

Finance Committee MTG Minutes for May 20, 2022

Those committee members that attended the May 20th meeting included

Jeffrey Janus, Deborah Koch, Nancy Foote, Kenneth Hansen, Tom Ortez, Bill Klett, and Ed Organ

1. Surplus/Deficit Policy.

The Finance Committee modified and approved the Surplus/Deficit Policy at the May 20th meeting. The policy takes the yearly budget surplus/deficit and rolls it into the next year's budget in accordance with IRS Revenue Ruling 70-604. The policy also notifies the board if the Operating Cash account drop below \$2,000,000, excluding pre-paid assessments. The Policy was forwarded onto the BoD.

2. 2021 - Year End Financials/2021 Budget Surplus calculation.

The GM explained how he calculates the budget surplus. He said he is having trouble in that his numbers do not match the Auditor's number so he is doing some rechecking of the figures for Fixed Assets to purchase equipment and fixed assets paid from the Reserve account. The 2021 Budget Surplus is expected to be in the neighborhood of \$240,000. Without the PPP funds we would have seen a budget deficit of about \$200,000 in 2021.

The budget surplus calculation includes adding the following together:

- Excess Revenue over expenses
- Depreciation from the audit added back into the sum.
- Purchase of Fixed Assets.
- Fixed Assets paid from the Reserve account.

These amounts can be found on the 2021 Audit report.

3. Consultant for accounting software.

The GM conducted an interview with a software consultant, Mr. John Daly. Mr. Daly is very familiar with the Caliber software that is used in the Admin office. The consultant said he could smooth out the operations of our software plus his team can provide monthly reports and other items used by the association. He said he would look into providing hard stops for data entry into the program. The consultant said he could provide some comptroller type support with his service as well.

Our GM is planning to provide a contract to Mr. Daly so Mr. Daly can take a look at our system and give our GM some recommendations.

4. How AR write-offs occur, what the reason is for the write offs, and the policy for how write offs are approved.

Our GM explained how our AR write-offs occur. He stated that the association uses a firm that does the work once a write-off is recommended. He stated we have had good luck with that firm, however, he stated that when banks and other liens are involved it is almost impossible to get our money back from the debts.

5. 2021 Reserve Study discussion.

The committee discussed the Reserve Study and why the Study was sent out to the Membership with misleading and inaccurate information.

It was pointed out that in the Reserve Study there was over \$4,000,000 in forecasted reserve fund expenses expected to be expensed in 2022 and another \$1,400,000 in 2023. This would deplete our reserve fund to 6.6% at the end of FY 2023.

We questioned our GM as to why the Reserve Study showed almost \$1,000,000 of needed work on the golf course in 2022 yet none of this work was not presented to the Board by the department heads during the budget review process. There was also over \$440,000 in new lawn mowers forecasted for replacement in FY 2022 yet none of these items were mention in the Budget process. The Study forecasted \$260,000 in Clubhouse expenses for FY

2022 when there are plans to renovate the clubhouse in the near future. The reserve study forecasted the replacement of 46 picnic tables at Rec 1 in 2022?

It was pointed out that it appears that our “internal” reserve schedule hasn’t been kept up to date by the GM or the Department heads since our last reserve study was completed by the Browning Group in 2018.

The Finance Committee discussed the situation and then made a motion to recommend to the Board of Directors not to make any new Reserve Fund purchases over \$200,000 until the Reserve Study has been updated by the Browning Group and a new and correct Reserve Study is provided to our Members. The committee unanimously voted in favor of this motion.

The GM stated he believed he could have LACC’s internal reserve schedule updated in a couple of months. The Finance committee offered to help in this process.

A. The following is a partial list of expenditure that was forecasted to be completed in 2022 year by the Reserve Study that was sent to the Membership:

1. **Total Golf Course Work = \$979,529**
 - a. This amount includes replacing several greens and tee boxes.
2. **New Lawn Mowers and Golf Maintenance Equipment = \$441,688**
3. **Clubhouse = \$260,000**
 - a. This amount doesn't include any renovation work.
 - b. The amount replaces all chairs & tables in the dining area and the bar; flooring in several areas of the clubhouse; and renovation of both bathrooms.
4. **Maintenance = \$476,329**
 - a. This amount includes the purchase of a new road grader that has been deferred by the Board of Director during the budget process.
5. **Rec. 1 = \$425,000**
 - a. This amount includes replacing 46 picnic tables, 9 BBQs, and many other items.
6. **Security = \$118,684**

- a. This amount includes **\$39,000 for another new patrol** vehicle.

6. LACC Employee Travel Procedure update.

The GM provided the committee with a LACC Travel Policy and a LACC Travel Expense Policy for the committee's to review.

7. Finance Committee Manual Update, CC&Rs and Bylaw Requirements –
Monthly Financial Timeline, Audit Timeline, Income Tax Timeline, Budget Timeline.

The Finance Committee Manual Update will be discussed at the June committee meeting.