

Financial accounts

Operators must provide residents with appropriate financial accounts about the retirement village's income and expenditure.

What financial accounts are required?

Retirement village operators must prepare the following accounts of the income and expenditure of the retirement village:

- quarterly accounts, and
- annual accounts.

There is an important distinction between the accounts of the village and the accounts of the operator. The law does not refer to the overall balance sheet of the company or organisation operating the village. Generally, the accounts of the village refer to the recurrent income and operating expenditure of the village itself.

In a strata or community scheme village, the owners corporation or community association accounts must be completely separate to the retirement village accounts.

What must be in the accounts?

The quarterly accounts must detail the income and expenditure of the village for the quarter.

The annual accounts must include:

- details of the income and expenditure of the village during the financial year, including income and expenditure of the capital works fund (if any)
- the balance of the capital works fund, if there is one
- amounts received from certain claims on the village's insurance
- details of any interests, mortgages, and other charges affecting the village property (other than property owned by residents)
- a statement that specifies whether payments owing to former residents were paid in full and on time, and, if not - the details of, and reasons for, the delay
- a statement from the auditor or operator about the operator's capacity to meet the liabilities relating to the village in the following financial year and details of any matters that may prevent the operator from meeting those liabilities.

What format should the accounts take?

The format of the accounts must correspond as closely as possible with the layout of the proposed annual budget. The accounts should only contain details of the income and expenditure of the village. Details of nursing homes and hostels should be excluded.

Can accounts be consolidated?

An operator who operates two or more villages can provide consolidated accounts but, when providing the accounts to residents of a particular village, must include a separate statement of income and expenditure for that village.

Do the accounts have to be audited?

The annual accounts of the village must be audited each year, unless the total recurrent charges collected in the village's financial year are \$50,000 or less and the residents have consented not to have the accounts audited. A person qualified to audit accounts for the purposes of the Corporations Law must audit the annual accounts. Quarterly accounts do not have to be audited.

Do residents have a say in the appointment of the auditor?

If the audit fees are to be paid by the residents, the operator must have residents first agree to the auditor being appointed. This applies even where one auditor audits the accounts of a number of villages for the same operator. Residents' consent is not needed if the same auditor as for the previous financial year is reappointed or if the operator chooses to pay the cost of auditing out of its own funds.

Who must receive copies of the accounts?

Copies of the audited annual accounts must be given to the residents committee, as well as any resident who asks for a copy, within 4 months after the end of the village's financial year. If there is no residents committee, a copy of the annual accounts must be displayed on a

notice board in a common area for at least one month and be provided to any resident who requests a copy.

Copies of the quarterly accounts must be given to the residents committee within 28 days after the end of the quarter. After the 28 days, a resident may ask the operator for a copy of the quarterly accounts, and the operator must provide this within 7 days.

In some smaller villages, the residents have the option to choose not to receive a copy of the quarterly accounts. This is only an option if the total amount of the recurrent charges collected during the financial year was \$50,000 or less.

The residents' consent to not receiving quarterly accounts needs to be given by a majority vote at a general meeting. The residents may also meet and vote to cancel their consent if they wish. If the amount of recurrent charges collected for a financial year exceeds \$50,000, the consent ceases to have effect.

What should residents do after receiving the accounts?

The accounts should be checked to ensure that expenditure is in line with the approved budget for the period, other than minor variations. Residents can discuss any concerns with the operator and raise questions at the annual management meeting.

What happens to a surplus or deficit?

Generally, any surplus carries over to the next financial year. Alternatively, the residents can give consent to:

- spend the whole or part of the surplus, or
- distribute the whole or part of the surplus to existing residents in equal shares.

A proposal may be made by the operator or the residents committee (if any).

In most circumstances, the operator must make good any budget deficit at the end of each financial year from their own funds. With some limited exceptions, a deficit

cannot be carried forward or be paid for from recurrent charges or the capital works fund. The exceptions relate to costs of essential services that may increase unexpectedly during the year.

Residents can be asked to fund a deficit only if it is caused by increases in:

- utilities (except telephones)
- rates and taxes
- award wages and salaries
- urgent maintenance, and
- public liability and workers compensation insurance.