



City of Mission Viejo California



Comprehensive Annual Financial Report Year Ended June 30, 2015

ABOUT THE COVER: Pavion Park playground, the first universally designed playground in Orange County, reopened in December 2014 after a complete renovation. Universal design is intended to provide equal access for all, including children and caregivers of all ages and abilities. The newly renovated playground includes: a main tree house with slides, accessible ramps and interactive boards; rocking boat that accommodates a wheelchair; accessible sand diggers; spinners; swings equipped with harness/support to protect a child's neck; and interactive light/sound games. Pavion Park is the second largest playground in Mission Viejo and is located on the corner of Jeronimo Road and Pavion.

Photos courtesy of Michele Whiteaker, FunOrangeCountyParks.com

**CITY OF MISSION VIEJO
CALIFORNIA**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2015**

CITY COUNCIL

Cathy Schlicht, Mayor
Greg Raths, Mayor Pro Tem
Wendy Bucknam, Council Member
Ed Sachs, Council Member
Frank Ury, Council Member

CITY MANAGER

Dennis R. Wilberg

**PREPARED BY
DEPARTMENT OF ADMINISTRATIVE SERVICES**

Cheryl Dyas
Director of Administrative Services



MISSION VIEJO

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CITY OF MISSION VIEJO

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2015

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CITY OF MISSION VIEJO

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2015

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CITY OF MISSION VIEJO

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2015

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City of Mission Viejo

Administrative Services Department

Cathy Schlicht
Mayor

Greg Rath
Mayor Pro Tem

Wendy Bucknum
Council Member

Edward Sachs
Council Member

Frank Ury
Council Member

December 22, 2015

Honorable Mayor, Members of the City Council, City Manager and Citizens of Mission Viejo:

The Comprehensive Annual Financial Report (CAFR) of the City of Mission Viejo for the fiscal year ended June 30, 2015 is submitted herewith.

This report consists of management's representations concerning the finances of the City of Mission Viejo. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report, based on a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

The City's financial statements have been audited by Rogers, Anderson, Malody & Scott, LLP, certified public accountants. The auditors have issued an unmodified ("clean") opinion on these financial statements. Their report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of Mission Viejo

Mission Viejo is located in southern California approximately halfway between Los Angeles and San Diego, in the southern-most portion of Orange County commonly referred to as the Saddleback Valley. The City's current population is 96,652 making it the largest city in the Saddleback Valley and the ninth largest of the county's 34 cities.

The City of Mission Viejo is a 17.4 square-mile city. Although the City incorporated in 1988, the first homes in the community were built in the mid-1960's. It was developed as a master planned community by the former Mission Viejo Company. The City is best known for its recreational facilities and programs, and includes 42 park sites within its boundaries.

The City is governed under the Council-Manager form of government, with a five-member City Council elected at-large on a non-partisan basis. Council members serve staggered, four-year terms, with a three consecutive term limit. Council elections are held in November of even-numbered years. The Mayor is selected by the City Council from among its membership and serves a one-year term. The City Manager is appointed by the City Council to carry out the policies and direction of the City Council, oversee the day-to-

day operations of the City and appoint the heads of the various City departments. The current City Manager, Dennis Wilberg, has served in that position since November 2003.

The City provides a full range of municipal services, including police, public works, planning, building, recreation, library and animal control. However, Mission Viejo is a "contract city," and contracts with other governmental entities, private firms and individuals to deliver many of these services. Fire services are provided directly by the Orange County Fire Authority, and water and sewer services are provided by separate districts.

The City is financially accountable for two legally separate entities: the Mission Viejo Housing Authority and the Mission Viejo Community Development Financing Authority. The activities of these two entities are included in these financial statements. The former Community Development Agency of the City of Mission Viejo ("CDA"), was dissolved on February 1, 2012. Upon dissolution, the CDA assets and liabilities were transferred to the Successor Agency to the CDA. The City is obligated to report the resources and activities of the Successor Agency in a separate Private-Purpose Trust Fund, which are also included in these financial statements. Additional information on all three of these legally separate entities can be found in Note 1 to the basic financial statements.

The City (the primary government) utilizes a two-year budget, which the Council adopts by June 30 or as soon thereafter as possible in odd-numbered years. Each year of the two-year budget is appropriated separately. The budget is prepared by program area (e.g., public safety), program (e.g., police patrol services) and fund. The City Manager can authorize appropriation transfers in the operating budget within the same program area and fund without limitation, and in the capital budget between capital projects within the same department and fund up to \$30,000. The City Council must authorize all other budget changes. The Community Development Financing Authority and the Housing Authority utilize a one-year budget. These two budgets are controlled at the fund level. Expenses out of the Successor Agency Fund are restricted to Department of Finance ("DOF") approved enforceable obligations. These enforceable obligations are approved every six months by the DOF through the submission of a Recognized Obligation Payment Schedule.

State law mandates that Mission Viejo can only raise local tax rates with voter approval. In addition, certain user fees require voter approval and increases in user fees must follow procedures set forth in State law.

Local economy

Mission Viejo's central location in the Saddleback Valley area makes it a hub for regional commerce. It is also the home of major educational and health facilities for the area. It is primarily a "bedroom community" with a relatively small industrial base.

The two largest employers in the City are Mission Hospital Regional Medical Center and Saddleback College. Both have been major employers in the community since incorporation. Mission Hospital Regional Medical Center is the largest hospital in South Orange County and one of only three trauma centers in all of Orange County with 2,443 employees. The hospital is in the middle of a multi-year expansion program to ensure that key services will meet patient care needs as the region continues to grow. Saddleback College, the City's second largest employer with 1,748 employees, is a two-year community college serving approximately 20,000 students annually. It was established in 1968 and is part of the California Community College system. The college is fully accredited and offers over 250 associate

degrees, certificate and occupational awards in 165 program areas, including accounting, engineering, fashion design, journalism and nursing.

The commercial section of the City is anchored by The Shops at Mission Viejo, a regional mall of 1.1 million square feet. Tenants include Macy's, Nordstrom, Forever 21, Microsoft and Apple. Six high-end auto dealers are located in Mission Viejo: Lexus, Infiniti, Audi, Jaguar/Land Rover, Maserati and Acura. Target and Home Depot also have a major presence in town. The Mission Viejo Freeway Center, located adjacent to Interstate 5, is home to Best Buy, Bed Bath and Beyond, Toys R Us and others.

Since its incorporation, Mission Viejo has had a strong and well-diversified tax base. Over the years, the relatively high property values and personal income levels within the City have generated tax revenues sufficient to support a very high level of municipal services and facilities for the community to enjoy, as well as healthy fund balances. The tax base has performed well in good economic times, and it has also been able to weather the slower economic times. Since 2002, assessed valuation of property in the City has grown at an average annual rate of 4.3% despite the two recessions during this time period and the first-ever decline in assessed valuations in 2010. Our tax base is well diversified, with City property tax revenue accounting for about 44% of total governmental revenues. Sales tax revenue represents about 26% of governmental revenues. The remainder of the tax base (Franchise taxes, real property transfer taxes and transient occupancy taxes) contributes another 7% of general governmental revenues.

Mission Viejo has generally maintained a low unemployment rate. The rate has traditionally not only been below the State and national rates, but also below the County unemployment rate. Except during periods of recession in the early 1990's and since 2008, the unemployment rate in the City has ranged between 1.4% and 2.9%. In the mid-1990's, it peaked at 6.6% and it reached 6.9% in 2010. The City's current unemployment rate is 4.2%, up from 3.9% a year ago.

Since the recession ended in 2009 the economy in Mission Viejo has been slowly recovering. Job growth is occurring in Orange County and elsewhere and the unemployment rate has declined in each of the past six years, with the exception of a slight increase this past year. Median housing values have risen to \$595,000 from a low of \$425,000 in 2012. As a result of the City's diversified tax base and personal income levels, the Mission Viejo economy is expected to continue to perform as well as, or better than, the economies of Orange County and the State.

Long-term financial planning

The City prepared a Master Financial Plan (MFP) as part of the 2015-2017 biennial budget process and is an integral part of the City's budget process. The MFP includes a seven-year General Fund revenue forecast and expenditure plan. The MFP also provides essential information on projected General Fund group fund balances, including discretionary reserves, and allows for analysis of the amount of resources available to fund equipment replacement as well as asset rehabilitation and repair. The long-range nature of the MFP also allows management and staff to be more proactive in budget planning, using the seven years of projections to plan for anticipated swings in revenues or expenditures.

The 2016-22 revenue forecast indicated that general fund revenue would grow throughout the forecast period on an average of 2.69% per year. Property tax and sales tax revenue represents 80% of General Fund revenue and are important revenue sources for the City. The MFP projects that both these revenue

sources will grow annually on an average of 3.22% for property taxes and 3.27% for sales taxes through 2022.

The current MFP was prepared with a conservative approach to future expenditure planning. The 2015-17 adopted General Fund budget is balanced without the use of reserves. In fact, due to the continually improving economy, the 2015-17 budget includes the restoration of operating budget items that were cut during the recession and through the economic recovery. For each year beyond 2017, the MFP remains balanced and generates revenues in excess of operating expenditures and transfers through 2022.

The City's General Fund discretionary reserve policy requires that reserves be maintained between 40% and 50% of General Fund revenues. The discretionary reserve balance at June 30, 2015 is 54.0% and the current biennial budget and MFP maintains this reserve at or above 50% throughout the MFP forecast period.

Major initiatives

A major goal of the City for the past several years has been to address the affordable housing needs of the City in an acceptable manner that meets both community expectations and the State's regional housing needs assessment (RHNA) requirements. The CDA, as required by the State, accumulated resources every year up to dissolution to assist and promote low to moderate income housing development. Upon dissolution of the CDA on February 1, 2012, the affordable housing responsibilities were transferred to the Mission Viejo Housing Authority. During fiscal year 2014-15, the Authority expended approximately \$354,000 for the sale of five affordable units. The total project consists of 144 townhomes/condominiums located in the northern portion of Mission Viejo near the intersection of Jeronimo Road and Los Alisos Boulevard. Every homebuyer of an affordable unit must own and occupy their home. Any sale, refinancing or other transfer of the unit during the 45-year affordability period will require the new owner to also qualify as a low income or very low income homebuyer. There have been two additional units sold after June 30, 2015, leaving one affordable unit remaining to be sold in this development. The Authority has retained encumbered monies for this purpose. Also, in furtherance of the goals of the City's Housing Element and a State Housing and Community Development mandate, City owned land commonly referred to as "Opportunity Site C", was sold to the Mission Viejo Housing Authority for affordable housing development in June 2015.

During the budget process, the City Council prioritized six areas for focus and increased spending: Economic Development; Reduction of Unfunded Liabilities; Playground Rehabilitation; Park Restroom Master Plan; Marguerite Aquatics Complex Rehabilitation; and Slope Rehabilitation.

Economic Development. In March 2015, the City issued a contract with Kosmont Companies to provide Economic Advisory Services. Kosmont developed a Retail Market Analysis and Strategy that was presented at the Economic Development Committee meeting in June 2015. The current contract with Kosmont was issued in July 2015 to assist the City with the implementation of a retail strategy. In addition, the original budget for 2015-16 included \$160,000 toward economic development and the City Council approved an additional appropriation of \$300,000 in October 2015 in furtherance of this priority.

Reduction of Unfunded Liabilities. The City Council established goals to eliminate the retiree healthcare insurance benefit unfunded liability and achieve an 85% pension plan funded status by June 30, 2016. In furtherance of these goals, the City made a \$2.1 million one-time payment in March 2015 toward the retiree

healthcare unfunded liability and another \$1.5 million one-time payment toward the pension unfunded liability in June 2015. The City will continue to monitor both plans and pending the results of final valuations on both plans, additional actions may be taken by the City Council during FY 2015-16.

Playground Rehabilitation. Prior to the recession, the City rehabilitated one or two playgrounds a year. Funding for these rehabilitations were eliminated from the capital improvement budget when the recession hit and through the following years as the City recovered. Starting with FY 2015-16, annual rehabilitations were restored to the adopted budget. The playground at El Dorado Park is scheduled for renovation during FY 2015-16 and the Cordova Park playground renovation is planned for FY 2016-17.

Park Restroom Master Plan. The Community Services Commission was tasked with revising the Park Restroom Master Plan. After a series of meetings, a revised master plan was presented to the City Council in January 2015 that prioritized restroom locations based on need. The City Council committed to provide funding for the construction of park restroom facilities and directed the Community Services Commission to seek public input in finalizing restroom locations and design. The FY 2015-16 adopted budget includes funding for a restroom at the newly renovated Pavion Park and the FY 2016-17 budget includes funding for a restroom facility at a yet to be determined location.

Marguerite Aquatics Complex Rehabilitation. A facility review and needs assessment study was first presented to the City Council on March 2, 2015. The City Council sent the study to the Community Services Commission for review, public input and to provide the Council with a recommended action. The City Council approved a scope of work for rehabilitation at the June 1, 2015 City Council meeting. The adopted budget for FY 2015-16 includes an appropriation of \$700,000 for design development, engineering and project management costs. The appropriation for the construction of the project is anticipated to occur upon award of a construction contract, which is anticipated no earlier than spring of 2016. The current estimated cost for the entire project is \$7.7 million; however, this estimate is subject to change based on the final design. There is \$4.9 million available in Park Development Fund resources; and it is anticipated that the Nadadores Foundation will contribute \$1.366 million through fundraising efforts. Another \$1.1 million was identified through resources received by the sale of City owned land to the Mission Viejo Housing Authority. The funding source(s) for the balance of this project is yet to be identified. Construction is expected to begin no later than September 2016, following the 2016 Summer Olympics.

Slope Rehabilitation. While slope rehabilitation was identified as a priority during the pre-budget workshop, due to the water drought crisis and mandatory water cuts being imposed by the State, the adopted budget includes funding for water conservation efforts in lieu of slope rehabilitation; since the later will actually increase the use of water for newly planted vegetation on slopes. The adopted budget for FY 2015-16 includes funding to rehabilitate the medians on Marguerite Parkway between Alicia Parkway and Alarcon. The FY 2016-17 budget will continue the Marguerite Parkway median rehabilitation from Alarcon to La Barca.

Another significant ongoing effort has been to manage and improve the flow of traffic throughout the City. The focus for the past several years has been to expand the capacity of the City's major east-west thoroughfares. In recent years, construction was completed for intersection improvements at Oso Parkway and Marguerite Parkway and widening Crown Valley Parkway at the I-5 Interstate and construction to widen Oso Parkway was completed in May 2015. Construction is expected to begin for the La Paz Bridge Rehabilitation and Road Widening project in late 2016. This project will add a third lane in each direction of La Paz Road between Chrisanta Drive and Muirlands Boulevard with both the roadway and existing bridges

over the railroad tracks widened. In addition, the FY 2015-16 adopted budget includes funding for intersection improvements at Felipe Road and Oso Parkway and freeway on-ramp improvements to the northbound I-5 at Oso Parkway.

Major resources are devoted to street resurfacing around the City each year. Approximately \$6.0 million was spent on residential streets and arterial resurfacing in FY 2014-15. Another \$4.3 million is budgeted for FY 2015-16.

Awards and acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mission Viejo for its comprehensive annual financial report for the fiscal year ended June 30, 2014. The Certificate is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

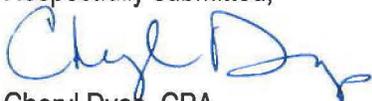
A Certificate of Achievement is valid for a period of one year only. Mission Viejo received its first Certificate of Achievement in 1988-89, its first full year of incorporation as a city, and has received the certificate every year since then. I believe this 2014-15 CAFR continues to conform to the Certificate of Achievement program requirements, and it will be submitted to GFOA for award consideration.

The City also received the GFOA Distinguished Budget Presentation Award and CSMFO Excellence in Operational Budgeting Award for its 2013-2015 biennial budget document. To qualify for the GFOA award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The CSMFO award reflects excellence in the budget document and the underlying budget process through which the budget is implemented. The 2015-17 biennial budget document was submitted to both GFOA and CSMFO for award consideration in September 2015.

The preparation and publication of the CAFR is a team effort, requiring the dedication and cooperation of the entire Administrative Services Department staff and the City's independent auditors, Rogers, Anderson, Malody & Scott, LLP, throughout the year as well as at year-end. I would like to acknowledge the following individuals who contributed significant effort toward the publication of this document: Accounting Supervisor Patricia Brunell, Accountant Kim Lashley, Junior Accountant Andrea Pham, Budget and Purchasing Analyst Susan Knudson and Administrative Assistant Sherry Merrifield.

In closing, I would like to express my appreciation to the City Council and City Manager for their leadership and support, and for their continuing efforts to maintain the City's fiscal health.

Respectfully submitted,



Cheryl Dyas, CPA
Director of Administrative Services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Mission Viejo
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

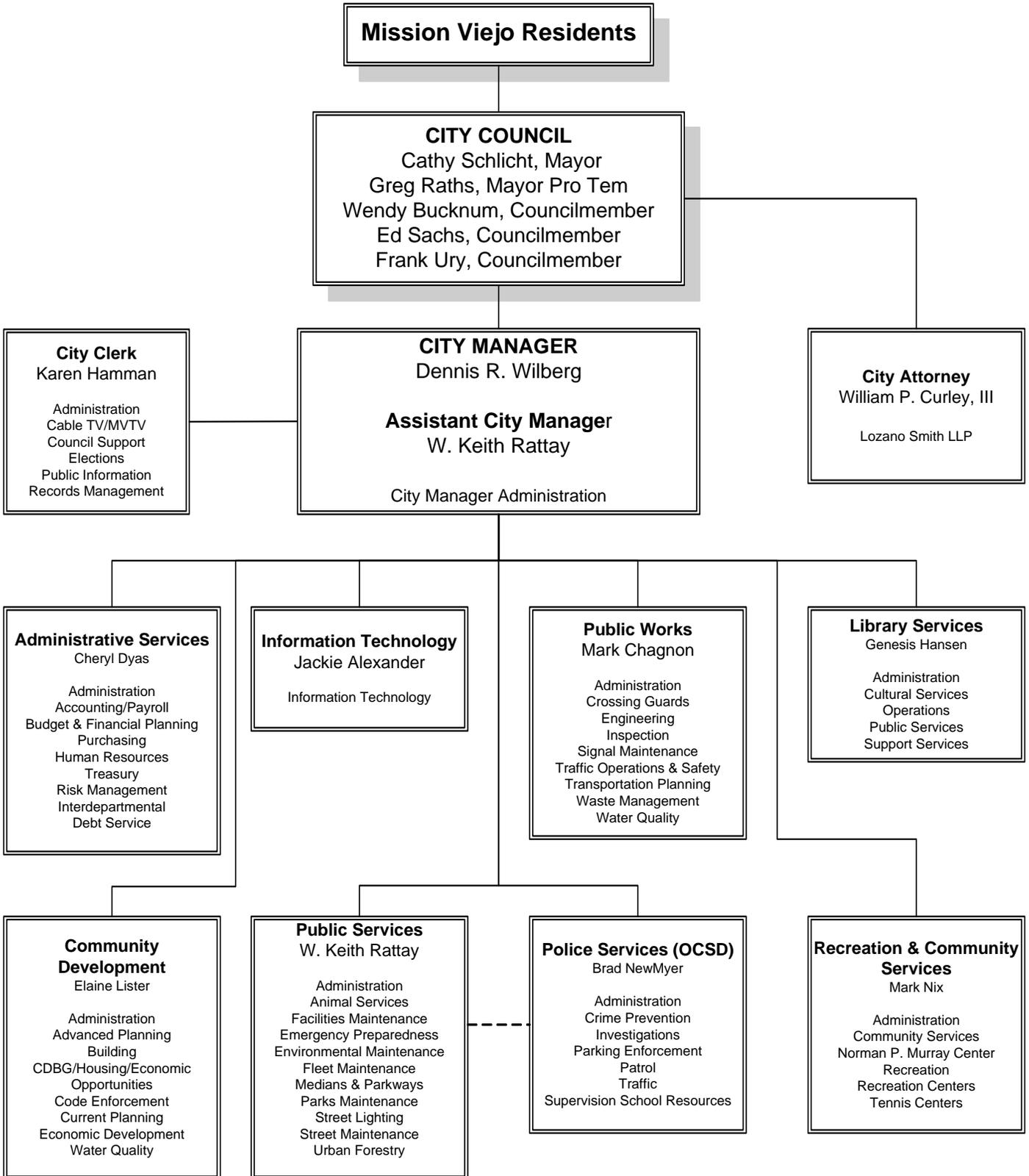
Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mission Viejo for our Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

In order to be awarded a certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to industry standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

CITY OF MISSION VIEJO
Organizational Structure
June 30, 2015



CITY OF MISSION VIEJO

List of Principal Officials
as of June 30, 2015

City Manager	Dennis R. Wilberg
City Attorney	William P. Curley, III
Director of Community Relations/City Clerk	Karen Hamman
Assistant City Manager/Director of Public Services	W. Keith Rattay
Director of Administrative Services	Cheryl Dyas
Director of Community Development	Elaine Lister
Director of Information Technology	A. Jackie Alexander
Director of Library and Cultural Services	Genesis Hansen
Director of Public Works	Mark Chagnon
Director of Recreation and Community Services	Mark Nix
Chief of Police Services (O.C. Sheriff Department)	Lt. Brad NewMyer



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Mission Viejo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Mission Viejo, California (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mission Viejo, California, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Change in Accounting Principle

As discussed in Note 1 of the financial statements, the City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mission Viejo, California's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, nonmajor fund budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and nonmajor fund budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the nonmajor fund budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Prior-Year Comparative Information

We have previously audited the City's 2014 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated February 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Restatement of the comparative financial data for the prior periods presented is not practical due to the unavailability of information from the pension plan, therefore the provisions of GASB Statements No. 68 and 71 were not applied to prior periods. The cumulative effects of applying the provisions of GASB Statements No. 68 and 71 have been reported as a restatement of beginning net position for the year ended June 30, 2015 in accordance with the Statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, on our consideration of the City of Mission Viejo, California's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mission Viejo, California's internal control over financial reporting and compliance.

Rogers Anderson Malooly & Scott, LLP

San Bernardino, California
December 22, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2015

As management of the City of Mission Viejo ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. Please read it in conjunction with the accompanying transmittal letter at the front of this report, and the basic financial statements, which follow this section.

Financial Highlights

- The assets of the City exceeded its liabilities at June 30, 2015 by \$693.5 million. This amount is referred to as the net position of the City. Of this amount, \$20.3 million is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by \$2.1 million during the past year due to current year operations. FY 2014-15 revenues increased by \$7.8 million from prior year levels, and expenses (both expenses and non-cash expenses such as depreciation) increased by \$11.7 million. (See pages 13-14 for a more detailed discussion of expenses.)
- The City's beginning of year net position decreased by \$16.8 million due to an accounting change as a result of the implementation of GASB 68 (discussed later in this report).
- As of June 30, 2015, the City's governmental funds (the General Fund plus Special Revenue, Debt Service and Capital Projects funds) reported combined ending fund balances of \$45.5 million. Governmental expenditures and other financing uses exceeded revenues and other financing sources by \$6.5 million in FY 2014-15. Of the \$45.5 million combined ending fund balances at June 30, 2015, \$11.5 million is categorized as unassigned, \$16.9 million is categorized as assigned, \$16.5 million is categorized as restricted, and \$0.6 is categorized as non spendable.
- The combined \$32.0 million assigned and unassigned fund balance of the General Fund was 59% of General Fund revenue. Approximately \$16.3 million of the June 30, 2015 assigned fund balance has been designated by the City Council for capital asset replacement and \$0.6 million is encumbered or appropriated for subsequent years' expenditures.
- The City's total long-term liabilities, as reported on the Statement of Net Position, increased by \$13.1 million, or 30% from the prior fiscal year due to the implementation of GASB 68, to a level of \$59.9 million. It should be noted that the liability added due to GASB 68 accounting change existed in prior years and was consistently disclosed in prior year reports in the notes to the basic financial statements.

Overview of the Financial Statements

This discussion and analysis is an introduction to the City's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also consists of supplementary information in addition to the basic financial statements.

Government-wide financial statements. These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. There are two government-wide financial statements: the Statement of Net Position and the Statement of Activities. They present information for the government as a whole and present a longer-term view of the City's

See independent auditors' report

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2015

finances. These two statements help to answer the question: "Is the City as a whole better off or worse off as a result of this year's activities?"

The Statement of Net Position presents information on all of the City's 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 City is improving or deteriorating.

The Statement of Activities presents information on how the City'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. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused employee leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety, public works, infrastructure maintenance, most general government activities, recreation and community services, community development and library services. The business-type activities of the City include animal services and government-access cable television.

The government-wide financial statements include not only the City of Mission Viejo itself (known as the primary government), but also two other legally separate entities: the Mission Viejo Housing Authority (the "MVHA"); and the Mission Viejo Community Development Financing Authority (the "Authority"), a joint powers authority formed by the City and the dissolved Community Development Agency of the City of Mission Viejo, the former redevelopment agency of the City, to issue bonds for the construction of major capital facilities. The City is financially accountable for both of these legally separate entities, which are referred to as component units. The MVHA and Authority function for all practical purposes as departments of the City, and therefore, these component units have been included in these financial statements as an integral part of the primary government.

The government-wide financial statements can be found on pages 27-29 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

See independent auditors' report

CITY OF MISSION VIEJO
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Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City reports on 12 individual governmental funds for financial statement reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Developer Fees Fund, Measure M Fund, and Housing Authority Fund, which are considered to be the City's four major funds for the current fiscal year. Data from the other eight governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these other governmental funds is provided in the form of combining schedules elsewhere in the report.

The City (the primary government) adopts a biennial budget for all its governmental and proprietary funds. Annual appropriations are approved prior to the beginning of each year of the biennial budget period. The Authority and MVHA adopt an annual budget. A budgetary comparison schedule has been provided for each of the governmental funds to demonstrate compliance with these budgets. The definition of the General Fund for purposes of these audited financial statements is different than for budgetary purposes. For budgeting purposes, the City maintains two asset replacement funds and one other fund to account for the activity for Senior Center Operations separate from the General Fund, but for these financial statements, these three funds are combined into the General Fund.

The basic governmental fund financial statements can be found on pages 32-38 of this report.

Proprietary funds. The City maintains two enterprise funds, a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its animal services operations and government-access cable television station.

The basic proprietary fund financial statements can be found on pages 39-42 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City utilizes one private-purpose trust fund to account for the assets, liabilities and activities of the Successor Agency to the dissolved Community Development Agency. The Successor Agency was created on February 1, 2012. The second fiduciary fund is an agency fund, which is used to account for the assets of Community Facilities District No. 92-1 (Mission Viejo Freeway Center).

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2015

The basic fiduciary fund financial statements can be found on page 43-44 of this report.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 45-95 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's "modified approach" method of accounting for its street infrastructure assets, budgetary policies and supplemental information on the City's defined benefit plans. Required supplementary information can be found on pages 96-106 of this report.

The combining schedules referred to earlier in connection with other governmental funds are presented immediately following the required supplementary information as supplementary schedules. Combining and individual fund statements and schedules can be found on pages 109-126 of this report.

Government-wide Financial Analysis

Net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$693.5 million as of June 30, 2015, the close of the most recent fiscal year. In comparison to 2014 and 2013, net position was \$708.2 and \$702.2, respectively.

By far the largest portion of the City's net position at June 30, 2015 (\$640.1 million, or 92% of total net position) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$33.1 million of the City's net position is restricted net position, representing resources that are subject to external restrictions on how they may be used. The remaining \$20.3 million is unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position decreased \$16.9 million, or 45% from June 30, 2014 due to the implementation of GASB 68.

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2015

City of Mission Viejo Net Position at Year-End (in millions)							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2015	2014	2015	2014	2015	2014	2014-2015
Current and other non-current assets	\$ 78.2	\$ 73.5	\$ 3.8	\$ 3.6	\$ 82.0	\$ 77.1	6.4%
Capital assets	<u>681.3</u>	<u>688.4</u>	<u>2.0</u>	<u>1.9</u>	<u>683.3</u>	<u>690.3</u>	-1.0%
Total assets	<u>759.5</u>	<u>761.9</u>	<u>5.8</u>	<u>5.5</u>	<u>765.3</u>	<u>767.4</u>	-0.3%
Deferred outflows of resources	<u>3.1</u>	<u>-</u>	<u>0.3</u>	<u>-</u>	<u>3.4</u>	<u>-</u>	100.0%
Long-term liabilities outstanding	58.5	46.6	1.3	0.1	59.8	46.7	28.1%
Other liabilities	<u>11.7</u>	<u>12.3</u>	<u>0.2</u>	<u>0.2</u>	<u>11.9</u>	<u>12.5</u>	-4.8%
Total liabilities	<u>70.2</u>	<u>58.9</u>	<u>1.5</u>	<u>0.3</u>	<u>71.7</u>	<u>59.2</u>	21.1%
Deferred inflows of resources	<u>3.2</u>	<u>-</u>	<u>0.3</u>	<u>-</u>	<u>3.5</u>	<u>-</u>	100.0%
Net position:							
Net investment in capital assets	638.1	643.4	2.0	1.9	640.1	645.3	-0.8%
Restricted	33.1	25.7	-	-	33.1	25.7	28.8%
Unrestricted	<u>18.0</u>	<u>33.9</u>	<u>2.3</u>	<u>3.3</u>	<u>20.3</u>	<u>37.2</u>	-45.4%
Total net position	<u>\$ 689.2</u>	<u>\$ 703.0</u>	<u>\$ 4.3</u>	<u>\$ 5.2</u>	<u>\$ 693.5</u>	<u>\$ 708.2</u>	-2.1%

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. This same situation held true for the prior fiscal year as well. The City's overall decrease in net position of \$14.7 million from the prior fiscal is discussed in the following sections for governmental activities and business-type activities.

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2015

City of Mission Viejo Changes in Net Position (in millions)							
	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2015	2014	2015	2014	2015	2014	2014-2015
Revenues							
Program revenues:							
Charges of services	\$ 5.2	\$ 5.8	\$ 1.4	\$ 1.4	\$ 6.6	\$ 7.2	-8.3%
Operating grants and contributions	7.8	7.6	0.7	1.1	8.5	8.7	-2.3%
Capital grants and contributions	4.6	5.5	-	-	4.6	5.5	-16.4%
General revenues:							
Taxes:							
Property taxes	30.4	28.5	-	-	30.4	28.5	6.7%
Sales and use taxes	12.7	12.6	-	-	12.7	12.6	0.8%
Property taxes in lieu of sales and use taxes	4.2	4.3	-	-	4.2	4.3	-2.3%
Other taxes	4.5	4.2	-	-	4.5	4.2	7.1%
Motor vehicle in lieu fees	-	0.1	-	-	-	0.1	-100.0%
Investment earnings	1.5	1.2	-	-	1.5	1.2	25.0%
Other	8.1	1.2	-	(0.2)	8.1	1.0	710.0%
Total revenues	79.0	71.0	2.1	2.3	81.1	73.3	10.6%
Expenses							
General government- legislative	1.3	1.2	-	-	1.3	1.2	8.3%
General government- management/support	8.1	8.2	-	-	8.1	8.2	-1.2%
Public safety	18.1	17.0	-	-	18.1	17.0	6.5%
Community development	3.3	3.3	-	-	3.3	3.3	0.0%
Public works – engineering/transportation	2.8	2.4	-	-	2.8	2.4	16.7%
Infrastructure maintenance	32.5	21.8	-	-	32.5	21.8	49.1%
Recreation, community and library services	9.5	9.8	-	-	9.5	9.8	-3.1%
Animal services and other	-	-	1.9	2.1	1.9	2.1	-9.5%
Mission Viejo television	-	-	0.3	0.4	0.3	0.4	-25.0%
Interest on long-term debt	1.2	1.1	-	-	1.2	1.1	9.1%
Total expenses	76.8	64.8	2.2	2.5	79.0	67.3	17.4%
Excess/(deficiency) in net position before transfers and extraordinary item							
	2.2	6.2	(0.1)	(0.2)	2.1	6.0	-65.0%
Transfers	(0.5)	(0.5)	0.5	0.5	-	-	
Increase in net position	1.7	5.7	0.4	0.3	2.1	6.0	-65.0%
Net position, beginning of year, as previously	703.0	697.3	5.2	4.9	708.2	702.2	0.9%
Prior period adjustment	(15.5)	-	(1.3)	-	(16.8)	-	-100.0%
Net position, beginning of year, as restated	687.5	697.3	3.9	4.9	691.4	702.2	-1.5%
Net position, end of year	\$ 689.2	\$ 703.0	\$ 4.3	\$ 5.2	\$ 693.5	\$ 708.2	-2.1%

See independent auditors' report

CITY OF MISSION VIEJO
Management's Discussion and Analysis
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Governmental activities. During the current year, net position for governmental activities decreased \$13.8 million from the prior fiscal year ending balance, as previously stated, of \$703.0 million. As reflected above, total revenues of \$79.0 million exceeded expenses and transfers out of \$77.3 million by \$1.7 million. The decrease of \$15.5 million is due to prior period adjustments to capital assets in the amount of \$0.2 million and \$15.3 million due to the implementation of GASB 68.

Prior Period Adjustments

Prior period adjustments related to capital assets decreased net position by \$0.2 million. This total adjustment is comprised of three separate transactions. The City disposed of land in the prior year; however the value of this land in the amount of \$111,380 (decrease) was not removed for the net position of the City in the prior year. The Site C land was previously reported in the Animal Services Fund since this parcel is adjacent to the Animal Services facilities; however, when this site was designated for affordable housing purposes in 2006, the value of this land should have been transferred back to the City. This transfer did not take place and an adjustment was made in the amount of \$227,934 (increase) to move the asset from business type activities to governmental activities in the Statement of Net Position. The third adjustment was to move Construction in Progress capital assets in the amount of \$332,333 (decrease), related to the Cattery Expansion to business type activities in the Statement of Activities. This capital assets was erroneously recorded under governmental activities in the prior year.

The prior period adjustment related to the implementation of GASB 68 decreased net position by \$15.3 million. GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No 68, both effective July 1, 2014 amended the prior guidance with respect to the reporting of pensions, and established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources and expense/expenditures related to pensions. The City's net pension liability, which is essentially equivalent to the City's pension unfunded liability, was not previously recorded on the statement of net position; although the pension unfunded liability was consistently reported in the notes to basic financial statement in prior years. GASB 68 requires that accounting changes adopted to conform to the provision of the Statement be applied retroactively by restating financial statements. Therefore, the cumulative effects of applying the provision of GASB 68 and 71 have been reported as a restatement of beginning net position for the year ended June 30, 2015 in accordance with the Statements.

Revenue Analysis

Total revenues increased by \$8.0 million, or 11.3% from prior year levels. Program revenues decreased \$1.3 million, with Charges for Services declining \$0.6 million and Capital Grants and Contributions declining \$0.9 million. In the Charges for Services category, the City received \$0.6 million less in building and engineering fees due to a decline in residential and commercial construction activity. More specifically the Watermarke and Skyridge residential developments paid in excess of \$0.5 million in FY 2013-14 for engineering and building related fees, such as encroachment permits, improvement plan checks and inspections, and building permits and plan checks. Since the Watermarke development was substantially completed in FY 2013-14 and the Skyridge development has been delayed, fees generated from these two developments were less than \$0.1 million in FY 2014-15.

CITY OF MISSION VIEJO
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The Capital Grants and Contributions revenue category includes Park Development Fee revenue. In FY 2013-14, the City received fees due from the Watermark development located along Oso Parkway west of Country Club Drive in the amount of \$4.8 million. Since the Skyridge development project has been delayed, there were no Park Development fees received in FY 2014-15. The decline in these fees were offset by increases of \$3.8 million in other capital grants and contributions for engineering and transportation and infrastructure maintenance capital improvement projects. Specifically, the City recognized capital grant and contribution revenue in FY 2014-15 of \$4.1 million for the Oso Parkway Widening project, \$0.3 million for the Citywide EVP Device Installation project, and \$0.1 million for the Marguerite Parkway Median Rehabilitation project. The City recognized only \$0.7 million in capital grant and contribution revenue in FY 2013-14 related primarily to the Oso Parkway Widening project.

General taxes revenue increased \$2.2 million over FY 2013-14, with property taxes increasing \$1.9 million. The growth rate for secured and unsecured property in the City grew 6.48% in FY 2014-15 as compared to a 2.45% growth rate in FY 2013-14. The growth rates for FY 2012-13 and FY 2011-12 were 0.7% and 0.84% respectively, reflecting a healthy recovery of the real estate market post-recession.

Other general revenue increased \$6.9 million in FY 2014-15 over the prior year. The current year total of \$8.1 million includes a one-time recognition of revenue for the sale of City owned land commonly referred to as "Opportunity Site C". Site C was sold to the Mission Viejo Housing Authority for affordable housing development in furtherance of the goals of the City's Housing Element and a State Housing and Community Development mandate. The total sale price for this land was \$6.9 million, of which the City received \$2.6 million at the time of sale. The balance of \$4.3 will be paid to the City in annual payments and is secured by a note.

Expenses Analysis

Expenses (expenses plus non-cash expenses) associated with governmental activities increased by \$12.0 million, or 18.5%. This increase has two primary causes.

Public Safety program area expenses increased \$1.1 million. The City incurred expenses of \$16.2 million related to the Orange County Sheriff's Department contract for police services in FY 2014-15 as compared to \$15.1 million in the prior year.

Infrastructure Maintenance program area expenses increased \$10.7 million. For FY 2014-15, total expenses for all capital project for FY 2014-15 were \$14.4 million of which \$11.3 million are reported as Infrastructure Maintenance program area expenses. These projects include \$4.0 million in expenses incurred for the Oso Parkway Widening project, \$2.3 million for the Arterial Highway Resurfacing & Slurry annual program, and \$3.8 million for the Residential Resurfacing annual program. The \$11.3 million in capital improvement program expenses not eligible for capitalization compares to \$0.6 million in the prior year, accounting for entire \$10.7 million increase in this category.

The cost of all governmental activities in FY 2014-15 was \$76.8 million. That cost was financed by: those who directly benefited from the programs and services (6.7%); other governments and organizations that subsidized certain programs and projects with grants and contributions (16.1%); and

CITY OF MISSION VIEJO
Management's Discussion and Analysis
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general tax revenues and other general revenues of the City (77.2%). This is an increase from 70.5% in the prior year.

City of Mission Viejo Net Cost of Governmental Activities (in millions)						
	2015			2014		
	Total Cost of Services	Net Cost of Services	% of Total Cost Borne By General Revenues	Total Cost of Services	Net Cost of Services	% of Total Cost Borne By General Revenues
General government- legislative	\$ 1.3	\$ 1.3	100.0%	\$ 1.2	\$ 1.2	100.0%
General government- management/support	8.1	7.9	97.5%	8.2	7.9	96.3%
Public safety	18.1	17.3	95.6%	17.0	16.2	95.3%
Community development	3.3	-	0.0%	3.3	(0.3)	-9.1%
Public works- engineering/ transportation	2.8	(0.9)	-32.1%	2.4	0.5	20.8%
Infrastructure maintenance	32.5	25.2	77.5%	21.8	16.2	74.3%
Recreation, community and library services	9.5	7.3	76.8%	9.8	2.9	29.6%
Interest on long-term debt	1.2	1.2	100.0%	1.1	1.1	100.0%
	<u>\$ 76.8</u>	<u>\$ 59.3</u>	77.2%	<u>\$ 64.8</u>	<u>\$ 45.7</u>	70.5%

The table above illustrates that the net cost of governmental services (expenses less program revenues) was \$59.3 million in the current year, an increase of \$13.6 million from the prior year.

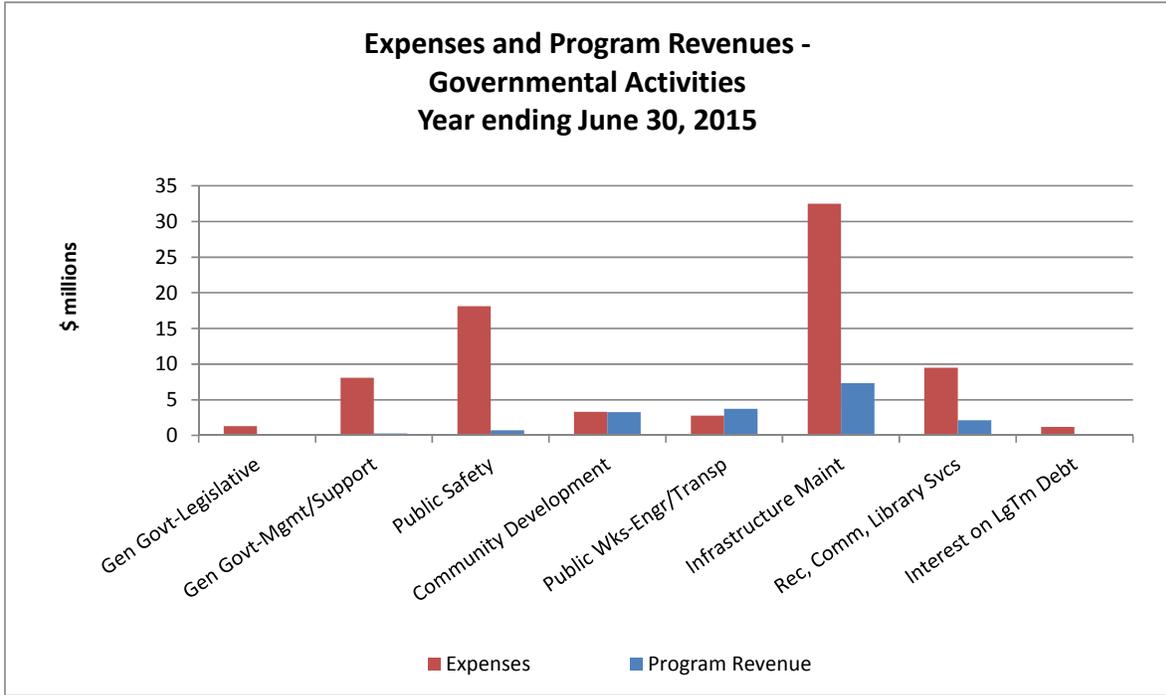
The net cost of services for the Public Safety program area increased by \$1.1 million; however, also as previously stated, this is due to the increase in contract cost for police services with the Orange County Sheriff's Department.

The largest increase of \$9.0 million is reflected in the Infrastructure Maintenance program area. Again, as previously stated, this increase is primarily due to the increase in expenses incurred related to capital improvement projects that did not meet the requirements for capitalization in the amount of \$10.7 million. This increase in costs was partially offset by a decrease in Capital Grants and Contributions revenue of \$0.1 million as previously discussed and an increase in Operating Grants and Contributions revenue of \$0.2 million over the prior year.

There was also an increase in net cost of services in the Recreation, Community and Library Services program area in the amount of \$4.4 million. The City received \$4.8 million in Park Development Fees for the Watermarke residential development in FY 2013-14 helping to offset costs in the previous year. There were no Park Development Fees received in FY 2014-15.

The following graph demonstrates the total program revenues and expenses by program area (function). The difference between these represents the net cost of governmental activities paid with general revenues.

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Business-type activities. The business-type activities of the City continue to be a relatively small component of overall City operations, representing about 2.8% of total City expenses. There are two business-type activities: Animal Services comprises 86% of the expenses and Mission Viejo Television comprises 14% of expenses. Net position for both the Animal Services and Mission Viejo Television Funds increased by \$0.3 million in FY 2014-15. Program revenue in the Animal Services Fund was down from the prior year by \$0.5 million. This decrease is due to a significant one time donation of \$0.5 million received during FY 2013-14. Operating expenses in the Animal Services Fund also declined \$0.2 million. This is a reflective of an error in recognizing expenses incurred in the prior year of \$0.3 million toward the cattery expansion project as an expense instead of as a capital asset. This error was corrected through a prior period adjustment to beginning of year net position.

Financial Analysis of the Governmental Funds

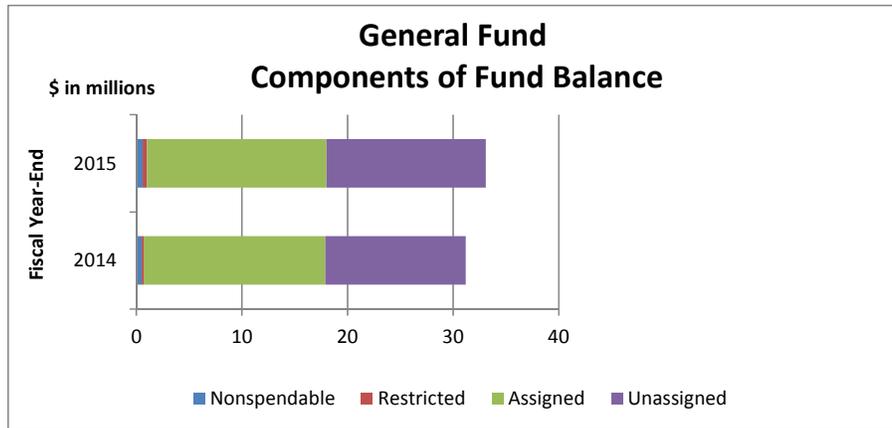
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary spending as this category of fund balance represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

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 Year ended June 30, 2015

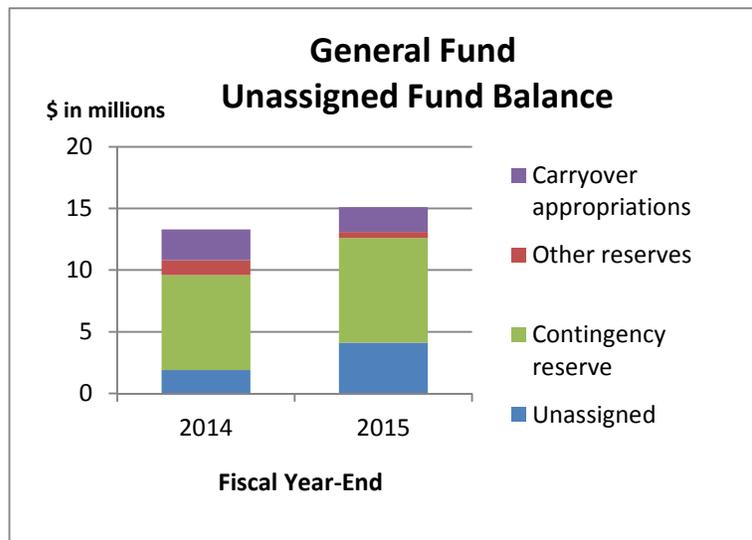
At June 30, 2015, the City's governmental funds (as presented in the balance sheet on pages 32-33) reported combined fund balances of \$45.5 million, a decrease of \$6.5 million in comparison with the prior year. Approximately \$11.5 million of this total amount (25%) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either non-spendable, restricted or assigned to indicate that it is 1) not in spendable form (\$0.6 million) 2) legally required to be spent on specific uses or be maintained intact (\$16.5 million), or 3) assigned for a particular purpose (\$16.9 million).

General Fund. The General Fund is the chief operating fund of the City. As of June 30, 2015, the total fund balance of the General Fund was \$33.0 million, an increase of \$1.8 million from \$31.2 million in the prior year.



The largest component of fund balance in the General Fund at June 30, 2015 is assigned fund balance at \$16.9 million. Assigned fund balance is comprised of \$16.3 million for capital asset replacement and \$0.6 million for encumbrances. Assigned fund balance decreased \$0.3 million from the prior year balance of \$17.2 million as encumbrances in the prior year were \$0.9 million.

Unassigned fund balance at June 30, 2015 was \$15.1 million, an increase of \$1.8 million from \$13.3 million in the prior year. Unassigned fund balance is comprised of a contingency reserve, which equals 15% of general fund revenue, other reserves for such items as unfunded liabilities and balances for carryover appropriations and amounts not assigned for a specific purpose in accordance with Governmental Accounting Standards Board standards. The contingency reserve portion increased \$0.8 million to



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keep this contingency reserve equal to 15% of general fund revenues for FY 2014-15. The carryover appropriation portion decreased \$0.5 million from the prior year. The unassigned portion has increased \$2.2 million.

As a measure of the General Fund's relative fiscal strength, it is useful to calculate the discretionary fund balance amount as a percentage of total fund revenues. For the City, the City Council has defined discretionary fund balance to include the unassigned fund balance, less those amounts designated as carryover appropriations, and those amounts assigned for capital asset replacement, since these assignments were made at the discretion of the City Council. The City Council discretionary fund balance at June 30, 2015 was \$29.4 million or 54.0% of total FY 2014-15 General Fund revenues.

The City has three other major funds: Developer Fees Fund, Measure M Fund and the Housing Authority Fund.

Developer Fees Fund. The Developer Fees Fund ended the year with a total positive fund balance of \$0.7 million, a decrease of \$4.1 million from the prior year ending fund balance of \$4.8 million. The decrease in fund balance is due to recognizing costs in the completion of several projects, including, \$1.0 million for the Pavion Park Playground rehabilitation project, \$0.9 million for the Montanoso Restroom rehabilitation project, and \$0.3 million for the Sierra Playground project. The Park Development Fees for these projects were received in prior years and there were no Park Development Fees received during FY 2014-15. This fund also recognized \$1.8 million in costs for the Oso Parkway Widening project from Country Club Drive to the Interstate 5 Freeway. This fund is due a total of \$3.9 million in reimbursements from other governmental agencies at June 30, 2015. This receivable increased \$1.8 million from the prior year balance of \$2.1 million.

Measure M Fund. The Measure M Fund ended the year with a total negative fund balance of \$3.0 million, a decrease of \$3.5 million from the prior year. In addition to the annual apportionment received by the City from Measure M2, the City has been awarded several other Measure M related grants for various projects. During FY 2014-15, the City incurred costs in the amount of \$2.2 million on the Oso Parkway Widening project against a Measure M Arterial Capital Enhancement grant and another \$0.3 million against a Measure M Environmental Cleanup grant for two median island rehabilitation projects on Marguerite Parkway. In addition, the City expended \$2.6 million toward the annual street resurfacing programs. This fund is due \$3.0 million in reimbursements from the Orange County Transportation Authority at June 30, 2015. This receivable increased \$2.4 million from the prior year balance of \$0.6 million.

The actual amount of revenue recognized each year is dependent upon whether revenue sources meet the definition of measurable and available at June 30, 2015 in accordance with accounting standards.

Available is defined as "received within 60 days of the last day of the fiscal year." If revenue does not meet the availability criteria, the revenue must be deferred to subsequent years. This delay in revenue recognition has resulted in a deficit fund balance in the Measure M Fund.

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Housing Authority Fund. The Housing Authority Fund had a fund balance of \$6.0 million at the end of fiscal year 2014-15 compared to \$6.3 million at the end of the prior year. This is a decrease of \$0.3 million. During the fiscal year, the City expended \$354,000 to Lennar Homes of California, Inc. ("Lennar") as part of an affordable housing subsidy entered into between Lennar and the former Community Development Agency (dissolved redevelopment agency). The balance due on this subsidy at June 30, 2015 is \$0.2 million and will be distributed to Lennar in equal installments upon the sale of the remaining three unsold affordable units in The Ridge development located near the intersection of Jeronimo Road and Los Alisos Boulevard.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements for the City's business-type activities, but in more detail.

The City operated two business-type activities: Animal Services and Mission Viejo Television. For the Animal Services Fund, unrestricted net position at June 30, 2015 was \$1.5 million, a \$1.0 million decrease from the prior year net position before beginning of year restatement. For Mission Viejo Television, unrestricted net position increased \$0.1 million from the prior year. The operating loss for Animal Services was \$0.3 million, an increase of \$0.3 from the prior year. Mission Viejo Television reported operating income in the current year of \$152,000, an increase of \$82,000 from the prior year. The operating loss for Animal Services was offset by an operating subsidy transferred from the City's General Fund in the amount of \$0.5 million. The operating subsidy in the prior year was also \$0.5 million. There are no operating subsidies from the City's General Fund for Mission Viejo Television.

The net position at the beginning of year was restated for both the Animal Services and the Mission Viejo Television Fund primarily due to the implementation of GASB 68. The Animal Services Fund beginning net position was decreased \$1.3 million and the Mission Viejo Television Fund was decreased \$83,000.

General Fund Budgetary Highlights

Original budget compared to final budget. After each fiscal year is closed, the amount of encumbrances outstanding at year end and unencumbered appropriations are determined for carryover to the subsequent fiscal year. These amounts for FY 2014-15 were approved by the City Council in July 2014 and increased the original budget accordingly. Total carryover appropriations for 2014-15 were \$3.4 million, with \$2.9 million appropriated in the operating budget and \$0.5 million for the capital improvement program ("CIP") budget. The most significant carryover appropriation was \$1.4 for Information Technology related projects including the purchase and implementation costs of a new accounting software application. There was also \$0.4 million carried over in the public safety program area to upgrade radios as part of the Countywide 800 Mhz communication system upgrade. Another significant budget carry over was \$0.3 million for personnel related contingencies.

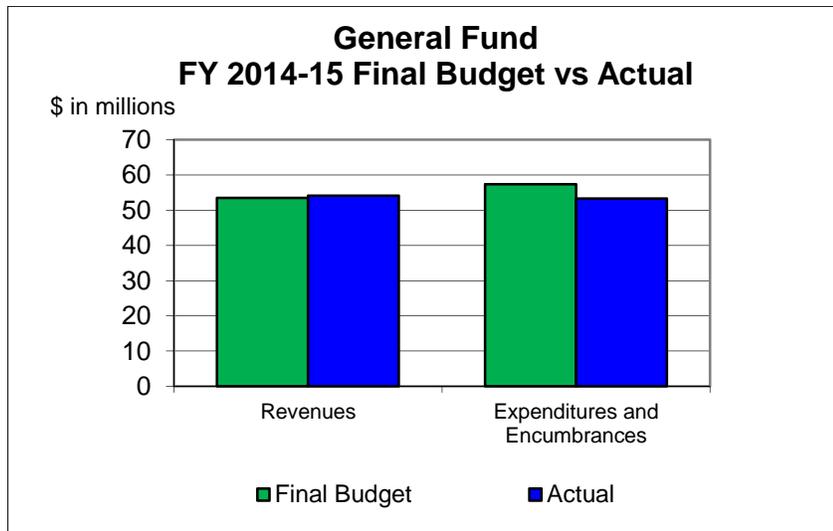
During the year, there were a number of amendments approved to increase the original adopted budget for a total increase in appropriations in the amount of \$4.0 million. In March 2015, the City Council approved a special \$2.1 million payment toward the retiree healthcare unfunded liability, an amount appropriated from additional revenues recognized during the mid-year budget review process and General Fund discretionary reserves. Then in June 2015, the City Council approved a \$1.5 million

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payment toward the pension unfunded liability appropriated from resources received from the sale of Site C. The City Council also amended the budget during the mid-year budget review in the amount of \$331,000. Most of the increase during the mid-year review process was reflected in the Infrastructure Maintenance program area to increase the utilities budgets for various park, medians and facilities throughout the City.

Final budget compared to actual results. Actual revenues for the year were \$0.6 million greater than revised budget estimates. The most significant difference between estimated and actual revenues was a positive variance for tax revenue in the amount of \$500,000. Property tax growth for FY 2014-15 over the prior year was 6.48%, exceeding the original projection of 1.7%.

Actual expenditures were \$4.1 million less than the final appropriations budget. Of the total \$4.1 million, operating expenditures were \$3.6 million less than budget and capital projects came in \$0.5 million under budget. The most significant difference between estimated and actual expenditures for the operating budget was a positive variance of \$1.8



million in the General Government-Management and Support program area budget of which \$1.3 is reflected in the Information Technology program. Although these appropriations were not spent during FY 2014-15, \$1.0 million of the unspent balance in the Information Technology program has been carried over for continued use in FY 2015-16 for the continued implementation of the new accounting software and other projects. Another \$0.1 million was carried over in the Administrative Services program to provide funding to develop an ADA Transition Plan. The Public Safety program area reflected a savings of \$0.7 million. This amount was also approved for carryover to FY 2015-16 to provide funding to upgrade radios as part of the Countywide 800 Mhz communication system upgrade. In the CIP budget, the largest difference between estimated and actual expenditures was for the Oso Parkway Widening project in the amount of \$360,000.

Of the \$4.1 million current year savings, \$2.6 million is being carried over to FY 2015-16 for continuing operations and the completion of capital projects.

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Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$683.3 million, net of accumulated depreciation. This investment in assets includes land, buildings, machinery, equipment, vehicles and infrastructure. The total decrease in capital assets for the current fiscal year was \$6.8 million, or 1.0%.

City of Mission Viejo Capital Assets At Year-End (Net of Depreciation, in Millions)							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 48.8	\$ 48.9	\$ 0.6	\$ 0.6	\$ 49.4	\$ 49.5	-0.2%
Rights of way	243.8	243.8	-	-	243.8	243.8	0.0%
Buildings and Improvements	74.7	76.5	1.3	0.9	76.0	77.4	-1.8%
Machinery, equipment and furniture	2.7	2.9	0.1	0.1	2.8	3.0	-6.7%
Vehicles	0.3	0.2	-	-	0.3	0.2	50.0%
Infrastructure	305.6	308.0	-	-	305.6	308.0	-0.8%
Construction in progress	<u>5.4</u>	<u>7.9</u>	<u>-</u>	<u>0.3</u>	<u>5.4</u>	<u>8.2</u>	-34.1%
Total	<u>\$ 681.3</u>	<u>\$ 688.2</u>	<u>\$ 2.0</u>	<u>\$ 1.9</u>	<u>\$ 683.3</u>	<u>\$ 690.1</u>	-1.0%

Major capital asset transactions during the current fiscal year included the following:

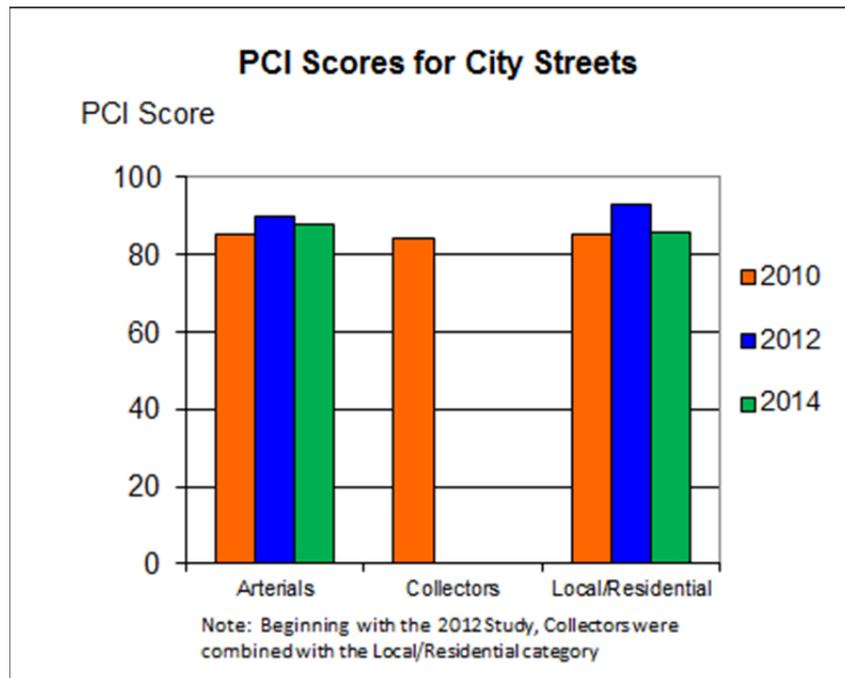
- Buildings and improvements decreased by \$1.4 million. There were additions to this capital asset category in the amount of \$1.3 million. Of this amount \$1.2 million was recorded for the rehabilitation of the Pavion Park playground, another \$0.3 million relates to the installation of the Sierra Recreation Center playground and \$0.5 million was recorded for the Cattery Expansion project. This asset increase was offset by annual depreciation in the amount of \$2.5 million and the deletion of the old Pavion Park playground asset in the amount of \$0.8 million.

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- Infrastructure assets decreased by \$2.4 million. This is entirely due to recognition of depreciation in the current year.
- For construction in progress, significant projects completed during the year were the Pavion Park Playground Rehabilitation project, the Sierra Recreation Center playground structure and the Cattery Expansion. The total of the accumulated costs for each project in the amount of \$2.0 million were re-classed to the Building and Improvements asset category. This category was also reduced by \$3.1 million for cost incurred for the Crown Valley Widening project. Since the improvements for these costs are in the Caltrans right-of-way, these costs were not re-classed to another category of capital assets. There were \$2.8 million of new additions to construction in progress for the current year. Some of these projects were completed during the 14/15 fiscal year and the total costs for these projects has been re-classed (e.g. Pavion Park, Sierra Recreation Center Play Structure and the Cattery). This category was increased by \$1.0 million for the Montanoso Locker Room Renovation, the Bocce Ball courts at Oso Viejo Park and the Marguerite Aquatic Complex rehabilitation project. Generally, as the Notice of Completion ("NOC") is filed on each project, the costs associated with each project will be deleted from the Construction in Progress capital asset category and added to the appropriate capital asset category in the year the NOC is filed.

As allowed by GASB Statement No. 34, the City has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the "modified approach," the City expenses certain maintenance and preservation costs and does not report depreciation expense. The assets accounted for under the "modified approach" are 228 miles of roads that the City is responsible for maintaining.

The City has continued to maintain the condition of its roads at a high level. The City Council's established minimum condition level is for categories of roads to have a Pavement Condition Index (PCI) rating of 75 or above, using the PCI methodology. There are five PCI categories ranging from "Very Good" to "Very Poor". In 2011, the Orange County Transportation Authority (OCTA) established a new countywide PCI that all Orange County



jurisdictions must utilize in assessing the pavement conditions of its streets. Under the old guidelines, streets were classified into three functional classifications: Arterial, Collector or Residential/Local

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streets. However, OCTA has now combined the "local/residential" and "collectors" into one category now called "local/residential" streets. The most recent condition assessment, completed for fiscal year 2013-14, indicated that arterials and local/residential roadways were all in "very good" condition. The average PCI rating for arterials were assessed at 88 and 86 for local/residential roadways. In comparison, the scores for both categories declined from the 2012 assessment, which reflected a 90 PCI and a 93 PCI for arterials and local streets respectively. All of the City's streets are still comfortably above the City Council's minimum acceptable rating of 75.

For the last five fiscal years, actual maintenance and preservation expenditures exceeded the original estimates for fiscal years 2010-11, 2011-12 and 2012-13. For fiscal years 2013-14 and 2014-15, actual expenditures were below the original estimates needed to maintain road conditions above the 75 PCI level. The estimate assumes the streets in the worst condition will be repaired first. However, for street maintenance purposes the City is divided into seven geographic areas. By grouping the streets into these seven areas the City can maintain and preserve its streets in a more economical and productive manner. Once every seven years all streets in each area receive the required maintenance and preservation work required to maintain the streets at or above the condition level adopted by City Council.

Additional information about the City's capital assets is presented in Note 6 of the Notes to Basic Financial Statements on pages 66-68 of this report and Note 2 of the Notes to Required Supplementary Information on pages 106-108.

Long-Term Debt. At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$59.9 million.

City of Mission Viejo Long-Term Liabilities at Year-End (in millions)							Total Percentage Change 2014-2015
	Governmental Activities		Business-Type Activities		Total		
	2015	2014	2015	2014	2015	2014	
Revenue bonds	\$ 42.5	\$ 44.3	\$ -	\$ -	\$ 42.5	\$ 44.3	-4.1%
Bond Premium	<u>0.7</u>	<u>0.7</u>	<u>-</u>	<u>-</u>	<u>0.7</u>	<u>0.7</u>	0.0%
Subtotal – bonds payable	43.2	45.0	-	-	43.2	45.0	-4.0%
Net pension liability	13.7	17.0	1.2	1.5	14.9	18.5	-19.5%
Compensated absences	<u>1.7</u>	<u>1.6</u>	<u>0.1</u>	<u>0.1</u>	<u>1.8</u>	<u>1.7</u>	5.9%
Total	<u>\$ 58.6</u>	<u>\$ 63.6</u>	<u>\$ 1.3</u>	<u>\$ 1.6</u>	<u>\$ 59.9</u>	<u>\$ 65.2</u>	-8.1%

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The City's total debt decreased by \$5.3 million, or 8.1%, during the current fiscal year. Total principal on all debt issues decreased by \$1.7 million due to principal payments and the net pension liability declined \$3.6 million from the prior year.

The City's issuer credit ratings from Standard and Poor's and Moody's remained the same during the year at AAA and Aa2, respectively.

The California State Constitution limits the amount of general obligation bond debt a city may incur to 3.75% of its total assessed valuation, which for the City of Mission Viejo was \$545 million at June 30, 2015. The City has no general obligation bond debt outstanding.

Additional information on the City's long-term liabilities can be found in Note 8 of the Notes to Basic Financial Statements on pages 69-73 of this report.

Next Year's Budget, Tax Rates and Fee Levels

The fiscal year 2015-16 City budget was prepared conservatively. Property tax and sales tax estimates were projected with conservative growth from the previous fiscal year and there were no tax rate or fee increases as part of the preparation and adoption of the 2015-16 budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Mission Viejo's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Administrative Services, City of Mission Viejo, 200 Civic Center, Mission Viejo, California 92691 or to admins@cityofmissionviejo.org.



MISSION VIEJO

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BASIC FINANCIAL STATEMENTS

CITY OF MISSION VIEJO

BASIC FINANCIAL STATEMENTS - OVERVIEW YEAR ENDED JUNE 30, 2015

The following basic financial statements, which consist of Government-wide Financial Statements and Fund Financial Statements, along with the Notes to Basic Financial Statements, present an overview of the City's financial position at June 30, 2015 and the results of its operations and cash flows for the fiscal year.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The Statement of Net Position presents information on all of the City's assets, deferred outflow of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent 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 related cash flows. Thus, revenues and expenses are reported in this statement on the full accrual basis of accounting even though some items will only result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All funds of the City can be divided in to three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Fund Types

These funds (General, Special Revenue, and Debt Service) are those through which most governmental functions are typically financed. The governmental fund measurement focus is on "financial flow," the accounting for sources and uses of available spendable resources, not on net income determination.

Proprietary Fund Type

The Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful for sound financial management. This fund type is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets.

Fiduciary Fund Types

These funds (Private-purpose Trust and Agency) are used to account for assets held by the City as an agent for others. The measurement focus is on economic resources and the accrual basis of accounting.

CITY OF MISSION VIEJO

STATEMENT OF NET POSITION

JUNE 30, 2015 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2015	2014
Assets:				
Cash and investments (note 2)	\$ 37,479,259	\$ 3,557,118	\$ 41,036,377	\$ 49,809,769
Accounts receivable	252,279	51,161	303,440	164,258
Taxes receivable	3,617,693	117,900	3,735,593	3,733,691
Loans receivable	2,536,350	-	2,536,350	2,464,259
Interest receivable	104,590	-	104,590	129,108
Prepaid items	2,872,376	50,692	2,923,068	1,054,585
Deposits	11,327	-	11,327	9,903
Intergovernmental receivable	7,914,118	-	7,914,118	3,297,063
Intergovernmental receivable - Successor Agency (note 4)	1,035,424	-	1,035,424	1,914,522
Due from developers (note 5)	8,774,721	-	8,774,721	8,237,022
Land held for sale	6,900,000	-	6,900,000	-
Restricted assets:				
Cash with fiscal agent (note 2)	6,738,953	-	6,738,953	6,337,417
Capital assets not being depreciated (note 6)	499,332,061	561,377	499,893,438	503,097,954
Capital assets, net of depreciation (note 6)	181,974,972	1,435,957	183,410,929	187,158,615
Total assets	759,544,123	5,774,205	765,318,328	767,408,166
Deferred outflows of resources:				
Pension related (note 19)	3,132,042	279,768	3,411,810	-
Liabilities:				
Accounts payable	4,289,538	108,915	4,398,453	4,338,492
Accrued payroll	440,659	50,901	491,560	564,084
Accrued interest payable	2,005,847	-	2,005,847	1,889,138
Unearned revenue	383,000	-	383,000	913,575
Deposits	4,503,649	3,275	4,506,924	4,698,273
Intergovernmental payable	180	-	180	305
Other liabilities	4,145	-	4,145	2,955
Retainage payable	84,213	-	84,213	98,211
Advances from other governments	611	-	611	-
Noncurrent liabilities:				
Due within one year (note 8)	2,919,901	2,761	2,922,662	2,891,206
Due in more than one year (note 8)	55,634,478	1,304,560	56,939,038	43,806,556
Total liabilities	70,266,221	1,470,412	71,736,633	59,202,795
Deferred inflows of resources:				
Pension related (note 19)	3,239,390	289,357	3,528,747	-
Net position:				
Net investment in capital assets	638,065,270	1,997,334	640,062,604	645,319,317
Restricted for:				
General government - management and support	4,624,166	-	4,624,166	133,855
Community development projects	12,925,033	-	12,925,033	10,073,549
Parks and recreation	1,559,333	-	1,559,333	5,453,685
Public works	9,081,636	-	9,081,636	5,435,274
Capital projects	266,036	-	266,036	195,736
Debt service	4,636,182	-	4,636,182	4,354,376
Unrestricted	18,012,898	2,296,870	20,309,768	37,239,579
Total net position	\$ 689,170,554	\$ 4,294,204	\$ 693,464,758	\$ 708,205,371

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

Functions/programs	Expenses	Program Revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Primary government:				
Governmental activities:				
General government - legislative	\$ 1,268,822	\$ 1,070	\$ -	\$ -
General government - management and support	8,146,803	215,770	51,354	-
Public safety	18,091,816	554,431	194,262	-
Community development	3,266,884	2,039,936	1,248,597	-
Public works - engineering and transportation	2,837,320	496,318	542,226	2,700,267
Infrastructure maintenance	32,520,177	-	5,474,472	1,860,855
Recreation/community/library services	9,495,628	1,847,377	299,128	56
Interest on long-term debt	1,171,629	-	-	-
Total governmental activities	76,799,079	5,154,902	7,810,039	4,561,178
Business-type activities:				
Animal services	1,928,620	1,364,502	217,586	-
Mission Viejo Television	317,566	440	469,204	-
Total business-type activities	2,246,186	1,364,942	686,790	-
Total primary government	\$ 79,045,265	\$ 6,519,844	\$ 8,496,829	\$ 4,561,178

General revenues:

Taxes:

- Property taxes
- Sales and use taxes
- Property taxes in lieu of sales and use taxes
- Other taxes
- Unrestricted motor vehicle in lieu fees
- Investment earnings
- Other
- Gain on housing loan payoff
- Loss on disposal of capital asset
- Gain on sale of land reclassified for resale

Transfers

Total general revenues and transfers

Change in net position

**Net position, beginning of year,
as restated (Note 21)**

Net position, end of year

Net (expense) revenue
and changes in net position

Governmental Activities	Business-type Activities	Totals	
		2015	2014
\$ (1,267,752)	\$ -	\$ (1,267,752)	\$ (1,173,365)
(7,879,679)	-	(7,879,679)	(7,935,376)
(17,343,123)	-	(17,343,123)	(16,167,307)
21,649	-	21,649	297,061
901,491	-	901,491	(517,420)
(25,184,850)	-	(25,184,850)	(16,219,920)
(7,349,067)	-	(7,349,067)	(2,931,029)
(1,171,629)	-	(1,171,629)	(1,139,294)
<u>(59,272,960)</u>	<u>-</u>	<u>(59,272,960)</u>	<u>(45,786,650)</u>
-	(346,532)	(346,532)	(69,312)
<u>-</u>	<u>152,078</u>	<u>152,078</u>	<u>69,446</u>
-	(194,454)	(194,454)	134
<u>(59,272,960)</u>	<u>(194,454)</u>	<u>(59,467,414)</u>	<u>(45,786,516)</u>
30,420,917	-	30,420,917	28,497,853
12,721,991	-	12,721,991	12,574,446
4,211,353	-	4,211,353	4,316,288
4,487,600	-	4,487,600	4,179,837
41,278	-	41,278	42,733
1,519,869	17,194	1,537,063	1,211,159
1,228,685	-	1,228,685	1,202,634
186,481	-	186,481	-
-	-	-	(211,453)
6,672,066	-	6,672,066	-
<u>(549,409)</u>	<u>549,409</u>	<u>-</u>	<u>-</u>
<u>60,940,831</u>	<u>566,603</u>	<u>61,507,434</u>	<u>51,813,497</u>
1,667,871	372,149	2,040,020	6,026,981
<u>687,502,683</u>	<u>3,922,055</u>	<u>691,424,738</u>	<u>702,178,390</u>
<u>\$689,170,554</u>	<u>\$ 4,294,204</u>	<u>\$693,464,758</u>	<u>\$708,205,371</u>

CITY OF MISSION VIEJO

BASIC FINANCIAL STATEMENTS - OVERVIEW YEAR ENDED JUNE 30, 2015

DESCRIPTION OF GOVERNMENTAL FUNDS

MAJOR GOVERNMENTAL FUNDS:

GENERAL FUND

The General Fund, which is required to be classified as a major fund, is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues (other than major capital projects) and the related expenditures which are legally required to be accounted for in a separate fund.

The City of Mission Viejo has the following major Special Revenue Funds:

DEVELOPER FEES – This fund was established to account for receipts and expenditures of developer fees to fund various projects in the City.

MEASURE M – This fund represents funds received by the City as a result of the voter-approved ballot measure in 1990 and extended by voter approval in 2006 to increase sales tax by ½ percent in Orange County to fund transportation projects, and includes both Measure M apportionment and funds awarded through competitive allocation.

MISSION VIEJO HOUSING AUTHORITY – This special revenue fund is used to account for receipts and expenditures required to carry out the community's affordable housing obligations.

CITY OF MISSION VIEJO

BASIC FINANCIAL STATEMENTS - OVERVIEW YEAR ENDED JUNE 30, 2015

DESCRIPTION OF GOVERNMENTAL FUNDS (CONTINUED)

OTHER GOVERNMENTAL FUNDS:

These funds constitute all other governmental funds that do not meet the criteria to be a major fund, which is 10% or more of assets, liabilities, revenues or expenditures for the governmental funds and 5% or more of total assets, liabilities, revenues or expenditures for the total governmental and enterprise funds combined. These funds include other Special Revenue Funds, and other Debt Service Funds of the City.

DESCRIPTION OF PROPRIETARY FUNDS

ENTERPRISE FUNDS

Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services. The City of Mission Viejo utilizes enterprise funds for two activities partially funded by fees and charges.

The City of Mission Viejo has the following Enterprise Funds:

ANIMAL SERVICES – To account for the City's animal services program, which provides animal licensing, field patrol and shelter services to residents of Mission Viejo, the City of Laguna Niguel, and the City of Aliso Viejo and shares operating and capital costs of the program with those cities on a basis proportional to population.

MISSION VIEJO TELEVISION – To account for the operation of Mission Viejo Television (MVTv), a government access channel funded by user fees and charges as well as by a portion of the franchise fee paid by the City's cable television provider.

DESCRIPTION OF FIDUCIARY FUNDS

These funds are used to account for assets held by the City in a trustee or agency capacity for individuals, private organizations, other governments and/or other funds. The City of Mission Viejo maintains the following fiduciary funds:

PRIVATE-PURPOSE TRUST FUND

SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MISSION VIEJO – This fund is used to account for the assets transferred from the former Community Development Agency of the City of Mission Viejo as of February 1, 2012, as required by the State Controller's Office, as well as the activities of the Successor Agency related to Required Obligation Payments and funds received for these payments.

AGENCY FUND

COMMUNITY FACILITIES DISTRICT No. 92-1 – This fund is used to account for assets and liabilities of the Community Facilities District No. 92-1, a district formed to finance the acquisition and construction of public flood control facilities in the area of the Mission Viejo Freeway Center.

CITY OF MISSION VIEJO

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2015 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014)

	General Fund	Special Revenue Funds	
		Developer Fees Fund	Measure M Fund
Assets:			
Cash and investments (note 2)	\$ 28,257,897	\$ 4,674,493	\$ 8,310
Accounts receivable	252,279	-	-
Taxes receivable	3,314,711	-	253,878
Loans receivable	14,605	-	-
Note receivable (note 7)	4,300,000	-	-
Interest receivable	77,806	-	-
Prepaid items	49,211	-	-
Deposits	11,327	-	-
Intergovernmental receivable	294,299	3,930,943	2,974,578
Interfund receivables (note 3)	7,113,384	-	-
Intergovernmental receivable - Successor Agency (note 4)	493,880	-	-
Due from developers (note 5)	3,770,244	-	-
Land held for resale	-	-	-
Restricted assets:			
Cash and investments with fiscal agents (note 2)	-	-	-
Total assets	\$ 47,949,643	\$ 8,605,436	\$ 3,236,766
Liabilities, deferred inflows of resources, and fund balances:			
Liabilities:			
Accounts payable	\$ 1,877,391	\$ 605,339	\$ 128,801
Accrued payroll	362,743	1,832	-
Unearned revenues	79,879	-	-
Deposits	4,501,111	-	-
Intergovernmental payable	180	-	-
Interfund payable (note 3)	-	3,338,019	3,148,785
Other liabilities	4,145	-	-
Retainage payable	480	40,544	27,806
Advances from other governments	611	-	-
Notes payable (note 7)	-	-	-
Total liabilities	6,826,540	3,985,734	3,305,392
Deferred inflows of resources:			
Unavailable revenue	8,073,473	3,930,943	2,974,578
Fund balances: (note 11)			
Nonspendable:			
Prepaid items	49,211	-	-
Long-term receivables	14,605	-	-
Intergovernmental receivable - Successor Agency	493,880	-	-
Deposits	11,327	-	-
Due from developers	-	-	-
Restricted for:			
General government - management and support	324,166	-	-
Community development projects	-	-	-
Parks and recreation	116,153	688,759	-
Public works	-	-	-
Capital projects	-	-	-
Debt service	-	-	-
Assigned	16,942,850	-	-
Unassigned	15,097,438	-	(3,043,204)
Total fund balances (deficit)	33,049,630	688,759	(3,043,204)
Total liabilities, deferred inflows of resources, and fund balances	\$ 47,949,643	\$ 8,605,436	\$ 3,236,766

Special Revenue Funds		Other Governmental Funds	Totals	
Mission Viejo Housing Authority Fund	2015		2014	
\$ 433,975	\$ 4,104,584	\$ 37,479,259	\$ 46,321,848	
-	-	252,279	164,258	
-	49,104	3,617,693	3,626,139	
394,587	2,127,158	2,536,350	2,464,259	
-	-	4,300,000	-	
25,820	964	104,590	129,108	
-	75	49,286	11,702	
-	-	11,327	9,903	
-	714,298	7,914,118	3,297,063	
-	-	7,113,384	2,644,405	
541,544	-	1,035,424	1,914,522	
5,004,477	-	8,774,721	8,237,022	
6,900,000	-	6,900,000	-	
-	6,738,953	6,738,953	6,337,417	
<u>\$ 13,300,403</u>	<u>\$ 13,735,136</u>	<u>\$ 86,827,384</u>	<u>\$ 75,157,646</u>	
\$ 25,050	\$ 1,652,957	\$ 4,289,538	\$ 4,168,264	
-	76,084	440,659	493,094	
303,121	-	383,000	83,953	
-	2,538	4,503,649	4,694,998	
-	-	180	305	
1,514	625,066	7,113,384	2,644,405	
-	-	4,145	2,955	
-	15,383	84,213	98,211	
-	-	611	-	
4,300,000	-	4,300,000	-	
<u>4,629,685</u>	<u>2,372,028</u>	<u>21,119,379</u>	<u>12,186,185</u>	
<u>2,637,739</u>	<u>2,580,322</u>	<u>20,197,055</u>	<u>10,916,275</u>	
-	75	49,286	11,702	
-	-	14,605	2,464,259	
-	-	493,880	1,914,522	
-	-	11,327	9,903	
-	-	-	1,555,893	
-	-	324,166	133,855	
6,032,979	-	6,032,979	2,853,766	
-	713,877	1,518,789	5,453,685	
-	1,715,290	1,715,290	3,033,329	
-	266,036	266,036	195,736	
-	6,642,029	6,642,029	6,243,514	
-	-	16,942,850	17,175,604	
-	(554,521)	11,499,713	11,009,418	
<u>6,032,979</u>	<u>8,782,786</u>	<u>45,510,950</u>	<u>52,055,186</u>	
<u>\$ 13,300,403</u>	<u>\$ 13,735,136</u>	<u>\$ 86,827,384</u>	<u>\$ 75,157,646</u>	



MISSION VIEJO

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CITY OF MISSION VIEJO

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2015

Fund balances of governmental funds \$ 45,510,950

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets net of depreciation have not been included as financial resources in governmental fund activity. 681,307,033

Long-term debt and compensated absences that have not been included in the governmental fund activity:

Net pension liability (13,667,208)
Long-term liabilities (43,157,550)
Compensated absences (1,729,621)

Deferred inflows and outflows of resources related to pensions that have not been included in the governmental fund activity:

Deferred outflows of resources - pension related 3,132,042
Deferred inflows of resources - pension related (3,239,390)

Governmental funds report all OPEB contributions as expenditures, however, in the Statement of Net Position, any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as an asset or liability. The excess of contributions are reported with prepaid items in the Statement of Net Position 2,823,090

Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds. (2,005,847)

Receivables that are measurable but not available are recorded as a deferred inflow of resources under the modified accrual basis of accounting. 20,197,055

Net position of governmental activities \$ 689,170,554

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	General Fund	Special Revenue Funds	
		Developer Fees Fund	Measure M Fund
Revenues:			
Taxes	\$ 46,923,987	\$ -	\$ -
Licenses and permits	1,775,273	-	-
Intergovernmental	316,304	-	2,077,119
Charges for services	3,214,288	-	-
Investment earnings	234,951	2,338	3,929
Fines and forfeitures	941,640	-	-
Developer fees	-	-	-
Other	736,568	-	-
Total revenues	54,143,011	2,338	2,081,048
Expenditures:			
Current:			
General government - legislative	1,276,235	-	-
General government - management and support	10,082,386	-	-
Public safety	17,931,563	-	-
Community development	2,386,540	-	-
Public works - engineering and transportation	2,040,871	-	-
Infrastructure maintenance	14,469,593	-	-
Recreation/community/library services	5,050,508	-	-
Capital outlay	37,795	4,127,875	5,595,943
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	53,275,491	4,127,875	5,595,943
Excess (deficiency) of revenues over (under) expenditures	867,520	(4,125,537)	(3,514,895)
Other financing sources (uses):			
Transfers in (note 12)	794,573	-	-
Transfers out (note 12)	(2,478,918)	-	-
Proceeds from housing loan payoff	-	-	-
Sale of City property	27,782	-	-
Sale of land	2,600,000	-	-
Total other financing sources (uses)	943,437	-	-
Net change in fund balances	1,810,957	(4,125,537)	(3,514,895)
Fund balances, beginning of year	31,238,673	4,814,296	471,691
Fund balances (deficit), end of year	\$ 33,049,630	\$ 688,759	\$ (3,043,204)

Special Revenue Funds Mission Viejo Housing Authority Fund	Other Governmental Funds	Totals	
		2015	2014
\$ -	\$ 3,685,463	\$ 50,609,450	\$ 48,533,127
-	-	1,775,273	2,123,226
-	5,705,928	8,099,351	8,471,890
-	239,225	3,453,513	3,557,646
107,010	18,843	367,071	358,774
-	99,901	1,041,541	943,592
-	-	-	4,800,000
-	264,643	1,001,211	2,175,981
<u>107,010</u>	<u>10,014,003</u>	<u>66,347,410</u>	<u>70,964,236</u>
-	-	1,276,235	1,175,359
-	85,307	10,167,693	6,724,600
-	161,089	18,092,652	16,940,727
463,881	430,037	3,280,458	3,270,422
-	337,668	2,378,539	2,423,926
-	354,320	14,823,913	14,570,652
-	2,824,959	7,875,467	8,002,589
-	4,665,310	14,426,923	5,460,896
-	1,740,000	1,740,000	1,715,000
-	1,094,620	1,094,620	1,056,096
<u>463,881</u>	<u>11,693,310</u>	<u>75,156,500</u>	<u>61,340,267</u>
<u>(356,871)</u>	<u>(1,679,307)</u>	<u>(8,809,090)</u>	<u>9,623,969</u>
-	3,403,623	4,198,196	4,208,247
(76,519)	(2,192,168)	(4,747,605)	(4,738,636)
186,481	-	186,481	-
-	-	27,782	8,488
-	-	2,600,000	-
<u>109,962</u>	<u>1,211,455</u>	<u>2,264,854</u>	<u>(521,901)</u>
(246,909)	(467,852)	(6,544,236)	9,102,068
<u>6,279,888</u>	<u>9,250,638</u>	<u>52,055,186</u>	<u>42,953,118</u>
<u>\$ 6,032,979</u>	<u>\$ 8,782,786</u>	<u>\$ 45,510,950</u>	<u>\$ 52,055,186</u>

CITY OF MISSION VIEJO

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Net change in fund balances - total governmental funds \$ (6,544,236)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period:

Capital asset expenditures	37,629
Disposition of capital assets	(417,818)
Depreciation expense	(6,499,531)

The following bond payments are expenditures in the governmental funds, but the payments reduce long-term liabilities in the Statement of Net Position.

Principal payment	1,740,000
Premium	39,702

Accrued interest for long-term liabilities are not reported as expenditures in governmental funds. This is the net change in accrued interest for the current period. (116,709)

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Changes in compensated absences for the current year	(52,605)
--	----------

Governmental funds report all contributions in relation to the annual required contribution (ARC) for Pensions and OPEB as expenditures; however, in the Statement of Activities only the ARC is an expense.

Pension related net adjustments	1,527,819
Changes in OPEB asset for the current year	1,843,218

Certain revenues in the governmental funds are deferred infows of resources because they are measurable but not available under the modified accrual basis of accounting. However, the revenues are included on the accrual basis used in the government-wide statements. This amount represents the change during the year. 10,110,402

Change in net position of governmental activities \$ 1,667,871

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2015 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014)

	Business-Type Activities - Enterprise Funds			
	Animal Services	Mission Viejo Television	Totals	
			2015	2014
Assets:				
Current assets:				
Cash and investments (note 2)	\$ 2,787,544	\$ 769,574	\$ 3,557,118	\$ 3,487,921
Accounts receivable	51,161	-	51,161	-
Taxes receivable	-	117,900	117,900	107,552
Prepaid costs	50,692	-	50,692	63,011
Total current assets	2,889,397	887,474	3,776,871	3,658,484
Noncurrent assets:				
Capital assets, not depreciated (note 6)	561,377	-	561,377	789,311
Capital assets, depreciated, net (note 6)	1,393,817	42,140	1,435,957	1,064,726
Total noncurrent assets	1,955,194	42,140	1,997,334	1,854,037
Total assets	4,844,591	929,614	5,774,205	5,512,521
Deferred outflows of resources				
Pension related (note 19)	262,709	17,059	279,768	-
Liabilities:				
Current liabilities:				
Accounts payable	90,698	18,217	108,915	170,228
Accrued payroll	48,572	2,329	50,901	70,990
Deposits	3,275	-	3,275	3,275
Accrued compensated absences	2,761	-	2,761	1,305
Total current liabilities	145,306	20,546	165,852	245,798
Noncurrent liabilities:				
Compensated absences payable	83,742	-	83,742	82,189
Net pension liability (note 19)	1,146,378	74,440	1,220,818	-
Total noncurrent liabilities	1,230,120	74,440	1,304,560	82,189
Total liabilities	1,375,426	94,986	1,470,412	327,987
Deferred inflows of resources				
Pension related (note 19)	271,713	17,644	289,357	-
Net position:				
Net investment in capital assets	1,955,194	42,140	1,997,334	1,854,037
Unrestricted	1,504,967	791,903	2,296,870	3,330,497
Total net position	\$ 3,460,161	\$ 834,043	\$ 4,294,204	\$ 5,184,534

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	Business-Type Activities - Enterprise Funds			
	Animal Services	Mission Viejo Television	Totals	
			2015	2014
Operating revenues:				
Charges for services	\$ 738,749	\$ 440	\$ 739,189	\$ 787,007
Licenses and permits	528,027	-	528,027	520,132
Franchise taxes	-	469,204	469,204	425,400
Fines and forfeitures	97,726	-	97,726	117,507
Other	217,586	-	217,586	626,605
Total operating revenues	1,582,088	469,644	2,051,732	2,476,651
Operating expenses:				
Personnel services	1,325,575	77,189	1,402,764	1,412,158
Supplies	165,100	10,732	175,832	202,807
Utilities	59,908	34,351	94,259	75,539
Contractual services	257,660	135,843	393,503	398,227
Rent	7,165	-	7,165	1,145
Depreciation (note 6)	79,796	57,993	137,789	121,630
Other	33,416	1,458	34,874	265,011
Total operating expenses	1,928,620	317,566	2,246,186	2,476,517
Operating income (loss)	(346,532)	152,078	(194,454)	134
Nonoperating revenues (expenses):				
Investment earnings	14,424	2,770	17,194	17,246
Loss on disposal of capital assets	-	-	-	(211,453)
Total nonoperating revenues (expenses)	14,424	2,770	17,194	(194,207)
Income (loss) before transfers	(332,108)	154,848	(177,260)	(194,073)
Transfers in	549,409	-	549,409	530,389
Change in net position	217,301	154,848	372,149	336,316
Net position, beginning of year, as restated (Note 21)	3,242,860	679,195	3,922,055	4,848,218
Net position, end of year	<u>\$ 3,460,161</u>	<u>\$ 834,043</u>	<u>\$ 4,294,204</u>	<u>\$ 5,184,534</u>

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	Business-Type Activities - Enterprise Funds			
	Animal Services	Mission Viejo Television	Totals	
			2015	2014
Cash flows from operating activities:				
Receipts from customers	\$ 1,530,927	\$ 459,296	\$ 1,990,223	\$ 2,477,020
Payments to suppliers for goods and services	(564,270)	(190,357)	(754,627)	(814,957)
Payments to employees for services	(1,469,577)	(86,738)	(1,556,315)	(1,396,721)
Net cash provided (used) by operating activities	(502,920)	182,201	(320,719)	265,342
Cash flows from non-capital financing activities:				
Cash transfers in	549,409	-	549,409	530,389
Net cash provided by non-capital financing activities	549,409	-	549,409	530,389
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(176,687)	-	(176,687)	(25,324)
Net cash used by capital and related financing activities	(176,687)	-	(176,687)	(25,324)
Cash flows from investing activities:				
Interest received	14,424	2,770	17,194	17,246
Net cash provided by investing activities	14,424	2,770	17,194	17,246
Net increase (decrease) in cash and cash equivalents	(115,774)	184,971	69,197	787,653
Cash and cash equivalents, beginning of year	2,903,318	584,603	3,487,921	2,700,268
Cash and cash equivalents, end of year	<u>\$ 2,787,544</u>	<u>\$ 769,574</u>	<u>\$ 3,557,118</u>	<u>\$ 3,487,921</u>

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

**STATEMENT OF CASH FLOWS, CONTINUED
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	Business-Type Activities - Enterprise Funds			
	Animal Services	Mission Viejo Television	Totals	
			2015	2014
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (346,532)	\$ 152,078	\$ (194,454)	\$ 134
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	79,796	57,993	137,789	121,630
Pension contributions after measurement date	(262,709)	(17,059)	(279,768)	-
Actuarial pension expense	134,559	8,738	143,297	-
(Increase) decrease in accounts receivable	(51,161)	-	(51,161)	-
(Increase) decrease in taxes receivable	-	(10,348)	(10,348)	178
(Increase) decrease in prepaid costs	12,319	-	12,319	2,304
Increase (decrease) in accounts payable	(53,340)	(7,973)	(61,313)	125,468
Increase (decrease) in accrued payroll	(18,861)	(1,228)	(20,089)	15,904
Increase (decrease) in deposits	-	-	-	191
Increase (decrease) in compensated absences	3,009	-	3,009	(467)
Total adjustments	(156,388)	30,123	(126,265)	265,208
Net cash provided (used) by operating activities	\$ (502,920)	\$ 182,201	\$ (320,719)	\$ 265,342

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2015 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014)

	Successor Agency to the Community Development Agency of the City of Mission Viejo Private-purpose Trust Fund		Community Facilities District 92-1 Agency Fund	
	2015	2014	2015	2014
Assets:				
Cash and investments (note 2)	\$ 1,450,333	\$ 1,558,499	\$ -	\$ 179,303
Interest receivable	-	37	-	-
Restricted assets:				
Cash and investments with fiscal agents (note 2)	-	-	616,741	443,499
Total assets	<u>1,450,333</u>	<u>1,558,536</u>	<u>\$ 616,741</u>	<u>\$ 622,802</u>
Liabilities:				
Accounts payable	3,818	54,188	\$ -	\$ 179,303
Intergovernmental payable	262,773	104,479	-	-
Intergovernmental payable - City (note 4)	1,035,424	1,914,522	-	-
Due to bondholders	-	-	616,741	443,499
Total liabilities	<u>1,302,015</u>	<u>2,073,189</u>	<u>\$ 616,741</u>	<u>\$ 622,802</u>
Net position:				
Unrestricted (deficit)	<u>148,318</u>	<u>(514,653)</u>		
Total net position	<u>\$ 148,318</u>	<u>\$ (514,653)</u>		

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014)

	Successor Agency to the Community Development Agency of the City of Mission Viejo Private-purpose Trust Fund	
	2015	2014
Additions:		
Property taxes	\$ 2,251,008	\$ 1,613,733
Investment earnings	319	518
Total additions	<u>2,251,327</u>	<u>1,614,251</u>
Deductions:		
Administrative expenses	314,816	346,578
Program expenses	-	52,755
Contributions to other governments	1,273,540	1,035,297
Owner participation agreements	-	335,000
Total deductions	<u>1,588,356</u>	<u>1,769,630</u>
Change in net position	662,971	(155,379)
Net position (deficit), beginning of year	<u>(514,653)</u>	<u>(359,274)</u>
Net position (deficit), end of year	<u>\$ 148,318</u>	<u>\$ (514,653)</u>

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(1) Summary of Significant Accounting Policies

The financial statements of the City of Mission Viejo, California have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant policies:

(a) Reporting Entity

The City of Mission Viejo was incorporated on March 31, 1988 under the laws of the State of California and enjoys all the rights and privileges pertaining to "General Law" cities. The City operates under a council-manager form of government and currently provides public safety, animal control, planning, building, code enforcement, engineering, street maintenance, street lighting, parks, recreation, library, and general administrative services.

This report includes all fund types of the City of Mission Viejo (the "primary government"), as well as its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bond debt without approval from the City).

Blended Component Units

All of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are reported with the interfund data of the City. The governing boards of the component units are comprised of the same membership as the City Council. The City may impose its will on the component units, including the ability to appoint, hire, reassign or dismiss management. There are also financial benefit/burden relationships between the City and these entities.

The following organizations are considered to be component units of the City:

Mission Viejo Community Development Financing Authority (Authority) was formed as a joint powers authority on June 2, 1997 by the City and Agency. Its purpose is to serve as the issuer of bonds for the construction of capital facilities for the City. The activities of the Authority are recorded in the 1999 Mall Bonds and 2009 Lease Revenue Refunding Bonds debt service funds. Separate financial statements are not prepared for the Mission Viejo Community Development Financing Authority.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(1) Summary of Significant Accounting Policies, (continued)

(a) Reporting Entity (continued)

Blended Component Units, (continued)

Mission Viejo Housing Authority (MVHA) was formed on February 21, 2011 pursuant to the California Housing Authorities Law, Health and Safety Code Section 34200, et seq. The primary mission of the Housing Authority is to facilitate development and rehabilitation of affordable housing and programs and services that support the city's housing goals. The activities of the Housing Authority are recorded in the MVHA special revenue fund.

(b) Basis of Accounting and Measurement Focus

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements

Financial reporting is based upon all Governmental Accounting Standards Board pronouncements.

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units). Eliminations have been made in the Statement of Activities and Changes in Net Position so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

- (1) Summary of Significant Accounting Policies, (continued)
 - (b) Basis of Accounting and Measurement Focus, (continued)

Government-wide Financial Statements, (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for personnel costs where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities and Changes in Net Position to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

In the government-wide statements, when an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about the major funds individually and other funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

- (1) Summary of Significant Accounting Policies, (continued)
 - (b) Basis of Accounting and Measurement Focus, (continued)

Governmental Funds

In the fund financial statements, governmental funds are presented using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days for all revenues except sales tax. For sales tax only, the City uses an availability period of 90 days.

Sales taxes, property taxes, transient occupancy taxes, highway users taxes, franchise fees, motor vehicle in lieu subventions, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed nonexchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources," since they do not represent net current assets.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

- (1) Summary of Significant Accounting Policies, (continued)
 - (b) Basis of Accounting and Measurement Focus, (continued)

Governmental Funds, (continued)

Revenues, expenditures, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 which requires that local governments defer grant revenue that is not received within 60 days after the fiscal year ends to meet the “available” criteria of revenue recognition. Therefore, recognition of governmental fund type revenue represented by non-current receivables is deferred until the receivables meet the availability criteria. Non-current portions of other long-term receivables are offset by fund balance non-spendable accounts.

Because of their spending measurement focus, expenditure recognition for governmental funds excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City’s policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City’s policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

Proprietary Funds

The City’s enterprise funds are proprietary funds. In the fund financial statements, the proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

- (1) Summary of Significant Accounting Policies, (continued)
 - (b) Basis of Accounting and Measurement Focus, (continued)

Proprietary Funds, (continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. In the Mission Viejo Television proprietary fund the City also recognizes as operating revenue a portion of franchise fees received from the City's cable television provider. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the enterprise fund financial statements, rather than reported as an expense. Proceeds of long-term debt are recorded as a liability in the enterprise fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the enterprise fund are reported as a reduction of the related liability, rather than as an expense.

Fiduciary Funds

The City maintains two fiduciary fund types. The first is a private-purpose trust fund which uses the economic resources measurement focus and the accrual basis of accounting. Private-purpose trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The second is an agency fund which has no measurement focus. Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses.

- (c) Fund Classifications

The City reports the following major governmental funds:

General Fund - This is the primary operating fund of the City. It accounts for all activities of the general government, except those required to be accounted for in another fund.

Developer Fees Fund - This special revenue fund was established to account for receipts and expenditures of developer fees to fund various programs and projects in the City.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(1) Summary of Significant Accounting Policies, (continued)

(c) Fund Classifications, (continued)

Measure M Fund - This special revenue fund is used to account for funds received by the City as a result of the voter-approved ballot measure in 1990 and extended by voter approval in 2006 to increase sales tax by ½ percent in Orange County to fund transportation projects, and includes both Measure M apportionment and funds award through competitive allocation.

Mission Viejo Housing Authority Fund - This special revenue fund represents the remaining resources available to carry out the community's affordable housing obligations after the dissolution of the Redevelopment Agency effective February 1, 2012. Additional resources are provided by the repayment of loans made for affordable housing construction and improvements.

The City reports the following major proprietary funds:

Animal Services - To account for the City's animal services program, which provides animal licensing, field patrol and shelter services to residents of Mission Viejo, the City of Laguna Niguel, and the City of Aliso Viejo and shares operating and capital costs of the program with those cities on a basis proportional to population.

Mission Viejo Television - To account for the operation of Mission Viejo Television (MVTV), a government access channel funded by user fees and charges as well as by a portion of the franchise fee paid by the City's cable television provider.

The City's fund structure also includes the following fund types:

Special Revenue Funds - The City maintains a total of eight special revenue funds: three major special revenue funds discussed above and five other special revenue funds. The other funds account for financial resources related to gas tax, library operations, law enforcement grants, air quality, and grants. These funds account for specific revenues that are legally restricted and expended for these specific purposes.

Debt Service Funds - The City maintains a total of three debt service funds. These funds account for the resources accumulated and payments made on long-term debt of the governmental funds.

Private-purpose Trust Fund - The City maintains one private-purpose trust fund. This fund is used to account for the activity of the Successor Agency to the Community Development Agency of the City of Mission Viejo.

Agency Fund - The City maintains one agency fund. This fund accounts for financial resources related to the Mission Viejo Community Facilities District No. 92-1 for which the City acts as an agent for debt service activity.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(1) Summary of Significant Accounting Policies, (continued)

(d) Cash and Investments

Investments are reported in the accompanying financial statements at fair value except for certain certificates of deposit that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. Changes in fair value that occur during a fiscal year are recognized as investment earnings reported for the fiscal year, which may result in negative investment earnings in the accompanying financial statements. Interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments are the primary components of investment earnings.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average daily cash and investment balance.

For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash and not subject to significant changes in value from interest rate fluctuations.

(e) Advances to Other Funds

Long-term interfund advances are recorded as a receivable and as nonspendable fund balance by the advancing governmental fund.

(f) Deferred Outflow/Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fund balance that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, the item, *unavailable revenue*, is reported on the balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(1) Summary of Significant Accounting Policies, (continued)

(g) Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of 5 years or more.

Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. All infrastructure assets have been recorded as capital assets.

Capital assets used in operations are depreciated over their estimated useful lives, except for streets, which the City reports based on the modified approach. The City uses the straight-line method in the government-wide financial statements for depreciating buildings and improvements, equipment and furniture, vehicles, curbs and gutters, sidewalks, roadway bridges, traffic signals, medians and parkways, and storm drains. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net position. The range of lives used for depreciation purposes for each capital asset class is as follows:

<u>Item</u>	<u>Useful Life</u>
Buildings and improvements	32 years
Equipment, furniture and vehicles	5-7 years
Infrastructure – curbs and gutters	75 years
Infrastructure – sidewalks	75 years
Infrastructure – roadway bridges	75 years
Infrastructure – traffic signals	30 years
Infrastructure – trees	75 years
Infrastructure – storm drains	75 years

The City has elected to use the modified approach to report a certain subsystem of its street infrastructure network. Under the modified approach, infrastructure assets that are part of a network or subsystem of a network are not required to be depreciated as long as two requirements are met. First, the government manages the eligible infrastructure assets using an asset management system that has the following characteristics:

- Has an up-to-date inventory of eligible infrastructure assets,
- Performs condition assessments of the eligible infrastructure assets and summarizes the results using a measurement scale,
- Estimates each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(1) Summary of Significant Accounting Policies, (continued)

(g) Capital Assets, (continued)

Second, the government documents that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. If eligible infrastructure assets meet all requirements and are not depreciated, all expenditures made for those assets (except for additions and improvements) are expensed in the period incurred. Additions and improvements to eligible infrastructure assets are capitalized. Additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets.

(h) Compensated Absences

The City provides to its employees a comprehensive annual leave program. Leave pay is payable at the time it is taken or upon termination. There is also an optional, voluntary buyback program, subject to certain limitations. An employee cannot accrue more than three times his/her annual entitlement. The City accounts for compensated absences in accordance with GASB Codification Section C60. Expenditures related to compensated absence liabilities are only recognized in the fund financial statements when they become due and payable.

(i) Property Taxes

Property tax revenue is recognized in accordance with GASB Codification Section P70; that is, in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period.

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. The County of Orange collects property taxes for the City. Tax liens attach annually as of 12:01 a.m. on the first day of January preceding the fiscal year for which the taxes are levied. Taxes are levied on July 1 and cover the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year, and are delinquent, if unpaid, on August 31.

(j) Prepaid Items

Prepaid items are reported in the governmental funds under the consumption method and are offset by a reservation of fund balance to indicate that they are not spendable for appropriation and are not expendable financial resources.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(1) Summary of Significant Accounting Policies, (continued)

(k) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(l) Pension Plan

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

(m) Implementation of New Pronouncements

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(1) Summary of Significant Accounting Policies, (continued)

(m) Implementation of New Pronouncements, (continued)

These pronouncements have been implemented for purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense/expenditures. Information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(2) Cash and Investments

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 41,036,377
Restricted assets:	
Cash with fiscal agent	6,738,953
Fiduciary Fund Statement of Assets and Liabilities:	
Cash and investments	1,450,333
Restricted assets:	
Cash and investments with fiscal agent	616,741
Total cash and investments	<u>\$ 49,842,404</u>

Cash and investments at June 30, 2015, consisted of the following:

Cash on hand	\$ 4,505
Deposits with financial institutions	2,420,798
Investments	47,417,101
Total cash and investments	<u>\$ 49,842,404</u>

Four separate investment portfolios are maintained by the City: the City portfolio (for the primary government), the Successor Agency of the Community Development Agency portfolio, the Housing Authority portfolio and the Community Development Financing Authority portfolio. The Community Development Financing Authority portfolio contains only debt proceeds and resources to pay debt service, held by bond trustees.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(2) Cash and Investments, (continued)

Investments Authorized by the California Government Code and the City of Mission Viejo's Investment Policy

The tables below identify the investment types that are authorized for the City by the California Government Code (or the City of Mission Viejo's policies where more restrictive). The table also identifies certain provisions of the investment policies that address interest rate risk, credit risk and concentration of credit risk. The investments of the Successor Agency of the Community Development Agency are governed by the California Government Code. The investment authorized by the Housing Authority is limited to the Local Agency Investment Fund. This table does not address investments of debt proceeds held by bond trustees, which are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policies:

City of Mission Viejo:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
US Securities	5 years	100%	None
US Government Sponsored Entities Securities (FFC, FHLB, FNMA, FHLMC)	5 years	Greater of \$14M or 70%	Greater of \$7M or 35% of total portfolio
FDIC Insured US Corporate Notes	5 years	Greater of \$7M or 35%	Greater of \$4M or 20% of total portfolio
Banker's Acceptances	180 days	Greater of \$4M or 20%	Greater of \$1M or 5% of total portfolio
Non-Negotiable Certificates of Deposit using a placement service	180 days	Greater of \$4M or 20%	Greater of \$1M or 5% of total portfolio
Certificates of Deposit	180 days	Greater of \$4M or 20%	Greater of \$1M or 5% of total portfolio
Repurchase Agreements	30 days	Greater of \$2M or 10%	Greater of \$1M or 5% of total portfolio
Commercial Paper	180 days	15%	Greater of \$1M or 5% of total portfolio
Local Agency Investment Fund	N/A	Greater of \$8M or 40%	\$50,000,000
Local Agency Sponsored Investment Pools	5 years	Greater of \$3M or 15%	5% of market value of total assets in investment pool
Government Money Market Funds	1 year	20%	10% of total portfolio
Bonds or Notes of MV Community Development Financing Authority	3 years	\$2M	N/A

*Excluding amounts held by bond trustees, which are not subject to investment policy restrictions.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(2) Cash and Investments, (continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of debt agreements rather than the general provisions of the California Government Code or the City's investment policy. The tables below identify the investment types that are authorized for investments held by bond trustees. The tables identify certain provisions of these debt agreements that address interest rate risk, credit rate risk, and concentration of credit risk.

1999 Series A Variable Rate Demand Revenue Bonds, 1999 Series B Subordinate Lien Taxable Revenue Bonds:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
US Securities	None	100%	None
US Government Sponsored Entities and Federal Agency Securities	None	100%	None
Certificates of Deposit	180 days	100%	None
Commercial Paper	180 days	100%	None
Repurchase Agreements	30 days	100%	None
Local Agency Investment Fund	N/A	100%	N/A
Government Money Market Funds	None	100%	None

CDFA 2009 Lease Revenue Refunding Bonds:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
US Securities	None	100%	None
US Government Sponsored Entities (FFC, FHLB, FNMA, FHLMC SLMA)	None	10% of bond proceeds	None
Federal Funds, Certificates of Deposit, Time Deposits, Banker's Acceptances	180 days	100%	None
Deposits (FDIC insured)	None	100%	None
Debt Obligations	None	100%	None
Commercial Paper	270 days	100%	None
Money Market Funds/Money Market Mutual Funds	None	100%	None
Demand Deposits/Money Market Accounts	None	100%	None
Collateralized Investment Agreements	None	100%	None
Local Agency Investment Fund	N/A	100%	N/A
Repurchase Agreements	None	100%	None
Investments Authorized in the City of Mission Viejo Investment Policy (See table)	None	100%	None

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

(2) Cash and Investments, (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow liquidity needed for operations.

The City's investment policy requires that investments only be in fixed-rate, fixed coupon securities and prohibits investments in securities with embedded options and securities that may return all or parts of their principal prior to their stated final maturity date. The investment policies set a Benchmark Index for each portfolio. The Benchmark Index has characteristics similar to those of the portfolio in terms of types of securities and maturities. The City manages its exposure to interest rate risk by keeping the average duration of the portfolio in line with the duration of the Benchmark Index. For the fiscal year ended June 30, 2015, the average duration of the Benchmark Index was 1.10 for the City portfolio.

City of Mission Viejo:

Investment Type	Market Value	Modified Duration (in years)
US Treasury Notes	\$ 8,050,391	2.11
US Government Sponsored Entities Securities	13,135,209	1.78
FDIC Insured US Corporate Notes	-	-
Government Money Market Funds	1,004,351	-
Local Agency Investment Fund	13,788,027	-
Local Agency Sponsored Investment Pool	3,676,664	-
Held by Trustee:		
Money Market Funds	409,583	-
Local Agency Investment Fund	207,236	-
	<u>207,236</u>	
Total	<u>\$ 40,271,461</u>	1.10

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

(2) Cash and Investments, (continued)

Interest Rate Risk, (continued)

Successor Agency:

Investment Type	Market Value	Modified Duration (in years)
Local Agency Sponsored Investment Pool	\$ 1,392	-
Total	<u>\$ 1,392</u>	-

Mission Viejo Housing Authority:

Investment Type	Market Value	Modified Duration (in years)
Local Agency Investment Fund	\$ 405,295	-
Total	<u>\$ 405,295</u>	-

Mission Viejo Community Development Financing Authority:

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

Investment Type	Market Value	Remaining Maturity	
		12 Months or Less	More than 60 Months
Held by Trustee:			
Government Money Market Funds	\$ 5,375,206	\$ 5,375,206	-
Local Agency Investment Fund	1,363,747	1,363,747	-
Total	<u>\$ 6,738,953</u>	<u>\$ 6,738,953</u>	<u>-</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments (including investments held by bond trustees) do not include investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

(2) Cash and Investments, (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of the rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy or debt agreements, and the Moody's rating as of year end for each investment type.

Investment Type	Market Value	Minimum Legal Rating	Rating as of Year End	
			AAA*	Not Rated
US Treasury Notes	\$ 8,050,391	N/A	\$ 8,050,391	\$ -
US Government Sponsored Entities Securities	13,135,209	N/A	13,135,209	-
Government Money Market Funds	1,004,351	AAA	1,004,351	-
Local Agency Investment Fund	14,193,322	N/A	-	14,193,322
Local Agency Sponsored Investment Pool	3,678,056	N/A	-	3,678,056
Held by Trustee:				
Government Money Market Funds	5,784,789	AAA	5,784,789	-
Local Agency Investment Fund	1,570,983	N/A	-	1,570,983
Total	\$ 47,417,101		\$ 27,974,740	\$ 19,442,361
*Moody's Rating Service				

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code (see preceding tables). Investments at June 30, 2015 in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total portfolio investments (excluding investments held by trustee) were as follows:

Portfolio	Issuer	Investment Type	%	Reported Amount
City	Federal Farm Credit	US Government Sponsored Entities Securities	7.5%	\$ 3,010,992
City	Federal Home Loan Bank	US Government Sponsored Entities Securities	7.7%	3,072,262
City	Federal National Mortgage Association	US Government Sponsored Entities Securities	12.6%	5,059,819

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(2) Cash and Investments, (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policies do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits or investments, other than as follows. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of secured public deposits. The investment policies for all four portfolios require delivery vs. payment procedures and that all securities be held in safekeeping by a third party bank trust department.

As of June 30, 2015, all of the City's deposits with financial institutions in excess of federal depository insurance limits were collateralized by an interest in an undivided collateral pool as required by State law.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance and State Controller. The City may invest up to \$50 million in LAIF funds. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at <http://www.treasurer.ca.gov>.

The City's investment in this pool is reported in the accompanying City's financial statements at fair value at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling \$1.448 million, which represent 2.08% of the total LAIF portfolio of \$69.6 billion as of June 30, 2015. LAIF's (and the City's) exposure to risk (credit, market or legal) is not currently available. This fund does not calculate duration for their portfolio. The average days to maturity for this fund is 239 days.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

(2) Cash and Investments, (continued)

Investment in California Asset Management Program Pool

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Trust's activities are directed by a Board of Trustees, all of whom are employees of the California public agencies which are participants in the Trust. The Pool's investments are limited to investments permitted by subdivision (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. CAMP is not registered with the Securities and Exchange Commission. This fund does not calculate a duration for their portfolio. The average days to maturity is 32 days.

(3) Interfund Balances

Interfund balances at June 30, 2015 consisted of the following:

Payable Fund	Receivable Fund General Fund
Developer Fees Fund	\$ 3,338,019
Measure M Fund	3,148,785
Housing Authority	1,514
Other Governmental Funds	625,066
Total	\$ 7,113,384

All interfund balances are short-term in nature and are expected to be repaid within one year. Generally, these balances result from interfund borrowings to cover short-term operating deficits.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(4) Intergovernmental Receivable/Payable - Successor Agency/City

Intergovernmental receivable/payable - Successor Agency/City at June 30, 2015 consisted of the following:

Intergovernmental Receivable - Successor Agency	Intergovernmental Payable - City	Amount
General Fund	Successor Agency	\$ 493,880
Mission Viejo Housing Authority	Successor Agency	<u>541,544</u>
	Total	<u>\$ 1,035,424</u>

The intergovernmental receivable/payable between the Mission Viejo Housing Authority Fund and the Successor Agency Fund consists of the balance due on monies loaned to the Successor Agency (formerly the Mission Viejo Community Development Agency) to fund the Supplemental Educational Revenue Augmentation Fund (SERAF) payment in FY 2009-10. The repayment of this amount is subject to approval of the State Department of Finance (DOF) as an Enforceable Obligation of the Successor Agency and redevelopment agency dissolution law under AB1484. Under AB1484, the Successor Agency was unable to repay this loan until after June 30, 2014. After this date, repayments were made, subject to DOF approval and within maximum repayment limits established under Section 34176(e)(6)(B) of dissolution law.

The intergovernmental receivable/payable between the General Fund and the Successor Agency Fund represents the balance of monies loaned to the Successor Agency to re-establish a loan paid off in March 2011 by the former redevelopment agency to the City. The loan repayment that occurred in March 2011 was subsequently disallowed by DOF as part of their oversight of redevelopment dissolution and the DOF demanded that the loan repayment be remitted to the Successor Agency by the City in the amount of \$493,880 and that the Successor Agency then remit the balance to the County of Orange. Under dissolution law, the Successor Agency will be able to begin repaying this loan after June 30, 2014 and only after the SERAF loan of \$1,420,642 is paid off. As of June 30, 2015, the SERAF loan balance is \$541,544. Repayment is subject to DOF approval and within maximum repayment limits established under Section 34176(e)(6)(B) of dissolution law.

(5) Due from Developers

In October 1994, the Mission Viejo Community Development Agency (now the Successor Agency) loaned \$401,000 to a developer in accordance with an affordable housing agreement executed by the Agency and the Developer on July 1, 1994. The note bears no interest during the first two years after the date of the note, and thereafter until the note is paid in full, bears simple interest at the rate of 3% per annum. No payments were required to be made on the note during the first five years. Thereafter, annual payments of principal and interest amortized over a thirty year period are due. At June 30, 2015, the outstanding balance is \$266,882 which includes unpaid accrued interest of \$22,647, and is reported in the Housing Authority, a major special revenue fund.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(5) Due from Developers, (continued)

In August 1998, the Mission Viejo Community Development Agency (now the Successor Agency) loaned \$2,143,000 to a developer in accordance with an affordable housing agreement executed by the Agency and Developer on April 20, 1998. The first \$900,000 of the note bears simple interest of 4% per annum for the first six years of the note. The remaining \$1,243,000 bears no interest during the first six years after the date of the note. Commencing upon the sixth anniversary date of the note, the entire principal balance bears simple interest at the rate of 4% per annum until paid in full. No payments are required to be made on the note during the first six years. Thereafter, principal payments equal to 100% of the developer's annual net profits up to \$142,733 will be due. In addition, principal payments equal to 50% of the developer's annual net profits in excess of \$142,733 per year will be due for the remaining balance of the note. A portion of each payment received must be spent on approved Community Development Block Grant items. Principal payments are due annually on April 1 beginning on April 1, 2006. On the 32nd anniversary of the note, any remaining outstanding balance of principal and interest will be due and payable. The outstanding balance at June 30, 2015 is \$1,837,710 which includes unpaid accrued interest of \$18,327 and is reported in the Housing Authority, a major special revenue fund. On September 30, 2015, the developer opted to pay the loan balance in full.

On May 11, 1999, the Mission Viejo Community Development Financing Authority issued \$31,100,000 of 1999 Series A Variable Rate Demand Revenue Bonds to finance a portion of the costs of the acquisition, construction, installation and equipping of various public capital improvements to the Mission Viejo Mall (The Shops at Mission Viejo). As a result of the issuance of these bonds, the mall owner, Simon Properties Group, entered into an agreement with the City. Under terms of this agreement, Simon Properties Group is obligated to pay the annual letter of credit, remarketing and other variable debt related costs related to the Series A Bonds. At June 30, 2015, the amount due from the developer for these costs was \$3,770,244 and is reported in the General Fund.

In June 2010, the Mission Viejo Community Development Agency loaned \$2,000,000 to a developer in accordance with an affordable housing agreement executed by the Agency and the Developer on March 1, 2010. The loan is secured by both a loan repayment guarantee executed by the Developer and a first deed of trust on the property, and will mature upon Developer's sale of the last of 22 affordable units to be built by the Developer to an eligible low income or very low income homebuyer. The unpaid principal balance of the loan shall accrue interest at the rate of Wall Street Journal prime rate plus 1%, compounded annually. At the closing of each sale of an affordable unit, an amount equal to \$90,909 plus accrued and unpaid interest on said amount through the date of closing shall be deemed repaid. Upon the closing of the sale of the 22nd unit, any remaining outstanding principal balance and all accrued and unpaid interest shall be deemed repaid. The amount due from the developer at June 30, 2015 was \$303,121 and is reported in the Housing Authority, a major special revenue fund.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(5) Due from Developers, (continued)

Upon the sale of each of the 22 affordable units, each homebuyer is required to enter into an Affordable Homebuyer Loan Agreement with the Housing Authority. These loans are secured by a second deed of trust on each property, and restrict ownership of each property to qualified Very Low or Low Income Households. The affordability period for each home is 45 years starting on the closing escrow date for each housing unit. As of June 30, 2015, 19 of the 22 affordable units had closed escrow for a total loan balance of \$2,596,764 which is reported in the Housing Authority, a major special revenue fund.

(6) Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental activities:	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets, not depreciated:				
Land ¹	\$ 48,965,246	\$ -	\$ 227,934	\$ 48,737,312
Rights of way	243,853,387	-	-	243,853,387
Construction in progress ²	7,906,066	2,607,084	5,139,953	5,373,197
Infrastructure - street network:				
Streets	201,368,165	-	-	201,368,165
Total capital assets, not depreciated	502,092,864	2,607,084	5,367,887	499,332,061
Capital assets, being depreciated:				
Buildings and improvements	120,102,167	1,591,217	812,108	120,881,276
Equipment and furniture	9,166,060	753,855	39,854	9,880,061
Vehicles	1,184,650	225,428	292,108	1,117,970
Infrastructure - street network:				
Curbs and gutters	34,018,092	-	-	34,018,092
Sidewalks	31,125,717	-	-	31,125,717
Roadway bridges	6,289,000	-	-	6,289,000
Traffic signals	11,274,983	-	-	11,274,983
Infrastructure - medians and parkways network:				
Medians and parkways	37,998,841	-	-	37,998,841
Infrastructure - Storm drain network:				
Storm drains	40,630,977	-	-	40,630,977
Total capital assets, being depreciated	291,790,487	2,570,500	1,144,070	293,216,917

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(6) Capital Assets, (continued)

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Governmental activities (continued):				
Less accumulated depreciation for:				
Buildings and improvements	\$ (43,653,799)	\$ (3,131,182)	\$ (624,410)	\$ (46,160,571)
Equipment and furniture	(6,310,140)	(879,061)	(37,667)	(7,151,534)
Vehicles	(1,021,107)	(76,669)	(292,107)	(805,669)
Infrastructure - street network:				
Curbs and gutters	(10,857,975)	(454,276)	-	(11,312,251)
Sidewalks	(10,230,839)	(415,010)	-	(10,645,849)
Roadway bridges	(2,165,995)	(83,853)	-	(2,249,848)
Traffic signals	(7,777,552)	(373,432)	-	(8,150,984)
Infrastructure - medians and parkways network:				
Medians and parkways	(10,416,344)	(515,168)	-	(10,931,512)
Infrastructure - Storm drain network:				
Storm drains	(13,262,847)	(570,880)	-	(13,833,727)
Total accumulated depreciation	(105,696,598)	(6,499,531)	(954,184)	(111,241,945)
Total capital assets being depreciated, net	186,093,889	(3,929,031)	189,886	181,974,972
Governmental activities				
Capital assets, net	<u>\$ 688,186,753</u>	<u>\$ (1,321,947)</u>	<u>\$ 5,557,773</u>	<u>\$ 681,307,033</u>
Business-type activities:				
Capital assets, not depreciated:				
Land ³	\$ 561,377	\$ -	\$ -	\$ 561,377
Construction in progress ⁴	332,333	166,927	499,260	-
Total capital assets, not depreciated	893,710	166,927	499,260	561,377
Capital assets, being depreciated:				
Buildings	1,641,647	-	-	1,641,647
Improvements other than buildings	413,587	499,260	-	912,847
Machinery and equipment	1,029,871	9,760	-	1,039,631
Total capital assets, being depreciated	3,085,105	509,020	-	3,594,125

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(6) Capital Assets, (continued)

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Business-type activities (continued):				
Less accumulated depreciation for:				
Buildings	\$ (959,765)	\$ (40,261)	\$ -	\$ (1,000,026)
Improvements other than buildings	(184,226)	(21,106)	-	(205,332)
Machinery and equipment	(876,388)	(76,422)	-	(952,810)
Total accumulated depreciation	<u>(2,020,379)</u>	<u>(137,789)</u>	<u>-</u>	<u>(2,158,168)</u>
 Total capital assets, being depreciated, net	 <u>1,064,726</u>	 <u>371,231</u>	 <u>-</u>	 <u>1,435,957</u>
 Business-type activities				
Capital assets, net	<u>\$ 1,958,436</u>	<u>\$ 538,158</u>	<u>\$ 499,260</u>	<u>\$ 1,997,334</u>

¹ – The beginning balance for Land in governmental activities was restated because the City had deleted \$111,380 in the prior year and it was not reflected in the note. The restatement also includes land of \$227,934 that was presented in the business-type activities that belonged in the governmental activities.

² – The beginning balance for construction in progress (CIP) in governmental activities was restated because the City recorded CIP of \$332,333 in governmental activities in the prior that belonged to business-type activities. The decrease of construction in progress is greater than the increase in capital assets due to expenditures for infrastructure improvements that were found to be owned and maintained by the California Department of Transportation (Caltrans).

³ – The beginning balance for Land in business-type activities was restated because the City had included land of \$227,934 in business-type activities that belonged in the governmental activities.

⁴ – The beginning balance for construction in progress (CIP) in business-type activities was restated because the City had recorded CIP expenditures of \$332,333 in governmental activities that belonged in the business-type activities.

Depreciation expense was charged to the following functions of governmental activities in the Statement of Activities:

General Government - Legislative	\$ 128
General Government - Management and Support	1,457,605
Public Safety	40,495
Public Works - Engineering and Transportation	572,698
Infrastructure Maintenance	2,664,693
Recreation, Community and Library Services	1,763,912
Total	<u>\$ 6,499,531</u>

Depreciation expense was charged to the following functions of business-type activities as follows:

Animal Services	\$ 79,796
Mission Viejo Television	57,993
Total	<u>\$ 137,789</u>

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(7) Note Payable – Housing Authority

On May 18, 2015, the Mission Viejo Housing Authority entered into an agreement with the City of Mission Viejo for the purchase of land for the future affordable housing under the certified housing element of the City's General Plan. Under the agreement the Housing Authority executed a Promissory Note payable to the City for \$4,300,000. The Note has a thirty year term which can be extended up to five additional one year periods. The Note accrues no interest and is payable July 15 each year until the principal is paid in full. Note principal is paid from unencumbered and available funds in the Housing Authority Fund pursuant to the HAL and Dissolution Law that are not required for administration or other Authority projects, enforceable obligations, or any other mandated payments due from the Authority to a third party.

(8) Long-Term Liabilities

Changes in the long-term liabilities for the year ended June 30, 2015 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year	Due Beyond One Year
<u>Governmental Activities:</u>						
Bonds:						
1999 Series A bonds	\$ 21,800,000	\$ -	\$ (1,100,000)	\$ 20,700,000	\$ 1,100,000	\$ 19,600,000
1999 Series B bonds	7,347,326	-	-	7,347,326	-	7,347,326
2009 Series A bonds	15,115,000	-	(640,000)	14,475,000	670,000	13,805,000
Bond premium	674,926	-	(39,702)	635,224	39,701	595,523
Total bonds payable	<u>44,937,252</u>	<u>-</u>	<u>(1,779,702)</u>	<u>43,157,550</u>	<u>1,809,701</u>	<u>41,347,849</u>
Other liabilities:						
Net pension liability*	16,970,834	-	(3,303,626)	13,667,208	-	13,667,208
Compensated absences	1,677,016	1,232,798	(1,180,193)	1,729,621	1,110,200	619,421
Total other liabilities	<u>18,647,850</u>	<u>1,232,798</u>	<u>(4,483,819)</u>	<u>15,396,829</u>	<u>1,110,200</u>	<u>14,286,629</u>
Governmental activities						
Total Long-term liabilities	<u>\$ 63,585,102</u>	<u>\$ 1,232,798</u>	<u>\$ (6,263,521)</u>	<u>\$ 58,554,379</u>	<u>\$ 2,919,901</u>	<u>\$ 55,634,478</u>
<u>Business-type Activities:</u>						
Other liabilities:						
Net pension liability*	\$ 1,515,912	\$ -	\$ (295,094)	\$ 1,220,818	\$ -	\$ 1,220,818
Compensated absences	83,494	93,795	(90,786)	86,503	2,761	83,742
Business-type activities						
Total Long-term liabilities	<u>\$ 1,599,406</u>	<u>\$ 93,795</u>	<u>\$ (385,880)</u>	<u>\$ 1,307,321</u>	<u>\$ 2,761</u>	<u>\$ 1,304,560</u>

* - The net beginning balances for the net pension liability in both the governmental activities and business-type activities resulted from the implementation of GASB Statement No. 68. More information on Footnote 19.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(8) Long-Term Liabilities (continued)

For governmental activities, compensated absences are generally liquidated by the General Fund and Library Operations Fund.

Revenue Bonds

1999 Series A Variable Rate Demand Revenue Bonds

On May 11, 1999, the Mission Viejo Community Development Financing Authority issued \$31,100,000 of 1999 Series A Variable Rate Demand Revenue Bonds to finance a portion of the costs of the acquisition, construction, installation and equipping of various public capital improvements to the Mission Viejo Mall (The Shops at Mission Viejo).

On May 1, 1999, the City of Mission Viejo Community Development Financing Authority and the City of Mission Viejo entered into a lease agreement obligating the City to provide annual lease payments of 50% of sales tax revenues generated by the mall provided that the City shall retain a minimum of \$1.5 million annually in sales tax revenues generated by the mall. The \$1.5 million increases each year for the first ten years by the growth rates in the sales tax consultant's study that was part of the bond issue and then by the consumer price index. Furthermore, the Mission Viejo Community Development Agency entered into a pledge agreement on May 1, 1999 with the Authority, requiring the Agency to pledge property tax revenues generated by the site. Pledged revenues not needed for debt service are either paid to Simon Properties Group as holders of the 1999 Series B Subordinate Lien Taxable Revenue Bonds (subject to certain sales tax, interest rate and bond cost thresholds) or returned to the City.

Interest on the bonds is calculated weekly at a rate determined to reflect the current market conditions. At any time, the Authority may elect to convert the bonds to a fixed interest rate. Principal amounts mature between September 1, 2002 and September 1, 2028 in amounts ranging from \$400,000 to \$1,900,000. The bond reserve requirement of \$2,369,500 was fully funded at June 30, 2015. The amount of principal outstanding at June 30, 2015 is \$20,700,000.

The bonds provide for an option exercisable by each bondholder for the bonds held by that bondholder to be purchased by the Authority at a price equal to one hundred percent of the principal amount of the bonds purchased plus accrued interest, if any. The purchase price and principal of, and interest on, the Series A Bonds purchased under this option are payable from amounts available to be drawn by the Trustee under an irrevocable direct pay letter of credit issued by Union Bank. This letter of credit terminates on May 18, 2016. The Trustee is permitted to draw on the letter of credit to pay the principal, redemption amounts, and interest on the Series A Bonds and the purchase price of any Series A Bonds tendered but not remarketed to the extent that other moneys are not available. During the year ended June 30, 2015, letter of credit commitment fees in the amount of \$336,550 were paid to Union Bank.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(8) Long-Term Liabilities, (continued)

1999 Series A Variable Rate Demand Revenue Bonds, (continued)

Debt service requirements to maturity of the 1999 Series A Variable Rate Demand Revenue Bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest *</u>	<u>Totals</u>
2016	\$ 1,100,000	\$ 9,340	\$ 1,109,340
2017	1,200,000	8,820	1,208,820
2018	1,200,000	8,280	1,208,280
2019	1,300,000	7,740	1,307,740
2020	1,300,000	7,175	1,307,175
2021	1,400,000	6,570	1,406,570
2022	1,500,000	5,940	1,505,940
2023	1,500,000	5,265	1,505,265
2024	1,600,000	4,603	1,604,603
2025	1,600,000	3,870	1,603,870
2026	1,600,000	3,150	1,603,150
2027	1,700,000	2,430	1,702,430
2028	1,800,000	1,670	1,801,670
2029	1,900,000	430	1,900,430
Total	<u>\$ 20,700,000</u>	<u>\$ 75,283</u>	<u>\$ 20,775,283</u>

* The above debt service requirements to maturity were calculated using the interest rate as of June 30, 2015 of 0.05%.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(8) Long-Term Liabilities, (continued)

1999 Series B Subordinate Lien Taxable Revenue Bonds

On May 19, 1999, the Mission Viejo Community Development Financing Authority authorized \$10,000,000 and issued \$115,000 of 1999 Series B Subordinate Lien Taxable Revenue Bonds to finance a portion of the costs of the acquisition, construction, installation and equipping of various public capital improvements to the Mission Viejo Mall. Through June 30, 2015 an additional \$7,232,326 of Series B Bonds were issued. As of June 30, 2015, a total of \$7,347,326 of 1999 Series B bonds have been issued.

The interest rate on the bonds is equal to the six-month London Interbank Offered Rate plus 1.5%, not to exceed 8% per annum. If the 1999 Series A Bonds are converted to a fixed interest rate, interest on the 1999 Series B Bonds will be equal to the fixed interest rate plus 1%. Interest is payable annually commencing September 1, 1999, subject to certain preconditions. If, in any year, revenues are insufficient to pay interest due on the Series B Bonds, such interest shall remain due and payable. Principal payments on the bonds will commence at the earlier of the conversion of the 1999 Series A Bonds to a fixed interest rate or after two consecutive years of two times debt service coverage for the 1999 Series A Bonds. Annual principal payments will be an amount that is proportional to the principal of the 1999 Series A Bonds. The bonds mature on September 1, 2028, at which time, if any outstanding principal or accrued interest remains, such amounts shall cease to be payable. At June 30, 2015, the outstanding principal is \$7,347,326 and the unpaid interest is \$1,914,444.

No debt service requirement to maturity schedule has been included since neither of the two conditions for the initiation of principal payments had been met as of June 30, 2015.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

(8) Long-Term Liabilities, (continued)

CDFA 2009 Lease Revenue Refunding Bonds

On December 9, 2009, the Mission Viejo Community Development Financing Authority issued \$17,305,000 of Series A Lease Revenue Refunding Bonds to refund the 1996 Certificates of Participation and the 2001 Series A Lease Revenue Bonds. The reacquisition price was the same as the net carrying amount of the old debt. The new debt's life is the same as the refunded debt. The transaction resulted in an economic gain by the reduction of \$785,899 in future debt service payments.

Interest on the bonds ranges from 3.875% to 5.25% and is payable semi-annually on May 1 and November 1 of each year. Principal amounts mature between May 1, 2010 and May 1, 2031 in amounts ranging from \$165,000 to \$1,110,000. The bond reserve requirement of \$1,362,313 was fully funded at June 30, 2015. The amount of principal outstanding at June 30, 2015 was \$14,475,000.

Debt service requirements to maturity of the 2009 Lease Revenue Refunding Bonds are as follows:

Year Ending June 30,	Principal	Interest	Totals
2016	\$ 670,000	\$ 684,112	\$ 1,354,112
2017	705,000	657,313	1,362,313
2018	735,000	622,062	1,357,062
2019	770,000	585,313	1,355,313
2020	810,000	546,812	1,356,812
2021	845,000	506,313	1,351,313
2022	885,000	473,569	1,358,569
2023	910,000	438,169	1,348,169
2024	960,000	401,769	1,361,769
2025	1,005,000	353,769	1,358,769
2026	1,050,000	303,518	1,353,518
2027	1,110,000	251,019	1,361,019
2028	935,000	195,519	1,130,519
2029	980,000	154,613	1,134,613
2030	1,025,000	110,512	1,135,512
2031	1,080,000	56,700	1,136,700
Total	<u>\$ 14,475,000</u>	<u>\$ 6,341,082</u>	<u>\$ 20,816,082</u>

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(9) Community Facilities District Bonds

On December 2, 1992, \$4,950,000 of special tax bonds dated December 1, 1992 were issued for the Mission Viejo Community Facilities District No. 92-1 pursuant to the Mello Roos Community Facilities Act of 1982. The bond proceeds were used to finance the acquisition and construction of public flood control facilities. On August 1, 1999, the City of Mission Viejo issued \$4,601,699 of 1999 Special Tax Refunding Bonds to provide for the advance refunding of the 1992 bonds. All of the 1999 bonds were purchased by the Mission Viejo Community Development Financing Authority. Then on November 8, 2011, the City issued \$2,060,000 of 2011 Special Tax Refunding Bonds to provide for the advance refunding of the 1999 bonds for the purpose of providing tax savings to business owners in Community Facilities District (CFD) No. 92-1 while maintaining the same period to maturity.

Total proceeds under the 2011 Refunding bonds of \$2,060,000, were borrowed at an interest rate that varies between 1.0% and 3.5%, compared to 5.3% to 5.5%, under the 1999 Bonds. Amounts borrowed under the 2011 Bonds are payable in six annual installments through August 1, 2017 with the first payment due August 1, 2012. As a result of the current refunding, the City reduced the debt service cash flow of business owners in CFD 92-1 by \$349,553 through August 1, 2017, resulting in an economic gain for those business owners of \$90,706 (calculated as the difference between the debt service payments under the old and new debt discounted to present value using the effective interest rate).

The bonds are not general obligations of the City, and neither the faith nor the taxing power of the City is pledged to the payment of these bonds. Therefore, the bonds are not recorded as liabilities of the City. The City has no obligation beyond the balances in the agency fund for any delinquent District bond payments. The bonds are limited obligations of the District payable solely from the special tax or funds held pursuant to the bond indenture agreement. The principal amount of bonds outstanding at June 30, 2015 was \$1,025,000. An amount of \$616,741 is being held by the City and is reflected as due to bondholders at June 30, 2015 in the Statement of Fiduciary Assets and Liabilities.

(10) Net Position

Net position is the excess of all the City's assets over all its liabilities, regardless of fund. Net position is classified into three categories as follows:

Net investment in capital assets describes the portion of net position which is represented by the current net book value of the City's capital assets, including infrastructure, net of any debt related to securing these assets.

Restricted net position describes the portion of net position which is restricted as to use by the terms and conditions of agreements with creditors, grantors, contributors or laws or regulations of other governments, and restrictions imposed by law through constitutional provision or enabling legislation.

Unrestricted net position describes the portion of net position which is not restricted as to use.

When expenditures are incurred for purposes for which both restricted and unrestricted balances are available, the City's policy is to apply restricted first.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(10) Net Position, (continued)

As of June 30, 2015, there was no restricted net position in the proprietary funds. As provided under accounting principles generally accepted in the United States of America, restrictions are only established in proprietary funds for equity legally restricted by parties external to the governmental unit.

(11) Fund Balances

The City follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints upon the use of the resources reported in governmental funds.

In the fund financial statements, governmental fund balance, under GASB 54, is made up of the following components:

Nonspendable fund balance typically includes inventories, prepaid items, and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.

Restricted fund balance includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, laws or regulations of other governments, or through enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined by the highest formal action of the City Council (adoption of ordinance). The City Council has the authority to establish, modify, or rescind a fund balance commitment. The City has no committed fund balance at June 30, 2015.

Assigned fund balance amounts are designated by City Council, in accordance with the City Council Management and Budget policies, for specific purposes and do not meet the criteria to be classified as restricted or committed. The City Council establishes (modifies or rescinds) assigned fund balance with the passage of a resolution. Assigned fund balances at June 30, 2015 were reported solely in the General Fund and include the following assignments:

Encumbrances	\$ 641,953
Capital asset replacement reserves	16,300,897
Total assigned fund balance	<u>\$ 16,942,850</u>

Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications. Unassigned fund balance includes the City Council approved General Fund contingency, which is equal to 15% of General Fund revenues in the amount of \$8.1 million.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

(11) Fund Balances, (continued)

When expenditures are incurred for purposes for which restricted, committed, assigned, or unassigned fund balances are available, the City’s policy is to apply restricted fund balance first, committed second, then assigned fund balance, and finally unassigned fund balance.

(12) Interfund Transfers

Interfund transfers for the year ended June 30, 2015 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 794,573
Animal Services Enterprise Fund	General Fund	549,409
Other Governmental Funds	General Fund	1,929,509
Other Governmental Funds	Housing Authority	76,519
Other Governmental Funds	Other Governmental Funds	<u>1,397,595</u>
Total		<u><u>\$ 4,747,605</u></u>

Significant transfers included in the accompanying financial statements are described as follows:

Transfers to Major Funds

The \$794,573 transferred to the General Fund was received from the CDFA 1999 Mall Bonds Debt Service Fund representing the 2014 release of the rolling reserve.

Transfers from Major Funds

The \$76,519 transferred from the Housing Authority to the Other Governmental Funds or Grants Fund represents the CDBG portion of the Heritage Villas loan payment.

Of the \$1,929,509 transferred from the General Fund to other governmental funds, \$1,352,872 was transferred to the CDFA 2009 Lease Revenue Refunding Bonds Debt Service Fund for payment of the debt service on those bonds and \$576,637 was transferred to the Library Operations fund to fund operations. In addition, the General Fund transferred \$549,409 to the Animal Services Enterprise Fund representing Mission Viejo’s proportionate share of the net costs of the Animal Services operations for the year, as estimated in the budget.

Transfers To/From Other Governmental Funds

The \$1,397,595 transferred from other governmental funds to other governmental funds represents mall sales tax pledged for the mall bond debt service transferred from the Mall Parking Lease Fund to the CDFA 1999 Mall Bonds Debt Service Fund.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(13) Fund Deficits and Expenditures in Excess of Appropriations

The following funds reported deficits in fund balance as of June 30, 2015:

	<u>Deficit Balances</u>
Major Governmental Funds:	
Special Revenue Funds:	
Measure M Fund	\$ (3,043,204)
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Law Enforcement Grants Fund	(2,609)
Grants Fund	(551,912)

The special revenue Grants Fund deficits will be remedied as the grants are billed and received. The special revenue Measure M Fund deficit will be remedied by apportionments received in future years and as grants are billed and received.

The following funds reported expenditures in excess of appropriations based on the level of budgetary control:

<u>Other Governmental Funds</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
CDFA 1999 Mall Bonds	\$ 1,475,000	\$ 1,478,508	\$ (3,508)

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(14) Liability, Workers' Compensation, and Purchased Insurance

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 118 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years are closed, on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Liability

In the liability program claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2014-15 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) 50% of the \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer, (b) 50% quota share of the \$3 million x/s \$2 million layer, and (c) \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(14) Liability, Workers' Compensation, and Purchased Insurance, (continued)

Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2014-15 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

Purchased Insurance:

Pollution Legal Liability Insurance

The City of Mission Viejo participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Mission Viejo. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2014 through July 1, 2017. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

The City of Mission Viejo participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Mission Viejo property is currently insured according to a schedule of covered property submitted by the City of Mission Viejo to the Authority. City of Mission Viejo property currently has all-risk property insurance protection in the amount of \$116,867,237. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

The City of Mission Viejo purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(14) Liability, Workers' Compensation, and Purchased Insurance, (continued)

Earthquake and Flood Insurance

The City of Mission Viejo purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Mission Viejo property currently has earthquake protection in the amount of \$71,856,070. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Special Event Tenant User Liability Insurance

The City of Mission Viejo further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of Mission Viejo according to a schedule. The City of Mission Viejo then pays for the insurance. The insurance is arranged by the Authority.

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2014-15.

(15) Joint Venture - Orange County Fire Authority

In January 1995, the City entered into a joint powers agreement with the Cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, Lake Forest, La Palma, Los Alamitos, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, Yorba Linda and the County of Orange to create the Orange County Fire Authority (Authority). Since the creation of the Authority, the Cities of Aliso Viejo, Laguna Woods, Rancho Santa Margarita and Westminster joined the Authority as members eligible for fire protection services. The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each city and two from the County. The operations of the Authority are funded with fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia and Seal Beach. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia and Seal Beach are considered "cash contract cities" and accordingly make cash contributions based on the Authority's annual budget. The City of Mission Viejo does not have an equity interest in the assets of the Orange County Fire Authority. Complete financial statements may be obtained from the Orange County Fire Authority, One Fire Authority Road, Irvine, California 92602 or at www.ocfa.org.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

(16) Significant Commitments

Encumbrances

Encumbrances at June 30, 2015 consisted of the following:

General Fund	\$ 641,953
Grants Special Revenue Fund	114,290
Developer Fees Special Revenue Fund	15,214
Measure M Special Revenue Fund	249,684
Mission Viejo Housing Authority Special Revenue Fund	284,762
Other non-major Governmental Funds	<u>147,300</u>
 Total Encumbrances at June 30, 2015	 <u><u>\$ 1,453,203</u></u>

Generally, encumbrances can be broken out between operating and capital improvements. Operating encumbrances at June 30, 2015 were \$1,045,088, while capital improvement encumbrances were \$408,115. Significant encumbrances that relate to active capital improvement projects as of June 30, 2015 are as follows:

<u>Projects:</u>	<u>Commitment</u>
Oso Parkway Widening	\$ 113,655
Arterial Resurfacing	234,616

The encumbrance reported in the Mission Viejo Housing Authority of \$282,957 relates to an agreement with Lennar Homes to provide a low and moderate income housing subsidy for The Ridge housing development.

(17) Lease Commitment

On December 1, 2000, the City entered into a lease agreement with the Santa Margarita Water District for office and storage space. The lease terminates on November 30, 2020. Minimum annual lease commitments as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 38,973
2017	38,973
2018	38,973
2019	38,973
2020	<u>16,239</u>
 Total	 <u><u>\$ 172,131</u></u>

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(18) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer annually up to \$18,000, until future years. Employees over age 50 may elect to defer up to an additional \$6,000 annually. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The City has placed these assets in a trust held for the exclusive benefit of plan participants and their beneficiaries, as prescribed by Internal Revenue Code Section 457(g). Consequently, these assets are not included in the City's financial statements.

(19) Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Plan is an agent, multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not account purposes), and membership information is listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. The actuarial valuation report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

(19) Defined Benefit Pension Plan, (continued)

A. General Information about the Pension Plan, (continued)

The Plan’s provisions and benefits in effect at June 30, 2014 (measurement date) are summarized as follows:

Hire date	Miscellaneous		
	Prior to July 8, 2011	Between July 9, 2011 December 31, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensations	2.0% to 2.7%	1.092% to 2.272%	1.0% to 2.0%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	17.725%	17.725%	17.725
Employer Paid Member Contribution	2.50%	1.50%	-

Employees Covered

At June 30, 2013 (valuation date), the following employees were covered by the benefit terms:

	<u>Miscellaneous</u>
Inactive employee or beneficiaries currently receiving benefits	59
Inactive employees entitled to but not yet receiving benefits	89
Active employees	<u>159</u>
	<u><u>307</u></u>

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the average active employee contribution rate for the plan is 7.874 percent of annual pay, and the employer’s contribution rate is 17.725 percent of annual payroll. Employer contribution rates may change if plan contracts are amended. Employer Contributions for the measurement period ended June 30, 2014 for the plan totaled \$1,817,494. Employer Paid Member Contributions for the measurement period ended June 30, 2014 for the plan totaled \$231,856.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

(19) Defined Benefit Pension Plan, (continued)

B. Net Pension Liability

The City of Mission Viejo’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method:	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increase (1)	3.00%
Investment Rate of Return (2)	7.50%
Mortality Rate Table (3)	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Annually adjusted on a compound basis by 2%

(1) Annual increase vary by category, entry age, and duration of service

(2) Net of pension plan investment and administrative expenses; includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

For more details on the table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(19) Defined Benefit Pension Plan, (continued)

B. Net Pension Liability, (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the agent multiple-employer plan. Refer to the sensitivity of the net pension liability to changes in the discount rate section of this note, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

(19) Defined Benefit Pension Plan, (continued)

B. Net Pension Liability, (continued)

Discount Rate, (continued)

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Year 11+²</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)
Total	<u>100.0%</u>		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

Information about the pension plan’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS’ audited financial statements, which are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications, at www.calpers.ca.gov. The plan’s fiduciary net position and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

(19) Defined Benefit Pension Plan, (continued)

B. Net Pension Liability, (continued)

Change in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

<i>Miscellaneous Plan:</i>			
	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD) ¹	\$ 62,391,251	\$ 43,904,504	\$ 18,486,747
Changes Recognized for the Measurement Period:			
• Service Cost	2,063,288	-	2,063,288
• Interest on the Total Pension Liability	4,692,063	-	4,692,063
• Change of Benefit Terms	-	-	-
• Difference between Expected and Actual Experience	-	-	-
• Changes of Assumptions	-	-	-
• Contributions from the Employer	-	1,817,494	(1,817,494)
• Employer Paid Member Contributions	-	231,856	(231,856)
• Contributions from Employees	-	603,514	(603,514)
• Net Investment Income ²	-	7,701,208	(7,701,208)
• Benefit Payments, including Refunds of Employee Contributions	(1,724,113)	(1,724,113)	-
Net changes during 2013-14	\$ 5,031,238	\$ 8,629,959	\$ (3,598,721)
Balance at: 6/30/2014 (MD) ¹	\$ 67,422,489	\$ 52,534,463	\$ 14,888,026

Valuation Date (VD), Measurement Date (MD).

¹ The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. As described in the previous section of this note, this may differ from the plan assets reported in the funding actuarial valuation report.

² Net of administrative expenses.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

(19) Defined Benefit Pension Plan, (continued)

B. Net Pension Liability, (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Miscellaneous Plan's Net Pension Liability	\$ 24,222,008	\$ 14,888,026	\$ 7,121,022

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining services lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Plan for the 2013-14 measurement period is 4.5 years, which was obtained by dividing the total service years of 1,367 (the sum of remaining service lifetimes of the active employees) by 307 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

(19) Defined Benefit Pension Plan, (continued)

C. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2013), the net pension liability is \$18,486,747.

For the measurement period ending June 30, 2014 (the measurement date), the City of Mission Viejo incurred a pension expense of \$1,747,520 for the Plan. A complete breakdown of the pension expense is as follows:

Miscellaneous Plan	
Description	Amount
Service Cost	\$ 2,063,288
Interest on the Total Pension Liability	4,692,063
Changes of Benefit Terms	-
Recognized Differences between Expected and Actual Experience	-
Recognized Changes of Assumptions	-
Employer Paid Member Contributions	(231,856)
Employee Contributions	(603,514)
Projected Earnings on Pension Plan Investments	(3,290,274)
Recognized Differences between Projected and Actual Earnings on Plan Investments	(882,187)
Total Pension Expense/(Income)	\$ 1,747,520

Note: Plan administrative expenses are not displayed in the above pension expense table. Since the expected investment return of 7.50 percent is net of administrative expenses, administrative expenses are excluded from the above table, but implicitly included as part of investment earnings.

As of June 30, 2014, the City of Mission Viejo has deferred outflows and deferred inflows of resources related to pensions as follows:

Miscellaneous Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(3,528,747)
Pension Contributions Subsequent to Measurement Date	3,411,810	-
Total	\$ 3,411,810	\$ (3,528,747)

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

(19) Defined Benefit Pension Plan, (continued)

C. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, (continued)

These amounts above are net of outflows and inflows recognized in the 2013-14 measurement period expense. A total of \$3,411,810 was reported as deferred outflows of resources related to contributions subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Miscellaneous Plan	
Measurement Period Ended	Deferred Outflows/(Inflows)
June 30:	of Resources, Net
2015	\$ (882,187)
2016	(882,187)
2017	(882,187)
2018	(882,186)
2019	-
Thereafter	-

D. Payable to Pension Plan

At June 30, 2015, the City of Mission Viejo reported a payable of \$81,973 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

(20) Other Post Employment Benefits (OPEB)

Plan Description

The City Retiree Insurances Program (RIP) is a sole employer defined benefit post-employment benefits plan that provides eligible retired City employees and their spouses a monthly contribution towards medical, dental and vision insurance premium costs up to a fixed dollar cap that varies based on coverage election and full or part-time employment status. Benefit provisions are established and may be amended by the City Council. The RIP was originally adopted by the City Council in July 2000. The City of Mission Viejo is participating in the California Employer’s Retiree Benefit Trust Program (CERBT) Prefunding Plan for the purposes of holding in trust irrevocable contributions restricted for the provision of these benefits. CERBT is administered by the California Public Employees Retirement System (CalPERS). Copies of CalPERS annual financial report may be obtained from their executive office: 400 “P” Street, Sacramento, California 95814.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(20) Other Post Employment Benefits (OPEB), (continued)

Eligibility

Employees of the City are eligible for retiree health benefits if they (1) have been employed by the City for a minimum of twelve continuous years of service, (2) were eligible to participate in the City's Fixed Monthly City Contribution to Benefits program prior to January 1, 2007, (3) are at least fifty years of age as of the last day of work prior to retirement, (4) are a vested member of CalPERS, (5) simultaneously retire from both the City and CalPERS on the same day, (6) receive a monthly retirement allowance check from CalPERS, and (7) have been enrolled in the insurance plan(s) at the desired benefit plan enrollment level for at least one year prior to retirement. The current maximum monthly contribution amounts for full-time employees are \$825 for employee only coverage and \$912 for employee plus one coverage. Membership in the plan consisted of the following at June 30, 2015, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	55
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>81</u>
Total	<u><u>136</u></u>

Funding Policy

The obligation of the City to contribute to the plan is established and may be amended by the City Council. Employees are not required to contribute to the plan. The City has established a policy of contributing to the irrevocable CERBT trust administered by CalPERS 100% of the RIP annual required contribution (ARC) (referred to as the "Cash Subsidy" in the OPEB valuation), an amount actuarially determined every two years in accordance with the parameters of GASB Statement 45. The Cash Subsidy ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and amortize any unfunded actuarial liabilities (or funding excess) of the Cash Subsidy component over a period not to exceed seven years. The Cash Subsidy ARC for fiscal year 2014-15 was \$745,000, 7.2% of estimated covered payroll. In addition, on March 16, 2015 City Council passed resolution 15-13 authorizing the payment of \$2.1 million to pay down the Retiree Insurance Program unfunded liability.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

(20) Other Post Employment Benefits (OPEB), (continued)

Due to an amendment to Actuarial Standards of Practice (ASOP) No. 6 Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Costs or Contributions, the biennial valuations performed on OPEB benefits after March 31, 2015, requires the calculation of an “Implied Subsidy” actuarial liability, actuarial unfunded liability and ARC specifically for the Implied Subsidy component of the valuation. Beginning with the June 30, 2015 OPEB valuation, each valuation will provide actuarial assets, actuarial liabilities, actuarial unfunded liabilities and ARC’s separately for the Cash Subsidy component (RIP plan) and for the Implied Subsidy component related to OPEB. All assets accumulated at June 30, 2015 for OPEB relate 100% toward the Cash Subsidy component of OPEB as these resources are owed to retired employees. In addition, all ARC payments made each fiscal year, including FY 2014-15 have been 100% toward the Cash Subsidy component of OPEB. As of June 30, 2015, there are no assets accumulated and no ARC payments toward the Implied Subsidy component of OPEB as these resources, if funded, would not be owed to any employee or retiree.

Annual OPEB Cost and Net OPEB Asset

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB asset:

Annual required contribution	\$ 745,000
Interest on net OPEB asset	(62,093)
Adjustment to annual required contribution	<u>146,654</u>
Annual OPEB cost	829,561
Contributions made	<u>(2,845,000)</u>
Increase in net OPEB asset	(2,015,439)
Net OPEB asset - beginning of year	(856,457)
Net OPEB asset - end of year	<u><u>\$ (2,871,896)</u></u>

The net OPEB asset is attributable 100% to the Cash Subsidy component and is reported in the government-wide and proprietary fund statements as part of prepaid expenses.

Three Year Cash Subsidy Trend Information:

<u>Fiscal Year</u>	<u>Annual OPEB Cost (AOC) (Employer Contribution)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/13	\$ 747,497	\$ 736,000	98%	\$ (873,211)
6/30/14	772,754	756,000	98%	(856,457)
6/30/15	829,561	2,845,000	343%	(2,871,896)

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(20) Other Post Employment Benefits (OPEB), (continued)

Three Year Implied Subsidy Trend Information:

<u>Fiscal Year</u>	<u>Annual OPEB Cost (AOC) (Employer Contribution)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/13	\$0	\$0	N/A	N/A
6/30/14	\$0	\$0	N/A	N/A
6/30/15	\$0	\$0	N/A	N/A

There were no contributions required toward the Implied Subsidy prior to the amendment of ASOP No. 6. According to the June 30, 2015 valuation, the first Implied Subsidy ARC is due for FY 2016-17.

Funded Status and Funding Progress

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective.

As of June 30, 2015, the most recent actuarial valuation date, the Cash Subsidy component of the plan was 91% funded. The Cash Subsidy actuarial accrued liability for benefits was \$8.9 million, and Cash Subsidy the actuarial value of assets was \$8.1 million. Resulting in an Cash Subsidy unfunded actuarial accrued liability (UAAL) of \$0.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$10.4 million, and the ratio of the Cash Subsidy UAAL to the covered payroll was 7.7%.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(20) Other Post Employment Benefits (OPEB), (continued)

Prior to June 30, 2015, an Implied Subsidy was not applicable to the City's OPEB plan. An amendment to ASOP No. 6, requires all valuations performed after March 31, 2015 to include an Implied Subsidy. The Implied Subsidy is the implied benefit retirees derive from paying the same premiums as active employees. Because younger people are generally healthier than older people, retirees on average have higher health expenses than employees. This results in an "implied" active premium payment which subsidizes the cost for older retirees (subsidy). While the Cash Subsidy directly correlates to the actual benefits that will be paid directly to retirees or to CalPERS on behalf of retirees, the Implied Subsidy, if funded by the City, will be recovered directly by the City in future years to reimburse the City for the "implied" active premium payment that subsidizes the cost for older retirees (subsidy). Basically, the accumulation of resources under the Cash Subsidy is for the benefit of retirees. Any accumulation of resources under the Implied Subsidy is owed back to the City. According to the OPEB valuation dated June 30, 2015, the Implied Subsidy actuarial accrued liability and UAAL was \$1.9 million. There are no accumulated assets for the Implied Subsidy since any accumulated assets would be owed back to the City.

Actuarial Methods and Assumptions

The required contribution was determined as part of the June 30, 2013, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses); (b) aggregate payroll increases of 3.25% per year; (c) 0% per year increases to the City's Fixed Monthly City Contribution to Benefits; (d) an annual inflation component of 3.0%; and (e) healthcare cost trend rates ranging from 5.0% to 8.0% for medical, and 4.0% and 3.0% for dental and vision, respectively. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a fixed 7 year period. The average remaining amortization period at June 30, 2015 was 3 years.

Supplemental Health Account for Retired Employees

The City administered Supplemental Health Account for Retired Employees (SHARE) plan is a defined contribution post-employment benefits plan established by the City Council. This plan is intended to assist employees first eligible for City health benefits on or after January 1, 2007, in saving for postemployment health insurance costs. Employer and employee contributions to the plan begin one year after the employee's hire date. The City's monthly contribution is \$100 for full-time employees and is prorated based on full-time equivalency. Employees are required to contribute 1.5% of their salary to this plan. The contributions made by employees are not forfeitable. To receive the City's contributions, employees must separate or retire from the City, have 15 years of service, and attain age 55. As of June 30, 2015, 57 employees were eligible to participate in this plan. Required employer contributions were made during the year in the amount of \$47,924 and required employee contributions totaled \$39,951. At June 30, 2015, there were no retirees eligible to receive the City's contributions under this plan.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

(21) Prior Year Restatements

Change in Accounting Principle

As discussed in Note 1, the City implemented GASB Statements No. 68 and 71 effective July 1, 2014. GASB Statements No. 68 and 71, among other provisions, amended prior guidance with respect to the reporting of pensions, and established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the City's net pension liability was not previously recorded on the statement of net position. GASB 68 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements. Restatement of the comparative financial data for the prior periods presented is not practical due to the unavailability of information from the pension plan, therefore the provisions of GASB Statements No. 68 and 71 were not applied to prior periods. The cumulative effects of applying the provisions of GASB Statements No. 68 and 71 have been reported as a restatement of beginning net position for the year ended June 30, 2015 in accordance with the Statements.

Correction of an Error

As discussed in Note 6, the City restated the beginning balances for land in both the governmental activities and business-type activities. The restatements were due to the City not presenting a deletion of land in the governmental activities that took place in the prior year and an additional land asset that was presented along with business-type activities, but should have been presented with governmental activities. The City also restated the beginning balance in construction in progress for both the governmental activities and business-type activities. The restatement was due to the City presenting a construction in progress asset in the governmental activities, but should have presented with business-type activities.

Accordingly, beginning net positions on the Statement of Activities and the Statement of Revenues, Expenses, and Changes in Net Position have been restated for changes related to GASB 68 and the other restatements as follows:

	Governmental Activities	Business-Type Activities	
		Animal Services Fund	Mission Viejo Television Fund
Beginning net position, as previously reported	\$ 703,020,837	\$ 4,421,993	\$ 762,541
Restatement due to change in accounting principle (GASB 68)	(15,302,375)	(1,283,532)	(83,346)
Restatement due to disposal of land not reported in the prior period	(111,380)	-	-
Restatement due to land incorrectly recorded in business-type activities, instead of governmental activities	227,934	(227,934)	-
Restatement due to Construction in Progress incorrectly recorded in governmental activities, instead of business-type activities	(332,333)	332,333	-
Beginning net position at July 1, 2014, as restated	<u>\$ 687,502,683</u>	<u>\$ 3,242,860</u>	<u>\$ 679,195</u>



MISSION VIEJO

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MISSION VIEJO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

LAST 10 YEARS*

YEAR ENDED JUNE 30, 2015

Measurement Period	2013-14
TOTAL PENSION LIABILITY	
Service Cost	\$ 2,063,288
Interest	4,692,063
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(1,724,113)
Net Change in Total Pension Liability	5,031,238
Total Pension Liability - Beginning	62,391,251
Total Pension Liability - Ending (a)	\$ 67,422,489
PLAN FIDUCIARY NET POSITION	
Contributions - Employer	1,817,494
Employer Paid Member Contributions	231,856
Contributions - Employee	603,514
Net Investment Income ¹	7,701,208
Benefit Payments, Including Refunds of Employee Contributions	(1,724,113)
Other Changes in Fiduciary Net Position	-
Net Change in Fiduciary Net Position	8,629,959
Plan Fiduciary Net Position - Beginning	43,904,504
Plan Fiduciary Net Position - Ending (b)	\$ 52,534,463
Plan Net Position Liability - Ending (a) - (b)	\$ 14,888,026
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	77.92%
Covered-Employee Payroll	10,994,230
Plan Net Position Liability/(Asset) as a Percentage of Covered-Employee Payroll	135.42%

¹ Net of administrative expenses.

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation, therefore, only one year is shown:

Notes to Schedule:

Changes in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: There were no changes in assumptions.

CITY OF MISSION VIEJO

**REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PLAN CONTRIBUTIONS
 LAST 10 YEARS*
 YEAR ENDED JUNE 30, 2015**

	Fiscal Year 2014-15
Actuarially Determined Contributions	\$ 1,817,494
Contributions in Relation to the Actuarially Determined Contributions	(3,317,494)
Contributions Deficiency (Excess)	<u>\$ (1,500,000)</u>
Covered-Employee Payroll	10,994,230
Contributions as a Percentage of Covered-Employee Payroll	30.17%

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation, therefore, only one year is shown.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2011 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

CITY OF MISSION VIEJO

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFIT PLAN
YEAR ENDED JUNE 30, 2015**

OTHER POST EMPLOYMENT BENEFIT PLAN (OPEB)
RETIREE INSURANCES PROGRAM (RIP)

SCHEDULE OF FUNDING PROGRESS - CASH SUBSIDY (Funding for RIP Benefit)

Actuarial Valuation Date	Entry Age Normal Actuarial Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL)/ (Excess Assets) (a) - (b)	Funded Ratio Based on AVA (b) / (a)	Annual Covered Payroll (c)	UAAL As a % of Payroll [(a)-(b)]/(c)
6/30/11	\$ 7,362,000	\$ 2,805,000	\$ 4,557,000	38.1%	\$ 9,771,000	46.6%
6/30/13	7,518,000	4,269,000	3,249,000	56.8%	9,874,000	32.9%
6/30/15	8,934,000	8,141,000	793,000	91.0%	10,359,000	7.6%

SCHEDULE OF FUNDING PROGRESS - IMPLIED SUBSIDY

(Funding for Reimbursement to City for the "Implied" Active Premium Payment that Subsidizes the Cost for Older Retirees (Subsidy))

Actuarial Valuation Date	Entry Age Normal Actuarial Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL)/ (Excess Assets) (a) - (b)	Funded Ratio Based on AVA (b) / (a)	Annual Covered Payroll (c)	UAAL As a % of Payroll [(a)-(b)]/(c)
6/30/11	N/A	N/A	N/A	N/A	N/A	N/A
6/30/13	N/A	N/A	N/A	N/A	N/A	N/A
6/30/15	\$ 1,901,000	\$ -	\$ 1,901,000	0.0%	\$ 10,359,000	18.3%

Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2011	\$ 519,000	100%
2012	718,000	100%
2013	736,000	100%
2014	756,000	100%
2015	2,845,000	100%

CITY OF MISSION VIEJO

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 45,174,753	\$ 46,398,883	\$ 46,923,987	\$ 525,104
Licenses and permits	2,055,200	2,042,200	1,775,273	(266,927)
Intergovernmental	175,000	354,730	316,304	(38,426)
Charges for services	3,086,922	3,109,622	3,214,288	104,666
Investment earnings	180,800	100,800	234,951	134,151
Fines and forfeitures	631,000	930,655	941,640	10,985
Other	531,050	549,519	736,568	187,049
Total revenues	51,834,725	53,486,409	54,143,011	656,602
Expenditures:				
General government - legislative	1,332,219	1,431,888	1,276,235	155,653
General government - management and support	6,602,676	11,843,292	10,082,386	1,760,906
Public safety	18,103,027	18,654,484	17,931,563	722,921
Community development	2,416,760	2,519,015	2,386,540	132,475
Public works - engineering and transportation	2,355,856	2,514,711	2,040,871	473,840
Infrastructure maintenance	13,814,938	14,628,931	14,469,593	159,338
Recreation/community/library services	5,062,171	5,273,145	5,050,508	222,637
Capital outlay:				
Playground renovations	-	50,000	-	50,000
Dog Park	-	1,170	-	1,170
Aquatic complex decking	-	5,164	-	5,164
Oso Parkway widening	-	360,495	-	360,495
Ferrocarril slope repair	-	43,536	-	43,536
Marguerite resurfacing and median repair	-	3,000	2,750	250
City wide EVP devices intallation	-	5,381	5,381	-
Montanoso locker room renovations	-	53,470	29,664	23,806
Total expenditures	49,687,647	57,387,682	53,275,491	4,112,191
Excess (deficiency) of revenues over (under) expenditures	2,147,078	(3,901,273)	867,520	4,768,793
Other financing sources (uses):				
Transfers in	790,000	794,573	794,573	-
Transfers out	(2,593,046)	(2,483,046)	(2,478,918)	4,128
Sale of City property	-	-	27,782	27,782
Sale of land	-	-	2,600,000	2,600,000
Total other financing sources (uses)	(1,803,046)	(1,688,473)	943,437	2,631,910
Net change in fund balance	344,032	(5,589,746)	1,810,957	7,400,703
Fund balance, beginning of year	31,238,673	31,238,673	31,238,673	-
Fund balance, end of year	\$ 31,582,705	\$ 25,648,927	\$ 33,049,630	\$ 7,400,703

CITY OF MISSION VIEJO

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEVELOPER FEES FUND
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment earnings	\$ 10,000	\$ 10,000	\$ 2,338	\$ (7,662)
Developer fees	1,000,000	2,910,310	-	(2,910,310)
Total revenues	<u>1,010,000</u>	<u>2,920,310</u>	<u>2,338</u>	<u>(2,917,972)</u>
Expenditures:				
Capital outlay:				
Playground renovation pavion	-	1,019,475	1,019,475	-
Dog park - park development	-	13,584	-	13,584
Sierra recreation play structure	-	286,975	286,975	-
Bocce ball / Oso Viejo park	-	190,000	7,050	182,950
Marguerite aquatic renovation	-	55,047	29,726	25,321
Montanoso locker room renovation	-	900,752	895,584	5,168
Felipe tennis light replacement	-	32,339	30,433	1,906
Oso Parkway widening	-	1,976,465	1,858,632	117,833
Total expenditures	<u>-</u>	<u>4,474,637</u>	<u>4,127,875</u>	<u>346,762</u>
Net change in fund balances	1,010,000	(1,554,327)	(4,125,537)	(2,571,210)
Fund balance, beginning of year	<u>4,814,296</u>	<u>4,814,296</u>	<u>4,814,296</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,824,296</u>	<u>\$ 3,259,969</u>	<u>\$ 688,759</u>	<u>\$ (2,571,210)</u>

CITY OF MISSION VIEJO

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MEASURE M FUND
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,512,220	\$ 7,529,655	\$ 2,077,119	\$ (5,452,536)
Investment earnings	2,000	2,000	3,929	1,929
Other	-	200,000	-	(200,000)
Total revenues	<u>1,514,220</u>	<u>7,731,655</u>	<u>2,081,048</u>	<u>(5,650,607)</u>
Expenditures:				
Capital outlay:				
La Paz railroad bridge widening	-	2,551,054	50,000	2,501,054
Oso Parkway widening	-	2,201,246	2,182,151	19,095
Marguerite resurfacing	-	720	-	720
Marguerite signal synchronization	-	19,912	19,912	-
City-wide EVP device installation	-	32,800	32,800	-
Muirlands Signal Synchronization	-	9,735	1,979	7,756
Traffic Safety /Signal Coordination	-	4,004	-	4,004
Trabuco signal synchronization	-	9,690	4,117	5,573
Marguerite median rehabilitation	-	145,580	145,580	-
Marguerite Parkway median rehabilitation	-	587,375	566,430	20,945
Sidewalk repair	25,000	50,000	-	50,000
Arterial Hwy resurfacing and slurry	1,120,000	2,703,054	2,190,736	512,318
Residential resurfacing	463,000	630,157	401,418	228,739
La Paz signal synchronization	-	48,206	820	47,386
Total expenditures	<u>1,608,000</u>	<u>8,993,533</u>	<u>5,595,943</u>	<u>3,397,590</u>
Net change in fund balances	(93,780)	(1,261,878)	(3,514,895)	(2,253,017)
Fund balance, beginning of year	<u>471,691</u>	<u>471,691</u>	<u>471,691</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 377,911</u>	<u>\$ (790,187)</u>	<u>\$ (3,043,204)</u>	<u>\$ (2,253,017)</u>

CITY OF MISSION VIEJO

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOUSING AUTHORITY FUND
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment earnings	\$ -	\$ 450,960	\$ 107,010	\$ (343,950)
Total revenues	<u>-</u>	<u>450,960</u>	<u>107,010</u>	<u>(343,950)</u>
Expenditures:				
Community development	1,500	760,909	463,881	297,028
Total expenditures	<u>1,500</u>	<u>760,909</u>	<u>463,881</u>	<u>297,028</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,500)</u>	<u>(309,949)</u>	<u>(356,871)</u>	<u>(46,922)</u>
Other financing sources (uses):				
Transfers out	-	-	(76,519)	(76,519)
Proceeds from housing loan payoff	-	-	186,481	186,481
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>109,962</u>	<u>109,962</u>
Net change in fund balance	(1,500)	(309,949)	(246,909)	63,040
Fund balance, beginning of year	<u>6,279,888</u>	<u>6,279,888</u>	<u>6,279,888</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,278,388</u>	<u>\$ 5,969,939</u>	<u>\$ 6,032,979</u>	<u>\$ 63,040</u>

CITY OF MISSION VIEJO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2015

(1) Budgetary Policy and Control

General Budget Policies

The City Council adopts a biennial budget for all funds of the primary government prior to the beginning of each biennium, which begins on July 1 of each odd-numbered year. Annual budgets are adopted for the Community Development Financing Authority and the Mission Viejo Housing Authority. Public discussions are conducted prior to the budget's adoption by the Council. Annual appropriations are approved by the Council prior to the beginning of each year of the biennial budget period. All appropriations lapse at year-end. The City Council has the legal authority to amend the budget at any time during the fiscal year. For the operating budget, the City Manager has the authority to transfer appropriations between accounts (without dollar limitation) within the same fund as long as the transfers are within the same program area. For the capital improvement program, the City Manager has the authority to transfer up to \$30,000 in appropriations between capital projects within the same fund as long as the transfers are within the responsibility of the same department. All other appropriation changes require City Council approval. The total additional appropriations for all funds for fiscal year ended June 30, 2015 were \$28,964,313. Of this amount, \$7,700,035 represents additional appropriations in the General Fund.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the primary government's operating budget is the program area within each fund and for the capital improvement budget each individual capital improvement project within each fund.

For the Community Development Financing Authority and the Mission Viejo Housing Authority budgets, the level of budgetary control is the fund.

Continuing Appropriations

Unexpended and unencumbered appropriations that are available and recommended for continuation to the following fiscal year are approved by the City Council for carryover. These commitments are reported as restricted in funds other than the General Fund and as unassigned fund balance in the General Fund.

CITY OF MISSION VIEJO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2015

(2) Capital Assets – Modified Approach for Infrastructure

The City has elected to use the modified approach to report a certain subsystem of its street infrastructure network.

Under the modified approach, infrastructure assets that are part of a network or subsystem of a network are not required to be depreciated as long as two requirements are met. First, the government manages the eligible infrastructure assets using an asset management system that has the following characteristics:

- Has an up-to-date inventory of eligible infrastructure assets.
- Performs condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
- Estimates each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

Second, the government documents that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. If eligible infrastructure assets meet all requirements and are not depreciated, all expenditures made for those assets (except for additions and improvements) are expensed in the period incurred. Additions and improvements to eligible infrastructure assets are capitalized. Additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets.

CITY OF MISSION VIEJO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2015

(2) Capital Assets – Modified Approach for Infrastructure, (continued)

Streets

In 2011, the Orange County Transportation Authority (OCTA) established a new countywide Pavement Condition Index (PCI) that all Orange County jurisdictions must utilize in assessing the pavement conditions of its streets. Under the old guidelines, streets were classified into three functional classifications: Arterial, Collector or Residential/Local streets. However, OCTA has now combined the “local/residential” and “collectors” into one category now called “local/residential” streets. For each street, the pavement management program catalogs roadway information such as pavement condition, recommended treatments to each pavement section, a recommended year to perform the treatment, and estimated costs for the treatment. Pavement management work generally includes two types of treatments: preventive maintenance (such as street slurry) and rehabilitation (which includes overlays and reconstruction).

A Pavement Condition Index (PCI) is calculated for each segment, to reflect the roadway segment’s overall pavement condition. The PCI is a rating mechanism used to describe the condition of the City’s pavement. Ranging between “0” and “100,” a PCI of “0” would correspond to a badly deteriorated pavement with virtually no remaining life, while a PCI of “100” would correspond to the pavement representative of a new street.

The table below identifies the PCI ranges established for the City of Mission Viejo, and the corresponding descriptive condition summary for each range:

<u>City of Mission Viejo PCI Index</u>	
<u>PCI Range</u>	<u>Condition</u>
86-100	Very Good
75-85	Good
60-74	Fair
41-59	Poor
0-40	Very Poor

According to the PCI system, a “Very Good” or “Good” road condition is defined as having “no distress to low severity weathering, requiring no treatment or low severity weathering with linear cracking requiring a treatment such as slurry seal” whereas a “Fair” condition is exemplified by “low to moderate severity weathering with moderate cracking, requiring a thin overlay or patch and surface seal.”

It is the City Council’s policy to maintain City streets at a "Good" to "Very Good" level for each of the street categories as specified in the City's Pavement Management Program.

CITY OF MISSION VIEJO

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

(2) Capital Assets – Modified Approach for Infrastructure, (continued)

Streets, (continued)

Condition Levels:	2010 Study	2012 Study	2014 Study
Arterials (MPAH)	Very Good	Very Good	Very Good
Collectors	Good	(combined w/ Local/Residential)	(combined w/ Local/Residential)
Local/Residential	Very Good	Very Good	Very Good

The June 2014 study indicated that the average pavement condition of the City’s streets is “Very Good” for Arterials, and “Very Good” for Local streets. The average PCI for Arterials was assessed at 88 PCI and Local streets were assessed at 86 PCI. In comparison, the 2012 study assessed Arterials at 90 PCI and Local street at 93, and the 2010 study assessed Arterials at 85 PCI, Collectors at 84 PCI and Local Residential streets at 85 PCI.

To continue to maintain the pavement integrity of this subsystem, the Pavement Management System recommends preventive and repair treatments on applicable roadway segments for a seven-year period. Following are the annual maintenance costs, estimated by the Pavement Management System, required to maintain and preserve the City’s streets at a PCI of 75 or above, along with the actual maintenance amounts expensed for the past five fiscal years.

Comparison of Needed to Actual Maintenance/Preservation

<u>Overall System:</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Needed	\$ 5,786,000	\$ 4,520,000	\$ 3,790,000	\$ 5,720,000	\$ 7,060,000
Actual	<u>6,729,300</u>	<u>5,991,780</u>	<u>4,120,884</u>	<u>5,334,875</u>	<u>6,210,904</u>
Difference	<u>\$ 943,300</u>	<u>\$ 1,471,780</u>	<u>\$ 330,884</u>	<u>\$ (385,125)</u>	<u>\$ (849,096)</u>

CITY OF MISSION VIEJO

**OTHER GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	Special Revenue	Debt Service	Totals
Assets:			
Cash and investments	\$ 4,097,100	\$ 7,484	\$ 4,104,584
Taxes receivable	49,104	-	49,104
Loans receivable	2,127,158	-	2,127,158
Interest receivable	-	964	964
Prepaid items	75	-	75
Intergovernmental receivable	714,298	-	714,298
Restricted assets:			
Cash and investments with fiscal agents	-	6,738,953	6,738,953
Total assets	\$ 6,987,735	\$ 6,747,401	\$ 13,735,136
Liabilities, deferred inflows of resources, and fund balances:			
Liabilities:			
Accounts payable	\$ 1,647,798	\$ 5,159	\$ 1,652,957
Accrued payroll	76,084	-	76,084
Deposits	2,538	-	2,538
Interfund payable	524,853	100,213	625,066
Retainage payable	15,383	-	15,383
Total liabilities	2,266,656	105,372	2,372,028
Deferred inflows of resources:			
Unavailable revenue	2,580,322	-	2,580,322
Fund balances:			
Nonspendable:			
Prepaid items	75	-	75
Restricted for:			
Parks and recreation	713,877	-	713,877
Public works	1,715,290	-	1,715,290
Capital projects	266,036	-	266,036
Debt service	-	6,642,029	6,642,029
Unassigned	(554,521)	-	(554,521)
Total fund balances	2,140,757	6,642,029	8,782,786
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,987,735	\$ 6,747,401	\$ 13,735,136

CITY OF MISSION VIEJO

OTHER GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015**

	Special Revenue	Debt Service	Total
Revenues:			
Taxes	\$ 2,287,868	\$ 1,397,595	\$ 3,685,463
Intergovernmental	4,432,388	1,273,540	5,705,928
Charges for services	239,225	-	239,225
Investment earnings	15,142	3,701	18,843
Fines and forfeitures	99,901	-	99,901
Other	264,643	-	264,643
Total revenues	7,339,167	2,674,836	10,014,003
Expenditures:			
Current:			
General government - management and support	85,307	-	85,307
Public safety	161,089	-	161,089
Community development	430,037	-	430,037
Public works - engineering and transportation	337,668	-	337,668
Infrastructure maintenance	354,320	-	354,320
Recreation/community/library service	2,824,959	-	2,824,959
Capital outlay	4,665,310	-	4,665,310
Debt service:			
Principal retirement	-	1,740,000	1,740,000
Interest and fiscal charges	-	1,094,620	1,094,620
Total expenditures	8,858,690	2,834,620	11,693,310
Excess (deficiency) of revenues over (under) expenditures	(1,519,523)	(159,784)	(1,679,307)
Other financing sources (uses):			
Transfers in	653,156	2,750,467	3,403,623
Transfers out	-	(2,192,168)	(2,192,168)
Total other financing sources (uses)	653,156	558,299	1,211,455
Net change in fund balances	(866,367)	398,515	(467,852)
Fund balances, beginning of year	3,007,124	6,243,514	9,250,638
Fund balances, end of year	<u>\$ 2,140,757</u>	<u>\$ 6,642,029</u>	<u>\$ 8,782,786</u>

CITY OF MISSION VIEJO

OTHER SPECIAL REVENUE FUNDS YEAR ENDED JUNE 30, 2015

Special Revenue Funds are used to account for specific revenues (other than major capital projects) and the related expenditures which are legally required to be accounted for in a separate fund.

The City of Mission Viejo has the following other Special Revenue Funds:

GAS TAX – To account for receipts and expenditures of money apportioned under Streets and Highways Code Sections 2103, 2105, 2106, 2107 and 2107.5 of the State of California. These funds are earmarked for maintenance, rehabilitation or improvement of public streets.

LIBRARY OPERATIONS – This fund is used to account for the receipts and expenditures resulting from Library activities. Library operations are funded primarily by taxes restricted for Library purposes, originally levied by the County of Orange and transferred to the City effective July 1, 1996.

LAW ENFORCEMENT GRANTS – To account for the receipts and expenditures of funds resulting from the Citizen's Option for Public Safety (COPS) program, a state funded program.

AIR QUALITY – This fund was established to account for the City's portion of motor vehicle registration fees collected pursuant to AB2766 passed during the 1990 State legislative session. This fee was levied to fund programs to reduce air pollution from mobile sources such as cars, trucks and busses. It also includes funds allocated through a competitive process as a result of this legislation.

GRANTS – The City receives grant awards from various sources based on an application process. Currently included in these funds are monies from Federal, State, and County governments which are used to fund several specific transportation and park capital improvement projects.

CITY OF MISSION VIEJO

**OTHER SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	Gas Tax Fund	Library Operations Fund	Law Enforcement Grants Fund
Assets:			
Cash and investments	\$ 3,037,593	\$ 807,812	\$ -
Taxes receivable	-	22,704	-
Loans receivable			
Prepaid items	-	75	
Intergovernmental receivable	250,654	-	11,213
Total assets	\$ 3,288,247	\$ 830,591	\$ 11,213
Liabilities, deferred inflows of resources, and fund balances:			
Liabilities:			
Accounts payable	\$ 1,560,593	\$ 41,255	\$ -
Accrued payroll	3,971	72,113	-
Deposits	-	2,538	-
Interfund payable	-	-	13,822
Retainage payable	8,393	-	-
Total liabilities	1,572,957	115,906	13,822
Deferred inflows of resources:			
Unavailable revenue	-	733	-
Fund balances:			
Nonspendable:			
Prepaid items	-	75	-
Restricted for:			
Parks and recreation	-	713,877	-
Public works	1,715,290	-	-
Capital projects	-	-	-
Unassigned	-	-	(2,609)
Total fund balances (deficit)	1,715,290	713,952	(2,609)
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,288,247	\$ 830,591	\$ 11,213

Air Quality Fund	Grants Fund	Totals
\$ 246,405	\$ 5,290	\$ 4,097,100
26,400	-	49,104
	2,127,158	2,127,158
		75
-	452,431	714,298
\$ 272,805	\$ 2,584,879	\$ 6,987,735
\$ 6,769	\$ 39,181	\$ 1,647,798
-	-	76,084
-	-	2,538
-	511,031	524,853
-	6,990	15,383
6,769	557,202	2,266,656
-	2,579,589	2,580,322
-	-	75
-	-	713,877
-	-	1,715,290
266,036	-	266,036
-	(551,912)	(554,521)
266,036	(551,912)	2,140,757
\$ 272,805	\$ 2,584,879	\$ 6,987,735

CITY OF MISSION VIEJO

OTHER SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2015

	Gas Tax Fund	Library Operations Fund	Law Enforcement Grants Fund
Revenues:			
Taxes	\$ -	\$ 2,287,868	\$ -
Intergovernmental	2,790,955	206,241	159,270
Charges for services	-	239,225	-
Investment earnings	10,752	4,044	-
Fines and forfeitures	-	99,901	-
Other	237,726	26,897	-
Total revenues	3,039,433	2,864,176	159,270
Expenditures:			
Current:			
General government - management and support	1,530	78,487	-
Public safety	-	-	150,000
Community development	-	-	-
Public works - engineering and transportation	337,668	-	-
Infrastructure maintenance	-	354,320	-
Recreation/community/library services	-	2,824,959	-
Capital outlay	3,546,583	-	-
Total expenditures	3,885,781	3,257,766	150,000
Excess (deficiency) of revenues over (under) expenditures	(846,348)	(393,590)	9,270
Other financing sources (uses):			
Transfers in	-	576,637	-
Total other financing sources (uses)	-	576,637	-
Net change in fund balances	(846,348)	183,047	9,270
Fund balances (deficit), beginning of year	2,561,638	530,905	(11,879)
Fund balances (deficit), end of year	<u>\$ 1,715,290</u>	<u>\$ 713,952</u>	<u>\$ (2,609)</u>

Air Quality Fund	Grants Fund	Totals
\$ -	\$ -	\$ 2,287,868
115,194	1,160,728	4,432,388
-	-	239,225
281	65	15,142
-	-	99,901
-	20	264,643
<u>115,475</u>	<u>1,160,813</u>	<u>7,339,167</u>
1,970	3,320	85,307
-	11,089	161,089
43,205	386,832	430,037
-	-	337,668
-	-	354,320
-	-	2,824,959
-	1,118,727	4,665,310
<u>45,175</u>	<u>1,519,968</u>	<u>8,858,690</u>
<u>70,300</u>	<u>(359,155)</u>	<u>(1,519,523)</u>
<u>-</u>	<u>76,519</u>	<u>653,156</u>
<u>-</u>	<u>76,519</u>	<u>653,156</u>
70,300	(282,636)	(866,367)
<u>195,736</u>	<u>(269,276)</u>	<u>3,007,124</u>
<u>\$ 266,036</u>	<u>\$ (551,912)</u>	<u>\$ 2,140,757</u>

CITY OF MISSION VIEJO

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OTHER SPECIAL REVENUE FUNDS - GAS TAX FUND
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 2,438,491	\$ 2,863,698	\$ 2,790,955	\$ (72,743)
Investment earnings	2,000	2,000	10,752	8,752
Other	-	-	237,726	237,726
Total revenues	<u>2,440,491</u>	<u>2,865,698</u>	<u>3,039,433</u>	<u>173,735</u>
Expenditures:				
General government - management and support	2,000	2,000	1,530	470
Public works - engineering and transportation	272,710	400,516	337,668	62,848
Capital outlay:				
La Paz Widening	-	1,464	14	1,450
Traffic safety/signal coordination	-	6,122	426	5,696
Marguerite resurfacing/median rehabilitation	-	1,235	(1,465)	2,700
CVP traffic signal synch	-	5,644	-	5,644
Marguerite signal synchronization	-	30,000	24,091	5,909
Los Alisos signal synchronization	-	24,906	1,336	23,570
Santa Margarita signal synchronization	-	10,569	4,542	6,027
Oso Parkway signal synchronization	-	11,007	1,273	9,734
City wide EVP device installation	-	10,000	8,613	1,387
La Paz Road median improvements	-	4,580	-	4,580
Jeronimo signal synchronization project	-	9,418	3,005	6,413
Marguerite Parkway median island rehabilitation	-	100,000	98,156	1,844
Marguerite Parkway median rehabilitation Trab-Alicia	-	64,142	19,672	44,470
Muirlands street light improvement	-	484,757	449,909	34,848
Sidewalk repair	-	7,756	-	7,756
Arterial Highway slurry seal	-	79,343	79,343	-
Residential resurfacing	2,819,000	2,863,612	2,857,668	5,944
Total expenditures	<u>3,093,710</u>	<u>4,117,071</u>	<u>3,885,781</u>	<u>231,290</u>
Net change in fund balance	(653,219)	(1,251,373)	(846,348)	405,025
Fund balance, beginning of year	<u>2,561,638</u>	<u>2,561,638</u>	<u>2,561,638</u>	-
Fund balance, end of year	<u>\$ 1,908,419</u>	<u>\$ 1,310,265</u>	<u>\$ 1,715,290</u>	<u>\$ 405,025</u>

CITY OF MISSION VIEJO

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OTHER SPECIAL REVENUE FUNDS - LIBRARY OPERATIONS FUND
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,128,823	\$ 2,213,823	\$ 2,287,868	\$ 74,045
Intergovernmental	107,000	217,000	206,241	(10,759)
Charges for services	187,000	195,000	239,225	44,225
Investment earnings	1,000	1,000	4,044	3,044
Fines and forfeitures	110,000	95,000	99,901	4,901
Other	64,200	26,200	26,897	697
Total revenues	<u>2,598,023</u>	<u>2,748,023</u>	<u>2,864,176</u>	<u>116,153</u>
Expenditures:				
General government - management and support	81,700	129,068	78,487	50,581
Infrastructure maintenance	340,666	386,666	354,320	32,346
Recreation/community/library services	2,905,295	3,014,844	2,824,959	189,885
Total expenditures	<u>3,327,661</u>	<u>3,530,578</u>	<u>3,257,766</u>	<u>272,812</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(729,638)</u>	<u>(782,555)</u>	<u>(393,590)</u>	<u>388,965</u>
Other financing sources (uses):				
Transfers in	686,637	576,637	576,637	-
Total other financing sources (uses)	<u>686,637</u>	<u>576,637</u>	<u>576,637</u>	<u>-</u>
Net change in fund balance	(43,001)	(205,918)	183,047	388,965
Fund balance, beginning of year	<u>530,905</u>	<u>530,905</u>	<u>530,905</u>	<u>-</u>
Fund balance, end of year	<u>\$ 487,904</u>	<u>\$ 324,987</u>	<u>\$ 713,952</u>	<u>\$ 388,965</u>

CITY OF MISSION VIEJO

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 OTHER SPECIAL REVENUE FUNDS - LAW ENFORCEMENT GRANTS FUND
 YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 159,270	\$ 9,270
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>159,270</u>	<u>9,270</u>
Expenditures:				
Public safety	150,000	150,000	150,000	-
Total expenditures	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Net change in fund balance	-	-	9,270	9,270
Fund balance (deficit), beginning of year	<u>(11,879)</u>	<u>(11,879)</u>	<u>(11,879)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (11,879)</u>	<u>\$ (11,879)</u>	<u>\$ (2,609)</u>	<u>\$ 9,270</u>

CITY OF MISSION VIEJO

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OTHER SPECIAL REVENUE FUNDS - AIR QUALITY FUND
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 115,200	\$ 115,200	\$ 115,194	\$ (6)
Investment earnings	1,000	1,000	281	(719)
Total revenues	<u>116,200</u>	<u>116,200</u>	<u>115,475</u>	<u>(725)</u>
Expenditures:				
General government - management and support	1,984	1,984	1,970	14
Community development	45,000	45,000	43,205	1,795
Capital outlay:				
Marguerite signal synchronization	-	4,444	-	4,444
Muirlands signal synchronization	-	32,778	-	32,778
Jernoimo signal synchronization	-	36,010	-	36,010
Trabuco Road signal synchronization	-	27,399	-	27,399
Total expenditures	<u>46,984</u>	<u>147,615</u>	<u>45,175</u>	<u>102,440</u>
Net change in fund balance	69,216	(31,415)	70,300	101,715
Fund balance, beginning of year	<u>195,736</u>	<u>195,736</u>	<u>195,736</u>	<u>-</u>
Fund balance, end of year	<u>\$ 264,952</u>	<u>\$ 164,321</u>	<u>\$ 266,036</u>	<u>\$ 101,715</u>

CITY OF MISSION VIEJO

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GRANTS FUND
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 418,000	\$ 7,972,172	\$ 1,160,728	\$ (6,811,444)
Investment earnings	-	-	65	65
Other	-	-	20	20
Total revenues	<u>418,000</u>	<u>7,972,172</u>	<u>1,160,813</u>	<u>(6,811,359)</u>
Expenditures:				
General government - management and support	14,600	15,400	3,320	12,080
Public safety	-	11,089	11,089	-
Community development	410,466	624,595	386,832	237,763
Capital outlay:				
Marguerite resurfacing	-	196,832	9,568	187,264
La Paz bridge	-	5,417,850	-	5,417,850
Residential resurfacing	-	513,206	513,206	-
Oso Creek trail signage	-	61,932	-	61,932
City-wide EVP device installation	-	659,652	353,653	305,999
Marguerite median rehabilitation	-	242,300	242,300	-
Total expenditures	<u>425,066</u>	<u>7,742,856</u>	<u>1,519,968</u>	<u>6,222,888</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,066)</u>	<u>229,316</u>	<u>(359,155)</u>	<u>(588,471)</u>
Other financing sources (uses):				
Transfers in	-	-	76,519	76,519
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>76,519</u>	<u>76,519</u>
Net change in fund balance	(7,066)	229,316	(282,636)	(511,952)
Fund balance (deficit), beginning of year	<u>(269,276)</u>	<u>(269,276)</u>	<u>(269,276)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (276,342)</u>	<u>\$ (39,960)</u>	<u>\$ (551,912)</u>	<u>\$ (511,952)</u>

CITY OF MISSION VIEJO

OTHER DEBT SERVICE FUNDS YEAR ENDED JUNE 30, 2015

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

The City of Mission Viejo has the following other Debt Service Funds:

MALL PARKING LEASE – To accumulate funds in accordance with a lease agreement between the City and the Community Development Financing Authority (CDFA), pursuant to which the City makes annual lease payments to the CDFA limited generally to 50% of annual sales tax revenues generated at the Shops at Mission Viejo for the use of public parking facilities owned by the CDFA at the mall.

CDFFA 1999 MALL BONDS – To accumulate funds for payment of the CDFFA 1999 Series A and B Revenue Bonds. Debt service is financed by property tax increment from the CDA generated by the Shops at Mission Viejo and City lease revenue for the use of public parking facilities at the Shops at Mission Viejo.

CDFFA 2009 LEASE REVENUE REFUNDING BONDS – To accumulate funds for payment of the CDFFA 2009 Lease Revenue Bonds.

CITY OF MISSION VIEJO

**OTHER DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	Mall Parking Lease	CDFA 1999 Mall Bonds	CDFA 2009 Lease Revenue Refunding Bonds	Totals
Assets:				
Cash and investments	\$ 7,484	\$ -	\$ -	\$ 7,484
Interest receivable	-	-	964	964
Restricted assets:				
Cash and investments with fiscal agents	-	5,375,198	1,363,755	6,738,953
Total assets	\$ 7,484	\$ 5,375,198	\$ 1,364,719	\$ 6,747,401
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ -	\$ 5,159	\$ -	\$ 5,159
Interfund payable	-	100,213	-	100,213
Total liabilities	-	105,372	-	105,372
Fund balances:				
Restricted for:				
Debt service	7,484	5,269,826	1,364,719	6,642,029
Total fund balances	7,484	5,269,826	1,364,719	6,642,029
Total liabilities and fund balances	\$ 7,484	\$ 5,375,198	\$ 1,364,719	\$ 6,747,401

CITY OF MISSION VIEJO

**OTHER DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015**

	Mall Parking Lease	CDFA 1999 Mall Bonds	CDFA 2009 Lease Revenue Refunding Bonds	Totals
Revenues:				
Taxes	\$ 1,397,595	\$ -	\$ -	\$ 1,397,595
Intergovernmental	-	1,273,540	-	1,273,540
Investment earnings	150	1	3,550	3,701
Total revenues	1,397,745	1,273,541	3,550	2,674,836
Expenditures:				
Debt service:				
Principal retirement	-	1,100,000	640,000	1,740,000
Interest and fiscal charges	-	378,508	716,112	1,094,620
Total expenditures	-	1,478,508	1,356,112	2,834,620
Excess (deficiency) of revenues over (under) expenditures	1,397,745	(204,967)	(1,352,562)	(159,784)
Other financing sources (uses):				
Transfers in	-	1,397,595	1,352,872	2,750,467
Transfers out	(1,397,595)	(794,573)	-	(2,192,168)
Total other financing sources (uses)	(1,397,595)	603,022	1,352,872	558,299
Net change in fund balances	150	398,055	310	398,515
Fund balances, beginning of year	7,334	4,871,771	1,364,409	6,243,514
Fund balances, end of year	<u>\$ 7,484</u>	<u>\$ 5,269,826</u>	<u>\$ 1,364,719</u>	<u>\$ 6,642,029</u>

CITY OF MISSION VIEJO

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OTHER DEBT SERVICE FUNDS - MALL PARKING LEASE
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,407,184	\$ 1,407,184	\$ 1,397,595	\$ (9,589)
Investment earnings	-	-	150	150
Total revenues	<u>1,407,184</u>	<u>1,407,184</u>	<u>1,397,745</u>	<u>(9,439)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,407,184</u>	<u>1,407,184</u>	<u>1,397,745</u>	<u>(9,439)</u>
Other financing sources (uses):				
Transfers out	<u>(1,407,184)</u>	<u>(1,407,184)</u>	<u>(1,397,595)</u>	<u>9,589</u>
Total other financing sources (uses)	<u>(1,407,184)</u>	<u>(1,407,184)</u>	<u>(1,397,595)</u>	<u>9,589</u>
Net change in fund balance	-	-	150	150
Fund balance, beginning of year	<u>7,334</u>	<u>7,334</u>	<u>7,334</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,334</u>	<u>\$ 7,334</u>	<u>\$ 7,484</u>	<u>\$ 150</u>

CITY OF MISSION VIEJO

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 OTHER DEBT SERVICE FUNDS - CDFA 1999 MALL BONDS
 YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,055,000	\$ 1,055,000	\$ 1,273,540	\$ 218,540
Investment earnings	500	500	1	(499)
Total revenues	<u>1,055,500</u>	<u>1,055,500</u>	<u>1,273,541</u>	<u>218,041</u>
Expenditures:				
Debt service:				
Principal retirement	1,100,000	1,100,000	1,100,000	-
Interest and fiscal charges	375,000	375,000	378,508	(3,508)
Total expenditures	<u>1,475,000</u>	<u>1,475,000</u>	<u>1,478,508</u>	<u>(3,508)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(419,500)</u>	<u>(419,500)</u>	<u>(204,967)</u>	<u>214,533</u>
Other financing sources (uses):				
Transfers in	1,407,184	1,407,184	1,397,595	(9,589)
Transfers out	(794,570)	(794,570)	(794,573)	(3)
Total other financing sources (uses)	<u>612,614</u>	<u>612,614</u>	<u>603,022</u>	<u>(9,592)</u>
Net change in fund balance	193,114	193,114	398,055	204,941
Fund balance, beginning of year	<u>4,871,771</u>	<u>4,871,771</u>	<u>4,871,771</u>	-
Fund balance, end of year	<u>\$ 5,064,885</u>	<u>\$ 5,064,885</u>	<u>\$ 5,269,826</u>	<u>\$ 204,941</u>

CITY OF MISSION VIEJO

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 OTHER DEBT SERVICE FUNDS - CDFA 2009 LEASE REVENUE REFUNDING BONDS
 YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment earnings	\$ 5,000	\$ 5,000	\$ 3,550	\$ (1,450)
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>3,550</u>	<u>(1,450)</u>
Expenditures:				
Current:				
General government - management and support	5,000	5,000	-	5,000
Debt service:				
Principal retirement	640,000	640,000	640,000	-
Interest and fiscal charges	717,000	717,000	716,112	888
Total expenditures	<u>1,362,000</u>	<u>1,362,000</u>	<u>1,356,112</u>	<u>5,888</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,357,000)</u>	<u>(1,357,000)</u>	<u>(1,352,562)</u>	<u>4,438</u>
Other financing sources (uses):				
Transfers in	1,357,000	1,357,000	1,352,872	(4,128)
Total other financing sources (uses)	<u>1,357,000</u>	<u>1,357,000</u>	<u>1,352,872</u>	<u>(4,128)</u>
Net change in fund balance	-	-	310	310
Fund balance, beginning of year	<u>1,364,409</u>	<u>1,364,409</u>	<u>1,364,409</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,364,409</u>	<u>\$ 1,364,409</u>	<u>\$ 1,364,719</u>	<u>\$ 310</u>

CITY OF MISSION VIEJO

AGENCY FUND

YEAR ENDED JUNE 30, 2015

The Agency Fund is used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The City of Mission Viejo maintains the following agency fund:

COMMUNITY FACILITIES DISTRICT No. 92-1 – This fund is used to account for assets and liabilities of the Community Facilities District No. 92-1, a district formed to finance the acquisition and construction of public flood control facilities in the area of the Mission Viejo Freeway Center.

CITY OF MISSION VIEJO

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2015**

Community Facilities District 92-1	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Assets:				
Cash and investments	\$ 179,303	\$ 258,110	\$ 437,413	\$ -
Restricted assets:				
Cash and investments with fiscal agents	443,499	403,230	229,988	616,741
Total assets	\$ 622,802	\$ 661,340	\$ 667,401	\$ 616,741
Liabilities:				
Accounts payable	\$ 179,303	\$ 376,267	\$ 555,570	\$ -
Due to bondholders	443,499	752,934	579,692	616,741
Total liabilities	\$ 622,802	\$ 1,129,201	\$ 1,135,262	\$ 616,741

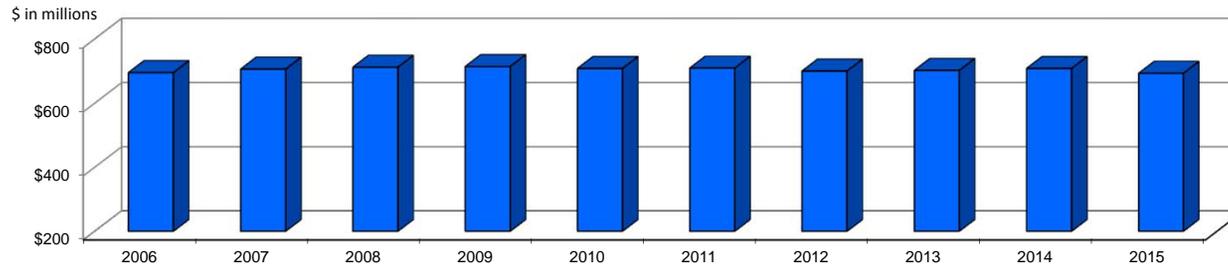
CITY OF MISSION VIEJO

STATISTICAL TABLES AND OTHER SCHEDULES YEAR ENDED JUNE 30, 2015

This part of the City of Mission Viejo's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required information says about the City's overall financial health.

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Financial Trends.....	130
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity.....	138
These schedules contain information to help the reader assess the City's most significant local revenue source, property tax revenues.	
Debt Capacity.....	143
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information.....	147
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information.....	149
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

**CITY OF MISSION VIEJO
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**



	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Invested In capital assets, net of related debt	\$ 632,460,889	\$ 640,300,604	\$ 655,353,074	\$ 658,433,369	\$ 651,851,636	\$ 644,039,024	\$ 649,203,896	\$ 646,771,844	\$ 643,465,280	\$ 638,065,270
Restricted	14,737,582	13,544,769	18,087,908	17,607,666	22,790,399	23,261,890	18,405,963	20,610,691	25,646,475	33,092,386
Unrestricted	44,037,190	47,882,955	34,212,481	33,780,397	29,168,881	36,865,274	28,219,048	29,947,637	33,909,082	18,012,898
Total governmental activities net position	691,235,661	701,728,328	707,653,463	709,821,432	703,810,916 ¹	704,166,188	695,828,907 ²	697,330,172	703,020,837	689,170,554 ³
Business-type activities:										
Invested in capital assets, net of related debt	2,415,502	2,459,920	2,417,016	2,473,414	2,358,370	2,231,986	2,185,815	2,161,796	1,854,037	1,997,334
Unrestricted	1,397,343	1,503,644	2,129,106	2,157,546	1,873,521	2,178,529	2,324,417	2,686,422	3,330,497	2,296,870
Total business-type activities net position	3,812,845	3,963,564	4,546,122	4,630,960	4,231,891	4,410,515	4,510,232	4,848,218	5,184,534	4,294,204
Primary government:										
Invested in capital assets, net of related debt	634,876,391	642,760,524	657,770,090	660,906,783	654,210,006	646,271,010	651,389,711	648,933,640	645,319,317	640,062,604
Restricted	14,737,582	13,544,769	18,087,908	17,607,666	22,790,399	23,261,890	18,405,963	20,610,691	25,646,475	33,092,386
Unrestricted	45,434,533	49,386,599	36,341,587	35,937,943	31,042,402	39,043,803	30,543,465	32,634,059	37,239,579	20,309,768
Total primary government net position	695,048,506	705,691,892	712,199,585	714,452,392	708,042,807 ¹	708,576,703	700,339,139 ²	702,178,390	708,205,371	693,464,758 ³

¹ Decrease was due to a reduction in capital assets from depreciation and disposals.

² Decrease is due to the transfer out of redevelopment assets in the amount of \$1.8M; the disbursement of \$4.8 M for the development of an affordable housing project; and the use of cash resources to pay off one of the City's revenue bonds in the amount of \$2.4M.

³ Decrease due to the restatement of net position related to the implementation of GASB 68.

**CITY OF MISSION VIEJO
CHANGES IN NET POSITION
LAST TEN FISCAL YEAR
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental activities:										
General government-legislative	\$ 1,278,397	\$ 1,458,585	\$ 1,539,469	\$ 2,186,488	\$ 2,346,309	\$ 1,295,007	\$ 1,222,641	\$ 1,243,358	\$ 1,175,830	\$ 1,268,822
General gov't-management and support	13,767,465	13,359,098	15,012,892	14,766,918	16,209,817 ²	14,807,567	10,795,031	10,317,445	8,184,578 ¹²	8,146,803
Public safety	13,237,344	13,846,244	15,682,611	16,223,078	16,503,571	16,781,149	16,664,706	16,939,740	16,963,811	18,091,816
Community development	2,180,574	2,114,820	2,619,254	1,910,720	2,392,911	2,571,601	10,102,297 ⁴	3,079,388	3,270,422	3,266,884
Public works-engineering & transportation	4,050,960	3,278,156	3,396,587	3,367,924	3,166,898	2,998,197	1,808,209	2,806,889	2,409,419	2,837,320
Infrastructure maintenance	17,208,589	20,828,414	21,399,169	21,870,932	24,723,127	25,209,859	24,041,299	20,777,340	21,835,813	32,520,177 ¹³
Recreation, community & library services	6,965,590	7,696,128	8,811,784	9,393,228	9,517,636	9,153,074	9,419,034	9,805,902	9,788,128	9,495,628
Interest on long-term debt	2,716,028	3,415,025 ¹	2,529,391	1,591,463	2,191,612 ³	1,681,786 ³	1,031,685	1,212,454	1,139,294	1,171,629
Total governmental activities expenses	61,404,947	65,996,470	70,991,157	71,310,751	77,051,881	74,498,240	75,084,902	66,182,516	64,767,295	76,799,079
Business-type activities:										
Animal services	1,093,211	1,157,320	1,321,913	1,788,096	1,701,974	1,684,758	1,757,543	1,745,176	2,120,143	1,928,620
Mission Viejo television	159,592	171,321	171,440	175,541	123,973	131,138	224,840	230,128	356,374	317,566
Total business-type activities expenses	1,252,803	1,328,641	1,493,353	1,963,637	1,825,947	1,815,896	1,982,383	1,975,304	2,476,517	2,246,186
Total primary government expenses	62,657,750	67,325,111	72,484,510	73,274,388	78,877,828	76,314,136	77,067,285	68,157,820	67,243,812	79,045,265
Program revenues:										
Governmental activities:										
Charges for services:										
Public safety	848,928	800,345	796,364	661,643	1,444,667	712,997	657,456	611,820	622,490	554,431
Community development	2,165,061	2,033,209	1,768,485	1,714,191	1,323,456	1,279,153	1,388,402	1,936,689	2,157,105	2,039,936
Public works-engineering & transportation	518,244	855,540	557,467	482,480	161,943	467,949	384,856	468,278	951,474	496,318
Infrastructure maintenance	-	-	-	-	-	-	-	-	15,000	-
Recreation, community and library serv	2,082,022	2,225,515	2,439,763	2,560,945	2,331,648	3,951,337 ⁷	1,788,114	1,807,694	1,878,387	1,847,377
Other activities	794,574	497,762	163,670	235,905	172,401	553,623	107,810	53,983	203,635	216,840
Operating grants and contributions	4,500,264	4,938,351	4,750,898	4,255,816	7,275,388	7,573,309	8,912,482	7,867,922	7,602,759	7,810,039
Capital grants and contributions	6,188,556	7,907,221	8,847,033	9,472,730	5,508,196	6,697,833	3,395,881	4,533,348	5,549,795	4,561,178
Total governmental activities revenues	17,097,649	19,257,943	19,323,680	19,383,710	18,217,699	21,236,201	16,635,001	17,279,734	18,980,645	17,526,119
Business-type activities:										
Charges for services:										
Animal services	475,944	502,477	863,528	634,515	685,173	1,241,507 ⁶	1,305,162	1,366,721	1,424,226	1,364,502
Mission Viejo television	1,054	539	543	404	60	100	700	580	420	440
Operating grants and contributions	390,156	459,977	534,414	801,456	590,780	200,985	324,654	-	1,052,005 ¹¹	686,790
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities revenues	867,154	962,993	1,398,485	1,436,375	1,276,013	1,442,592	1,630,516	1,367,301	2,476,651	2,051,732
Total primary government revenues	17,964,803	20,220,936	20,722,165	20,820,085	19,493,712	22,678,793	18,265,517	18,647,035	21,457,296	19,577,851
Net (expense)/revenue:										
Governmental activities	(44,307,298)	(46,738,527)	(51,667,477)	(51,927,041)	(58,834,182)	(53,262,039)	(58,449,901)	(48,902,782)	(45,786,650)	(59,272,960)
Business-type activities	(385,649)	(365,648)	(94,868)	(527,262)	(549,934)	(373,304)	(351,867)	(608,003)	134	(194,454)
Total net expense/revenue	(44,692,947)	(47,104,175)	(51,762,345)	(52,454,303)	(59,384,116)	(53,635,343)	(58,801,768)	(49,510,785)	(45,786,516)	(59,467,414)

(continued)

**CITY OF MISSION VIEJO
CHANGES IN NET POSITION
LAST TEN FISCAL YEAR
(ACCRUAL BASIS OF ACCOUNTING)
(CONTINUED)**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
Property taxes	28,315,994	31,183,198	33,527,411	34,221,795	34,352,871	32,983,492	29,934,859 ⁸	28,148,758	28,497,853	30,420,917
Sales and use taxes	13,590,547	13,099,593	12,231,539	10,557,007	10,547,009	11,059,525	11,622,640	11,998,071	12,574,446	12,721,991
Property taxes in lieu of sales & use taxes	4,567,285	4,381,834	4,088,418	3,863,059	2,718,259 ⁵	3,731,802	3,834,165	3,937,682	4,316,288	4,211,353
Other	3,720,600	4,082,376	3,620,011	3,429,101	3,392,049	3,705,433	3,758,594	3,936,102	4,179,837	4,487,600
Unrestricted motor vehicle in lieu fees	608,665	611,463	438,534	337,213	341,391	497,722	49,831	51,634	42,733	41,278
Investment income	1,920,079	3,715,080	3,698,871	2,014,231	1,001,415	1,305,766	1,140,564	1,022,147	1,193,913	1,519,869
Other	879,905	590,355	322,797	305,386	603,503	655,288	2,031,801 ⁹	1,784,653	1,202,634	1,228,685
Transfers	(428,372)	(432,705)	(552,488)	(521,260)	(132,831)	(476,611)	(410,450)	(475,000)	(530,389)	(549,409)
Gain (loss) on sale/disposal of cap assets	-	-	-	(111,522)	-	3,151	-	-	-	-
Extraordinary Item	-	-	-	-	-	-	(1,849,384) ¹⁰	-	-	-
Gain on housing loan payoff	-	-	-	-	-	-	-	-	-	186,481
Gain on sale of land reclassified for resale	-	-	-	-	-	-	-	-	-	6,672,066
Total governmental activities	<u>53,174,703</u>	<u>57,231,194</u>	<u>57,375,093</u>	<u>54,095,010</u>	<u>52,823,666</u>	<u>53,465,568</u>	<u>50,112,620</u>	<u>50,404,047</u>	<u>51,477,315</u>	<u>60,940,831</u>
Business-type activities:										
Investment earnings	35,745	83,662	124,938	90,070	18,034	69,376	34,860	1,708	17,246	17,194
Transfers	428,372	432,705	552,488	521,260	132,831	476,611	410,450	475,000	530,389	549,409
Other	-	-	-	-	-	5,941	6,274	-	-	-
Gain/loss on sale/disposal of cap assets	-	-	-	770	-	-	-	-	(211,453)	-
Total business-type activities	<u>464,117</u>	<u>516,367</u>	<u>677,426</u>	<u>612,100</u>	<u>150,865</u>	<u>551,928</u>	<u>451,584</u>	<u>476,708</u>	<u>336,182</u>	<u>566,603</u>
Total primary government	<u>53,638,820</u>	<u>57,747,561</u>	<u>58,052,519</u>	<u>54,707,110</u>	<u>52,974,531</u>	<u>54,017,496</u>	<u>50,564,204</u>	<u>50,880,755</u>	<u>51,813,497</u>	<u>61,507,434</u>
Changes in net assets:										
Governmental activities	8,867,405	10,492,667	5,707,616	2,167,969	(6,010,516)	203,529	(8,337,281)	1,501,265	5,690,665	1,667,871
Business-type activities	78,468	150,719	582,558	84,838	(399,069)	178,624	99,717	(131,295)	336,316	372,149
Total primary government	<u>8,945,873</u>	<u>10,643,386</u>	<u>6,290,174</u>	<u>2,252,807</u>	<u>(6,409,585)</u>	<u>382,153</u>	<u>(8,237,564)</u>	<u>1,369,970</u>	<u>6,026,981</u>	<u>2,040,020</u>

¹ The increase in interest on long-term debt was the result of higher interest payments made on variable rate bonds during the year.

² General government-management and support increase in 2010 is due to a payment to the Supplemental Educational Revenue Augmentation Fund as required to transfer local revenues back to the State to assist in balancing the State's budget. This payment was approximately \$1.4 million less in 2011.

(continued)

**CITY OF MISSION VIEJO
CHANGES IN NET POSITION
LAST TEN FISCAL YEAR
(ACCRUAL BASIS OF ACCOUNTING)
(CONTINUED)**

- ³ Interest on long-term debt increased in 2010 due to costs associated with the issuing of 2009 Lease Revenue Refunding bonds and the redemption premium paid to refund the 2001 Lease Revenue Bond. Because of the refunding, interest on long-term debt decreased in 2011.
- ⁴ Increase is due to the expending of \$4.8M for an affordable housing subsidy and the reclassification of a prior year \$2M housing subsidy.
- ⁵ Property taxes in lieu of sales and use taxes decreased due to a correction of a prior year overpayment and a reduction of estimated advances received for current year.
- ⁶ Operating costs increased due to providing the City of Aliso Viejo with animal services.
- ⁷ One time park development fees received in 2011 of \$2M.
- ⁸ Decrease is due to the dissolution of redevelopment agencies causing the City to receive \$3M less in property tax increment revenue.
- ⁹ Increase is due to the receipt of miscellaneous developer fee reimbursements related to completed capital projects.
- ¹⁰ Amount represents the net asset transferred from the redevelopment agency upon dissolution.
- ¹¹ Large donation received FY 13/14 for the Animal Shelter.
- ¹² Elimination of OCTA Gas Tax Exchange funded under general government management and support.
- ¹³ Increase due to increase in expenditures in street infrastructure which are not capitalized and adjustments to construction in progress resulting in expense recognition.

Source: Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

**CITY OF MISSION VIEJO
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund:										
Reserved	\$ 7,065,344	\$ 12,747,110	\$ 6,387,326	\$ 4,572,557	\$ 4,313,636	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	37,792,440	35,815,005	30,435,799 ¹	30,141,564	28,919,290	-	-	-	-	-
Nonspendable	-	-	-	-	-	654,403 ²	92,437	554,384 ⁵	534,944	569,023
Restricted	-	-	-	-	-	140,427 ²	180,068	160,250	242,339	440,319
Assigned	-	-	-	-	-	-	18,262,314 ³	17,253,034	17,175,604	16,942,850
Unassigned	-	-	-	-	-	32,486,599 ²	10,191,747 ³	11,140,289	13,285,786	15,097,438
Total general fund	44,857,784	48,562,115	36,823,125	34,714,121	33,232,926	33,281,429	28,726,566	29,107,957	31,238,673	33,049,630
All other governmental funds:										
Reserved	34,221,856	31,200,022	28,437,107	23,720,546	28,120,395	-	-	-	-	-
Unreserved, reported in:										
Special revenues funds	(8,892,769)	(8,264,397)		(609,794)	(4,638,772)	-	-	-	-	-
Debt service funds	(4,183,223)	(3,524,440)	(3,830,123)	(2,331,936)	(2,921,375)	-	-	-	-	-
Capital projects funds	230,623	(25,018)	463,170	263,118	566,786	-	-	-	-	-
Nonspendable	-	-	-	-	-	4,456,564 ²	4,458,310	6,042,642	5,421,335	75
Restricted	-	-	-	-	-	18,664,969 ²	9,505,259 ⁴	11,186,470	17,671,546	16,058,970
Unassigned	-	-	-	-	-	-	(2,545,097)	(3,383,951)	(2,276,368)	(3,597,725)
Total all other governmental funds	21,376,487	19,386,167	25,070,154	21,041,934	21,127,034	23,121,533	11,418,472	13,845,161	20,816,513	12,461,320

¹ Decrease is due to an increase in expenditures for capital projects, paid with resources accumulated in prior years.

² Fund balance classifications reflect GASB 54 requirements for Fiscal Year 2011.

³ Unassigned balances reported in 2011 were re-classified as assigned in accordance with GASB 54.

⁴ The decrease is due to the disbursement of \$4.8M for a housing subsidy from the Housing Authority; the pay off of one bond issue for \$2.4M; and transfer of \$1.8 as a result of the dissolution of the redevelopment agency.

⁵ Increase relates to re-establishing City/RDA loan due to Department of Finance disallowance of loan payment.

Source: Governmental Funds Balance Sheet

CITY OF MISSION VIEJO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 49,990,351	\$ 52,897,806	\$ 53,701,448	\$ 51,911,454	\$ 50,849,597	\$ 51,480,252	\$ 49,150,258	\$ 46,976,084	\$ 48,533,127	\$ 50,609,450
Licenses and permits	1,631,189	1,673,856	1,388,460	1,265,539	1,244,695	1,241,009	1,192,491	1,779,083	2,123,226	1,775,273
Intergovernmental	11,100,513	10,274,757	10,131,158	10,774,264	12,668,991	12,069,112	9,027,221	8,352,626	8,471,890	8,099,351
Charges for services	2,208,203	2,650,875	2,357,708	2,248,499	2,167,175	2,301,119	2,137,521	3,077,209 ⁸	3,557,646	3,453,513
Investment earnings	2,509,971	4,296,276	4,378,762	3,180,455	1,851,646	1,500,919	1,518,378	156,612 ⁸	358,774	367,071
Fines and forfeitures	971,164	929,781	921,669	799,652	865,963	969,262	915,398	838,406	943,592	1,041,541
Developer fees	1,829,832	2,219,907	3,165,749	3,885,108	1,164,858	2,394,099	2,990,867	3,246,060	4,800,000	-
Other	1,777,565	1,850,303	1,065,056	1,321,170	763,812	963,943	1,769,879	2,381,790	2,175,981	1,001,211
Total revenues	<u>72,018,788</u>	<u>76,793,561</u>	<u>77,110,010</u>	<u>75,386,141</u>	<u>71,576,737</u>	<u>72,919,715</u>	<u>68,702,013</u>	<u>66,807,870</u>	<u>70,964,236</u>	<u>66,347,410</u>
Expenditures										
General government-legislative	1,272,859	1,454,655	1,536,513	2,057,338	2,057,561	1,294,261	1,221,895	1,242,612	1,175,359	1,276,235
General government-management and support	11,619,765	11,500,722	14,958,723 ²	13,374,990	14,811,597 ³	12,705,588 ³	8,933,721	8,355,137	6,724,600	10,167,693 ⁹
Public safety	13,202,638	13,821,556	15,610,489	16,086,919	16,551,580	16,723,031	16,703,530	16,900,401	16,940,727	18,092,652
Community development	2,512,625	2,318,741	2,922,531	2,423,507	4,390,143 ⁴	2,570,480	8,102,297 ⁴	3,079,388	3,270,422	3,280,458
Public works- engineering and transportation	3,821,094	3,046,499	3,197,302	3,135,609	2,621,355	2,495,045	2,519,010	2,298,426	2,423,926	2,378,539
Infrastructure maintenance	13,369,920	14,361,764	17,808,967	16,392,734	14,335,933	13,912,489	13,937,952	14,686,204	14,570,652	14,823,913
Recreation/community/library services	5,935,518	6,692,548	7,538,916	7,910,635	7,609,303	7,279,008	7,517,881	7,792,327	8,002,589	7,875,467
Capital projects	8,624,841	16,446,670 ¹	19,872,424	10,931,773	7,642,900	14,984,143 ⁶	14,232,771	6,526,594	5,460,896	14,426,923 ¹⁰
Debt service										
Principal	1,240,000	1,370,000	1,505,000	1,535,000	1,415,000	1,620,000	1,750,000	1,530,000	1,715,000	1,740,000
Interest and fiscal charges	3,124,373	3,643,027	3,022,592	1,838,663	1,940,016	1,368,857	1,177,243	1,117,803	1,056,096	1,094,620
Payment to bond escrow agent	-	-	-	-	1,382,435 ⁵	-	-	-	-	-
Total expenditures	<u>64,723,633</u>	<u>74,656,182</u>	<u>87,973,457</u>	<u>75,687,168</u>	<u>74,757,823</u>	<u>74,952,902</u>	<u>76,096,300</u>	<u>63,528,892</u>	<u>61,340,267</u>	<u>75,156,500</u>
Excess of revenues over (under) expenditures	<u>7,295,155</u>	<u>2,137,379</u>	<u>(10,863,447)</u>	<u>(301,027)</u>	<u>(3,181,086)</u>	<u>(2,033,187)</u>	<u>(7,394,287)</u>	<u>3,278,978</u>	<u>9,623,969</u>	<u>(8,809,090)</u>
Other financing sources (uses)										
Transfers in	5,987,436	5,184,096	6,312,178	5,370,292	25,437,485 ⁵	11,873,668	3,754,173	3,541,011	4,208,247	4,198,196
Transfers out	(6,415,808)	(5,616,801)	(6,864,666)	(5,891,552)	(25,570,316) ⁵	(12,350,279)	(4,164,623)	(4,016,011)	(4,738,636)	(4,747,605)
Proceeds of bonds	-	-	-	-	17,305,000 ⁵	-	-	-	-	-
Premium on bonds	-	-	-	-	853,583 ⁵	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	(16,244,503) ⁵	-	(2,211,516)	-	-	-
Sale of City property	1,280	9,338	22,896	23,099	3,742	3,151	5,619	4,102	8,488	27,782
Proceeds from housing loan payoff	-	-	-	-	-	-	-	-	-	186,481
Sale of land	-	-	-	-	-	-	-	-	-	2,600,000
Total other financing sources (uses)	<u>(427,092)</u>	<u>(423,367)</u>	<u>(529,592)</u>	<u>(498,161)</u>	<u>1,784,991</u>	<u>(473,460)</u>	<u>(2,616,347)</u>	<u>(470,898)</u>	<u>(521,901)</u>	<u>2,264,854</u>
Extraordinary Item	-	-	-	-	-	-	(1,849,384) ⁸	-	-	-
Net change in fund balances	<u>6,868,063</u>	<u>1,714,012</u>	<u>(11,393,039)</u>	<u>(799,188)</u>	<u>(1,396,095)</u>	<u>(2,506,647)</u>	<u>(11,860,018)</u>	<u>2,808,080</u>	<u>9,102,068</u>	<u>(6,544,236)</u>
Debt service as a percentage of noncapital expenditures	8.499%	8.584%	6.630%	4.991%	4.556%	4.369%	4.350%	4.400%	4.678%	3.774%

¹ Increase due to the commencement of work on two major projects during the year, the Norman P. Murray Center Expansion and Crown Valley Widening projects.

² Increase due to the jumpstart in prefunding other post-employment retiree health benefit costs and increased spending on information technology.

³ Increase in 2010 is due to a payment to the Supplemental Educational Revenue Augmentation Fund as required by the State. This payment was \$1.4 million less in 2011.

⁴ Increase due to funding for a new low and moderate income housing project in the City.

(continued)

CITY OF MISSION VIEJO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(CONTINUED)

⁵ Related to the issuance of 2009 Lease Revenue Refunding Bonds.

⁶ Increase is due in part to the commencement of work on the Oso Creek Restoration project and the Oso/Marguerite parkway Intersectin Improvement project, and the completion of the Crown Valley Parkway Widening project.

⁷ Amount represents the net asset transfer from the Redevelopment Agency upon dissolution.

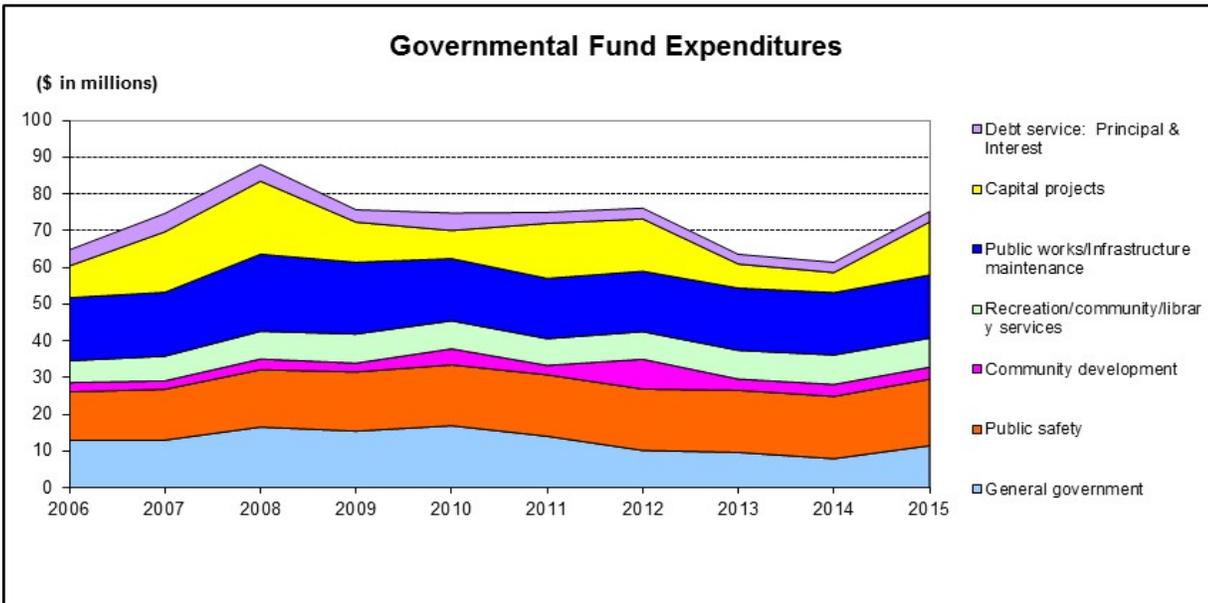
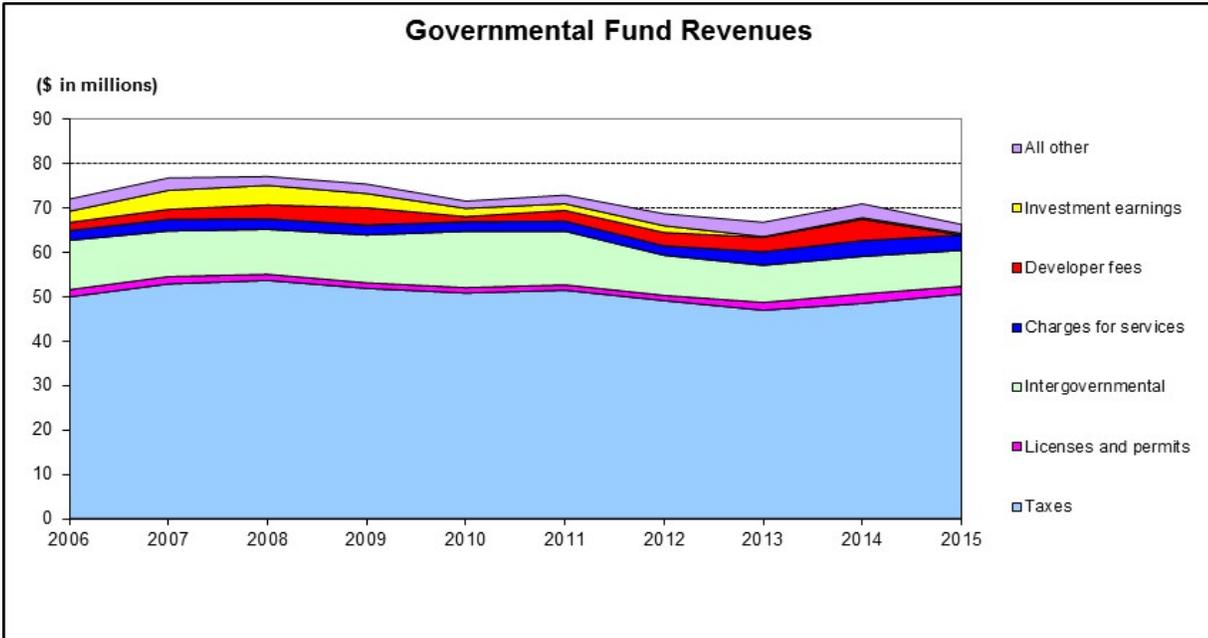
⁸ Rents on property previously reported as earnings on investments, now reported as charges for services.

⁹ Increase due to funding of 2.1M in other post employment retirement benefit health costs, and 1.5M in pension costs.

¹⁰ Increase due to the commencement of work on Oso Parkway widening, and increased spending on city-wide pavement projects.

Source: Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

**CITY OF MISSION VIEJO
GOVERNMENTAL FUND REVENUE AND EXPENDITURES
(Last Ten Fiscal Years)**



**CITY OF MISSION VIEJO
TAX REVENUE BY SOURCES
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Property Tax			Sales & Use Tax	Franchise Tax	Real Property Transfer Tax	Transient Occupancy Tax	Total
	City	Redevelopment Agency ¹	Successor Agency ²					
2006	22,830,026	5,485,967	-	17,616,495	2,752,067	769,143	536,653	49,990,351
2007	25,194,371	5,988,826	-	17,632,233	2,927,803	573,226	581,347	52,897,806
2008	26,654,054	\$ 6,519,989	-	16,722,281	\$ 2,880,671	\$ 335,254	589,199	53,701,448
2009	26,582,596	7,167,827	-	14,420,066	2,953,525	311,863	475,577	51,911,454
2010	25,952,524	7,811,875	-	13,265,268	2,851,736	448,100	520,095	50,849,598
2011	25,908,673	7,074,818	-	14,791,327	2,753,821	357,313	594,299	51,480,251
2012	25,830,084	4,104,775	826,533	15,456,805	2,793,042	357,241	608,311	49,976,791
2013	27,104,227	-	2,973,465	15,935,753	2,794,389	511,596	630,117	49,949,546
2014	27,462,558	-	1,613,733	16,890,734	2,908,188	522,333	749,316	50,146,861
2015	29,019,567	-	2,251,008	16,933,195	3,045,717	615,641	826,242	52,691,370

¹ The State of California dissolved redevelopment agencies effective 1-31-12.
² Successor Agency of the Community Development Agency established 2-1-12

Sources: General Ledger

CITY OF MISSION VIEJO
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXEABLE PROPERTY
LAST TEN FISCAL YEARS
(IN THOUSANDS)

Fiscal Year Ended June 30	City				Community Development Agency ³				Total Direct Tax Rate ²
	Secured	Public Utility	Unsecured	Taxable Assessed Value ¹	Secured	Public Utility	Unsecured	Incremental Valuation	
2006	\$ 11,190,844	\$ 2,171	280,342	\$ 11,473,357	\$ 444,269	1,306	62,187	507,762	0.16470%
2007	12,127,246	2,110	320,408	12,449,764	486,643	1,297	77,063	565,003	0.16470%
2008	12,903,096	1,209	341,820	13,246,125	556,199	1,209	86,171	643,579	0.16470%
2009	13,007,415	2,418	347,733	13,357,566	630,632	2,418	96,259	729,309	0.16470%
2010	12,736,555	2,418	365,726	13,104,699	644,506	2,418	102,443	749,367	0.16470%
2011	12,820,786	2,418	334,775	13,157,979	637,830	2,418	81,684	721,932	0.16470%
2012	12,894,834	2,418	328,863	13,226,115	650,631	2,417	76,373	729,421	0.16470%
2013	13,014,823	2,418	303,333	13,320,574	636,435	2,418	82,469	721,322	0.16470%
2014	13,349,374	2,418	287,668	13,639,460	667,245	2,418	83,716	753,379	0.16470%
2015	14,207,345	2,418	323,782	14,533,545	675,710	2,418	80,299	758,427	0.16470%

Note:
In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

¹ City amounts include Community Development Agency incremental valuation.

² City general fund direct rate only.

³ The State of California dissolved redevelopment agencies effective 1-31-12.

Source: CDA: Orange County Auditor-Controller
City: 2005-2006 HdL Coren & Cone
2007-2015 Orange County Auditor Controller

**CITY OF MISSION VIEJO
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
City Direct Rate:										
Mission Viejo City Reorg #98	0.09200	0.09200	0.09200	0.09200	0.09200	0.09200	0.09200	0.09200	0.09200	0.09200
Mission Viejo City Lighting Fund	0.03270	0.03270	0.03270	0.03270	0.03270	0.03270	0.03270	0.03270	0.03270	0.03270
Mission Viejo General Fund	\$ 0	0.02290	\$ 0	\$ 0	0.02290	0.02290	0.02290	0.02290	0.02290	0.02290
Mission Viejo Library Fund	0.01711	0.01711	0.01711	0.01711	0.01711	0.01711	0.01711	0.01711	0.01711	0.01711
	<u>0.16471</u>									
Overlapping Rates:										
Capistrano Unified School District General Fund	0.36940	0.36940	0.36940	0.36940	0.36940	0.36940	0.36940	0.36940	0.36940	0.36940
Educational Revenue Augmentation Fund	0.13360	0.13360	0.13360	0.13360	0.13360	0.13360	0.13360	0.13360	0.13360	0.13360
Orange County Cemetery Fund	0.00051	0.00051	0.00051	0.00051	0.00051	0.00051	0.00051	0.00051	0.00051	0.00051
Orange County Department of Education	0.01674	0.01674	0.01674	0.01674	0.01674	0.01674	0.01674	0.01674	0.01674	0.01674
Orange County Fire Department	0.11535	0.11535	0.11535	0.11535	0.11535	0.11535	0.11535	0.11535	0.11535	0.11535
Orange County Flood Control District General	0.02030	0.02030	0.02030	0.02030	0.02030	0.02030	0.02030	0.02030	0.02030	0.02030
Orange County General Fund	0.05303	0.05303	0.05303	0.05303	0.05303	0.05303	0.05303	0.05303	0.05303	0.05303
Orange County Harbors Beaches & Parks CSA	0.01569	0.01569	0.01569	0.01569	0.01569	0.01569	0.01569	0.01569	0.01569	0.01569
Orange County Transportation Authority	0.00288	0.00288	0.00288	0.00288	0.00288	0.00288	0.00288	0.00288	0.00288	0.00288
Orange County Vector Control	0.00115	0.00115	0.00115	0.00115	0.00115	0.00115	0.00115	0.00115	0.00115	0.00115
Santa Margarita Water District	0.01558	0.01558	0.01558	0.01558	0.01558	0.01558	0.01558	0.01558	0.01558	0.01558
Santa Margarita Water Improvement District 1W	0.00021	0.00021	0.00021	0.00021	0.00021	0.00021	0.00021	0.00021	0.00021	0.00021
South Orange County Community College District	0.09085	0.09085	0.09085	0.09085	0.09085	0.09085	0.09085	0.09085	0.09085	0.09085
	<u>0.83529</u>									
Total Proposition 13 Direct & Overlapping Tax Rates ²	<u>1.00000</u>									
Metropolitan Water District	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350
Capistrano Unified School District 1999 Bond 2000 A	0.00312	0.00273	0.00293	0.00279	0.00308	0.00317	0.00314	0.00335	0.00000	0.00000
Capistrano Unified School District 1999 Bond 2001 B	0.00494	0.00430	0.00468	0.00445	0.00494	0.00507	0.00506	0.00538	0.00507	0.00470
Capistrano Unified School District 1999 Bond 2002 C	0.00272	0.00244	0.00258	0.00247	0.00275	0.00281	0.00281	0.00298	0.00000	0.00000
Capistrano Unified School District 1999 EL, 2012 Ref	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00465	0.00430
Santa Margarita Water District Improvement District #1 Bond	0.02400	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Total School & Water District Overlapping Tax Rates	<u>0.03998</u>	<u>0.01417</u>	<u>0.01469</u>	<u>0.01401</u>	<u>0.01507</u>	<u>0.01475</u>	<u>0.01471</u>	<u>0.01521</u>	<u>0.01322</u>	<u>0.01250</u>
Total Direct and Overlapping Rates	<u>1.07996</u>	<u>1.02834</u>	<u>1.02938</u>	<u>1.02802</u>	<u>1.03014</u>	<u>1.01475</u>	<u>1.01471</u>	<u>1.01521</u>	<u>1.01322</u>	<u>1.01250</u>

¹ This schedule shows information for tax rate area 27-006, the largest general fund tax rate area by assessed value

² In 1978, California voters passed Proposition 13, which set the property tax rate at a 1.00% fixed rate of market value (assessed value). This 1.00% is shared by all taxing agencies on which the subject property resides within. In addition, to the 1.00% fixed rate, property owners are charged taxes as a percentage of assessed property values for the payment of voter approved school and water district bonds.

Source: Orange County Auditor-Controller
HdL Coren & Cone

**CITY OF MISSION VIEJO
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2015			2006		
	Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Shops at Mission Viejo LLC	\$ 166,851,233	1	1.15%	-	-	-
Mission Hospital Regional Medical Center	124,556,986	2	0.86%	-	-	-
Innovation Institute LLC	73,784,777	3	0.51%	-	-	-
MG Promenade Apt LLC	73,604,349	4	0.51%	45,527,980	6	0.40%
Essex Madrid LP	64,482,797	5	0.44%	-	-	-
EQR-Del Lago Vistas Inc	62,960,056	6	0.43%	55,364,942	3	0.48%
Trust Mission Ridge LLC	54,750,000	7	0.38%	-	-	-
Oasis-California Inc	53,335,566	8	0.37%	46,898,816	5	0.41%
Laguna Cabot Road Business Park LP	51,532,902	9	0.35%	-	-	-
MV Universal LLC	48,751,104	10	0.34%	-	-	-
Mission Viejo Associates	-	-	-	148,194,329	1	1.29%
Mission Viejo Medical LLC	-	-	-	85,188,000	2	0.74%
Prisa Acquisition LLC	-	-	-	51,300,000	4	0.45%
Pacific Castle Properties LLC	-	-	-	45,447,750	7	0.40%
MV Unisys LLC	-	-	-	42,820,000	8	0.37%
KT Kaleidoscope Inc.	-	-	-	37,793,053	9	0.33%
Mission Ridge Associates LLC	-	-	-	34,818,373	10	0.30%
	<u>\$ 774,609,770</u>		<u>5.33%</u>	<u>\$ 593,353,243</u>		<u>5.17%</u>

Presented in order of highest to lowest estimated property tax revenue.

Source: HdL Coren & Cone.

**CITY OF MISSION VIEJO
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ending June 30	Tax Levied for the Fiscal Year ³	Collected within the Fiscal Year of Levy		Collections for Prior Years ¹	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2006	23,210,863	22,464,597	96.78%	235,770	22,700,367	97.80%
2007	24,702,934	23,882,142	96.68%	306,257	24,188,399	97.92%
2008	26,674,212	25,268,197	94.73%	519,443	25,787,640	96.68%
2009	26,965,638	25,587,957	94.89%	844,471	26,432,428	98.02%
2010	26,506,153	25,815,252	97.39%	837,760	26,653,011	100.55% ²
2011	26,156,545	25,287,058	96.68%	558,668	25,845,726	98.81%
2012	25,969,090	22,448,229	86.44%	400,919	22,849,148	87.99%
2013	19,246,353	19,613,605	101.91%	364,000	19,977,605	103.80% ²
2014	20,015,012	19,771,223	98.78%	271,567	20,042,791	100.14% ²
2015	21,222,023	21,170,403	99.76%	233,759	21,404,162	100.86% ²

¹ The table above shows the total amount of delinquent taxes collected in each fiscal year. The Orange County Auditor-Controller does not provide information regarding the levy year to which delinquent tax collections pertain.

² Total tax collections to date exceed 100% due to the receipt of delinquent taxes related to prior years.

³ Levy and collection data does not include Community Development Agency after 1/31/12 dissolution.

Source: Orange County Auditor-Controller

**CITY OF MISSION VIEJO
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	General Bonded Debt		Percentage of Personal Income ¹	Per Capita ¹	Percentage of Actual Value of Taxable Property ³
	Lease Revenue Bonds	Certificates of Participation			
2006	\$ (1,355,000)	\$ 2,770,000	0.03%	\$ 14	\$ 0
2007	(1,720,000)	2,700,000	0.02%	10.00	0.01%
2008	15,350,000	2,625,000	0.34%	180.14	0.14%
2009	14,955,000	2,545,000	0.34%	174.79	0.13%
2010	17,993,583	-	0.37%	192.86	0.14%
2011	17,504,031	-	0.37%	187.24	0.13%
2012	17,014,329	-	0.35%	180.63	0.12%
2013	16,444,628	-	0.33%	173.42	0.12%
2014	15,789,926	-	0.30%	165.63	0.12%
2015	15,110,224	-	0.27%	156.34	0.10%

Fiscal Year	Other Governmental Activities Debt			Total Primary Government ²	Percentage of Personal Income ¹	Per Capita ¹
	Revenue Bonds	Note Payable	Capitalized Leases			
2006	40,122,326	-	-	41,537,326	0.75%	423.14
2007	39,187,326	-	-	40,167,326	0.74%	409.75
2008	38,137,326	-	-	56,112,326	1.05%	562.35
2009	37,077,326	-	-	54,577,326	1.06%	545.11
2010	35,907,326	-	-	53,900,909	1.11%	577.73
2011	34,717,326	-	-	52,221,357	1.11%	558.62
2012	31,247,326	-	-	48,261,655	0.99%	512.35
2013	30,247,326	-	-	46,691,954	0.93%	492.41
2014	29,147,326	-	-	44,937,252	0.86%	471.37
2015	28,047,326	-	-	43,157,550	0.76%	446.53

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See the Demographic and Economic Statistics schedule for personal income and population information.

² Includes general bonded debt and other governmental activities debt.

³ See the Assessed Value and Estimated Actual Value of Taxable Property schedule for assessed values of taxable property.

**CITY OF MISSION VIEJO
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2015**

	Debt Outstanding	Estimate Percentage Applicable ¹	Estimated Share of Overlapping Debt
Overlapping tax and assessment debt:			
Metropolitan Water District	\$ 110,420,000	0.628%	\$ 693,438
Capistrano Unified School District School Facilities Improvement District No. 1	32,516,818	11.420%	3,713,421
Saddleback Valley Unified School District	122,240,000	18.586%	22,719,526
Santa Margarita Water District Improvement District No. 4	74,510,000	0.027%	20,118
Santa Margarita Water District Improvement District No. 4B	9,355,000	0.005%	468
Capistrano Unified School District Community Facilities District No. 87-1	30,525,000	27.252%	8,318,673
Orange County Community Facilities District No. 87-3	3,428,013	100.000%	3,428,013
Total overlapping tax and assessment debt	382,994,831		38,893,656
Overlapping general fund obligation debt:			
Orange County General Fund Obligations	98,906,000	3.085%	3,051,250
Orange County Pension Obligations	366,854,623	3.085%	11,317,465
Orange County Board of Education Certificates of Participation	15,190,000	3.085%	468,612
Municipal Water District of Orange County Water Facilities Corporation	5,360,000	3.691%	197,838
Capistrano Unified School District Certificates of Participation	16,805,000	11.517%	1,935,432
Moulton-Niguel Water District Certificates of Participation	77,825,000	16.442%	12,795,987
Total overlapping general fund obligation debt	580,940,623		29,766,583
Total overlapping debt	\$ 963,935,454		68,660,239
Overlapping Tax Increment Debt (Successor Agency):			
City of Mission Viejo Community Development Financing Authority	28,047,326	100.000%	28,047,326 ²
City Direct Debt			15,110,224
Total direct and overlapping debt			\$ 111,817,789
Notes:			
Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.			
Overlapping debt excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.			
¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another government unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.			
² 1999 Series A and Subordinate Series B Variable Rate Demand Revenue Bonds are secured by first call on net property tax increments and secondly by sales tax revenues of mall properties.			

Source for overlapping debt: California Municipal Statistics, Inc.
Source for City direct debt: City of Mission Viejo Administrative Services Department

**CITY OF MISSION VIEJO
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed valuation	\$ 11,473,356,454	\$ 12,449,763,507	\$ 13,246,125,427	\$ 13,357,565,673	\$ 13,104,698,129	\$ 13,157,979,198	\$ 13,226,115,127	\$ 13,320,574,029	\$ 13,639,459,848	\$ 14,533,544,020
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,868,339,114	3,112,440,877	3,311,531,357	3,339,391,418	3,276,174,532	3,289,494,800	3,306,528,782	3,330,143,507	3,409,864,962	3,633,386,005
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	430,250,867	466,866,132	496,729,704	500,908,713	491,426,180	493,424,220	495,979,317	499,521,526	511,479,744	545,007,901
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 430,250,867	\$ 466,866,132	\$ 496,729,704	\$ 500,908,713	\$ 491,426,180	\$ 493,424,220	\$ 495,979,317	\$ 499,521,526	\$ 511,479,744	\$ 545,007,901
Total net debt applicable to limit as percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the State.

Source:
City of Mission Viejo Administrative Services Department
Orange County Auditor-Controller

CITY OF MISSION VIEJO
PLEGGED-REVENUE COVERAGE
Last Ten Fiscal Years

1999 Series A Variable Rate Demand Revenue Bond						
Fiscal Year	Property Tax Increment	Sales Tax	Total Available Revenue	Debt Service		Coverage
				Principal	Interest	
2006	\$ 658,243	\$ 2,048,916	2,707,159	\$ 600,000	\$ 771,553	1.97
2007	736,610	1,810,528	2,547,138	700,000	993,795	1.50
2008	670,539	1,632,789	2,303,328	800,000	939,475	1.32
2009	685,774	1,436,723	2,122,497	800,000	430,566	1.72
2010	767,199	1,097,181	1,864,380	900,000	48,950	1.96
2011	666,005	1,126,628	1,792,633	900,000	60,372	1.87
2012	938,029	1,134,141	2,072,170	1,000,000	30,238	2.01
2013	1,004,297	1,179,693	2,183,990	1,000,000	34,582	2.11
2014	1,133,540	1,410,755	2,544,295	1,100,000	15,846	2.28
2015	1,277,261	1,397,595	2,674,856	1,100,000	8,061	2.41

Revenues are derived from all property tax increment revenue (subject to 2011 dissolution law) and sales tax revenue remaining after minimum thresholds are met, generated by the Shops at Mission Viejo.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF MISSION VIEJO
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Year	Population ¹	Median Age ²	Median Housing Value ³	Personal Income (thousands of dollars) ⁴	Per Capita Personal Income ⁴	Unemployment Rate ⁵
2006	98,165	38.1	\$669,750	\$150,500,000	\$56,114	2.6%
2007	98,030	38.4	613,000	153,300,000	55,172	2.8%
2008	99,781	39.6	520,500	155,000,000	53,552	3.8%
2009	100,122	40.5	440,000	148,300,000	51,374	6.8%
2010	93,297	40.8	460,000	153,300,000	52,124	6.9%
2011	93,483	41.5	430,000	154,100,000	50,440	6.7%
2012	94,196	41.6	425,000	161,700,000	52,342	5.7%
2013	94,824	42.0	535,250	165,300,000	53,032	4.7%
2014	95,334	43.0	580,050	172,400,000	54,839	3.9%
2015	96,652	43.0	595,000	185,400,000	58,512	4.2%

Sources: ¹ California Department of Finance

² Money.cnn.com (2006-2008)

HdL Coren & Cone (2009-2014)

Information for 2015 is unavailable, used number from prior year.

³ Orange County Register (2006-2008)

HdL Coren & Cone (2009-2015)

⁴ Data shown is for the County of Orange; data for City of Mission Viejo is not available.

UCLA: Economic Forecast (2006-2010)

Cal State Fullerton Economic Forecast (2011-2015)

⁵ California Employment Development Department (2006-2015)

**CITY OF MISSION VIEJO
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2015			2006 ¹		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mission Hospital Regional Medical Center	2,443	1	4.83%	1,349	2	2.50%
Saddleback College	1,748	2	3.45%	2,130	1	3.94%
Saddleback Valley Unified School District	1,208	3	2.39%	640	4	1.19%
Capistrano Unified School District	695	4	1.37%	-	-	-
Nordstrom	400	5	0.79%	300	7	0.56%
Target	305	6	0.60%	-	-	-
City of Mission Viejo	257	7	0.51%	-	-	-
Macy's	250	8	0.49%	475	5	0.88%
Vocational Visions	215	9	0.42%	-	-	-
US Post Office	202	10	0.40%	249	10	0.46%
Unisys Corporation	-	-	-	1,000	3	1.85%
Coldwell Banker	-	-	-	410	6	0.76%
Quest Diagnostics	-	-	-	300	8	0.56%
Bristol Farms	-	-	-	250	9	0.46%
Total	<u>7,723</u>		<u>15.25%</u>	<u>7,103</u>		<u>13.15%</u>

Percentage of "Total City Employment" based on total number of City residents employed in June 2015 of 50,600

¹ Information for 2005 is not available in order to include ten years of history. Information is from City's 2006 Comprehensive Annual Financial Report.

Source: 2006 Selectory.com
2015 Phone Survey

**CITY OF MISSION VIEJO
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS**

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government - legislative	10.930	10.880	10.880	10.880	10.880	10.730	9.830	9.530	9.530	10.530
General government - management & support	27.470	28.720	28.720	29.795	28.220	27.070	23.670	23.600	25.600	25.600
Public safety	11.000	11.000	11.950	15.650 ⁵	15.650	14.750	15.500	16.200	16.450	16.450
Community development	9.500	9.650	9.650	9.650	8.650	7.700	8.700	8.720	8.720	8.720
Public works - engineering and transportation	12.225	12.225	14.175 ²	14.175	13.175	12.175	11.175	11.175	11.175	10.550
Infrastructure maintenance	16.000	16.150	18.250 ³	18.350	17.350	18.250	17.250	16.650	16.650	17.250
Recreation/community/library services	51.725 ¹	51.950	55.175 ^{1,4}	57.675 ⁶	56.425	53.425	52.925	51.400	51.400	48.900
Total	138.850	140.575	148.800	156.175	150.350	144.100	139.050	137.275	139.525	138.000

¹ Includes conversion of temporary positions to regular positions

² Increased staffing in the transportation area

³ Increased staffing for facilities and landscape maintenance

⁴ Increased staffing to accommodate the expansion of programs offered at the Norman P. Murray Community and Senior Center

⁵ Increased staffing to accommodate the addition of the City of Aliso Viejo to the Animal Services program

⁶ Includes conversion of part-time regular positions to full-time status to meet increasing service demands in the Library's youth services and circulation/passport services divisions

Source: City budget document

**CITY OF MISSION VIEJO
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government - legislative										
Public Records Act requests	133	137	335 ²	408	431	529	431	385	472	552
General government - management and support										
Service requests/complaint cases	3,155	2,834	2,940	2,780	3,036	3,292	3,467	3,681	3,840	3,512
Number of computer network nodes supported	415	460	748 ³	742	806	819	1,039 ⁷	1,063	1,126	1,119
Number of vendor checks issued	7,011	6,985	7,223	7,282	6,646	6,506	6,781	6,445	6,241	6,665 ¹²
Public safety										
Calls for police services	45,629	41,656	38,564	37,375	36,445	36,246	33,982	36,234	34,917 ⁶	25,206 ¹³
Average response time-Priority 1 call in minutes	5:14	5:03	5:11	5:07	5:32	5:21	6:05	5:35	6:16	6:00
Community development										
Building inspections	8,719	11,753	11,026	9,673	8,394	6,685	9,947 ⁸	12,807 ⁸	16,243 ¹⁰	13,476
Zoning plan checks	1,501	1,350	1,325	1,316	1,576 ⁵	1,863 ⁵	1,753	1,890	2,471	2,595
Public works - engineering and transportation										
Street resurfacing (lane miles)	21.70	23.20	31.00	28.80	28.00	36.30	32.70	18.80 ¹¹	15.93 ¹¹	34.73
Intersections on the city's interconnect system	110	110	110	110	111	111	111	112	112	112
Daily traffic count- La Paz Rd, Marguerite Pkwy to Spadra	27,100	26,800	25,000	24,739	26,808	27,419	32,747	33,500	24,100	25,200
Infrastructure maintenance										
Acres of medians and parkways renovated	9	9	10	6	4	3	6	9	10	5
Recreation/community/library services										
Attendance at recreation and tennis centers	211,265	242,000 ¹	266,303	281,011	279,480	270,443	259,635 ⁹	254,161	271,244	263,994
Library circulation	727,253	738,456	833,488	945,298 ⁴	968,468 ⁴	939,734	917,736	931,376	887,234	800,236
Youth participating in organized sports on City fields	7,620	7,750	7,750	7,750	7,700	7,700	7,800	7,800	7,500	7,300

¹ Increase is due to increased usage by existing members and an increase in the number of members

² Increase is due to tracking procedure improvements

³ Increase is due to growth in number of staff supported and implementation of VoIP

⁴ Due to the economic downturn citizens are taking advantage of free services at the Public Library

⁵ Increase is due to a rise in the number of business and residential remodeling

⁶ Decrease is due to a reduction in patrol hours resulting from staffing vacancies

⁷ Increase is due to the conversion of the transportation network from analog to an IP based network and an increase in mobile devices supported citywide.

⁸ Increase is due to the "Improve Don't Move" program which waved fees for a limited time and encouraged business and residential remodeling.

⁹ Decrease is due to the construction of the Marguerite Tennis Center and the opening of two LA Fitness clubs in Mission Viejo.

¹⁰ Increase is due to the "Improve Don't Move" program being extended for commercial projects.

¹¹ Decrease is due to an overall reduction in funding of street resurfacing projects in FY 12/13 and rescheduling of Jeronimo resurfacing to FY 13/14.

¹² Increase is due to electronic fund transfers now being included in the report from new financial software, Tyler Munis

¹³ Decrease due to the fact that this is for a partial year. Prior year numbers are for a calendar year.

Sources: Various city departments

CITY OF MISSION VIEJO
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Police (provided by Orange County Sheriffs Department)										
Patrol units	20	22	21	24	24	24	24	24	24	24
Animal shelter buildings:										
Main shelter	1	1	1	1	1	1	1	1	1	1
Cattery	1	1	1	1	1	1	1	1	1	1
Rabbit shelter	1	1	1	1	1	1	1	1	1	1
Cat isolation	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (center miles)	228	228	228	228	228	228	228	228	228.2	228.2
Traffic signals	111	111	111	114	114	114	114	114	114	114
Infrastructure maintenance										
Number of park sites	40	41	41	41	41	41	41	41	42	42
Acreage: parks, open space, medians and slopes	1122	1122	1122	1122	1122	1122	1122	1122	1128	1128
Recreation/community/library services										
Facilities (buildings)	9	9	9	9	9	9	9	9	9	9
Athletic fields:										
Baseball/softball diamonds	19	19	19	19	19	19	19	19	19	19
Soccer/football fields	33	33	35	35	35	35	35	35	35	35
Note: No capital asset indicators are available for general government or community development functions.										

Source: Various City departments



MISSION VIEJO

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City of Mission Viejo
200 Civic Center
Mission Viejo, California 92691