

## FINANCE COMMITTEE MEETING MINUTES

June 18, 2019

Motion made and carried to approve the attached Agenda for the June 18, 2019 meeting, which includes a list of participants. Additionally, all six members of the LSLCA Board of Directors were present.

Motion made and carried to approve the Minutes for the April 16, 2019 meeting.

Renee Bockerstett of Botz, Deal & Company, P.C. attended the meeting to present and answer questions about their Audit Report for the years ended December 31, 2018 and 2017. Botz and Deal gave the LSLCA a clean opinion that the financial statements presented fairly, in all material respects, the financial position of the LSLCA as of December 31, 2018 and 2017. The results of the CA's operations and its cash flows for these years are in conformity with accounting principles generally accepted in the United States of America. She reported that the 2018 Balance Sheet was very consistent with the previous year's Balance Sheet. She explained that the Deferred Assessments revenue dealt with assessments that are billed in December 2018 but not due until early in 2019. She also explained that the Income Statements were also very much in conformity with the previous year's statements. The loss from operations was greater than last year's, but that was partially offset by more Other Income in 2018. There was a small decrease in the Members' Equity at the end of the year. The Statements of Cash Flows were also reviewed.

The Notes to Financial Statements were also considered. Note 2 summarized the significant accounting policies and noted that they had not changed from year to year. There have been no borrowings from the line of credit for the last two years. The Dredging, Emergency and Assessment Reserves were all funded in accordance with the policies set out in the By-Laws, but that is no guaranty that they are sufficient. The CA has taken no material uncertain tax positions.

Certain supplementary information was also provided. The schedules for the various departments and their subsidies were very similar to the prior year. However, insurance expenses in 2018 were allocated out among more departments than in 2017. Salaries went up in all departments. Contract labor expenses increased due to the removal of Duello soil.

Renee Bockerstett then presented and summarized three additional letters from Botz and Deal. She mentioned that it was a pleasure working with Heather Malone and the CA staff. The first letter dealt primarily with Audit Adjustments that were suggested and agreed to. Difficulties with the new accounting software may have contributed to some of these issues. The letter also recommended that the CA should reconcile accounts monthly. Heather mentioned that Mark Rosen, CPA had been hired for a minimal fee to review our statements each month. The second letter mentioned that the two most sensitive estimates were regarding depreciation and the allowance for doubtful accounts. An Exhibit was attached setting out the various audit differences and the resulting reconciliations. The third letter was a special report requested by the CA on whether management was applying the agreed upon procedures to fulfill the By-Law requirements regarding the three Reserves mentioned above. The Auditors concluded that all these procedures are being complied with. At this point Renee Bockerstett

was thanked by the Committee and the full Board for her attendance, and she was excused from the meeting.

The next item considered was the Lake Forest Golf and Country Club financial statements. The audited 2016 statements were presented. Previously the audited 2017 and the unaudited 2018 financial statements were provided to the Committee. All three years resulted in losses. Although requested, a business plan has not been provided. The Board and the Committee directed Heather Malone to schedule a meeting with Lake Forest to hear their latest request or proposal. It was agreed that we hold off any specific response at that meeting, but just listen to what they had to say. Heather was also asked to request a written opinion from our attorney about what our rights and options are under the lease in the event Lake Forest had significant financial problems.

The lease to Lake Forest for the real estate (excepting the 5 acres they own at the clubhouse area) was for 30 years with two ten year options to renew. The lease is in about the 34<sup>th</sup> year with a possible 16 years to go. Given that the annual rental is only \$1 per year, it was agreed that the CA has already provided, and continues to provide, significant financial support to Lake Forest. Like many other golf clubs, both public and private, Lake Forest appears to be suffering from a significantly diminished demand for its product. Because it is a significant asset to the whole community, perhaps Lake Forest should look to the City of Lake St Louis for support.

The next item on the Agenda were the April and May monthly and year to date internal financial statements. Amanda Wells presented the April statements, and pointed out that the income statement indicated the actual year to date results were \$113,668 better than last year's results. This year's monthly statements use weighted budget numbers, not simply 1/12<sup>th</sup> of the total year like last year. Heather presented the May statements and once again the actual year to date results were \$126,051 better than last year's results. In answer to a question Amanda said that she felt the accounting system was working better this year, although there are still some difficulties. Heather presented an income statement for the bar and grill, which indicated that business revenues and profitability were increasing as the summer season has begun. Board President Steve Brown reported that we have a new kitchen manager with excellent qualifications. Heather presented a capital improvements report, showing that for various reasons \$178,300 was not spent. This amount does not roll over to the next year's capital budget.

The next item on the Agenda was the consideration of a CA member's application to become a new Finance Committee member. Kenneth W. Dobbins' resume indicates that in addition to having a BS in Accounting, an MBA and a Ph.D, he is a CPA.

A motion was made and carried that this Committee recommends to the full Board that Kenneth W. Dobbins be appointed as a member of the Finance Committee.

Motion made and carried to adjourn the meeting.