

What to look for in an Audit



What to look for in an Audit?

Audit Report

- Unqualified opinion
 - Financial statements are fairly presented
 - Balance sheet (financial position) at the year end
 - Results of operations and cash flows for the period
- Differences between internal financials and audit report
 - Account grouping
 - Adjusting journal entries
 - Understand and be able to explain

What to look for in an Audit?

Financial statements

- Presented in fund format (columns)
- Balance sheet
 - Financial position at a year end
- Statement of revenues and expenses and changes in fund balances
 - Results of operations for the year
 - Revenues
 - Expenses
 - Excess or deficit for the year
 - Beginning fund balance
 - Interfund transfers
 - Ending fund balance

What to look for in an Audit?

Financial statements (cont'd)

- Statement of cash flows
 - Reconcile operating excess/deficit to cash balances
 - Cash provided by/used in operating, investing, financing
 - Operating
 - Changes in assets and liabilities
 - Investing
 - Purchase/sales of investments (CDs)
 - Financing
 - Fixed assets
 - Interfund borrowings/due to and from funds
 - Interfund transfers
 - Loans

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Footnotes

- Disclosures to provide the reader with more information about the numbers presented in the financial statements
 - Association organization
 - Type of entity
 - Date formed/incorporated
 - Number of type of units
 - Location
 - Accounting policies
 - Basis of accounting
 - Fund accounting
 - Fixed assets/depreciation
 - Cash and cash equivalents
 - Investments
 - Subsequent events
 - Assessments and assessments receivable
 - Owner assessments
 - Excess income retention
 - Remedies for delinquencies

What to look for in an Audit?

Footnotes (cont'd)

- Future major repairs and replacements
 - Separation of funds
 - Reserve study performed
 - Fully funded deficit options
- Income taxes
 - Tax return type
 - Income that is taxed
- Special assessments
 - Nature, timing, amounts
- Litigation
 - Significant litigation
 - Defects
 - Claims against the association
- Settlements (fund)
 - Funds received from defect claims
 - Accounting of for the fund. Separate bank account.

What to look for in an Audit?

Footnotes (cont'd)

- Other funds
- Loans
 - Terms of the loan: interest rate, number of years, maturity date, principal repayment schedule
- Related party
 - Significant transactions with board members, home owners

What to look for in an Audit?

Supplemental Information on Future Major Repairs & Replacements

- Selected data compiled from latest reserve study
- Not audited
- By Component
- Estimated current replacement cost
- Replacement fund balance
- Interest and inflation rates