

**CITY OF LEMOORE
MUNICIPAL GOLF COURSE**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2015**

CITY OF LEMOORE MUNICIPAL GOLF COURSE
LEMOORE, CALIFORNIA

JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Honorable City Council of the City of Lemoore
Lemoore, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Municipal Golf Course Fund of the City of Lemoore, California (Golf Course), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

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 Golf Course'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 Golf Course'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Golf Course Fund of the City of Lemoore, California as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Municipal Golf Course Fund and do not purport to, and do not present fairly the financial position of the City of Lemoore, California, as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the Golf Course is comprised of three internal funds, but previously only reported on the assets, liabilities and activity from one of the three funds. In the current fiscal year, the City has reported the activity related to all three Golf Course funds. Our opinion is not modified with respect to this matter.

Price Pange & Company

Clovis, California
July 6, 2016

**CITY OF LEMOORE MUNICIPAL GOLF COURSE
STATEMENT OF NET POSITION
JUNE 30, 2015**

ASSETS

Current assets:	
Cash	\$ 85,732
Receivables	10
Prepaid expenses	1,337
Inventories	<u>31,538</u>
Total current assets	<u>118,617</u>
Property and equipment, net of accumulated depreciation	<u>2,437,547</u>
Total assets	<u>2,556,164</u>

LIABILITIES

Current liabilities:	
Accounts payable	96,428
Deposits and other liabilities	<u>13,584</u>
Total current liabilities	<u>110,012</u>
Long-term liabilities:	
Loan from the City	1,091,470
Loans from Lemoore Redevelopment Successor Agency	<u>1,874,767</u>
Total long-term liabilities	<u>2,966,237</u>
Total liabilities	<u>3,076,249</u>

NET POSITION

Net investment in capital assets	2,437,547
Unrestricted	<u>(2,957,632)</u>
Total net position	<u>\$ (520,085)</u>

The accompanying notes are an integral part of these statements.

**CITY OF LEMOORE MUNICIPAL GOLF COURSE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

Revenues:	
Golf operations	\$ 914,682
Merchandise	108,592
Food and beverage	79,697
Other revenue	<u>36,336</u>
Total revenue	<u>1,139,307</u>
Cost of Revenues:	
Merchandise	96,034
Food and beverage	<u>43,097</u>
Total cost of revenues	<u>139,131</u>
Gross profit	1,000,176
Operating Expenses:	
Salaries and benefits	236,437
Materials and supplies	121,597
Contractual services	163,891
Utilities	99,063
Repairs and maintenance	89,358
Other expenses	74,818
Depreciation	<u>158,275</u>
Total operating expenses	<u>943,439</u>
Net operating income (loss) before transfers	56,737
Nonoperating revenue (expenses)	
Interest expense	<u>33,675</u>
Transfers to City of Lemoore	<u>-</u>
Net income (loss)	23,062
Net position, beginning	<u>(543,147)</u>
Net position, end of year	<u>\$ (520,085)</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, 2015**

Cash flows from operating activities	
Receipt from customers and users	\$ 1,107,411
Payments to suppliers and service providers	(604,789)
Payments to employees for salaries and benefits	(236,437)
Other receipts	<u>36,336</u>
Net cash provided (used) by operating activities	<u>302,521</u>
Cash flows from noncapital financing sources	
Advance from (to) other funds	<u>(271,251)</u>
Net cash provided (used) by noncapital financing activities	<u>(271,251)</u>
Cash flows from capital and related financing activities	
Principal paid on capital debt	(4,183)
Interest paid on capital debt	(33,962)
Acquisition and construction of capital assets	<u>(63,878)</u>
Net cash provided (used) by capital and related financing activities	<u>(102,023)</u>
Cash flows from investing activities	
Interest received	<u>287</u>
Net cash provided (used) by investing activities	<u>287</u>
Increase (decrease) in cash and cash equivalents	(70,466)
Cash and cash investments, June 30, 2014	<u>156,198</u>
Cash and cash investments, June 30, 2015	<u>\$ 85,732</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ 56,737
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	158,275
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	9,696
(Increase) decrease in inventory	16,537
(Increase) decrease in prepaid expenses	(1,337)
Increase (decrease) in accounts payable	67,869
Increase (decrease) in deposits and other liabilities	<u>(5,256)</u>
Net cash provided (used) by operating activities	<u>\$ 302,521</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, 2015

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 Tom Ringer Golf 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. In previous years, the Golf Course reported only on one of the three funds; this was because a significant portion of the activity was compiled and reported outside of the City's normal accounting process. Since the accounting functions for the Golf Course are now all managed by the City, management has decided to report using all three funds.

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, 2015.

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, 2015

NOTE 3 – CASH

The cash balance at June 30, 2015 consisted of \$85,732 in the checking account.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2015:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers/ Adjustments</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets, not being depreciated:					
Land	\$ 624,013	\$ -	\$ -	\$ -	\$ 624,013
Construction in progress	<u>-</u>	<u>4,159</u>	<u>-</u>	<u>-</u>	<u>4,159</u>
Total capital assets, not being depreciated	<u>624,013</u>	<u>4,159</u>	<u>-</u>	<u>-</u>	<u>628,172</u>
Capital assets, being depreciated					
Buildings and improvements	4,384,235	38,762	-	-	4,422,997
Machinery and equipment	<u>507,992</u>	<u>20,957</u>	<u>(2,500)</u>	<u>13,868</u>	<u>540,317</u>
Total capital assets, being depreciated	<u>4,892,227</u>	<u>59,719</u>	<u>(2,500)</u>	<u>13,868</u>	<u>4,963,314</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,570,420)	(135,300)	-	-	(2,705,720)
Machinery and equipment	<u>(413,876)</u>	<u>(22,975)</u>	<u>2,500</u>	<u>(13,868)</u>	<u>(448,219)</u>
Total accumulated depreciation, net	<u>(2,984,296)</u>	<u>(158,275)</u>	<u>2,500</u>	<u>(13,868)</u>	<u>(3,153,939)</u>
Total capital assets, being depreciated, net	<u>1,907,931</u>	<u>(98,556)</u>	<u>-</u>	<u>-</u>	<u>1,809,375</u>
Golf course fund capital assets, net	<u>\$ 2,531,944</u>	<u>\$ (94,397)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,437,547</u>

NOTE 5 – LONG-TERM LIABILITIES

The City of Lemoore Municipal Golf Course's long-term liabilities consisted of the following at June 30, 2015:

On August 5, 2013, the City of Lemoore General Fund loaned \$1,439,128 to the Golf Course to pay off the 1995 Golf Course Bonds and related expenses. The loan bears 1.35% interest, payable quarterly over an eight-year term. The final payment of the loan is scheduled for June 30, 2021. The loan balance is \$1,091,470 as of June 30, 2015

On June 30, 2005, the City of Lemoore Municipal Golf Course obtained a loan from the Lemoore Redevelopment Successor Agency for \$1,039,850 bearing 2.38% interest. This loan incurred interest beginning July 1, 2005. Payments of approximately \$300,000 per year will begin in fiscal year 2021. The loan was obtained to cover both direct expenses and debt service of the Golf Course. The final payment of the loan is scheduled for June 30, 2027. The loan balance is \$1,673,823 as of June 30, 2015.

CITY OF LEMOORE MUNICIPAL GOLF COURSE
LEMOORE, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – LONG-TERM LIABILITIES (Continued)

On June 1, 2012, the City of Lemoore Municipal Golf Course obtained a loan from the Lemoore Redevelopment Successor Agency for \$335,994 bearing 5.75% interest, payable monthly over a sixty-month term. The loan was obtained for capital improvements at the golf course. The final payment of the loan is scheduled for June 1, 2017. The loan balance is \$146,587 as of June 30, 2015.

On June 1, 2012, the City of Lemoore Municipal Golf Course obtained a loan from the Lemoore Redevelopment Successor Agency for \$149,727 bearing 5.75% interest, payable monthly over a fifty-four-month term. The loan was obtained for capital improvements at the golf course. The final payment of the loan is scheduled for December 1, 2016. The loan balance is \$54,357 as of June 30, 2015.

NOTE 6 – MANAGEMENT CONTRACT

The City of Lemoore is under contract with Tom Ringer Golf for the management and operation of the Golf Course. The contract calls for base payments of \$6,500 per calendar month payable on the last day of each month. Tom Ringer Golf was paid \$34,240 in the fiscal year ended June 30, 2015 to manage the Golf Course.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated and concluded there are no subsequent events that have occurred since June 30, 2015 through the date the financial statements were available to be issued on July 6, 2016 that would require disclosure or adjustment.