

CITY OF PORT ORANGE

1000 CITY CENTER CIRCLE PORT ORANGE, FLORIDA 32129 TELEPHONE 386-506-5500 FAX 386-756-5290 www.Port-Orange.org

March 18, 2009

GOLF COURSE BOARD OF DIRECTORS MEETING

The Regular Meeting of the Port Orange Golf Course Board of Directors will be held on Tuesday, March 24, 2009, at 4:30 p.m. in the City Manager's Conference Room, Port Orange City Hall, 1000 City Center Circle, Port Orange, Florida.

Sincerely,

Kenneth W. Parker
City Manager

kwp/rlg

cc: Allen Green, Board Member
Margaret Roberts, City Attorney
John Shelley, Finance Director
Jim Hahn, KemperSports
Rich Carter, KemperSports
Donald Koerner, The Golf Club at Cypress Head
Dennis Pickavance, The Golf Club at Cypress Head
Shirley Kelly, Deputy City Clerk

GOLF COURSE BOARD OF DIRECTORS MEETING CITY MANAGER'S CONFERENCE ROOM 1000 CITY CENTER CIRCLE PORT ORANGE, FLORIDA

MINUTES OF THE JANUARY 27, 2009, MEETING

A meeting of the Golf Course Board of Directors was held on January 27, 2009, and was convened at 4:30 p.m.

Present at the meeting were:

Allen Green, Board Member

Kenneth W. Parker, Board Member John Shelley, Finance Director Margaret Roberts, City Attorney Jim Hahn, KemperSports

Rick Carter, KemperSports
Don Koerner, KemperSports

Dennis Pickavance, KemperSports

A motion was made by Ken Parker, seconded by Allen Green, to approve the minutes of the October 21, 2008, meeting. The motion carried.

Don Koerner presented the Financial Report for December. Revenues for the month were \$143,732, which is negative \$20,597. Year to date revenue is \$406,118, which is negative by \$33,233. Cost of sales for the month of December was \$14,987. Payroll for the month of December was \$63,152, which is positive by \$2,880. Expenses for the month of December were \$40,047, which is positive by \$18,139. Net income for the month of December was \$2,255 which is positive by \$2,743.

A motion was made by Mr. Parker, seconded by Allen Green, to approve the Financial Report. The motion carried.

The Evaluation Report was presented by Mr. Koerner. The Pro Shop received the same rating; Administrative Offices received same rating; Restaurant and bar down .1 since carpets need cleaning. The banquet room received the same rating. The kitchen received the same rating; clubhouse restrooms/hallway received the same rating. The clubhouse entrance/parking lot/cart barn moved down .1, since some plantings are needed but have not been completed due to budget constraints.

Tee conditions received the same rating; fairway conditions moved up .1 since they are in great condition; primary rough received the same rating; common rough moved up .1 since it is dry and manageable and clearing has been done in some areas; greens conditions moved up .1 since they are in very good condition due to a very good overseed this year; bunkers moved down .1 since they could use some new sand but this

has been delayed due to budget constraints; course restrooms received the same rating; cart paths moved up .1 due to the grinding of the trip zones; fertilizer and chemical program received the same rating; maintenance and equipment received the same rating; maintenance facility received the same rating; golf carts rating down .1 since there are battery problems due to faulty wiring, which have been replaced under warranty. The overall rating is 6.40.

There was a discussion about the rates being charged at other courses. Mr. Carter stated that he didn't feel rates should be adjusted because if they were decreased, it would, in turn, be difficult to increase it later.

A motion was made by Mr. Parker, seconded by Mayor Green, to accept the Evaluation Report. The motion carried.

The meeting was adjourned at 5:10 p.m.

Allen Green, Board Member

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OF PORT ORANGE	Ł
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			P.	R THE FIVE	INCOME STATEMEN MONTHS ENDING FE	INCOME STATEMENT FOR THE FIVE MONTHS ENDING FEBRUARY 28, 2009	UARY 28. 20	60				
	CURRENT ACTUAL	CURRENT BUDGET	% OF 3UDGE	THIS LAST YEAR	% OF LAST YEA	YTD ACTUAL	YTD BUDGET	% OF BUDGE	YTD LAST YEAR	% OF	ANNUAL	% OF ANNUAL
REVENUES CENTRO A A VENUE	c	đ	8		00 0	250	c	90	0	90 80	٠	0.00
CONTRACT & CACATON	80 548	009 25	25.5	92 541	25	314.949	362.071	86.98	335,065	3	\$13,173	38.73
CARTS	48,850	52,361	93.29	53,332	91.60	221,779	240,854	92.08	236,806	93.65	582,001	38.11
PRO SHOP	7,398	8,350	88.60	8,004	92.43	33,274	43,100	77.20	41,430	80.31	109,450	30.40
DRIVING RANGE	3,851	4,500	85.58	4,239	90.85	17,980	21,800	82.48	19,043	94.42	51,200	35,12
FOOD & BEVERAGE	21,456	26,600	80.66	25,878	22.91 23.91	117,364	127,425	25.10	124,014	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	902,790 60,590	35.77
CITY SURCHARGER & R	4,630	006,4	94.49	5,157	3	576'07	73,000	X	44,123	\$\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	000°+1	70.00
TOTAL REVENUES	166,733	194,311	85.81	189,131	88.16	726,521	818,250	88.79	778,487	93.32	1,913,174	37.97
COST OF SALES			;		ì		i d	i	# C 2	9 129	65	16.96
PRO SHOP FOOD & BEVERAGE	4,789 9,077	5,304 10,374	90,29 £7.50	4,513	18. 18. 18.	28,730	27,744 49,696	7. Z.	52,665	80.38 90.33	18,073	46 29 29
TOTAL COST OF SALES	13.856	15,678	38.44	16,622	83.42	68,300	77,440	65,20	78,456	87.06	186,685	36.59
GROSS PROFIT	152,867	178,533	85.58	172,509	88.61	658,221	740,610	88.85	760,031	94.03	1,726,489	38.12
PAYROLL & RELATED	0170	0 073	9	6164	FF 9C1	4R 3138	49 622	77.79	45.866	105.35	120.193	40.20
CORRESPONDE A CROST NUIS	24 151	24 608	00 14	18.298	13.1	129 035	128,256	19001	111,731	115,49	310,661	41.54
CARTS	4.87	5.129	94.97	4.500	108.24	25,926	27,495	87.58	23,940	108.30	66,563	38.89
PRO SHOP	8,327	8,836	94.24	1,944	104.82	43,581	46,874	67.97	45,444	95:30	113,972	38.24
FOOD & BEVERAGE	9,766	9,914	98.51	400 6	108.46	53,365	51,413	103.80	52,281	102.07	123,840	43.69
MARKETING	2,651	3,873	68.45	3,014	87.96	17,975	19,331	22.38	18,808	95.57	46,363	38.77
TOTAL PAYROLL & RELA	58,906	62,333	94.50	49,972	117.88	316,200	322,991	98.52	298,070	106.75	781,692	40.71
GENERAL & ADMIN	15 230	19,421	78.42	19.473	78.21	72,469	83,397	86.98	79,816	08'06	181,868	39.85
COURSE & GROUNDS	11,607	18,650	62.24	16,740	69.34	97,297	120,939	80.45	113,409	85.79	281,018	34.62
CARTS	4,359	4,765	91.48		95.32	22,005	22,925	95.99	22,493	97.83	55,930	39.34
PRO SHOP	(196 <u>)</u>	222	(87.11)	250	(78.40)	2,160	2,725	79.27	2,245	96.21 335.95	11,050	19.55
DRIVING KANGE	524	265	470.07	2014	561 37	11 607	13.600	85.35	11.797	9839	32,205	36.04
CITY SURCHARGE R & R	4.630	5,500	84.18	5,137	90.13	20,925	23,500	89.04	22,129	94.56	57,100	36.65
MAKKETING	985	2,200	17.1	1,656	59.48	10,282	15,310	67.16	13,504	76.14	39,730	25.88
TOTAL EXPENSES	38,565	53,501	72.08	50,628	77.09	238,801	283,096	84.35	266,005	77.68	661,176	36.12
NET OPERATING INCOM	55,396	62,799	88.21	72,509	76.40	101,220	134,723	75.13	135,956	74.45	283,621	35.69
MANAGEMENT FEE	8.458	8,458	100.00	8,212	103.00	42,289	42,290	100.00	41,058	103.00	102,258	41.36
INTEREST EXPENSE APPROP OF EQUITY	14,833	14,833	00.00	14,833	100.00	74,165	74,165	100.00 00.00	74,165 (11,665)	00:00 0:00	177,996 0	41.67
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NET INCOME	32,105	39,508	81.26	51,797	61.98	(15,234)	18,268	(83.39)	32,398	(47.02)	3,367	(452.45)

FOR MANAGEMENT PURPOSES ONLY



March 2009

GOLF EVENTS BANQUET SCHEDULE

Sunday	Monday	Tuesday	Wadnesday	Thrisday	Friday	Saturday
1	Sciano Group Humes Group	Marcum group Manson group Moontide group HOA	9 Hole Ladles Meeting in banquet room WGA member guest & lunch Campion group	5 MGA	6 Macnildes graup	Spruce Ck High Academy of Finance tournament & Junch 144 shotgun 8:30
8	9 Sciano Group Humes Group	10 Marcum group Manson group group Moontide group HOA	II WGA member guest & funch Campion group	12 MGA	Moontides group Pelican group outing & dinner	14 Gross Edington groups
15	16 Scienc Group Humes Group	17 Marcum group Manson group Moontide group HOA	18 Ovitt group 40 WGA member guest & lunch Campion group	19 MGA	20 Moortides group	21 Swacker group 32 March of Dimes Tournament & Lunch 100 Shotgun 8:30
22	23 Sciano Group Humes Group	24 Callahan group 40 Marcum group Menson group Moontide group HOA	25 WGA member guest & lunch Campion group	26 MGA	27 Haynes Birthday Party 7-11P Moontides group	28 Gross Edington groups Roby Birthdey Party 7:310:30P
29	30 Sciano Group Hurnes Group	31 Marcum group Manson group Group Moontide group HOA	1 2 8 9 15 16	Feb 2009 1 T W T F S 3 4 5 6 7 1 10 11 12 13 14 5 17 18 19 20 21 3 24 25 26 27 28	Apr 2009 S M T W T 1 2 5 5 7 8 9 12 13 14 15 16 19 20 21 22 23 26 27 28 29 30	3 4 10 11 17 18

Printed by Calendar Creator for Windows on 2/12/2009



April 2009

Monthly Planner

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
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5 PALM SUNDAY	SCIANO GROUP WGA VIP TOURN & LUNCH	7 manson hoa	8 9 HOLE LADIES WGA Campion group WGA CHAMPIONSHIP	9 MGA	10 GOOD FRIDAY	11 Casady Wedding
12 EASTER	13 SCIANO GROUP	14 MANSON HOA	15 9 HOLE LADIES WGA Campion group WGA CHAMPIONSIP LUNCH	16 MGA	17	18 SPACE COAST TOURN 100
19	CRANE LAKE DINNER SCIANO GROUP WEBB GROUP 20 T TIMES WEBB GROUP REPLAY 2:30	21 MANSON HOA	22 3 HOLE LADIES WGA Campion group	23 MGA	REGINA WALLACE BIRTHDAY PARTY WEBB GROUP 20 T TIMES WEBB GROUP REPLAY 2:30	25 MGA MEMBER GUEST
26	27 SCIANO GROUP	28 manson hoa	29 9 HOLE LADIES WGA Campion group PO CHAMBER LEAGUE 5PM	30 MGA		

Printed by Calendar Creator for Windows on 3/10/2009

Mar. 13. 2009 8:20AM CITY OF POR ORANGE

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February Weather, Revenue, Rounds Summary 2009 Vs. 2008

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February Weather, Revenue, Rounds Summary 2009 Vs. 2008

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DAY EFFECTED BY WFATHER -



500 Skokie Boulevard Suite 444 Northbrook, IL 60062 847 291 9666

March 10, 2009

Jan Parsons City of Port Orange 100 City Center Circle Port Orange, FL 32129

Dear Jan:

The following is a summary report for the month of February at Cypress Head. The narrative summary will help give you a look into what took place during the month. Attached you will also find the monthly financial income statement for your review.

Overview of Month:

February business was down compared to recent years. The weather was a big factor as the month started with near record cold temperatures and blustery north winds through the first week. This made for soft play on those days causing us to begin the month in very negative territory compared to both last year and the budget. On the days we saw good weather conditions, business trended at levels for a normal February. Unfortunately due to more bad weather through to the end of the month there weren't enough good days to make up the ground we had already lost.

February rounds were under at 5,313 compared to a budget of 5,550. Last year we did 5,965 rounds. Rounds are holding their own considering compared to the budget but the percentage down compared to our revenues down percentage continued to differ in February due to the type of fees we were able to collect. Overall revenue finished \$27,578 under budget as Green Fee and Cart revenue alone finished \$21,453 under budget. Because of the poor weather, a good portion of our paid rounds have come from league discount fees instead of rack rate fees. Our local regular league golfers seem to still show up more often in the bad weather where a good number of others with regular tee times that pay the daily rack rate chose not to play on those days. Also contributing to our Green Fee and Cart revenue shortfall, due to softness in the tee sheets from noon until 2:00 PM, to help us fill the voids we have adjusted the time for allowing the twi-lite fee at 1:00 PM instead of the intended 2:00 PM.

Breaking revenue shortfalls down further Pro Shop sales were under budget by \$971, the range was under by \$649, and F&B was under by \$5,144.

February	Actual	Budget	PY
Revenue	\$166,733	\$194,311	\$189,131
Payroll	\$58,906	\$62,333	\$49,972
cogs	\$13,866	\$15,678	\$16,622
Monthly Expenses	\$38,565	\$53,501	\$50,028
NOI / less Mgt. Fee & Int.	\$32,105	\$39,508	\$51,797
Rounds	5,313	5,550	5,965
Average rate	\$25.23	\$27.90	\$25.32

NOI/YTD less Mgt. Fee, Interest Expense

Under budget by \$33,502.

Revenue Breakdown

- Rounds played 5,313, 4% under budget of 5,550, compared to last year 5,965, under 11%.
- Green Fee & Cart Fee \$134,029 vs. a budget of \$154,861 under 13%, compared to last year \$151,010 under 11%.
- Merchandise \$7,398 compared to \$8,350 budget, under 11%, compared to last year \$8,004 under
- Driving Range \$3,851 compared to \$4,500 budget, under 14%, compared to last year \$4,239 under 9%.
- Food & Beverage \$21,456 compared to \$26,600 budget, under 19%, compared to last year \$25,878 under 17%.
- City Sur-Charge \$4,630 compared to \$4,900 budget, under 6%, compared to last year \$5,137 under 10%.

Payroll / Expenses Breakdown

For the third month in a row, expenses are where we saw a significant overall savings. This month was \$14,936 under budget. Again this month some of this saving is real but some is for things we were able to put off to the future if needed. \$7,043 came from Course and Grounds. Marketing was able to save \$1,215. G&A also saw a saving of \$4,191. F&B saved \$1,355. Smaller fluctuations over and under were seen in other departments.

Payroll this month was under budget by \$3,427.

As usual we will continue to look for ways in all departments to curb operating expenses and excess payroll costs.

- Payroll \$58,906 vs. a budget of \$62,333 under 5%
- Expenses \$38,565 vs. a budget of \$53,501 under 28%
- Merchandise Cog's were 70%
- Food & Beverage Cog's were 42%

Golf Course

- The golf course remains is in very good condition. We continue to receive many compliments from the golfers.
- Again this month we have been able to show a significant saving in C&G. Moving forward Dennis will be watching his budget making savings when possible. We have discussed that we don't want to see conditions get behind where it will cost us more in the long run to fix.

Projects

In February we were focused on course and overall club conditions.

Marketing

- We continue to offer Internet tee times through our web site and conducting e-mail marketing with e-mail blast.
- Kate continues to reach out to the community in efforts to drive more business to Cypress Head. Business leads include Daytona Beach CVB, Golf Daytona, Port Orange/South Daytona Chamber, Daytona Cubs Organization, Port Orange YMCA, and Port Orange Community Trust.
- We are using print advertising to promote our web site.
- Kate continues to work very closely with Golf Daytona and the Beachside Hotel/Motels as we are booking late winter and spring tee times and small outings.
- Kate has made contacts and future business arrangements for golf with the new Port Orange La Ouinta and Comfort Suites hotels.

Weather

In February high and low temperatures were below average. We also saw below average rainfall. Rainfall Totals: 1.15 inches of rain Vs. an average of 2.74 inches historically for the month.

Average Air Temperature: Lows averaged 48.1*F, historical average of 49*F – Highs averaged 68.6*F, historical average of 71*F.

Summary

Because of the poor weather conditions in February is was difficult to gauge how much of a factor the economy actually was. Management feels that we still would have seen some softness compared to recent years due to what we saw on a couple good weather days at the end of February. An example, speaking to a local competitor about what both properties experienced on Saturday February 28, with good weather our golf courses experienced some softness on the tee sheets. The forecast did call for possible inclement weather but the day turned out to be good as the bad weather came the following days starting March off in the negative.

As we move forward, the Staff at Cypress Head will continue to work hard for positive bottom line results. We were pleased to see the operating expense savings again in February but expect to see this get more difficult as opportunities in this area seem to be getting harder to achieve. Along with trying to improve revenue, we will continue to implement ways to save on operating expenses in realistic ways without sacrificing the quality and experience at the golf course.

If you have any comments or suggestions, please do not hesitate to contact me directly.

Regards

Rich Carter

Regional Operations Executive

KemperSports

CC: Jim Stegall and Steve Skinner

The Golf Club at Cypress Head

DATE: 3/5/09 EVALUATION

Operated by KEMPERSPORTS Management

Course:

The Golf Club at Cypress Head

Contract Administrator

Jan Parsons/Chris Kucera

KSM Representatives

Rich Carter

General Manager

Don Koerner

Superintendent

Dennis Pickavance

Prepared by:

Kemper Sports Management, Inc. 500 Skokie Blvd. Suite 444 Northbrook, IL. 60062

4. Banquet Room	Evalu	ation		
A. Cleanliness/Orderly	5.7	10/08	0.0	04/09
•	5.7	11/08	0.0	05/09
B. Appearance	5.7	12/08	0.0	06/09
	5.7	01/09	0.0	07/09
C. Tables and Chairs	5.7	02/09	0.0	08/09
	0.0	03/09	0.0	09/09
•	5.7 5.7	01/09 02/09	0.0 0.0	07 08

Comments:

Overall room is in stable condition

- On Going Vacuum edges of walls & in corners Good 2/09
- On Going Cleaning & appearance of fans & light fixtures Good 2/09
- On Going Check if courtyard drainage is functioning Good 2/09
- On Going Clean vinyl Good 2/09
- On Going Check for paint bubbling and leaks Good 2/09

5. Kitchen	Evalu	ation		
A. Customer Service	6.2	10/08	0.0	04/09
	6.2	11/08	0.0	05/09
B. Cleanliness	6.2	12/08	0.0	06/09
	6.2	01/09	0.0	07/09
C. Equipment	6.2	02/09	0.0	08/09
A A	0.0	03/09	0.0	09/09

Comments:

Overall kitchen is in good working order but equipment is ageing

- On Going Review last Health Dept. inspections Good, just had a visit at the start of March, no issues -2/09
- On Going Food stored properly Good 2/09
- On Going Clean & Presentable Good 2/09

<u>6.</u>	Club House Restrooms / Hallway	Evalu	ation		
A.	Cleanliness	6.5	10/08	0.0	04/09
		6.5	11/08	0.0	05/09
В.	Equipment	6.5	12/08	0.0	06/09
	• •	6.5	01/09	0.0	07/09
C.	Appearance	6.5	02/09	0.0	08/09
	FF	0.0	03/09	0.0	09/09
D.	Odor				

Comments:

Overall clean and orderly

- On Going Clean & Presentable Good 2/09
- On Going Odor free Good 2/09
- On Going Cleanliness of vents in ceiling of men and ladies room Good 2/09

7. Entrance/Ext. Clubhouse/Cart Barn **Evaluation** 0.0 04/096.7 10/08 A. Landscape 05/09 6.7 11/08 0.006/09 0.06.6 12/08 В. Signage 01/09 0.0 07/09 6.6 08/09 6.6 02/09 0.0Parking Lot C. 0.0 09/09 03/09 0.0

D. Cement Walkways

Comments:

Overall the clubhouse and it's surrounding is aging and in need of constant attention

- On Going Replace beds of annuals could use new plantings in pots, watching budget due to lack of revenues. We are meeting with the city on February 20th to get a clearer vision on spending for this budget cycle. 1/09 We will be replacing plants in front of the clubhouse gradually over the next two months. By 5/09
- On Going Fascia board & Trim in need of cleaning Good -2/09
- On Going Clean Windows Good 2/09
- On Going Litter free, cigarette butts Good 2/09
- On Going Dirt and cob webs off of building Good 2/09
- On Going Landscaping appearance, trimming & weed free Good 2/09
- 10/08 Trimmed core grass around the clubhouse grounds and surrounding area 10/08

8. First Tee Area / Putting Green / Range Evaluation

Α.	Cut	6.7	10/08	0.0	04/09
	Cut	6.8	11/08	0.0	05/09
B.	Health	6.8	12/08	0.0	06/09
	1100000	6.8	01/09	0.0	07/09
C.	Starter Area	6.7	02/09	0.0	08/09
٠.	Starter Trival	0.0	03/09	0.0	09/09

D. Bag Drop

Comments:

Overall the first tee area is well kept and attractive

- On Going Edge & Pine Straw all beds around benches & lights A bit worn and being held off due to budget savings 2/09
- On Going Bag Drop Stand clean & orderly Good 2/09

9. Tee Conditions-Overall Evaluation 6.7 10/08 6.7 11/08

			0.7	10/08	0.0	U4/U7
A.	Cut		6.7	11/08	0.0	05/09
2 2.			6.7	12/08	0.0	06/09
B.	Health		6.7	01/09	0.0	07/09
2.			6.6	02/09	0.0	08/09
C.	Appearance	•	0.0	03/09	0.0	09/09

D. Playability

Comments:

We are starting to see boxes that have areas that need to be leveled

- On Going Divots continue to be filled on a regular basis Good 2/09
- On Going Quality of Cut Good 2/09
- On Going Color & appearance over-seeded on October 20, 2008, Over-seed presently very green in contrast to the dormant Bermuda Grass- 1/09 Getting a bit worn from the heavier traffic during this time of year 2/09
- On Going Conditions because of wear and tear from heavy play Good but showing some wear 2/09

04/00

nη

10. Fairway Conditions	Evaluation			
A. Cut	6.9	10/08	0.0	04/09
	7.0	11/08	0.0	05/09
B. Health	7.0	12/08	0.0	06/09
	7.0	01/09	0.0	07/09
C. Appearance	7.0	02/09	0.0	08/09
I'A	0.0	03/09	0.0	09/09
D. Playability				

Comments:

Overall the fairways are very healthy, will need to monitor mole cricket activity in spring 2009

- On Going Quality of cut, density, & playability Good 2/09
- On Going Color & Appearance Good, bright green over-seed compared to the dormant Bermuda Grass 2/09
- On Going Weed control Very Good 2/09
- On Going Quality and consistency of Winter over-seed Very Good coverage 2/09
- On Going Conditions of fairways for wetness and mowing schedules being kept Dry weather but irrigating, Good condition -2/09

11. Primary Rough Conditions	Evaluation			
A. Health	6.6	10/08	0.0	04/09
	6.6	11/08	0.0	05/09
B. Cut	6.6	12/08	0.0	06/09
	6.6	01/09	0.0	07/09
C. Appearance	6.6	02/09	0.0	08/09
• •	0.0	03/09	0.0	09/09
D. Playability				

Comments:

- Overall the rough is very healthy and consistent, will need to monitor mole cricket activity in spring 2009
- On Going Pine straw beds presently Good but starting to wear thin, could be a possible budget saving area 2/09
- On Going Quality of cut, density, & playability Good 2/09
- On Going Color & Appearance Golden Brown due to freeze, normal winter conditions when we get cold temperatures 1/09 turning green as the warmer temperatures return 2/09
- On Going Weed control Pre emerged for winter and spring weed control in October 11/08- presently good 2/09
- On Going Conditions of rough for wetness and mowing schedules being kept Good 2/09

12. Common Rough Conditions	Evaluation			
A. Health	6.0	10/08	0.0	04/09
•	6.1	11/08	0.0	05/09
B. Cut	6.1	12/08	0.0	06/09
	6.1	01/09	0.0	07/09
C. Appearance	6.2	02/09	0.0	08/09
- *1	0.0	03/09	. 0.0	09/09
D. Playability				

Comments: Wet areas will continue to be our biggest challenge on the golf course

- On Going Palmettos and clearing bushy areas around the course Will be starting in winter. We trimmed Pampas Grass around the course 11/08 presently trimming areas on the back 9 12/08 randomly clearing areas in need 2/09
- On Going Conditions for wetness and mowing schedules being kept on areas bordering the course-Good 2/09
- On Going- Pine straw areas We have replenished in spots around the course with the remaining supply on hand. Moving forward in 2009 we will do what we can with new pine straw considering budget cuts 2/09
- On Going Lake Bank maintenance Good, the freeze has also contributed 2/09

13. Greens Co	<u>nditions</u>	Evalu	<u>ation</u>		
A. Health				0.0	0.4/0.0
	•	6.9	10/08	0.0	-04/09
B. Cut		6.9	11/08	0.0	05/09
		7.0	12/08	0.0	06/09
C. Appearance		7.0	01/09	0.0	07/09
		6.9	02/09	0.0	08/09
D. Playability		0.0	03/09	0.0	09/09

Comments: Overall we continue to have healthy and good rolling greens

- 10/08 Report of progress & treatments of the ferry rings by Superintendent Dennis Pickavance Up to Date as Ferry Rings have disappeared at this time 10/08
- On Going Smoothness & speed of ball roll Good 2/09
- On Going Greens over-seed condition over-seeded on October 20, good and consistent germination presently good but the over seed is showing a few dry hot spots from recent warm and dry weather 2/09
- 10/08 John Foy from the USGA was here in August 08 Report complete and forwarded to the City 10/08

14. Bunkers	<u>Evaluation</u>			
A. Appearance	6.3	10/08	0.0	04/09
	6.3	11/08	0.0	05/09
B. Texture	6.2	12/08	0.0	06/09
<u> </u>	6.2	01/09	0.0	07/09
C. Playability	6.2	02/09	0.0	08/09
	0.0	03/09	0.0	09/09
D. Conditions			ŕ	

Comments:

Overall the bunkers have been weathered this past summer, in good condition but could use a little new sand

- On Going Bunkers, edged & raked New sand could be used in some bunkers, put off by budget savings in December We are meeting with the city on Feb 20 to discuss 1/09 We did purchase some new sand and will be gradually adding to replenish, presently Good 2/09
- On Going Waste bunker weed free & cultivated Good 2/09
- On Going Bunkers dry and able to be maintained Good– 2/09
- On Going Waste bunkers dry enough to maintain Good 2/09

15. Course Restrooms	Evaluation			
A. Cleanliness	6.4	10/08	0.0	04/09
•••	6.4	11/08	0.0	05/09
B. Equipment	6.4	12/08	0.0	06/09
21	6.4	01/09	0.0	07/09
C. Appearance	6.3	02/09	0.0	08/09
Or Approximate	0.0	03/09	0.0	09/09
D. Odor				

Comments:

Overall the rest rooms are clean and odor free

- On Going Touch up paint on inside walls & floor Need to paint floors by 5/09
- On Going Clean & Presentable Good 2/09
- On Going Odor free Good 2/09
- On Going Cleaning schedule being kept Good 2/09
- On Going Outside appearance, roof and walls and floor outside Good 2/09

16. Cart Paths	Evaluation			
A. Edging	6.3	10/08	0.0	04/09
• · · · · · · · · · · · · · · · · · · ·	6.3	11/08	0.0	05/09
B. Trimming of shrubs	6.4	12/08	0.0	06/09
	6.4	01/09	0.0	07/09
C. Tee Signs / Beds	6.4	02/09	0.0	08/09
	0.0	03/09	0.0	09/09

D. Curbing / Corners

E. Bridges

Comment:

Overall paths are looking very clean

- On Going Drop off / pot holes along the path, stakes to keep carts off good 2/09
- On Going Tee sign beds, weed control & fresh pine straw In need of fresh pine straw by 1/09 replenished in needed spots We will do what we can with the supply on hand, future replenishment depends on budget savings 12/08 Good 1/09 Pine straw areas beginning to show wear. Again may be a possible source of budget savings 2/09
- On Going Edge cart paths Good 2/09
- On Going Palmetto control along cart paths Good 2/09
- On Going Check for uneven pavement and trip hazards Inspection and grinding from city by 12/08 City was out to grind trip hazard zones, approximately over 25 areas of grinding took place 12/08 Finished grinding 1/09 Good 2/09

<u>17</u> .	Fertilizer & Chemical Program	Evalu	<u>ation</u>		
Α.	Records	6.2	10/08	0.0	04/09
	6.2	11/08	0.0	05/09	
В.	Up-Date	6.2	12/08	0.0	06/09
2.	CF Zano	6.2	01/09	0.0	07/09
C.	Per Maintenance Plan	6.2	02/09	0.0	08/09
		0.0	03/09	0.0	09/09

Comments:

Overall in good order

D. Material Storage

- On Going All application schedules are being followed Good 2/09
- On Going All records are up to date Good 2/09
- On Going All materials are stored properly and orderly Good 2/09
- 1/09 EN50 Report filled out and sent to the St. Johns, 1/09

18. Maintenance Equip. Fleet Conditions Evaluation

A. Preventative Care	6.7	10/08	0.0	04/09
Zi. Zieventuure oure	6.7	11/08	0.0	05/09
B. Appearance	6.7	12/08	0.0	06/09
D. Appearance	6.7	01/09	0.0	07/09
C. Storage Area	6.7	02/09	0.0	08/09
C. Otorago Inc.	0.0	03/09	0.0	09/09
D. Maintenance				

Comments: Overall we have the necessary equipment

- On Going Track all repairs on every piece of equipment in the fleet Good 2/09
- On Going Work stations are neat and orderly Good 2/09

19. Maintenance Facility	<u>Evaluation</u>			
A. Surrounding Compound	6.0	10/08	0.0	04/09
,	6.0	11/08	0.0	05/09
B. Offices & Break Room	6.0	12/08	0.0	06/09
2. 3	6.0	01/09	0.0	07/09
C. Safety Hazards	6.0	02/09	0.0	08/09
O. 54100y 22-24-4-	0.0	03/09	0.0	09/09
D. Pump House Cleanliness				

Comments: Overall building is in good condition and functional, in need of storage shelters for some equipment

- On Going Overall appearance of compound Good 2/09
- On Going Office is clean and orderly Good 2/09
- On Going Break room is clean and orderly Good 2/09

<u>20.</u>	. Golf Cart Fleet	<u>Evaluation</u>			
A.	Appearance	6.4	10/08	0.0	04/09
	6.3	11/08	0.0	05/09	
B.	Mechanical function	6.3	12/08	0.0	06/09
20.		6.2	01/09	0.0	07/09
C.	Batteries Watered	6.0	02/09	0.0	08/09
		0.0	03/09	0.0	09/09

Comments: The present fleet will be entering its third year in April 2009 and is starting to show their age

• On Going - The general condition - Having a battery issue due to faulty wiring, under warranty and EZGO is cooperating - 12/08 - Battery issue has gotten worse as we are seeing carts loosing power in the afternoons not allowing them to go 36 holes. EZGO continues to address the problem and replacing batteries without hesitation. - 1/09 Our battery problem continues as EZGO has been very cooperative but we are still getting carts that loose their charge on their second 18 holes for the day. EZGO is changing out batteries per our warranty and will continue until the problem is corrected - 2/09

The purpose of the evaluation is to assure that the golf course continues to move forward in a positive direction, and if there are weaknesses, we address them as soon as possible.

The final ratings will be based on the categories listed, plus the feeling, ideas and experience of the raters. Any suggestions or changes made by the raters should be addressed at once. The ratings are based on a scale of 1-10.

Rating Summary:

Needs Improvement 1.0 to 4.9

Average: 5.0 Good: 6.0 Excellent: 7.0

Outstanding: 8.0 to 10.0

Outstanding: o.o to ro.o				
Current Overall Rating:	6.39	10/08	0.00	04/09
0	6.40	11/08	0.00	05/09
	6.40	12/08	0.00	06/09
	6.39	01/09	0.00	07/09
	6.37	02/09	0.00	08/09
	0.00	03/09	0.00	09/09

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I.R.S. Representation

Estate and Trust Planning

Financial Planning



Golf Club at Cypress Head, Inc.

FINANCIAL STATEMENTS
AND
AUDITORS' REPORTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

GOLF CLUB AT CYPRESS HEAD, INC.

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2008

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Port Orange, Florida

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BRENT MILLIKAN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Golf Club at Cypress Head, Inc., and
Honorable Mayor, City Council,
City Port Orange, Florida

We have audited the accompanying financial statements Golf Club at Cypress Head, Inc. of City of Port Orange, Florida as of and for the year ended September 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Golf Club at Cypress Head, Inc.'s, and of the City of Port Orange, Florida'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 in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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.

As discussed in Note 1, the financial statements present only the Golf Club at Cypress Head, Inc., and do not purport to, and do not, present fairly the financial position of City of Port Orange, Florida, as of September 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Golf Club at Cypress Head, Inc. of City of Port Orange, Florida, as of September 30, 2008, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated February 19, 2009, on our consideration of Golf Club at Cypress Head, Inc. of City of Port Orange, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Brest Milliams Co., Pt

February 19, 2009

STATEMENT OF ASSETS AND LIABILITIES

September 30, 2008 GOLF CLUB AT CYPRESS HEAD, INC. Port Orange, Florida

Assets:				
Current Assets:	Φ.	00 (70		
Cash and cash equivalents	\$	98,679		
Accounts receivable		86,317		
Due from the City of Port Orange, Florida		128		
Prepaid expenses		7,493		
Deposits		4,500		
Inventories		53,230		
Total current assets			\$	250,347
Property and Equipment:				
Building improvements		64,835		
Furniture and fixtures		28,919		
Machinery and equipment		20,099		
man along		113,853		
Less: accumulated depreciation		(46,667)		
Net property and equipment			_	67,186
Total assets			<u>\$</u>	317,533
Liabilities: Current Liabilities:				
Accounts payable	\$	48,718		
Accounts payable		55,375		
Revenue billed in advance		213,440		
Revenue office in advance				
Total liabilities			<u>\$</u>	317,533

STATEMENT OF REVENUE AND EXPENSES

Fiscal Year Ended September 30, 2008 GOLF CLUB AT CYPRESS HEAD, INC. City of Port Orange, Florida

Operating Revenue:		
Charges for Services:	\$ 719,687	
Greens fees and membership charges	575,919	
Cart rentals and trail fees		
Pro-shop sales and merchandise	150,111	
Food and beverage sales	300,175	
Restricted fund surcharges	105,770	
Total charges for services		<u>\$ 1,851,662</u>
Operating Expenses:		
Personal services	740,814	
Cost of sales	191,350	
Materials and supplies	148,532	
Utilities	95,724	
Maintenance and repairs	42,136	
Depreciation	8,007	
Other charges	125,205	
Contractual services.	136,519	
Contractual services.	120,012	
Total operating expenses		1,488,287
Operating income available to City of Port Orange, Florida		
before transfers		363,375
Transfers from (to) the City of Port Orange, Florida:		
Transfers out:	(12,248)	
Funding for net income from operations	(178,001)	
For debt service charges	(170,001) $(120,240)$	
For maintenance and usage of equipment	(55.000)	
For renewal and replacement surcharges	(32,000)	
Total transfers to the City of Port Orange, Florida		(363,375)
Net income after transfers		\$ -

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Fiscal Year ended September 30, 2008 GOLF CLUB AT CYPRESS HEAD, INC. Port Orange, Florida

Cash Flows From Operating Activities:	# 1 960 650		
Cash received from customers	\$ 1,869,659		
Cash paid for personal services	(729,977)		
Cash paid to suppliers	(737,177)		
Net cash provided by operating activities		\$	402,505
Cash Flows From Noncapital and Related Financing Activities:			
Cash payments to City of Port Orange, Florida			(363,375)
Net increase in cash and cash equivalents			39,130
Cash and cash equivalents, beginning of year			59,549
Cash and cash equivalents, end of year		<u>\$</u>	98,679
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 363,375		
Adjustments to reconcile net operating income to net cash provided			
by operating activities:	0.005		
Depreciation and amortization	8,007		
Decrease (increase) in current assets:	4 < < 1.0		
Accounts receivable	16,619		
Due from/to City of Port Orange	(15,148)		
Prepaid expenses	10,440		
Deposits	(1,500)		
Inventories	(4,874)		
Increase (decrease) in current liabilities:			
Accounts payable	(1,614)		
Accrued liabilities	24,635		
Deferred revenue	2,565		
			100.505
Net cash provided by operating activities		<u>\$</u>	402,505

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008 GOLF CLUB AT CYPRESS HEAD, INC. Port Orange, Florida

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Golf Club at Cypress Head, Inc. (the "Golf Club") was incorporated on August 31, 2001, under the laws of the State of Florida and is the successor of Cypress Head Golf Club, Inc. which was incorporated on October 10, 1991. The Golf Club is engaged primarily in the management of the Golf Club at Cypress Head (the "Golf Course") and is wholly owned by the City of Port Orange, Florida. The accompanying financial statements were prepared to present only those financial activities of the Golf Course which are managed by the Golf Club. These financial statements are not intended to be a complete presentation of the Golf Course's assets, liabilities, revenue, and expenses.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. The use of this method of accounting identifies revenues and expenses with specific periods of time. Revenues are recorded when earned and expenses are recorded as incurred, without regard to the date of receipt or payment of cash.

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 disclosures. Accordingly, actual results could vary from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Golf Club considers all cash, demand deposit accounts, and highly liquid investments with original maturity dates of three months or less to be cash equivalents for purposes of reporting cash flows. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Accounts Receivable

Accounts receivable are reported at net realizable value. The receivables are stated net of an allowance for uncollectible accounts which has been provided based upon management's analysis of historical trends. Accounts deemed worthless are written off in the year they are determined to be worthless.

Inventories

Inventories are stated at lower of cost (average cost) or market value, whichever is lower. Inventories consist of retail golf merchandise, food, and beverages.

Property and Equipment

Property and equipment are accounted for and capitalized at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the assets' estimated useful lives. The estimated useful lives of the major classes of property and equipment are as follows:

Buildings and building improvements	20-40 years
Furniture and fixtures	5-7 years
Machinery and equipment	7-10 years

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2008 GOLF CLUB AT CYPRESS HEAD, INC. Port Orange, Florida

Revenue Recognition

Annual golf passes are recognized as revenue in the applicable membership period which is based on the fiscal year. Prepaid play cards are recognized as revenue as the prepaid rounds are played. Amounts billed in advance are appropriately recorded and captioned as "Revenue billed in advance" in the financial statements.

Operating Revenue and Expenses

Operating revenues and expenses are distinguished form non-operating revenues. Operating revenues and expenses generally result from providing services and delivering goods in connection with ongoing operations. The principal operating revenue of the Golf Club is charges for services.

Accrued Payroll and Accumulated Unpaid Vacation Pay

The portion of employees' payroll costs paid subsequent to year-end attributable to services performed prior to year-end is recorded and recognized as a current liability.

Income Taxes

The City of Port Orange is exempt from income taxes as a state or subdivision thereof. Since the Golf Club acts as an agent for the City of Port Orange, Florida, and has no assets, liabilities, revenue, or expenditures, the corporation has no corporate income tax liability.

Private Sector Standards of Accounting and Financial Statement Reporting

Private Sector standards of accounting and financial statement reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance, subject to the same limitations. The Golf Club has elected not to follow subsequent private sector guidance.

NOTE 2 - CASH AND INVESTMENTS

Interest Rate Risk. Generally, the Golf Club limits its exposure to fair value losses arising from increases in interest rates by limiting the investment of its operating funds in investments with maturities of less than one year. Substantially all of the Golf Club's surplus funds are invested in non-interest bearing demand deposit.

Credit Risk. The provisions of Section 218.415, Florida Statutes, require that the investment activity of the Golf Club be conducted in accordance with a written investment plan adopted by the governing body. Under that plan, allowable investment instruments include: bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America, interest bearing savings accounts, interest bearing certificates of deposit, and interest bearing time deposits, including those held with the Florida State Board of Administration investment pool.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2008 GOLF CLUB AT CYPRESS HEAD, INC. Port Orange, Florida

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Golf Club's deposits may not be returned to it. Pursuant to the applicable provisions of Chapter 280, Florida Statutes, The Florida Security for Public Deposits Act ("the Act"), the State of Florida, Department of Financial Services, Division of Treasury, Bureau of Collateral Management have established specific requirements relative to the security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State's Chief Financial Officer as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State's Chief Financial Officer to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Chief Financial Officer's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by a Qualified Public Depository Oversight Board with members appointed by the State Chief Financial Officer.

At September 30, 2008, the carrying amount of the Golf Club's deposits was \$97,079, all of which was covered by collateral securities in accordance with the Act. Also included in the Club's cash position at year end was \$1,600 of cash on hand used for daily operational purposes, not included in the Club's cash deposits described above.

NOTE 3 - RELATED PARTY TRANSACTIONS

Kemper Sports Management - Effective July 1, 2002, the City of Port Orange, Florida entered into a management agreement for operation of the Golf course with an independent sports management company. On October 24, 2006, the City Council approved a five year renewal extension to the existing contract. Under the terms of the agreement, the management company was initially paid \$85,000 per year, payable in advance in twelve monthly installments on the first business day of each month. Commencing July 1, 2003 (and on each July 1st thereafter during the term of this agreement), the base management fee is increased by three percent of the management fee for the preceding twelve month period. In addition to the base management fee the management company is entitled to an incentive fee equal to five percent of all gross receipts in excess of \$1,800,000 per annum, if any, plus five percent of all gross receipts attributable to sales of food and beverages in excess of \$350,000, if any. The total incentive fee cannot exceed \$85,000.

Management fees incurred for the year ended September 30, 2008 are as follows:

Golf Course Operations Management Incentive management fee	\$ 99,277	
Total management fees		\$ 99,277

City of Port Orange, Florida – Throughout the fiscal year, the City requires the Golf Club to manage and finance its operational affairs from its own cash funds. As surplus funds accumulated exceed, or do not meet, amounts historically needed to provide for its ongoing seasonal operations, cash funds are transferred to and from the City, respectively, as cash and operating reserves dictate.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2008

GOLF CLUB AT CYPRESS HEAD, INC.

Port Orange, Florida

During the year ended September 30, 2008, the following related party transactions occurred between the Golf Club and the City of Port Orange:

Golf Club expenses incurred by City for:	
Golf Club use of golf carts, equipment and rolling stock	\$ 120,240
Repayment of interfund capital loan	178,001
Repayment of interfund capital foat	5,378
Golf Club operating expenses incurred by City	5,510
Surcharge for restricted Renewal & Replacement reserve	(50.00()
collected and paid to City	(52,886)
Temporary cash transfers paid to City	(315,000)
City of Port Orange expenses incurred by Golf Club for:	(10.220)
Acquisition of City equipment (R&R)	(19,339)

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2008 is as follows:

	Beginning <u>Balance</u>	Increases	Decreases	Ending <u>Balance</u>
Capital assets being depreciated: Building improvements Equipment Total capital assets being depreciated	\$ 64,835	0	0	64,835
	<u>49,018</u>	0	0	49,018
	113,853	0	0	113,853
Less accumulated deprecation for: Building improvements Equipment Total accumulated depreciation Total capital assets being depreciated, net	14,874	4,532	0	19,406
	23,786	3,475	0	27,261
	38,660	8,007	0	46,667
	\$ 75,193	(8,007)	0	67,186

NOTE 5- LITIGATION

In the opinion of management, no legal proceedings are pending or threatened which may materially affect the financial condition of the activities of the Golf Club.

NOTE 6- RISK MANAGEMENT

Significant losses are covered by commercial insurance policies. There has been no significant reduction in insurance coverage nor have claims exceeded insurance coverage in any of the past three years.

BRENT MILLIKAN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of Golf Club at Cypress Head, Inc., and Honorable Mayor, City Council, City Port Orange, Florida

We have audited the financial statements of the business-type activities of Golf Club at Cypress Head, Inc. of City of Port Orange, Florida as of and for the year ended September 30, 2008, and have issued our report thereon dated February 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Golf Club at Cypress Head, Inc. of City of Port Orange, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Golf Club at Cypress Head, Inc. of City of Port Orange, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Golf Club at Cypress Head, Inc. of City of Port Orange, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Golf Club at Cypress Head, Inc. of City of Port Orange, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Golf Club at Cypress Head, Inc. of City of Port Orange, Florida's financial statements that is more than inconsequential will not be prevented or detected by the Golf Club at Cypress Head, Inc. of City of Port Orange, Florida's internal control.

To the Board of Directors of Golf Club at Cypress Head, Inc., and Honorable Mayor, City Council, City Port Orange, Florida Page 2

We consider the deficiencies described in the accompanying schedule of finding and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Golf Club at Cypress Head, Inc. of City of Port Orange, Florida's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Golf Club at Cypress Head, Inc. of City of Port Orange, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Golf Club at Cypress Head, Inc. of City of Port Orange, Florida's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Golf Club at Cypress Head, Inc. of City of Port Orange, Florida's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of Golf Club at Cypress Head, Inc., its Board of Directors and management, the State of Florida, Office of the Auditor General, the City Council of the City of Port Orange, Florida, and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

February 19, 2009

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SCHEDULE OF FINDINGS AND RESPONSES

Year ended September 30, 2008 GOLF CLUB AT CYPRESS HEAD, INC. OF CITY OF PORT ORANGE, FLORIDA

Segregation of Duties - Accounting Personnel

Due to the limited number of people working in the accounting office, many critical duties are combined and given to the available accounting personnel. Presently, a single individual prepares customer billing invoices, receives customer payments, prepares disbursement checks, reconciles bank accounts, records transactions and maintains the general ledger, and has access to banking information. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible.

Recommendation: We feel segregation could be improved if different accounting or staff personnel performed the separate duties of having access to banking information, processing cash receipts and cash disbursements, performing bank reconciliations, and maintain books of original entry. In addition, cross training personnel to perform different accounting functions aids in segregation goals as well as strengthening internal controls regarding dependency on certain accounting personnel in the event of absence or retirement.

<u>Management Response</u>: Due to the small size of the operation here at the Golf Club at Cypress Head staff is limited. Therefore we have taken steps to ensure that cash and accounting is handled using various checkpoints. The following steps are being taken:

- Controller does not have signing capabilities or access to any withdrawals, transfers or other cash transactions within the bank. Internet access to bank accounts is limited to "view only" on all accounts. The access password is changed every 30 days.
- Other management personnel as well as the cash handlers in the Pro Shop and Restaurant sign daily logs of all cash deposits. Deposits bags are sealed before being taken to the bank.
- A new vendor log is being used to show that the General Manager has approved all new vendors.
- Detailed procedures are written to be available to staff should the Controller be out of the office for any reason.