

SECTION V – FISCAL/ACCOUNTING

Section V was approved by the GVR Board of Directors on October 25, 2016.

SUBSECTION 1. FISCAL POLICY – GENERAL

A. Definitions

1. Contributed Capital Assets:

- a. Contributed property is to be recorded at estimated fair market value on the date of the transfer.
- b. Fair market value can be determined by current or recent appraisal or the donor's cost may be used if recently incurred.
- c. Contributed property will be recorded as a contributed capital asset and will be subject to Generally Accepted Accounting Principles (GAAP).

2. Capital Assets: Capital assets shall have a value of at least \$5,000 and a useful life expectancy of more than one year.

3. Operating: Operating is defined as everyday business, activities and regular maintenance of facilities.

4. Capital Projects:

- a. Those projects whose costs exceeds \$5000.
- b. Capital Replacement: A replacement is defined as anything that has to be replaced including major refurbishments such as the floor, the walls, the roof, the doors, etc., down to the fixture replacement.
- c. Capital Addition: An addition is anything that is added on to the square footage and/or adds to the value of the property.

5. Depreciation: Depreciation is defined as a decline (as from age or wear and tear) in the value of a capital asset.

B. Accounting

The Board shall ensure that the fiscal affairs of the corporation are managed in accordance with Generally Accepted Accounting Principles, and that its financial strength is adequate for current needs and its long-range strategies.

C. Purchasing

The selection of, and contracting with, vendors for supplies and services is the responsibility of the Chief Executive officer in accordance with the financial limits established by the Board.

D. Investment Policy

GVR Investment Policy is located in Appendix 1, BOARD POLICIES, SUBSECTION 3. GVR INVESTMENT POLICY.

E. Financing

1. Requests for approval to finance major capital projects will require the affirmative vote of two-thirds of the total Board members then in office. Such requests may be submitted by any member of the Board or the Fiscal Affairs Committee.
2. The maximum corporate debt at any one time shall not exceed sixty percent (60%) of the approved current annual budget, which shall include both the operating and capital budgets.
3. If capital projects are financed, the sum of annual repayments for all financed projects shall be ten percent (10%) of the approved current annual budget, which shall include both the operating and capital budgets.

F. Revolving Line of Credit

1. A revolving line of credit in the amount of four hundred thousand dollars (\$400,000) may be established by the Chief Financial Officer (CFO).
2. Any usage of the revolving line of credit by the Chief Financial Officer must have prior approval by the Chief Executive officer, the Fiscal Affairs Committee and the Board.
3. The Chief Financial Officer shall institute a usage form stating the amount to be used, the purpose/reason for the usage, the balance of the revolving line of credit, including the amount currently being requested for use and the estimated payback period to bring the balance back to its original amount of four hundred thousand dollars (\$400,000). This usage form will show the approval signatures of the Chief Executive officer, Treasurer and President of the Board.

G. Member Payment Transactions

1. A member payment transaction can be defined as any purchase (dues, program, concert, instructional course or rental) that takes place involving the exchange of cash, check, debit, or credit card with a member.
2. Member payment transactions are subject to a processing fee.
3. Forms of payment accepted include:
 - a. Legal Tender (Cash)
 - b. Checks payable to Green Valley Recreation in U.S. dollars.
 - c. Money Orders or Cashier's Checks
 - d. Traveler's Checks
 - e. Credit or Debit Cards
 1. Visa
 2. Master Card
 - f. Automatic Clearing House (ACH) Debit

SUBSECTION 2 - RESERVE POLICY – updated 01/29/2020

A. Overview

Green Valley Recreation, Inc. (GVR) maintains three (3) financial reserve funds to ensure its long term solvency and sustainability as part of the Corporation's Financial Planning Principles. For each reserve fund, the following information describes the purpose, desired target range, funding source, authorization and investment parameters. In executing its oversight role, the GVR Board of Directors may elect to revise these factors over time, as needs of the Corporation evolve and as opportunities and investment markets may suggest.

B. Reserve Study Policy

To be fiscally responsible, GVR has to answer these basic but critical questions:

1. What will the cost be to maintain, repair and replace its equipment, facilities, and infrastructure to meet member expectations and high standards?
2. When and to what extent will these costs be incurred?
3. Will GVR have sufficient money on-hand to meet these costs?

A reserve study is a planning and budgeting tool which answers these questions by analyzing, quantifying and projecting costs of specific items called Components, in the aggregate called a Component Inventory, over a 30 year period and formulating a Reserve Contribution amount to pay these costs.

There are three (3) types of Reserve Studies:

1. Full Reserve Study – Baseline, vendor evaluates all facilities, equipment and infrastructure
2. Reserve Study with no onsite visit (NOV) – GVR updates Component Inventory with changes
3. Reserve Study with an onsite visit (WOV) – Vendor reevaluates Component Inventory & updates

During the third quarter of the current budget year GVR staff and the Fiscal Affairs Committee shall recommend and the Board shall approve a reserve study provider and the type of reserve study to be performed during the first quarter of the next budget year.

During the first quarter of each budget year, GVR shall ensure a Reserve Study is performed by a qualified, reputable Reserve Study provider with the final Reserve Study due 90 days prior to the final budget date. The Reserve Contribution amount will be incorporated into GVR's annual budget.

GVR shall annually make the Reserve Contribution to the Maintenance, Repair and Replacement Reserve Fund called for in the Annual Reserve Study.

The Component Inventory of a Reserve Study is the fundamental data driving Reserve Study results. To maintain Component Inventory integrity, it is imperative that GVR record all maintenance, repairs and replacements to Components as they occur or new Components are added and notify the Reserve Study provider. This is especially true when Reserve Study with no onsite visit is done.

Each Component meets these four (4) criteria:

1. GVR must have a duty to maintain, repair and replace it
2. Limited useful life
3. Predictable remaining useful life
4. Exceeds a minimum dollar threshold.

By planning, budgeting and funding GVR maintenance, repair and replacement expenses, GVR achieves these three (3) goals:

1. Sufficient cash to meet its Reserve Study Component Inventory expenses
2. Achieves a stable Reserve Contribution amount
3. Evenly distributes the cost to current and future members

C. Maintenance of GVR Financial Reserve System

1. Definitions:

Defined terms are capitalized in **Bold** typeface.

Annual Reserve Study is the Reserve Study referred to in Section B. – Reserve Study Policy

A **Reserve Account**(s) is a checking, savings, investment or any other type of account in which reserve monies are deposited.

Board Restricted means the Board of Directors controls the Reserve Accounts and authorizes expenditures from such accounts.

2. Reserve Contributions and the Annual Budget:

Reserve Contributions to the Reserve Accounts shall be an integral part of the annual budget.

-- remove the following paragraph:

~~The annual operating budget shall generate sufficient Excess Revenue Over Expenses to make the Reserve Contribution to the Maintenance, Repair and Replacement Reserve Fund called for in the **Annual Reserve Study** unless such Reserve Contribution generates a Percent Funded greater than 100% in which case the Reserve Contribution may be reduced to achieve a Percent Funded not less than 85%.~~

--- continue with the following paragraphs:

The annual operating budget shall generate sufficient Excess Revenue Over Expenses to make the Reserve Contribution to the Maintenance, Repair and Replacement Fund called for in the Annual Reserve Study.

Reserve Contributions to the Initiatives Reserve Fund shall be funded from a portion of the Property Acquisition Capital Fee and/or from the Initial Fee based on the applicable fee when a GVR member property is sold.

Contributions to the Emergency Reserve Fund shall be recommended by the Chief Financial Officer (CFO) to the Board for consideration and approval.

--- insert new #3 and renumber existing 3, 4, 5 to 4, 5, 6 -----

3. Calculation of Operating Surplus or Deficit

At the end of the fiscal year, the Board of Directors shall determine the amount, if any, to contribute from operational surpluses. Operating surplus or deficit is calculated as follows:

- a. Begin with the Change in Net Assets from the Audited Financial Statements.
- b. Deduct gain/losses on operating accounts
- c. Deduct net investment income on reserve accounts/investments
- d. Add depreciation expense
- e. Deduct current year purchases of Capital Assets (cost basis, before

accumulated depreciation)

f. Add reserve cash amounts that were used to purchase Capital Assets

g. Add expenses that were paid using reserve cash (i.e. repairs and maintenance expenses paid for using MMR funds)

h. Deduct funding cash transfers to reserve funds during the year (i.e. required MRR funding)

i. Add or deduct any other non-cash items (i.e. in-kind capital donations)

The intent of the calculation is to determine if there is a surplus of operating revenue over operating expenses each year that can be transferred to a reserve fund. The calculation is to remove non-cash items such as depreciation and unrealized gains/losses. Additionally, adjustments are to be made to take into consideration operating cash used for Capital Asset purchases. Reserve fund cash used to pay for Capital Asset purchases and operating expenses should not be included in the operating cash surplus.

--- Renumber following to 4, 5, 6.

4. Paying from reserve accounts or reimbursing operating cash account for reserve expenditures:

Within sixty (60) days after adoption of this policy by the Board of Directors, GVR shall establish a written accounting and internal control policy and procedure based on Generally Accepted Accounting Policies (GAAP) to track and document all withdrawals by check or electronic means and Board approved transfers, electronic or otherwise, between Reserve Funds, pay Board authorized reserve expenditures or transfers to reimburse operating cash for such expenditures. Such policy and procedure shall require written instructions and supporting documentation signed by the Chief Financial officer (CFO) and approved by the Chief Executive officer (CEO) or, in the CEO's absence, the Chief Operating officer (COO).

5. Priority of making contributions to Reserve Accounts:

GVR shall make contributions to Reserve Accounts in this order of priority:

- a. Maintenance, Repair and Replacement Reserve Fund
- b. Initiatives Reserve Fund
- c. Emergency Reserve Fund.

6. Rebalancing Reserve Accounts:

A Reserve Account(s) may have a balance greater than the Board's target minimum balance due to a number of factors including returns on investments. The Board may consider rebalancing a Reserve Account(s) by: (1) transferring money between Reserve Accounts, (2) reducing Reserve Contributions or (3) transferring money from a Reserve Account(s) to operating cash.

All rebalancing actions shall be authorized by Board resolution(s).

D. Emergency Reserve Fund (previously the Operating Reserve Fund)

1. Definitions:

Major Event(s) is an event causing damage to a facility and/or infrastructure or an emergency safety event costing \$25,000 or more in repairs, renovations or replacements.

2. Purpose:

The Emergency Reserve Fund serves these purposes:

- a. An emergency fund to pay for major, unanticipated repairs to, renovation of or replacement of a GVR facility or facilities or infrastructure caused by a **Major Event** or **Events**.
- b. An emergency safety-net should a severe economic downturn or unanticipated event threaten GVR's financial well-being.

3. Target Balance:

This fund shall be of sufficient size as determined by the Board of Directors to protect GVR from the following:

- a. Long-term or permanent loss of use of a GVR facility or facilities or infrastructure caused by a **Major Event** or **Events** due to GVR's inability to pay for repairs, renovations or replacement of damaged facility or facilities or infrastructure.
- b. Guarantee payment of the legal obligations of the Corporation for one year.

--- Remove item 4, it has been replaced by C.3. above ---

4. ~~Funding Source:~~

~~At the close of each fiscal year, the Board of Directors shall determine the amount, if any, to contribute from operational surpluses.~~

~~Operational Surplus or Deficit is calculated as follows: using the Audit Report (GAAP) as Net Changes in Net Assets without donor~~

~~restrictions less unrealized gains/losses, plus Depreciation expense, less Purchases of Capital Assets before accumulated Depreciation, plus transfers from Reserves to Operation, less realized investment income relating to Reserve Accounts, and less Reserve Accounts (MRR, IR, ER) Funding during the year.~~

~~Withdrawals from this reserve shall be repaid from operations as determined by the Board of Directors but not to exceed five (5) fiscal years.~~

Insert 'Withdrawals: between 5 and 6. Renumber to 4, 5, 6.'

4. Authorization:

The Chief Executive officer (CEO) is authorized to access this fund to address critical needs as they arise with written notification within ten (10) business days to the President of the Board of Directors with a copy to the Board. Email is an acceptable form of written communication to the President.

5. Withdrawals:

Withdrawals from this reserve shall be repaid from operations as determined by the Board of Directors but not to exceed five (5) fiscal years.

- 6. Investment Parameters:** Monies contributed to this fund shall be invested in accordance with GVR's Investment Policy Statement. See Appendix I – Board Policies, Subsection 3 – GVR Investment Policy.

E. Maintenance, Repair & Replacement Reserve Fund (previously the Capital Reserve Fund) (updated 5/22/2019)

1. Purpose:

This fund shall be used only to maintain, repair or replace existing equipment and facilities as listed in the Component List of the Annual Reserve Study.

2. Target Balance:

This reserve shall maintain a sufficient balance based on Annual Reserve Contributions calculated within the Annual Reserve Study.

3. Funding Source:

- a. Annually, GVR shall transfer the full year's annual Reserve Contribution as determined by the Annual Reserve Study for the current fiscal year from operations to this reserve within 30 days of the end of the dues collection period (normally January 31, so the full MR&R funding should be transferred by the end of February).

'b' is no longer accurate:

- ~~b. Reimbursement Policy: Quarterly (or monthly if necessary), after review by the Fiscal Affairs Committee and approval of the board, the MR&R Reserve Fund will reimburse operating cash account the full project cost of completed MR&R projects. Evidence of required reimbursement will include a brief description of the project, timeframe of projected replacement, actual project completion date, forecasted cost and actual cost. If actual cost is substantially different from forecasted cost, a detailed justification will be provided.~~

Replace 'b' with:

b. Reimbursement Policy:

- Projects paid directly from MRR – no reimbursement necessary.

- Projects paid from the Operating Reserve – Quarterly (or monthly if necessary), after review by the Fiscal Affairs Committee and approval of the board, the MR&R Reserve Fund will reimburse operating cash account the full project cost of completed MR&R projects. Evidence of required reimbursement will include a brief description of the project, timeframe of projected replacement, actual project completed date, forecasted cost and actual cost. If actual cost is substantially different from forecasted cost, a detailed justification will be provided.

4. Authorization:

The Chief Executive officer (CEO) and, in the absence of the CEO, the Chief Operating officer (COO) or Chief Financial officer (CFO) are authorized to commit up to 110% of a Component's Fully Funded Balance for the current fiscal year in the current Annual Reserve Study. Board approval is required before committing more than 110%.

5. Investment Parameters:

Monies contributed to this reserve shall be invested in accordance with GVR's Investment Policy Statement. See Appendix I – Board Policies, Subsection 3 – GVR Investment Policy.

6. Definitions

Annual Reserve Study

See GVR's Reserve Study Policy in Section V, Subsection 2B of GVR's Corporate Policy Manual.

Component: The individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: (1) Association responsibility, (2) with limited Useful Life expectancies, (4) predictable Remaining Useful Life expectancies, (4) above a minimum threshold cost, (5) as required by local codes.

Financial Analysis: This portion of a Reserve Study determines the current status of the Reserves (measured as cash or Percent Funded) and recommends Reserve Contribution rate (Reserve Funding Plan) and the projected Reserve Income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.

Fully Funded Balance (FFB): An indicator against which Actual (or Projected) Reserve balance can be compared. The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost. This number is calculated for each Component then summed together for an association total. Two formulae can be utilized, depending on the provider's sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

$$\text{FFB} = \text{Current Cost} \times \text{Effective Age} / \text{Useful Life}$$

Or

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) +$$

$$[(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Interest Rate}) ^ \text{Remaining Useful Life}] -$$

$$[(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Inflation Rate}) ^ \text{Remaining Useful Life}]$$

Percent Funded: The ratio, at particular point in time (typically the beginning of the Fiscal Year), of the *actual* (or projected) Reserve Balance divided by the Fully Funded Balance is expressed as a percentage.

Reserve Study: A budget and planning tool which identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: (1) the Physical Analysis and (2) the Financial Analysis.

F. Initiatives Reserve Fund (previously Initiatives & Innovations Reserve Fund) UDATED (2/26/2019)

1. Purpose:

The fund shall be used to support new initiatives that contribute to meeting GVR Ends.

2. Target Balance:

This fund reserve shall be of sufficient size as determined by the Board of Directors to make value added investments in real property, facilities and infrastructure.

3. Funding Source:

Within 10 business after the end of each month GVR shall transfer the following to the Initiatives Reserve Fund based on the applicable fee (the "Initiatives Reserve Funding Formula"):

- a. Twenty percent (20%) of the Property Acquisition Capital Fee (PACF) assessed on each GVR member property sold rounded up to the next \$5.00 and
- b. Twenty-five percent (25%) of the Initial Fee assessed on each GVR member property sold rounded up to the next \$5.00. At its discretion, the Board of Directors may make an additional Initiatives Reserve contribution from the annual net surplus.

4. Authorization:

The Board of Directors shall authorize any monies spent from this fund.

4. Investment Parameters:

Monies contributed to this fund shall be invested in accordance with GVR's Investment Policy Statement.

PROJECTS, FINANCES, AND THE CURRENT ECONOMIC CONDITIONS THE CASE FOR MOVING GVR FORWARD NOW

First, we want to apologize upfront for the length of this paper. We have been a bit remiss in getting ideas out there, but hopefully this will get us up to speed. Bear with us.

With the start of demolition at the East Center pool site (<https://ecpool.click2stream.com/>) we finally have movement a facility that has caused considerable tension between the board and membership in the recent past. The pool project has taken almost 2 years to get this far, but there are others that have been on the table for over 5 years.

It is our contention that GVR should not wait until completion of the pool to begin other major capital projects, but should begin construction on as many as possible, and as soon as we can. The rest of this paper goes into the projects that should be started first, suggestions for financing to support construction, and the reason that NOW is the time to begin work.

PROJECTS -

The latest projects list that staff is currently working on is here:

([https://www.gvrec.org/up/governance/committee/planning-evaluation/2021/0513/05132021%20-%20Exhibit%203%20-%20Staff%20Projects%20List%20\(002\).pdf](https://www.gvrec.org/up/governance/committee/planning-evaluation/2021/0513/05132021%20-%20Exhibit%203%20-%20Staff%20Projects%20List%20(002).pdf))

Though we are a little surprised that the Woodshop expansion and dedicated space for the Table Tennis club are not on the list, we will not argue with it overall, as all the projects are needed to either provide more space or update/improve current facilities. What does need to be done, however, is prioritize the major projects on the list, which should be the focus for the Planning and Evaluation (P/E) Committee. Additionally, we feel that GVR should attempt to tackle the big projects first.

Our suggestions:

- #1 – East Center Pool Replacement – in progress
- #2 – Begin remodel of the Canoa Hills Club House as soon as possible
- #3 – Fitness Room Expansion at Las Campanas
- #4 – Additional Classrooms and Parking at Las Campanas
- #5 – Field House and Restrooms at South Abrego
- #6 and beyond - to be determined

Those tasked with creating such a list will view it with slightly different priorities in mind, but that is what the committee, in conjunction with staff, should be doing at every meeting. It will provide a way forward for GVR in the future, and finally ensure a time frame for project completion.

FINANCES -

If you have been paying attention to us at all, you know that we are big supporters of alternative forms of project financing rather than the present GVR model of paying for everything with cash. Our original proposal to the Fiscal Affairs (FA) Committee in January, 2020 can be found here:

(<https://www.gvrec.org/up/governance/committee/fiscal-affairs/2021/0119/Project%20Borrow.pdf>)

None of the corporate financials behind this proposal have fundamentally changed, and we still stand by the reasoning that led us to propose it in the first place.

CURRENT ECONOMIC CONDITIONS -

Everyone here has seen the inflation that has begun to hit prices in the last couple of months. Nobody knows how bad it could get, or how long it will last, but just the fact that inflation is heating up, and that interest rates continue to be at historic lows, presents an opportunity to GVR.

First, it makes obtaining loans to pay for capital projects a very prudent decision. Low interest rate loans during inflationary times locks in the dollar amount owed at present prices, which are trending up, and allows GVR to pay back in the future with dollars with less purchasing power, and trending down.

Second, GVR is presently in an excellent cash position, which can be found on page 5 of 27 here (<https://www.gvrec.org/up/governance/committee/fiscal-affairs/2021/0518/05182021%20FAC%20Meeting%20Book.pdf>). During inflationary times, cash flush is not the best position to be in unless you can ensure you make more than the rate of inflation. Last year, GVR's investments did very well, but there is no guarantee that will continue to happen. The best course of action would be to ensure the cash GVR now has is converted to other assets (read facilities).

Combining the two observations above, GVR has the opportunity to obtain loans, guaranteed by the cash already in hand, to build facilities NOW at low interest rates, and paying the loans back with less valuable dollars in the FUTURE. GVR would have both the new facilities AND the cash going forward. If conditions change and it makes financial sense, then pay the loans off using the money GVR already has. If not, use the model that we proposed in our original proposal to draw down the loans over time.

We see this proposal as a win for both the corporation and Homeowner/Members. This is a chance to get as many projects done in as little time and as little risk as possible.

HOW TO MOVE FORWARD –

There is absolutely no reason why GVR cannot start multiple projects at this time financed by low interest loans. We consider the risk to GVR extremely low and the positive impact of completing major projects very high.

The best way to accomplish any goal of the corporation is to empower the CEO to make these decisions. He should be given a priority list by the board, and the authority to finance projects in any way that is both prudent and timely. He was hired specifically to do these very things.

We call on the board to quickly and seriously debate these issues and to move GVR into the future. To refuse to look at the pros and cons of this proposal by saying "that is not the way GVR does things", or even worse "loans are bad" (they aren't), is both short sighted, and quite frankly, lazy. It is time the GVR Board of Directors act like a corporate board and concentrate on the big issues, rather than squabble over minutia.

Chuck Soukup
Eric Sullwold
June 3, 2021

2021-2022 Fiscal Affairs Goals

Thanks for the emails on the FAC goals for 2021-2022. I decided the best way to present them is to show them in relation to the FAC Duties and Responsibilities in the CPM. I put the ideas that did not 'fit' into one of these Responsibilities at the end under Additional Comments.

Duties and Responsibilities of Board Committees – Fiscal Affairs Committee (SECTION VI, SUBSECTION 4, PARAGRAPH C.2)

1. Review and assist in presenting the annual budgets to the Board. Such review will consist of recommending Reserve, the disposition of the Revenue/Expense Adjustment, and the amount of the Capital Fund Cash Account.

Priority #1 - Review and assist in presenting the annual budgets to the Board. This includes the Operations budget and the Capital budget.

From Nellie - As part of budget monitoring, and after the first six months, have staff prepare a year-end budget forecast as part of its monthly financial review. (NJ: we need to have a better handle on possible budgetary pressures and ask staff to report on actions needed to control budget within approved levels, if possible.)

Undertake the feasibility of creating a three year budget forecast as part of annual budget process. (NJ: This process helps identify items which could impact revenues/expenses in the future. For example, it would help point out the fact that GVR is "landlocked" so construction of new homes is limited and thus this revenue source is gone) Start for next fiscal year if possible. The end result would be one year approved budget, with two years forecasted out.

2. Monitor progress toward achievement of annual fiscal objectives.

From Eric - As a committee I think that we only need to see that the GVR staff is staying within the budget

3. Review financial statements (operations, capital analysis and balance sheet), and report to the Board, as appropriate.

Priority #2 - relevant comments:

From Eric, Nellie, Donna - Review what financial reports are needed at the monthly FAC meetings and determine if some reports can be reviewed quarterly instead of monthly.

From Chuck, Eric, - Suggestions on necessary reports:

1. Statement of Financial Position
2. Summary Statement of Activities
3. Statement of Net Changes in Assets

From Donna - Also, consider reducing the level of detail in the OPEX, CAPEX, CIP reports for the quarterly reports (remove the monthly detail and print in a bigger font).

From Greg – I believe the level of detail we discuss and see from David is essential to understanding the flows of revenue and costs. We can't just say it's GVR staff responsibility to meet their budget. We need oversight and ideas for them. I would agree we need something in summary for your BOD discussions. Providing them this level of detail is way too much for their responsibilities, I think.

4. Coordinate with the GVR Audit Committee.

Done.

5. Review and recommend policy to assure financial control.

Accounting maintains an Accounting manual that documents financial controls. It is reviewed by the Auditors and updated when necessary.

6. Recommend the establishment and the amount of tenant fees, membership dues, initial fees, transfer fees, and assessments.

Priority #1 (this is part of preparing and approving the annual budget)

7. Recommend the financing method to be adopted for specific major projects recommended by the Planning and Evaluation Committee for Board approval.

Priority #3

From Steve G - East Center Pool replacement – Review and approve staff's recommendation for financing (consider all options).

From Chuck - Review and make policy recommendations to the board pertaining to financing methods for future capital projects. Specifically: When researching and discussing how to pay for big ticket items, the committee should always give the board a choice of financing options with pros and cons for each, and I believe this process should be formalized.

RATIONALE from Chuck: Presently GVR is paying cash for everything. At times, pay as you go is not the most financially advantageous or expedient method. Also, donations are not taken into account to assist in paying for projects. Having a policy (or even a checklist) that covers all the possible financing methods and cash pools that can be used to pay for large projects will give the board more flexibility in deciding how to fund them.

From FAC – Ask staff for recommendation on development of a Major Asset Replacement Reserve

8. Coordinate with the Planning and Evaluation Committee as it relates to proposed expenditures for capital improvements.

Priority #3 – see 7. (above)

=====

Additional comments:

Reserve Accounts

From Eric - Several comments that we have too many reserve accounts.

From Eric, Nellie, Donna - Emergency Reserve – is it too big? Do we have an upper limit on it?

Long Term

From Steve R - Recommend a financial strategy if/when there is a downturn in housing and/or financial markets. We could go back to 2008 and see what happened to GVR's financials when Green Valley's housing prices plummeted to see what insight this offers. Covid necessitated operational changes in 2020/2021... what additional financial impact will a major reduction in capital purchase revenue from an economic decline have on GVR's operations and budget? Can this be quantified?