

McGladrey & Pullen

Certified Public Accountants

STAMFORD GOLF AUTHORITY

FINANCIAL REPORT

December 31, 2008

TABLE OF CONTENTS

| | |
|-------------------------------------|------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| <hr/> | |
| FINANCIAL STATEMENTS | |
| Statements of net assets | 2 |
| Statements of revenues and expenses | 3 |
| Statements of changes in net assets | 4 |
| Statements of cash flows | 5 |
| Notes to financial statements | 6-14 |

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stamford Golf Authority
Stamford, Connecticut

We have audited the accompanying statements of net assets of Stamford Golf Authority as of December 31, 2008 and 2007, and the related statements of revenues and expenses, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. 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 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 audits provide a reasonable basis for our opinion.

Management has chosen not to present a Management's Discussion and Analysis for the Stamford Golf Authority that accounting principles generally accepted in the United States of America require to supplement although not to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stamford Golf Authority as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

New Haven, Connecticut
June 24, 2009

STAMFORD GOLF AUTHORITY

STATEMENTS OF NET ASSETS

December 31, 2008 and 2007

| | 2008 | 2007 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Note 2) | \$ 648,626 | \$ 390,566 |
| Cash - Board restricted | 37,797 | 37,797 |
| Prepaid expenses and other current assets | 50,370 | 190,353 |
| Total current assets | 736,793 | 618,716 |
| Capital assets (Note 3) | 4,680,787 | 3,502,134 |
| Construction in progress (Note 10) | 126,581 | 291,228 |
| | \$ 5,544,161 | \$ 4,412,078 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 591,560 | \$ 218,883 |
| Other current liabilities | 70,351 | 60,143 |
| Current maturities of capital lease obligations (Note 4) | 82,798 | 66,205 |
| Current maturities of long-term debt (Note 5) | 78,933 | 50,830 |
| | 823,642 | 396,061 |
| Long-Term Liabilities | | |
| Security deposits | 37,797 | 37,797 |
| Capital lease obligations, less current maturities (Note 4) | 18,688 | 67,642 |
| Long-term debt, less current maturities (Note 5) | 1,658,480 | 911,564 |
| | 1,714,965 | 1,017,003 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 2,569,517 | 2,697,120 |
| Unrestricted | 436,037 | 301,894 |
| Total net assets | 3,005,554 | 2,999,014 |
| | \$ 5,544,161 | \$ 4,412,078 |

See Notes to Financial Statements.

STAMFORD GOLF AUTHORITY

STATEMENTS OF REVENUES AND EXPENSES

Years Ended December 31, 2008 and 2007

| | 2008 | 2007 |
|---|------------------|------------------|
| Operating Revenues | | |
| Greens | \$ 1,489,647 | \$ 1,410,553 |
| Driving range | 758,753 | 790,117 |
| Cart rental | 428,160 | 425,594 |
| Permits | 91,526 | 92,686 |
| Rent - restaurant and grill | 51,006 | 57,431 |
| Rent - pro shop | 45,800 | 46,932 |
| Rent - tennis shop | 13,230 | 12,600 |
| Sign rental | 8,750 | 8,750 |
| Other | 3,079 | 7,450 |
| | <u>2,889,951</u> | <u>2,852,113</u> |
| Operating Expenses | | |
| Salaries | 1,107,007 | 1,044,897 |
| Depreciation | 270,367 | 213,368 |
| Rent - City of Stamford | 307,827 | 325,311 |
| Seed, fertilizer and chemicals | 163,395 | 160,163 |
| Insurance | 147,626 | 150,869 |
| Payroll taxes | 124,699 | 112,671 |
| Utilities | 132,099 | 127,363 |
| Employee medical insurance | 111,783 | 101,490 |
| Equipment maintenance | 72,186 | 71,454 |
| Professional fees | 56,046 | 62,224 |
| Grounds maintenance | 82,254 | 72,866 |
| Building maintenance | 53,501 | 59,610 |
| Office supplies and expense | 52,683 | 51,726 |
| Driving range supplies | 36,036 | 34,417 |
| Pension expense | 28,133 | 27,250 |
| Telephone | 21,560 | 26,194 |
| Activity supplies | 15,859 | 26,530 |
| Security | 8,564 | 11,834 |
| Gasoline | 8,400 | 19,247 |
| Irrigation system | 16,154 | 20,783 |
| Training and education | 3,349 | 2,826 |
| Miscellaneous expense | 16,173 | - |
| | <u>2,835,701</u> | <u>2,723,093</u> |
| Net operating income | <u>54,250</u> | <u>129,020</u> |
| Nonoperating Revenues (Expenses) | | |
| Interest income | 10,900 | 11,932 |
| Interest expense | (58,610) | (76,667) |
| | <u>(47,710)</u> | <u>(64,735)</u> |
| Increase in net assets | <u>\$ 6,540</u> | <u>\$ 64,285</u> |

See Notes to Financial Statements.

STAMFORD GOLF AUTHORITY

STATEMENTS OF CHANGES IN NET ASSETS

Years Ended December 31, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|------------------------|---------------------|---------------------|
| Net Assets, beginning | \$ 2,999,014 | \$ 2,934,729 |
| Increase in net assets | <u>6,540</u> | <u>64,285</u> |
| Net Assets, ending | <u>\$ 3,005,554</u> | <u>\$ 2,999,014</u> |

See Notes to Financial Statements.

STAMFORD GOLF AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2008 and 2007

| | 2008 | 2007 |
|---|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Receipts from customers and users | \$ 2,889,951 | \$ 2,690,308 |
| Payments to suppliers | (1,368,794) | (1,397,630) |
| Payments to employees | (1,076,522) | (994,463) |
| Net cash provided by operating activities | 444,635 | 298,215 |
| Cash Flows From Capital Related Financing Activities | | |
| Purchase of capital assets | (368,322) | (120,830) |
| Payments toward construction of new property and equipment | (473,350) | (379,053) |
| Net cash used in capital related financing activities | (841,672) | (499,883) |
| Cash Flows From Non-Capital Related Financing Activities | | |
| Principal payments on notes | (197,900) | (999,589) |
| Proceeds from notes payable | 900,707 | 914,726 |
| Interest paid on debt | (58,610) | (73,502) |
| Net cash provided by (used in) capital financing activities | 644,197 | (158,365) |
| Cash Flows From Investing Activities | | |
| Interest on cash and cash equivalents | 10,900 | 11,932 |
| Net cash provided by investing activities | 10,900 | 11,932 |
| Net increase (decrease) in cash and cash equivalents | 258,060 | (348,101) |
| Cash and Cash Equivalents | | |
| Beginning | 428,363 | 776,464 |
| Ending | \$ 686,423 | \$ 428,363 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | |
| Operating Income | \$ 54,250 | \$ 129,020 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 270,367 | 213,368 |
| Loss on disposal of capital assets | 6,310 | - |
| Changes in assets and liabilities: | | |
| Decrease in prepaid expenses and other current assets | 139,983 | 31,399 |
| Decrease in accounts payable and accrued expenses | (26,275) | (75,572) |
| Net cash provided by operating activities | \$ 444,635 | \$ 298,215 |
| Supplemental Schedule of Non-Cash Capital Financing Activities | | |
| Property and equipment financed with capital lease | \$ 50,059 | \$ 28,703 |

See Notes to Financial Statements.

STAMFORD GOLF AUTHORITY

NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

Note 1. Nature of Business and Significant Accounting Policies

Nature of business

The Stamford Golf Authority (the Authority) operates the Sterling Farms Recreation Complex located at 1349 Newfield Avenue, Stamford, Connecticut. The City of Stamford (the City) created the Authority in accordance with the provisions of State of Connecticut Public Act 460 of the 1965 General Assembly by adoption of an ordinance on April 28, 1967. 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.

Revenue recognition

The Authority's revenue is mainly derived from golf fees, cart rentals, and driving range usage. The Authority records its revenue at the time the golfer plays a round of golf or purchases buckets of balls at the driving range.

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. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." 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: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins of the

STAMFORD GOLF AUTHORITY

NOTES TO FINANCIAL STATEMENTS, Continued December 31, 2008 and 2007

Committee on Accounting Procedures. In addition, the Authority has elected to apply those applicable pronouncements issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

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

Restricted cash on the accompanying statements of net assets include cash held in escrow for customers who are subleasing property at the Sterling Farms Recreation Complex from the Authority.

Capital Assets

Golf course improvements, equipment and other facilities: 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. Depreciation of other improvements, equipment, and other facilities is provided 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 expense as incurred and expenditures for significant improvements are capitalized.

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 FDIC insured limits from time to time. The Authority has not experienced any losses from such concentrations.

STAMFORD GOLF AUTHORITY

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2008 and 2007

Note 2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following types of accounts at December 31, 2008 and 2007:

| | <u>2008</u> | <u>2007</u> |
|--------------------------------------|-------------|-------------|
| Deposits with financial institutions | \$ 686,423 | \$ 428,363 |

The carrying amount of the Authority's deposits with financial institutions was \$686,423 and \$428,363 (includes deposits in transit and outstanding withdrawals) and the actual bank balance was \$819,722 and \$396,794 at December 31, 2008 and 2007, respectively. The bank balances are categorized as follows:

| | <u>2008</u> | <u>2007</u> |
|---|-------------------|-------------------|
| Amount insured by the FDIC, SIPC or collateralized with securities held by the Authority in its name | \$ 250,000 | \$ 100,000 |
| Uninsured and uncollateralized | 569,722 | 296,794 |
| | <u>\$ 819,722</u> | <u>\$ 396,794</u> |

STAMFORD GOLF AUTHORITY

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2008 and 2007

Note 3. Capital Assets

Costs relating to the capital assets and the related accumulated depreciation and amortization at December 31, 2008 and 2007 are as follows:

| | December 31, 2008 | | | | |
|--|------------------------|----------------------|---------------------|---------------------|---------------------|
| | Useful Life (Years) | Beginning Balance | Additions | Deletions | Ending Balance |
| Capital assets not being depreciated: | | | | | |
| Construction in progress | N/A | \$ 291,228 | \$ 473,350 | \$ (637,997) | \$ 126,581 |
| Capital assets being depreciated: | | | | | |
| Golf course development and improvements | 12-39 | 1,682,417 | 931,792 | (18,693) | 2,595,516 |
| Tennis courts | 15 | 2,726 | 18,775 | (2,726) | 18,775 |
| Fencing | 15 | 42,947 | - | - | 42,947 |
| Maintenance equipment | 5-10 | 940,189 | 51,570 | - | 991,759 |
| Building improvements | 4-20 | 674,806 | - | (3,500) | 671,306 |
| Office furniture and fixtures | 5-10 | 94,480 | - | - | 94,480 |
| Driving range | 10 | 1,706,883 | 453,194 | (8,174) | 2,151,903 |
| Irrigation system | 12 | 1,769,286 | - | - | 1,769,286 |
| Total capital assets being depreciated | | 6,913,734 | 1,455,331 | (33,093) | 8,335,972 |
| Less accumulated depreciation | | (3,411,600) | (270,367) | 26,782 | (3,655,185) |
| Net capital assets | | \$ 3,793,362 | \$ 1,658,314 | \$ (644,308) | \$ 4,807,368 |

| | December 31, 2007 | | | | |
|--|------------------------|----------------------|-------------------|---------------------|---------------------|
| | Useful Life (Years) | Beginning Balance | Additions | Deletions | Ending Balance |
| Capital assets not being depreciated: | | | | | |
| Construction in progress | N/A | \$ 100,183 | \$ 379,053 | \$ (188,008) | \$ 291,228 |
| Capital assets being depreciated: | | | | | |
| Golf course development and improvements | 12-39 | 1,456,549 | 225,868 | - | 1,682,417 |
| Tennis courts | 15 | 2,726 | - | - | 2,726 |
| Fencing | 15 | 38,747 | 4,200 | - | 42,947 |
| Maintenance equipment | 5-10 | 899,242 | 40,947 | - | 940,189 |
| Building improvements | 4-20 | 674,806 | - | - | 674,806 |
| Office furniture and fixtures | 5-10 | 94,480 | - | - | 94,480 |
| Driving range | 10 | 1,691,750 | 15,133 | - | 1,706,883 |
| Irrigation system | 12 | 1,717,893 | 51,393 | - | 1,769,286 |
| Total capital assets being depreciated | | 6,576,193 | 337,541 | - | 6,913,734 |
| Less accumulated depreciation | | (3,198,232) | (213,368) | - | (3,411,600) |
| Net capital assets | | \$ 3,478,144 | \$ 503,226 | \$ (188,008) | \$ 3,793,362 |

STAMFORD GOLF AUTHORITY

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2008 and 2007

Note 4. Commitments

Capital leases

The Authority leases maintenance equipment under capital leases which are treated in a manner similar to a purchase. The following is an analysis of the cost and accumulated depreciation of these leases included in golf course improvements, equipment, and other facilities: Equipment under capital leases for the years ended December 31, 2008 and 2007 consisted of the following:

| | 2008 | 2007 |
|-------------------------------|-------------------------|-------------------------|
| Sprayer | \$ 19,845 | \$ 19,845 |
| Turf equipment | 59,839 | 59,839 |
| Blower | 11,108 | 11,108 |
| Turf aerator | 4,500 | 4,500 |
| Digital water system | 12,000 | 12,000 |
| Maintenance equipment | 30,134 | 30,134 |
| E-Plex mower | 19,958 | 19,958 |
| EZ Go golf carts | 262,278 | 262,278 |
| Bunker rake | 7,840 | 7,840 |
| Fairway unit | 50,000 | 50,000 |
| GPS System | 17,541 | 17,541 |
| Torro Procure | 46,242 | 46,242 |
| Textron Club Car | 6,972 | 6,972 |
| Toro Greenmaster 3150 | 24,406 | 24,406 |
| Textron Ultra Greens Roller | 21,657 | 21,657 |
| Textron Carryall Turf | 7,046 | 7,046 |
| Turf Truckster | 20,510 | - |
| Turbine Blower | 31,060 | - |
| | <hr/> 652,936 | <hr/> 601,366 |
| Less accumulated depreciation | (397,545) | (364,742) |
| | <hr/> <u>\$ 255,391</u> | <hr/> <u>\$ 236,624</u> |

STAMFORD GOLF AUTHORITY

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2008 and 2007

Note 4. Commitments (Continued)

| | 2008 | 2007 |
|--|-----------|------------|
| Information Leasing Corporation - EZ Go golf cart lease expiring May 2009, bearing interest of 5.41% per annum, paid in six monthly installments per year, May through October, of \$8,465. Lease is secured by the EZ Go golf carts. | \$ 56,517 | \$ 108,590 |
| Textron Financial Corporation - maintenance equipment lease expiring October 2008, bearing interest of 5.5% per annum, due in six monthly installments per year, May through October, of \$415. Lease is secured by the maintenance equipment. | - | 2,492 |
| Toro Financing - maintenance equipment lease expiring October 2008, bearing interest of 6.77% per annum, due in six monthly installments per year, May through October, of \$1,462. Lease is secured by the maintenance equipment. | - | 8,772 |
| Textron Financial Corporation - maintenance equipment lease expiring May 2010, bearing interest of 5.35% per annum, due in six monthly installments per year, May through October, of \$1,292. Lease is secured by the maintenance equipment. | 9,045 | 16,799 |
| Textron Financial Corporation - maintenance equipment lease expiring May 2009, bearing interest rate of 5.25% per annum, due in six monthly installments per year, May through October, of \$418. Lease is secured by the maintenance equipment. | 2,510 | 5,021 |
| Textron Financial Corporation - Cushman Turf truckster lease expiring October 2010, bearing interest of 4.75% per annum, due in six monthly installments per year, May through October, of \$1,835. Lease is secured by the truckster. | 22,172 | - |
| John Deere Credit - maintenance equipment lease expiring April 2011, bearing interest of 7.9% per annum, due in six monthly installments per year, April through September, of \$1,158. Lease is secured by the maintenance equipment. | 13,901 | - |
| Total minimum lease payments required | 104,145 | 141,674 |
| Amount representing interest | (2,659) | (7,827) |
| Present value of minimum lease payments | 101,486 | 133,847 |
| Current portion of obligations under capital leases | (82,798) | (66,205) |
| | \$ 18,688 | \$ 67,642 |

STAMFORD GOLF AUTHORITY

NOTES TO FINANCIAL STATEMENTS, Continued December 31, 2008 and 2007

Note 6. Major Suppliers

During the year ended December 31, 2008, the Company purchased approximately 45% of its supplies from four suppliers. A loss of any of these suppliers could cause a possible loss of sales.

Note 7. Rental Income

The Authority leases the golf pro shop to a golf professional under a lease that will expire in December 2011. The lease also contains an option that grants the golf professional exclusive rights to rent space at the driving range for an additional monthly fee. The golf course contains restaurant and snack bar facilities, which are each leased separately by the Authority to one entity. Both of these leases expire in June 2012 although options for additional years are at the request of the lessee with rent to be determined. The Authority also leases tennis facilities under a lease that expires in May 2014. The total future minimum rental commitment as of December 31, 2008 is \$43,412.

Note 8. 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 contribute 3% of covered salary and 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, 2008 and 2007 totaled \$26,510 and \$27,250, respectively.

Note 9. 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.

Note 10. Construction in Progress

On September 8, 2005, the Authority entered into a construction agreement with The Turco Golf Company. The agreement includes renovations to certain holes on the golf course and cartpaths, plus the addition of a new practice area. The second phase of the agreement commenced in October 2006 and was completed in the second quarter of 2007. The third phase started in October 2007 and was completed in the third quarter of 2008. The fourth phase started in October 2008. As of December 31, 2008, the total contract completed to date for the fourth phase was \$413,200 and the estimated cost to complete was \$252,800.