

April 1, 2020

Greetings from the Lake Henry Board of Directors!

Since we were not able to have a Board of Directors Meeting in March due to the Coronavirus, we thought it beneficial to give you an update of the activities the Board is working on.

1. We have hired a new employee, Geraldo Lopez, to fill the vacancy on the Grounds Maintenance Team. Be sure to welcome Geraldo to Lake Henry.
2. From the treasury – As is typically done in an organization our size, we will conduct a quarterly status review of our current budget plan and make modifications as needed. This will occur in April after we complete March transactions. Budget plans are never perfect and should be constantly fine tune to respond to unanticipated needs/changes.
3. Social and Pub funding – at the February 2020 Board meeting there was a question raised concerning the status of end-of-year funds in the Social and Pub accounts. Attached is a document that we hope clarifies the issue. We appreciated the question.
4. Dog Walk area – we currently have a dog walk area adjacent to the water treatment plant and the golf course, hole #7 where golfers tee off. The current boundaries put the dog walkers in a risky position. They could very well be in the “line of fire” from an erratic tee shot. To decrease or eliminate the risk, we are considering two changes. We would like input from the residents. Change #1: We would reset the boundary for the dog walk to the light pole. This would eliminate dogs and owners from the area around the water treatment building but still leaves a large area by the entrance to the public area. Change #2: We would add a dog walk area to the green space between the back of the swimming pool and lake. This will be the grass entrance road to the boat ramp. There is plenty of space that is not near homes. We would insist this area only be used during daylight hours as we do have “wildlife” that is found in the area after dark. Comments/suggestions are appreciated! We plan to decide at the April Board meeting.
5. Projects:
  - a. Boat Ramp –The contractor has relocated the previously fabricated concrete ramp components to the ramp area. The next step will be to remove the “muck” from the lake to ensure the ramp is on solid ground.
  - b. Tri-annual work on the swimming pool deck pavers – We have completed the project to replace broken pavers, address pavers that “moved or rocked”, replaced sand around the pavers and sealed the area.
  - c. Address the need to stabilize the clubhouse porch (pool side) and the swimming pool equipment building – We have received 2 quotes so far to stabilize the soil and return the porch to a level state plus stabilize the soil under the building.

We have learned from the 2 vendors the new retaining wall below the swimming pool building is a significant improvement to the stability of the building.

6. Communication Survey – We sent out a survey asking about the residents use of email. Out of 280 households we have heard from 195 – excellent response! We have been contacting the 85 remaining residents who did not respond to get their input. The results so far indicate that using electronic methods to communicate is a good means to talk to most of the residents. With the onset of Coronavirus, we have been using LHE NewsBriefs exclusively to provide updates. This has only confirmed the need for an electronic communication system, like LHE NewsBriefs, to facilitate quick communications. The residents who do not have email will receive critical communications via hand delivery by our volunteers ASAP. We will not be mailing these communications. We would like to thank Loretta Kramer for managing NewsBriefs so well and to Dale Stone and his band of volunteers who hand-deliver communications.
7. FDOT Old Dixie Trail project – the state has approved to start the impact studies on a new bicycle trail that will go from Auburndale to Haines City. The preliminary plan is for the trail to follow the approximate path of US Hwys. 17/92 from Lake Alfred to Haines City. This will be a wonderful addition to our neighborhood. Here is a link to get additional information: <http://www.swflroads.com/trails/odt/home.html>
8. Dyson Road concerns – As discussed at the last meeting, representatives from the LHE Board met with the local supervisor of the Polk County road maintenance crew. 1) They indicated they would have their team investigate the paving and shoulder repairs that are needed. We have not yet heard back from them. 2) They were going to prune back the brush on the west side of Dyson Road to eliminate as best as possible a dark, shadowed area. This was completed Monday, March 23.
9. LHE 2014 Federal Income Taxes – At the January 2020 Annual LHE Shareholders Meeting, the shareholders voted to not pay the tax liability due to the IRS from 2014. The Board of Directors had great concerns about not paying these taxes. We consulted our Certified Public Accountant and our Corporate Attorney. The attorney provided a written opinion that the vote was not valid and is not binding. He indicated we could not vote to break the law and the Board of Directors should pay the taxes. Our CPA reviewed the documentation from 2014 and determine there was a transposition error, which lead to our tax return reflecting a significant lose, when we had a taxable gain. He calculated our tax liability to be approximately \$17,000. The Board of Directors have a fiduciary responsibility to make decisions which are in the best interest of the LHE Corporation; therefore the Board will proceed with paying the back taxes. The CPA anticipates the IRS will consider giving us relief from interest/penalty as it was an accounting error.

At the February 2020 Board meeting, a question was raised concerning the status of the funds within the Social and Pub Committees which typically have the most financial transactions. Historically the funds in these accounts at the end of the fiscal year were rolled over into the next fiscal year as the starting balance. These accounts at the end of fiscal year 2019 did not reflect this carryover. The question is where these funds went and why.

The remaining balances of all accounts were “swept” and the funds placed in the corporation’s operating account. This enabled Lake Henry to retire all outstanding debts.

The current Board of Directors agrees sweeping accounts is the best management policy and helps to clearly define our cash position.

To assist in clarifying this position, the Board will slightly modify the accounts of the Social and Pub Committees to reflect two distinct income/expense activities, as follows:

1. There will be accounting to reflect the expendable transactions. This occurs when the participants of the activity are expected to financially support the activity. For example, if a resident wants to purchase a beverage in the pub, the expectation is the Pub will charge accordingly to cover all expenses involved with the beverage. Another example would be when the Social Committee sponsors a catered dinner and dance. The expectation is the charge to attend will cover the food and entertainment expenses.  
**BUDGET DEVELOPMENT EXPECTATION:** The budget committee will expect the committees to identify how much start-up or “seed” money will be needed at the start of the fiscal year to best manage the variations in the cash flow during the year. For example, the Social Committee typically lines up the entertainment for the year in February and March, which requires us to provide a down payment. Since the income for these events may be 6 months later, the account will need a cash advance to cover the upfront expense.
2. There will be accounting to address the maintenance of equipment/supplies needed for the Pub or Social Committee to provide or deliver services. For example, in the pub, this account would pay for repairing a broken or worn-out beer tap. Another example would be if the Social Committee needs to replace serving trays or wheeled delivery carts. The maintenance of this equipment benefits all residents. **BUDGET DEVELOPMENT EXPECTATION:** The committees will be asked to anticipate such needs and request funds accordingly. When the Annual Budget is approved at the Annual Shareholders Meeting, the funds are then moved from the corporation’s general operating account into these maintenance accounts.

What happens when we need to make a large, non-recurring or very infrequent purchase, such as replacing tables, chairs, refrigerators, carpet, etc.? Since the whole community benefits from these purchases, they would be funded from the corporation’s operating, project or emergency accounts as appropriate.