

CITY OF LEMOORE MUNICIPAL GOLF COURSE

REPORT ON AUDITED
FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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May 2, 2013

City of Lemoore Municipal Golf Course
Lemoore, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheet of the City of Lemoore Municipal Golf Course (Golf Course), as of June 30, 2012, and the related statement of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the City of Lemoore Municipal Golf Course's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Golf Course as of June 30, 2012 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Sampson, Sampson & Patterson, LLP

CITY OF LEMOORE MUNICIPAL GOLF COURSE
BALANCE SHEET
JUNE 30, 2012

ASSETS

CURRENT ASSETS:	
Cash	\$113,218
Receivables	6,843
Prepaid expenses	7,283
Inventories	<u>70,190</u>
TOTAL CURRENT ASSETS	197,534
PROPERTY AND EQUIPMENT - net of accumulated depreciation	<u>501,977</u>
TOTAL ASSETS	<u>\$699,511</u>

LIABILITIES AND EQUITY

CURRENT LIABILITIES:	
Accounts payable	\$ 18,671
Accrued expenses	4,035
Deposits and other liabilities	24,605
Current portion of capital leases	<u>4,170</u>
TOTAL CURRENT LIABILITIES	51,481
LONG-TERM LIABILITIES:	
Loans from Lemoore Redevelopment Successor Agency	485,721
Long-term portion of capital leases	<u>8,685</u>
TOTAL LONG-TERM LIABILITIES	<u>494,406</u>
TOTAL LIABILITIES	545,887
EQUITY:	
Retained earnings	<u>153,624</u>
TOTAL LIABILITIES AND EQUITY	<u>\$699,511</u>

CITY OF LEMOORE MUNICIPAL GOLF COURSE
STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED JUNE 30, 2012

REVENUES:	
Golf operations	\$ 980,370
Merchandise	193,481
Food and beverage	222,273
Other revenue	<u>8,171</u>
Total revenue	<u>1,404,295</u>
COST OF REVENUES:	
Merchandise	143,099
Beverage	<u>97,028</u>
Total cost of revenues	<u>240,127</u>
GROSS PROFIT	1,164,168
OPERATING EXPENSES:	
Food and beverage	58,076
General and administrative	64,946
Clubhouse	30,590
Golf operations	81,166
Course maintenance	450,753
Advertising and promotion	18,306
Management fee	90,000
Fixed expenses	61,365
Interest expense	30,554
Depreciation	116,804
Other	<u>9,737</u>
Total operating expenses	<u>1,012,297</u>
NET INCOME BEFORE TRANSFERS	151,871
Transfers to City of Lemoore	<u>(275,000)</u>
NET LOSS	(123,129)
RETAINED EARNINGS, BEGINNING OF PERIOD	<u>276,753</u>
RETAINED EARNINGS, END OF PERIOD	<u>\$ 153,624</u>

See notes to financial statements and independent auditors' report.

CITY OF LEMOORE MUNICIPAL GOLF COURSE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	\$(123,129)
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	116,804
Loss on sale of equipment	671
(Increase) decrease in:	
Accounts receivable	9,088
Prepaid expenses	(2,340)
Inventories	(10,421)
Increase (decrease) in:	
Accounts payable	6,860
Accrued expenses	1
Deposits and other liabilities	<u>6,075</u>
Total cash flows from operating activities	<u>3,609</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(35,521)
Proceeds from sale of property and equipment	<u>3,600</u>
Total cost of cash flows (used in) investing activities	<u>(31,921)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from long-term debt	137,392
Principal payments on long-term debt	<u>(184,301)</u>
Total cash flows from financing activities	<u>(46,909)</u>
NET DECREASE IN CASH	(75,221)
CASH, BEGINNING OF YEAR	<u>188,439</u>
CASH, END OF YEAR	<u>\$ 113,218</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest expense	<u>\$ 30,554</u>

CITY OF LEMOORE MUNICIPAL GOLF COURSE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Business Activity

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. Only the operations of the golf course are included in these financial statements.

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, 2012.

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 is 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
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 2 - CASH:

The cash balance at June 30, 2012 consisted of the following:

Checking	<u>\$113,218</u>
	<u>\$113,218</u>

NOTE 3 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at June 30, 2012:

Office furniture	\$ 15,471
Kitchen	19,083
Golf shop equipment	21,637
Driving range	6,540
Maintenance equipment	231,018
Pumps	99,096
Improvements	1,027,545
Golf carts	<u>26,218</u>
	1,446,608
Less accumulated depreciation	<u>(944,631)</u>
Total property and equipment	<u>\$ 501,977</u>

Depreciation expense for the year ended June 30, 2012 was \$116,804.

NOTE 4 - LONG-TERM LIABILITIES:

The golf course's liabilities for capital leases consist of the following at June 30, 2012:

Capital lease for a utility tractor, 48 monthly payments of \$348, beginning August 21, 2011, effective rate of 0.00%.	\$12,855
Less current portion	<u>(4,170)</u>
Total long-term liability for capital leases	<u>\$ 8,685</u>

CITY OF LEMOORE MUNICIPAL GOLF COURSE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(Continued)

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

Year Ended June 30,	Business-Type Activities
2013	\$ 4,170
2014	4,170
2015	4,170
2016	<u>345</u>
Total	<u>12,855</u>
Present value of future liability payments	<u>\$12,855</u>

Outstanding loan balances due to the Lemoore Redevelopment Successor Agency at June 30, 2012 are as follows:

Loan for cart barn and irrigation equipment	\$149,727
Loan for golf course construction	<u>335,994</u>
	<u>\$485,721</u>

NOTE 5 - LEASE COMMITMENTS:

The Golf Course leases golf carts under operating lease agreements that expire in February 2012 and November 2012. The operating leases consist of the following at June 30, 2012:

Annual minimum rental payments for the golf carts are as follows:

Year Ended June 30,	Golf Carts	Total
2013	<u>\$ 23,519</u>	<u>\$ 23,519</u>
Total	<u>\$ 23,519</u>	<u>\$ 23,519</u>

Golf Cart rentals for the year ended June 30, 2012 were \$44,702.

CITY OF LEMOORE MUNICIPAL GOLF COURSE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 6 - MANAGEMENT CONTRACT:

The City of Lemoore is under contract with Rhoads Golf, Inc. 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, 2012 to manage the Golf Course.

NOTE 7 - RELATED PARTY:

In July 2010, Rhoads Golf, LLC began managing and operating the Golf Course. Rhoads Golf, LLC is owned and operated by Rich Rhoads, Golf Manager of Lemoore Municipal Golf Course.

NOTE 8 - SUBSEQUENT EVENTS:

The Golf Course has reviewed the results of the operations and evaluated subsequent events for the period of time from its year ended June 30, 2012 through the date of the accountants' report.

The Golf Course has determined that no adjustments are necessary to amounts reported in the accompanying financial statements, and no subsequent events have occurred, the notice of which would require disclosure.