Stamford Golf Authority

Financial Report
December 31, 2018

AUDIT | TAX | CONSULTING

GMA

Contents

GMA & Associates, LLC

6 Landmark Square, 4th Floor
Stamford, Connecticut 06901

Independent Auditor's Report

To the Board of Directors
Stamford Golf Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Stamford Golf Authority (the Authority), which comprise the statements of net position as of December 31, 2018, and the related statements of revenues and expenses, changes in net position and cash flows for the years then ended and the related notes to the financial statements. The financial statements of the Authority. for the year ended December 31, 2017 were audited by other auditors, whose report, dated June 29, 2018, expressed an unqualified opinion on those statements.

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 control 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 audits. We conducted our audits 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 from 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 entity'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 entity'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 Authority as of December 31, 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

GMA & ASSOCIATES, LLC

Stamford, Connecticut
May 24, 2019

Stamford Golf Authority

Statements of Net Position
December 31, 2018 and 2017

		2018		2017
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	**$**	**471,982**	$	637,589
Cash - board restricted (Note 1)		**16,188**		16,147
Accounts receivable		**-**		12,800
Prepaid expenses and other current assets		**30,748**		31,924
Total current assets		**518,918**		698,460
Capital assets, net of depreciation (Note 3)		**4,533,374**		4,854,241
Total assets	**$**	**5,052,292**	$	5,552,701
Liabilities and Net Position				
Current liabilities:				
Accounts payable and accrued expenses	**$**	**132,999**	$	154,599
Unearned revenue		**22,200**		51,551
Current maturities of capital lease obligations (Note 4)		**147,127**		80,437
Current maturities of long-term debt (Note 5)		**213,185**		210,769
Total current liabilities		**515,511**		497,356
Noncurrent liabilities:				
Security deposits		**16,188**		16,147
Capital lease obligations, less current maturities (Note 4)		**114,585**		241,906
Long-term debt, less current maturities (Note 5)		**2,427,607**		2,635,330
Total noncurrent liabilities		**2,558,380**		2,893,383
Total liabilities		**3,073,891**		3,390,739
Net position:				
Net investment in capital assets		**1,630,871**		1,685,799
Unrestricted		**347,530**		476,163
Total net position		**1,978,401**		2,161,962
Total liabilities and net position	**$**	**5,052,292**	$	5,552,701

See notes to financial statements.

Stamford Golf Authority

Statements of Revenues and Expenses
Years Ended December 31, 2018 and 2017

	2018	2017
Operating revenues:		
Greens	**$ 1,499,052**	$ 1,522,206
Driving range	**936,956**	954,192
Cart rental	**368,188**	394,225
Permits	**74,249**	77,085
Rent - clubhouse apartment	**-**	400
Rent - pro shop	**22,284**	22,500
Rent - tennis facility	**19,000**	18,000
Rent - Zody's restaurant	**95,301**	96,000
Non-resident frequent use cards	**36,050**	24,700
Advertising / soda machines / apartment	**27,134**	34,263
	3,078,214	3,143,571
Operating expenses:		
Salaries	**1,164,632**	1,149,284
Depreciation	**437,600**	458,159
Rent - City of Stamford	**337,316**	337,294
Grounds maintenance	**142,389**	109,919
Utilities	**141,520**	120,398
Seed, fertilizer and chemicals	**129,691**	132,519
Insurance	**127,586**	151,675
Payroll taxes	**118,203**	121,474
Equipment maintenance and rental	**95,775**	71,709
Building repairs and maintenance	**93,239**	79,123
Employee medical insurance	**92,351**	98,843
Office supplies and expense	**68,460**	74,113
Professional fees	**40,803**	43,618
Irrigation system	**31,471**	24,238
Pension expense	**23,383**	23,891
Gasoline	**20,657**	10,876
Driving range supplies	**18,528**	36,238
Activity supplies	**18,086**	18,899
Telephone	**17,915**	15,151
Security	**10,337**	10,741
Training and education	**9,947**	1,705
	3,139,889	3,089,867
Operating (loss) income	**(61,675)**	53,704
Nonoperating revenues (expenses):		
Interest income	**707**	23
Interest expense	**(122,593)**	(106,245)
	(121,886)	(106,222)
Decrease in net position	**$ (183,561)**	$ (52,518)

See notes to financial statements.

Stamford Golf Authority

Statements of Changes in Net Position
Years Ended December 31, 2018 and 2017

	2018	2017
Net position, beginning	**$ 2,161,962**	$ 2,214,480
Decrease in net position	**(183,561)**	(52,518)
Net position, ending	**$ 1,978,401**	$ 2,161,962

See notes to financial statements.

Stamford Golf Authority

Statements of Cash Flows
Years Ended December 31, 2018 and 2017

		2018		2017
Cash flows from operating activities:				
Receipts from customers and users	**$**	**3,061,663**	$	3,154,229
Payments to suppliers		**(1,414,798)**		(1,294,993)
Payments to employees		**(1,303,635)**		(1,340,550)
Net cash provided by operating activities		**343,230**		518,686
Cash flows from capital and related financing activities:				
Purchase of capital assets		**(88,280)**		(369,525)
Cash proceeds from notes payable		**-**		350,000
Principal payments on notes		**(205,309)**		(180,772)
Principal payments on capital leases		**(89,083)**		(82,836)
Interest paid on debt		**(126,831)**		(106,806)
Net cash used in capital and related financing activities		**(509,503)**		(389,939)
Cash flows from investing activities:				
Interest on cash and cash equivalents		**707**		23
Purchase (redemption) of investments		**-**		252,187
Net cash provided by investing activities		**707**		252,210
Net (decrease) increase in cash and cash equivalents		**(165,566)**		380,957
Cash and cash equivalents:				
Beginning		**653,736**		272,779
Ending	**$**	**488,170**	$	653,736
Reconciliation of operating (loss) income to net cash provided by operating activities:				
Operating (loss) income	**$**	**(61,675)**	$	53,704
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:				
Depreciation		**437,600**		458,159
Changes in assets and liabilities:				
Decrease in prepaid expenses and other current assets		**1,176**		7,097
(Decrease) increase in accounts receivable		**12,800**		(12,000)
Decrease in accounts payable and accrued expenses		**(17,361)**		(10,972)
Decrease in security deposits		**41**		40
(Decrease) Increase in unearned revenue		**(29,351)**		22,658
Net cash provided by operating activities	**$**	**343,230**	$	518,686
Supplemental schedule of non-cash capital financing activities:				
Equipment financed with capital lease	**$**	**28,451**	$	196,545

See notes to financial statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: The Stamford Golf Authority (the Authority) operates the Sterling Farms Recreation Complex, excluding the theater, Curtain Call, Inc., located at 1349 Newfield Avenue, Stamford, Connecticut. The Authority operates an 18-hole golf course and tennis courts. The Authority is considered a related organization to the City of Stamford, Connecticut.

A summary of the Authority's significant accounting policies follows:

Basis of presentation: The financial statements are presented on the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when incurred.

The Authority is a separate governmental unit that, under the criteria of the Governmental Accounting Standards Board, need not be combined with any other component unit to form the reporting entity.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Proprietary fund accounting: The Authority has implemented Statement No. 62 of the Governmental Accounting Standards Board (GASB), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement provides guidance on the applicability of accounting pronouncements from other standards setting organizations.

Cash and cash equivalents: For the purpose of reporting cash flows, the Authority considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Restricted cash and investments: Restricted cash includes a balance of $16,188 and $16,147 as of December 31, 2018 and 2017, respectively for cash held in escrow for customers subleasing property at the Sterling Farms Recreation Complex from the Authority. Also, as of December 31, 2018, $287,797 of cash was restricted by the Authority's Board for emergency operating purposes or debt service.

Investments: GASB Statement No. 72, *Fair Value Measurement and Application*, requires that investments be categorized according to the fair value hierarchy established by this Statement. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Certificates of deposit are recorded at amortized cost, which approximates fair value.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Capital assets: Golf course improvements, equipment and other facilities are recorded at cost. Costs incurred in the development of the golf course include clearing building fairways and greens, changing the contour of the earth, building sand traps, installing water mains, and creating water hazards, laterals and drainage systems. These costs are depreciated using the straight-line method over their estimated useful lives. When depreciable assets are sold or disposed of, the cost and accumulated depreciation accounts are reduced by the applicable amounts, and any profit or loss is credited or charged to income. Expenditures for maintenance and repairs are charged to expenses as incurred and expenditures for significant improvements are capitalized.

Revenue recognition and unearned revenue: The Authority's revenue is mainly derived from golf fees, cart rentals, driving range usage and rental income. The Authority records its revenue at the time the golfer plays a round of golf or purchases and uses buckets of balls at the driving range. Unearned revenue represents purchases of gift certificates, and gift cards and frequent use cards not utilized by fiscal year-end.

Income taxes: The Authority is exempt from tax under the municipal government provisions of the Internal Revenue Code and is exempt from any Connecticut income tax. Therefore, no provision for income taxes is recorded in the financial statements.

Concentration of credit risk: Financial instruments that potentially subject the Authority to concentrations of credit risk consist primarily of temporary cash investments. The Authority places its temporary cash investments in high credit financial institutions, although the Authority does not have a formal custodial credit risk policy or a policy to minimize the risk of loss resulting from over-concentration of assets in a specific issue. A portion of temporary cash investments may exceed Federal Deposit Insurance Corporation (FDIC) insured limits from time to time. The Authority has not experienced any losses from such concentrations.

Note 2. Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments consisted of the following at December 31, 2018 and 2017:

	2018	2017
Deposits with financial institutions	$ 518,868	$ 653,058

The carrying amount of the Authority's deposits with financial institutions was $486,529 and $652,136 (includes deposits in transit and outstanding withdrawals) and the actual bank balance was $518,868 and $653,058 at December 31, 2018 and 2017, respectively. Of these bank balances approximately $70,000 and $366,000 was uninsured and uncollateralized as of December 31, 2018 and 2017, respectively. The investments as of December 31, 2018 are certificates of deposit with FDIC insured banks.

Note 3. Capital Assets

Capital asset activity for the years ended December 31, 2018 and 2017, was as follows:

	December 31, 2018				
	Useful Life (Years)	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets:					
Golf course development and improvements	12-40	$ 4,017,203	$ 22,000	$ -	$ 4,039,203
Tennis courts	15	53,484	-	-	53,484
Fencing	15	60,793	-	-	60,793
Maintenance equipment and golf carts	5-12	1,080,011	33,290	-	1,113,301
Building improvements	4-20	679,406	11,740	-	691,146
Office furniture and fixtures	5-10	50,043	-	-	50,043
Driving range	10	2,603,257	49,701	-	2,652,958
Irrigation system	12	1,782,213	-	-	1,782,213
Total capital assets being depreciated		10,326,410	116,731	-	10,443,141
Less accumulated depreciation		(5,472,167)	(437,600)	-	(5,909,767)
Net capital assets		$ 4,854,243	$ (320,869)	$ -	$ 4,533,374

	December 31, 2017				
	Useful Life (Years)	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets:					
Golf course development and improvements	12-40	3,747,304	269,898	-	4,017,202
Tennis courts	15	48,775	4,709	-	53,484
Fencing	15	13,501	47,293	-	60,794
Maintenance equipment and golf carts	5-12	883,466	196,545	-	1,080,011
Building improvements	4-20	632,979	46,425	-	679,404
Office furniture and fixtures	5-10	50,043	-	-	50,043
Driving range	10	2,602,057	1,200	-	2,603,257
Irrigation system	12	1,782,213	-	-	1,782,213
Total capital assets being depreciated		9,760,338	566,070	-	10,326,408
Less accumulated depreciation		(5,014,008)	(458,159)	-	(5,472,167)
Net capital assets		$ 4,746,330	$ 107,911	$ -	$ 4,854,241

Note 4. Commitments

Leases: The Authority leases maintenance equipment, golf carts and certain building improvements under capital leases. The book value of these assets was $235,943 and $326,565 at December 31, 2018 and 2017, respectively.

Note 3. Commitments (Continued)

Future minimum rental payments under capital leases at December 31, 2018, were as follows:

2019	$ 155,391
2020	42,699
2021	42,165
2022	37,357
Total minimum lease payments	277,612
Less amounts representing interest	(15,902)
Present value of minimum capital lease payments	261,710
Less current portion	(147,127)
Capital lease obligation, net of current portion	$ 114,583

The Authority leases the land and buildings of the complex from the City of Stamford, Connecticut, under a 12-year lease, expiring June 30, 2019, which provides for two additional five-year terms at the Authority's request. The rent is 11% of the annual gross revenue of the Authority and is payable in four equal installments. A fifth adjusting payment is due in May of the subsequent year for any amount due to or from the City of Stamford, Connecticut, based on the actual prior year gross revenue. Rent expense for the years ended December 31, 2018 and 2017, totaled $337,316 and $337,294, respectively.

Employment agreements: The Authority has employment agreements with certain employees which expire in February 2020 and December 2024. The agreements provide for minimum base salary levels, which are payable in accordance with each respective agreement. The aggregate future minimum commitment for salaries at December 31, 2018 was approximately $1,220,000.

Note 5. Debt

Debt consists of the following as of December 31, 2018 and 2017:

	2018	2017
Term loans:		
The Authority has term loans from a bank utilized for golf course improvements. As of December 31, 2018, the loans bore interest at the rates of 3.875%, 4.00%, 4.625% and 5.125%	$ 2,640,792	$ 2,846,099
Less: current maturities	(213,185)	(210,769)
	$ 2,427,607	$ 2,635,330

Note 4. Debt (Continued)

Aggregate maturities required on long-term debt as of December 31, 2018, are due in future years as follows:

2019	$	213,185
2020		229,435
2021		238,025
2022		246,939
2023		256,191
Thereafter		1,457,017
	$	2,640,792

Also, under this agreement, the Authority is subject to a reporting requirement to submit audited financial statements to the bank within 180 days after its year-end.

Note 6. Rental Income

The Authority leases space to a restaurant facility under a lease that expires in June 2019. The Authority leases the golf pro shop to a golf professional under a lease that will expire in December 2019. The Authority also leases tennis facilities under a lease that expires in April 2022. The total future minimum rental commitments as of December 31, 2018 are as follows:

As noted above, the Authority currently has a lease agreement with a restaurant/catering lessee set to expire in June 30, 2019. Upon expiration of the lease agreement, the lessee agreed to lease the facility on a month-to- month basis through October 31, 2019. The Authority is in the process of finalizing a new lease agreement with another vendor to lease the facility commencing on November 1, 2019.

2019	$	89,167
2020		20,667
2021		21,725
2022		7,363
	$	138,922

Note 7. Defined Contribution Retirement Plan

The Stamford Golf Authority Retirement Plan is a defined contribution pension plan established by the Authority to provide benefits at retirement to all eligible employees. Plan members may elect to contribute a portion of their compensation subject to allowable maximum limitation under current law. The Authority contributes up to 5% of annual covered salary based on an employee's years of service.

Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Directors. Total employer contributions to the plan for the years ended December 31, 2018 and 2017, were $23,383 and $23,891, respectively.

Note 8. Risk Management

The Authority is exposed to various risks of loss that include, but are not limited to, theft or impairment of assets, errors and omissions, injury to employees and others, and natural disasters.

The Authority purchases commercial insurance for all risks of loss, including blanket and umbrella policies. Coverage has not been materially reduced, nor have settled claims exceeded commercial coverage in any of the past three years.

The Authority has a medical expense reimbursement plan (MERP). The purpose of this plan is to encourage and help provide full and complete medical care for each participating employee and his/her spouse and dependents.

Note 9. Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements, though the amount has not yet been determined:

GASB Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Note 9. Subsequent Events

Subsequent events have been evaluated through May 24, 2019, the date the financial statements were available to be issued.