

## FINANCE COMMITTEE MINUTES

Monday, January 8, 2018 at 2:00 p.m.  
NLTRA Conference Room – Upstairs  
100 Lake Blvd, Tahoe City, CA 96145

### A. CALL TO ORDER

Meeting was called to order at 2:03 p.m.

### B. ROLL CALL

Committee Members: David Brown, Erin Casey (Ramona Cruz, Christy Beck, both via telephone).

Staff: Cindy Gustafson, Al Priester, Lauren Sully.

Others: None.

Committee Members Not Present: Eric Pilcher, Michael Salmon, Monty Waugh

### C. PUBLIC FORUM

No public comment.

### D. AGENDA AMENDMENTS AND APPROVAL

Ramona Cruz moved approval of Agenda Amendments, seconded by David Brown (All in favor).

### E. APPROVAL OF MINUTES FROM: 12/04/2017

Ramona Cruz moved approval of December 4, 2017 Finance Committee Minutes, seconded by David Brown. (All in favor).

### F. ITEMS FOR COMMITTEE REVIEW, DISCUSSION AND/OR RECOMMENDATIONS

#### a. REVIEW STAFF ACTION ITEMS

**ACTION ITEM 14: From 10/27/16 Finance Committee Meeting, Memo of Management's Position on Accounting Policies.**

01/08/18 Meeting: Still have some open items to finalize, such as deferred revenue (getting very close). The budget process took up much of Al's time and Lauren's time was impacted by a staff outage.

**ACTION ITEM 20: December Financials to include a comparative balance sheet for current month (detail), last month (summarized) and last year's year end audited balances. Due to IT Consultant's deletion of QB files, deferred until recovery complete.**

01/08/18 Meeting: A function of Al getting time to use the built in report writer within QuickBooks and has not had the time, pushed to next meeting.

**ACTION ITEM 21: Contract negotiation for 17/18 to address holding accounts for refunds and expenses from the prior year at a specified date.**

01/08/18 Meeting: Are still ongoing and hopefully by next finance meeting we will have this complete.

**ACTION ITEM 23: Provide explanation of incongruity in Commission revenue increasing year over year while Commission expense to employees increased year over year.**

01/08/18 Meeting: At the previous meeting we agreed to and changed our policy of accruing both commissions due to NLTRA and Sales Reps in the same month. REMOVE FOR NEXT MEETING.

**ACTION ITEM 24: G + A Allocation Distributed (how was the current allocation calculated, moving forward possibly changing it to be distributed by revenue or expense).**

01/08/18 Meeting: This was tied in with Action Item 9 that was removed last meeting. REMOVE FOR NEXT MEETING.

**ACTION ITEM 25: RFP for New Auditors.**

01/08/18 Meeting: We were going to review the contracts to find out specifically what was required. AI did not have time to do that and will be doing it this month.

**ACTION ITEM 26: Monty Waugh needs to be taken off the Committee since he moved to Colorado. Send Form 700 to Christy to pass along to Monty. Also need a formal resignation.**

01/08/18 Meeting: AI will send Christy the link to Form 700 today after the meeting for Christy to pass along to Monty.

Cindy – For replacing Monty, how has the Resort Association typically replaced or requested Finance Committee Members? Was it a board nomination process, a finance committee nomination process?

AI – It was not a nomination process, it been more of whose contacts list has somebody who might be able to take that place. What happened last time was Sandy previously identified people that she knew to bring onto the boards, and she asked me to reach out to some people (other CPA's). I can make some calls to those that I talked to before that couldn't but might in the future or you can provide me with someone you might have in mind.

Cindy – Asked Christy if she could check to see if Monty's replacement may want to sit on the committee.

Christy – I will check and see if there is someone that may be able/want to sit on the committee.

## **b. REVIEW STAFF REPORT**

This report is summary in nature and is intended to highlight areas of possible concern.

AI – Reiterated the Membership AR and how that will continue to be much lower than it has been in the past and will differ in the Aging Report from WebLink.

The item we specifically address in this Staff Report every month is the condition of retained earnings being negative and how that does not impact TOT funds. That explanation still holds true. Deferred revenue of \$34,000 represents cash collected but not earned. Until such time as a negative Retained Earnings equals or exceeds the Deferred Revenue account balance, there is no usage of TOT funds for membership.

David – Last month Ramona asked if the Placer County Contract memos would be available prior to this meeting. (The reference here is that Bob McClintock was saying that at the end of the year they have to review all the contracts and then drive the revenue recognition based upon the contracts. He recommended that it would be done at the beginning of the year or as the contracts are entered into and that would help drive the accounting during the year.

AI – I think what Bob was saying is that it needs to be done before the audit starts, so that he doesn't have to do it. It happens after the contract is completed, we recap what the contract requirements are, if there are any accounting policies, how revenue is recognized, etc. So when they come in to do the audit, it is in our documentation and already addressed as a managements position and likely no adjustments on their end.

David – So that would mean there might be adjustments on our end, retroactive to the beginning of the year.

AI – There could be, from the stand point that we haven't finalized this years contract. Normally the contract is finalized prior to the start of the fiscal year. We are not anticipating anything material, we are looking at things we know we want to change the policy to and recording them currently and that means we won't have to go back and adjust.

David – The new revenue recognition that hits the fan in 2019, (doesn't know much about that), but is a fairly involved process and wondering if that is going to be a part of that.

AI – We will be looking at that this fiscal year, in order to have year over year comparison, we really want to have it in for fiscal year ending 2018. The other thing that came out of that discussion is the reporting requirements and the internal control impact isn't significant, and we should be prepared by then. The

memorialized County contracts should be done soon, it could be by next meeting or it might get delayed one, but definitely will be done prior to the audit FY 17.18 audit.

David – We might be trying to see if McClintock’s Office is still a candidate for the FY 17.18 audit?

Al – Yes, it is to our advantage because of his history and expertise in non-profit area and proximity and is one of the action items. Because it would be a five year contract the requirement for RFP is probably in place.

David – Recommends having the memorialized County Contracts done as soon as possible.

**G. APPROVAL OF COUNTY OF PLACER FUND BALANCE RECONCILIATION FOR FY 16.17.** Review and approve the Fund Balance Reconciliation for the County of Placer/North Lake Tahoe Resort Association contract for the fiscal year ended June 30, 2017.

Al explained that it is an excel spreadsheet developed by Daniel Vick and has been used for three years now. It takes the audited financial numbers for the end of the fiscal year and categorizes them into five categories (Undesignated TOT Funds, Undesignated Membership Funds, PPE, Marketing Reserve, and Operating Cash Reserve). The total fund balance at the end of fiscal year 2016.17 is \$398,143. If we take the audited number of what is due to the County \$231,039, less the undesignated fund balance (\$5,348), less partnership grants (\$39,097) and Dean Runyon 17-18 Invoices (\$10,196), less Marketing Reserve replenished (\$2,525), the balance due back to the County is \$173,873.

The partnership grants and Dean Runyon invoices were activities budgeted for in FY 16.17, but did not get paid and were not counted as expenses in the audit. The County has reviewed this, understands they were budgeted to be spent in FY 16.17, but actually occurred in the FY 17.18 and has agreed for NLTRA to withhold those funds from the amount due back to the County to accommodate the payment of these grants and the remaining balance of the Dean Runyon invoices. The Marketing Reserve is calculated based off a three year average.

The County has reviewed this and has agreed with it. Once approved by the Finance Committee, it will go to the Board of Directors and upon their approval we will then cut a check to the County for \$173,873.

Ramona recapped what she thought she heard, that the monies withheld are to pay for expenditures that were budgeted in 16-17, but not paid until 17-18. Al confirmed her understanding.

David stated he was trying to tie out Marketing Reserve balance to the balance sheet and needed some clarification.

Al responded, that the Designated Marketing Reserve (Acct 3300-11) is added to the Marketing Cash Reserve (Acct 3302) to equal the total of the Marketing Reserve.

David then asked where the cash was if only \$50,000 is in Plumas Bank and Al responded that the operating account would be the source of those funds.

**David Brown moved approval of County of Placer Fund Balance Reconciliation for FY 16.17, seconded by Ramona Cruz (All in favor, Erin Casey abstained).**

**H. APPROVAL OF ANNUAL BUDGET FOR FY 17.18.**

This is the annual budget for FY 17.18, by department and month. What we had in the last Finance Committee Meeting was just the annual budget by department in total.

The intent here is to provide the monthly for each department, so that you can see it has been entered into QuickBooks and that we have the correct tools to monitor monthly activity and it acts as a function of internal control.

This is all three contracts combined for FY 17.18 for an annual total budget.

There may be some allocation changes once the final five month contract is approved, but not in total.

David – In the audit report, the auditors had recommended that we do a memo on contracts (Bob said it was an important step in terms of analyzing each of the contracts) at prior meeting regarding the memorialized changes

to the FY 17.18 Placer County Contract. I think that would impact the budget on timing of revenue, maybe, maybe not.

AI – The timing of revenue is constrained by the contract. If you look at the monthly P&L for Marketing, it has net income that varies across the year. The County agrees to a number for the contract, for the number of months, and in this case a one month contract for July, a six month contract for August – January, and a five month contract for February – June. The County divides the contract number by the total number of months in the contract and sends us a monthly payment. This does not coincide with cash flow or when events happen. On a YTD basis it evens out.

**Ramona Cruz moved approval of Annual Budget for FY 17.18, seconded by David Brown (All in favor, Erin Casey abstained).**

**I. APPROVAL OF JULY - NOVEMBER 2017 FINANCIALS.** Revised financials after the audit.

We are providing July – November balance sheets and income statements so that you have an opportunity to review and approve after audit adjustments. Prior to this we presented July – September as drafts (not approved, just reviewed).

There are no material differences between the drafts and these finals, other than the audit adjustments.

Ramona – Those audit adjustments just impacted the balance sheet or did you have reversals at July 1, 2017?

AI – We did have some audit adjustments that affected the balance at June 30, 2017, but nothing was reversed at July 1, 2017. The majority of the impact was on the balance sheet. If we had negotiated the 16.17 contract the same way we are the 17.18, we would not have had those audit adjustments. But because it wasn't contractually agreed upon with the County to reserve those funds, if you will, by accruing them and paying them in the future fiscal year, the auditors would not allow them to be expensed in 16.17. Hopefully with the new contracts and going forward, we won't have this issue of that kind of a hold back of a Fund Balance pay back.

What has not been issued as a draft in this packet is October and November.

Membership AR does not agree with the balance sheet. This is because of the new policy of deferring member revenue and not recognizing it as A/R on the balance sheet and having it in deferred at the same time.

Membership AR on the balance sheet is much less than the WebLink AR report because we are only recognizing as an AR those invoices that have gone out for that month, for October. We issue invoices for the full year, so only 1/12<sup>th</sup> of those invoices that have been issued is what is being recognized as an AR for that month and only to the extent that it has not been paid. So going forward, the AR for membership is going to be very small. The deferred revenue will probably remain close to the same levels as we have experienced in the past, but it won't have that contra debit in AR, it will be more fairly reflected in the balance sheet not as an AR but as deferred revenue. Deferred revenue is only deferred if it is paid. So the contra to the deferred is really cash, it has been paid but has not been earned. *Due to the changes the auditors made to recognize 1/12<sup>th</sup> of AR and 1/12<sup>th</sup> of revenue each month until paid when the remaining portion of the payment will go to deferred. We might try to get all membership on the same cycle (January), with the option to pay 1/12<sup>th</sup> a month on ARB.*

David – My understanding is that there could be several different billing periods for a member depending upon when they join.

AI – We bill every month.

David – Wow, that has to be a really hard project.

Lauren – It sure is.

Cindy – That is one of the things we are looking to change in policies and procedures moving forward.

David – I as a member, wouldn't mind having it uniformly billed once a year for the sake of sanity.

Cindy – Or for those larger ones, if they want to fund it 1/12<sup>th</sup> every month. But this starting date/ending date and when do you change it. Most are due January 1<sup>st</sup> (our largest billing month). Or prorating when we take a member to get everyone on January 1<sup>st</sup> billing cycle.

AI – It is confusing and we are still working it because there are other unintended consequences that I am sure the auditors didn't even think about at the time they decided to make the change and that is when you have a charge off or a trade.

Cindy – We often times negotiate trades for event hosting or donations to prizes.

AI – We have not finalized all of that. Those kind of things are not material to revenue as a whole, but still need to be accounted for correctly.

Ramona – It sounds like an administrative nightmare. The only question I have looking from July – November, looking at the balance sheet is the change in the amount due to Placer County (acct 2900-00 due to/from County). It looked like it reduced by ten thousand something, is that the amount that was on that schedule that was reconciled because we paid that individual? It looks like it made sense because when you were talking about the amount due to Placer County you counted for Dean Runyon invoice payments. AI it is a question that you can take off line, I'm okay with that because I know when you write that check you will re-reconcile whatever you need to pay.

AI – Yea, we have to do some finagling to have it all happen in July. Basically it will be a flow through for that account. The amount due to the County on the balance sheet by January's financials will come to zero.

**Ramona Cruz moved approval of July - November 2017 Financials, seconded by David Brown (All in favor).**

Ramona left the call at 2:30 p.m.

## **J. SUPPLEMENTAL INFORMATION**

### **a. November 2017 Dashboard Report**

Christy – Are we always a year behind for sales tax?

Erin – There is usually a six month delay.

Report shows as of Dec 2016 - Lauren to check on dates and reports (and update changes).

Erin – There was a million dollar fine collected (not certain what for and what dates it hit but think 15/16 and 16/17). The TOT report questions are under review and should have a response back to us shortly.

Christy – Do you know why conference revenue stats are down?

Erin – Jason provided more detail of this at the Marketing Committee and maybe he could clarify at the BOD meeting?

Cindy – I will get the info to Christy.

## **K. APPROVAL OF CEO EXPENSES FOR: NOVEMBER 2017**

Erin – Do you require itemized receipts for restaurants?

Cindy – Will provide adobe receipt and itemized receipt for The Dam Cafe.

**Christy Beck moved approval of November 2017 CEO Expenses, seconded by David Brown (All in favor).**

## **L. AGENDA INPUT FOR NEXT FINANCE COMMITTEE MEETING**

AI – Recommends switching future Finance Meetings to the meeting to the last Wednesday of the month.

Christy is not available.

Cindy – Recommends doing a doodle poll because Lauren will be out for the Tahoe-Truckee Leadership Program, it would certainly streamline this to have Lauren available. As a sponsor, sometimes I am required to attend some of the meetings as well.

## **M. NEXT MEETING DATE**

The next Finance Committee meeting is tentative for the last week of January 2018.

Will send a doodle poll.

## **N. COMMITTEE MEMBER COMMENTS**

None.

## **O. ADJOURN**

Meeting adjourned at 3:05 p.m.