

Stamford Golf Authority

Financial Report
December 31, 2015

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Stamford Golf Authority
Stamford, Connecticut

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, 2015 and 2014, 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 (collectively, financial 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, 2015 and 2014, 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.

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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.

RSM US LLP

New Haven, Connecticut
June 3, 2016

Stamford Golf Authority

**Statements of Net Position
December 31, 2015 and 2014**

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 438,964	\$ 249,469
Cash - board restricted (Note 1)	16,027	266,027
Investments - certificates of deposit (Notes 1 and 2)	250,329	-
Accounts receivable	16,580	17,460
Prepaid expenses and other current assets	39,021	51,337
Total current assets	760,921	584,293
Capital assets, net of depreciation (Note 3)	5,132,303	5,544,486
Total assets	\$ 5,893,224	\$ 6,128,779
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 233,945	\$ 153,850
Unearned revenue	39,143	37,609
Current maturities of capital lease obligations (Note 4)	62,777	69,508
Current maturities of long-term debt (Note 5)	175,734	164,567
Total current liabilities	511,599	425,534
Noncurrent liabilities:		
Security deposits	16,027	16,027
Capital lease obligations, less current maturities (Note 4)	208,705	271,476
Long-term debt, less current maturities (Note 5)	2,675,157	2,851,759
Total noncurrent liabilities	2,899,889	3,139,262
Total liabilities	3,411,488	3,564,796
Net position:		
Net investment in capital assets	2,009,930	2,187,176
Unrestricted	471,806	376,807
Total net position	2,481,736	2,563,983
Total liabilities and net position	\$ 5,893,224	\$ 6,128,779

See notes to financial statements.

Stamford Golf Authority

**Statements of Revenues and Expenses
Years Ended December 31, 2015 and 2014**

	2015	2014
Operating revenues:		
Greens	\$ 1,633,395	\$ 1,477,152
Driving range	855,076	795,283
Cart rental	421,028	381,406
Permits	87,564	87,381
Rent - clubhouse	4,400	32,436
Rent - pro shop	45,000	45,820
Rent - tennis facility	12,500	12,500
Rent - Zody's restaurant	96,000	67,750
Non-resident frequent use cards	29,850	26,400
Advertising / soda machines / apartment	34,297	21,438
	<u>3,219,110</u>	<u>2,947,566</u>
Operating expenses:		
Salaries	1,248,418	1,218,623
Depreciation	449,183	395,286
Rent - City of Stamford	345,489	309,739
Seed, fertilizer and chemicals	164,467	189,138
Insurance	137,485	136,099
Payroll taxes	125,433	121,820
Utilities	117,599	138,180
Employee medical insurance	115,609	105,630
Equipment maintenance and rental	73,830	78,168
Professional fees	37,156	81,538
Grounds maintenance	62,700	65,573
Building maintenance	51,062	52,154
Office supplies and expense	69,765	56,585
Activity supplies	24,494	10,967
Pension expense	33,758	34,613
Telephone	18,544	15,447
Driving range supplies	28,623	29,985
Security	11,573	180
Gasoline	38,157	15,135
Irrigation system	25,684	19,410
Training and education	1,865	1,790
Legal fees and building repairs	-	71,228
	<u>3,180,894</u>	<u>3,147,288</u>
Operating income (loss)	<u>38,216</u>	<u>(199,722)</u>
Nonoperating revenues (expenses):		
Interest income	550	994
Interest expense	(121,013)	(130,690)
	<u>(120,463)</u>	<u>(129,696)</u>
Decrease in net position	<u>\$ (82,247)</u>	<u>\$ (329,418)</u>

See notes to financial statements.

Stamford Golf Authority

**Statements of Changes in Net Position
Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Net position, beginning	\$ 2,563,983	\$ 2,893,401
Decrease in net position	<u>(82,247)</u>	<u>(329,418)</u>
Net position, ending	<u>\$ 2,481,736</u>	<u>\$ 2,563,983</u>

See notes to financial statements.

Stamford Golf Authority

**Statements of Cash Flows
Years Ended December 31, 2015 and 2014**

	2015	2014
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,221,523	\$ 2,951,377
Payments to suppliers	(1,377,621)	(1,577,348)
Payments to employees	(1,261,678)	(1,186,513)
Net cash provided by operating activities	582,224	187,516
Cash flows from capital and related financing activities:		
Purchase of capital assets	(37,000)	(100,407)
Principal payments on notes	(165,435)	(155,777)
Principal payments on capital leases	(69,502)	(27,220)
Interest paid on debt	(121,013)	(130,690)
Net cash used in capital and related financing activities	(392,950)	(414,094)
Cash flows from investing activities:		
Interest on cash and cash equivalents	550	994
Redemption of investments	(250,329)	102,394
Net cash (used in) provided by investing activities	(249,779)	103,388
Net decrease in cash and cash equivalents	(60,505)	(123,190)
Cash and cash equivalents:		
Beginning	515,496	638,686
Ending	\$ 454,991	\$ 515,496
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating loss	\$ 38,216	\$ (199,722)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	449,183	395,286
Changes in assets and liabilities:		
Decrease in prepaid expenses and other current assets	12,316	4,996
Decrease in accounts receivable	880	(9,810)
(Decrease) increase in accounts payable and accrued expenses	80,095	4,915
Decrease in security deposits	-	(21,770)
(Decrease) increase in unearned revenue	1,534	13,621
Net cash provided by operating activities	\$ 582,224	\$ 187,516
Supplemental schedule of non-cash capital financing activities:		
Equipment financed with capital lease	\$ -	\$ 323,165

See notes to financial statements.

Stamford Golf Authority

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 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. The Authority's proprietary funds must apply all GASB pronouncements and the following pronouncements issued before November 30, 1989 unless they contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures.

In 2014, the Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. The adoption of this Statement changed the presentation of certain basic financial statements to a statement of net position format.

The Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. The adoption of this Statement had no effect on the Authority's statements.

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 \$16,027 and \$266,027 as of December 31, 2015 and 2014, respectively. \$16,027 of cash was held in escrow for customers who are subleasing property at the Sterling Farms Recreation Complex from the Authority at both December 31, 2015 and 2014. \$250,329 and \$250,000 as of December 31, 2015 and 2014, respectively, are restricted by the Authority's Board for emergency operating purposes or debt service.

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

Stamford Golf Authority

Notes to Financial Statements

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 and frequent use cards that were not utilized by the 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 principally 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 consist of the following types of accounts at December 31, 2015 and 2014:

	2015	2014
Deposits with financial institutions	\$ 679,972	\$ 516,856

The carrying amount of the Authority's deposits with financial institutions was \$705,320 and \$515,496 (includes deposits in transit and outstanding withdrawals) and the actual bank balance was \$679,972 and \$516,856 at December 31, 2015 and 2014, respectively. The investments as of December 31, 2015 are certificates of deposit with FDIC insured banks. The bank balances were all within FDIC insured limits as of December 31, 2015 and 2014, and it is the Authority's written policy to ensure all bank balances are within FDIC insured limits.

Stamford Golf Authority

Notes to Financial Statements

Note 3. Capital Assets

Capital asset activity for the years ended December 31, 2015 and 2014 are as follows:

		December 31, 2015				
	Useful Life (Years)	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance	
Capital assets not being depreciated:						
Construction in progress	N/A	\$ -	\$ -	\$ -	\$ -	
Capital assets being depreciated:						
Golf course development and improvements	12-40	3,996,323	-	-	3,996,323	
Tennis courts	15	18,775	-	-	18,775	
Fencing	15	48,747	-	-	48,747	
Maintenance equipment and golf carts	5-12	1,602,748	9,000	-	1,611,748	
Building improvements	4-20	899,831	-	-	899,831	
Office furniture and fixtures	5-10	94,480	-	-	94,480	
Driving range	10	2,977,385	28,000	-	3,005,385	
Irrigation system	12	1,782,213	-	-	1,782,213	
Total capital assets being depreciated		11,420,502	37,000	-	11,457,502	
Less accumulated depreciation		(5,876,016)	(449,183)	-	(6,325,199)	
Net capital assets		\$ 5,544,486	\$ (412,183)	\$ -	\$ 5,132,303	

		December 31, 2014				
	Useful Life (Years)	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance	
Capital assets being depreciated:						
Golf course development and improvements	12-40	\$ 4,002,554	\$ -	\$ (6,231)	\$ 3,996,323	
Tennis courts	15	18,775	-	-	18,775	
Fencing	15	48,747	-	-	48,747	
Maintenance equipment and golf carts	5-12	1,274,659	328,089	-	1,602,748	
Building improvements	4-20	876,072	17,528	6,231	899,831	
Office furniture and fixtures	5-10	94,480	-	-	94,480	
Driving range	10	2,899,429	77,956	-	2,977,385	
Irrigation system	12	1,782,213	-	-	1,782,213	
Total capital assets being depreciated		10,996,929	423,573	-	11,420,502	
Less accumulated depreciation		(5,480,730)	(395,286)	-	(5,876,016)	
Net capital assets		\$ 5,516,199	\$ 28,287	\$ -	\$ 5,544,486	

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 \$279,849 and \$352,664 at December 31, 2015 and 2014, respectively.

Stamford Golf Authority

Notes to Financial Statements

Note 4. Commitments (Continued)

Future minimum rental payments under capital leases at December 31, 2015, were as follows:

2016	\$ 69,663
2017	56,231
2018	53,757
2019	109,938
2020	-
Total minimum lease payments	<u>289,589</u>
Less amounts representing interest	(18,107)
Present value of minimum capital lease payments	<u>271,482</u>
Less current portion	(62,777)
Capital lease obligation, net of current portion	<u><u>\$ 208,705</u></u>

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, 2015 and 2014, totaled \$345,489 and \$309,739, respectively.

Employment agreements: The Authority has employment agreements with certain employees which expire in December 2017. 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, 2015 was approximately \$1,858,000.

Note 5. Debt

Debt consists of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Term loans:		
The Authority has term loans from a bank utilized for golf course improvements. As of December 31, 2015, the loans bore interest at the rate of 3.250%, 3.875% and 4%	\$ 2,850,891	\$ 3,016,326
Less current maturities	(175,734)	(164,567)
	<u>\$ 2,675,157</u>	<u>\$ 2,851,759</u>

Aggregate maturities required on long-term debt as of December 31, 2015, are due in future years as follows:

2016	\$ 175,734
2017	182,169
2018	188,842
2019	195,762
2020	202,937
Thereafter	1,905,447
	<u><u>\$ 2,850,891</u></u>

Stamford Golf Authority

Notes to Financial Statements

Note 5. Debt (Continued)

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

During 2014, the golf course contained two restaurant facilities, which were leased separately by the Authority to one entity. These leases were terminated by the Authority in 2014. In May 2014, the golf course entered into a new lease with a new 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 2018. The Authority also leases tennis facilities under a lease that expires in May 2017. The total future minimum rental commitments as of December 31, 2015, were \$540,000.

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, 2015 and 2014 were \$33,758 and \$34,613, 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 started a medical expense reimbursement plan (MERP) in May 2014. 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. Subsequent Events

Subsequent events have been evaluated through June 3, 2016, the date the financial statements were available to be issued.