



Township of Exeter Golf Course Forensic Engagement March 25, 2019

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Agreed Upon Procedures

- Summarized bond proceeds from the 2005 and 2007 Bond issues related to the golf course acquisition for the Township of Exeter.
- Summarized Debt Service payments on these bond issues.
- Summarized expenditures from these bond issues.
- Obtained Board minutes to verify that disbursements were approved by the Board.
- Interviewed Township management and outside auditors.
- Summarized the results of the testing performed.

Observations from Testing

- Bond proceeds are generally used for capital acquisitions, improvements, and other items specified in the bond offering documents.
- During 2006 and 2007, the Township made debt service interest payments and principal repayments from its bond funds totaling \$1,637,621, which was approved by the Board.
- During 2006, 2007, and 2008, the Township issued check disbursements from bond funds to Reading Country Club Operations totaling \$650,000, which was approved by the Board and noted as expenditures of the Golf Operations Fund.
- During 2008 and 2009, the Township transferred \$249,478 to Reading Country Club Operations. One of the transfers was labeled “For Pymt of Accts Payable”, a second transfer noted was labeled, “Working Capital Cont-Operating Acct”. The Township did not have a policy requiring Board approval of fund transfers.

Observations from Testing

Unallowable costs identified

▪ Non-capital operating expenditures (Board approved)	\$ 81,533
▪ Checks to Reading County Club Operations (Board approved)	650,000
▪ Cash receipts	(44,527)
▪ Working capital transfers to Reading Country Club Operations (not Board approved)	249,478
▪ Debt service payments (Board approved)	<u>1,637,621</u>
Total	\$ 2,749,105

Observations from Testing

In order to understand why transfers and disbursements were made from the Golf Course Acquisition Funds to the Golf Course Operating Funds, we requested Township personnel to locate the supporting records of the Reading Country Club Operating Fund.

This set of accounting records requested could not be located by the Township, however noted below are the items reviewed from the golf course records located at the Township building:

- Financial reports for the golf course indicated the following results:
 - 2006 = \$178,786 loss
 - 2007 = \$222,743 loss
 - 2008 = \$248,744 loss
- The financial records for the golf course operating fund reflected minimal capital additions
- The financial records for the golf course operating fund were not audited until 2009.
- For 2005-2009, transfer and disbursements received by the golf course from the Township were recorded as loans. These loans were converted to equity in 2009.

Highlights from Statement Provided by Township Manager

Interview highlights:

- The Golf Course Fund was managed by Billy Casper Golf and was subject to annual audits.
- The Board approved disbursements and transfers
- Township solicitor advised it was appropriate to pay debt service payments from bond proceeds.

2005-2008 Audited Financial Statements

- 2005 audited financial statements
 - The bond proceeds are designated for the acquisition, improvement and equipping the golf course and banquet facility.
- 2006 audited financial statements
 - The Township has entered into an agreement with a company to operate the Township's municipal golf course. The Township is required to provide working capital for the operation of the golf course.
 - There is discussion of the Golf Course Fund in the financial statements, but the financial results of this fund are not reported in the statements. The auditor's report states all funds are included.

2005-2008 Audited Financial Statements

- 2007 audited financial statements
 - Management has not included the Golf Course Fund in the audit financial statements. Because of this, the financials do not present fairly the financial position of the Township. Exclusion would cause the financial statements to be misleading or incomplete.
 - 2006 golf course revenues were not sufficient to cover operating expenses.
- 2008 audited financial statements
 - Similar comments as 2007.
 - 2008 engagement letter from the audit firm does not indicate that any funds would be excluded from the audit.

Review of Emails

- February 9, 2007 to the Board.
 - “A funding request of \$257,103 to cover projected negative cash flow and pay off all outstanding accounts payables.”
- February 12, 2007 – Township Manager to Board.
 - “If the board is in agreement with the additional funding, we will process a check to pay the bills and we can approve it at the next meeting.”
- February 10, 2009 – chain of emails with Board members and Township Manager.
 - “How did this get so out of hand? We learned from experience the operating shortfall is even more serious if that is possible. There is no choice but to fund the operating account from remaining debt proceeds.”



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Thank You

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