reasonable cause for non-filing, a reinstatement, if granted, might be retroactive.

Public Information

The information on the e-Postcard is public information. The IRS has a disclosure site where the public can view an individual organization's e-Postcard or download the entire data base of electronically filed e-Postcards. Go to www.irs.gov/eo, click on "Annual Electronic Filing Requirement for Small Exempt Organizations – Form 990-N (e-Postcard)" and scroll down to "Search for e-Postcards – Public Disclosure."

Where to Go for Help

For the latest information about the e-Postcard, you can sign up for Exempt Organization's *EO Update*, a regular e-newsletter that highlights new information for tax-exempt organizations. To subscribe go to www.irs.gov/eo and click on 'EO Newsletter.' More information about the e-Postcard can also be found on the Web site or through our customer service function, which is available toll-free at 1-877-829-5500.

The e-Postcard is easy to complete. It only requires the following information about your organization:

1. Organization's legal name,
2. Any other names the organization uses,
3. Organization's mailing address,
4. Organization's Web site address - if it has one,
5. Organization's employer identification number (also referred to as a taxpayer identification number),
6. The name and address of a principal officer of the organization,
7. Organization's annual tax year, and
8. Answers to the following questions:
 - Are your gross receipts normally \$25,000 or less?
 - Has your organization terminated or gone out of business?

FILE PLAN MAINTENANCE

Maintenance of the POA business files faces the same difficulty as the accounting process in many respects. The files accumulated over the last

several years have been managed in a variety of ways depending on the individuals administering the files. This section will be dedicated to the creation of well-structured file plan and the establishment of policies and procedures for maintaining the files. Such an effort will have to consider how to handle the numerous computer files that comprise most of the POA business communications. Since all POA management is done via volunteer labor, usually by busy people with demanding jobs, the use of e-mail for communications on projects, newsletters, tax management, etc., dominates the communications as compared to hard copy correspondence. This is a fact that needs to be addressed in the creation, maintenance and transition of business information.

STANDING COMMITTEE CHARTERS AND MEMBERSHIP

This section will address the thought processes and format that go into developing appropriated charters for committees, both standing and ad hoc. There are several committee charters that have been developed for recent committee and appear to be satisfactory. They are posted on this website for review by property owners.

The final text developed for this section will likely rest heavily on those charters previously written. This section will also establish an approach for acquiring membership for the committees. This is sometimes a challenge since CCS is a relatively small subdivision and many folks are part-time residences. However, our aim here is to develop strategies to increase the odds of getting volunteer help for the committees.

AD HOC COMMITTEE CHARTERS AND MEMBERSHIP

Charters for each of the committees are available for review on this website.

TRANSITION SUPPORT TO INCOMING BOARDS

This section will describe the Board process for bringing new Board members up to speed as rapidly as possible on policies, procedures, projects and key actions/events. This is envisioned as orientation at the Board level and more in-depth orientation as determined by the positions being filled by the new members. For example, the incoming and outgoing treasurers should spend transition time together going over the details of various duties. It may be useful for orientation checklists to be developed to ensure important points are not lost in transition. This section will be more developed as resources become available and lessons learned are captured.

PUBLICATION OF POA NEWSLETTERS

Periodic publication of the POA newsletter is an important communication. Typically, the POA Secretary takes the lead with respect to the mechanics of producing high quality newsletters but others need to help with the content and provide other assistance as needed by the Secretary. This handbook section will be developed to help all board members know who has what responsibilities with respect to producing the newsletter. It will also address the details of the production to, especially, help new board members understand the associated policies and procedures. The Board decided in 2012 to limit the hardcopy publication of the newsletter to once per year to reduce costs. The newsletter will be published at the end of each calendar year and will review major events in the completed year and preview some of the major activities expected to occur in the upcoming year. Throughout the year, the News & Events link on the CCSPOA website will contain information that is relevant to most property owners.

AMENDMENT OF POA BYLAWS

The December 2010 election to revise the voting criterion, established by the 2005 amendment of the POA Bylaws, failed to achieve the proposed revision. In summary, there were 72 POA members in 2010. Using the 2005 criterion established in 2005 via a hand vote at the annual meeting, 37 “FOR” votes were required for the proposed revision to pass. The ballots (counted by volunteer members who are not board members) were counted. There were 34 YES votes, 19 NO votes and 19 NON-RESPONSES. Even though there was a super majority (64%) of the voting membership that favored the proposed revision, it failed to pass because it did not reach the 37 criterion value. Inclusion of Non-Responders in the base is equivalent to counting them as NO votes. This Board strongly feels that the bylaws need to be revised to (1) ensure a POA BYLAWS REVISION ELECTION PROCESS where all POA members are made aware of the issue to be voted in advance of the election, (2) all members are provided the opportunity to vote (e.g., certification that ballots are mailed to those members unable to attend a meeting announced in advance), and (3) the election outcome is determined by the simple majority opinion of the voters. Consequently, there will be another election held in 2013 to present the proposed POA Bylaws to all POA members for approval. It is believed that any concerns that may have existed have now been addressed.

As a note of gratitude, a lot of effort went into developing proposed revisions to the existing bylaws (e.g., Bruce Weir and Mickey Moore worked several months on the revised document before handing it off to the

Board). Hopefully, the proposed bylaws will be approved in the next election.

AMENDMENT OF DEED RESTRICTIONS

The CCSPOA conducted an election in 2009 to establish a process for amending the CCS deed restrictions in strict accordance with Texas legislation. The formal process was approved by CCS property owners and filed with the Burnet County Clerk. Subsequently, the property owners used the approved process to amend the deed restrictions for the sole purpose of adjusting the 1965 maintenance assessment fees for inflation. The adjustment increased the fees from \$20 per year to \$120 per year with adjustments for inflation to be done every five years. In 2011, the approved process was again used to amend the deed restrictions. This time the property owners approved amendments to modernize some of the language in the deed restrictions to include making them perpetual and subject to future changes subject to approval of 2/3 of the voting property owners. In all cases the formal amendment process, which is filed with the Burnet County Clerk, must be used. The formal process for making amendments and the two amended versions of the 1965 Deed Restrictions are available for review on the CCSPOA website.

COMMUNITY DEVELOPMENT PLAN MAINTENANCE

The CCS Community Development Plan, available for viewing on this website, is a “living” document that is intended to provide the “big picture” for how this community wants to develop. It is a reference document and, as such, it will need to be periodically updated to stay abreast of changing conditions, many of which are outside the control of CCS. This section, when completed, will address the Board responsibilities and process for this maintenance.

INFORMATION SUPPORT TO NEW HOME OWNERS

Property owners who decide to build on their property may have the need for guidance to be provided to them on a number of issues, such as how to go about getting connected to the community potable water system. Some things have been posted on the web, such as useful numbers and websites, but there are likely other considerations that would be helpful. This section deals with the policies and procedures used by the Board to anticipate and address frequently asked questions (FAQ) dealing with establishment of a residence in CCS. It will be more fully developed as resources become more

available. Currently the CCSPOA website is the best resource for a new property owner to get started.

FIREWISE PLANNING AND COMMUNITY DEVELOPMENT

It is the policy of the CCSPOA to actively support the national firewise organization. For Texas, the Texas Forest Service is the link to the national level organization. CCS has been a recognized firewise community for the years 2011 and 2012. At the date of this writing it is expected that it will gain the same recognition for 2013. It is required that a new application be submitted to the TFS at the end of each year to demonstrate the activities and resources used to earn the recognition for the following year. This section needs a much more detailed write-up that also addresses our response to a wildfire situation – recall there is only one road into and out of our community. Emergency response is a big deal in this area of concern and it also needs to include the property owners that live in the gated community at the end of CR 137. The CCS Community Development Plan describes our Firewise Committee and a charter for this community is available on this website.

FUTURE DEVELOPMENT OF POLICIES AND PROCEDURES HANDBOOK

The sections presented in this handbook to date basically represent language to get the handbook development underway by the Board and to provide an opportunity for comment by POA members and other property owners.