

CITY OF LEMOORE MUNICIPAL GOLF COURSE

**REPORT ON AUDITED
FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2009

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June 1, 2010

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, 2009, 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, 2009 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 and Partners, LLP

CITY OF LEMOORE MUNICIPAL GOLF COURSE
BALANCE SHEET
JUNE 30, 2009

ASSETS

CURRENT ASSETS:	
Cash	\$ 99,163
Receivables	10,442
Prepaid expenses	12,975
Inventories	<u>65,993</u>
TOTAL CURRENT ASSETS	188,573
PROPERTY AND EQUIPMENT - net of accumulated depreciation	<u>767,271</u>
TOTAL ASSETS	<u>\$955,844</u>

LIABILITIES AND EQUITY

CURRENT LIABILITIES:	
Accounts payable	\$ 40,686
Accrued expenses	12,443
Deposits and other liabilities	13,210
Current portion of loans from Lemoore Redevelopment Agency	38,775
Current portion of capital leases	<u>27,953</u>
TOTAL CURRENT LIABILITIES	133,067
LONG-TERM, net of current portion	
Loans from Lemoore Redevelopment Agency	478,637
Capital leases	<u>39,346</u>
TOTAL LONG-TERM LIABILITIES	<u>517,983</u>
TOTAL LIABILITIES	651,050
EQUITY:	
Retained earnings	<u>304,794</u>
TOTAL LIABILITIES AND EQUITY	<u>\$955,844</u>

CITY OF LEMOORE MUNICIPAL GOLF COURSE
STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED JUNE 30, 2009

REVENUES:	
Golf operations	\$ 927,749
Merchandise	209,957
Food and beverage	231,296
Other revenue	<u>5,447</u>
Total revenue	<u>1,374,449</u>
COST OF REVENUES:	
Merchandise	165,768
Beverage	<u>103,984</u>
Total cost of revenues	<u>269,752</u>
GROSS PROFIT	1,104,697
OPERATING EXPENSES:	
Food and beverage	52,669
General and administrative	70,281
Clubhouse	28,265
Golf operations	175,352
Course maintenance	451,674
Advertising and promotion	23,920
Fixed expenses	80,551
Interest expense	35,814
Depreciation	<u>125,679</u>
	<u>1,044,205</u>
NET INCOME BEFORE TRANSFERS	60,492
Transfers to City of Lemoore	<u>160,000</u>
NET LOSS	(99,508)
RETAINED EARNINGS, BEGINNING OF PERIOD	<u>404,302</u>
RETAINED EARNINGS, END OF PERIOD	<u>\$ 304,794</u>

CITY OF LEMOORE MUNICIPAL GOLF COURSE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Loss	\$ (99,508)
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	125,679
(Increase) decrease in:	
Accounts receivable	3,232
Prepaid expenses	(4,232)
Inventories	15,209
Increase (decrease) in:	
Accounts payable	(4,479)
Accrued expenses	5,973
Deposits and other liabilities	<u>(4,255)</u>
Total cash flows from operating activities	<u>37,619</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>(185,237)</u>
Total cost of cash flows (used in) investing activities	<u>(185,237)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from long-term debt	62,730
Principal payments on long-term debt	<u>(17,906)</u>
Total cash flows from financing activities	<u>44,824</u>
NET DECREASE IN CASH	(102,794)
CASH, BEGINNING OF YEAR	<u>201,957</u>
CASH, END OF YEAR	<u>\$ 99,163</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest expense	<u>\$ 35,814</u>

CITY OF LEMOORE MUNICIPAL GOLF COURSE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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, 2009.

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, 2009
(Continued)

NOTE 2 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at June 30, 2009:

Office furniture	\$ 21,137
Kitchen	21,385
Golf shop equipment	22,232
Driving range	12,018
Maintenance equipment	296,797
Pumps	99,096
Improvements	960,167
Golf carts	<u>59,186</u>
	1,492,018
Less accumulated depreciation	<u>724,747</u>
Total property and equipment	<u>\$ 767,271</u>

Depreciation expense for the year ended June 30, 2009 was \$125,679.

NOTE 3 - LONG-TERM LIABILITIES:

The golf course's liabilities for capital leases consist of the following at June 30, 2009:

Capital lease for lawn mowers, 60 monthly payments of \$742, beginning June 1, 2006, effective rate of 13.63%.	\$ 14,936
Capital lease for an equipment tractor, 36 monthly payments of \$487, beginning August 15, 2007.	6,327
Capital lease for an articulator, 60 monthly payments of \$386, beginning July 15, 2007, effective rate of 8.90%.	12,151
Capital lease for lawn mower, 48 monthly payments of \$1,116, beginning May 1, 2008, effective rate of 7.90%.	<u>33,885</u>
	67,299
Less current portion	<u>(27,953)</u>
Total long-term liability for capital leases	<u>\$ 39,346</u>

CITY OF LEMOORE MUNICIPAL GOLF COURSE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009
(Continued)

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

Year Ended June 30,	Business-Type Activities
2010	\$ 33,242
2011	26,162
2012	<u>18,175</u>
Total	77,579
Less: Estimated amount representing interest	<u>10,280</u>
Present value of future liability payments	<u>\$ 67,299</u>

Outstanding loan balances due to the Lemoore Redevelopment Agency at June 30, 2009 are as follows:

Loan for cart barn and irrigation equipment	\$167,500
Loan for golf course construction	<u>349,912</u>
	<u>\$517,412</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.