



How the Organization Works

This is an overview of how a community association works in conjunction with state laws, the governing documents, management company and the Board of Directors.

- I. The Governing Documents give the Board of Directors authority and direction to govern the association. They consist of:
 - a. Articles of Incorporation - The formal documents filed with the state that allow the association to act as a not for profit corporation.
 - b. By-Laws - Outline how the association is governed and deals with the association as a corporation, i.e. elections, assessment collections, terms of office and duties of officers.
 - c. CC&Rs - Covenants, Conditions & Restrictions define how the physical entities that comprise the association are to be used, that is, use restrictions, easements and annexation.
 - d. Rules & Regulations - Combines those provided with the By-Laws with those adopted by the Board of Directors within the guidelines of the CC&Rs.
 - e. Resolutions - Formally deal with specific issues that require detailed procedures to accomplish, like the collection of money and architectural control.
 - f. State Statutes - State legislation that take precedence over all other legal documents.
- II. Structure of a Homeowners Association Organizational hierarchy consists of:
 - a. Board of Directors - Establishes policies and procedures.
 - b. Management Company - Executes policies and procedures as established by the Board of Directors.
 - c. Committees - Research and make recommendations to the Board of Directors who then makes the final decision. Typical committees include Budget, Newsletter, Architectural Control, Rules and Grounds.
 - d. Contractors - Professionals hired to perform services for the association. The Management Company oversees the sub-contractors.
 - e. Auditors - Provide an impartial review of the association's finances. Depending on state or CC&R requirements, their services may be required annually or as requested by the Board.
- III. Items of Special Interest
 - a. Budget - The budget consists of anticipated operating and reserve expenses for the year as well as future years' reserve expenses. Operating expenses include utilities, maintenance of the common

areas, administrative (management, accounting). The Reserve Fund is a type of savings account that covers major expenditures and replacements like roofs, painting, paving, pool equipment and replastering.

- b. Common Area Interest - All homeowners own an undivided portion of the common area either through a deed or the corporation.
 - c. Rules Enforcement - Living in a community association imposes some special restrictions intended to maintain harmony and enhance property values.
 - d. Fines Imposed for violations of the CC&R's or Rules & Regulations are intended as a means to gain compliance as opposed to "punishment".
 - e. Collection Procedure - The Board of Directors is given the responsibility to collect homeowner assessments which are necessary to maintain, preserve and enhance the common area and the property values. A collection procedure details the time frame for payments and the penalties for non-payment from simple fines to property foreclosure.
- IV.** Insurance. The association should be covered by a variety of coverages which vary according to the property type and legal documents. The following examples are commonly used:
- a. Property Damage, Hazard or Fire
 - b. General liability (common area injuries)
 - c. Directors & Officers Liability (covers business judgments by the Board)
 - d. Workers compensation (protects against financial liability caused by injury to employees, board members or volunteers)
 - e. Fidelity Bond (protects against theft of association funds)
 - f. Building Ordinance or Law (pays the increased reconstruction costs due to code and zoning changes)
- V.** Property Management Services. Management companies provide a wide array of services to assist the Board and the association in managing the business affairs and common area. A general overview includes:
- a. Management Expertise - The management company advises the board on management techniques that will provide both efficiency and economy to the association's operations.
 - b. Financial Reports - Comprehensive monthly accounting of all financial activity of the association including all revenue, expenditures and delinquent accounts.
 - c. Budget Preparation - Assists the Board of Directors in annual budget preparation through detailed analysis of previous fiscal years' activities and anticipated cost increases and/or special projects.

- d. Customer Service - The manager accepts owner requests and processes them according to their nature such as bookkeeping, general information, maintenance and rules complaint.
- e. Emergency Service - Provides 24 hour after-hours response for maintenance emergencies that threaten life or property.
- f. Correspondence to the Board is received through the Management Company and responded to according to urgency: emergencies are dealt with as soon as possible and non-emergencies are dealt with either by the property manager or at regular scheduled Board Meetings.