

**MEETING OF THE FINANCE COMMITTEE
MONTEREY DUNES COLONY ASSOCIATION
MINUTES OF THE NOVEMBER 14, 2014 MEETING**

Present

Ted Adams, Committee Chair
Bob Dickinson, Member
Ted Swanson, Member
Donna Briskin, Member
Tom Bugary, Secretary and General Manager
Susie Heavin, Office Manager and Bookkeeper

Absent

Art Testani, Member

Welcome

Ted Adams, committee chair, called the meeting to order at 3:00 p.m. on November 14, 2014.

Minutes

It was M/S/C to approve the minutes of the September 19, 2014 meeting as written.

Review of MDCA and Water Co. financials

The Committee compared the actual expenses to budgeted expenses for the first four months of the 2014-15 fiscal year (July-Aug) for both the Colony and the Water Company. The Committee found that the majority of discrepancies in the Colony's operating budget were due to timing issues and the majority of discrepancies in the Colony's reserve budget were due to boardwalk replacements. It was noted that there were no large reserve expenses this year.

Discrepancies in the Water Company operating budget also appeared to be timing issues and the Water Company reserve budget actuals seemed to be on par with the budget.

Review bank statements

All bank statements were reviewed without comment. There are three CDAR's that will reach maturity this fiscal year. The next CDAR's to mature is a \$300K CDARS on 2-5-15, the following one will be in April and the last one in June.

Old business

Implementation of new investment strategy

Art and Ted Adams will draft a timetable for investments.

Proper accounting for water company

The auditors that completed our FY 2013-2014 audit said that we needed to use an enterprise format to present audited financials for the water company. The issue this committee is tasked with is answering the following question: “does the enterprise presentation of the financials help the homeowners understand what’s going on or does it make it more difficult?” After discussion, the committee felt that the enterprise presentation was confusing and lacked clarity.

Supplemental flood and earthquake insurance

Tom has investigated the supplemental flood and earthquake insurance. Currently both insurance policies do not provide for full replacement costs; in order to bring our flood insurance coverage up to full replacement value, the annual premium would have to be increased approximately 50% (approximately \$40K annually), or from \$700 to \$1,050 per unit. We could double our earthquake insurance from \$10M to \$20M and the premium would only increase by 20% (approximately \$15K annually), or from \$570 to \$695 per unit.

Our flood insurance is a “per unit” policy, through FEMA. This means that although we have an aggregate amount of approximately \$30M of flood insurance coverage, each building has its own \$250K per unit policy (2 Unit Buildings = \$500K Coverage and 3 Unit Buildings = \$750K Coverage). If flood damage were incurred, our insurance coverage would be limited to the building coverage for repairs/replacement. Alternatively, our earthquake insurance is a “blanket” policy; this means that we can use the total earthquake coverage of \$10M per incident for repairs/replacement even if only one or two buildings were involved.

Ted Adams will present this information to the Board the following day and leave the decision of whether to purchase the supplemental insurance up to them.

New business

New Accounting Firm

As mentioned above, the auditors who completed our FY 2013-2014 audit presented the water company in an enterprise format; a format that the committee felt was misleading and confusing. Additionally, it was felt that these same auditors were hard to work with on a personal level. Therefore, the committee feels it would be prudent to interview potential auditors for FY 2014-15. Tom will research possible candidates and try and have one in attendance at the January committee meeting.

Checking Accounts

While looking at the reconciliations, Ted Adams noticed that we have some outstanding, stale-dated (over a year old) checks. It’s an immaterial amount, but the checks should be reclassified since it’s a credit sitting in a debit account. Technically, under escheat laws, outstanding checks over a year should be turned in to the State of California. Susie was tasked with speaking to the recipients of the outstanding checks and see if they would like to be issued a new check. If the recipients cannot be located, we will make a year-end adjustment crediting appropriate accounts.

Adjournment

The meeting was adjourned at 4:15 p.m. The next meeting is scheduled for January 16, 2015 at 3:00 p.m.

Respectfully Submitted

//s//

Thomas J. Bugary CMCA, CCAM
General Manager and Secretary

DRAFT