

**Heritage Glen III Homeowners Association
ACCOUNTING PROCEDURES AND INTERNAL CONTROL**

Purpose

The purpose of this Accounting Procedures and Internal Control Policy is to establish clear standards and guidelines for the initiation and management of financial revenue and expense activities for Heritage Glen Division III. These guidelines are meant to define the responsibilities and processes of the Heritage Glen Third Addition Homeowners Association Board with the accounting and internal control process.

Defined Terms: As used in this Accounting Procedures and Internal Control Policy the following terms have the stated definitions:

1. **Heritage Glen Third Addition Homeowners Association (“HG III-HA”):** The legal entity responsible for operating and governing the Heritage Glen Third Addition homeowners association, in accordance with its Articles of Incorporation, Bylaws, Declaration of Covenants, Conditions and Restrictions, Washington State law and other governing documents.
2. **Acronyms: ACC** shall mean Architectural Control Committee; **BOD** shall mean Board of Directors; **HA** shall mean Heritage Glen III Homeowner’s Association.
3. **Management Services North West, LLC (MSNW):** The management services company contracted by HG III-HA.
4. **Budget:** The document that projects the anticipated expenses and income for the association.
5. **Common expense** means the costs incurred by the association to exercise any of the powers provided for in the governing documents.
6. **Corporate permanent records** mean corporate state and federal charters, fillings and tax returns. These are corporate permanent records stored by the Secretary in paper format.
7. **Governing documents** means the articles of incorporation, bylaws, plat, declaration of covenants, conditions, and restrictions, rules and regulations of the association, or other written instrument by which the association has the authority to exercise any of the powers provided for in this policy or to manage, maintain, or otherwise affect the property under its jurisdiction.
8. **Operating Budget:** The portion of the budget that deals with day to day expenses of the association. These include utilities, general maintenance, administration, insurance and other expenses of an annual nature.

9. **Operational records** means operating records stored digitally and retained for at least 7 years (invoices, receipts, Architectural Control Committee (ACC) records etc.). Electronic records will be stored with MSNW.
10. **Reserve Study:** The portion of the financial planning that details the long term expenses of the association for the replacement or repair of major physical components of the association. These include items such as roads, entrance monuments and storm water drains.
11. **Working papers** are the background documents that are used to support the HG III-BOD decision making process. They are papers that support operational record keeping and are stored by MSNW for at least a year, transferred to HGIII-HA and then retained for one additional year and then destroyed.

Policies

1. **HG III-HA Accounting Procedures and Internal Control:** The purpose of the Accounting Procedures and Internal Control is to identify activities and processes that require HGIII-HA attention with both common and special expenses and also provide a process to ensure the fiduciary responsibilities of the Board of Directors (BOD).
2. **Accounting Procedures :**
 - a. All accounting will be done by MSNW.
 - b. All invoices will be processed and recorded by MSNW.
 - c. All payments will be logged by MSNW. Method of payment will be as prescribed by MSNW. Overpayments will be credited as prepayment for the next fiscal year.
 - d. All bills received will be processed by MSNW; each item will be marked as to which account it is to be charged against. All bills cross referenced by MSNW to the paid invoice.
 - e. The Income/Expense report will begin July 1 of each year.
3. **RECORD UPDATES :**
 - a. As the ownership of any lot changes, all databases will be updated immediately. The Treasurer will review all lot and member information in the database with the Management Company.
 - b. Annual update will be completed prior to June 1st each year for billing purposes.
4. **DEADLINES:**
 - a. All membership dues assessment invoices will be mailed on or as close to June 1st each year as possible.
 - b. As soon as the bank accounts are reconciled each year, a year ending fiscal year Income and Expense and a year ending Balance Sheet will be printed. One copy of each will be filed in the HGIII records, a copy will be distributed to each HG III HA Board of Directors member, and one will be held for the tax preparer.
5. **PAST DUE ACCOUNTS:**
 - a. Effective sixty days after annual dues assessment due date, interest will

be added to each past due account and a new statement will be mailed to each past due member.

- b. A member may petition the Board in writing to enter into a contract with HGIII HA to pay their late dues and assessments on a monthly or mutually agreed upon basis. Any member requesting a payment contract must do so in writing. Payment contracts may be negotiated by the Management Company; payment contract content will include coordination and approval made by two BOD members.

6. PURCHASES:

- a. The following purchases require pre-authorization by means of a Purchase Order:
 - i. Up to \$100 any Board member can sign the purchase Order. Debit card purchases made by the BOD Treasurer or another authorized BOD member that are made to support on-going budget activities that fall in this category, should be countersigned on a purchase order by another BOD member or approved post-hoc by the BOD at the next regular BOD board meeting.
 - ii. An expense of \$100-\$300 requires 2 HG III-HA BOD member's approval. Purchases that are made to support on-going budget activities that fall in this category should be countersigned on a purchase order by two BOD members.
 - iii. Over \$300 requires the prior approval of the HG III HA Board.
 - iv. The only exceptions requiring a preauthorization form are bills for utilities, insurance, taxes, licenses and professional fees.
 - v. All transactions shall be recorded in the BOD minutes.
- b. Debit card purchases are allowed, but must be documented by a signed authorization form in accordance with the above pre-authorization requirements.
 - i. Debit card receipts will be itemized as to which account they are to be charged against.
 - ii. Internet purchases are allowed, but must be documented by a signed authorization form.
 - iii. A printout will be made of all online purchases and will be itemized as to which account they are to be charged against.
- c. Checks for bills, purchases, and pre-authorization purchases must have an authorization either in the form of a purchase order or as a BOD meeting resolution. Payment will be by MSNW.
- d. Receipts accompanying checks for payment will be itemized as to which account they are to be charged against.

7. BANK RECONCILIATION:

- a. All bank reconciliation's will be done by MSNW and the reconciliation reports will be filed with the monthly bank statements; a copy of the report will be included in the HGIII HA monthly meeting minutes.
- b. All deposit receipts will be filed with the monthly bank reconciliation reports.

8. REPORTS: The following reports will be printed and distributed to Board of Directors for each monthly Board meeting.

- a. A fiscal year monthly Income & Expense vs YTD budget comparison;

- report will include income and expense detail for the month and correlate with bank statements.
- b. The fiscal year Balance sheet. This report shall summarize all expenses and income, distribution and locations of funds, and amounts available for unrestricted and restricted uses.
 - c. Aging report
 - d. Prepaid/Credits report
 - e. Operating Account register
9. **TRAVEL:**
- a. If a HGIII HA BOD member or HGIII homeowner travels on official business and uses their personal vehicle; travel expenses may be reimbursed. The HGIII HA BOD must first authorize the trip.
 - b. The HG III-HA BOD shall review and adopt the IRS mileage rate in January of each year.
10. **FIXED ASSETS:** All fixed assets valued at more than \$500.00 will be identified by name and estimated or real cost and accounted for by the Treasurer by listing in the HG III – HA Reserve Study.
11. **Changes to this Accounting Procedure and Internal Control Policy**
HG III-HA Board of Directors reserves the right to change, modify or update this policy at any time without notice. Any changes in this policy will receive advance notification by being posted on the HG III-HA website and published in the HG III-HA Newsletter.
12. **Annual review:** HG III HA Board of Directors members shall:
- a. Individually read and initial this document annually.
 - b. Collectively review this document annually for content and continued applicability.
13. **Expiration:** This Policy Statement shall expire five years from date of promulgation or sooner if revoked or amended.

If you have questions or concerns about our Accounting Procedure and Internal Control Policy, please contact any member of the HG III-HA Board of Directors.

Reviewed and approved by HG III-HA Board of Directors; 03/01/2016.

PREAUTHORIZATION & REIMBURSEMENT FORM FOR ASSOCIATION RELATED EXPENSES



Association Name: Heritage Glen III

Please reimburse: _____
(Whom)

Please mail check to: _____

Signature of Requestor: _____

Date of Request: _____

**Expenses shall be accompanied by copies of associated receipts, as applicable.*

Date of expenditure	Amount	Description of expense
		TOTAL REIMBURSEMENT

Approved By: _____
Board Member Signature

_____ Date

_____ Board Member Signature

_____ Date

NOTE: **All approvals must be signed by an active board member as authorization to release the check.
 **Board members may not authorize their own reimbursement approval forms.

Please mail, email or fax completed approval form along with receipts to Management Solutions NW:

Mailing Address: 17404 Meridian E, Ste F, PMB 228
 Puyallup, WA 98375

Email: NancyE@ManagementSolutionsNW.com

Fax: (888) 620-2842