

LEMOORE MUNICIPAL GOLF COURSE

REPORT TO MANAGEMENT

YEAR ENDED JUNE 30, 2011

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April 16, 2012

Honorable City Council
City of Lemoore
Lemoore, California

We have audited the financial statements of the Lemoore Municipal Golf Course for the year ended June 30, 2011, and have issued our report thereon dated April 16, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 14, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Lemoore Municipal Golf Course are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011. We noted no transactions entered into by the Lemoore Municipal Golf Course during the year for which there is a lack of authoritative guidance or consensus. All transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Lemoore Municipal Golf Course's financial statements was the calculation of depreciation expense.

Management's estimate of depreciation expense is based upon an analysis of the useful life of an asset, the capitalization policy, and the value of the asset. We evaluated the key factors and assumptions used to develop the estimate to determine that it was reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Lemoore Municipal Golf Course's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Golf Course's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the Lemoore Municipal Golf Course and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Sampson, Sampson and Partners, LLP

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LEMOORE MUNICIPAL GOLF COURSE

REPORT TO MANAGEMENT

CURRENT YEAR COMMENTS

1. TEST OF CONTROLS OVER CASH DISBURSEMENTS

Comments:

As part of our test work performed for cash disbursements, we randomly selected forty disbursements and reviewed them for compliance with established control procedures. We noted the following:

- Six invoices were not approved.
- Three invoices were not coded with the correct general ledger account number.
- Five check copies were not attached to the supporting invoice, some of which were too old to verify through the bank statements online to see if they were properly signed.
- Three invoices could not be located.
- One check on the bank statement did not agree with the amount posted to the books.

Recommendation:

We recommend that the Golf Course follow the internal controls set forth by management in all daily activities. Management should review and approve all of the related support for the disbursements prior to payment. We recommend more attention to detail regarding the retaining and filing of invoices and related support to ensure invoices and support are not lost or incorrectly filed.

LEMOORE MUNICIPAL GOLF COURSE

REPORT TO MANAGEMENT

CURRENT YEAR COMMENTS

(Continued)

2. SEARCH FOR UNRECORDED LIABILITIES

Comments:

As part of our audit procedures performed for the search for unrecorded liabilities, we selected cash disbursements greater than \$1,000 for the period July 1, 2011 through July 31, 2011. We noted for one of the payments selected the corresponding supporting invoice could not be located.

Recommendation:

We recommend more attention to detail regarding the retaining and filing of invoices and related support to ensure invoices and support are not lost or incorrectly filed. We recommend management perform a thorough review of all cash disbursement to ensure each disbursement has a corresponding support packet.

LEMOORE MUNICIPAL GOLF COURSE

REPORT TO MANAGEMENT

CURRENT YEAR COMMENTS

(Continued)

3. PAYROLL TESTING

Comments:

As part of our test work performed over the payroll cycle we selected two pay periods during the year for our testing purposes. We noted the following:

- For one of the payroll periods tested the payroll register report was not retained. We noted the system would not let management go back far enough to re-print the report.
- Noted one employee is on salary and did not have a written agreement stating how much he was to be paid.

Recommendation:

We recommend Management review all supporting payroll reports to ensure all of the necessary supporting documentation has been printed and retained. We recommend Management retain copies of all employee pay rates and pay agreements in the employee's permanent file. We noted while performing our test work Management remedied the salaried employee's file and wrote down his annual pay.