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**OMNIBUS FINANCIAL AND FILING COMPLIANCE PRESENTATION  
NOVEMBER 1, 2017**

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**SOUTH COAST HOMEOWNER ASSOCIATION**  
**OMNIBUS FINANCIAL/COMPLIANCE PRESENTATION**

**MICHAEL J. GARTZKE, CPA**  
**NOVEMBER 1, 2017**

- i. California Corporation Filings with Secretary of State**
  - a. Statement of Information – SI-100 - \$20 Fee every two years
    - i. Can be filed online at [www.sos.ca.gov](http://www.sos.ca.gov)
    - ii. Can also be filed on paper and mailed
  - b. Statement of Common Interest Development – SI-CID - \$15 fee every two years
    - i. Must be mailed to Secretary of State
  - c. Due Date based upon month and year of incorporation
    - i. If incorporated in an odd numbered year, then filed in odd numbered years. Even numbered year of incorporation, then filed in even number years. Example – Incorporated April 22, 1988 – file by April 30, 2018, 2020, etc.
    - ii. 24 possible due dates (12 months x 2 years)
    - iii. Secretary of State will mail postcard to last filing address approximately 90 days before the reports are due.
    - iv. Can be updated at no cost via mail for changes in information in the interim
  - d. How to get the forms
    - i. No longer mailed to the Association by the Secretary of State
    - ii. Available at [www.sos.ca.gov](http://www.sos.ca.gov)
    - iii. Sample forms included with this outline
  - e. ‘Corporate Compliance Center’
    - i. ‘Annual Minutes Compliance Notice’
      - a. Commercial solicitation to produce annual meeting minutes, not the forms needed for the Secretary of State
      - b. Most all associations produce their own minutes for each board and annual meeting
      - c. \$150 charge – not needed for your association
  - f. If forms are delinquent
    - i. A reminder card will be sent by the Secretary of State
    - ii. If still not sent in, the SOS will assess a \$50 per return penalty through the Franchise Tax Board
    - iii. The corporation is subject to suspension by the Secretary of State, meaning that it no longer has corporate powers. These suspensions are happening faster than they used to.

- iv. The Franchise Tax Board will be notified and the tax-exempt status will be revoked and the \$800 per year California minimum tax will be imposed. If the tax-exemption has been revoked, a new FTB 3500 will need to be filed to re-apply for the exemption. Revocations are also happening faster.
  
- g. How to check your status with the Secretary of State and Franchise Tax Board
  - i. [www.sos.ca.gov](http://www.sos.ca.gov) Click on Business on the home page and Business Search with Free images on the Business page. Then enter the name of the association and/or the California Corporation number. Then click on the result to see your status (active/suspended) and copies of your most recent filings. For newer associations, a copy of your articles of incorporation will also be available.
  - ii. [www.ftb.ca.gov](http://www.ftb.ca.gov) – The Franchise Tax Board maintains a list of all tax-exempt organizations in the state. Search “Exempt Organization List or go to <https://www.ftb.ca.gov/businesses/Exempt-organizations/Entity-List.shtml> If your association has tax-exempt status with the FTB, it will be included on this alphabetical list.
  - iii. [www.ftb.ca.gov](http://www.ftb.ca.gov) – The Franchise Tax Board also maintains a list of organizations which had tax-exempt status but had it revoked, either for failure to file the SI0100/SI-CID or failure to file tax returns or pay previously assessed taxes. If you don't find your association listed in the exempt organization list, it may be shown here -<https://www.ftb.ca.gov/businesses/Exempt-organizations/Revoked-Entity-List.shtml> or search for Revoked Exempt Organizations list.
  
- h. When are updates needed for the Secretary of State's forms

Updates should be done anytime there is a change in officers mailing address, agent for service of process, etc. If the update is done outside the normal renewal period, then no fee is charged for the update. Updates are done on paper only and mailed to the address shown on the instructions. Banks are now accessing these reports from the Secretary of State's website to compare new signature cards to these reports. They will require that the reports be updated to match the new signature cards presented. Fortunately, it now appears that submitted forms are processed within a week of receipt.

Finally, “what kind of corporation are we? Aren't we a nonprofit?”

When opening new bank or investment accounts, a common question is what kind of entity the association is (individual, trust, LLC, etc.). At the Federal level, associations are “C” corporations. They file forms in the 1120-series (1120, 1120-H). They are not tax-exempt or nonprofits which file forms in the 990 series (990-EZ, 990). Associations are not exempt under 501(c)(3) of the Internal Revenue Code. For state purposes, most associations are tax-exempt under Revenue and Taxation Code section 23701(t). See section ‘g’ above for information about state tax-exempt status.





# State of California

C

## 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

2A. The above-named association is  Incorporated OR  Unincorporated.

2B. The above-named association is formed to manage a common interest development under the:

- Davis-Stirling Common Interest Development Act.
- Commercial and Industrial Common Interest Development Act.

**Street Address of the Business or Corporate Office of the Association, if any** (Do not abbreviate the name of the city. Item 3 cannot be a P.O. Box.)

3. STREET ADDRESS	CITY	STATE	ZIP CODE	TELEPHONE NUMBER
-------------------	------	-------	----------	------------------

**Street Address of Association's Onsite Office** if different from the street address of the business or corporate office, or if there is no onsite office, the address of the association's responsible officer or managing agent of the association (Do not abbreviate the name of the city. Item 4 cannot be a P.O. Box.)

4. STREET ADDRESS	CITY	STATE	ZIP CODE
-------------------	------	-------	----------

TELEPHONE NUMBER OR EMAIL ADDRESS

**President of the Association** - Name, address and either the daytime telephone number or email address (Note: Commercial and industrial associations do not need to provide this information. The address and telephone number must be different from the address and telephone number of the association's onsite office or managing agent. Do not abbreviate the name of the city.)

5. NAME	PHONE NUMBER OR E-MAIL ADDRESS
---------	--------------------------------

ADDRESS	CITY	STATE	ZIP CODE
---------	------	-------	----------

**Association's Managing Agent, if any** - Name, street address, and daytime telephone number (The address and telephone number must be different from the address and telephone number of the president of the association. 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.)
------------------------	---

7C. FRONT STREET	7D. NEAREST CROSS STREET
------------------	--------------------------

**Type of Common Interest Development Managed by the Association** (At least one of the types listed below must be checked. If Commercial and Industrial, refer to California Civil Code section 6534 for definitions. Otherwise, refer to California Civil Code section 4100 for definitions.)

8. CHECK THE APPLICABLE BOX: (\* Note: A commercial and industrial development cannot be a community apartment project.)

- \*A COMMUNITY APARTMENT PROJECT     A CONDOMINIUM PROJECT     A PLANNED DEVELOPMENT     A STOCK COOPERATIVE

**Separate Interests** (Please note, "Zero" or "none" is not acceptable.)

9. THE NUMBER OF SEPARATE INTERESTS IN THE DEVELOPMENT

10. THE INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT.

DATE

TYPE OR PRINT NAME OF PERSON COMPLETING THE FORM

TITLE

SIGNATURE



# CORPORATE COMPLIANCE CENTER ANNUAL MINUTES COMPLIANCE NOTICE

Entity File No.: 03786196  
CCC File No. C2533446

2215134 \*\*\*\*\*AUTO\*\*ALL FOR AADC 931  
FLEETWOOD VILLA OWNERS' ASSOCIATION 191  
5669 CALLE REAL 48589  
GOLETA CA 93117-2318

**PLEASE RETURN BY 9/30/17 TO ALLOW  
ADEQUATE PROCESSING TIME FOR YOUR  
DOCUMENTS**



**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 \$150.00 Payable to CCC.** It is important we receive your response by 9/30/17 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 & Principal Office Street Address FLEETWOOD VILLA OWNERS' ASSOCIATION 5669 CALLE REAL			City GOLETA	State CA	Zip Code 93117-2318		
Person To Contact E-mail			Telephone (With Area Code) ( ) - -	Fax (With Area Code) ( ) - -			
OFFICERS - NAMES OF ALL OFFICERS, INCLUDING OFFICERS WHO ARE DIRECTORS			DIRECTORS - NAMES OF ALL DIRECTORS, INCLUDING DIRECTORS WHO ARE OFFICERS				
PRESIDENT / CEO (Required Position)			DIRECTOR #1 NAME (Required Position)				
VICE-PRESIDENT (Optional Position)			DIRECTOR #2 NAME (Required if there are 2 Shareholders)				
SECRETARY (Required Position)			DIRECTOR #3 NAME (Required if 3 or more Shareholders)				
TREASURER / CFO (Required Position)			DIRECTOR #4 NAME (Optional Position)				
PURPOSE (Check Only One) Public or Charitable Purpose [ ] Any lawful mutual benefit purpose [ ]			DIRECTOR #5 NAME (Optional Position)				
MEMBERS (Check Only One) This Corporation Has No Members [ ] The Articles/Bylaws Provide [ ] For Members			DIRECTOR #6 NAME (Optional Position)				
PLEASE RETURN BY 9/30/17 TO ALLOW ADEQUATE PROCESSING TIME FOR YOUR DOCUMENTS			If additional space is needed for director names, please attach a separate sheet of paper.				

<input type="checkbox"/> CHECK ENCLOSED FOR \$150.00 MADE PAYABLE TO CORPORATE COMPLIANCE CENTER		<input type="checkbox"/> CHARGE MY CREDIT CARD \$150.00	
Credit Card Type <input type="checkbox"/> VISA <input type="checkbox"/> MASTERCARD <input type="checkbox"/> DISCOVER	Credit Card Number	Expiration Date	
Cardholder Name As it appears on card:	CCV	VISA/MASTERCARD/DISCOVER 3 DIGIT CODE ON BACK OF CARD	
Billing Address On Card Account:			
I authorize Corporate Compliance Center to charge my card the amount listed at the right. The charge will appear on statement as		<b>Compliance Filings Inc.</b>	<b>Credit Card Payment Amount \$150.00</b>
Signature	Date	 C2533446	

**THIS PRODUCT OR SERVICE HAS NOT BEEN APPROVED OR ENDORSED BY ANY GOVERNMENTAL AGENCY, AND THIS OFFER IS NOT BEING MADE BY AN AGENCY OF THE GOVERNMENT.  
RETURN THIS FORM NO LATER THAN 9/30/17 TO ENSURE TIME FOR PROCESSING OF YOUR DOCUMENTS. CORPORATE COMPLIANCE CENTER, 2740 FULTON AVE, SUITE 203, SACRAMENTO, CA 95821 (916) 480-9006**

## 2. Check Writing Authority and Internal Control Review

- a. Who signs operating checks?
  - a. Board Member(s)
  - b. Manager
  - c. Accounting Department
  - d. Bookkeeper
  - e. Automated signature
- b. How many signatures – 1 or 2
- c. Updating signature cards
- d. Invoice approval process
- e. Positive Pay – offered by bank? Cost?
  - a. Daily monitoring of issued checks
- f. Thorough review of monthly cash disbursement report
- g. Additional Monthly accounting/bookkeeping reports
  - a. Actual income/expense vs. budget
  - b. General ledger
  - c. Reserve account checks
    1. Separately shown on income statement/balance sheet
    2. Not separately shown as a change in reserve funds
    3. Two board members must sign for withdrawal of reserve funds
- h. Civil Code Section 5500 Quarterly Financial Review – Checklist Attached

. Board Review of Finances Required.  
[Old: Civ. Code §1365.5(a)]

Unless the governing documents impose more stringent standards, the board shall do all of the following:

- (a) Review a current reconciliation of the association's operating accounts on at least a quarterly basis.
- (b) Review a current reconciliation of the association's reserve accounts on at least a quarterly basis.
- (c) Review, on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget.

(d) Review the latest account statements prepared by the financial institutions where the association has its operating and reserve accounts.

(e) Review an income and expense statement for the association's operating and reserve accounts on at least a quarterly basis.

i. Reconcile all bank accounts immediately upon receipt of bank statements – banks have limited the amount of time you have to dispute an item on your bank statement.

j. Consider periodic review of online banking information

k. Check Cashing Fraud Story

l. Additional financial topic outlines at -  
<http://www.southcoasthoa.org/resources/financial%20topic%20-%20october%202010.pdf>

m.

## QUARTERLY FINANCIAL COMPARISON CHECKLIST

TO: BOARD OF DIRECTORS - \_\_\_\_\_

FROM - \_\_\_\_\_

Please find attached the financial reports and account statements for the operating and reserve accounts for the quarter ended \_\_\_\_\_.

California Civil Code (CC) Section 5500 requires the board of directors to review the following financial information at least quarterly:

### OPERATING ACCOUNTS:

The bank statements and account reconciliations for the operating accounts –

<u>BANK</u>	<u>BALANCE</u>
_____	\$ _____
_____	\$ _____

Income and Expense Statement for the period ended \_\_\_\_\_ (attached)

Budget vs Actual Income and Expense Statement – same period (attached)

Balance sheet and Assessment Receivable Report (recommended but not included in CC 5500)

### RESERVE ACCOUNTS:

The bank statements and account reconciliations for the reserve accounts –

<u>BANK</u>	<u>STATEMENT DATE</u>	<u>TYPE</u>	<u>INTEREST RATE</u>	<u>BALANCE</u>
_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	\$ _____

Income and Expense Statement for the period ended \_\_\_\_\_ (attached)

Budget vs Actual Income and Expense Statement – same period (attached)

The board of directors reviewed the attached financial information at its board meeting on

\_\_\_\_\_.

By \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

# **ANNUAL ASSOCIATION DISCLOSURES TO MEMBERS**

## **CALIFORNIA CIVIL CODE SECTIONS 5300, 5310, 5320**

The annual disclosure requirements were restated in 2014 to encompass all the annual disclosures into two separate reports – the annual budget report and annual policy report. Since that restatement – some new disclosures were added. On our southcoasthoa.org website, we have a sample layout for both reports. You can find them under the resources tab. The policy report is under the 2014 Legislative Update link and the updated budget report is under the 2017 Legislative update link.

To assist you in gathering the information necessary to go into these reports, Attorney Beth Grimm has generously provided the following checklists for us. These checklists distill the requirements shown in Civil Code Sections 5300 and 5310.

The recent additions to the initial disclosure requirements include –

- A statement as to whether or not the association has been certified by the FHA (Federal Housing Administration)
- A statement as to whether or not the association has been certified by the VA (Veterans Administration)
- Request by the association to its members for members to provide written notice as to what address and secondary address (if applicable) that notices are to be delivered; a legal representative for the owner, if any who can be contacted if the owner cannot be reached and whether the unit is owner-occupied, or is rented out.

These reports are due to members between 30-90 days before the start of the new fiscal year. The deadline for calendar year associations is December 1.

The association shall deliver these documents by “individual delivery” as defined in Civil Code 4040.

- The full report
- A summary of the report. The summary shall include a general description of the content of the report. Instructions on how to request a complete copy of the report at no cost to the member shall be printed in at least 10-point type on the first page of the summary.
- If a member has requested to receive all reports in full, the association shall deliver the full report to that member rather than a summary of the report.

Civil Code §4040. Providing Notice or Delivery to Individuals.

(a) If a provision of this act requires that an association deliver a document by **“individual delivery”** or “individual notice,” the document shall be delivered by one of the following methods:

(1) **First-class mail**, postage prepaid, registered or certified mail, express mail, or overnight delivery by an express service carrier. The document shall be addressed to the recipient at the address last shown on the books of the association.

(2) **E-mail, facsimile, or other electronic means, if the recipient has consented, in writing, to that method of delivery.** The consent may be revoked, in writing, by the recipient.

(b) Upon receipt of a request by a member, pursuant to Section 5260, identifying a secondary address for delivery of notices of the following types, the association shall deliver an additional copy of those notices to the secondary address identified in the request:

(1) The documents to be delivered to the member pursuant to Article 7 (commencing with Section 5300) of Chapter 6.

(2) The documents to be delivered to the member pursuant to Article 2 (commencing with Section 5650) of Chapter 8, and Section 5710. (Delinquent assessments and lien activity)

(c) For the purposes of this section, an unrecorded provision of the governing documents providing for a particular method of delivery does not constitute agreement by a member to that method of delivery.

**EXHIBIT A CHECK LIST FOR ANNUAL BUDGET REPORT  
[PT I OF THE ANNUAL DISCLOSURES TO MEMBERS]  
Civil Code Section 5300.**

The Annual Budget Report shall include all of the following information:

\_\_\_A pro forma operating budget, showing the estimated revenue and expenses on an accrual basis.

\_\_\_A summary of the Association's reserves, prepared pursuant to Section 5565.

\_\_\_A summary of the reserve funding plan adopted by the Board, as specified in paragraph (5) of subdivision (b) of Section 5550. The summary shall include notice to Members that the full reserve study plan is available upon request, and the Association shall provide the full reserve plan to any Member upon request.

\_\_\_A statement as to whether the board has determined to defer or not undertake repairs or replacement of any major component with a remaining life of 30 years or less, including a justification for the deferral or decision not to undertake the repairs or replacement.

\_\_\_A statement as to whether the Board, consistent with the reserve funding plan adopted pursuant to Section 5560, has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor. If so, the statement shall also set out the estimated amount, commencement date, and duration of the assessment.

\_\_\_A statement as to the mechanism or mechanisms by which the board will fund reserves to repair or replace major components, including assessments, borrowing, use of other assets, deferral of selected replacements or repairs, or alternative mechanisms.

\_\_\_A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the Association is obligated to maintain. The statement shall include, but need not be limited to, reserve calculations made using the formula described in paragraph (4) of subdivision (b) of Section 5570, and may not assume a rate of return on cash reserves in excess of 2 percent above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.

\_\_\_The Assessment and Reserve Funding Disclosure Summary Form, prepared pursuant to Section 5570, shall accompany each Annual Budget Report or summary of the annual budget report that is delivered.

\_\_\_A statement as to whether the Association has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.

\_\_\_A summary of the Association's property, general liability, earthquake, flood, and fidelity insurance policies. For each policy, the summary shall include the name of the insurer, the type of insurance, the policy limit, and the amount of the deductible, if any. To the extent that any of the required information is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by making copies of that page and distributing it with the annual budget report. The summary

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**Courtesy of Beth A. Grimm – Attorney at Law – Used with permission**

distributed pursuant to this paragraph shall contain, in at least 10-point boldface type, the following statement:

"This summary of the Association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association Member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association Members should consult with their individual insurance broker or agent for appropriate additional coverage."

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\_\_\_\_\_ A statement describing the status of the common interest development as a Federal Housing Administration (FHA)-approved condominium project pursuant to FHA guidelines, including whether the common interest development is an FHA-approved condominium project. The statement shall be in at least 10-point font on a separate piece of paper and in the following form:

"Certification by the Federal Housing Administration may provide benefits to Members of an association, including an improvement in an Owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest.

This common interest development [is/is not (circle one)] a condominium project. The association of this common interest development [is/is not (circle one)] certified by the Federal Housing Administration."

\_\_\_\_\_ When the common interest development is a condominium project, a statement describing the status of the common interest development as a federal Department of Veterans Affairs (VA)-approved condominium project pursuant to VA guidelines, including whether the common interest development is a VA-approved condominium project. The statement shall be in at least 10-point font on a separate piece of paper and in the following form:

"Certification by the federal Department of Veterans Affairs may provide benefits to Members of an association, including an improvement in an Owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest.

This common interest development [is/is not (circle one)] a condominium project. The association of this common interest development [is/is not (circle one)] certified by the federal Department of Veterans Affairs."

\*\*

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**DELIVERY OF ANNUAL BUDGET REPORT (5320).** When the report is prepared per the above requirements, the Association shall deliver one of the following documents to all Members, by individual delivery pursuant to Article V, Section 5.5(a).

(1) The full report.

(2) A summary of the report. The summary shall include a general description of the content of the report. Instructions on how to request a complete copy of the report at no cost to the Member shall be printed in at least 10-point boldface type on the first page of the summary.

(b) Notwithstanding subdivision (a), if a Member has requested to receive all reports in full, the Association shall deliver the full report to that Member, rather than a summary of the report.

**EXHIBIT B - ANNUAL POLICY STATEMENT  
[PT II OF THE ANNUAL DISCLOSURES TO MEMBERS]  
Civil Code Section 5310.**

The Annual Policy Statement shall include all of the following information:

\_\_\_The name and address of the person designated to receive official communications to the Association.

\_\_\_A statement explaining that a Member may submit a request to have notices sent to up to two different specified addresses.

\_\_\_The location, if any, designated for posting of the Association's general notice.

\_\_\_Notice of a Member's option to receive general notices by individual delivery.

\_\_\_Notice of a Member's right to receive copies of meeting minutes.

\_\_\_The statement of assessment collection including lien and foreclosure notices and procedures.

\_\_\_A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of assessments.

\_\_\_A statement describing the Association's discipline policy, if any, including any schedule of penalties for violations of the governing documents.

\_\_\_A summary of dispute resolution procedures, including IDR or Meet and Confer requirements of Section 5920 and the ADR (Alternative Dispute Resolution) Requirements pursuant to Section 5965.

\_\_\_A summary of Architectural Procedures for Association approval of a physical change to property.

\_\_\_The mailing address for overnight payment of assessments.

\_\_\_Any other information that is required by law or the governing documents or that the Board determines to be appropriate for inclusion.

\_\_\_The Annual Policy Statement shall also include the Collections Notice in at least 12-point type set forth in Civil Code Section 5370.

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**DELIVERY OF ANNUAL POLICY STATEMENT (5320).** When the Annual Policy Statement is prepared, the Association shall deliver it to all Members by individual delivery not less than 30 nor more than 90 days before the end of its fiscal year, pursuant to Article V, Section 5.5(a).

AUGUST 2017

## BUDGET AND FINANCIAL CONSIDERATIONS FOR 2018

**Disclosure Documents** – When updating your disclosure documents that you mail with your budget for 2018, please note that the Davis-Stirling Act of the California Civil Code which governs association operations was completely restated as of January 1, 2014. The Civil Code references from Sections 1350-1378 no longer apply. You will need to update your code references to the new Code sections. The new code is available online and the *2017 Condominium Bluebook*. See the checklists by Beth Grimm, Attorney, attached and also look under the 'Resources' tab on the [www.southcoasthoa.org](http://www.southcoasthoa.org) website for sample budget and policy disclosure formats.

**Drought Considerations** – We have had 6 years of below-average rainfall but. Lake Cachuma is at 45% capacity (up from 8%). Watering restrictions have been passed by water districts and substantially higher rates and penalties are being imposed. Most water agencies are still imposing drought surcharges. If you use more water because the drought has 'eased', be prepared to spend more for water.

**Water/Sewer Rates** - There are many water districts in Santa Barbara County (and I'm sure other counties, too). The City of Santa Barbara has been increasing rates 3-4% per year for the last several years in July. In 2016, Santa Barbara raised its rates 21%. The Goleta Water District imposed a 16% rate increase in mid-2012 and has scheduled 5% increases for the next 4 years.

**Insurance** – After many years of stable or declining premiums, we may be in for some sticker shock over the next year or two. After Hurricane Katrina in 2005, associations saw premiums skyrocket, especially for earthquake and difference in condition policies. These policies are tied into the same kinds of coverages as hurricane and flood damage policies in the south and east.

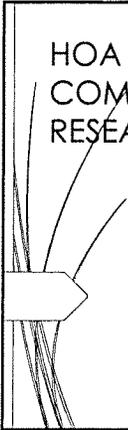
**Southern California Edison (and PG&E)** – Is imposing "time-of-use" rates in 2016-17. If you need electricity during peak periods, your rates will increase. If your primary electric use is higher at night (outside lighting), your rates may decline.

**Trash/Refuse** – Trash Rates typically increase in South Santa Barbara County 3-4% per year in July. Therefore, your current rates should be good for the first 6 months of 2018. Goleta, however, is looking at a 17.76% increase due to county landfill passthrough charges in late 2017. It is unknown how this affects other jurisdictions.

**Reserve Funding** – As our associations age, many are finding a need to increase reserve funding well beyond inflation rates when studies are updated.

Most other association expenses appear to be stable. The CPI-U for the Los Angeles region increased 2.8% from August 2016 to August 2017. This is somewhat higher than it's been over the past several years as social security recipients well know. Issues with uncollectible assessments from foreclosures have decreased from their peak 3-4 years ago.

HOA FINANCIAL DATA  
COMPARISONS AND TRENDS  
RESEARCH PROJECT 2017



MICHAEL J. GARTZKE, CPA  
GOLETA, CALIFORNIA  
OCTOBER 2017 UPDATE

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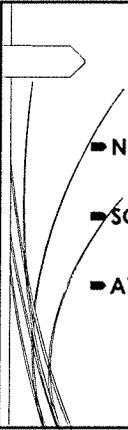
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HOA FINANCIAL DATA  
COMPARISONS AND TRENDS

- ▶ NUMBER OF ASSOCIATIONS – 80
- ▶ SOUTH SANTA BARBARA COUNTY
- ▶ AVERAGE YEAR BUILT – 1983




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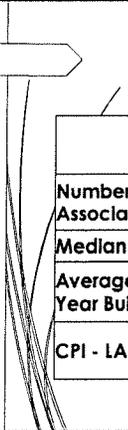
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CONSUMER PRICE INDEX  
2005-2017

	2005	2017	Percent Change
Number of Associations	55	80	
Median Size (units)	50	47	
Average/Median Year Built	1979	1983	
CPI - LA Urban - Sept	205.8	257.9	25.3%




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**CASH PER UNIT 2005-2017**

	2005	2017	Percent Change
<b>Median</b>	\$2,966	\$6,246	110.6%
<b>Average</b>	3,580	7,520	110.1%
<b>75 Percentile</b>	4,175	9,892	136.9%
<b>25 Percentile</b>	2,125	4,465	110.1%

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**ASSESSMENTS RECEIVABLE  
2005-2017**

	2005	2008	2011	2014	2017	Percent Change
<b>Number of Associations</b>	55	63	68	70	80	
<b>Number of Units</b>	4,224	4,636	5,203	5,555	5,506	
<b>Receivables</b>	\$100,388	\$351,914	\$668,603	\$343,603	\$268,741	
<b>\$/unit</b>	\$23.77	\$75.91	\$128.50	\$61.85	\$48.81	105%

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**OPERATING FUND  
2005-2017**

Operating Fund per Unit	2005	2017	Percent Change
<b>Median</b>	\$200	\$768	284%
<b>Average</b>	248	998	302%
<b>75 Percentile</b>	361	1,522	322%
<b>25 Percentile</b>	44	308	600%
<b>Negative Balance Associations</b>	12	10	

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**RESERVE FUNDS  
2005-2017**

Reserve Funds per Unit	2005	2017	Percent Change
Median	\$2,658	\$5,436	105%
Average	3,199	6,386	100%
75 Percentile	3,664	8,449	131%
25 Percentile	1,832	3,902	113%

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**OPERATING ASSESSMENTS  
2005-2017**

Per Unit per Month	2005	2017	Percent Change
Median	\$229	\$285	24.5%
Average	247	337	36.4%
75 Percentile	275	373	35.6%
25 Percentile	176	228	29.6%
Percent of Total Assessment	75.1%	68.2%	

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**RESERVE ASSESSMENTS  
2005-2017**

Per Unit Per Month	2005	2017	Percent Change
Median	\$78	\$134	71.8%
Average	79	141	78.4%
75 Percentile	104	173	66.3%
25 Percentile	53	98	84.9%
Percent of Total Assessment	24.9%	31.8%	

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**TOTAL ASSESSMENTS  
2005-2017**

Per Unit Per Month	2005	2008	2011	2014	2017	Percent Change
<b>Median</b>	\$301	\$364	\$391	\$403	\$414	37.5%
<b>Average</b>	327	420	446	464	478	46.2%
<b>75 Percentile</b>	390	480	490	510	515	32.1%
<b>25 Percentile</b>	245	290	320	339	338	38.0%
<b>Number of Associations</b>	55	63	68	70	80	

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**SPECIAL ASSESSMENTS  
2005-2017**

Associations	2005	2008	2011	2014	2017
	5	11	6	3	6

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**INVESTMENT INCOME  
2005-2017**

Investment Income:	2005	2008	2011	2014	2017
<b>Median</b>	1.29%	2.86%	0.65%	0.27%	0.21%
<b>Average</b>	1.50%	3.68%	0.77%	0.55%	0.47%

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**UTILITIES  
2005-2017**

Per Unit Per Month	2005	2017	Percent Change
Median	\$63	\$72	14.3%
Average	62	78	25.8%
75 Percentile	83	110	32.6%
25 Percentile	38	45	18.4%

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**COMMON AREA MAINTENANCE  
2005-2017**

Per Unit Per Month	2005	2017	Percent Change
Median	\$93	\$107	15.1%
Average	112	152	35.7%
75 Percentile	127	143	12.6%
25 Percentile	70	79	13.9%

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**INSURANCE  
2005-2017**

Per Unit Per Month	2005	2008	2011	2014	2017	Percent Change
Median	\$49	\$63	\$62	\$60	\$60	22.4%
Average	58	77	69	68	67	15.5%
75 Percentile	74	101	84	83	85	14.9%
25 Percentile	36	49	43	45	41	14.9%

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### GENERAL AND ADMINISTRATIVE 2005-2017

Per Unit Per Month	2005	2017	Percent Change
Median	\$24	\$38	58.3%
Average	31	48	54.8%
75 Percentile	33	52	57.6%
25 Percentile	20	29	45.0%

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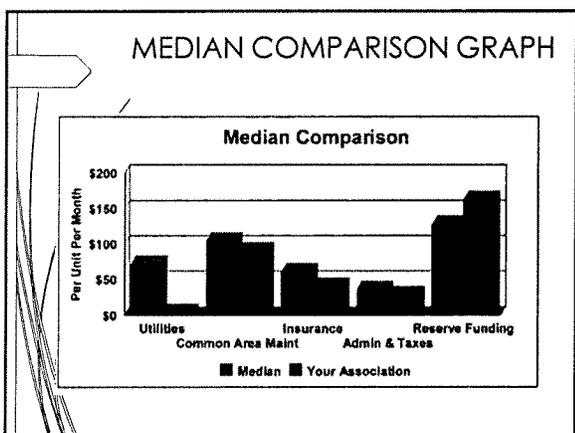
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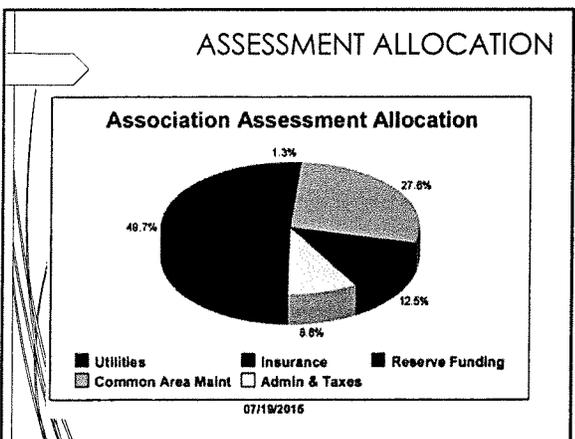
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