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**SOUTH COAST HOMEOWNERS ASSOCIATION**

**FINANCIAL TOPICS PRESENTATION**

**OCTOBER 21, 2010**

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**SOUTH COAST HOMEOWNERS ASSOCIATION**  
**OCTOBER 21, 2010**

**UNDERSTANDING FINANCIAL STATEMENTS AND BANK  
RECONCILIATIONS**

Board members have a fiduciary duty under California law to review financial statements and bank reconciliations of their association on a periodic basis. As defined in California Civil Code Section 1365.5, board members are required to:

- Review a current reconciliation of the association's operating and reserve accounts at least quarterly
- Review the current year's actual reserve revenues and expenses compared to the current year's budget at least quarterly
- Review an income and expense statement for the association's operating and reserve funds at least quarterly
- Review the latest account statements prepared by the financial institutions where the association has its operating and reserve accounts

Accurate financial reporting is highly prized by all members, not just board members. On the pages that follow, I will outline some basic information that you should understand and look for as a board member and how to spot potential problems and action areas.

**BANK STATEMENTS AND RECONCILIATIONS:** Cash and Investments are the #1 assets in nearly all associations. Most associations have an operating checking account, a reserve money market savings account and certificates of deposit (CDs). Some associations will have multiple CDs and may have a brokerage account (e.g. Dean Witter, Prudential, Schwab) for their investments. Some associations have invested in Treasury Notes and Bills through their bank, brokerage account or Treasury Direct. For most associations, Treasury interest is not taxable by California. A few associations have mutual fund investments.

**HOW TO REVIEW:** For checking accounts, obtain the bank statement and reconciliation from the manager or treasurer. A reconciliation will start with the ending balance on the bank statement. To that balance will be added any deposits made before the statement date (association accounts should always have a month-end ending date to facilitate review with the month-end financial statements). Any checks written before the statement date which have not cleared are subtracted to reach the reconciled balance. This balance is then compared to the general ledger or check

register balance. Interest paid by the bank or bank charges are posted to the register/ledger and the amounts should agree.

**IF IT RECONCILES, DOES THAT MEAN IT'S RIGHT?:** Not necessarily. As noted above, the book balance from the register/ledger must agree with the bank reconciliation balance. Look for old items, more than 30 days, to see if they are legitimate or should be adjusted. See example following:

**SAN JOSE CREEK HOMEOWNERS ASSOCIATION – CHECKING ACCT RECON  
JUNE 30, 2010**

General Ledger Summary:

Beginning Cash, June 1, 2010	\$1,812.44
Cash Received – June	6,300.00
Cash Disbursed – June	<u>7,122.44</u>
Ending Cash, June 30, 2010	\$ 990.00 <sup>1</sup>
Add: Interest Earned – Checking	1.25 <sup>2</sup>
Subtract: Bank Charge – June	<u>10.00<sup>2</sup></u>
Reconciled Balance – June 30, 2010	\$ 981.25

Bank Statement Reconciliation:

Ending Balance, Bank Statement	\$ 5,388.33
Deposit in Transit – 3/11/10	200.00 <sup>3</sup>
Deposit in Transit - 6/29/10	<u>1,000.00</u>
Subtotal	6,588.33

Outstanding Checks	
2/9/10 #3284 – James Jones, Attorney	\$ 581.33 <sup>4</sup>
2/9/10 #3287 - Southern Calif Edison	135.00 <sup>4</sup>
6/23/10 # 3401 – GreenTree Landscape	2500.00
6/23/10 #3402 - State Farm Insurance	2090.75
6/30/10 #3403 - Bill's Plumbing	<u>300.00</u>
Total Outstanding Checks	<u>5,607.08</u>
Reconciled Balance, June 30, 2010	\$ 981.25

NOTES:

- 1) Low cash balance, investigate why. Has association incurred unusual expenses? Collecting all its assessments? Was the budget realistic?
- 2) With low cash balance, association makes ½% interest on account and pays monthly service charge. If balance is to remain low, can association eliminate interest and eliminate monthly service charge?
- 3) \$200 in transit for over three months. Posting error, perhaps a duplicate posting?
- 4) Outstanding checks over 120 days. Maybe lost in transit or replaced with subsequent check. Investigate and adjust as needed.

**SAVINGS ACCOUNTS, CDs AND INVESTMENTS:** Savings accounts, CDs and Investments should be reconciled just like the checking account, except that these accounts usually have fewer transactions. Obtain copies of the bank statements and reconciliations as with the checking account. Look for the following:

- 1) **Interest Rate:** Banks and brokerages pay wide ranging rates on savings accounts. Some "money market" accounts pay 1/100<sup>th</sup> of 1% or less. Look on the statement to see what rate you're receiving. You may be able to obtain a higher rate just by asking the bank to change the type of account. Many money market accounts allow 3 checks to be drawn on the account each month without a fee. You might also be able to transfer funds not immediately needed to CDs or Treasury investments which pay a higher rate of interest.
- 2) **Change in Fair Market Value:** Mutual funds will fluctuate in value. Fund or brokerage statements should disclose the current fair market value at the statement date. Compare to previous months' statements to determine unrealized gains or losses from investments

## **FINANCIAL STATEMENTS AND METHODS OF ACCOUNTING**

There are a wide variety of financial statements that can be presented and several methods of accounting used to prepare them. It is important to know what kinds of statements you're looking at and how they were prepared. This discussion will focus on the monthly statements provided by your treasurer, bookkeeper or management company as opposed to the year-end financial statements provided by your CPA.

**BALANCE SHEET:** A statement showing assets (what the association owns), liabilities (what the association owes) and fund balances or equity (assets minus liabilities)

**INCOME STATEMENT:** Also called a Statement of Revenues and Expenses or Profit and Loss – a statement showing association revenues (assessments, etc.) and expenses for the year-to-date.

Other statements that are provided are varieties of the balance sheet and income statements. These would include:

**DETAIL SCHEDULES:** The most common detail schedule is a schedule of delinquent and prepaid assessments. This listing, by member, supports the assessment receivable amount on the balance sheet. Detail schedules can be used for any item on the balance sheet or income statement such as reserve fund expenses, a maintenance schedule, utility expense detail, certificate of deposit schedule, etc.

**COMPARATIVES:** Comparative financial information can compare from month-to-month, current month to year-to-date, prior year to current year, etc. Comparatives are useful for spotting trends, differences and potential problems.

**BUDGET VS. ACTUAL:** Compares the income and expense information against a pro-rata portion of the budget to help explain net income or loss for the period.

**CPA REVIEWED OR AUDITED STATEMENTS:** In addition to a balance sheet and income statement, the reviewed/audited statements will include a statement of cash flow (converting net income to the change in cash), notes explaining elements of the financial statements and other important information, and a supplementary schedule summarizing reserve study information.

## METHODS OF ACCOUNTING

There are three methods of accounting that are common to association financial statements:

**CASH BASIS:** Assessments and other revenues are shown on the income statement when **received** or deposited into the bank. Expenses are shown when the check is written to **pay** the bill. It is the simplest method of accounting but in some circumstances can be misleading.

**ACCRUAL BASIS:** Assessments and other revenues are shown on the income statement when **earned** (when the association is entitled to the revenue. Expenses are shown when the expense is **incurred** which can be days or weeks before the bill is paid. The accrual method is the generally accepted method of accounting referred to in the Civil Code for reviewed/audited year-end statements for associations with at least \$75,000 in revenues.

**MODIFIED ACCRUAL BASIS (Hybrid):** Revenues are shown on the accrual basis and reconciled to assessments receivable or prepaid. Expenses are shown on the cash basis when paid.

Many interim statements prepared by treasurers, bookkeepers or management companies will be prepared on the cash basis of accounting. Some will use a modified accrual basis. It is rare for interim statements to be prepared on a full accrual basis due to the extra time involved in the preparation.

Most associations maintain two funds, operating and reserves. Balance sheet and income statement information is segregated between these two funds. Sometimes, this information will be presented in separate columns. Other times, income and expense for both funds are maintained separately but shown in a single statement or column due to software limitations.

Shown below is balance sheet information under the three methods of accounting previously described:

SAN JOSE CREEK HOMEOWNERS ASSOCIATION  
BALANCE SHEET – JUNE 30, 2010

ASSETS	<u>Cash Basis</u>	<u>Hybrid</u>	<u>Accrual</u>
Cash in Checking	\$ 981	\$ 981	\$ 981
Cash in Savings	35,019	35,019	35,019
Cash in CD	10,000	10,000	10,000
Assessments Receivable		500	2,500
Prepaid Taxes			400
Prepaid Insurance			2,091
Due from Operating Fund			5,000
 TOTAL ASSETS	 \$46,000	 \$46,500	 \$ 55,991
 LIABILITIES			
Prepaid Assessments			3,000
Accounts Payable			4,091
Due to Reserve Fund			5,000
 TOTAL LIABILITIES			 \$ 12,091
 FUND BALANCES			
Operating Fund	\$ 981	\$ 1,481	\$ (6,119)
Reserve Fund	45,019	45,019	50,019
 Total Fund Balances	 \$ 46,000	 \$ 46,500	 \$43,900
 TOTAL LIABILITIES AND FUND BALANCES	 \$46,000	 \$ 46,500	 \$55,991

NOTES:

Cash basis statements generally show cash only. They could show loans and payroll tax withholdings. They might show borrowings between funds.

Hybrid statements would show net accounts receivable. A detail schedule should be requested to support the net receivable amount shown.

Accrual basis statements should show all assets and liabilities. Most commonly, these would include any prepaid expenses such as insurance and taxes and any monies borrowed by one fund from another. Prepaid assessments should be segregated from delinquent assessments.

### Some Observations – Balance Sheet Information

- 1) Is there really only \$981 in the checking account? See bank reconciliation earlier.
- 2) \$2,500 of assessments receivable are outstanding as of the end of the month. A cash basis balance sheet would not have disclosed that fact. Under all methods, a detailed schedule should be reviewed to determine why there are \$2,500 of assessments outstanding. Are delinquent balances being followed up and what is the status of collection activity? Were checks received but not deposited until after the first of the next month?
- 3) The July-September insurance premium was paid in June, resulting in prepaid insurance. This asset would not be shown on a cash basis statement.
- 4) \$5,000 had been transferred from reserves to pay operating expenses. What is the repayment schedule?
- 5) There are \$4,091 in outstanding bills (accounts payable) and only \$ 981 in the bank at the end of the month. Why is there a cash flow problem?
- 6) Because of all the liabilities, the operating fund balance is negative (in the hole) \$6,119 on an accrual basis while it is a positive amount on the cash basis.

#### SAN JOSE CREEK HOMEOWNERS ASSOCIATION INCOME AND EXPENSE STATEMENT AND CHANGE IN FUND BALANCE OPERATING FUND SIX MONTHS ENDED JUNE 30, 2010

	<u>Cash Basis</u>	<u>Hybrid</u>	<u>Accrual</u>
<b>INCOME</b>			
Assessment Income	\$ 34,600 <sup>1</sup>	\$ 36,000	\$ 36,000
Other Income	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>
<b>TOTAL INCOME</b>	<b>\$ 35,800</b>	<b>\$ 37,200</b>	<b>\$ 37,200</b>
<b>EXPENSES</b>			
Utilities	\$ 6,350	\$ 6,350	\$ 7,400 <sup>2</sup>
Common Area Maintenance	20,600	20,600	22,750 <sup>2</sup>
Insurance	6,272 <sup>3</sup>	6,272	4,182
Administration and Taxes	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>
<b>TOTAL EXPENSES</b>	<b>\$ <u>37,722</u></b>	<b>\$ <u>37,722</u></b>	<b>\$ <u>38,832</u></b>
<b>NET INCOME (LOSS)</b>	<b>(\$ 1,922)</b>	<b>(\$ 522)</b>	<b>(\$ 1,632)<sup>4</sup></b>
<b>BEGINNING FUND BALANCE</b>	<b><u>2,903</u></b>	<b>\$ <u>2,003</u></b>	<b>(\$ <u>4,487</u>)</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 981</b>	<b>\$ 1,481</b>	<b>(\$ 6,119)</b>



SAN JOSE CREEK HOMEOWNERS ASSOCIATION  
 INCOME AND EXPENSE STATEMENT COMPARED TO BUDGET – CASH BASIS  
 OPERATING FUND  
 SIX MONTHS ENDED JUNE 30, 2010

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Assessment Income	\$ 34,600	\$ 36,000	(\$1,400) <sup>5</sup>
Other Income	<u>1,200</u>	<u>1,200</u>	<u>0</u>
Total Income	\$ 35,800	\$ 37,200	(\$1,400)
Utilities	\$ 6,350	\$ 7,000	(\$ 650)
Common Area Maintenance	20,600	21,000	( 400)
Insurance	6,272	4,400	1,872
Administration and Taxes	<u>4,500</u>	<u>4,800</u>	<u>( 300)</u>
Total Expenses	\$ 37,722	\$37,200	\$ 522 <sup>5</sup>
Net Income (Loss)	(\$ 1,922)	0	(\$1,922)

**Some Observations – Income and Expense Statements**

- 1) Cash Basis income less than accrual basis amount by \$1,400. Coupled with the \$2,500 assessments receivable at the balance sheet date might suggest a collection problem.
- 2) \$1,050 of additional utilities have been accrued than paid during the year as well as \$2,150 of additional common area maintenance has been accrued – Total - \$3,200. These higher amounts would warrant further investigation. Was the budget reasonable? Were unexpected costs incurred?
- 3) Insurance expense much higher than accrued amount. Is some insurance prepaid? Was a duplicate payment made?
- 4) Losses have been incurred using all three methods, especially noticeable under the accrual method. Again, was the budget realistic?
- 5) Cash basis income, \$1,400 under budget; expenses \$ 522 over budget – Net loss - \$1,922. On an accrual basis, income is on budget, whether or not it is collected. Accrual basis expenses are \$1,632 over budget. (\$38,832 minus \$37,200).

## FREQUENTLY ASKED QUESTIONS

- Q. The information contained in the balance sheet and income statement is summary information. Where do I find the detail information to investigate the issues raised through the analysis of these financial statements?**
- A. Nearly all accounting programs allow you to print a **general ledger**, the detail listing of every transaction posted into the accounting system (Note: Quicken – Transaction Report by Category). Information will be sorted by account (e.g. cash, accounts receivable, assessment income, electric expense, etc.). Within the account, entries will be sorted by date and the source of the transaction. Each transaction will have two postings. For example, a check for paying insurance will have a charge (debit) to insurance expense and a credit to the checking account. Look for postings to capital accounts such as retained earnings. There should seldom be any postings there. For monthly expenses such as utilities, look to see if there as many months' worth of expenses (in our example, 6) as there are months elapsed in the year. When, in doubt, ask your treasurer, manager, bookkeeper or CPA.
- Q. Our treasurer provides us with an income statement but never a balance sheet. He says we don't need all the extra reports. Why do we need a balance sheet?**
- A. The best accounting systems will integrate the balance sheet with the income statement by adding the net income from the income statement to the fund balance at the beginning of the year to balance the balance sheet. Some years ago, I reviewed the financial statements for an association where the property manager provided an income statement but no balance sheet. Reserve transfers were shown as a subtraction from income on the income statement. One month, the reserve transfer was made but deposited into another association's account. The property manager did not notice the error because no balance sheet was produced. If a balance sheet was produced, then the reserve account amount on the balance sheet would not agree with the reserve account bank statement and reconciliation. It was only through the year-end review that this error was detected (over \$4,000).
- Q. Why do the financial statements that our CPA provides differ from the ones we receive from our management company?**
- A. Your CPA will provide reviewed or audited accrual basis statements under generally accepted accounting principles in accordance with state law. It takes time to do the additional accounting to convert from cash basis or modified accrual basis statements. Accruing payables, for example, will affect a number of different expense accounts. As shown in the earlier examples, accrual financial statements recognize more assets and liabilities than the other methods which can result in differences in the financial results shown.

FINANCIAL COMPLIANCE CHECKLIST

TO: Board of Directors of \_\_\_\_\_  
FROM: \_\_\_\_\_

Please find enclosed the financial report and copies of statements (as available) for the operating and reserve accounts for the quarter ending \_\_\_\_\_.

The California Civil Code Section 1365.5(a) requires the Board of Directors to review the following financial information at least quarterly:

OPERATING ACCOUNT

1. The account reconciliations and statements for the operating account at  
Bank \_\_\_\_\_ BALANCE: \_\_\_\_\_
2. Current year's actual operating income and expenses compared to the current year's budget. (See financial report.)
3. Income and expense statements (See financial report.)

RESERVE ACCOUNTS

1. The account reconciliations and statements for the reserve account(s) at

BANK	TYPE	INT. RATE.	BALANCE	DATE OF STATEMENT

2. Current year's actual reserve income and expenses compared to the current year's budget. (See financial report.)
3. Income and expense statements. (See financial report.)

The Board of Directors reviewed the financial information enclosed at their Board meeting on \_\_\_\_\_.

Date \_\_\_\_\_ Association \_\_\_\_\_

By: \_\_\_\_\_, President \_\_\_\_\_ or Secretary \_\_\_\_\_

## **INTERNAL CONTROLS**

A Mandatory Policy for a Common Interest Development

By: Joelyn K. Carr-Fingerle, CPA, Fremont, CA

We have all seen the headlines:

“Board Treasurer Walks With the Association Reserve Cash!”

“Property Management Firm Closes Over the Weekend Along with Association Bank Accounts’. Nowhere to be found!”

How can this happen? Can it happen to your association? The answer is yes, easily, if your association has a lack of internal control or careless enforcement of proper procedures. Read on to understand how to avoid this unfortunate state of affairs.

### **REQUIRE MULTIPLE SIGNATURES**

Requiring two board member signatures for all reserve account checks is state law, but the bank cannot enforce this requirement. The association and its management must do so by setting up the account properly, using only current board members as authorized signers, and notifying the bank that two signatures are required. Further, enforcement of a policy that blank checks are never signed will help guard against unauthorized withdrawals; so will requiring that the documents supporting each check must accompany the check for signature and requiring that an authorized check signer mail each check, returning the invoice package only to the check writer. Signing blank checks or returning signed checks that might subsequently be altered is asking for trouble, but the author has seen associations trustingly do both. They just haven’t been “ripped off” yet.

Yes, sometimes it is difficult to locate check signers; but if your association has all of its directors and officers authorized as signers, you can generally find two who are available to sign checks. If you anticipate your payables, you should be able to arrange in advance for the necessary signers to be available. For example, suppose your tax returns are due March 15 and you plan to write checks on February 28; first call your accountant to see if you will need an extension or if the final return will be ready. Then you can arrange for check signers to be standing by.

### **WATCH YOUR CASH BALANCE**

Associations must always be concerned with their cash balances. It is very difficult to purchase goods and services, let alone make repairs or replacements, without available cash. It is difficult to obtain credit for homeowner associations; thus boards of directors, even those who retain the services of professional managers, must concern themselves with cash and cash control.

First, boards need to see that there is a way to ensure that all cash received is deposited. Review of outstanding assessments (because most cash comes from them); billing outstanding receivable balances monthly; and preparation or review of bank

reconciliations by someone other than the cash handler will all help to ensure that cash received by the association is properly deposited.

Then to ensure that cash is spent only as authorized by the budget, an association can use dual check signers, match bills with payments as checks are signed and employ the above bank reconciliation procedures to help ensure that cash paid out is properly recorded.

Of course, none of these checks and balances will do any good if the board never looks at and reads its financial statements and reconciliations. Pushing such review is why California Civil Code §1365.5 requires boards to review financial statements containing a budget-to-actuals comparison and bank reconciliations for all accounts at least quarterly. As a board member, you must know what is going on financially.

## **USE THE ECHO INTERNAL CONTROLS CHECKLIST**

The board of directors of a homeowner association is responsible for the establishment and maintenance of an effective internal control structure. The Internal Controls Checklist that follows has been developed by the ECHO Accountants Resource Panel to help your board document that structure. The checklist covers the major items that a board needs to consider when establishing or reviewing an association's internal control structure.

Keep in mind that the safeguarding of assets as covered by the checklist refers only to protection from loss through errors or irregularities in the processing of transactions. It does not include, for example, loss of assets arising from management operating decisions (such as redeeming a certificate of deposit prior to maturity or purchasing material or services that later prove to be unsatisfactory or unnecessary). In addition, collusion and the intent to defraud can circumvent some controls, but an effective control environment and attitude by the board will help reduce the probability of such irregularities.

So put on your hat as the skeptical detective and go through this checklist with the appropriate people. In fact, reviewing the list each year with the new board so that all members can learn (or be reminded anew) how the association controls work would be a good training session. There is no right or wrong answer to this checklist; rather its purpose is to help you document what you do and to suggest items that may help you do things in a more efficient or controlled manner, given your association's size and personnel resources.

## **SUMMARY**

Cash control for an association includes both wise spending and ensuring cash will be there when needed. In your association there should be procedures in place to see that no one person makes all the decisions for a transaction and that no one person has the complete power to issue alone a check or cash deposit without an overseer. As much as we may grumble about the federal government, it was designed with a wonderful system of checks and balances between the different branches so that no one can run everything. On a smaller scale, this is what we need in our homeowner associations. The prudent board will take every sensible step to act with full fiduciary responsibility to the association and protect its directors' errors and omissions insurance coverage.

## HOA INTERNAL CONTROLS CHECKLIST

**GENERAL CONTROLS:** (Those that have an indirect impact on the accounting system; their contribution is to provide an environment that is conducive to the protection of assets.)

### A. ORGANIZATIONAL STRUCTURE

1. Is there a coordinated insurance program, reviewed annually?
2. Is there adequate comprehensive liability insurance for the association's assets?
3. Is the liability insurance level in accordance with CC §1365.7?
4. Is association personal property listed and tagged with an association ID?
5. Is there an accounting capitalization policy?
6. Does the general membership vote on earthquake insurance annually?
7. Is there a Directors & Officers liability policy in force, conforming with governing document requirements?
8. Are there records retention policies and procedures?
9. Do budget and insurance disclosures conform to CC § 1365?
10. Are there periodic (at least yearly) safety checks?
11. Is a reserve study performed every three years per CC §1365.5 and updated annually?
12. Does the board clearly understand the duties, authority and responsibilities of each member?
13. Are there written job descriptions for each member of the board?
14. Does the board have a written manual of policies and procedures?
15. Does the board keep accurate minutes of board and of committee meetings?

### B. ACCOUNTING ADMINISTRATION

1. Is there an accounting manual listing items in each general ledger account?\*
2. Is there a general ledger account for each association budget line item?
3. Does the board receive prompt financial reports at least quarterly?
4. Does the board regularly compare financial results to the budget and review variations?
5. Is the comparison done in accordance with CC § 1365.5?
6. Does the board obtain bids for services and document decisions for acceptance of all bids?

\*NOTE: Lack of an accounting manual or defined chart of accounts can lead to inconsistent accounting treatment or misc1ass of revenue or expenses finn one period to the next. Such miscla.s.s cation can deter comparability from period to period and

make it difficult for the board to understand financial results or make meaningful comparisons to the budget.

**SPECIFIC INTERNAL CONTROLS** (Those that relate to specific assets such as cash and receivables)

**C. CASH AND BANK ACCOUNTS**

1. Are bank and investment accounts in the name of the association?
2. Are bank signature cards current?
3. Are persons handling association cash bonded?
4. Total cash balances with any one financial institution do not exceed \$100,000?
5. All cash deposits in FDIC insured accounts?
6. Are bank statements reconciled monthly by someone with no other cash receipts or disbursement functions? ('Other cash functions' include making bank deposits, recording cash receipts, writing checks or approving payments.)
7. Does the reconciler receive the bank statement unopened (to prevent loss or alteration)?
8. Does the reconciler compare check details with journal entries?
9. Does the reconciler examine checks for signatures, alterations, or irregular endorsements?
10. Does the reconciler compare bank dates of deposit with the cash receipts journal?
11. Are long outstanding checks (over 90 days) reviewed for disposition?
12. Are bank reconciliations reviewed and approved by the board at least quarterly?

**D. CASH DISBURSEMENTS**

1. Does the association use prenumbered checks issued in sequence?
2. Are checks prepared from a properly (initialed) approved invoice or request?
3. Are invoices and bills checked for accuracy and pricing before payment is authorized?
4. Are invoices checked for proper classification in the general ledger?
5. Do all checks require dual signatures, at least one of which is a board member?
6. Do reserve checks and transfers between accounts require two board members or one board member and one officer's signature authorization?
7. Does the signing board member check and cancel invoices or other documentation when signing?
8. Is there a policy of never making checks payable to cash?
9. Is there a policy of never signing blank checks? and is it adhered to?
10. Signed checks do not "backtrack" to preparer to reduce possibility of alteration?

11. Bills are paid timely to avoid charges and to take advantage of available discounts?

### **E. ACCOUNTS RECEIVABLE**

1. Is the delinquency policy statement issued to all homeowners annually?
2. Are late charges levied against overdue accounts?
3. Late charges do not exceed \$10 or 10% of the monthly assessment?
4. Is interest charged, not to exceed 12% per annum, on overdue accounts?
5. Are receivables aged to identify delinquent accounts and reviewed monthly?
6. Are delinquent accounts pursued in a timely manner and according to policy statement?
7. Is there a written collection policy and has it been sent to all homeowners?
8. Are liens filed in a timely manner to enhance collectibility of overdue accounts?
9. Are bad debt write-offs reviewed and approved by the board?
10. Are checks received restrictively endorsed immediately after the mail is opened?
11. Are cash receipts deposited intact, daily?
12. If on an accrual basis, are subsidiary accounts reconciled to general ledger periodically?

### **F. INDEPENDENT CONTRACTORS**

1. Do independent contractors have W9s on file before payments are authorized?
2. Are dollars for all independent contractors accumulated?
3. Are 1099s issued by Jan. 31 for all independent contractors who were paid \$600 or more?

**G. PAYROLLS** (Use this section only if the association hires regular employees and maintains its own payrolls.)

1. Do different people do the following;
  - A. Approve hours worked as recorded on time cards
  - B. Prepare paychecks?
  - C. Distribute paychecks?
1. Are detailed personnel records kept, including W4 forms, 1-9 forms, employment applications, performance reviews, approvals for pay increases?
2. Are approvals required before adding or deleting from the payroll?
3. Are records kept of benefits, unused vacation, sick days, etc.?
4. Is payroll preparation rechecked and calculations verified?
5. Are payroll tax returns reconciled to the general ledger?
6. Are payroll reports, including DE34 forms for new employees, filed regularly?

Compiled by members of ECHO's Accountants Resource Panel © 1999 ECHO



## **TAX FILING CHANGES AHEAD FOR HOMEOWNERS ASSOCIATIONS BE PREPARED**

**By: Michael J. Gartzke CPA**

- New Franchise Tax Board Form 199-N for small associations
- Expanded 1099 filing requirement signed into law, effective in 2012
- IRS will no longer accept Federal Tax Deposit Coupons
- Some Federal Energy Credits may be passed through to members by associations
- Associations that pay health insurance premiums may qualify for Federal tax credit
- Associations with new employees may qualify for Federal payroll tax credit

### **California Franchise Tax Form 199-N for small associations starting January 2011**

Starting January 1, 2011, California will require smaller tax-exempt organizations with gross receipts of \$25,000 or less to electronically file an information notice with the Franchise Tax Board (FTB). This notice will be similar to the "e-postcard notice" that small, tax-exempt organizations have filed with the Internal Revenue Service since 2007. The California version is called Form 199-N. Nearly all California HOAs have not been concerned about the Federal reporting requirement because HOAs are not usually tax-exempt for Federal income tax purposes. (A few associations have qualified under Federal 501(c)(4) or 501(c)(7) requirements but these requirements are difficult to meet and most associations cannot meet these requirements). However, nearly all

associations are exempt under California Revenue & Taxation Code Section 23701(t). Until now, if an exempt association had less than \$100 of nonmembership income (e.g. interest) and had total gross receipts of \$25,000 or less annually, it had no California tax filing requirement with the FTB. That changes for tax years ending December 31, 2010 and later. These small associations must either file Form 199 (the form filed by associations with over \$25,000 in gross receipts) or file the new 199-N. Information needed to file 199-N over the internet. It cannot be filed on paper.

Legal name of corporation

Any other name the organization uses

Mailing Address

Website address, if it has one

Federal and California Tax ID Numbers

Name and address of a principal officer

Tax year beginning and ending dates

Contact person name and phone number

Whether or not the organization is still in business

This is due 4 ½ months after year-end. If no filings are done for three years, the corporation will lose its California tax-exempt status.

This is a big deal for many small California HOAs who may not have a CPA or professional tax preparer complete the annual tax returns with the FTB. If they only have had a filing requirement with the Secretary of State for their Statements of Information and CID, then the FTB may not have the correct address for the association. These associations will never become aware of the new filing requirement and three years from now, will lose their tax-exempt status. I know that some CPAs that I have talked to, they have prepared the 199 as part of the annual tax preparation process, even though it was not required in some cases. For all my small HOA tax clients from now on, I will be

preparing the FTB 199, on paper, as part of my annual service and by doing so will eliminate the need for an association member to go online and file the 199-N. All associations will be treated the same for income tax preparation requirements.

The Franchise Tax Board plans to do a mass mailing this fall detailing the new filing requirements and how to access their website when the 199-N "goes live".

### **Expanded 1099 Filing Requirement Signed into Law What it may mean for Homeowner Associations**

In early May of this year, a small headline about taxes caught my eye on the cnn.com website – "Health care law's massive, hidden tax change". Buried in the 2,000+ page health care bill is a provision that greatly expands the reporting of business transactions by businesses (including HOAs) on Form 1099 starting in 2012.

Currently, if your association contracts for services from an unincorporated business (e.g. landscape, maintenance, accounting, management, etc.) and pays \$600 or more during a calendar year, you are required to issue a 1099-Misc to each payee by January 31 of the following year to the recipient and send a copy to the IRS. Since many associations contract out for services as opposed to having employees, some 1099 reporting is already required. Corporate providers of services, or the purchase of products, utilities or insurance, are exempted from this reporting requirement.

Under the new law, all payments for services, products, utilities and insurance will be subject to the new reporting requirement, even incorporated businesses. This means that you would need to send 1099s to Edison, your insurance company, Home Depot, etc.

each year if you spend more than \$600 with them. So, instead of sending out 4-5 1099s, your association may be required to send 20, 30 or more depending upon the number of vendors the association has. Just think about the number of 1099s Verizon would receive. In addition, you would have to obtain these businesses tax ID #s and proper mailing addresses for submitting 1099s which will be different than the addresses used to remit payments.

So why is this requirement in the law? According to the cnn.com article, a Senate Finance Committee aide said, "Information reporting improves tax compliance without raising taxes on small businesses. Health care reform includes more than \$35 billion in tax cuts for small businesses". This is a paperwork disaster of immense proportions. Since then, many have weighed in on the subject, attempting to convince Congress of their folly and repeal Section 9006 of the health care bill. Congressman Dan Lungren of California introduced a bill to repeal the section. It has gotten nowhere because Section 9006 is considered to be a revenue raiser by some in Congress. By issuing more 1099s, more income will be reported and therefore, tax collections will increase. The Internal Revenue Service will be responsible for administering this new requirement and some at the Service aren't thrilled at the prospect. National Taxpayer Advocate Nina Olson cited the new requirements as more of her main concerns stating that the burdens "may turn out to be disproportionate as compared with any resulting improvement in tax compliance". There are financial penalties for failure to issue 1099s.

If you think that it should be simple to repeal or alter this misguided law, think again. In 2001, the Federal estate tax regime was changed to increase the exemption allowed for estates to avoid

paying estate tax. The law increased the exemption to \$3.5 million through 2009, repealed it entirely in 2010 and reinstated it to \$1 million in 2011. All the experts said that Congress would address this issue well before 2010 and would not allow the estate tax to repeal for one year. We are 75% through 2010 and Congressional gridlock prevails. Nothing has been done to change the estate tax rules. The scheme that was passed in 2001 remains in place today despite all the predictions from the experts.

### **Proposed Regulation would Require Electronic Payment of Federal Income Taxes for Associations Starting in 2011**

The Internal Revenue Service has proposed a new regulation requiring all business taxpayers such as homeowners associations to pay their income taxes by electronic funds transfer (EFT). This would require taxpayers to register with the IRS for EFT payments online which of course requires usernames, passwords, bank account information, etc. While some associations have large income tax obligations, most have small or no federal income tax liabilities, especially with interest rates near zero. Associations with employees would also be required to deposit withheld taxes by EFT unless the amount due is \$2,500 or less. Then the tax can be paid with the quarterly payroll tax report. Under the proposed regulation, there is no minimum amount that could be paid with the income tax return when filed. Even a \$1 payment would have to be made electronically.

A hearing was to be held in late September on this regulation. It is expected to be approved and in place by the end of 2010. The form 8109 coupons to make payments through your bank or the Federal Reserve Financial Agent (if done by mail) would no longer be used. All payments would be

made electronically. I am suffering from username and password overload. I am afraid to write these down because of the risk of loss. I can't use the same username or passwords on all sites because each site has different requirements as to what the unique username can be and how many characters the password can be and whether they are "case-sensitive". Can't the IRS just cash a check and be done with it?

This is a burden on your managers and financial professionals who provide services to you. Many associations are self-managed and handle these tasks themselves. How do you handle the EFT account when there is a change in responsible officers?

### **Federal Energy Tax Credits**

For 2010, some Federal energy tax credits may be available to owners for improvements made by the association. According to the instructions for the Federal Energy Property Credit (Form 5695), members of a condominium management association for a condominium you own are treated as having paid your proportionate share of any costs of such association. This credit is available to owners who use the condominium as their main home and the energy property includes, insulation, exterior windows and doors, some forms of roofing and some heating and water heating systems. The total cost is limited to \$5,000 and the credit is 30%. Maximum credit is \$1,500. If the association has installed some solar, wind or geothermal electric/water heating systems, a 30% credit is also available. See the instructions for Form 5695 at [www.irs.gov](http://www.irs.gov) for specific information.

### **Small Business Health Care Tax Credit**

If your association has employees and provides health insurance to them, this credit may be available to you. In order to qualify for the credit, the association must pay for at least 50% of the premium for the employees. The association must have less than 25 employees (full time equivalents - FTE) and average annual wages are less than \$50,000. The credit is 35% of the premium costs for 2010 although the credit phases out when the average wage is between \$25,000 and \$50,000 and the number of workers is between 10 and 25. The credit is not refundable but will carry forward to future years. Your tax preparer will need a lot of additional information from you to compute this credit but the credit can be substantial. It may wipe out some associations' Federal tax liability for years to come.

If you use a payroll preparation service, they should be able to provide specific information. Information is also available at [www.irs.gov](http://www.irs.gov) – Form 941 instructions.

### **Qualified Employee Social Security Tax Credit**

If the association hired new employees after February 3, 2010 and before January 1, 2011, it may qualify for a social security tax exemption for that employee's wages during that period. This credit is 6.2% of the wages subject to FICA withholding and is claimed on the quarterly payroll tax report form 941. A qualified employee is one who:

- 1) Worked less than 40 hours during the 60-day period prior to your hiring the employee. The new employee completes form W-11 to assert that claim.
- 2) Is not employed by you to replace another employee unless the other employee separated from employment voluntarily or for cause.
- 3) Is not related to you.

## BUDGET CONSIDERATIONS FOR 2011

### 1) Utilities

a) **Water/Trash** – these municipal utilities are increasing each year, at least 3-4% sometimes more. Typically rates increase in July so you would have January-June at current rates and July-December at a potential new rate. Water usage will be impacted by a dry vs. wet year if you use a lot of water to maintain common areas.

b) **Electric** – rates appear to be stable

c) **Gas** – rates have stabilized over the past 2 years. Rate changes monthly. During 2010, the baseline rate ranged from 66-91 cents per therm. October 2010 rate is 71 cents. Goes up with demand and onset of winter.

### 2) Consumer Price Index – Los Angeles All Urban Consumers – August 2008-2010

August 2008 – 228.484

August 2009 – 224.507 – decrease 1.75%

August 2010 – 226.373 – increase 0.8%

3) **Insurance** – Many associations, but certainly not all associations, have seen premium decreases in the past year or two. This is especially true for earthquake and difference in conditions policies. In some cases, as much as 25%. Current rates appear stable except for medical insurance and workers comp. Workers Comp premiums may be increasing in 2011 by up to 30%.

4) **Bad Debts** – Foreclosures are still occurring. Review all past due accounts and estimate what may be lost from uncollectible assessments less what has been set aside for losses so far. Entry-level units, vacation homes, new associations (8 years or newer), north Santa Barbara County HOAs appear to be most vulnerable to foreclosure losses.

5) **Income Taxes** – For most associations, investment income determines the amount of income taxes paid (exception – association owned rental property). Interest rates have dropped substantially, below 1% in many cases. If your investment income is down, so will your income taxes.

6) **Reserve Funding** – If you didn't update your reserve study this year, you will find that the amount of interest income projected to be added to reserves will not come close to what was anticipated when your reserve study was prepared due to declines in interest rates. Consider adding an additional contribution to reserves to offset the decline in investment income.

1363.005. The association shall, at the request of any member, distribute to the member, in the manner described in Section 1350.7, the following Disclosure Documents Index:

Disclosure Documents Index

Item	Description	Reference Code
	Assessment and Reserve	Civil Code Sec.
1	Funding Disclosure	1365.2.5
	Summary (form)	
+-----+		
	Pro Forma Operating	Civil Code Sec.
2	Budget or Pro Forma	1365(a)
	Operating Budget Summary	
+-----+		
	Assessment Collection	Civil Code Sec.
3	Policy	1365(e) and
		1367.1(a)
+-----+		
4	Notice/Assessments and	Civil Code Sec.
	Foreclosure (form)	1365.1
+-----+		
+-----+		
5	Insurance Coverage Summary	Civil Code Sec.
		1365(f)
+-----+		
6	Board Minutes Access	Civil Code Sec.
		1363.05(e)
+-----+		
	Alternative Dispute	Civil Code Sec.
7	Resolution (ADR) Rights	1369.590
	(summary)	
+-----+		
	Internal Dispute	Civil Code Sec.
8	Resolution (IDR) Rights	1363.850
	(summary)	
+-----+		
9	Architectural Changes	Civil Code
	Notice	Sec.1378(c)
+-----+		
10	Secondary Address	Civil Code Sec.
	Notification Request	1367.1(k)
+-----+		
11	Monetary Penalties	Civil Code Sec.
	Schedule	1363(g)
+-----+		
12	Reserve Funding Plan	Civil Code Sec.
	(summary)	1365(b)
+-----+		
13	Review of Financial	Civil Code Sec.
	Statement	1365(c)
+-----+		
14	Annual Update of Reserve	Civil Code Sec.
	Study	1365(a)
+-----+		

## ANNUAL DISCLOSURES TO BE SENT WITH BUDGET - 2011

In addition to the “numbers”, the California Civil Code requires that homeowner associations, no matter how large or small, make the following disclosures on an annual basis to their members. Item numbers refer to CC1363.005 Disclosure Document Index

### GENERAL DISCLOSURES

- 1) **Right to receive board and membership meeting minutes** – Disclose how minutes are provided. Some associations send them out automatically; others only on request. Whether they are available by mail, email or association website – Civil Code (CC) 1363.05(e). Item 6
- 2) **Schedule of Monetary Penalties (Fines)** – Required to be distributed whenever changes are made by the association. Many associations will distribute annually. CC 1363(g) Item 12
- 3) **Notice of Requirements for Association Approval of Physical Changes to Property** – The notice shall describe the types of changes that require association approval and shall include a copy of the procedure used to review and approve or disapprove a proposed change. CC 1378(g) Item 9
- 4) **Annual Distribution of Summary of Alternative Dispute Resolution (ADR) Procedures** – Describes what procedures the Association uses to resolve disputes including its internal dispute resolution (IDR) process. Specific language to use is in the law. CC 1369.590 and CC 1363.850. Items 7-8
- 5) **Insurance Coverage Information** – Disclosures include the name of the insurer, type of insurance, policy limits, and deductibles and a specific disclosure statement from the code. This also needs to be provided if there is a major change during the year. CC 1365(f) – Item 5
- 6) **Notice of Right to Receive Annual Financial Report** – Corp Code 8321(a) – Item 13

### ASSESSMENTS AND COLLECTIONS

- 7) **Notice of Assessment Increase** – CC 1366(d)
- 8) **Notice of Right to Provide Secondary Address for Collection Notices** – A member has the right to provide a second address (such as a family member, “snowbird” address, property manager, etc.) for any delinquent assessment notices to be sent to. The member must provide this in writing., CC 1367.1(k) – Item 10

- 9) **Assessment Collection Policy** – A statement describing the policies and practices in enforcing lien rights for default of payment of assessments (e.g. late fees, pre-lien notification, etc.) CC 1365(e) – Item 3
- 10) **Distribution of Written Notice of Assessments, Foreclosure and Payment Plans** – Specific statutory language in the Civil Code which describes the rights and responsibilities of members and the Association – CC 1365.1 – Item 4

## **BUDGET AND RESERVE DISCLOSURES**

### **11) Proforma Operating Budget CC 1365(a) – Item 2**

- a) Estimated Revenues and Expenses on an Accrual Basis
- b) Summary of Association Reserves based upon the most recent study (CC1365.5) based only on cash or cash equivalent assets which will include:
- i. Estimated useful life of each reserve component
  - ii. Estimated remaining life of each reserve component
  - iii. Estimated replacement cost of each reserve component
  - iv. Current estimate of the amount of cash reserves needed to repair, replace, restore or maintain the reserve components at year-end
  - v. Current amount of reserve cash at year-end
  - vi. An accounting of any construction defect settlement funds received and disbursed
  - vii. Reserves Percent Funded – item v. above divided by item iv.
  - viii. The current deficiency in reserve funding if less than 100% funded shown on a per unit basis. For example, if the association should have \$200,000 in reserves and it has only \$60,000 in reserves, then it is 30% funded (60 divided by 200). If there are 40 units in the association, then the per unit deficiency is \$3,500. (\$200,000 minus \$60,000 = \$140,000 divided by 40 units)
- c) Whether the board has determined that it will defer or not undertake repairs or replacement of any major component with less than a 30-year remaining life and why that decision was made.
- d) Whether the board has determined or anticipates that one or more special assessments will be required in the future to meet the reserve funding plan adopted by the board pursuant to CC 1365.5(e)(5)
- e) How the association will fund reserves – monthly assessments, special assessments, borrowing, sale of association property, deferring repairs, etc.
- f) If the association has any outstanding loans, disclosing the lender, interest rate, principal balance, annual payments and the due date of the note.



- g) A description of the procedures used in calculating and establishing the reserve fund requirements including a “straight line” calculation of reserve funds needed (see section b) viii on previous page. If investment income is included in the calculation, the rate of interest cannot exceed 2% of the San Francisco Federal Reserve discount rate. As of September 19, 2008, that rate is 2.25% which means that the highest rate of return that can be used in a current reserve study is 4.25%.

**12) Summary of Reserve Funding Plan – CC 1365.5(e)(5)** – Effective January 1, 2009, a summary of the reserve funding plan is required to be included in the budget with a disclosure that the full reserve study plan is available upon request of a member. Over the next 30 years, the plan shall include a schedule of the date and the amount of any change in regular or special assessments that would be needed to sufficiently fund the reserve plan. The plan must be adopted by the board at an open meeting. Any increase in assessments shall be approved by the board as allowed by CC 1366. (20% per year maximum increase unless an emergency, court order or approved by the members) – Item 12

**13) Assessment and Reserve Funding Disclosure Summary – CC 1365.2.5** – The text for this disclosure is found directly in the Civil Code. The Required disclosures include:

- a) Current Regular Assessment
- b) Any additional or special assessments that have been approved by the board of directors
- c) Will currently projected reserve account balances be sufficient at the end of each year to meet the association’s obligation for repair/replacement of major components during the next 30 years.
- d) If not, what assessments would be necessary to ensure that sufficient reserve funds will be available each year for the next 30 years that have not yet been approved by the board or the members
- e) All major components are included in the calculations
- f) Estimated amount required in the reserves at year-end
- g) Who prepared reserve study and when
- h) Project reserve cash balance at year-end
- i) Percent reserves funded
- j) Alternative calculation method, if not straight-line (e.g. pooling)
- k) Estimated amount required in the reserve fund at the end of the next five years based upon current assessments
- l) Estimates are subject to change
- m) Additional information can be included

Items 1 and 14

## CORPORATION FILINGS WITH THE CALIFORNIA SECRETARY OF STATE

By: Michael J. Gartzke, CPA

**Editor's Note:** These seemingly simple forms can cause your homeowners association a lot of grief if not sent in on time or filled out correctly. Information follows as to what these forms are, how to complete them and why they are so important.

When a homeowners association is formed as a corporation (in my practice, 97% of HOAs are corporations), articles of incorporation are filed with the California Secretary of State. A corporation number is assigned and the Secretary of State maintains public information on the corporation. Some of this information can change frequently and so a periodic filing is required by each corporation to the Secretary of State's office every two years. The due date for filing these forms varies depending upon the month and year that the corporation was formed. The filing date is not tied to the association's fiscal year or income tax year filings. For example, a corporation formed in April 1984 with a calendar year end for income tax returns filings will file a Statement of Information (SI-100) with the California Secretary of State in **April** of every even-numbered year (2006, 2008, etc.) since it was formed in an even-numbered year. A corporation formed in May 1993 with a June 30 fiscal year will file the Statement of Information in **May** of each odd-numbered year (2005, 2007 etc.). Statements of Information that are filed late are subject to a \$50 penalty that is assessed through the Franchise Tax Board even though it is a Secretary of State penalty. Not filing the form at all can result in the suspension of the corporation's powers by the Secretary of State.

When associations change managers or if there is a change in officers and/or mailing address, the Secretary of State will not know and send the reminder to file forms at the address you used two years prior. They do not get updated mailing lists from the Franchise Tax Board when you file tax returns. If you have a change to report during the interim, you can refile the forms at no additional cost.

It is important to note that these are not tax forms. Your CPA or income tax preparer will not prepare these forms as part of the annual income tax preparation process. Two Forms are required: 1) Statement of Information, and 2) Statement of Community Interest Development. Each form should only require about 10-15 minutes of your time. The Secretary of State no longer mails the forms when they are due but sends a postcard about 90 days before they are due. The forms can be accessed on the internet at [www.sos.ca.gov](http://www.sos.ca.gov). Information concerning the completion of these forms appeared in the November-December

2007 issue of the South Coast HOA newsletter which is available on their website – [www.southcoasthoa.org](http://www.southcoasthoa.org).

## **MISLEADING MASS MAILING SOLICITATIONS**

Some private companies have been sending mass mailings to associations (as well as other corporations and business entities) offering to prepare documents for a fee. I have attached two of these mailings for your information.

The one from the “Corporate Compliance Center” in Sacramento, will prepare “Annual Minutes” for your association and send you a “Certificate of Minutes” for your minute book for the price of \$120. You just need to provide information regarding the officers and directors of the association. The association minutes that you prepare on a regular basis and the minutes from your annual meeting that you provide to members are the official record of the corporation. The annual minutes solicitation does not ask for what actions your board took or for any other items that would appear in the minutes. The cost is \$120. No filings with the California Secretary of State are made. It is a worthless “service”.

The second mailing is from the Business Filings Division in Sacramento. For \$235, they will prepare the Statement of Information for your association and remit the statement fee (\$20) to the Secretary of State. The Statement of Information requires homeowner associations to make disclosures regarding the physical location of the property and name and address of the managing agent and this solicitation does not ask you to provide this information for the form. So every one of these that they have done for associations is incomplete and/or incorrect and would be returned by the Secretary of State’s office to you for correction. Further, all homeowner associations file a Statement of Common Interest Development with the Secretary of State at the same time and this company is not preparing that form for associations as part of their “service”.

I understand that one of these companies or another company is asking for up to \$495 to provide “services” in this area.

If you receive a solicitation like this and are unsure what the association needs to do, contact your manager or accountant for advice. I have seen a few associations as well as some of my non-association clients pay these fees. It is a waste of your money.



Secretary of State  
 Business Programs Division  
 P.O. Box 944230  
 Sacramento, CA 94244-2300

FIRST CLASS PRST  
 PERMIT 424  
 US POSTAGE  
 PAID  
 SACRAMENTO CA

RETURN SERVICE REQUESTED

**Statement of Information Filing**

Statement Due Date: 11-30-10

Required Statement(s) due to be filed:

(Form SI-100) Statement of Information

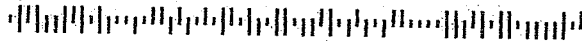
(Form SI-CID) Statement by Common Interest Development Association

See reverse for instructions.

C0668375  
 SHORELINE CONDOMINIUM ASSOCIATION,  
 INC.  
 P O BOX 1052  
 GOLETA CA 93116

000355

3116



The required Statement of Information (SI) is **due**. Nonprofit corporations formed to manage a common interest development must also file a Statement by Common Interest Development Association together with the SI. To avoid penalty assessments of up to \$250 and subsequent suspension/forfeiture, the required statement(s) must be filed with this office by the Statement Due Date shown on the front of this notice.

Most corporations can file online at <https://businessfilings.sos.ca.gov/>. SI forms for corporations and for limited liability companies filing by mail are available at [www.sos.ca.gov/business/be/statements.htm](http://www.sos.ca.gov/business/be/statements.htm). The applicable form should be completed and mailed with the required fees to our office at the address on the front of this notice.

If the entity is not conducting business in California, dissolution, cancellation, or surrender documents must be filed with this office. Information for filing such documents is available at [www.sos.ca.gov/business/be/forms.htm](http://www.sos.ca.gov/business/be/forms.htm).

Note: The entity must continue to file the SI with this office until dissolution, cancellation, or surrender documents are filed.

For further information, refer to California Corporations Code sections 1502, 2117, 2204, 2206, 6210, 6810, 8210, 8810, 9660, 9690, 12570, 12670, 17060, 17653 or 17655; Civil Code section 1363.6; Financial Code section 14101.6; Revenue and Taxation Code section 19141.

SI-PC (EST 09/2009)





# State of California Secretary of State

N

## Statement of Information

(Domestic Nonprofit, Credit Union and Consumer Cooperative Corporations)

Filing Fee: \$20.00. If amendment, see instructions.

**IMPORTANT – READ INSTRUCTIONS BEFORE COMPLETING THIS FORM**

1. CORPORATE NAME

This Space for Filing Use Only

**Due Date:**

**Complete Principal Office Address** (Do not abbreviate the name of the city. Item 2 cannot be a P.O. Box.)

2. STREET ADDRESS OF PRINCIPAL OFFICE IN CALIFORNIA, IF ANY CITY STATE ZIP CODE  
**CA**

3. MAILING ADDRESS OF THE CORPORATION, IF REQUIRED CITY STATE ZIP CODE

**Names and Complete Addresses of the Following Officers** (The corporation must list these three officers. A comparable title for the specific officer may be added; however, the preprinted titles on this form must not be altered.)

4. CHIEF EXECUTIVE OFFICER/ ADDRESS CITY STATE ZIP CODE

5. SECRETARY ADDRESS CITY STATE ZIP CODE

6. CHIEF FINANCIAL OFFICER/ ADDRESS CITY STATE ZIP CODE

**Agent for Service of Process** (If the agent is an individual, the agent must reside in California and Item 8 must be completed with a California street address (a P.O. Box address is not acceptable). If the agent is another corporation, the agent must have on file with the California Secretary of State a certificate pursuant to California Corporations Code section 1505 and Item 8 must be left blank.)

7. NAME OF AGENT FOR SERVICE OF PROCESS

8. STREET ADDRESS OF AGENT FOR SERVICE OF PROCESS IN CALIFORNIA, IF AN INDIVIDUAL CITY STATE ZIP CODE  
**CA**

**Davis-Stirling Common Interest Development Act** (California Civil Code section 1350, et seq.)

9.  Check here if the corporation is an association formed to manage a common interest development under the Davis-Stirling Common Interest Development Act and proceed to Items 10, 11 and 12.

**NOTE:** Corporations formed to manage a common interest development must also file a Statement by Common Interest Development Association (Form SI-CID) as required by California Civil Code section 1363.6. Please see instructions on the reverse side of this form.

10. ADDRESS OF BUSINESS OR CORPORATE OFFICE OF THE ASSOCIATION, IF ANY CITY STATE ZIP CODE

11. FRONT STREET AND NEAREST CROSS STREET FOR THE PHYSICAL LOCATION OF THE COMMON INTEREST DEVELOPMENT 9-DIGIT ZIP CODE  
(Complete if the business or corporate office is not on the site of the common interest development.)

12. NAME AND ADDRESS OF ASSOCIATION'S MANAGING AGENT, IF ANY CITY STATE ZIP CODE

13. THE INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT.

DATE TYPE/PRINT NAME OF PERSON COMPLETING FORM TITLE SIGNATURE

- 27 -



# State of California Secretary of State

## STATEMENT BY COMMON INTEREST DEVELOPMENT ASSOCIATION

**Filing Fee \$15.00. If amendment, see instructions.**

**IMPORTANT — READ INSTRUCTIONS BEFORE COMPLETING THIS FORM**

1. NAME OF ASSOCIATION

This Space For Filing Use Only

2. The above named association is formed to manage a common interest development under the Davis-Stirling Common Interest Development Act. (This statement is required by Civil Code section 1363.6(a)(1) and must not be altered.)

3. THIS ASSOCIATION IS:  INCORPORATED  UNINCORPORATED

**STREET ADDRESS OF ASSOCIATION'S ONSITE OFFICE OR, IF NONE, THE ADDRESS OF THE ASSOCIATION'S RESPONSIBLE OFFICER OR MANAGING AGENT** (Please do not abbreviate the name of the city. Item 4 cannot be a P.O. Box.)

4. STREET ADDRESS CITY STATE ZIP CODE

**NAME, ADDRESS AND EITHER THE DAYTIME TELEPHONE NUMBER OR E-MAIL ADDRESS OF THE PRESIDENT OF THE ASSOCIATION** (The address and telephone number must be different from the address and telephone number of the association's onsite office or managing agent. Please do not abbreviate the name of the city.)

5. NAME PHONE NUMBER OR E-MAIL ADDRESS

ADDRESS CITY STATE ZIP CODE

**NAME, COMPLETE STREET ADDRESS, AND DAYTIME TELEPHONE NUMBER OF THE ASSOCIATION'S MANAGING AGENT, IF ANY** (The address and telephone number must be different from the address and telephone number of the president of the association. Please do not abbreviate the name of the city. Item 6 cannot be a P.O. Box.)

6. NAME PHONE NUMBER

STREET ADDRESS CITY STATE ZIP CODE

**PHYSICAL LOCATION OF THE DEVELOPMENT**

7A. COUNTY OR COUNTIES

7B. CITY (If in an unincorporated area, enter the city closest in proximity.)

8A. FRONT STREET 8B. NEAREST CROSS STREET 8C. NINE-DIGIT ZIP CODE

**TYPE OF COMMON INTEREST DEVELOPMENT MANAGED BY THE ASSOCIATION** (At least one of the types listed must be checked. Refer to Civil Code section 1351 for definitions.)

9. CHECK THE APPLICABLE BOX:
- A COMMUNITY APARTMENT PROJECT
  - A CONDOMINIUM PROJECT
  - A PLANNED DEVELOPMENT
  - A STOCK COOPERATIVE

**SEPARATE INTERESTS** (Please note, "Zero" or "none" is not acceptable.)

10. THE NUMBER OF SEPARATE INTERESTS IN THE DEVELOPMENT

11. THE INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT.

TYPE OR PRINT NAME OF PERSON COMPLETING THE FORM SIGNATURE TITLE DATE



# CORPORATE COMPLIANCE CENTER ANNUAL MINUTES COMPLIANCE NOTICE

Secretary of State No.: 02469536

CCC File No. 1161205CAN1

1161205CAN1 \*\*\*\*\*AUTO\*\*3-DIGIT 931  
BUSINESS IN COMPLIANCE WITH CA CORP. CODE

**RETURN BY 3/01/10 TO ALLOW ADEQUATE  
PROCESSING TIME**

5669 CALLE REAL  
GOLETA CA 93117-2318

79-24548



**California Law Annual Minutes Requirements.** CA Corp. Code sections 5510, 7110, Et. Seq. requires non-exempt California corporations to keep minutes of member, director and director committee proceedings.

**Consequence of Non-Compliance.** Failure to comply with these statutes is a factor courts may consider that can result in personal liability of corporation members for corporation debts and obligations without limit to amount as a result of alter ego liability.

**Complete and Return the Form Below** so that CCC can prepare the documents to meet the terms of the Annual Minutes Requirements of CA Corp. Code §5510, 7110, Et. Seq.

**Make Your Check for \$120.00 Payable to CCC.** It is important we receive your response by 3/01/10 to ensure the timely preparation of your Annual Minutes. You should receive your Certificate of Minutes within 3 weeks of sending your form.

**(916) 480-9006 \* Return this form with your check and mail to us in the enclosed envelope.\***

BUSINESS INFORMATION				(COMPLETE/MAKE CHANGES WHERE NECESSARY (PRINT OR TYPE))			
Business Name & Address 5669 CALLE REAL GOLETA CA 93117-2318		City GOLETA	State CA	Zip Code 93117-2318			
Person To Contact E-mail		Telephone (With Area Code) ( ) -	Fax (With Area Code) ( ) -				
<b>OFFICERS – NAMES OF ALL OFFICERS, INCLUDING OFFICERS WHO ARE DIRECTORS</b>				<b>DIRECTORS – NAMES OF ALL DIRECTORS, INCLUDING DIRECTORS WHO ARE OFFICERS</b>			
PRESIDENT / CEO (Required Position) K				DIRECTOR #1 NAME (Required Position)			
VICE-PRESIDENT (Optional Position)				DIRECTOR #2 NAME (Required if there are 2 Members)			
SECRETARY (Required Position)				DIRECTOR #3 NAME (Required if 3 or more Members)			
TREASURER / CFO (Required Position)				DIRECTOR #4 NAME (Optional Position)			
PURPOSE (Check Only One) – See Back for Instructions Public or Charitable Purpose <input type="checkbox"/> <input type="checkbox"/> Any lawful mutual benefit purpose <input type="checkbox"/> <input type="checkbox"/>				DIRECTOR #5 NAME (Optional Position)			
MEMBERS (Check Only One) – See Back for Instructions This Corporation Has No Members <input type="checkbox"/> <input type="checkbox"/> The Articles/Bylaws Provide For Members <input type="checkbox"/> <input type="checkbox"/>				DIRECTOR #6 NAME (Optional Position)			
<b>RETURN BY 3/01/10 TO ALLOW ADEQUATE PROCESSING TIME</b>				DIRECTOR #7 NAME (Optional Position)			
If additional space is needed for director names, please attach a separate sheet of paper.				DIRECTOR #8 NAME (Optional Position)			
CA B&P CODE SEC 17533.6. THIS SERVICE HAS NOT BEEN APPROVED OR ENDORSED BY ANY GOVERNMENT AGENCY. AND THIS OFFER IS NOT BEING MADE BY AN AGENCY OF THE GOVERNMENT. THIS IS NOT A BILL						<b>AMOUNT ENCLOSED</b> <b>\$120.00</b>	



**RETURN THIS FORM NO LATER THAN 3/01/10 TO ENSURE TIME FOR PROCESSING.**  
CORPORATE COMPLIANCE CENTER, 2740 FULTON AVE., SUITE 203, SACRAMENTO, CA 95821 (916) 480-9006





**Business Filings Division  
Statement of Information  
Officers List**

Office Use Only

MEMBERS ASSOCIATION  
1111 CALLE CESAR CHAVEZ STE 230A  
SANTA BARBARA, CA 93103-5611

Control Number: 1266990  
Corporation Number: 2684214  
\* Remit Payment: \$235.00  
Due Date: October 15, 2009  
(Remit Immediately)

**Avoid Penalties, Fines and Suspension**

**Remit Immediately!**

Every domestic stock and agricultural cooperative corporation shall file a Statement of Information with the California Secretary of State, within 90 days after filing of its original Articles of Incorporation, and annually thereafter during the applicable filing period. Every domestic nonprofit, credit union and consumer cooperative corporation shall file a Statement of information with the California Secretary of state, within 90 days after filing of its original articles of Incorporation, and biennially thereafter during the applicable filing period. A corporation is required to file this statement even though it may not be actively engaged in business at the time this statement is due.

Statutory filing provisions are found in California Corporations Code section 1502 or Food and Agricultural Code section 54040, unless otherwise indicated. Failure to file this Statement of Information by the due date will result in the assessment of a \$250.00 penalty. (Corporations Code section 2204; Revenue and Taxation Code section 19141.)

**Please Print Clearly!**

**Fill out Form Completely, to Avoid Delays!**

<b>Entity Information</b> (Must be CA Address)		<b>Agent Information</b> (P.O. Box not Allowed, Must be CA Address)	
Business Address:		Agent Full Name:	
City, State & Zip:		Address:	
Phone:	Email:	City & Zip in CA only:	
<b>Officers Information</b> (Must name all 3 Officers)		<b>Directors Information</b> (Must name at least one Director)	
President Name:		Director Name:	
Address:		Address:	
City, State & Zip:		City, State & Zip:	
Secretary Name:		Director Name:	
Address:		Address:	
City, State & Zip:		City, State & Zip:	
Treasurer Name:		Director Name:	
Address:		Address:	
City, State & Zip:		City, State & Zip:	

**Business Description:**

Failure to comply with the Necessary filing will cause the Entity to be assessed Penalties, Fines and **SUSPENSION**. Should the Entity become **SUSPENDED**, you will **not** have the right to conduct business, your Entity name could be taken, losing your Corporate Existence will have many negative ramifications. **Make Check Payable to: Business Filings Division**  
CA B&P CODE SEC 17533.6. THIS PRODUCT OR SERVICE HAS NOT BEEN APPROVED OR ENDORSED BY ANY GOVERNMENT AGENCY, AND THIS OFFER IS NOT BEING MADE BY AN AGENCY OF THE GOVERNMENT. The referenced government agency may be contacted at California Secretary of State, P.O. Box 944230 Sacramento, CA 94244. In submitting this form you give Authorization to BFD to sign and file you statement of officers on your behalf. I, (we) certify that the above is true and correct.

\_\_\_\_\_  
Print Member / Manager Name

\_\_\_\_\_  
Member / Manager Signature

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**Legislative Advocacy**

ECHO's in the Capitol  
Legislation at a Glimpse  
Laws and Codes  
CLRC

Legislation at a Glimpse					
Bill No.	Author	Subject	Sponsor	Status	Position
<b>AB 1726</b>	Swanson	Voting Quorums	CAI	Vetoed by Governor	Oppose
<b>Summary</b>	In the event that there is not a quorum for a member meeting or an election of directors, would automatically reduce the quorum requirement for the next meeting to 40%, and then to 33% of the association's voting power. Exempts associations whose documents establish a lower quorum requirement.				
<b>Link</b>	<a href="http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_1701-1750/ab_1726_bill_20100819_enrolled.html">http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_1701-1750/ab_1726_bill_20100819_enrolled.html</a>				
<b>AB 1793</b>	Saldana	Synthetic Grass	San Diego County Water Authority	Vetoed by Governor	Oppose
<b>Summary</b>	Voids provisions in governing documents that prohibit the use of artificial turf or any other synthetic surface that resembles grass. Allows associations to adopt rules that establish design and quality standards.				
<b>Link</b>	<a href="http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_1751-1800/ab_1793_bill_20100820_enrolled.html">http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_1751-1800/ab_1793_bill_20100820_enrolled.html</a>				
<b>AB 1927</b>	Knight	Rental Rights	CAR	Vetoed by Governor	Oppose
<b>Summary</b>	For governing documents initially recorded on or after January 1, 2011, requires that a majority of all owners vote to approve rental or lease restrictions. Requires owners to disclose rental restrictions prior to transfer of title.				
<b>Link</b>	<a href="http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_1901-1950/ab_1927_bill_20100819_enrolled.html">http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_1901-1950/ab_1927_bill_20100819_enrolled.html</a>				
<b>AB 1975</b>	Fong	Submetering	Sierra Club	Amended 8/2. In Sen, held under submission.	Opposed Unless Amended
<b>Summary</b>	Requires a water purveyor to either adopt a general policy to require the installation of either a water meter, or a submeter, to measure water supplied to each individual dwelling unit, or to inform, on an individual basis, an applicant for new water service as to whether a water meter or submeter is required to be installed for each individual dwelling unit.				
<b>Link</b>	<a href="http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_1951-2000/ab_1975_bill_20100802_amended_sen_v93.html">http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_1951-2000/ab_1975_bill_20100802_amended_sen_v93.html</a>				
<b>AB 2016</b>	Torres	Deed Requests	CAI	Signed by Governor.	Support
<b>Summary</b>	Clarifies that a request by an association for notification of a trustee's deed of sale does not constitute a document that either effects or evidences a transfer or encumbrance, or that releases or terminates any interest, right or encumbrance, of an interest in real property.				
<b>Link</b>	<a href="http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_2001-2050/ab_2016_bill_20100813_chaptered.html">http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_2001-2050/ab_2016_bill_20100813_chaptered.html</a>				
<b>AB 2120</b>	Silva	Mobilehome Law	WMHCA	Signed by Governor.	Neutral

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		Disclosure			
<b>Summary</b>	Each year, would require that the management provide a copy of the Mobilehome Residency Law to each resident, or send a notice when a significant change is made and inform residents that they can obtain a copy by submitting a request.				
<b>Link</b>	<a href="http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_2101-2150/ab_2120_bill_20100715_chaptered.html">http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_2101-2150/ab_2120_bill_20100715_chaptered.html</a>				
<b>AB 2502</b>	Brownley	Delinquency Collection	CCHAL	Amended 5/10. In Assm Judiciary.	Oppose
<b>Summary</b>	Regulates third parties performing collection services for HOAs, as well as the formation of payment plans between associations and delinquent members. Allows members to have counsel present when discussing a payment plan, provided they give 48 hours notice to the association.				
<b>Link</b>	<a href="http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_2501-2550/ab_2502_bill_20100510_amended_asm_v96.html">http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_2501-2550/ab_2502_bill_20100510_amended_asm_v96.html</a>				
<b>SB 995</b>	Strickland	Conversion Plans		In Sen Local Government. Hearing cancelled.	Watch
<b>Summary</b>	Provides that a stock cooperative or community apartment project for senior citizens established before the Davis-Stirling Act, that is converting to a condominium, shall not be required to file a condominium plan to the Department of Real Estate.				
<b>Link</b>	<a href="http://www.leginfo.ca.gov/pub/09-10/bill/sen/sb_0951-1000/sb_995_bill_20100209_introduced.html">http://www.leginfo.ca.gov/pub/09-10/bill/sen/sb_0951-1000/sb_995_bill_20100209_introduced.html</a>				
<b>SB 1427</b>	Price	Foreclosed Property Maintenance	CAR	Signed by Governor	Support
<b>Summary</b>	When a property is purchased at a foreclosure sale and is not being maintained, requires a governmental entity to provide notice of violations to the property owner before imposing fines for nuisance abatement.				
<b>Link</b>	<a href="http://www.leginfo.ca.gov/pub/09-10/bill/sen/sb_1401-1450/sb_1427_bill_20100929_chaptered.html">http://www.leginfo.ca.gov/pub/09-10/bill/sen/sb_1401-1450/sb_1427_bill_20100929_chaptered.html</a>				

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# CALIFORNIA LAW REVISION COMMISSION

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-- Last revised 10/14/10 --

## Statutory Clarification and Simplification of CID Law

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As part of its larger study of common interest development ("CID") law, the Commission is developing a proposal to reorganize and clarify the Davis-Stirling Common Interest Development Act. The recodification will be largely nonsubstantive. Substantive improvements will be included only where they are noncontroversial.

The Commission approved a recommendation in 2007. Implementing legislation was introduced in 2008. In response to concerns raised in the Legislature, the implementing legislation and recommendation were withdrawn. The Commission has since been working to address all identified concerns about the proposal. It expects to have a new version of the recommendation ready for legislative introduction in 2011. Materials relating to this topic are collected below. Materials relating to other CID-related subtopics are cataloged separately on the [CID Homepage](#).

If you have questions or comments on this study, send an e-mail to Brian Hebert at [bhebert@clrc.ca.gov](mailto:bhebert@clrc.ca.gov).

### Related Material

[Legislation](#)

[Final Recommendation](#)

[Tentative Recommendation](#)

[Commission Decisions \(Meeting Minutes\)](#)

[Staff Memoranda](#)

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### Legislation

[2008: Assembly Bill 1921 \(Saldaña\) \[Common Interest Development Recodification\]](#)  
[Not Enacted]

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## Final Recommendation

[Recommendation](#) -- **Statutory Clarification and Simplification of CID Law (Pre-Print)**  
(December 2007)

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## Tentative Recommendations and Other Requests for Comment

[Tentative Rec.](#) -- **Statutory Clarification and Simplification of CID Law (February 2010) --**  
**Comments Due: 7/1/2010**

[Tentative Rec.](#) -- **Statutory Clarification and Simplification of CID Law (June 2007) --**  
**Comments Due: 9/21/2007**

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## Meeting Minutes

[August 19, 2010 Meeting](#) in Sacramento

[February 25, 2010 Meeting](#) in Sacramento

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[October 22, 2009 Meeting](#) in Sacramento

[August 28, 2009 Meeting](#) in Sacramento

[April 23, 2009 Meeting](#) in Sacramento

[February 19, 2009 Meeting](#) in Sacramento

[December 11, 2008 Meeting](#) in Burbank

[December 13-14, 2007 Meeting](#) in Burbank

[October 26, 2007 Meeting](#) in Burbank

[June 28, 2007 Meeting](#) in Sacramento

[April 26, 2007 Meeting](#) in Sacramento

[January 25, 2007 Meeting](#) in Sacramento

[August 18, 2006 Meeting](#) in Burbank

[June 22-23, 2006 Meeting](#) in Sacramento

[April 27, 2006 Meeting in Sacramento](#)

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[September 30, 2005 Meeting in Burbank](#)

[July 14, 2005 Meeting in Sacramento](#)

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## Staff Memoranda

[Memo 2010-48, Supp. 2](#) -- Common Interest Development: Statutory Clarification and Simplification of CID Law (Comments on Governing Document Provisions) (10/14/2010)

[Memo 2010-46, Supp. 1](#) -- Common Interest Development: Statutory Clarification and Simplification of CID Law (Further Public Comment) (10/14/2010)

[Memo 2010-48, Supp. 1](#) -- Common Interest Development: Statutory Clarification and Simplification of CID Law (Comments on Governing Document Provisions) (10/11/2010)

[Memo 2010-47, Supp. 1](#) -- Common Interest Development: Statutory Clarification and Simplification of CID Law (Comments on Definition Provisions) (10/11/2010)

[Memo 2010-46](#) -- Common Interest Development: Statutory Clarification and Simplification of CID Law (Further Public Comment) (09/30/2010)

[Memo 2010-49](#) -- Common Interest Development: Statutory Clarification and Simplification of CID Law (Comments on Property Ownership, Use and Maintenance Provisions) (09/27/2010)

[Memo 2010-48](#) -- Common Interest Development: Statutory Clarification and Simplification of CID Law (Comments on Governing Document Provisions) (09/20/2010)

[Memo 2010-47](#) -- Common Interest Development: Statutory Clarification and Simplification of CID Law (Comments on Definition Provisions) (09/14/2010)

[Memo 2010-29, Supp. 3](#) -- Statutory Clarification and Simplification of CID Law: Comments on Preliminary Provisions (08/19/2010)

[Memo 2010-29, Supp. 2](#) -- Statutory Clarification and Simplification of CID Law: Comments on Preliminary Provisions (08/13/2010)

[Memo 2010-29, Supp. 1](#) -- Statutory Clarification and Simplification of CID Law: Comments on Preliminary Provisions (08/10/2010)

[Memo 2010-29](#) -- Statutory Clarification and Simplification of CID Law: Comments on Preliminary Provisions (08/05/2010)

[Memo 2010-36](#) -- Common Interest Development: Statutory Clarification and Simplification of CID Law (Comments on Tentative Recommendation) (07/20/2010)

[Memo 2007-04](#) -- Statutory Clarification and Simplification of CID Law: Member Elections (1/16/2007)

[Memo 2006-33, Supp. 3](#) -- Statutory Clarification and Simplification of CID Law (Material Received at Meeting) (8/18/2006)

[Memo 2006-33, Supp. 2](#) -- Statutory Clarification and Simplification of CID Law: Discussion of Issues (8/17/2006)

[Memo 2006-33, Supp. 1](#) -- Statutory Clarification and Simplification of CID Law: Discussion of Issues (8/15/2006)

[Memo 2006-33](#) -- Statutory Clarification and Simplification of CID Law: Discussion of Issues (8/8/2006)

[Memo 2006-25, Supp. 2](#) -- Statutory Clarification and Simplification of CID Law: Association Governance and Dispute Resolution (Public Comment) (6/22/06)

[Memo 2006-25, Supp. 1](#) -- Statutory Clarification and Simplification of CID Law: Association Governance and Dispute Resolution (Public Comment) (6/15/06)

[Memo 2006-25](#) -- Statutory Clarification and Simplification of CID Law: Association Governance and Dispute Resolution (5/25/2006)

[Memo 2006-04, Supp. 2](#) -- Statutory Clarification and Simplification of CID Law: Public Comment (4/27/2006)

[Memo 2006-04, Supp. 1](#) -- Statutory Clarification and Simplification of CID Law: Public Comment (4/10/2006)

[Memo 2006-04](#) -- Statutory Clarification and Simplification of CID Law: Association Governance (2/8/2006)

[Memo 2005-32](#) -- Statutory Clarification and Simplification of CID Law: Member Rights (9/19/2005)

[Memo 2005-25, Supp. 2](#) -- Statutory Clarification and Simplification of CID Law (Public Comment) (7/13/2005)

[Memo 2005-25, Supp. 1](#) -- Statutory Clarification and Simplification of CID Law (Public Comment) (7/12/2005)

[Memo 2005-25](#) -- Statutory Clarification and Simplification of CID Law (Discussion of Issues) (7/1/2005)

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MICHAEL J. GARTZKE, CPA  
 SELECTED FINANCIAL DATA  
 SEPTEMBER 2005 – SEPTEMBER 2010

Data is from financial statements that I have reviewed. 2005 was the data that was computed in September 2005 and the 2010 data is also from September. Averages are based upon the totals divided by the number of units; Medians are computed outside the data presented here but represent the middle value of the data set on an association basis – for example in 2005, the 26th association where 25 associations were higher and 25 were lower would be the median value.

	2005	2010	Change	Percent
Number of Associations	51	67	16	
Number of units	4,040	5,074	1,034	
Median Size of Associations	50	50	0	0.0%
Consumer Price Index – Los Angeles All Urban Consumers	203.1	226.373	23.273	11.5%
Operating Assessments:				
Total	\$11,097,653	\$18,151,101		
Average per month	228.91	298.11	69.19	30.2%
Median per month	213.71	289.86	76.15	35.6%
Reserve Assessments:				
Total	\$2,954,945	\$5,545,428		
Average per month	60.95	91.08	30.12	49.4%
Median per month	72.22	101.04	28.82	39.9%
Total Assessments:				
Total	\$14,052,598	\$23,696,529		
Average per month	289.86	389.18	99.32	34.3%
Median per month	285.00	397.97	112.97	39.6%
Cash/Investments:				
Total	\$18,035,000	\$26,620,703		
Average per unit	4,464	5,246	782	17.5%
Median per unit	2,663	4,345	1,682	63.2%
Assessments Receivable:				
Total	\$116,129	\$543,619		
Average per unit	28.74	107.14	78.39	272.7%
Median per unit	16.44	36.88	20.44	124.3%
Operating Fund Balance:				
Total	\$1,171,385	\$2,417,519		
Average per unit	290	476	187	64.3%
Median per unit	190	375	185	97.4%
Reserve Fund Balance:				
Total	\$17,060,261	\$23,901,115		
Average per unit	4,223	4,711	488	11.5%
Median per unit	2,519	3,931	1,412	56.1%

MICHAEL J. GARTZKE, CPA  
 SELECTED FINANCIAL DATA  
 SEPTEMBER 2005 – SEPTEMBER 2010

Data is from financial statements that I have reviewed. 2005 was the data that was computed in September 2005 and the 2010 data is also from September. Averages are based upon the totals divided by the number of units; Medians are computed outside the data presented here but represent the middle value of the data set on an association basis – for example in 2005, the 26th association where 25 associations were higher and 25 were lower would be the median value.

	2005	2009	Change	Percent
Number of Associations	51	67	16	
Number of units	4,040	5,074	1,034	
Median Size of Associations	50	50	0	0.0%
Consumer Price Index – Los Angeles All Urban Consumers	203.1	226.373	23.273	11.5%
Utilities:				
Total	\$2,907,993	\$4,189,614		
Average per month	59.98	68.81	8.83	14.7%
Median per month	60.75	68.70	7.95	13.1%
Common Area Maintenance:				
Total	\$4,727,770	\$7,834,245		
Average per month	97.52	128.67	31.15	31.9%
Median per month	90.93	102.22	11.29	12.4%
Insurance:				
Total	\$2,283,994	\$3,714,883		
Average per month	47.11	61.01	13.90	29.5%
Median per month	43.62	64.94	21.32	48.9%
Administration:				
Total	\$1,436,383	\$2,472,810		
Average per month	29.63	40.61	10.98	37.1%
Median per month	23.26	35.23	11.97	51.5%
Reserve Expenses Paid:				
Total	\$4,439,246	\$7,278,489		
Average per month	91.57	119.54	27.97	30.5%
Median per month	44.24	63.54	19.30	43.6%