

# **STAMFORD GOLF AUTHORITY**

**FINANCIAL REPORT**  
December 31, 2012

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## 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 the Stamford Golf Authority (the "Authority") which comprise the statement of net assets as of December 31, 2012 and 2011, and the related statements of revenues and expenses, changes in net assets and cash flows for the years then ended and the related notes to the 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 audit 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 Authority'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, 2012 and 2011 and the changes in financial position 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.

*McShady LLP*

New Haven, Connecticut  
June 7, 2013

**STAMFORD GOLF AUTHORITY**

**STATEMENTS OF NET ASSETS**

December 31, 2012 and 2011

	2012	2011
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 406,735	\$ 80,881
Cash - Board restricted	287,797	287,797
Investments - Certificates of Deposit (Note 2)	102,182	351,986
Accounts receivable	23,972	-
Prepaid expenses and other current assets	108,124	116,873
<b>Total current assets</b>	<b>928,810</b>	<b>837,537</b>
Capital assets, net of depreciation (Note 3)	5,802,178	5,946,805
	<b>\$ 6,730,988</b>	<b>\$ 6,784,342</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 213,524	\$ 120,442
Other current liabilities	64,340	54,891
Unearned revenue	28,949	29,581
Current maturities of capital lease obligations (Note 4)	13,924	25,913
Current maturities of long-term debt (Note 5)	153,518	142,342
<b>Total current liabilities</b>	<b>474,255</b>	<b>373,169</b>
Noncurrent Liabilities		
Security deposits	37,797	37,797
Capital lease obligations, less current maturities (Note 4)	5,750	8,799
Long-term debt, less current maturities (Note 5)	3,161,335	3,380,221
<b>Total noncurrent liabilities</b>	<b>3,204,882</b>	<b>3,426,817</b>
<b>Total liabilities</b>	<b>3,679,137</b>	<b>3,799,986</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	2,467,651	2,389,530
Unrestricted	584,200	594,826
<b>Total net assets</b>	<b>3,051,851</b>	<b>2,984,356</b>
	<b>\$ 6,730,988</b>	<b>\$ 6,784,342</b>

See Notes to Financial Statements.

STAMFORD GOLF AUTHORITY

STATEMENTS OF REVENUES AND EXPENSES  
Years Ended December 31, 2012 and 2011

	2012	2011
<b>Operating Revenues</b>		
Greens	1,504,366	758,633
Driving range	829,756	403,676
Cart rental	422,703	78,869
Permits	90,067	101,093
Rent - restaurant and grill	101,093	95,722
Rent - pro shop	50,643	40,917
Rent - tennis shop	15,298	14,853
Non-Resident Frequent Use Card	45,900	-
Other	15,123	38,904
	<b>3,220,236</b>	<b>2,935,940</b>
<b>Operating Expenses</b>		
Salaries	1,171,041	1,175,325
Depreciation	370,617	368,297
Rent - City of Stamford	331,963	316,054
Seed, fertilizer and chemicals	196,741	171,005
Insurance	135,601	79,305
Payroll taxes	120,265	126,820
Utilities	121,285	118,544
Employee medical insurance	109,785	120,356
Equipment maintenance and rental	141,445	132,557
Professional fees	83,386	15,133
Grounds maintenance	81,496	221,241
Building maintenance	61,130	99,153
Office supplies and expense	53,614	51,062
Driving range supplies	24,529	28,071
Pension expense	31,464	31,130
Telephone	16,994	17,340
Activity supplies	26,050	19,672
Security	5,606	8,921
Gasoline	26,471	22,946
Irrigation system	23,322	13,812
Training and education	1,774	2,827
	<b>3,134,579</b>	<b>3,139,571</b>
<b>Net operating income (loss)</b>	<b>85,657</b>	<b>(203,631)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	914	3,660
Interest expense	(177,798)	(186,209)
Insurance proceeds	158,722	311,001
	<b>(18,162)</b>	<b>128,452</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 67,495</b>	<b>\$ (75,179)</b>

See Notes to Financial Statements.

**STAMFORD GOLF AUTHORITY**

**STATEMENTS OF CHANGES IN NET ASSETS**

**Years Ended December 31, 2012 and 2011**

	2012	2011
Net Assets, beginning	\$ 2,984,356	\$ 3,059,535
Increase (decrease) in net assets	67,495	(75,179)
Net Assets, ending	\$ 3,051,851	\$ 2,984,356

See Notes to Financial Statements.

STAMFORD GOLF AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2012 and 2011

	2012	2011
<b>Cash Flows From Operating Activities</b>		
Receipts from customers and users	\$ 3,195,632	\$ 2,965,521
Payments to suppliers	(1,481,741)	(1,712,153)
Payments to employees	(1,170,941)	(1,173,397)
Net cash provided by operating activities	542,950	79,971
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of capital assets	(209,347)	(91,138)
Net cash used in capital related financing activities	(209,347)	(91,138)
<b>Cash Flows From Non-Capital Related Financing Activities</b>		
Principal payments on notes	(207,710)	(124,234)
Principal payments on capital leases	(31,681)	(36,517)
Interest paid on debt	(177,798)	(186,209)
Insurance proceeds	158,722	311,001
Net cash used in capital financing activities	(258,467)	(35,959)
<b>Cash Flows From Investing Activities</b>		
Interest on cash and cash equivalents	914	3,660
Redemption of investments	249,804	148,014
Net cash provided by investing activities	250,718	151,674
<b>Net increase in cash and cash equivalents</b>	325,854	104,548
<b>Cash and Cash Equivalents</b>		
Beginning	368,678	264,130
Ending	\$ 694,532	\$ 368,678
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating income (loss)	\$ 85,657	\$ (203,631)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	370,617	368,297
Changes in assets and liabilities:		
Decrease (increase) in prepaid expenses and other current assets	8,749	(21,627)
Increase in accounts receivable	(23,972)	-
Increase (decrease) in accounts payable and accrued expenses	93,082	(86,396)
Increase (decrease) in other current liabilities	9,449	(6,253)
(Decrease) increase in unearned revenue	(632)	29,581
Net cash provided by operating activities	542,950	79,971
<b>Supplemental Schedule of Non-Cash Capital Financing Activities</b>		
Equipment financed with capital lease	\$ 16,643	\$ -

See Notes to Financial Statements.



**STAMFORD GOLF AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

**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.

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 Procedure.

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 includes a balance of \$37,797, as of December 31, 2012 and 2011, of cash held in escrow for customers who are subleasing property at the Sterling Farms Recreation Complex from the Authority and \$250,000, as of December 31, 2012 and 2011, of cash restricted by the Authority's board for emergency operating purposes or debt service.

**STAMFORD GOLF AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2012 and 2011**

Investments

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

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 expense 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, and driving range usage. 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, gift and frequent use cards which 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 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, 2012 and 2011:

	2012	2011
Deposits with financial institutions	\$ 796,714	\$ 720,664

**STAMFORD GOLF AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, Continued**

December 31, 2012 and 2011

The carrying amount of the Authority's deposits with financial institutions was \$796,714 and \$720,664 (includes deposits in transit and outstanding withdrawals) and the actual bank balance was \$803,146 and \$760,331 at December 31, 2012 and 2011, respectively. The investments as of December 31, 2012 and 2011 are certificates of deposit with FDIC insured banks. The bank balances were all within FDIC insured limits as of December 31, 2012 and 2011 and it's the Authority's written policy to ensure all bank balances are within FDIC insured limits.

**Note 3. Capital Assets**

Costs relating to the capital assets and the related accumulated depreciation at December 31, 2012 and 2011 are as follows:

December 31, 2012				
Useful	Beginning	Additions	Transfers	Ending
Life (Years)	Balance			Balance

Capital assets not being depreciated:							
Construction in progress	N/A	\$ -	\$ -	\$ -	\$ -		
Capital assets being depreciated:							
Golf course development and improvements	12-40	3,982,054	1,770		3,983,824		
Tennis courts	15	18,775	-	-	18,775		
Fencing	15	42,947	-	-	42,947		
Maintenance equipment and golf carts	5-12	1,116,860	117,245	-	1,234,105		
Building improvements	4-20	744,300	106,975	-	851,275		
Office furniture and fixtures	5-10	94,480	-	-	94,480		
Driving range	10	2,899,429	-	-	2,899,429		
Irrigation system	12	1,782,214	-	-	1,782,214		
Total capital assets being depreciated		10,681,059	225,990	-	10,907,049		
Less accumulated depreciation		(4,734,254)	(370,617)	-	(5,104,871)		
Net capital assets		\$ 5,946,805	\$ (144,627)	\$ -	\$ 5,802,178		

**STAMFORD GOLF AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2012 and 2011**

		December 31, 2011		
	Useful Life (Years)	Beginning Balance	Additions	Deletions/Transfers
				Ending Balance
Capital assets not being depreciated:				
Construction in progress	N/A	\$ 546,232	\$ -	\$ (546,232)
Capital assets being depreciated:				
Golf course development and improvements	12-40	3,385,378	50,444	546,232
Tennis courts	15	18,775	-	-
Fencing	15	42,947	-	-
Maintenance equipment and golf carts	5-12	1,116,860	-	-
Building improvements	4-20	703,606	40,694	-
Office furniture and fixtures	5-10	94,480	-	-
Driving range	10	2,899,429	-	-
Irrigation system	12	1,782,214	-	-
Total capital assets being depreciated		10,043,689	91,138	546,232
Less accumulated depreciation		(4,365,957)	(368,297)	-
Net capital assets		\$ 6,223,964	\$ (277,159)	\$ 5,946,805

**Note 4. Commitments**

**Leases**

The Authority leases maintenance equipment under capital leases. Equipment under capital leases for the years ended December 31, 2012 and 2011 consisted of the following:

	2012	2011
Maintenance equipment and golf carts	\$ 133,718	\$ 117,075
Less accumulated depreciation	(30,816)	(20,135)
	\$ 102,902	\$ 96,940

Future minimum rental payments under capital leases at December 31, 2012, were as follows:

2013	\$ 14,364
2014	5,816
Total minimum lease payments	20,180
Less amounts representing interest	(506)
Present value of minimum capital lease payments	19,674
Less current portion	(13,924)
Capital lease obligation, net of current portion	\$ 5,750

**STAMFORD GOLF AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2012 and 2011**

The Authority leases the land and buildings of the complex from the City of Stamford under a twelve-year lease, expiring June 30, 2019, which provides for two additional five-year terms at the Authority's request. The rent is 1% 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 based on the actual prior year gross revenue. Rent expense for each of the years ended December 31, 2012 and 2011 totaled \$331,963 and \$316,054, 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, 2012 is approximately \$1,434,000.

**Note 5. Debt**

Debt consists of the following as of December 31, 2012 and 2011:

	2012	2011
Term Loans: The Authority has term loans from a bank utilized for golf course improvements. As of December 31, 2012, the loans bore interest at the rate of 5.25%, 4.5%, and 5.125%.	\$ 3,314,853	\$ 3,522,563
Less current maturities	(153,518)	(142,342)
	\$ 3,161,335	\$ 3,380,221

Aggregate maturities required on long-term debt as of December 31, 2012 are due in future years as follows:

	2013	2014	2015	2016	2017	Thereafter
	\$ 153,518	147,317	154,946	162,971	171,413	2,524,688
						\$ 3,314,853

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 golf course contains two restaurant facilities, which are each leased separately by the Authority to one entity. Both of these leases expire in December 2017. 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 2014. The total future minimum rental commitments as of December 31, 2012 are \$938,314.

**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, 2012 and 2011 totaled \$31,464 and \$31,130, 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.

**Note 9. Subsequent Events**

Subsequent events have been evaluated through June 7, 2013, the date the financial statements were available to be issued.