



## What Makes a Gold Star Community®?

Gold Star Communities® are special. They are judged, by the Gold Star Review Panel, to be in compliance with a host of best practices and standards which set the community apart. Not every community should apply for the award. This scoring guide will help you determine if your community should apply, or if there are corrective actions that need to be undertaken by the community prior to applying for the Gold Star Community® award. (*Gold Star panelists are asked to recuse themselves from judging any application from a community which they manage or do business with.*)

The Gold Star Community® application contains three distinct sections. In order to receive the Gold Star Community® Award, a minimum number of points must be achieved in each section. Failure to meet the minimum point score for any section will result in a failure of the entire application.

### General Characteristics Section

These are general questions about the basic operations of the community association. Some of the questions on this section are based on statutory requirements or standard items required in association governing documents. **Incorrect answers to certain questions by the applicant will result in an automatic failure for the entire application. For this section, those questions are:**

1. Minutes are kept for Owners meetings. (*If answer is no, the application is an automatic failure.*)
2. Minutes are kept for Board / Trustee meetings. (*If answer is no, the application is an automatic failure.*)
3. The association prepares an annual budget in accordance with governing documents. (*If answer is no, the application is an automatic failure.*)
4. Annual membership meetings are held in accordance with governing documents. (*If answer is no the application is an, automatic failure*).
6. The association holds an annual election of board members (*If answer is no, automatic failure*).
10. The association has \$\_\_\_\_\_ of General Liability Insurance.  
This amount meets or exceeds the minimum amount stated in documents.  
*Question 10 is evaluated in comparison to the governing documents. If amount of liability insurance is inadequate to meet the requirements in the governing documents, the application is an automatic failure.*
11. The association has \$\_\_\_\_\_ of D&O Liability Insurance.  
This amount meets or exceeds the minimum amount stated in documents.  
*Questions 11 is evaluated in comparison to the governing documents. If amount of liability insurance is inadequate to meet the requirements in the governing documents, the application is an automatic failure.*
13. Resolutions are incorporated within meeting minutes (*If answer is no, automatic failure*).
14. The association provides resale packets to new owners as required by law. (*If answer is no, automatic failure*).

### Financial Section

This section seeks to obtain a financial position of the community association as well as policies and procedures on financial controls. As with the general characteristics section, certain questions are considered critical to the sound financial operation of the association and **certain answers to these questions by the applicant will result in an automatic failure for the entire application. For this section, those questions are:**

1. The association has adopted an annual budget and, at least 30 days prior to implementation, has provided a written copy to all owners. (*If answer is no, automatic failure*)

2. *B) The community association's failure to address internal control weaknesses will result in an automatic failure of the application.*
3. The association has a fidelity bond for person handling association funds. A "no" answer on this question will result in an automatic failure if any of the following conditions apply:
  - a. Community assets exceed \$100,000
  - b. Governing documents require a fidelity bond
5. A & B – must be evaluated along with the answer to question 4 as well as the physical nature of the community. Award four points if the figure in part B equals the amount detailed in the reserve study. If not, award 1-3 points, based on discretion of review panel.
7. The association contracts for audit or accounting services in accordance with the governing documents. *If the applicant does not contract for services specified in the governing documents, the application is an automatic failure.*

Reserve Study / Funding Scoring guideline:

4. The association has performed or updated a Reserve Study in the past five years using an independent reserve professional. *This question is evaluated along with the physical nature of the community association. If the community is such that few or no physical items exist for which reserves would be necessary, the community may be excused from not performing a study. In all cases, the reserve study must be within 5 years of age.*

*If the reserve study is completed by an independent reserve professional and is within 5 years of age, full points are awarded. If the reserve study is within 5 years of age and is performed by someone other than an independent reserve professional (CPA, accountant, manager, management company, etc.) fewer than full points will be awarded at the discretion of the panel and taking into account the physical nature of the community.*

8. Delinquencies: 0% - 4 points; 0.1-2.5% - 3 points; 2.6-5% -2 points; Above 5% - 0 points

## Rules, Architectural, Communications Section

This is the section which causes many communities to stumble and fall short of a passing grade. This section seeks to determine those programs and activities which create a community within an association. Many times, an otherwise qualified community association will fail the Gold Star application due to the lack of communication programs, community events, and special community services. There are no questions which cause an automatic failure within this section, however the lack of special programs and services under questions 7 and 8 will often lead to a shortfall in points on this section and, thus, a failing grade. The review panel does take the size and nature of the community into consideration when scoring this section.

## Ready to Apply?

### Mandatory Documents

The following documents must be submitted with a Gold Star Community® application / renewal. Applications will not be scored if any of the following documents are missing:

- Insurance requirement from the association's governing documents
- Insurance Schedule OR Certificate for all insurance policies
- Capital Budget
- Operating Budget
- Current Balance Sheet
- Component / Funding Schedules from most recent reserve study (Most recent reserve study cannot be older than 5 years)
- Most recently audited / reviewed financial statements.