

2011

Green Mountain National Operational Analysis



Killington, Vermont

browngolf
management

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Overview of the Golf Industry and its Relationship to GMNGC

Golf rounds have increased 33% since 1985. 358 million rounds were played in 1985 compared to 475 million played in 2010. There has been a strong growth in overall rounds of golf being played, but the small growth in actual golfers is alarming. In 1995 there were 24.7 million golfers, this only increased to 26.1 million by 2010. Recently, the number of new players coming into the game is remaining flat which has resulted in a slow descent of rounds being played. Golf rounds peaked in the early 2000's at 520 million, but has been decreasing ever since and today is only at 475 million.

Golf historically has four major obstacles facing it:

- 1.) Cost. It is expensive to learn to play, and in turn, has expensive upkeep.
- 2.) Time. It takes a substantial amount of time to play.
- 3.) Difficulty. Courses need to focus less on green speeds at 12+ on the stimpmeter, and focus more on cleaning up the out areas on each hole so players can find their ball and hit it back into play.
- 4.) Diversity. 5.4% of the golfing population is female and only 2.5% of the golfing population are juniors.

A combined study conducted by the National Golf Foundation, Golf Datatech LLC, and Weather Trends International yielded some very interesting findings. An average daily temperature increase by 1 degree will increase rounds by 0.76%. Compare that with an average daily increase in rainfall by 1" which will decrease rounds by 2.2%. This information would lead to a conclusion that if GMNGC experiences a cold wet season it will be near impossible in a short season to recover.

The number of overall golf facilities has experienced huge growth through the years. In 1950 there were approximately 5,000 facilities, 10,000 in 1970, 13,000 in 1990 and approximately 15,500 today. With rounds slowly decreasing or remaining flat at best over the last few years, it is clear that a resizing of the industry is needed. The industry seems to be over built by 10-12%. Brown Golf's opinion is the best operated courses will survive and be positioned to thrive as the resizing finalizes itself over the next several years.

Nationally, profit centers (greens fees, carts, food & beverage, equipment sales, and season passes) have remained flat over the last 3 years. Courses will need to develop creative programs, and new revenue enhancement ideas to maintain their market share. Course operators need to do more with less as we believe there is still a 10-15% reduction in average facility operational expenses needed to survive at most courses. Facilities will have to fight and claw for every dollar. It is no longer the strong will survive, but we believe rather the creatively strong will survive. Now more than ever courses will need to provide great customer service, strong marketing, consistent daily operations, creative programming, solid values, player experience follow ups, good playing conditions, and great fresh food & beverage.

With the current revenue levels and continued growth, GMNGC is positioned well to accomplish net operating income numbers in the \$250,000-\$300,000+ range. This should provide a source of consistent income for the town of Killington. Operationally, this facility will never be capable of paying the current annual debt service payment of approx. \$590,000. Revenues of more than three times the current level at GMNGC would be needed to handle the current debt load.

The initial Development Pro-Forma for GMNGC was well done and an accurate document at the time. With the information available at the time, the town of Killington made a solid informed decision to build GMNGC. Over time, many changes have affected golf and therefore rendered the original pro-forma not as accurate as it once was. Some of these changes have fueled the golf economic downturn including family unit changes, 9/11 and its effect on travel, an abundance of new courses entering the market, and golf's slow movement to welcome all to the game.

The bottom line is the town of Killington owns a fantastic golf course amenity. This course is one of the best in New England and consistently attains top rankings in golf publications. Realistic net operating income expectations will need to be accepted and supported by the political structure within the town. Everyone needs to get on the same page, lending full support to the facility and staff.

Golf Course Maintenance

Practice Facilities: This is generally the first manicured course area that a customer experiences. This area is tight by today's standard, and this limited size will create some maintenance challenges. The under sized tee complex and pitching green will be susceptible to compaction, foot traffic wear, and loss of turf. The practice facility is noticeably less maintained than the rest of the golf course. This is of concern because the practice facilities are a profit center, and generally the first area experienced by the consumer, therefore set the initial quality mindset tone. More upkeep and general grooming is needed in this area. When evaluated, the teeing area was rock hard from compaction, and visibly covered with divots. These areas need to be groomed daily including, divot repair/filling/seeded, bunker raking, green cut and mowing patterns for the tee box, range fairway, fringes and surrounds that match the frequency on the golf course. New mowing patterns should be instituted to create more definition and better targeting in the landing areas. It appears this is a bit of a neglected area that simply does not receive equal care to the rest of the course. The frame is not around the picture in this area. This will need to change to support a strong effort to develop additional revenue from this profit center. A coordinated grooming and set up effort between the golf course maintenance staff and the golf operations staff needs to be orchestrated if the club has any hope of keeping quality turf on the undersized teeing areas.

Tee Boxes: Tee boxes on the golf course are adequate in size and for the most part in excellent condition. The tee boxes are all hand mowed. This is only necessary on a few very steep teeing areas, it is an extravagant luxury this club should consider discontinuing. Triplex cutting of tees is a more economical way to attain a quality cut. An argument can be made by the golf purist that it is not of the same quality. The economic times have driven most courses away from this labor intensive, time consuming practice of walk mowing tees. I would also recommend that cutting of tees is reduced from three days a week to two days a week. Par 3 teeing areas on the golf course are heavily divoted. While

this is the norm on par 3's, it is evident that a higher level of daily grooming is needed. These heavily divoted areas should be filled, seeded and smoothed on a daily schedule. The remaining par 4 and par 5 teeing areas are in nice condition and appear to have proper levels of grooming. The top dressing in a bottle program is not working. The 80/20 soil sand/seed mixture and damp weather conditions of the area create a sticking effect, and sometimes germination occurs inside the bottle. Players get frustrated with this quickly. We recommend discontinuing this time consuming endeavor, and having the crew ensure there is a topdressing/divot repair station at all tee boxes on the par 3's. These stations consist of a box container and scoop, and are now located at some par 3 tees.

Fairways: Fairways are in nice condition, seem to be healthy, look good to the eye, and have nice definition. There are a few primarily site related issues that are currently presented. Mountain springs have popped up, additional drainage has been installed, and the spring pops up again 50 yards down the fairway. These drainage issues can and have made it difficult to get these areas to fully grass over. The maintenance staff is doing a fine job of fighting this ongoing mountain course battle. The remnant grassless streaks in small areas on a few fairways should be more aggressively top dressed, fertilized, and seeded to facilitate growth. Overall the majority of these fairways will stack up against anybody's in northern New England. Fairway cutting should also be reduced to two days per week instead of the current three. The crew needs to do a better job of filling divots.

Rough and Out Areas: The rough in general is in excellent shape. This is a very difficult golf course. I would recommend that the rough be maintained at a slightly shorter length. This should be possible without creating any other issues, and it will help speed up play. The frequency of rough cutting that consists of twice around green side areas, and once everywhere else is workable. The golf course is generally narrow, heavily wooded, with numerous rock out cropping structures, and an abundance of fairly heavy under growth. It is important to continue knocking down and cleaning out the growth on the perimeter, and around rock out croppings. By focusing on maintaining the rough in this manner GMNGC will continue to make the course more playable to the average player. This will be essential to increasing future play numbers. Softening of these areas will need to be more of a priority to speed play and increase overall player enjoyment. The consumer needs to be able to find the ball and hit it.

Greens: The greens are in nice condition. The current agronomic procedures that are being utilized seem to work well. Cost saving measures that could be implemented with minimal quality impact are: 1) Resting the greens from any cutting one day a week (Monday). The dew levels will still need attention on that day. 2) Triplex mowing of green surfaces as the normal operational course of action. Occasional hand mowing during the hot weather or atmospheric conditions where a lighter weight mower would be better for the turf should still be utilized. Maintaining the current 9-10 stimpmeter green speed works well, any faster would not be fun and slow down play.

Approaches: These areas are all currently maintained in nice condition, however the current practices are labor intensive and too much of a luxury in this economy. Recommendations in these areas are: 1) Go to a twice a week cutting schedule. 2) Simplify the process, again getting away from walk cutting as often as possible.

Overview of the golf course maintenance operation: Course superintendent- Peter Bissell is a dedicated, knowledgeable quality leader. He is passionate about GMNGC and his profession. He does an excellent job of maintaining all of the aspects of GMNGC's agronomic plan. This is a very valuable employee to the GMNGC, and the town of Killington. Also important to consider, Peter is hanging onto his perception of the expectations laid out for his department in the 1996 business plan. A bit of a reality check related to a better understanding of current economic conditions, and the golf marketplace are needed. We simply can't just do things in a stubborn way because "nobody has told me anything different from the 1996 plan". Reality needs to set in and with that being said, it will be important for the town of Killington to understand that a golf course maintenance department cannot run effectively with little opportunity to upgrade aging equipment. Equipment roll out plans of the past are gone, every club needs to extend the life of its equipment, but there is a point of diminishing return. The town of Killington is nearing that point on a couple of high hour older pieces of equipment currently in use. One final thought related to the golf course maintenance department; on average, northern upscale daily fee golf courses operate with a superintendent and assist superintendent, a mechanic, and seven (7) laborers. Adjusting downward to the recommended staffing level would still provide the personnel necessary to do a quality job, and reduce expenses during the playing season.

Golf Course Maintenance Facilities

The golf course maintenance building and associated facilities are sufficient to do the job intended. The golf course is an upscale daily fee facility, and the maintenance facilities are adequate to support a higher end turf program.

The full time mechanic John is so much more than just a mechanic. John is a loyal, talented, long time employee who is equally adept at carpentry, of which the club has taken full advantage of over the years. His outside deck bar style seating area, and retro-fit of the golf shop sales counter are first class pieces of work. Mr. MacAuley is a tremendous asset to the Green Mountain National Golf Course.

Two problems do exist with these facilities: 1) The equipment wash pad is not operational and appears to be poorly designed. The superintendent and staff have adapted and now complete this necessary function in a less than ideal manner at the clubs driving range 150-200 yards away. 2) The equipment repair lift is restricted on the height it can raise a vehicle. Once again poor design is to blame, this time placing mechanical equipment in the way, making it difficult for the mechanic to work underneath. These are overall good facilities presided over by a strong mechanic. The compensation of the mechanic is competitive with the marketplace, but also a bargain based on the additional competency skill set.

This facility also has the equipment to grind all of their own reels. The fact that GMNGC has this equipment possibly presents a revenue development opportunity to provide this service to other golf courses. Marketing of these potential revenue development services could be done through the word of mouth network of the superintendent, mechanic, GM, and turf sales professionals.

Food & Beverage

The Food & Beverage operation at the GMNGC is a snack bar/golfers grill with some low level ability to cater specific types of events. The kitchen equipment and dining area are adequate to handle daily golfers, mid-size tournaments, and small catering events. There is no dishwasher, and throw away containers are used to serve the food on. There is a glass washer for beverage operations.

Seasonal manager Roger Stevens is an experienced quality operator. Roger has developed workable golfer, and buffet catering menus. Roger is also an entrepreneur owning a Bed & Breakfast, and convenience store gas station nearby. While this could present a potential conflict of interest, no signs of anything remotely resembling that were present. In reality the association with Roger is beneficial to GMNGC through shared quality prep personnel that the club would not generally have access to on such a limited part time basis.

One of the short falls of the single available F&B space is the need to close to all other potential patrons when a catered event is in progress. The club does little catering in a tent adjacent to the kitchen on the lower parking lot. It is Brown Golf's opinion that there is a market for low to mid-price point catered buffet events in the aforementioned tent. The view is desirable even from the parking lot.

Food & Beverage like any other profit center needs to be featured in the clubs marketing programs. There is potential to grow the revenues in this department \$50,000-\$75,000 annually with a more aggressive catering effort.

The current costs of sales in this area are in line with public golf course norms. The service levels are good, and the menu has enough options to keep it interesting. There is also good potential for revenue development in conjunction with the golf course (9 & Dine, 9 & Wine, bucket of balls & a burger, Lesson & Lasagna, superintendents revenge & roast, the chardonnay clinic, etc.). Trying new creative programming could well unlock new sources of revenue, and fill down time.

Cleaning of this area and for that matter the entire clubhouse needs to be more defined and more aggressive. Accountability in this area was difficult to determine, and the job being done is average at best. Determine the expectations and create the focused accountability needed to improve.

A reduction of daily operational hours should be considered as follows: Food service 11-4: Beverage service 11-6. This will reduce payroll and focus the operation around a golfer's lunch program. At the same time this department should move more aggressively into value catering and program development in conjunction with golf. The staff is attentive, but additional training in the art of suggestive and "up" selling could be beneficial to assist revenue growth. Every guys traveling golf group would love a traveling six pack on the cart.

Purchasing has a tendency to become complacent or even one dimensional at small restaurants. Managers or purchasing agents many times do not shop their purchases in an aggressive manner. It is important in this economy to play one company off the other to ensure competitive purchasing. "Don't be shy, push the window."

GMNGC Golf Operations

Key Personnel: Dave Soucy is the PGA Professional and General Manager. Mr. Soucy is a strong PGA Professional and manager, he has outstanding people skills, a good understanding of the overall business, has a genuine love for the facility and region, is a good player that represents the facility well, and is respected by his team. Even in this challenged economy Dave has been able to orchestrate operational numbers that outperform the region. He is connected to the tournament groups who host their events at GMNGC. This is evident with the high numbers of repeat groups coming back year after year. Dave leads the membership efforts of the club. His development of the Friends & Family promotion is a great way to get new members to the club and for the most part has been successfully implemented.

Staffing Levels and Responsibilities: The golf operation staffing levels are thin, but well defined. The current operating model and personnel are doing a nice job and providing a quality service experience for the golf customers. Employees are friendly, focused, and eager to please. The staff handbook for GMNGC is good. It does a nice job of acclimating employees in a professional manner. The operational standards employed within this department are solid, but are trained by word of mouth. These standards need to be committed to writing, and every associate needs to sign off that they understand the expectations (Operational Standards are the details).

Staff Communication: This is an area where substantial improvement should be the goal. Communication at the majority of golf facilities is a challenge. The GM will need to take control of this area creating a larger staff meeting concept (department directors and all assistants, anyone in an authority position) that meets weekly. This meeting should always start and end with the calendar of upcoming events. It is important for the GM to detail expectations related to each event. It is also essential to hold your team accountable. The best way to do this is face to face with your executive team in these meetings. Larger executive staff meetings help to get the information wide and deep.

Merchandising: The buying plan being used is solid, shop purchases revolve around Taylor-Made and Titleist for hard goods and a selection of 2-5 soft goods companies depending on available close outs. There is a reasonable selection based on the small sq. footage of the golf shop. Suggestive and up-selling should be emphasized and trained. "Gentlemen, thank you for playing GMNGC today, the golf course is both beautiful and tough. Make sure you have an adequate supply of golf balls."

In general the procedures in place to buy, receive, price, display and sell merchandise are workable. The pro shop set up allows traffic to follow smoothly and puts impulse buy items in sight near the point of sale. The customer can then easily access the golf carts through a backdoor. Open counter and pro's office positioning at the mid-point of the shop helps with good attentive service. Monthly inventory and related controls will need to be improved. Once these controls are implemented, an open to buy plan can be established. This will lead to a better understanding of the preferences and sizing your customer base is searching for. The sales summary by inventory department currently being used is a good starting point. The software is capable of numerous reports and should be researched for more detailed results.

Instructional Development Programing: The instructional development program is extensive and varied. Currently the course provides 10 different programs (Spirit of the game awards to events, golf ready, play golf America, golf in schools, family fun night, junior clinics, a four week program for the Killington teen center, new golfer clinics, women's clinics, men's league). Tracking the effectiveness of these programs is difficult, but offering a small discounted package of golf services (green fees, carts, pro shop purchases, range balls, etc.) will help convert your instructional facility users into full golf facility customers. Additional development programming in conjunction with F&B will help the facility increase more than one profit center (A number of possible programs are listed in the F&B section).

Golf Events: The course hosts 30+ events annually. The events are well run and are a significant part of the courses income flow. There is room for growth in this area in the month of July. The course may want to consider adding an invitational multi-day better ball of partners event marketed throughout New England to be played in the 3rd or 4th week. These events historically combine golf & food, and once established are enjoyed year after year by the competitors.

The addition of an aggressive Sales Director to manage and enhance the current Hotel Partners Program, recruit tournament groups to the facility, recruit leisure golf groups, and drive the sale of memberships/season passes is also strongly recommended. The GM simply does not have adequate time to do this on a consistent basis. The right person in this position will also act as a concierge to ensure years of continual business with these groups and individuals. A perfect situation would be a Sales Director who could managed the golf facility during the peak season April through October and support the Town of Killington in some capacity November to March. This would ensure the seasonal aspect of the position would not deter a high quality candidate.

Additionally: It is important to aggressively pursue and centralize the collection of e-mail and other data. The facility collects information on-line, during the tee-time confirmation process, and at a kiosk. An additional step should be added at the pro shop registration process to ask each customer to sign up for future newsletters, on-line discounts, and special events right there at the counter. It is also important to create a professional announcement/bulletin board area throughout the club. Do not have announcements taped to walls; put the frame around the picture. The course is doing an adequate job of surveying a large segment of daily customers. Exit interviews need to be added to the mix to determine the reasons why the course may have lost an event or member. The GM should do this in person or via telephone. This personal, professional touch is important to assist the course in future internal operational evaluations.

GMNGC Operational Analysis Summary

The operational concept being used currently at GMNGC is working. The facility employs three (3) good full time associates. Brown Golf believes there is a high probability of losing these key employees if a seasonal operational model is implemented. Included in the financial report is a pro-forma for both full time and seasonal concepts. Brown Golf recommendations are listed throughout this report and the different operational budgets are included in this summary. Below is a recap of some key points:

- The Town of Killington made a well thought out decision to build GMNGC
- The original Pro-Forma was accurate
- The golf marketplace has changed
- GMNGC has adapted to these changes
- GMNGC will continue to achieve a nice positive NOI annually
- GMNGC will never achieve enough NOI to cover the \$590,000+ annual debt
- The Key staff are doing a good job of managing the facility for the Town of Killington
- The Operational standards being employed provide a good quality experience for the customers
- Suggestions have been made throughout this report to help maximize NOI
- Focused facility marketing, with the GMNGC brand emphasized to attract groups from day trip and weekend drive destinations is essential
- Stronger financial operational and audit controls are needed
- Additional player development programming that enhances multiple profit centers is needed
- There is also a need for the staff to reach out to the community. Suggest the golf course superintendent and mechanic each do a blog, and have a small section on the website assisting residents with their lawn care or auto repair questions. Giving back to the community is important and necessary
- The addition of a Sales Director is strongly recommended
- Several operational changes have been strongly recommended, some of which will require philosophical change from the GM & Staff
- The benefit plan is outstanding, but the cost associated is not justifiable in today's economic climate

Summary of Suggestions

- GMNGC needs to focus on bringing in more Women, and Juniors to the game in a fun manner
- GMNGC is set up too hard for the average golfer to fully enjoy their round, set up the course a little bit easier to improve morale, and pace of play
- The better GMNGC is operated, the higher the likelihood of its survival in this saturated golf market
- GMNGC will need to develop creative programs, and new revenue enhancement ideas to maintain their market share of players/members. Course operators have to do more with less as we believe there is still a 10-15% reduction in average facility operational expenses yet to come in the future
- More upkeep and general grooming is needed in the practice area (susceptible to compaction due to small size, and heavy traffic volumes)
- New mowing patterns should be instituted to create more definition and better targeting in the landing areas of the range. It appears this is a bit of a neglected area that simply does not receive equal care to the rest of the course
- Hand mowing all the tee boxes is unnecessary, and you should consider discontinuing this practice for the less time/cost effective method of triplex cutting

- We also recommend mowing the tees, and fairways twice a week instead of the usually three
- Par 3 tees should be seeded, and smoothed daily to maintain their integrity
- We recommend discontinuing the Top dressing in a bottle practice, and implementing divot repair stations on the tees
- Grassless streaks in small areas on a few fairways should be more aggressively top dressed, fertilized, and seeded to facilitate growth
- Continue knocking down and cleaning out the growth on the perimeter of the course, and around out cropping.
- Maintain rough at shorter height
- Greens: Cost saving measures that could be implemented with minimal quality impact are: 1) Resting the greens from any cutting one day a week (Monday). The dew levels will still need attention on that day. 2) Triplex mowing of green surfaces as the normal operational course of action. Occasional hand mowing during the hot weather or atmospheric conditions where a lighter weight mower would be better for the turf should still be utilized. Maintaining the current 9-10 stimpmeter green speed works well, any faster would not be fun and slow down play
- Approaches: Recommendations in these areas are: 1) Go to a twice a week cutting schedule. 2) Simplify the process, again getting away from walk cutting as often as possible
- Maintenance: You need to get away from the plan of 1996. You need to extend the life of your current equipment. Personnel should be adjusted down to 7 laborers, 1 mechanic, 1 assist superintendent, and 1 superintendent
- The equipment wash pad is not operational, and appears to be poorly designed
- The equipment repair lift is restricted on the height it can raise a vehicle, once again poor design is to blame
- F&B: It is Brown Golf's opinion that there is a market for low to mid-price point catered buffet events
- Food & Beverage like any other profit center needs to be featured in the clubs marketing programs. There is potential to grow the revenues in this department \$50,000-\$75,000 annually with a more aggressive catering effort
- Try new creative programming...(9 & Dine, 9 & Wine, bucket of balls & a burger, Lesson & Lasagna, superintendents revenge & roast, the chardonnay clinic, etc.)
- Cleaning of the F&B area and for that matter the entire clubhouse needs to be more defined and more aggressive
- A reduction of daily operational hours should be considered as follows: Food service 11-4: Beverage service 11-6
- Train the service staff on how to "upsell" a customer
- Be aggressive in your purchasing, pin one vendor against the other, do not become complacent
- Operational Standards: These standards need to be committed to writing, and every associate needs to sign off that they understand the expectations similar to the quality of the staff handbook (Operational Standards are the detail)
- The GM needs to take a stronger approach to the overall staff communication levels

- Merchandise- Monthly inventory and related controls will need to be improved
- Development programming in conjunction with F&B will help the facility increase more than one profit center
- Consider adding a multi-day invitational that people from all of New England will be excited about and plan on playing every year
- Consider hiring a high qualified Sales Director
- Important to aggressively pursue and centralize the collection of e-mail and other data
- Important to create professional special announcement bulletin board

Although out of the scope of this report, a listing has been provided of other possible operational concepts. These are not listed in any sort of preference order.

- Sell the facility, find a way to pay the debt off and get out of the business
- Hire a 3rd party management company and operate under the seasonal concept
- Create an RFP (request for proposals) for the operation of the facility by a qualified operator. This form of facility management requires the potential operators to tell you what they would be willing to pay the town of Killington for the right to operate the facility
- Lease the facility to a qualified operator
- The town could self-manage, like it is doing currently under either the full time or seasonal concepts, but hire a consultant to assist the effort and create additional accountability
- You could merge this facility with a competitor. Although not impossible these are tough to put together
- The town could donate the facility to some entity. (College, Charity, Hospital etc.) Killington is probably not the right location for this option to be viable
- Create a bond offering
- The town could self-manage with the seasonal concept, hiring all Part time associates and offer no benefit package
- Sell part of the facility to a developer leaving a 9 hole operation

Dues & Fees Structure

Membership Competitive Analysis: The Vermont golf membership market is an interesting and unique market because of the seasonal nature of the golf operations. The membership categories offered by other clubs in the marketplace are unique because some club's offer season passes and some promote the membership concept. Green Mountain National has focused on the membership concept as opposed to the season pass which I believe has allowed them to sustain a slightly higher than average pricing structure compared to the majority of the competition. The Woodstock Inn, Rutland CC, and Quechee GC are currently the only other clubs charging more on average for their membership dues. Below is the side by side pricing metrics of the area competition:

Club	Category	Parameters of Membership	Annual Membership Expense	Food Minimum - Monthly	Peak Guest Green Fees	Member 18 Hole Cart Fee
Green Mountain National	Full 7 Day	Full use of club and facilities with discounted prices	\$1,150	10% discount on food	\$55.20 (20% off)	\$21.50
The Woodstock Inn	Eagle Membership	Includes Golf, Tennis, Fitness, Croquet, and Skiing year round	Individual \$3,499, Family \$6,399	15% off Food	\$99.00	\$20.00
Killington GC	Season Pass	Limited number of available passes	\$299	NA	\$60.00	\$20.00
Okemo Golf Course	Preferred Player Card	10 Rounds anytime + \$20 for cart, 4 day advanced tee times	\$650	NA	\$103.00	\$20.00
Stratton Mountain GC	Resort Membership Single	Unlimited Golf (\$20 for cart), advanced tee times, and use of sports center	\$699	NA	\$99.00	\$20.00
Quechee GC	Golf Member	Land Owner, Unlimited Golf +cart fee \$20, and use of facilities	\$5,300	\$500 annually	\$95.00	\$20.00
Rutland CC	Senior Membership	Full use of club and facilities, must purchase \$100 stock, and are responsible for assessments	\$1,995.50 cash, \$2,037.50 credit	\$40/month April-October	\$83+cart	\$22.00
Pittsford Proctor CC	Senior Membership	Unlimited Golf (\$13 extra for cart)	\$745	None	\$38.00	\$13.00

Daily Fee Competitive Analysis: Green Mountain National has been able to maintain a medium pricing fee of \$52.50 per player for its 18 hole daily fee rate. Woodstock Inn and Okemo Golf Course are the two clubs in the market that GMNGC should be monitoring monthly to see what they are doing with their pricing structure. GMNGC current pricing structure is completely in line with the competition in the area. It would be in the best interest of GMNGC to maintain the current pricing structure and avoid reducing rates to bring in more play. The club is of high enough quality that additional play can be brought in through target marketing while maintaining the club's current rate structure. Here is a look at the daily fee competitive analysis of area courses:

Club	Peak Rate	Cart Fee	Total with Cart	Restaurant Y/N	Driving Range Y/N
Green Mountain National	69.00	21.50	90.50	Y	Y
The Woodstock Inn	99.00	20.00	119.00	Y	Y
Killington GC	60.00	20.00	80.00	Y	Y
Okemo Golf Course	83.00	20.00	103.00	Y	Y
Sugarbush GC	35.00	7.00	43.00	Y	Y
Stratton Mountain GC	99.00		\$99 cart included no walking	Y	Y
White River GC (9 holes)	28.00	11.00	39.00	Y Limited Menu	N
Rutland CC	83.00	22.00	105.00	Y	N
Pittsford Proctor CC	38.00	16.00	54.00	Y	N

Revenue Development

Opportunities: Green Mountain National is a quality golf course that has hosted many reputable events in the past and is scheduled to host both the Vermont Amateur in 2012 and the New England Amateur in 2013. The membership program and pricing is competitive in its unique market. The lack of a focused population around the club will always keep the membership numbers fairly low. The large tournament portfolio of 60 plus players is impressive especially in a remote location like Killington, Vt. There are two options for increasing the club's revenue:

- 1.) Golf Groups – GMNGC needs to make a conscious and focused effort in populated areas within driving distance to bring in golf groups. These groups will be smaller in nature 8 – 24 people. These groups will both supplement the golf course revenues as well as provide the town with additional spending through hotels, food & beverage, gas, and shopping. It will be vitally important to develop both a golf group pricing structure and collateral pieces discussing the areas of Killington, Vermont. The Town of Killington should consider hiring a high quality Sales Director to continue to seek revenue development ideas for the club day in and day out.
- 2.) Membership Structure – The offering at GMNGC is a quality offering in the marketplace. With that being said, there is an opportunity to partner with the Killington Resort and offer a membership structure like no other in the area. Instead of a pricing war between the two golf courses in Killington there needs to be cooperation. A dual membership offering should be researched fully with GMNGC partnering with Killington Resort. An offering like this will both garner more dues revenue for both clubs and protect both clubs from a pricing war driving membership dues revenue in Killington down.

Membership Categories & Pricing

Membership Categories: Green Mountain National has two main categories of membership a Mid-Week Membership & and Full 7 Day Membership. The club has done a great job of adding value to these memberships. The club has focused on working toward creating a membership value despite the fact that the club has limited amenities compared to most private club facilities. The additional values of:

- Ability to invite three friends under the Friends & Family Promotion
- 20% Discount in the Pro Shop
- 10% Discount in the Grill
- 10% Discount on Golf Carts
- \$20 off Guest Greens Fees
- One Complimentary Lesson
- One Complimentary mid-week round of Golf
- Personalized bag tag
- Tee Reservations in advance

All are value-adds that help set a GMNGC apart currently. A few more suggestions to increase membership value would be:

- A Weekly Complimentary Golf Clinic
- Complimentary appetizers on the patio the first Friday of each month. This will create a great social environment and you will offset the costs of the complimentary appetizers by increased business in beer & liquor sales.

- Implementing Retention Plan – *included below*
- Developing a high quality newsletter to keep your membership informed

Membership Pricing: The membership pricing structure at GMNGC is priced accurately in the marketplace. However, the pricing structure can be confusing with the different levels of pricing for Friends & Family and the regular pricing for the two main categories the club sells. Brown Golf Management would suggest a much more simplistic membership setup such as:

Full Seven Day Membership - \$795

Mid-Week Membership- \$695

Friends & Family - \$495

(Available for first two years of membership with referral from a member)

Young Professional Discount of 50% available for anyone under the age of 30.

\$150 application fee for non-residents.

A pricing structure setup as listed above would create a much more simplistic membership offering without recreating the wheel. I also personally like charging an application fee for non-residents as the town via Dave Soucy should be approving all non-resident members through a formal process. I think an offering like this would be easy to promote and understand.

Membership Recommendations:

- 1.) Simplify the membership offering.
- 2.) Focus on promoting the Friends & Family program to any member of the club who has been there for less than 12 months. Members who have just joined a club give you the best opportunity to get in front of new membership prospects. Focus on working these new members continuously through the 30, 60, 90 day retention stage (*discussed in retention plan*).
- 3.) BGM recommends a joint membership partnership if possible with Killington Resort. It should be a dual club membership that is priced at \$1,095 a year. Both clubs would benefit by offering another membership option and it will help set the golf community in Killington apart. Plus a partnership would ensure that a pricing war would not ensue between both clubs. Lastly, both clubs would receive more dues income from this joint venture. GMNGC would receive more income from a joint venture than they do currently from the Friends & Family promotion.

Retention Plan: One of the most important aspects to maintaining a strong membership is consistently working on retaining the club's current members. Currently there are no processes in

place at GMNGC to maintain its current members outside of providing a well-run operation. Here are a few programs that will help GMNGC increase the club's retention rate.

Retention Fund: Build a \$300 expense into your 2012 budget for May through October. This will result in a total yearly expense of \$1,800. Use this \$300 a month to do something special for your membership. Here are a few examples:

- 1.) Complimentary coffee & bagels on a busy Saturday morning for members.
- 2.) \$25 coupon in the golf shop for members who happen to play on a certain weekday.
- 3.) Complimentary cocktail hour on the patio for members.
- 4.) Member closest to the pin for \$300 voucher to the golf shop.

Analyze the Bottom 20% of Users: GMNGC should be consistently reaching out to the 20% of its membership that uses the club the least. By analyzing these members you can:

- 1.) Work toward engaging the members who are least likely to retain their membership at the end of the year.
- 2.) Discover if there are any patterns among the club's members who are likely to leave.

Once you have discovered the members that fall into this category these steps should be taken:

- 1.) The club's General Manager should reach out to these members and ask them if there is anything the club can do to make their membership experience more enjoyable.
- 2.) Send a personal note from the club's General Manager and a coupon to use in some area of the club. A note that is personal and a discount savings will go a long way in letting the member know the club cares.

Members of clubs who feel their club cares about them will be much less likely to resign.

Member Appreciation Day: A member appreciation day should be held at the club once a month through the peak season. This day should be a day that is designed to make a member feel special. Some ideas for membership appreciation days are:

- 1.) Discounted accompanied guest fees
- 2.) Cart fees only for accompanied guests
- 3.) First drink after the members round only costs them what they shoot on that particular day
- 4.) Two for one golf shirt day

Follow up – 30, 60, and 90 Day: The last step in developing a great retention plan is to ensure that the club is actively trying to get new members engaged into the club environment. If a member makes friends at the club and enjoys the social environment as much as the golf then you will have a member for life. This plan should be conducted by the club's General Manager:

30 Day Follow Up – The Club's GM should be reaching out to new members and reminding them of upcoming events. In addition the club's GM should also be getting as much feedback from the new member about their experiences at the club.

60 Day Follow Up – This can be done through a personal letter from the GM. This letter should be an informational letter about the club. Any new values such as new reciprocal programs, relationships, or social events should be included in this letter.

90 Day Follow Up – The goal of the 90 day follow up is for the club's GM to have a personal conversation with the new member while the new member is using the club. The conversation should gauge the member's opinion of the club and remind the member about any member referral programs the club is currently running. It is okay for the member to understand how important it is for them to be actively pursuing new members.

Marketing Sales Plan: The marketing sales plan the club is currently using is inadequate for bringing in revenue in your largest opportunity area. A marketing budget needs to be developed with a complete focus on promoting the town's asset Green Mountain National. The message in all advertising publications needs to be simple and to the point. Focus on these points:

- 1.) Green Mountain National is one of the best golf courses in the state with some absolutely unbelievable golf course views. Great photos of the club need to be included in every single ad. Even local ads in the newspaper.
- 2.) Promote the name "Killington" perhaps something like "Killington offering year round views" with a great picture of Green Mountain National.
- 3.) Put the pricing in your ad.
- 4.) Be sure to include website and contact information.

Below you will find an example marketing plan for how Brown Golf Management would spend a \$15,600 marketing budget to promote Green Mountain National:

Mass Golfer – Massachusetts State Golf Association

The Massachusetts State Golf Association has their own publication called Mass Golfer. This publication is mailed directly to all Massachusetts State Golf Association members and through additional subscriptions through mgalink.org. The publication will be read by over 70,000 people per issue. This group of people is highly interested in the game of golf. I would recommend a third

of a page ad in the publication for the spring, summer, and fall issues. The total expense of this ad run is \$2,660 an ad for a total of \$7,980. Since Green Mountain National would be a new advertiser and committing to a three issue run the club will be able to negotiate a lower price. I would work to negotiate a price of \$6,500 for a three issue ad run. **[Total Investment - \$6,500]**

Golf Guide through Times Union – Albany, NY

The Times New Union, which is the major newspaper publication in Albany, New York, produces a Capital Region Golf Guide each spring. The distribution for this publication is 80,000. With the purchase of ad space in the golf guide you receive additional ad space in the newspaper. A half page ad for a cost of \$1,559 should be placed in this golf guide. **[Total Investment - \$1,559]**

Explore Magazine & Times Union Newspaper

Explore is a seasonal travel guide produced by Times Union that is distributed four times a year in the Albany market. The publication has a distribution base of 100,000. I would recommend an ad run in all four publications. A half page ad cost \$2,050 per publication, which would be a total investment of \$8,200. Purchasing this four page ad run will also give you advertising space in the Times Union Newspaper. The Town of Killington should leverage its ski resort and golf course as future advertisers of the publication and you should be able to get this pricing dropped down to the \$7,000 to \$7,500 range. **[Total Investment - \$7,500]**

Collateral pieces for these three marketing publications are attached to this report.

Member Communication:

Email: Emails should be sent out regularly, however one email per week is the maximum number of emails the club should send. Anything more than once a week and the email open percentage will drop sharply.

Facebook: My recommendation is that the club creates a Facebook page and then actively friend requests every member at the club. When you are posting information about the club it will not only go to the club's friends (the members), but all of the members friends will also see the club updates as well.

Newsletter: A colorful newsletter should be produced for the club's members at least twice a year. Currently the only form of newsletter being sent to the membership about the club is through an email format. The club's members need something tangible that will help them be aware of events and special dates at the club. Current options for producing high quality newsletters are:

- 1.) Club Marketing: Is the best company in the market for producing high quality club newsletters.

- 2.) Microsoft Publisher: Offers the ability to produce high quality newsletters. The downside is you will need someone experienced with Publisher to produce and they can be costly to print.

Social & Golf Calendar: GMNGC must work to create a full social calendar for its members. Right now at the club there are some great functions that are for members only. However, there is no collateral piece or calendar notating these functions. Additional functions such as cocktail hours on the patio and drive-in movie nights are a great way to get people in to experience the club socially. The golf schedule for members is sufficient, but there needs to be more of an effort to create a social environment. A full social and golf calendar or collateral piece will serve as a successful sales tool for prospective members and as an information source for current members.

Facility Audit

BGM completed a limited scope facility audit of the Green Mountain National Golf Club (GMN). The facility audit's primary focus was on the accounting and finance systems and controls and does not include any procedures designed to discover deficiencies or other irregularities, should any exist. During the examination, we reviewed cash control and accounting procedures, departmental systems and control features, operations related processes and staff responsibilities.

In regards to the accounting and finance function, we examined internal control features and operating procedures to determine overall adherence and effectiveness. Our work in these areas is necessary to provide the town of Killington reasonable, but not absolute, assurance that these systems are adequate and make recommendations where needed.

BGM met with the following individuals during the analysis of the accounting & finance functions of GMN:

Kathleen Ramsay, Town Manager

David Saucy, PGA, General Manager & Director of Golf

During our audit, BGM focused on the following processes:

Sales, AR & Cash Receipts

Purchases, AP & Cash Disbursements

Financial Statement Close

Sales, AR & Cash Receipts:

GMN is an 18 hole public golf facility with revenue being generated from approximately eight different sources:

- Season Passes
- Greens Fees
- Cart Fees
- Range
- Lessons
- Club Rental & Other Miscellaneous
- Merchandise (pro shop revenue)
- Food & Beverage (restaurant revenue)

GMN uses application software called Fore! Reservations, which is a point of sale (POS) software system. Fore! Reservations tracks tenders and revenue, on a daily basis.

GMN closes out their registers nightly, generating a cash overage / short report for that given day. Cash overage / short reports are printed nightly, denoting variances between collected amounts and counted amounts. This report is generated for each point of sale location (pro shop - includes greens fees, cart fees, range balls and products; snack bar - includes restaurant or food & beverage operations). Deposits are taken to the bank daily, when practical, but no later than three days following receipt.

At month end, the club provides the Town Manager with a month end Sales Detail by Inventory report and the Cash Overage / Short Report. These monthly reports document the property's tenders (cash, check and credit cards) and revenue sources (greens fees, cart fees, range, etc). The town manager uses these reports to enter the monthly activity into the Municipal Accounting Software's general ledger.

Gift cards can be purchased at the pro shop. When a gift card is purchased, the Sales Detail by Inventory Report will list the sale. GMN will debit the appropriate tender type and credit gift certificates payable. When the gift certificate is used, gift certificate redemption is listed on the Sales Detail by Inventory Report as a debit. This transaction results in a debit to gift certificates payable and a credit to revenue.

Revenue is also generated through the rental of club house space or hosting a golf outing. Similar to all other revenue categories, these modes are tracked through the Fore! Reservations system and posted from the end of month sales report.

When the property enters into a contract for a golf outing, a credit to credit book payable is posted for the required deposit. On the day of the activity or shortly thereafter, the customer will pay the balance or be billed for the total outing. The total revenue for that outing would then be posted to sales through the end of month sales report.

Cash Receipts:

Cash receipts are tracked on a daily basis. As mentioned above, GMN will close out at the end of the day which generates the cash coverage / short report. This report is generated for each point of sale location. The daily reports are printed out and kept in a binder. In addition, on or about every Monday, the prior week's activity is provided to the Treasurer along with the related deposit slips for reconciliation. In addition to the daily cash and check deposits, the Treasurer also reconciles Visa / Master Card / Amex receipts from the cash coverage / short report to a batch settlement report. The Town Manager also reviews total void and return amounts. The Town Manager can also verify all credit card activity online via ETS's (the credit card processor) online database called EMoney.

Even though cash receipts are tracked on a daily basis for timely resolution, these receipts are not posted to the general ledger system until the end of the month. At the end of the month, the Town Manager receives a Sales Detail by Inventory Report for the entire month. The Town Manager then logs that data into the Municipal Accounting Software. The Town Manager enters the remaining monthly amounts as they are listed on the summary report. Next, the Town Manager saves the journal entry created, prints out and compares the entry to the monthly summary report. The entry is then posted into the G/L. The G/L is printed and revenues are compared to those on the summary report for accuracy.

Monthly bank reconciliations are performed for each cash account. In preparing the monthly reconciliation, the Treasurer obtains a daily summary of deposits. The Treasurer uses this document, last month's bank reconciliation, the current bank statement, as well as the current check register to perform current bank reconciliation. The Treasurer first uses the prior month's reconciliation and current bank statements to conclude whether the outstanding items from the prior month's reconciliation have cleared on the current bank statement. The Treasurer then uses the check register to identify those current outstanding items. Finally, the daily cash deposits are used to identify those that are still in transit at month end. If there are any remaining differences, the Treasurer researches the items further until they are resolved (i.e. pull bank deposit slips). Complaints of incorrect billing, vendor payments, etc may assist in identifying variances in the reconciliation process.

In addition to the reconciliations performed above, every month the Town Manager, Treasurer, General Manager and Select Board receive an internal income statement, which breaks down revenues / expenses and compares the actual numbers to projected. The General Manager uses this as a tool to identify errors or areas for reclassification. All reconciliations and club financial statements are reviewed independently of the preparer.

Recommendations:

1. Prevent and detect controls are critical for consistency, reliability and efficiency of the operational goals and objectives. GMN should establish controls for different facets of the accounting and finance function.

A solid control environment sets standards that are acceptable and manageable. This environment must be adhered to in order to deliver the optimum golf experience to the customer and maximize operational control over revenue and expenses.

Having a point-of-sale system guiding transactional entry limits the opportunity for negative results from human interaction. For example, having inventory loaded into a POS system provides controls that deter or prevent theft or other illegal or negative behavior by employees. There are very specific processes within the POS system for: ordering, receiving, pricing and inventorying items. GMN should establish prevent and detect controls to reinforce those maintained within the point of sale.

The POS system creates a paper trail of transactions denoting abnormal activity that can be reviewed. The POS system tracks all received merchandise and subsequent sales. POS reports coupled with physical counts and other checks and balances will help reduce shrinkage and theft and protect golf course assets.

2. Currently there is no formal policy in place for researching cash drawer variances. BGM recommends that GMN establish a formal policy where all variances greater than \$10 are researched. In addition, GMN should have staff sign off on the end of day cash overage / short reports as a tracking mechanism for any recurring issues.
3. Currently there is no formal policy in place for researching void or returns generated from credit card sales. BGM recommends that GMN establish a formal policy where all variances greater than \$20 are researched.
4. Balance sheets are being prepared annually. BGM recommends that balance sheets are generated and account reconciliations (AR to aging report, gift certificate liability to gift certificate status reports, etc) are performed monthly to monitor and ensure all asset and liability accounts are accurate. In addition, BGM recommends that physical inventories are performed monthly. Physical inventories are currently being performed annually. Without monthly counts, the cost of goods in a given month represents the purchases that are entered in that month rather than the cost of the goods that are actually sold in that month. Monthly inventory counts (pro shop merchandise, food & beverage and course maintenance supplies) are crucial to ensure the following:
 - a. Accurate matching of income and expense
 - b. Identification of shrinkage / spoilage and possible theft
 - c. Accurate monitoring of cost of goods on product sales in relation to industry standards (pro shop merchandise – 70% cost, food & beverage – 32% cost, etc)

BGM also recommends a review for the following:

- a. Adequate segregation of duties between those responsible for the physical inventory (ordering, receiving, distributing / selling) and those responsible for the inventory accounting records (approving payments, charging departments / customers, maintaining the perpetual inventory balance in the POS system and reconciling with the accounting software as it relates to monthly cost of goods sold).
 - b. That the POS system is used to record all inventory activity, including acquisitions, sales, returns and adjustments.
 - c. That all inventory values are adjusted for all activity including: acquisitions, sales, returns and adjustments.
 - d. The physical security of inventory to ensure it cannot be removed or otherwise jeopardized without a record being made of the event – currently liquor inventory is not being secured. All alcohol products should be locked with limited access. In addition, when product is removed it should be signed out by staff members. Requisitions or door sign out sheets should be used. Finally, all empty bottles should be collected and approved for disposal by the General Manger.
 - e. Reporting is currently antiquated so the availability of detailed sales reports is not an option. Managers should be able to quickly assess the monthly / weekly sales of product against usage and purchases.
 - f. Another control should be nightly inventories of stock. After closing, a manager will count all bar stocked alcohol including weighing or measuring of bottles. After each day's activity, counts should be made again and compared to daily sales. This process should be done as warranted with unusually high usage of product or suspected inconsistencies.
 - g. Conducting periodic counts and costing of inventory - this is currently being done annually. More frequent counts should be made depending upon the size and vulnerability of misappropriation. Comparison of count and costing to the inventory record system and to accounting software should be done on a test basis. All differences should be investigated and explained.
5. We recommend having BGM staff or Killington Town Management implement appropriate systems and controls as described above. BGM could develop and hand-off step-by-step processes but we believe this method is quickly forgotten, sidestepped and staff begin reverting back to old habits unless managed consistently.

Purchases, AP & Cash Disbursements:

Purchases are initiated at the club level - there are no dollar limits that control large purchases. Most invoices from purchases are sent directly to the Town Office and given to The Bookkeeper for review, coding and filing.

On a weekly basis, or as needed, the department heads will deliver any invoices they receive directly to Mona. Once received, the invoices are stamped with the date of receipt. Each invoice is coded by The Bookkeeper, if known. If there is a question, The Bookkeeper will discuss coding with the department heads to ensure proper recording.

Upon receipt and coding, the town bookkeeper reviews that week's invoices with the department heads to ensure receipt of product or service and obtain their approval for payment.

Capital expenditures that were budgeted for in advance require no approval for initiation. Prior approval is required for those that were not budgeted.

All invoices are logged into the Municipal Accounting Software. A batch is then created by entering the applicable data after having cross-checked the coding to the invoice received.

In addition to the General Fund, which is used for payment of the majority of expenditures, GMN has a checking account specifically for alcohol and liquor purchases – SGSC.

After the batch is created, the Treasurer will select either invoice - default crediting A/P or credit memo - default debiting A/P. The Treasurer will then compare the invoice to the coding slip and then selects a vendor from the vendor invoice list, or creates a new vendor, if necessary. When the vendor is initially set up, the payment terms are also established for that particular vendor. The invoice number is then entered; however, if that invoice number already exists within the system, it will queue the processor for the error. Finally, the total amount of the invoice is entered into the system.

Once the information from the invoice / coding slip has been entered into the Municipal Accounting Software, the total invoice amount will then be carried over to the G/L account as entered by the Treasurer; however, if the total needs to be allocated out to various G/L accounts, the system then allows the processor to add G/L accounts and amounts to reflect the appropriate allocation. The system then automatically checks that the total individual debits and credits equal the original invoice amount. If not equal, the system will not let the processor continue. The batch is then posted, which makes the invoice available for cash application.

Cash Disbursements:

There are two accounts on GMN's G/L from which cash disbursements are made:

1. General Fund - all purchases except those from SGSC
2. SGSC – alcohol and liquor

Currently, on an as needed basis, the Treasurer will go into the Municipal Accounting Software and select payable checks and build a batch by selecting the invoices within the purchasing module that will have cash applied to them. The default template for this entry is to debit A/P and credit cash. The Treasurer will utilize the Municipal Accounting Software to generate a detailed transaction report which the Treasurer, The Bookkeeper and the department heads review. Management utilizes the Municipal Accounting Software aging reports, customer billing complaints and instinctive business decisions to determine what cash flow uses should be initiated.

The Treasurer then prints checks and subsequently reviews, compares and matches up all invoices / support to the printed checks. If there is a problem in printing the checks, they will VOID those checks and assign new check numbers to those invoices. All back-up is compared to all checks and related support. The check stock is maintained by the Treasurer and locked in a cabinet. Signing authorization is as follows: General Fund – the Treasurer has access to the signing stamp; in addition, the Assistant Treasurer has signing authorization. SGSC – the Treasurer and Assistant Treasurer have signing authority.

Every month the Town Manager, Treasurer, General Manager and Select Board receive an internal income statement, which breaks down revenues / expenses and compares the actual numbers to projected. The General Manager uses this as a tool to identify errors or areas for reclassification related to the purchases, AP and cash disbursements process. All reconciliations and club financial statements are reviewed independently of the preparer.

Recommendations:

1. A majority of the incoming invoices are going directly to the Town Office. BGM recommends that all non-recurring invoices go directly to the club and forwarded to the Town Office for processing. This allows the department heads to ensure accurate and timely vouching of the invoice against the goods or services received.
2. Currently balance sheets are being prepared annually. BGM recommends that balance sheets are generated and account reconciliations (AR to aging report, gift certificate liability to gift certificate status reports, AP to aging report, etc) are performed monthly to monitor and ensure all asset and liability accounts are accurate.

Financial Statement Close Process:

The objective of the financial statement close process is the production of accurate financial statements and appropriate disclosures on a timely basis. This process includes the preparation of a preliminary trial balance with the end result being the preparation of financial statements, related disclosures and analysis.

Also included within are the estimation and non-routine data processes necessary to identify adjustments to the trial balance, and the process of preparing journal entries, drafting the financial

statements and disclosures and preparing management's analysis. These processes are collectively referred to as "the processes".

Our objectives for the processes of the financial statement close have been set based on industry guidance, and are as follows:

- Gain an understanding of the design and operation of the processes used by GMN for preparing its financial statements. These processes include estimation, non-routine data, and preparing the financial statements.
- Gain an understanding of the controls over the processes of the financial statement close to determine how management controls the processes and determine the extent of reliance on and testing of the related controls.

We have gained an understanding of the processes related to routine, non-routine and estimation processes. All of these processes are necessary in the financial statement close process. In addition, through conversations with personnel and examination of underlying documentation, we have gained an understanding of the financial statement close process. The major processes related to the financial statement close have been documented, and are determined as:

- Preparing the trial balance
- Accumulating, preparing or reviewing & posting journal entries
- Drafting the financial statements and related disclosures
- Preparing analysis of the financial and operational performance

Preparing the trial balance:

Preparation of the trial balance is generated mainly by the occurrence of the routine data processes, day-to-day operations (ex - payroll, cash disbursements for operating expenses, etc) as well as some non-routine items (ex - purchase equipment, issuing bonuses, etc).

Accumulating, preparing or reviewing & posting journal entries:

Generally, adjusting entries are made throughout the month. The accounting system should be configured for double-entry accounting. The following is a summary of the types of entries made by GMN on a monthly basis:

- Cash collections
- Accrued Liabilities – vendor invoices, other
- Property, Plant & Equipment
- Debt Service

- Revenue, etc

Drafting the Financial Statements and Related Disclosures:

Financial statements should be prepared and distributed to management for review. Year-end financial statements should be prepared and reviewed by the Town Office and the General Manager to ensure that adjusting entries and reclassifications have been made properly and that the related disclosures are adequate. The system should be configured so that accounts map properly or roll up into the proper trial balance line. The system should also be configured to total input information correctly.

Preparing analysis of the financial and operational performance:

Actual performance compared to budget and projected figures should be monitored throughout the year by the Town Office as well as the General Manager. Key performance indicators should be used to monitor relationships between accounts and operating results. The two indicators used the most are the number of rounds played and the average per round. Unusually large or unexpected fluctuations or variances from expected results should be investigated timely.

Recommendations:

BGM noted several recommendations above as it relates to the more routine processes. Below we specifically speak toward the close process at GMN.

In walking through the financial statement close process; there is a significant duplication of effort. End of month reports are received and manually entered within the Municipal Accounting System. This data is then manually entered into Excel for separate individual reporting. While we understand the need for consolidated reporting at the town level and individual reporting as it relates to the operations, BGM recommends the following:

1. Bridging the Fore! Reservations point of sale system to a compatible accounting software package, such as QuickBooks. Bridging the two systems alleviates the data entry of daily transactions, which is subject to human error. In addition, it provides for real time reporting.
2. Upgrade or replace current reporting software – the current reporting software is limited in the type of reports that can be generated. To meet the needs of management, manual reports are being generated. Manual entry is time consuming and subject to variance. Today's packaged software provides the ability to easily customize reports that allow management to make informed business decisions:
 - a. Balance sheet – real time reporting accurately reflects current balances such as – cash, AR, AP, outstanding gift certificate balance, etc.
 - b. Last twelve months (LTM) – rolls back from your current close period to provide you with an annual operating statement.

- c. Cash flow – provides management with real time cash flow reporting.
 - d. Key performance indicators (KPIs) – today’s packaged software allows for tracking of key performance indicators in relation to budget, prior year, year to date and prior year to date amounts.
3. The GMN accounting function is currently an extension of the Town Center. To ensure adequate control and understanding of the golf course operations, BGM recommends that the town designate an individual to be dedicated specifically to the accounting and finance function of the club or look to outsource the position. BGM offers full service accounting and finance functions. BGM can implement prevent and detect controls to secure Town Center assets, provide a solid financial reporting structure tracking all facets of the golf course operations and provide industry expertise as it relates to the operations of GMN.

Current economic conditions, changes in management style and competition have added new challenges to the organizational structure of the industry, operations and risk management of business entities. We propose developing procedures to identify risks, analyze internal processes for greater effectiveness and efficiencies, and create risk management protocols protecting town assets in this cash intensive industry.

Establishing operational controls through internal review provides objectivity needed to help identify and manage the risks inherent in your operations.

Target Audience Profile/Survey Response

The residents of Killington Vermont were provided with a questionnaire from Brown Golf. A number of surveys were returned to the Brown Golf team, and we were able to find out many things about certain areas of the golf course, its operation, and where the perceived value lies with the customer. Of the surveys returned 24% were members, and 76% were non-members. Of the areas of focus in the survey a few things stood out to us.

The food & beverage department was split down the middle with people that thought it was good or great vs. people that believed it was only average or below average. People had varying opinions on what they didn’t like, with the majority of people not liking the limited space and menu. Consistent taste and freshness was noted on a number of the surveys from those that thought the F&B department was good or great.

The course conditioning received rave reviews from almost everyone who returned a survey. 75% of the people answered that the course was in great condition, and 22% answered good condition. The course and its condition was also the overwhelming answer to the question of “what is the best thing about GMNGC”. The course conditioning was the only area of the survey that received no below average marks.

Pricing of the course doesn't seem to be an issue with GMNGC. 63% of the surveys believed the public and membership pricing to be "about right", while 30% believe the course is overpriced. Of those 30% most of them were not golfers, and may have a different perception of value.

Overall service level and cleanliness of multi-use/food service areas also received high marks. 89% of those who were surveyed found GMNGC's bathrooms, lobbies, and kitchen's to be well kept, and up to their own personal standard. 85% of those surveyed believe the overall service level to be either good, or great. However, the atmosphere at the club received a lot of negative comments about being unwelcoming, or "cliquey".

The division of the town residents on whether or not GMNGC is a good amenity of Killington is going to be an area of difficulty. 61% of the people surveyed believe GMNGC to be a good amenity for the town. 33% are against GMNGC because they believe it to be a drain on the tax payers. 6% refused to comment on whether or not it is a nice town amenity. More than 50% of the people surveyed made note of their desire for GMNGC to be able to pay its own debt service. This was the number one area of concern among those people, and many of them want to see the course sold to relieve the burden from the tax payers.

2011 Budgets: *Budgets & assumptions are attached for preview.*

2011 Full-Time Associate Budget: The first budget created for the rest of 2011 was built with full time associates employed by the property year round. With this budget, the club would be looking at a \$102,880 loss during the month of October, November, and December.

2011 Seasonal Budget: If the club decided to go with a seasonal operation then the loss would drop to \$85,080.

2011 Budget Recap:

The club has been hit hard with a tremendously bad year of weather. This weather has affected the bottom line dramatically in 2011. The flood in September will contribute to less revenue in October of 2011 as compared to October of 2010. All assumptions for all budgets are located in the notes section of the attached budgets. This section will give you an overview of how each budget was developed differently.

2012 Budgets: *Budgets & assumptions are attached for preview.*

2012 – Full Time Associate Budget: A net operating income of \$205,512 can be achieved in 2012 with an operation that continues to run with full-time associates. A full time Sales Director position was also included in this budget to drive revenues.

2012 – Seasonal Budget: A net operating income of \$306,000 can be achieved in 2012 with a seasonal operation that limits some of the benefit coverage's the club currently offers. This budget will result in additional savings, but may also result in GMNGC losing quality employees and

potentially losing their current level of service. This seasonal budget includes a full time Sales Director position to drive revenues.

2012 – Third Party Managed Seasonal Budget: A net operating income of \$317,000 can be achieved if Green Mountain National were to look into a third party management company. Most third party management companies charge anywhere from \$36,000 to \$100,000 annually. A third party management company would alleviate the need to hire a Sales Director as a company could take that responsibility in house. A third party management company would also recommend a seasonal operation with additional limitations in the benefit packages offered to employees.

2012 Budget Recap: All three budgets are realistic for 2012. Depending on what the town of Killington is hoping to achieve in 2012 with the club will dictate which budget makes sense. With the implementation of anyone of these budgets the town of Killington will see a larger net operating income achieved then in previous years.

Conclusion

After reviewing the operations of Green Mountain National, it is our opinion that the club is being run efficiently. Green Mountain National's full time team is both experienced and passionate about the operation. Green Mountain National ended 2010 with \$195,000 of net operating income - a sign of a successful facility in today's market, especially when you factor in the seasonal nature of the Vermont golf market.

Throughout our review, we have recommended multiple suggestions for each area of the club that will help the club expand on their efficiencies, service levels, and revenue development opportunities. The current team is capable of implementing these suggestions and continuing to increase the club's positive cash flow.

We believe, however, that the club will not be able to support the \$590,000+ in annual debt service. The operation is run well; and it is highly unlikely to squeeze an additional \$400,000 of positive cash flow from the seasonal operations of Green Mountain National. That being said, there are opportunities to increase cash flow for the club moving forward. In today's market, given the seasonal operation of the property, it is nearly impossible to carry well qualified staff year round and achieve substantial cash flow. Brown Golf Management has included three example budgets for 2012 for the town to review:

2012 - Full Time Associate Budget
2012 – Seasonal Budget
2012 – Third Party Management Seasonal Budget

The type of budget that is selected by the town will depend on the town's risk tolerance. All three budgets have been included in the Operational Analysis Report.

Final Recommendation

Brown Golf's recommendation is that the town of Killington move forward with their current operational philosophy. The 2012 – Full Time Associate Budget details the parameters under which the town should move forward while implementing some necessary changes. The following proposed changes will increase efficiencies and revenues:

- 1.) GMNGC must focus on bringing in small outside (8-24 people) leisure golf groups
- 2.) GMNGC should hire a qualified Sales Director to drive revenue development
- 3.) Grounds labor practices should be scaled back which will result in cost savings
- 4.) GMNGC's health insurance offering is well above the industry average. The town should look at offering a more market driven health insurance benefit.
- 5.) GMNGC's retirement plan is well above the industry average. The town should look at offering a more market driven retirement plan.
- 6.) Operations recommendations made throughout this report should be implemented to produce more cash flow and efficiency.

A second viable option for Green Mountain National is to move to a seasonal operation with a third party professional golf course management company overseeing the club. This option, which is detailed in the 2012 – Third Party Seasonal Budget would give the town of Killington its greatest opportunity for more cash flow when administered correctly. However, this option will almost certainly result in:

- 1.) A transitional period from experienced staff to less qualified staff.
- 2.) The town will lose some day-to-day operational control of the golf facility; however, the town will be able to devote this time on other areas of town business.

We would not recommend the town of Killington move to a seasonal operational philosophy without the support of a professional management company. This move would be far too problematic and could potentially result in a substantial reduction in performance from the club. Here are some of the major issues of a seasonal concept without a professional management company being hired:

- 1.) The town will have to seek out and hire qualified entry level executive management positions to run club operations.
- 2.) The town does not have the experience in understanding how a seasonal operation would operate day to day.
- 3.) Since the golf season is so seasonal in Vermont, any inefficiency that results from a less qualified staff and/or an inexperienced operator would be much harder to overcome in only a six month golf season.

In closing, the 2012 – Full Time Associate Budget gives Green Mountain National the greatest opportunity for continued success moving forward with their golf operations. This operational concept will guarantee consistent cash flow and a wonderful asset for the town moving forward. However, if the town's number one goal is to increase net operating income, then a seasonal concept with a professional golf management company should be considered.