SUNRIVER OWNERS ASSOCIATION
GENERAL FINANCIAL POLICIES

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The policies below are a work in process as both internal and external changes impact the financial operation of the Sunriver Owners Association (hereafter SROA or the Association) and suggest the need for changes in policies. In the event there is conflict between the General Financial Policies and the requirements of the Consolidated Plan, it is intended that the Consolidated Plan would prevail. The resolution of the conflict would result from appropriate research of all relevant documents and historical practices of the SROA.

Financial Transactions

1. Accounting for financial transactions shall be in accordance with generally accepted accounting principles (GAAP).

2. Annual Financial statements shall be prepared on the accrual basis of accounting where revenues are recorded when earned and expenses are recorded when incurred.

3. Funds to finance operations, funds designated for new, major repair and replacement of capital assets and funds designated to satisfy long-term debt obligations shall be classified separately for accounting and reporting purposes.

4. All Association bank deposits in any one financial institution shall either be at or below the amount insured by the Federal Deposit Insurance Corporation (FDIC) or secured by government Treasuries.

5. The Association will invoice for all amounts due to the Association on a current basis with amount due within 30 days of the invoice date. A finance charge of one and one-half percent per month will be charged on all balances due over 30 days.

6. The Association will pay vendor bills in accordance with each vendor agreement specific to terms of payment. Invoices will be paid to take advantage of available discounts to the extent possible.

Accounting Records

1. All accounting records shall be kept in such a manner that they may be easily audited at the conclusion of the fiscal year.

2. The general ledger and subsidiary ledgers will be balanced and posted monthly. All bank statements will be reconciled and posted monthly.

3. Financial statements including explanation of significant variance from the adopted budget shall be presented to the Finance Committee on a monthly basis. Full financial statements including cost center detail, shall be presented to the Finance Committee and approved by the Board of Directors (Board) quarterly.

4. Payroll records will be maintained in sufficient detail to produce statutorily required reports, leave of absence and overtime accruals and usage, and management of employee benefits and voluntary deductions. All payments shall be supported by properly authorized time sheets. No changes in pay rates or other payroll status shall be made without a properly executed Employee Status Report form.

5. Accounting records, especially computer files, shall be backed up regularly and copies shall be stored off site to ensure the safety of the files.

Internal Controls

1. Duties will be assigned to individuals in such a manner that no one individual can control all phases of processing financial transactions. In addition, internal review processes shall be established such that errors and omissions can be detected.

2. Cash boxes will be checked out and reconciled daily. Receipts will be deposited at least weekly.

3. All checks will be pre-numbered and accounted for. Voided checks will be retained and defaced. Checks will be stored in a safe place that is available only to accounting staff. Persons with signature authority will not have access to check stock.

4. All checks must be manually signed and the Controller will be responsible for maintaining a current signature card with the appropriate financial institutions. Officers of the Board, the General Manager and the Assistant General Manager are the only persons authorized to sign Association checks. Checks presented for signature must have all documentation attached. Checks shall be signed as follows:
   - Checks in the amount of $1,000 or less may be signed by the General Manager or by the Assistant General Manager in the absence of the General Manager;
   - Checks in the amount of more than $1,000 must be signed by the General Manager or the Assistant General Manager and an officer of the board, or in the absence of both the General Manager and the Assistant General Manager, by two officers of the board;
   - Payroll checks, direct deposit summaries and payroll-related electronic funds transfers may be signed by the General Manager or the Assistant General Manager;
   - Any check payable to the General Manager must be signed by an officer of the board. Any check payable to the Assistant General Manager must be signed by the General Manager or an officer of the board.

5. The Controller is authorized to sign routine payroll compliance returns and to approve transfers between Association bank and investment accounts.

6. Purchases made by Association credit cards must be for bona fide business use only. No personal expenses or cash advances are allowed to be charged to Association credit cards. All Association credit card purchases must comply with regular purchasing authorization policy.

7. The General Manager may approve writing off receivables that are considered uncollectible up to the amount of $5,000. The Board must approve writing off receivables in excess of this amount.

Audit

1. The Association shall engage the services of a qualified certified public accountant (CPA) to conduct an annual audit of the Association's financial statements and supporting documentation.

2. The purpose of the audit is to ensure that the financial statements are properly presented in accordance with generally accepted accounting principles and fairly present the financial position of the Association.

3. The annual audited financial statements shall be presented to the Audit Committee (as defined in the Finance Committee Charter) of the Board, the Finance Committee and to the Board for adoption. Summary results of the audit shall be published in the "*Sunriver Scene*" within 60 days of the acceptance of the annual audit by the Board of Directors. The audited financial statements will be made available to a SROA member on request.

4. The performance of the Association's audit firm is required to be reviewed at least every three years by the Finance Committee who will be responsible for approving and making a recommendation to the Board to retain the services of the current firm or to initiate an audit firm selection process.

Maintenance Fund Assessments & Fines

1. On or before January 1st of each year, the Association shall notify each owner of the amount of the maintenance fund assessment to be imposed.

2. Any owner who pays the entire annual maintenance fund assessment prior to February 1st shall be entitled to a discount as determined annually by the Board.

3. All fines or other charges imposed by the Magistrate will be billed to the owner's account per the Magistrate's instructions.

4. All maintenance fund assessments not prepaid shall be due monthly on the first day of each month. Payments not received by the 25th of the month for maintenance assessments, special assessments, fines, or other charges levied or imposed pursuant to the Consolidated Plan of Sunriver or any Sunriver Declaration shall be considered delinquent. Accounts that are delinquent shall be charged a late fee of $10.00 and past due balances shall be charged a finance charge at the rate of one and one-half percent per month. The Accounting Department shall send a monthly statement to all delinquent accounts.

5. It is the owner’s responsibility to provide the Association a current mailing address. The Association has no responsibility to locate current mailing addresses for owners. All notifications sent to owners will be to the last-known mailing address provided by the owner and, if not provided, to the last-known address that the Association has in its files.

6. The Accounting Department shall send to the owner’s address of record on file with the Association an Intent to Lien notification to all accounts that remain delinquent after ninety days. The notification shall provide past due balances, including all late fees and finance charges, and notify the owner that a lien shall be filed if the balance due is not paid. A $100.00 charge shall be levied against the account for the Intent to Lien notification.

7. The Accounting Department shall file a lien against the property with the Deschutes County Recorder for all accounts that remain delinquent after 120 days. The lien shall include all past due maintenance fund assessments, late fees, finance charges, and charges related to collection attempts. A $150.00 charge plus the expense of filing the lien shall be levied against the account and shall be included in the lien amount.

8. Full payment of all past due maintenance fund assessments, special assessments, fees, fines, interest, finance charges, and other charges is required to clear the account. However, the General Manager may approve the acceptance of partial payments on a case-by-case basis.

9. The Accounting Department will file a satisfaction of lien with the Deschutes County Recorder after all past due amounts are paid. There will be no charge to file a satisfaction of lien.

10. If payment in full is not made within 90 days of the lien recording, the Association may turn the account to its attorney. The Association may bring an action against the owner to recover all past due amounts owing and may bring an action to foreclose the Association’s lien against the property. As stated in Section 7.05 of the Consolidated Plan, all amounts owing, including maintenance assessments, special assessments, fines, interest, late charges, and all costs of collection including the Association’s attorney fees and costs incurred in attempting to collect the delinquent balance due (whether or not suit or action is instituted) will be part of the Association’s lien and will be collectable in full from the delinquent owner.

Sunriver Homeowners Aquatic Recreation Center (SHARC) Fund

1. Owners may elect one of four payment plans for the Special Assessment Debt Service Fund
   - A lump sum payment due by January 31, 2012
   - A 60 month (5 year plan) payment plan beginning in January 2012
   - A 15 year annual payment plan
   - A 180 month (15 year plan) paying monthly

2. All special assessments not prepaid shall be due monthly on the first day of each month. Payments not received by the 25th of the month shall be considered delinquent. Accounts that are delinquent shall be charged a late fee of $10.00 and past due balances shall be charged a finance charge at the rate of one and one-half percent per month. The Accounting Department shall send a monthly statement to all delinquent accounts.

3. The Accounting Department shall send an Intent to Lien notification to all accounts that remain delinquent after ninety days. The notification shall provide past due balances, including all late fees and finance charges, and notify the owner that a lien shall be filed if the balance due is not paid. A $100.00 charge shall be levied against the account for the Intent to Lien notification.

4. The Accounting Department shall file a lien against the property with the Deschutes County Recorder for all accounts that remain delinquent after 120 days. The lien shall include all past due special assessments, late fees, finance charges, and charges related to collection attempts. A $150.00 charge plus the expense of filing the lien shall be levied against the account and shall be included in the lien amount.

5. Full payment for all past due special assessments, fees, finance and other charges is required to clear the account.

6. The Accounting Department will file a satisfaction of lien with the Deschutes County Recorder after all past due amounts are paid. There will be no charge to file a satisfaction of lien.

7. The Association will maintain a separate SHARC Reserve Fund for all owners Special Purpose Assessment payments.

8. Monthly Special Purpose Assessment owner payments must be deposited into the SHARC Reserve Fund no later than the last day of each month.

9. The SHARC Reserve Fund shall only be used for qualified reservable items located at SHARC.

Operations Reserve Fund

1. An Operations Reserve Fund shall be established and maintained as a separate account. This account shall only be used as self-insurance to cover costs not insured by the Association's insurance companies (e.g. loss of business income) or when a net deficit is expected for the year due to unforeseen events, such as prolonged adverse weather, that decrease recreation revenue levels by 20% or more of the three-year rolling average. The amount that can be transferred from the Operations Reserve Fund to the Regular Maintenance Fund for these purposes shall be only enough to cover any recreation deficit compared to budget from operations during the year.

2. Before transferring any amounts from the Operations Reserve Fund, Association staff has a duty to mitigate recreation costs wherever possible to offset the recreation revenue shortfalls. Recreation expenses shall be reduced by a minimum of 10% before the Operations Reserve Fund may be utilized to offset any deficits compared to budget.

Risk Management and Insurance

1. The Association shall ensure that its facilities and activities present minimal risk exposure to adverse claims against the Association. Program activities, contractual obligations, property and activities shall be assessed for risk exposure at least annually.

2. The Association shall take prudent actions to maintain its property in a hazard-free condition for the safe use of owners, guests and visitors. The Association shall modify policies and procedures to reduce risk while accomplishing program goals.

3. The Association shall maintain insurance policies to adequately cover risk exposures. The Finance Committee is responsible for annually reviewing the adequacy of Association insurance coverages.

4. The performance of the Association's insurance brokerage firm is required to be reviewed at least every three years by the Finance Committee who will be responsible for approving make a recommendation to the Board to retain the services of the current firm or to initiate a brokerage firm selection process.

PURCHASING

General

1. The General Manager, acting under the direction of the Board, has the responsibility for all purchasing activities. Only the General Manager and designated staff members may make purchases on behalf of the Association.

2. The Association's primary purchasing objective is to negotiate competitive prices in all purchases of and contracts for goods and services. Quality of goods, vendor performance, scheduling, delivery and warranties may be considered as well as price.

3. Multiple bids or quotes shall be obtained whenever possible. On purchases in excess of $5,000 and contracts in excess of $7,500, written documentation will be placed in the file by the General Manager detailing the reasoning when fewer than three bids or quotes are obtained or when the contract is awarded to other than the lowest bidder.

4. Purchase of any item that will connect, directly or by wireless means, to Association computers or networks must be authorized by the IT Systems Administrator and the General Manager, regardless of price.

5. Employees, Directors or committee members who may have a conflict or perceived conflict of interest shall make a written declaration of any potential conflict before participating in the procurement process, or making recommendations or decisions concerning the purchase of goods and services.

Bid Process

1. Bids are required for all purchases of $10,000 or more, except when alternative procurement methods are used (see below). .

2. Identical bid packets containing all information required for preparation of a bid proposal (e.g. bid submittal instructions, specifications, plans) will be provided to potential bidders. Bid documents will be drafted as tightly as possible to produce the desired results without limiting the bidder pool or driving up prices. Any clarifications or supplemental information provided to one bidder shall be provided to all recipients of bid packets.

3. Bid documents shall designate that the Association may reject any or all bids, and that the Association may accept any bid it determines is in its best interest, without regard to the bid price. Warranties must be clearly identified in writing as part of the bid documents submitted by vendor or contractor.

4. The Association shall comply with good business practices by maintaining strict confidence regarding details of bid proposals submitted by vendors and contractors during the bidding process. Once a contract is awarded, a summary of bid amounts may be provided to bidders.

Alternatives to Bid Process Requirements

1. The General Manager may approve procurement through methods other than the bid process when it is in the best interests of the Association to do so. The General Manager is to communicate such action in a timely manner to the Board.

2. A Request for Proposal (RFP) may be issued instead of a standard bid packet in situations that require evaluation of non-cost factors (e.g. vendor experience, applicability of experience to Association needs, quality of work) or negotiation and refinement of the scope of work and/or price based on vendor response to the RFP.

3. A Sole Source contract may be awarded when the vendor provides unique goods or services that cannot be obtained from other vendors. This option should be used rarely and only in those situations where obtaining the goods or services through another source would clearly compromise the Association’s ability to provide quality, cost-effective services to its members.

CONTRACTS

1. Formal contracts are not required for purchase of most goods and services (e.g. supplies, routine maintenance or repairs by tradesmen). However, contracts are required for all capital projects, major equipment purchases, and consulting or professional services.

2. The Association may use contractor proposal forms to authorize work on smaller projects. However, the Association Standard Construction Contract is recommended for all projects and is required on all capital projects in the amount of $25,000 or more. Use of any proposal or agreement other than the Association Standard Construction Contract requires approval of the General Manager. The American Institute of Architects (AIA) standard contract forms will be used for major building projects.

3. All contracts other than the Standard Construction Contract, which have been pre-approved, must be approved by the Association's legal counsel before being authorized and signed. Contracts that contain the same legal provisions as previously approved contracts do not need additional approval by the Association's legal counsel.

4. All contracts for services that involve the use of vehicles or equipment on Association property, or work by the contractor's employees and/or assigns, must contain an indemnification clause and a requirement for proof of general liability and workers' compensation insurance policies in the amounts and in accordance with the conditions specified in the Standard Construction Contract.

5. All contractors must be licensed with the Oregon Construction Contractors Board and must be registered with the Association Community Development Department.

6. The Association does not regularly require bid or performance bonds of contractors bidding on Association projects, but the General Manager may require bonds at his discretion.

PAYMENTS AND AUTHORIZATION

1. The General Manager or the Assistant General Manager is authorized to approve payment of the following budgeted expenditures, regardless of amount:
   - Payroll-related expenses (e.g. insurance premiums, retirement plan contributions) including electronic funds transfers;
   - Payments due under the terms of previously approved contracts;
   - Payments for purchases for which the Association has no control over price (e.g. utility bills, property taxes).

2. The General Manager may approve and sign contracts that meet all of the following criteria:
   - The contract calls for expenditures of less than $25,000;
   - The contract expenditures are included in an adopted budget;
   - The contract does not obligate the Association for more than one year.

   All other contracts must be authorized by the Board and signed by the Association President or other Officer of the Board.

3. The Controller is authorized to approve transfers between Association bank and investment accounts. The Human Resources Manager is authorized to transfer funds between Association bank accounts in the extended absence of the Controller with approval of the General Manager (GM) or of the Assistant General Manager if the GM is not available.

4. Purchase Orders or Check Request Forms for items not covered in Paragraph 1 of this Section require the following approvals:
   - The General Manager may authorize Department Heads to approve purchases up to $1,000, without approval of the General Manager;
   - The General Manager or Assistant General Manager may authorize deposit refunds of any amount;
   - The General Manager or the Assistant General Manager may authorize purchases of less than $5,000, without approval of a Board officer;
   - Approval by a Board officer is required for purchase of $5,000 or more.

5. Approval by the General Manager or Assistant General Manager is required for all requests for reimbursement of expenses incurred by an employee. Requests for reimbursement of

expenses incurred by the Assistant General Manager require approval by the General Manager. Request for reimbursement of expenses by the General Manager require approval by a Board officer.

7. Finance Committee approval is required for the transfer of funds from reserves to the operating fund for prior period capital acquisitions. The Controller shall be authorized to transfer funds as needed from the Reserve Fund to the Maintenance Fund for capital acquisition purchases. A reconciliation of purchases made less transfers to date shall be presented quarterly to the Finance Committee for approval.

BUDGETING AND BUDGET CONTROL

Budget Preparation and Adoption

1. The General Manager and Controller are responsible for preparation of the annual budget for review by the Finance Committee and adoption by the Board.

2. The Association shall use the annual adopted budget to allocate Association resources to accomplish program goals.

3. The budgeting process shall: (1) plan future financial needs by using a minimum three-year cycle to forecast future operating revenues and expenses and (2) develop a multi-year capital projects plan.

Budget Control

1. The General Manager is responsible for carrying out Association programs within the adopted budget. He may delegate budget monitoring and control to Department Heads who would then be responsible for cost centers under their control.

2. The Finance Committee is responsible for the review of financial statements and capital project projections at least quarterly to monitor actual revenues and expenses compared to the adopted budget.

3. The Finance Committee may recommend and the Board may approve mid-year revisions to the adopted budget, if conditions warrant. Revisions to monthly allocations of budgeted amounts may be made by the Controller to produce a more accurate monthly statement of the Association’s financial position.

4. Adopted budget amounts in the categories of Operating Fund Projects and Reserve Fund Project sub-accounts may not be exceeded without approval from the Board.

5. The Finance Committee may recommend to the Board approval of the transfer of funds from the contingency account to a budget line item.

ASSET MANAGEMENT

Investments

1. Investment objectives are preservation of capital, liquidity and rate of return, in that order.

2. The investment portfolio will be structured so that securities maturity dates match cash requirements.

3. Investments shall follow ORS 94.670(2)(a) which state "All Assessments, including declarant subsidies and all other association funds, shall be deposited and maintained in the name of the association in one or more separate federal insured accounts, including certificates of deposit, at a financial institution, as defined in ORS 706.008 (Additional definition for Bank Act), other than an extranational institution. Except as provided in paragraph (b) of this subsection, funds must be maintained in an association account until disbursed. Per ORS 94.670(2)(a) authorized investment are as follows:
    - U.S. Treasury bills & notes;
    - U.S. Government Agency obligations that are backed by the full faith and credit of the U.S. government; (Bonds issued by government-sponsored enterprises should not be used)
    - Time or demand deposit in any commercial bank.
    - Money market funds that comply with SEC Rule 2a-7 of the Investment Company Act of 1940 with greater than $1 billion in assets under management and must be rated AAA or equivalent by at least one of the Nationally Recognized Statistical Rating Organizations specifically Moody's, Standard & Poor's or Fitch.
      (b) Subject to any limitations imposed by the declaration or bylaws, funds of the association maintained accounts established under this subsection may be used to purchase obligations of the United States government.

4. The investment portfolio must be covered by FDIC insurance, except the U.S. Government and its agencies. Principal and accrued interest upon maturity for certificates of deposit shall not exceed the FDIC insured limits.

5. Advisors providing investment services to the Association must be serving in a fiduciary capacity.

6. The Controller shall prepare a quarterly analysis of investment activity for review by the Finance Committee. The SROA Treasurer and Finance Committee have the authority, without board approval, to commit funds to qualifying investments for up to two years. Investments exceeding two years must be approved by the Board.

Accounting for Assets

1. The following items shall be capitalized as fixed assets:
    - Any item of a capital nature that can be sold without a vote of the Association's owners, or is expected to produce significant revenue to the Association;
    - Any item that costs at least $3,000, and that is expected to have a useful life of three years or more;

- Any item (except road and pathways) that will be included in the Association's reserve schedule.

The total acquisition cost should include delivery, taxes and costs to prepare the item for service.

2. All capitalized fixed assets will be depreciated following the guidelines of generally accepted accounting principles (GAAP) over the estimated accounting life of the asset using the straight-line method.

3. The Controller shall keep an inventory of all capitalized fixed assets, adding assets as they are acquired and removing assets as they are disposed of. The inventory will contain the following information: asset identification number, description of asset, date of acquisition, acquisition cost, accounting life, and accumulated depreciation.

4. The Association will conduct a physical inventory of all capitalized fixed assets every three years. Classes of assets or assets at specific locations may be inventoried at any convenient time as long as each asset is inventoried at least every five years. The results of this inventory shall be reported to the Finance Committee.

5. The Association will dispose of assets in a manner prescribed by the General Manager. Asset disposal shall produce maximum net benefit to the Association. The process of transferring ownership of assets to owners or employees shall be done in a manner that is equitable. In general, proceeds from the disposal of an asset should accrue to the fund used to acquire the asset. It is the responsibility of the department head acquiring an asset to inform the accounting department of its acquisition as well as its eventual disposal.

Replacement Reserves

1. The Association shall maintain a Reserve Fund for capital assets and replacement or major repair of Association assets which normally require replacement in whole or in part between three and 30 years. Separate sub-accounts may be maintained for management purposes. Capital expenditures shall be made by the Maintenance Fund and reimbursed at least quarterly by the Reserve Fund. A reconciliation of purchases made less transfers to date shall be provided to the Finance Committee for approval.

2. The Association will fund reserves in a manner that ensures that current owners contribute adequately to future costs of ownership of current assets. This ensures that future buyers of property in Sunriver are not faced with the need to fund significant costs deferred from prior years. Conversely, the Association will fund reserves in such a manner that current owners are not significantly subsidizing the costs of asset ownership for future owners by excessive contributions to reserves.

3. Every three years a full Reserve Study including a thorough site inspection, an analysis of each asset component for useful life, remaining useful life and replacement costs in then-current dollars, will be conducted by a professional reserve specialist. The study will result in a report compliant with national and state standards showing a 30-year funding analysis. The Reserve Specialist shall be able to demonstrate experience with similar community associations. Professional licensure (e.g. Professional Engineer; P.E.) and/or CAI designation (Reserve Specialist: R.S.) is preferred.

4. The Reserve Study estimates the funds necessary for replacement and major repair of current assets in future years. This estimate is based on the current replacement or major repair cost of each asset, the useful life of the asset, and assumptions concerning inflation and earnings. In addition, the reserves may be used for the acquisition or development of new assets in accordance with Section 7.08 of the Consolidated Plan.

5. The Reserve Study will account for replacement and major repair of all capital assets with an acquisition cost of at least $3,000 and an expected useful life of between three and 30 years. The adopted Reserve Study will be reviewed by staff under the general supervision of the General Manager to ensure that current replacement costs, life cycles and model assumptions are as accurate as possible.

6. Reserve funding goals:
   - The Board of Directors shall follow the multi-year funding plan for the Reserve Fund as recommended by the Reserve Specialist. The plan shall be designed to gradually bring the Association's reserves to a 70% to 100% level by the year 2042.
   - Upon achieving the threshold funding level, the Board of Directors shall budget and fund contributions to the reserve fund annually in an amount sufficient to maintain the reserve fund at the 70% to 100% funded level.

Retirement Plan Maintenance

1. The Finance Committee is responsible for reviewing fidelity insurance coverage for the retirement plan annually and ensuring coverage is in compliance with federal standards.

2. The performance of the Association's retirement plan service providers, to include consultants, custodians, advisors, and third-party administrators shall be reviewed at least every three years by the Plan Trustees which shall make a recommendation to the Finance Committee to retain the services of the current providers or to initiate an RFP selection process. In turn, the Finance Committee shall provide a recommendation to the Board for board action upon review of the Plan Trustee recommendation.

3. The Controller and/or General Manager are responsible for attending and documenting any and all meetings related to retirement plan discussions. Results of RFP processes, notes from all meetings discussing the retirement plan and any other documentation that arises as a result of monitoring and evaluating the Association's retirement plan shall be maintained in a file in the accounting department.