

SENATE BILL REPORT

SB 5860

As Reported by Senate Committee On:
Financial Institutions & Insurance, February 19, 2015

Title: An act relating to homeowners' association financial statements.

Brief Description: Concerning audits of certain homeowners' associations' financial statements.

Sponsors: Senator Pearson.

Brief History:

Committee Activity: Financial Institutions & Insurance: 2/18/15, 2/19/15 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass.

Signed by Senators Benton, Chair; Angel, Vice Chair; Mullet, Ranking Minority Member; Darneille, Fain, Hobbs, Litzow and Pedersen.

Staff: Susan Jones (786-7404)

Background: Homeowners' Associations. A homeowners' association (HOA) is a legal entity with membership comprised of the owners of residential real property located within a subdivision or other specified area. An HOA typically arises from restrictive covenants and other documents recorded by a developer.

HOA Records. The HOA must keep financial and other records sufficiently detailed to enable the HOA to fully declare to each owner the true statement of its financial status. All financial and other records of the HOA are the property of the HOA. All records of the HOA must be available for examination by all owners, mortgage holders, and their authorized agents on reasonable advance notice during normal working hours at the HOA's offices or its managing agent's office.

HOA Financial Statements. At least annually, the HOA must prepare a financial statement of the HOA. The financial statements of HOAs with annual assessments of \$50,000 or more must be audited at least annually by an independent certified public accountant. The requirement may be waived by a vote of 67 percent of the votes cast by owners, in person or by proxy, at an HOA meeting with a quorum present.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Quorum. Unless the governing documents provided for a different percentage, a quorum is present throughout any HOA meeting if the owners with 34 percent of the votes are present in person or by proxy at the beginning of the meeting.

Summary of Bill: Unless waived by owner vote, HOAs with annual assessments of \$100,000 or more must have their financial statements audited at least annually by an independent certified public accountant.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: None.

Persons Testifying: No one.