



Lexington-Fayette Urban County Government  
OFFICE OF INTERNAL AUDIT

## **INTERNAL AUDIT REPORT**

DATE: January 19, 2012

TO: Jim Gray, Mayor

CC: Richard Moloney, CAO  
Sally Hamilton, Commissioner of General Services  
Jane Driskell, Commissioner of Finance & Administration  
Jerry Hancock, Director of Parks & Recreation  
Phyllis Cooper, Director of Accounting  
Ryan Barrow, Director of Budgeting  
Susan Straub, Communications Director  
Urban County Council Members  
Internal Audit Board Members

FROM: Bruce Sahli, Director of Internal Audit

RE: Golf Course P&L Statement Review

### **Background**

This review was conducted at the request of two Council members who serve on the Internal Audit Board. The focus of their concerns was the accurate reporting of revenue and expenses at the various LFUCG golf courses. Their concerns were driven by conflicting reports of profit or loss experienced by the LFUCG golf courses. In particular, there was significant concern regarding the accuracy of the FY 2009 Profit & Loss (P&L) Statement (Attachment I) presented to the Council Services Committee on June 8, 2010 and the FY 2010 P&L Statement (Attachment II) provided to the Council Links Committee on April 20, 2011. There was also specific concern regarding an allegation that revenue collected by one golf course was being reported as collected at another golf course, as well as concerns regarding the movement of equipment between golf courses and the charging of certain

personnel costs to the golf courses. To provide some historical background regarding this issue, the following summary of events is provided.

The Council Services Committee requested that the Division of Parks & Recreation create an ad hoc Profit & Loss Statement for LFUCG Golf Course Operations. Parks Director Jerry Hancock presented a Fiscal Year 2009 P&L Statement to the Council Services Committee on June 8, 2010. Debt service was not included in this P&L Statement which caused the Committee to question its completeness. There was also an issue regarding the identification of utility costs at some of the golf courses due to potentially insufficient measurement capabilities. For example, it was represented to that Committee that Tates Creek Golf Course has only one meter each for water and electricity, making it difficult to separate those utility costs between the golf course and the Tates Creek pool.

Councilmember Jay McChord subsequently formed a work group with a purpose of making Lexington a golf destination (determining the true cost of LFUCG golf courses became a significant topic). The work group's first meeting was on August 19, 2010. Those in attendance included Councilmember Jay McChord; General Services Commissioner Kimra Cole; Andy Hightower, Executive Director of the Kentucky Club for Growth; Jerry Southers, Budget Analyst to Council; Paul Schoninger, Council Staff; Lori Henry, Legislative Aide to Councilmember McChord; Jerry Hancock, Director of Parks & Recreation; Mike Fields, Manager of Golf Services; Kim Bryan, then Acting Director of Accounting; Lori Vahle, Accounting; Ryan Barrow, Director of Budgeting; Rose Wilkins, Budgeting; Laura Harris, Revenue; and Tracey Thurman, General Services.

Action plans developed from this meeting included an audit of utility meters at the golf courses, coordination with the Division of Accounting to further define the golf course P&L Statements, a review of employee work percentages associated with golf services, a breakdown of bond costs associated with the golf courses, and efforts to identify golf course indirect costs. Three additional meetings occurred among various members of the work group between September and November 2010 to follow up on the issues identified in this first meeting. Councilmember McChord subsequently provided an update on golf operations during the December 7, 2010 Council Services Committee meeting. He indicated that the work group was still working to further refine golf expenditures and a report would be made once the group's work has been completed.

On December 8, 2010, General Services Commissioner Kimra Cole called a meeting with Councilmember McChord and the work group to provide an update. In that meeting, Councilmember McChord stated he wanted to know how much golf is costing the city and asked that the work be completed in two months. Budget Director Ryan Barrow agreed to work with Parks & Recreation Director Jerry Hancock to develop a worksheet explaining the cost of golf. Ryan Barrow and Jerry Hancock subsequently met to begin this process. On

December 15, 2010, Tracey Thurman e-mailed Ryan Barrow regarding the status of the actual budget comparison. Ryan Barrow stated he had provided this information to Jerry Hancock for his consideration and approval.

On December 30, 2010, Paul Schoninger e-mailed Tracey Thurman regarding the status of the work group's efforts and recommended a presentation in the February 1, 2011 General Government Committee meeting. Schoninger recommended the presentation include a spreadsheet of primary golf expenditure categories (e.g., operating, capital, and indirect costs) along with descriptions of the expenditures and revenue. Since no expenditure information had been shared at the December 2010 meeting with Councilmember McChord, Schoninger suggested providing the information to Councilmember McChord prior to the Committee's meeting. This request was brought to Jerry Hancock's attention by Tracey Thurman.

We could not locate any documentation to indicate the work group met after December 2010. The next document we located was an e-mail dated March 7, 2011 from Jerry Hancock to CAO Richard Moloney and the Urban County Council Members (Attachment III). It contains P&L information for FY 2009 and FY 2010. On April 20, 2011, Jerry Hancock also provided a copy of the FY 2010 P&L to the Council Budget Links Committee.

### **Scope and Objectives**

The objectives of the review were to determine if:

- Expenses reported on the FY 2009 and FY 2010 Golf P&L Statements as provided to the Urban County Council are accurate
- Golf course revenue is accurately allocated to the appropriate golf course
- Equipment movement between golf courses is appropriately reported
- The personnel cost of four Parks employees brought to the Office of Internal Audit's attention are appropriately allocated

Audit results are based on observations, inquiries, transaction examinations, and the examination of other audit evidence and provide reasonable, but not absolute, assurance that controls are in place and are effective. In addition, effective controls in place during an audit may subsequently become ineffective as a result of technology changes or reduced standards of performance on the part of management.

The scope of our review included collection activity from Fiscal Year 2009 through Fiscal Year 2010 and a review of total expenses reported in FY 2009 and FY 2010 P&L Statements as provided to the Urban County Council.

### **Statement of Auditing Standards**

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

### **Audit Opinion**

In our opinion, the controls and procedures did not provide reasonable assurance that the general control objectives were being met. Opportunities to enhance controls are included in the Summary of Audit Findings.

### **Priority Rating Process**

To assist management in its evaluation, the findings have been assigned a qualitative assessment of the need for corrective action. Each item is assessed a high, moderate, or low priority as follows:

High - Represents a finding requiring immediate action by management to mitigate risks associated with the process being audited.

Moderate – Represents a finding requiring timely action by management to mitigate risks associated with the process being audited.

Low - Represents a finding for consideration by management for correction or implementation associated with the process being audited.

## SUMMARY OF AUDIT FINDINGS

### **Finding #1: FY 2009 & FY 2010 P&L Statements Generated by Parks Personnel Contained Erroneous Financial Information**

**Priority Rating: High**

#### **Condition:**

The FY 2009 & FY 2010 P&L Statements we examined that were generated by Parks personnel and provided to Council for its review did not accurately report golf course revenue and expenses. This appears to have been the result of flawed attempts by Parks personnel to identify the costs of Civil Service employees, Seasonal employees, Operations, and Utilities from RecTrac and PeopleSoft financial records that do not provide sufficient cost tracking by specific golf courses as explained below.

An e-mail dated March 7, 2011 from Parks & Recreation Director Jerry Hancock to CAO Richard Moloney and the Urban County Council Members (Attachment III) contains P&L information for FY 2009 and FY 2010. This P&L information differs from the P&L results presented to the Council Services Committee on June 8, 2010. The FY 2009 and FY 2010 revenue in this P&L Statement is overstated by \$137,423 and \$111,005, respectively. While we did not attempt to validate all the financial information in this memo, we did determine that FY 2010 utilities reported in the memo as totaling \$2,144,579 were actually only \$470,914. We also noted that FY 2010 Personnel /Operating expenses were reported in this memo as totaling \$1,395,496, but actual personnel expense (fulltime & seasonal employees) is above \$2 million in both FY 2009 and FY 2010.

On April 20, 2011, Director Jerry Hancock provided a copy of the FY 2010 P&L to the Council Budget Links Committee. This P&L Statement also contained several errors. As mentioned in the Background section of this report, one of the concerns brought to our attention was an allegation that revenue collected at one golf course was actually being reported as revenue collected at another golf course. The results of our detail testing indicate that FY 2009 and FY 2010 golf revenue is being properly reported to the correct golf course in PeopleSoft. However, during the review it was represented to us that the FY 2010 P&L Statement provided to Council derived its Revenue figures from RecTrac gross revenue, which included sales tax. Sales tax is actually an expense on a P&L Statement that should be deducted in order to determine profitability; however, the sales tax was not deducted anywhere in this P&L Statement. Operating expenses and Seasonal Labor in this P&L Statement were obtained from PeopleSoft financial data, but it was represented to us that 2010 Budget figures were used to calculate the Civil Service Labor cost (instead of actual Civil Service Labor cost). Utilities cost as reported on this P&L Statement was actually a three year average of utility costs rather than actual 2010 utility costs. The P&L's Cost of

Goods figures were merchandise purchase costs for the year, which is not an accurate calculation of actual cost of goods sold.

These P&L Statements were prepared by Parks personnel who have limited knowledge of Accounting standards and insufficient expertise in the preparation of comprehensive financial reports. It also appears there were several attempts by Parks employees to compile this financial information, with varying results. During the course of the audit the possibility of intentional financial misrepresentations by Parks employees in their preparation of the P&L Statements was expressed to us. Although it is understandable how such a concern could arise given the varying results reported by different P&L Statements presented at different times, this anomaly is more likely the result of insufficient knowledge and expertise as noted above, and in our opinion there is insufficient substantive evidence to support a finding of intentional misrepresentation.

In our opinion, the most fundamental issue surrounding the erroneous Golf Course P&L Statements, as well as an ongoing challenge to compile accurate and comprehensive financial results for the golf courses, appears to be directly related to the process for budgeting and reporting costs incurred at each cost center (Budget Section) within the PeopleSoft System. For example, the personnel costs of full time civil service golf course employees (Golf's largest expense category) are rolled up into Section 7642 - Golf Courses rather than being charged to their specific golf course where the employees are assigned. The same cost reporting approach is used for Utilities. This makes the allocation of these costs to the golf course that generated the expense very problematic, and significantly inhibits any reasonable attempt to identify the true cost of the golf courses.

#### **Effect:**

Erroneous golf course financial statements can adversely affect strategic planning and management decisions made by the Administration and Council regarding golf operations. The allocation of Civil Service personnel and Utilities cost into an administrative Budget Section results in a financial reporting structure that is incompatible with determining costs by cost centers such as a specific golf course.

#### **Recommendation:**

Beginning in FY 2013, the golf course budget process should be amended to include all direct costs associated with a specific golf course. Under this approach, all personnel assigned to a golf course or other function would be charged to that Budget Section and managed accordingly. All expenses should be budgeted and charged to the individual golf course where the expense occurs. All expenses on the P&L's should be actual expenses for the fiscal year the expense occurs. This includes the reporting of actual utilities expense on golf course P&L's rather than using a three year average. Cost of Goods Sold should be the actual cost of goods sold during the fiscal year instead of using the total purchases for the

year. Expenses such as Utilities should be allocated as direct costs whenever possible. Otherwise, a formula should be developed to allocate Utilities as an indirect cost based on a reasonable estimate such as square footage when a golf course shares a building with another function such as an administrative office building. Golf Course Revenue should be reported directly from the PeopleSoft System.

It is also recommended that the budget process be amended to provide for direct costing of other LFUCG functions in the FY 2013 Budget. Management can benefit from this approach in determining the financial results of other revenue generators such as the LFUCG swimming pools.

**Director of Parks & Recreation Response:**

Information provided on P&L statements was the best available at the time of the request. Several meetings and adjustments have been made since these documents were generated. We agree that all costs reported should be separate line items in the PeopleSoft module for each Course or site code. Parks has attempted to make these corrections since the implementation of PeopleSoft with limited success. Journal Entry CB077 on council docket for Work Session 1/10/12 moves all civil service funds to individual golf courses, and will be accurate for FY12 and beyond. Utilities and Fleet Costs will be moved to individual courses with the FY13 budget.

Parks did inaccurately report FY 2010 P&L utilities as an average based on the golf services Manager's inaccurate reading of the spread sheet provided by General Services.

In reporting the FY 2009 and FY 2010 Golf P&L's, the Cost of Goods Sold (COGS) was reported as true cost of the goods actually sold in the time period reported, measured by physical inventories of product. That calculation did not match what PeopleSoft showed as merchandise sales costs (which are purchases of product, not costs of product sold), and the criticisms about our P&L's not matching PeopleSoft, lead to the Golf Manager being directed to use the PeopleSoft number. Moving forward the COGS will be reported as the cost of goods actually sold in the reported time period.

We also recommend that sales tax (paid by Accounting) be reported in PeopleSoft, so that everyone can see the expense item, per golf course. Rec Trac shows total revenue as the amount of gross sales deposited in the bank. When and how tax is calculated and paid is not currently available to Parks and Recreation and could not be reported. The Division is open to additional training in order to find and document taxes and will make every effort to reflect these expenses in the future. We concur with the recommendation to allocate utility costs across the courses for FY 2013.

**Commissioner of General Services Response:**

I concur with the response.

**Finding #2: Nepotism Violation**

**Priority Rating: High**

**Condition:**

A seasonal employee was working at Tates Creek Golf Course where her husband is the golf pro. This is a violation of Section 25-19 of the Urban County Code of Ordinances, which states, “No officer or employee shall supervise or manage the work of a relative.” Section 25-19 specifically defines a spouse as a relative.

**Effect:**

Page 37 of the LFUCG Employee Handbook states, “In order to avoid favoritism, conflicts of interest, and maintain morale and productivity, you cannot be supervised or hired for a position in which you would be directly supervised by a relative nor may a relative advocate, recommend, or cause the employment, appointment, promotion, transfer, or advancement of his or her own relative or participate in any action relating to employment or discipline.”

**Recommendation:**

This seasonal employee should not work at the Tates Creek Golf Course.

**Director of Parks & Recreation Response:**

A seasonal employee whose husband is the Golf Pro Supervisor at Tates Creek was hired to fill an immediate part time need that occurred when student employees left to return to school this fall. This occurred at the same time that civil service personnel were laid off at Tates Creek and Lakeside, causing personnel disruptions and a reduction in service to the public. The employee was hired to assist at all courses as needed, was hired by and supervised by the Golf Services Manager, and she reported to him, not the Tates Creek Pro. She worked at more than one course based on the demand until positions could be filled. The employee worked 77 hours over an 8 week period, and earned \$557. As a seasonal employee, there was no opportunity by the Tates Creek Golf Pro to affect her promotion, transfer or advancement. This employee was terminated prior to the audit’s conclusion and will not be employed at Tates Creek in the future.

**Commissioner of General Services Response:**

I concur with the response.



**Finding #3: Employees Should Be Charged to Enterprise Administration**  
**Priority Rating: High**

**Condition:**

Prior to Fiscal Year 2012, Section 7641 was titled Golf Administration even though it included the personnel costs of some employees who support other sections in the Division of Parks and Recreation. In FY 2012, Section 7641 was renamed Enterprise Administration, while separate Sections such as 7645-Kearney Hills Golf Course also exist to capture costs specific to the courses. However, the personnel costs for two employees totally dedicated to golf are still being budgeted in Section 7641-Enterprise Administration.

**Effect:**

Including golf administration employees in Enterprise Administration overstates the true cost of Enterprise Administration.

**Recommendation:**

The personnel costs for Parks employees' Mike Fields and Renee Bullock should be transferred to Section 7642-Golf Courses because this is now the correct Section to incur golf administration personnel costs.

**Director of Parks & Recreation Response:**

We concur with this finding. Parks and Recreation has made several efforts to correct this since the implementation of PeopleSoft. Journal Entry CB077 in the amount of \$1,340,483.00 is on the Work Session docket for January 10, 2012 to accurately reflect civil service costs by course for FY 2012.

**Commissioner of General Services Response:**

I concur with the response.

**Finding #4: Seasonal Employee Charged to Wrong Golf Course**  
**Priority Rating: High**

**Condition:**

The personnel cost for a floater seasonal employee has been charged to Lakeside Golf Course but the employee has not worked there. As of the completion of audit fieldwork, this employee had only worked at Picadome and Tates Creek Golf Courses.

**Effect:**

The Office of Internal Audit acknowledges that the availability of golf course floater employees appears to be a legitimate business practice; however, this does not negate the need to accurately account for Seasonal Employee personnel costs at specific golf courses.

**Recommendation:**

Parks management should establish a process to correctly allocate the personnel expense of seasonal floater employees. This may require the use of reasonable estimates. Employee payroll expense should not be charged to any golf courses where employees have not worked.

**Director of Parks & Recreation Response:**

Sharing labor among different courses is a common practice and will continue in order to cover required needs and minimize expenses. All employee time charges will accurately reflect the golf course on which employee's worked. Charge-outs to different courses will be used as needed, in the same way that we do with a number of other Parks' employees that work more than one job for the division.

**Commissioner of General Services Response:**

I concur with the response.

**Finding #5: Golf Pros Should Approve Employee Time At Each Golf Course**  
**Priority Rating: High**

**Condition:**

Seasonal employee time is approved in PeopleSoft by the Deputy Director of Enterprise Programs. When we inquired during audit fieldwork where a particular seasonal employee had worked, the Deputy Director of Enterprise Programs had to consult with the Golf Manager in order to provide a reply.

**Effect:**

The Deputy Director of Enterprise Programs is understandably not in a position to be aware of the work activities of seasonal employees. However, this increases the likelihood that seasonal employee expense will be allocated incorrectly.

**Recommendation:**

Seasonal employees' time cards should be approved by the Golf Pro at the golf course where the employee worked, as the Golf Pro represents the management employee with the most complete knowledge of the activities and whereabouts of seasonal golf employees.

**Director of Parks & Recreation Response:**

We concur with this finding. Currently, Golf Pro/Supervisors at each course enter and approve the manual timecards kept at the courses where hardware issues only allow one connected terminal at each course. The manual timecards are forwarded to Picadome Administrative offices where the Deputy Director reviews and approves what was entered into PeopleSoft after the managers on site have approved offline and entered the time. Final approval should occur at the Golf Services Manager level and the Division will adjust the current process to reflect this change.

**Commissioner of General Services Response:**

I concur with the response.

**Finding #6: Equipment Sharing A Reasonable Business Practice**  
**Priority Rating: Low**

**Condition:**

One of the initial concerns brought to the Office of Internal Audit was an allegation that a tractor supposedly purchased for Lakeside Golf Course had inappropriately been moved to Kearney Hill Golf Course. The Division of Accounting provided an asset listing of all equipment charged to Department ID 707606-Enterprise Programs, which included 124 mowers and tractors. Within this list, we noted that only equipment purchased during 2008 was assigned both a Section and Site number, i.e. Section 7642 (Golf Courses) and Site numbers 775 (Picadome - six mowers) and 791 (Tates Creek - two mowers). We were also informed by one Golf Pro that sharing equipment among courses to complete necessary maintenance tasks (e.g., aeration) has been a practice for a number of years.

**Effect:**

The assignment of golf course maintenance equipment purchases to Section 7642-Golf Courses rather than assigning the equipment and related expense to one specific location appears to be a reasonable business practice. It is consistent with the necessity for management flexibility in moving equipment among the various golf courses based upon need, and if managed properly this process may also reduce overall equipment inventory cost and reduce equipment idle time.

**Recommendation:**

In our opinion, the practice of charging maintenance equipment to Section 7642-Golf Courses and the subsequent sharing of maintenance equipment between golf courses should be allowed to continue. Management should ensure a tracking process exists to account for the location of such equipment for inventory purposes.

**Director of Parks & Recreation Response:**

We agree that the existing practice is in the LFUCG's best interests.

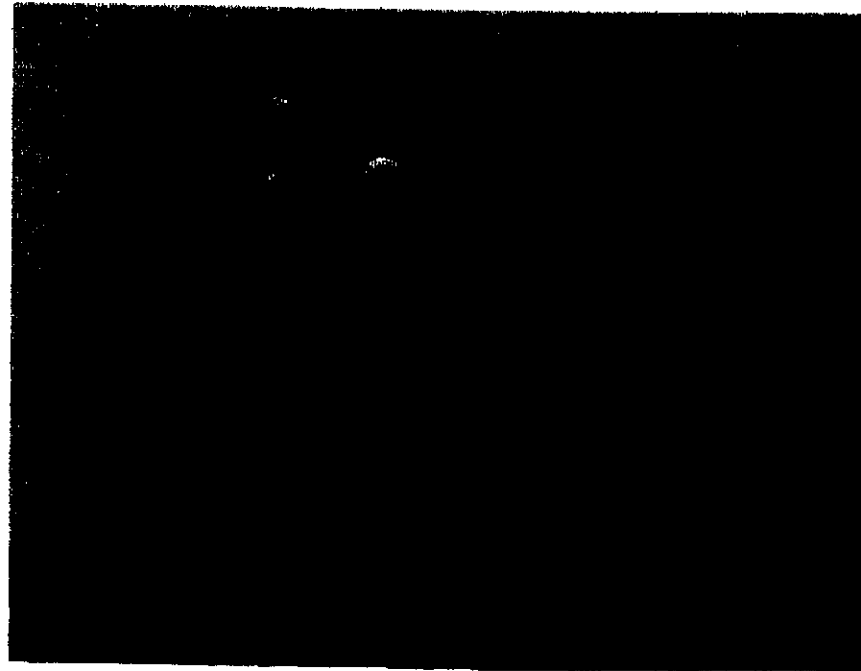
**Commissioner of General Services Response:**

I concur with the response. Management will ensure a tracking mechanism will be in place to locate and account for the equipment.

# Lexington Parks and Recreation

## Golf Operations

June 8, 2010



# **LFUCG PUBLIC GOLF P & L FOR FY 2009**

	Tates		Kearney		Meadow-		
	<u>Creek</u>	<u>Lakeside</u>	<u>Hill</u>	<u>Picadome</u>	<u>Avon</u>	<u>Brook</u>	<u>Total</u>
<b>Revenue (1)</b>	\$761,138	\$892,727	\$988,285	\$637,684	\$140,686	\$128,919	\$3,549,440
<b>Expense</b>							
Civil Service (2)	\$350,527	\$375,216	\$449,338	\$216,936	\$56,820	\$70,487	\$1,519,323
Seasonal (3)	\$87,032	\$103,556	\$216,702	\$133,473	\$80,596	\$36,332	\$657,692
Operating (4)	\$139,832	\$192,716	\$232,397	\$219,313	\$11,328	\$23,818	\$819,404
Utilities (5)	<u>\$134,620</u>	<u>\$165,435</u>	<u>\$103,688</u>	<u>\$110,078</u>	<u>\$24,280</u>	<u>\$26,404</u>	<u>\$564,505</u>
<b>Total</b>	<u>\$712,011</u>	<u>\$836,923</u>	<u>\$1,002,126</u>	<u>\$679,800</u>	<u>\$173,024</u>	<u>\$157,041</u>	<u>\$3,560,924</u>
<b>Net Income</b>	\$49,127	\$55,804	-\$13,841	-\$42,115	-\$32,338	-\$28,122	-\$11,484

## FY 2010 Parks and Recreation Operating P &amp; L Statement For Golf

20-Apr-11

<b>REVENUE</b>	Kearney Hill	Tates Creek	Lakeside	Gay Brewer Jr	Meadowbrook	Avon	
Green Fees	\$ 517,396	\$ 336,042	\$ 384,932	\$ 326,205	\$ 115,530	\$ 59,640	\$ 1,739,745
Cart Rental	\$ 192,809	\$ 183,190	\$ 219,153	\$ 153,340		\$ 38,761	\$ 787,253
Mdse	\$ 129,272	\$ 58,467	\$ 82,865	\$ 64,798	\$ 5,299	\$ 6,515	\$ 347,216
F & B	\$ 25,248	\$ 48,475	\$ 48,955	\$ 17,456	\$ 10,220	\$ 6,453	\$ 156,807
Misc	\$ 54,960	\$ 16,387	\$ 38,115	\$ 12,188	\$ 7,560	\$ 2,813	\$ 132,023
Gross Revenue	\$ 919,685	\$ 642,561	\$ 774,020	\$ 573,987	\$ 138,609	\$ 114,182	\$ 3,163,044
<b>EXPENSES</b>							
Operating	\$ 110,612	\$ 46,614	\$ 46,288	\$ 96,139	\$ 35,634	\$ 19,216	\$ 354,503
CS Labor	\$ 390,308	\$ 380,466	\$ 389,484	\$ 274,427	\$ 86,052	\$ 56,820	\$ 1,577,557
S Labor	\$ 250,279	\$ 112,825	\$ 113,435	\$ 139,668	\$ 73,346	\$ 61,010	\$ 750,563
Utilities	\$ 65,650	\$ 95,883	\$ 129,107	\$ 77,536	\$ 22,353	\$ 22,738	\$ 413,267
*COG	\$ 79,585	\$ 88,498	\$ 81,382	\$ 57,492	\$ 4,811	\$ 7,261	\$ 319,029
Total Expense	\$ 896,434	\$ 724,286	\$ 759,696	\$ 645,262	\$ 222,196	\$ 167,045	\$ 3,414,919
	\$ 23,251	\$ (81,725)	\$ 14,324	\$ (71,275)	\$ (83,587)	\$ (52,863)	\$ (251,875)

ATTACHMENT II



Lexington-Fayette Urban County Government  
DEPARTMENT OF GENERAL SERVICES

Jim Gray  
Mayor

Richard Moloney  
Chief Administrative Officer

# MEMORANDUM

To: Richard Moloney, Chief Administrative Officer  
Urban County Council Members  
From: Jerry Hancock, Director of Parks and Recreation  
Subj: General Government Committee, Cost of LFUCG Public Golf  
Date: March 7, 2011

The Division of Parks and Recreation was asked to define the cost of public golf by CM Jay McChord, and to report this information to the General Government Committee. This has been a valuable exercise, which identified various errors in utility expense, employee cost allocation, Storm Water Management Fee errors and the like. Budgeting, General Services and Parks have reviewed golf's revenue, direct and indirect expense, personnel coding and debt related to the 6 public golf courses. The study group determined that no other government division's expenses should be included, as there would be no savings to government should golf no longer be provided.

	2009	2010	2 Yr. Avg
Rounds Played	122,153	110,418	116,286
Revenue	\$3,549,433	\$3,162,994	\$3,356,214
Personnel/Operating		\$1,395,496	
Utilities		<u>\$2,144,579</u>	
Operating Expenses	\$3,571,755	<u>\$3,540,075</u>	
<b>Operating Net</b>	<b>(\$22,322)</b>	<b>(\$377,081)</b>	<b>(\$199,702)</b>
<b>Indirect Expenses</b>			
Manager/Assistant	\$132,158	\$132,158	
Various Golf Debt	\$163,265	\$163,265	
Total Expenses	\$3,867,178	\$3,835,498	\$3,851,338
Cost of Golf	<u>(\$317,745)</u>	<u>(\$672,504)</u>	<u>(\$495,125)</u>

2009 Data are from Parks' records, while 2010 was compiled by Budgeting using People Soft, with revisions to utility allocations and adding Parks golf management expense. The 2009 Operating Net line was presented to Council in June 2010 (which has been revised slightly), but did not include indirect and debt expense which is now included below the Operating Net line. The primary difference between '09 and '10 is reduced revenue of about \$386,000 while expenses declined \$31,000.

Debt repayment, included above for both 2009 and 2010, should no longer be considered a cost of providing golf. \$5,000,000 was borrowed to purchase Picadome in 2000, primarily as green space. Purchase included tennis courts, swimming pool, Parks office space etc, and as a site for LFUCG to construct a Sanitary Sewer/Pump Station to support UK expansion. At the same time, \$1.5MM was borrowed for 'Various Golf Improvements' which is relevant to the costs of golf. That debt has been repaid from golf revenue at \$163,265 per year for 10 years. Parks does not consider the expense of buying the land a golf obligation since it belongs to LFUCG and may one day be used for other purposes.



The costs of Avon and Meadowbrook also play into the "Cost of Golf" question. Avon is now closed, the lone civil service employee retired, and a re-evaluation of the use of that property is underway. That eliminates a \$53,000 operating loss. In addition Council has directed Meadowbrook be open, which had an operating loss of \$83,000 in 2010, which hurts our ability to operate efficiently. If you exclude the effectively repaid bonded improvement debt, and the costs of Avon and Meadowbrook, the fully loaded "What would LFUCG Save if Golf were Eliminated?" question is:

	2009	2010	2 Yr Avg.
All Course Net	-\$317,745	-\$672,504	-\$495,125
Avon Loss	\$32,338	\$52,863	\$42,601
Meadowbrook Loss	<u>\$28,122</u>	<u>\$83,587</u>	\$55,855
Net w/o Avon & Meadowbrook	-\$257,285	-\$536,054	-\$396,870
Picadome Debt Svc	-\$163,265	-\$163,265	-\$163,265
Big Courses w/o Debt Svc	<u>-\$94,020</u>	<u>-\$372,789</u>	<u>-\$233,405</u>

For comparison purposes, our aquatics program lost an average of \$642,000 /yr the last 2 years.

The Council-appointed Parks Advisory Board passed a motion in January which said:

"The Parks Advisory Board has discussed the LFUCG Parks & Recreation public golf program over the last several months and supports Parks' efforts to provide golf to the public, recognizes that golf is in decline and that cost reduction efforts are necessary and on-going, that golf's goal for some time has been to break even on operations, but that golf should not be treated differently from other Park programs, the vast majority of which do not pay for themselves."

Golf has actively reduced its fixed expenses in light of declining public play the last 4 years.

#### Reductions in Civil Service Positions in Golf

	2006	2007	2008	2009	2010
No. Authorized	32	32	32	32	32
No. Filled	31	29	27	26	24
No. Open	1	3	5	6	8

We have reduced our operating expenses by over \$200,000 since 2008, and plan to further reduce expenses in golf in both the FY11 and FY 12 budget reductions, including reductions in permanent employee staffing, increased reliance on seasonal personnel, reducing our merchandise offerings and winter staffing, and replacing inefficient irrigation systems. On the revenue side, we now provide F&B directly, and will re-visit the in-and-out of county pricing model, and the possibility of an enhanced regional 'golf destination' effort with state and private regional entities to further close the revenue gap.

Golf is a meaningful contributor to the economic fabric of Lexington, attracting 'snow bird' and regional overnight stays, participation in regional tournaments, youth and women's lessons and competitions, high school practice and play not available elsewhere, is a positive attraction for convention attendees, is used as fund raisers and corporate outings and youth outreach. The courses retain their value as green space and as water shed protection. While parks land management is expensive, a community's quality of life needs to be considered in determining its real cost. In an age where economic development is critical to our future, golf occupies a real check point on any employer's consideration of Lexington as a potential relocation site. "Where will my employees recreate?" is something that we should not lose site of.