

FINACIAL STATEMENT REVIEW

LOMAA Board Meeting
November 7, 2022

The Civil Code Requirement

Civil Code § 5500. Board Review of Finances Required

Unless the governing documents impose more stringent standards, requires the board to review, on a monthly basis all of the following:

- (a) A current reconciliation of the association's operating accounts.
- (b) A current reconciliation of the association's reserve accounts.
- (c) The current year's actual operating revenues and expenses compared to the current year's budget.
- (d) The latest account statements prepared by the financial institutions where the association has its operating and reserve accounts.
- (e) An income and expense statement for the association's operating and reserve accounts.
- (f) The check register, monthly general ledger, and delinquent assessment receivable reports.

(Amended by Stats. 2018, Ch. 396, Sec. 3. Effective January 1, 2019.)

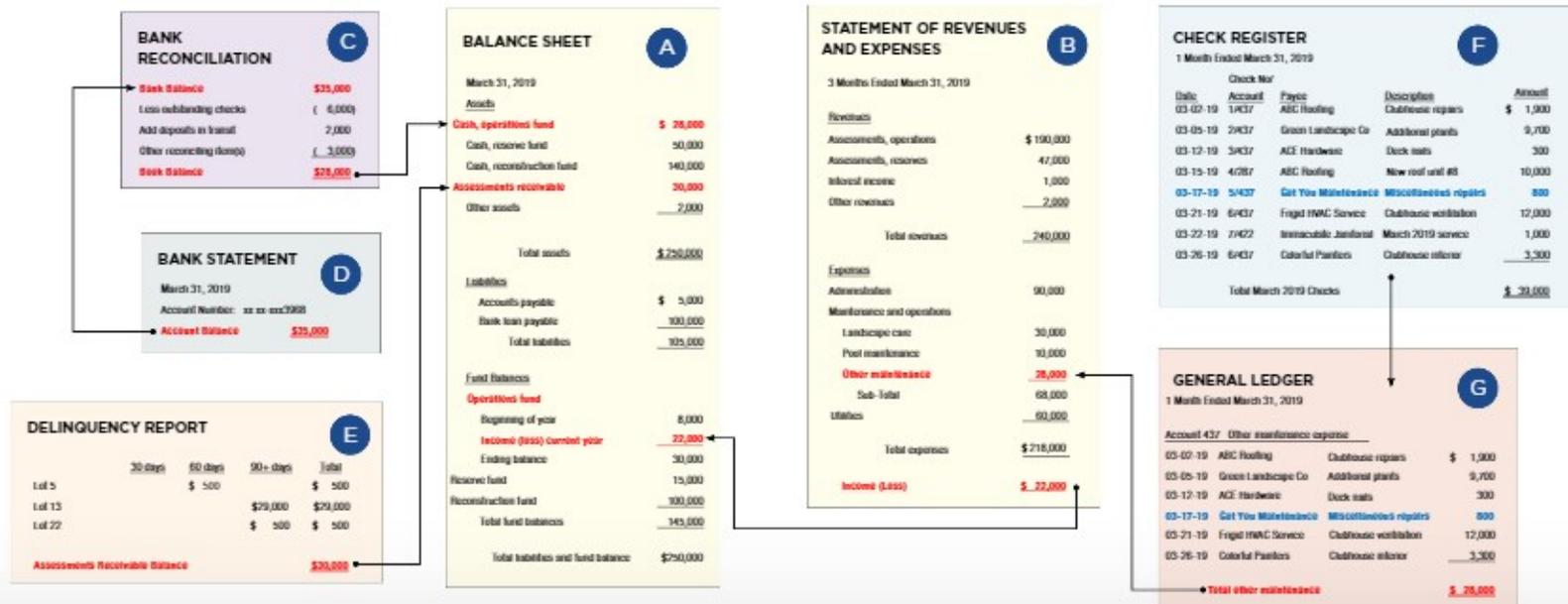
Policies for Fraud Protection

- Require two signatures on all checks – Not just the reserves which Davis-Stirling requires
- Use a lockbox for Assessment Collection
- Safeguard Cash Receipt
- Monitor Investments
- **Execute controls on bank accounts**
- Conduct CPA audits (Required for Income >\$75K)
- Verify fidelity insurance coverage

The Big Picture

- ECHO JOURNAL – ISSUE TWO 2022

UNDERSTANDING HOA FINANCIAL STATEMENTS



Bank Statement(s) & Reconciliation

- The Bank Statement credits and debits must agree with the check record.
- The Statement balance will generally NOT agree with the Balance Sheet.
- Outstanding checks, deposits in transit and other reconciling items, are reconciled to the book balance of the Balance Sheet by the Bank Reconciliation.
- If the balance per bank does not match the statement, book balances do not agree or the list of reconciliation items is not correct, consult your manager or CPA.

BANK RECONCILIATION	
Bank Balance	\$35,000
Less outstanding checks	(6,000)
Add deposits in transit	2,000
Other reconciling item(s)	(3,000)
Book Balance	\$28,000

BANK STATEMENT	
March 31, 2019	
Account Number: xx-xx-xxx3968	
Account Balance	\$35,000

Delinquency Report

- Total assessments receivable is usually detailed on the Delinquency Report.
- If the total of assessments receivable, late charges and interest on the Delinquency Report does NOT agree with the Balance Sheet, consult your manager or CPA.

	<u>30 days</u>	<u>60 days</u>	<u>90+ days</u>	<u>Total</u>
Lot 5		\$ 500		\$ 500
Lot 13			\$29,000	\$29,000
Lot 22		\$ 500		\$ 500
Assessments Receivable Balance				\$30,000

Balance Sheet

- Assets, Liabilities & Fund Balances
- Verify that it “balances”: assets equal liabilities plus fund balances (Consult your manager or CPA if the Balance sheet does not balance)
- Usually the largest assets are going to be cash (bank accounts) , CD’s and assessments receivable
- The most common liability is accounts receivable

BALANCE SHEET	
March 31, 2019	
<u>Assets</u>	
Cash, operations fund	\$ 28,000
Cash, reserve fund	50,000
Cash, reconstruction fund	140,000
Assessments receivable	30,000
Other assets	2,000
Total assets	\$ 250,000
<u>Liabilities</u>	
Accounts payable	\$ 5,000
Bank loan payable	100,000
Total liabilities	105,000
<u>Fund Balances</u>	
<u>Operations fund</u>	
Beginning of year	8,000
Income (loss) current year	22,000
Ending balance	30,000
Reserve fund	15,000
Reconstruction fund	100,000
Total fund balances	145,000
Total liabilities and fund balance	\$250,000

Check Register & General Ledger

- Expenses generally originate from the check register
- Expenses are summarized in the general ledger
- The general ledger expenses should agree with the statement of revenues and expenses
- If the line items or totals do NOT agree, consult your manager or CPA.

CHECK REGISTER
1 Month Ended March 31, 2019

Date	Account	Payee	Description	Amount
03-02-19	1/437	ABC Roofing	Clubhouse repairs	\$ 1,900
03-05-19	2/437	Green Landscape Co	Additional plants	9,700
03-12-19	3/437	ACE Hardware	Deck nails	300
03-15-19	4/287	ABC Roofing	New roof unit #8	10,000
03-17-19	5/437	Got You Maintenance	Miscellaneous repairs	800
03-21-19	6/437	Frigid HVAC Service	Clubhouse ventilation	12,000
03-22-19	7/422	Immaculate Janitorial	March 2019 service	1,000
03-26-19	6/437	Colorful Painters	Clubhouse interior	3,300
Total March 2019 Checks				\$ 39,000

GENERAL LEDGER
1 Month Ended March 31, 2019

Account	Description	Amount
437	Other maintenance expense	
03-02-19	ABC Roofing Clubhouse repairs	\$ 1,900
03-05-19	Green Landscape Co Additional plants	9,700
03-12-19	ACE Hardware Deck nails	300
03-17-19	Got You Maintenance Miscellaneous repairs	800
03-21-19	Frigid HVAC Service Clubhouse ventilation	12,000
03-26-19	Colorful Painters Clubhouse interior	3,300
Total other maintenance		\$ 28,000

