

CITY OF LEMOORE MUNICIPAL GOLF COURSE

REPORT ON AUDITED
FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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Sampson, Sampson and Partners, LLP
Certified Public Accountants

3148 Willow Ave., Suite 102
Clovis, California 93612-4739
(559) 291-0277 • FAX (559) 291-6411

April 16, 2012

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, 2011, 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, 2011 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 and Partners LLP

CITY OF LEMOORE MUNICIPAL GOLF COURSE
BALANCE SHEET
JUNE 30, 2011

ASSETS

CURRENT ASSETS:	
Cash	\$188,439
Receivables	15,931
Prepaid expenses	4,943
Inventories	<u>59,769</u>
TOTAL CURRENT ASSETS	269,082
PROPERTY AND EQUIPMENT - net of accumulated depreciation	<u>587,530</u>
TOTAL ASSETS	<u>\$856,612</u>

LIABILITIES AND EQUITY

CURRENT LIABILITIES:	
Accounts payable	\$ 11,811
Accrued expenses	4,034
Deposits and other liabilities	18,530
Current portion of loans from Lemoore Redevelopment Agency	9,280
Current portion of capital leases	<u>15,177</u>
TOTAL CURRENT LIABILITIES	58,832
LONG-TERM, net of current portion	
Loans from Lemoore Redevelopment Agency	<u>521,027</u>
TOTAL LONG-TERM LIABILITIES	<u>521,027</u>
TOTAL LIABILITIES	579,859
EQUITY:	
Retained earnings	<u>276,753</u>
TOTAL LIABILITIES AND EQUITY	<u>\$856,612</u>

CITY OF LEMOORE MUNICIPAL GOLF COURSE
STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED JUNE 30, 2011

REVENUES:	
Golf operations	\$ 955,205
Merchandise	194,655
Food and beverage	212,806
Other revenue	<u>9,682</u>
Total revenue	<u>1,372,348</u>
COST OF REVENUES:	
Merchandise	144,552
Beverage	<u>102,116</u>
Total cost of revenues	<u>246,668</u>
GROSS PROFIT	1,125,680
OPERATING EXPENSES:	
Food and beverage	46,233
General and administrative	60,938
Clubhouse	23,727
Golf operations	90,854
Course maintenance	410,148
Advertising and promotion	15,737
Fixed expenses	156,389
Interest expense	33,244
Depreciation	<u>122,453</u>
	<u>959,723</u>
NET INCOME BEFORE TRANSFERS	165,957
Transfers to City of Lemoore	<u>75,000</u>
NET PROFIT	90,957
RETAINED EARNINGS, BEGINNING OF PERIOD	<u>185,796</u>
RETAINED EARNINGS, END OF PERIOD	<u>\$ 276,753</u>

CITY OF LEMOORE MUNICIPAL GOLF COURSE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Profit	\$ 90,957
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	122,453
(Increase) decrease in:	
Accounts receivable	(2,154)
Prepaid expenses	(1,176)
Inventories	(4,082)
Increase (decrease) in:	
Accounts payable	(32,342)
Accrued expenses	(925)
Deposits and other liabilities	986
Total cash flows from operating activities	<u>173,717</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>(41,606)</u>
Total cost of cash flows (used in) investing activities	<u>(41,606)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from long-term debt	30,556
Principal payments on long-term debt	<u>(43,538)</u>
Total cash flows from financing activities	<u>(12,982)</u>
NET DECREASE IN CASH	119,129
CASH, BEGINNING OF YEAR	<u>69,310</u>
CASH, END OF YEAR	<u>\$188,439</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest expense	<u>\$ 33,244</u>

See notes to financial statements and independent auditors' report.

CITY OF LEMOORE MUNICIPAL GOLF COURSE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

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, 2011.

Inventories

Inventories consist of food and beverage and merchandise held for sale and is valued at 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.

Income Taxes

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

CITY OF LEMOORE MUNICIPAL GOLF COURSE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 2 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at June 30, 2011:

Office furniture	\$ 15,471
Kitchen	17,383
Golf shop equipment	21,637
Driving range	6,540
Maintenance equipment	202,674
Pumps	99,096
Improvements	1,022,066
Golf carts	<u>35,319</u>
	1,420,186
Less accumulated depreciation	<u>(832,656)</u>
Total property and equipment	<u>\$ 587,530</u>

Depreciation expense for the year ended June 30, 2011 was \$122,453.

NOTE 3 - LONG-TERM LIABILITIES:

The golf course's liabilities for capital leases consist of the following at June 30, 2011:

Capital lease for an articulator, 60 monthly payments of \$386, beginning July 15, 2007, effective rate of 8.90%.	\$ 4,414
Capital lease for lawn mower, 48 monthly payments of \$1,116, beginning May 1, 2008, effective rate of 7.90%.	<u>10,763</u>
Less current portion	<u>(15,177)</u>
Total long-term liability for capital leases	<u>\$ _____</u>

CITY OF LEMOORE MUNICIPAL GOLF COURSE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(Continued)

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

Year Ended June 30,	Business- Type Activities
2012	\$ 18,175
Total	18,175
Less: Estimated amount representing interest	<u>(2,998)</u>
Present value of future liability payments	<u>\$ 15,177</u>

Outstanding loan balances due to the Lemoore Redevelopment Agency at June 30, 2011 are as follows:

Loan for cart barn and irrigation equipment	\$137,858
Loan for golf course construction	<u>392,449</u>
	<u>\$530,307</u>

NOTE 4 - 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, 2011:

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

Year Ended June 30,	Golf Carts	Total
2012	\$ 41,009	\$ 41,009
2013	<u>23,519</u>	<u>23,519</u>
Total	<u>\$ 64,528</u>	<u>\$ 64,528</u>

Golf Cart rentals for the years ended June 30, 2011 and 2010 were \$49,524 and \$31,364 respectively.

CITY OF LEMOORE MUNICIPAL GOLF COURSE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 5 - MANAGEMENT CONTRACT:

The City of Lemoore is under contract with Rhoades 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.

NOTE 6 - 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. Rhoads Golf, LLC was paid \$90,000 in the fiscal year ended June 30, 2011 to manage the Golf Course.

NOTE 7 - 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, 2011 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.