

CITY OF LEMOORE MUNICIPAL GOLF COURSE

---

REPORT ON AUDITED  
FINANCIAL STATEMENTS

---

YEAR ENDED JUNE 30, 2008

CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITORS REPORT</b>	1
<b>FINANCIAL STATEMENTS:</b>	
Balance sheet	2
Statement of income and retained earnings	3
Statement of cash flows	4
Notes to financial statements	5-7



Sampson, Sampson & Partners, LLP  
Certified Public Accountants

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

June 15, 2009

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, 2008, 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 of 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, 2008 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles of the United States of America.

*Sampson, Sampson & Partners, LLP*

CITY OF LEMOORE MUNICIPAL GOLF COURSE  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

CURRENT ASSETS:	
Cash	\$ 201,957
Receivables	13,674
Prepaid expenses	8,743
Inventories	<u>81,202</u>
TOTAL CURRENT ASSETS	305,576
PROPERTY AND EQUIPMENT - net of accumulated depreciation	<u>707,714</u>
TOTAL ASSETS	<u>\$1,013,290</u>

LIABILITIES AND EQUITY

CURRENT LIABILITIES:	
Accounts payable	\$ 45,165
Accrued expenses	6,470
Deposits and other liabilities	17,465
Current portion of loans from Lemoore Redevelopment Agency	33,000
Current portion of capital leases	<u>17,729</u>
TOTAL CURRENT LIABILITIES	119,829
LONG-TERM, net of current portion	
Loans from Lemoore Redevelopment Agency	455,566
Capital leases	<u>33,593</u>
TOTAL LONG-TERM LIABILITIES	<u>489,159</u>
TOTAL LIABILITIES	608,988
EQUITY:	
Retained earnings	<u>404,302</u>
TOTAL LIABILITIES AND EQUITY	<u>\$1,013,290</u>

CITY OF LEMOORE MUNICIPAL GOLF COURSE  
STATEMENT OF INCOME AND RETAINED EARNINGS  
YEAR ENDED JUNE 30, 2008

REVENUES:	
Golf operations	\$ 931,339
Merchandise	250,724
Food and beverage	244,621
Other revenue	<u>22,113</u>
Total revenue	<u>1,448,797</u>
COST OF REVENUES:	
Merchandise	191,586
Beverage	<u>112,634</u>
Total cost of revenues	<u>304,220</u>
GROSS PROFIT	1,144,577
OPERATING EXPENSES:	
Food and beverage	55,918
General and administrative	69,764
Clubhouse	30,679
Golf operations	174,673
Course maintenance	415,540
Advertising and promotion	12,509
Fixed expenses	79,073
Interest expense	33,345
Depreciation	<u>118,109</u>
	<u>989,610</u>
NET INCOME BEFORE TRANSFERS	154,967
Transfers to City of Lemoore	<u>(250,000)</u>
NET LOSS	(95,033)
RETAINED EARNINGS, BEGINNING OF PERIOD	<u>499,335</u>
RETAINED EARNINGS, END OF PERIOD	<u>\$ 404,302</u>

CITY OF LEMOORE MUNICIPAL GOLF COURSE  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Loss	\$ (95,033)
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	118,109
Gain on sale of equipment	(5,513)
(Increase) decrease in:	
Accounts receivable	(12,102)
Prepaid expenses	1,471
Inventories	(4,075)
Increase (decrease) in:	
Accounts payable	7,476
Accrued expenses	(2,082)
Deposits and other liabilities	<u>5,009</u>
Total cash flows from operating activities	<u>13,260</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Sale of property and equipment	9,737
Purchase of property and equipment	<u>(83,549)</u>
Total cost of cash flows (used in) investing activities	<u>(73,812)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from long-term debt	35,904
Principal payments on long-term debt	<u>(33,460)</u>
Total cash flows from financing activities	<u>2,444</u>
NET DECREASE IN CASH	(58,108)
CASH, BEGINNING OF YEAR	<u>260,065</u>
CASH, END OF YEAR	<u>\$ 201,957</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest expense	<u>\$ 33,345</u>

CITY OF LEMOORE MUNICIPAL GOLF COURSE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008

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 Sierra Golf Management, Inc. 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, 2008.

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, 2008  
(Continued)

NOTE 2 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at June 30, 2008:

Office furniture	\$ 20,948
Kitchen	19,407
Golf shop equipment	22,232
Driving range	12,018
Maintenance equipment	247,985
Pumps	21,347
Improvements	907,222
Golf carts	<u>55,624</u>
	1,306,783
Less accumulated depreciation	<u>(599,069)</u>
Total property and equipment	<u>\$ 707,714</u>

Depreciation expense for the year ended June 30, 2008 was \$ 118,109.

NOTE 3 - LONG-TERM LIABILITIES:

The golf course's liabilities for capital leases consist of the following at June 30, 2008:

Capital lease for golf course improvements, 60 monthly payments of \$538, beginning November 15, 2003, effective rate of 6.75%.	\$ 2,301
Capital lease for lawn mowers, 60 monthly payments of \$742, beginning June 1, 2006, effective rate of 13.63%.	21,318
Capital lease for an equipment tractor, 36 monthly payments of \$487, beginning August 15, 2007.	12,168
Capital lease for an articulator, 60 monthly payments of \$386, beginning July 15, 2007, effective rate of 8.90%.	<u>15,535</u>
	51,322
Less current portion	<u>(17,729)</u>
Total long-term liability for capital leases	<u>\$ 33,593</u>

CITY OF LEMOORE MUNICIPAL GOLF COURSE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008  
(Continued)

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

Year Ended June 30,	Business-Type Activities
2009	\$ 20,421
2010	19,365
2011	12,861
2012	<u>4,626</u>
Total	\$57,273
Less: Estimated amount representing interest	<u>(5,951)</u>
Present value of future liability payments	<u>\$ 51,322</u>

Outstanding loan balances due to the Lemoore Redevelopment Agency at June 30, 2008 are as follows:

Loan for cart barn and irrigation equipment	\$ 158,161
Loan for golf course construction	<u>330,405</u>
	<u>\$ 488,566</u>

NOTE 4 - MANAGEMENT CONTRACT:

The City of Lemoore is under contract with Sierra Golf Management, Inc. for the management and operation of the Golf Course. The contract calls for base payments of \$4,000 per calendar month, payable in advance on the first day of each month.