



**Tonto Hills Improvement Association  
42033 N. Old Mine Road  
Cave Creek, AZ 85331**

**Policies and Procedures**

**Approved by THIA Board of Directors - 1 March 2011**

**Tonto Hills Improvement Association  
Financial Procedures  
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## **1.0 Purpose**

This document defines the financial procedures used by the Tonto Hills Improvement Association (THIA). Association members and volunteers shall understand and abide by these policies when conducting THIA business.

This document governs financial activities of all Board Members and THIA volunteers. All suggestions for amendments to this procedure shall be submitted to the THIA Treasurer. The THIA Board of Directors (BoD) shall approve all amendments/updates to these procedures.

## **2.0 Roles and Responsibilities**

The BoD shall formulate financial policies, delegate administration of the financial policies to the Treasurer and review operations and activities. The Treasurer has management responsibility including financial management. Current job descriptions shall be maintained for all Board members and contract workers, indicating financial duties and responsibilities. Financial duties and responsibilities must be separated so that no one Board member or contract worker has sole control over cash receipts, disbursements, payroll, reconciliation of bank accounts, etc. These policies and procedures will be reviewed annually by the THIA Board of Directors. Appendix A lists the summary task responsibilities of the Secretary, Treasurer, and accounting contract worker.

The BoD is to ensure that adequate security precautions are taken to safeguard THIA assets and manage risk. The Board is responsible for:

- Ensuring that adequate financial internal controls exist and are functioning;
  - Electing the Treasurer from Board or THIA members, and supervising the Treasurer;
  - Approving signatories for the financial institution accounts. There are always to be at least two authorized signatories for each account over \$250;
- Approving the annual budget recommended by the Treasurer;
- Approving expenditures of greater than \$250;
- Approving financial investments recommended by the Treasurer;
- Monitoring THIA's financial position, with advice from the Treasurer;
  - Approving the annual financial statements and, if applicable, the auditor's report and auditor selection;
- Appointing volunteers from among THIA members as needed, and supervising them;

Committees of the Board of Directors are to be appointed by the Board. Their term and duties are specified by the Board. Members of these Committees will be subject to these financial procedures.

## **2.1 Officer Responsibilities**

### **2.1.1 President**

The President shall preside at all meetings of Members and shall preside at all meetings of the Board and shall see that orders and resolutions of the Board are carried out. The President shall be the principal officer of the Association and subject to the control of the Board shall in general supervise and control all of the business and affairs of the Association and such other duties as may be prescribed by the Board from time to time. The president or BoD designate, shall be the only interface with outside organizations such as; attorneys, corporations, or government institutions.

### **2.1.2 Vice President**

The Vice President shall have such powers and perform such duties as the Board or the President may from time to time prescribe and shall perform such other duties as may be prescribed by the Declaration, the Articles or these Bylaws. At the request of the President, or in case of the President's absence or inability to act, the Vice President shall perform the duties of the President and when so acting shall have all powers of, and be subject to, all the restrictions.

### **2.1.3 Secretary**

The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the membership, serve notice of meetings of the Board and of the members, provide changes in members and their addresses to the Treasurer, and shall perform other duties as required by the Board such as:

- Assist President in preparation of agendas for the BOD and AGM meetings;
- Post agendas at community bulletin board and ensure posted on the THIA web site;
- Post approved BOD minutes at the community bulletin board and ensure posted on the web site;
- Prepare outgoing correspondence;
- Coordinate mailings to members;
- Regularly pick up and log mail. Deliver it to the Treasurer;
- Periodically check THIA voice mail. Route messages to the appropriate party;
- Ensure e-mails routed from the info@tontohills.org web manager are routed to responsible party;
- Direct Asst. Secretary;
- Sign checks as required;
- Participate in BoD and AGM meetings;
- Tally surveys; prepare results and reports.

### **2.1.4 Treasurer**

The Treasurer is to be responsible for processing all financial transactions and will assist the Board of Directors in any financial matter connected with the organization. Specific responsibilities are to:

- The Treasurer is the sole interface for direct contact with contract worker
- The Treasurer shall ensure the association member database is accurately maintained in Quickbooks
- Ensure compliance with and execute responsibilities outlined in the following sections: Books of Account and Records, Budget, Financial Monitoring;
- Guide and advise the Board in the approval of budgets, accounts, financial statements, investments and insurance within this policy framework;
- Keep the Board informed about its financial duties and responsibilities;
- Oversee contract workers involved in association accounting tasks;
- Confirm that the financial resources of the Association meet present and future needs;
  - Understand the accounting procedures and key internal controls, be able to assure the Board of THIA's financial integrity;
  - Ensure that the financial statements are audited annually, if required, and ensure that accepted recommendations of the auditors are implemented;
- Formally present the annual THIA financial statements at the Annual General Meeting;
  - Monitor the THIA's investment activity and ensure its consistency with policies, aims, objectives and legal responsibilities;
- Manage and evaluate the adequacy of THIA insurance coverage;
- Ensure that THIA tax returns are completed and filed;
- Ensure that Federal or state regulatory reports, if any, are filed;
- Direct Assistant Treasurer;

### **3.0 Books of Account and Records**

Proper accounting records will be kept by the Treasurer. The accounting system is to utilize QuickBooks and Excel. Manual / paper records will also be used if appropriate. At a minimum, the following records will be kept by the Treasurer in a secure manner:

- Check Book and blank checks
- Savings account documents
- General Ledger
- P & L Statement and Balance Sheet
- THIA Member accounts receivable
- Monthly reports to the Board.
  - Copies of all documents supporting receipts, deposits, disbursements, contracts, balances and General Ledger journal entries

General Ledger accounts will be kept on the cash basis of accounting. Bank accounts will be reconciled monthly.

All reimbursement forms (see Appendix B) will be clearly initialed by the person entering it, along with date and accounts reference. All income / expenditure information will be recorded in the General Ledger within seven days. All corrections and adjustments will be clearly noted

in a written narrative giving reasons for them, with supporting documentation where available.

Backups of the QuickBooks records are to be made at least monthly and stored at the residence of a Board member other than the Treasurer. Records are to be retained for at least seven years, or longer if THIA is being examined by any taxing entity.

#### **4.0 Budget**

A proposed next fiscal year operating budget is to be prepared by the Treasurer in March. The budget is to be reviewed by the Board of Directors in March.

This proposed budget will be presented to all THIA Members in attendance at the Annual General Meeting. It will be used as a tool for the determination of the upcoming year's Annual Assessment which is made at that meeting.

The newly elected Board of Directors, at the next regular THIA business meeting, will approve the budget based upon the approved Annual Assessment. That budget will be used as a basis to construct a cash-flow forecast for the year, which will be updated quarterly.

The Board of Directors must approve proposed changes in the budget, should they exceed \$500 or 20% of the line item, whichever is greater.

#### **5.0 Financial Monitoring**

THIA's fiscal year is from 1<sup>st</sup> April to 31<sup>st</sup> March. Monthly, in advance of the regularly-scheduled meeting, the Board will receive from the Treasurer:

- Comparative balance sheets as of the prior month-end and year-earlier month-end;
  - Comparative income statements for the period from 1 April to the prior month-end and the year-earlier period;
  - Comparative income statements for the period 1 April to the prior month's end and the budget for the same period;
- Listing of future unpaid contractual commitments;

Annually, Association financial records will be audited (compilation) as required under the Arizona Corporations Commission or non-profit corporation regulations. Final draft financial statements should be approved by the Board of Directors in May, and audited financial statements received at the July meeting. As part of the association audit process, the Board shall review the THVFD year end fiscal report.

If not audited, the Association's annual fiscal year-end financial records will be critiqued and accepted by the Board of Directors not later than the May meeting. The Board may obtain outside financial consultation if in the Board's opinion Board members are not qualified to critique Association financial records. Annual statements (audited or not) will be made available to THIA Members at their reasonable request.

#### **6.0 Financial Institution Accounts**

The Association's current bank is:

•M&I Bank - 33703 N. Scottsdale Rd Scottsdale, AZ 85266

An overdraft protection arrangement between checking and savings accounts is to be operated. These arrangements are subject to review, in the light of what is most advantageous in terms of cost and service. All changes are to be authorized by the Board of Directors. Make every reasonable effort to avoid all service charges.

New accounts and any financing arrangements are to be authorized by the Board of Directors. No short positions, options or derivatives are to be undertaken by THIA. All accounts are to be Federally-insured to the greatest extent permitted by law.

## **7.0 Receipts**

The majority of receipts by the Association are from annual THIA Membership assessments of property. Other revenue sources include property transfer fees, donations, and bank interest. Property assessments are to be determined annually at the Annual General Meeting. Property transfer fees are to be determined annually by the Board of Directors.

Membership assessment invoices are to be issued by the Treasurer by 1 May each year. Assessment invoices are to be prepared on Association letterhead and be drawn up in accordance with the Board of Directors requirements.

The assessment shall be due and payable within thirty (30) days after the mailing of notice. The Treasurer shall follow up outstanding assessment payments after 30 days with statements indicating past due balances until such balances are paid or written off. Table 2 below is the schedule of assessment and past due notices. The Board shall annually determine the amount of late fees in addition to the interest rate.

**Table - 2: Assessment & Late Notice Schedule**

<b>Notice &amp; Action</b>	<b>Due Date</b>
Annual Assessment	1 May
Late Notice Statement	1 June
2nd Late Notice Statement	1 July
3rd Late Notice Statement	1 August
Lien Notice	1 September

Property liens shall be placed against any property with assessment 90 days past due. Liens shall bear interest at a rate to be determined each year by the Board of Directors.

The Secretary opens any mail addressed to THIA or without specific addressee. All cash receipts including checks will be delivered to the Treasurer. Upon receipt, the checks or cash will be recorded in the accounting system. Both parties are to agree to the total amount of receipts upon passing custody. Receipts are to be counted, promptly recorded in the General Ledger and adequately secured by the Treasurer until deposited in the Association's bank account. Un-

deposited receipts are not to be held by the Treasurer for more than seven days.

Copies of all checks deposited are to be retained by the Treasurer to support the deposit. Retained THIA Membership assessment payment information includes the payee, date payment is received, amount paid and check number. The Treasurer or designated contract worker will endorse all checks to read as follows:

PAY TO THE ORDER OF  
M & I Bank  
Account #  
FOR DEPOSIT ONLY  
Tonto Hills Improvement Association

The endorsement will specify into which association account (savings, checking) the deposit will be made. A report will be printed that includes the source and amount of the receipt as well as the total daily deposit amount. The checks and cash will then be available for review by the Treasurer. Receipts and deposit slip will be placed in an envelope for M & I Bank. If no cash is present, the envelope may be sealed and sent through the US mail. If cash is present, the Treasurer or contract worker will verify deposited funds prior to sealing the envelope and making the deposit in person. Documentation for all receipts (a copy of check, letter, etc.) will be attached to the duplicate slip and filed chronologically. All receipts will be deposited intact. No disbursements will be made from cash or check receipts prior to deposit. The Treasurer or contract worker will record each cash payment received in a number receipt book with a duplicate for the payer. Cash shall be locked in a secure location until taken to the bank. The Treasurer will receive a copy of all deposit reports for review.

## **8.0 Ordering Supplies and Services**

All Board Members and Volunteers need to be aware that a THIA expenditure is committed when an order is placed on behalf of THIA, not when the check is requested. Therefore, it is important that all orders be within approved budgets and authority.

Board Members can place orders for goods or services within their budget areas, subject to budgetary and cash-on-hand restraints. All non-recurring orders of \$100 or more must be authorized by the Board of Directors. Under \$100, Board Members may delegate ordering as they deem appropriate.

Any purchase agreement or other contract involving an expenditure commitment is to be in writing and be subject to the same authorization procedure as above. The relevant expenditure amount is the total committed expenditure over the period of the contract. Large or lengthy contracts should not be entered into without adequate advice from relevant professional advisers (e.g. accountant, lawyer).

The Board shall appoint a Board Member to be Project Manager, responsible for contractor compliance and monitoring.

## **9.0 Payment Authorization**

Recurring contractual disbursements are to be preauthorized by the Board. The Project Manager is responsible for checking vendor invoices for accuracy, conformity with the order placed, that the services or goods have been received, and for following up on any problems identified.

All incoming vendor invoices are to be delivered to the Treasurer upon receipt. Once authorized as above, vendors are to be paid within 14 days of receipt, unless there are exceptional cash-flow difficulties or specific supplier arrangements.

## **10.0 Check Writing and Signing**

Authorized signatories are to be drawn from the Board of Directors. Any new signatory must be approved by the Board before the bank is notified. Former signatories' authorization must be removed at once.

All checks for \$250 or more require two signatories. Check signers should verify that the expenditure has been authorized before signing the check.

Signatories will not sign checks which are payable to themselves, or blank checks. Checks should be filled in completely before checks are signed. The only acceptable exception is that the amount can be blank as long as the check is endorsed 'Not more than \$ ....'. Receipts for this type of expenditure must be returned immediately.

The Treasurer will retain approved support for all disbursements with a copy of the THIA check.

## **10.1 Check Authorization**

All invoices will be immediately forwarded to the Treasurer or contract worker who will review all invoices for mathematical accuracy, validity, conformity to the budget (or other board authorization) and compliance with other requirements. Prior to payment, all invoices will be approved (indicated by initialing) by the Treasurer, who will code the invoice with an appropriate expense or other chart of accounts line item number, class and job number where applicable. By approving an invoice, the Treasurer indicates that it has been reviewed and authorizes a check. The Treasurer will ensure that all conditions and specifications on a contract or order have been satisfactorily fulfilled, including inventorying items received against packing slip counts. The Treasurer is responsible for timely follow-up on discrepancies and payment. Approved invoices will be entered into the accounting system. The Treasurer or contract worker will prepare checks on a weekly basis as required. Authorized signers on THIA accounts include the President, Vice President, Treasurer, and contract worker of the Board.

## **10.2 Checks**

The Treasurer will be responsible for all blank checks. All checks will be signed by the Treasurer, designated member of the Board of Directors, or a contract worker. The Treasurer or contract worker will generate checks for approved invoices through the accounting system. Voided checks will have "VOID" written boldly in ink on the face and have the signature portion of the check torn out. Voided checks will be kept on file. In no event will: invoices be paid

unless approved by an authorized signer, blank checks (checks without a date or payee designated) be signed in advance, checks be made out to "cash", "bearer", "petty cash", etc, checks be prepared on verbal authorization, unless approved by the Board President and Treasurer. In the event that it is necessary to issue a duplicate check for checks in an amount over \$15, a stop payment will be ordered at the bank on the original check.

### **10.3 Bank Reconciliations**

Bank statements will be received directly and opened by the Treasurer or contract worker. The Treasurer or contract worker will reconcile the bank statement monthly. The Treasurer of the Board will receive monthly statements of checks paid on all accounts. The Treasurer shall verify the reconciliation of the bank accounts on at least a monthly basis. On all checks outstanding over 90 days, the Treasurer or contract worker should take appropriate action.

### **11.0 Contract Workers**

Consideration will be made of internal capabilities to accomplish services before contracting for them. Written contracts clearly define work to be performed; terms and conditions will be maintained for all contract workers. The qualifications of the contract worker and reasonableness of fees will be considered in contract decisions. Contract services will be paid for as work is performed or as delineated in the contract. The Board of Directors will approve and audit all contracts.

### **12.0 Insurance**

Reasonable, adequate coverage will be maintained to safeguard the assets of the Association. Such coverage will include property and liability, employee dishonesty and other insurance deemed necessary. The Board of Directors shall carefully review insurance policy parameters such as: amounts, types, qualifications of the provider prior to renewal. The Board of Directors shall maintain insurance policies in insurance files. Insurance policies will correspond to the calendar year whenever possible.

### **13.0 Other**

**FINANCIAL PROCEDURES** - Financial procedures will be reviewed annually by the Board of Directors. The Board of Directors must approve changes to the financial procedure manual prior to implementation.

**ARIZONA CORPORATION COMMISSION FORM** - The Board of Directors in conjunction with the annual audit (compilation) will authorize preparation of the Arizona Corporation Commission form and will be signed by an officer of the Board. Copies of the form will be filed in the Secretary's files, and a copy of the THIA form shall be available for public inspection.

**AUDITS (Compilation)** - The Board of Directors shall annually contract with an independent auditing firm a full audit (compilation) of the books, to be completed prior to the following first of September.

### 13.0 Association Task Calendar

The Board shall accomplish all tasks listed in Table 3 below.

**Table - 3: Board of Directors Task Calendar**

<b>Task</b>	<b>Due Date</b>
Review THVFD financial/recommend amount THIA contribution	January
Propose/discuss draft budget for N/Y	January
Publish L/Y minutes for BOD review	January
Develop and approve AGM agenda	February
Mail AGM agenda, ballot and L/Y minutes	February
Plan and Order Yard Waste Dumpsters	February
Bid/contract for landscaping services	February
Hold AGM	March
Beginning of Fiscal Year	1 April
Publish and post L/Y AGM minutes	April
First New Board meeting: Provide orientation to new BOD members Elect new BOD officers and confirm ACC members Fin Procedures review / Approve T/Y budget Sign new signature cards at M&I bank	April
Bid/contract for CES type services	April
Publish for BOD review TY AGM minutes	April
Annual Assessment Invoices Sent (Email & Snail Mail)	1 May
30 Day Delinquent Statement sent with 1 <sup>st</sup> Late Fee Assessed	1 June
Bid/contract for insurance services	June
60 Day Delinquent Statement sent with 2 <sup>nd</sup> Late Fee Assessed	1 July
File income taxes	15 July
90 Day Delinquent Statement sent with 3 <sup>rd</sup> Late Fee Assessed	1 August
Submit Financial Compilation with ACC Non-Profit Renewal	1 August
Liens filed on remaining delinquents (Statement and copy of filed lien sent)	September
Publish quarterly budget vs. actual projection	November
Mail AGM and election notice (candidate and agenda item form)	December

**Appendix A**  
**TONTO HILLS IMPROVEMENT ASSOCIATION ACCOUNTING DUTIES**

TH Secretary	TH Treasurer	Contract Worker
Retrieve Mail & Phone messages & route inquires to appropriate THIA officer.	Log incoming correspondence given to CES.	QuickBooks is the official THIA data base. Perform all financial transaction in THIA QB. THIA QB working database will be backed up to an external storage device after any modification. The QBBU will be uploaded offsite periodically (at Treasurer's discretion). Occasionally, Treasurer will notify CES when necessary to update CES's working QB database from offsite?
Route email inquiries to appropriate THIA officer.	Treasurer Verify	Banking – Write checks, pay bills, deposits, transfers, etc. Reconcile QB monthly with bank statement.
Member Communications: Provide webmaster with member information, bulk emailings, meeting postings, etc.	Provide P&L w/budget and balance sheet reports for THIA Treasurers Report monthly.	Member Accounting: Billing – Invoices, Statements, Late fees, etc. Delinquent Members – Liens, Lien release, etc.
	Provide contact point for property transfers and foreclosures. Complete inquires and questionnaires as necessary (Check for delinquent accounts and ACC violations).	Account Related Member Communications: Email as much as possible. Much of the above can be accomplished using QB capabilities.
	Verify/communicate member profile changes to CES.	Maintain member profile updates in QB (primary database).
	Provide direct member and board contact (not CES) on treasurer issues.	Direct board and/or member inquires to Treasurer.
	Treasurer is the primary liaison between board and membership to CES.	Maintain delinquent member detail spreadsheet
	Treasurer Verify	Taxes ACC Compilation & Renewal



