

Suncadia Residential Owners Association

RESOLUTION NUMBER 105


Relating to General Financial Policies

WHEREAS, the Governing Documents of Suncadia Residential Owners Association assigns the Board all powers and duties necessary for the administration of the Association's affairs;

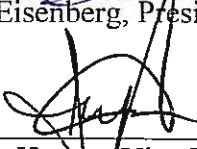
WHEREAS, the Board deems it to be in the best interests of the Association to adopt general financial policies to guide the Association's accounting procedures, purchasing and contracting, budgeting and budget control, and asset management.

THEREFORE, be it resolved that the Board of Directors hereby adopts the attached policies as a guide to the management of Association finances.

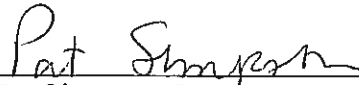
DULY ADOPTED by the Board of Directors on February 25, 2009.

 2-25-09

Paul Eisenberg, President

 2-25-09

Gregg Harper, Vice President

 2/25/09

Pat Simpson, Secretary

SUNCADIA RESIDENTIAL OWNERS ASSOCIATION
GENERAL FINANCIAL POLICIES
Adopted February 25, 2009

Financial Transactions

1. Accounting for financial transactions will be in accordance with generally accepted accounting principles (GAAP). The Association will conduct all financial transactions in compliance with all laws and regulations, including all local, state and federal reporting requirements.
2. Financial statements will be prepared on the accrual basis of accounting where revenues are recorded when earned and expenses are recorded when incurred.
3. Association funds will be kept in accounts in the name of the Association and will not be comingled with the funds of any other association, nor with the funds of the Suncadia Management Company or its Managing Member.
4. Funds to finance operations (Operations Fund) and funds designated for future major repair and replacement of capital assets (Reserve Fund) will be kept in separate bank accounts and classified separately for accounting and reporting purposes.
5. Interest earned on funds deposited in the Reserve Fund will be accumulated in the Reserve Fund.
6. Operations and Reserve Funds for all Limited Common Areas and Villages subject to governance of the Suncadia Residential Owners Association will be classified separately for accounting and reporting purposes.
7. Financial institutions providing banking services must be insured by the Federal Deposit Insurance Corporation. Association funds will be subject to interest bearing repurchase agreements, when practicable.
8. The Association will maintain good relations with vendors by paying bills in a timely manner to meet each vendor's terms for payment. Invoices will be paid to take advantage of available discounts.

Financial Records

1. All financial records will be kept in a sufficiently detailed manner that they may be easily audited at the conclusion of the fiscal year and enable the Association to fully declare the true statement of its financial status and affairs.
2. All financial records are the property of the Association and will be made reasonably available for examination by any owner, the owner's authorized lessees and agents and all Mortgagees.

3. Financial records will be maintained in accordance with the Association Records Retention Policy.
4. The general ledger and subsidiary ledgers will be balanced and posted monthly. All bank statements will be reconciled and posted monthly.
5. Complete financial statements, with an explanation of significant variances from the adopted budget, will be presented to the Finance Committee and approved by the Board of Directors (Board) quarterly.

Internal Controls

1. The Board will approve the opening of all Association bank accounts and designate the required signatories.
2. Duties will be assigned to individuals in such a manner that no one individual can control all phases of processing financial transactions in a way that permits errors or omissions to go undetected.
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 Accounting Manager will be responsible for maintaining a current signature card with the appropriate financial institutions. Officers of the Board are the only persons authorized to sign Association checks. Two signatures, including one by a Financial Officer, are required on each check. Checks presented for signature must have all documentation attached.
5. The Board must approve writing off receivables that are considered uncollectible.

Audit

1. The Association will engage the services of an independent 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 insure that the financial statements are properly presented in accordance with generally accepted accounting principles (GAAP) and fairly present the financial position of the Association.
3. The footnotes to the annual audit will be of sufficient detail and clarity to allow owners to understand and appreciate the importance of the financial information presented.
4. The annual audit will be presented to the Finance Committee for review and to the Board for adoption. Summary results of the audit will be mailed to each owner within one hundred twenty days following the close of the fiscal year and the entire audit will be made available to an owner upon request.

5. The performance of the Association's audit firm will be reviewed at least every three years by the Finance Committee which will make a recommendation to the Board to retain the services of the current firm or to initiate an audit firm selection process.

Risk Management and Insurance

1. The Association will ensure that its facilities and activities present minimal risk exposure to adverse claims against the Association. Program activities, contractual obligations, property and activities will be assessed for risk exposure at least annually.
2. The Association will take prudent actions to maintain its property in a hazard-free condition for the safe use of owners, guests and visitors. The Association will modify policies and procedures to reduce risk while accomplishing program goals.
3. The Association will maintain insurance policies to adequately cover risk exposures. The Board will annually review the adequacy of Association insurance coverages.
4. The performance of the Association's insurance brokerage firm will be reviewed at least every three years by the Finance Committee which will make a recommendation to the Board to retain the services of the current firm or to initiate a brokerage firm selection process.

PURCHASING & CONTRACTS

General

1. The Suncadia Management Company Director of Community Associations (Director), acting under the direction of the Board, has the responsibility for all purchasing activities. Only the Director 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 will be obtained whenever possible. On purchases in excess of \$2,500 and contracts in excess of \$5,000, written documentation will be placed in the file when less than three bids or quotes are obtained and when the contract is awarded to other than the lowest bidder.
4. Suncadia Management Company employees and Association Directors will not accept remuneration from vendors, independent contractors or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts or otherwise. Anything of value received from those providing goods or services will benefit the Association.
5. Suncadia Management Company employees and Association Directors who may have a conflict or perceived conflict of interest will 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. Bids do not have to be advertised and the Association, in its sole discretion, may decide which vendors and contractors will be invited to bid.
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 will be provided to all recipients of bid packets.
3. Bid documents will 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. Under no circumstances will bids or proposals be accepted after the closing date and time for submittals.
5. The Association will 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 Director may approve procurement through methods other than the bid process when it is in the best interests of the Association to do so.
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, scope 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 can not 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.

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, maintenance services in excess of \$10,000 and consulting or professional services.

2. The Association may use contractor proposal forms to authorize work on smaller projects. However, the Association Standard Contract is required for projects in the amount of \$10,000 or more. Use of any proposal or agreement other than the Association Standard Contract requires approval of the Director. The American Institute of Architects (AIA) standard contract forms will be used for major building projects.
3. All contracts other than the Association Standard Contract, which has been pre-approved, must be approved by Association Legal Counsel before being authorized and signed. Contracts that contain the same legal provisions as previously approved contracts do not need additional approval.
4. All contracts for services that involve the use of vehicles or equipment on Association property, or work by the contractor's employees must contain an indemnification clause, with a duty to defend, 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 Association Standard Contract.
5. The Association does not regularly require bid or performance bonds of contractors bidding on Association projects, but the Director may require bonds at his discretion.

Authorization

1. The Treasurer or Assistant Treasurer is authorized to approve the following budgeted expenditures, regardless of amount:
 - Transfers between Association bank accounts;
 - Approval of the monthly General Ledger Journal by signature.
2. The Director is authorized to approve the following budgeted expenditures, regardless of amount:
 - 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);
 - Payments for insurance premiums, including the authority to bind insurance policies on behalf of the Association.
3. The Director may approve and sign contracts that meet all of the following criteria:
 - The contract calls for expenditures of less than \$10,000;
 - 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 two Officers of the Board.
4. Purchase Orders or Check Request Forms for items not covered in Paragraph 2 of this Section will be approved as follows:
 - The Director may authorize Department Heads to approve purchases up to \$500, without prior approval of the Director;

- The Design Review Committee Administrator may authorize deposit refunds of any amount;
- The Director may authorize purchases of less than \$10,000, without approval of an Officer of the Board;
- An Officer of the Board must approve purchases of \$10,000 or more.

BUDGETING AND BUDGET CONTROL

Budget Preparation and Adoption

1. The Director, or the Community Associations Manager under the general supervision of the Director, is responsible for preparation of the annual budget for review by the Finance Committee and adoption by the Board.
2. The General Operations budget will contain a contingency account in an amount not less than three percent of the total General Operations budget.
3. Within thirty days after adoption by the Board, the Board will set a date for a meeting of the owners to consider ratification of the budget not less than fourteen nor more than sixty days after mailing a summary of the adopted budget to the owners.
4. The Association will use the annual adopted budget to allocate Association resources to accomplish program goals as adopted by the Board.

Budget Control

1. The Director 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 and Board will review 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 Accounting Manager to produce a more accurate monthly statement of the Association's financial position.
4. Adopted budget amounts in a Cost Center may not be exceeded without approval from the Board.

ASSET MANAGEMENT

Investments

1. Investment objectives are preservation of capital, liquidity and rate of return net of expenses, in that order.
2. The investment portfolio will be structured so that securities maturity dates match cash requirements. In addition, the portfolio will include a prudent amount of securities with an active secondary market providing liquidity through sale of a security prior to maturity, should that be necessary.
3. Authorized investments are:
 - U.S. Treasury bills & notes;
 - U.S. Government Agency obligations (with maturities up to ten years);
 - Certificates of deposit;
 - Money market funds.
4. The investment portfolio will be diversified by limiting principal investment in any one issuer, except the U.S. Government and its agencies. Principal and accrued interest upon maturity for certificates of deposit will not exceed maximum amounts insured by FDIC or FSLIC.
5. Investment securities may be held by the commercial and investment banks that perform investment services for the Association.
6. The Accounting Manager will prepare a quarterly analysis of investment activity for review by the Finance Committee. Investments exceeding one year must be approved by the Board.

Accounting for Assets

1. Any item of a capital nature, such as land, land improvements or capital assets that costs at least \$3,000 and is expected to have a useful life of three years or more will be capitalized as a fixed asset. 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 Accounting Manager will 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 five 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 will be reported to the Finance Committee and Board.
5. The Association will dispose of assets in a manner prescribed by the Director. Asset disposal will produce maximum net benefit to the Association. In general, proceeds from the disposal of an asset should accrue to the fund used to acquire the asset.

Replacement Reserves

1. The Association will maintain a Reserve Fund for replacement or major repair of Association assets which normally require replacement or major repair in three to thirty years. Contributions to the Reserve Fund will be made monthly in accordance with the Reserve Study recommended contribution rate. Separate sub-accounts may be maintained for management purposes. Capital expenditures will be made by the Operating Fund and reimbursed quarterly by the Reserve Fund by motion of the Board.
2. The Association will fund reserves so current owners contribute adequately to future costs of ownership of current assets. This insures that future buyers of property are never faced with the need to fund costs deferred from prior years. Conversely, the Association will fund reserves in such a manner that current owners are not subsidizing the costs of asset ownership for future owners by excessive contributions to reserves.
3. The Association will prepare a Reserve Study that estimates the funds necessary for replacement, major repair or maintenance costs of current assets, whose infrequent and significant nature make them impractical to be included in an annual budget. 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.
4. The Reserve Study will account for replacement or major repair of all capital assets with an acquisition cost of at least \$3,000 and an expected useful life of three years or more over a thirty year period. The Study will be reviewed annually by the Finance Committee and updated every three years by a reserve study professional to ensure that current replacement costs, life cycles and model assumptions are as accurate as possible. The updated Study will be adopted by the Board upon Finance Committee recommendation.
5. To meet reserve goals, the Association will contribute current year assessments to the Reserve Fund in an amount equal to at least five percent of the total replacement or major repair cost of all existing assets, adjusted for inflation. The Association will use a cash flow model to test the adequacy of the reserve contribution level. The cash flow model will take into account increased costs due to inflation and interest earnings on fund balances.