

Policy: Bad Debt Write-Off Policy  
Date: October 23, 2006 Board  
Page: 21

All delinquent member accounts that are unpaid as of the close of business on the last business day of each quarter will be written off to bad debt expense. Although the delinquent member account balance will have been written off, all collection methods as approved and directed by the Board of Directors will continue.

Definition: For the purpose of this policy, a member account will be defined as delinquent if unpaid as of the last business day of the quarter for which it was billed.

Procedure: Accounting for Collection of Bad Debts:

Current Year Portion – The current year charge to Bad Debts Expense will be reversed as originally recorded and the collected funds will be accounted for as originally billed.

Prior Year Portion - The prior year charges to Bad Debts Expense will be reversed and the remaining collected funds after Capital, Road and other non-operating assessments have been properly accounted for, will be distributed to the Undesignated Reserve Funds deposited into the Undesignated Reserve will remain there until such time as the Treasurer or the Finance Committee recommends to the Board the disposition of such reserves. At the end of any given year, any funds remaining in the Undesignated Reserves will be applied to the next year's member assessments and transferred to the members capital reserves by allocation of Operational Dues to Capital Dues as provided by the guidelines established by the IRC Section 118 in order to minimize the Association taxable net member income. Any amounts so allocated to capital replacement funds shall be allocated to the various components at the discretion of the Board of Directors.