



# Lake Manitou Association

## Process & Procedure Documentation

### Administrative Processes

<b>Process 7</b>	The electronic version of this document is controlled; all other versions are uncontrolled (reference only)	
Process Owner:	Date Approved:	Version Number:
Lake Manitou President	09/14/08	1.3

#### 1. OBJECTIVE/PURPOSE:

The purpose of the Administrative set of processes and tasks are to support the business operations of the Lake Manitou Association.

The processes and tasks grouped under the Administrative Processes are essentially stand-alone activities, however all have a common theme in that they support the business aspects of managing the Lake Manitou Association.

#### 2. RESPONSIBILITIES:

**Lake Manitou President** – Lake Manitou Officer responsible for renewing the various insurance policies, and Treasurer Bond as directed by the Board, signing and mailing the Corporate Tax Statement, signing and mailing the nonprofit forms, developing and presenting the annual operating budget, and appointment of all committee members.

**Secretary** – Lake Manitou Officer responsible for maintaining all official meeting minutes and correspondence issued from the Association, maintenance and distribution of the Special Record.

**Treasurer** – Lake Manitou Officer responsible for issuing checks including the insurance renewal, completing the workers compensation audit, paying the property tax bill, renewing the CD (or other financial instrument), maintaining the checking account, issuing the Dues & Special Assessment invoice to the Association membership, support the preparation of the Corporate Tax Statement, providing the list of past due Association members, calculation and recording of the interest amount on any past due Dues & Special Assessment payments, providing the financial amounts owed in support of the lien process, and payment of any Federal taxes owed by the Association.

**Lake Manitou Board of Directors (Board)** – Approval of all payments, authorization to place liens, approval to send the tax statement.

**Employment Committee Chairperson** – supporting the Treasurer for Workers Compensation Audits, the primary interface in working with ADP to manage the payroll taxes and W2 preparation, monitoring the employees hours paid relative to the hours worked, maintenance of the Recordable Injury Log and for reporting any employee injury at the next scheduled Board meeting.

#### 3. DEFINITIONS:

**By-Laws** – the document that governs the incorporation of the association, the operation of the association, roles, responsibilities, committees, and overall management of the association.

**Amended Restrictions** – the document that is concerned with specific architectural and aesthetic elements of construction and provides rules and restrictions regarding behavior and acceptable use in an up-scale residential neighborhood environment.

**Special Record** – a record of specific rules approved by the Lake Manitou Board of Directors pursuant to the provision provided in the Lake Manitou Association By-Laws.



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#### 4. PROCEDURE / DESCRIPTION:

The individual process and task sections will outline the major points of each activity and any legal requirements. During the execution of these processes, changes will naturally occur based on the circumstances, skill of the person executing the process, availability of materials or information, or changes due to unforeseen or undocumented events. Changes that improve the effectiveness, efficiency, adaptability, or results of these processes should be documented for the next iteration of the process.

#### The following processes are addressed in this document:

- Contracting with insurance agencies for:
  - Officers and Directors Errors and Omissions policy
  - General Liability policy
  - Workers Compensation policy
  - Treasurer Bonding or Employee Theft policy
  - Vehicle (Truck) PLPD policy
- Working with ADP for payroll & taxes
- Paying the Property Taxes
- Monitoring of hours worked by the employees for weed cutting
- Filing Liens for past-due Association dues
- Filing of the non-Profit paperwork
- Renewing the CD with the Bank
- Review the Dual Signature on the CD
- Maintaining the Lake Checking Book
- Maintenance of the Special Record
- Maintenance of the previous Association minutes and authorized letters
- Generating the budget for fiscal year
- Issuing the annual dues statements
- Appointment of Committees – standing and special
- Combining properties - signature on document
- Combining properties - filing document with the register of Deeds
- Preparing and submitting the Corporate Tax statement



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#### **Contracting with Insurance Agencies for:**

- Directors and Officers Liability and Errors and Omissions policy
- General Liability policy
- Workers Compensation policy
- Treasurer Bonding or Employee Theft policy
- Vehicle (Truck) PLPD policy

#### **The need for Insurance - What it means to be a fiduciary of the Lake Manitou Association**

Being fiduciaries means that the Officers and Board of Directors of the Lake Manitou Association must remain focused on serving the interests of all members, distancing themselves from their own personal interests. Each Board member must avoid any conflict of interest or appearance thereof. From time-to-time, there may be a vote on an issue affecting a Board member personally from which they should recuse themselves.

As fiduciaries, the Board also has a duty to exercise due diligence in the conduct of our Association's business. This means the Board is not allowed to treat our collective business as casually as some individuals may conduct their personal business. The Board must exercise good care, as any reasonable person would, in protecting others' interests, by applying generally accepted standards and practices of prudent business management. When dealing with an issue that the Board is unfamiliar with, they may find among the membership, those with particular education or experience in business management, accounting, construction, employee supervision, or other relevant disciplines. Due diligence can be demonstrated by relying upon advice from a committee comprised of such individuals or by consulting with an appropriate professional, such as an attorney, accountant, or construction expert.

#### **Avoiding legal trouble and litigation**

Failure to meet any of these obligations may get us into trouble. Lawsuits are not uncommon in Associations, particularly if poorly run or neglected. The Association does provide liability insurance for board members but a lawsuit may impact the insurance premiums and be quite costly in other ways... and there are usually exclusions in any insurance policy.

When in doubt about the obligations as a Board member, the Board member should consult the By-Laws, Amended Restrictions, Special Record, and any other appropriate documents, or consult with other Board members.

Occasionally, there may be uncertainty about the treatment of a significant issue, in which case the President, or other person authorized by the President or Board, should consult with our attorney. Normally, following the meeting with the attorney, the member or members who attended should produce and distribute a report of the conference to the other Board members. For conferences relating to some unusually sensitive issues, our attorney may advise against us keeping a written record of such a conference inasmuch as records not in possession of our attorney can be subject to subpoena and can be misinterpreted to the detriment of the Association.

The Board should ensure it has money budgeted for such conferences. It may be listed in the budget as Legal Services or simply as Professional Services.



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The business case for binding the various insurance policies is to protect the Association members and its Officers and Directors in the case of an accident or lawsuit and to limit the liability to the Association members by placing a third-party in front of any judgment against the entire Association or limiting the amount or impact of a judgment against the Association.

#### **Directors and Officers Liability and Errors and Omissions:**

**Directors and Officers Liability** provides financial protection for the Directors and Officers of the Association in the event they are sued in conjunction with the performance of their duties as they relate to the Association. Directors & Officers Liability can be thought of as a management Errors and Omissions policy.

The key distinction with Directors and Officers liability is that it is intended to cover wrongful acts that are "intentional" as opposed to "negligent." This is because Directors and Officers insurance is designed to cover actions and decisions of the Board of Directors. These actions may be in error and wrong, but they are, nonetheless, "intentional" acts. Most other types of insurance do not cover "intentional" acts.

Directors and Officers Liability can usually include Employment Practices Liability and sometimes Fiduciary Liability. The former involves harassment and discrimination suits, and is where the majority of the exposure is for typical organizations.

Directors and Officers Liability is often confused with Errors & Omissions Liability. The two are not synonymous; Errors & Omissions is concerned with performance failures and negligence with respect to a product or service, not the performance and duties of management. Generally it is a good idea to carry both policies if the organization provides a service or produces a product.

A typical claim from a member, employee, or third-party would be made against the Association AND against the Directors of the Association. Since a Director can be held personally responsible for acts of the Association, most directors and officers will demand to be protected rather than put their personal assets at stake.

Stated another way, members of the Board of Directors will not typically be willing to risk their personal assets to serve as a Director or Officer, no matter how heartfelt their belief in the Association and is why it is recommended to carry a Directors and Officers Liability policy.

A Directors and Officers Liability policy should cover the following situations at a minimum:

- Mismanagement of operations or Association assets
- Self-dealing and conflicts of interest
- Misrepresentation during the sale of Association assets
- Acts beyond the authority granted in the by-laws
- Violation of certain state and federal laws
- Breach of fiduciary duties
- Employment practice violations
- Intentional acts that are determined to be wrongful but were believed to not be wrongful at the time of that the act was taken or decision was made

Each of these situations could invoke litigation that could last several years, becoming a financial burden and a continuous financial drain on the Association. Indemnification provided by the Association by-laws is a type of protection for its Directors, Officers, and employees, but, sometimes is not enough. If the Association cannot indemnify its Directors, Officers or employees, either because of the allegations of a



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lawsuit or as a result of the Association's insolvency, then this financial burden can become the personal responsibility of the Association's Directors, Officers or employees and is yet another reason to carry this type of insurance protection.

Other Directors and Officers Liability policy considerations:

- Should include a clause in the policy that protects innocent directors and officers from a denial of a claim due to mistakes in the application.
- Request "non-rescindable coverage" which prevents the insurance company from a lengthy, time-consuming decision of who is innocent.
- Avoid policies that contain defense allocation provisions, with either a predetermined percentage of cost to be covered or a clause that the insurance company may deny payment until an agreement of the cost is reached.
- Avoid clauses that require directors and officers to personally coinsure a % of the defense costs.
- Unless a judicial decree determines criminal conduct, fraud, or the like on the part of directors and officers, the insurance company should be obligated to pay. The decree should be based on facts, not allegations, and deliberate fraud. The actions of deliberate fraud on the part of one should not cause a denial of payment on the claims of others.
- Avoid insured vs. insured exclusion ("excludes claims brought by or on behalf of insured organization.") The policy should specifically accept trustee claims, or cover claims brought by independent parties without the aid of the insured organization.
- Have a complete understanding of your warranties and their impact on coverage.
- Avoid shared limits for directors, officers and the organization. It's best to have a completely separate primary or an excess policy with limits that remain unaffected by claims against the organization, or to have the directors and officers claims paid before the organization's claim.
- Preferred Legal Counsel should be unrestricted by the insurance company or ensure that your desired counsel is on the approved list.
- Include a retroactive date, the earliest date for which coverage is provided.
- Be aware of other exclusions: terrorist acts, inappropriate personal benefits, criminal acts or claims brought by federal or state departments.

**Errors and Omissions** coverage is typically a supplementary type of liability insurance. Errors and Omissions insurance covers financial losses and expenses generated by claims of error, omission, or negligence. It can also protect against slander, libel, and breach of contract.

Errors and Omissions is the insurance that protects the organization, or the individual, in the event that a member holds us responsible for a service we provided, or failed to provide, that did not have the expected or promised results. For doctors, dentists, chiropractors, etc., this is often called malpractice insurance. For lawyers, accountants, architects or engineers, it may be called professional liability. This type of insurance would cover the Association for errors or omissions that we have made or that the member perceives we have made.

Most Errors and Omissions policies cover judgments, settlements, and defense costs. Even if the allegations are found to be groundless, thousands of dollars may be incurred to defend a lawsuit. Defending against a lawsuit could bankrupt a small organization or individual and have a lasting effect on the immediate financial health of an organization.

In short, Errors and Omissions coverage would provide protection for the Association in the event that an error or omission (non-delivery of a service or commitment) on our part has caused a financial loss for one of our members.



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#### General Liability:

Liability insurance pays for amounts paid to the claimant as compensation for injury and for the costs of defending the policyholder in court.

This type of policy is different than an Errors & Omissions policy or an Officers and Directors liability policy and would cover items such as:

- damage to a member's dock from the Association's operation of the weedcutter
- damage to a member's watercraft from Association's operation of the weed sprayer
- damage to a member's watercraft from a floating hazard owned by the Association
- property damage from the Association's operation of the dump truck
- property damage from tree removal, brush spraying or brush removal authorized by the Association
- claims resulting from authorized or unauthorized use or injury that occurs on Association property
- claims resulting from a failure of the dam or spillway

Lawsuits represent only a small portion of the total of liability claims. Only 2 percent of such claims are settled by verdict and only one third of claims become lawsuits.

General liability insurance is recommended for our Association to minimize the expense to the Association resulting from unintended results or consequences resulting from actions taken in the performance of the Association's business and operations.

#### Workers Compensation:

Per the State of Michigan web site for Workers Compensation, all private employers must have workers' compensation coverage if:

- They regularly employ three or more workers at one time; or
- During the preceding 52 weeks, they have regularly employed at least one worker for 35 hours or more per week for 13 weeks or longer.



Workers compensation insurance covers the cost of medical care and rehabilitation for workers injured on the job. It also compensates them for lost wages and provides death benefits for their dependents if they are killed in work-related accidents, including terrorist attacks. As of June 30, 2006, the average weekly wage reported to the State of Michigan from all businesses was \$784.31. In accordance with Section 418.355(2) of the Workers' Disability Compensation Act, the 2006 maximum weekly benefit based on 90% of the state average weekly wage would be \$706.00.

Workers compensation systems vary from state to state. State statutes and court decisions control many aspects, including the handling of claims, the evaluation of impairment and settlement of disputes, the amount of benefits injured workers receive and the strategies used to control costs.



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Workers compensation costs are one of the many factors that influence businesses to expand or relocate in a state. When premiums rise sharply, legislators often call for reforms. The last round of widespread reform legislation started in the late 1980s. In general, the reforms enabled employers and insurers to better control medical care costs through coordination and oversight of the treatment plan and return-to-work process and to improve workplace safety.

The workers compensation policy for Lake Manitou should use an equivalent payroll profile as is typically used for Landscape Gardening / Golf Course Maintenance (9060) and would be for 2 part-time employees with a total annual salary compensation of \$6,300.

Our intent is to provide a safe environment for our employees and our hope is to never have the need to use the worker's compensation system due to an injury. In an effort to eliminate accidents and to stress accident prevention, the Lake Manitou Board has defined a recordable injury/accident as one in which the employee is not able to continue work and must be sent home to recuperate or to a medical professional for treatment.

A log of these recordable injuries/accidents will be maintained by the Employment Committee chairperson and should be completed within two (2) business days of the incident. Accident Log entries are to be reviewed by the Employment Committee chairperson with the Board at the next scheduled Board meeting with a focus on:

- (1) understanding if the same risk exists elsewhere
- (2) deciding what immediate preventative actions should be taken
- (3) what can be done to find the root cause and prevent this situation from ever happening again

The prevailing consideration is that "every accident is preventable" and we should error on the side of safety for our employees, association members, and community.

Any recordable injury will be recorded in a separate Accident Log, however, will adhere to the following format:

#### Lake Manitou - Recordable Injury Accident Log

Date	Person Injured	Activity being performed	Description of injury sustained	Severity Index	Recommended Corrective Action

The Lake Manitou web site may be a convenient medium to use to post and record these observations.

The Severity Index is used to rate the severity and impact of an injury, is somewhat subjective, and will generally adhere to the following guidelines:

Severity Index	Description
1	Bruise, contusion, muscle or tendon pull, minor bleeding from cuts or scrapes
2	Moderate blood loss, sever cuts or laceration, deep bruising, cuts or lacerations requiring stitches, any broken bone, adverse chemical reaction, any foreign body in the eye, any vision impairment
3	Concussion, loss of consciousness, multiple broken bones, loss of digit, eye injury, major blood loss
4	Loss of multiple digits, loss of a limb, loss of an eye, loss of the use of an extremity
5	Fatality

See Appendix C at the end of this document for the steps that should be taken should a Lake Manitou employee become injured.



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#### Treasurer Bond / Employee Theft:

The Lake Manitou By-laws stipulates in Article VI, Section 8 that: "The Treasurer shall be bonded in the amount to be determined by the Board of Directors. The cost of the Treasurer's bond shall be paid by the Association." The need to bond the Treasurer is not reflective of the trust that the Association or Board has placed in the person filling the Treasurer role, rather it is a requirement of our by-laws and must be implemented and supported by the Board as are all the by-laws and amended restrictions of the Association.

The purpose of a surety is to protect public and private interests against financial loss. A Surety Bond guarantees the performance of the person being bonded and that person's ability and financial capacity to complete the obligations stated within contract or other obligation. Bonds are three-party instruments by which one party guarantees or promises a second party the successful performance of a third party.

The Surety (the bond company) is typically a company which determines if an applicant (Principal) is qualified to be bonded for the performance of some act or service. If so, the Surety issues the bond. If the bonded individual does not perform as promised, the Surety performs the obligation or pays for any damages.

The Principal is an individual, partnership, or corporation who offers an action or service and is required to post a bond. Once bonded, the Surety guarantees that the Principal will perform as promised.

The Obligee (the entity requiring the bond) is an individual, partnership, corporation, or government entity which requires the guarantee that an action or service will be performed. If not properly performed, the Surety pays the Obligee for any damages or fulfills the obligation.

Fidelity bonds protect the Obligee against dishonesty on the part of his or her employees and are often referred to as "Dishonest Employee Insurance."

There are eight types of surety bonds:

- |                          |                                       |
|--------------------------|---------------------------------------|
| 1. Fidelity Bonds        | 5. Fiduciary Bonds                    |
| 2. Public Official Bonds | 6. License and Permit Bonds           |
| 3. Court Bonds           | 7. Contract Bonds (Bid & Performance) |
| 4. Judicial Bonds        | 8. Miscellaneous and Federal Bonds    |

In addition to Surety Bonds, insurance companies offer Employee Theft or Dishonest Employee coverage that performs the same function as a Surety Bond and meets the intent of the Lake Manitou By-law provision.

Employee dishonesty is considered to be a criminal act committed by an employee acting alone or in collusion with others. There must be intent by the employee to cause the employer a loss and to obtain a financial benefit for the employee or someone else. Coverage is provided for dishonest acts of employees of the named insured only. Coverage insures against loss of money, securities, and property.

The blanket policy typically provides coverage for dishonest acts of all employees. The limit for blanket coverage applies per loss, regardless of how many employees are involved. The scheduled policy provides coverage only for the dishonest acts of employees specifically listed in the policy. On the scheduled policy, a separate limit applies to each employee listed on the schedule.

This type of employee theft or dishonesty policy can be tailored to just cover the Association's Officers and Directors and specifically establish a limit on the coverage for the Treasurer.

The Lake Manitou Board has approved coverage in the amount of \$100,000 for the Treasurer. The specific coverage type (insurance or bond) is as indicated in the **Insurance Matrix Coverage** table that follows.



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#### Vehicle Insurance / PLPD:

PLPD is the acronym for Public Liability and Property Damage. This term was common to Michigan insurance for many years up to 1971 when the Essential Insurance Act was passed. The term PLPD has been out of date for over 30 years; however, the term is still in use today. This term refers to, and takes the place of, the Minimum State Required Liability Limits. This is a set of insurance limits that all automobile drivers must meet or exceed by state law.

To many Michiganders, PLPD means: cheap insurance, bare bones coverage, and what is needed to avoid getting a ticket from the police. Bare bones coverage is a fair term for PLPD, however, PLPD or the Minimum State limit will not adequately protect the Association in the event of a lawsuit. To be adequately protected, the Association should carry sufficient coverage to protect itself against the loss of the organization's assets. By carrying the minimum limits, the Association is paying as little as possible, but is at a greater risk of losing all assets.

Automobile Coverage Limits:

Coverage	Minimum State Limit	Lake Manitou Policy Limits
Bodily Injury	\$20,000 per person \$40,000 per accident	
Property Damage	\$10,000	
Property Protection	\$1,000,000	\$1,000,000
Personal Injury Protection	No listed limit	Full medical, full wage
Michigan Catastrophic Claims Association	N/A	
Combined	-	\$1,000,000
Uninsured Motorist	-	\$500,000
Underinsured Motorist	-	\$500,000
Special Tort	-	\$500



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**Insurance Matrix Coverage table:** The Lake Manitou insurance policies, agents, contact information and coverage limits are listed below. The version of this document that is posted on the web will not display this table at the Board's request.


**Working with ADP for payroll & taxes:** The Employment Committee chairperson works with the Lake Manitou Association Treasurer to authorize payroll payments. ADP has been contracted to process the payroll withholdings and to issue the W2s to Lake Manitou employees prior to the tax year deadline.

The following are key points in managing this process:

- Timecard reporting
- Timecard accuracy

Need input from  
Jerry / Judi

**Paying the Property Taxes:** The Bennington Township treasurer issues the summer and winter property taxes annually for the Lake Manitou Association property and sends the tax invoice to the Lake Manitou Association Treasurer. The Lake Manitou Treasurer will bring the tax bill to the next scheduled Lake Manitou Board meeting for discussion and payment authorization. Upon approval, the Treasurer will issue a check to Bennington Township, record the payment in the financial ledger, and file the receipt for auditing purposes.

The following are the Property numbers that are owned by the Lake Manitou Association and are subject to township property taxes:

Parcel No/Property ID/ Legal Description	Location	2006 SEV
010-10-400-004-03	Island?	\$15,000
010-11-300-004-01	Dam / Spillway?	\$22,500
010-11-300-016	Waugh Road drain area?	\$13,800
78-010-62-023-001 (Owner: Jerry Meyer; ET AL)	Recreational Park – Ojibwa Trail	\$10,000



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**Monitoring of hours worked by the employees for weed cutting:** The Employment Committee chairperson maintains a work schedule for the summer employees and receives an email or written correspondence of the hours worked thereby ensuring the reported hours are monitored. Any significant deviation from what is expected is reviewed and adjustments may be made. Repeated inaccuracies in reported hours or unauthorized overtime may be grounds for employee discipline or employment termination.

If the cumulative actual work hours are anticipated to significantly exceed the hours projected for the budget, the Employment Committee Chairperson should inform the Board of this projection at the next scheduled Board meeting. A checkpoint should be taken mid-way though the weed cutting season (end of June) to gauge if there may be an issue or not.

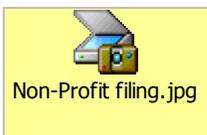
**Filing Liens for past-due Association dues:** Per the Lake Manitou By-Laws, the Dues and the Special Assessment are due by April 30<sup>th</sup> of each year. By August 1<sup>st</sup>, all members that have not made partial or full payment are considered past-due and are not considered in good standing. Throughout the year, selected Officers or Board of Directors members will be engaged to remind members of their past due payment status. The reminders may take the form of courtesy phone call(s) or a more formal notification in the mail.

If a residence is past due on any amounts and the home is offered for sale, the Association’s practice is to immediately place a lien on the residence in order to secure the Association’s position by recording the lien with the Shiawassee County Register of Deeds. This ensures that any past due amounts will be addressed and either the seller or buyer will be obligated to pay the past due amounts in order to clear the lien prior to a closing on the property.

Any members that are past due after April 30<sup>th</sup> of the following year will receive a final request to pay, and any amount still owed 30 days later will become a lien upon the property to secure the Association’s position.

The filing of any lien will be as directed by the Lake Manitou Board. The lien can be filed by a Board member, Officer, Association member familiar with applying property liens, or third party contracted by the Board for this purpose.

**Filing of the Nonprofit Corporation Information Update:** The non-profit form is sent annually by the State of Michigan to the address of the Association in September of the year due and is to be returned by October 1 of the same year. Attached is a previous submission to use as a sample in completing future forms.



To assist in completing the form, the purpose and activities of the Association is as follows: *“The Corporation’s purpose is to uphold and administer the Lake Manitou By-laws for the Lake Manitou Association. Activities are as typical of homeowner associations and include maintenance and management of Lake Manitou.”*

The names and addresses of the Officers and Directors of the Association are included on the form and the form is signed by the President.

There are two ways to submit the non-profit form: manually or electronically on the web.

Manual Process:



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A check in the amount of \$20.00 is to be approved by the Board, issued by the Treasurer, and included with the nonprofit information update made payable to the "State of Michigan".

In the case that the Treasurer is not available to issue the check, the President is authorized to submit a personal check and provide a copy for reimbursement at the next scheduled Board meeting. In the case of the Treasurer and President both being unavailable, the Vice-President is authorized to submit a personal check and submit a copy for reimbursement at the next scheduled Board meeting.

The nonprofit form and check are to be mailed at least 5 days before the October 1 deadline to:

Michigan Department of Labor & Economic Growth  
Bureau of Commercial Services, Corporation Division  
P.O. Box 30767  
Lansing, MI 48909  
Phone: (517) 241-6470

#### Electronic Process:

The State of Michigan supports a web site to process the submission of the non-profit information electronically.

The web address is: <http://www.michigan.gov/fileonline> and the submitter would follow the links to complete the non-profit form. The Lake Manitou organization number to enter is 842047. The Electronic filing process requires the use of a personal or corporate credit card and the Treasurer will issue a check to reimburse the non-profit filing fee if a personal credit card is used.

The President is the primary person to file the non-profit information with the Vice-President authorized to submit the information in the case that the President is not available.

A printed or electronic copy of the payment receipt is to be filed with the Treasurer.

**Renewing the CD with the Bank:** Sixty (60) days prior to the maturity date of the CD, the Lake Manitou Association Treasurer will advise the Board of the investment instrument's pending expiration and seek advice on what to do upon its expiration. The Board will consider the anticipated Association expenses, cash flow and liquidity needs, interest rate trends, pending purchases, and risk. Any research into alternative financial instruments, or competitive interest rate offers or packages are to be concluded before the following Board meeting thereby allowing approximately 30 thirty days to execute the Board's decision.

The Treasurer will report the disposition of the agreed-to action at the following Board meeting. If the new instrument is to be signed by two Officers of the Association, the preferred order would be the Treasurer and President; alternatively it would be the Treasurer and Vice-President.

**Review the Dual Signature on the CD:** When a Certificate of Deposit or other financial instrument requires a dual signature to authorize a withdrawal of funds, the Lake Manitou Officers that are approved to sign for withdrawal are the Treasurer and either the President or Vice-President. This ensures we have a check and balance in place to control significant cash withdrawals and that one individual cannot remove large sums of money without another Board member's involvement and knowledge.

The financial device should be reviewed annually in August after the summer meeting elections to determine if any changes need to be made.



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**Maintaining the Lake Manitou Checking Account:** The Lake Manitou checking account is managed similarly to how you would expect an individual’s checking account to be managed. The main differences are that receipts are required for reimbursement of all expenses, the checkbook and financial records are audited annually and the checkbook balance is reported at each Board and membership meeting. Each check must be categorized by the budgeted items that would encompass the expense. For example, buying bolts to fix (maintain) the weed cutter would be categorized under weed cutter maintenance. This categorization is done to assist in the analysis of the Association’s spending and to support the budgeting activity.

The Lake Manitou checks are a 2 part check. There is the primary check which is sent to the payee, and a stub that remains attached to the checkbook to act as the check register. These stubs are to remain available in the check register for a minimum of 3 years.

**Maintenance of the Special Record:** Per the Lake Manitou By-Laws, Article VI, Paragraph 13: “The Board of Directors may, from time to time, establish policies within the limits of these By-Laws. Such policies shall be kept in a special record and shall be considered binding unless officially changed by the Board of Directors.”

To ensure fairness, the process for rules creation must be consistent with our By-Laws and ensure member participation. We use the regular Board meetings and the Membership meetings (summer / winter) to recommend adjustments to the Special Record or By-Laws with the objectives of:

- ensuring openness and member participation
- exposing proposed rules to comments by members to ensure they provide the best protections for our interests and have the support of our community
- ensuring proposed rules are reasonable
- ensuring rules are consistent with laws and local ordinances
- ensuring publication and communication of new rules occurs

To have the benefit of prevention, everyone must know what the rules are and, to be legally enforceable, they must be published. Every member should have a copy of our rules. It also helps to remind members in the minutes periodically about rules that relate to problems that tend to reoccur.

Rules should not be unnecessarily restrictive and there should be a good reason for their existence. This does not mean that we avoid developing rules simply because a member objects to it. A rule may be necessary should there be a reasonable possibility for a problem to occur or likelihood that significant damage or hardship could occur for lack of a rule.

The Special Record is the collection of these policies and rules and was created by extracting the Board decisions from the available published Association Membership and Board meeting minutes. This Special Record is now a stand-alone document and is distributed to the Association membership on a periodic basis as significant changes occur. The changes are always published in the Association Membership or Board meeting minutes in advance of the change being made to the Special Record. The Special Record is posted on the Lake Manitou web site as changes are made and a change log for the Special Record is maintained to aid in identifying changes from revision to revision. The Association Secretary is responsible for updating and distributing the Special Record. A current copy of the Special Record should be provided to the Public Relations (Welcoming) Committee for distribution to new members.



# Lake Manitou Association

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The Special Record should be annually reviewed by the Board to ensure the applicability of the rules and policies. Situations and requirements change over time and may require modification or elimination of the rule. Changes in County laws or Township Ordinances may also initiate the need to change a particular rule or policy in the Special Record.

**Maintenance of the previous Association minutes:** The previous minutes from the Lake Manitou Association are maintained in two places. A hard copy of the minutes is maintained and filed with the Association Secretary. An electronic form of the minutes is posted on the Lake Manitou web site. The web site will eventually contain all of the minutes that are available and is an on-going activity supported by the Lake Manitou Web Development Committee.

The minutes are viewable by any Association member upon notice to the Secretary that the member is interested in accessing them. The Secretary will work with the member to agree on a date, time, and place to facilitate the viewing. The member may request copies of the minutes, however, may not remove the originals of the minutes from the Secretary's possession. This is to ensure that our official meeting records are available and maintained.

A member may access the posted minutes at anytime from a home or work computer with access to the internet. Internet access is also available via the Owosso Public Library's internet computers and Bennington township property owners are entitled to use Owosso Public Library resources as the library fees are included in the Bennington township property taxes. The address of the Lake Manitou web site is <http://Lake-Manitou.org> and the minutes are selectable from the navigation menu located on each web page.

**Generating the budget for the year:** The yearly budgeting cycle begins at the conclusion of the previous fiscal (calendar) year. The detailed expenses from the previous year are categorized into the various budgeted line items and the actuals are compared to the budget. Variances are analyzed to determine if the estimate was in error, assumptions were incorrect, the business need never materialized, the material expenses were over or under stated, special circumstances arose, project was delayed, or the labor was not as planned.

This analysis and the previous year's assumptions are used to create the next year's budget. Input from the summer and winter meeting, and non-annually recurring activities from the RASIC or Monthly Calendar and planned projects are taken into consideration (example – dam inspection every 5 years). A draft of the budget is prepared and reviewed at the Board meeting no later than February. Adjustments are made and the budget is finalized no later than March. The finalized budget is needed in order to determine the Special Assessment amount to fund the activities of the Association.

**Issuing yearly dues statements:** The Treasurer is responsible to issue the annual Dues and Special Assessment invoices to the Lake Manitou members no later than by the third week of March of each year. The dues amount remains a fixed amount as stated in the Lake Manitou By-laws. The Special Assessment is used to fund the balance of the annual operating costs of the Association. The amount of the Special Assessment is determined and approved by the Board after the Association President presents and the Board approves the operating budget for the upcoming fiscal year.

Two sets of mailing labels are generated and one set each is applied to:

- 1) the outside of the mailing envelop
- 2) the inside dues statement return stub



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This mailing list is either generated by the person who maintains the Lake Directory or the information is provided to the Treasurer for the Treasurer to generate the labels. The point here is to have an up-to-date list of all Association members.

The Treasurer will procure the materials and postage for mailing which will be reimbursed to the Treasurer or paid directly from the Association funds. The Treasurer may solicit volunteers to assist with the invoice reproduction, mailing list development, label creation, and envelop stuffing. The Treasurer may not solicit volunteers to open, process, or handle the payments received, record the payment status, or process any deposits. This work must be performed by the bonded Treasurer only.

The Dues and Special Assessment payment is to be sent to the Lake Manitou Treasurer by April 30<sup>th</sup> of each year.

**Appointment of Committees – standing and special:** The Lake Manitou by-laws, Article VII, section 1 directs that the Association will have the following standing committees:

- (a) Nominating Committee
- (b) Public Relations Committee
- (c) Social Committee
- (d) Structural Control Committee
- (e) Restrictions Control (Enforcement) Committee

The by-law also directs: “The President, with the advice of the Board of Directors, will appoint members to the standing committees. Members appointed will serve for a two (2) year term beginning with the summer meeting. The number of members on a standing committee shall be determined by the President.”

The Lake Manitou by-laws, Article VI, section 5 states: “The President shall appoint standing and special committees with the advice of the Board of Directors.”

The following Special Committees have been established to-date:

- Garrison Road Beautification Committee
- Weedcutter Replacement Committee
- Weedcutter Refurbishment Committee
- Web Development Committee
- By-Law Update Committee
  - (Committee dissolved in 2004 with the completion of the By-law update vote)

The term for the special committees is not specified in the by-laws and these committees are typically formed to address a specific Association need. These special committees would typically be disbanded when the need has been addressed and any on-going responsibility or activities will be addressed and reassigned by the Board.

It is recommended that the Association President issue a letter to all the appointed committee members authorizing their participation on the committee(s) and another letter issued at the end of their term to thank them for their involvement and contribution and to officially recognize the end of the committee assignment.

**Combining properties - signature on document:** The Association has adopted and communicated a position that affects how multiple parcels are assessed for the Dues and Special Assessment. This position reflects how the parcel is treated for legal tax purposes. If multiple parcels are combined into one county tax description, with one tax ID/role and the resident agrees to waive their



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right to ever re-split the parcel in the future, the Association will treat the combined parcels as one parcel with one Dues and one Special Assessment.

The Association had retained an attorney to create a document template that would facilitate the land combination and requires the notarized member's signature on the document. In the past, the association paid for this filing on behalf of the resident as multiple requests were processed together to save on filing fees. The filing fee for future individual requests will be paid for by the submitting member.

**Combining properties - filing document with the register of Deeds:** The Association retained an attorney to develop a recordable format document that was used to authorize and record the parcel combination with the Shiawassee County Register of Deeds. This document authorized the combination of multiple parcels into single, non-splitable parcels.

Future filings to combine parcels may be performed by the requesting member or by an Association Officer at the request of the Board. The filing fee for future individual requests will be paid for by the submitting member.

**Preparing and submitting the Corporate Tax statement:** The Corporate Tax statement is a required Federal Government document and filing is mandated by the Internal Revenue Service for all corporations. The Association retains an outside Accounting firm to complete the document and ensure its accuracy.

After all the expenses for the fiscal year have been recorded, the Association Treasurer provides the financial records, payroll, and any requested receipts to the Accounting firm. The Vice-President or Employee Committee Chairperson is authorized to support this process by answering questions and acting as an interface between the Accounting firm and the Association to facilitate accurate completion of all forms.

The completed tax forms are brought to a Board Meeting where approval for the tax payment and submission of the tax return is authorized. The Association President is required to sign the tax statement on behalf of the Association ensuring its accuracy and to mail the return at least 5 business days prior to the due date. Any taxes owed are paid by the Association Treasurer via a tax coupon to a local banking institution that accepts Federal Tax deposits. The bank then transfers the payment to the IRS. The tax filing is due before March 15 of the applicable tax year.

The following text is to appear on the check for any owed tax amounts:

**"E.I.N. 38-3356172, Form 1120-H balance due for the year ended 12/31/XX"**  
 ... where XX is the tax year being submitted.

The mailing address for the tax return is:

**Internal Revenue Service Center  
 Cincinnati, OH 45999-0012**

#### 5. REQUIREMENTS / NOTIFICATION:

CD Dual Signatures – review at the August Board meeting for applicability

CD Renewal – 60 days prior to the expiration of the CD (or applicable financial instrument), notification to the Board of the pending expiration

Corporate Tax Return – mailed by March 8<sup>th</sup> of the tax year

Dues & Liens – dues invoice mailed by the 3<sup>rd</sup> week of March, payment of dues by April 30<sup>th</sup>, final notifications issued by April 30<sup>th</sup> for the previous year, liens applied on all unpaid past-due amount by May 30<sup>th</sup>.



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Insurance – request premium quotes 90 days prior to ending of the policy

Nonprofit Filing – completed form sent by October 1<sup>st</sup>

Operating Budget – draft by the February Board meeting, final approval on or before the March Board meeting

Payroll - W2s mailed to the employee's last known address by April 1<sup>st</sup> of the following year worked

Special Record - update of the Special Record after publication and distribution of the change in the meeting minutes

Summer / Winter Property Taxes – payment sent 10 business days before the due date

Workers Compensation – Notification of any recordable injuries within two weeks of the event

#### 6. REFERENCES, SUPPORTING PROCESSES, AND TOOLS:

- Lake Manitou By-Laws, Amended Restrictions, and Special Record
- Lake Manitou Web Site
- Process 1 – Calling Lake Meetings
- Recordable Injury Log
- Workers Compensation claims process (web site: <http://www.michigan.gov/wca> ), Forms 100 and 701

#### 7. KEY CRITICAL SUCCESS FACTORS:

- Continued safe operation of all association equipment
- Maintenance of all association equipment ensuring all safety devices are operational
- Safety training, energized equipment training, and reinforcement of “safety first” to the Association employees
- Consistent enforcement of and adherence to all By-laws, Amended Restrictions, and Special Record rules

#### 8. CHANGE CONTROL:

Version	Changed By	Date	Description
1.3	J. Forsythe	09/14/2008	Updated Non-Profit Web information and the insurance information.
1.2	J. Forsythe	07/21/2007	Added Non-Profit Web information
1.1	J. Forsythe	09/09/2006	Initial Release
1.0	J. Forsythe	06/03/2006	Initial Draft