

**SAN IGNACIO VISTAS, INC.**  
**ACCOUNTING PROCEDURES**  
**MANUAL**  
**Revised February 2015**

## **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 designated Board Member review and approve all expenditures over \$200. Two signatures are required on such checks. Additionally, a designated Board Member is provided copies of the monthly bank statements/quarterly investment statements which are obtained electronically by the Treasurer. The designated Board Member reviews the statement copies for any unusual or unauthorized transactions with follow-up as necessary.

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 investment accounts monthly.
2. The monthly bank and investment 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 for 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 authorized co-signer reviews the supporting documentation and initials and dates the documentation and co-signs the check.
8. The check is mailed to the vendor by the Treasurer and the documentation is filed in a systematic manner. [Documentation may be filed either alphabetically or, preferably, in check number order.]
9. Certain recurring expenses (e.g. utilities and contract payments) are paid by EFT as authorized by the Board.
10. 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 authorized co-signer, 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 and the bank balance should be reconciled to the Association's cash balance(s).
3. Statements for the investment accounts are reviewed online monthly and printed quarterly. (If there is investment activity other than dividends credited the statements should be printed for that month). These statements should 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.

## INVESTMENT POLICY FOR SAN IGNACIO VISTAS

ADOPTED BY THE BOARD OF DIRECTORS

February 7, 2013

Up to 75% of the association's investment portfolio may be invested in instruments issued by financial institutions which are insured by an agency of the United States. Funds invested in a financial institution shall not exceed the maximum federal insurance for that institution.

Maturities of Certificates of Deposit should reflect the cash needs of the association as dictated by the reserve plan and annual budget and their term should not exceed 60 months.

Up to 25% of the Reserve Fund Net Assets (i.e, Fund Balance) may be invested in a "balanced conservative allocation fund". Dividends will be reinvested in the account. Transactions in Vanguard shall be countersigned by the Treasurer and one board member that is an authorized signer.

A MOTION was MADE by Joyce Bulau SECONDED and UNANIMOUSLY ADOPTED by the board members in attendance to permit a one-time exception to the 25% of Reserve Fund net assets limitation referred to above and ratify the \$100,000 investment in the Vanguard Wellesley Income Fund. No additional permitted investments shall be made unless and until the 25% limitation exceeds the \$100,000 currently invested, and then only to the extent of the 25% limitation.

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**OPERATING & RESERVE CHARGES - DEFINED**

The following expenditures may be charged to the **Operating Fund**:

1. Maintenance of the common area.  
Generally this maintenance is performed monthly under an annual service contract.
2. Trimming of common area trees.  
Generally the trimming is performed annually under a service contract let for the purpose.
3. Utilities.  
Electric and water service to the Comino del Sol monument area; note: the water was discontinued in March 2012.
4. Other maintenance.  
This includes replacement parts or servicing of power or water devices at either monument, tree or vegetation removal resulting from storm or other damage, planting of replacement vegetation, street signs and signage painted on the streets, all expenses for the maintenance of Association assets not specifically enumerated as qualified reserve expenditures or otherwise qualified but where the expense falls below \$500 and all expenditures related to the bidding process including fees/expenses paid to consulting engineers.
5. Erosion Mitigation.  
Routine preventative erosion control expenditures to the extent budgeted.

The following expenditures may be charged to the **Reserve Fund**:

1. Street crack seal.  
A continuing program to fill narrow cracks in the street surface generally performed every other year in January or February.
2. Street crack repair.  
We expect to begin this new program in 2009. The objective is to repair unstable base conditions under cracks of ½" or more. After the repair, the asphalt surface is replaced.
3. Street/curb seal.  
This new program will begin in 2008. The objective is to reseal the crack where the asphalt street meets the concrete curb. A second curb seal could be needed about 10 years after a street overlay.

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4. Street overlay.  

The initial overlay to resurface the streets is now expected to occur when they are about 25 years old. Sometimes a second overlay can then occur about 10 to 15 years later. Alternatively, the street is replaced.
5. Street repair.  

An intermittent program to replace unstable base conditions when and where they are identified.
6. Street reseal.  

This is a continuing program to protect the street surface from the sun and ordinary wear and tear. Generally the reseal is performed every four years in May or June.
7. Concrete repair.  

Expect this program begun in 2007 to repeat as needed for the repair cracking or heaving in our curbs, sidewalks or drainage lines.
8. Repainting of culvert rails.  

A new program expected to occur every four years beginning in 2008.
9. Repair and repainting of stucco retaining and other walls or monuments.  

Expect to repeat this program begun in 2007 every six years.
10. Refurbishment of monuments.  

A new program expected to begin in 2015.
11. Repair of drainage channels.  

Repair or replace damaged or deteriorating drainage channels and fund major erosion repairs caused by a severe monsoon season.
12. Reserve Study.  

Expect to update the professional review of the Reserve Study every five years. The original Study was performed in 2007 by Association Reserves Arizona LLC
13. Income taxes on the interest income earned on the investments in the reserve fund (and for purposes of convenience the interest income earned on monies held in the operating fund).

All checks of the Association should be signed by the Treasurer and the President, or in the absence of the President a Vice President of the Association and at the time of signing a check, the President (Vice President) will review, initial and date the related vendor invoice or similar documentation.