

DESERT CITIES HOA COUNCIL

Recap of Meeting September 17, 2015

HOA Members Represented

Aldea	Personalized Property Management
Canyon Sands	Rio del Sol – Las Casitas
Cathedral Canyon #17	Sun City Palm Desert
Cathedral Springs	Terra Lago
Desert Falls Master Assn.	Versailles
La Pasada	Versailles Condominiums
Montage at Mission Hills	
Legal Counsel – Jennifer James – Affordable HOA Legal Services	

Welcome: Rita Greenwood, Alternate Chair

Treasurer's Report – None provided

Guest Speakers – Doug Bothe and Bridget Nigh, Owner –
Community Association Financial Services, LLC
Bridget Nigh, Accountant –
Community Association Financial Services, LLC
“Best Practices”

Chris Parman, Communication/Events Manager -
Cathedral City
“Upcoming Events for 2015/2016”

Guest Speaker - Rita Greenwood welcomed Doug and Bridget.

Doug introduced his company. They do accounting services for homeowners associations. They currently have 75 HOAs from Palm Springs to Indio and from 4 units to 660 units. He and his wife own the business and have been doing accounting for 45 years.

He has been noticing a new and growing trend – upset homeowners asking questions, causing problems, becoming community advocates and initiating recalls. Most of this behavior is related to the association's money and communication about it.

The Board must make sure that the financial statements they receive are understandable so they can explain it to their members when questions arise.

Basic financial statements include a balance sheet, an income statement and an expense report. Most HOAs use a modified accrual method of accounting. In this method all income is booked when due, expenses are booked on a cash basis – when bills are paid.

At the end of each year when the books are audited the auditor converts everything to the accrual basis. The auditor's adjustments required to convert the modified accrual

DESERT CITIES HOA COUNCIL

statements to accrual are like a report card on the HOA's accounting procedures. The Board should examine them closely.

A rule of thumb he uses is:

Cash in the Operating account – less prepaid dues should be 60% of the monthly dues assessments.

If his rule is not met the HOA has the following options:

- Cut expenses
- Raise dues
- Special Assessment

Reserve Studies: In 2014 the Davis-Stirling Act Re-Write went into effect. This re-write requires HOAs to have professional reserve study analyst perform an onsite reserve study every 3 years. Between the required professional studies Boards are allowed to just review the last professional update and “consider it” in the development of annual budgets.

He recommends that the monthly financial reports the Board receives should have the same categories as the reserve study. This will ease tracking by Board members. This also requires that reserve funds must be earmarked for specific categories of expenditures, reducing the flexibility of the Board in expending reserve funds.

Reserve investments – not paying much interest today. Always keep in mind the FDIC insured limit is \$250,000. It can be troublesome to start multiple bank accounts to stay under the limit, but it should be done. A council member pointed out that while the FDIC insurance obligation will be met – it is up to them to determine the payment schedule, your reimbursement may not be immediately available.

As a guideline he recommends a minimum of 10% of dues be allocated to reserves.

A council member said that too much money in a HOA's reserve account(s) may trigger the IRS to cancel their tax exempt status.

Today there is no required level for funding of reserves only some required disclosures about the status of reserves. Doug warned that there may be forthcoming legislation on funding in the near future.

Accounts Payable: All expenditures should be approved by the Board. Make sure there is proper backup before writing checks. He recommends scanning invoices for Board review and approval.

Make sure you obtain W 9 forms from all vendors. The State Workers Comp Insurance often audits HOAs for proper documentation like W 9 and 1099 forms.

Make sure your accounting firm provides financial statements that are:

- Timely – by 15th of month following
- Accurate – end of year audit adjustment explainable

DESERT CITIES HOA COUNCIL

- Easy to understand

Storage of records: He recommends ALL records be scanned and stored electronically. This will help insure against loss. It will make the recovery of old records far easier.

- Minutes – forever
- Architectural Variance Requests – forever
- Tax returns – forever
- Account payable – 3 years

Make sure you have a backup storage service in event of emergencies.

Communication is the key to calming homeowner anxiety. Initiate a Budget/finance committee to get additional homeowners involved and for transparency. Invite those homeowners that are vocal and/or knowledgeable about finances or accounting.

The law requires homeowner receive financial information once per year – normally this is satisfied by distribution of annual disclosures and audit.

Guest Speaker - Rita Greenwood welcomed Chris.

Chris handed out a fact sheet recently received from the Southern California Association of Governments (SCAG) containing many selected demographic statistics about Cathedral City, Palm Springs and Riverside County.; Cathedral City crime statistics and a ranking of total crime of the 9 cities within the Coachella Valley.

Demographics: He called attention to the facts that:

- Cathedral City has a higher median household income than Palm Springs – by \$42,259 vs \$41,205
- Cathedral City has a lower median existing home sales price than Palm Springs – by \$217,000 vs \$315,000
- Cathedral city has a lower median age of residents than Palm Springs – by 36.7 vs 52.1

This means to the city planners and decision makers that Cathedral City has a younger population, with a lower home financing burden and greater disposable income. These factors are a very good enticement for new business and commercial ventures.

Crime: Cathedral City has the second lowest total crime of the 9 cities within the Coachella Valley. It follows Indian Wells by a small amount.

Chris then provided a PowerPoint presentation on upcoming Cathedral City events. This information is available on the internet at DiscoverCathedralCity.com, scroll down the home page to Upcoming Events and click the link. There are several pages of forthcoming events planned. There seems to be something for everyone coming and you do not need to be residents of Cathedral City to participate in any event or contest.

Forum: None

DESERT CITIES HOA COUNCIL

Handouts: Other than those mentioned above, none.

Next Meeting – Thursday, October 15, 2015 at the Cathedral City – City Hall

Tom Tousignant, Recorder