

Star Valley Ranch Association
Board of Directors Meeting
October 16, 2010
9:00 AM Town Hall

Attendance

Curtis Cheshier: Chairman-via phone
Jere Kovach: Vice Chairman
Ron Meeks: Sec/Treas-absent
Gary Braun: Director
Paul Weber: Director-absent
George Toolson: Director-absent
Kathy Daulton: Director

Call to order:

Vice Chairman Kovach called the meeting to order at 9:10 AM. Vice Chairman Kovach stated that there was a Quorum and called for the Pledge of Allegiance.

1. Adopt Agenda:

Director Braun wanted to add lease/buy equipment under new business.

Director Braun made a motion to adopt the amended agenda.

Director Daulton seconded the motion.

Motion carried unanimously.

2. Approval of July & August Minutes:

Director Braun moved to approve the minutes for the September 2010 Board Meeting.

Chairman Cheshier seconded the Motion.

Motion carried unanimously.

3. Standing & Special Committee Reports

A. Chairman's Report: No report given

B. Utilities Report: No report given, to be covered in General Manager report.

C. Finance & Legal Report: Vice Chairman Kovach gave the following report: Vice Chairman Kovach gave the following report:

We will have the last meeting of the year on Monday.

Alycyn Culbertson, forensic auditor gave the following report: On Approximately July 15, 2010, I was contacted by Jere Kovach and Kirk Sessions and asked to investigate financial discrepancies in the Star Valley Ranch Association books from previous years. It was explained that there was

approximately \$60,000.00 that was possibly unaccounted for and they wanted someone with a background in forensic accounting to determine if there had been any fraudulent activity.

On July 21, 2010 I met with SVRA bookkeeper Kathy Schooner who provided an overview of the current quick books system and copies of items detailing the income and expense discrepancies. Kathy also provided a backup of quick books for the SVRA.

On July 21, 2010 I met with Detective Gardner of the Lincoln County Sheriff's Office. He explained that he had been contacted by Jere Kovach and together they met with the CPA firm who audited the SVRA books in 2010 for the year 2009. Detective Gardner went through the notes that he had accumulated in his investigation.

On August 2, 2010 I met with Wade Hirschi and David DeCoria, Hirschi DeCoria & Co PC. (The CPA firm who audited the SVRA books for 2009). I received an in depth explanation of what led them to their inability to issue any type of 'opinion' with regard to the financial position of the SVRA for 2009.

During August and September 2010, I performed analysis of the quick books and bank accounts of the SVRA. I was unable to definitively determine that any sort of fraudulent activity took place during the 2009 season. Further, I was unable to reconcile income entries in quick books to the bank statements provided. The numerous questions I posed were answered promptly and thoroughly by Kathy Schooner and Kirk Sessions. I was able to determine that for the 2009 season, significant procedures were in need of change in the accounting/bookkeeping systems of the SVRA and all of the substantial income producing entities which the SVRA controls.

Knowing that significant changes have already been made to the accounting system, my recommendation is that a comprehensive review of the accounting system be undertaken by an independent and competent party to evaluate the current system, determine that all previous detrimental practices have been corrected and identify additional potential areas of weakness in the system thus preventing these problem areas from arising again in the future.

Respectfully,

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Alycyn Culbertson

We have retained Richard Brough, CPA, to go through our system to make sure that the changes we have made are satisfactory. We have engaged someone with the most experience we could find to complete this for us.

There was a question on the legality of the DCCR incentive plan. It was explained that the attorney has said that as long as there was the option to return approval or disapproval, the incentive was determined to be legal. It was also determined that it was not considered gambling or against our DCCR's. As a board we feel there are several advantages of having a unified set of DCCR's. It was also stated that the decision for the incentive was not taken lightly.

D. Architectural Control Report: No report given

E. Golf and Greens Committee Report: Director Braun gave the following report:

Both the Golf and the Greens Committees met this week for the last time this 2010 golf season. A lot of activities are going in both areas. On the Greens maintenance side our 5 year equipment lease is over in December. We have now field tested, on our courses, 3 different manufactures newest mowing equipment and completed a lease/buy detailed review and assessment. All bids are also now in and we are very near selecting the manufacturer and equipment that will provide the best service, most reliability and at the best price. This has been included in the greens 2011 budget which is also now complete.

We began draining the golf courses water systems yesterday, Friday, and will allow the sprinkler systems to gravity drain throughout the weekend. On Monday we have rented a large air compressor and will be blowing the systems down. This will take 3 to 4 days. Fall applications of fertilizers, and fungicides are also now nearly completed on our 4 ½ acres of greens and 1 acre of tee boxes. Just before the first snow falls a granular snow mold product will also be put down on the greens. Current plans are to leave both courses open until Sunday night, Oct 31st, weather dependent. Our greens superintendent, Kirk Richmond, plans to again ribbon all greens off and clearly mark the number #18 Cedar Creek pond/rocks and the new Aspen Hills #8 tee box rock wall area for snowmobile safety/warning. The new Aspen Hills #8 tee box with rock wall will be sodded early next season and ready for play by Memorial Day weekend next year. This has always been the signature hole at Aspen Hills and I think you'll find the new changes make this hole even more beautiful. We will need 2 feet of snow before we can safely open the courses up to snowmobile traffic. Members will be notified when that time comes.

All of the planned and budgeted 2010 golf cart paths are now completed. Jeff Earl has done an excellent concrete job with these and we have also ask him to finish off the area immediately South of the Aspen Hills office to the cook shack. This will be completed next week. Kirk's crew has also been working on the pavilion water sprinkler system, replacing broken values and lines so that area around the swimming pool will look much better next year. From Nov 1st to Nov 15th, the Association and Town will be working together to relocate many of the trees in the Associations' tree farm on Aspen Hills. Several of these trees are already too large to transplant and will remain there but the rest will be moved and split 50- 50 with the town. The Association provides the trees and the Town provides equipment and labor.

On the Golf side: Our golf rounds have been down all year however a bright spot is our reduced rates implemented after Labor Day, September 10th through October 12th, are much better than we had anticipated. Cedar Creek is up 139% in paid rounds (cash/credit cards) over this same period last year. 477 paid rounds to this year's 1,140 rounds and Cedar Creeks also up 71% in pre-paid rounds (punch cards/season passes). Aspen Hills fall rounds are also up but with the already very affordable golf rates those numbers are not nearly as impressive. Total fall golf revenue through Oct 12th is up 59% or just over \$11,000 from 2009.

Total year to date rounds are 17,300 rounds. We have sold over \$85,000 in pro shop merchandise through mid-October and also reduced our carryover inventory to \$42,435. This is down from \$55,000 last year carried over. The golf committee has rewritten all the golf policies and procedures which are currently out for full committee review as well as drafted a local golf rules and regulations guideline which just went out for committee review/comment.

The Board and I would like to thank the General Manager, Golf Professional, Greens Superintendent and their respective staffs along with the Greens Committee and Golf Committee for all their hard

work and efforts this season. Golf is the Association's biggest business and these folks all work very hard and very well together.

Finally I'd like to make the following golf motion in accordance with this Associations' Policies and Procedures:

I move that the Board again approve the 2011 Star Valley Hospital fund raiser tournament held the 3rd Friday of June and waive all of the greens fees except \$10 per player and charge no tournament fee of \$5. I also move we approve reducing the 2011 Ladies Invitational greens fees by 50% as a reciprocal act with other participating Wyoming courses.

After much discussion and concern from the members of the association in attendance the Board decided to table the motion for further discussion at a future Board workshop.

Director Daulton moved to table the motion.

Director Braun 2nd the motion to table.

Motion passes unanimously.

This concludes the October 2010 Golf and Greens report.

Respectfully submitted by:

Gary Braun, SVRA Golf Director.

F. House & Entertainment Report: No report given

G. DCC&R Committee Report: Director Daulton gave the following report:

By October 31 - The Committee, with a great deal of help from the Office staff and their new equipment, will be assembling the final DCC&R Revision packets to be mailed January 1, 2010 to the entire membership for their approval/disapproval of the revised DCC&Rs.

By mid-November – The entire packet should be available as read-only documents on the Association website.

By early January – Members should receive their packet, which will include the following information:

1. How to Help your SVRA Friends, Relatives and Neighbors take part in this important decision;
2. A Chance to Win Cash in 4 monthly drawings by returning your *Request for Approval* by Feb. 15th;
3. The List of Changes in the revised single uniform version of DCC&Rs;
4. Directions for voting, dating, signing and having your *Request for Approval* form(s) witnessed;
5. One Request for Approval form for each lot you own – the lot/plat numbers and names of Principals who must sign for each lot have been entered for you; a stamped addressed envelope will be included;
6. A Board of Director's Resolution in support of the proposed single uniform set of DCC&Rs including all changes;

7. A copy of the Proposed Single Uniform Version of the DCC&Rs, with all major changes shown in ***bold italics***.

Because Association members have many vehicles and types of equipment, it is the intention of the DCC&R Revisions process to provide multiple solutions so members can more easily and voluntarily comply. The Board foresees as many as 7 options if the revised DCC&Rs are passed:

Proposed Revisions to the DCC&Rs:

1. One auxiliary building with a minimum square footage of 120 square feet and door sizes no larger than 6' wide x 7' high.
2. One attached and/or one detached private garage(s).
3. Members may park or store passenger vans or pickup trucks not exceeding one-ton capacity in driveways or on a portion of a lot that is least visible from the streets or roadways.
4. Members may use one space on each Lot for the parking or storage of recreational vehicles, motor homes, camp trailers, utility trailers, motorcycles, all-terrain vehicles, boats, personal watercraft, and snowmobiles.

Current policy:

5. Limited Area Privacy Back or Side Yard Fencing can be used for the storage of some small trailers or recreational type devices such as four wheeler or snow machine type vehicles, which are not visible above the top of the fence.

Future possibility:

6. Possible member storage at the south end of the Airport.

Don't forget:

7. Commercial Storage in the area for vehicles or other personal property.

In addition, new Board Policies would have to be written to codify the requirements for some proposed DCC&R revisions if they are passed. The following drafts of policy give an example of the possible policy requirements for auxiliary buildings and recreational vehicle spaces.

Example of draft policy if the DCC&R Revision is passed...

"One auxiliary building with a minimum square footage of 120 square feet and door sizes no larger than 6' wide x 7' high..."

- A building permit would be required prior to construction,

- An auxiliary building could only be used for storage and not as sleeping or living quarters. Building codes for uninhabited buildings would have to be met.
- Minimum set back line requirements would apply to auxiliary buildings.
- The construction of the building must meet SVRA building requirements such as attaching the building to a concrete slab, minimum roof pitch (no flat roofs), roof height and siding and paint colors complementary to existing buildings.

Example of draft policy if DCC&R Revision is passed...

“Members may use one space on each Lot for the parking or storage of recreational vehicles, motor homes, camp trailers, utility trailers, motorcycles, all-terrain vehicles, boats, personal watercraft, and snowmobiles. ...”

- A single space
- An obviously improved level space – sand, gravel, asphalt, concrete
- Adjacent to an existing structure,
- Within set back requirements,
- Placed on the least visible location from streets and roadways but not directly in front of the home,
- The Board could consider variances for lots with unusual circumstances.
- New construction should plan for an RV space for current or future needs, so a variance would not be needed in the future.

H. Master Planning Report: Director Daulton gave the following report:

The Board of Directors and representatives from various SVRA committees continue to collect data on our current facilities and on the needs and desires of both committees and individuals for the future of our recreational and social activities.

Current: **Data Collection**

The State of Wyoming Community Assessment draft has been received, but some corrections needed to be made, so we are awaiting a final draft. The State Committee members will review the report at a community meeting on Wed., Nov. 10 at 7:00 pm in the Town Hall.

One of the major concerns addressed in the Community Assessment draft is the need for a year-round community center. Members of the Star Valley Ranch Association Board and the Star Valley

Ranch Town Council held a workshop on Thursday, Sept. 30. The objective of everyone was to explore the possibility of developing the barn and silo into a year round facility that could be used as a community center and the home for the various Association functions. Discussions centered around partnering together in order to meet eligibility requirements for state and federal grants and low cost loans. Elaina Zempel of the Wyoming Business Council is our state resource person.

The State of Wyoming Main Street Grant Architects Myers/Anderson attended the Board workshop on Wed. Oct. 13 with their estimates on the restoration of the barn and silo. They also brought conceptual drawings of new construction as a comparison.

The Myers/Anderson Architects have rebuilt and/or restored both the Alpine Community Center and the Lyman Heritage Barn, which is also used as a community center. Members of the Board, the Town Council and committees will be visiting these to see the facilities, ask questions and hear about their processes.

By the end of the fiscal year the Office will have actual costs of operating and maintaining our current facilities so they can be compared to alternatives for restoration and/or rebuilding.

Coming up: **Needs Assessment**

Mary Randolph of the Wyoming Business Council will assist members of the Board and committees in an initial identification and prioritization of the Association's recreational, social program and facilities needs based on our data collection on November 11th.

4. General Manager's Report: General Manager Kirk Sessions gave the following report:
Account Statements: I'm pleased to report that all bank statements are balanced for the month of September with no discrepancies.

Assessments: 2009 Lawsuit Collection Status: Initially referred to Attorney – 95: paid in full 55, making payments 5, paid but fighting attorney fees 1, bankruptcy 2 and not paid 32. Foreclosure proceedings have been approved by the Board of Directors and the attorney has begun initiating those actions.

2010 Assessment Status: Of 2010 assessments invoiced and 92 have not been paid yet (4.5%) Past due notices are sent to all delinquent accounts monthly and finance charges (12%) are added to past due accounts. We continue to pursue with assertive action and get additional payments on accounts.

Office Computers/Network: It is a pleasure to be in the 21st century!!! The office computers have been updated (phase1) and satellite locations will be the next step within the next 2-4 weeks (phase 2). The final phase (3) will be done in November during which the imaging software and hardware will be added to accommodate reducing paper files going forward and the huge inventory of paper files in storage.

Accounting Practices: Richard Braugh, our Accountant has now reviewed our accounting practices/records to date and confirmed that they meet the highest standard. We will meet on a quarterly basis with Richard to assure that the standards I have committed to accomplish and uphold continue to be the standard at SVRA.

2011 Budgets: The 2011 Operating Budget and 2011 Operating Capital Budget Request have been completed and provided to the Legal & Finance Committee as well as the Board of Directors for their review and ultimate approval by the Board. The budgets this year are a product of each Dept. Manager's development, reviewed and negotiated line by line with me. The object has been to manage expenses flat or down where possible and focus on improving revenues. I am very pleased with the quality of the combined efforts and the results. While we have put forth a very challenging plan, we are all very optimistic that we can attain the goals of the plan!

Golf: While this is historically the wind down to the golf season in Star Valley, it has been an historical fall season for SVRA, yielding the best fall ever!! This has been a direct result of the fall price strategy we put into effect on 9/10. We have also initiated several fall promotions and price specials to enhance our revenues and reduce inventories. We have inventory clearance sales at both pro shops and a 10% off promotion at any SVRA business by showing your receipt from a prior purchase. Together with the increased traffic resulting from our Falling Prices strategy, we have surpassed expectations in all categories. Many thanks to our members and friends that have been our best supporters this fall!!

Greens: We have completed the evaluation of several equipment vendors in anticipation of the replacement of the current equipment lease which expires this fall. Kurt and I explored every opportunity to improve staff productivity, course maintenance techniques and reduce equipment maintenance costs. Our final proposal has been reviewed by the Greens Equipment task force and has been provided to the BOD for approval. Kurt and his crew have created some new burms of dirt around Cedar Creek holes 1 & 2 and along the road of the driving range. These will be planted with trees from our tree farm the first week of November and with grass in the spring. The completed burms will not only add beauty and security to our course but will add to the safety of our members walking along Cedar Creek Dr. The Greens staff has been very busy (down to a skeleton crew now) making the course ready for winter and finishing this year's projects.

Cart Paths: The cart paths identified for concrete replacement; #2 greenside, #18 road to the ladies tee box, greenside at Cedar Creek, the path in front of the Cook shack, and Aspen Hills #1 to the tee box from the parking lot have been completed this month. Additionally the path between Aspen #7 green and the asphalt of the #8 tee box has been graveled to correct the erosion problem there. Side note: There will be a concrete walking pathway completed this next week between the parking lot stairs and the Cook Shack entrance! Many thanks to Jeff Earl for his outstanding work again this year!!

Bar Operations: Duffer's will be this final weekend from 1:00 pm until business warrants and will close as of Monday 10/18. Beer will be sold from the pro shop at Cedar Creek until we exhaust our supply or we close up whichever comes first.

Water Projects Update: Alternate Point of Diversion: The state of Wyoming Water master, Jade Henderson, assistant Water master, Kevin Payne, Curtis Cheshier, George Toolson, co-chairs of the utility committee, Val Stewart, LVI, a team from Scherbal, Kurt, Ernie and I spent several hours last week reviewing the irrigation water system in Green Canyon (a town representative was invited but unavailable due to unplanned emergencies). The objective was to make sure that everyone was thoroughly knowledgeable of the system operation and the changes requested in the current petition before the state. The state now better understands the goals of our petition and as a result of the assessment of the water issues LVI has been invited to join us in our petition. In doing so, we will be capable of better utilizing the overflow water in the irrigation of our golf courses. We are hopeful that

the current plans in place might provide enough water for some time without the expense of implementing the additional line called for in the APD plan.

With the completion of the water meter installation at the office we have got things back in order. We will be working on the fountain out front of the office as we now know it is running off of the drinking water lines.

Barn Silo: The Main Street grant Architect has provided us with his assessment report as well as an addendum to the report exploring some options available for future consideration. He presented both reports at the BOD Workshop this week and both reports will be available on the website next week. The Architect noted that it would be most effective to replace the existing structures which in his opinion did not reflect any historical building aspects (standard low cost building practices employed in the construction methods). A replacement structure would be less expensive to build and operate versus refurbishing the existing buildings. A newly designed structure could more appropriately incorporate the attributes that member's desire for a year round community center which could also incorporate the retail and office needs of the SVRA. This study will provide an additional resource to the Association in our development of the Master Plan and as we continue discussions with the Town centered on partnering together in order to meet eligibility requirements for state and federal grants and low cost loans.

Just a reminder of the flu shots at Town Hall October 20, 2010. As we get into the "snowbird season" please contact the office with any addresses and e-mail addresses updates.

5. Old Business: No old business was stated.

6. New Business:

The Board, the Finance and Legal Committee, the General Manager, and the Golf Course Superintendant all participated in the decision to purchase rather than lease the turf equipment needed for the coming years.

The current five year lease on equipment expires at the end of 2010. The option of leasing similar equipment for the next five years or purchasing the same equipment was studied in depth. The consensus decision was that purchasing would save the association more than \$58,000 over the course of five years.

The annual usage of equipment is six months of the year. We believe the life expectancy of the equipment is 7 to 8 years or longer if it is properly maintained. This assumption was verified by the manufacturers.

All parties in the decision are in agreement that the monthly lease cost proposed by the manufacturer will be transferred from the SVRA operations budget back to capital funds for the full number of months that the equipment is used. Assuming we are able to use the equipment for 7 years, we have created the possibility of a multiple year purchasing program for the future. Such a program will allow us to replace, by purchase, 16% of the total equipment inventory in each year beginning in 2017. This will be a much more manageable situation and should save SVRA a great deal of money.

Director Braun made the following Motion: I move that the Board approve \$322,000 out of the capital funds to purchase golf course equipment versus lease it at 6.8% interest for 5 years. Buying the needed equipment and leasing it back from ourselves will replenish the capital budget and save the Association \$58,000 over 5 years.

Motion seconded by Chairman Cheshier.

Motion carries unanimously.

7. Good of the Order: No comments

8. Adjournment:

Director Braun moved to adjourn the meeting.

Chairman Cheshier seconded the motion.

Motion passed unanimously.

Meeting adjourned at 10:49 AM

Chairman Curtis Cheshier

Vice Chairman Jere Kovach

Secretary/Treasurer Ron Meeks

Director Kathleen Daulton

Director Gary Braun

Director George Toolson

Director Paul Weber