

## **February, 2010**

### **To the Mount Kemble Lake community:**

The following discussion provides additional details into the 2009 revenues and spending in comparison to the 2009 budget and 2008 results per the attached statements. There were several small reclassifications from the statements distributed at the annual meeting due to changes in the accounts costs were charged to. In addition, the statements distributed at the meeting show the \$23,625 Dredging Dues Assessment as Revenues for MKLA, who collects the amounts, whereas the financial statements and tax returns present the amounts as revenues for Lakeshore since they ultimately receive the money.

### **Revenues**

Total Mount Kemble Lake Association (“MKLA”) Operating Revenues were \$178,747 compared to a budget of \$158,400 (excluding \$23,450 of Dredging Assessments in Misc Income) and 2008 revenues of \$172,745. Dues revenues of \$155,250 were higher than the 2009 budgeted Dues of \$150,400 because of “catch-up” billings associated with accounting for dues on an accrual basis of accounting now that billing is automated in QuickBooks, instead of on a cash basis. Essentially, the accrual basis of accounting recognizes dues revenues when the amounts are billed (March and September) not when they are collected; uncollected amounts are reflected as Accounts Receivable. Revenues decreased from 2008 because 2008 revenues included \$9,300 in collections from dues related to 2007. Other income, again excluding the \$23,450 in Dredging Assessments, was \$13,659 over budget due to \$10,300 in unbudgeted late fees, \$3,200 from Harding for the snow plowing refund (\$1,000 budgeted) and \$1,250 in donations for Tennis Court maintenance.

The Lakeshore Company (“Lakeshore”) 2009 revenues of \$123,652 (\$23,783 in Dredging revenues from MKLA, net \$99,869) exceeded the 2009 budgeted revenues due to \$3,400 in late fees.

In general, the payment of dues has become less timely over the last several years but accounting for them on an accrual basis with QuickBooks will help us pursue collections on a timely basis.

### **Expenses**

#### **Mount Kemble Lake Association**

**Administration** – Expenses of \$56,449 exceeded the 2009 budget of \$41,000 due primarily to a non-cash reserve for uncollectible dues of \$34,000, partially offset by lower insurance expense of \$12,542, utilities of \$3,155 and professional fees of \$2,105. The main decrease from 2008 is lower insurance costs. Insurance expense is charged to MKLA and Lakeshore based upon identifiable assets and revenues depending on the policy.

**Beaches and Docks** – Expenses of \$6,327 were less than the 2009 budget of \$10,000 due to less herbicide treatments, partially offset by \$2,000 spent to dredge the area under the diving board for safety reasons. The \$7,749 in 2008 expenses mostly related to water treatment applications including an “Alum” treatment that was not required in 2009.

**Grounds** – Expenses of \$29,110 exceeded the 2009 budget of \$16,500 due primarily to \$22,808 in Grounds Operations expenses, an increase of \$9,808 from the 2009 budget of \$13,000. The 2009 spending included \$6,500 in tree removal, \$6,400 in lawn cutting, \$4,600 for chipping brush and related cleanup, and \$5,000 to repair the beach steps. Although these expenses were largely identified in the 2009 budget, the additional spending was necessitated for safety reasons, the beach steps repair, and to continue the improvement in the community’s appearance. Tennis Court expenses of \$6,301 exceeded the \$3,500 budget by \$2,801, not including the \$1,300 noted above in donations, largely due to curbing and other improvements to improve the durability of the surface. It is not expected that the tennis court maintenance in 2010 will exceed \$3,000. The 2009 Grounds expenses exceeded the 2008 spending of \$23,022 due primarily to the steps repair noted above, given that \$7,000 was also spent on tree removal in 2008, as well as a \$2,700 increase in Tennis Court maintenance. The increase in Grounds spending over the last several years is in response to the concerns raised in previous annual meetings by residents that certain areas of the community were overgrown and that many older trees presented a safety hazard. The higher spending does not reflect the tremendous time spent by community members on other projects that have greatly contributed to the improved look of the community. It is expected that the spending in 2010 will be less for these catch up type expenses, although there are still a number of initiatives that community members expect to complete to continue improving the community’s “Curb Appeal”.

**Clubhouse Repairs and Maintenance** – Expenses of \$14,254 exceeded the 2009 budget of \$8,000 due to \$6,500 in unbudgeted boiler repairs. The planned spending included \$1,000 for new draperies, \$1,700 to repair the women’s bathroom and \$2,200 for improvements to the garbage area for a concrete pad and cedar bins, to facilitate keeping the

area clean and reducing its appeal to rats and other rodents. All of these projects involved significant work by members of the community that noticeably improved the clubhouse's appearance while also minimizing costs.

**Roads** – Expenses of \$20,043 exceeded the 2009 Budget of \$17,000 by \$3,043 due primarily to Snow related spending that was \$3,600 over budget, excluding the snow refund related to 2008 noted above. Compared to 2008, 2009 expenses were \$1,493 less.

**Summary** – Overall, on a cash basis, 2009 MKLA operating expenses were \$1,759 under the 2009 budget; attributable to under budget spending of \$18,551, \$3,673 and \$1,436 in Administration, Beaches and Docks, and Housekeeping, respectively, offset by additional spending of \$12,610, \$6,254 and \$3,043 in Grounds, Clubhouse Maintenance, and Roads respectively.

In addition to the cash expenses discussed above, MKLA spent \$25,780 on additional road improvements that were capitalized. These were for repairs from storm damage to a long neglected portion of Alpine Trail, as well as work by the Clubhouse and Lake Trail West for sections that were not repaired in the 2007 – 2008 project. The women's bathroom renovation also included capitalized costs of \$1,600.

### **The Lakeshore Company**

**Administration** – Expenses of \$50,483 were \$8,417 less than the 2009 budget of \$58,900 due primarily to lower insurance costs of \$4,163. Administration, Professional Fee and Property Taxes were also under budget. Except for insurance, the 2009 Lakeshore administration expenses approximated the 2008 expenses.

**Water Operations** – Expenses of \$29,663 exceeded the 2009 budget of \$27,000 by \$2,663 due primarily to higher than budgeted Repairs and Maintenance expenses of \$10,995, which were \$5,995 over budget due to maintenance on pump house controls, partially offset by lower water operations expenses of \$13,880 which were \$3,120 under budget. Water Operations expenses decreased \$3,213 from the \$17,094 spent in 2008. Overall, our program to modernize and automate the water company operations should continue to lower our operating costs, as well as the time required of our community volunteers.

**Summary** – Lakeshore's operating expenses were \$6,408 under budget; \$8,417 under in Administration, \$2,663 over in Water Operations and \$654 under in Dam Operations.

In addition to the cash expenses discussed above, Lakeshore spent \$10,641 on pump house electrical controls.

**Community Cash Summary** – In addition to the cash items discussed above, the other \$4,641 decrease is primarily the \$34,000 non-cash accounts receivable reserve noted above, offset by the growth in Accounts Receivable of \$28,083, and a \$10,558 reduction in liabilities, credited to dues income, to recognize the current year's portion of the road assessments prepaid in 2007. Overall, the community's cash decreased \$26,750 more than budget to \$136,752. This is largely the impact of Dues Receivable increasing \$28,083, excluding the \$34,000 reserve noted above, as well as unbudgeted road repairs of \$25,780. As noted during the annual meeting, our cash on hand represents 46% of 2010 projected spending. The community still has long term requirements that must be addressed, however, that are the focus of the Finance Committee.

If you have any questions please do not hesitate to contact the Treasurer, Bob Yingling, or any of the board members.

Sincerely,

Austin Godfrey, President  
Bob Yingling, Treasurer,  
Nancy Priscu, Secretary  
Rick Barrett, Water Operations  
Diane Bonar, Grounds  
Gail Chalfant, Roads  
Barbara Coe, Newsletter  
Don Kuhn, Beaches and Docks  
Joyce Murray, Housekeeping  
Bruce Scolnick, Clubhouse Maintenance