

**CITY OF LEMOORE  
MUNICIPAL GOLF COURSE**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2014**

**CITY OF LEMOORE MUNICIPAL GOLF COURSE**  
**LEMOORE, CALIFORNIA**

**JUNE 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

City of Lemoore Municipal Golf Course  
Lemoore, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the operations fund of the City of Lemoore Municipal Golf Course (Golf Course) which comprise the balance sheet as of June 30, 2014, and the related statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Lemoore Municipal Golf Course as of June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Price Pange & Company*

Clovis, California  
March 23, 2015

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**CITY OF LEMOORE MUNICIPAL GOLF COURSE  
BALANCE SHEET  
JUNE 30, 2014**

**ASSETS**

Current assets:	
Cash	\$ 47,272
Receivables	9,706
Inventories	<u>48,075</u>
Total current assets	<u>105,053</u>
Property and equipment, net of accumulated depreciation	<u>319,871</u>
Total assets	<u>\$ 424,924</u>

**LIABILITIES AND EQUITY**

Current liabilities:	
Accounts payable	\$ 20,912
Deposits and other liabilities	18,840
Current portion of capital leases	<u>4,183</u>
Total current liabilities	<u>43,935</u>
Long-term liabilities:	
Loans from Lemoore Redevelopment Successor Agency	<u>301,364</u>
Total liabilities	<u>345,299</u>
Equity:	
Retained earnings	<u>79,625</u>
Total liabilities and net assets	<u>\$ 424,924</u>

The accompanying notes are an integral part of these statements.

**CITY OF LEMOORE MUNICIPAL GOLF COURSE  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

Revenues:	
Golf operations	\$ 934,781
Merchandise	145,040
Food and beverage	211,048
Other revenue	<u>8,321</u>
Total revenue	<u>1,299,190</u>
Cost of Revenues:	
Merchandise	114,931
Food and beverage	<u>142,177</u>
Total cost of revenues	<u>257,108</u>
Gross profit	1,042,082
Operating Expenses:	
General administrative	38,600
Clubhouse	26,832
Golf operations	75,389
Course maintenance	454,599
Advertising and promotion	6,745
Management fee	90,000
Fixed expenses	73,849
Depreciation	<u>110,589</u>
Total operating expenses	<u>1,133,711</u>
Net operating income (loss) before transfers	165,479
Nonoperating revenue (expenses)	
Interest expense	<u>(20,308)</u>
Income before transfers	145,171
Transfers to City of Lemoore	<u>(188,248)</u>
Net income (loss)	(43,077)
Retained earnings, beginning of year	<u>122,702</u>
Retained earnings, end of year	<u>\$ 79,625</u>

The accompanying notes are an integral part of these statements.

**CITY OF LEMOORE MUNICIPAL GOLF COURSE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014**

Cash flows from operating activities:	
Receipt from customers and users	\$ 1,267,677
Payments to suppliers	(646,703)
Payments to employees	(350,120)
Other operating revenues	<u>8,321</u>
Net cash provided (used) by operating activities	<u>279,175</u>
Cash flows from noncapital financing activities:	
Loans from to other funds	(102,278)
Transfers to other funds	<u>(188,248)</u>
Net cash provided (used) by noncapital financing activities	<u>(290,526)</u>
Cash flows from capital and related financing activities:	
Principal paid on capital debt	(4,170)
Interest paid on capital debt	(20,308)
Acquisition of capital assets	<u>(34,379)</u>
Net cash provided (used) by capital and related financing activities	<u>(58,857)</u>
Increase (decrease) in cash and cash equivalents	(70,208)
Cash and cash investments, July 1	<u>117,480</u>
Cash and cash investments, June 30	<u>\$ 47,272</u>
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Operating income (loss)	\$ 165,474
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	110,589
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(5,666)
Increase (decrease) in inventory	24,749
Increase (decrease) in prepaid expenses	6,017
Increase (decrease) in accounts payable	(4,463)
Increase (decrease) in deposits and other liabilities	<u>(17,525)</u>
Net cash provided (used) by operating activities	<u>\$ 279,175</u>

The accompanying notes are an integral part of these statements.

**CITY OF LEMOORE MUNICIPAL GOLF COURSE**  
**LEMOORE, CALIFORNIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – ORGANIZATION AND OPERATIONS**

The City of Lemoore Municipal Golf Course (Golf Course) consists of an 18-hole public course, driving range, and clubhouse located on 217 acres in the City of Lemoore (City). The City, a California Municipal Corporation, owns the property and facilities. The City has contracted with Rhoads Golf, LLC, to operate the golf course and its facilities. The City accounts for the Golf Course in three internal funds which are combined and reported as one major fund in the City's basic financial statements. These financial statements only report on one of the aforementioned three funds, which represent the operations of the Golf Course.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of the Golf Course have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

**Cash Equivalents**

For purposes of the statement of cash flows, the Golf Course considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2014.

**Inventories**

Inventories consist of food, beverages and merchandise held for sale, and is valued at the lower of cost or market. Cost is determined using the first in, first out method of accounting.

**Equipment and Depreciation**

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful life of the respective assets. Maintenance and repairs are charged to expense as incurred. The Golf Course capitalizes equipment purchases that exceed \$800.

**Income Taxes**

The Golf Course is exempt from Federal and State Income taxes.

**Advertising Costs**

Advertising costs are expensed as incurred.

**CITY OF LEMOORE MUNICIPAL GOLF COURSE**  
**LEMOORE, CALIFORNIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 3 – CASH**

The cash balance at June 30, 2014 consisted of \$47,272 in the checking account.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2014:

Office furniture	\$	15,471
Kitchen		19,871
Golf shop equipment		21,933
Driving range		3,558
Maintenance equipment		235,234
Pumps		99,096
Improvements		1,039,435
Golf cart improvements		15,104
Golf carts		<u>26,069</u>
		1,475,771
Less accumulated depreciation		<u>(1,155,900)</u>
Total property and equipment	\$	<u><u>319,871</u></u>

**NOTE 5 – LONG-TERM LIABILITIES**

The Golf Course's liabilities for capital leases consist of the following at June 30, 2014:

Capital lease for a utility tractor, 48 monthly payments of \$348, beginning August 21, 2011, effective rate of 0.00%.	\$	4,183
Less current portion		<u>(4,183)</u>
Total long-term liability for capital leases	\$	<u><u>-</u></u>

**CITY OF LEMOORE MUNICIPAL GOLF COURSE**  
**LEMOORE, CALIFORNIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 5 – LONG-TERM LIABILITIES (Continued)**

Annual debt service requirements to maturity for the capital lease commitments are as follows:

Year Ended June 30,	Business-Type Activities
2015	\$ <u>4,183</u>
Present value of future liability payments	\$ <u>4,183</u>

Outstanding loan balances due to the Lemoore Redevelopment Successor Agency at June 30, 2014 are as follows:

Loan for cart barn and irrigation equipment	\$ 87,987
Loan for golf course construction	<u>213,377</u>
	<u>\$ 301,364</u>

**NOTE 6 – LEASE COMMITMENTS**

The Golf Course leases 70 golf carts under operating lease agreements entered into on February 22, 2012. The agreement is for a term of 51 months expiring in May 2016. The lease payments are for \$4,554 per month. The future minimum lease obligations under operating leases as of June 30 are as follows:

Year Ended June 30,	Golf Carts
2015	\$ 54,648
2016	<u>22,770</u>
Total	<u>\$ 77,418</u>

Golf cart rentals for the year ended June 30, 2014 totaled \$54,872.

**CITY OF LEMOORE MUNICIPAL GOLF COURSE**  
**LEMOORE, CALIFORNIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 7 – MANAGEMENT CONTRACT**

The City of Lemoore is under contract with Rhoads Golf LLC for the management and operation of the Golf Course. The contract calls for base payments of \$7,500 per calendar month payable in advance on the first day of each month. Rhoads Golf, LLC was paid \$90,000 in the fiscal year ended June 30, 2014 to manage the Golf Course.

**NOTE 8 – SUBSEQUENT EVENTS**

The City's contract with Rhoads Golf LLC ended November 31, 2014. The City has since contracted with Tom Ringer, effective November 22, 2014 for the management and operations of the Lemoore Municipal Golf Course. The new contract calls for base payments of \$4,500 per calendar month payable in advance on the first day of each month.