

Finance Committee Meeting

Nov. 3, 2012

Attendees

Pat Zazzo
Judy Greinke
Terrill Chilson
Sherri Anderson
Fred Fath
Gary Wanzong
Rondi Amidon
Carolyn Anspach
Kathy Deuster
Janet Podell

Pat passed out the 2011-2012 and the 2012-2013 P&L Statements to the Committee members. Fred reported that when he was Treasurer we worked on an accrual system and wanted confirmation that we are still working on that system. Sherri confirmed this. General discussion followed on the issue of Accrual vs. Cash accounting with concern that we might have future cash flow issues.

Fred reported that he always kept aside \$30K as a buffer for emergencies instead of having to deplete Reserves for those circumstances. The Buffer is used to offset possible cash flow shortages in the checking account for the months of March and October when we are still paying bills prior to assessments coming in. These monies could always be used to offset assessments as needed at the discretion of the Board. However, by applying these funds to offset assessments we could possibly overdraw our checking account and incur additional expenses; therefore, it is not advisable to do so.

Gary asked about Ferry revenues. We are \$23,892K over budget with the water construction crew ferry revenue representing \$5,119.00 of that overage. In budgeting crew labor we should budget for the highest possible worst case scenario. Fred reported that Ferry fees should be between 30 – 40% of ferry budget.

Administration – Concern expressed about Salaries being over plan. This is because some portion of the salaries was supposed to be moved to the Water budget.

Insurance costs increased partially because we changed the expiration dates to occur at the same time which resulted in some carryover expenses.

Emergency Preparedness expenses greatly exceeded budget because the Office Backup Generator had to be repaired.

Discussion of new security camera: Is it working? Yes. What are the annual expenses to maintain system? None, except possibly for the cost of thumb drives. Gary expressed concern that future budgets need to have more than \$500 to cover annual expenses for security system. Do we want to have a Reserve account for Security system? Fred suggested that we maintain Reserves only for large items.

Dolphins/Ferry Ramps – There was an extra inspection this year (\$4K instead \$1K in budget) DNR was reduced this year. Pat will check out why.

Parks – Approximately \$163K was taken from Docks/Dolphin Reserve funds for the Marina upgrade. The balance was taken from Parks, Small Boat Docks, Maintenance and Improvement budget (approx. \$41K). Some expenses (i.e. Engineering plan) had been performed and paid the year before so Reserves were not used for that expense.

Roads – There are remaining funds (approx. \$9K) because the water construction loan includes some road work that did not have to be expended by HMC. The construction company will be coming back in spring to check the conditions of the roads.

Gary asked about next Year's Tansy control. The budget will have to be adjusted to accommodate any potential increased costs.

RESERVES – Sherri provided a Reserves summary report. She then summarized the Community Assessment Seminar she and Claudia attended. New State requirement - The State requires that HOA's have a certified professional perform a Reserve study every three years. The first year the study must be performed on site. Our next budget must include Reserve Study for Membership review. It is permissible for HMC to borrow from a Reserves account for expenses that were not originally intended, but the borrowed money must be repaid back into the appropriate Reserve account within 2 years. Additionally, the State requires that the Association disclose whether or not Reserves will or will not meet required expenditures over the next 30 years.

The Finance Committee will recommend to the Board that the Marina upgrade expenses be moved from the Parks budget to Docks/Dolphins budget. The full amount must be used from the Docks/Dolphins Reserves. It will be recommended to the Board that any monies not fully funded for the upgrade from the Reserves be returned to the Docks/Dolphins Reserves. This should be completed before the Audit.

At time of next Audit the HMC Auditor should consider combining some line items from Chart of Accounts for simplicity purposes.

A maintenance schedule for the Water System needs to be established.

The State recommends that Reserves represent 10% of total budget. (Gary stated that HMC's Reserves are currently @ 12% of total budget.)

Gary updated the 20 year Dock and Engine Replacement Reserve Summary. He will provide a copy to all committee members.

Bank Statements - The Committee reviewed HMC's bank statement balances as of 11/3/12.

Water – Fred recommended that a buffer be established for the Water checking account (Similar to the General budget buffer.) Perhaps the buffer can be a month's worth of water bills. There might be some HMC surplus funds that can be used for this purpose. This issue can be revisited once the Water billing system is fully established. Sherri provided the Committee with a summary of the Water budget and actuals.

The Finance Committee will recommend to the Board that the USDA reimbursement from 2010/2011 (less \$8K to be used as the new Water checking account buffer) be allocated as per the approved FY2012/2013 budget percentages of 50% toward the new Ferry engines, 30% toward ramp painting, and 20% toward Dolphins replacement.

The Committee will recommend to the Board that delinquencies be measured after 45 days if Bylaws support this change. (To be effective the next budget year)

The Committee will recommend to the Board that a "Schedule of Bills" be posted on the website so Members will know when to expect recurring billings.