

INFORMATION



January 15, 2019

Subject: 5501 Committee Report – 12/23/19 Meeting on November 2019 Financial Records

BACKGROUND:

California recently passed AB2912, effective January 1, 2019, that created new civil code 5500/5501.

1. Civil Code 5500 Items Monthly Review Meeting Items
 - a. Current reconciliation of the association's operating accounts,
 - b. Current reconciliation of the association's reserve accounts,
 - c. Current year's actual operating revenues and expenses compared to budget,
 - d. Latest account statements prepared by the financial institutions for all accounts,
 - e. An income and expense statement for the association's operating and reserve accounts, and
 - f. Check register, monthly general ledger, and delinquent assessment receivable reports
2. Civil Code Monthly CA5501 Report
 - a. A statement that subcommittee members have reviewed the items in (1) above,
 - b. A statement regarding any noteworthy findings, including any corrections to be made in a further review of the month and or subsequent months, and
 - c. Acknowledgment by subcommittee participants of their participation in the review.

REPORT:

- a. The committee met on December 23, 2019 from 2:00pm to 3:45pm and reviewed items in (1) above for November 2019 financial records.
- b. The committee reviewed November Financial Statements/Report. November Operating Fund NOR loss of \$928,000 was favorable to Budget \$19,000/2%. YTD November Operating Fund NOR loss of \$4,849,000 is favorable \$555,000/10% to Budget. Variances by operation/department can be found in section F06 (pages 36 and 37) of financials. The complete financial report can be referenced at this link [November 2019 Financial Report](#).
- c. The committee performed a review of November investments reconciliation and reporting. Investments remain heavy in US Treasuries and short on maturities. The investments subcommittee continues to evaluate the long-term strategy. Review noted no exceptions to compliance with current Investment Policy # 2015-5.
- d. The committee reviewed the trial balance, General Ledger, check register and supporting reconciliations. Several check payments and reconciliations were reviewed noting no exceptions.
- e. The committee reviewed member delinquent accounts receivable reports. Note, the full Board is briefed in executive session monthly on this matter. Suggestion was made to add a change from prior month column to report.

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f. Other discussion items included:

The committee discussed capital costs and whether the 'Capital Charge' comprised of Replacement Reserve Assessment amount or 'Depreciation Expense' was more appropriate. The Budget Report has a Capital Charge by operation, whereas the new section F05 has Depreciation Expense at a Consolidated financial statement level, not by Department. Depreciation is the amortization of sunk capital cost, whereas, the Capital Charge (RRF AA) is what property owners are paying. Salmon indicated both pieces of information can be provided, however, 'by department monthly' will require some significant report development time.

g. The committee noted no adjustments necessary to the November 2019 financial statements. Items for follow-up at a future date include the following:

New,

1. Add change from prior month to delinquent accounts report.
2. Forestry: Co-Gen plant, why utilize (owe TDA money)?
3. Forestry: Trees, why are we buying and planting trees, seems contradictory to Defensible Space efforts?

Old, remains outstanding:

1. Investments accounting and reconciliation, cross-training (target by June 2020). [Salmon]
2. Report to the Board on the ADA remodel of Northwoods bathrooms (contractors, costs) [Salmon]

h. Committee Attendees (Acknowledgment received via email confirmation for all listed below)

1. Jeff Connors, Treasurer
2. Jennifer Jennings, Board Member (*scheduled Wu, Jennings covered*)
3. Steve Mahoney, Finance Committee designee
4. John Dundas, Finance Committee designee
5. Michael Salmon, Director of Finance
6. Melanie Rives, Controller
7. Tracy Pearson, Senior Accountant

i. Next 5501 Meeting – December Review is scheduled for January 28, 2020
(Board – Treasurer and Jennings) (Finance Committee –Dundas/Mahoney)

Prepared by: Michael Salmon, Director of Finance

Board Agenda Meeting Date for Ratification: January 31, 2019

GM Approval for Agenda: _____