

## **SECTION II – GENERAL ASSOCIATION POLICIES**

### **TERLINGUA RANCH ROAD POLICY**

By virtue of POATRI's ingress/egress easement for Terlingua Ranch roads, all members of the Terlingua Ranch Maintenance Association and POATRI enjoy the right to access all Terlingua Ranch roads for the purpose of ingress/egress. A member who has barricaded a road shall not be relieved of any obligation to pay assessments.

#### **Access to Private Roads on Terlingua Ranch**

1. All roads on Terlingua Ranch are private Property Owner roads, not Public roads. POATRI owns no roads other than the roads that access the lodge and water wells. POATRI has ingress and egress access to all Terlingua Ranch roads for maintenance.
2. All owners and their guests and or persons having reasonable business have legal access through and over all Terlingua Ranch roads.
3. Commercial use is not to be construed as including service use, such as UPS, propane delivery or emergency vehicles.
4. POATRI can only create policy and guidelines and can not act as an enforcing agency. In this spirit, the following guidelines are offered in the hope they will be adhered to by commercial users:
  - a. Any and all organized tours should contact the Terlingua Ranch office 2 to 4 weeks prior to an event.
  - b. Routes, dates, duration of events should be furnished to the Terlingua Ranch office management, who will then disseminate the information in the most practical manner, such as posting to the website.
  - c. In the case of repetitive guided tours, it is not necessary to advise each time, but routing is still requested.
  - d. Have a method of identifying participants, such as visible numbers, names on vehicles, etc.
  - e. No individual group should number more than 20 participants and each group should have one individual charged to monitor behavior (not applicable to single vehicle tours).
  - f. It is requested that groups creating noise, dust and other "nuisances" limit themselves to sparsely populated areas.
  - g. Each guest or visitor or proposed commercial user should be furnished a copy of reasonable behavior on Terlingua Ranch as well as a copy of the guidelines.

#### **Barricades, Gates and other Barriers to Access**

1. A member may not block or otherwise barricade a private road if such action will deny access to any other property owner, family member, or their guests except under the following circumstances:
  - a. A property owner may barricade a road on his or her property only when that road does not continue on to another member's property. Road maintenance beyond such a gate will be done at the discretion of the General Manager and only when such maintenance is contracted from POATRI by the owner at the then current rate.
  - b. A group of property owners may agree to barricade a road that serves only that group of property owners. Such property owners must provide written notice to the General Manager signed by all members of the group of their intent to barricade this road. This written notice must be renewed with the POATRI office on an annual basis.

- c. POATRI shall not maintain any road barricaded under the provisions of a. or b. of this section, except at the discretion of the General Manager and only when such maintenance is contracted for by the owners at the then current rate.
  - d. Member(s) who have barricaded a road under the provisions of a. or b. of this section shall not be relieved from any obligation to pay assessments.
2. POATRI encourages unencumbered access to all parts of Terlingua Ranch by property owners, consistent with the provisions of Texas law and with private property rights. It is the position of POATRI that members and their guests have the right of access to all roads maintained by POATRI, except where POATRI Policies & Procedures allow otherwise, as stated herein.

## **Maintenance of Terlingua Ranch Roads**

1. POATRI accepts responsibility for the maintenance of Terlingua Ranch roads for the benefit of all the Members of POATRI and the Terlingua Ranch Maintenance Association.
2. Maintenance and repair to Terlingua Ranch roads will be performed in such a manner as to maintain access for high clearance and/or 4 wheel drive vehicles only. POATRI retains a right to create and keep repaired such water diversions as necessary to ensure the least damage possible to roads due to runoff.
3. Regular rotations of road maintenance and repair will be maintained by POATRI to ensure that all Terlingua Ranch roads receive maintenance on at least an annual basis. Off-rotation repair and maintenance may be performed more often based on damage due to weather.
4. POATRI will build and maintain, at no cost to the owner, an access road to any tract platted by the original developer of Terlingua Ranch if such road does not exist. The owner is solely responsible for obtaining a certified survey and acquiring a legal easement in POATRI's favor for this access prior to road construction.
5. POATRI may build, at a rate established by the General Manager, an access road to any tract that has been subdivided from an existing tract. The owner is solely responsible for obtaining a certified survey and acquiring legal easement in POATRI's favor for this access prior to road construction.
6. Before POATRI will accept or maintain a new road constructed by a landowner, the method of construction, as well as the finished product must be approved by the Road Superintendent and/or general Manager. The owner is solely responsible for obtaining a certified survey and designating a legal easement in POATRI's favor prior to accepting said road. Said easement to be 50 feet in width.
7. POATRI may, at its option, cease to maintain roads on any or all property of a landowner who is not in good standing as a member of POATRI, in accordance with Section 3.03 of the Bylaws. This action shall not be taken if it would result in a lack of good access to property owned by a POATRI Member in good standing.
8. POATRI may agree to cease maintaining the roads on a member's property if the request is expressed in writing by said member to the General Manager. The request will be denied if it would result in a lack of good access to property owned by a POATRI Member in good standing unless all parties agree in writing. Approval of the request does not relieve any member from the obligation to pay assessments. All such written requests shall be filed in the POATRI office indefinitely until retracted in writing.
9. Terlingua Ranch roads are any existing roads that lead to, or through, property designated as Terlingua Ranch under the terms and conditions of the Terlingua Ranch Maintenance Association

document dated November 1, 1970, plus amendments, as filed with the Brewster County Clerk, for the purpose of access for members of POATRI and the Terlingua Ranch Maintenance Association.

10. Only POATRI has ingress/egress rights for the maintenance, repair and improvement of Terlingua Ranch roads.
11. No property owner has the right to maintain or otherwise alter a Terlingua Ranch road without the express, written consent of all owners of the property through which said road traverses.
12. Property owners who wish to maintain or otherwise alter a Terlingua Ranch road that traverses their property must first obtain written permission from POATRI. Without such permission, the property owner shall be subject to financial charges for the cost to POATRI of reworking, if necessary, the roads affected.

*Revised October, 2008*

## **AUDIT COMMITTEE**

### **Financial Audits**

The members of the Board of Directors of POATRI (Board) are elected to their position and are charged with the fiduciary duty of providing financial management and oversight over the finances of POATRI. This duty cannot be delegated to others nor can any other group assume the responsibility of oversight. The use of a certified external auditor and the authorization of an Audit Committee along with established audit procedures in the POATRI AUDIT COMMITTEE HANDBOOK are measures which are used by the Board to protect against fraud or deliberate manipulation of POATRI finances.

- 1 Every year the Board shall engage a Certified Auditor to examine the books of the Corporation. The person or firm hired to do such an annual audit shall be reviewed by the Board of Directors on a five year schedule. The person or firm hired to do so shall be a Certified Public Accountant or a partnership of Certified Public Accountants licensed by the State of Texas and be certified to perform audits.
- 2 The certified auditor will be required to report audit findings and recommendations to the Board no later than six months after the closing date of the period being audited.
- 3 The Board shall conduct or supervise an audit when there is a change in staff that involves a check signer, or when a majority of the Board decides it is necessary. Two backup copies of the QuickBooks database file and the TRIPOD database file shall be made after the closing of the books for the fiscal (calendar) year and upon a change of General Manager. One Copy shall be sealed and stored in the office safe and one copy shall be sealed and retained in a bank safety deposit box by the President of the Board (the Treasurer shall have the second key to the

safety deposit box). These copies will be retained in accordance with Section III-7 of the POATRI Policies and Procedures Manual.

- 4 The Board of Directors shall appoint an Audit Committee of no less than three members and not more than six members, all of whom shall be members in good standing of the Association. The Board shall appoint an Audit Committee Chair from the members on the Audit Committee, or if there are no members remaining they may select a Chair who was not on the Audit Committee. The appointed Chair may recommend additional Audit Committee members who must be approved by the Board of Directors. No member of the Audit Committee shall be a signer on any POATRI bank account nor may they be an employee of POATRI, or maintain any business relationship with POATRI. In order to provide continuity and to provide a rotation of the duties among the Audit Committee members during their term, the Chair shall serve no more than one year, as Chair, and members of the Audit Committee shall be appointed for staggered three year terms, with at least one member being replaced annually after the January board meeting (if there are six members on the Audit Committee then two members will be replaced). Those members who are replaced may be reappointed to the Audit Committee after a one year absence.
  
- 5 The Audit Committee will conduct an examination of the areas listed and shall use the audit procedures provided in the AUDIT COMMITTEE HANDBOOK. Audits of additional areas may be requested by the Board of Directors, the Board Executive Committee, Management, or recommended by the Audit Committee. For each additional audit, the Audit Committee shall prepare and submit to the Board of Directors and Management an audit plan with specific objectives and procedures for the audit process. Approval by the Board of Directors is required prior to initiating each additional audit project.

### **AUDIT COMMITTEE RESPONSIBILITIES**

The Audit Committee's purpose is to assist the Board of Directors in performing its fiduciary management and oversight responsibilities by conducting the audits specified in the Audit Committee Handbook. The overall responsibility is to perform complete and accurate audits on a timely basis that satisfy the objectives for each audit and submit timely reports to the Board and Management.

The POATRI Audit Committee provides an audit function and members shall work in a cooperative and productive manner with Board members, the General Manager and employees. Audit Committee members will follow the processes and procedures provided in the Audit Committee Handbook, work with Management and other designated personnel to understand POATRI practices and procedures, and provide useful and constructive reports providing feedback which can assist management in improving internal cash controls and also will allow the Board of Directors to accomplish their duty of oversight over POATRI finances.

The Committee, and in particular, the Chair, should have some financial experience or background to facilitate the performance of audit committee duties. Audit Committee members will not perform actual accounting and bookkeeping functions and therefore are not required to have specific accounting or bookkeeping skills. However, audit committee members should be able to review and understand General Ledger reports, Financial Reports, Accounting Sub Systems and Bank Statements. All members of the committee shall be charged with the responsibility of becoming familiar with all internal and external cash controls, and financial management procedures that relate to the listed audit projects.

At the conclusion of each audit the Audit Committee member(s) shall prepare an audit report, utilizing the audit report format provided in the Audit Committee Handbook, which shall present the audit process, and the findings resulting from the audit. This report shall be provided on a timely basis to the Audit Committee Chair, the Board and to the General Manager. The Treasurer and the General Manager shall be responsible for all appropriate follow up actions.

The following is a list of some audit projects and duties of the Audit Committee (For a complete list and details refer to the AUDIT COMMITTEE HANDBOOK:

Meet with the Certified Auditor at both the beginning and the conclusion (if Certified Auditor requests a meeting) of any external audit process to discuss any issues or questions related to the external audit.

- Work with Management to improve all internal financial controls for the protection and benefit of the Association, its members and its employees.
- To the extent the Audit Committee believes that POATRI Policies and Procedures are inadequate or should be changed they may bring their recommendations to the attention of Management and the Treasurer who shall review the issue with the Board of Directors for their consideration.
- Perform regular audit checks of cash procedures, including, but not limited to, reconciliations of petty cash and cash drawers and inventories of supplies and equipment
- Conduct a review of TRIPOD Receivables Reconciliations.
- Review the monthly Bank Reconciliation produced by office personnel using the Quick Books reconciliation procedure and check for the accuracy of deposits, disbursements and balances.
- Review checks, with supporting billing documentation, signed by a single signer.
- Review credit card and debit card transactions, if such cards are being used.
- Review payroll records on a quarterly basis prior to the quarterly Board meeting.

- Review transfers of funds into and out of the Contingency Fund and the Capital Reserve Account.
- Review quarterly financial statements provided by Management for the purpose of confirming income and expense allocations.
- Review and verify annually the depreciation schedule attached to the latest income tax return and rendered to Brewster County for property tax purposes.

All members of the Committee are charged with the responsibility of maintaining confidentiality. Audit Committee members may be required to review payroll records, property owner payment records and other data considered to be confidential. Committee members shall maintain the confidentiality of such information and shall sign the POATRI Confidentiality Statement upon becoming a member of the Committee.

Administrative errors or problems discovered during audits should be discussed with Management which will allow many minor errors to be corrected prior to preparing an audit report. Only those problems which may be of a more serious nature should not be discussed with Management prior to reporting to the Board. The Treasure will be responsible for investigating those problems of a more serious nature and reporting the findings to the Board of Directors. The Audit Committee is to act as a discovery and reporting group to the Board of Directors and Management.

Each Audit Committee member shall be provided a copy of the Audit Committee Handbook which shall contain the description of responsibilities, guidelines, and audit projects, and which shall provide Objectives and Procedures for all audit projects and an audit report format which is to be used at the conclusion of each audit.

Revision approved by Board of Directors  
September 29, 2009

### **Association Assessment Procedures**

1. Association Assessments are assessed on all non-exempt property tracts on Terlingua Ranch. Ownership of property subject to such assessments obligates the owner to pay assessments at a rate that is set in the Document entitled Terlingua Ranch Maintenance Association. Assessments are due on January 1 of each year and become past due on April 1 of the same year.
2. A new owner who is buying only a portion of a tract or tracts subject to assessments that are delinquent shall be accountable for only a prorated amount of the delinquency based on the number of acres being acquired, if applicable
3. Transfer of property to a new owner, whether by sale or by other means, automatically transfers assessment obligations as follows:
  - a. If Grantee is not already an owner the account will be charged for the current annual assessment, prorated monthly from the deed date, plus any delinquent assessments owed on the tract(s) transferred. Grantee and Grantor must include any prepayment of fees in their closing calculations.

- b. If Grantee is already an owner, no additional current annual assessment will be charged; however delinquent assessments owed on the tract(s) will be transferred.
  - c. All delinquent assessments transfers will be subject to any current amnesty program approved by the Board of Directors
4. A previous owner, who resumes ownership because of repossession or the buyer fails to complete the terms of a contract for sale, shall be responsible for only those assessments that would have been assessed had the sale not occurred. That is to say that no penalties shall accrue under the circumstances and should the resuming owner have other non-exempt tracts no delinquent assessments shall transfer back to the seller.
- Definition of Terlingua Ranch: All property located in Brewster County, Texas and described in any of the following agreements:
    - 1. TRMA agreement filed of record, Vol. 173, page 213 and any amendments or supplements to such agreement filed by Terramar Corporation in the office of the County Clerk, Brewster County, Texas [Exhibit A and subsequent property added by Terramar]
    - 2. Agreement filed of record, Vol. 167, page 241 [Hunt Agreement – Expired 12/31/94]
    - 3. Agreement filed of record Vol. 185, page 704 [Hunt Agreement – Expired 12/31/94]
    - 4. Any other property located in Brewster County, Texas, which Terramar Corporation has been, or shall be, the owner of record titleAll property which meets this definition is a part of the Terlingua Ranch Maintenance Association and is subject to the terms and conditions of the TRMA.
  - Property listed as the exception on Exhibit B was excluded from TRMA assessments unless there was specific language in the original Terramar deed to remove that exclusion.
  - Subsequent sellers of Exhibit B excluded property can remove the exclusion with specific language in subsequent deeds.
  - Property that is part of Terlingua Ranch, but is not listed on the Exhibit B exclusion, is non-exempt unless the original deed from Great Western/Terramar specifically excludes that property from assessments.
  - No subsequent seller may exclude non-exempt property from assessments.
  - All deeds filed after the October 20, 1971 filing date of the original TRMA are subject to the above rules whether they contain specific assessment language or not.

*Revised October, 2008*

## **Association Assessment Amnesty Program**

**Effective January 29, 2005:**

The Association will forgive a portion of the delinquent assessments for the purchaser of such tracts under the following conditions:

1. There must be an arm's length relationship between the seller and the buyer.
2. The purchaser must pay at the time of transfer 40 percent of the delinquency, or the amount that will be collectible should the property go to foreclosure, whichever is less.
3. A buyer who is an existing Terlingua Ranch property owner must be a member in good standing with the Association.
4. Once a foreclosure petition has been filed with the Court, amnesty will be available to any buyer under the above conditions so long as the buyer also agrees to pay all court costs and legal fees incurred in bringing suit. *(Added 8/08)*

The General Manager is charged with the responsibility of creating and maintaining a system for tracking such transactions and for enforcing compliance with this program.

## **Suspension of Association Assessments**

Effective August 16, 2004, the Board rescinded a resolution of January, 2003, in regards to maintenance fees on property foreclosed upon by Brewster County Tax Assessor and replaced said resolution with the following:

We rescind the resolution regarding waiving maintenance fees of January 25, 2003, and adopt the following: all current monthly maintenance charges on all tracts acquired by Brewster County (either by deed in lieu of tax lien foreclosure or sheriff's deed by virtue of a tax lien foreclosure) shall be suspended only while the county holds title to these tracts.

**Cost Accounting (Operations Allocation)**  
*(Revised April 30, 2005)*

Income and expenses of POATRI shall be allocated between the two distinct operations of the Association:

Assessment Revenues – which includes the maintenance & improvement of the road system and the administrative function of the collection of Association Assessments

Supplemental Revenues -- which includes all resort facilities, functions of Terlingua Ranch Resort and any other functions not associated with Association Assessments.

Recognizing it is important to know how much income and expenses are associated with the different functions of POATRI's operations, a rule is established to determine whether specific income or expense items shall be assigned to a particular operation. *(Revised Oct, 2004)*

To determine whether the income or expense transaction in question is properly a Supplemental Revenues item, the following question should be asked: Would we have this income or expense if we did not run a resort operation? If the answer is "yes", we would still have incurred this expense or received this income, then the item does not belong to the resort.

All other income and expense transactions shall be allocated to the Assessment Revenues classification.