



# High Lonesome Ranch Estates Property Owners Association

## Treasurer Policies and Operating Procedures

DRAFT - Not Yet Approved by the Board of Directors

**1. Overview.** The purpose is to define how and when the Treasurer and others act on behalf of the Association regarding finances. The goal is to keep procedures effective, fair, efficient, and current. Superior governing documents prevail in any conflict with this document, and this document prevails in any conflict with any earlier document of equal authority. These procedures expire if incorporated into the Association Rules, if superseded, or if not renewed before February 1, 2029.

**2. Budget.** Association spending is constrained by the budget. The Board has sole authority to set and amend the budget. The budget is divided into categories, each having individual budget lines.

2.1. **Annual Budget Process.** The annual budget drives the annual assessment. Both should be decided at the October Board meeting so they can be announced before the holiday season and provide members generous advance notice. Keep directors advised on the procedures and schedule for the budget cycle.

2.1.1. **Initial Draft Budget.** Use past budgets, expenditures, inflation rates, and other available information to project the budget amount for each budget line. Consolidate projections into the initial draft budget.

2.1.2. **Coordination.** Distribute initial draft budget to all directors and solicit input on each budget line from its point of contact (POC) on the Board. Ask the Secretary to post the initial draft budget on the Association website together with a solicitation of input from members (instructing members to send their inputs directly to the appropriate POC). POC inputs are due to the Treasurer no later than September 1st of each year.

2.1.3. **Final Draft Budget.** Consolidate any POC input into the final draft budget. Distribute the final draft budget to all directors and ask to have it posted on the Association website for member review before the October Board meeting.

2.1.4. **Budget Deliberations and Approval.** The Board deliberates the budget at the October Board meeting, adopting adjustments to the final draft as needed to secure a Board vote for approval. Upon approval of the budget, compute the annual assessment based upon the budget and projection of finances at the end of the year. If the resulting assessment is unacceptable or illegal, then re-open deliberations. Upon approval of both the budget and annual assessment, request that the approved annual budget be published on the Association website.

2.2. **Budget Changes.** The Board may amend the budget to shift funds between budget lines, budget categories, and/or accounts. Budget amendments will specify the dollar amount being shifted, the source of the funds, and the destination of the funds. Publish the amended budget, cite the date, and request that it be posted on the Association website.

**3. Assessments.** Amounts, payment frequency, and due date(s) are set by the Board. The Association shall not pay the expenses associated with electronic payments; the property owner is solely responsible for all additional expenses such as electronic payment fees and any other bank charges related to the transaction.

3.1. **Authority.** Arizona statutes 33-1803, 33-1806, and 33-1807; and Section 7 of the Declaration.

3.2. **Calculation.** The total assessment amount should roughly equal the amount of budget, if possible. The individual assessments equals the total assessment divided by the number of lot accounts.

**3.3. Assessment Invoice.** Send invoice to the owner no more than 45 days nor less than 30 days before the due date. Include the assessment amount, the due date(s), the lot number, and the owner's name(s); a report of recent account activity; methods of payment, additional fees for electronic payment, and necessary account information; and how to request special payment arrangements or request to be heard by the Board. Courtesy reminders are allowed, but not required.

**3.4. Payments.** Record the payment in the account ledger, deposit the payment, and issue a receipt.

**3.5. Special Arrangements.** The only special arrangement the Treasurer can make is allowing a member to pay between 25 and 50 percent of the assessment on the first due date, and the remaining balance of the assessment on the second due date. The Board can make broader special arrangements to establish a special payment schedule, waive/suspend select consequences, or set conditions for continuing or canceling special arrangements.

### **3.6. Non-Payment Consequences.**

**3.6.1. Past Due Date.** A lien on the property exists and the split-payment option is withdrawn.

**3.6.2. 15 Days Past Due Date.** Payment is late and fees may apply.

**3.6.3. 30 Days Past Due Date.** 'Member in good standing' status is revoked.

**3.6.4. 45 Days Past Due Date.** Payment is delinquent and 18% interest retroactive to the due date applies. Account is subject to collections.

**3.6.5. 18 Months Past Due Date.** Account is subject to foreclosure.

### **3.7. Non-Payment Actions.**

**3.7.1. Overdue.** Send a notice detailing account status, consequences to date, pending consequences of non-payment/late payment, and procedures on requesting to be heard.

**3.7.2. Late.** Send an invoice for the late fee along with a notice detailing account status, consequences to date, pending consequences, and procedures on requesting to be heard.

#### **3.7.3. Delinquency.**

**3.7.3.1. Interest Charges.** Send quarterly invoices for interest on the debt.

**3.7.3.2. Final Demand Letter.** Send a final demand letter certified return-receipt and send, separately, an invoice for demand letter expenses.

**3.7.3.3. 30 Days After Final Demand Letter and No Response.** Complete a Pre-Collections Checklist. If the account passes the checklist, then turn the account over to a collections agency. If the account fails the checklist, then present the account to the Board in executive session for a decision on whether (and when) or not to turn the account over to a collections agency. Turn the account over to collections agency if that is the Board's decision. If the Board decides to NOT turn the account over to a collections agency, then record the lien with the Cochise County Recorder via certified return-receipt and send invoices for the recording fee and for other expenses from recording the lien.

**3.7.4. Foreclosure.** Once account is eligible, ensure directors are well informed on: the status and history of the account, the burden on other members, the procedures and risks of foreclosure, and Arizona's 6-year statute of limitations. Encourage the Board to either foreclose now, foreclose later, not foreclose, or delay decision until a specific date or event.

**3.7.5. Reporting.** Report to the Secretary when members' good standing is revoked due to payment being 30 days past due and when good standing is restored due to account being paid up to date.

**4. Bills/Payments.** Pay valid invoices promptly. Record the invoice in the accounting system. Secure President's concurrence (co-signature or permission to Vice-President to co-sign if payment is by check, or specific written concurrence if payment is electronic or by card). Record the payment in the accounting system. If invoice is questionable, defer payment decision to the Board.

## 5. Taxes.

**5.1. Federal Income Tax.** Verify filing requirements. Recent years required DOT IRS Form 1120-H, U.S. Income Tax Return for Homeowners Associations. Keep a file copy.

**5.2. Arizona State Income Tax.** Verify filing requirements. Recent years required Arizona Form 120A, Arizona Corporation Income Tax Return (Short Form), and Arizona Form 292, Electronic Filing and Payment Waiver Application. Secure President's co-signature or permission to Vice-President to co-sign check. Record the payment in the accounting system. Keep a file copy. If professional tax services are anticipated, be sure to request as a budget item during the budget cycle.

**5.3. Cochise County Property Taxes.** Pay as a valid invoice.

**6. Fees, Penalties, and Interest Charges.** Authority comes from Arizona statutes 33-1803, 33-1806, and 44-1201, plus Section 7 of the Declaration. Fees are used to recoup expenses caused by the member. Penalties encourage members to adhere to governing documents. Interest charges are required by the Declaration.

**6.1. Amounts.** Ensure fees accurately recoup expenses, including such items as materials, printing, postage, external fees, etc. Ensure penalties are proportional to the violation and sufficient to be effective (relative to whether the nature of the violation is singular, repetitive, or persistent, etc.).

**6.2. Process.** Create and send an invoice. When payment is received, record it in the accounting system, deposit the payment, and issue a receipt.

**6.3. Propriety.** Ask the Board to review fees and penalties when setting the budget and assessment.

**7. Reviews.** To maintain fiscal integrity, quarterly reviews by the financial committee and annual reviews by volunteers ensure that all financial transactions and balances are scrutinized and any discrepancies or issues are addressed promptly. Private and personal information will not be included in review materials for non-director volunteers.

**7.1. Process.** Schedule the review and notify participants. Compile review packets including bank statements, ledger entries, budget-to-actual comparisons, invoices, receipts, and any reconciliation statements. Distribute packets to participants in advance of the review. Create a checklist for the review (review is NOT limited to checklist). Keep notes on the review. Record and report all discrepancies, even if corrected on the spot.

**7.2. Reporting.** Report findings to the Board. Create a 'clean' copy of the report by removing all personal and private information and ask the Secretary to post the clean report on the Association website.

## 8. Reporting.

8.1. **Monthly Treasurer Report.** Generate a report at the close of each month to show bank balances, income, and expenditures. Present the report to the Board and provide the report to the Secretary for inclusion in Board meeting minutes and for posting on the Association website.

8.2. **Annual Treasurer Report.** Generate a report at the end of each year. Incorporate the findings from the internal annual review and the external annual review. Present the report to the Board and provide the report to the Secretary for posting on the Association website.

9. **Bank Accounts.** Only the Treasurer can establish or terminate a bank account, and only with the Board's authorization. There are three accounts: Checking, Reserves, and Flex Fund.

9.1. **Checking Account.** All deposits go only into, and all payments are made only from, the checking account, except for bank interest and inter-account transfers.

9.2. **Reserve Account.** This fund is explained and constrained by the Declaration and the Bylaws.

9.3. **Flex Fund Account.** This account receives leftover end-of-year funds. Some funds can be used for the Board's obligation to keep the Association on solid financial footing, and some can be returned to members.

9.3.1. **Leftover Funds.** At the close of the calendar year, the Treasurer transfers leftover funds from checking to Flex Fund. Leftover funds are the new year's assets that exceed the new year's requirement. The requirement is the sum of the new year's budget plus operating fund (equal to 25% of the budget). Assets equal the sum of the checking account balance plus the new year's unpaid annual assessments, minus the past year's uncleared payments and unpaid bills.

9.3.2. **Solid Financial Footing.** The Board determines what funds need to be held to keep the Association on a solid financial footing. When needed, the Board directs the Treasurer to amend the current budget with a solid-financial-footing requirement and transfer appropriate funds from Flex Fund to checking.

9.3.3. **Return Funds to Members.** The Board determines the amount to be returned to members when they set the next year's budget and annual assessment. The Treasurer will return the amount to all lot accounts in 'Member-in-good-standing' status with the next year's annual assessment invoices.