

SAN IGNACIO VISTAS, INC.
ACCOUNTING PROCEDURES MANUAL
March, 2008

INTRODUCTION

Most functions of a Homeowners' Association are handled by volunteers which inevitably necessitates a rotation of responsibilities and duties. The purpose of this manual is to provide guidance and promote continuity and consistency in accounting for the Association's financial assets.

OVERVIEW

Pursuant to Article VII, Section 2(b), the Board adopts, normally at its November meeting, an Operating Fund budget for its fiscal year beginning January 1. At the same time a Plan is formulated for the anticipated expenditures from the Reserve Fund.

The Operating Fund budget establishes the annual member dues assessments and sets forth the expected operating expenditures. Generally, the budget provides authorization, and, implicitly, limitation on the expenditure of funds. The board has the authority to amend the budget during the year as financial conditions dictate.

Currently, Quickbooks software is used for recording, summarizing and reporting financial transactions of the Association. The mechanics for recording transactions in Quickbooks are beyond the scope of this manual.

A monthly financial statement is prepared by the Treasurer on a modified cash basis of accounting. Under this method, transactions are generally reported at the time cash is received or disbursed. The primary exception relates to member dues assessments. A substantial portion of the annual dues are collected prior to December 31 for the following fiscal year. Such dues received in advance are classified as "Unearned" in the year-end financial statement. This means that such amounts are included in the cash balances at year-end but are not included in the Operating Fund Balance. The dues are appropriately recognized as revenue in the fiscal year for which they are budgeted.

INTERNAL CONTROLS

It is a responsibility of the Board to implement an appropriate system of internal controls to safeguard the Association's financial assets. Generally, internal control is maximized through segregation of duties involving authorization, review and approval, and financial reporting procedures. It is recognized that in a small organization such as SIV it is neither possible nor necessary to establish an elaborate control system involving numerous individuals. Obviously, any control system put into place should not cost more to implement than the possible loss of assets.

In SIV internal controls consist primarily of having the Treasurer and another officer, currently the President, responsible for reviewing, in detail, all transactions. Controls are further enhanced by having two signers on all checks. Additionally, the President reviews, in detail, the monthly financial report and accompanying supplemental financial information prepared by the Treasurer. In this regard, the President should independently obtain copies of the monthly bank and brokerage statements and review them carefully for any unusual or unauthorized transactions.

The Board should review and approve the monthly financial statement after applying analytical procedures involving comparison of actual revenue and expenditures to the annual budget. Any unusual variances from budget should be promptly and thoroughly investigated.

REVENUES

Generally over 90% of the Association's annual operating funds are derived from member dues assessments. The other significant source of revenue is investment income.

Member Dues Assessments

1. The Treasurer generates the annual member dues assessment billings for the 228 members of the Association pursuant to the budget adopted by the Board.
2. Member's billings are mailed on or before December 1 each year.
3. Upon receipt of dues assessments, the checks are restrictively endorsed "for deposit only" and prepared for deposit into the Board designated depository account.
4. Each deposit must be supported by a detail listing of members' lot number and name.
5. Pending deposit, all checks should be reasonably safeguarded from destruction or theft.
6. Funds received should be deposited into the bank account as soon as possible, but in any event at least weekly. However, if the weekly dollar total is less than \$_____, the deposit may be delayed until the end of the month.

Investment Income

1. Investment income is generally credited to the Association's bank and brokerage accounts monthly.
2. The monthly bank and brokerage statements provide the basis for recording investment income.

Other Miscellaneous Receipts

All other miscellaneous receipts, consisting primarily of document fees resulting from the transfer of a Lot, should be appropriately documented and deposited into the Board designated depository account using the same procedures outlined above for member dues assessments.

Accounting for Revenues

Revenues are to be classified based on the budget categories and recorded monthly into the Association's accounting records. Detail support for all transactions must be maintained and filed in a systematic manner.

EXPENDITURES

1. The anticipated annual operating expenditures are set forth in the budget.
2. Invoices for goods/services are received by the Treasurer.
3. Vendor invoices should be accumulated pending preparation of a check in payment.
4. Upon determination that the goods/services have actually been received and the condition thereof is satisfactory, the Treasurer prepares a check in payment.
5. The check number is written on the supporting documentation.
6. The check is co-signed by the Treasurer.
7. The check, together with the supporting documentation, is forwarded to the President.
8. The President reviews the supporting documentation and initials and dates the documentation and co-signs the check.
9. The supporting documentation and signed check are returned to the Treasurer.
10. The check is mailed to the vendor and the documentation is filed in a systematic manner. [Documentation may be filed either alphabetically or, preferably, in check number order.]
11. Certain recurring expenses (e.g. utilities) are paid by EFT as authorized by the Board.
12. Expenditures qualifying for disbursement from the Reserve Fund pursuant to Board Policy are handled similarly to those from the Operating Fund except that, in addition to approval of the Treasurer and President, such expenditures require approval of the Maintenance Committee Chairperson prior to processing.

Accounting for Expenditures

Expenditures are to be classified based on the budget/plan categories and recorded monthly into the Association's accounting records.

MONTH-END RECONCILIATION

1. Checking/savings accounts maintained at the bank are available on-line for review and printing.
2. At the end of each month the bank statement should be printed off and the bank balance should be reconciled to the Association's cash balance(s).
3. Statements for the investment accounts are received monthly from the Brokerage. These statements should also be reconciled to the Association's balances.
4. The monthly reconciliation should be filed in a systematic manner.
5. The total cash/investment balances must be reconciled to the Fund Balances reported in the Association's monthly financial statement.