

Financial Appraisal of Sharp Park Golf Course 2005 - 2015

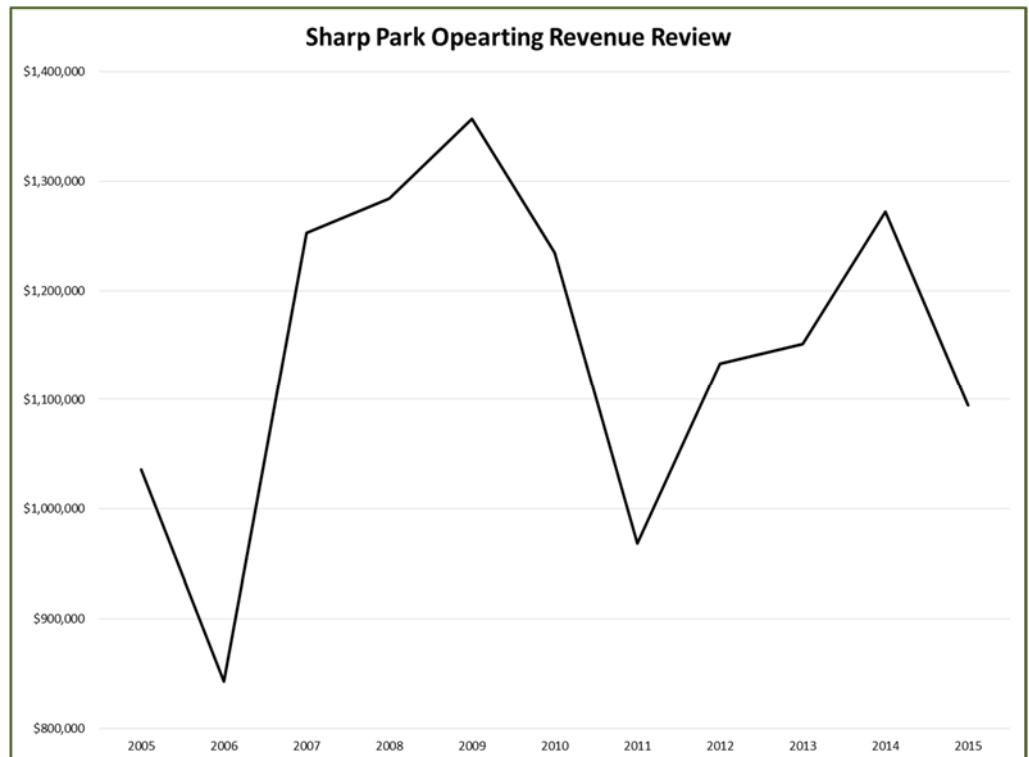
Executive Summary

- Revenue levels over the last ten years have been volatile and it is questionable whether even significant investment in Sharp Park Golf Course would result in revenue growth.
- Sharp Park Golf Course has been loss making for nine out of the last ten years. This has resulted in over \$1.1 million of loss for the City of San Francisco.
- Documentation provided in support of expenses for Sharp Park, indicate that there could be significant inaccuracies in the financial reporting of operating expenses on the Revenue and Expenditure Reports.
- Since 2005 \$7.9 million has been spent on water and irrigation projects for Sharp Park Gold Course. It does not appear that the depreciation for these expenditures has been included in the Revenue and Expenditure Reports. On this basis, it would appear that a major expense may have been omitted in the Revenue and Expenditure Reports.

Operating Revenue Review

- As illustrated in the graph and table below, operating revenues over the last ten years have highly been volatile.
- The volatility of the revenue makes it challenging to predict whether any investment in the Sharp Park would result in a significant increase in revenue.
- For the purposes of this analysis, revenue from golf green fees, concessions and golf resident cards was included. Interest income and income from the General Fund was excluded as these were not considered to be operating revenue streams.

Financial Year Ending	Sharp Park Operating Revenue
2005	\$ 1,035,919
2006	842,895
2007	1,253,087
2008	1,284,381
2009	1,356,712
2010	1,234,844
2011	968,735
2012	1,133,396
2013	1,151,451
2014	1,271,908
2015	\$ 1,094,569



Profitability Review

- The Sharp Park Golf Course is not profitable. As shown in the table below, Sharp Park has been loss making for nine out of the last ten years and has resulted in \$1,147,064 of loss for the City of San Francisco.
- As discussed above, it is unclear whether any additional investment would increase revenue and return the park to profitability.
- We note that expenses such as 'Equipment' appear to be very low and may be understated in the reports provided by Recreation and Park Department.
- For the purposes of this analysis, we utilized data from the Revenue and Expenditure Reports provided by the Recreation and Park Department.

Description	FY 04/05	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	Total
ACTUAL REVENUES:												
Golf Green Fees	\$ 893,152	\$ 708,852	\$1,088,192	\$1,128,498	\$1,202,113	\$1,080,889	\$ 839,215	\$1,008,232	\$1,013,548	\$1,128,801	\$ 963,939	\$ 11,055,431
Concessions	142,767	134,043	164,895	155,883	113,568	94,457	76,180	73,048	79,294	89,280	84,587	1,208,001
Golf Resident Card					41,031	59,498	53,340	52,116	58,609	53,827	46,043	364,465
Total Revenue	1,035,919	842,895	1,253,087	1,284,381	1,356,712	1,234,844	968,735	1,133,396	1,151,451	1,271,908	1,094,569	12,627,898
OPERATING EXPENDITURE:												
Salaries	535,254	546,411	603,005	719,891	643,193	595,412	450,135	536,277	451,926	551,587	583,187	6,216,278
Fringes	128,461	148,124	162,151	183,411	167,128	179,854	169,829	224,919	190,582	235,694	254,736	2,044,889
Overhead	227,966	230,738	281,366	290,313	282,684	336,433	229,954	260,105	224,002	220,011	221,817	2,805,388
Professional & Special Services	1,193	62,522	4,800	59,114	54,486	49,253	58,238	48,233	58,973	56,207	37,169	490,188
Maintenance Services	-	-	-	-	-	-	42,819	36,432	43,753	29,888	32,576	185,468
Rent/Leases Equipment	99	-	-	-	-	1,154	1,182	1,713	2,176	1,945	1,651	9,920
Other Expenses	10,194	22,209	35,678	51,823	62,005	45,893	17,652	18,941	29,720	17,830	18,395	330,341
Materials & Supplies	39,785	50,727	94,857	64,582	56,404	74,092	64,357	81,992	67,731	74,777	67,181	736,484
Equipment	-	-	40,670	-	-	30,137	-	-	-	-	-	70,807
Services of other Departments	45,975	39,787	36,736	35,989	32,827	39,344	70,563	96,874	108,907	107,642	114,968	729,613
TOAL OPERATING EXPENDITURE	988,929	1,100,518	1,259,262	1,405,122	1,298,727	1,351,572	1,104,729	1,305,486	1,177,771	1,295,582	1,331,680	13,619,378
OTHER EXPENDITURE												
Facilities Maintenance	86,969	30,039	32,440	-	-	-	-	-	-	-	-	149,448
Audit	174	164	347	348	-	-	-	-	-	-	-	1,032
Controller Adjustment	-	-	-	-	-	-	-	5,104	-	-	-	5,104
TOTAL OTHER EXPENDITURE	87,143	30,203	32,787	348	-	-	-	5,104	-	-	-	155,584
TOTAL EXPENDITURE	1,076,072	1,130,721	1,292,049	1,405,470	1,298,727	1,351,572	1,104,729	1,310,590	1,177,771	1,295,582	1,331,680	13,774,962
Operating Profit / (Loss)	\$ (40,153)	\$ (287,826)	\$ (38,962)	\$ (121,090)	\$ 57,985	\$ (116,727)	\$ (135,994)	\$ (177,193)	\$ (26,319)	\$ (23,674)	\$ (237,111)	\$ (1,147,064)
Notes:												
1 Golf Resident Card revenue and expenses were apportioned to each course according to that course's % contribution to golf fund allocated revenues and allocated operating expenditures, respectively.												
2 General Fund Support was removed from revenue.												
3 Interest earned was removed from revenues as it does not represent an operating revenue												
4 Repayment to Open Space Fund was eliminated.												
Source: San Francisco Recreation & Park Dept. Golf Revenue & Expenditure Reports												

Accuracy of Expenses

- We requested documentation from the Recreation and Park Department to verify operating expenses included in the Revenue and Expenditure Reports. We were provided with payroll documentation for 2014 and 2015 in support of Sharp Park payroll costs. We were not provided with adequate documentation to review the reliability of other expenses.
- The supporting payroll documentation provided indicated that payroll expenses may have been significantly understated in the financial year 2014/2015. As shown in the table below, annual salary costs were listed as \$583,187, however, the payroll data indicates that actual costs were \$982,495.
- As inaccuracies have been observed in the presentation of payroll expenses, it is possible that other operating expenses included in the Revenue and Expenditure Reports have also been understated.

- On this basis, it is possible that the losses generated by Sharp Park may have been significantly understated and the cost to the City of San Francisco of operating Sharp Park may be higher than stated on the Revenue and Expenditure Reports.

Month	Salary	Fringe
Jul-14	\$ 45,867	\$ 21,100
Aug-14	384,816	157,758
Sep-14	48,393	20,904
Oct-14	50,669	21,661
Nov-14	45,898	20,963
Dec-14	48,022	20,855
Jan-15	47,887	23,058
Feb-15	73,803	27,378
Mar-15	61,460	24,806
Apr-15	48,153	21,259
May-15	45,247	21,641
Jun-15	82,279	36,588
Total	\$ 982,495	\$ 417,971
Per 2014/2015 Budget Reports	\$ 583,187	\$ 254,736
Source: Payroll report provided by San Francisco Recreation and Park Department		

Accounting for Capital Expenditure

- Data extracted from the Monthly Capital Reports generated by the Recreation and Park department, show that since 2005, \$7.9 million has been spent on capital water and irrigation projects for Sharp Park Gold Course (see the table below).
- Per GASB Statement No. 34, capital assets should be depreciated over their 'useful life'. As a result, we would expect to see an amount for depreciation included in the Revenue and Expenditure Reports to account for the capital expenditures on water and irrigation systems.
- As depreciation for these expenditures does not appear to have been included in the Revenue and Expenditure Reports, it is possible that a major expense may have been omitted in the Revenue and Expenditure Reports.

Fiscal Year	Capital Plan Project Name	Budget	Expended
2005-2006	Lincoln and Sharp Irrigation	\$ 620,977	\$ 620,977
	Sharp Park Water Tank	125,414	125,414
		746,391	746,391
2006-2007	Lincoln and Sharp Irrigation	620,977	620,977
	Sharp Park Water Tank	125,414	125,414
		746,391	746,391
2007-2008	Lincoln and Sharp Irrigation	620,976	620,976
	Sharp Park Water Tank	125,414	125,414
		746,390	746,390
2008-2009	Lincoln and Sharp Irrigation	620,976	620,976
	Sharp Park Water Tank	125,414	125,414
		746,390	746,390
2009-2010	Lincoln and Sharp Irrigation	620,976	620,976
	Sharp Park Water Tank	125,414	125,414
		746,390	746,390
2010-2011	Lincoln and Sharp Irrigation	620,976	620,976
	Sharp Park Water Tank	125,414	125,414
		746,390	746,390
2011-2012	Lincoln and Sharp Irrigation	620,976	620,976
	Sharp Park Water Tank	125,414	125,414
		746,390	746,390
2012-2013	Lincoln and Sharp Irrigation	620,976	620,976
	Sharp Park Water Tank	125,414	125,414
	Sharp Park Recycled Water Project	343,939	332,465
		1,962,133	1,950,659
2013-2014	Lincoln and Sharp Irrigation	620,976	620,976
	Sharp Park Water Tank	133,170	131,358
	Sharp Park Recycled Water Project	343,939	343,909
	Sharp Park Golf Course Irrigation Retrofit	200,000	
	Sharp Park Infrastructure and Pumphouse	359,638	259,729
		1,657,723	1,355,972
2014-2015	Lincoln and Sharp Irrigation	620,976	620,976
	Sharp Park Water Tank	133,170	131,358
	Sharp Park Recycled Water Project	343,939	343,909
	Sharp Park Golf Course Irrigation Retrofit	549,000	490,578
	Sharp Park Infrastructure and Pumphouse	1,209,684	400,880
	Sharp Park Pump Replacement	850,000	507,896
		3,706,769	2,495,597
Grand Total		\$ 12,551,357	\$ 11,026,960
	Less: Lincon Park Allocation (50% of Irrigation Costs)	\$ (3,104,881)	\$ (3,104,881)
	Total Sharp Park Expenditure	\$ 9,446,476	\$ 7,922,079

Author Credentials

- I am an Associate member of the Institute of Chartered Accountants of England and Wales (UK equivalent to CPA) with five years of experience in forensic accounting and international financial litigation.
- I have significant experience in:
 - Assessing and critiquing the reasonableness of financial forecasts and business projections by reviewing financial accounts, internal accounting data, budgets and industry data,
 - Investigating insurance losses by analyzing financial records and accounting documentation,
 - Investigating fraud and corruption claims.

Limitations

- This analysis is based on documentation provided by the Recreation and Park Department. This analysis does not represent an audit of the Recreation and Park Department's financial statements in accordance with generally accepted auditing standards. This report is dependent on the accuracy of the information provided by the Recreation and Park Department.

A handwritten signature in black ink, appearing to read 'Hannah Dingley', written in a cursive style.

Hannah Dingley