

Zapata Homeowners Association

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Zapata Homeowners Association

POLICIES

Policy Number 001.00 - Conflict of Interest

If any contract, decision, or other action taken by or on behalf of the Board of Directors (“Board”) would financially benefit any member of the Board or any person who is a parent, grandparent, spouse, child, or sibling of a member of the Board or a parent or spouse of any of those persons, that member of the Board shall declare a conflict of interest for that issue. The member shall declare the conflict in an open meeting, prior to any discussion or action on that issue. After making such a declaration, the member may participate in the discussion but shall not vote on that issue. Any Board member can question another member's position in reference to conflict of interest. The Board reserves the right to vote on a question of conflict of interest. Any contract entered into in violation of this policy, is void and unenforceable.

Board Approved: April 21, 2006

Effective Date: May 1, 2006

Policy Number 001.01 – Conflict of Interest Revision

The Zapata Homeowners Association (ZHA) Board of Directors owe a duty of loyalty to the ZHA which requires that in serving the ZHA they act, not in their personal interests or the interests of others, but rather solely in the interests of the ZHA. Board members must have undivided allegiance to the ZHA’s mission and public policies, and may not use their positions as board members, information they have about the ZHA or strategies related to their activities, in a manner that allows them to secure a pecuniary or any other benefit for themselves, their relatives, or other organizations they belong to or serve.

A board member shall not use inside information about the ZHA for his/her personal benefit or for the benefit of any other organization, or use such inside information or his/her position as a board member to the detriment of the ZHA. Inside information is information obtained by a board member through the board member’s position that has not become public information.

If any contract, decision, or other action taken by or on behalf of the ZHA Board of Directors would benefit, financially or otherwise, any Board member or any person who is a parent, grandparent, spouse, child, or sibling of a Board member or a parent or spouse of any of those persons, that Board member shall declare a conflict of interest for that issue.

The Board member shall declare the conflict in an open meeting, prior to any discussion or action on that issue. After making such a declaration, the member may participate in the discussion but shall not vote on that issue. Any member in good standing can question another Board member's position in reference to conflict of interest. The Board reserves the right to vote on a question of conflict of interest. If a majority of the Board has declared or is questioned about conflict of interest, it will require a unanimous vote of the Board to move forward with the discussion or action on that issue.

Any action (e.g., contract, policy, etc.) entered into in violation of this policy, is void and unenforceable.

Board Approved: October 17, 2008

Effective Date: October 18, 2008

Policy Number 002.02 – Conduct of Board Meeting

1. Board Meeting Agenda

- a. Agenda items coming from members must be sent to the administrator in writing or email one week prior to the meeting. The member will be notified by the administrator as to whether the agenda item will be added to the agenda or deferred.
- b. Agenda should be approved and posted on the Internet site three (3) calendar days prior to board meeting.
- c. Agenda should be in sufficient detail to describe the topics to be discussed (e.g., detailed topics under each committee report, old business, and new business).
- d. Final approval of the agenda will be done as the first item of business at the board meeting.
- e. Standing agenda items will include:
 - i. Approval of Agenda
 - ii. Approval of Minutes from previous meeting(s)
 - iii. Approval of Bills to be Paid
 - iv. Administrator's Report
 - v. Committee Reports (for each committee)
 - vi. Old Business
 - vii. New Business
 - viii. Action Items
 - ix. Membership Comments
 - x. Adjournment

2. Conduct of the Board Meeting

- a. Board meetings will be conducted in a professional and civil manner. The board chairman is responsible for maintaining decorum and respectful dialog. Profanity, personal attacks and disruption will not be tolerated.
- b. All board meetings will be conducted as open meetings to the membership. Any member or their designated representative (must be in writing) may attend the board meeting.
- c. In general, board meetings should be conducted according to Robert's Rules of Order.
- d. The board chairman will vote to break a tie and may vote to create a tie which will cause a motion to fail.
- e. Members in good standing or their designated representative will be allowed to address issues before a vote of the board but each speaker may be limited to 3 (three) minutes. Exceptions can be made at the board's discretion to allow members to speak longer than 3 minutes.

- f. Review of action items from current and previous meetings will be addressed after New Business.
- g. Comments from the membership will be allowed at the end of each meeting to last no more than 20 minutes.

3. Minutes of Board Meeting

- a. Written minutes will be kept for all open board meetings and the board meetings will be recorded. Tapes from board meeting recordings will be kept for three (3) years.
- b. Members may have a copy of the tape under the following provisions:
 - 1. The member makes a request in writing to the Administrator.
 - 2. The tapes shall be copied at a professional recording establishment.
 - 3. The members supplies recording equipment compatible to what the ZHA uses to the recording establishment if needed.
 - 4. Within ten (10) days of the written request, the Administrator shall drop off the original tapes at the selected professional recording establishment. After completion of the copying, the Administrator shall pick up the original tapes. The requesting member shall be responsible for picking up the copies/having the copies shipped from the recording establishment.
 - 5. The ZHA shall not pay for copies. The member shall be billed directly by the recording establishment.
- c. The minutes will capture the essence of all discussions, will detail all motions, and record how each member voted. Given that the meetings are recorded, the minutes will not capture word for word details of the discussions.
- d. Action items requested by a board member will be kept as part of the minutes and will be carried over from meeting to meeting until the item is completed. Format for the action items is shown below.

Action Items

Date	Action Item	Assigned To	Due Date

- e. Minutes from the previous board meeting will be discussed, amended as needed, and a vote for approval will be taken. Amendments to the minutes will be made to the approved minutes (i.e., minutes of record) and will be reflected in the minutes of the board meeting in which they were approved.

- f. Approved minutes will be posted to the website and will be maintained as a part of the ZHA records. The minutes will be available to all ZHA members.

Board Approved: February 16, 2007

Effective Date: March 1, 2007

Policy Number 003.00 – Meeting with ZHA Attorney

All contact with the ZHA attorney regarding ZHA business must be authorized by the board. With the exception of arranging a meeting or appointment, no single individual, whether board member or committee member, will initiate contact or meet privately with the ZHA attorney on ZHA business.

Board Approved: June 21, 2006

Effective Date: July 1, 2006

Policy Number 004.01 – Official Correspondence from Board

Communication sent as official correspondence from the Board of Directors of Zapata Homeowners' Association shall require two signatures and be approved by the Board. When communications containing two such signatures are sent, it is considered to be official approvals, communications, opinions, etc. from the Zapata Homeowners' Association.

Board Approved: July 21, 2006

Effective Date: August 1, 2006

Policy Number 005.00 – Annual Financial Review

Senate Bill 05-100, Section 13, details new financial review requirements.

- ✓ At least once every two years the books and records of the ZHA shall be subject to a review, by a person selected by the Board. (An audit is required only if annual revenue or expenditures are at least \$250,000 AND an audit is requested by at least one-third of the lots represented by the members.) NOTE: A Request For Proposal (RFP) for Review Services will be sent out in September for the review to be performed the following January. The cost of the selected proposal can thus be budgeted in the subsequent year.
- ✓ Copies review results shall be made available upon request and on the web site to any member no later than 30 days after its completion.

Board Approved: June 16, 2006

Effective Date: July 1, 2006

Policy Number 006.00 – Bank Reconciliation

- ✓ Bank reconciliation will be prepared in a timely manner each month.
- ✓ The Board Treasurer will receive a copy of the bank statement directly from the bank and review monthly.

Board Approved: June 16, 2006

Effective Date: July 1, 2006

Policy Number 007.00 – Cash Disbursements

- ✓ Invoice or other supporting documentation must be signed for approval by Board member, committee member or administrative assistant and attached behind check before check is signed, including receipts to replenish petty cash fund.
- ✓ All documentation supporting disbursements should be stapled behind each check stub to prevent duplicate payment of invoices.
- ✓ Checks will be sequentially-numbered and voided checks will be cancelled and retained in a file.
- ✓ Two Board member signatures are required on all checks and bank account transfers.
- ✓ A W-9 is required from independent contractor vendors before a check is disbursed, and Form 1099-Misc forms will be sent to such vendors as required.
- ✓ Purchases of over **\$5,000** will require a solicitation of a minimum of **three** bids, and the board will have the discretion of obtaining fewer bids, with performance and non-performance details documented in writing, resulting in a signed contract.
- ✓ Long-term contracts (i.e. trash collection, road grading) also require performance and non-performance details documented in writing, resulting in a signed contract, with a specified term not to exceed three years.

Board Approved: June 16, 2006

Effective Date: July 1, 2006

Policy Number 008.00 – Cash Receipts

Cash receipts will be deposited and posted to the general ledger in a timely manner, no less than weekly, with a detailed listing retained for each deposit.

Board Approved: June 16, 2006

Effective Date: July 1, 2006

Policy Number 009.01 – Dues Assessment and Collection

- ✓ The annual due date for dues receipt is April 30.
- ✓ Dues statements will be sent out annually in early January. Dues statements will be re-sent to those homeowners who have not paid by April 1.
- ✓ For dues not paid by April 30 the administrative assistant will file a lien at the Alamosa County Clerk’s Office by May 10 for the amount of the outstanding dues plus \$110 against each lot with dues outstanding. The homeowner will then be sent a new statement with the added assessment of \$110 per lot which represents a late fee (\$100) plus a lien filing fee (\$10).
- ✓ For lots for which liens have already been filed in a previous year the administrative assistant will file a new lien against each lot for the cumulative amount of past unpaid dues and fees, plus current unpaid dues and fees.
- ✓ When a homeowner pays all outstanding due and fees, the administrative assistant will have the lien removed at the Alamosa County Clerk’s Office.
- ✓ No write-off of homeowner amounts due will be posted without Board signature for approval, whether for current or past dues.
- ✓ The administrative assistant will prepare a monthly accounts receivable aging report and a reconciliation of the outstanding accounts receivable balance and send them to the Treasurer for review.

- ✓ The current rates for homeowner dues are \$100 annually for all lots, except \$200 for those lots greater than three acres that have been combined from two or more lots into one lot since January 1, 2001.

Board Approved: May 18, 2007

Effective Date: June 1, 2007

Policy Number 009.02 – Dues Assessment and Collection Revision

- The annual due date for dues receipt is April 30.
- Dues statements will be sent out annually in early January. Dues statements will be re-sent to those homeowners who have not paid by April 1.
- Members will have until the April board meeting to present any hardship case and make arrangements for alternative payment schedule.
- For dues not paid by April 30, and for which alternative payment arrangements with board approval have not been made, the Administrator will file a lien at the Alamosa County Clerk's Office by May 10 for the amount of the outstanding dues plus \$115 against each lot with dues outstanding. The homeowner will then be sent a new statement with the added late fees of \$115 per lot which represents a late fee (\$100) plus a lien filing fee (\$15). The late/filing fee is a one time charge filed in the first year an account becomes delinquent.
- If full payment has not been received by June 30, the outstanding balance shall be sent to a collection agency. The collection agency shall add its fee to the outstanding balance.
- If by September 30 full payment has not been received, or a payment plan has not been negotiated through the collection agency, the collection agency shall be instructed to contact the credit bureaus with the delinquent account information.
- When a homeowner pays all outstanding dues and fees, the Administrator will have the lien removed at the Alamosa County Clerk's Office.
- No write-off of homeowner amounts due will be posted without Board approval, whether for current or past dues.
- The Administrator will prepare a monthly accounts receivable aging report and a reconciliation of the outstanding accounts receivable balance and send them to the Treasurer for review.
- The current rates for homeowner dues are \$X annually for all lots, except \$2X for those lots greater than three acres that have been combined from two or more lots into one lot since January 1, 2001. X is based upon the annual line item budget as approved by the board annually.

Board Approved: October 17, 2008

Effective Date: January 1, 2009

Policy Number 010.00 – Fixed Asset Inventory

- ✓ An annual physical fixed asset inventory will be performed, with the assistance of the Board members and committee members, as needed.
- ✓ Upon completion of the physical fixed asset inventory a brief written report will be prepared for the Board with recommendations regarding the condition, repair, replacement or disposal of fixed assets.
- ✓ A revised asset listing will be provided to the accountant preparing the tax return.

Board Approved: June 16, 2006

Effective Date: July 1, 2006

Policy Number 011.00 – Financial Disclosure

Senate Bill 05-100, Section 13, details new financial disclosure requirements. Thus, the following information will be published in the January newsletter each year:

- ✓ Date of beginning of fiscal year (January 1)
- ✓ Current fiscal year operating budget
- ✓ List of unit type by assessment (\$100 annually for all lots, except \$200 for those lots greater than three acres that have been combined from two or more lots into one lot since January 1, 2001.)
- ✓ Annual financial statements for the fiscal year just ended
- ✓ List of insurance policies with: company name, policy limits, policy deductibles, additional named insureds, and dates of policy.
- ✓ Results of any review of the financial statements for the fiscal year just ended will be published in the newsletter following the completion of the review.

Board Approved: June 16, 2006

Effective Date: July 1, 2006

Policy Number 012.00 – General Journal Entries

- ✓ No journal entries will be posted without signed Board member approval.
- ✓ A hard-copy file will be maintained with all journal entries for the year.

Board Approved: June 16, 2006

Effective Date: July 1, 2006

Policy Number 013.00 – Petty Cash Fund

Petty cash fund is an imprest fund; total of receipts and cash will always total \$100. This account will be reconciled and replenished as needed.

Board Approved: June 16, 2006

Effective Date: July 1, 2006

Policy Number 014.00 – Budget Process

Timeline: The following timeline will be used to prepare the ZHA budget:

- **August/September:** The Fire, Physical Improvements, Water, Governance and Communications Committees will meet and prepare their budgets using the attached form and will submit their budgets to the Fees & Budget Committee by September 30 at the very latest.
- **September/October:** The Fees & Budget Committee will prepare the Revenue Budget and Administration expense budget, and combine these with the budgets submitted by the other committees to prepare the combined ZHA budget. The F&B Committee will request clarifications and changes from the other Committees as needed, and will then send the budget to the Board.
- **October:** The Board reviews and approves the budget, with changes if needed, at the October Board meeting. This approval is pending homeowner review. The October

newsletter is sent out with a summary of the proposed budget, informing homeowners that the November Board meeting is the forum at which homeowners may consider and comment on the proposed budget.

- **November:** The Board meeting agenda includes an item for budget comment by homeowners. In the event that the proposed budget is vetoed (per SB 05-100), the current budget will remain in place until a subsequent budget proposed by the Board is not vetoed by the homeowners.

Form for Budget Preparation:

Expense Account Name	2006 Budget	2006 Projected Expense	2007 Budget	2007 Budget Description	Proposed 2008 Budget	Proposed 2009 Budget

Budget Instructions:

1. For each significant Expense Account, provide a detailed narrative description supporting the amount. The description must include how the amount relates to the ZHA Strategic Plan and the Committee’s plan for the coming year. The Budget Description should be specific, including details regarding the expected timing of the expense, and the expected costs for materials, labor, equipment costs, specialized consultants, etc. The Budget Description should include the location of any capital improvements.
2. If the amount is an annual amount, budgeted based on past history, note this in the description, with any necessary information regarding any expected increases or decreases in expense.
3. Reminder, per Board Policies, purchases over **\$5,000** will require solicitation of a minimum of three bids, with performance and non-performance details documented in writing, resulting in a signed contract. Long term contracts (i.e. trash collection, road grading) also require performance and non-performance details in writing, resulting in a signed contract, with a specified term not to exceed three years.

Budget Enforcement:

Committees must spend money during the year according to the approved ZHA budget. Committees are expected to be prudent in their spending, saving money if possible. Any money remaining in a committee’s budget at the end of the year is not carried over for that committee. Any expenses not made in any given year do not roll over to a new year, but must be re-budgeted if desired.

Any expenses made in deviation from the budget must be **PRE-APPROVED** by the Board. This includes deviations made in amounts AND in the descriptions of the expenses detailed in the budget. The Board must respond in a timely manner to a committee that is requesting a deviation.

The Board will not approve and sign a check for an unapproved expense that is a deviation from the budget. The committee member or responsible party that incurred the expenditure may be held responsible for any such expense, and the person may be removed from a position of financial responsibility for authorizing such expense.

Board Approved: September 15, 2006

Effective Date: October 1, 2006

Policy Number 015.00 – Board and Committees Interaction

Directives/Communication between Board of Directors and Committees

- Committees serve at the pleasure of the ZHA Board of Directors
- The Board will develop an annual strategic plan and provide initiatives to committees to work on for the year. The initiatives will be prioritized and have sufficient detail for the committees to act.
- Committee chairpersons will give verbal reports of committee activities at each board meeting. The chairperson will provide agenda detail to the ZHA administrator as to what will be discussed at the board meeting.
- When committees have recommendations for the board, these should be provided to board members in writing (via regular mail or email) prior to the board meeting where the recommendation will be discussed. The topic should also be listed on the agenda.
- Committee chairpersons have the responsibility to represent the views of the committee when providing a committee report.

Make up of Committees

- Each committee chairperson will be a board member. Exceptions must be voted on and approved by the board.
- A board member should not chair more than one committee unless there are less board members than number of committees.
- Assignment of board members as committee chairpersons will be done at the first board meeting of the new term. If consensus is not attained, the board chairperson will make the final decision.
- Each committee will have a vice-chairperson, voted on by the committee by simple majority.
- Committee members are asked to sign up for committees at the annual meeting in August. The notification to the membership regarding the annual meeting should also include an invitation to the membership to join committees, including who they should contact if they do not attend the annual meeting. Adding committee members during the year will be up to the discretion of the committee chairperson.
- If a committee member has two consecutive unexcused absences from regularly scheduled committee meetings between August and July, they will be removed from the committee. They will not be allowed to re-join the committee until the following August after the annual meeting
- Expectations of committee members are as follows:
 - Attend meetings
 - Actively participate
 - Volunteer for activities outside of meetings

Operation of Committees

- Committees will meet a minimum of once per quarter (4 times per year), but it is recommended to meet every month. The Architecture Committee will meet as often as necessary to respond to architectural requests of property owners in a timely manner.
- Committee meetings will have a written agenda that will be provided to committee members five calendar days prior to the meeting.
- Committee meetings will have written minutes (bullet points of discussions, actions taken, board recommendations, and action items) which will be shared with committee members, board members, and filed with the ZHA administrator.
- Notice of all committee meetings will be at least seven (7) days prior to the meetings and will be placed on the website. Notice to Architecture Committee members for architectural request review meetings should be given as early as possible, with the understanding that a seven day notice may not be possible.

Communication to Membership

- There will be a committee update in each newsletter.
- When a major decision is brought before the board, it is the responsibility of the board to notify the entire membership in writing by first class mail of this topic at least 30 days prior to a vote being taken. A major decision is defined as a decision that 1) may have a significant financial impact on property owners, 2) impacts a property owners ability to build, and/or impacts the property value.

Board Approved: November 18, 2006

Effective Date: December 1, 2006

Policy Number 016.00 – Creating, Modifying, and Rescinding Policies

Justification:

- **History** The ZHA has a history of unwritten and/or forgotten policies. There is now a format for creating, amending, and rescinding policy.
- **Authority**
 1. **Senate Bill 05-100, 38-33.3-209.5 1 b VII** To promote responsible governance, associations shall adopt policies, procedures, rules, and regulations concerning procedures for the adoption and amendment of policies, procedures, and rules.
 2. **ZHA bylaws, 8/5/2000, Article IX, Section 1** Board Policies: The Board shall have the authority and duty to develop, interpret and enforce Board Policies which are consistent with these Bylaws and Protective Covenants

Policy:

1. New policies shall be in accordance with applicable laws, articles of incorporation, bylaws, and covenants.
2. Decisions of the Board which establish, change, rescind, or guide a current or new governance/administrative practice shall be adopted as written policy.
3. As directed by the Board, or based upon strategic goals, Committees may recommend, by thorough presentation, policies to the Board for adoption. “Thorough presentation” shall include having the proposed policy on the monthly Board Meeting agenda, a written

summary given to the Board members prior to that meeting, and an oral presentation given at that meeting.

4. When a major policy decision is brought before the board, it is the responsibility of the Board to notify the entire membership in writing by first class mail of this topic at least 30 days prior to a vote being taken. A major decision is defined as a decision that 1) may have a significant financial impact on property owners, 2) impacts a property owner's ability to build, and/or 3) impacts property value.
5. All proposed policies, whether from committee or from the Board shall have three readings before a vote.
6. After the third reading, the Board shall vote to adopt or reject the proposal by simple majority.
7. To modify or rescind a policy:
 - All Board members will either be present for the third reading or have their vote on record with the administrator prior to the third reading.
 - A vote with no more than one in opposition is required to modify or rescind a policy. The chairperson shall vote.
 - Abstention of a Board member is only permitted for a conflict of interest (see Conflict of Interest policy #001)
8. New policies or policy changes will be posted on the website, included in the next newsletter, and discussed with the membership at the next annual meeting (Bylaws Article 5, Section 1)
9. Policies shall be formatted to show the policy number, version, and effective date of the policy and any changes to it.
Example: 001 July 30, 2006 (policy # 001 established)
 001.1 August 1, 2007 (first amendment to policy 001)
 001.2 August 3, 2008 (second amendment to policy 001)
10. All policies and their revisions shall be kept in a binder with the ZHA files.

Board Approved: November 18, 2006

Effective Date: December 1, 2006

Policy Number 017.00 – Unpaid Assessments

The Board will take any reasonable action to see that past due assessments are collected, including purchase of tax certificates and foreclosure. Lots acquired by the Association in this manner will be offered to adjacent property owners. (No Director will be eligible for this offer.) If unclaimed, the property will be offered to all members in good standing, with a lottery system used to award those lots where more than one member has interest. Finally, lots will be sold to the general public. (Original: Board Policies Dated 1993, Section 7, Unpaid Assessments)

Board Approved: 1993

Effective Date: 1993

Policy Number 017.01 – Unpaid Assessments Revision

Policy: The Board will take any reasonable action to see that past due assessments are collected, including purchase of tax certificates and foreclosure. (Original: Board Policies Dated 1993, Section 7, Unpaid Assessments)

Board Approved: September 19, 2008

Effective Date: September 19, 2008

Policy Number 018.00 – Address Signs

To facilitate emergency service locating, all property that has been assigned an address by Alamosa County must have an address sign visible from their road. The address number must be at least six (6) inches tall and the lettering must be visible at night.

Board Approved: May 18, 2007

Effective Date: September 1, 2007

Policy Number 019.00 – Budget and Management of Financial Reserves

There are three types of reserves and each will be handled as follows:

Replacement Reserve

PURPOSE: A replacement reserve is for expenses for future major capital expenditures for the upkeep or replacement of existing assets.

BUDGETING: A Replacement Reserve Schedule will be developed to list the ZHA's existing major capital assets, establish their remaining useful service lives, and determine individual asset replacement costs. The minimum dollar value of assets listed on the schedule is \$5,000. Each responsible ZHA committee will be required to prepare, review and update the information to be included on this schedule each summer and send it to the Fees & Budget committee, in advance of the preparation of the annual operating budget for the subsequent year.

MANAGEMENT: The Board should adhere to the Replacement Reserve Schedule and set aside funding so that cash is available when needed. When an asset is replaced the old asset information and fund balance is removed from the Schedule, and a new line entered for the new asset.

A separate bank account will be set up to retain funds equal to the Replacement Fund Balance. This is not required per accounting theory, but it is more transparent and easily understood by all.

Form for Replacement Reserve, completed for annual budget preparation:

ZHA Replacement Reserve Schedule, January 1, 2008					
ZHA Asset	Estimated Remaining Useful Life (years)	Estimated Current Replacement Cost	Replacement Fund Balance at Beginning of Year	Estimated Annual Contribution	Replacement Fund Balance at End of Year
Totals			\$	\$	\$

Special Projects Reserve

PURPOSE: This is the reserve for expenses for special projects, first-time major expenditures or major projects that were left out of the Replacement Reserve Schedule. They should not be confused with the Replacement Reserve.

BUDGET: A Special Projects Reserve Schedule will be developed to list the ZHA’s upcoming special projects, establish their timeline for completion, and determine individual asset cost. The minimum dollar value of assets listed on the schedule is \$5,000. The ZHA committees will be required to prepare, review and update the information to be included on this schedule each summer and send it to the Fees & Budget committee, in advance of the preparation of the annual operating budget for the subsequent year.

MANAGEMENT: Funds The Board should adhere to the Special Projects Schedule and set aside funding so that cash is available when needed. When a project is built the expenses reduce that project fund to zero.

A separate bank account will be set up to retain funds equal to the Special Projects Fund Balance. This is not required per accounting theory, but it is more transparent and easily understood by all.

Form for Special Projects Reserve, completed for annual budget preparation:

ZHA Special Project	Estimated Timeline for Completion (years)	Estimated Project Cost	Special Projects Fund Balance at Beginning of Year	Estimated Annual Contribution	Special Projects Fund Balance at End of Year
Totals			\$	\$	\$

Operating Reserve

PURPOSE: This is the reserve for needed excess operating funds for unplanned contingencies, emergencies and unexpected utility increases.

BUDGETING: To fund these contingencies the Board should retain a minimum of 10 percent of annual dues in the retained earnings section of the balance sheet; that is, the amount of total

assets minus total liabilities should remain at or more than 10 percent of the annual dues revenue. Thus, the annual budget may not create a deficit that will reduce retained earnings below this amount.

MANAGEMENT: The annual budgeting process will allow for management of this reserve.

Board Approved: June 15, 2007

Effective Date: August 1, 2007

Policy Number 020.00 – Investments

The investment policy is structured around three elements: safety, liquidity and yield. Because safety and liquidity are of prime importance to the ZHA investments will be limited to: Money market accounts and certificates of deposit (CDs) at federally insured institutions (limited to \$100,000 per institution).

The majority of ZHA-invested funds result from the need to fund the Replacement Reserve and the Special Projects Reserve. A separate bank account will be set up to retain funds equal to each of the Reserve balances. This is not required per accounting theory, but it is more transparent and easily understood by all. The maturity dates of CDs should be scheduled to match the expected timing of the need for cash for completion of the replacement or special projects. The maturity dates of the CD's will be chosen to maximize the return on investment to the ZHA and they will be staggered to allow for liquidity of funds. Consideration will be given to the prevailing market interest rates for different maturity dates.

Board Approved: June 15, 2007

Effective Date: August 1, 2007

Policy Number 021.00 – Disposing of Land Acquired by ZHA

1. When land is acquired by the Zapata Homeowners Association, either through legal settlements or by purchase, the members of the Association will be notified of the acquisition through the newsletter, website, a mailing, or other acceptable form of information to the entire group of landowners in the subdivision. The preferred method of acquisition is through a warranty deed.
2. One of the following shall occur:
 - A. Acquired land, regardless of size or location, may be kept as ZHA held property if it can be demonstrated it is for the common good.
 - B. Acquired land, regardless of size, that is adjacent to a greenbelt, may be examined for incorporation into the greenbelt.
 - C. Acquired land that is less than one acre in size may be offered for auction first to the adjacent property owners including any Board Members who are adjacent property owners. Should none of them be willing to buy, then, as provided for by law,

the lot may be sold at general auction, or advertised for sale in the newsletter, and/or on the ZHA website, by mailing, by local news media.

D. Acquired land that is one acre or more in size may be, as provided for by law, sold at general auction, or advertised for sale in the newsletter, and/or on the ZHA website, by mailing, by local news media.

The Board will have the land valued by an independent third party to determine fair market value prior to auction or sale of the land. An appraiser or a broker familiar with the market area could perform the valuation. Any valuation would be reviewed and approved by the Board. A formal valuation would not be required on parcels less than one acre as they only have value to an adjacent landowner. In order to receive a fair price for the homeowners, a minimum price will be set based upon this valuation or review of comparable sales. This information shall be provided in the next newsletter, and/or on the ZHA website, by mailing, or by local news media. The land will go to the highest offer.

3. All homeowners should be notified and three months should pass from the time of notification before action is taken in order for homeowners to have an opportunity to give input on ideas for use or sale of the acquired property. If possible, no action should be taken until the disposition of such land is reported at the annual meeting, and the members present are given the opportunity to advise the Board about their wishes for disposition of the land.

4. No member of the Board of Directors shall have the opportunity to bid on or buy such land before all homeowners have had at least three months notice about the disposition of the property except for sales of property of less than one acre as specified in item 2c above. At that time, members of the Board would have the same opportunity as other homeowners to bid or make an offer on such property.

5. No land shall be given in trade for services.

6. Funds received by the ZHA from the sale or auction of land owned shall be reported to the members by newsletter, and/or website, a mailing, or other acceptable form of information.

The Board shall also report any planned use for funds received from the sale of land to the membership in a timely manner. The use of funds shall be based upon the current budget and strategic plan needs.

Board Approved: December 21, 2007

Effective Date: January 1, 2008

Policy Number 022.00 – Hunting, Trapping, and Fishing

Hunting and trapping of wildlife is prohibited on the Zapata subdivision. Access to public lands through private property on the Zapata subdivision must be with the property owner's permission. Fishing in the Zapata subdivision lakes is allowed for property owners and their guests. Property owners must request a fishing permit from the ZHA administrator on an annual basis. Permits are issued one per property owner and are good for the calendar year issued.

While fishing at the lakes, ZHA members and their guests must show the permit upon request. Stream fishing on the ZHA subdivision is governed by Colorado state law.

Board Approved: March 21, 2008

Effective Date: April 1, 2008

Policy Number 023.00 – Cutting and Collection of Wood

Because the ZHA encourages the membership to assist in fire mitigation on the subdivision, ZHA members may cut and collect wood from the greenbelts. Members must obtain permission from the Board prior to cutting or removing wood. The Board shall evaluate the request and assess the environmental impact prior to approval. Only dead or downed trees may be cut. Slash may be removed to the wood recovery lot. Individuals other than members may accompany the member when cutting wood but a member must be present. Members are responsible for ensuring that they stay within the greenbelt. Members shall not access greenbelts using private property without the owner's permission. Property owners whose land borders a greenbelt are encouraged to clearly mark their property lines. Collected wood may be removed from the subdivision.

Board Approved: March 21, 2008

Effective Date: April 1, 2008

Policy Number 024.00 – Mileage Reimbursement

Mileage reimbursements may be given at the discretion of the Board for official ZHA business. General guidelines are that for non-urgent or local business volunteers will be sought to incorporate the ZHA business into their daily routine. For urgent or distant business, the totality of the circumstances will determine what is eligible for reimbursement.

The decision to reimburse should be made by at least two Board members prior to the travel taking place. However, if this is not possible, reimbursement may be considered by the full board after the fact. The rate shall be the current IRS rate.

Board Approved: April 18, 2008

Effective Date: May 1, 2008

Policy Number 025.00 – Open Fires

No burning or open fires of any kind will be permitted on the Zapata subdivision. The only exception is the controlled burn of the wood recovery lot as authorized by the Board of Directors.

Board Approved: May 16, 2008

Effective Date: June 1, 2008

Policy Number 026.00 – Enforcement of Governing Documents/Fine Schedule

Authority ZHA Bylaws 08/2007, ARTICLE V Board of Directors, Section 1. Role of the Board: The role of the board of directors is to enforce all governing documents... Section 3. Board Policies: The Board shall have the authority and duty to develop, interpret, and enforce policies which are consistent with these bylaws, covenants, and public laws. ARTICLE X, Enforcement of Covenants, Bylaw, and Policies, Section 1. Duty to Enforce: The ZHA shall

have the duty to enforce the covenants, bylaws and policies in a consistent and equitable manner. Section 2. Violations: The Board shall have the responsibility and authority to establish policies and assess fines against property owners who are in violation of the covenants, bylaws, and policies. Such fines must be defined in policy and provided to the membership.

- **Purpose** To preserve and promote harmony, public safety, and the natural beauty of the subdivision by enforcing the governing documents of the ZHA.

Policy

TIMETABLE

<u>Event</u>	<u>Action</u>	<u>Time period</u>
Complaint received	Committee Chairman attempts to verify	1 week
Committee Chairman verifies	Informal notification to property owner	2 days
Committee Chairman can't verify	Formal notification to complainant	5 days
Complainant wants to pursue	Formal notification to Board	5 days
Board can not informally reach violator	Make formal notification	5 days
Violator responds to Board	Makes/proposes corrections, requests hearing	14 days
Hearing scheduled		2 nd monthly board meeting after formal notification
Resolution		1 st board meeting following hearing
Notification to all parties	Board mails decision/conditions	5 days from resolution date

VIOLATION:

Alleged violations of the ZHA governing documents may be reported by telephone or in person, but must be followed up in writing by letter, email, or facsimile. The responsible committee chairman will attempt to verify the allegation within one week. If the alleged violation cannot be verified, the Board will notify the complainant in writing within five days letting them know they have a right to request a hearing to present their case.

Should the complaint be anonymous and unverifiable, it shall be dropped. If the violation is unverifiable and the member alleging the violation does not want to pursue the action, the action will be dropped.

Any complaints that have the appearance of harassment shall not be pursued. Any two anonymous, unverifiable complaints against an individual will necessitate that any further complaints not be anonymous.

NOTIFICATION

Within two days of verifying the complaint, an attempt will be made by a Board member to informally notify the alleged violating property owner to discuss the allegation. If the alleged violation is corrected after the informal notification, it shall be noted in the minutes of the next board meeting.

If this informal contact is not possible, or the informal contact results in further action being necessary or in situations where the allegation cannot be verified but the complainant wishes to

pursue the matter, within five days the board shall notify the alleged violating property owner by hand delivery or return receipt mail of said allegation. This notification will contain:

- how the Board was informed of the alleged violation
- description of the alleged violation
- the restatement of the governing rule or policy being violated
- action that must be taken to remedy the situation
- Board actions that may be taken if the violation is not corrected within a set time limit
- the possible fine
- the opportunity for a hearing before the Board to defend himself
- the consequences if the violator does not remedy the situation or appear at this hearing

A copy of this letter will also be sent to the complainant.

The alleged violating property owner shall have fourteen days to correct the alleged violation, propose a correction for the alleged violation, or request a hearing.

HEARING: (there is no hearing unless the ‘defendant’ requests one. The Notification letter should not be sent unless there appears to be enough evidence to determine that a violation occurred)

The alleged violating property owner will be allowed to request a hearing with the board to explain the violation and any matters of extenuation or mitigation. The board will also present its case therein. If the Board receives the notice of the alleged violation from a ZHA member, that member shall be invited to attend the hearing. If the complainant is the only witness to the violation, he/she must attend the hearing or the violation shall be dismissed.

All hearings shall be recorded and be made part of the ZHA official record. The date of the hearing shall be the second monthly board meeting following delivery of the formal notification. The location of the hearing will be in Alamosa County, Colorado.

RESOLUTION

When all evidence is in, the Board will make their determination no later than the first board meeting following the hearing. A two-thirds (2/3rds) majority decision of the board must be reached to determine substantiation of the violation. The Board shall notify the violator within five days about this decision by a formal letter sent via return receipt mail with the following information:

- no violation determined or
- restatement of the rule being violated
- the set time limit the violation has to be stopped or corrected
- the actions that will be taken if the violator refuses a correction
- the fine, if determined
- A time limit in which to pay the fine
- the actions that will be taken if the fine is not paid within the time limit

Failure of the owner to make restitution and/or correct the issue may result in, but not be limited to, lien filing, stop work order, and/or corrective action taken by the ZHA and subsequent charges to the owner for the corrective action. The fines schedule at attachment 1 lists the pecuniary liabilities.

Corrective action shall be tracked at monthly board meetings under Old Business.

Notice of ongoing or concluded proceedings will be published in the next newsletter to advise the membership of the occurrence.

Extenuating circumstances may necessitate fines lower or higher than this schedule.

Fines will double, triple, quadruple, etc... for each subsequent offense.

Any offense not covered here will be dealt with in a similar fashion.

If corrective action/removal is done by ZHA, responsible property owner shall be charged.

		On own property	On other private property	On common property
Covenants	Erect buildings	Up to \$1000/removal	Up to \$2500/removal	Up to \$5000/removal
	Failure to complete in 24 months	\$50/day		
	Location	\$1000/removal		
	Size of lot	\$1000/removal		
	Noxious, offensive, annoyance, nuisance	\$100/correct action	\$50/correct action	\$1000/correct action
	Permanent habitation in other than house	\$500, \$50/day	\$1000, \$100/day	\$2000, \$200/day
	Animals other than house pets and horses	\$100, \$20/day until removed	\$500, \$100/day until removed	\$1000, \$200/day until removed
	Fence, wall, hedge, mass planting beyond setback	\$500		
	Oil drilling, mining	\$1000 + repair	\$5000 + repair	\$10,000 + repair
	Electronic equipment mast/antenna	\$500/removal	\$1000/removal; \$500/removal	\$2000/removal; \$1000/removal
	Refuse/trash cans outside fence	\$250/correct		
	Mobile home on wrong lot	\$1000/removal		
	Lot appearance	\$500, \$50/day	\$500, \$250/day	\$2000, \$200/day
	Signs, billboards	\$100, \$50/day		\$1000, \$500/day
	Irrigation Handled by Water Division			

	III			
Bylaws	Violating a bylaw may make the action or action taken null and void	NA	NA	NA
Policies	18. Address Signs	\$100, \$10/day	NA	NA
	22. Hunting, trapping, fishing			
	Hunting/trapping	\$1000	\$2000	\$3000
	Fishing	NA	\$200	W/out license \$20
	23. Cutting and collection of wood	Outside of fire mitigation or clearing building site; \$300/tree	\$500/tree	\$1000/tree
	25. Open Fires	\$100	\$500	\$1000
	All other policies have penalties in place, or bylaws to govern violations			
Guidelines	Residential – Covered in guidelines	Failure to submit form A, B, C, or D. \$1000/removal; Failure to submit form E. \$200/removal		
	Commercial – Covered in guidelines			

Extenuating circumstances may necessitate fines lower or higher than this schedule.

Fines will double, triple, quadruple, etc...for each subsequent offense.

Any offense not covered here will be dealt with in a similar fashion.

If corrective action/removal is done by ZHA, responsible property owner shall be charged.

Board Approved: November 21, 2008

Effective Date: December 19, 2008

Policy Number 027.00 – Alternative Dispute Resolution

1. It is the general policy of the ZHA to encourage the use of Alternative Dispute Resolution to resolve disputes involving the Association and a member, or a member and a member. Alternative Dispute Resolution (“ADR”) is defined as a procedure for settling a dispute by means other than litigation, such as mediation, non-binding arbitration, or binding arbitration.

The issue in dispute first should be dealt with through informal verbal discussions with executive board members. The issue in dispute also may be presented at homeowners' association meetings or communicated to the executive board directly. After a reasonable period for the executive board to review the issue and determine the facts of the dispute, proposed resolutions to the issue in dispute must be presented to the involved parties.

2. ADR, in the form of binding arbitration, shall be pursued by the ZHA before any lawsuit is filed, except in the case of the collection of assessments or the enforcement of the covenants, bylaws, or rules and regulations of the ZHA, subject to the following:
 - (a) ADR shall not be required if time constraints prevent accomplishing ADR.
 - (b) ADR will not be pursued by the ZHA if a member refuses to participate in the process.
 - (c) Any ADR pursued must be done so using a trained arbitrator, having some familiarity with the governance of community associations.
 - (d) Any ADR must be conducted in compliance with the Uniform Arbitration Act and/or the Dispute Resolution Act, as applicable.
 - (e) If ADR is to be pursued, the member(s) shall execute an agreement with the ZHA prior to the commencement of the ADR process putting on hold any applicable statute of limitations while the parties are attempting to resolve the dispute through ADR.
3. Selection of an arbitrator shall be from a list of qualified arbitrators supplied by the court system. If the parties to the ADR cannot agree on an arbitrator within 14 days, the board shall select one from a predetermined list.
4. Costs. The costs of ADR shall be split equally among the parties involved in the ADR. In the event a member fails to pay the member's share of the cost of the ADR, such amount shall be considered an assessment against such member, and may be collected by the ZHA as an assessment pursuant to the declaration and Colorado law.
5. Definitions. Unless otherwise defined in this resolution, initially capitalized or terms defined in the declaration, shall have the same meaning herein.
6. Supplement to Law. The provisions of this resolution shall be in addition to, and supplementary to, the terms and provisions of the declaration and the law of the State of Colorado.
7. Deviations. The board may deviate from the procedures set forth in this resolution if, in its sole discretion, such deviation is reasonable under the circumstances.

Board Approved: November 21, 2008

Effective Date: December 19, 2008

Policy Number 028.00 – Treasurer’s Deeds/Tax Liens

The Zapata Homeowners Association, through its Fees and Budget Committee, will review tax liens on properties within the subdivision annually to determine whether they are about to go to a Treasurer’s Deed. The review shall include the value of the property and the amount of arrearages to determine whether the Association should exercise its right of foreclosure on a property.

Board Approved: June 18, 2010

Effective Date: July 16, 2010