

**MEETING OF THE FINANCE COMMITTEE
MONTEREY DUNES COLONY ASSOCIATION
MINUTES OF THE SEPTEMBER 19, 2014 MEETING**

Present

Bob Dickinson, Committee Chair
Ted Swanson, Member
Art Testani, Member
Ted Adams, Member via Telephone
Tom Bugary, Secretary and General Manager
Bill Michaels, Guest
Susie Heavin, Office Manager and Bookkeeper

Absent

Donna Briskin, Member

Welcome

Bob Dickinson, committee chair, called the meeting to order at 3:00 p.m. on September 19, 2014.

Minutes

It was M/S/C to approve the minutes of the July 18, 2014 meeting as written.

Review of MDCA and Water Co. financials

The Committee compared the actual expenses to budgeted expenses for the first two 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.

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; the only comment was to confirm that the \$300K that was transferred to the Water Company from the Colony's ICS account so that the funds would remain insured was transferred back to the ICS account and a \$300K CDARS had been purchased.

Old business

Supplemental flood insurance

This topic was tabled until the next meeting and Tom was directed to speak with our insurance broker and get a quote on how much supplemental flood insurance would cost.

Investment policy and strategy

Art prepared a proposed investment policy and strategy which is basically a “laddering” system in which various financial investments mature at different times to maintain a fair amount of liquidity. After discussion and a few minor changes, the Committee decided to suggest that the Board adopt the proposed investment policy.

New business

Audit results

On page 4 of the Water Company’s draft audit is the income statement; if this income statement is compared to the Association’s income statement, you would see that the Association’s statement shows 4 columns: 1) operating fund; 2) reserve fund; 3) combined funds 4) the previous year’s combined funds and that the Water Company’s statement only shows 2 columns: 1) combined funds and 2) the previous year’s combined fund (like the Association’s statement with the first two columns hidden).

The Water Company income statement format is misleading because it looks as though we have a large operating loss, but we did not have a large operating loss – it was a reserve loss and it was intentional to fund our water tank repair. After various discussions with the auditor, the Association format (all four columns) for the income statement was added to the supplemental section at the back of the audit report so that homeowners could see that the income deficit was from the reserve fund and not the operating fund.

After discussion, the Committee did not feel that the income statement was a fair and accurate presentation of the Water Company’s finances and that homeowners shouldn’t have to look in the supplemental section to see that the Water Company did not incur an operating loss but, rather, a reserve loss; however, due to time restraints on completion of the audit report, and so that we could get a clean opinion from the auditors, the Committee agreed to recommend to the Board that they accept the proposed audit report. Before the next fiscal year audit, the Committee will research alternate audit formats and presentations.

Adjournment

The meeting was adjourned at 4:00 p.m. The next meeting is scheduled for November 14, 2014 at 3:00 p.m.

Respectfully Submitted

//s//

Thomas J. Bugary CMCA, CCAM
General Manager and Secretary