

Comprehensive Annual Financial Report

Year Ended June 30, 2018

Mission Viejo, California



About the covers - Bears About Town, the brainchild of Aileen May, Joy Aldrich and Valerie Gutierrez, was a collaborative art project that brought together more than 1,000 community members of all ages. The project began in 2012 and took more than three years to complete. The project includes ten life size bear sculptures adorned with mosaic tiles. Each bear represents a different culture or ethnicity that makes up the Mission Viejo community. The cultures and ethnicities represented include African-American, Asian, European, Mexican, Native American, Pacific Island, Persian, and South American. The project also pays tribute to the magnificent brown bear that once roamed the county. Mission Viejo's Oso Creek Trail was one of the last places in Orange County where the brown bear was sighted. These bears can currently be seen at local businesses around town, but will eventually be permanently installed along Oso Creek Trail.

Front cover – The Fiesta Bear reflects the joy of celebration. It includes a vibrant dancer, ancient images, the “Day of the Dead”, Frida Kahlo, maracas, piñata, candy, flowers, and a casa honoring architecture, including a Mariachi singer standing on the balcony.

Back cover photos – In order from top to bottom include Jazz, Pacifica, Juañeno, Rainforest, and Marguerite bears. Bears not shown are Liberty, Hope, Saffron and Chi bears.

**CITY OF MISSION VIEJO
CALIFORNIA**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2018**

CITY COUNCIL

Ed Sachs, Mayor
Greg Raths, Mayor Pro Tem
Wendy Bucknum, Council Member
Brian Goodell, Council Member
Trish Kelley, 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, 2018

Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal	i
GFOA Certificate of Achievement for Excellence in Financial Reporting	vii
Organizational Structure	viii
List of Principal Officials	ix

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	6

Basic Financial Statements:

Basic Financial Statements - Overview	26
Government-wide Financial Statements:	
Statement of Net Position.....	27
Statement of Activities.....	28

Fund Financial Statements:

Description of Governmental Funds	30
Balance Sheet.....	32
Reconciliation of the Balance Sheet to the Statement of Net Position	35
Statement of Revenues, Expenditures and Changes in Fund Balances	36
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	38

Proprietary Funds:

Statement of Net Position.....	39
Statement of Revenues, Expenses and Changes in Fund Net Position.....	40
Statement of Cash Flows	41

Fiduciary Fund:

Statement of Fiduciary Position.....	43
Statement of Changes in Fiduciary Net Position.....	44

Notes to Basic Financial Statements.....	45
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Required Supplementary Information:

Schedule of Changes in Net Position Liability and Related Ratios	100
Schedule of Pension Plan Contributions	101
Schedule of Changes in Net OPEB Liability/(Asset) and Related Ratios	102
Schedule of OPEB Contributions	103
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis):	
General Fund.....	104

CITY OF MISSION VIEJO
Comprehensive Annual Financial Report
Year ended June 30, 2018

Table of Contents

Required Supplementary Information (continued):	
Grants Fund	105
Mission Viejo Housing Authority Fund	106
Notes to Required Supplementary Information	107
Supplementary Schedules:	
General Fund:	
Combining Balance Sheet	112
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	113
Nonmajor Governmental Funds:	
Combining Governmental Balance Sheet	114
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	115
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	118
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	120
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis):	
Gas Tax Fund	122
Library Operations Fund	123
Law Enforcement Grants Fund	124
Air Quality Fund	125
Measure M Fund	126
CASp Certification and Training Fund	127
Nonmajor Debt Service Funds:	
Combining Balance Sheet	130
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	131
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis):	
Mall Parking Lease Fund	132
CDFA 1999 Mall Bonds Fund	133
CDFA 2016 Lease Revenue Refunding Bonds	134
Capital Project Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis):	
Developer Fees Fund	136
Capital Projects Fund	137
Agency Fund:	
Statement of Changes in Assets and Liabilities	140

CITY OF MISSION VIEJO
Comprehensive Annual Financial Report
Year ended June 30, 2018

Table of Contents

STATISTICAL SECTION

Statistical Tables and Other Schedules	141
Financial Trends:	
Net Position by Component - Last Ten Fiscal Years	142
Changes in Net Position - Last Ten Fiscal Years	143
Fund Balances of Governmental Funds - Last Ten Fiscal Years.....	146
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	147
Governmental Fund Revenues and Expenditures - Last Ten Fiscal Years.....	149
Tax Revenues by Source - Last Ten Fiscal Years	150
Revenue Capacity:	
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	151
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	152
Principal Property Taxpayers - Current Year and Nine Years Ago.....	153
Property Tax Levies and Collections - Last Ten Fiscal Years	154
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years.....	155
Direct and Overlapping Debt	156
Legal Debt Margin Information - Last Ten Fiscal Years.....	157
Pledged - Revenue Coverage - Last Ten Fiscal Years.....	158
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Fiscal Years.....	159
Principal Employers - Current Year and Nine Years Ago	160
Operating Information:	
Full-Time Equivalent City Government Employees by Function - Last Ten Fiscal Years	161
Operating Indicators by Function - Last Ten Fiscal Years	162
Capital Asset Statistics by Function - Last Ten Fiscal Years	163



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City of Mission Viejo

Administrative Services Department

Edward Sachs
Mayor

Greg Rath
Mayor Pro Tem

Wendy Bucknum
Council Member

Brian Goodell
Council Member

Trish Kelley
Council Member

December 5, 2018

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, 2018 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 Davis Farr 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 95,987 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 an 18 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 (MVHA) and the Mission Viejo Community Development Financing Authority (CDFA). 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 CDFA and the MVHA 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 by the DOF through the submission of an annual Recognized Obligation Payment Schedule.

State law mandates that Mission Viejo can only raise local tax rates with voter approval. User and regulatory fees must also follow procedures set forth in State law and must not exceed the estimated reasonable cost of providing services. Fees require approval by the City Council; or fees in excess of reasonable cost require voter approval.

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 2,600 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. In January 2018, the hospital began construction of a new cancer center that will be built on a portion of the Shops at Mission Viejo site

adjacent to Medical Center Road and the hospital campus. Construction is expected to take 18 months. Saddleback College, the City's largest employer with 2,752 employees, is a two-year community college serving almost 40,000 students each school year. 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 160 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. Tesla, which has a sales location inside the The Shops at Mission Viejo, is in the process of expanding their operation to the site currently occupied by Infiniti. Home Depot also has a major presence in town as does Target, which opened their third location in Mission Viejo in November, 2018. The Mission Viejo Freeway Center, located adjacent to Interstate 5, is home to Best Buy, Bed Bath and Beyond, World Market and others. Another new addition to the business community is Floor & Decor, which also opened in November, 2018 along the I-5 freeway at La Paz Road and Muirlands Boulevard.

Since its incorporation, Mission Viejo has had a strong 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 since the end of the recession. Since 2010, assessed valuation of property in the City has grown at an average annual rate of 3.2%. City property tax revenue accounts for about 49% of total governmental revenues. Sales tax revenue represents about 24% of governmental revenues. The remainder of the tax base (franchise taxes, real property transfer taxes and transient occupancy taxes) contributes another 6.0% 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 had 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 3.1%, down from 3.4% a year ago.

Since the recession ended in 2009 the economy in Mission Viejo has slowly recovered. Job growth is occurring in Orange County and elsewhere and the unemployment rate has declined by 3.8% from the 2010 peak of 6.9%. Median housing values have risen from a low of \$425,000 in 2012 to \$698,500 in 2018, exceeding the pre-recession high of \$613,000 in 2007. As a result of the City's healthy property tax base and personal income levels, the Mission Viejo economy is expected to continue to perform as well as the economies of Orange County and the State.

Long-term financial planning

The City prepared a Master Financial Plan (MFP) as part of the 2017-2019 biennial budget 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 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 2018-24 revenue forecast indicated that general fund revenue would grow throughout the forecast period on an average of 2.19% 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 3.21% for property taxes and 2.06% for sales taxes through 2024. Actual revenue growth for property taxes was 4.38% in FY 2017-18. Actual sales tax revenue remained flat with no growth. The current MFP was prepared with a conservative approach to future expenditure planning. The 2017-19 adopted General Fund budget is balanced without the use of General Fund reserves. For each year beyond 2019, the MFP reflects that expenditures could exceed revenues in FY 2019-20 through FY 2022-23 by as much as \$235,000; however, with careful monitoring of the budget, the City can continue to maintain balanced budgets through 2024.

Financial policy requires the City adopt a balanced operating budget. This means that budgeted revenues are sufficient to support current operating expenditures while maintaining a positive operating position. Any one-time revenues that are received are to be used for one-time costs. The City's General Fund reserve policy requires that reserves will be established through a risk analysis performed biennially in coordination with the preparation of the two-year budget. The analysis for the 2017-19 budget was adopted in June 2017. The City Council set the target General Fund reserve at 49% of General Fund revenues, with a minimum General Fund reserve of 44%. The reserve balance at June 30, 2018 is 47%.

The City received the GFOA Distinguished Budget Presentation Award and CSMFO Excellence in Operational Budgeting Award for its 2017-2019 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 2019-21 budget process has already begun and adoption is anticipated in late June, 2019.

Major initiatives

The City continued to implement the City Council priorities adopted as part of the 2017-19 budget. These six priorities listed in rank order are:

- 1) Economic Development – City consultant SWA Group completed the Core Area Vision Plan with three Vision Plan concepts: Rediscovering the Creek, Main Street and Next Gen Village. City Council approved a number of next steps that include repairing and clean-up of Oso Creek, preparation of a conceptual plan for Core Area Creek improvements, conducting property owner outreach to coordinate creek and other Core Area improvements. The City Council has allocated over \$380,000 to further economic development in fiscal year 2018-19.
- 2) Reducing Unfunded Liabilities – The City Council has made additional contributions to reduce pension and retiree healthcare unfunded liabilities of over \$7.0 million during the past three years. In January 2018, 1.5% of the employer share pension normal cost was shifted to employees. As of June 30, 2017, the last date for both the pension and retiree healthcare valuations, funded status reflected that the pension plan is 80% funded and the healthcare plan is 109% funded.
- 3) Rehabilitating City Park Playgrounds – The rehabilitation of the Cordova Park playground was completed in June, 2018. The 2018-19 adopted budget includes funding for the rehabilitation of Christopher Park.

- 4) Restroom Renovation at Felipe Recreation Center – The Felipe Recreation Center restroom renovation was also completed in June, 2018.
- 5) Marguerite Aquatics Center Rehabilitation – The multi-year rehabilitation of the aquatics center was completed during the fiscal year with a grand re-opening celebration held on April 7, 2018.
- 6) Slope Rehabilitations – City completed slope rehabilitation on the south side of Alicia Parkway from Marguerite Parkway to Via Burgos and on the north side of Alicia Parkway from Marguerite Parkway to Via Aurora. Renovations have already begun for the north side of Alicia Parkway from Via Aurora to Trabuco Road. The 2018-19 budget includes resources for slope rehabilitation along Trabuco Road from Via Bahia to Los Alisos Boulevard.

Another 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. Construction is anticipated to be on the La Paz road and bridge widening in Spring, 2019. Construction is expected during FY 2018-19 for intersection improvements at Felipe Road and Oso Parkway and the City continues planning for freeway on-ramp improvements to the northbound I-5 at Oso Parkway. In addition, intersection improvements at Marguerite Parkway and Alicia Parkway and at Marguerite Parkway and Santa Margarita Parkway are nearing completion.

Major resources are devoted to street resurfacing around the City each year. Approximately \$4.7 million was spent on residential streets and arterial resurfacing in FY 2017-18. Another \$4.0 million is budgeted for FY 2018-19.

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, 2017. 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 2017-18 CAFR continues to conform to the Certificate of Achievement program requirements, and it will be submitted to GFOA for award consideration.

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, Davis Farr 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: Administrative Services Manager Kim Lashley, Administrative Services Manager Andrea Pham, Junior Accountant Julie Smith, Junior Accountant Jennifer Frye and Administrative Services Analyst Sherry Merrifield.

Honorable Mayor, Members of the City Council, City Manager and Citizens of the City of Mission Viejo
December 5, 2018

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,

A handwritten signature in blue ink, appearing to read "Cheryl Dyas". The signature is fluid and cursive, with the first name "Cheryl" written in a larger, more prominent script than the last name "Dyas".

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, 2017

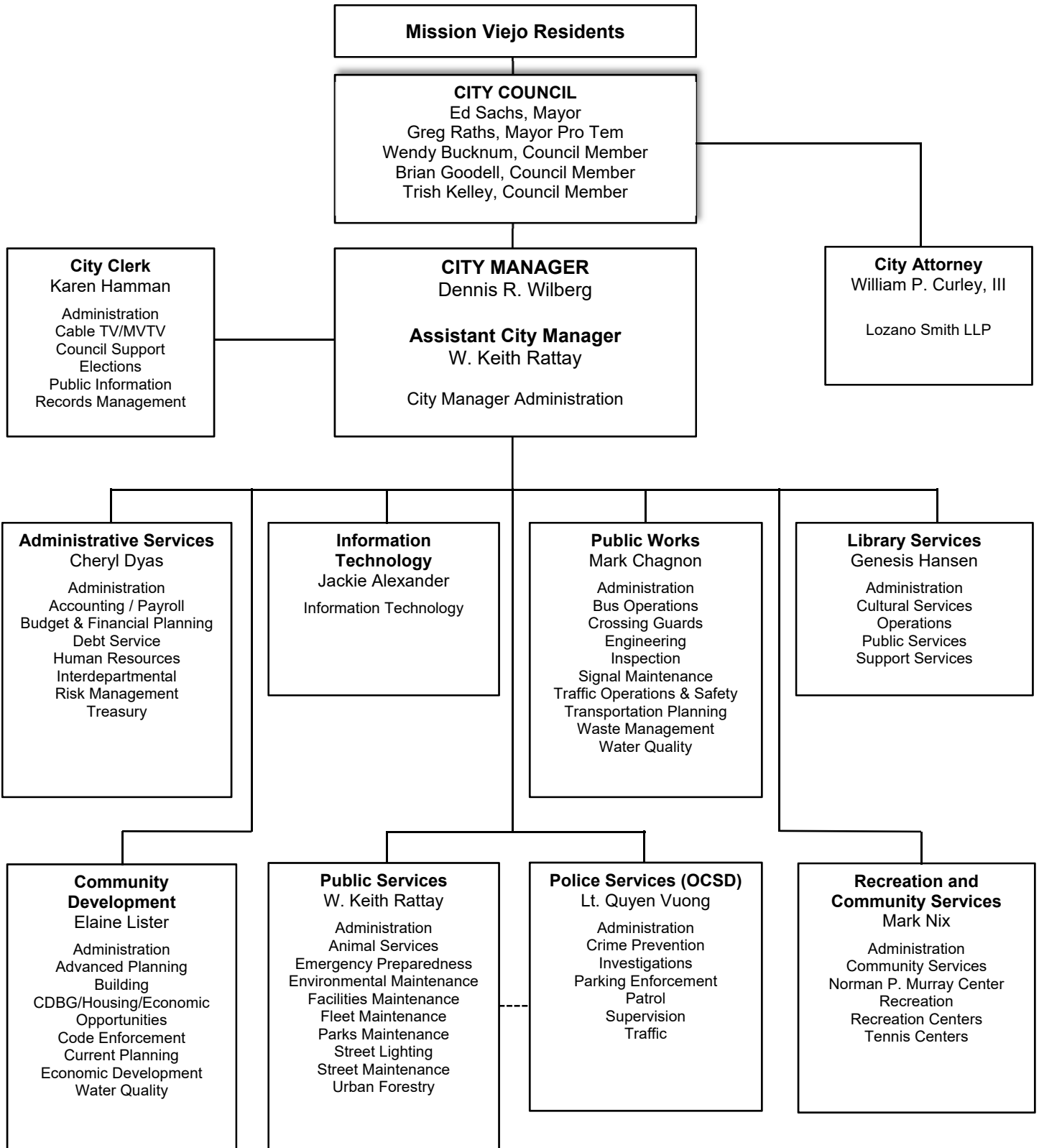
Christopher P. Morrill

Executive Director/CEO

CITY OF MISSION VIEJO

Organizational Structure

June 30, 2018



CITY OF MISSION VIEJO

List of Principal Officials
as of June 30, 2018

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. Quyen Vuong



MISSION VIEJO

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City Council
City of Mission Viejo
Mission Viejo, California

Independent Auditor's Report

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 the City of Mission Viejo, California, as of and for the year ended June 30, 2018, 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 an opinion on the 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 auditors' 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, 2018, 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 Matter

During the year ended June 30, 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75: *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the financial statements for the year ended June 30, 2018 reflect certain prior period adjustments as described further in note 24 to the financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the City of Mission Viejo's 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 for the General Fund and each major special revenue fund, schedule of changes in net pension liability and related ratios, schedule of plan contributions, schedule of changes in net OPEB liability/(asset) and related ratios and schedule of OPEB contributions* 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's basic financial statements. The *combining and individual nonmajor fund financial statements and schedules*, the *introductory section* and the *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 schedules* are the responsibility of management and were derived from and relates 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 schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *introductory section* and the *statistical section* 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report December 5, 2018 on our consideration of the City of Mission Viejo'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's internal control over financial reporting and compliance.



Irvine, California
December 5, 2018



MISSION VIEJO

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2018

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, 2018. 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

- Assets of the City exceeded its liabilities at June 30, 2018 by \$683.3 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.
- Net position decreased by \$7.2 million during the past year. FY 2017-18 revenues increased \$1.7 million from prior year levels, and expenses, including depreciation, increased by \$2.7 million. (See pages 12-13 for a more detailed discussion of expenses.)
- The beginning net position was restated at July 1, 2017 by \$0.8 million to recognize the net Other Post-Employment Benefits (OPEB) asset and related deferred outflows for the implementation of a new accounting standard that requires all retiree healthcare benefit plans be reported in the financial statements.
- As of June 30, 2018, the City's governmental funds (the General Fund plus Special Revenue, Debt Service and Capital Projects funds) reported combined ending fund balances of \$45.3 million. Governmental expenditures and other financing uses exceeded revenues and other financing sources by \$8.1 million in FY 2017-18. Of the \$45.3 million combined ending fund balances at June 30, 2018, \$24.3 million is categorized as unassigned, \$4.5 million is categorized as assigned and \$16.4 million is categorized as restricted.
- Of the \$4.5 million General Fund assigned fund balance, \$3.5 million is assigned to capital asset replacement, with \$1.0 million assigned to pension and OPEB liabilities.
- The unassigned General Fund fund balance of \$25.0 million includes a \$15.5 million reserve for economic and budgetary uncertainty. Another \$1.7 million is for carryover appropriations to FY 2018-19, including encumbrances. The balance of \$7.8 million is available for any purpose at the Council's discretion.
- The City's total long-term liabilities, as reported on the Statement of Net Position, increased by \$0.2 million, or 0.5% from the prior fiscal year due to an increase in the City's net pension liability.

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.

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2018

They present information for the government as a whole and present a longer-term view of the City's 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 police services, 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 "Housing Authority"); and the Mission Viejo Community Development Financing Authority (the "Financing Authority"), a joint powers authority formed by both 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 Housing Authority and Financing 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

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2018

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.

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 14 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, Grants 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 ten 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 Financing Authority and Housing Authority adopt an annual budget. A budgetary comparison schedule has been provided for each of the governmental funds to demonstrate compliance with these budgets.

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, 2018

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 45-98 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 100-110 of this report.

The supplemental 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 112-140 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 \$683.3 million as of June 30, 2018, the close of the most recent fiscal year. In comparison to 2017 and 2016, net position was \$690.5 and \$694.4, respectively. Overall, the City's total net position declined by \$7.2 million from the prior year.

By far the largest portion of the City's net position at June 30, 2018 (\$642.1 million, or 94% 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. Capital assets are further discussed later in this analysis.

An additional \$20.9 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. Restricted net position decreased \$4.2 million, or 16.7% from June 30, 2017. The cause for the decrease is the spending of park development fee resources of \$4.1 million for the completion of the Marguerite Aquatics Center rehabilitation.

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2018

Net Position at Year-End (in millions)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Current assets	\$47.6	\$52.6	\$4.9	\$4.7	\$52.5	\$57.3	-8.4%
Noncurrent assets	21.0	20.4	0.1	-	21.1	20.4	3.4%
Capital assets	673.3	675.5	2.8	2.8	676.1	678.3	-0.3%
Total assets	741.9	748.5	7.8	7.5	749.7	756.0	-0.8%
Deferred outflows of resources	6.9	5.7	0.7	0.6	7.6	6.3	20.6
Current liabilities	12.0	10.2	0.2	0.3	12.2	10.5	16.2%
Noncurrent liabilities	58.3	58.3	2.5	2.2	60.8	60.5	0.5%
Total liabilities	70.3	68.5	2.7	2.5	73.0	71.0	2.8%
Deferred inflows of resources	0.9	0.7	0.1	0.1	1.0	0.8	25.0%
Net investment in capital assets	639.3	639.5	2.8	2.8	642.1	642.3	0.0%
Restricted	20.9	25.1	-	-	20.9	25.1	-16.7%
Unrestricted	17.4	20.4	2.9	2.7	20.3	23.1	-12.1%
Total net position	\$677.6	\$685.0	\$5.7	\$5.5	\$683.3	\$690.5	-1.0%

The third category of net position, unrestricted, declined by \$2.8 to \$20.3 million from the prior year. 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 condition also held true for the prior fiscal year. The City's overall net position decrease by \$7.2 million from the prior fiscal year 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, 2018

Changes in Net Position (in millions)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Revenues							
Program revenues:							
Charges for services	\$6.7	\$6.3	\$2.8	\$3.3	\$9.5	\$9.6	-1.0%
Operating grants and contributions	6.7	5.7	0.1	0.1	6.8	5.8	17.2%
Capital grants and contributions	1.2	1.8	-	-	1.2	1.8	-33.3%
General revenues:							
Property taxes	34.8	33.1	-	-	34.8	33.1	5.1%
Sales and use taxes	16.7	17.2	-	-	16.7	17.2	-2.9%
Other taxes	4.7	4.2	-	-	4.7	4.2	11.9%
Investment earnings	0.2	0.1	0.1	-	0.3	0.1	200.0%
Other	0.3	0.7	-	0.1	0.3	0.8	-62.5%
Total revenues	71.3	69.1	3.0	3.5	74.3	72.6	2.3%
Expenses							
General government-legislative	1.9	2.0	-	-	1.9	2.0	-5.0%
General government-mgmt/support	9.2	9.6	-	-	9.2	9.6	-4.2%
Public safety	20.4	20.1	-	-	20.4	20.1	1.5%
Community development	3.4	4.7	-	-	3.4	4.7	-27.7%
Engineering & transportation	8.1	6.9	-	-	8.1	6.9	17.4%
Infrastructure maintenance	24.5	20.4	-	-	24.5	20.4	20.1%
Recreation, community and library services	10.2	11.1	-	-	10.2	11.1	-8.1%
Animal services	-	-	2.8	3.1	2.8	3.1	-9.7%
Mission Viejo television	-	-	0.6	0.5	0.6	0.5	20.0%
Interest on long-term debt	1.1	1.0	-	-	1.1	1.1	0.0%
Total expenses	78.8	75.9	3.4	3.6	82.2	79.5	3.4%
Excess (deficiency) in net position before transfers	(7.5)	(6.8)	(0.4)	(0.1)	(7.9)	(6.9)	14.5%
Transfers	(0.5)	(0.5)	0.5	0.5	-	-	0.0%
Increase (decrease) in net position	(8.0)	(7.3)	0.1	0.4	(7.9)	(6.9)	-14.5%
Net position, beginning of year, as restated	685.6	692.3	5.6	5.1	691.2	697.4	-0.9%
Net position, end of year	\$677.6	\$685.0	\$5.7	\$5.5	\$683.3	\$690.5	-1.0%

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2018

Governmental activities. During the current year, net position for governmental activities decreased \$8.0 million from current year operations, which was offset by an increase of \$0.7 million in recognition of the OPEB asset as part of the restatement of beginning net assets (see footnote 24) for a total decrease of net position by \$7.3 million. As reflected above, total revenues of \$70.9 million were less than expenses and transfers out of \$78.9 million.

Revenue Analysis

Total revenues increased by \$2.2 million. Program revenues increased \$0.8 million, with \$0.4 million of that increase reflected in charges for services and \$0.4 million reflected in operating and capital grants and contributions. General revenues increased by \$1.4 million. The most notable change is an increase in property tax revenue from the prior year in the amount of \$1.7 million. This increase was partially offset by a decrease in sales tax revenue of \$0.5 million. The property tax growth rate for FY 2017-18 was 4.38% accounting for the majority of this increase. The City also received \$0.5 million in redevelopment dissolution property tax residual payments in the current year. This is an increase of \$0.2 million over the prior year. Sales tax revenue was down in the current year due to changes at the California Department of Taxes and Fees Administration (CDTFA), the agency that administers the collection and distribution of sales taxes. The CDTFA implemented a new reporting software beginning in 2018 and moved up reporting deadlines. As a result of these new deadlines, and software performance issues, not all revenue in the final reporting quarter of the year were properly recorded as of June 30, 2018. At publication it was not clear what the unreported revenue amount was for June 30, 2018.

The most significant increases in charges for services were reflected in the Community Development department. Revenue from building permits and planning fees were approximately \$0.2 million higher in the current year. Two significant development projects in the City generating these types of fees include single family homes in the Skyridge development and the NCA medical building on Medical Center Road across from Mission Hospital.

For both operating and capital grants and contributions, amounts fluctuate from year to year depending upon the type of projects and activities approved in each budget cycle. One-time revenue of \$0.2 million was received from Federal Emergency Management Agency (FEMA) and California Office of Emergency Services (Cal OES) in the Infrastructure Maintenance program for reimbursement of project costs related to 2017 storm related damage along the Oso Creek trail. The City also received new funding of \$0.7 million in the Engineering and Transportation program due to the implementation of SB1-Road Repair and Accountability Act of 2017. Revenue for the Community Development program was down by approximately \$0.9 million as last year included additional Community Development Block Grant (CDBG) funding for a one-time distribution of \$0.8 million for transitional housing.

Expenses Analysis

Expenses associated with governmental activities increased by \$2.9 million, or 3.8%. Expenses in the Engineering and Transportation and the Infrastructure Maintenance programs increased by \$1.2 million and \$4.4 million, respectively. Expenses in the current year related to capital improvement projects that did not meet the criteria for capitalization were \$8.4 million, compared to the \$2.8 million

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2018

expensed in the prior year. Project cost not capitalized in the current year include approximately \$0.4 million for traffic signal synchronization projects and \$4.3 million for street resurfacing projects. Another \$0.6 million was spent on median improvements on Marguerite Parkway between Alarcon and Santa Margarita Parkway. Certain other costs related to facility improvements for the Marguerite Aquatics Center rehabilitation, Cordova Park playground renovation and the Felipe Tennis Center restroom project also did not meet capitalization requirements. Cost for these projects that were expensed, rather than capitalized, are \$2.9 million. The cost increase in Public Safety is due to an increase in the annual Orange County Sheriff Department (OCSD) contract of \$0.4 million. Expenses in the Community Development program are down \$1.4 million, which is largely due to the one-time distribution of funds of \$0.8 million to Families Forward for the purchase of two homes to provide transitional housing to low income families.

An item of special note, in the prior year, the City recognized an expense of \$2.7 million across all programs for annual OPEB costs related to an OPEB asset of \$2.8 million at June 30, 2016 becoming an OPEB liability of \$0.1 million at June 30, 2017. The net OPEB liability recognized in the prior year was based on an actuarial study dated June 30, 2015. The City's most recent OPEB actuarial study for June 30, 2017, restated the OPEB liability as an OPEB asset at June 30, 2016 as \$0.3 million and the OPEB asset at June 30, 2017 as \$0.8 million. As a result, expenses were reduced across all programs in the current year by \$0.4 million. This \$3.1 million variance in costs from the prior to the current year is reflected in the decrease in costs in General Government-Legislative and Management and Support, Community Development and Recreation, Community Services and Library Services programs. This OPEB change in cost is also reflected in the Public Safety, Engineering and Transportation and Infrastructure Maintenance programs and offsets the increase in costs in these programs as previously stated.

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2018

The cost of all governmental activities in FY 2017-18 was \$63.9 million. That cost was financed by: those who directly benefited from the programs and services (8.5%); other governments and organizations that subsidized certain programs and projects with grants and contributions (10.1%); and general tax revenues and other general revenues of the City (81.5%). This is a slight decrease from 81.8% in the prior year.

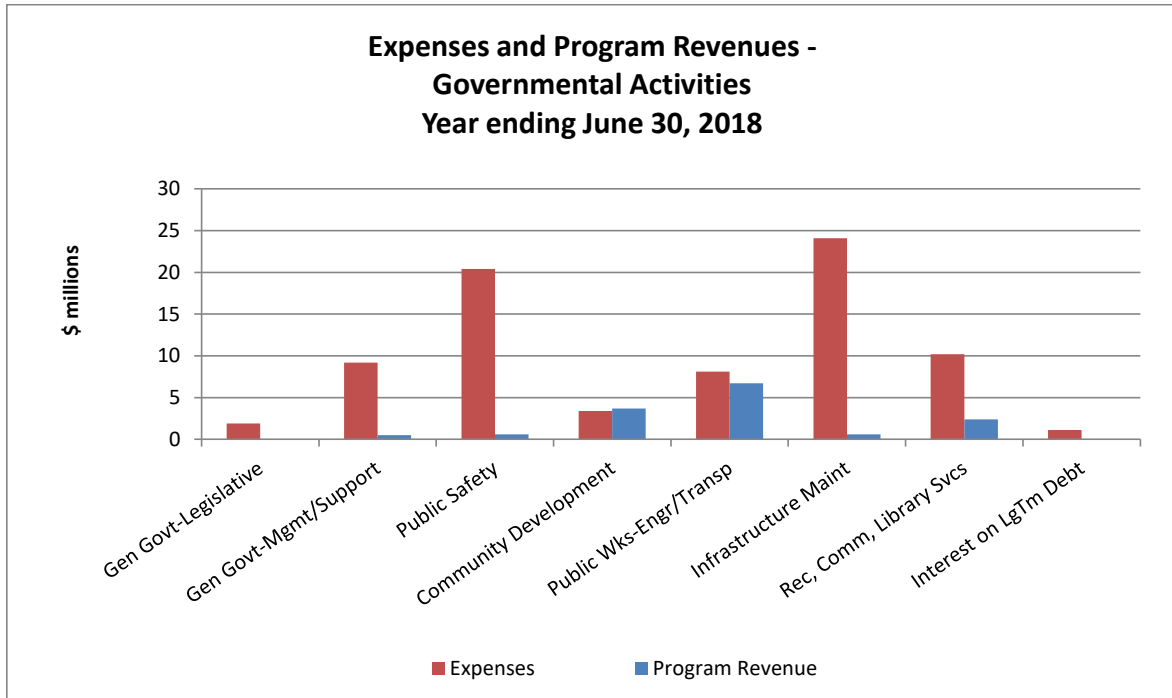
Net Cost of Governmental Activities (in millions)

	2018			2017		
	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	\$1.9	\$1.9	100.0%	\$2.0	\$2.0	100.0%
General government-mgmt/support	9.2	8.7	94.6%	9.6	9.4	97.9%
Public safety	20.4	19.7	96.6%	20.1	19.4	96.5%
Community development	3.4	(0.3)	0.0%	4.7	0.3	6.4%
Engineering & transportation	8.1	1.5	18.5%	6.9	1.1	15.9%
Infrastructure maintenance	24.1	23.5	97.5%	20.4	20.3	99.5%
Recreation, community and library services	10.2	7.8	76.5%	11.1	8.5	76.6%
Interest on long-term debt	1.1	1.1	100.0%	1.1	1.1	100.0%
Totals	\$78.4	\$63.9	81.5%	\$75.9	\$62.1	81.8%

The most notable declines are reflected in the General Government-Management and Support and Community Development programs. In the General Government-Management and Support function, this is a combination of \$0.4 million less in expense due to the change in OPEB cost previously noted and the additional program revenue received of \$0.2 million related to deposit and bond related forfeitures recognized as revenue during the current year. For the Community Development program, expenses were down \$1.3 million. Of this amount \$0.8 million is due to the prior year transitional housing grant as previously mentioned and which was offset by a like decline in program revenue. There were also decreases in economic development costs associated personnel and consultant contracts related to the core area vision plan of \$0.2 million and the change in the OPEB cost from the previous year of \$0.2 million.

CITY OF MISSION VIEJO
 Management's Discussion and Analysis
 Year ended June 30, 2018

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.



Business-type activities. The business-type activities of the City continue to be a relatively small component of overall City operations, representing about 4.1% of total City expenses. There are two business-type activities: Animal Services comprises 82.3% of the expenses and Mission Viejo Television comprises 17.7% of expenses. Net position for the Animal Services Fund increased \$0.2 million, while net position for the Mission Viejo Television Fund decreased by \$48,000 in FY 2017-18. Program revenue in the Animal Services Fund was down from the prior year by \$0.5 million. On January 1, 2017, animal services expanded to two additional cities. The City now serves the communities of Aliso Viejo, Laguna Hills, Laguna Niguel and Rancho Santa Margarita. In the first year of expansion, there were one-time charges for services billed to the new cities of Laguna Hills and Rancho Santa Margarita to accommodate the expansion. The resources from the additional billing was used to purchase two new trucks and related equipment for two additional animal services officers. Equipment purchases included safety equipment, computers and other office equipment. Additional funding was also received to expand the animal services building to accommodate the additional staff. This is also the reason for the decrease in operating expenditures of \$0.3 million. Revenues for Mission Viejo Television Fund were slightly up \$3,000 from the prior year. Operating expenditures for Mission Viejo Television Fund increased \$153,000 from the prior year due to the upgrade of the television studio and Council Chambers. While the City capitalized approximately \$0.2 million in costs related to this upgrade, a number of equipment purchases related to the project did not meet the capitalization threshold and were expensed in the current year. This increase can be seen in supplies.

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2018

Financial Analysis of the Governmental Funds

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

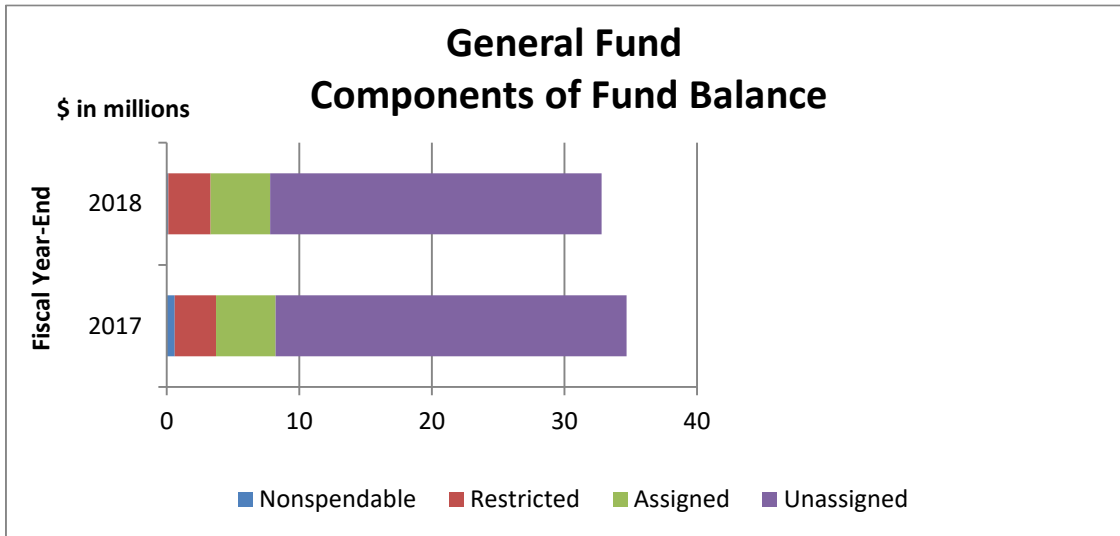
Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure 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.

At June 30, 2018, the City's governmental funds (as presented in the balance sheet on pages 32-33) reported combined fund balances of \$45.3 million, a decrease of \$8.1 million in comparison with the prior year balance of \$53.4 million. Approximately \$24.3 million of this total amount (54%) 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 (\$36,000) 2) legally required to be spent on specific uses or be maintained intact (\$16.4 million), or 3) assigned for a particular purpose (\$4.5 million).

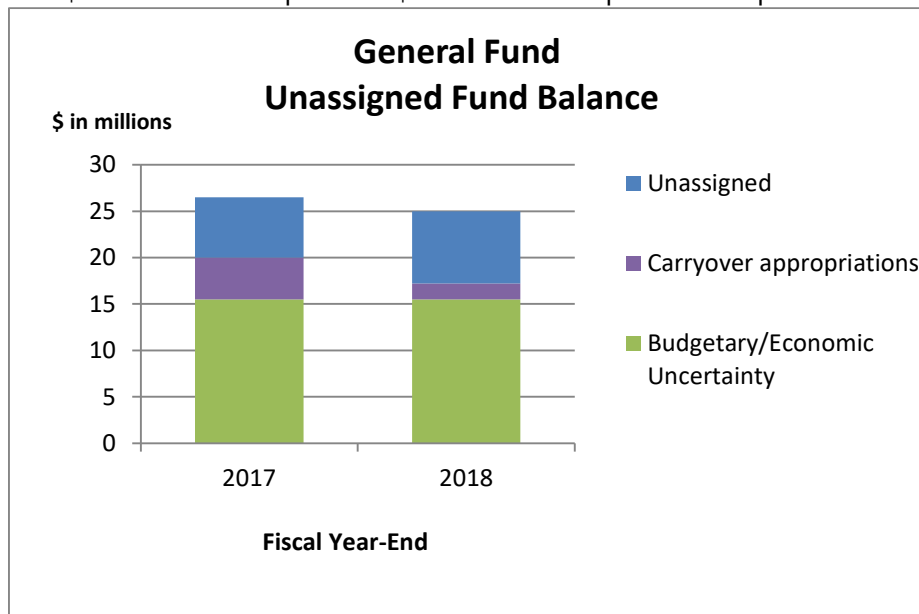
General Fund. The General Fund is the chief operating fund of the City. As of June 30, 2018, the total fund balance of the General Fund was \$32.8 million, a decrease of \$1.9 million from the \$34.7 million prior year balance. General Fund revenues were down approximately \$0.5 million due to a decline in sales tax revenue from the prior year. As previously stated, this is due to changes made by the CDTFA. Expenditures were up approximately \$0.2 million. One notable cause is the \$0.4 million increase to the OCS D contract. There was also \$1.0 million more spent in the Infrastructure Maintenance program. In combination with the Marguerite Aquatics Center rehabilitation project, there was significant expenditures to improve other elements of the center that were not part of the rehabilitation project. These include painting and other repairs to existing buildings, repairing pumps and other existing equipment, replanting of vegetation spaces, repairing and improving fence areas among other items. In addition, other operating costs were ramped up again as the center was prepared for re-opening such as re-filling the three pools with water and re-stocking of pool chemicals. There was similar expenditures at Felipe Tennis Center for repairing existing improvements and replanting in preparation for that re-opening after the completion of the Felipe restroom project. Other costs in this area include the improvements made to the Potocki Center as that center was repurposed as a cultural arts center. The increases noted above were offset with decreases in other program areas. The most significant decrease in the Capital Outlay program included \$4.8 million in the prior year for capital improvement projects. These expenditures were down to \$3.8 million in the current year and included the Marguerite Aquatics Center rehabilitation, Cordova Park playground renovation, Cordova Park lighting renovation and the Felipe Park restroom renovation.

CITY OF MISSION VIEJO
 Management's Discussion and Analysis
 Year ended June 30, 2018

Components of General Fund fund balance are reflected in the following graph.



Assigned fund balance of \$4.5 million is comprised of \$3.5 million for capital asset replacement and \$1.0 million for pension and OPEB liabilities. This amount remains unchanged from the prior year. Non-spendable fund balance in the prior year included \$0.5 million for the loan due the City from the former redevelopment agency (now the Successor Agency). This loan was paid off during



the current fiscal year and non-spendable fund balance has been reduced accordingly. The largest component of fund balance is unassigned fund balance at \$25.0 million.

Unassigned fund balance includes \$15.5 million for economic and budgetary uncertainty and \$1.7 million for carry over appropriations, including amounts for encumbrances. The remaining balance in unassigned fund balance of \$7.8 million, is available for any purpose at the Council's discretion.

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2018

As a measure of the General Fund's relative fiscal strength, it is useful to calculate the General Fund reserve balance as a percentage of total General Fund revenues. The City Council has defined reserves under their discretion for purposes of this calculation as the total balance of assigned reserves in the amount of \$4.5 million, the economic and budgetary uncertainty reserve in the amount of \$15.5 million and the unassigned reserve of \$7.8 million, to comprise the balance of the City Council's discretionary reserve balance of \$27.8 million at June 30, 2018. This amount represents 47% of FY 2017-18 General Fund revenues.

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

Developer Fees Fund. The Developer Fees Fund ended the year with a negative fund balance of \$0.2 million, a decrease of \$4.1 million from the prior year ending fund balance of \$3.9 million. The decrease in fund balance is due to the expenditure of capital improvement project costs of accumulated park development fees in the amount of \$4.1 million for the Marguerite Aquatics Center rehabilitation. Currently, there are accumulated expenditures in the prior year and another \$0.1 million expenditures in the current year for the Felipe/Oso Intersection Improvement project and the Oso/I-5 Northbound On-Ramp Improvement project. Both of these projects are funded with South County Roadway Improvement Program (SCRIP) developer fees. SCRIP is a developer funding program for implementing improvements in South Orange County necessitated by the expected traffic impacts of Mission Viejo Ranch plan developments. There is an intergovernmental receivable in this fund of \$0.3 million for amounts due the City at June 30, 2018. This receivable increased \$254,000 over the prior year balance.

Grants Fund. The Grants Fund ended the year with a positive fund balance of \$88,000, an increase of \$152,000 from the prior year. The grants fund includes activity for the CDBG grant and the Senior Mobility grant funded through the Orange County Transportation Authority (OCTA). Total CDBG and OCTA grant revenues in the current year were \$0.8 million compared to \$0.6 million in expenditures, including \$0.2 million expended on street and road improvement projects and \$80,000 on senior transportation. Another \$58,000 was expended on public service grants and \$0.2 million was expended on housing rehabilitation grants and loans. There is a housing rehabilitation loan receivable balance in this fund of \$2.2 million at June 30, 2018. These loans are repaid when a home is either refinanced, sold by the owner, or when the loan recipient no longer occupies the home. The loan receivable balance increased by \$76,000 from the prior year. There were loan repayments of \$149,000 against new loan issues of \$225,000. Individual loans are capped at \$25,000.

Housing Authority Fund. The Housing Authority Fund had a fund balance of \$5.4 million at June 30, 2018 compared to \$5.3 million at the end of the prior year. This is an increase of \$0.1 million. Expenditures during the fiscal year were minimal, at \$43,000. Revenue consisted of \$9,000 of investment earnings and a \$115,000 transfer from the City's General Fund, a required 20% share of the City's loan repayment from the Successor Agency (formerly the Community Development Agency) under redevelopment dissolution.

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2018

The fund also made a \$123,000 payment against the note payable agreement dated May 8, 2015 with the City for the purchase of land (Site C) for future affordable housing purposes. Additional information on this note can be found in footnote 7 to the basic financial statements.

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, 2018 was \$1.9 million, a \$0.3 million increase from the prior year net position. For Mission Viejo Television, unrestricted net position decreased \$0.2 million from the prior year. The operating loss for Animal Services was \$0.4 million, a \$0.2 million decline from the prior year. Mission Viejo Television reported an operating loss in the current year of \$0.1 million, a decline of \$0.1 million 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 was no operating subsidy for Mission Viejo Television. The reasons for changes in revenues and expenses were previously discussed under Business-Type Activities under the Government-wide financial analysis section of this report.

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 2017-18 were approved by the City Council in October 2017 and increased the original budget accordingly. Total carryover appropriations for FY 2017-18 were \$4.5 million, with \$1.7 million appropriated in the operating budget and \$2.8 million for the capital improvement program (CIP) budget. The most significant operating carryover appropriation was \$0.6 million for Information Technology related projects including the implementation costs for the new recreation software application, replacement software for Sire, the City's document management system, and resources for technology improvements at the Marguerite Aquatics Center. A total of \$0.3 million was carried over to further efforts in the Civic Core Vision Plan and other economic development efforts. Another \$0.2 million was carried over for open purchase orders for park and facility maintenance needs. The largest capital improvement project carryover appropriation was for the Marguerite Aquatics Center rehabilitation in the amount of \$1.5 million. Appropriations were also carried over for the Cordova Park playground renovation, the Felipe Tennis Center restroom renovation and street resurfacing projects in the amount of \$0.6 million, \$0.5 million and \$0.1 million, respectively.

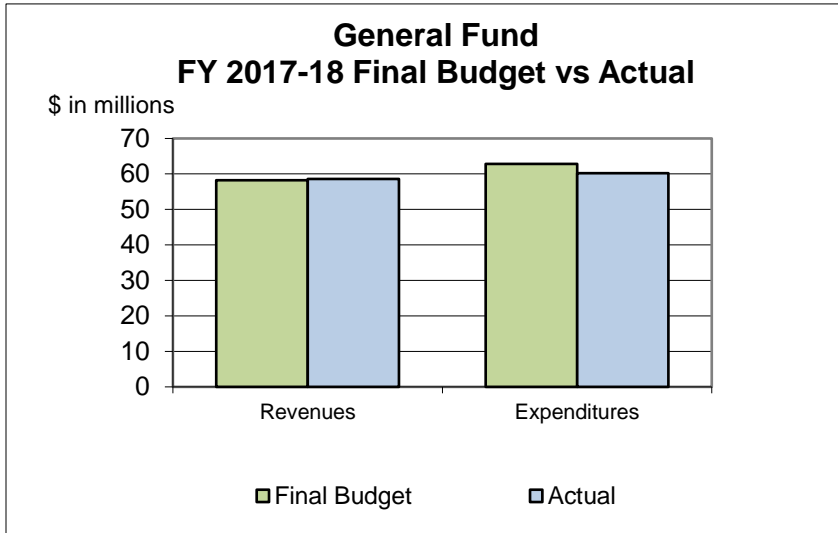
During the year, there were a number of amendments approved to increase the original adopted budget for a total increase in appropriations in the amount of \$1.0 million. The most significant of these amendments include: several amendments approved throughout the year to fund the Marguerite Aquatics Center renovation for total appropriations of \$212,000; in November 2017, the City Council approved a \$215,000 appropriation for the Felipe Tennis Center restroom project; in March 2018, the City Council approved a \$150,000 appropriation for legal services; in May 2018, the City Council

CITY OF MISSION VIEJO
 Management's Discussion and Analysis
 Year ended June 30, 2018

approved a \$115,000 appropriation for Integrated Solid Waste Management consulting services; and in June 2018, the City Council approved \$80,000 to provide resources to remove vegetation in the Wilderness Glen area and open space along Los Alisos Boulevard.

Final budget compared to actual results. Actual revenues for the year were \$0.4 million more than revised budget estimates. Actual property tax revenue came in greater than projections in the amount of \$0.2 million. Franchise fees exceeded projections by \$0.4 million. As previously stated, sales taxes fell short by \$0.5 million. The most significant shortage is reflected in Intergovernmental revenue. There were two grants budgeted in the amount of \$115,000 for a Bikeway Path grant and a \$145,000 grant for street resurfacing projects. Expenditures were reported for the entire \$145,000 for the street resurfacing project and a like amount is reported as part of intergovernmental receivables as this amount was still owed to the City by the State at June 30, 2018. The Bikeway Path grant project had not started by year-end so the appropriation related to this grant along with the budgeted revenue has been carried over to fiscal year 2018-19.

Actual expenditures were \$2.6 million less than the final appropriations budget. Of this \$2.6 million total, operating expenditures were \$2.5 million less than budget and capital projects came in \$0.1 million under budget. The most significant difference between estimated and actual expenditures for the operating budget was a positive variance of \$1.2 million in the General Government-Management and Support program area budget of which \$0.8 is reflected in the Information Technology program. Although these appropriations were not spent during FY 2017-18, \$0.4 million of the unspent balance in the Information Technology program has been carried over for



continued use in FY 2018-19 for on-going active projects and the Citywide replacement of staff computers. The Community Development program area had savings of \$0.5 million. Of this amount, \$0.4 million has been carried over for economic development purposes. The Police Safety program reflected saving of \$0.4 million of which \$0.3 million has been carried over to supplement the OCSD contract costs and the replacement of a police motorcycle. In the CIP budget, most projects utilizing General Fund resources were completed by June 30, 2018. Unspent CIP budget for two projects in the General Fund have been carried over to FY 2018-19.

Of the \$2.6 million current year savings, \$1.7 million has been carried over to FY 2018-19 for continuing operations and the completion of capital projects.

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2018

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, 2018, amounts to \$676.0 million, net of accumulated depreciation. This investment in assets includes land, buildings, machinery, equipment, vehicles and infrastructure.

Capital Assets, Net of Depreciation (in millions)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Land	\$48.8	\$48.8	\$0.6	\$0.6	\$49.4	\$49.4	0.0%
Rights of way	243.8	243.8	-	-	243.8	243.8	0.0%
Building and improvements	69.2	69.9	1.9	2.0	71.1	71.9	-1.1%
Park improvements	5.5	-	-	-	5.5	-	100.0%
Machinery, equipment and furniture	2.8	2.4	0.2	0.1	3.0	2.5	20.0%
Vehicles	0.1	0.2	0.1	0.1	0.2	0.3	-33.3%
Infrastructure	299.5	301.7	-	-	299.5	301.7	-0.7%
Water rights	0.9	1.0	-	-	0.9	1.0	-10.0%
Construction in progress	2.6	7.7	-	-	2.6	7.7	-66.2%
Total	\$673.2	\$675.5	\$2.8	\$2.8	\$676.0	\$678.3	-0.3%

The total decrease in capital assets for the current fiscal year was \$2.3 million, or 0.3%. Major capital asset transactions during the current fiscal year included the following:

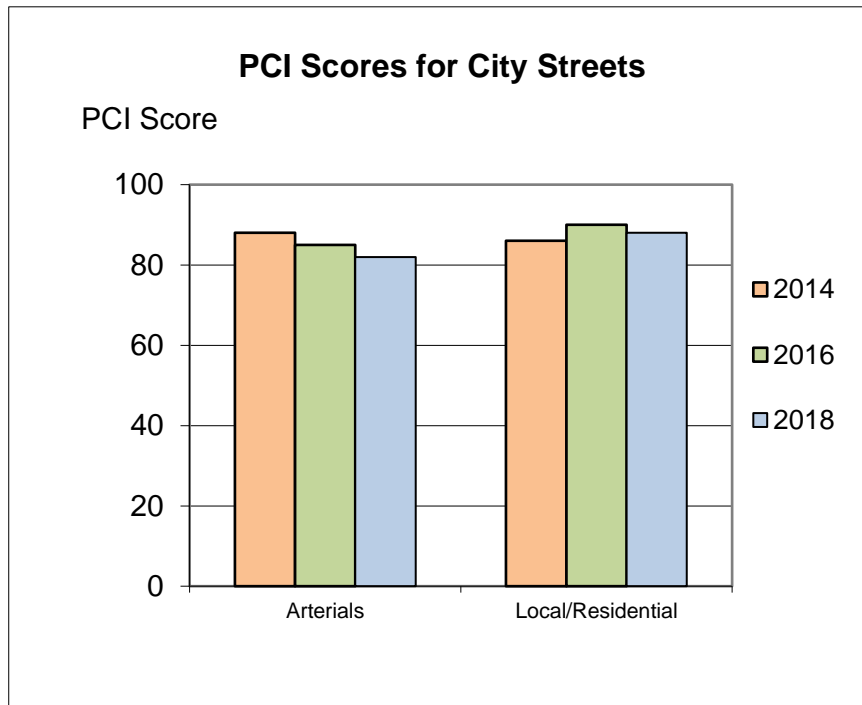
- Building and improvements decreased by \$0.8 million. There were additions to this capital asset category in the amount of \$3.6 million. Of this amount \$2.3 million was recorded for the Marguerite Aquatics Center renovation. Another \$0.8 million relates to the Felipe Tennis Center renovation, and \$0.4 million was recorded for the Cordova Park playground renovation. This asset category increase was offset by annual depreciation in the amount of \$4.0 million.
- A park improvements category was created to account for improvements that are depreciated using a different asset life other than the 32 years used for building and building improvements. The increase in this category includes \$5.2 million for the Marguerite Aquatics Center renovation and \$0.3 million for the Cordova Park playground renovation.
- Machinery and equipment increased \$0.5 million. There were additions to the asset category of \$1.3 million. Of this amount \$0.7 million was recorded for the Marguerite Aquatics Center renovation and \$0.2 million relates to the Cordova Park lighting renovation. Another \$0.4 million relates to various computer and facility equipment purchases. This asset category increase was offset by annual depreciation in the amount of \$0.8 million.
- Infrastructure assets decreased by \$2.3 million due to annual depreciation.

CITY OF MISSION VIEJO
 Management’s Discussion and Analysis
 Year ended June 30, 2018

- Construction in progress decreased by \$5.2 million. Total additions of \$5.0 million were offset by deletions of \$10.2 million. Significant projects completed during the year were the Marguerite Aquatics Center, Cordova Park playground and lighting, and Felipe Tennis Center restroom renovations. The accumulated costs for each project were re-classed to the asset categories previously discussed. Additions to Construction in Progress for projects that were not completed during FY 2017-18 include \$0.1 million for several street and road related intersection projects. 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.
- The City funded a grant in the amount of \$1.0 million to Santa Margarita Water District to provide financial assistance for the construction of the Lake Mission Viejo Advanced Purified Water Treatment Facility. As part of that agreement, the City has the right to reduced water rates from the water district over a twenty year period. This asset will be amortized at \$50,000 per year over twenty years. FY 2017-18 is the second year of amortization.

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 228.2 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”. Street categories are classified as Arterials or Local/Residential streets. The most recent condition assessment, completed for fiscal year 2017-18, indicated that



arterials roadways were in “good” condition with a PCI score of 82 and local/residential streets were all

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2018

in "very good" condition with a PCI score of 88. The current citywide weighted average Pavement Condition Index is 86, which is a slight decrease of two PCI points since the 2016 assessment. The City has 0.1% of its streets reported in the "Very Poor" category.

For the last five fiscal years, actual maintenance and preservation expenditures exceeded the original estimates for fiscal years 2015-16 and 2017-18. For fiscal years 2013-14, 2014-15 and 2016-17, actual expenditures were below those original estimates thought to be 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 67-70 of this report and Note 2 of the Notes to Required Supplementary Information on pages 108-110.

Long-Term Debt. At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$60.7 million.

Long-Term Liabilities (in millions)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Revenue bonds	\$36.0	\$38.1	\$-	\$-	\$36.0	\$38.1	-5.5%
Bond premium	1.0	1.0	-	-	1.0	1.0	0.0%
Subtotal-bonds payable	37.0	39.1	-	-	37.0	39.1	-5.4%
Net pension liability	19.4	17.4	2.3	2.1	21.7	19.5	11.3%
Net OPEB liability	-	0.1	-	-	-	0.1	-100.0%
Compensated absences	1.8	1.7	0.2	0.1	2.0	1.8	11.1%
Total	\$58.2	\$58.3	\$2.5	\$2.2	\$60.7	\$60.5	0.3%

The City's total debt increased by \$0.2 million, or 0.3%, during the current fiscal year. Total principal on all debt issues decreased by \$2.1 million due to principal payments. The net pension liability increased \$2.2 million from the prior year, while the OPEB liability was eliminated.

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 \$620 million at June 30, 2018. The City has no general obligation bond debt outstanding.

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2018

Additional information on the City's long-term liabilities can be found in Note 8 of the Notes to Basic Financial Statements on pages 71-75 of this report. Additional information on the City's pension liability can be found in Note 19 on pages 84-91 of this report.

Next Year's Budget, Tax Rates and Fee Levels

The fiscal year 2018-19 City budget was prepared conservatively with property tax and sales tax estimates 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 2018-19 budget. However, the City is in process of preparing a citywide user fee study that is expected to be completed in early 2019 and it is anticipated that the Council will consider changes to user fees before the end of fiscal year 2018-19.

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.



BASIC FINANCIAL STATEMENTS

CITY OF MISSION VIEJO

BASIC FINANCIAL STATEMENTS - OVERVIEW YEAR ENDED JUNE 30, 2018

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, 2018 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 into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Fund Types

These funds (General, Special Revenue, Capital Projects 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, 2018 (With Comparative Totals As of June 30, 2017)

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	
			2018	2017
ASSETS				
Cash and investments (note 2)	\$ 35,611,136	\$ 4,828,032	\$ 40,439,168	\$ 45,832,643
Accounts receivable	269,440	-	269,440	250,619
Taxes receivable	4,253,997	135,357	4,389,354	4,416,287
Loans receivable	2,437,412	-	2,437,412	2,404,672
Notes receivable	2,739,095	-	2,739,095	2,858,188
Interest receivable	148,181	-	148,181	97,835
Prepaid items	30,577	-	30,577	27,226
Deposits	430	-	430	430
Intergovernmental receivable	2,214,303	-	2,214,303	938,362
Intergovernmental receivable-Successor Agency (note 4)	17,745	-	17,745	572,852
Interfund receivable	(10,322)	10,322	-	-
Due from developers (note 5)	7,552,176	-	7,552,176	7,454,448
Land held for resale	6,900,000	-	6,900,000	6,900,000
Restricted cash and investments for pensions (note 2)	352,608	-	352,608	162,397
Restricted cash and investments with fiscal agent (note 2)	5,363,672	-	5,363,672	5,859,394
OPEB asset (note 21)	809,563	52,184	861,747	-
Capital assets not being depreciated (note 6)	496,767,742	561,377	497,329,119	502,517,037
Capital assets, net of depreciation (note 6)	176,485,000	2,218,230	178,703,230	175,689,619
Total assets	741,942,755	7,805,502	749,748,257	755,982,009
DEFERRED OUTFLOWS OF RESOURCES				
Pension related (note 19)	5,899,428	706,875	6,606,303	5,348,189
OPEB related (note 21)	159,940	10,310	170,250	-
Deferred refunding charge	848,924	-	848,924	914,226
Total deferred outflows of resources	6,908,292	717,185	7,625,477	6,262,415
Total assets and deferred outflows of resources	748,851,047	8,522,687	757,373,734	762,244,424
LIABILITIES				
Current liabilities:				
Accounts payable	5,113,144	77,272	5,190,416	4,845,207
Accrued payroll	706,997	85,926	792,923	810,387
Accrued interest payable	2,760,331	-	2,760,331	2,385,294
Unearned revenues	201,735	-	201,735	74,117
Deposits payable	1,909,429	4,268	1,913,697	1,804,810
Intergovernmental payable	-	93,617	93,617	149,336
Other liabilities	27,257	-	27,257	28,127
Retainage payable	1,266,517	-	1,266,517	403,299
Total current liabilities	11,985,410	261,083	12,246,493	10,500,577
Noncurrent liabilities:				
Due within one year (note 8)	3,330,926	105,326	3,436,252	3,368,055
Due in more than one year (note 8)	54,944,343	2,374,568	57,318,911	57,158,506
Total noncurrent liabilities	58,275,269	2,479,894	60,755,163	60,526,561
Total liabilities	70,260,679	2,740,977	73,001,656	71,027,138
DEFERRED INFLOWS OF RESOURCES				
Pension related (note 19)	950,178	113,851	1,064,029	757,413
Total deferred inflows of resources	950,178	113,851	1,064,029	757,413
Total liabilities and deferred inflows of resources	71,210,857	2,854,828	74,065,685	71,784,551
NET POSITION				
Net investment in capital assets	639,309,161	2,779,607	642,088,768	642,298,049
Restricted for:				
General government - management and support	158,158	-	158,158	-
Community development	10,502,444	-	10,502,444	10,429,284
Public safety	3,915	-	3,915	-
Public works	3,140,059	-	3,140,059	2,753,499
Parks and recreation	88,137	-	88,137	4,110,858
Library	936,498	-	936,498	1,210,281
Pensions	3,091,703	-	3,091,703	3,020,585
Debt service	2,988,636	-	2,988,636	3,517,242
Unrestricted	17,421,479	2,888,252	20,309,731	23,120,075
Total net position	\$ 677,640,190	\$ 5,667,859	\$ 683,308,049	\$ 690,459,873

See accompanying notes to basic financial statements

CITY OF MISSION VIEJO

Statement of Activities

For the Year Ended June 30, 2018 (With Comparative Totals For The Year Ended June 30, 2017)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General Government - Legislative	\$ 1,891,424	\$ 4,305	\$ -
General Government - Mgmt and Support	9,214,038	136,434	331,232
Public Safety	20,410,021	420,317	231,352
Community Development	3,368,119	3,131,388	585,226
Engineering and Transportation	8,133,213	679,171	4,983,803
Infrastructure Maintenance	24,466,949	167,412	236,812
Recreation/Community/Library Services	10,240,895	2,108,549	332,234
Interest and fiscal charges	1,079,976	-	-
Total governmental activities	78,804,635	6,647,576	6,700,659
Business-type activities:			
Animal Services	2,779,573	2,275,983	98,892
Mission Viejo Television	598,697	532,816	-
Total business-type activities	3,378,270	2,808,799	98,892
Total primary government	\$ 82,182,905	\$ 9,456,375	\$ 6,799,551
General revenues:			
Property taxes			
Sales and use taxes			
Other taxes			
Unrestricted motor vehicle in lieu fees			
Investment earnings			
Other			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position, beginning, as restated (note 24)			
Net position, ending			

See accompanying notes to basic financial statements

Net (Expense) Revenue and Changes in Net Position

Primary Government

Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
			2018	2017
\$ -	\$ (1,887,119)	\$ -	\$ (1,887,119)	\$ (1,952,473)
-	(8,746,372)	-	(8,746,372)	(9,428,615)
-	(19,758,352)	-	(19,758,352)	(19,438,766)
-	348,495	-	348,495	(250,675)
1,009,601	(1,460,638)	-	(1,460,638)	(1,080,812)
178,478	(23,884,247)	-	(23,884,247)	(20,304,186)
-	(7,800,112)	-	(7,800,112)	(8,555,065)
-	(1,079,976)	-	(1,079,976)	(1,085,677)
<u>1,188,079</u>	<u>(64,268,321)</u>	<u>-</u>	<u>(64,268,321)</u>	<u>(62,096,269)</u>
-	-	(404,698)	(404,698)	(174,943)
-	-	(65,881)	(65,881)	60,666
-	-	(470,579)	(470,579)	(114,277)
<u>\$ 1,188,079</u>	<u>(64,268,321)</u>	<u>(470,579)</u>	<u>(64,738,900)</u>	<u>(62,210,546)</u>
	34,828,754	-	34,828,754	33,102,624
	16,732,687	-	16,732,687	17,186,469
	4,563,624	-	4,563,624	4,175,375
	50,911	-	50,911	43,321
	247,029	34,441	281,470	106,425
	329,825	9,200	339,025	673,282
	(540,447)	540,447	-	-
	<u>56,212,383</u>	<u>584,088</u>	<u>56,796,471</u>	<u>55,287,496</u>
	(8,055,938)	113,509	(7,942,429)	(6,923,050)
	685,696,128	5,554,350	691,250,478	697,382,923
	<u>\$ 677,640,190</u>	<u>\$ 5,667,859</u>	<u>\$ 683,308,049</u>	<u>\$ 690,459,873</u>

CITY OF MISSION VIEJO

BASIC FINANCIAL STATEMENTS - OVERVIEW YEAR ENDED JUNE 30, 2018

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.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for revenues and the related expenditures for major capital projects which are legally required to be accounted for in a separate fund.

The City of Mission Viejo has the following major Capital Projects Funds:

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

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues and related expenditures for revenue sources which are legally required to be accounted for in a separate fund.

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

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 various housing, transportation, park and facility program and capital improvement projects.

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.

NON-MAJOR 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, other Capital Project Funds and other Debt Service Funds of the City.

CITY OF MISSION VIEJO

BASIC FINANCIAL STATEMENTS - OVERVIEW YEAR ENDED JUNE 30, 2018

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 and the cities of Aliso Viejo, Laguna Hills, Laguna Niguel, and Rancho Santa Margarita 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

Governmental Funds

Balance Sheet

June 30, 2018 (With Comparative Totals As of June 30, 2017)

	General Fund	Developer Fees Fund	Grants Fund
ASSETS			
Cash and investments	\$ 31,067,465	\$ 233,108	\$ 187,233
Accounts receivable	269,440	-	-
Taxes receivable	3,906,438	-	20,346
Loans receivable	5,198	-	2,171,303
Interfund note receivable (note 7)	2,125,000	-	-
Notes receivable	2,739,095	-	-
Interest receivable	143,243	-	-
Prepaid items	30,386	-	-
Deposits	430	-	-
Intergovernmental receivable	203,716	285,934	80
Interfund receivables (note 3)	983,584	-	-
Intergovernmental receivable-Successor Agency (note 4)	17,745	-	-
Due from developers	4,359,195	-	-
Land held for resale	-	-	-
Restricted assets:			
Cash and investment for pensions	352,608	-	-
Cash and investments with fiscal agents	-	-	-
Total assets	<u>\$ 46,203,543</u>	<u>\$ 519,042</u>	<u>\$ 2,378,962</u>
LIABILITIES			
Accounts payable	\$ 3,295,794	\$ 13,025	\$ 25,993
Accrued payroll	598,020	-	481
Unearned revenues	201,735	-	-
Deposits payable	1,908,404	-	-
Intergovernmental payable	-	-	-
Interfund payable (note 3)	10,322	272,909	72,826
Other liabilities	27,257	-	-
Retainage payable	761,761	191,751	20,141
Interfund note payable (note 7)	-	-	-
Total liabilities	<u>6,803,293</u>	<u>477,685</u>	<u>119,441</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	6,629,195	285,934	2,171,384
Total deferred inflow of resources	<u>6,629,195</u>	<u>285,934</u>	<u>2,171,384</u>
Total liabilities and deferred inflows of resources	<u>13,432,488</u>	<u>763,619</u>	<u>2,290,825</u>
FUND BALANCES (deficits) (note 11)			
Nonspendable	36,014	-	-
Restricted	3,249,861	-	88,137
Assigned	4,500,000	-	-
Unassigned	24,985,180	(244,577)	-
Total fund balances (deficits)	<u>32,771,055</u>	<u>(244,577)</u>	<u>88,137</u>
Total liabilities, deferred inflows or resources and fund balances	<u>\$ 46,203,543</u>	<u>\$ 519,042</u>	<u>\$ 2,378,962</u>

See accompanying notes to basic financial statements.

Mission Viejo Housing Authority Fund	Total Nonmajor Funds	2018	2017
\$ 119,223	\$ 4,004,107	\$ 35,611,136	\$ 41,618,371
-	-	269,440	250,619
-	327,213	4,253,997	4,282,567
260,911	-	2,437,412	2,404,672
-	-	2,125,000	2,248,000
-	-	2,739,095	2,858,188
4,938	-	148,181	97,835
-	191	30,577	27,226
-	-	430	430
-	1,724,573	2,214,303	544,753
-	-	983,584	658,552
-	-	17,745	572,852
3,192,981	-	7,552,176	7,454,448
6,900,000	-	6,900,000	6,900,000
-	-	352,608	162,397
-	5,363,672	5,363,672	5,859,394
<u>\$ 10,478,053</u>	<u>\$ 11,419,756</u>	<u>\$ 70,999,356</u>	<u>\$ 75,940,304</u>
\$ 10,645	\$ 1,767,687	\$ 5,113,144	\$ 4,667,381
-	108,496	706,997	719,542
-	-	201,735	74,117
-	1,025	1,909,429	1,800,716
-	-	-	149,336
458	637,391	993,906	658,552
-	-	27,257	28,127
-	292,864	1,266,517	403,299
2,125,000	-	2,125,000	2,248,000
<u>2,136,103</u>	<u>2,807,463</u>	<u>12,343,985</u>	<u>10,749,070</u>
<u>2,989,335</u>	<u>1,265,436</u>	<u>13,341,284</u>	<u>11,801,008</u>
<u>2,989,335</u>	<u>1,265,436</u>	<u>13,341,284</u>	<u>11,801,008</u>
<u>5,125,438</u>	<u>4,072,899</u>	<u>25,685,269</u>	<u>22,550,078</u>
-	-	36,014	606,885
5,352,615	7,760,656	16,451,269	21,827,524
-	-	4,500,000	4,500,000
-	(413,799)	24,326,804	26,455,817
<u>5,352,615</u>	<u>7,346,857</u>	<u>45,314,087</u>	<u>53,390,226</u>
<u>\$ 10,478,053</u>	<u>\$ 11,419,756</u>	<u>\$ 70,999,356</u>	<u>\$ 75,940,304</u>



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City of Mission Viejo

Reconciliation of Balance Sheet to the Statement of Net Position June 30, 2018

Fund balances of governmental funds	\$ 45,314,087
Amounts reported for governmental activities in the statement of net position differ because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity	673,252,742
Non-current asset that have not been included in the governmental fund OPEB asset	809,563
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Net pension liability	(19,407,837)
Long-term liabilities	(37,027,428)
Deferred refunding charge	848,924
Compensated absences	(1,840,004)
Deferred infows and outflows of resources related to pensions that have not included in the governmental fund activity:	
Deferred outflows of resources-pension related	5,899,428
Deferred inflows of resources-pension related	(950,178)
Deferred infows and outflows of resources related to OPEB that have not been included in the governmental fund activity:	
Deferred outflows of resources-OPEB related	159,940
Accrued interest payable for the current portion of interest due on bonds has been reported in the governmental funds	(2,760,331)
Receivables that are measurable but not available are recorded as a deferred inflow of resources under the modified accrual basis of accounting	<u>13,341,284</u>
Net position of governmental activities	<u><u>\$ 677,640,190</u></u>

See accompanying notes to basic financial statements

CITY OF MISSION VIEJO

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2018 (With Comparative Totals For the Year Ended June 30, 2017)

	General Fund	Developer Fees Fund	Grants Fund
REVENUES			
Taxes	\$ 50,769,561	\$ -	\$ -
Licenses and permits	2,386,051	-	-
Intergovernmental	582,900	-	771,116
Charges for services	3,241,342	-	-
Investment earnings	318,156	24,573	2,824
Fines and forfeitures	619,115	-	-
Developer fees	-	-	-
Other	755,250	-	-
Total revenues	58,672,375	24,573	773,940
EXPENDITURES			
General government-Legislative	1,848,205	-	-
General government-Mgmt and Support	7,318,714	-	11,805
Public Safety	20,095,182	-	-
Community Development	2,869,060	-	325,031
Engineering & Transportation	2,009,611	-	-
Infrastructure Maintenance	17,132,740	-	-
Recreation/Community/Library Services	5,098,893	-	79,674
Capital Outlay	3,845,251	4,192,251	205,714
Debt Service			
Principal retirement	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
Payment to bond escrow agent	-	-	-
Total expenditures	60,217,656	4,192,251	622,224
Excess (deficiency) of revenues over (under) expenditures	(1,545,281)	(4,167,678)	151,716
OTHER FINANCING SOURCES (USES)			
Issuance of refunding debt	-	-	-
Payment to bond escrow agent	-	-	-
Issuance premium	-	-	-
Transfers in (note 12)	1,592,416	-	-
Transfers out (note 12)	(1,966,096)	-	-
Sale of City property	7,675	-	-
Total other financing sources (uses)	(366,005)	-	-
Net change in fund balances	(1,911,286)	(4,167,678)	151,716
Fund balances (deficits) - beginning	34,682,341	3,923,101	(63,579)
Fund balances (deficits) - ending	\$ 32,771,055	\$ (244,577)	\$ 88,137

See accompanying notes to basic financial statements

Mission Viejo Housing Authority Fund	Total Nonmajor Funds	2018	2017
\$ -	\$ 6,471,689	\$ 57,241,250	\$ 53,079,452
-	-	2,386,051	2,132,053
-	3,379,412	4,733,428	9,950,436
-	221,398	3,462,740	3,563,912
9,062	72,766	427,381	161,556
-	44,962	664,077	507,538
-	64,958	64,958	4,069,104
-	18,233	773,483	1,415,390
9,062	10,273,418	69,753,368	74,879,441
-	-	1,848,205	1,725,169
-	115,896	7,446,415	7,672,599
-	227,500	20,322,682	19,949,598
42,888	43,522	3,280,501	4,348,923
-	549,502	2,559,113	2,688,907
-	552,844	17,685,584	16,463,740
-	2,868,034	8,046,601	7,671,084
-	5,180,927	13,424,143	7,973,171
-	1,970,000	1,970,000	2,060,000
-	533,671	533,671	378,893
-	179,820	179,820	503,316
-	-	-	1,363,981
42,888	12,221,716	77,296,735	72,799,381
(33,826)	(1,948,298)	(7,543,367)	2,080,060
-	-	-	13,150,000
-	-	-	(14,016,069)
-	-	-	1,107,810
114,603	2,566,278	4,273,297	5,829,812
-	(2,847,648)	(4,813,744)	(6,350,253)
-	-	7,675	1,021
114,603	(281,370)	(532,772)	(277,679)
80,777	(2,229,668)	(8,076,139)	1,802,381
5,271,838	9,576,525	53,390,226	51,587,845
\$ 5,352,615	\$ 7,346,857	\$ 45,314,087	\$ 53,390,226

City of Mission Viejo

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$ (8,076,139)
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	
Capital asset expenditures	5,172,408
Disposition of capital assets	(393,493)
Depreciation expense	(6,983,615)
Long-term debt and compensated absences that have not been included in the governmental fund activity	
Principal payment	1,970,000
Premium amortization	8,552
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds	(375,037)
Compensated absence 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.	(144,910)
Pension and OPEB expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, these expenses include the change in the net pension and OPEB liability, and related change in pension and OPEB amounts for deferred outflows of resources and deferred inflows and resources	
Pension related net adjustments	(1,135,094)
OPEB related net adjustments	361,114
Certain revenues in the governmental funds that are measurable but not available are recorded as a deferred inflows of resources under the modified accrual basis of accounting. These revenues are included on the accrual basis of accounting used in the Government-wide statements. Amount represents the change during the year.	<u>1,540,276</u>
Change in net position of governmental activities	<u>\$ (8,055,938)</u>

See accompanying notes to basic financial statements

CITY OF MISSION VIEJO

Proprietary Funds

Statement of Net Position

June 30, 2018 (With Comparative Totals As of June 30, 2017)

	Business-type Activities			
	Animal Services	Nonmajor Mission Viejo Television	2018	2017
ASSETS				
Current assets:				
Cash and investments	\$ 3,845,115	\$ 982,917	\$ 4,828,032	\$ 4,214,272
Accounts receivable	-	-	-	393,609
Taxes receivable	-	135,357	135,357	133,720
Interfund receivable	10,552	-	10,552	-
Total current assets	3,855,667	1,118,274	4,973,941	4,741,601
Noncurrent assets:				
Capital assets, not depreciated	561,377	-	561,377	561,377
Capital assets, depreciated, net	2,007,877	210,353	2,218,230	2,187,837
Net OPEB asset	51,020	1,164	52,184	-
Total noncurrent assets	2,620,274	211,517	2,831,791	2,749,214
Total assets	6,475,941	1,329,791	7,805,732	7,490,815
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	664,594	42,281	706,875	599,283
OPEB related	10,080	230	10,310	-
Total deferred outflows of resources	674,674	42,511	717,185	599,283
Total assets and deferred outflows of resources	7,150,615	1,372,302	8,522,917	8,090,098
LIABILITIES				
Current liabilities:				
Accounts payable	60,896	16,376	77,272	177,826
Accrued payroll	82,257	3,669	85,926	90,845
Deposits payable	4,268	-	4,268	4,094
Intergovernmental payable	93,617	-	93,617	-
Interfund payable	-	230	230	-
Total current liabilities	241,038	20,275	261,313	272,765
Noncurrent liabilities:				
Compensated absences payable	140,687	13,744	154,431	141,574
Net pension liability	2,186,370	139,093	2,325,463	2,082,820
Net OPEB liability	-	-	-	13,113
Total noncurrent liabilities	2,327,057	152,837	2,479,894	2,237,507
Total liabilities	2,568,095	173,112	2,741,207	2,510,272
DEFERRED INFLOWS OF RESOURCES				
Pension related	107,041	6,810	113,851	77,805
Total deferred inflows of resources	107,041	6,810	113,851	77,805
Total liabilities and deferred inflows of resources	2,675,136	179,922	2,855,058	2,588,077
NET POSITION				
Investment in capital assets	2,569,254	210,353	2,779,607	2,749,214
Unrestricted	1,906,225	982,027	2,888,252	2,752,807
Total net position	\$ 4,475,479	\$ 1,192,380	\$ 5,667,859	\$ 5,502,021

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2018 (With Comparative Totals For the Year Ended June 30, 2017)

	Business-type Activities			
	Animal Services	Nonmajor		2017
		Mission Viejo Television	2018	
OPERATING REVENUES				
Licenses and permits	\$ 781,381	\$ -	\$ 781,381	\$ 704,798
Charges for services	1,303,302	40	1,303,342	1,919,548
Franchise taxes	-	532,776	532,776	529,425
Fines and forfeitures	191,300	-	191,300	186,331
Other	98,892	9,200	108,092	152,325
Total operating revenues	2,374,875	542,016	2,916,891	3,492,427
OPERATING EXPENSES				
Personnel services	2,070,757	101,870	2,172,627	2,566,608
Supplies	174,244	278,828	453,072	200,009
Utilities	50,532	30,421	80,953	80,761
Contractual services	328,280	145,722	474,002	577,485
Rent	191	-	191	3,056
Depreciation	149,488	41,856	191,344	138,663
Other expenses	6,081	-	6,081	7,538
Total operating expenses	2,779,573	598,697	3,378,270	3,574,120
Operating income (loss)	(404,698)	(56,681)	(461,379)	(81,693)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	26,157	8,284	34,441	8,175
Loss on sale of capital assets	-	-	-	(24,386)
Total nonoperating revenues (expenses)	26,157	8,284	34,441	(16,211)
Income (loss) before contributions and transfers	(378,541)	(48,397)	(426,938)	(97,904)
Transfers in (note 12)	540,447	-	540,447	520,440
Change in net position	161,906	(48,397)	113,509	422,536
Total net position - beginning, as restated (note 24)	4,313,573	1,240,777	5,554,350	5,079,485
Total net position - ending	\$ 4,475,479	\$ 1,192,380	\$ 5,667,859	\$ 5,502,021

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2018 (With Comparative Totals For the Year Ended June 30, 2017)

	Business-type Activities - Enterprise Funds			
	Nonmajor		2018	2017
	Animal Services	Mission Viejo Television		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 2,862,111	\$ 540,379	\$ 3,402,490	\$ 3,105,440
Payments to suppliers	(541,714)	(573,244)	(1,114,958)	(616,446)
Payments to employees	(1,936,083)	(90,840)	(2,026,923)	(2,084,198)
Net cash provided (used) by operating activities	384,314	(123,705)	260,609	404,796
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash transfers in	540,447	-	540,447	520,440
Net cash provided (used) by noncapital financing activities	540,447	-	540,447	520,440
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(10,795)	(210,942)	(221,737)	(950,639)
Net cash provided (used) by capital and related financing activities	(10,795)	(210,942)	(221,737)	(950,639)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	26,157	8,284	34,441	8,175
Net cash provided (used) by investing activities	26,157	8,284	34,441	8,175
Net increase (decrease) in cash and cash equivalents	940,123	(326,363)	613,760	(17,228)
Cash and cash equivalents, beginning of year	2,904,992	1,309,280	4,214,272	4,231,500
Cash and cash equivalents, end of year	\$ 3,845,115	\$ 982,917	\$ 4,828,032	\$ 4,214,272

(Continued)

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2018 (With Comparative Totals For the Year Ended June 30, 2017)

	Business-type Activities - Enterprise Funds			
	Nonmajor		2018	2017
	Animal Services	Mission Viejo Television		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income	\$ (404,698)	\$ (56,681)	\$ (461,379)	\$ (81,693)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	149,487	41,857	191,344	138,663
Changes in assets and liabilities:				
Deferred outflows-pension related	(101,040)	(6,552)	(107,592)	(80,452)
Deferred outflows-OPEB related	10,464	239	10,703	-
Deferred inflows-pension related	33,890	2,156	36,046	26,099
Net pension liability	228,130	14,513	242,643	448,233
Net OPEB liability (asset)	(33,223)	(758)	(33,981)	13,113
Accounts receivable	393,619	-	393,619	(393,232)
Taxes receivable	-	(1,637)	(1,637)	6,245
Interfund receivable	(10,552)	-	(10,552)	-
Prepaid items	-	-	-	262,628
Accounts payable	17,441	(118,005)	(100,564)	107,249
Accrued payroll	(4,650)	(269)	(4,919)	25,268
Deposits payable	174	-	174	345
Intergovernmental payable	93,617	-	93,617	(117,819)
Interfund payable	-	230	230	-
Accrued compensated absences	11,655	1,202	12,857	50,149
Total Adjustments	789,012	(67,024)	721,988	486,489
Net cash provided (used) by operating activities	\$ 384,314	\$ (123,705)	\$ 260,609	\$ 404,796

There are no significant noncash investing, capital, or financing activities for the years ended June 30, 2018 and 2017

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2018 (With Comparative Totals As of June 30, 2017)

	Successor Agency to the Community Development Agency of the City of Mission Viejo Private- purpose Trust Fund		Community Facilities District 92-1 Agency Fund	
	2018	2017	2018	2017
ASSETS				
Cash and investments	\$ 1,632,666	\$ 1,951,965	\$ -	\$ -
Prepaid items	18,381	22,606	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	236,706
Total assets	<u>1,651,047</u>	<u>1,974,571</u>	<u>\$ -</u>	<u>\$ 236,706</u>
LIABILITIES				
Accounts payable	2,182	14,303	\$ -	\$ -
Intergovernmental payable-City	17,745	572,852	-	-
Intergovernmental payable	-	29,318	-	-
Due to bondholders	-	-	-	236,706
Total liabilities	<u>19,927</u>	<u>616,473</u>	<u>\$ -</u>	<u>\$ 236,706</u>
NET POSITION				
Unrestricted	1,631,120	1,358,098		
Total net position	<u>\$ 1,631,120</u>	<u>\$ 1,358,098</u>		

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

Fiduciary Funds

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	Successor Agency to the Community Development Agency of the City of Mission Viejo Private- purpose Trust Fund	
	2018	2017
ADDITIONS		
Taxes	\$ 1,788,215	\$ 2,403,050
Total additions	<u>1,788,215</u>	<u>2,403,050</u>
DEDUCTIONS		
Administrative expenses	219,716	300,183
Contributions to other governments	1,295,309	1,235,364
Other expenses	168	14,801
Total deductions	<u>1,515,193</u>	<u>1,550,348</u>
Change in net position	273,022	852,702
Net Position - beginning of year	1,358,098	505,396
Net Position - end of year	<u>\$ 1,631,120</u>	<u>\$ 1,358,098</u>

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(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 the former Community Development 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 the 2016 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, 2018

(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. MVHA meets the criteria of a blended component unit because it is governed by the same governing body of the City. Separate financial statements are not prepared for the MVHA.

(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, 2018

- (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 another 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 non-major 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, 2018

(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.

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 non-exchange 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 non-exchange 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, 2018

(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 non-exchange 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, 2018

(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 *non-operating* 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 non-operating 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 non-exchange 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 another 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 for the year ended June 30, 2018. 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. Because this fund is custodial in nature, only assets and equal liabilities are recorded in agency funds.

(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 capital project fund was established to account for receipts and expenditures of developer fees to fund various capital construction projects in the City.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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

(c) Fund Classifications, (continued)

Grants Fund – This special revenue fund represents monies received from 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 various housing, transportation, park and facility program and capital improvement projects.

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 former 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 and the cities of Aliso Viejo, Laguna Hills, Laguna Niguel and Rancho Santa Margarita and share operating and capital costs of the program with those cities on a basis proportional to population.

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

Special Revenue Funds - The City maintains a total of eight special revenue funds: two major special revenue funds discussed above and six nonmajor special revenue funds. The other funds account for financial resources related to gas tax, library operations, law enforcement grants, air quality, Measure M and Certified Access Specialist program (CASp). These specific revenues are legally restricted and expended for specific purposes.

Capital Projects Funds - The City maintains a total of two capital projects funds. These funds account for the resources accumulated to fund various capital construction projects in the City.

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. The debt related to this agency fund was paid off during the year and is closed as of June 30, 2018.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(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 and the Housing Authority and Successor Agency funds. 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) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or 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 net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until that time. The government has three items that qualify for reporting in this category, deferred outflows – pension related, deferred outflows – Other Post Employment Benefits (OPEB) related and deferred refunding charge. This first item relates to the recording of the pension liability. The second item relates to the recording of the OPEB asset. The deferred refunding charge results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. One of these items arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue related to items received outside the City's availability period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, deferred inflows – pension related, is associated with the recording of the pension liability.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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

(f) Interfund Note

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

(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. Donated or annexed capital assets are recorded at acquisition value at the date of donation or annexation. 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
Park improvements	15 years
Equipment, furniture and vehicles	5-7 years
Computer Software	10 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
Water Rights	20 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:

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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

(g) Capital Assets, (continued)

- 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.

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.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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

(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.

(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. These reports can also be located on the City's website.

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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

(m) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan), the assets of which are held by the California Employers' Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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

(m) Other Postemployment Benefits (OPEB), (continued)

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

(n) Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable input reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

(o) Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived. In addition, certain minor reclassifications of the prior year data have been made to enhance their comparability to the current year.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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

(p) Implementation of New Pronouncement

GASB has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows or resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans, this Statement identifies the methods and assumptions that are required to 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.

2) Cash and Investments

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 40,439,168
Restricted assets:	
Cash and cash investments for pensions	352,608
Cash and cash investments with fiscal agent	5,363,672
Fiduciary Fund Statement of Assets and Liabilities:	
Cash and investments	<u>1,632,666</u>
Total cash and investments	<u>\$ 47,788,114</u>

Cash and investments at June 30, 2018, consisted of the following:

Cash on hand	\$ 4,655
Deposits with financial institutions	1,764,664
Investments	<u>46,018,795</u>
Total cash and investments	<u>\$ 47,788,114</u>

Five 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, the Pension Plan 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, 2018

(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) at June 30, 2018. 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
Municipal Securities	5 years	Greater of \$5M or 20%	Greater of \$2M or 5% of total portfolio
Supranationals	5 years	Greater of \$4M or 20%	Greater of \$2M or 5% 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%	N/A
Orange County Investment Pool	N/A	Greater of \$5M or 10%	N/A
California Asset Management Pool	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

* 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, 2018

(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 2016 Lease Revenue Refunding Bonds:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U S 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, 2018**

(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, 2018, the average duration of the Benchmark Index was 0.88 for the City portfolio.

City of Mission Viejo:

<u>Investment Type</u>	<u>Market Value</u>	<u>Modified Duration (in years)</u>
US Treasury Notes	\$ 5,944,589	1.03
US Government Sponsored Entities Securities	16,745,960	1.66
Supranational Securities	1,976,446	0.82
Government Money Market Funds	1,020,792	-
Local Agency Investment Fund	10,253,771	-
California Asset Management Pool	4,295,361	-
Money Market Fund	352,608	-
Total	<u>\$ 40,589,527</u>	0.88

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

(2) Cash and Investments, (continued)

Interest Rate Risk, (continued)

Mission Viejo Housing Authority:

Investment Type	Market Value	Modified Duration (in years)
Local Agency Investment Fund	\$ 65,596	-
Total	<u>\$ 65,596</u>	-

Mission Viejo Community Development Financing Authority:

Investment Type	Market Value	Modified Duration (in years)
Government Money Market Funds	\$ 5,363,672	-
Total	<u>\$ 5,363,672</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, 2018

(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.

<u>Investment Type</u>	<u>Market Value</u>	<u>Minimum Legal Rating</u>	<u>Aaa*</u>	<u>Not Rated</u>
US Treasury Notes	\$ 5,944,589	N/A	\$ 5,944,589	\$ -
US Government Sponsored Entities securities	16,745,960	N/A	16,745,960	-
Supranational securities	1,976,446	AA	1,976,446	-
Government money market funds	1,020,792	AAA	1,020,792	-
Local Agency Investment Fund	10,319,367	N/A	-	10,319,367
California Asset Management Pool	4,295,361	N/A	4,295,361	-
Money market funds	352,608	N/A	352,608	-
Held by Trustee:				
Government money market funds	<u>5,363,672</u>	AAA	<u>5,363,672</u>	-
Total	<u>\$ 46,018,795</u>		<u>\$ 35,699,428</u>	<u>\$ 10,319,367</u>

*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, 2018 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:

<u>Portfolio</u>	<u>Issuer</u>	<u>Investment Type</u>	<u>%</u>	<u>Reported Amount</u>
City	Federal Farm Credit	US Government Sponsored Entities Securities	14.7%	\$5,921,615
City	Federal Home Loan Bank	US Government Sponsored Entities Securities	9.8%	\$3,923,979
City	Federal National Mortgage Association	US Government Sponsored Entities Securities	12.3%	\$4,931,357

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(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, 2018, 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 \$65 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 \$1.55 million, which represent 1.74% of the total LAIF portfolio of \$88.8 billion as of June 30, 2018. 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 193 days.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

(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 35 days.

Fair Value Measurement

The City categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2018:

Fair Value Hierarchy

	Investments not Measured at Fair Value	Level 1	Level 2	Level 3	Total
US Treasury Notes	\$ -	\$ -	\$ 5,944,589	\$ -	\$ 5,944,589
US Government Sponsored Entities securities	-	-	16,745,960	-	16,745,960
Supranational securities	-	-	1,976,446	-	1,976,446
Government money market funds	6,737,072	-	-	-	6,737,072
CAMP	4,295,361	-	-	-	4,295,361
LAIF	10,319,367	-	-	-	10,319,367
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total investments	\$ 21,351,800	\$ -	\$ 24,666,995	\$ -	\$ 46,018,795

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

(3) Interfund Balances

Interfund balances at June 30, 2018 consisted of the following:

Payable Fund	Receivable		
	General Fund	Animal Services Fund	Total
General Fund	\$ -	\$ 10,322	\$ 10,322
Developer Fees Fund	272,909	-	272,909
Grants Fund	72,826	-	72,826
Housing Authority	458	-	458
Other Governmental Funds	637,391	-	637,391
MVTV Fund	-	230	230
Total	\$ 983,584	\$ 10,552	\$994,136

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.

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

Intergovernmental receivable/payable - Successor Agency/City at June 30, 2018 consisted of the following:

Intergovernmental Receivable	Intergovernmental Payable	Amount
General Fund	Successor Agency	\$ 17,745
	Total	\$ 17,745

The intergovernmental receivable/payable between the General Fund and the Successor Agency Fund represents an amount due the General Fund for reimbursement of administration costs incurred by the City on behalf of the Successor Agency through June 30, 2018. Amounts are generally reimbursed in the first quarter of the following fiscal year.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(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, 2018, the outstanding balance is \$222,530 which includes unpaid accrued interest of \$18,884, and is reported in the Housing Authority, a major special revenue fund.

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, 2018, the amount due from the developer for these costs was \$4,359,195 and is reported in the General Fund.

In March 2010, the former Mission Viejo Community Development Agency entered into an affordable housing agreement with Lennar homes which included the development of 22 affordable units located at The Ridge housing development. 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, 2018, 20 of these loans are still outstanding for a total balance of \$2,970,451 which is reported in the Housing Authority, a major special revenue fund.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(6) Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

Governmental activities:	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2018</u>
Capital assets, not depreciated:				
Land	\$ 48,737,312	\$ -	\$ -	\$ 48,737,312
Rights of way	243,853,387	-	-	243,853,387
Construction in progress	7,750,179	5,014,562	(10,202,480)	2,562,261
Infrastructure – Street network:				
Streets	<u>201,614,782</u>	<u>-</u>	<u>-</u>	<u>201,614,782</u>
Total capital assets, not depreciated	<u>501,955,660</u>	<u>5,014,562</u>	<u>(10,202,480)</u>	<u>496,767,742</u>
Capital assets, being depreciated:				
Buildings and improvements	123,653,501	3,632,926	(725,766)	126,560,661
Park improvements	-	5,539,870	-	5,539,870
Equipment and furniture	11,076,270	1,089,897	(232,999)	11,933,168
Vehicles	1,211,194	-	(38,308)	1,172,886
Infrastructure – Street network:				
Curbs and gutters	34,034,819	-	-	34,034,819
Sidewalks	31,154,180	-	-	31,154,180
Roadway bridges	6,289,000	-	-	6,289,000
Traffic signals	11,274,983	-	-	11,274,983
Infrastructure – Medians and Parkways network:				
Medians and Parkways	38,357,723	-	-	38,357,723
Infrastructure – Storm Drains network:				
Storm Drains	40,729,530	97,633	-	40,827,163
Water Rights	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Total capital assets, being depreciated	<u>\$298,781,200</u>	<u>\$10,360,326</u>	<u>\$(997,073)</u>	<u>\$308,144,453</u>

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

(6) Capital Assets (Continued)

	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2018</u>
Governmental activities:				
Less accumulated depreciation for:				
Buildings and improvements	\$ (53,800,340)	\$(3,857,661)	\$ 333,026	\$ (57,324,975)
Equipment and furniture	(8,627,535)	(709,902)	232,246	(9,105,191)
Vehicles	(964,924)	(96,502)	38,308	(1,023,118)
Infrastructure – Street network:				
Curbs and gutters	(12,157,495)	(454,646)	-	(12,612,141)
Sidewalks	(11,441,666)	(415,863)	-	(11,857,529)
Roadway bridges	(2,417,554)	(83,853)	-	(2,501,407)
Traffic signals	(8,902,650)	(231,530)	-	(9,134,180)
Infrastructure – Medians and Parkways Network:				
Medians and Parkways	(11,952,181)	(511,439)	-	(12,463,620)
Infrastructure – Storm Drains Network:				
Storm Drains	(14,965,073)	(572,219)	-	(15,537,292)
Water Rights	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>(100,000)</u>
Total accumulated depreciation	<u>(125,279,418)</u>	<u>(6,983,615)</u>	<u>603,580</u>	<u>(131,659,453)</u>
Total capital assets being depreciated, net	<u>173,501,782</u>	<u>(3,376,711)</u>	<u>(393,493)</u>	<u>176,485,000</u>
Governmental activities				
Capital assets, net	<u>\$675,457,442</u>	<u>\$8,391,273</u>	<u>\$(10,595,973)</u>	<u>\$673,252,742</u>

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(6) Capital Assets (Continued)

Business-type activities:	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2018</u>
Capital assets, not depreciated:				
Land	\$ 561,377	\$ -	\$ -	\$ 561,377
Total capital assets, not depreciated	<u>561,377</u>	<u>-</u>	<u>-</u>	<u>561,377</u>
Capital assets, being depreciated:				
Buildings	2,434,204	-	-	2,434,204
Improvements other than buildings	912,847	-	-	912,847
Machinery and equipment	<u>1,108,572</u>	<u>221,737</u>	<u>(11,438)</u>	<u>1,318,871</u>
Total capital assets, being depreciated	<u>4,455,623</u>	<u>221,737</u>	<u>(11,438)</u>	<u>4,665,922</u>
Less accumulated depreciation for:				
Buildings	(1,105,198)	(75,751)	-	(1,180,949)
Improvements other than buildings	(262,016)	(28,342)	-	(290,358)
Machinery and equipment	<u>(900,572)</u>	<u>(87,251)</u>	<u>11,438</u>	<u>(976,385)</u>
Total accumulated depreciation	<u>(2,267,786)</u>	<u>(191,344)</u>	<u>11,438</u>	<u>(2,447,692)</u>
Total capital assets, being depreciated, net	<u>2,187,837</u>	<u>30,393</u>	<u>-</u>	<u>2,218,230</u>
Business-type activities Capital assets, net	<u>\$2,749,214</u>	<u>\$ 30,393</u>	<u>\$ -</u>	<u>\$2,779,607</u>

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(6) Capital Assets (Continued)

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

General Government – Legislative	\$	138
General Government – Management and Support		1,643,302
Public Safety		71,488
Community Development		10,803
Engineering and Transportation		474,375
Infrastructure Maintenance		2,865,819
Recreation, Community and Library Services		1,917,690
Total	\$	<u>6,983,615</u>

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

Animal Services	\$	149,488
Mission Viejo Television		41,856
Total	\$	<u>191,344</u>

(7) Interfund Note Payable and Receivable

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 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. As of June 30, 2018, the loan balance is \$2,125,000.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(8) Long-Term Liabilities

Changes in the long-term liabilities for the year ended June 30, 2018 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	\$18,400,000	\$ -	\$(1,200,000)	\$17,200,000	\$1,300,000	\$15,900,000
1999 Series B bonds	7,347,326	-	-	7,347,326	-	7,347,326
2016 Refunding bonds	12,290,000	-	(770,000)	11,520,000	780,000	10,740,000
Bond premium	1,033,956	-	(73,854)	960,102	73,854	886,248
Total bonds payable	<u>39,071,282</u>	<u>-</u>	<u>(2,043,854)</u>	<u>37,027,428</u>	<u>2,153,854</u>	<u>34,873,574</u>
Other liabilities:						
Net pension liability	17,392,791	3,940,441	(1,925,395)	19,407,837	-	19,407,837
Net OPEB liability	129,887	-	(129,887)	-	-	-
Compensated absences	1,695,094	1,256,098	(1,111,188)	1,840,004	1,177,072	662,932
Total other liabilities	<u>19,217,772</u>	<u>5,196,539</u>	<u>(3,166,470)</u>	<u>21,247,841</u>	<u>1,177,072</u>	<u>20,070,769</u>
Governmental activities						
Total Long-term liabilities	<u>\$58,289,054</u>	<u>\$5,196,539</u>	<u>\$(5,210,324)</u>	<u>\$58,275,269</u>	<u>\$3,330,926</u>	<u>\$54,944,343</u>
<u>Business-type Activities:</u>						
Other liabilities:						
Net pension liability	\$2,082,820	\$473,217	\$(230,574)	\$2,325,463	\$ -	\$2,325,463
Net OPEB liability	13,113	-	(13,113)	-	-	-
Compensated absences	141,574	150,468	(137,611)	154,431	105,326	49,105
Business-type Activities						
Total Long-term liabilities	<u>\$2,237,507</u>	<u>\$623,685</u>	<u>\$(381,298)</u>	<u>\$2,479,894</u>	<u>\$105,326</u>	<u>\$2,374,568</u>

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

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(8) Long-Term Liabilities (continued)

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 \$2,246,000 was fully funded at June 30, 2018. The amount of principal outstanding at June 30, 2018 is \$17,200,000.

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 terminated on July 31, 2018. 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, 2018, letter of credit commitment fees in the amount of \$162,317 were paid to Union Bank.

On July 31, 2018, the Authority converted the bonds to a fixed interest rate. See subsequent event footnote 23.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

(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>
2019	\$ 1,300,000	\$ 248,330	\$ 1,548,330
2020	1,300,000	228,830	1,528,830
2021	1,400,000	208,586	1,608,586
2022	1,500,000	186,842	1,686,842
2023	1,500,000	164,342	1,664,342
2024	1,600,000	141,099	1,741,099
2025 – 2029	<u>8,600,000</u>	<u>335,893</u>	<u>8,935,893</u>
	<u>\$ 17,200,000</u>	<u>\$ 1,513,922</u>	<u>\$ 18,713,922</u>

* The above debt service requirements to maturity were calculated using the interest rate as of June 30, 2018 of 1.50%.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(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, 2016 an additional \$7,232,326 of Series B Bonds were issued.

Through July 31, 2018, 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%. The 1999 Series A Bonds were converted to non-rated fixed interest rate bonds on July 31, 2018. Interest from July 31, 2018 is calculated at the 3.34% Series A fixed rate plus 1.0% per the Series B Indenture. 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 an investment grade fixed interest rate security 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, 2018, the outstanding principal is \$7,347,326 and the unpaid interest is \$2,620,709.

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, 2018.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

(8) Long-Term Liabilities, (continued)

CDA 2016 Lease Revenue Refunding Bonds

In July 2016, the Mission Viejo Community Development Financing Authority issued a total of \$13,150,000 in Lease Revenue Refunding Bonds, Series 2016. The interest rate on the 2016 Bonds range from 2.0% to 4.0% and will mature on May 1, 2031. These bonds were issued to advance refund the outstanding 2009 Lease Revenue Refunding Bonds issued by the Authority and pay costs of issuance of the Series 2016 Bonds. Proceeds from the 2016 Bonds were used to legally defease the 2009 Bonds on August 10, 2016.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$979,528. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2031 using the effective-interest method. The City completed the advance refunding to reduce its total debt service payments over the next 15 years by \$3.1 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1.4 million, representing 10.25% savings of refunded bonds.

Debt service requirements to maturity of the 2016 Lease Revenue Refunding Bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 780,000	\$ 354,463	\$ 1,134,463
2020	805,000	331,063	1,136,063
2021	825,000	306,913	1,131,913
2022	855,000	282,163	1,137,163
2023	875,000	256,512	1,131,512
2024 - 2028	4,675,000	831,462	5,506,462
2029 - 2031	<u>2,705,000</u>	<u>147,350</u>	<u>2,852,350</u>
	<u>\$ 11,520,000</u>	<u>\$ 2,509,926</u>	<u>\$ 14,029,926</u>

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(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 2011 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 custodial fund for any delinquent CFD bond payments. The bonds are limited obligations of the CFD payable solely from the special tax or funds held pursuant to the bond indenture agreement. The final payment on these bonds was made on August 1, 2017. This obligation is paid in full and there are no amounts held by the City in relation to these bonds at June 30, 2018.

(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.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(10) Net Position, (continued)

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.

As of June 30, 2018, 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:

Non-spendable 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, 2018.

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, 2018 were reported solely in the General Fund.

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 assignment for Economic/Budgetary Uncertainty in the amount of \$15.5 million.

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.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(11) Fund Balances (continued)

Fund Balance Classifications:

Fund balances in the governmental funds at June 30, 2018 have been classified as follows:

	General Fund	Developer Fees	Grants Fund	MV Housing	Nonmajor Funds	Total Governmental Funds
Non Spendable						
Prepaid items	\$ 30,386	\$ -	\$ -	\$ -	\$ -	\$ 30,386
Long term receivables	5,198	-	-	-	-	5,198
Deposits	430	-	-	-	-	430
Subtotal	<u>36,014</u>	-	-	-	-	<u>36,014</u>
Restricted for:						
General gvmt-mgmt & support	158,158	-	-	-	-	158,158
Community development	-	-	-	5,352,615	8,075	5,360,690
Public safety	-	-	-	-	3,915	3,915
Public works	-	-	-	-	1,588,609	1,588,609
Recreation/community serv.	-	-	88,137	-	-	88,137
Library services	-	-	-	-	936,498	936,498
Debt service	-	-	-	-	5,223,559	5,223,559
Pensions	3,091,703	-	-	-	-	3,091,703
Subtotal	<u>3,249,861</u>	-	<u>88,137</u>	<u>5,352,615</u>	<u>7,760,656</u>	<u>16,451,269</u>
Assigned to:						
Pension and OPEB liabilities	1,000,000	-	-	-	-	1,000,000
Capital asset replacement	3,500,000	-	-	-	-	3,500,000
Subtotal	<u>4,500,000</u>	-	-	-	-	<u>4,500,000</u>
Unassigned	<u>24,985,180</u>	<u>(244,577)</u>	-	-	<u>(413,799)</u>	<u>24,326,804</u>
Totals	<u>\$32,771,055</u>	<u>\$(244,577)</u>	<u>\$88,137</u>	<u>\$5,352,615</u>	<u>\$7,479,696</u>	<u>\$45,314,087</u>

In June, 2017, the City Council established the General Fund target reserve level at \$29.0 million for the 2017-19 budget cycle or 49 percent of 2018-19 General Fund revenues. The minimum level reserve was set at \$26.0 million and 44 percent. Reserves for the purpose of this calculation include assigned and unassigned fund balance.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(12) Interfund Transfers

Interfund transfers for the year ended June 30, 2018 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$1,592,416
Animal Services Enterprise Fund	General Fund	540,447
Housing Authority Fund	General Fund	114,603
Other Governmental Funds	General Fund	1,311,046
Other Governmental Funds	Other Governmental Funds	1,255,232
Total		<u>\$4,813,744</u>

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

Transfers to Major Funds

The \$1,592,416 transferred to the General Fund was received from the CDFA 1999 Mall Bonds Debt Service Fund representing the 2016 release of the rolling reserve.

A transfer of \$540,447 was made from General Fund 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.

The \$114,603 transfer made from the General Fund to the Housing Authority Fund was to transfer 20% of the former redevelopment agency loan in accordance with redevelopment dissolution law.

Transfers To Other Governmental Funds

Of the \$1,311,046 transferred from the General Fund to other governmental funds, \$1,139,746 was transferred to the CDFA 2016 Lease Revenue Refunding Bonds Debt Service Fund for payment of the debt service on those bonds and \$171,300 was transferred to the Library Operations Fund to fund operations.

The \$1,255,232 transferred from other governmental funds to other governmental funds, represents mall sales tax pledged for 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, 2018

(13) Fund Deficits and Expenditures in Excess of Appropriations

The following funds reported deficits in fund balance as of June 30, 2018:

	<u>Deficit Balances</u>
Major Governmental Funds:	
Capital Projects Fund:	
Developer Fees Fund	\$(244,577)
Non-major Governmental Funds:	
Special Revenue Fund:	
Measure M Fund	(280,960)
Capital Projects Fund:	
Capital Projects Fund	(132,839)

Deficits in all funds will be remedied by apportionments received in future years and as grants are billed and received.

(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 116 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. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustments. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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

Liability

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.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cipia.org/protection/coverage-programs>.

Workers' Compensation

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 2017-18 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 an aggregate limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sub-limit during the 3-year policy term.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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

Purchased Insurance, (continued)

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 \$121,971,626. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

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 \$74,379,110. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

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.

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 City 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 facilitated 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 2017-18.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(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, Santa Ana 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 February 3, 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, Seal Beach and Westminster. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, Seal Beach and Westminster 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.

(16) Significant Commitments

Significant construction contracts as of June 30, 2018 consisted of the following:

<u>Projects</u>	<u>Commitment</u>
Trash & Runoff Abatement Project	\$640,940
Marguerite Corridor Traffic Signal Synchronization	\$390,675
Oso/I-5 On Ramp Improvement	\$144,670

(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, 2018 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ 38,973
2020	<u>16,239</u>
Total	<u>\$ 55,212</u>

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(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 \$18,500, 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 are listed in the Plan's June 30, 2016 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website.

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, 2018

(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, 2017 (measurement date) are summarized as follows:

Hire Date	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 – 60	50 – 62
Monthly benefits, as % of eligible compensations	2.0% to 2.7%	1.092% to 2.000%	1.0% to 2.0%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	20.282%	20.282%	20.282%

Employees Covered

At June 30, 2016 (valuation date), the following employees were covered by the benefit terms:

	Miscellaneous
Inactive employee or beneficiaries currently receiving benefits	85
Inactive employees entitled to but not yet receiving benefits	112
Active employees	145
	342

Contribution Description

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. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan members contributions requirements are classified as plan member contributions.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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

The June 30, 2016 valuation was rolled forward to determine the June 30, 2017 total pension liability, based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) 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, 2016 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 at www.calpers.ca.gov under Forms and Publications.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(19) Defined Benefit Pension Plan (continued)

B. Net Pension Liability, (continued)

Change of Assumptions

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, 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 of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 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.

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 (public Employees' Retirement 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, 2018**

(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. The target allocation shown was adopted by the Board effective July 1, 2014.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Year 11+²</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)
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

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

(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.

Miscellaneous Plan			
	Increase (Decreases)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) – (b)
Balance at: 06/30/2016	\$ 76,024,004	\$ 56,558,393	\$ 19,465,611
Changes Recognized for the Measurement Period:			
• Service Cost	2,034,934	-	2,034,934
• Interest on the Total Pension Liability	5,695,055	-	5,695,055
• Changes of Benefit Terms	-	-	-
• Changes of Assumptions	4,804,274	-	4,804,274
• Differences between Expected and Actual Experience	(914,327)	-	(914,327)
• Plan to Plan Resource Movement	-	-	-
• Contributions – Employer	-	2,241,112	(2,241,112)
• Contributions – Employees	-	875,578	(875,578)
• Net Investment Income	-	6,319,062	(6,319,062)
• Benefit Payments, including Refunds of Employee Contributions	(2,560,608)	(2,560,608)	-
• Administrative Expense	-	(83,505)	83,505
• Other Miscellaneous Income	-	-	-
Net changes during 2016-17	\$9,059,328	\$6,791,639	\$2,267,689
Balance at: 06/30/2017	\$85,083,332	\$63,350,032	\$21,733,300

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(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 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Plan's Net Pension Liability	\$33,548,958	\$21,733,300	\$11,954,862

Subsequent Events

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

Amortization of Deferred Outflows and Deferred Inflows of Resources

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 (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The EARSL for the Plan for the measurement period ending June 30, 2017 is 3.8 years, which was obtained by dividing the total service years of 1,301 (the sum of remaining service lifetimes of the active employees) by 342 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. 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, 2018**

(19) Defined Benefit Pension Plan, (continued)

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

For fiscal year ended June 30, 2018, the City recognized pension expense of \$3,639,424.

The following table presents the deferred outflows and deferred inflows of resources related to pensions as of June 30, 2018.

Miscellaneous Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 3,539,991	\$ (343,301)
Difference between expected and actual experience	26,167	(720,728)
Contributions made after the measurement date	2,237,018	-
Net difference between projected and actual earnings on pension plan investments	803,127	-
Total	\$ 6,606,303	\$ (1,064,029)

The City reported \$2,237,018 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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 June 30:	Deferred Outflows/(Inflows) of Resources, Net
2018	\$ 734,793
2019	1,878,918
2020	1,148,699
2021	(457,154)
2022	-
Thereafter	-

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(20) Notes Receivable

On April 22, 2016, the City of Mission Viejo entered into an agreement to loan Santa Margarita Water District (SMWD) \$3,000,000 for the design and construction of an Advanced Purified Water Treatment Facility for the benefit of The Lake Mission Viejo Association, which is comprised solely of residents of the City of Mission Viejo. The loan will be repaid by Santa Margarita Water District at an interest rate of 2.5% over a period of 20 years commencing October 1, 2016.

The loan was made with the assets held in the Section 115 pension trust fund. Repayment by SMWD on this loan will be repaid directly to the pension trust fund. All assets in the pension trust fund are restricted for the benefit of members and beneficiaries of the City's pension plan.

(21) Other Post Employment Benefits (OPEB)

A. General Information about the OPEB Plan

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.

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.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

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

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

Employees Covered

As of the June 30, 2017 measurement date, the following current and former employees were covered by the benefit terms under the RIP plan:

Inactive employee or beneficiaries currently receiving benefits	52
Inactive employees entitled to but not yet receiving benefits	-
Active plan members	158
	210

Contributions

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 annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2018, the City's cash contributions were \$170,250 in payments to the trust.

B. Net OPEB Asset

Actuarial Methods and Assumptions Used to Determine Total OPEB Asset

The City's net OPEB asset was measured as of June 30, 2017 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2017 that was rolled back to determine the June 30, 2016 total OPEB asset, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 75
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	7.00%
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	4%

Note:

⁽¹⁾ Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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

B. Net OPEB Asset, (continued)

Actuarial Methods and Assumptions Used to Determine Total OPEB Asset, (continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	STRATEGY 1	
	% of Portfolio	Assumed Gross Return
US Large Cap	43.0%	7.795%
US Small Cap	23.0%	7.795%
Long-Term Corporate Bonds	12.0%	5.295%
Long-Term Government Bonds	6.0%	4.500%
Treasury Inflation Protected Securities	5.0%	7.795%
US Real Estate	8.0%	7.795%
All Commodities	3.0%	7.795%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total OPEB asset was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

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

B. Net OPEB Asset, (continued)

Change in the OPEB Asset

The changes in the net OPEB asset are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2016 <i>(Valuation Date June 30, 2017)</i>	\$8,681,960	\$8,982,565	\$ (300,605)
Changes recognized for the measurement period:			
Service cost	132,400	-	132,400
Interest on total OPEB liability	594,854	-	594,854
Contributions - employer	-	347,000	(347,000)
Net investment income	-	946,200	(946,200)
Benefit payments	(496,836)	(496,836)	-
Administrative expense	-	(4,804)	4,804
Net Changes	230,418	791,560	(561,142)
Balance at June 30, 2017 <i>(Measurement Date June 30, 2017)</i>	\$8,912,378	\$9,774,125	\$ (861,747)

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability (Asset)	\$129,269	\$(861,747)	\$(1,702,367)

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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

B. Net OPEB Asset, (continued)

Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB asset of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability (Asset)	\$(1,583,810)	\$(861,747)	\$(59,716)

OPEB Plan Fiduciary Net Position

The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94429-2703.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB asset and fiduciary net position are recognized in OPEB expense systematically over time.

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

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

Net difference between projected and actual earnings on OPEB plan investments	5 years straight-line amortization
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CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

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

C. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$214,142. As of fiscal year ended June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 170,250	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ 170,250</u>	<u>-</u>

The \$170,250 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as an addition of the net OPEB asset during the fiscal year ending June 30, 2019.

(22) 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 employee's 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, 2018, 74 employees were eligible to participate in this plan. Required employer contributions were made during the year in the amount of \$71,150 and required employee contributions totaled \$61,193. At June 30, 2018, there were no retirees eligible to receive the City's contributions under this plan.

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 401(a). Consequently, these assets are not included in the City's financial statements.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

(23) Subsequent Event

The Mission Viejo Community Development Financing Authority exercised the option of converting the Variable Rate Demand Revenue Bonds 1999 Series A (Mall Bonds) from a variable rate debt to a fixed rate debt on July 31, 2018. The Mall Bonds were issued in 1999 to finance public capital improvements at the Mission Viejo Mall. As part of the debt issue, a Letter of Credit was required to guarantee the repayment of principal and interest of the debt. Due to challenges faced by the City with keeping a Letter of Credit in place and increasing Letter of Credit fees, the City Council approved the conversion of the Mall Bonds from variable rate to a non-rated fixed rate bonds at the June 12, 2018 Council meeting through private placement with Opus Bank. The conversion fixes the rate of the debt at 3.34% for the life of the bond and eliminates the Letter of Credit and other variable rate fees which are currently \$300,000 annually. The conversion also provided the opportunity to use the bond reserves to pay down the principal balance of the bonds from \$17.2 million to \$15.2 million thus further reducing the cost of debt. Overall, it is estimated that the City will save approximately \$1.6 million overall, or \$146,000 annually in carrying costs over the remaining life of the bonds, which are set to mature in 2028.

(24) Prior Year Restatements

Change in Accounting Principle

As discussed in Note 1, the City implemented GASB Statement 75 effective July 1, 2017. GASB Statement 75, among other provisions, replaced prior guidance with respect to the reporting of OPEB, and established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, the City's net OPEB asset/liability was not previously recorded on the statement of net position. GASB 75 requires that accounting changes adopted to conform to the provision of the Statement be applied retroactively by restating financial statements. Restatement of the comparative financial data for the prior period presented is not practical due to the unavailability of information from the OPEB plan, therefore the provisions of GASB Statement 75 were not applied to prior periods. The cumulative effects of applying the provisions of GASB Statement 75 have been reported as a restatement of beginning net position for the year ended June 30, 2018 in accordance with the Statement.

	Governmental Activities	Business-type Activities	
		Animal Services Fund	Mission Viejo Television Fund
Beginning net position, as previously reported	\$684,957,852	\$4,262,920	\$1,239,101
Change in Accounting Principle-GASB 75	738,276	50,653	1,676
Beginning net position at July 1, 2017, as restated	<u>\$685,696,128</u>	<u>\$4,313,573</u>	<u>\$1,240,777</u>



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MISSION VIEJO

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Years*

Measurement Period	2016-17	2015-16	2014-15	2013-14
TOTAL PENSION LIABILITY				
Service Cost	\$ 2,034,934	\$ 1,906,461	\$ 1,891,776	\$ 2,063,288
Interest	5,695,055	5,419,496	5,062,617	4,692,063
Changes of Benefit Terms	-	-	-	-
Difference Between Expected and Actual Experience	(914,327)	(96,499)	97,537	-
Changes of Assumptions	4,804,274	-	(1,279,571)	-
Contributions	(2,560,608)	(2,383,616)	(2,016,686)	(1,724,113)
Net Change in Total Pension Liability	9,059,328	4,845,842	3,755,673	5,031,238
Total Pension Liability - Beginning	76,024,004	71,178,162	67,422,489	62,391,251
Total Pension Liability - Ending (a)	\$ 85,083,332	\$ 76,024,004	\$ 71,178,162	\$ 67,422,489
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 2,241,112	\$ 1,903,477	\$ 3,419,577	\$ 1,817,494
Contributions - Employee Paid Member Contributions	-	-	-	231,856
Contributions - Employee	875,578	849,550	844,477	603,514
Net Investment Income	6,319,062	321,400	1,182,775	7,701,208
Benefit Payments, Including Refunds of Employee Contributions	(2,560,608)	(2,383,616)	(2,016,686)	(1,724,113)
Administrative Expense	(83,505)	(34,069)	(62,955)	-
Net Change in Fiduciary Net Position	6,791,639	656,742	3,367,188	8,629,959
Plan Fiduciary Net Position - Beginning	56,558,393	55,901,651	52,534,463	43,904,504
Plan Fiduciary Net Position - Ending (b)	\$ 63,350,032	\$ 56,558,393	\$ 55,901,651	\$ 52,534,463
Plan Net Position Liability/(Asset) - Ending (a) - (b)	\$ 21,733,300	\$ 19,465,611	\$ 15,276,511	\$ 14,888,026
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.46%	74.40%	78.54%	77.92%
Covered Payroll	10,659,487	10,308,528	10,338,178	\$ 10,114,661
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	203.89%	188.83%	147.77%	147.19%

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Benefits changes: The figures do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

Changes in Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* Fiscal Year 2015 was the 1st year of implementation, therefore, only four years are shown.

CITY OF MISSION VIEJO

Required Supplementary Information Schedule of Pension Plan Contributions Last 10 Years*

	Fiscal Year 2017-18	Fiscal Year 2016-17	Fiscal Year 2015-16	Fiscal Year 2014-15
Actuarially Determined Contribution	\$ 2,237,110	\$ 2,154,078	\$ 1,909,220	\$ 1,817,494
Contributions in Relation to the Actuarially Determined Contribution	(2,237,110)	(2,154,078)	(4,909,220)	(3,317,494)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ (3,000,000)	\$ (1,500,000)
Covered Payroll	\$ 10,903,806	\$ 10,659,487	\$ 10,308,528	\$ 10,338,178
Contributions as a Percentage of Covered Payroll	20.52%	20.21%	47.62%	32.09%

* Fiscal year 2017-18 was the 4th year of implementation, therefore, only four years are shown.

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2015 funding valuation report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2015 Funding Valuation Report.
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2015 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.

Other Information:

For changes to previous year's information, refer to past GASB 68 reports.

CITY OF MISSION VIEJO

Required Supplementary Information

Schedule of Changes in Net OPEB Liability/(Asset) and Related Ratios

Last 10 Years*

Measurement Period	2016-17
TOTAL OPEB LIABILITY/(ASSET)	
Service Cost	\$ 132,400
Interest	594,854
Difference Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments	(496,836)
Net Change in Total OPEB Liability/(Asset)	230,418
Total OPEB Liability/(Asset) - Beginning	8,681,960
Total OPEB Liability/(Asset) - Ending (a)	\$ 8,912,378
 PLAN FIDUCIARY NET POSITION	
Contributions - Employer	\$ 347,000
Net Investment Income	946,200
Benefit Payments, Including Refunds of Employee Contributions	(496,836)
Administrative Expense	(4,804)
Net Change in Fiduciary Net Position	791,560
Plan Fiduciary Net Position - Beginning	8,982,565
Plan Fiduciary Net Position - Ending (b)	\$ 9,774,125
 Plan Net OPEB Liability/(Asset) - Ending (a) - (b)	\$ (861,747)
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	109.67%
 Covered Employee Payroll	10,659,487
 Plan Net OPEB Liability/(Asset) as a Percentage of Covered Employee Payroll	-8.08%

Notes to Schedule of Changes in Net OPEB Liability/(Asset) and Related Ratios:

None

* Fiscal Year 2018 was the 1st year of implementation, therefore, only one year is shown.

CITY OF MISSION VIEJO

Required Supplementary Information Schedule of OPEB Contributions Last 10 Years*

	Fiscal Year 2017-18
Actuarially Determined Contribution	\$ 227,000
Contributions in Relation to the Actuarially Determined Contribution	(170,250)
Contribution Deficiency (Excess)	<u>\$ 56,750</u>
Covered Employee Payroll	\$ 10,903,806
Contributions as a Percentage of Covered Employee Payroll	1.56%

* Fiscal year 2017-18 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 2017-18 were from the June 30, 2015 actuarial valuation.

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Inflation	2.75%
Payroll Growth	2.75% per annum, in aggregate
Investment Rate of Return	7.00%
Healthcare cost-trend rates	4.00%
Retirement Age	Tier 1 employees - 2.7%@55; Tier 2 employees - 2.0%@60. The probabilities of retirement are based on the 2009 CalPERS Experience Study that are appropriate for each pool.

Mortality

The probabilities of mortality are based on the 2014 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

**General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 51,180,137	\$ 50,342,577	\$ 50,769,561	\$ 426,984
Licenses and permits	1,801,330	2,311,058	2,386,051	74,993
Intergovernmental	446,500	777,626	582,900	(194,726)
Charges for services	3,212,588	3,126,275	3,241,342	115,067
Investment earnings	269,000	269,000	247,032	(21,968)
Fines and forfeitures	476,000	609,608	619,115	9,507
Other	356,733	741,520	755,250	13,730
Total revenues	57,742,288	58,177,664	58,601,251	423,587
EXPENDITURES				
General Government-Legislative	1,472,042	1,852,244	1,848,205	4,039
General Government-Mgmt and Support	7,691,688	8,540,996	7,318,708	1,222,288
Public Safety	20,423,879	20,491,811	20,095,182	396,629
Community Development	2,847,356	3,388,649	2,869,060	519,589
Engineering & Transportation	2,224,458	2,051,008	2,009,611	41,397
Infrastructure Maintenance	16,805,626	17,338,902	17,132,740	206,162
Recreation/Community/Library Services	5,316,750	5,204,005	5,098,893	105,112
Capital Outlay				
Marguerite Aquatic Rehab	-	1,694,560	1,694,560	-
Safety Lighting LED Conversion	-	50,000	-	50,000
Cordova Playground Renovation	-	832,625	832,625	-
Cordova Park Lighting Renovation	222,000	181,710	181,710	-
Felipe Park Restroom	-	534,790	534,790	-
Felip Restroom Augmentation	275,000	453,016	453,016	-
Lakeside Park/Oso Creek Trail	50,000	23,921	3,550	20,371
Arterial Hgwy Resurfacing & Slurry	-	145,000	145,000	-
Total expenditures	57,328,799	62,783,237	60,217,650	2,565,587
Excess (deficiency) of revenues over (under) expenditures	413,489	(4,605,573)	(1,616,399)	2,989,174
OTHER FINANCING SOURCES (USES)				
Transfers in	1,592,416	1,592,416	1,592,416	-
Transfers out	(2,081,747)	(1,966,317)	(1,966,096)	221
Sale of City property	-	-	7,675	7,675
Total other financing sources (uses)	(489,331)	(373,901)	(366,005)	7,896
Net change in fund balances	(75,842)	(4,979,474)	(1,982,404)	2,997,070
Fund balances - beginning	31,661,756	31,661,756	31,661,756	-
Fund balances - ending	\$ 31,585,914	\$ 26,682,282	\$ 29,679,352	\$ 2,997,070

See notes to required supplementary information.

CITY OF MISSION VIEJO

Grants Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,164,300	\$ 1,254,300	\$ 771,116	\$ (483,184)
Investment earnings	-	-	2,824	2,824
Total revenues	1,164,300	1,254,300	773,940	(480,360)
EXPENDITURES				
General Government-Mgmt and Support	3,873	11,806	11,805	1
Community Development	381,692	377,361	325,031	52,330
Engineering & Transportation	250,000	250,000	-	250,000
Recreation/Community/Library Services	113,464	113,464	79,674	33,790
Capital Outlay				
Marg Median Rehab-Alarcon to SM Pkwy	-	39,920	-	39,920
Citywide Countdown Ped Signals	204,300	204,300	-	204,300
Trash & Runoff Abatement Project	-	50,000	-	50,000
Residential Resurfacing	206,000	206,000	205,714	286
Total expenditures	1,159,329	1,252,851	622,224	630,627
Excess (deficiency) of revenues over (under) expenditures	4,971	1,449	151,716	150,267
Net change in fund balances	4,971	1,449	151,716	150,267
Fund balances (deficits) - beginning	(63,579)	(63,579)	(63,579)	-
Fund balances (deficits) - ending	\$ (58,608)	\$ (62,130)	\$ 88,137	\$ 150,267

See notes to required supplementary information.

CITY OF MISSION VIEJO

**Mission Viejo Housing Authority Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ 8,132	\$ 8,132	\$ 9,062	\$ 930
Total revenues	8,132	8,132	9,062	930
EXPENDITURES				
Community Development	83,000	83,000	42,888	40,112
Total expenditures	83,000	83,000	42,888	40,112
Excess (deficiency) of revenues over (under) expenditures	(74,868)	(74,868)	(33,826)	41,042
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	114,603	114,603
Total other financing sources (uses)	-	-	114,603	114,603
Net change in fund balances	(74,868)	(74,868)	80,777	155,645
Fund balances - beginning	5,271,838	5,271,838	5,271,838	-
Fund balances - ending	<u>\$ 5,196,970</u>	<u>\$ 5,196,970</u>	<u>\$ 5,352,615</u>	<u>\$ 155,645</u>

See notes to required supplementary information.

CITY OF MISSION VIEJO

REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2018

(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, 2018 were \$27,029,611. This amount includes \$25,169,354 carried over from the previous fiscal year. Of the carryover, \$22.8 million was for capital improvement projects and \$2.4 million was for the operating budget. Total General Fund carryovers were \$4.5 million. During the course of the fiscal year, an additional \$1.9 million was appropriated across all funds, including an increase of \$1.0 million to the General Fund budget.

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

REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2018

(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.

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).

CITY OF MISSION VIEJO

REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2018

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

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:

City of Mission Viejo PCI Index	
PCI Range	Condition
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.

Condition Levels:	2014 Study	2016 Study	2018 Study
Arterials (MPAH)	Very Good	Good	Good
Local/Residential	Very Good	Very Good	Very Good

The March 2018 study indicated that the current citywide weighted average Pavement Condition Index (PCI) is 86, which shows a slight decrease of two PCI points since the last update in 2016. Overall, 86.3% (by area) of the City’s road network is in the “Very Good” and “Good” condition categories, approximately 12.5% of the streets are in the “Fair” category and 1.0% in the “Poor” category. The City has 0.1% of the streets in the “Very Poor” category.

CITY OF MISSION VIEJO

REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2018

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

Streets, (continued)

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>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Needed	\$ 5,720,000	\$ 7,060,000	\$3,820,000	\$5,100,000	\$3,000,000
Actual	<u>5,334,875</u>	<u>6,210,904</u>	<u>4,795,423</u>	<u>2,843,718</u>	<u>4,825,157</u>
Difference	<u>\$ (385,125)</u>	<u>\$ (849,096)</u>	<u>\$ 975,423</u>	<u>\$(2,256,282)</u>	<u>\$ 1,825,157</u>



SUPPLEMENTARY SCHEDULES

CITY OF MISSION VIEJO

**General Fund
Combining Balance Sheet
June 30, 2018**

	General Fund	Section 115 Trust	Total General Fund
ASSETS			
Cash and investments	\$ 31,067,465	\$ -	\$ 31,067,465
Accounts receivable	269,440	-	269,440
Taxes receivable	3,906,438	-	3,906,438
Loans receivable	5,198	-	5,198
Interfund note receivable	2,125,000	-	2,125,000
Notes receivable	-	2,739,095	2,739,095
Interest receivable	143,243	-	143,243
Prepaid items	30,386	-	30,386
Deposits	430	-	430
Intergovernmental receivable	203,716	-	203,716
Interfund receivables	983,584	-	983,584
Intergovernmental receivable-Successor Agency	17,745	-	17,745
Due from developers	4,359,195	-	4,359,195
Restricted assets:			
Cash and investment for pensions	-	352,608	352,608
Total assets	\$ 43,111,840	\$ 3,091,703	\$ 46,203,543
LIABILITIES			
Accounts payable	\$ 3,295,794	\$ -	3,295,794
Accrued payroll	598,020	-	598,020
Unearned revenues	201,735	-	201,735
Deposits payable	1,908,404	-	1,908,404
Interfund payable	10,322	-	10,322
Other liabilities	27,257	-	27,257
Retainage payable	761,761	-	761,761
Total liabilities	6,803,293	-	6,803,293
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	6,629,195	-	6,629,195
Total deferred inflow of resources	6,629,195	-	6,629,195
Total liabilities and deferred inflows of resources	13,432,488	-	13,432,488
FUND BALANCES			
Nonspendable	36,014	-	36,014
Restricted	158,158	3,091,703	3,249,861
Assigned	4,500,000	-	4,500,000
Unassigned	24,985,180	-	24,985,180
Total fund balances	29,679,352	3,091,703	32,771,055
Total liabilities, deferred inflows or resources and fund balances	\$ 43,111,840	\$ 3,091,703	\$ 46,203,543

CITY OF MISSION VIEJO

General Fund

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018**

	General Fund	Section 115 Trust	Total General Fund
REVENUES			
Taxes	\$ 50,769,561	\$ -	\$ 50,769,561
Licenses and permits	2,386,051	-	2,386,051
Intergovernmental	582,900	-	582,900
Charges for services	3,241,342	-	3,241,342
Investment earnings	247,032	71,124	318,156
Fines and forfeitures	619,115	-	619,115
Developer fees	-	-	-
Other	755,250	-	755,250
Total revenues	58,601,251	71,124	58,672,375
EXPENDITURES			
General Government-Legislative	1,848,205	-	1,848,205
General Government-Mgmt and Support	7,318,708	6	7,318,714
Public Safety	20,095,182	-	20,095,182
Community Development	2,869,060	-	2,869,060
Engineering & Transportation	2,009,611	-	2,009,611
Infrastructure Maintenance	17,132,740	-	17,132,740
Recreation/Community/Library Services	5,098,893	-	5,098,893
Capital Outlay	3,845,251	-	3,845,251
Total expenditures	60,217,650	6	60,217,656
Excess (deficiency) of revenues over (under) expenditures	(1,616,399)	71,118	(1,545,281)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,592,416	-	1,592,416
Transfers out	(1,966,096)	-	(1,966,096)
Sale of City property	7,675	-	7,675
Total other financing sources (uses)	(366,005)	-	(366,005)
Net change in fund balances	(1,982,404)	71,118	(1,911,286)
Fund balances - beginning	31,661,756	3,020,585	34,682,341
Fund balances - ending	\$ 29,679,352	\$ 3,091,703	\$ 32,771,055

CITY OF MISSION VIEJO

**Nonmajor Governmental Funds
Combining Governmental Balance Sheet
Summary by Fund Type
June 30, 2018**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 2,804,140	\$ 7,440	\$ 1,192,527	\$ 4,004,107
Taxes receivable	56,700	-	270,513	327,213
Prepaid items	191	-	-	191
Intergovernmental receivable	792,753	-	931,820	1,724,573
Cash and investments with fiscal agents	-	5,363,672	-	5,363,672
Total assets	<u>\$ 3,653,784</u>	<u>\$ 5,371,112</u>	<u>\$ 2,394,860</u>	<u>\$ 11,419,756</u>
LIABILITIES				
Accounts payable	\$ 460,391	\$ 50,939	\$ 1,256,357	\$ 1,767,687
Accrued payroll	106,590	-	1,906	108,496
Deposits payable	1,025	-	-	1,025
Retainage payable	116,242	-	176,622	292,864
Interfund payable	282,843	96,614	257,934	637,391
Total liabilities	<u>967,091</u>	<u>147,553</u>	<u>1,692,819</u>	<u>2,807,463</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	430,556	-	834,880	1,265,436
Total deferred inflow of resources	<u>430,556</u>	<u>-</u>	<u>834,880</u>	<u>1,265,436</u>
Total liabilities and deferred inflows of resources	<u>1,397,647</u>	<u>147,553</u>	<u>2,527,699</u>	<u>4,072,899</u>
FUND BALANCES (deficits)				
Restricted for:				
Community development	8,075	-	-	8,075
Library services	936,498	-	-	936,498
Public safety	3,915	-	-	3,915
Public works	1,588,609	-	-	1,588,609
Debt service	-	5,223,559	-	5,223,559
Unassigned	(280,960)	-	(132,839)	(413,799)
Total fund balances (deficits)	<u>2,256,137</u>	<u>5,223,559</u>	<u>(132,839)</u>	<u>7,346,857</u>
Total liabilities and fund balances	<u>\$ 3,653,784</u>	<u>\$ 5,371,112</u>	<u>\$ 2,394,860</u>	<u>\$ 11,419,756</u>

CITY OF MISSION VIEJO

**Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Summary by Fund Type
For the Year Ended June 30, 2018**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 5,216,457	\$ 1,255,232	\$ -	\$ 6,471,689
Intergovernmental	506,462	1,295,309	1,577,641	3,379,412
Charges for services	221,398	-	-	221,398
Investment earnings	21,658	43,492	7,616	72,766
Fines and forfeitures	44,962	-	-	44,962
Developer fees	-	-	64,958	64,958
Other	18,233	-	-	18,233
Total revenues	6,029,170	2,594,033	1,650,215	10,273,418
EXPENDITURES				
General Government-Mgmt and Support	115,896	-	-	115,896
Public Safety	227,500	-	-	227,500
Community Development	43,522	-	-	43,522
Engineering & Transportation	549,502	-	-	549,502
Infrastructure Maintenance	552,844	-	-	552,844
Recreation/Community/Library Services	2,868,034	-	-	2,868,034
Capital Outlay	2,141,205	-	3,039,722	5,180,927
Debt Service				
Principal retirement	-	1,970,000	-	1,970,000
Interest	-	533,671	-	533,671
Administrative charges	-	179,820	-	179,820
Total expenditures	6,498,503	2,683,491	3,039,722	12,221,716
Excess (deficiency) of revenues over (under) expenditures	(469,333)	(89,458)	(1,389,507)	(1,948,298)
OTHER FINANCING SOURCES (USES)				
Transfers in	171,300	2,394,978	-	2,566,278
Transfers out	-	(2,847,648)	-	(2,847,648)
Total other financing sources (uses)	171,300	(452,670)	-	(281,370)
Net change in fund balances	(298,033)	(542,128)	(1,389,507)	(2,229,668)
Fund balances - beginning	2,554,170	5,765,687	1,256,668	9,576,525
Fund balances (deficits) - ending	\$ 2,256,137	\$ 5,223,559	\$ (132,839)	\$ 7,346,857



MISSION VIEJO

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CITY OF MISSION VIEJO

OTHER SPECIAL REVENUE FUNDS YEAR ENDED JUNE 30, 2018

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 2105, 2106, 2107 and 2107.5 of the State of California and the Road Repair and Accountability Act of 2017 (SB1). 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 property 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 buses. It also includes funds allocated through a competitive process as a result of this legislation.

MEASURE M – Includes funds received by the City from OCTA awarded through competitive allocation, and their related expenditure. Funds are restricted for transportation purposes.

CERTIFIED ACCESS SPECIALIST PROGRAM (CASp) – This fund is used to account for fees collected on building permits, which are used to facilitate compliance with construction-related accessibility requirements and for the training and retention of certified access specialists within the local jurisdiction.

CITY OF MISSION VIEJO

**Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2018**

	Gas Tax Fund	Library Operations Fund	Law Enforcement Fund
ASSETS			
Cash and investments	\$ 1,356,321	\$ 1,057,544	\$ 93,915
Taxes receivable	-	24,858	-
Prepaid items	-	191	-
Intergovernmental receivable	358,992	3,205	-
Total assets	\$ 1,715,313	\$ 1,085,798	\$ 93,915
LIABILITIES			
Accounts payable	\$ 104,593	\$ 44,802	\$ 90,000
Accrued payroll	3,117	103,473	-
Deposits payable	-	1,025	-
Retainage payable	108,316	-	-
Interfund payable	189,916	-	-
Total liabilities	405,942	149,300	90,000
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	-
Total deferred inflow of resources	-	-	-
Total liabilities and deferred inflows of resources	405,942	149,300	90,000
FUND BALANCES (deficits)			
Restricted for:			
Community development	-	-	-
Library services	-	936,498	-
Public safety	-	-	3,915
Public works	1,309,371	-	-
Unassigned	-	-	-
Total fund balances (deficits)	1,309,371	936,498	3,915
Total liabilities and fund balances	\$ 1,715,313	\$ 1,085,798	\$ 93,915

Air Quality Fund	Measure M Fund	CASp Fund	Total Nonmajor Special Revenue Funds
\$ 289,418	\$ -	\$ 6,942	\$ 2,804,140
31,842	-	-	56,700
-	-	-	191
-	430,556	-	792,753
<u>\$ 321,260</u>	<u>\$ 430,556</u>	<u>\$ 6,942</u>	<u>\$ 3,653,784</u>
\$ 40,567	\$ 180,107	\$ 322	\$ 460,391
-	-	-	106,590
-	-	-	1,025
-	7,926	-	116,242
-	92,927	-	282,843
<u>40,567</u>	<u>280,960</u>	<u>322</u>	<u>967,091</u>
-	430,556	-	430,556
-	430,556	-	430,556
<u>40,567</u>	<u>711,516</u>	<u>322</u>	<u>1,397,647</u>
1,455	-	6,620	8,075
-	-	-	936,498
-	-	-	3,915
279,238	-	-	1,588,609
-	(280,960)	-	(280,960)
<u>280,693</u>	<u>(280,960)</u>	<u>6,620</u>	<u>2,256,137</u>
<u>\$ 321,260</u>	<u>\$ 430,556</u>	<u>\$ 6,942</u>	<u>\$ 3,653,784</u>

CITY OF MISSION VIEJO

Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2018

	Gas Tax Fund	Library Operations Fund	Law Enforcement Grants Fund
REVENUES			
Taxes	\$ 2,603,612	\$ 2,612,845	\$ -
Intergovernmental	-	174,125	206,680
Charges for services	-	214,778	-
Investment earnings	8,607	6,911	1,256
Fines and forfeitures	-	44,962	-
Other	-	18,233	-
Total revenues	2,612,219	3,071,854	207,936
EXPENDITURES			
General Government-Mgmt and Support	1,597	113,249	-
Public Safety	-	-	227,500
Community Development	-	-	-
Engineering & Transportation	507,396	-	-
Infrastructure Maintenance	17,190	535,654	-
Recreation/Community/Library Services	-	2,868,034	-
Capital Outlay	1,735,114	-	-
Total expenditures	2,261,297	3,516,937	227,500
Excess (deficiency) of revenues over (under) expenditures	350,922	(445,083)	(19,564)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	171,300	-
Total other financing sources (uses)	-	171,300	-
Net change in fund balances	350,922	(273,783)	(19,564)
Fund balances - beginning	958,449	1,210,281	23,479
Fund balances (deficits) - ending	\$ 1,309,371	\$ 936,498	\$ 3,915

Air Quality Fund	Measure M Fund	CASp Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 5,216,457
125,657	-	-	506,462
-	-	6,620	221,398
4,336	548	-	21,658
-	-	-	44,962
-	-	-	18,233
<u>129,993</u>	<u>548</u>	<u>6,620</u>	<u>6,029,170</u>
1,050	-	-	115,896
-	-	-	227,500
43,522	-	-	43,522
40,565	1,541	-	549,502
-	-	-	552,844
-	-	-	2,868,034
16,310	389,781	-	2,141,205
<u>101,447</u>	<u>391,322</u>	<u>-</u>	<u>6,498,503</u>
<u>28,546</u>	<u>(390,774)</u>	<u>6,620</u>	<u>(469,333)</u>
-	-	-	171,300
-	-	-	171,300
28,546	(390,774)	6,620	(298,033)
252,147	109,814	-	2,554,170
<u>\$ 280,693</u>	<u>\$ (280,960)</u>	<u>\$ 6,620</u>	<u>\$ 2,256,137</u>

CITY OF MISSION VIEJO

Gas Tax Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,697,861	\$ 2,665,611	\$ 2,603,612	\$ (61,999)
Investment earnings	1,200	1,200	8,607	7,407
Total revenues	2,699,061	2,666,811	2,612,219	(54,592)
EXPENDITURES				
General government-Mgmt and Support	2,168	2,168	1,597	571
Engineering & Transportation	627,777	730,535	507,396	223,139
Infrastructure Maintenance	40,000	57,190	17,190	40,000
Capital Outlay				
La Paz RR Bridge Widening	-	402	-	402
Marguerite Signal Sync	-	2,086	-	2,086
Los Alisos Corridor Signal Sync	-	18,287	917	17,370
Santa Margarita Pkwy Signal Sync	-	5,440	-	5,440
Oso Pkwy Corridor Signal Sync	-	8,194	715	7,479
Jeronimo Signal Sync	-	3,496	91	3,405
Alicia Pkwy Signal Sync	-	4,535	4,535	-
Marg Median Rehab-Alarcon to SM Pkwy	-	249,869	249,869	-
Marguerite Corridor Signal Sync	-	114,724	19,251	95,473
El Toro Corridor Signal Sync	-	3,080	614	2,466
Alicia/Marguerite Intersection Imp	252,450	279,576	11,813	267,763
SM Pkwy/Marguerite Intersection Imp	133,098	135,670	2,572	133,098
Project V Transit Shuttle	-	(5,937)	(5,937)	-
Project V Transit/Circulators	-	(2,559)	(2,685)	126
Felipe/Olympiad Signal Sync	128,914	128,914	8,052	120,862
Los Alisos/SM Pkwy Intersection Imp	35,448	35,448	7,363	28,085
Trash & Runoff Abatement Project	-	133,780	12,845	120,935
Sidewalk Repair Program	20,000	28,084	26,029	2,055
Arterial Hgwy Resurfacing/Slurry	537,000	647,199	616,911	30,288
Residential Resurfacing/Slurry	1,064,020	783,540	782,159	1,381
Total expenditures	2,840,875	3,363,721	2,261,297	1,102,424
Excess (deficiency) of revenues over (under) expenditures	(141,814)	(696,910)	350,922	1,047,832
Net change in fund balances	(141,814)	(696,910)	350,922	1,047,832
Fund balances - beginning	958,449	958,449	958,449	-
Fund balances - ending	\$ 816,635	\$ 261,539	\$ 1,309,371	\$ 1,047,832

CITY OF MISSION VIEJO

**Library Operations Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,500,765	\$ 2,560,765	\$ 2,612,845	\$ 52,080
Intergovernmental	158,500	158,500	174,125	15,625
Charges for services	220,000	220,000	214,778	(5,222)
Investment earnings	1,000	1,000	6,911	5,911
Fines and forfeitures	35,000	35,000	44,962	9,962
Other	14,000	14,000	18,233	4,233
Total revenues	2,929,265	2,989,265	3,071,854	82,589
EXPENDITURES				
General Government-Mgmt and Support	129,900	142,513	113,249	29,264
Infrastructure Maintenance	547,810	571,916	535,654	36,262
Recreation/Community/Library Services	2,966,840	2,907,395	2,868,034	39,361
Total expenditures	3,644,550	3,621,824	3,516,937	104,887
Excess (deficiency) of revenues over (under) expenditures	(715,285)	(632,559)	(445,083)	187,476
OTHER FINANCING SOURCES (USES)				
Transfers in	351,300	171,300	171,300	-
Total other financing sources (uses)	351,300	171,300	171,300	-
Net change in fund balances	(363,985)	(461,259)	(273,783)	187,476
Fund balances - beginning	1,210,281	1,210,281	1,210,281	-
Fund balances - ending	\$ 846,296	\$ 749,022	\$ 936,498	\$ 187,476

CITY OF MISSION VIEJO

**Law Enforcement Grants Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 206,680	\$ 56,680
Investment earnings	-	-	1,256	1,256
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>207,936</u>	<u>57,936</u>
EXPENDITURES				
Public Safety	150,000	227,500	227,500	-
Total expenditures	<u>150,000</u>	<u>227,500</u>	<u>227,500</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	(77,500)	(19,564)	57,936
Net change in fund balances	-	(77,500)	(19,564)	57,936
Fund balances - beginning	23,479	23,479	23,479	-
Fund balances (deficits) - ending	<u>\$ 23,479</u>	<u>\$ (54,021)</u>	<u>\$ 3,915</u>	<u>\$ 57,936</u>

CITY OF MISSION VIEJO

**Air Quality Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 118,400	\$ 118,400	\$ 125,657	\$ 7,257
Investment earnings	1,000	1,000	4,336	3,336
Total revenues	119,400	119,400	129,993	10,593
EXPENDITURES				
General Government-Mgmt and Support	1,350	1,350	1,050	300
Community Development	45,000	45,000	43,522	1,478
Engineering & Transportation	48,589	48,589	40,565	8,024
Capital Outlay				
Muirlands Signal Sync	-	30,741	-	30,741
Trabuco Road Signal Sync	-	75	-	75
Alicia Parkway Signal Sync	-	165,115	10,373	154,742
Marguerite Corridor Signal Sync	-	24,443	-	24,443
El Toro Corridor Signal Sync	-	43,310	-	43,310
Project V transit shuttle	-	5,937	5,937	-
Total expenditures	94,939	364,560	101,447	263,113
Excess (deficiency) of revenues over (under) expenditures	24,461	(245,160)	28,546	273,706
Net change in fund balances	24,461	(245,160)	28,546	273,706
Fund balances - beginning	252,147	252,147	252,147	-
Fund balances - ending	\$ 276,608	\$ 6,987	\$ 280,693	\$ 273,706

CITY OF MISSION VIEJO

Measure M Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 417,304	\$ 1,676,062	\$ -	\$ (1,676,062)
Investment earnings	-	-	548	548
Total revenues	417,304	1,676,062	548	(1,675,514)
EXPENDITURES				
Engineering & Transportation	417,304	417,304	1,541	415,763
Capital Outlay				
Marguerite Corridor Traffic Signal Sync	-	759,232	265,555	493,677
Felipe/Olympiad Traffic Signal Sync	-	515,656	104,526	411,130
Project V Transit Shuttle	-	117,846	-	117,846
Project V Transit/Circulators Plan Study	-	20,838	19,700	1,138
Total expenditures	417,304	1,830,876	391,322	1,439,554
Excess (deficiency) of revenues over (under) expenditures	-	(154,814)	(390,774)	(235,960)
Net change in fund balances	-	(154,814)	(390,774)	(235,960)
Fund balances - beginning	109,814	109,814	109,814	-
Fund balances (deficits) - ending	\$ 109,814	\$ (45,000)	\$ (280,960)	\$ (235,960)

CITY OF MISSION VIEJO

**CASp Certification and Training Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ 6,620	\$ 6,620
Total revenues	-	-	6,620	6,620
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	6,620	6,620
Net change in fund balances	-	-	6,620	6,620
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 6,620	\$ 6,620



MISSION VIEJO

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CITY OF MISSION VIEJO

OTHER DEBT SERVICE FUNDS YEAR ENDED JUNE 30, 2018

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

CDFA 1999 MALL BONDS - To accumulate funds for payment of the CDFA 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.

CDFA 2016 LEASE REVENUE REFUNDING BONDS - To accumulate funds for payment of the CDFA 2016 Lease Revenue Bonds.

CITY OF MISSION VIEJO

**Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2018**

	Mall Parking Lease Fund	CDFA 1999 Mall Bonds Fund	CDFA 2016 Lease Revenue Refunding Bonds Fund	Total Nonmajor Debt Service Funds
ASSETS				
Cash and investments	\$ 7,440	\$ -	\$ -	\$ 7,440
Restricted assets:				
Cash and investments with fiscal agents	-	5,363,045	627	5,363,672
Total assets	<u>\$ 7,440</u>	<u>\$ 5,363,045</u>	<u>\$ 627</u>	<u>\$ 5,371,112</u>
LIABILITIES				
Accounts payable	\$ -	\$ 50,939	\$ -	\$ 50,939
Interfund payable	-	96,614	-	96,614
Total liabilities	<u>-</u>	<u>147,553</u>	<u>-</u>	<u>147,553</u>
FUND BALANCES				
Restricted for:				
Debt service	7,440	5,215,492	627	5,223,559
Total fund balances	<u>7,440</u>	<u>5,215,492</u>	<u>627</u>	<u>5,223,559</u>
Total liabilities and fund balances	<u>\$ 7,440</u>	<u>\$ 5,363,045</u>	<u>\$ 627</u>	<u>\$ 5,371,112</u>

CITY OF MISSION VIEJO

**Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018**

	Mall Parking Lease Fund	CDFA 1999 Mall Bonds Fund	CDFA 2016 Lease Revenue Refunding Bonds Fund	Total Nonmajor Debt Service Funds
REVENUES				
Taxes	\$ 1,255,232	\$ -	\$ -	\$ 1,255,232
Intergovernmental	-	1,295,309	-	1,295,309
Investment earnings	(54)	42,856	690	43,492
Total revenues	<u>1,255,178</u>	<u>1,338,165</u>	<u>690</u>	<u>2,594,033</u>
EXPENDITURES				
Debt Service				
Principal retirement	-	1,200,000	770,000	1,970,000
Interest	-	163,808	369,863	533,671
Administrative charges	-	179,820	-	179,820
Total expenditures	<u>-</u>	<u>1,543,628</u>	<u>1,139,863</u>	<u>2,683,491</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,255,178</u>	<u>(205,463)</u>	<u>(1,139,173)</u>	<u>(89,458)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,255,232	1,139,746	2,394,978
Transfers out	(1,255,232)	(1,592,416)	-	(2,847,648)
Total other financing sources (uses)	<u>(1,255,232)</u>	<u>(337,184)</u>	<u>1,139,746</u>	<u>(452,670)</u>
Net change in fund balances	(54)	(542,647)	573	(542,128)
Fund balances - beginning	7,494	5,758,139	54	5,765,687
Fund balances - ending	<u>\$ 7,440</u>	<u>\$ 5,215,492</u>	<u>\$ 627</u>	<u>\$ 5,223,559</u>

CITY OF MISSION VIEJO

Mall Parking Lease Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,481,940	\$ 1,255,232	\$ 1,255,232	\$ -
Investment earnings	-	-	(54)	(54)
Total revenues	<u>1,481,940</u>	<u>1,255,232</u>	<u>1,255,178</u>	<u>(54)</u>
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	<u>1,481,940</u>	<u>1,255,232</u>	<u>1,255,178</u>	<u>(54)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,481,940)	(1,255,232)	(1,255,232)	-
Total other financing sources (uses)	<u>(1,481,940)</u>	<u>(1,255,232)</u>	<u>(1,255,232)</u>	<u>-</u>
Net change in fund balances	-	-	(54)	(54)
Fund balances - beginning	7,494	7,494	7,494	-
Fund balances - ending	<u>\$ 7,494</u>	<u>\$ 7,494</u>	<u>\$ 7,440</u>	<u>\$ (54)</u>

CITY OF MISSION VIEJO

**CDFA 1999 Mall Bonds Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,550,000	\$ 1,550,000	\$ 1,295,309	\$ (254,691)
Investment earnings	500	500	42,856	42,356
Total revenues	1,550,500	1,550,500	1,338,165	(212,335)
EXPENDITURES				
Debt service:				
Principal retirement	1,200,000	1,200,000	1,200,000	-
Interest	300,000	300,000	163,808	136,192
Administrative charges	300,000	300,000	179,820	120,180
Total expenditures	1,800,000	1,800,000	1,543,628	256,372
Excess (deficiency) of revenues over (under) expenditures	(249,500)	(249,500)	(205,463)	44,037
OTHER FINANCING SOURCES (USES)				
Transfers in	1,481,940	1,481,940	1,255,232	(226,708)
Transfers out	(1,592,416)	(1,592,416)	(1,592,416)	-
Total other financing sources (uses)	(110,476)	(110,476)	(337,184)	(226,708)
Net change in fund balances	(359,976)	(359,976)	(542,647)	(182,671)
Fund balances - beginning	5,758,139	5,758,139	5,758,139	-
Fund balances - ending	<u>\$ 5,398,163</u>	<u>\$ 5,398,163</u>	<u>\$ 5,215,492</u>	<u>\$ (182,671)</u>

CITY OF MISSION VIEJO

**CDFA 2016 Lease Revenue Refunding Bonds Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ 3,500	\$ 3,500	\$ 690	\$ (2,810)
Total revenues	3,500	3,500	690	(2,810)
EXPENDITURES				
Debt service:				
Principal retirement	770,000	770,000	770,000	-
Interest	369,863	369,863	369,863	-
Administrative charges	3,500	3,500	-	3,500
Total expenditures	1,143,363	1,143,363	1,139,863	3,500
Excess (deficiency) of revenues over (under) expenditures	(1,139,863)	(1,139,863)	(1,139,173)	690
OTHER FINANCING SOURCES (USES)				
Transfers in	1,139,863	1,139,863	1,139,746	(117)
Total other financing sources (uses)	1,139,863	1,139,863	1,139,746	(117)
Net change in fund balances	-	-	573	573
Fund balances - beginning	54	54	54	-
Fund balances - ending	\$ 54	\$ 54	\$ 627	\$ 573

CITY OF MISSION VIEJO

CAPITAL PROJECTS FUNDS YEAR ENDED JUNE 30, 2018

Capital projects funds are used to account for the resources accumulated to funds various capital construction projects in the City.

The City has the following major capital projects fund:

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

The City has the following non-major capital projects fund:

CAPITAL PROJECTS - This capital projects 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. This fund also includes funds received and expended for miscellaneous grants restricted for specific capital improvement projects including future transportation funds for road and bridge projects.

CITY OF MISSION VIEJO

**Developer Fees Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ 100	\$ 100	\$ 24,573	\$ 24,473
Developer fees	-	4,250,000	-	(4,250,000)
Total revenues	100	4,250,100	24,573	(4,225,527)
EXPENDITURES				
Capital Outlay				
Oso Parkway Widening	-	262	-	262
Marguerite Aquatics Rehab	-	4,080,723	4,080,586	137
Felipe/Oso Intersection Imp	-	3,363,025	2,361	3,360,664
Oso/I-5 NB On Ramp Imp	-	712,704	109,304	603,400
Total expenditures	-	8,156,714	4,192,251	3,964,463
Excess (deficiency) of revenues over (under) expenditures	100	(3,906,614)	(4,167,678)	(261,064)
Net change in fund balances	100	(3,906,614)	(4,167,678)	(261,064)
Fund balances - beginning	3,923,101	3,923,101	3,923,101	-
Fund balances (deficits) - ending	<u>\$ 3,923,201</u>	<u>\$ 16,487</u>	<u>\$ (244,577)</u>	<u>\$ (261,064)</u>

CITY OF MISSION VIEJO

**Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,981,708	\$ 10,664,072	\$ 1,577,641	\$ (9,086,431)
Investment earnings	-	-	7,616	7,616
Other	-	470,491	64,958	(405,533)
Total revenues	1,981,708	11,134,563	1,650,215	(9,484,348)
EXPENDITURES				
Capital Outlay				
La Paz RR Bridge Widening	-	7,875,557	8,890	7,866,667
Muirlands Signal Synch	-	524	524	-
Trabuco Rd Signal Synch	-	420	-	420
La Paz Rd Signal Synch	-	91	91	-
Alicia Pkwy Signal Synch	-	43,034	43,034	-
Marg Median Rehab-Alarcon to SM Pkwy	-	328,285	328,285	-
Alicia/Marguerite Intersection Imp	252,424	252,424	-	252,424
SM Pkwy/Marguerite Intersection Imp	133,062	133,062	-	133,062
Project V Transit/Circulators	-	4,874	4,874	-
Los Alisos/SM Pkwy Intersection Imp	14,552	14,552	14,552	-
Trash & Runoff Abatement Project	-	494,850	-	494,850
Sidewalk Repair Program	5,000	25,000	7,189	17,811
Arterial Hgwy Resurfacing/Slurry	186,799	1,619,762	1,486,019	133,743
Residential Resurfacing/Slurry	758,203	1,146,547	1,146,264	283
Total expenditures	1,350,040	11,938,982	3,039,722	8,899,260
Excess (deficiency) of revenues over (under) expenditures	631,668	(804,419)	(1,389,507)	(585,088)
Net change in fund balances	631,668	(804,419)	(1,389,507)	(585,088)
Fund balances - beginning	1,256,668	1,256,668	1,256,668	-
Fund balances (deficits) - ending	\$ 1,888,336	\$ 452,249	\$ (132,839)	\$ (585,088)



MISSION VIEJO

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CITY OF MISSION VIEJO

AGENCY FUND YEAR ENDED JUNE 30, 2018

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

**Agency Fund
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2018**

Community Facilities District 92-1	Balance at 6/30/2017	Additions	Deletions	Balance at 6/30/2018
ASSETS				
Restricted Assets:				
Cash and investments with fiscal agents	\$ 236,706	\$ 149,072	\$ 385,778	\$ -
Total assets	<u>\$ 236,706</u>	<u>\$ 149,072</u>	<u>\$ 385,778</u>	<u>\$ -</u>
LIABILITIES				
Due to bondholders	\$ 236,706	\$ 149,072	\$ 385,778	\$ -
Total liabilities	<u>\$ 236,706</u>	<u>\$ 149,072</u>	<u>\$ 385,778</u>	<u>\$ -</u>

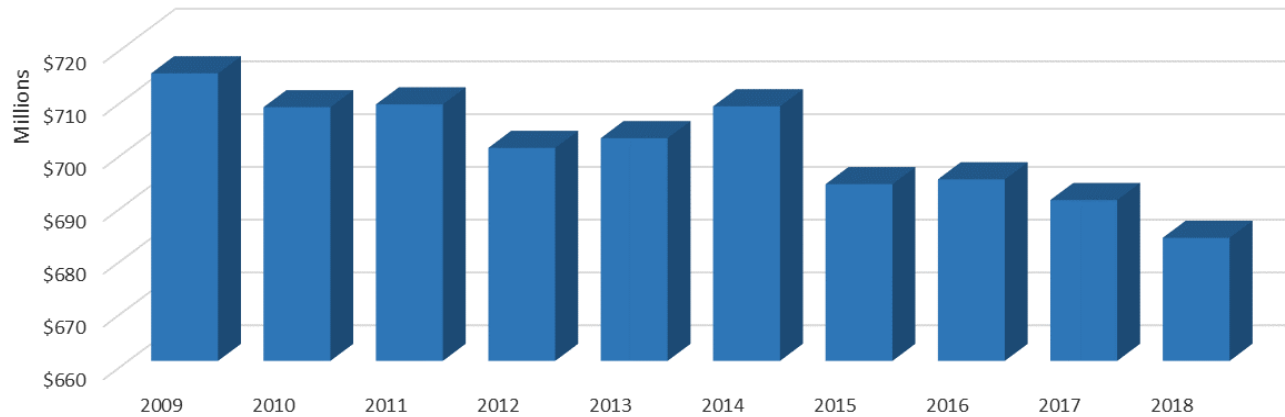
CITY OF MISSION VIEJO

STATISTICAL TABLES AND OTHER SCHEDULES YEAR ENDED JUNE 30, 2018

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.

<u>Contents</u>	<u>Page</u>
Financial Trends	142
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.....	151
These schedules contain information to help the reader assess the City’s most significant local revenue source, property tax revenues.	
Debt Capacity	155
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	159
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	161
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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 658,433,369	\$ 651,851,636	\$ 644,039,024	\$ 649,203,896	\$ 646,771,844	\$ 643,465,280	\$ 638,065,270	\$ 639,179,582	\$ 639,548,835	\$ 639,309,161
Restricted	17,607,666	22,790,399	23,261,890	18,405,963	20,610,691	25,646,475	31,261,374	26,061,848	25,041,749	20,909,550
Unrestricted	33,780,397	29,168,881	36,865,274	28,219,048	29,947,637	33,909,082	19,843,910	24,062,008	20,367,268	17,421,479
Total governmental net position	<u>709,821,432</u>	<u>703,810,916</u> ¹	<u>704,166,188</u>	<u>695,828,907</u> ²	<u>697,330,172</u>	<u>703,020,837</u>	<u>689,170,554</u> ³	<u>689,303,438</u>	<u>684,957,852</u>	<u>677,640,190</u>
Business-type activities										
Net investment in capital assets	2,473,414	2,358,370	2,231,986	2,185,815	2,161,796	1,854,037	1,997,334	1,961,624	2,749,214	2,779,607
Unrestricted	2,157,546	1,873,521	2,178,529	2,324,417	2,686,422	3,330,497	2,296,870	3,117,861	2,752,807	2,888,252
Total business-type net position	<u>4,630,960</u>	<u>4,231,891</u>	<u>4,410,515</u>	<u>4,510,232</u>	<u>4,848,218</u>	<u>5,184,534</u>	<u>4,294,204</u>	<u>5,079,485</u>	<u>5,502,021</u>	<u>5,667,859</u>
Primary governmental										
Net investment in capital assets	660,906,783	654,210,006	646,271,010	651,389,711	648,933,640	645,319,317	640,062,604	641,141,206	642,298,049	642,088,768
Restricted	17,607,666	22,790,399	23,261,890	18,405,963	20,610,691	25,646,475	31,261,374	26,061,848	25,041,749	20,909,550
Unrestricted	35,937,943	31,042,402	39,043,803	30,543,465	32,634,059	37,239,579	22,140,780	27,179,869	23,120,075	20,309,731
Total primary government net position	<u>714,452,392</u>	<u>708,042,807</u> ¹	<u>708,576,703</u>	<u>700,339,139</u> ²	<u>702,178,390</u>	<u>708,205,371</u>	<u>693,464,758</u> ³	<u>694,382,923</u>	<u>690,459,873</u>	<u>683,308,049</u>

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

² Decrease due to the transfer out of redevelopment assets in the amount of \$1.8 M; 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 \$2.4 M.

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

The notes to financial statements are an integral part of this statement.

Source: Statement of Net Position

CITY OF MISSION VIEJO
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General Government-Legislative	\$ 2,186,488	\$ 2,346,309	\$ 1,295,007	\$ 1,222,641	\$ 1,243,358	\$ 1,175,830	\$ 1,391,939	\$ 1,254,587	\$ 1,953,252	\$ 1,891,424
General Govt-Mgmt and Support	14,766,918	16,209,817 ¹	14,807,567	10,795,031	10,317,445	8,184,578 ¹¹	8,023,803	7,984,424	9,617,474	9,214,038
Public Safety	16,223,078	16,503,571	16,781,149	16,664,706	16,939,740	16,963,811	18,091,816	18,853,188	20,111,045	20,410,021
Community Development	1,910,720	2,392,911	2,571,601	10,102,297 ³	3,079,388	3,270,422	3,266,884	3,171,164	4,743,210	3,368,119
Engineering & Transportation	3,367,924	3,166,898	2,998,197	1,808,209	2,806,889	2,409,419	2,837,220	5,478,851	6,924,142	8,133,213
Infrastructure Maintenance	21,870,932	24,723,127	25,209,859	24,041,299	20,777,340	21,835,813	32,520,271 ¹²	20,725,795	20,358,759	24,466,949
Rec/Community/Library Services	9,393,228	9,517,636	9,153,074	9,419,034	9,805,902	9,788,128	9,495,628	10,352,676	11,137,331	10,240,895
Interest and fiscal charges	1,591,463	2,191,612 ²	1,681,786 ²	1,031,685	1,212,454	1,139,294	1,171,629	968,120	1,085,677	1,079,976
Total governmental activities expenses	71,310,751	77,051,881	74,498,240	75,084,902	66,182,516	64,767,295	76,799,190	68,788,805	75,930,890	78,804,635
Business-type activities:										
Animal Services	1,788,096	1,701,974	1,684,758	1,757,543	1,745,176	2,120,143	1,928,620	2,165,119	3,128,506 ¹³	2,779,573
Mission Viejo Television	175,541	123,973	131,138	224,840	230,128	356,374	317,566	298,856	445,614	598,697
Total business-type activities expenses	1,963,637	1,825,947	1,815,896	1,982,383	1,975,304	2,476,517	2,246,186	2,463,975	3,574,120	3,378,270
Total primary government expenses	73,274,388	78,877,828	76,314,136	77,067,285	68,157,820	67,243,812	79,045,376	71,252,780	79,505,010	82,182,905
Program revenues										
Governmental activities:										
Charges for services										
General Government-Legislative	-	-	-	-	-	-	1,320	1,935	779	4,305
General Govt-Mgmt and Support	-	-	-	-	-	-	88,836	35,946	32,450	136,434
Public Safety	661,643	1,444,667	712,997	657,456	611,820	622,490	590,904	558,417	412,881	420,317
Community Development	1,714,191	1,323,456	1,279,153	1,388,402	1,936,689	2,157,105	2,501,057	2,529,804	2,942,021	3,131,388
Engineering & Transportation	482,480	161,943	467,949	384,856	468,278	951,474	526,963	524,837	622,602	679,171
Infrastructure Maintenance	-	-	-	-	-	15,000	41,992	51,941	51,353	167,412
Rec/Community/Library Services	2,560,945	2,331,648	3,951,337 ⁶	1,788,114	1,807,694	1,878,387	2,242,589	2,255,657	2,212,519	2,108,549
Other Activities	235,905	172,401	553,623	107,810	53,983	203,635	-	-	-	-
Operating grants and contributions	4,255,816	7,275,388	7,573,309	8,912,482	7,867,922	7,602,759	8,318,977	4,130,294	5,721,395	6,700,659
Capital grants and contributions	9,472,730	5,508,196	6,697,833	3,395,881	4,533,348	5,549,795	4,277,263	3,227,117	1,838,621	1,188,079
Total governmental activities program revenues	19,383,710	18,217,699	21,236,201	16,635,001	17,279,734	18,980,645	18,589,901	13,315,948	13,834,621	14,536,314
Business-type activities:										
Charges for services										
Animal Services	634,515	685,173	1,241,507 ⁵	1,305,162	1,366,721	1,424,226	1,364,502	1,452,532	2,810,457 ¹³	2,275,983
Mission Viejo Television	404	60	100	700	580	420	440	500	529,645 ¹⁴	532,816
Operating grants and contributions	801,456	590,780	200,985	324,654	-	1,052,005 ¹⁰	686,790	823,279	143,106 ¹⁴	98,892
Capital grants and contributions	-	-	-	-	-	-	-	9,200	-	-
Total business-type activities revenues	1,436,375	1,276,013	1,442,592	1,630,516	1,367,301	2,476,651	2,051,732	2,285,511	3,483,208	2,907,691
Total primary government revenues	20,820,085	19,493,712	22,678,793	18,265,517	18,647,035	21,457,296	20,641,633	15,601,459	17,317,829	17,444,005
Net (Expense) Revenue										
Governmental activities	(51,927,041)	(58,834,182)	(53,262,039)	(58,449,901)	(48,902,782)	(45,786,650)	(58,209,289)	(55,472,857)	(62,096,269)	(64,268,321)
Business-type activities	(527,262)	(549,934)	(373,304)	(351,867)	(608,003)	134	(194,454)	(178,464)	(90,912)	(470,579)
Total primary government net expense	(52,454,303)	(59,384,116)	(53,635,343)	(58,801,768)	(49,510,785)	(45,786,516)	(58,403,743)	(55,651,321)	(62,187,181)	(64,738,900)

CITY OF MISSION VIEJO
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	34,221,795	34,352,871	32,983,492	29,934,859 ⁷	28,148,758	28,497,853	30,436,445	32,317,084	33,102,624	34,828,754
Sales and use taxes	10,557,007	10,547,009	11,059,525	11,622,640	11,998,071	12,574,446	12,721,842	15,218,225	17,186,469 ¹⁵	16,732,687
Property taxes in lieu of sales/use taxes	3,863,059	2,718,259 ⁴	3,731,802	3,834,165	3,937,682	4,316,288	4,211,353	3,324,689	- ¹⁵	-
Other taxes	3,429,101	3,392,049	3,705,433	3,758,594	3,936,102	4,179,837	4,560,678	4,417,528	4,175,375	4,563,624
Unrestricted motor vehicle in lieu fees	337,213	341,391	497,722	49,831	51,634	42,733	41,278	38,997	43,321	50,911
Investment earnings	2,014,231	1,001,415	1,305,766	1,140,564	1,022,147	1,193,913	242,695	390,182	98,250	247,029
Other	305,386	603,503	655,288	2,031,801 ⁸	1,784,653	1,202,634	1,540,212	521,251	664,063	329,825
Gain/(loss) on disposal of capital asset	(111,522)	-	3,151	-	-	-	-	271,129	1,021	-
Extraordinary item	-	-	-	(1,849,384) ⁹	-	-	-	-	-	-
Gain on sale of land reclassified for resale	-	-	-	-	-	-	6,672,066	-	-	-
Transfers	(521,260)	(132,831)	(476,611)	(410,450)	(475,000)	(530,389)	(549,409)	(893,344)	(520,440)	(540,447)
Total governmental activities	54,095,010	52,823,666	53,465,568	50,112,620	50,404,047	51,477,315	59,877,160	55,605,741	54,750,683	56,212,383
Business-type activities:										
Other taxes	-	-	-	-	-	-	-	-	-	-
Investment earnings	90,070	18,034	69,376	34,860	1,708	17,246	17,194	38,129	8,175	34,441
Other	-	-	5,941	6,274	-	-	-	-	9,219	9,200
Transfers	521,260	132,831	476,611	410,450	475,000	530,389	549,409	893,344	520,440	540,447
Gain/loss on sale/disposal of cap assets	770	-	-	-	-	(211,453)	-	-	(24,386)	-
Total business-type activities	612,100	150,865	551,928	451,584	476,708	336,182	566,603	931,473	513,448	584,088
Total primary government	54,707,110	52,974,531	54,017,496	50,564,204	50,880,755	51,813,497	60,443,763	56,537,214	55,264,131	56,796,471
Change in Net Position										
Government activities	2,167,969	(6,010,516)	203,529	(8,337,281)	1,501,265	5,690,665	1,667,871	132,884	(7,345,586)	(8,055,938)
Business-type activities	84,838	(399,069)	178,624	99,717	(131,295)	336,316	372,149	753,009	422,536	113,509
Total primary government	2,252,807	(6,409,585)	382,153	(8,237,564)	1,369,970	6,026,981	2,040,020	885,893	(6,923,050)	(7,942,429)

CITY OF MISSION VIEJO

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

¹ 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.

² 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.

³ Increase is due to the expending of \$4.8M for an affordable housing subsidy and the reclassification of a prior year \$2M housing subsidy.

⁴ 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.

⁵ Operating costs increased due to providing the City of Aliso Viejo with animal services.

⁶ One time park development fees received in 2011 of \$2M.

⁷ Decrease is due to the dissolution of redevelopment agencies causing the City to receive \$3M less in property tax increment revenue.

⁸ Increase is due to the receipt of miscellaneous developer fee reimbursements related to completed capital projects.

⁹ Amount represents the net asset transferred from the redevelopment agency upon dissolution.

¹⁰ Large donation received FY 13/14 for the Animal Shelter.

¹¹ Elimination of OCTA Gas Tax Exchange funded under general government management and support.

¹² Increase due to increase in expenditures in street infrastructure which are not capitalized and adjustments to construction in progress resulting in expense recognition.

¹³ Operating costs increased due to providing the Cities of Laguna Hills and Rancho Santa Margarita with animal services beginning January 2016.

¹⁴ MVT franchise taxes reported as Operating Grants and Contributions in previous years.

¹⁵ Property taxes in lieu of sales and use taxes reverted back to Sales and use taxes due to Proposition 57 "triple-flip" ending.

The notes to financial statements are an integral part of this statement.

Source: Statement of Activities

CITY OF MISSION VIEJO
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 4,572,557	\$ 4,313,636	-	-	-	-	-	-	-	-
Unreserved	30,141,564	28,919,290	-	-	-	-	-	-	-	-
Nonspendable	-	-	\$ 654,403 ²	\$ 92,437	\$ 554,384 ⁵	\$ 534,944	\$ 569,023	\$ 597,668	\$ 606,885	\$ 36,014 ⁵
Restricted	-	-	140,427 ²	180,068	160,250	242,339	440,319	366,193	3,056,060 ⁶	3,249,861
Assigned	-	-	-	18,262,314 ³	17,253,034	17,175,604	16,942,850	18,275,290	4,500,000	4,500,000
Unassigned	-	-	32,486,599 ²	10,191,747 ³	11,140,289	13,285,786	15,097,438	13,477,307	26,519,396	24,985,180
Total general fund	<u>34,714,121</u>	<u>33,232,926</u>	<u>33,281,429</u>	<u>28,726,566</u>	<u>29,107,957</u>	<u>31,238,673</u>	<u>33,049,630</u>	<u>32,716,458</u>	<u>34,682,341</u>	<u>32,771,055</u>
All other governmental funds										
Reserved	23,720,546	28,120,395	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	(609,794)	(4,638,772)	-	-	-	-	-	-	-	-
Debt service funds	(2,331,936)	(2,921,375)	-	-	-	-	-	-	-	-
Capital projects funds	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	16,745,326	18,771,464	13,201,408 ¹
Unassigned	-	-	-	(2,545,097)	(3,383,951)	(2,276,368)	(3,597,725)	(873,939)	(63,579)	(658,376)
Total other governmental funds	<u>21,041,934</u>	<u>21,127,034</u>	<u>23,121,533</u>	<u>11,418,472</u>	<u>13,845,161</u>	<u>20,816,513</u>	<u>12,461,320</u>	<u>15,871,387</u>	<u>18,707,885</u>	<u>12,543,032</u>

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 in 2013 relates to re-establishing City/RDA loan due to Department of Finance disallowance of loan payment. Decrease in 2018 reflects re-payment of loan.

⁶ Section 115 Trust account to offset pension costs.

The notes to financial statements are an integral part of this statement.

CITY OF MISSION VIEJO
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Taxes	\$ 51,911,454	\$ 50,849,597	\$ 51,480,252	\$ 49,150,258	\$ 46,976,084	\$ 48,533,127	\$ 50,440,362	\$ 53,480,709	\$ 53,079,452	\$ 57,241,250
Licenses and permits	1,265,539	1,244,695	1,241,009	1,192,491	1,779,083	2,123,226	1,775,273	1,899,432	2,132,053	2,386,051
Intergovernmental	10,774,264	12,668,991	12,069,112	9,027,221	8,352,626	8,471,890	7,824,560	9,703,408	9,950,436	4,733,428
Charges for services	2,248,499	2,167,175	2,301,119	2,137,521	3,077,209	3,557,646	3,453,513	3,278,467	3,563,912	3,462,740
Investment earnings	3,180,455	1,851,646	1,500,919	1,518,378	156,612	358,774	367,070	470,299	161,556	427,381
Fines and forfeitures	799,652	865,963	969,262	915,398	838,406	943,592	1,041,542	813,287	507,538	664,077
Developer fees	3,885,108	1,164,858	2,394,099	2,990,867	3,246,060	4,800,000	-	1,000,000	4,069,104	64,958
Other	1,321,170	763,812	963,943	1,769,879	2,381,790	2,175,981	1,445,204	1,794,735	1,415,390	773,483
Total revenues	<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>66,347,524</u>	<u>72,440,337</u>	<u>74,879,441</u>	<u>69,753,368</u>
EXPENDITURES										
Current:										
General Government-Legislative	2,057,338	2,057,561	1,294,261	1,221,895	1,242,612	1,175,359	1,399,352	1,370,524	1,725,169	1,848,205
General Govt-Mgmt and Support	13,374,990	14,811,597	12,705,588	8,933,721	8,355,137	6,724,600	10,044,693	7,819,648	7,672,599	7,446,415
Public Safety	16,086,919	16,551,580	16,723,031	16,703,530	16,900,401	16,940,727	18,092,654	19,184,846	19,949,598	20,322,682
Community Development	2,423,507	4,390,143	2,570,480	8,102,297	3,079,388	3,270,422	3,280,456	3,409,459	4,348,923	3,280,501
Engineering & Transportation	3,135,609	2,621,355	2,495,045	2,519,010	2,298,426	2,423,926	2,378,539	2,913,831	2,688,907	2,559,113
Infrastructure Maintenance	16,392,734	14,335,933	13,912,489	13,937,952	14,686,204	14,570,652	14,823,913	16,110,507	16,463,740	17,685,584
Rec/Community/Library Services	7,910,635	7,609,303	7,279,008	7,517,881	7,792,327	8,002,589	7,875,459	8,811,348	7,671,084	8,046,601
Capital Outlay	10,931,773	7,642,900	14,984,143	14,232,771	6,526,594	5,460,896	14,426,925	6,427,322	7,973,171	13,424,143
Debt service:										
Principal retirement	1,535,000	1,415,000	1,620,000	1,750,000	1,530,000	1,715,000	1,740,000	1,770,000	2,060,000	1,970,000
Interest	1,838,663	1,940,016	1,368,857	1,177,243	1,117,803	1,056,096	724,173	689,158	378,893	533,671
Administrative charges	-	1,382,435	-	-	-	-	370,447	141,250	503,316	179,820
Payment to bond escrow agent	-	-	-	-	-	-	-	-	1,363,981	-
Total expenditures	<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>75,156,611</u>	<u>68,647,893</u>	<u>72,799,381</u>	<u>77,296,735</u>
Excess (deficiency) of revenues over expenditures	<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>(8,809,087)</u>	<u>3,792,444</u>	<u>2,080,060</u>	<u>(7,543,367)</u>
OTHER FINANCING SOURCES (USES)										
Transfers in	5,370,292	25,437,485	11,873,668	3,754,173	3,541,011	4,208,247	4,198,196	5,371,184	5,829,812	4,273,297
Transfers out	(5,891,552)	(25,570,316)	(12,350,279)	(4,164,623)	(4,016,011)	(4,738,636)	(4,747,605)	(6,264,528)	(6,350,253)	(4,813,744)
Proceeds of bonds	-	17,305,000	-	-	-	-	-	-	13,150,000	-
Premium on bonds	-	853,583	-	-	-	-	-	-	1,107,810	-
Payment to bond escrow agent	-	(16,244,503)	-	(2,211,516)	-	-	-	-	(14,016,069)	-
Sale of City property	23,099	3,742	3,151	5,619	4,102	8,488	27,782	1,365	1,021	7,675
Sale of land	-	-	-	-	-	-	2,600,000	-	-	-
Proceeds from housing loan payoff	-	-	-	-	-	-	186,481	-	-	-
Total other financing sources (uses)	<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>	<u>(891,979)</u>	<u>(277,679)</u>	<u>(532,772)</u>
Extraordinary Item	-	-	-	(1,849,384)	-	-	-	-	-	-
Net change in fund balances	(799,188)	(1,396,095)	(2,506,647)	(11,860,018)	2,808,080	9,102,068	(6,544,233)	2,900,465	1,802,381	(8,076,139)
Fund balances - beginning	56,555,243	55,756,055	54,511,703	52,005,056	40,145,038	42,953,118	52,055,189	45,687,380	51,587,845	53,390,226
Fund balances - ending	<u>\$ 55,756,055</u>	<u>\$ 54,359,960</u>	<u>\$ 52,005,056</u>	<u>\$ 40,145,038</u>	<u>\$ 42,953,118</u>	<u>\$ 52,055,186</u>	<u>\$ 45,510,956</u>	<u>\$ 48,587,845</u>	<u>\$ 53,390,226</u>	<u>\$ 45,314,087</u>
Debt service as a percentage of noncapital expenditures ¹¹	-0.48%	-0.68%	4.37%	4.35%	4.40%	4.68%	3.77%	3.95%	6.42%	3.72%

CITY OF MISSION VIEJO
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

¹ Gas taxes were reclassified from Intergovernmental to Taxes.

² 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.

³ Increase due to funding for a new low and moderate income housing project in the City.

⁴ Related to the issuance of 2009 Lease Revenue Refunding Bonds.

⁵ Increase is due in part to the commencement of work on the Oso Creek Restoration project and the Oso/Marguerite parkway Intersection Improvement project, and the completion of the Crown Valley Parkway Widening project.

⁶ Amount represents the net asset transfer from the Redevelopment Agency upon dissolution.

⁷ Rents on property previously reported as earnings on investments, now reported as charges for services.

⁸ Increase due to funding of \$2.1M in other post employment retirement benefit health costs, and \$1.5M in pension costs.

⁹ Increase due to the commencement of work on Oso Parkway widening, and increased spending on city-wide pavement projects.

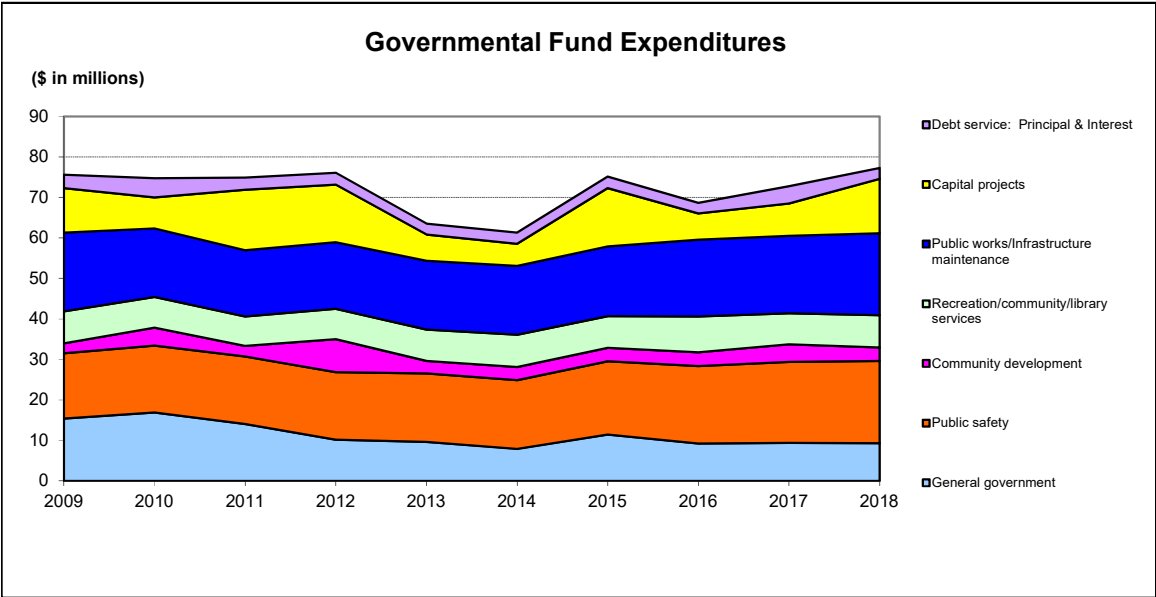
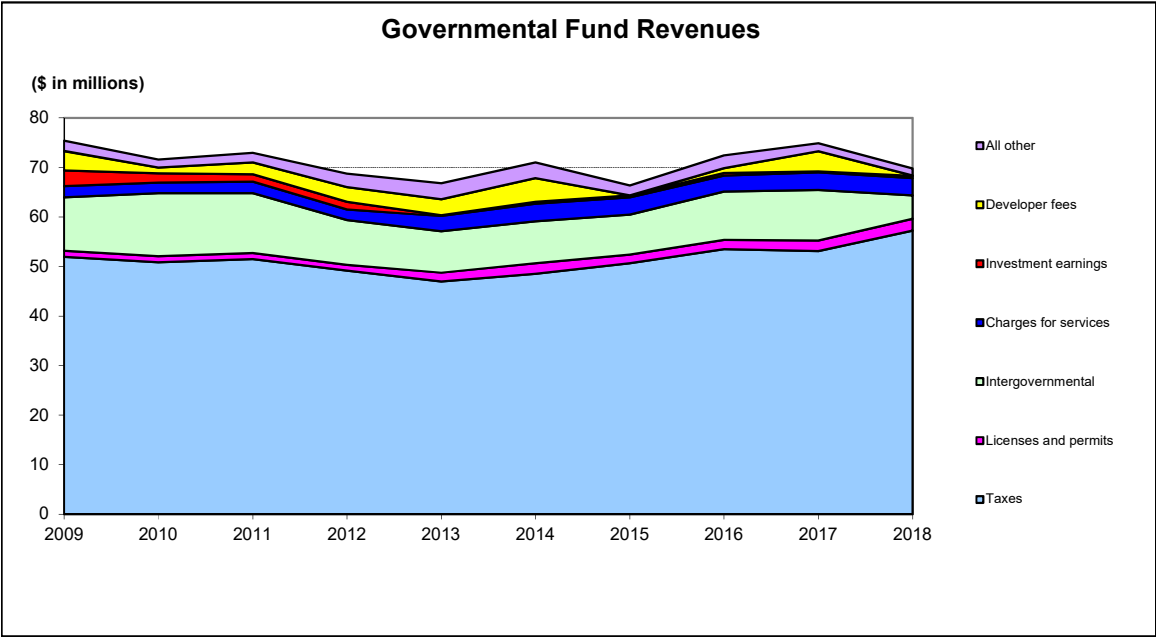
¹⁰ Changes due to Refunding 2016 Lease Revenue Bonds.

¹¹ Capital asset expenditures for this calculation are from the Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances to the Statement of Activities.

The notes to financial statements are an integral part of this statement.

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 Revenues by Source
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					
2009	26,582,596	7,167,827	-	14,420,066	3,095,729	311,863	475,577	52,053,658
2010	25,952,524	7,811,875	-	13,265,268	2,996,167	448,100	520,095	50,994,029
2011	25,908,673	7,074,818	-	14,791,327	2,899,187	357,313	594,299	51,625,617
2012	25,830,084	4,104,775	826,533	15,456,805	3,087,094	357,241	608,311	50,270,843
2013	27,104,227	-	2,973,465	15,935,753	3,213,322	511,596	630,117	50,368,479
2014	27,462,558	-	1,613,733	16,890,734	3,333,588	522,333	749,316	50,572,261
2015	29,019,567	-	2,251,008	16,933,195	3,514,922	615,641	826,242	53,160,575
2016	30,584,018	-	2,130,770	18,542,914	3,439,858	593,415	882,409	56,173,384
2017	31,730,836	-	2,403,051	17,186,469	3,137,554	671,752	882,265	56,011,927
2018	33,402,237	-	1,788,215	16,732,687	3,236,957	736,109	1,062,423 ³	56,958,628

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

² Successor Agency of the Community Development Agency established 2-1-12

³ Increase due to the addition of a Hampton Inn.

Sources: General Ledger

CITY OF MISSION VIEJO

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(in thousands of dollars)

Fiscal Year Ended June 30	City			Taxable Assessed Value ¹	Community Development Agency ²			Total Direct Tax Rate	
	Secured	Public Utility	Unsecured		Secured	Public Utility	Unsecured		Incremental Valuation
2009	13,007,415	2,418	347,733	13,357,566	630,632	2,418	96,259	729,309	0.1647%
2010	12,736,555	2,418	365,726	13,104,699	644,506	2,418	102,443	749,367	0.1647%
2011	12,820,786	2,418	334,775	13,157,979	637,830	2,418	81,684	721,932	0.1647%
2012	12,894,834	2,418	328,863	13,226,115	650,631	2,417	76,373	729,421	0.1647%
2013	13,014,823	2,418	303,333	13,320,574	636,435	2,418	82,469	721,322	0.1647%
2014	13,349,374	2,418	287,688	13,639,480	667,245	2,418	83,716	753,379	0.1647%
2015	14,207,345	2,418	323,782	14,533,545	675,710	2,418	80,299	758,427	0.1647%
2016	14,938,921	2,418	321,095	15,262,434	770,481	2,418	97,124	870,023	0.1647%
2017	15,546,057	2,418	286,902	15,835,377	796,666	2,418	68,717	867,801	0.1647%
2018	16,249,236	2,418	286,941	16,538,595	870,591	2,418	73,308	946,317	0.1647%

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

Source: Orange County Auditor-Controller

CITY OF MISSION VIEJO

Direct and Overlapping Property Tax Rates ¹

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	0.02290	0.02290	0.02290	0.02290	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>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<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>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>
Total Proposition 13 Direct & Overlapping Tax Rates ²	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>
Metropolitan Water District	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
Capistrano Unified School District 1999 Bond 2000 A	0.00279	0.00308	0.00317	0.00314	0.00335	0.00000	0.00000	0.00000	0.00000	0.00000
Capistrano Unified School District 1999 Bond 2001 B	0.00445	0.00494	0.00507	0.00506	0.00538	0.00507	0.00470	0.00445	0.00439	0.00417
Capistrano Unified School District 1999 Bond 2002 C	0.00247	0.00275	0.00281	0.00281	0.00298	0.00000	0.00000	0.00000	0.00000	0.00000
Capistrano Unified School District 1999 EL, 2012 Ref	0.00000	0.00000	0.00000	0.00000	0.00000	0.00465	0.00430	0.00400	0.00404	0.00383
Santa Margarita Water District Improvement District #1 Bond	0.00000	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>0.01401</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>	<u>0.01195</u>	<u>0.01193</u>	<u>0.01150</u>
Total Direct and Overlapping Rates	<u>1.01401</u>	<u>1.01507</u>	<u>1.01475</u>	<u>1.01471</u>	<u>1.01521</u>	<u>1.01322</u>	<u>1.01250</u>	<u>1.01195</u>	<u>1.01193</u>	<u>1.01150</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.

CITY OF MISSION VIEJO
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2018			2009		
	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	\$ 183,145,900	1	1.11%	-	-	-
HTA-Mission Mob LLC	139,998,998	2	0.85%	-	-	-
Mission Hospital Regional Medical Center	112,458,268	3	0.68%	66,849,046	3	0.50%
OC Los Alisos 2015 LLC	68,138,670	4	0.41%	-	-	-
EQR-Del Lago Vistas Inc	66,488,606	5	0.40%	58,976,954	5	0.44%
UDR Pacific Los Alisos LP	59,728,586	6	0.36%	-	-	-
Vista Real Apartments MV LLC	59,234,327	7	0.36%	-	-	-
Trust Mission Ridge LLC	57,838,938	8	0.35%	-	-	-
Oasis-California Inc	56,357,647	9	0.34%	49,672,899	9	0.37%
Laguna Cabot Road Business Park LP	54,723,654	10	0.33%	54,446,688	7	0.41%
Mission Viejo Associates	-	-	-	134,617,581	1	1.01%
Mission Viejo Medical LLC	-	-	-	90,402,182	2	0.68%
Target Corporation	-	-	-	63,210,755	4	0.47%
Mission Ridge Associates LLC	-	-	-	57,589,861	6	0.43%
OC SD Holdings LLC	-	-	-	54,000,000	8	0.40%
MG Promenade Apt LLC	-	-	-	48,314,655	10	0.36%
	-	-	-	-	-	-
	<u>\$ 858,113,594</u>		<u>5.19%</u>	<u>\$ 678,080,621</u>		<u>5.08%</u>

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

Source: HdL Coren & Cone.

CITY OF MISSION VIEJO
Property Tax Levies & Collections
Last Ten Fiscal Years

Fiscal Year Ending June 30	Tax Levied for the Fiscal Year ¹	Collected within the Fiscal Year of Levy		Collections for Prior Years ³	Total Collections to Date	
		Amount ²	Percent of Levy		Amount	Percent of Levy
2009	26,965,638	24,743,486	91.76%	837,760	25,581,246	94.87%
2010	26,506,153	24,977,492	94.23%	558,668	25,536,160	96.34%
2011	26,156,545	24,728,390	94.54%	400,919	25,129,309	96.07%
2012	25,969,090	22,047,310	84.90%	364,000	22,411,310	86.30%
2013	19,246,353	19,249,605	100.02%	271,567	19,521,172	101.43% ⁴
2014	20,015,012	19,499,656	97.43%	233,759	19,733,415	98.59%
2015	21,222,023	20,936,644	98.66%	229,431	21,166,075	99.74%
2016	22,459,253	22,325,258	99.40%	217,280	22,325,258	99.40%
2017	23,328,704	23,172,592	99.33%	196,616	23,172,592	99.33%
2018	24,297,123	24,503,875	100.85%	-	24,503,875	100.85% ⁴

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

² Includes secured, unsecured, and supplemental City property tax revenues as well as penalties. Excludes sales and use tax compensation, interest, VLF in lieu, CFD 92-1, and HOX.

³ No amount is shown for the current fiscal year because the property taxes levied will be collected in the following year.

⁴ Total tax collections to date exceed 100% due to the receipt of delinquent taxes related to prior years.

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			
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	0.13%
2013	16,444,628	-	0.33%	173.42	0.12%
2014	15,789,926	-	0.30%	165.63	0.11%
2015	15,110,224	-	0.27%	156.34	0.10%
2016	14,400,522	-	0.25%	148.92	0.09%
2017	13,323,956	-	0.23%	137.79	0.08%
2018	12,480,102	-	0.20%	130.02	0.08%

Fiscal Year	Other Governmental Activities Debt			Total Primary Government ²	Percentage of Personal Income ¹	Per Capita ¹
	Revenue Bonds	Note Payable	Capitalized Leases			
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	0.98%	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	0.78%	446.53
2016	26,947,326	-	-	41,347,848	0.72%	427.58
2017	25,747,326	-	-	39,071,282	0.68%	404.04
2018	24,547,326	-	-	37,027,428	0.58%	385.75

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, 2018

	<u>Debt Outstanding</u>	<u>Estimate Percentage Applicable ¹</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping tax and assessment debt:			
Metropolitan Water District	\$ 60,600,000	0.604%	\$ 366,024
Capistrano Unified School District School Facilities Improvement District No. 1	24,498,787	10.772%	2,639,009
Saddleback Valley Unified School District	113,365,000	18.141%	20,565,545
Santa Margarita Water District Improvement District No. 4	44,510,000	0.016%	7,122
Santa Margarita Water District Improvement District No. 4B	8,245,000	0.002%	165
Total overlapping tax and assessment debt	<u>251,218,787</u>		<u>23,577,865</u>
Overlapping general fund obligation debt:			
Orange County General Fund Obligations	\$ 210,347,000	2.966%	\$ 6,238,892
Orange County Pension Obligations	383,564,389	2.966%	11,376,520
Orange County Board of Education Certificates of Participation	13,990,000	2.966%	414,943
Capistrano Unified School District Certificates of Participation	29,955,000	11.000%	3,295,050
Moulton-Niguel Water District Certificates of Participation	72,265,000	15.913%	11,499,529
Total overlapping general fund obligation debt	<u>710,121,389</u>		<u>32,824,935</u>
Total overlapping debt	<u>\$ 961,340,176</u>		56,402,800
Overlapping Tax Increment Debt (Successor Agency):			
City of Mission Viejo Community Development Financing Authority	24,547,326	100.000%	24,547,326 ²
City Direct Debt			
			12,480,102
Total direct and overlapping debt			<u>\$ 93,430,228</u>

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assessed valuation	\$ 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	\$ 15,262,434,352	\$ 15,835,376,499	\$ 16,538,594,766
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	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	3,815,608,588	3,958,844,125	4,134,648,692
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	500,908,713	491,426,180	493,424,220	495,979,317	499,521,526	511,479,744	545,007,901	572,341,288	593,826,619	620,197,304
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 500,908,713	\$ 491,426,180	\$ 493,424,220	\$ 495,979,317	\$ 499,521,526	\$ 511,479,744	\$ 545,007,901	\$ 572,341,288	\$ 593,826,619	\$ 620,197,304
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
Pledged-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	
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	1,044,529	1,179,693	2,224,222	1,000,000	34,582	2.15
2014	1,035,297	1,410,755	2,446,052	1,100,000	15,846	2.19
2015	1,273,540	1,397,595	2,671,135	1,100,000	8,061	2.41
2016	1,516,090	1,546,898	3,062,988	1,100,000	5,046	2.77
2017	1,235,364	1,442,102	2,677,466	1,200,000	98,273	2.06
2018	1,295,309	1,255,232	2,550,541	1,200,000	163,808	1.87

Revenues are derived from all property tax increment revenue (subject to 2011 dissolution law). After dissolution, property tax increment recognition was changed to fiscal year in order to correlate with the receipt of funds through the Recognized Obligation Payments Schedule (ROPS). Sales tax revenue represents sales tax generated by The Shops of Mission Viejo that is remaining after minimum thresholds are met.

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
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	173,300,000	55,096	3.9%
2015	96,652	43.6	595,000	181,300,000	57,133	4.2%
2016	96,701	43.7	625,000	189,800,000	59,303	4.1%
2017	95,985	44.2	655,000	195,200,000	60,523	3.4%
2018	95,987	44.2	698,500	214,600,000	66,479	3.1%

- Sources: ¹ California Department of Finance
² HdL Coren & Cone (2009-2017)
Information for 2018 is unavailable, used number from prior year.
³ HdL Coren & Cone (2009-2018)
⁴ Data shown is for the County of Orange; data for City of Mission Viejo is not available.
UCLA: Economic Forecast (2009-2010)
Cal State Fullerton Economic Forecast (2011-2018)
⁵ California Employment Development Department (2009-2018)

CITY OF MISSION VIEJO
Principal Employers
Current Year and Nine Years Ago

Employer	2018			2009		
	Employees	Rank	Percentage ¹ of Total City Employment	Employees	Rank	Percentage of Total City Employment
Saddleback College	2,752	1	5.49%	2,196	1	3.95%
Mission Hospital Regional Medical Center	2,600	2	5.19%	1,349	2	2.43%
Saddleback Valley Unified School District	914	3	1.82%	400	6	0.72%
Coldwell Banker	740	4	1.48%	410	5	0.74%
Capistrano Unified School District	690	5	1.38%			
James Hardie Building Products	400	6	0.80%			
Target	320	7	0.64%			
South Coast Children's Society	315	8	0.63%			
Nordstrom	300	9	0.60%	300	7	0.54%
Franchise Services	300	10	0.60%			
Unisys Corporation				1,000	3	1.80%
Quest Diagnostics				500	4	0.90%
Macy's				275	8	0.49%
City of Mission Viejo				260	9	0.47%
Bristol Farms				250	10	0.45%
Total	<u>9,331</u>		<u>18.61%</u>	<u>6,940</u>		<u>12.48%</u>

¹ Percentage of "Total City Employment" based on total number of City residents employed in August 2018 of 50,100

Source: 2009 FY 08/09 City of Mission Viejo CAFR
2017 Dun & Bradstreet
2018 Total City Employment - Number of employees and rank for 2017 used from FY 16/17 CAFR

CITY OF MISSION VIEJO
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017 ³	2018
General government - legislative	10.880	10.880	10.830	9.830	9.530	9.530	10.530	10.530	10.530	10.188
General government - management & support	29.795	28.220	25.970	23.670	23.600	25.600	25.600	25.600	26.600	27.720
Public safety	15.650 ¹	15.650	15.500	15.500	16.200	16.450	16.450	16.950	21.950	21.743
Community development	9.650	8.650	7.700	8.700	8.720	8.720	8.720	8.720	8.220	8.050
Engineering and transportation	14.175	13.175	12.175	11.175	11.175	11.175	10.550	10.550	10.800	10.800
Infrastructure maintenance	18.350	17.350	18.250	17.250	16.650	16.650	17.250	16.250	16.250	16.950
Recreation/community/library services	57.675 ²	56.425	53.675	52.925	51.400	51.400	48.900	48.675	47.725	47.725
Total	<u>156.175</u>	<u>150.350</u>	<u>144.100</u>	<u>139.050</u>	<u>137.275</u>	<u>139.525</u>	<u>138.000</u>	<u>137.275</u>	<u>142.075</u>	<u>143.176</u>

¹ Increased staffing to accommodate the addition of the City of Aliso Viejo to the Animal Services program

² 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

³ Increased staffing to accommodate the addition of the Cities of Laguna Hills and Rancho Santa Margarita to the Animal Services program

Source: City budget document (2009-2016), City Authorized Positions schedule (2017-2018)

CITY OF MISSION VIEJO
Operating Indicators by Function
Last Ten Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government - legislative										
Public Records Act requests	408	431	529	431	385	472	552	584	586	695
General government - management and support										
Service requests/complaint cases	2,780	3,036	3,292	3,467	3,681	3,840	3,512	3,221	4,142 ¹²	3,357
Number of computer network nodes supported	742	806	819	1,039 ⁴	1,063	1,126	1,119	1,182	1,217	1,240
Number of vendor checks issued	7,282	6,646	6,506	6,781	6,445	6,241	6,665 ⁹	6,582	6,335	6,337
Public safety										
Calls for police services	37,375	36,445	36,246	33,982	36,234	34,917 ³	25,206 ¹⁰	29,714	29,246	32,281
Average response time-Priority 1 call in minutes	5:07	5:32	5:21	6:05	5:35	6:16	6:00	5:47	5:45	4:39
Community development										
Building inspections	9,673	8,394	6,685	9,947 ⁵	12,807 ⁵	16,243 ⁷	13,476	13,131	13,177	13,706
Zoning plan checks	1,316	1,576 ²	1,863 ²	1,753	1,890	2,471	2,595	1,930	2,545	2,424
Public works - engineering and transportation										
Street resurfacing (lane miles)	28.80	28.00	36.30	32.70	18.80 ⁸	15.93 ⁸	34.73	46.91 ¹¹	33.24	61.08 ¹⁴
Intersections on the city's interconnect system	110	111	111	111	112	112	112	112	113	113
Daily traffic count- La Paz Rd, Marguerite Pkwy to Spadra	24,739	26,808	27,419	32,747	33,500	24,100	25,200	26,200	26,200	25,100
Infrastructure maintenance										
Acres of medians and parkways renovated	6	4	3	6	9	10	5	3	4	3
Recreation/community/library services										
Attendance at recreation and tennis centers	281,011	279,480	270,443	259,635 ⁶	254,161	271,244	263,994	261,511	270,616	264,611
Library circulation	945,298 ¹	968,468 ¹	939,734	917,736	931,376	887,234	800,236	788,292	1,109,462 ¹³	1,211,864 ¹⁵
Youth participating in organized sports on City fields	7,750	7,700	7,700	7,800	7,800	7,500	7,300	7,900	7,900	8,063

¹ Due to the economic downturn citizens are taking advantage of free services at the Public Library

² Increase is due to a rise in the number of business and residential remodeling

³ Decrease is due to a reduction in patrol hours resulting from staffing vacancies

⁴ 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

⁵ Increase is due to the "Improve Don't Move" program which waved fees for a limited time and encouraged business and residential remodeling

⁶ Decrease is due to the construction of the Marguerite Tennis Center and the opening of two LA Fitness clubs in Mission Viejo

⁷ Increase is due to the "Improve Don't Move" program being extended for commercial projects

⁸ 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

⁹ Increase is due to electronic fund transfers now being included in the report from new financial software, Tyler Munis

¹⁰ Data conversion switched from a Calendar Year to a Fiscal Year basis, 2015 number represents January through June of that year

¹¹ Increase due to some residential streets being deferred from FY 14/15 to FY 15/16

¹² Increase due to adding street light calls to count beginning FY 16/17

¹³ Increase due to implementation of auto-renewal system where each renewal counts as a circulation in addition to the original checkout, and policy change allowing increased number of renewals

¹⁴ Increase due to additional residential street resurfacing

¹⁵ Increase is due to the expansion of the auto renewal system with up to 10 renewals, the installation of two new self-check kiosks, and the elimination of new DVD fees

Sources: Various city departments

CITY OF MISSION VIEJO
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Police (provided by Orange County Sheriffs Department)										
Patrol units	24	24	24	24	24	24	24	23	23	22
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	228.2	228.2	228.2	228.2	225.9 ¹
Traffic signals	114	114	114	114	114	114	114	114	115	115
Infrastructure maintenance										
Number of park sites	41	41	41	41	41	42	42	42	42	42
Acreage: parks, open space, medians and slopes	1122	1122	1122	1122	1122	1128	1128	1128	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	35	35	35	35	35	35	35	35	35	35
Note: No capital asset indicators are available for general government or community development functions.										
¹ Change from previous years due to consultant re-measured the roads to verify lengths, previous years were estimated										

Source: Various City departments



MISSION VIEJO

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Bears About



Town

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

