



City of Mission Viejo - Golf Course Fund

Year End Financial Report

Fiscal Year End June 30, 2023



The Oso Creek public golf course (formally known as Casta Del Sol) was purchased by the City on November 8, 2019 for \$13.0 million for the purpose of preserving the golf course and adjacent open space. The assets comprising the golf course, clubhouse, maintenance yard and the slopes surrounding the golf course were recorded as assets of the Golf Course Fund. The land south of the golf course site between Casta Del Sol Road and Jeronimo Road are general assets of the City and maintenance of these southern parcels are the responsibility of the General Fund.

OVERVIEW

This report summarizes the Oso Creek Golf Course Fund's financial statements for the fiscal year ended June 30, 2023. Information for the last three fiscal years is included for comparative purposes. These statements were prepared on the accrual basis, meaning revenues are recognized when earned and expenses are recognized when the related goods or services are delivered. Additional information is provided on capital assets, debt, revenue and expenses and other disbursements following the presentation of the financial statements.

STATEMENT OF NET POSITION

The Statement of Net Position presents information on all of the Golf Course Fund assets and liabilities, with the difference between the two reported as net position. In time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Golf Course Fund is improving or deteriorating.

The net position of the Golf Course Fund has increased approximately \$765,000 since June 30, 2020, the end of the first year of ownership.

Golf Course Fund

Statement of Net Position

June 30, 2023 (With Comparative Totals As of June 30, 2022, 2021, 2020)

	2023	2022	2021	2020
ASSETS				
Current assets:				
Cash and investments	\$ 894,802	\$ 1,488,203	\$ 698,688	\$ 209,667
Accounts receivable	10,255	46,977	34,019	6,722
Interfund receivable	-	650	14,920	-
Prepaid items	-	-	-	6,381
Inventories	52,287	28,186	22,302	23,588
Total current assets	957,344	1,564,016	769,929	246,358
Noncurrent assets:				
Capital assets, not depreciated	10,522,000	10,535,896	10,522,000	10,522,000
Capital assets, depreciated, net	1,609,879	1,380,089	1,465,610	1,017,136
Total noncurrent assets	12,131,879	11,915,985	11,987,610	11,539,136
Total assets	13,089,223	13,480,001	12,757,539	11,785,494
LIABILITIES				
Accounts payable	\$ 441,202	\$ 915,490	\$ 304,270	\$ 97,226
Unearned revenues	2,611	-	5,835	36,746
Interest payable	14,037	14,694	15,334	16,027
Retainage payable	-	-	2,415	-
Note payable	879,599	920,727	960,853	1,000,000
Financed lease payable	351,450	440,283	526,312	-
Total liabilities	1,688,899	2,291,194	1,815,019	1,149,999
NET POSITION				
Investment in capital assets	11,780,429	11,475,702	10,500,445	11,539,136
Unrestricted	(380,105)	(286,895)	442,075	(903,641)
Total net position	\$ 11,400,324	\$ 11,188,807	\$ 10,942,520	\$ 10,635,495
	(unaudited)	(audited)	(audited)	(audited)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Activities presents information on how the Golf Course Fund’s net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Golf Course reported net operating income of \$247,329 and an increase in net position of \$211,517 for fiscal year ended June 30, 2023.

Golf Course Fund

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2023 (With Comparative Totals For the Years Ended June 30, 2022, 2021, 2020)

	2023	2022	2021	2020
OPERATING REVENUES				
Charges for services	\$ 4,375,773	\$ 3,802,564	\$ 3,244,872	\$ 1,218,186
Other	191	1,748	9,639	-
Total operating revenues	4,375,964	3,804,312	3,254,511	1,218,186
OPERATING EXPENSES				
Supplies	1,044,135	891,544	913,244	195,553
Utilities	194,682	197,990	140,613	58,735
Contractual services	2,620,005	2,224,752	1,706,040	848,224
Rent	11,646	1,258	7,152	31,006
Depreciation	199,375	178,403	156,057	46,163
Other expenses	58,792	44,043	2,480	22,445
Total operating expenses	4,128,635	3,537,990	2,925,586	1,202,126
Operating income (loss)	247,329	266,322	328,925	16,060
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	-	-	9	435
Gain (loss) sale/disposal of City property	588	-	1,481	-
Interest expense	(36,400)	(40,225)	(38,310)	-
Total nonoperating revenues (expenses)	(35,812)	(40,225)	(36,820)	435
Income (loss) before contributions and transfers	211,517	226,097	292,105	16,495
Transfers in	-	20,190	14,920	10,619,000
Transfers out	-	-	-	-
Net transfers	-	20,190	14,920	10,619,000
Change in net position	211,517	246,287	307,025	10,635,495
Total net position - beginning	11,188,807	10,942,520	10,635,495	-
Total net position - ending	\$ 11,400,324	\$ 11,188,807	\$ 10,942,520	\$ 10,635,495
	(unaudited)	(audited)	(audited)	(audited)

CAPITAL ASSETS

A summary of golf course assets at June 30, 2023 are:

Capital Assets	
Asset Description	Cost
Land	\$ 10,522,000
Buildings	782,433
Park Improvements	474,315
Machinery and Equipment	353,131
Total	\$ 12,131,879

(Unaudited)

DEBT

On November 8, 2019, the City entered into an agreement to loan the Golf Course Fund \$1,000,000 for the purchase of the golf course. The loan was made with the assets held in the Section 115 pension trust fund. The loan is secured by a deed of trust executed on October 22, 2019. The deed irrevocably grants, transfers and assigns all rights, title and interest now owned or later acquired in the real property in conjunction with rents, issues and profits. The loan will be repaid by Oso Creek Golf Course resources at an interest rate of 2.5% over a period of 20 years commencing November 8, 2020. The balance of the loan at June 30, 2023 was \$879,599.

On December July 15, 2020, the City entered into a lease-purchase agreement for financing the acquisition of golf carts for the golf course valued at \$447,062 at 3.99% interest. The golf carts have a five-year estimated useful life and are pledged as collateral. As of June 30, 2023, the value of the lease liability is \$286,176. The City is required to make monthly principal and interest payments of \$6,107.

On November 6, 2020 the City entered into a lease-purchase agreement for financing the acquisition of maintenance equipment for the Oso Creek Golf Course valued at \$142,547 at 1.57% interest. The maintenance equipment has a five-year estimated useful life and is pledged as collateral. As of June 30, 2023, the value of the lease liability is \$65,274. The City is required to make quarterly principal and interest payments of \$7,396.

Changes in debt for the year ended June 30, 2023 were as follows:

Debt				
Source	July 1, 2022	Additons	Deletions	June 30, 2023
Section 115 Note	\$ 920,727	\$ -	\$ (41,128)	\$ 879,599
Golf Cart Lease	346,729	-	(60,553)	286,176
Golf Maintenance Equipment Lease	93,554	-	(28,280)	65,274
	\$ 1,361,010	\$ -	\$ (129,961)	\$ 1,231,049

(unaudited)

REVENUE

For the year ended June 30, 2023 total operating and non-operating revenues totaled \$4.4 million. Actual revenues fell below projected revenue by \$63,000. The golf course experienced at least 60 days of rain during the fiscal year that affected green fees and golf cart rental income resulting in the lower than projected revenue in these two areas. The revenue projections were reduced by \$506,323 as part of the mid-year budget review process on March 28, 2023 in part due to inclement weather and in part in response to the reduction in green fees for residents approved by the City Council on July 12, 2023.

FY 22/23 Budget vs Actual				
Source	Budget	YTD Actual	%	(Under)/Over
Green Fees	\$ 2,598,000	\$ 2,455,984	95%	\$ (142,016)
Golf Cart Rental	748,677	634,650	85%	(114,027)
Food Revenue	671,042	780,149	116%	109,107
Beverage Revenue	381,958	455,853	119%	73,895
Merchandise	40,000	49,730	124%	9,730
Other	-	186	n/a	186
Total	\$ 4,439,677	\$ 4,376,552	99%	\$ (63,125)

(Unaudited)

Even though revenue came in lower than projected, a comparison of total operating and non-operating revenues to the prior year reflect that FY 22/23 revenue exceeded prior year revenue by over \$552,000. This is a result of the increase in non-resident green fees that were effective on July 11, 2022. With the expansion of restaurant operations, the golf course also experiences an increase in food and beverage revenue.

Current Year - Prior Year Actual Comparison			
Source	FY 22/23	FY 21/22	\$ Change
Green Fees	\$ 2,455,984	\$ 2,109,429	\$ 346,555
Golf Cart Rental	634,650	723,788	(89,138)
Food Revenue	780,149	511,278	268,871
Beverage Revenue	455,853	416,338	39,515
Merchandise	49,730	41,996	7,734
Other	186	21,100	(20,914)
Total	\$ 4,376,552	\$ 3,823,929	\$ 552,623

(Unaudited)

EXPENSES

The Golf Course Fund budget was adopted by the City Council on June 28, 2022. Total approved appropriations and other outlays were \$4,518,341. The budget was increased by \$202,853 due to encumbrances and unencumbered CIP budget carried over from FY 21/22. During the fiscal year, the budget was reduced by \$515,190 during the mid-year review process on March 28, 2023 to offset the reduction in projected revenue. The budget includes appropriations for operating expenses, capital asset purchases and principal debt payments. All expenses and other disbursements related to the operation of

the golf course during fiscal year 2022-23 were entirely funded with golf course resources. No General Fund resources were needed for golf course operations.

A summary of expenses and other cash disbursements are summarized as follows:

Golf Course Fund Budget					
Program	Original Budget	Amended Budget	YTD Actual	%	(Under)/Over
Operating Budget:					
Administration	\$ 298,052	\$ 345,475	\$ 345,475	100%	\$ -
Debt Service	42,838	36,400	36,400	100%	-
Operations	2,640,127	2,624,937	3,027,187	115%	402,250
Information Technology	54,432	13,858	13,858	100%	-
Slopes and Landscaping	250,000	158,520	158,520	100%	-
Facilities and Infrastructure	250,830	406,493	552,197	136%	145,704
Debt Payments:					
Note principal payments	40,000	41,129	41,129	100%	-
Lease principal payments	88,334	88,833	88,833	100%	-
Capital Budget:					
22337 Course Restroom	80,000	185,883	142,191	76%	(43,692)
23338 Event Barn	425,000	-	-	n/a	-
Surveillance Cameras	43,728	43,728	43,728	100%	-
Facility Improvements	305,000	231,669	231,669	100%	-
Vehicle (Utility Cart)	-	29,080	29,080	100%	-
Total	\$ 4,518,341	\$ 4,206,005	\$ 4,710,267	112%	\$ 504,262

(Unaudited)

The Operations program, which is used by American Golf Corporation (AGC), under the golf course management agreement is over budget by \$402,250. Those areas reflecting the most significant variances are Contracted Services (AGC personnel costs), Functional Supplies (soil and sand, fertilizer, restaurant and bar supplies, etc.), Electricity and Cost of Food and Beverage Sales. The Facilities and Infrastructure program, utilized by the City Public Services Department is over budget by \$145,704. This amount can be offset with a savings in project 22337 – Golf Course Restroom of \$43,692 for a net over budget amount of \$102,012. Amendments to address these deficits were included in the Fiscal Year 2022/23 Close Out Report that was presented to the City Council on October 10, 2023. The additional resources needed to amend the budget will come from Golf Course Fund reserves.

FOR MORE INFORMATION

This summary report is derived from detailed financial information generated by the City’s Administrative Services Department. If you have questions or would like additional information on this report, please contact the Administrative Services Department via e-mail at adminservices@cityofmissionviejo.org or by phone at (949) 470-3082.