



September 30, 2016

To: Ken Whitehead, Assistant City Manager  
Kathy Crile, Director of Recreation & Parks

From: Emory Roberts Jr., Internal City Auditor

A handwritten signature in black ink, appearing to read "Emory Roberts Jr.", positioned to the right of the "From:" line.

Re: Review of Pine Oaks Golf Course Operations - Project 2016-13

Internal Audit has completed a review of Pine Oaks Golf Course Operations at your request. The objectives of this review were to do an assessment of the business model at Pine Oaks Golf Course which CC Golf Management, Inc. leases from the City of Ocala (since 2011).

To accomplish our objectives, we interviewed Recreation and Pine Oaks personnel, and reviewed the Pine Oaks Golf Course Lease, annual financial and operations reports provided by CC Golf Management, Inc. and other documentation. We used the information collected to assess strengths, weaknesses, opportunities, and threats (SWOT) as shown in the SWOT analysis in Attachment 1.

The items included in the scope of our review were financial and operating reports for the past six years. Attachment 2 is our Pine Oaks Golf Course financial analysis/comparison for the years of 2011 – 2016 (July 1 to June 30). There is a net profit contribution clause that stipulates in part that *“the amount by which fifty percent (50%) of the Net Profits exceeds \$100,000, calculated for each year of the term of the Lease, shall be contributed to provide for future capital projects or non-capital projects.”* **The net profit contribution has been \$0 for each of the past six years due to net profits not exceeding the threshold.**

Based on the work performed, we identified that CC Golf Management, Inc. is incorporated as an active Florida Profit Corporation by Mr. Forest Clark Creamer with authority to issue shares of capital stock (there are no outstanding stock). Although structured as a corporation for tax and liability purposes, CC Golf Management operates more like a sole proprietor with Mr. Creamer having total control of and responsibility of the business, receives all profits, and can make important decisions quickly. Furthermore, Mr. Creamer utilizes a point of sale system to track and report all sales revenues and additional processes to capture and track all expenses. He uses a Florida CPA to compile monthly and annual financial reporting.

Also we identified strengths, weaknesses, opportunities, and threats (SWOT) as shown in the SWOT analysis in Attachment 1 and a high-level financial analysis of the years 2011 - 2016. *As noted on Attachment 2, per the lease, alcohol sales revenues/expenses as well as officer salaries and depreciation expenses are excluded from the annual financial reporting and net profit calculations.*

After the review, Mr. Creamer informed City Management that he was withdrawing his request for the City of Ocala to completely replace the irrigation system at this time and he preferred to keep the operating arrangement with the City that has been in place per the Lease; maintaining the irrigation

system and repairing the system as needed instead of a complete replacement. The Tenant is responsible for irrigation (beyond main effluent pump station) system repairs and replacements up to \$15,000 per year. The lease agreement, section paragraph 9.3 Maintenance and Obligations to Repair, states in part that “Landlord shall reimburse Tenant for the portion of irrigation costs that exceed \$15,000, less the amount that is available under paragraph 7.2” (Net Profit Contribution).

Mr. Creamer plans to continue replacing/repairing two to four greens and tee boxes per year during slower periods of play without closing the entire golf course.

We have provided a high level summary of the Pine Oaks Golf Course strengths below:

Strengths:

- Experienced local golf course management
- Strong loyal customer base, First Tee Program
- City requirements for treated water dispersion
- City of Ocala support per the Lease
- Customer service and reputation, affordable public golf course for community

We appreciate the assistance of all Recreation and Parks personnel involved in the review. Please let us know if you have any questions.



**S**

**Strengths**

- Experienced local golf course management
- Strong loyal customer base, First Tee Pgm
- City needs for treated water dispersion
- City of Ocala support
- Customer service and reputation, affordable public golf course for community

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**Weaknesses**

- Sole proprietor golf management corporation with lack of financial resources for significant financial investment
- Golf course needs expensive repairs / replacement of greens, tee boxes, and irrigation system
- Lack of financial return for City of Ocala based on current lease
- Lack of a Master Plan for golf course
- Location

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**Opportunities**

- Strategic alliances, partnerships
- Additional tournaments / outings
- Additional members / players
- Continued commitment to community
- Investment in repairs = extended useful life of golf course
- Other uses for land

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**Threats**

- Existing surplus of golf courses in area
- Aging golf population
- Closure of golf course for repairs could result in loss of current tournaments / outings
- Strong competition for recreation dollars
- Economy downturn / extended bad weather



	Total Income	COGS	% COGS / Total Inc	Expenses	% Exp / Total Inc	Other Income / Expenses	% Other / Total Inc	Net Profit	% Net / Total Inc	Net Profit Contribution (50% NP > \$100K)
2011	\$908,880.26	\$542,799.70	59.72%	\$169,532.35	18.65%	\$445.81	0.05%	\$196,994.02	21.67%	\$0.00
2012	\$916,613.12	\$604,860.66	65.99%	\$210,348.69	22.95%	\$468.26	0.05%	\$101,872.03	11.11%	\$0.00
2013	\$876,428.97	\$577,791.16	65.93%	\$173,166.70	19.76%	(\$355.09)	-0.04%	\$125,116.02	14.28%	\$0.00
2014	\$796,822.91	\$540,241.51	67.80%	\$150,469.92	18.88%	\$29.04	0.00%	\$106,140.52	13.32%	\$0.00
2015	\$812,909.34	\$491,661.59	60.48%	\$161,237.47	19.83%	\$7,773.50	0.96%	\$167,783.78	20.64%	\$0.00
2016	\$799,246.75	\$505,219.84	63.21%	\$166,183.98	20.79%	\$898.41	0.11%	\$128,741.34	16.11%	\$0.00
<b>TOTALS</b>	<b>\$5,110,901.35</b>	<b>\$3,262,574.46</b>	<b>63.84%</b>	<b>\$1,030,939.11</b>	<b>20.17%</b>	<b>\$9,259.93</b>	<b>0.18%</b>	<b>\$826,647.71</b>	<b>16.17%</b>	<b>\$0.00</b>

	2011	2012	change%	2013	change%	2014	change%	2015	change%	2016	change%
Total Income	\$908,880.26	\$916,613.12		\$876,428.97		\$796,822.91		\$812,909.34		\$799,246.75	
Diff fm Prior Yr	NA	\$7,732.86	0.85%	(\$40,184.15)	-4.38%	(\$79,606.06)	-9.08%	\$16,086.43	2.02%	(\$13,662.59)	-1.68%
COGS	\$542,799.70	\$604,860.66		\$577,791.16		\$540,241.40		\$491,661.59		\$505,219.84	
Diff fm Prior Yr	NA	\$62,060.96	11.43%	(\$27,069.50)	-4.48%	(\$37,549.76)	-6.50%	(\$48,579.81)	-8.99%	\$13,558.25	2.76%
Expenses	\$169,532.35	\$210,348.69		\$173,166.70		\$150,469.92		\$161,237.47		\$166,183.98	
Diff fm Prior Yr	NA	\$40,816.34	24.08%	(\$37,181.99)	-17.68%	(\$22,696.78)	-13.11%	\$10,767.55	7.16%	\$4,946.51	3.07%

**Note: Alcohol sales revenue and COGs are excluded per the lease as well as Officer Salaries and Depreciation expenses.**

Source: Annual Financial Reports provided by CC Golf Management, Inc.