

City of Mission Viejo

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Year Ended June 30, 2022

Mission Viejo, California



About the covers – Mission Viejo operates the second largest animal services agency in Orange County. It covers all of Mission Viejo and by contract the cities of Aliso Viejo, Laguna Niguel, Laguna Hills and Rancho Santa Margarita. Over the last several years the department has been expanding its disaster response plan to prepare to respond to emergency situations locally. Mission Viejo Animal Services (MVAS) provided mutual aid by deploying Animal Rescue Teams to the North Complex Fire in Butte County and the Caldor Fire in El Dorado County. These were unprecedented wildfires that effected vast areas of California.

MVAS responded to a call from the Butte County Emergency Operations Center (EOC) in September 2020 to assist as part of the wildfire response in Northern California. The Butte County EOC requested 10 two-person teams from outside animal services agencies to assist in the rescue, care, and sheltering of animals displaced from the fires. Mission Viejo sent two animal services officers, one animal services technician, and a volunteer veterinarian from our local vet hospital, Animal Medical Center in Mission Viejo. They took two animal services trucks and the animal services emergency response trailer stocked with a cache of crates, pet food, personal protective equipment and other supplies. MVAS staff set up a mobile field hospital out of our mobile trailer to care for displaced, lost and stray animals resulting from the fires.

MVAS responded to a request for help from the El Dorado County EOC in August 2021 as part of the Northern California wildfire response. Outside animal services agencies were sought to aid with the rescue, care, and lodging of animals displaced by the flames. Mission Viejo sent two experienced animal services officers who assisted with the emergency response.

MVAS, which services the City of Laguna Niguel, activated three Animal Evacuation Teams in response to the Laguna Niguel Coastal Fire. MVAS Director Michelle Claud-Clemente, Mission Viejo Emergency Manager Paul Catsimanes and an Animal Control Officer joined the incident command post, and a field response team and overnight dispatch were activated at the Mission Viejo Animal Services Center. Throughout the event, teams assisted with successfully rescuing numerous domestic animals and wildlife from inside the evacuation zone. Most animals were reunited directly with their grateful owners. Evacuation teams canvassed impacted streets and located additional animals. MVAS assisted at the Laguna Niguel Red Cross Shelter at the Crown Valley Community Center providing resources to the residents seeking shelter with their animals. MVAS is proud to respond and deploy all its available resources and assist our communities and residents in their times of need.

All expenditures related with these deployments were covered by FEMA-funded disaster declarations.

Front cover photos –

Top – MVAS officers and volunteer veterinarian attending the morning briefing at the North Complex Fire. Post briefing officers deployed into the disaster area to help evacuate animals and rescue injured animals.

Bottom Left – MVAS Control Officer Stewart working with UC Davis Veterinarian Emergency Response Team attending to an injured fox at the Caldor Fire.

Bottom Middle – Bindie, a shepherd that was rescued from the Caldor Fire. Post deployment Bindie was brought back to Mission Viejo where she was adopted.

Bottom Right – MVAS Control Officers rescuing and evacuating animals during the Coastal Fire in Laguna Niguel.

Back cover photos –

Top Left – Injured fox rescued by MVAS Senior Officer Stewart at the North Complex Fire. The fox sustained deep burns to all four paws while fleeing from the fire. The fox was transferred to a local wildlife rehabilitation center.

Top Middle – Dr. Cyrus Fahrtash of Animal Medical Center of Mission Viejo volunteered to deploy with the animal services team to the North Complex Fire to provide medical care to animals affected by the disaster. Dr. Fahrtash assisted a pregnant dog with the delivery of 12 German shepherd puppies amidst the unfolding disaster.

Top Right – Supervising Animal Control Officer Werner assuming control of the West Slope Command Area coordinating all animal evacuation, rescue and sheltering in place for the West Side of the Caldor Fire Incident.

Middle Left – Kitten pulled from El Dorado County shelter through the Mission Viejo Mission 4 Home Program.

Middle Right – Generous donations received from Mission Viejo residents taken to the Caldor Fire deployment.

Bottom Left – Supervising Animal Control Officer Werner and Senior Officer Stewart reuniting grateful owners with their animals rescued from the Coastal Fire.

Bottom Middle – Dr. Fahrtash searching the disaster zone for injured animals.

Bottom Right – Kittens pulled from the El Dorado County shelter through the Mission Viejo Mission 4 Home Program.

Photo credits – MVAS City Staff

Cover design – Sherry Merrifield

**CITY OF MISSION VIEJO
CALIFORNIA**



**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2022**

CITY COUNCIL

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

CITY MANAGER

Dennis R. Wilberg

**PREPARED BY
ADMINISTRATIVE SERVICES DEPARTMENT**

Cheryl Dyas
Director of Administrative Services



MISSION VIEJO

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CITY OF MISSION VIEJO
Annual Comprehensive Financial Report
Year ended June 30, 2022

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City of Mission Viejo

Administrative Services Department

Brian Goodell
Mayor

Trish Kelley
Mayor Pro Tem

Wendy Bucknum
Council Member

Bob Ruesch
Council Member

Cynthia Vasquez
Council Member

December 23, 2022

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

The Annual Comprehensive Financial Report (ACFR) of the City of Mission Viejo for the fiscal year ended June 30, 2022 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 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 92,515 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 through the 2020 election. Beginning with the 2022 General Election, the City has been divided into five districts. All five council seats were up for election in 2022 for four-year terms. There is a three consecutive term limit for all council seats. 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, golf, other recreation, library and animal control. Mission Viejo is a "contract city," and contracts with other governmental entities, private firms and individuals to deliver many of these services, including police services provided by the Orange County Sheriff's Department. 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 (Housing Authority) and the Mission Viejo Community Development Financing Authority (Financing Authority). The activities of these two entities are included in these financial statements. The former Community Development Agency of the City of Mission Viejo (CDA), was dissolved on February 1, 2012. Upon dissolution, the CDA assets and liabilities were transferred to the Successor Agency to the CDA. The City is obligated to report the resources and activities of the Successor Agency in a separate Private-Purpose Trust Fund, which are also included in these financial statements. Additional information on all three of these legally separate entities can be found in Note 1 to the basic financial statements.

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

Pandemic

The pandemic that started in early 2020 and continued throughout fiscal year 2020-21 had substantially subsided by the start of fiscal year 2021-22. Businesses in Mission Viejo were fully open throughout the year and the City started the fiscal year with two events that had been cancelled in the summer of 2020 - the 2021 July 4th Street Faire and Fireworks Spectacular and the Pacific Symphony Prelude in the Park in August 2021. All facilities started to reopen in July 2021 and were fully open to the public by the end of the fiscal year. While the COVID-19 virus continues to circulate, widely available vaccines have allowed life to resume with minimal ongoing disruption.

In addition to Coronavirus Aid, Relief, and Economic Security (CARES) Act funding received through the State of California and the County of Orange in 2020 that provided relief for lost revenues during the first nine months of the pandemic, the City received an allocation from the American Rescue Plan Act (ARPA) in the total amount of \$9.8 million. These funds were received in two equal installments in May 2021 and June 2022. Through fiscal year 2021-22, \$2.1 million of ARPA funds have been expended. Over \$3.9 million has been budgeted for the 2022-23 fiscal year and it is anticipated that the balance of ARPA funds will be appropriated as part of the adoption of the 2023-25 budget.

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 and Saddleback College. Both have been major employers in the community since incorporation. Mission Hospital is the largest hospital in South Orange County and one of only three trauma centers in all of Orange County with over 2,700 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 November 2019, the hospital opened the Leonard Cancer Institute that is located on a portion of the Shops at Mission Viejo site adjacent to Medical Center Road and the hospital campus. Saddleback College, the City's second largest employer with over 1,400 employees, is a two-year community college serving nearly 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 270 associate degrees, certificates and occupational awards in 190 program areas, including accounting, engineering, fashion, journalism and nursing.

The commercial sector 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, Apple, Tesla, Dick's Sporting Goods and the Disney Store. In addition to Tesla, six other high-end auto dealers are located in Mission Viejo: Acura, Audi, Infiniti, Jaguar/Land Rover, Lexus, and Volvo. Home Depot also has a major presence in town as does Floor & Décor and Target, with three locations in Mission Viejo. The Mission Viejo Freeway Center, located adjacent to Interstate 5, is home to Best Buy, Bed Bath and Beyond, World Market, Michael's and others. In September 2020, an Amazon Fulfillment Center opened at the former Unisys site on Jeronimo Road between Alicia Parkway and Los Alisos Boulevard. The station powers Amazon's last-mile delivery capabilities to speed up deliveries for customers in the south Orange County area and has created almost 300 new jobs.

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. Since 2010, assessed valuation of property in the City has grown at an average annual rate of 3.3%. City property tax revenue accounts for about 45% 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 (TOT)) contributes another 7% of governmental revenues.

Mission Viejo experienced a slow but solid recovery after the 2009 great recession. Steady job growth occurred in Orange County and elsewhere and Mission Viejo's unemployment rate declined by 3.9% from the 2010 peak of 6.9% to 3.0% by the end of fiscal year 2019. The pandemic disrupted this steady decline

and caused the unemployment rate to spike in 2020 to 8.6%. The unemployment rate has dropped back down to 3.0% at the end of 2022. Median housing values were not affected by the pandemic. Median housing values have grown from \$700,000 in 2019 to \$1,010,000 in 2022. The pre-great recession high was \$613,000 in 2007. Sales tax revenue has rebounded after declining in the first year of the pandemic due to state-wide closures. Total sales tax revenue received for fiscal year 2021-22 was \$20.5 million, a new high for Mission Viejo. Hotels in the City have also rebounded to almost pre-pandemic capacity. Total TOT revenue for the fiscal year was almost \$1.2 million, just shy of the pre-pandemic peak.

Long-term financial planning

The City prepared a Master Financial Plan (MFP) as part of the 2021-2023 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 2023-28 revenue forecast indicated that general fund revenue would grow throughout the forecast period on an average of 2.37% per year. Property tax and sales tax revenue represents 82% 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 3.35% for property taxes and 0.5% for sales taxes through 2028. Actual revenue growth for property taxes was 3.30% in FY 2021-22, slightly exceeding the MFP projection of 3.23%. Sales tax revenue in FY 2021-22 exceeded original revenue projections by \$4.0 million as the local economy rebounded much quicker than expected following the pandemic. The current MFP was prepared with a conservative approach to future expenditure planning. The 2022-23 adopted budget is balanced without the use of General Fund reserves. For each year beyond 2023, the MFP reflects that expenditures could exceed revenues in FY 2023-24 through FY 2027-28 by as much as \$3.7 million. However, with careful monitoring and a commitment to limit annual expenditures to current revenue resources, the City can continue to maintain balanced budgets through 2028.

Financial policy requires the City to 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 2021-23 budget was adopted in May 2021. The City Council set the target General Fund reserve at \$29.5 million, with a minimum General Fund reserve of \$26.4 million. The reserve balance at June 30, 2022 is \$36.8 million, or 52.5% of fiscal year 2021-22 on-going General Fund revenue. The revenue used for this calculation excludes one-time revenue and other non-reoccurring revenue such as CIP project reimbursements (e.g. grant reimbursements).

The City received the GFOA Distinguished Budget Presentation Award and CSMFO Excellence in Operational Budgeting Award for its 2021-2023 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.

Major initiatives/projects

Civic Core Area Vision Plan Project – In March 2017, the City Council approved the Core Area Vision Plan. This vision plan articulates the future development potential of the City’s Core Area which includes the properties around the intersection of La Paz Road and Marguerite Parkway, and along Marguerite Parkway, to the south, including the intersection of Marguerite and Oso Parkways. In early 2021, a property owner in the Village Center at the southeast quadrant of the La Paz Road and Marguerite Parkway, approached the City about purchasing the Stein Mart property within the center. The City spent several months negotiating price and terms with the property owner and the City Council approved the negotiated purchase and sale agreement at the September 14, 2021 City Council meeting and closed escrow on the property on November 24, 2021. Also, during the September 14 meeting, the City Council directed staff to take actions necessary to finance the Core Area Vision Plan project with lease revenue bonds, including the purchase of the Stein Mart property. At the November 9 City Council meeting, the City Council authorized the issuance of Mission Viejo Community Development Financing Authority Lease Revenue Bonds (Core Area Vision Plan Project), to finance the first phase cost of the project which includes; acquisition of the Stein Mart property and easements to implement the project; professional services for conceptual design, design development, and working drawings and construction management; and other costs necessary to implement the overall vision plan. The first phase of the project is estimated at \$19.0 million. The phase one bonds were issued on December 22, 2021. The City expects to issue a subsequent bond series in 2023 or 2024 that will fund phase two of the project which includes the rehabilitation and/or demolition and construction of the Stein Mart building, public courtyards, paseos, walkways, trails, bridges, open space and other improvements relating to the project. The total project was expected to cost approximately \$46.0 million and be completed in 2026. The City is in the process of finalizing the conceptual design. The 2017 Core Area Vision Plan is located at <https://cityofmissionviejo.org/sites/default/files/mission-viejo-core-area-vision-plan.pdf>. Information about the project including a concept video is located at <https://envisionmv.com/vision/>.

Oso Creek Public Golf Course – In July 2020, the City issued a contract to MR-ProFun to develop a golf course and open space vision plan. The scope of the plan was to include potential future use and operation of the golf course, including potential complementary uses such as hospitality or other recreational uses that would serve to enhance and sustain the existing golf course facility. The effort also included potential future uses of approximately 5 acres of undeveloped land adjacent to the golf course and the Marguerite Recreation Center. The Vision Plan was presented to the City Council and public at the November 9, 2021 City Council meeting. The City Council approved moving forward with the near term project recommendations which include creating a temporary outdoor event area at the golf course, create additional parking at the golf course for staff and valet service, create a new pedestrian crossing on Casta Del Sol Drive, create additional parking at the Marguerite Recreation Center, create a new trail head and parking lot along the Oso Creek Trail off Casta Del Sol Drive, including amenities such as restrooms and trail café and improvements to the Oso Creek Trail between Casta Del Sol Drive and Jeronimo Road. Project recommendations are expected to be implemented over the next two to four years.

Development of Lower Curtis Park – The area below and east of the existing Curtis Park, between La Paz Road and Escatron has been identified as open space for additional recreational purposes. Beginning in 2019 the City began conceptual development of this site, including issuing contracts for geotechnical soils work and rough grading plans for the construction of a “super-pad”. In September 2019, the City received a grant from the Orange County Transportation Authority for the construction of bioretention water quality basins at the north end of the proposed park expansion site. The plan includes importing approximately 760,000 cubic yards of dirt from the freeway improvements that are currently underway to the Interstate 5

freeway that would be graded into a pad that could be used in the future for recreational uses. Dirt import began in August 2021 and is expected to continue over a period of three years. Once the pad is complete, the City will consider options for park expansion and other recreational improvements.

La Paz Bridge & Road Widening – This project will add a third lane in each direction of La Paz Road between Chrisanta Drive and Muirlands Boulevard. The roadway and the existing bridges over the railroad tracks will be widened. Estimated cost of project is \$18.4 million with construction estimated to commence in January 2023.

Implementation of Land Management Software – The City issued a contract for the purchase of a new system in July 2021, with implementation expected to continue into 2023. The selected system includes building permit tracking and approval process, inspection tracking, plan-checking capabilities, code enforcement tracking, cashiering, and parcel address management.

Awards and acknowledgements

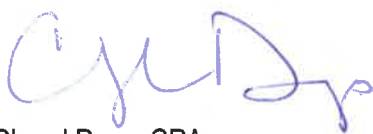
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mission Viejo for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2021. The Certificate is a 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 annual comprehensive financial report, whose contents conform to program standards. Such ACFR 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 2021-22 ACFR 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 ACFR 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. I would like to acknowledge the following individuals who contributed significant effort toward the publication of this document: Administrative Services Manager Andrea Bartlett, Administrative Services Manager Susan Knudson, Accounting Information Specialist Julie Smith, Junior Accountant Jennifer Frye and Administrative Services Analyst Sherry Merrifield.

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

Respectfully submitted,



Cheryl Dyas, CPA
Director of Administrative Services



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Mission Viejo
California**

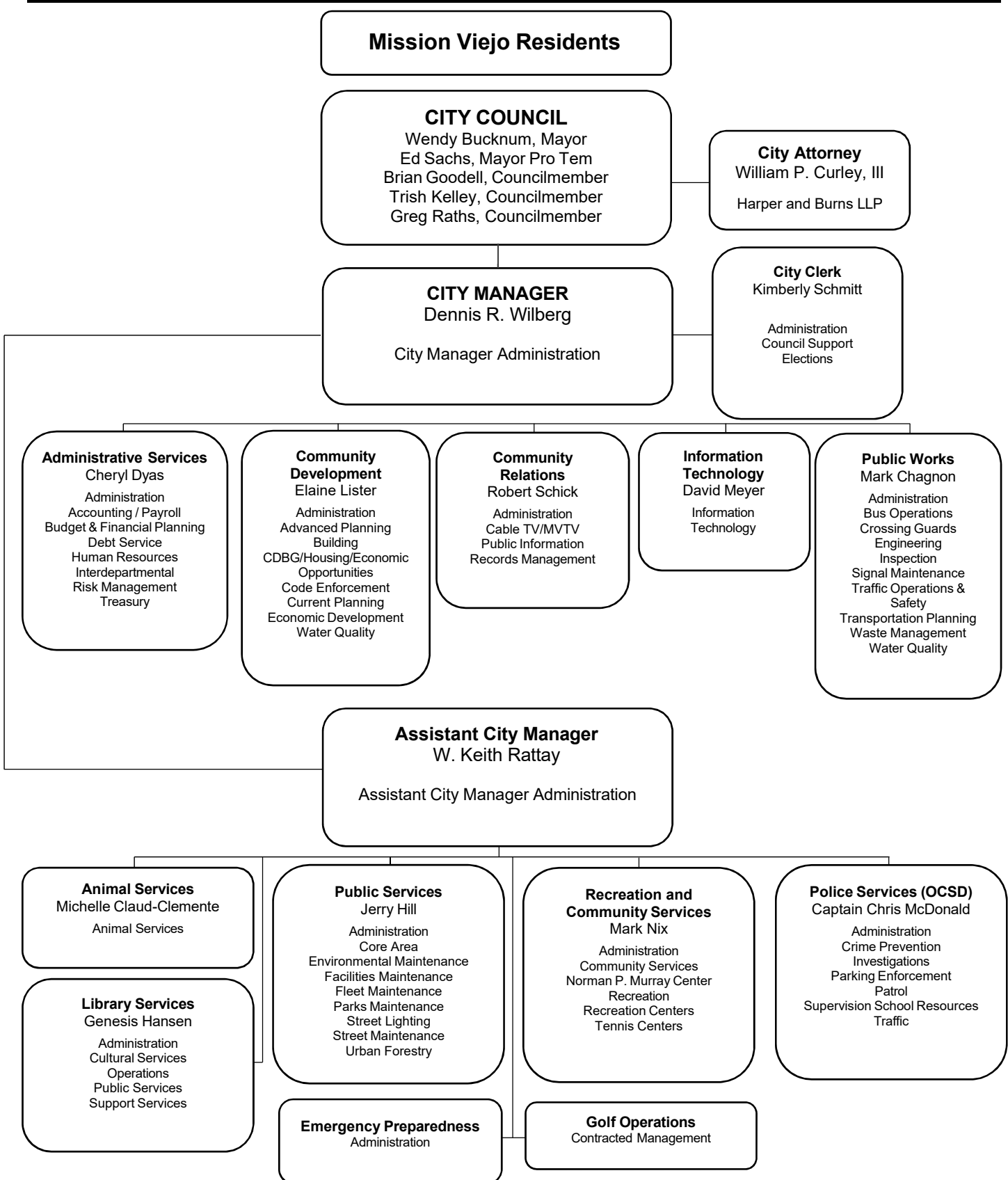
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

CITY OF MISSION VIEJO
Organizational Structure
June 30, 2022



CITY OF MISSION VIEJO

List of Principal Officials
as of June 30, 2022

City Manager	Dennis R. Wilberg
Assistant City Manager.....	W. Keith Rattay
Director of Administrative Services.....	Cheryl Dyas
Director of Animal Services	Michelle Claud-Clemente
Director of Community Development.....	Elaine Lister
Director of Community Relations	Robert Schick
Director of Information Technology.....	David Meyer
Director of Library and Cultural Services	Genesis Hansen
Director of Public Services	Jerry Hill
Director of Public Works	Mark Chagnon
Director of Recreation and Community Services	Mark Nix
City Clerk.....	Kimberly Schmitt
City Attorney.....	William P. Curley III
Chief of Police Services (O.C. Sheriff Department).....	Captain Chris McDonald



MISSION VIEJO

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Independent Auditor's Report

City Council
City of Mission Viejo
Mission Viejo, California

Report on the Audit of the Financial Statements

Opinions

We have audited the 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 (City), as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the

City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Report on Summarized Comparative Information

We have previously audited the City's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The *combining and individual nonmajor fund financial statements and schedules* 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* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining and individual nonmajor fund financial statements and schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Comprehensive Annual Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2022 on our consideration of the City'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 solely 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 the effectiveness of 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 the City's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
December 23, 2022



Management's Discussion and Analysis (Required Supplementary Information)

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2022

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, 2022. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2022 by \$698.4 million. This amount is referred to as the net position of the City. Of this amount, \$16.4 million is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.
- Net position increased \$7.6 million from the prior year.
- As of June 30, 2022, the City's governmental funds (the General Fund plus Special Revenue, Debt Service and Capital Projects funds) reported combined ending fund balances of \$66.5 million. Governmental revenues and other financing sources exceeded expenditures and other financing uses by \$12.0 million in FY 2021-22. Of the \$66.5 million combined ending fund balances at June 30, 2022, \$27.5 million is categorized as unassigned, \$9.6 million is categorized as assigned, \$29.4 million is categorized as restricted and \$13,000 is categorized as non-spendable.
- Of the \$9.6 million General Fund assigned fund balance, \$1.0 million is assigned to natural disasters, \$3.2 million is assigned to pension and OPEB liabilities, \$1.2 million is assigned to capital asset replacement, with \$4.2 million assigned to capital projects.
- Unassigned General Fund fund balance of \$29.6 million includes a \$13.8 million reserve for economic and budgetary uncertainty. Another \$11.2 million is for carryover appropriations to FY 2022-23, including encumbrances. The balance of \$4.6 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, is \$58.2 million, an increase of \$3.9 million. Liabilities for bond debt increased \$16.1 million due to the issuance of the 2021A and B Lease Revenue Bonds, while pension liabilities decreased \$12.1 million due to a pension plan net investment return of 21.3% for fiscal year ended June 30, 2021.

Overview of the Financial Statements

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

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

CITY OF MISSION VIEJO
Management's Discussion and Analysis
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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 golf course operations, 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 (Housing Authority); and the Mission Viejo Community Development Financing Authority (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. 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 29-31 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available

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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 18 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, Housing Authority Fund and American Rescue Plan Act Fund, which are considered to be the City's five major funds for the current fiscal year. Data from the other thirteen 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 34-40 of this report.

Proprietary funds. The City maintains three 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 golf course operation, animal services operation and government-access cable television station.

The basic proprietary fund financial statements can be found on pages 41-44 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 basic fiduciary fund financial statements can be found on page 45-46 of this report.

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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 47-101 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 104-119 of this report.

The supplemental schedules referred to earlier in connection with other governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 122-152 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.

Net Position at Year-End (in millions)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2022	2021	2022	2021	2022	2021	2021-2022
Current assets	\$ 91.2	\$ 74.8	\$ 7.6	\$ 6.6	\$ 98.8	\$ 81.4	21.4%
Noncurrent assets	2.0	0.5	0.5	0.4	2.5	0.9	177.8%
Capital assets	664.8	657.0	14.0	14.3	678.8	671.3	1.1%
Total assets	758.0	732.3	22.1	21.3	780.1	753.6	3.5%
Deferred outflows of resources	3.7	4.4	0.4	0.5	4.1	4.9	-16.3%
Current liabilities	15.4	11.4	1.3	0.7	16.7	12.1	38.0%
Noncurrent liabilities	56.3	50.8	1.9	3.5	58.2	54.3	7.2%
Total liabilities	71.7	62.2	3.2	4.2	74.9	66.4	12.8%
Deferred inflows of resources	9.3	0.9	1.6	0.5	10.9	1.4	678.6%
Net position:							
Net investment							
in capital assets	633.0	628.9	13.2	12.8	646.2	641.7	0.7%
Restricted	35.7	28.2	-	-	35.7	28.2	26.7%
Unrestricted	11.9	16.5	4.5	4.3	16.4	20.8	-21.0%
Total net position	\$ 680.7	\$ 673.6	\$ 17.7	\$ 17.1	\$ 698.4	\$ 690.7	1.1%

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Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$698.4 million as of June 30, 2022, the close of the most recent fiscal year. In comparison to 2021 and 2020, net position was \$690.8 million and \$685.4 million, respectively. The City's total net position increased by \$7.6 million from the prior year.

By far the largest portion of the City's net position at June 30, 2022 (\$646.2 million, or 92.5% 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 \$35.7 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 increased \$7.5 million, or 26.7% from June 30, 2021. During FY 2021-22, a contribution of \$1.2 million was made to the Section 115 pension trust fund, increasing the total assets in the Section 115 pension trust fund to \$5.2 million. In December 2021, the City issued \$18.595 million in 2021A Taxable and 2021B Tax-Exempt Lease Revenue Bonds to finance the costs of acquisition and design and demolition and/or reconfiguration of certain real property as part of the Core Area Vision Plan project. At June 30, 2022, \$6.8 million of debt issuance resources had not been spent toward project costs.

The third category of net position, unrestricted, decreased by \$4.4 million to \$16.4 million from the prior year. The primary reason for this change is the reclassification of \$7.3 million of net assets to the net investment in capital assets category. This amount is related to the 1999 Series B bonds, a debt for assets to which the City does not hold title. In previous reports, this debt reduced the net investment in capital assets in error and in turn, reflected a larger amount in unrestricted net assets. 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 increase of \$7.6 million from the prior fiscal year is discussed in the following sections for governmental activities and business-type activities.

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Changes in Net Position (in millions)

	Governmental		Business-type		Total		Total Percentage Change
	Activities		Activities		Total		
	2022	2021	2022	2021	2022	2021	
Revenues							
Program revenues:							
Charges of services	\$ 9.1	\$ 7.0	\$ 6.8	\$ 6.0	\$ 15.9	\$ 13.0	22.3%
Operating grants and contributions	10.3	9.1	0.1	0.1	10.4	9.2	13.0%
Capital grants and contributions	1.6	5.3	-	-	1.6	5.3	-69.8%
General revenues:							
Property taxes	40.8	39.5	-	-	40.8	39.5	3.3%
Sales and use taxes	20.5	17.9	-	-	20.5	17.9	14.5%
Other taxes	5.9	4.5	-	-	5.9	4.5	31.1%
Investment earnings	(0.8)	0.1	(0.1)	0.1	(0.9)	0.2	-550.0%
Other	0.2	0.3	-	-	0.2	0.3	-33.3%
Total revenues	87.6	83.7	6.8	6.2	94.4	89.9	5.0%
Expenses							
General government- legislative	0.6	0.8	-	-	0.6	0.8	-25.0%
General government- management/support	11.1	10.5	-	-	11.1	10.5	5.7%
Public safety	22.3	21.6	-	-	22.3	21.6	3.2%
Community development	4.0	5.8	-	-	4.0	5.8	-31.0%
Engineering & transportation	8.6	7.2	-	-	8.6	7.2	19.4%
Infrastructure maintenance	23.6	22.4	-	-	23.6	22.4	5.4%
Recreation, community and library services	8.6	8.8	-	-	8.6	8.8	-2.3%
Golf operations	-	-	3.6	3.0	3.6	3.0	20.0%
Animal services	-	-	3.0	3.1	3.0	3.1	-3.2%
Mission Viejo television	-	-	0.2	0.3	0.2	0.3	-33.3%
Interest on long-term debt	1.2	1.0	-	-	1.2	1.0	20.0%
Total expenses	80.0	78.1	6.8	6.4	86.8	84.5	2.7%
Excess/(deficiency) in net position before transfers and extraordinary item	7.6	5.6	-	(0.2)	7.6	5.4	40.7%
Transfers	(0.6)	(0.5)	0.6	0.5	-	-	0.0%
Increase (decrease) in net position	7.0	5.1	0.6	0.3	7.6	5.4	40.7%
Net position, beginning of year	673.7	668.6	17.1	16.8	690.8	685.4	0.8%
Net position, end of year	\$ 680.7	\$ 673.7	\$ 17.7	\$ 17.1	\$ 698.4	\$ 690.8	1.1%

Governmental activities. During the current year, net position for governmental activities increased \$7.0 million from the prior fiscal year ending balance of \$673.7 million. Total revenues of \$87.6 million were more than expenses and net transfers of \$80.6 million.

Revenue Analysis

Total revenues increased by \$3.9 million over the prior year. General revenues increased by \$4.3 million. Property tax revenue was up \$1.3 million. The property tax growth rate for secured and unsecured property for FY 2021-22 was 2.59%, accounting for the majority of this increase. Sales tax revenue increased from the prior year in the amount of \$2.6 million. With all retail businesses fully open for the entirety of FY 2021-22, sales tax revenue rebounded to a total of \$20.5 million, exceeding

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the previous high of \$19.7 million received in FY 2018-19, the last full fiscal year before the start of the pandemic. Other taxes, which includes Transient Occupancy Tax (TOT) and Franchise Fees also increased \$1.4 million. Of this increase, \$0.5 million is attributed to TOT as hotels also fully opened up during FY 2021-22 and Franchise Fees increased almost \$0.8 million as the City started receiving taxes on the increased franchise fee from the City's waste hauler under the current contract that began on January 1, 2021. These increases were offset by a decline in investment income of almost \$0.8 million due to declines in the market value of investments held by the City at June 30, 2022 as interest rates rise.

Program revenues are broken out into three categories: charges for services, operating grants and contributions and capital grants and contributions. Overall, program revenue decreased by \$0.4 million. Charges for services increased by \$2.1 million. Operating grants and contributions increased by \$1.2 million and capital grants and contributions decreased by \$3.7 million.

In the area of charges for services, as most pandemic restrictions were lifted by the start of FY 2021-22, the City restored the collection of recreation and tennis memberships in full, increased class offerings at recreation facilities and room rentals restarted at all City facilities. As a result, recreation and tennis center class fees and memberships increased approximately \$891,000, while rental income for City facilities increased approximately \$460,000. The passport office at the library was also closed during much of the pandemic and the reopening of this office resulted in an increase of passport related fees in the amount of \$134,000. The building and planning function remained strong throughout the pandemic and construction activity during FY 2021-22 continued to grow with an additional \$540,000 in building permits and plan check fees over the prior year. Some of the more significant commercial activity occurring during the year were the development of the MorningStar assisted living project on Marguerite Parkway located in the south part of the city, Saddleback Place residential project at the corner of Marguerite Parkway and El Toro Road, the Haven and Neo residential projects by Shea Homes on Los Alisos and Viejo Court on Alicia Parkway and Charlinda Drive.

In the area of operating grants and contributions, revenue was up and down in different functional areas, with an overall net increase of \$1.2 million. The largest increases were reflected in the Engineering and Transportation and Infrastructure Maintenance functions in the amount of \$1.1 million and \$1.7 million respectively. For Engineering and Transportation, gas tax and Measure M2 revenues were up approximately \$568,000 due to increased demand in gas as workers returned to their offices following the pandemic as well as taxes on gas calculated against rising gas prices, \$0.2 million was recognized as part of a one-time grant for a Systemic Safety Analysis study and the City recognized \$0.4 million for the first time an OCTA grant for the MV Shuttle operation. For Infrastructure Maintenance, \$1.7 million was recognized from the American Rescue Plan Act (ARPA) allocation for a variety of general government purposes, including project costs for the Coronado Park playground rehabilitation, the Marty Russo Park field light installation, and the Aquatics Center sales building installation. ARPA funds were also used toward the Jeronimo Road slope rehabilitation and repairs to the Aquatics Center dive tower. Community Development reported a decrease in revenue attributed to a decline in Community Development Block Grant (CDBG) funds in the amount of just under \$0.6 million. The City received \$0.6 million in the prior year to partially fund two transitional housing units through a loan agreement with Families Forward. There was also a decrease of \$1.0 million in the

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General Government – Management and Support function. The City received just under \$1.1 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funds in the prior year. There were no CARES Act funds received during FY 2021-22.

In the area of capital grants and contributions, net revenues were down \$3.7 million. In the prior year, the City received \$2.0 million (reported in the Community Development function) from a developer agreement with Trumark, the developer of the Saddleback Place residential project and another \$2.4 million in Park Development fees (reported in Infrastructure Maintenance) from Shea Homes for the Haven and Neo residential projects and MorningStar assisted living project. There were no developer fees received during FY 2021-22. These declines were offset by increases under the Engineering and Transportation function of \$0.7 million. The City received approximately \$0.3 million more in reimbursements from local utilities as part of the City's annual street resurfacing projects and \$0.4 million for the recognition of grant funds specific to the Marguerite Parkway and Jeronimo Road Intersection improvement project.

Expenses Analysis

Expenses associated with governmental activities increased by \$1.9 million, or 2.4%. The largest increase is in the area of Engineering and Transportation in the amount of \$1.4 million for the following reasons: the City's MV Shuttle operation was shut down during the pandemic and no costs were incurred for this operation during FY 2020-21, however, the City incurred \$0.3 million for the MV Shuttle operation during FY 2021-22; there were \$0.1 million more in cost incurred for the completion of the Systemic Safety Analysis study during FY 2021-22 as compared to the prior year; and there were \$1.2 million more in costs incurred during FY 2021-22 for various capital improvement program projects with the largest increase in costs reported for the annual arterial highway and residential street resurfacing programs. The next largest increase is in the area of Infrastructure Maintenance in the amount of \$1.2 million for the following reasons: the cost of maintaining facilities increased \$0.5 million as facilities reopened to the public after being fully or partially closed throughout FY 2020-21; facility and landscape maintenance costs for the Core Area Vision plan property were incurred for the first year in the amount of \$140,000; most maintenance contracts for facilities and landscape increased 2% over the prior year accounting for over \$0.1 million; the budget for tree maintenance was increased by \$241,000 in FY 2021-22 with 100% of that increased budget expended; and in general costs for all supplies increased due to inflation. The Public Safety function increased by \$0.7 million with the primary cause the increase to the Orange County Sheriff's contract by 4.34% over the prior year with \$0.5 million more paid in FY 2021-22. Also, as electricity costs have risen, the City spent \$0.1 million more on street lighting over the prior year.

The largest decrease is in the area of Community Development in the amount of \$1.8 million. In the prior year, the City expended almost \$600,000 for transitional housing as previously mentioned and the City Council approved a small business grant program funded with both CDBG funds and General Fund resources. A total of 68 grants were awarded during fiscal year 2020-21 for a total of \$842,500. There were no such expenditures during FY 2021-22. The City also expended approximately \$340,000 more in the prior year over the current year on economic development as in the prior year the City expended resources for the negotiation and purchase of real property located in the Village Center for purposes of implementing the Core Area Vision Plan.

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The cost of all governmental activities in FY 2021-22 was \$80.0 million. That cost was financed by: those who directly benefited from the programs and services (11.3%); other governments and organizations that subsidized certain programs and projects with grants and contributions (14.9%); and general tax revenues and other general revenues of the City (73.8%). The percentage of costs borne by general revenue sources increased by 1.2% from the prior year.

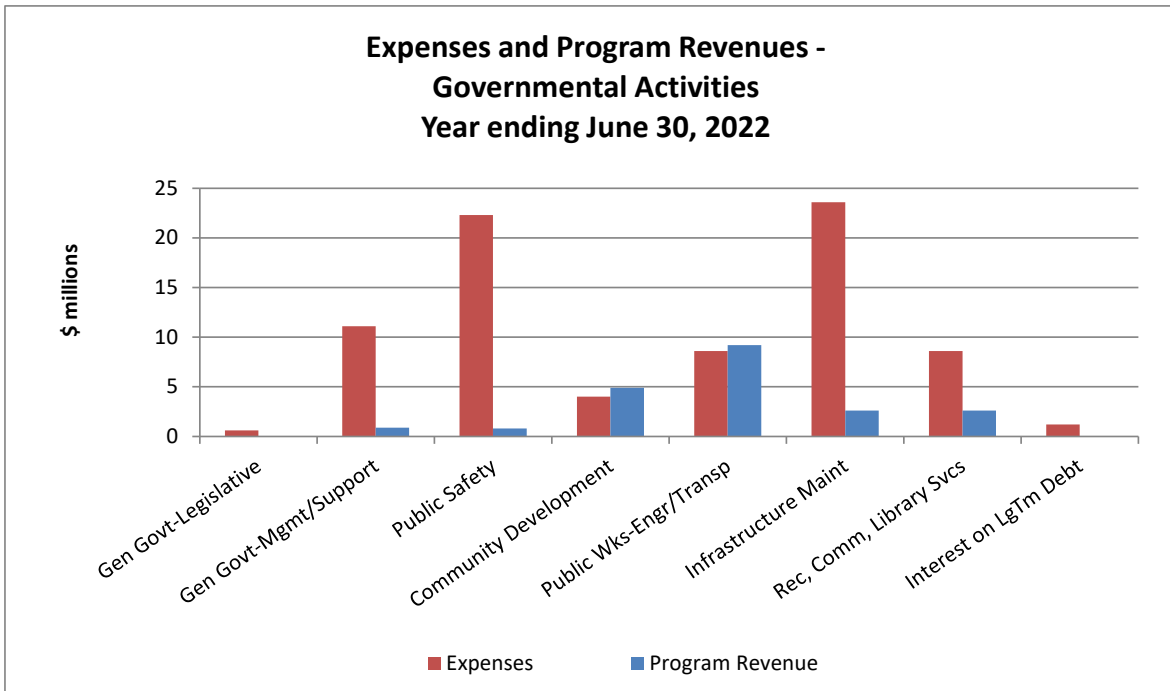
Net Cost of Governmental Activities (in millions)

City of Mission Viejo Net Cost of Governmental Activities (in millions)							
	2022			2021			
	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	\$ 0.6	\$ 0.6	100.0%	\$ 0.8	\$ 0.8	100.0%	
General government- management/support	11.1	10.4	93.7%	10.5	8.6	81.9%	
Public safety	22.3	21.5	96.4%	21.6	21.1	97.7%	
Community development	4.0	(1.0)	-25.0%	5.8	(1.2)	-20.7%	
Engineering & transportation	8.6	(0.6)	-7.0%	7.2	(0.3)	-4.2%	
Infrastructure maintenance	23.6	21.0	89.0%	22.4	19.2	85.7%	
Recreation, community and library services	8.6	6.0	69.8%	8.8	7.6	86.4%	
Interest on long-term debt	1.2	1.2	100.0%	1.0	1.0	100.0%	
	<u>\$ 80.0</u>	<u>\$ 59.1</u>	<u>73.9%</u>	<u>\$ 78.1</u>	<u>\$ 56.8</u>	<u>72.7%</u>	

The overall increase is caused by the decrease in federal funding received in response to the COVID-19 pandemic and no developer and park development fees received during the current year as previously discussed.

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

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Business-type activities. There are three business-type activities of the City: Golf Course operations, comprising 52.7% of total expenses; Animal Services, comprising 44.1% of the total expenses; and Mission Viejo Television, comprising 3.2% of expenses. Business-type activities continue to be a relatively small component of overall City operations, representing about 7.9% of total City expenses for the current fiscal year.

Golf Course

Net position for the Golf Course Fund increased \$246,000 in FY 2021-22. Program revenue increased \$0.5 million over the prior year. Total expenses increased \$0.6 million. The increases are in part due to the golf course being shut down for approximately six weeks in March through April 2021 due to the pandemic and an increase in food service operations during FY 2021-22 starting with the grand opening of Terrace on the Green in July 2021. The City contracts with American Golf Corporation to manage the day-to-day operations of the golf course.

Animal Services

Net position for the Animal Services Fund increased \$200,000 in FY 2021-22. Program revenue increased \$280,000 and expenses decreased \$123,000 from the prior year. The decrease in expenses is in the area of personnel as a result of significant swings in pension costs from one year to the next as net investment earnings went from 4.7% in FY 2019-20 a return that fell below the assumed rate of 7.0% to a return of 21.3% in FY 2020-21. The City provides animal services to four neighboring cities in addition to the residents of Mission Viejo. Net costs of the operation are allocated to each city based on population. Charges for services collected from other cities was \$1.4 million for FY 2021-22, while the City's share of the operating subsidy was \$710,000, an increase of \$149,000 from the prior year.

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Mission Viejo Television

Net position for Mission Viejo Television (MVTV) increased by \$185,000 in FY 2021-22. Program revenue was down \$38,000. The primary revenue for funding this operation are franchise fees from local cable operators. This revenue stream has shown periods of decline as customers opt for other streaming services over local cable providers. Operating expenses decreased \$63,000 from the prior year, with personnel services showing a decline of \$95,000. While actual cost of personnel salaries and benefits have not declined by this amount, the decrease in expenses is a result of significant swings in pension costs from one year to the next as net investment earnings went from 4.7% in FY 2019-20 a return that fell below the assumed rate of 7.0% to a return of 21.3% in FY 2020-21.

Financial Analysis of the Governmental Funds

Governmental funds. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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, 2022, the City's governmental funds (as presented in the balance sheet on pages 34-35) reported combined fund balances of \$66.5 million, an increase of \$12.0 million in comparison with the prior year balance of \$54.5 million. Approximately \$27.5 million of this total amount (41.3%) 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 (\$13,000), 2) legally required to be spent on specific uses or be maintained intact (\$29.4 million), or 3) assigned for a particular purpose (\$9.6 million).

General Fund. The General Fund is the chief operating fund of the City. As of June 30, 2022, the total fund balance of the General Fund was \$45.2 million, an increase of \$7.2 million from the \$38.0 million prior year balance. General Fund revenues were up overall approximately \$4.4 million. Tax revenues were up \$4.9 million. Property tax revenue was up \$1.1 million. The property tax growth rate for secured and unsecured property for FY 2021-22 was 2.59%, accounting for the majority of this increase. Sales tax revenue increased from the prior year in the amount of \$2.4 million. With all retail businesses fully open for the entirety of FY 2021-22, sales tax revenue rebounded to pre-pandemic levels. Transient Occupancy Tax (TOT) increased \$0.5 million as hotels also fully opened up during FY 2021-22 and Franchise Fees increased almost \$0.8 million as the City started receiving taxes on the increased franchise fee from the City waste hauler under the current contract that began on January 1, 2021. Charges for services revenue was up \$1.6 million. As most pandemic restrictions were lifted by the start of FY 2021-22, the City restored the collection of recreation and tennis memberships in full, increased class offerings at recreation facilities and room rentals restarted at all City facilities. As

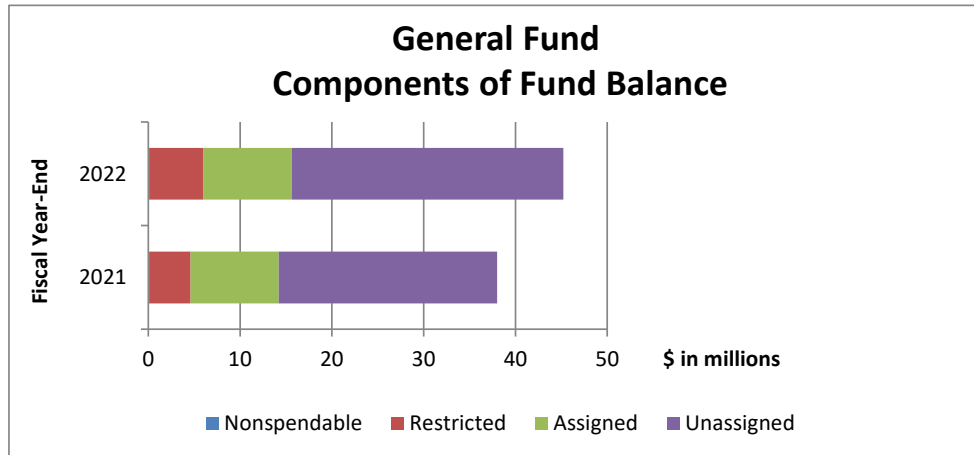
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a result, recreation and tennis center class fees and memberships increased approximately \$891,000, while rental income for City facilities increased approximately \$460,000. The building and planning function reported an increase of \$540,000 in building permits and plan check fees over the prior year. Some of the more significant commercial activity occurring during the year were the development of the MorningStar assisted living project on Marguerite Parkway located in the south part of the city, Saddleback Place residential project at the corner of Marguerite Parkway and El Toro Road, the Haven and Neo residential projects by Shea Homes on Los Alisos and Viejo Court on Alicia Parkway and Charlinda Drive. The City also received approximately \$0.3 million more in reimbursements from local utilities as part of the City's annual street resurfacing projects. These increases were offset by a decline in investment income of almost \$0.8 million due to declines in the market value of investments held by the City at June 30, 2022 as interest rates rise and a decline in developer fees of \$2.0 million. There were no developer fees received during FY 2021-22.

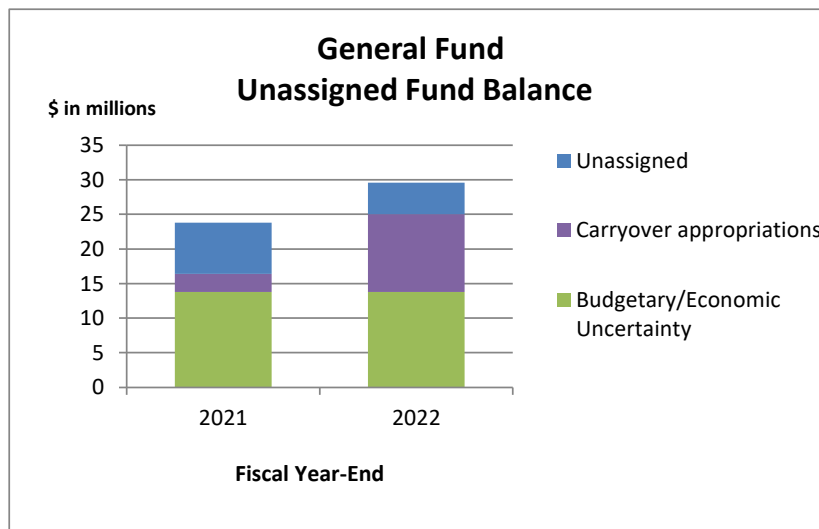
Expenditures were up approximately \$17.6 million overall. The majority of this increase is attributed to various capital improvement projects (CIP) as City incurred \$13.0 million more in CIP expenditures in FY 2021-22 over the prior year. Projects in the current year included the Via Escolar pavement rehabilitation project (\$95,000), Montanoso Rehabilitation project (\$87,000), Coronado Park play area rehabilitation (\$350,000), Marty Russo Youth Athletic Park field lights project (\$81,000), Aquatics Center sales building project (\$138,000) and the purchase of real property and other design cost for the Core Area Vision Plan project (\$12.3 million). Infrastructure Maintenance program area costs increased \$2.4 million for the following reasons: the cost of maintaining facilities increased \$0.5 million as facilities reopened to the public after being fully or partially closed throughout FY 2020-21; facility and landscape maintenance costs for the Core Area Vision plan property were incurred for the first year in the amount of \$140,000; most maintenance contracts for facilities and landscape increased 2% over the prior year accounting for over \$0.1 million; the budget for tree maintenance was increased by \$241,000 in FY 2021-22 with 100% of that increased budget expended; and in general costs for all supplies began to increase with the start of 2022 due to inflation. The Public Safety function increased by \$0.7 million with the primary cause the increase to the Orange County Sheriff's contract by 4.34% over the prior year with \$0.5 million more paid in FY 2021-22. Also, as electricity costs have risen, the City spent \$0.1 million more on street lighting over the prior year. Finally, Recreation expenditures increased \$1.4 million as all facilities were fully opened post pandemic. The prior two-year decline in Recreation expenditures due to pandemic closures was \$1.8 million. These increases were offset by a decrease in Community Development expenditures of \$0.8 million. As previously discussed the City Council approved a small business grant program during the prior fiscal year. A total of 53 grants were awarded during fiscal year 2020-21 for a total of \$730,000 using General Fund resources. The City also expended approximately \$340,000 more in the prior year over the current year on economic development as in the prior year the City expended resources for the negotiation and purchase of real property located in the Village Center for purposes of implementing the Core Area Vision Plan.

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



Restricted fund balance of \$5.9 million is primarily comprised of assets held in a Section 115 Trust account for the payment of pension obligations to eligible employees of the City and their eligible dependents and beneficiaries. Restricted fund balance increased \$1.4 million from the prior year and is largely due to an additional contribution to the Section 115 Trust during the year in the amount of \$1.5 million. Assigned fund balance of \$9.6 million is comprised of \$3.2 million for pension and OPEB liabilities, \$1.0 million for natural disasters, \$1.2 million for capital asset replacement and \$4.2 million for capital projects. These amounts were designated by the City Council on May 11, 2021 with Resolution 21-13 as a result of the 2021 General Fund Reserve Risk Analysis. The largest component of fund balance is unassigned fund balance at \$29.6 million. Unassigned fund balance includes \$13.8 million for economic and budgetary uncertainty and \$11.2 million for carry over appropriations, including amounts for encumbrances. The remaining balance in unassigned fund balance of \$4.6 million, is available for any purpose at the Council's discretion. Unassigned fund balance increased \$5.8 million from the prior year.



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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 \$9.6 million, the economic and budgetary uncertainty reserve in the amount of \$13.8 million, the portion of carryover appropriations that will be funded with other resources (e.g. ARPA or bond project funds) besides General Fund general revenue in the amount of \$7.5 million and the unassigned reserve of \$4.6 million, to comprise the balance of the City Council's discretionary reserve balance of \$36.8 million at June 30, 2022. This amount represents 52.5% of FY 2021-22 on-going General Fund revenue of \$70.1 million. The revenue used for this calculation excludes one-time and non-operating revenue (e.g. rolling reserve, CIP reimbursements, etc.)

The City has four other major funds: Developer Fees Fund, Grants Fund, Housing Authority Fund and the American Rescue Plan Act Fund.

Developer Fees Fund. The Developer Fees Fund ended the year with a negative fund balance of \$0.8 million, a decrease of \$1.2 million from the prior year ending fund balance of \$0.4 million. The decrease in fund balance is due to the expenditure of \$1.2 million in capital improvement project costs for the Felipe Road and Oso Parkway intersection improvement project for \$0.4 million, the Oso Parkway and I-5 Freeway on ramp improvement project for \$0.2 million, the Montanoso rehabilitation project for \$0.3 million and the Coronado Park play area rehabilitation project for \$0.3 million. The funding source for the recreation projects are Park Development Fees. The funding source for the street projects are County of Orange South County Roadway Improvement Program (SCRIP) development fees. Park Development fees are collected from developers as part of the City's building permit process. SCRIP fees are collected by the County of Orange. There is an intergovernmental receivable in this fund of \$1.2 million for amounts due the City at June 30, 2022. This receivable increased \$0.6 million over the prior year balance and are amounts due from the County of Orange.

Grants Fund. The Grants Fund ended the year with a positive fund balance of \$0.5 million, an increase of \$0.4 million from the prior year. The grants fund includes activity for the Community Development Block Grant (CDBG) grant, Senior Mobility grant funded through the Orange County Transportation Authority (OCTA), funding for a Systemic Safety Analysis Report (SSARP) through the State, a project funded with State of California Mobile Source Air Pollution Grant funds, and a project funded with Bicycle Corridor Improvement Grant funds through OCTA. Grant revenues in the current year were \$1.1 million compared to \$0.7 million in expenditures. CDBG program expenditures were \$0.4 million, while Senior Mobility grant expenditures were \$0.1 million and SSARP expenditures were \$0.2 million. Capital improvement program expenditures were minimal at just over \$17,000, with \$13,000 expended on the Civic Center EV Charging Station project. There is a CDBG housing rehabilitation loan receivable balance in this fund of \$2.0 million at June 30, 2022. 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 \$98,000 from the prior year. There were loan repayments of \$134,000 against new loans issued of \$232,000. Individual loans are capped at \$25,000. There is an intergovernmental receivable in this fund of \$0.1 million for amounts due the City at June 30, 2022. This receivable decreased \$0.4 million over the prior year balance and are amounts due from the Department of Housing and Urban Development (HUD) under the CDBG program, the State of

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California under the Mobile Source Air Pollution Grant, OCTA under the Bicycle Corridor Improvement Grant and the State for the SSARP project. The largest amount due from any one agency is \$76,000 from HUD.

Housing Authority Fund. The Housing Authority Fund had a fund balance of \$5.6 million at June 30, 2022, the same as the prior year. There were no significant activities in this fund during FY 2021-22 with revenues of \$11,000 limited to investment earnings and total expenditures of \$26,000. There is a housing rehabilitation loan receivable balance in this fund of \$105,000 at June 30, 2022. These loans are repaid when a home is either refinanced, sold by the owner, or when the loan recipient no longer occupies the home. There are no new loans made for the housing rehabilitation program using funds from the Housing Authority. Four loans were paid off for a total of \$76,000. All payoff proceeds are used for other affordable housing purposes. There is an amount due from developers in the amount of \$2.5 million at June 30, 2022. This amount was loaned under affordable housing agreements executed by the former redevelopment agency and the Housing Authority. Additional information on these agreements can be found in note 5 in the Notes to Basic Financial Statements. The fund has a note payable balance due the City in the amount of \$1.773 million against a note agreement dated May 8, 2015 for the purchase of land (Site C) for future affordable housing purposes. Additional information on this note can be found in note 7 in the Notes to Basic Financial Statements.

American Rescue Plan Act Fund. The American Rescue Plan Act (ARPA) fund was created in fiscal year 2020-21 to account for resources received from the United States Treasury in response to the COVID-19 pandemic. The ARPA fund had no fund balance at June 30, 2022. The City received an allocation of \$4.9 million in May 2021 and a second \$4.9 million allocation in June 2022. The City expended \$435,000 during fiscal year 2020-21 and another \$1.7 million during fiscal year 2021-22. The unspent balance of \$7.7 million will be expended in future fiscal years for general government purposes in accordance with ARPA spending requirements. Unspent funds at June 30, 2022 are classified as unearned revenue in accordance with accounting standards.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements for the City's business-type activities, but in more detail for each fund. Please refer to the business-type activities section starting on page 15 for details on each proprietary fund.

General Fund Budgetary Highlights

Original budget compared to final budget. After each fiscal year is closed, outstanding encumbrances at year end and unencumbered appropriations are determined for carryover to the subsequent fiscal year. These amounts for FY 2021-22 were approved by the City Council in October 2021 and increased the original budget accordingly. Total carryover appropriations for FY 2021-22 were \$2.6 million, with \$2.1 million appropriated in the operating budget and \$0.5 million for the capital improvement program (CIP) budget. The most significant operating carryover appropriations were \$0.5 million for various information technology projects, including funding for the land management software implementation, \$0.7 million for various park maintenance projects, including resources for the Lakeside Loop and Lookout project, additional resources for the Montanoso rehabilitation project

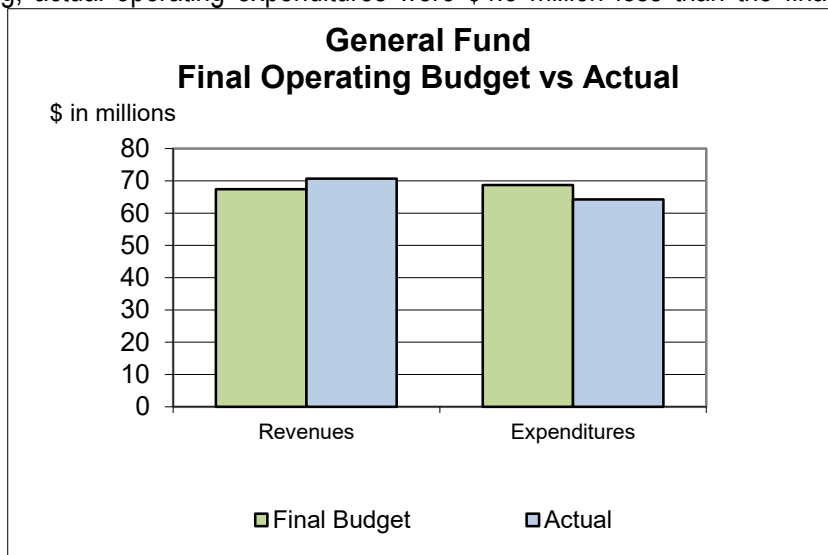
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and funds for hardscape repairs throughout the City. Almost \$0.6 million was carried over for various facility maintenance projects, including HVAC and lighting repairs at the Montanoso Recreation Center and replacement of the sound and protection equipment in the Sycamore Room at the Norman P. Murray Senior and Community Center. The largest CIP carryover appropriations were for the installation of the storage barn at the Animal Shelter site in the amount of \$143,000 and the Montanoso Center rehabilitation project in the amount of \$180,000.

During the year, there were a net total of \$23.0 million additional appropriations approved by the City Council. The most significant increase was \$19.0 million to establish the Core Area Vision Plan project. The City Council approved a \$1.0 million additional contribution to the Section 115 pension trust fund in October 2021. \$0.7 million was appropriated for the La Paz Bridge Rehabilitation and Road Widening project and the City Council appropriated an additional \$1.6 million as part of the mid-year budget review. Included in the mid-year appropriations was an increase of \$0.6 million in the Community Development program area, including \$0.1 million for a Housing Element consultant, \$0.1 million for planning consultants due to staffing vacancies, \$0.2 million for economic development consultants and \$0.2 million for building inspection services. Appropriations were increased in the Infrastructure Maintenance program area in the amount of \$0.6 million for a variety of repair needs throughout the city's parks, open spaces and facilities. The largest increase was \$0.3 million in the Aquatics Center budget for dive tower repairs, dive pool bleachers and building repairs. The Recreation program area budget was increased \$0.3 million with the largest increase of \$0.2 million for contract instructors as programs and class participation increased post pandemic.

Final budget compared to actual results. Actual revenues for the year were \$3.3 million more than revised budget projections. Actual sales tax revenue exceeded projections by \$2.0 million from an economy that rebound quicker from the pandemic than anticipated, with franchise fees exceeding projections by \$0.8 million as the City started receiving taxes on the increased franchise fee from the City waste hauler under the current contract that began on January 1, 2021.

Due to conservative spending, actual operating expenditures were \$4.5 million less than the final appropriations budget. Three program areas, including General Government – Management and Support, Public Safety and Infrastructure Maintenance underspent budgets by over \$1.0 million. The CIP budget came in \$8.9 million under budget with the largest unspent CIP budget for the Core Area Vision Plan project in the amount of \$6.7 million. Although these



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appropriations were not spent during FY 2021-22, \$11.2 million has been carried over for continued use in FY 2022-23 for on-going active projects, including: \$0.8 million for various IT projects, \$0.8 million for various facility maintenance projects, \$0.7 million for the La Paz Bridge Rehabilitation and Road Widening project, \$0.2 million for the Coronado Park play area rehabilitation project, \$0.9 million for the Marty Russo Youth Athletic Park field lighting project, and \$6.7 million for the Core Area Vision Plan project.

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, 2022, amounts to \$678.8 million, net of accumulated depreciation. This investment in assets includes land, buildings, machinery, equipment, vehicles and infrastructure. The total increase in capital assets for the current fiscal year was \$7.5 million, or 1.1%.

Capital Assets, Net of Depreciation (in millions)

	Governmental		Business-Type		Total		Total
	Activities		Activities		Total		Percentage
	2022	2021	2022	2021	2022	2021	2021-2022
Land	\$ 57.3	\$ 50.1	\$ 11.1	\$ 11.1	\$ 68.4	\$ 61.2	11.8%
Rights of way	243.9	243.8	-	-	243.9	243.8	0.0%
Buildings and Improvements	59.4	58.2	2.0	2.0	61.4	60.2	2.0%
Park improvements	4.7	5.1	0.4	0.5	5.1	5.6	-8.9%
Machinery, equipment and furniture	1.3	1.8	0.1	0.2	1.4	2.0	-30.0%
Vehicles	0.1	0.1	-	-	0.1	0.1	0.0%
Leased equipment, furniture and vehicles	0.1	0.1	0.4	0.5	0.5	0.6	-16.7%
Infrastructure	291.9	293.8	-	-	291.9	293.8	-0.6%
Water rights	0.7	0.8	-	-	0.7	0.8	-12.5%
Construction in progress	5.4	3.2	-	-	5.4	3.2	68.8%
Total	\$ 664.8	\$ 657.0	\$ 14.0	\$ 14.3	\$ 678.8	\$ 671.3	1.1%

Governmental activities. Total capital asset additions are \$15.1 million. The purchase of real property in the Village Center as part of the Core Area Vision Plan project included \$7.2 million for land and \$4.7 million for the building located on the site. Another \$0.5 million was added under buildings and improvements, with the largest addition of \$0.3 million for the installation of the Storage Barn at the Animal Services Shelter site. Just under \$0.3 million was added for various infrastructure networks with the largest addition of \$0.1 million under traffic signals for the Marguerite Parkway and Jeronimo Road intersection improvement project. Another \$0.2 million was reported under equipment with the largest addition of \$57,000 for the replacement of the message board at the intersection of Marguerite Parkway and La Paz Road. Construction in progress increased \$2.2 million. Projects started but not

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completed during FY 2021-22 included the Montanoso Recreation Center pool rehabilitation project, Coronado Park play area rehabilitation project, Marty Russo Youth Athletic Park field light project, and Aquatics Center sales building installation project. All of these projects are expected to be completed during FY 2022-23. Projects continuing from the prior year and are on-going include the Felipe Road and Oso Parkway intersection improvement project and the Oso Parkway and I-5 freeway on ramp improvement project. The City also started the next phase of the Core Area Vision Plan project by executing contracts for conceptual design of the Core Area. The installation of the Storage Barn was the only capital project started in the prior year and completed during FY 2021-22. 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. Total asset additions were offset by current year depreciation of \$7.3 million, resulting in a net increase in governmental activities capital assets of \$7.8 million.

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 2021-22 is the sixth year of amortization.

Business-type activities. Overall, capital assets decreased \$0.3 million. Total additions of \$107,000 included \$67,000 for new sliding doors at the golf course clubhouse. The golf course restroom project was started during FY 2021-22 and \$14,000 was added to construction in progress for this project. This project is expected to be completed during FY 2022-23. Capital asset additions were offset by current year depreciation of \$342,000.

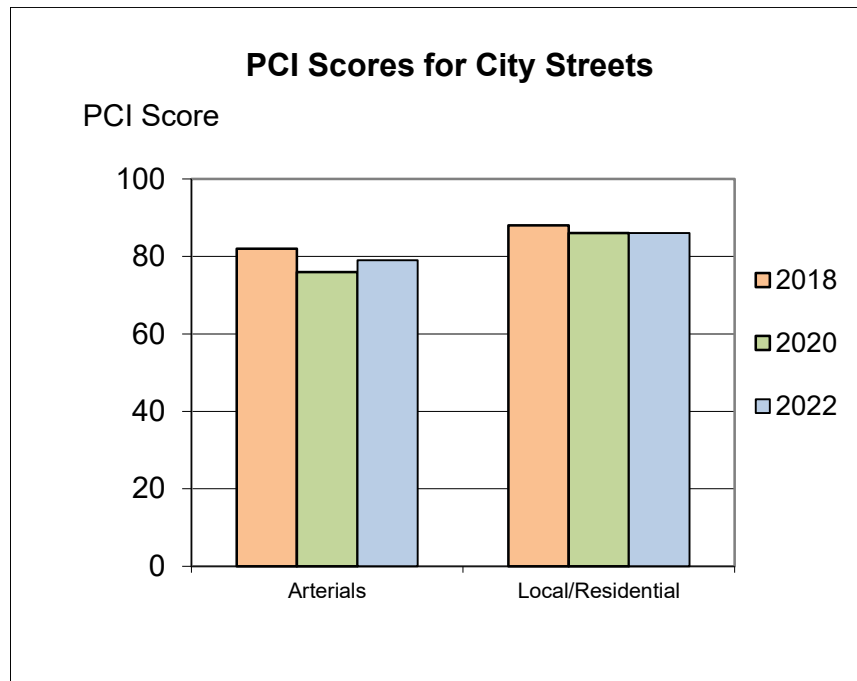
As allowed by GASB Statement No. 34, the City has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the "modified approach," the City expenses certain maintenance and preservation costs and does not report depreciation expense. The assets accounted for under the "modified approach" are 226.2 miles of roads that the City is responsible for maintaining.

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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 2021-22, indicated that arterial roadways were in "good" condition with a PCI score of 79 and local/residential streets were in "very good" condition with a PCI score of 86. The current citywide weighted average Pavement Condition Index is 84, which is a slight increase of one PCI point since the 2020 assessment. The City has 3.0% of its streets reported in the "Poor" category and 0.0% of its streets reported in the "Very Poor" category.

For the last five fiscal years, total actual maintenance fell below total projected preservation needs by only \$66,000. For FY 2021-22, actual expenditures exceeded projected needs by \$1.0 million. At June 30, 2022 the City had \$3.0 million of unspent appropriations for arterial highway and residential street resurfacing projects that were carried over to FY 2022-23. 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 68-71 of this report and Note 2 of the Notes to Required Supplementary Information on pages 117-119.

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Long-Term Debt. At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$58.2 million, increasing \$3.9 million over the prior year balance of \$54.3 million.

Long-Term Liabilities (in millions)

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2022	2021	2022	2021	2022	2021	Change
							2021-2022
Revenue bonds	\$ 43.9	\$ 27.8	\$ -	\$ -	\$ 43.9	\$ 27.8	57.9%
Bond Premium	1.3	0.7	-	-	1.3	0.7	85.7%
Subtotal-bonds payable	45.2	28.5	-	-	45.2	28.5	58.6%
Net pension liability	8.4	19.1	1.3	2.7	9.7	21.8	-55.5%
Financed assets	0.1	0.2	-	-	0.1	0.2	-50.0%
Leases payable	0.1	0.1	0.4	0.5	0.5	0.6	100.0%
Compensated absences	2.5	2.9	0.2	0.3	2.7	3.2	-15.6%
Total	\$ 56.3	\$ 50.8	\$ 1.9	\$ 3.5	\$ 58.2	\$ 54.3	7.2%

Total principal on all bond debt issued increased by \$16.1 million. On December 22, 2021, the Financing Authority issued \$18.595 million in 2021A Taxable and 2021B Tax-Exempt Lease Revenue Bonds to finance the costs of acquisition and design and demolition and/or reconfiguration of certain real property as part of the Core Area Vision Plan project. This increase was offset by principal payments against all bond issues for a total amount of \$2.49 million. The net pension liability decreased \$12.1 million from the prior year as a result of a 21.3% net investment return on pension plan assets during fiscal year 2020-21. The City has eight leases at June 30, 2022. Four vehicles leases are for 2021 Ford Explorers used for public safety operations and one lease is for a City pool car. Principal payments in the amount of \$35,000 were made during the year, resulting in a year-end balance of \$92,000 on vehicle leases. The City has one lease for personal computer equipment with an end of year balance of \$84,000, a lease for golf course maintenance equipment with an end of year balance of \$93,000 and a lease for golf carts with an end of year balance of \$347,000.

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 \$726.3 million at June 30, 2022. The City has no general obligation bond debt outstanding.

Additional information on the City's long-term liabilities can be found in Note 8 and 9 of the Notes to Basic Financial Statements on pages 72-79 of this report. Additional information on the City's pension liability can be found in Note 18 on pages 87-95 of this report.

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Next Year's Budget, Tax Rates and Fee Levels

The fiscal year 2022-23 City budget was adopted in June 2022. This budget was prepared conservatively with property tax and sales tax estimates projected with conservative growth from the previous fiscal year. The total operating and capital improvement program budget were approved for \$79.6 million and \$7.7 million respectively. There were no tax rate increases as part of the preparation and adoption of the 2022-23 budget; however, the budget was adopted with some fee increases and the approval of new fees. For the golf course operation, green fees were increased \$9 for non-residents and \$5 for residents. The purpose of these fee increases was to ensure the operation of the golf course without the use of General Fund resources and to provide resources to fund future improvement projects of the golf course grounds, surrounding slopes, clubhouse and other facility amenities. For Recreation, new fees were established for pickleball court use at the Sierra Recreation Center and Felipe Tennis Center. There were also new fees established for pool parties and deck bungalow rentals following the completion of the Montanoso Recreation Center pool rehabilitation. The General Fund budget was adopted without the use of reserves. A comprehensive master fee schedule can be located on the finance page of the City website at the following link. <https://cityofmissionviejo.org/departments/finance/master-fee-schedule>.

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, 2022

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, 2022 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 Custodial) 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, 2022 (With Comparative Totals as of June 30, 2021)

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	
			2022	2021
ASSETS				
Current assets:				
Cash and investments (note 2)	\$ 56,339,241	\$ 8,344,692	\$ 64,683,933	\$ 54,988,926
Accounts receivable	386,839	47,177	434,016	260,201
Taxes receivable	5,229,433	109,111	5,338,544	5,494,777
Loans receivable	2,091,536	-	2,091,536	2,067,625
Interest receivable	194,561	-	194,561	107,546
Prepaid items	9,133	3,237	12,370	65,916
Inventories	-	28,186	28,186	22,302
Deposits	430	-	430	430
Intergovernmental receivable	4,384,164	30,986	4,415,150	2,704,853
Notes receivable (note 4)	2,265,104	-	2,265,104	2,363,478
Interfund balances (note 3)	4,612	(4,612)	-	-
Interfund note balances (note 7)	920,727	(920,727)	-	-
Due from developers (note 5)	2,484,433	-	2,484,433	4,470,422
Land held for resale	6,900,000	-	6,900,000	6,900,000
Restricted cash and investments for pensions (note 2)	1,983,280	-	1,983,280	661,822
Restricted cash and investments with fiscal agent (note 2)	7,983,073	-	7,983,073	1,326,051
Total current assets	91,176,566	7,638,050	98,814,616	81,434,349
Noncurrent assets:				
OPEB asset (note 20)	2,043,053	93,488	2,136,541	534,436
Lease receivable (note 9)	-	376,417	376,417	384,950
Capital assets not being depreciated (note 6)	508,427,186	11,097,273	519,524,459	510,057,089
Capital assets, net of depreciation (note 6)	156,331,985	2,950,817	159,282,802	161,288,333
Total noncurrent assets	666,802,224	14,517,995	681,320,219	672,264,808
Total assets	757,978,790	22,156,045	780,134,835	753,699,157
DEFERRED OUTFLOWS OF RESOURCES				
Pension related (note 18)	2,775,288	414,919	3,190,207	3,913,474
OPEB related (note 20)	350,278	16,028	366,306	309,907
Deferred refunding charge	587,716	-	587,716	653,018
Total deferred outflows of resources	3,713,282	430,947	4,144,229	4,876,399
Total assets and deferred outflows of resources	761,692,072	22,586,992	784,279,064	758,575,556
LIABILITIES				
Current liabilities:				
Accounts payable	4,670,164	987,731	5,657,895	4,039,492
Accrued payroll	983,130	142,253	1,125,383	1,015,494
Accrued interest payable	468,424	14,694	483,118	1,055,065
Unearned revenues	7,936,318	-	7,936,318	4,721,734
Deposits payable	1,000,936	10,243	1,011,179	1,023,111
Intergovernmental payable	168,647	160,396	329,043	170,488
Other liabilities	13,670	-	13,670	22,975
Retainage payable	142,469	-	142,469	50,444
Total current liabilities	15,383,758	1,315,317	16,699,075	12,098,803
Noncurrent liabilities:				
Due within one year - bonds, notes, leases, compensated absences(note 8)	4,510,567	232,267	4,742,834	3,731,995
Due in more than one year - bonds, notes, leases, compensated absences(note 8)	43,443,325	427,599	43,870,924	28,756,757
Net pension liability (note 18)	8,387,890	1,254,030	9,641,920	21,838,328
Total noncurrent liabilities	56,341,782	1,913,896	58,255,678	54,327,080
Total liabilities	71,725,540	3,229,213	74,954,753	66,425,883
DEFERRED INFLOWS OF RESOURCES				
Lease related (note 9)	-	376,417	376,417	384,950
Pension related (note 18)	7,836,877	1,171,652	9,008,529	913,964
OPEB related (note 20)	1,455,942	66,621	1,522,563	67,428
Total deferred inflows of resources	9,292,819	1,614,690	10,907,509	1,366,342
Total liabilities and deferred inflows of resources	81,018,359	4,843,903	85,862,262	67,792,225
NET POSITION				
Net investment in capital assets	633,007,131	-	646,238,521	641,680,592
Restricted	35,736,900	-	35,736,900	28,227,969
Unrestricted	11,929,682	4,511,699	16,441,381	20,874,769
Total net position	\$ 680,673,713	\$ 17,743,089	\$ 698,416,802	\$ 690,783,330

See accompanying notes to the basic financial statements

CITY OF MISSION VIEJO

Statement of Activities

For the Year Ended June 30, 2022 (With Comparative Totals for the Year Ended June 30, 2021)

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary government:			
Governmental activities:			
General Government-Legislative	\$ 641,846	\$ -	\$ -
General Govt-Mgmt and Support	11,146,905	697,984	182,937
Public Safety	22,269,118	341,346	451,267
Community Development	3,954,292	4,330,548	604,767
Engineering & Transportation	8,644,433	1,047,078	6,642,327
Infrastructure Maintenance	23,627,061	370,406	2,209,888
Rec/Community/Library Services	8,571,082	2,285,781	265,452
Interest and fiscal charges	1,238,333	-	-
Total governmental activities	80,093,070	9,073,143	10,356,638
Business-type activities:			
Mission Viejo Television Fund	217,098	438,441	-
Golf Operations Fund	3,578,214	3,803,662	650
Animal Services Fund	2,999,619	2,599,033	98,042
Total business-type activities	6,794,931	6,841,136	98,692
Total primary government	\$ 86,888,001	\$ 15,914,279	\$ 10,455,330

General revenues:

- Property taxes
- Sales and use taxes
- Franchise taxes
- Property transfer taxes
- Transient occupancy tax
- Unrestricted motor vehicle in lieu fees
- Investment earnings (loss)
- Gain on disposal of capital assets
- Other

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
			2022	2021
\$ -	\$ (641,846)	\$ -	\$ (641,846)	\$ (767,016)
-	(10,265,984)	-	(10,265,984)	(8,603,349)
-	(21,476,505)	-	(21,476,505)	(21,138,439)
-	981,023	-	981,023	1,215,245
1,560,549	605,521	-	605,521	328,575
17,028	(21,029,739)	-	(21,029,739)	(19,215,136)
-	(6,019,849)	-	(6,019,849)	(7,602,209)
-	(1,238,333)	-	(1,238,333)	(1,019,131)
<u>1,577,577</u>	<u>(59,085,712)</u>	<u>-</u>	<u>(59,085,712)</u>	<u>(56,801,460)</u>
-	-	221,343	221,343	290,615
-	-	226,098	226,098	(705,644)
-	-	(302,544)	(302,544)	195,835
-	-	144,897	144,897	(219,194)
<u>\$ 1,577,577</u>	<u>(59,085,712)</u>	<u>144,897</u>	<u>(58,940,815)</u>	<u>(57,020,654)</u>
	40,759,998	-	40,759,998	39,548,716
	20,550,900	-	20,550,900	17,905,482
	3,639,190	-	3,639,190	2,860,600
	1,001,546	-	1,001,546	929,992
	1,171,247	-	1,171,247	635,204
	108,731	-	108,731	69,142
	(781,000)	(94,345)	(875,345)	131,133
	1,077	-	1,077	-
	216,943	-	216,943	310,107
	(580,415)	580,415	-	-
	<u>66,088,217</u>	<u>486,070</u>	<u>66,574,287</u>	<u>62,390,376</u>
	<u>7,002,505</u>	<u>630,967</u>	<u>7,633,472</u>	<u>5,369,722</u>
	<u>673,671,208</u>	<u>17,112,122</u>	<u>690,783,330</u>	<u>685,413,608</u>
	<u>\$ 680,673,713</u>	<u>\$ 17,743,089</u>	<u>\$ 698,416,802</u>	<u>\$ 690,783,330</u>

CITY OF MISSION VIEJO

BASIC FINANCIAL STATEMENTS - OVERVIEW YEAR ENDED JUNE 30, 2022

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 programs, 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.

AMERICAN RESCUE PLAN ACT – Funding from the American Rescue Plan Act signed into law on March 11, 2021. This bill provides for additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. Funds can be used to support public health expenditures, address negative economic impacts caused by the public health emergency, replace lost revenue, provide premium pay for essential workers, and invest in infrastructure.

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 Debt Service Funds of the City.

CITY OF MISSION VIEJO

BASIC FINANCIAL STATEMENTS - OVERVIEW YEAR ENDED JUNE 30, 2022

DESCRIPTION OF PROPRIETARY 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 three activities partially funded by fees and charges.

MAJOR ENTERPRISE FUNDS:

GOLF COURSE – To account for the operation of the Oso Creek Golf Course, formerly Casta del Sol, which includes the golf course, clubhouse, maintenance yard, and slopes surrounding the golf course. Funded by user fees, merchandise, and food and beverage revenue.

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.

NON-MAJOR ENTERPRISE FUND:

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 custodial capacity for individuals, private organizations and/or other governments. The City of Mission Viejo maintains the following fiduciary fund:

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.

CITY OF MISSION VIEJO

Governmental Funds

Balance Sheet

June 30, 2022 (With Comparative Totals as of June 30, 2021)

	General Fund	Developer Fees Fund	Grants Fund
ASSETS			
Cash and investments	\$ 37,662,921	\$ 439,947	\$ 569,420
Accounts receivable	386,839	-	-
Taxes receivable	4,779,455	-	27,273
Loans receivable	4,003	-	1,982,550
Interest receivable	194,386	-	-
Prepaid items	8,783	-	-
Deposits	430	-	-
Intergovernmental receivable	18,883	1,189,474	145,182
Interfund receivables (note 3)	3,525,106	-	-
Notes receivable (note 4)	2,265,104	-	-
Interfund note receivable (note 7)	2,693,727	-	-
Due from developers (note 5)	-	-	-
Land held for resale	-	-	-
Restricted Assets:			
Cash and investment for pensions	1,983,281	-	-
Cash and investments with fiscal agents	-	-	-
Total assets	<u>\$ 53,522,918</u>	<u>\$ 1,629,421</u>	<u>\$ 2,724,425</u>
LIABILITIES			
Accounts payable	\$ 4,290,379	\$ 30,894	\$ 119,261
Accrued payroll	837,716	1,921	1,652
Unearned revenues	193,807	-	-
Deposits payable	1,000,936	-	-
Intergovernmental payable	166,775	-	-
Interfund payable (note 3)	650	1,159,646	67,661
Other liabilities	13,670	-	-
Retainage payable	17,485	13,607	-
Interfund note payable (note 7)	-	-	-
Total liabilities	<u>6,521,418</u>	<u>1,206,068</u>	<u>188,574</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>1,773,000</u>	<u>1,189,474</u>	<u>2,052,912</u>
Total deferred inflows of resources	<u>1,773,000</u>	<u>1,189,474</u>	<u>2,052,912</u>
Total liabilities and deferred inflows of resources	<u>8,294,418</u>	<u>2,395,542</u>	<u>2,241,486</u>
FUND BALANCES (DEFICITS)			
Nonspendable	13,216	-	-
Restricted for:			
Community development	-	-	-
Core Area Vision Plan capital project	-	-	-
Debt service	-	-	-
Library services	-	-	-
Public safety	-	-	1,822
Public works	758,367	-	-
Recreation	-	-	549,538
Pension retirement benefits	5,197,962	-	-
Assigned	9,600,000	-	-
Unassigned	29,658,955	(766,121)	(68,421)
Total fund balances (deficits)	<u>45,228,500</u>	<u>(766,121)</u>	<u>482,939</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 53,522,918</u>	<u>\$ 1,629,421</u>	<u>\$ 2,724,425</u>

See accompanying notes to the basic financial statements.

Mission Viejo Housing Authority Fund	ARPA Fund	Total Nonmajor Funds	Totals	
			2022	2021
\$ 401,497	\$ 7,742,511	\$ 9,522,943	\$ 56,339,239	\$ 47,612,799
-	-	-	386,839	226,182
-	-	422,705	5,229,433	5,379,905
104,983	-	-	2,091,536	2,067,625
174	-	-	194,560	107,546
-	-	350	9,133	60,346
-	-	-	430	430
-	-	3,030,625	4,384,164	2,680,386
-	-	-	3,525,106	2,443,183
-	-	-	2,265,104	2,363,478
-	-	-	2,693,727	2,885,853
2,484,433	-	-	2,484,433	4,470,422
6,900,000	-	-	6,900,000	6,900,000
-	-	-	1,983,281	661,822
-	-	7,983,073	7,983,073	1,326,051
<u>\$ 9,891,087</u>	<u>\$ 7,742,511</u>	<u>\$ 20,959,696</u>	<u>\$ 96,470,058</u>	<u>\$ 79,186,028</u>
\$ 1,369	\$ -	\$ 228,261	\$ 4,670,164	\$ 3,660,564
-	-	141,841	983,130	887,005
-	7,742,511	-	7,936,318	4,691,432
-	-	-	1,000,936	1,018,678
-	-	1,872	168,647	9,000
1,080	-	2,291,457	3,520,494	2,458,103
-	-	-	13,670	22,975
-	-	111,376	142,468	48,029
1,773,000	-	-	1,773,000	1,925,000
<u>1,775,449</u>	<u>7,742,511</u>	<u>2,774,807</u>	<u>20,208,827</u>	<u>14,720,786</u>
2,484,433	-	2,241,656	9,741,475	9,996,678
<u>2,484,433</u>	<u>-</u>	<u>2,241,656</u>	<u>9,741,475</u>	<u>9,996,678</u>
4,259,882	7,742,511	5,016,463	29,950,302	24,717,464
-	-	350	13,566	63,765
5,631,205	-	1,527	5,632,732	5,655,127
-	-	6,843,700	6,843,700	-
-	-	2,219,178	2,219,178	2,851,054
-	-	1,658,413	1,658,413	1,598,061
-	-	167,780	169,602	131,311
-	-	6,381,650	7,140,017	7,224,215
-	-	-	549,538	475,198
-	-	-	5,197,962	4,001,488
-	-	-	9,600,000	9,600,000
-	-	(1,329,365)	27,495,048	22,868,345
5,631,205	-	15,943,233	66,519,756	54,468,564
<u>\$ 9,891,087</u>	<u>\$ 7,742,511</u>	<u>\$ 20,959,696</u>	<u>\$ 96,470,058</u>	<u>\$ 79,186,028</u>



MISSION VIEJO

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City of Mission Viejo

Reconciliation of Balance Sheet to the Statement of Net Position June 30, 2022

Fund balances of governmental funds	\$ 66,519,756
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	664,759,171
Non-current asset that have not been included in the governmental fund OPEB asset	2,043,053
Long-term debt, leases, and compensated absences that have not been included in the governmental fund activity:	
Net pension liability	(8,387,890)
Long-term liabilities	(45,263,678)
Lease liabilities	(175,672)
Deferred refunding charge	587,716
Compensated absences	(2,514,542)
Deferred inflows and outflows of resources related to pensions that have not been included in the governmental fund activity:	
Deferred outflows of resources-pension related	2,775,288
Deferred inflows of resources-pension related	(7,836,877)
Deferred inflows and outflows of resources related to OPEB that have not been included in the governmental fund activity:	
Deferred outflows of resources-OPEB related	350,278
Deferred inflows of resources-OPEB related	(1,455,942)
Accrued interest payable for the current portion of interest due on bonds that has not been reported in the governmental funds	(468,424)
Receivables that are measurable, but not available, are recorded as a deferred inflow of resources under the modified accrual basis of accounting	<u>9,741,476</u>
Net position of governmental activities	<u><u>\$ 680,673,713</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, 2022 (With Comparative Totals for the Year Ended June 30, 2021)

	General Fund	Developer Fees Fund	Grants Fund
REVENUES			
Taxes	\$ 61,328,934	\$ -	\$ -
Licenses and permits	2,790,943	-	-
Intergovernmental	590,486	-	1,149,755
Charges for services	4,720,057	-	-
Investment earnings (loss)	(757,126)	4,888	3,206
Fines and forfeitures	521,760	-	-
Developer fees	-	-	-
Other	1,492,038	-	-
Total revenues	<u>70,687,092</u>	<u>4,888</u>	<u>1,152,961</u>
EXPENDITURES			
Current:			
General Government-Legislative	755,253	-	-
General Govt-Mgmt and Support	9,431,461	-	8,809
Public Safety	21,648,738	-	-
Community Development	3,742,712	-	434,581
Engineering & Transportation	2,147,540	-	173,699
Infrastructure Maintenance	20,463,341	-	-
Rec/Community/Library Services	4,906,394	-	109,800
Debt service:			
Principal retirement	179,175	-	-
Interest	16,397	-	-
Bond issuance costs	-	-	-
Capital outlay:			
Engineering & Transportation	122,840	571,432	12,958
Infrastructure Maintenance	13,136,876	600,880	4,070
Total expenditures	<u>76,550,727</u>	<u>1,172,312</u>	<u>743,917</u>
Excess (deficiency) of revenues over expenditures	<u>(5,863,635)</u>	<u>(1,167,424)</u>	<u>409,044</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of debt issuance	-	-	-
Premium on bonds issued	-	-	-
Transfers in (note 12)	15,235,855	-	-
Transfers out (note 12)	(2,314,546)	-	-
Proceeds of lease	-	-	-
Sales of City property	153,077	-	-
Total other financing sources (uses)	<u>13,074,386</u>	<u>-</u>	<u>-</u>
Net change in fund balances	7,210,751	(1,167,424)	409,044
Fund balances - beginning	38,017,749	401,303	73,895
Fund balances (deficits) - ending	<u>\$ 45,228,500</u>	<u>\$ (766,121)</u>	<u>\$ 482,939</u>

See accompanying notes to the basic financial statements.

Mission Viejo Housing Authority Fund	ARPA Fund	Total Nonmajor Funds	Totals	
			2022	2021
\$ -	\$ -	\$ 3,766,953	\$ 65,095,887	\$ 59,851,422
-	-	-	2,790,943	2,494,557
-	1,652,178	8,704,425	12,096,844	12,205,910
-	-	145,760	4,865,817	3,080,859
11,423	-	(138,707)	(876,316)	142,157
-	-	30,760	552,520	385,795
-	-	-	-	4,455,000
25	-	14,437	1,506,500	1,474,612
<u>11,448</u>	<u>1,652,178</u>	<u>12,523,628</u>	<u>86,032,195</u>	<u>84,090,312</u>
-	-	-	755,253	734,109
-	-	113,630	9,553,900	8,384,797
-	-	582,874	22,231,612	21,667,545
26,498	-	43,020	4,246,811	5,668,460
-	-	926,683	3,247,922	2,644,632
-	-	433,303	20,896,644	18,978,723
-	-	2,896,297	7,912,491	6,474,648
-	-	2,492,757	2,671,932	2,235,966
-	-	830,758	847,155	727,340
-	-	313,851	313,851	-
-	-	5,722,391	6,429,621	5,005,763
-	-	32,980	13,774,806	159,916
<u>26,498</u>	<u>-</u>	<u>14,388,544</u>	<u>92,881,998</u>	<u>72,681,899</u>
<u>(15,050)</u>	<u>1,652,178</u>	<u>(1,864,916)</u>	<u>(6,849,803)</u>	<u>11,408,413</u>
-	-	18,595,000	18,595,000	-
-	-	733,333	733,333	-
-	-	2,914,799	18,150,654	4,683,997
-	(1,652,178)	(14,764,345)	(18,731,069)	(5,233,247)
-	-	-	-	118,962
-	-	-	153,077	203,798
-	<u>(1,652,178)</u>	<u>7,478,787</u>	<u>18,900,995</u>	<u>(226,490)</u>
(15,050)	-	5,613,871	12,051,192	11,181,923
5,646,255	-	10,329,362	54,468,564	43,286,641
<u>\$ 5,631,205</u>	<u>\$ -</u>	<u>\$ 15,943,233</u>	<u>\$ 66,519,756</u>	<u>\$ 54,468,564</u>

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, 2022

Net change in fund balances - total governmental funds	\$ 12,051,192	
Amounts reported for governmental activities in the statement of activities are different different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity		
Capital asset expenditures	15,070,575	
Disposition of capital assets	(58,554)	
Depreciation expense	(7,315,043)	
Long-term debt and capital leases that have not been included in governmental fund activity		
Issuance of new debt	(19,328,333)	
Principal payments	2,609,145	
Premium and deferred refunding charge amortization	45,219	
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds		
Current year interest expense	(351,917)	
Current year interest forgiveness	923,224	
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.		386,354
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	3,028,243	
OPEB related net adjustments	197,600	
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.		(255,200)
Change in net position of governmental activities	<u>\$ 7,002,505</u>	

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

Proprietary Funds

Statement of Net Position

June 30, 2022 (With Comparative Totals as of June 30, 2021)

	Business-type Activities				
	Golf Course	Animal Services	Nonmajor Mission Viejo Television	Totals	
				2022	2021
ASSETS					
Current assets:					
Cash and investments	\$ 1,488,203	\$ 4,906,892	\$ 1,949,597	\$ 8,344,692	\$ 7,376,127
Accounts receivable	46,977	200	-	47,177	34,019
Taxes receivable	-	-	109,111	109,111	114,872
Prepaid items	-	3,237	-	3,237	5,570
Intergovernmental receivable	-	30,986	-	30,986	24,467
Interfund receivables (note 3)	650	-	-	650	14,920
Inventories	28,186	-	-	28,186	22,302
Total current assets	1,564,016	4,941,315	2,058,708	8,564,039	7,592,277
Noncurrent assets:					
Lease receivable (note 9)	-	376,417	-	376,417	384,950
Capital assets, not depreciated (note 6)	10,535,896	561,377	-	11,097,273	11,083,377
Capital assets, depreciated, net (note 6)	1,380,089	1,500,239	70,489	2,950,817	3,199,853
Net OPEB asset	-	89,158	4,330	93,488	25,539
Total noncurrent assets	11,915,985	2,527,191	74,819	14,517,995	14,693,719
Total assets	13,480,001	7,468,506	2,133,527	23,082,034	22,285,996
DEFERRED OUTFLOWS OF RESOURCES					
Pension related	-	404,702	10,217	414,919	490,482
OPEB related	-	15,286	742	16,028	14,809
Total deferred outflows of resources	-	419,988	10,959	430,947	505,291
Total assets and deferred outflows of resources	13,480,001	7,888,494	2,144,486	23,512,981	22,791,287
LIABILITIES					
Current liabilities:					
Accounts payable	915,490	57,083	15,158	987,731	378,928
Accrued payroll	-	139,447	2,806	142,253	128,489
Unearned revenues	-	-	-	-	30,302
Interest payable	14,694	-	-	14,694	15,334
Deposits payable	-	10,243	-	10,243	4,433
Intergovernmental payable	-	160,396	-	160,396	161,488
Interfund payable (note 3)	-	-	5,262	5,262	-
Retainage payable	-	-	-	-	2,415
Interfund notes payable (note 7)	920,727	-	-	920,727	960,853
Compensated absences payable- current (note 8)	-	134,885	8,549	143,434	122,745
Capital lease payable- current (note 8)	88,833	-	-	88,833	86,028
Total current liabilities	1,939,744	502,054	31,775	2,473,573	1,891,015
Noncurrent liabilities:					
Compensated absences payable (note 8)	-	72,961	3,188	76,149	108,116
Capital lease payable (note 8)	351,450	-	-	351,450	440,284
Net pension liability (note 18)	-	1,223,151	30,879	1,254,030	2,737,029
Total noncurrent liabilities	351,450	1,296,112	34,067	1,681,629	3,285,429
Total liabilities	2,291,194	1,798,166	65,842	4,155,202	5,176,444
DEFERRED INFLOWS OF RESOURCES					
Lease related (note 9)	-	376,417	-	376,417	384,950
Pension related	-	1,142,801	28,851	1,171,652	114,549
OPEB related	-	63,537	3,084	66,621	3,222
Total deferred inflows of resources	-	1,582,755	31,935	1,614,690	502,721
Total liabilities and deferred inflows of resources	2,291,194	3,380,921	97,777	5,769,892	5,679,165
NET POSITION					
Investment in capital assets	11,475,702	1,685,199	70,489	13,231,390	12,796,065
Unrestricted	(286,895)	2,822,374	1,976,220	4,511,699	4,316,057
Total net position	\$ 11,188,807	\$ 4,507,573	\$ 2,046,709	\$ 17,743,089	\$ 17,112,122

See accompanying notes to the basic financial statements.

CITY OF MISSION VIEJO

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2022 (With Comparative Totals for the Year Ended June 30, 2021)

	Business-type Activities				
	Golf Course	Animal Services	Nonmajor Mission Viejo Television	Totals	
				2022	2021
OPERATING REVENUES					
Licenses and permits	\$ -	\$ 883,923	\$ -	\$ 883,923	\$ 879,569
Charges for services	3,802,564	1,511,444	40	5,314,048	4,569,364
Franchise taxes	-	-	438,401	438,401	475,851
Fines and forfeitures	-	137,623	-	137,623	116,619
Other	1,748	164,085	-	165,833	106,177
Total operating revenues	3,804,312	2,697,075	438,441	6,939,828	6,147,580
OPERATING EXPENSES					
Personnel services	-	2,078,724	-	2,078,724	2,459,283
Supplies	891,544	256,900	13,131	1,161,575	1,090,637
Utilities	197,990	72,992	39,034	310,016	239,039
Contractual services	2,224,752	448,035	130,213	2,803,001	2,180,385
Rent	1,258	7,635	-	8,893	13,944
Depreciation (note 6)	178,403	128,795	34,720	341,918	333,869
Other expenses	44,043	6,537	-	50,580	11,307
Total operating expenses	3,537,990	2,999,618	217,098	6,754,706	6,328,464
Operating income (loss)	266,322	(302,543)	221,343	185,122	(180,884)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings (loss)	-	(64,069)	(30,276)	(94,345)	16,717
Gain (loss) on sale/disposal of City property	-	-	-	-	1,084
Interest expense	(40,225)	-	-	(40,225)	(38,310)
Total nonoperating revenues (expenses)	(40,225)	(64,069)	(30,276)	(134,570)	(20,509)
Income (loss) before contributions and transfers	226,097	(366,612)	191,067	50,552	(201,393)
Transfers in (note 12)	20,190	709,833	-	730,023	576,045
Transfers out (note 12)	-	(143,349)	(6,259)	(149,608)	(26,795)
Change in net position	246,287	199,872	184,808	630,967	347,857
Total net position - beginning	10,942,520	4,307,701	1,861,901	17,112,122	16,764,265
Total net position - ending	\$ 11,188,807	\$ 4,507,573	\$ 2,046,709	\$ 17,743,089	\$ 17,112,122

See accompanying notes to the basic financial statements.

CITY OF MISSION VIEJO

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2022 (With Comparative Totals for the Year Ended June 30, 2021)

	Business-type Activities - Enterprise Funds				
	Golf	Animal	Nonmajor	Totals	
	Operations	Services	Mission Viejo	2022	2021
Fund	Fund	Television			
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	\$ 3,785,519	\$ 2,664,798	\$ 444,202	\$ 6,894,519	\$ 6,182,927
Payments to suppliers	(2,742,396)	(779,719)	(195,814)	(3,717,929)	(2,956,717)
Payments to employees	-	(2,368,067)	(52,230)	(2,420,297)	(2,241,833)
Net cash provided (used) by operating activities	<u>1,043,123</u>	<u>(482,988)</u>	<u>196,158</u>	<u>756,293</u>	<u>984,377</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash transfers in	20,190	709,833	-	730,023	576,045
Cash transfers out	-	(143,349)	(6,259)	(149,608)	(26,795)
Net cash provided (used) by noncapital financing activities	<u>20,190</u>	<u>566,484</u>	<u>(6,259)</u>	<u>580,415</u>	<u>549,250</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(106,778)	-	-	(106,778)	(1,068,931)
Capital debt proceeds	-	-	-	-	526,312
Principal on debt paid	(126,155)	-	-	(126,155)	(39,147)
Interest on debt paid	(40,865)	-	-	(40,865)	(39,003)
Disposal of capital assets	-	-	-	-	17,106
Net cash provided (used) by capital and related financing activities	<u>(273,798)</u>	<u>-</u>	<u>-</u>	<u>(273,798)</u>	<u>(603,663)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received (loss)	-	(64,069)	(30,276)	(94,345)	16,717
Net cash provided (used) by investing activities	<u>-</u>	<u>(64,069)</u>	<u>(30,276)</u>	<u>(94,345)</u>	<u>16,717</u>
Net increase (decrease) in cash and cash equivalents	<u>789,515</u>	<u>19,427</u>	<u>159,623</u>	<u>968,565</u>	<u>946,681</u>
Cash and cash equivalent - beginning of year	698,688	4,887,465	1,789,974	7,376,127	6,429,446
Cash and cash equivalent - end of the year	<u>\$ 1,488,203</u>	<u>\$ 4,906,892</u>	<u>\$ 1,949,597</u>	<u>\$ 8,344,692</u>	<u>\$ 7,376,127</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF MISSION VIEJO

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2022 (With Comparative Totals for the Year Ended June 30, 2021)

	Business-type Activities - Enterprise Funds				
	Golf	Animal	Nonmajor	Totals	
	Operations	Services	Mission Viejo	2022	2021
Fund	Fund	Television			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating Income	\$ 266,322	\$ (302,543)	\$ 221,343	\$ 185,122	\$ (180,884)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	178,403	128,795	34,720	341,918	333,869
Changes in assets and liabilities:					
Deferred outflows-pension related	-	62,025	13,538	75,563	9,729
Deferred outflows-OPEB related	-	(1,085)	(134)	(1,219)	(13,852)
Deferred inflows-pension related	-	1,033,800	23,303	1,057,103	(37,838)
Deferred inflows-OPEB related	-	60,447	2,952	63,399	(460)
Deferred inflows-lease related	-	(8,533)	-	(8,533)	384,950
Net pension liability	-	(1,381,320)	(101,679)	(1,482,999)	196,519
Net OPEB liability (asset)	-	(64,668)	(3,281)	(67,949)	20,627
Accounts receivable	(12,958)	(200)	-	(13,158)	(27,297)
Taxes receivable	-	-	5,761	5,761	7,084
Prepaid	-	2,333	-	2,333	12,250
Inventories	(5,884)	-	-	(5,884)	1,286
Lease receivable	-	8,533	-	8,533	-
Intergovernmental receivable	-	(6,519)	-	(6,519)	(24,467)
Interfund receivable	14,270	-	-	14,270	(14,920)
Accounts payable	611,220	4,238	(6,655)	608,803	192,368
Accrued payroll	-	13,444	320	13,764	2,895
Deposits payable	-	5,810	-	5,810	246
Intergovernmental payable	-	(1,092)	-	(1,092)	90,049
Interfund payable	-	-	5,262	5,262	-
Retainage payable	(2,415)	-	-	(2,415)	2,415
Unearned revenues	(5,835)	(24,467)	-	(30,302)	(10,022)
Accrued compensated absences	-	(11,986)	708	(11,278)	39,830
Net cash provided (used) by operating activities	\$ 1,043,123	\$ (482,988)	\$ 196,158	\$ 756,293	\$ 984,377

There are no significant noncash investing, capital or financing activities for the years ended June 20, 2021 and 2022.

See accompanying notes to the basic financial statements.

CITY OF MISSION VIEJO

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2022 (With Comparative Totals as of June 30, 2021)

	Successor Agency to the Community Development Agency of the City of Mission Viejo Private-purpose Trust Fund	
	2022	2021
ASSETS		
Cash and investments	\$ 1,054,816	\$ 1,211,190
Prepaid items	15,190	21,486
Total assets	1,070,006	1,232,676
LIABILITIES		
Accounts payable	1,544	-
Intergovernmental payable-City	-	13,200
Total liabilities	1,544	13,200
NET POSITION		
Held in trust for former redevelopment obligations	1,068,462	1,219,476
Total net position	\$ 1,068,462	\$ 1,219,476

See accompanying notes to the basic financial statements.

CITY OF MISSION VIEJO

Fiduciary Funds

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2022 (With Comparative Totals for the Year Ended June 30, 2021)

	Successor Agency to the Community Development Agency of the City of Mission Viejo Private-purpose Trust Fund	
	2022	2021
ADDITIONS		
Revenues		
Taxes	\$ 1,776,665	\$ 1,643,111
Total additions	<u>1,776,665</u>	<u>1,643,111</u>
DEDUCTIONS		
Administrative expenses	175,935	263,200
Contribution to other governments	1,722,651	1,731,989
Other expenses	29,093	16,845
Total deductions	<u>1,927,679</u>	<u>2,012,034</u>
Change in net position	(151,014)	(368,923)
Net Position -- beginning of the year	1,219,476	1,588,399
Net Position -- end of the year	<u>\$ 1,068,462</u>	<u>\$ 1,219,476</u>

See accompanying notes to the basic financial statements.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(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, golf, 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 (Financing 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 Financing Authority are recorded in the 1999 Mall Bonds, the 2016 Lease Revenue Refunding Bonds and the 2021 Core Area Lease Revenue Bonds debt service funds. Separate financial statements are not prepared for the Financing Authority.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

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

(a) Reporting Entity, (continued)

Blended Component Units, (continued)

Mission Viejo Housing Authority (Housing Authority) 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 are recorded in the Housing Authority special revenue fund. Separate financial statements are not prepared for the Housing Authority.

(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, 2022

(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 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 expenses. 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 expenses.

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, 2022

(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, 2022

(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.

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.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

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

(b) Basis of Accounting and Measurement Focus, (continued)

Proprietary Funds, (continued)

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 one fiduciary fund type for the year ended June 30, 2022. The fund 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.

(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.

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 programs 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.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

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

(c) Fund Classifications, (continued)

American Rescue Plan Act (ARPA) Fund - This special revenue fund represents monies received from the American Rescue Plan Act signed into law on March 11, 2021. This bill provides for additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. Funds can be used to support public health expenditures, address negative economic impacts caused by the public health emergency, replace lost revenue, provide premium pay for essential workers, and invest in infrastructure.

The City reports the following major proprietary funds:

Golf Course - To account for the operation of the Oso Creek Golf Course, formerly Casta del Sol Golf Course, which includes the golf course, clubhouse, maintenance yard, and slopes surrounding the golf course. Activities are funded by user fees, merchandise, and food and beverage revenue.

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 eleven special revenue funds: three major special revenue funds discussed above and eight nonmajor special revenue funds. The other funds account for financial resources related to gas tax, library operations, law enforcement grants, air quality, Measure M, Building Homes & Jobs Act (SB2), Certified Access Specialist program (CASp), and Coronavirus Aid, Relief, and Economic Security (CARES) Act Assistance. These specific revenues are legally restricted and expended for specific purposes.

Capital Projects Funds - The City maintains a total of two capital projects funds: one major as discussed above and one nonmajor. 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 four nonmajor debt service funds. These funds account for the resources accumulated and payments made on long-term debt held by the Financing Authority.

Enterprise Funds - The City maintains a total of three enterprise funds: two major as discussed above and one nonmajor. The nonmajor fund accounts 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.

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.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(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 a separate bank account for golf course operations, assets held by fiscal agents for debt services, 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 represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City 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 represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four 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. The third item, deferred inflows – OPEB related, is associated with the recording of the OPEB asset. The fourth item, lease related, is associated with the lease receivable from a ground lease agreement reported in the Animal Services Fund.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

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

(f) Interfund Receivables

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, park improvements, equipment, computers, 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, computers, furniture	5-7 years
Leased equipment, vehicles	3-5 years
Vehicles	5 years
Infrastructure – curbs and gutters	75 years
Infrastructure – sidewalks	75 years
Infrastructure – roadway bridges	75 years
Infrastructure – traffic signals	30 years
Infrastructure – medians, parkways, 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, 2022

(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, 2022

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

(j) Prepaid Items and Inventory

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.

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and the cost of such inventories is recorded as expenses when consumed rather than when purchased.

(k) Use of Estimates

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

(l) Pension Plan

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

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

Valuation Date (VD)	June 30, 2020
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

(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, 2022

(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, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

(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 inputs 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, 2022

(2) Cash and Investments

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 64,683,933
Restricted assets:	
Cash and cash investments for pensions	1,983,280
Cash and cash investments with fiscal agent	7,983,073
Fiduciary Fund Statement of Fiduciary Net Position:	
Cash and investments	1,054,816
Total cash and investments	<u>\$ 75,705,102</u>

Cash and investments at June 30, 2022, consisted of the following:

Cash on hand	\$ 6,305
Deposits with financial institutions	3,783,316
Investments	71,915,481
Total cash and investments	<u>\$ 75,705,102</u>

Four separate investment portfolios are maintained by the City: the City portfolio (for the primary government), the Housing Authority portfolio, the Pension Plan portfolio, and the Financing Authority portfolio. The Financing Authority portfolio contains only debt proceeds and resources to pay debt service, held by bond trustees. The cash held on behalf of the Successor Agency of the Community Development Agency are held in a non-interest-bearing checking account.

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

The following table identifies 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, 2022. The table also identifies certain provisions of the investment policies that address interest rate risk, credit risk and concentration of credit risk. 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

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(2) Cash and Investments, (continued)

City of Mission Viejo:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
U.S. Securities	5 years	100%	None
U.S. Government Sponsored Entities Securities (FFC, FHLB, FNMA, FHLMC)	5 years	100%	25% of total portfolio
Corporate Medium-Term Notes	5 years	30%	5% of total portfolio
Municipal Securities	5 years	30%	5% of total portfolio
Supranationals	5 years	30%	10% of total portfolio
Banker's Acceptances	180 days	40%	5% of total portfolio
Federally Insured Time Deposits/Collateralized Time Deposits	5 years	20%	Maximum covered under federal insurance for federally insured No limit on collateralized
Certificates of Deposit Placement Service	5 years	30%	N/A
Negotiable Certificates of Deposit	5 years	30%	5% of total portfolio
Repurchase Agreements	1 year	100%	N/A
Commercial Paper	270 days	25%	5% of total portfolio
Local Agency Investment Fund	N/A	\$65M	N/A
Orange County Investment Pool	N/A	10%	N/A
California Asset Management Pool	5 years	15%	5% of fair value of total assets in investment pool
Government Mutual Funds & Money Market Mutual Funds	N/A	20%	10% of total portfolio
Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities	5 years	20%	5% 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, 2022

(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 Fixed Rate Revenue Bonds, 1999 Series B Subordinate Lien Taxable Revenue Bonds:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Securities	None	100%	None
U.S. 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
U.S. 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	None	100%	None

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(2) Cash and Investments, (continued)

Investments Authorized by Debt Agreements, (continued)

2021 Series A – Lease Revenue Bonds (Taxable), 2021 Series B – Lease Revenue Bonds (Tax-Exempt):

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Obligations	None	100%	None
Federal Housing Administration debentures	None	100%	None
U.S. Government Sponsored Entities (Farm Credit Banks, FHLB, FNMA, FHLMC FICO, REFCORP)	None	100%	None
Federal Funds, Certificates of Deposit, Time Deposits, Banker's Acceptances	30 Days	100%	None
Deposits (FDIC insured)	None	100%	None
Commercial Paper	270 Days	100%	None
Money Market Mutual Funds	None	100%	None
State Obligations	None	100%	None
Local Agency Investment Fund	N/A	100%	N/A
Repurchase Agreements	None	100%	None
Pre-refunded municipal obligations	None	100%	None
Investments Authorized in the City of Mission Viejo Investment Policy	None	100%	None

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 short term and long 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. At June 30, 2022, the average modified duration of the City's portfolio was 1.18 compared to the Benchmark Index of 1.09.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

(2) Cash and Investments, (continued)

Interest Rate Risk, (continued)

City of Mission Viejo:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration (in years)</u>
U.S. Treasury Notes/Bills	\$24,476,115	1.93
U.S. Government Sponsored Entities	4,489,228	1.62
Supranational Securities	955,434	1.92
Corporate Notes	7,210,438	1.82
Asset Backed Securities	1,976,194	1.51
Collateralized Mortgage Obligations	385,000	0.86
Negotiable CD	474,455	0.08
Government Money Market Funds	103,133	-
Local Agency Investment Fund	20,556,136	-
California Asset Management Pool	1,143,550	-
	<u>\$61,769,683</u>	1.18

Section 115 Pension Trust:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration (in years)</u>
Municipal Bonds	<u>\$1,849,374</u>	3.74
	<u>\$1,849,374</u>	3.74

Mission Viejo Housing Authority:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration (in years)</u>
Local Agency Investment Fund	<u>\$313,351</u>	-
	<u>\$313,351</u>	-

Mission Viejo Community Development Financing Authority:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration (in years)</u>
Government Money Market Funds	<u>\$7,983,073</u>	-
	<u>\$7,983,073</u>	-

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(2) Cash and Investments, (continued)

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).

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 or Standards & Poor rating as of year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Aaa/AAA*	Aa1/Aa2/Aa3*	A1/A2/ A3*	A-1/ A-1+*	Not Rated
U.S. Treasury Notes/Bills	\$24,476,115	N/A	\$21,535,776	\$ -	\$ -	\$2,940,339	\$ -
U.S. Government Sponsored Entities	4,489,228	N/A	4,489,228	-	-	-	-
Supranational Securities	955,434	AA	955,434	-	-	-	-
Corporate Notes	7,210,438	A	824,037	50,080	6,336,321	-	-
Asset Backed Securities	1,976,194	AA	1,976,194	-	-	-	-
Collateralized Mortgage Obligations	385,000	AA	385,000	-	-	-	-
Negotiable CD	474,455	A	-	-	-	474,455	-
Municipal Bonds	1,849,374	A	-	1,849,374	-	-	-
Government Money Market Funds	103,133	AAA	103,133	-	-	-	-
LAIF pool	20,869,487	N/A	-	-	-	-	20,869,487
CAMP pool	1,143,550	N/A	1,143,550	-	-	-	-
Held by Trustee:							
Government Money Market Funds	7,983,073	AAA	7,983,073	-	-	-	-
Total	\$71,915,481		\$39,395,425	\$1,899,454	\$6,336,321	\$3,414,794	\$20,869,487

* Aaa, Aa1, Aa2, Aa3, A1, A2 and A3 - Moody's Rating Service
AAA Standards & Poor Rating Service and Fitch Rating Service
A-1, A-1+ - Standards & Poor 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). There were no investments with 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) at June 30, 2022.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(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. Policy requirements that would limit the exposure to custodial risk for deposits or investments, are 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 fair 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, 2022, 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 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 \$2.05 billion, which represent 0.88% of the total LAIF portfolio of \$234.5 billion as of June 30, 2022. 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 311 days.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(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 was 28 days at June 30, 2022.

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, 2022:

Fair Value Hierarchy

	Investments not Subject to Fair Value Hierarchy	Level 1	Level 2	Level 3	Total
US Treasury Notes	\$ -	\$ -	\$ 24,476,115	\$ -	\$ 24,476,115
US Government Sponsored Entities	-	-	4,489,228	-	4,489,228
Supranationals	-	-	955,434	-	955,434
Corporate Notes	-	-	7,210,438	-	7,210,438
Asset Backed Securities	-	-	1,976,194	-	1,976,194
Collateralized Mortgage Obligations	-	-	385,000	-	385,000
Negotiable CD	-	-	474,455	-	474,455
Municipal Bonds	-	-	1,849,374	-	1,849,374
Government Money Market Funds	8,086,206	-	-	-	8,086,206
CAMP Pool	1,143,550	-	-	-	1,143,550
LAIF Pool	20,869,487	-	-	-	20,869,487
Total investments	\$30,099,243	\$ -	\$41,816,238	\$ -	\$71,915,481

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(3) Interfund Balances

Interfund balances at June 30, 2022 consisted of the following:

Payable Fund	Receivable Fund		Total
	General Fund	Golf Fund	
Developer Fees Fund	\$1,159,646	\$ -	\$1,159,646
Grants Fund	67,661	-	67,661
Housing Authority Fund	1,080	-	1,080
Other Governmental Funds	2,291,457	-	2,291,457
Nonmajor MV Television Fund	5,262	-	5,262
General Fund	-	650	650
Total	\$3,525,106	\$650	\$3,525,756

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 cash balance deficits.

(4) Notes Receivable/Payable

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 was made with the assets held in the Section 115 pension trust fund. The loan will be repaid by Santa Margarita Water District to the pension trust fund at an interest rate of 2.5% over a period of 20 years commencing October 1, 2016. The balance of the loan at June 30, 2022 was \$2,265,104. All assets in the pension trust fund are restricted for the benefit of members and beneficiaries of the City's pension plan.

(5) Due from Developers

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, 2022, 18 of these loans are still outstanding for a total balance of \$2,484,433 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, 2022

(6) Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 50,118,312	\$7,209,965	\$ -	\$ 57,328,277
Rights of way	243,875,306	-	-	243,875,306
Construction in progress	3,188,980	2,265,758	(80,514)	5,374,224
Infrastructure - Street network:				
Streets	201,791,114	58,265	-	201,849,379
Total capital assets, not depreciated	498,973,712	9,533,988	(80,514)	508,427,186
Capital assets, being depreciated:				
Buildings and improvements	127,201,285	5,219,114	(127,768)	132,292,631
Park improvements	6,316,206	20,800	-	6,337,006
Equipment, Computers, Furniture	12,073,999	161,405	(951,323)	11,284,081
Vehicles	1,099,627	-	(50,766)	1,048,861
Leased Equipment, Furniture, Vehicles	138,556	-	-	138,556
Infrastructure - Street network:				
Curbs and gutters	34,161,574	54,407	(17,797)	34,198,184
Sidewalks	31,154,180	-	-	31,154,180
Roadway bridges	6,289,000	-	-	6,289,000
Traffic signals	11,380,805	117,054	-	11,497,859
Infrastructure - Medians Parkways network:				
Medians, Parkways, Trees	38,491,449	44,322	(586)	38,535,185
Infrastructure - Storm Drains network:				
Storm Drains	41,178,054	-	-	41,178,054
Water Rights	1,000,000	-	-	1,000,000
Total capital assets, being depreciated	\$ 310,484,735	\$ 5,617,102	\$(1,148,240)	\$314,953,597

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(6) Capital Assets, (continued)

	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022
Governmental activities:				
Less accumulated depreciation for:				
Buildings and improvements	\$ (68,983,006)	\$(3,999,347)	\$ 79,166	\$ (72,903,187)
Park improvements	(1,170,511)	(421,543)	-	(1,592,054)
Equipment, Computers, Furniture	(10,317,259)	(589,246)	951,323	(9,955,182)
Vehicles	(1,046,904)	(20,466)	50,766	(1,016,604)
Leased Equipment, Furniture, Vehicles	(12,009)	(36,139)	-	(48,148)
Infrastructure - Street network:				
Curbs and gutters	(13,966,968)	(456,821)	8,161	(14,415,628)
Sidewalks	(13,105,118)	(415,863)	-	(13,520,981)
Roadway bridges	(2,752,965)	(83,853)	-	(2,836,818)
Traffic signals	(9,543,469)	(149,874)	-	(9,693,343)
Infrastructure - Medians Parkways network:				
Medians, Parkways, Trees	(13,989,030)	(513,711)	270	(14,502,471)
Infrastructure - Storm Drains network:				
Storm Drains	(17,259,016)	(578,180)	-	(17,837,196)
Water Rights	(250,000)	(50,000)	-	(300,000)
Total accumulated depreciation	<u>(152,396,255)</u>	<u>(7,315,043)</u>	<u>1,089,686</u>	<u>(158,621,612)</u>
Total capital assets being depreciated, net	<u>158,088,480</u>	<u>(1,697,941)</u>	<u>(58,554)</u>	<u>156,331,985</u>
Governmental activities				
Capital assets, net	<u>\$ 657,062,192</u>	<u>\$7,836,047</u>	<u>\$(139,068)</u>	<u>\$664,759,171</u>

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(6) Capital Assets, (continued)

	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022
Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 11,083,377	\$ -	\$ -	\$ 11,083,377
Construction in progress	-	13,896	-	13,896
Total capital assets, not depreciated	11,083,377	13,896	-	11,097,273
Capital assets, being depreciated:				
Buildings	2,929,503	-	-	2,929,503
Improvements other than buildings	915,950	67,134	-	983,084
Park Improvements	529,000	9,338	-	538,338
Equipment, Computers, Furniture	597,083	16,410	(85,074)	528,419
Vehicles	457,034	-	-	457,034
Leased Equipment, Furniture, Vehicles	620,157	-	-	620,157
Total capital assets, being depreciated	6,048,727	92,882	(85,074)	6,056,535
Less accumulated depreciation for:				
Buildings	(1,433,998)	(91,229)	-	(1,525,227)
Improvements other than buildings	(373,723)	(30,229)	-	(403,952)
Park Improvements	(58,778)	(35,630)	-	(94,408)
Equipment, Computers, Furniture	(445,567)	(46,302)	85,074	(406,795)
Vehicles	(442,537)	(14,497)	-	(457,034)
Leased Equipment, Furniture, Vehicles	(94,271)	(124,031)	-	(218,302)
Total accumulated depreciation	(2,848,874)	(341,918)	85,074	(3,105,718)
Total capital assets being depreciated, net	3,199,853	(249,036)	-	2,950,817
Business-type activities				
Capital assets, net	\$ 14,283,230	\$ (235,140)	-	\$ 14,048,090

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(6) Capital Assets, (continued)

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

General Government – Legislative	\$	69
General Government – Management and Support		1,680,196
Public Safety		86,156
Community Development		5,402
Engineering and Transportation		340,832
Infrastructure Maintenance		3,366,409
Recreation, Community and Library Services		1,785,979
Water Rights		<u>50,000</u>
Total	\$	<u>7,315,043</u>

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

Golf Operations	\$	178,403
Animal Services		128,795
Mission Viejo Television		<u>34,720</u>
Total	\$	<u>341,918</u>

(7) Interfund Note Payable and Receivable

On May 18, 2015, the 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 Housing Authorities law and Redevelopment Dissolution law that are not required for administration or other Housing Authority projects, enforceable obligations, or any other mandated payments due from Housing Authority to a third party. As of June 30, 2022, the loan balance is \$1,773,000.

On November 8, 2019, the City of Mission Viejo entered into an agreement to loan the Golf Course Fund \$1,000,000 for the purchase of the Oso Creek Golf Course (formerly known as Casta del Sol). The loan was made with the assets held in the Section 115 pension trust fund. The loan is secured by a deed of trust executed on October 22, 2019. The deed irrevocably grants, transfers and assigns all rights, title and interest now owned or later acquired in the real property in conjunction with rents, issues and profits. The loan will be repaid by Oso Creek Golf Course resources at an interest rate of 2.5% over a period of 20 years commencing November 8, 2020. The balance of the loan at June 30, 2022 was \$920,727. All assets in the pension trust fund are restricted for the benefit of members and beneficiaries of the City's pension plan.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(8) Long-Term Liabilities

Changes in the long-term liabilities for the year ended June 30, 2022 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	\$11,340,000	\$ -	\$(1,355,000)	\$9,985,000	\$1,400,000	\$8,585,000
1999 Series B bonds	7,347,326	-	-	7,347,326	-	7,347,326
2016 Refunding bonds	9,110,000	-	(855,000)	8,255,000	875,000	7,380,000
2016 Bond premium	738,540	-	(73,854)	664,686	73,854	590,832
2021 Series A Taxable bonds	-	13,590,000	(280,000)	13,310,000	780,000	12,530,000
2021 Series B Tax-exempt bonds	-	5,005,000	-	5,005,000	-	5,005,000
2021 Bond premium	-	733,333	(36,667)	696,666	36,667	659,999
Total bonds payable	<u>28,535,866</u>	<u>19,328,333</u>	<u>(2,600,521)</u>	<u>45,263,678</u>	<u>3,165,521</u>	<u>42,098,157</u>
Other liabilities:						
Net pension liability	19,101,299	-	(10,713,409)	8,387,890	-	8,387,890
Financed assets	168,000	-	(84,000)	84,000	84,000	-
Leases payable	126,817	-	(35,145)	91,672	32,970	58,702
Compensated absences	<u>2,900,896</u>	<u>1,270,972</u>	<u>(1,657,326)</u>	<u>2,514,542</u>	<u>1,228,076</u>	<u>1,286,466</u>
Total other liabilities	<u>22,297,012</u>	<u>1,270,972</u>	<u>(12,489,880)</u>	<u>11,078,104</u>	<u>1,345,046</u>	<u>9,733,058</u>
Governmental activities						
Total Long-term liabilities	<u>\$50,832,878</u>	<u>\$20,599,305</u>	<u>\$(15,090,401)</u>	<u>\$56,341,782</u>	<u>\$4,510,567</u>	<u>\$51,831,215</u>
<u>Business-type Activities:</u>						
Other liabilities:						
Net pension liability	\$2,737,029	\$ -	\$(1,482,999)	\$1,254,030	\$ -	\$1,254,030
Leases payable	526,312	-	(86,029)	440,283	88,829	351,454
Compensated absences	<u>230,861</u>	<u>184,248</u>	<u>(195,526)</u>	<u>219,583</u>	<u>143,438</u>	<u>76,145</u>
Business-type Activities						
Total Long-term liabilities	<u>\$3,494,202</u>	<u>\$184,248</u>	<u>\$(1,764,554)</u>	<u>\$1,913,896</u>	<u>\$232,267</u>	<u>\$1,681,629</u>

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

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(8) Long-Term Liabilities, (continued)

Bonds

1999 Series A Revenue Bonds

On May 11, 1999, the Mission Viejo Community Development Financing Authority (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 Shops at Mission Viejo (mall).

On May 1, 1999, the Financing Authority and the City of Mission Viejo (City) 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 former Mission Viejo Community Development Agency (Agency) entered into a pledge agreement on May 1, 1999 with the Financing 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.

The Financing Authority exercised the option of converting the 1999 Series A bonds from a variable rate to a fixed rate debt on July 31, 2018 through private placement with Opus Bank, subsequently purchased by Pacific Premier Bank. The conversion fixes the rate of the debt at 3.34% for the remaining life of the bonds. As part of the fixed rate conversion, the bond reserve was used to pay down the principal balance of the bonds from \$17.2 million to \$15.24 million. There is no bond reserve requirement on the fixed rate bonds. Payment of debt service under the Bond Purchase Agreement with Pacific Premier Bank is payable solely from certain property tax revenues and lease payments paid by the City from a portion of the sales tax generated by the mall as described in the paragraph above. There is no prepayment allowed under the Bond Purchase Agreement in the first seven years or until July 31, 2025. In the event of default, the interest rate will be 6.34% until the event of default is remedied. Principal amounts will continue to mature every September 1 and March 1 through September 1, 2028 in amounts ranging from \$690,000 to \$840,000. The amount of principal outstanding at June 30, 2022 is \$9,985,000.

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

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 1,400,000	\$ 321,976	\$ 1,721,976
2024	1,450,000	274,798	1,724,798
2025	1,495,000	226,035	1,721,035
2026	1,550,000	175,684	1,725,684
2027	1,595,000	123,497	1,718,497
2028 - 2029	<u>2,495,000</u>	<u>83,750</u>	<u>2,578,750</u>
	<u>\$ 9,985,000</u>	<u>\$ 1,205,740</u>	<u>\$ 11,190,740</u>

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(8) Long-Term Liabilities, (continued)

Bonds, (continued)

1999 Series B Subordinate Lien Taxable Revenue Bonds

On May 19, 1999, the Financing Authority authorized \$10,000,000 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. The amount of principal outstanding at June 30, 2022 is \$7,347,326. The balance authorized that has not yet been issued is \$2,652,674.

Through July 31, 2018, the interest rate on the bonds was 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 bond, 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 a non-rated fixed interest rate bond 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, 2022, the outstanding principal is \$7,347,326 and the unpaid interest is \$235,187.

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, 2022.

CDFA 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.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(8) Long-Term Liabilities, (continued)

Bonds, (continued)

CDFA 2016 Lease Revenue Refunding Bonds, (continued)

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

Year ending June 30,	Principal	Interest	Totals
2023	\$ 875,000	\$ 256,512	\$ 1,131,512
2024	905,000	239,012	1,144,012
2025	935,000	202,813	1,137,813
2026	970,000	165,412	1,135,412
2027	1,015,000	126,613	1,141,613
2028 - 2031	<u>3,555,000</u>	<u>244,963</u>	<u>3,799,963</u>
	<u>\$ 8,255,000</u>	<u>\$ 1,235,325</u>	<u>\$ 9,490,325</u>

2021 Series A Taxable Lease Revenue Bonds

On December 22, 2021, the Mission Viejo Community Development Financing Authority (Financing Authority) issued \$13,590,000 of 2021 Series A Taxable Lease Revenue Bonds to finance the costs of acquisition of real property located at 25282 Margarite Parkway in Mission Viejo and the costs of design and demolition and/or reconfiguration of the purchased real property as part of the Core Area Vision Plan Project.

On December 1, 2021 the Financing Authority and the City of Mission Viejo (City) entered into a lease agreement obligating the City to make base rental payments in consideration of the City's right to use and occupy the City's Library and the Montanoso Recreation and Fitness Center, which were used to secure the bonds. These base rental payments will be used to pay annual debt service. The interest rate on the bonds range from 0.679% to 3.233% and will mature on May 1, 2041. Principal payments are due every May 1 in amounts ranging from \$280,000 to \$825,000.

The amount of principal outstanding at June 30, 2022 is \$13,310,000.

Debt service requirements to maturity of the 2021 Series A Taxable Lease Revenue Bonds are as follows:

Year ending June 30,	Principal	Interest	Totals
2023	\$ 780,000	\$ 324,499	\$ 1,104,499
2024	785,000	318,032	1,103,032
2025	795,000	308,636	1,103,636
2026	805,000	297,387	1,102,387
2027	565,000	284,386	849,386
2028 - 2032	3,010,000	1,244,918	4,254,918
2033 - 2037	3,425,000	827,660	4,252,660
2038 - 2041	<u>3,145,000</u>	<u>258,316</u>	<u>3,403,316</u>
	<u>\$ 13,310,000</u>	<u>\$ 3,863,834</u>	<u>\$ 17,173,834</u>

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

(8) Long-Term Liabilities, (continued)

Bonds, (continued)

2021 Series B Tax-Exempt Lease Revenue Bonds

On December 22, 2021, the Mission Viejo Community Development Financing Authority (Financing Authority) issued \$5,005,000 of 2021 Series B Tax-Exempt Lease Revenue Bonds to finance the costs of acquisition of real property located at 25282 Margarite Parkway in Mission Viejo and the costs of design and demolition and/or reconfiguration of the purchased real property as part of the Core Area Vision Plan Project.

On December 1, 2021 the Financing Authority and the City of Mission Viejo (City) entered into a lease agreement obligating the City to make base rental payments in consideration of the City's right to use and occupy the City's Library and the Montanoso Recreation and Fitness Center, which were used to secure the bonds. These base rental payments will be used to pay annual debt service. The interest rate on the bonds range from 3% to 4% and will mature on May 1, 2041. Principal payments are due every May 1 beginning May 1, 2027 in amounts ranging from \$255,000 to \$415,000.

The amount of principal outstanding at June 30, 2022 is \$5,005,000.

Debt service requirements to maturity of the 2021 Series B Tax Exempt Lease Revenue Bonds are as follows:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ -	\$ 176,950	\$ 176,950
2024	-	176,950	176,950
2025	-	176,950	176,950
2026	-	176,950	176,950
2027	255,000	176,950	431,950
2028 - 2032	1,425,000	723,750	2,148,750
2033 - 2037	1,730,000	418,950	2,148,950
2038 - 2041	<u>1,595,000</u>	<u>121,350</u>	<u>1,716,350</u>
	<u>\$ 5,005,000</u>	<u>\$ 2,148,800</u>	<u>\$ 7,153,800</u>

Legal Debt Margin

The City is subject to a debt limit that is 15% of adjusted gross assessed valuation on taxable property. Adjusted assessed valuation is equal to 25% of gross assessed valuation. At June 30, 2022 that amount was \$726,291,747. As of June 30, 2022, the total outstanding debt applicable to the limit was \$0.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(8) Long-Term Liabilities, (continued)

Financed Assets

On December 20, 2018, the City entered into a purchase agreement for financing the acquisition of personal computer equipment valued at \$420,000 at 3.36% interest. The equipment has a five-year estimated useful life and is pledged as collateral. In the event of default, all rental payments and other amounts payable by the lessee become due and shall bear interest at the rate of 12% per annum or the maximum rate permitted by applicable law, whichever is less.

The future minimum payment obligations and the net present value of these minimum payments as of June 30, 2022, were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	<u>\$ 85,411</u>
Total minimum payment	85,411
Less: amount representing interest	<u>(1,411)</u>
Present value of minimum payments	<u><u>\$ 84,000</u></u>

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(9) Leases

Lease Receivable

On April 11, 1994, the City entered into a 55-year ground lease agreement with South Orange County Emergency Veterinary Group, Inc. The lease began in March 1995 and will end in May 2049. On January 31, 2022 South Orange County Emergency Veterinary Group, Inc. assigned this lease to Pathways Vet Alliance LLC. The general terms and conditions will remain the same. The annual base rent is \$12,000 and is adjusted by CPI each year not to exceed 7% of annual rent. A discount rate of 3.36% is used to calculate the net present value of the lease receivable. The City recognized \$8,534 in lease revenue and \$13,714 in interest revenue during FY 2021/22 related to this lease. As of June 30, 2022, the City's receivable for lease payments is \$376,417.

Leases Payable

Governmental Activities

On November 13, 2019, the City entered into a three-year lease agreement for the use of an electrical vehicle. The total lease liability is \$15,785. \$10,000 of South Coast Air Quality Management District grant funds will be used towards the lease payments. As of June 30, 2022, the value of the lease liability is \$2,970. The City is required to make monthly principal and interest payments of \$519. The value of the right-to-use asset is \$16,585 and had an accumulated amortization of \$14,291 as of June 30, 2022.

On January 29, 2021, the City entered into a four-year lease agreement for four vehicles. The total lease liability for the vehicles is \$118,962. As of June 30, 2022, the value of the lease liability is \$88,702. The City is required to make monthly principal and interest payments of \$2,728. The value of the right to-use-assets is \$120,562 and had an accumulated amortization of \$33,719 as of June 30, 2022. The future principal and interest lease payments as of June 30, 2022, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 32,970	\$ 3,203	\$ 36,173
2024	30,000	2,736	32,736
2025	28,702	2,455	31,157
Totals	<u>\$ 91,672</u>	<u>\$ 8,394</u>	<u>\$ 100,066</u>

Business-type Activities

On December July 15, 2020, the City entered into a lease-purchase agreement for financing the acquisition of golf carts for the Oso Creek Golf Course valued at \$447,062 at 3.99% interest. The golf carts have a five-year estimated useful life and is pledged as collateral. The City has the option to purchase the golf carts for 32% of the cost at the expiration of the lease. In the event of default, all rent payments remaining through the end of the then current fiscal year, discounted at the higher of 3% or the lowest rate allowed by law become due and all equipment returned to the lessor. As of June 30, 2022, the value of the lease liability is \$346,729. The City is required to make monthly principal and interest payments of \$6,107. The value of the right to-use-asset is \$447,062 and had an accumulated amortization of \$156,471 as of June 30, 2022.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(9) Leases, (continued)

Leases Payable, (continued)

Business-type Activities, (continued)

On November 6, 2020 the City entered into a lease-purchase agreement for financing the acquisition of maintenance equipment for the Oso Creek Golf Course valued at \$142,547 at 1.57% interest. The maintenance equipment has a five-year estimated useful life and is pledged as collateral.

In the event of default, all rental payments and other amounts payable by the lessee become due and shall bear interest at the rate of 12% per annum or the maximum rate permitted by applicable law, whichever is less. As of June 30, 2022, the value of the lease liability is \$93,554. The City is required to make quarterly principal and interest payments of \$7,396. The value of the right to-use-asset is \$142,547 and had an accumulated amortization of \$49,889 as of June 30, 2022.

The future minimum payment obligations and the net present value of these minimum payments for business-type activities as of June 30, 2022, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 88,829	\$ 14,039	\$ 102,868
2024	91,739	11,131	102,870
2025	94,755	8,115	102,870
2026	164,960	2,013	166,973
Totals	<u>\$ 440,283</u>	<u>\$ 35,298</u>	<u>\$ 475,581</u>

(10) Net Position

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

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

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

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

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

As of June 30, 2022, 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.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(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 includes deposits, prepaid items and long term receivables since these amounts are in non-spendable form. Other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments would also be reported in this category.

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, 2022.

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, 2022 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 \$13.81 million which includes \$910,000 for uncertainties surrounding the pandemic and eligible CARES Act assistance expenditures.

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, 2022

(11) Fund Balances, (continued)

Fund Balance Classifications:

Fund balances in the governmental funds at June 30, 2022 have been classified as follows:

	General Fund	Developer Fees	Grants Fund	MV Housing	Nonmajor Funds	Total Governmental Funds
Non Spendable						
Prepaid items	\$ 8,783	\$ -	\$ -	\$ -	\$ 350	\$ 9,133
Long term receivables	4,003	-	-	-	-	4,003
Deposits	430	-	-	-	-	430
Subtotal	13,216	-	-	-	350	13,566
Restricted for:						
Community development	-	-	-	5,631,205	1,527	5,632,732
Core Area Vision Plan project	-	-	-	-	6,843,700	6,843,700
Debt service	-	-	-	-	2,219,178	2,219,178
Library services	-	-	-	-	1,658,413	1,658,413
Public safety	-	-	1,822	-	167,780	169,602
Public works	758,367	-	-	-	6,381,650	7,140,017
Recreation	-	-	549,538	-	-	549,538
Pension retirement benefits	5,197,962	-	-	-	-	5,197,962
Subtotal	5,956,329	-	551,360	5,631,205	17,272,248	29,411,142
Assigned to:						
Pension and OPEB liabilities	3,200,000	-	-	-	-	3,200,000
Natural disasters	1,000,000	-	-	-	-	1,000,000
Capital asset replacement	1,200,000	-	-	-	-	1,200,000
Capital projects	4,200,000	-	-	-	-	4,200,000
Subtotal	9,600,000	-	-	-	-	9,600,000
Unassigned	29,658,955	(766,121)	(68,421)	-	(1,329,365)	27,495,048
Totals	\$45,228,500	\$(766,121)	\$482,939	\$5,631,205	\$15,943,233	\$66,519,756

In May 2021, the City Council established the General Fund target reserve level at \$29.5 million for the 2021-23 budget cycle or 49 percent of 2020-21 projected General Fund revenues. The minimum level reserve was set at \$26.4 million and 44 percent. Reserves for the purpose of this calculation include amounts reported under assigned and unassigned fund balance.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

(12) Interfund Transfers

Interfund transfers for the year ended June 30, 2022 consisted of the following:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$13,635,289
General Fund	American Rescue Plan Act Fund	1,450,958
General Fund	Animal Services Enterprise Fund	143,349
General Fund	Nonmajor Enterprise Fund	6,259
Other Governmental Funds	American Rescue Plan Act Fund	179,905
Other Governmental Funds	General Fund	1,605,838
Other Governmental Funds	Other Governmental Funds	1,129,056
Golf Course Enterprise Fund	American Rescue Plan Act Fund	20,190
Animal Services Enterprise Fund	American Rescue Plan Act Fund	1,125
Animal Services Enterprise Fund	General Fund	708,708
		\$18,880,677

Transfers included in the accompanying financial statements are described as follows:

Transfers to Major Funds

Of the \$13,635,288 transferred out of Other Governmental Funds to the General Fund, \$12,174,306 was from the CDFA 2021 Core Area Lease Revenue Bonds Fund for reimbursement to the General Fund for project costs associated with the Core Area Project, \$1,306,856 was from the CDFA 1999 Mall Bonds Debt Service Fund for release of rolling reserves, and \$154,126 was transferred from the Library Operations Fund for this funds' share of the Section 115 pension trust fund payment.

A transfer of \$1,450,958 was made from the American Rescue Plan Act (ARPA) Fund to the General Fund for reimbursement of ARPA allowable expenditures. Another \$20,190 was transferred to the Golf Course Enterprise Fund and \$1,125 to the Animal Services Enterprise Fund. also for reimbursement of ARPA allowable expenses.

A transfer of \$143,349 was made to the General Fund from the Animal Services Fund and another from the Nonmajor Mission Viejo Television Fund of \$6,259 for those fund's share of the Section 115 pension trust payment.

A transfer of \$708,708 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.

Transfers to Nonmajor Funds

A transfer of \$179,905 was made from the American Rescue Plan Act (ARPA) Fund to the Library Fund for reimbursement of ARPA allowable expenditures.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(12) Interfund Transfers, (continued)

Of the \$1,605,838 transferred from the General Fund to Other Governmental Funds, \$1,597,508 was transferred to the CDFA 2016 Lease Revenue Refunding Bonds Fund and the CDFA 2021 Core Area Lease Revenue Bonds Fund for payment of debt service and \$8,330 was transferred to the Library Operations Fund to fund operations.

Of the \$1,129,057 transfer between Other Governmental Funds, a transfer of \$1,119,153 was made from the Mall Parking Lease Fund to the CDFA 1999 Mall Bonds Fund for debt service payments.

(13) Fund Deficits and Expenditures in Excess of Appropriations

The following funds reported deficits in fund balance as of June 30, 2022:

	<u>Deficit Balances</u>
Major Governmental Fund:	
Capital Projects Fund:	
Developer Fees Fund	\$(766,121)
Total	\$(766,121)
Non-major Governmental Funds:	
Special Revenue Funds:	
Measure M	\$(425,964)
Building Homes & Jobs Act (SB2)	(430,828)
CARES Act Assistance Fund	<u>(472,573)</u>
Total	\$(1,329,365)

Deficits in all funds will be remedied by the receipt of revenue received in future years as grants are billed and received.

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

The City of Mission Viejo is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 124 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 Authority 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.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

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

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 adjustment. 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.

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 \$100,000 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 \$100,000 to \$500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$500,000 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 also have a \$50 million per occurrence limit. The coverage structure is composed of a combination of pooled self-insurance, reinsurance, and excess insurance. Additional information concerning the coverage structure is available on the Authority's website: <https://cjpia.org/coverage/risk-sharing-pools/>.

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 \$75,000 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 \$75,000 to \$200,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$200,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2021-22 the Authority's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's liability losses are pooled among members to \$1 million. Coverage from \$1 million to \$5 million is purchased through reinsurance policies, and employer's liability losses from \$5 million to \$10 million are pooled among members.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

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

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 \$250,000 deductible. The Authority has an aggregate limit of \$20 million.

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 \$126,710,322. 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 \$68,242,820. 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 agency property. The insurance premium is paid by the tenant user and is paid to the City of Mission Viejo according to a schedule. The City of Mission Viejo then pays for the insurance. The insurance is 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 2021-22.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(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 and Placentia has withdrawn. 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, Seal Beach, Santa Ana and Westminster. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Seal Beach, Santa Ana 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) Construction and Other Significant Commitments

Construction and Other Project Commitments

The City has active construction projects and one software implementation project as of June 30, 2022. The projects include various road and bridge improvements, improvements to various park recreational facilities, bicycle trail improvements, water quality related improvements and the implementation of a land management software system. At year end, the City commitments with contractors are as follows:

Projects	Remaining Commitment
La Paz Bridge Rehabilitation project	\$2,161,307
Lower Curtis Park	911,326
Marty Russo Youth Athletic Field Lighting	725,675
Montanoso Pool Rehabilitation	695,817
Felipe/Oso Intersection Improvement	562,561
Coronado Park Play Area Rehabilitation	265,969
Bicycle Corridor Improvement	265,250
Land Management Software Implementation	235,491
Catch Basin Debris Screens	200,000
Aquatic Center Sales Building	171,459
Oso-I-5 Northbound On Ramp Improvements	142,361

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(16) Construction and Other Significant Commitments, (continued)

Encumbrances

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$2,478,142
Grants Special Revenue Fund	203,636
Developer Fees Capital Projects Fund	1,426,436
Nonmajor Governmental Funds	3,417,744
Total	<u>\$7,525,958</u>

(17) Deferred Compensation Plan

The City offers its employees a deferred compensation plan, the Mission Viejo 457 Plan & Trust administered by Nationwide Retirement Services, created in accordance with Internal Revenue Code Section 457. The plan is a voluntary, employee paid, defined contribution pension plan with no vesting requirement. There are no employer contributions to this plan. It is available to all employees, and permits them to defer annually up to the maximum IRS limits, established at \$20,500 for 2022, until future years. Employees over age 50 may elect to defer up to an additional \$6,500 annually. Deferred compensation balances are not available to employees until termination, retirement, death, or unforeseeable emergency.

The City has placed these employee assets in a trust held for the exclusive benefit of plan participants and their beneficiaries, as prescribed by Internal Revenue Code Section 457(g). Since all contributions to this plan are employee contributions, the City recognizes no expenses related to this plan nor has any claim to the assets in the plan. Consequently, these assets are not included in the City's financial statements.

(18) 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, 2020 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 and the annual actuarial report can be found on the City's website.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(18) Defined Benefit Pension Plan, (continued)

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

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.

The Plan's provisions and benefits in effect at June 30, 2020 (valuation 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	52 – 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	9.5%	8.5%	7.75%

Employees Covered

At June 30, 2020 (valuation date), the following employees were covered by the benefit terms:

	Miscellaneous
Retired members and beneficiaries	112
Transferred and terminated members	129
Active employees	146
	<u>387</u>

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(18) Defined Benefit Pension Plan, (continued)

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

Contribution Description

Section 20814(c) of the 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.

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, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 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, 2020 valuation was rolled forward to determine the June 30, 2021 total pension liability, based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(18) Defined Benefit Pension Plan, (continued)

B. Net Pension Liability, (continued)

All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, 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.

Change of Assumptions

There were no changes in assumptions from the 2019 valuation to the 2020 valuation.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. 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 + 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

(18) Defined Benefit Pension Plan, (continued)

B. Net Pension Liability, (continued)

Long-term Expected Rate of Return, (continued)

The following table reflects long-term expected real rates of return by asset class.

<u>Asset Class</u> ¹	Current Target Allocation	Real Return Years 1 - 10 ²	Real Return Year 11+ ³
Public equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)
Total	<u>100.0%</u>		

¹ In the System's ACFR, Fixed income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

² An expected inflation of 2.00% used for this period

³ An expected inflation of 2.92% used for this period

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

(18) 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: 06/30/2020	\$98,946,277	\$77,107,949	\$21,838,328
Changes Recognized for the Measurement Period:			
• Service Cost	2,143,848	-	2,143,848
• Interest on the Total Pension Liability	7,015,775	-	7,015,775
• Changes of Benefit Terms	-	-	-
• Changes of Assumptions	-	-	-
• Differences between Expected and Actual Experience	87,211	-	87,211
• Net Plan to Plan Resource Movement	-	-	-
• Contributions – Employer	-	2,925,917	(2,925,917)
• Contributions – Employees	-	1,090,808	(1,090,808)
• Net Investment Income	-	17,503,543	(17,503,543)
• Benefit Payments, including Refunds of Employee Contributions	(3,965,403)	(3,965,403)	-
• Administrative Expense	-	(77,026)	77,026
• Other Miscellaneous Income	-	-	-
Net changes during 2020-21	\$5,281,431	\$17,477,839	(\$12,196,408)
Balance at: 06/30/2021	\$104,227,708	\$94,585,788	\$9,641,920

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(18) 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%, 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%) or 1 percentage-point higher (8.15%) 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/(Asset)	\$23,120,252	\$9,641,920	(\$1,583,262)

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

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.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

(18) Defined Benefit Pension Plan, (continued)

B. Net Pension Liability, (continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources, (continued)

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

Net 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, 2021 is 3.6 years, which was obtained by dividing the total service years of 1,395 (the sum of remaining service lifetimes of the active employees) by 387 (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.

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

For fiscal year ended June 30, 2022, the City recognized pension expense of \$(389,771).

The following table presents the deferred outflows and deferred inflows of resources related to pensions as of June 30, 2022.

Miscellaneous Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ -
Difference between expected and actual experience	201,401	(337,120)
Contributions made after the measurement date	2,988,806	-
Net difference between projected and actual earnings on pension plan investments	-	(8,671,409)
Total	\$3,190,207	(\$9,008,529)

The City reported \$2,988,806 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, 2023.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

(18) Defined Benefit Pension Plan, (continued)

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

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
2022	\$(2,212,045)
2023	(2,123,261)
2024	(2,072,214)
2025	(2,399,606)
Thereafter	-

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(19) Supplemental Health Account for Retired Employees

The 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, 2022, 110 employees were eligible to participate in this plan. Required employer contributions were made during the year in the amount of \$97,374 and required employee contributions totaled \$94,980. At June 30, 2022, 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.

(20) 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 an agent multiple-employer plan 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, 2022**

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

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

Employees Covered

As of the June 30, 2021 valuation date, the following current and former employees were covered by the benefit terms under the RIP plan:

Inactive employee or beneficiaries currently receiving benefits	67
Inactive employees entitled to but not yet receiving benefits	-
Active plan members	147
	214

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 plan is currently overfunded, with assets in excess of the total OPEB liability by \$2,136,540. While the plan maintains excess assets, the City does not plan to make contributions to the plan. There were no cash contributions during fiscal year ended June 30, 2021 or 2022.

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, 2021 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2021, 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	6.75%
Inflation	2.50%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	6.75%
Mortality Rate Table	2017 CalPERS Mortality for Miscellaneous and Schools Employees
Healthcare Trend Rate	4%

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(20) 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:

<u>Asset Class</u>	<u>STRATEGY 1</u>	
	<u>% of Portfolio</u>	<u>Assumed Gross Return</u>
All Equities	59.0%	7.545%
All Fixed Income	25.0%	4.250%
Real Estate Investment Trusts	8.0%	7.250%
Treasury Inflation Protected Securities	5.0%	3.000%
All Commodities	3.0%	7.545%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total OPEB asset was 6.75%. 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, 2022**

(20) 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, 2020 <i>(Measurement Date)</i>	\$9,822,763	\$10,357,199	\$(534,436)
Changes recognized for the measurement period:			
Service cost	133,207	-	133,207
Interest on total OPEB liability	674,158	2,819,751	(2,145,593)
Employer Contributions	-	-	-
Benefit payments	(508,938)	(508,938)	-
Experience gains/losses	241,853	-	241,853
Administrative expense	-	(3,872)	3,872
Changes in Assumptions	164,556	-	164,556
Net Changes	704,836	2,306,941	(1,602,105)
Balance at June 30, 2021 <i>(Measurement Date)</i>	\$10,527,599	\$12,664,140	\$(2,136,541)

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, 2021:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability (Asset)	\$(1,093,942)	\$(2,136,541)	\$(3,026,818)

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(20) 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, 2021:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability (Asset)	\$(2,275,799)	\$(2,136,541)	\$(1,955,668)

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
Experience gains and losses	Straight-line amortization over expected average service lives (EARSL) of plan participants. Terminated employees (primarily retirees) are considered to have a working lifetime of zero. This often makes the EARSL quite short.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

(20) 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, 2022, the City recognized OPEB negative expense of \$(203,370). As of fiscal year ended June 30, 2022, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$223,988	\$(57,795)
Change in assumptions	142,318	-
Net difference between projected and actual earnings on OPEB plan investments	-	(1,464,768)
Total	\$366,306	\$(1,522,563)

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows:

OPEB Plan	
Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2022	\$(307,550)
2023	(287,150)
2024	(304,720)
2025	(374,936)
2026	47,603
Thereafter	70,497



MISSION VIEJO

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Required Supplementary Information

CITY OF MISSION VIEJO

Required Supplementary Information Schedule of Changes in Net Pension Liability and Related Ratios Last 10 Years*

Measurement Period	2020-21	2019-20
TOTAL PENSION LIABILITY		
Service Cost	\$ 2,143,848	\$ 2,131,318
Interest	7,015,775	6,651,250
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	87,211	(733,731)
Changes of Assumptions	-	-
Contributions	(3,965,403)	(3,590,210)
Net Change in Total Pension Liability	5,281,431	4,458,627
Total Pension Liability - Beginning	98,946,277	94,487,650
Total Pension Liability - Ending (a)	\$ 104,227,708	\$ 98,946,277
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 2,925,917	\$ 2,701,238
Contributions - Employee Paid Member Contributions	-	-
Contributions - Employee	1,090,808	1,075,002
Net Investment Income	17,503,543	3,673,367
Benefit Payments, Including Refunds of Employee Contributions	(3,965,403)	(3,590,210)
Net plan to plan resource movement	-	-
Administrative Expense	(77,026)	(103,408)
Other miscellaneous income/(expense)	-	-
Net Change in Fiduciary Net Position	17,477,839	3,755,989
Plan Fiduciary Net Position - Beginning	77,107,949	73,351,960
Plan Fiduciary Net Position - Ending (b)	\$ 94,585,788	\$ 77,107,949
Plan Net Position Liability/(Asset) - Ending (a) - (b)	\$ 9,641,920	\$ 21,838,328
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.75%	77.93%
Covered Payroll	11,671,149	11,849,760
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	82.61%	184.29%

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

Benefits changes: The figures above include any liability impact that may have resulted from voluntary benefit changes that occurred after the June 30, 2019 valuation date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the June 30, 2019 valuation date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes in Assumptions: None in 2019 and 2020. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the 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 2013-14 was the 1st year of implementation, therefore, only eight years are shown.

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
\$	2,097,550	\$ 2,057,205	\$ 2,034,934	\$ 1,906,461	\$ 1,891,776	\$ 2,063,288
	6,341,861	5,944,295	5,695,055	5,419,496	5,062,617	4,692,063
	-	-	-	-	-	-
	599,798	(732,035)	(914,327)	(96,499)	97,537	-
	-	(782,124)	4,804,274	-	(1,279,571)	-
	(3,200,691)	(2,921,541)	(2,560,608)	(2,383,616)	(2,016,686)	(1,724,113)
	5,838,518	3,565,800	9,059,328	4,845,842	3,755,673	5,031,238
	88,649,132	85,083,332	76,024,004	71,178,162	67,422,489	62,391,251
\$	94,487,650	\$ 88,649,132	\$ 85,083,332	\$ 76,024,004	\$ 71,178,162	\$ 67,422,489
\$	2,399,958	\$ 2,237,131	\$ 2,241,112	\$ 1,903,477	\$ 3,419,577	\$ 1,817,494
	-	-	-	-	-	231,856
	1,041,607	926,703	875,578	849,550	844,477	603,514
	4,510,644	5,343,289	6,319,062	321,400	1,182,775	7,701,208
	(3,200,691)	(2,921,541)	(2,560,608)	(2,383,616)	(2,016,686)	(1,724,113)
	-	(159)	-	-	-	-
	(48,990)	(98,717)	(83,505)	(34,069)	(62,955)	-
	159	(187,465)	-	-	-	-
	4,702,687	5,299,241	6,791,639	656,742	3,367,188	8,629,959
	68,649,273	63,350,032	56,558,393	55,901,651	52,534,463	43,904,504
\$	73,351,960	\$ 68,649,273	\$ 63,350,032	\$ 56,558,393	\$ 55,901,651	\$ 52,534,463
\$	21,135,690	\$ 19,999,859	\$ 21,733,300	\$ 19,465,611	\$ 15,276,511	\$ 14,888,026
	77.63%	77.44%	74.46%	74.40%	78.54%	77.92%
	11,453,278	10,903,806	10,655,987	10,308,528	10,342,493	\$ 10,114,661
	184.54%	183.42%	203.95%	188.83%	147.71%	147.19%

CITY OF MISSION VIEJO

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

	Fiscal Year 2021-22	Fiscal Year 2020-21
Actuarially Determined Contribution	\$ 2,988,806	\$ 2,928,168
Contributions in Relation to the Actuarially Determined Contribution	(2,988,806)	(2,928,168)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Payroll	\$ 11,507,609	\$ 11,671,149
Contributions as a Percentage of Covered Payroll	25.97%	25.09%

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021-22 were from the June 30, 2019 funding valuation report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2019 Funding Valuation Report.
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2019 Funding Valuation Report.
Inflation	2.50%
Salary Increases	Varies by category, entry age and duration of service. See June 30, 2019 Funding Valuation Report for details.
Payroll Growth	2.75%
Investment Rate of Return	7.00% Net of Pension Plan Investment and Administrative Expenses
Retirement Age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

Other Information:

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

* Fiscal year 2014-15 was the first year of implementation, therefore, only eight years are shown.

Fiscal Year 2019-20	Fiscal Year 2018-19	Fiscal Year 2017-18	Fiscal Year 2016-17	Fiscal Year 2015-16	Fiscal Year 2014-15
\$ 2,704,061	\$ 2,401,838	\$ 2,237,110	\$ 2,154,078	\$ 1,909,220	\$ 1,917,929
(2,704,061)	(2,401,838)	(2,237,110)	(2,154,078)	(1,909,220)	(3,417,929)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,500,000)
\$ 11,849,760	\$ 11,453,278	\$ 10,903,806	\$ 10,655,987	\$ 10,308,528	\$ 10,342,493
22.82%	20.97%	20.52%	20.21%	18.52%	33.05%

CITY OF MISSION VIEJO

Required Supplementary Information Schedule of Changes in Net OPEB Liability/(Asset) and Related Ratios Last 10 Years*

Measurement Period	2020-21	2019-20
TOTAL OPEB LIABILITY/(ASSET)		
Service Cost	\$ 133,207	\$ 129,642
Interest	674,158	653,351
Experience Gain/Losses	249,995	-
Benefit Payments	(508,938)	(466,507)
Changes in Assumptions	164,556	-
Difference between actual and expected benefit payments	(8,142)	8,506
Net Change in Total OPEB Liability/(Asset)	704,836	324,992
Total OPEB Liability/(Asset) - Beginning	9,822,763	9,497,771
Total OPEB Liability/(Asset) - Ending (a)	<u>\$ 10,527,599</u>	<u>\$ 9,822,763</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ -	\$ -
Net Investment Income	2,112,695	(351,092)
Expected investment income	707,056	715,967
Benefit Payments, Including Refunds of Employee Contributions	(508,938)	(466,507)
Actual minus expected benefit payments	-	-
Administrative Expense	(3,872)	(5,051)
Net Change in Fiduciary Net Position	2,306,941	(106,683)
Plan Fiduciary Net Position - Beginning	10,357,199	10,463,882
Plan Fiduciary Net Position - Ending (b)	<u>\$ 12,664,140</u>	<u>\$ 10,357,199</u>
Plan Net OPEB Liability/(Asset) - Ending (a) - (b)	<u>\$ (2,136,541)</u>	<u>\$ (534,436)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	120.29%	105.44%
Covered Employee Payroll	\$ 11,671,149	\$ 11,849,760
Plan Net OPEB Liability/(Asset) as a Percentage of Covered Employee Payroll	-18.31%	-4.51%

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

None

* Fiscal year 2016-17 was the 1st year of implementation, therefore, only five years are shown.

	2018-19	2017-18	2016-17
\$	139,782	\$ 136,041	\$ 132,400
	636,264	614,138	594,854
	(68,925)	-	-
	(440,130)	(427,689)	(496,836)
	-	-	-
	(17,769)	13,681	-
	249,222	336,171	230,418
	9,248,549	8,912,378	8,681,960
\$	9,497,771	\$ 9,248,549	\$ 8,912,378

\$	-	\$ 170,250	\$ 347,000
	(87,835)	102,004	946,200
	704,767	675,022	-
	(440,130)	(427,689)	(496,836)
	-	13,681	-
	(2,178)	(18,135)	(4,804)
	174,624	515,133	791,560
	10,289,258	9,774,125	8,982,565
\$	10,463,882	\$ 10,289,258	\$ 9,774,125

\$ (966,111) \$ (1,040,709) \$ (861,747)

110.17% 111.25% 109.67%

\$ 11,453,278 \$ 10,903,806 \$ 10,655,987

-8.44% -9.54% -8.09%

CITY OF MISSION VIEJO

Required Supplementary Information Schedule of OPEB Contributions Last 10 Years*

	Fiscal Year 2021-22	Fiscal Year 2020-21
Actuarially Determined Contribution	\$ -	\$ -
Contributions in Relation to the Actuarially Determined Contribution	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 11,507,609	\$ 11,671,149
Contributions as a Percentage of Covered Employee Payroll	0.00%	0.00%

Notes to Schedule:

The actuarial methods and assumptions used to set contributions for Fiscal Year 2021-22 were from the June 30, 2020 actuarial valuation.

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Inflation	2.75%
Payroll Growth	2.75% per annum, inaggregate
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 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year 2017-18 was the 1st year of implementation, therefore, only five years are shown.

Fiscal Year 2019-20	Fiscal Year 2018-19	Fiscal Year 2017-18
\$ -	\$ -	\$ 227,000
-	-	(170,250)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,750</u>
\$ 11,849,760	\$ 11,453,278	\$ 11,453,278
0.00%	0.00%	1.49%

CITY OF MISSION VIEJO

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 55,832,023	\$ 57,865,023	\$ 61,328,934	\$ 3,463,911
Licenses and permits	2,289,380	2,430,900	2,790,943	360,043
Intergovernmental	705,128	767,828	590,486	(177,342)
Charges for services	3,043,151	3,927,244	4,720,057	792,813
Investment earnings (loss)	200,000	200,000	(733,475)	(933,475)
Fines and forfeitures	387,000	387,000	521,760	134,760
Other	839,416	1,832,004	1,492,038	(339,966)
Total revenues	63,296,098	67,409,999	70,710,743	3,300,744
EXPENDITURES				
Current:				
General Government-Legislative	699,420	889,600	786,331	103,269
General Govt-Mgmt and Support	10,438,555	10,981,133	9,751,190	1,229,943
Public Safety	22,677,021	22,696,921	21,664,854	1,032,067
Community Development	3,003,481	4,132,695	3,844,785	287,910
Engineering & Transportation	2,227,338	2,388,127	2,260,878	127,249
Infrastructure Maintenance	19,773,106	21,934,979	20,628,648	1,306,331
Rec/Community/Library Services	4,896,064	5,468,099	5,075,144	392,955
Total current	63,714,985	68,491,554	64,011,830	4,479,724
Debt service:				
Principal retirement	155,718	179,175	179,175	-
Interest	4,234	16,398	16,397	1
Total debt service	159,952	195,573	195,572	1
Capital outlay:				
Engineering & Transportation				
01756 La Paz RR Bridge Widening	-	705,000	-	705,000
20245 Lower Curtis Park	-	38,134	27,303	10,831
21248 Site 3 Grading	-	941	-	941
22252 Via Escolar Pavement Rehab	100,000	100,000	95,537	4,463
Infrastructure Maintenance				
20314 Montanoso Rehabilitation	-	180,000	87,330	92,670
20326 Marguerite Aquatics Pool Chillers	-	7,375	-	7,375
21327 Bicycle Corridor Improvement Progm	-	27,947	555	27,392
21328 Coronado Park Play Area Rehabilitation	550,000	550,000	350,408	199,592
21329 Storage Barn	-	143,293	137,507	5,786
21330 Barcelona Retaining Walls	-	82,218	77,645	4,573
22331 Marty Russo Youth Athletic Lights	1,000,000	1,000,000	80,730	919,270
22332 Aquatics Center Sales Building	300,000	309,512	138,053	171,459
22336 Core Area Vision Reinvestment PH-1	-	19,000,000	12,264,648	6,735,352
Total capital outlay	1,950,000	22,144,420	13,259,716	8,884,704
Total expenditures	65,824,937	90,831,547	77,467,118	13,364,429
Excess (deficiency) of revenues over expenditures	(2,528,839)	(23,421,548)	(6,756,375)	16,665,173
OTHER FINANCING SOURCES (USES)				
Transfers in	4,895,707	17,167,278	14,932,121	(2,235,157)
Transfers out	(1,854,201)	(2,315,201)	(2,314,546)	655
Sales of City property	-	-	153,077	153,077
Total other financing sources (uses)	3,041,506	14,852,077	12,770,652	(2,081,425)
Net change in fund balances	512,667	(8,569,471)	6,014,277	14,583,749
Fund balances - beginning	34,016,261	34,016,261	34,016,261	-
Fund balances - ending	\$ 34,528,928	\$ 25,446,790	\$ 40,030,538	\$ 14,583,748

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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 784,115	\$ 1,980,462	\$ 1,149,755	\$ (830,707)
Investment earnings	3,000	3,000	3,206	206
Total revenues	<u>787,115</u>	<u>1,983,462</u>	<u>1,152,961</u>	<u>(830,501)</u>
EXPENDITURES				
Current:				
General Govt-Mgmt and Support	7,232	13,523	8,809	4,714
Community Development	397,278	716,265	434,581	281,684
Engineering & Transportation	-	189,075	173,699	15,376
Infrastructure Maintenance	50,000	50,000	-	50,000
Rec/Community/Library Services	58,046	129,215	109,800	19,415
Total current	<u>512,556</u>	<u>1,098,078</u>	<u>726,889</u>	<u>371,189</u>
Capital outlay:				
Engineering & Transportation				
22249 Civic Center EV Charging Stations	67,000	67,000	12,958	54,042
Infrastructure Maintenance				
21327 Bicycle Corridor Improvement Progm	-	200,529	4,070	196,459
Total capital outlay	<u>67,000</u>	<u>267,529</u>	<u>17,028</u>	<u>250,501</u>
Total expenditures	<u>579,556</u>	<u>1,365,607</u>	<u>743,917</u>	<u>621,690</u>
Excess (deficiency) of revenues over expenditures	<u>207,559</u>	<u>617,855</u>	<u>409,044</u>	<u>(208,811)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(439,000)	-	439,000
Total other financing sources (uses)	<u>-</u>	<u>(439,000)</u>	<u>-</u>	<u>439,000</u>
Net change in fund balances	207,559	178,855	409,044	230,189
Fund balances - beginning	73,895	73,895	73,895	-
Fund balances - ending	<u>\$ 281,454</u>	<u>\$ 252,750</u>	<u>\$ 482,939</u>	<u>\$ 230,189</u>

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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ 5,622	\$ 5,622	\$ 11,423	\$ 5,801
Other	-	-	25	25
Total revenues	<u>5,622</u>	<u>5,622</u>	<u>11,448</u>	<u>5,826</u>
EXPENDITURES				
Current:				
Community Development	69,520	749,520	26,498	723,022
Total current	<u>69,520</u>	<u>749,520</u>	<u>26,498</u>	<u>723,022</u>
Capital outlay:				
Engineering & Transportation				
21248 Site 3 Grading	-	20,000	-	20,000
Total capital outlay	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total expenditures	<u>69,520</u>	<u>769,520</u>	<u>26,498</u>	<u>743,022</u>
Excess (deficiency) of revenues over expenditures	<u>(63,898)</u>	<u>(763,898)</u>	<u>(15,050)</u>	<u>748,848</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	439,000	-	(439,000)
Total other financing sources (uses)	<u>-</u>	<u>439,000</u>	<u>-</u>	<u>(439,000)</u>
Net change in fund balances	(63,898)	(324,898)	(15,050)	309,848
Fund balances - beginning	5,646,255	5,646,255	5,646,255	-
Fund balances - ending	<u>\$ 5,582,357</u>	<u>\$ 5,321,357</u>	<u>\$ 5,631,205</u>	<u>\$ 309,848</u>

See notes to required supplementary information.

CITY OF MISSION VIEJO

American Rescue Plan Act Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,777,301	\$ 3,777,301	\$ 1,652,178	\$ (2,125,123)
Total revenues	<u>3,777,301</u>	<u>3,777,301</u>	<u>1,652,178</u>	<u>(2,125,123)</u>
Excess (deficiency) of revenues over expenditures	<u>3,777,301</u>	<u>3,777,301</u>	<u>1,652,178</u>	<u>(2,125,123)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(3,777,301)</u>	<u>(3,777,301)</u>	<u>(1,652,178)</u>	<u>2,125,123</u>
Total other financing sources (uses)	<u>(3,777,301)</u>	<u>(3,777,301)</u>	<u>(1,652,178)</u>	<u>2,125,123</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to required supplementary information.

CITY OF MISSION VIEJO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2022

Notes to Required Supplementary Information

(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 Financing Authority and the 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 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. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures.

For the Financing Authority and the Housing Authority budgets, the level of budgetary control is the fund.

Continuing Appropriations

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

CITY OF MISSION VIEJO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2022

(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. Streets are classified into two functional classifications: Arterial and Local/Residential. 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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2022

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

Streets, (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	
<u>PCI Range</u>	<u>Condition</u>
86-100	Very Good
75-85	Good
60-74	Fair
41-59	Poor
0-40	Very Poor

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

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

Condition Levels:	2018 Study	2020 Study	2022 Study
Arterials (MPAH)	Good	Good	Good
Local/Residential	Very Good	Very Good	Very Good

The June 2022 study indicated that the current citywide weighted average Pavement Condition Index (PCI) is 84, which shows a slight increase of one PCI point since the last update in 2020. Overall, 78.1% (by area) of the City’s road network is in the “Very Good” and “Good” condition categories, approximately 17.8% of the streets are in the “Fair” category and 4.1% are in the “Poor” or “Very Poor” categories.

CITY OF MISSION VIEJO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2022

(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>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
Needed	\$ 3,000,000	\$4,700,000	\$3,600,000	\$ 3,600,000	\$4,280,000
Actual	<u>4,825,157</u>	<u>3,896,582</u>	<u>1,437,530</u>	<u>3,620,995</u>	<u>5,334,163</u>
Difference	<u>\$1,825,157</u>	<u>\$(803,418)</u>	<u>\$(2,162,470)</u>	<u>\$20,995</u>	<u>\$ 1,054,163</u>



MISSION VIEJO

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Supplementary Schedules

CITY OF MISSION VIEJO

**General Fund
Combining Balance Sheet
June 30, 2022**

	General Fund	115 Pension Trust Fund	Total
ASSETS			
Cash and investments	\$ 37,662,921	\$ -	\$ 37,662,921
Accounts receivable	386,839	-	386,839
Taxes receivable	4,779,455	-	4,779,455
Loans receivable	4,003	-	4,003
Interest receivable	165,536	28,850	194,386
Prepaid items	8,783	-	8,783
Deposits	430	-	430
Intergovernmental receivable	18,883	-	18,883
Interfund receivables	3,525,106	-	3,525,106
Notes receivable	-	2,265,104	2,265,104
Interfund note receivable	1,773,000	920,727	2,693,727
Restricted Assets:			
Cash and investment for pensions	-	1,983,281	1,983,281
Total assets	<u>\$ 48,324,956</u>	<u>\$ 5,197,962</u>	<u>\$ 53,522,918</u>
LIABILITIES			
Accounts payable	\$ 4,290,379	\$ -	\$ 4,290,379
Accrued payroll	837,716	-	837,716
Unearned revenues	193,807	-	193,807
Deposits payable	1,000,936	-	1,000,936
Intergovernmental payable	166,775	-	166,775
Interfund payable	650	-	650
Other liabilities	13,670	-	13,670
Retainage payable	17,485	-	17,485
Total liabilities	<u>6,521,418</u>	<u>-</u>	<u>6,521,418</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	1,773,000	-	1,773,000
Total deferred inflows of resources	<u>1,773,000</u>	<u>-</u>	<u>1,773,000</u>
Total liabilities and deferred inflows of resources	<u>8,294,418</u>	<u>-</u>	<u>8,294,418</u>
FUND BALANCES			
Nonspendable	13,216	-	13,216
Restricted	758,367	5,197,962	5,956,329
Assigned	9,600,000	-	9,600,000
Unassigned	29,658,955	-	29,658,955
Total fund balances	<u>40,030,538</u>	<u>5,197,962</u>	<u>45,228,500</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 48,324,956</u>	<u>\$ 5,197,962</u>	<u>\$ 53,522,918</u>

CITY OF MISSION VIEJO

General Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balances For the Year Ended June 30, 2022

	General Fund	115 Pension Trust Fund	Elimination Column	Total
REVENUES				
Taxes	\$ 61,328,934	\$ -	\$ -	\$ 61,328,934
Licenses and permits	2,790,943	-	-	2,790,943
Intergovernmental	590,486	-	-	590,486
Charges for services	4,720,057	-	-	4,720,057
Investment earnings (loss)	(733,475)	(23,651)	-	(757,126)
Fines and forfeitures	521,760	-	-	521,760
Other	1,492,038	1,221,000	(1,221,000)	1,492,038
Total revenues	<u>70,710,743</u>	<u>1,197,349</u>	<u>(1,221,000)</u>	<u>70,687,092</u>
EXPENDITURES				
Current:				
General Government-Legislative	786,331	-	(31,078)	755,253
General Govt-Mgmt and Support	9,751,190	875	(320,604)	9,431,461
Public Safety	21,664,854	-	(16,116)	21,648,738
Community Development	3,844,785	-	(102,073)	3,742,712
Engineering & Transportation	2,260,878	-	(113,338)	2,147,540
Infrastructure Maintenance	20,628,648	-	(165,307)	20,463,341
Rec/Community/Library Services	5,075,144	-	(168,750)	4,906,394
Debt service:				
Principal retirement	179,175	-	-	179,175
Interest	16,397	-	-	16,397
Capital outlay:				
Engineering & Transportation	122,840	-	-	122,840
Infrastructure Maintenance	13,136,876	-	-	13,136,876
Total expenditures	<u>77,467,118</u>	<u>875</u>	<u>(917,266)</u>	<u>76,550,727</u>
Excess (deficiency) of revenues over expenditures	<u>(6,756,375)</u>	<u>1,196,474</u>	<u>(303,734)</u>	<u>(5,863,635)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	14,932,121	-	303,734	15,235,855
Transfers out	(2,314,546)	-	-	(2,314,546)
Sales of City property	153,077	-	-	153,077
Total other financing sources (uses)	<u>12,770,652</u>	<u>-</u>	<u>303,734</u>	<u>13,074,386</u>
Net change in fund balances	6,014,277	1,196,474	-	7,210,751
Fund balances - beginning	34,016,261	4,001,488	-	38,017,749
Fund balances - ending	<u>\$ 40,030,538</u>	<u>\$ 5,197,962</u>	<u>\$ -</u>	<u>\$ 45,228,500</u>

CITY OF MISSION VIEJO

**Nonmajor Governmental Funds
Combining Governmental Balance Sheet
June 30, 2022**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 5,790,560	\$ 1,079,805	\$ 2,652,578	\$ 9,522,943
Taxes receivable	79,012	-	343,693	422,705
Prepaid items	350	-	-	350
Intergovernmental receivable	2,118,334	-	912,291	3,030,625
Restricted Assets:				
Cash and investments with fiscal agents	-	7,983,073	-	7,983,073
Total assets	<u>\$ 7,988,256</u>	<u>\$ 9,062,878</u>	<u>\$ 3,908,562</u>	<u>\$ 20,959,696</u>
LIABILITIES				
Accounts payable	\$ 213,145	\$ -	\$ 15,116	\$ 228,261
Accrued payroll	141,204	-	637	141,841
Intergovernmental payable	1,872	-	-	1,872
Interfund payable	1,379,166	-	912,291	2,291,457
Retainage payable	104,294	-	7,082	111,376
Total liabilities	<u>1,839,681</u>	<u>-</u>	<u>935,126</u>	<u>2,774,807</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	1,329,365	-	912,291	2,241,656
Total deferred inflows of resources	1,329,365	-	912,291	2,241,656
Total liabilities and deferred inflows of resources	<u>3,169,046</u>	<u>-</u>	<u>1,847,417</u>	<u>5,016,463</u>
FUND BALANCES (DEFICITS)				
Nonspendable	350	-	-	350
Restricted for:				
Community development	1,527	-	-	1,527
Core Area Vision Plan capital project	-	6,843,700	-	6,843,700
Debt service	-	2,219,178	-	2,219,178
Library services	1,658,413	-	-	1,658,413
Public safety	167,780	-	-	167,780
Public works	4,320,505	-	2,061,145	6,381,650
Unassigned	(1,329,365)	-	-	(1,329,365)
Total fund balances (deficits)	<u>4,819,210</u>	<u>9,062,878</u>	<u>2,061,145</u>	<u>15,943,233</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,988,256</u>	<u>\$ 9,062,878</u>	<u>\$ 3,908,562</u>	<u>\$ 20,959,696</u>

CITY OF MISSION VIEJO

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2022

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 3,068,639	\$ 698,314	\$ -	\$ 3,766,953
Intergovernmental	4,975,245	1,722,651	2,006,529	8,704,425
Charges for services	145,760	-	-	145,760
Investment earnings (loss)	(77,733)	(19,787)	(41,187)	(138,707)
Fines and forfeitures	30,760	-	-	30,760
Other	14,437	-	-	14,437
Total revenues	<u>8,157,108</u>	<u>2,401,178</u>	<u>1,965,342</u>	<u>12,523,628</u>
EXPENDITURES				
Current:				
General Govt-Mgmt and Support	113,630	-	-	113,630
Public Safety	582,874	-	-	582,874
Community Development	43,020	-	-	43,020
Engineering & Transportation	900,079	-	26,604	926,683
Infrastructure Maintenance	433,303	-	-	433,303
Rec/Community/Library Services	2,896,297	-	-	2,896,297
Debt service:				
Principal retirement	2,757	2,490,000	-	2,492,757
Interest	577	830,181	-	830,758
Bond issuance costs	-	313,851	-	313,851
Capital outlay:				
Engineering & Transportation	3,550,737	-	2,171,654	5,722,391
Infrastructure Maintenance	-	-	32,980	32,980
Total expenditures	<u>8,523,274</u>	<u>3,634,032</u>	<u>2,231,238</u>	<u>14,388,544</u>
Excess (deficiency) of revenues over expenditures	<u>(366,166)</u>	<u>(1,232,854)</u>	<u>(265,896)</u>	<u>(1,864,916)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of debt issuance	-	18,595,000	-	18,595,000
Premium on bonds issued	-	733,333	-	733,333
Transfers in	188,235	2,726,564	-	2,914,799
Transfers out	(154,126)	(14,610,219)	-	(14,764,345)
Total other financing sources (uses)	<u>34,109</u>	<u>7,444,678</u>	<u>-</u>	<u>7,478,787</u>
Net change in fund balances	(332,057)	6,211,824	(265,896)	5,613,871
Fund balances - beginning	5,151,267	2,851,054	2,327,041	10,329,362
Fund balances - ending	<u>\$ 4,819,210</u>	<u>\$ 9,062,878</u>	<u>\$ 2,061,145</u>	<u>\$ 15,943,233</u>



MISSION VIEJO

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CITY OF MISSION VIEJO

NONMAJOR SPECIAL REVENUE FUNDS YEAR ENDED JUNE 30, 2022

Nonmajor Special Revenue Funds

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

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

GAS TAX - To account for receipts and expenditures of money apportioned under Streets and Highways Code Sections 2103, 2105, 2106, 2107 and 2107.5 of the State of California 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.

BUILDING HOMES AND JOBS ACT (SB2) - Funding for this program is through a document recording fee and provides a dedicated source of funding for housing related activities, including updating general plans, community plans, specific plans, and local planning related to implementation of sustainable community strategies or local coastal plans.

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.

CARES ACT ASSISTANCE - This fund is used to account for revenue and expenditures necessary to respond to the Covid-19 pandemic. Funding is a combination of State and County allocations received for qualifying expenses under the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act.

CITY OF MISSION VIEJO

**Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2022**

	Gas Tax Fund	Library Operations Fund	Law Enforcement Grants Fund	Air Quality Fund
ASSETS				
Cash and investments	\$ 3,364,872	\$ 1,816,485	\$ 181,487	\$ 424,317
Taxes receivable	-	45,462	-	33,550
Prepaid items	-	350	-	-
Intergovernmental receivable	713,688	-	-	-
Total assets	<u>\$ 4,078,560</u>	<u>\$ 1,862,297</u>	<u>\$ 181,487</u>	<u>\$ 457,867</u>
LIABILITIES				
Accounts payable	\$ 110,990	\$ 62,968	\$ 13,707	\$ -
Accrued payroll	638	140,566	-	-
Intergovernmental payable	-	-	-	-
Interfund payable	-	-	-	-
Retainage payable	104,294	-	-	-
Total liabilities	<u>215,922</u>	<u>203,534</u>	<u>13,707</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>215,922</u>	<u>203,534</u>	<u>13,707</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable	-	350	-	-
Restricted				
Community development	-	-	-	-
Library services	-	1,658,413	-	-
Public safety	-	-	167,780	-
Public works	3,862,638	-	-	457,867
Unassigned	-	-	-	-
Total fund balances (deficits)	<u>3,862,638</u>	<u>1,658,763</u>	<u>167,780</u>	<u>457,867</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,078,560</u>	<u>\$ 1,862,297</u>	<u>\$ 181,487</u>	<u>\$ 457,867</u>

Measure M Fund	Building Homes & Jobs Act (SB2) Fund	CASp Certification & Training Fund	CARES ACT Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 3,399	\$ -	\$ 5,790,560
-	-	-	-	79,012
-	-	-	-	350
501,245	430,828	-	472,573	2,118,334
<u>\$ 501,245</u>	<u>\$ 430,828</u>	<u>\$ 3,399</u>	<u>\$ 472,573</u>	<u>\$ 7,988,256</u>
\$ -	\$ 25,480	\$ -	\$ -	\$ 213,145
-	-	-	-	141,204
-	-	1,872	-	1,872
501,245	405,348	-	472,573	1,379,166
-	-	-	-	104,294
<u>501,245</u>	<u>430,828</u>	<u>1,872</u>	<u>472,573</u>	<u>1,839,681</u>
425,964	430,828	-	472,573	1,329,365
<u>425,964</u>	<u>430,828</u>	<u>-</u>	<u>472,573</u>	<u>1,329,365</u>
927,209	861,656	1,872	945,146	3,169,046
-	-	-	-	350
-	-	1,527	-	1,527
-	-	-	-	1,658,413
-	-	-	-	167,780
-	-	-	-	4,320,505
<u>(425,964)</u>	<u>(430,828)</u>	<u>-</u>	<u>(472,573)</u>	<u>(1,329,365)</u>
<u>(425,964)</u>	<u>(430,828)</u>	<u>1,527</u>	<u>(472,573)</u>	<u>4,819,210</u>
<u>\$ 501,245</u>	<u>\$ 430,828</u>	<u>\$ 3,399</u>	<u>\$ 472,573</u>	<u>\$ 7,988,256</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, 2022**

	Gas Tax Fund	Library Operations Fund	Law Enforcement Grants Fund	Air Quality Fund
REVENUES				
Taxes	\$ -	\$ 3,068,639	\$ -	\$ -
Intergovernmental	4,097,378	239,728	231,946	124,229
Charges for services	-	139,345	-	-
Investment earnings (loss)	(52,714)	(28,059)	1,147	2,441
Fines and forfeitures	-	30,760	-	-
Other	-	14,437	-	-
Total revenues	<u>4,044,664</u>	<u>3,464,850</u>	<u>233,093</u>	<u>126,670</u>
EXPENDITURES				
Current:				
General Govt-Mgmt and Support	3,033	108,657	-	1,940
Public Safety	65,000	-	196,624	-
Community Development	-	-	-	-
Engineering & Transportation	636,459	-	-	-
Infrastructure Maintenance	-	433,303	-	-
Rec/Community/Library Services	-	2,896,297	-	-
Debt service:				
Principal retirement	-	-	-	2,757
Interest	-	-	-	577
Capital outlay:				
Engineering & Transportation	3,520,444	-	-	-
Total expenditures	<u>4,224,936</u>	<u>3,438,257</u>	<u>196,624</u>	<u>5,274</u>
Excess (deficiency) of revenues over expenditures	<u>(180,272)</u>	<u>26,593</u>	<u>36,469</u>	<u>121,396</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	188,235	-	-
Transfers out	-	(154,126)	-	-
Total other financing sources (uses)	<u>-</u>	<u>34,109</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(180,272)	60,702	36,469	121,396
Fund balances (deficits) - beginning	4,042,910	1,598,061	131,311	336,471
Fund balances (deficits) - ending	<u>\$ 3,862,638</u>	<u>\$ 1,658,763</u>	<u>\$ 167,780</u>	<u>\$ 457,867</u>

Measure M Fund	Building Homes & Jobs Act (SB2) Fund	CASp Certification & Training Fund	CARES ACT Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 3,068,639
75,281	206,683	-	-	4,975,245
-	-	6,415	-	145,760
(548)	-	-	-	(77,733)
-	-	-	-	30,760
-	-	-	-	14,437
<u>74,733</u>	<u>206,683</u>	<u>6,415</u>	<u>-</u>	<u>8,157,108</u>
-	-	-	-	113,630
-	321,250	-	-	582,874
-	29,260	13,760	-	43,020
263,620	-	-	-	900,079
-	-	-	-	433,303
-	-	-	-	2,896,297
-	-	-	-	2,757
-	-	-	-	577
<u>30,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,550,737</u>
<u>293,913</u>	<u>350,510</u>	<u>13,760</u>	<u>-</u>	<u>8,523,274</u>
<u>(219,180)</u>	<u>(143,827)</u>	<u>(7,345)</u>	<u>-</u>	<u>(366,166)</u>
-	-	-	-	188,235
-	-	-	-	(154,126)
-	-	-	-	34,109
<u>(219,180)</u>	<u>(143,827)</u>	<u>(7,345)</u>	<u>-</u>	<u>(332,057)</u>
<u>(206,784)</u>	<u>(287,001)</u>	<u>8,872</u>	<u>(472,573)</u>	<u>5,151,267</u>
<u>\$ (425,964)</u>	<u>\$ (430,828)</u>	<u>\$ 1,527</u>	<u>\$ (472,573)</u>	<u>\$ 4,819,210</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, 2022**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 4,084,936	\$ 4,411,171	\$ 4,097,378	\$ (313,793)
Investment earnings (loss)	16,000	3,000	(52,714)	(55,714)
Total revenues	<u>4,100,936</u>	<u>4,414,171</u>	<u>4,044,664</u>	<u>(369,507)</u>
EXPENDITURES				
Current:				
General Govt-Mgmt and Support	2,232	3,033	3,033	-
Public Safety	65,000	65,000	65,000	-
Engineering & Transportation	729,000	757,364	636,459	120,905
Total current	<u>796,232</u>	<u>825,397</u>	<u>704,492</u>	<u>120,905</u>
Capital outlay:				
Engineering & Transportation				
01756 La Paz RR Bridge Widening	-	340,137	-	340,137
13214 Oso Corridor Signal Sych	-	1,721	-	1,721
18236 Felipe/Olympiad TSSP	-	5,795	-	5,795
18237 Citywide Countdown Ped Signal	-	456	456	-
19240 Los Alisos TSSP	-	216,112	334	215,778
20241 Catch Basin Debris Screens	-	1	1	-
20242 I-5 Sound Wall Madrid Fore - MVHS	-	1,629,607	83,206	1,546,401
20243 Storm Drain Atlas Update	-	30,000	-	30,000
20245 Lower Curtis Park	-	657,470	-	657,470
21246 Jeronimo/Marguerite Inters Improvement	-	149,070	146,839	2,231
22250 Catch Basin Debris Screen North Cen	40,000	40,000	-	40,000
22836 21/22 Sidewalk Repair Program-Ong	10,000	37,512	-	37,512
22837 21/22 Arterial Hwy	790,000	1,910,844	1,245,984	664,860
22838 21/22 Residential Resurfacing	2,326,353	2,253,926	2,043,624	210,302
Total capital outlay	<u>3,166,353</u>	<u>7,272,651</u>	<u>3,520,444</u>	<u>3,752,207</u>
Total expenditures	<u>3,962,585</u>	<u>8,098,048</u>	<u>4,224,936</u>	<u>3,873,112</u>
Excess (deficiency) of revenues over expenditures	<u>138,351</u>	<u>(3,683,877)</u>	<u>(180,272)</u>	<u>3,503,605</u>
Net change in fund balances	138,351	(3,683,877)	(180,272)	3,503,605
Fund balances - beginning	4,042,910	4,042,910	4,042,910	-
Fund balances - ending	<u>\$ 4,181,261</u>	<u>\$ 359,033</u>	<u>\$ 3,862,638</u>	<u>\$ 3,503,605</u>

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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,972,971	\$ 3,021,771	\$ 3,068,639	\$ 46,868
Intergovernmental	163,000	193,000	239,728	46,728
Charges for services	213,000	134,000	139,345	5,345
Investment earnings (loss)	5,000	5,000	(28,059)	(33,059)
Fines and forfeitures	18,000	25,000	30,760	5,760
Other	7,300	7,300	14,437	7,137
Total revenues	<u>3,379,271</u>	<u>3,386,071</u>	<u>3,464,850</u>	<u>78,779</u>
EXPENDITURES				
Current:				
General Govt-Mgmt and Support	121,400	132,498	108,657	23,841
Infrastructure Maintenance	438,238	551,221	433,303	117,918
Rec/Community/Library Services	3,016,413	3,037,449	2,896,297	141,152
Total current	<u>3,576,051</u>	<u>3,721,168</u>	<u>3,438,257</u>	<u>282,911</u>
Total expenditures	<u>3,576,051</u>	<u>3,721,168</u>	<u>3,438,257</u>	<u>282,911</u>
Excess (deficiency) of revenues over expenditures	<u>(196,780)</u>	<u>(335,097)</u>	<u>26,593</u>	<u>361,690</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	196,780	196,780	188,235	(8,545)
Transfers out	-	(154,126)	(154,126)	-
Total other financing sources (uses)	<u>196,780</u>	<u>42,654</u>	<u>34,109</u>	<u>(8,545)</u>
Net change in fund balances	-	(292,443)	60,702	353,145
Fund balances - beginning	<u>1,598,061</u>	<u>1,598,061</u>	<u>1,598,061</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,598,061</u>	<u>\$ 1,305,618</u>	<u>\$ 1,658,763</u>	<u>\$ 353,145</u>

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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 200,000	\$ 200,000	\$ 231,946	\$ 31,946
Investment earnings	1,000	1,000	1,147	147
Total revenues	<u>201,000</u>	<u>201,000</u>	<u>233,093</u>	<u>32,093</u>
EXPENDITURES				
Current:				
Public Safety	200,000	200,000	196,624	3,376
Total current	200,000	200,000	196,624	3,376
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u>196,624</u>	<u>3,376</u>
Excess (deficiency) of revenues over expenditures	1,000	1,000	36,469	35,469
Net change in fund balances	1,000	1,000	36,469	35,469
Fund balances - beginning	131,311	131,311	131,311	-
Fund balances - ending	<u>\$ 132,311</u>	<u>\$ 132,311</u>	<u>\$ 167,780</u>	<u>\$ 35,469</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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 122,300	\$ 122,660	\$ 124,229	\$ 1,569
Investment earnings	3,000	3,000	2,441	(559)
Total revenues	125,300	125,660	126,670	1,010
EXPENDITURES				
Current:				
General Govt-Mgmt and Support	1,650	1,940	1,940	-
Infrastructure Maintenance	3,263	-	-	-
Total current	4,913	1,940	1,940	-
Debt service:				
Principal retirement	-	2,757	2,757	-
Interest	-	577	577	-
Total debt service	-	3,334	3,334	-
Capital outlay:				
Engineering & Transportation				
16227 Alicia Parkway Traffic Sig Synch	-	1,837	-	1,837
17231 El Toro Corridor TSSP	-	10,290	-	10,290
22249 Civic Center EV Charging Stations	26,000	26,000	-	26,000
22251 Via Escolar Pavement Rehab	89,000	89,000	-	89,000
Total capital outlay	115,000	127,127	-	127,127
Total expenditures	119,913	132,401	5,274	127,127
Excess (deficiency) of revenues over expenditures	5,387	(6,741)	121,396	128,137
Net change in fund balances	5,387	(6,741)	121,396	128,137
Fund balances - beginning	336,471	336,471	336,471	-
Fund balances - ending	\$ 341,858	\$ 329,730	\$ 457,867	\$ 128,137

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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 300,000	\$ 443,801	\$ 75,281	\$ (368,520)
Investment earnings (loss)	-	-	(548)	(548)
Total revenues	<u>300,000</u>	<u>443,801</u>	<u>74,733</u>	<u>(369,068)</u>
EXPENDITURES				
Current:				
Engineering & Transportation	300,000	300,000	263,620	36,380
Total current	<u>300,000</u>	<u>300,000</u>	<u>263,620</u>	<u>36,380</u>
Capital outlay:				
Engineering & Transportation				
17230 Marguerite Corridor TSSP	-	16,573	16,573	-
18236 Felipe/Olympiad TSSP	-	82,240	13,720	68,520
Total capital outlay	<u>-</u>	<u>98,813</u>	<u>30,293</u>	<u>68,520</u>
Total expenditures	<u>300,000</u>	<u>398,813</u>	<u>293,913</u>	<u>104,900</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>44,988</u>	<u>(219,180)</u>	<u>(264,168)</u>
Net change in fund balances	-	44,988	(219,180)	(264,168)
Fund balances (deficits) - beginning	<u>(206,784)</u>	<u>(206,784)</u>	<u>(206,784)</u>	<u>-</u>
Fund balances (deficits) - ending	<u>\$ (206,784)</u>	<u>\$ (161,796)</u>	<u>\$ (425,964)</u>	<u>\$ (264,168)</u>

CITY OF MISSION VIEJO

Building Homes & Jobs Act (SB2) Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 206,000	\$ 722,000	\$ 206,683	\$ (515,317)
Total revenues	<u>206,000</u>	<u>722,000</u>	<u>206,683</u>	<u>(515,317)</u>
EXPENDITURES				
Current:				
General Govt-Mgmt and Support	-	4,000	-	4,000
Public Safety	206,000	321,250	321,250	-
Community Development	-	149,265	29,260	120,005
Total current	<u>206,000</u>	<u>474,515</u>	<u>350,510</u>	<u>124,005</u>
Total expenditures	<u>206,000</u>	<u>474,515</u>	<u>350,510</u>	<u>124,005</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>247,485</u>	<u>(143,827)</u>	<u>(391,312)</u>
Net change in fund balances	-	247,485	(143,827)	(391,312)
Fund balances (deficits) - beginning	<u>(287,001)</u>	<u>(287,001)</u>	<u>(287,001)</u>	<u>-</u>
Fund balances (deficits) - ending	<u>\$ (287,001)</u>	<u>\$ (39,516)</u>	<u>\$ (430,828)</u>	<u>\$ (391,312)</u>

CITY OF MISSION VIEJO

CASp Certification & Training Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 6,000	\$ 6,000	\$ 6,415	\$ 415
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>6,415</u>	<u>415</u>
EXPENDITURES				
Current:				
Community Development	-	13,760	13,760	-
Total current	-	13,760	13,760	-
Total expenditures	<u>-</u>	<u>13,760</u>	<u>13,760</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>6,000</u>	<u>(7,760)</u>	<u>(7,345)</u>	<u>415</u>
Net change in fund balances	6,000	(7,760)	(7,345)	415
Fund balances - beginning	8,872	8,872	8,872	-
Fund balances - ending	<u>\$ 14,872</u>	<u>\$ 1,112</u>	<u>\$ 1,527</u>	<u>\$ 415</u>

CITY OF MISSION VIEJO

CARES ACT Assistance Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 472,573	\$ 472,573	\$ -	\$ (472,573)
Total revenues	<u>472,573</u>	<u>472,573</u>	<u>-</u>	<u>(472,573)</u>
Excess (deficiency) of revenues over expenditures	<u>472,573</u>	<u>472,573</u>	<u>-</u>	<u>(472,573)</u>
Net change in fund balances	472,573	472,573	-	(472,573)
Fund balances (deficits) - beginning	(472,573)	(472,573)	(472,573)	-
Fund balances (deficits) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (472,573)</u>	<u>\$ (472,573)</u>



MISSION VIEJO

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CITY OF MISSION VIEJO

NONMAJOR DEBT SERVICE FUNDS YEAR ENDED JUNE 30, 2022

Nonmajor Debt Service Funds

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 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.

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

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

CDF 2021 CORE AREA LEASE REVENUE BONDS - To account for the resources from and the payment of the CDF 2021 Core Area Lease Revenue Bonds.

CITY OF MISSION VIEJO

Nonmajor Debt service funds

Combining Balance Sheet

June 30, 2022

	Mall Parking Lease Fund	CDFA 1999 Mall Bonds Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and investments	\$ 1,079,805	\$ -
Restricted Assets:		
Cash and investments with fiscal agents	-	1,139,350
Total assets	<u>\$ 1,079,805</u>	<u>\$ 1,139,350</u>
 FUND BALANCES		
Restricted		
Core Area Vision Plan capital project	\$ -	\$ -
Debt service	1,079,805	1,139,350
Total fund balances	<u>1,079,805</u>	<u>1,139,350</u>
 Total liabilities and fund balances	<u>\$ 1,079,805</u>	<u>\$ 1,139,350</u>

CDFA 2016 Lease Revenue Refunding Bonds Fund	CDFA 2021 Core Area Lease Revenue Bonds Fund	Total Nonmajor Debt service funds
\$ -	\$ -	\$ 1,079,805
<u>2</u>	<u>6,843,721</u>	<u>7,983,073</u>
<u>\$ 2</u>	<u>\$ 6,843,721</u>	<u>\$ 9,062,878</u>
\$ -	\$ 6,843,700	\$ 6,843,700
<u>2</u>	<u>21</u>	<u>2,219,178</u>
<u>2</u>	<u>6,843,721</u>	<u>9,062,878</u>
<u>\$ 2</u>	<u>\$ 6,843,721</u>	<u>\$ 9,062,878</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, 2022**

	Mall Parking Lease Fund	CDFA 1999 Mall Bonds Fund
REVENUES		
Taxes	\$ 698,314	\$ -
Intergovernmental	-	1,722,651
Investment earnings (loss)	(24,359)	1,023
Total revenues	<u>673,955</u>	<u>1,723,674</u>
EXPENDITURES		
Debt service:		
Principal retirement	-	1,355,000
Interest	-	367,651
Bond issuance costs	-	-
Total expenditures	<u>-</u>	<u>1,722,651</u>
Excess (deficiency) of revenues over expenditures	<u>673,955</u>	<u>1,023</u>
OTHER FINANCING SOURCES (USES)		
Proceeds of debt issuance	-	-
Premium on bonds issued	-	-
Transfers in	-	1,119,153
Transfers out	(1,119,153)	(1,306,856)
Total other financing sources (uses)	<u>(1,119,153)</u>	<u>(187,703)</u>
Net change in fund balances	(445,198)	(186,680)
Fund balances - beginning	1,525,003	1,326,030
Fund balances - ending	<u>\$ 1,079,805</u>	<u>\$ 1,139,350</u>

CDFA 2016 Lease Revenue Refunding Bonds Fund	CDFA 2021 Core Area Lease Revenue Bonds Fund	Total Nonmajor Debt service funds
\$ -	\$ -	\$ 698,314
-	-	1,722,651
3	3,546	(19,787)
<u>3</u>	<u>3,546</u>	<u>2,401,178</u>
855,000	280,000	2,490,000
282,163	180,367	830,181
-	313,851	313,851
<u>1,137,163</u>	<u>774,218</u>	<u>3,634,032</u>
<u>(1,137,160)</u>	<u>(770,672)</u>	<u>(1,232,854)</u>
-	18,595,000	18,595,000
-	733,333	733,333
1,137,141	470,270	2,726,564
-	(12,184,210)	(14,610,219)
<u>1,137,141</u>	<u>7,614,393</u>	<u>7,444,678</u>
(19)	6,843,721	6,211,824
21	-	2,851,054
<u>\$ 2</u>	<u>\$ 6,843,721</u>	<u>\$ 9,062,878</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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ -	\$ 698,314	\$ 698,314	\$ -
Investment earnings (loss)	-	-	(24,359)	(24,359)
Total revenues	-	698,314	673,955	(24,359)
Excess (deficiency) of revenues over expenditures	-	698,314	673,955	(24,359)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(1,119,152)	(1,119,153)	(1)
Total other financing sources (uses)	-	(1,119,152)	(1,119,153)	(1)
Net change in fund balances	-	(420,838)	(445,198)	(24,360)
Fund balances - beginning	1,525,003	1,525,003	1,525,003	-
Fund balances - ending	<u>\$ 1,525,003</u>	<u>\$ 1,104,165</u>	<u>\$ 1,079,805</u>	<u>\$ (24,360)</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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,722,651	\$ 1,722,651	\$ 1,722,651	\$ -
Investment earnings	42,414	42,414	1,023	(41,391)
Total revenues	<u>1,765,065</u>	<u>1,765,065</u>	<u>1,723,674</u>	<u>(41,391)</u>
EXPENDITURES				
Debt service:				
Principal retirement	1,355,000	1,355,000	1,355,000	-
Interest	367,651	367,651	367,651	-
Total debt service	1,722,651	1,722,651	1,722,651	-
Total expenditures	<u>1,722,651</u>	<u>1,722,651</u>	<u>1,722,651</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	42,414	42,414	1,023	(41,391)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,119,153	1,119,153
Transfers out	(1,306,856)	(1,306,856)	(1,306,856)	-
Total other financing sources (uses)	<u>(1,306,856)</u>	<u>(1,306,856)</u>	<u>(187,703)</u>	<u>1,119,153</u>
Net change in fund balances	(1,264,442)	(1,264,442)	(186,680)	1,077,762
Fund balances - beginning	1,326,030	1,326,030	1,326,030	-
Fund balances - ending	<u>\$ 61,588</u>	<u>\$ 61,588</u>	<u>\$ 1,139,350</u>	<u>\$ 1,077,762</u>

CITY OF MISSION VIEJO

CDFA 2016 Lease Revenue Refunding Bonds

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ 50	\$ 50	\$ 3	\$ (47)
Total revenues	<u>50</u>	<u>50</u>	<u>3</u>	<u>(47)</u>
EXPENDITURES				
Debt service:				
Principal retirement	855,000	855,000	855,000	-
Interest	<u>282,163</u>	<u>282,163</u>	<u>282,163</u>	<u>-</u>
Total debt service	<u>1,137,163</u>	<u>1,137,163</u>	<u>1,137,163</u>	<u>-</u>
Total expenditures	<u>1,137,163</u>	<u>1,137,163</u>	<u>1,137,163</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,137,113)</u>	<u>(1,137,113)</u>	<u>(1,137,160)</u>	<u>(47)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,137,163</u>	<u>1,137,163</u>	<u>1,137,141</u>	<u>(22)</u>
Total other financing sources (uses)	<u>1,137,163</u>	<u>1,137,163</u>	<u>1,137,141</u>	<u>(22)</u>
Net change in fund balances	50	50	(19)	(69)
Fund balances - beginning	<u>21</u>	<u>21</u>	<u>21</u>	<u>-</u>
Fund balances - ending	<u>\$ 71</u>	<u>\$ 71</u>	<u>\$ 2</u>	<u>\$ (69)</u>

CITY OF MISSION VIEJO

CDFA 2021 Core Area Lease Revenue Bonds

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ 212	\$ 3,546	\$ 3,334
Total revenues	<u>-</u>	<u>212</u>	<u>3,546</u>	<u>3,334</u>
EXPENDITURES				
Debt service:				
Principal retirement	-	280,000	280,000	-
Interest	-	180,367	180,367	-
Bond issuance costs	-	328,333	313,851	14,482
Total debt service	-	788,700	774,218	14,482
Total expenditures	<u>-</u>	<u>788,700</u>	<u>774,218</u>	<u>14,482</u>
Excess (deficiency) of revenues over expenditures	-	(788,488)	(770,672)	17,816
OTHER FINANCING SOURCES (USES)				
Proceeds of debt issuance	-	18,595,000	18,595,000	-
Premium on bonds issued	-	733,333	733,333	-
Transfers in	-	460,367	470,270	9,903
Transfers out	-	(12,271,571)	(12,184,210)	87,361
Total other financing sources (uses)	<u>-</u>	<u>7,517,129</u>	<u>7,614,393</u>	<u>97,264</u>
Net change in fund balances	-	6,728,641	6,843,721	115,080
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ 6,728,641</u>	<u>\$ 6,843,721</u>	<u>\$ 115,080</u>

CITY OF MISSION VIEJO

CAPITAL PROJECTS FUNDS YEAR ENDED JUNE 30, 2022

Capital Projects Funds

Capital projects funds are used to account for the resources accumulated to fund 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 awarded 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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 4,888	\$ 4,888
Developer fees	-	6,072,944	-	(6,072,944)
Total revenues	-	6,072,944	4,888	(6,068,056)
EXPENDITURES				
Current:				
Infrastructure Maintenance	-	24,236	-	24,236
Total current	-	24,236	-	24,236
Capital outlay:				
Engineering & Transportation				
16224 Felipe/Oso Intersection Improvement	-	3,032,598	406,154	2,626,444
16226 Oso/I-5 On Ramp Improvement	-	2,422,305	165,278	2,257,027
Infrastructure Maintenance				
20314 Montanoso Rehabilitation	-	981,241	311,139	670,102
20315 Craycraft Park Restroom/Snack Bar	-	10	-	10
21328 Coronado Park Play Area Rehabilitation	-	399,028	289,741	109,287
Total capital outlay	-	6,835,182	1,172,312	5,662,870
Total expenditures	-	6,859,418	1,172,312	5,687,106
Excess (deficiency) of revenues over expenditures	-	(786,474)	(1,167,424)	(380,950)
Net change in fund balances	-	(786,474)	(1,167,424)	(380,950)
Fund balances - beginning	401,303	401,303	401,303	-
Fund balances (deficits) - ending	\$ 401,303	\$ (385,171)	\$ (766,121)	\$ (380,950)

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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,723,373	\$ 20,174,156	\$ 2,006,529	\$ (18,167,627)
Investment earnings (loss)	20,000	20,000	(41,187)	(61,187)
Total revenues	<u>1,743,373</u>	<u>20,194,156</u>	<u>1,965,342</u>	<u>(18,228,814)</u>
EXPENDITURES				
Current:				
Engineering & Transportation	33,000	33,000	26,604	6,396
Total current	<u>33,000</u>	<u>33,000</u>	<u>26,604</u>	<u>6,396</u>
Capital outlay:				
Engineering & Transportation				
01756 La Paz RR Bridge Widening	-	14,711,557	-	14,711,557
17233 SMPkwy/Marguerite Intersection	-	1,324	1,324	-
19240 Los Alisos TSSP	-	78,704	867	77,837
20242 I-5 Sound Wall Madrid Fore - MVHS	-	2,200,000	-	2,200,000
20245 Lower Curtis Park	-	400,000	-	400,000
21246 Jeronimo/Marguerite Inters Improvement	-	449,884	421,920	27,964
22250 Catch Basin Debris Screen North Cen	160,000	160,000	-	160,000
22252 Via Escolar Pavement Rehab	100,000	130,000	122,052	7,948
22836 21/22 Sidewalk Repair Program-Ong	15,000	26,914	-	26,914
22837 21/22 Arterial Hwy	1,660,000	3,578,957	1,438,555	2,140,402
22838 21/22 Residential Resurfacing	233,647	186,936	186,936	-
Infrastructure Maintenance				
21327 Bicycle Corridor Improvement Progm	-	42,000	-	42,000
22333 North Oso Creek Bike/Ped Open Space	100,000	100,000	32,980	67,020
Total capital outlay	<u>2,268,647</u>	<u>22,066,276</u>	<u>2,204,634</u>	<u>19,861,642</u>
Total expenditures	<u>2,301,647</u>	<u>22,099,276</u>	<u>2,231,238</u>	<u>19,868,038</u>
Excess (deficiency) of revenues over expenditures	<u>(558,274)</u>	<u>(1,905,120)</u>	<u>(265,896)</u>	<u>1,639,224</u>
Net change in fund balances	(558,274)	(1,905,120)	(265,896)	1,639,224
Fund balances - beginning	2,327,041	2,327,041	2,327,041	-
Fund balances - ending	<u>\$ 1,768,767</u>	<u>\$ 421,921</u>	<u>\$ 2,061,145</u>	<u>\$ 1,639,224</u>

CITY OF MISSION VIEJO

STATISTICAL TABLES AND OTHER SCHEDULES YEAR ENDED JUNE 30, 2022

STATISTICAL SECTION

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

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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.....	163
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These schedules contain information to help the reader assess the City’s most significant local revenue source, property tax revenues.

Debt Capacity	167
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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.

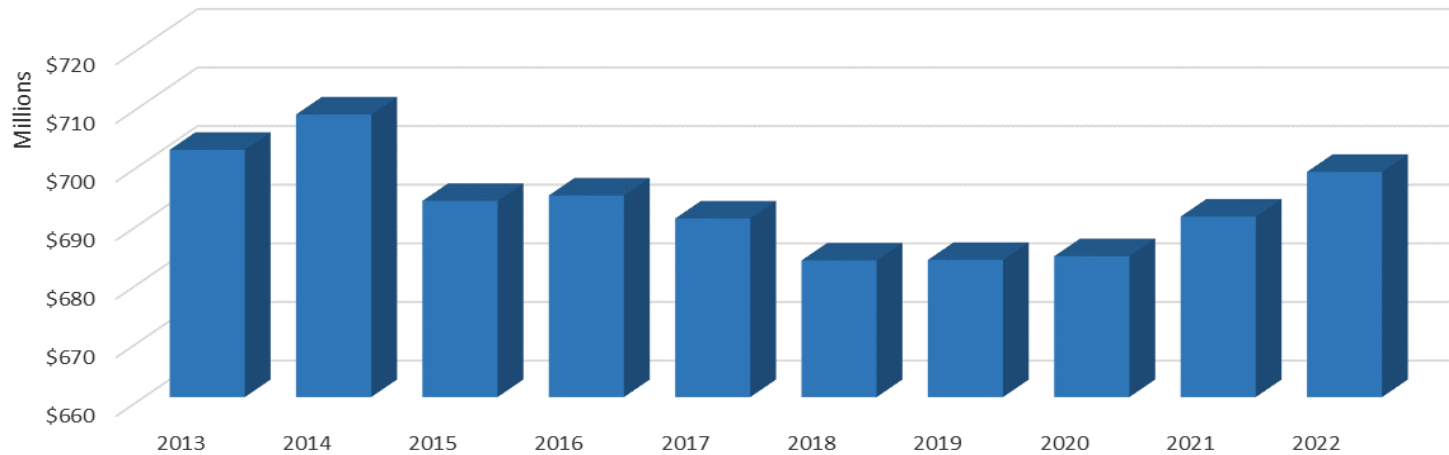
Demographic and Economic Information	171
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.

Operating Information	173
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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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Net investment in capital assets	\$ 646,771,844	\$ 643,465,280	\$ 638,065,270	\$ 639,179,582	\$ 639,548,835	\$ 639,309,161	\$ 634,921,382	\$ 633,138,918	\$ 628,884,527	\$ 633,007,131 ⁴
Restricted	20,610,691	25,646,475	31,261,374	26,061,848	25,041,749	20,909,550	21,937,662	21,200,381	28,227,969	35,736,900 ⁵
Unrestricted	29,947,637	33,909,082	19,843,910	24,062,008	20,367,268	17,421,479	20,610,321	12,914,255	16,558,712	11,929,682
Total governmental net position	<u>697,330,172</u>	<u>703,020,837</u>	<u>689,170,554¹</u>	<u>689,303,438</u>	<u>684,957,852</u>	<u>677,640,190²</u>	<u>677,469,365</u>	<u>667,253,554³</u>	<u>673,671,208</u>	<u>680,673,713</u>
Business-type activities										
Net investment in capital assets	2,161,796	1,854,037	1,997,334	1,961,624	2,749,214	2,779,607	2,589,938	12,949,140 ³	12,796,065	13,231,390
Unrestricted	2,686,422	3,330,497	2,296,870	3,117,861	2,752,807	2,888,252	3,333,070	3,815,125	4,316,057	4,511,699
Total business-type net position	<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>	<u>5,923,008</u>	<u>16,764,265³</u>	<u>17,112,122</u>	<u>17,743,089</u>
Primary governmental										
Net investment in capital assets	648,933,640	645,319,317	640,062,604	641,141,206	642,298,049	642,088,768	637,511,320	646,088,058 ³	641,680,592	646,238,521
Restricted	20,610,691	25,646,475	31,261,374	26,061,848	25,041,749	20,909,550	21,937,662	21,200,381	28,227,969	35,736,900
Unrestricted	32,634,059	37,239,579	22,140,780	27,179,869	23,120,075	20,309,731	23,943,391	16,729,380	20,874,769	16,441,381
Total primary government net position	<u>702,178,390</u>	<u>708,205,371</u>	<u>693,464,758¹</u>	<u>694,382,923</u>	<u>690,459,873</u>	<u>683,308,049²</u>	<u>683,392,373</u>	<u>684,017,819</u>	<u>690,783,330</u>	<u>698,416,802</u>

¹ Decrease due to the restatement of net position related to the implementation of GASB 68.

² Decrease due to use of accumulated resources in excess of \$5.8 million for the Marguerite Aquatics rehabilitation project.

³ Change due to purchase of Oso Creek Golf Course (formerly Casta del Sol) resulting in \$10.5 million in Unrestricted net position under Governmental activities shifting to Net investment in capital assets under Business-type activities.

⁴ Change due to purchase of real property at the Village Center for the Core Area Vision Plan project.

⁵ Increase due to the balance of unspent bond proceeds in the amount of \$6.8 million restricted for Core Area Vision plan project costs.

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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities:										
General Government-Legislative	\$ 1,243,358	\$ 1,175,830	\$ 1,391,939	\$ 1,254,587	\$ 1,953,252	\$ 1,891,424	\$ 1,402,416	\$ 683,637	⁸ \$ 773,250	\$ 641,846
General Govt-Mgmt and Support	10,317,445	8,184,578	8,023,803	7,984,424	9,617,474	9,214,038	9,477,436	10,337,098	⁸ 10,493,428	10,324,210
Public Safety	16,939,740	16,963,811	18,091,816	18,853,188	20,111,045	20,410,021	21,171,371	21,808,631	21,638,415	22,269,118
Community Development	3,079,388	3,270,422	3,266,884	3,171,164	4,743,210	3,368,119	3,139,741	3,670,408	5,777,919	¹⁰ 3,954,292
Engineering & Transportation	2,806,889	2,409,419	2,837,220	5,478,851	6,924,142	8,133,213	8,651,747	5,407,856	7,251,280	8,644,433
Infrastructure Maintenance	20,777,340	21,835,813	32,520,271	20,725,795	20,358,759	24,466,949	20,952,619	20,802,296	22,416,828	23,568,507
Rec/Community/Library Services	9,805,902	9,788,128	9,495,628	10,352,676	11,137,331	10,240,895	10,481,960	10,155,677	8,776,995	¹¹ 8,571,082
Interest and fiscal charges	1,212,454	1,139,294	1,171,629	968,120	1,085,677	1,079,976	1,025,169	1,086,716	1,019,131	1,238,333
Total governmental activities expenses	66,182,516	64,767,295	76,799,190	68,788,805	75,930,890	78,804,635	76,302,459	73,952,319	78,147,246	79,211,821
Business-type activities:										
Golf Course	-	-	-	-	-	-	-	1,202,126	2,963,896	¹² 3,578,214
Animal Services	1,745,176	2,120,143	1,928,620	2,165,119	3,128,506	⁴ 2,779,573	3,158,185	3,125,415	3,122,662	2,999,619
Mission Viejo Television	230,128	356,374	317,566	298,856	445,614	598,697	328,099	315,679	280,216	217,098
Total business-type activities expenses	1,975,304	2,476,517	2,246,186	2,463,975	3,574,120	3,378,270	3,486,284	4,643,220	6,366,774	6,794,931
Total primary government expenses	68,157,820	67,243,812	79,045,376	71,252,780	79,505,010	82,182,905	79,788,743	78,595,539	84,514,020	86,006,752
Program revenues										
Governmental activities:										
Charges for services										
General Government-Legislative	-	-	1,320	1,935	779	4,305	5,538	-	6,234	-
General Govt-Mgmt and Support	-	-	88,836	35,946	32,450	136,434	150,718	-	663,347	697,984
Public Safety	611,820	622,490	590,904	558,417	412,881	420,317	423,894	370,809	253,614	341,346
Community Development	1,936,689	2,157,105	2,501,057	2,529,804	2,942,021	3,131,388	2,564,613	3,301,820	3,809,115	4,330,548
Engineering & Transportation	468,278	951,474	526,963	524,837	622,602	679,171	927,931	1,422,160	1,285,698	1,047,078
Infrastructure Maintenance	-	15,000	41,992	51,941	51,353	167,412	300,800	302,021	214,058	370,406
Rec/Community/Library Services	1,807,694	1,878,387	2,242,589	2,255,657	2,212,519	2,108,549	2,219,695	1,720,755	794,082	¹¹ 2,285,781
Other Activities	53,983	203,635	-	-	-	-	-	-	-	-
Operating grants and contributions	7,867,922	7,602,759	8,318,977	4,130,294	5,721,395	6,700,659	7,394,760	7,448,987	9,058,711	¹³ 10,356,638
Capital grants and contributions	4,533,348	5,549,795	4,277,263	3,227,117	1,838,621	1,188,079	756,472	642,927	5,260,927	¹⁷ 1,577,577
Total governmental activities program revenues	17,279,734	18,980,645	18,589,901	13,315,948	13,834,621	14,536,314	14,744,421	15,209,479	21,345,786	21,007,358
Business-type activities:										
Charges for services										
Golf Course	-	-	-	-	-	-	-	1,218,186	3,244,872	¹² 3,803,662
Animal Services	1,366,721	1,424,226	1,364,502	1,452,532	2,810,457	⁴ 2,275,983	2,328,939	2,352,191	2,320,480	2,599,033
Mission Viejo Television	580	420	440	500	529,645	⁵ 532,816	532,447	499,984	476,051	438,441
Operating grants and contributions	-	1,052,005	² 686,790	823,279	143,106	⁵ 98,892	160,341	65,413	106,177	98,692
Capital grants and contributions	-	-	-	9,200	-	-	-	-	-	-
Total business-type activities revenues	1,367,301	2,476,651	2,051,732	2,285,511	3,483,208	2,907,691	3,021,727	4,135,774	6,147,580	6,939,828
Total primary government revenues	18,647,035	21,457,296	20,641,633	15,601,459	17,317,829	17,444,005	17,766,148	19,345,253	27,493,366	27,947,186
Net (Expense) Revenue										
Government activities	(48,902,782)	(45,786,650)	(58,209,289)	(55,472,857)	(62,096,269)	(64,268,321)	(61,558,038)	(58,742,840)	(56,801,460)	(58,204,463)
Business-type activities	(608,003)	134	(194,454)	(178,464)	(90,912)	(470,579)	(464,557)	(507,446)	(219,194)	144,897
Total primary government net expense	(49,510,785)	(45,786,516)	(58,403,743)	(55,651,321)	(62,187,181)	(64,738,900)	(62,022,595)	(59,250,286)	(57,020,654)	(58,059,566)

Continued

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	28,148,758	28,497,853	30,436,445	32,317,084	33,102,624	34,828,754	36,537,581	37,609,454	39,548,716	40,759,998
Sales and use taxes	11,998,071	12,574,446	12,721,842	15,218,225	17,186,469 ⁶	16,732,687 ⁷	19,735,853 ⁷	17,004,623	17,905,482	20,550,900
Franchise fees	-	-	-	-	-	-	-	-	2,860,600 ¹⁴	3,639,190
Property transfer taxes	-	-	-	-	-	-	-	-	929,992 ¹⁴	1,001,546
Transient occupancy tax	-	-	-	-	-	-	-	-	635,204 ¹⁴	1,171,247
Property taxes in lieu of sales/use taxes	3,937,682	4,316,288	4,211,353	3,324,689	- ⁶	-	-	-	-	-
Other taxes	3,936,102	4,179,837	4,560,678	4,417,528	4,175,375	4,563,624	4,500,794	4,129,818	- ¹⁴	-
Unrestricted motor vehicle in lieu fees	51,634	42,733	41,278	38,997	43,321	50,911	46,074	76,323	69,142	108,731
Investment earnings	1,022,147	1,193,913	242,695	390,182	98,250	247,029	1,022,224	780,708	114,416	(781,000) ¹⁵
Other	1,784,653	1,202,634	1,540,212	521,251	664,063	329,825	127,686	102,179	309,023	(605,752) ¹⁶
Gain on housing loan payoff	-	-	-	-	-	-	-	-	-	-
Gain/(loss) on disposal of capital asset	-	-	-	271,129	1,021	-	-	-	-	(57,477)
Extraordinary item	-	-	-	-	-	-	-	-	-	-
Gain on sale of land reclassified for resale	-	-	6,672,066	-	-	-	-	-	-	-
Transfers	(475,000)	(530,389)	(549,409)	(893,344)	(520,440)	(540,447)	(582,999)	(11,176,076) ⁹	(549,250)	(580,415)
Total governmental activities	50,404,047	51,477,315	59,877,160	55,605,741	54,750,683	56,212,383	61,387,213	48,527,029	61,823,325	65,206,968
Business-type activities:										
Other taxes	-	-	-	-	-	-	-	-	-	-
Investment earnings	1,708	17,246	17,194	38,129	8,175	34,441	127,677	163,224	16,717	(94,345) ¹⁵
Other	-	-	-	-	9,219	9,200	9,030	9,405	1,084	-
Transfers	475,000	530,389	549,409	893,344	520,440	540,447	582,999	11,176,076 ⁹	549,250	580,415
Gain/loss on sale/disposal of cap assets	-	(211,453)	-	-	(24,386)	-	-	-	-	-
Total business-type activities	476,708	336,182	566,603	931,473	513,448	584,088	719,706	11,348,705	567,051	486,070
Total primary government	50,880,755	51,813,497	60,443,763	56,537,214	55,264,131	56,796,471	62,106,919	59,875,734	62,390,376	65,693,038
Change in Net Position										
Government activities	1,501,265	5,690,665	1,667,871	132,884	(7,345,586)	(8,055,938)	(170,825)	(10,215,811)	5,021,865	7,002,505
Business-type activities	(131,295)	336,316	372,149	753,009	422,536	113,509	255,149	10,841,259	347,857	630,967
Total primary government	1,369,970	6,026,981	2,040,020	885,893	(6,923,050)	(7,942,429)	84,324	625,448	5,369,722	7,633,472

Continued

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

- ¹ Elimination of OCTA Gas Tax Exchange funded under general government management and support
 - ² Large donation received FY 13/14 for the Animal Shelter.
 - ³ Increase in street infrastructure expenditures which are not capitalized and adjustments to construction in progress resulting in expense recognition
 - ⁴ Operating costs and revenue increased due to providing the Cities of Laguna Hills and Rancho Santa Margarita with animal services beginning January 2017
 - ⁵ MVTV franchise taxes reported as Operating Grants and Contributions in previous years.
 - ⁶ Property taxes in lieu of sales and use taxes reverted back to Sales and use taxes due to Proposition 57 "triple-flip" ending.
 - ⁷ Approximately \$1.0 million of revenue recognized in 2019 was 2018 revenue not received within 60 day availability period due to CDTFA reporting issues
 - ⁸ Department reorganization of Community Relations/City Clerk department, to move Community Relations to Management and Support while retaining City Clerk under Legislative
 - ⁹ Purchased Oso Creek Golf Course (formerly Casta del Sol) in November of 2019 resulting in \$10.6M transfer from General Fund Reserves to Golf Fund for the purchase
 - ¹⁰ Increase due to award of small business grants to businesses affected by the COVID-19 pandemic in the amount of \$842,500. Another \$525,000 was distributed to Families Forward for transitional housing and approximately \$400,000 was expended to develop a vision plan at the golf course location and surrounding area and to further the Core Area Vision Plan.
 - ¹¹ Decline is due to closures of recreation facilities due to the COVID-19 pandemic.
 - ¹² Increase in revenue and expenses due to the reporting of a full year of operation, compared to 7 months in the previous. Additionally, the golf course was closed for approximately 5 week during fiscal year 2019/20.
 - ¹³ Amounts include allocations received from CARES ACT and ARPA funds in response to the COVID-19 pandemic.
 - ¹⁴ Began breaking out Other taxes into more specific categories of Franchise fees, Property transfer taxes, and Transient occupancy tax
 - ¹⁵ Decline in investment income due to decline in the market value of investments held by the City at June 30, 2022 as interest rates rise.
 - ¹⁶ Includes \$1.7 M adjustment from amounts due from Mall Bond developers for Series A Bonds under provision of debt covenants.
 - ¹⁷ Received \$4.4 million in developer fees. Developer fees are not received every year.
- The notes to financial statements are an integral part of this statement.

Source: Statement of Activities

Concluded

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Nonspendable	\$ 554,384 ¹	\$ 534,944	\$ 569,023	\$ 597,668	\$ 606,885	\$ 36,014 ¹	\$ 33,361	\$ 15,307	\$ 63,765	\$ 1,786,216 ⁵
Restricted	160,250	242,339	440,319	366,193	3,056,060 ²	3,249,861	3,568,710	4,075,151	4,519,281	5,956,329
Assigned	17,253,034	17,175,604	16,942,850	18,275,290	4,500,000	4,500,000	6,100,000	6,100,000	9,600,000	9,600,000
Unassigned	11,140,289	13,285,786	15,097,438	13,477,307	26,519,396	24,985,180	28,224,486	21,814,398	23,834,703	27,885,955
Total general fund	<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>	<u>37,926,557</u>	<u>32,004,856</u> ⁴	<u>38,017,749</u>	<u>45,228,500</u>
All other governmental funds										
Nonspendable	6,042,642	5,421,335	75	-	-	-	-	-	-	350
Restricted	11,186,470	17,671,546	16,058,970	16,745,326	18,771,464	13,201,408 ³	11,325,133	14,410,120	17,417,173	23,454,813 ⁶
Unassigned	(3,383,951)	(2,276,368)	(3,597,725)	(873,939)	(63,579)	(658,376)	(1,056,053)	(3,218,036)	(966,358)	(2,163,907)
Total other governmental funds	<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>	<u>10,269,080</u>	<u>11,192,084</u>	<u>16,450,815</u>	<u>21,291,256</u>

¹ 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.

² Creation of a Section 115 Trust fund to offset pension costs.

³ Decrease due to use of accumulated resources in excess of \$5.8 million for the Marguerite Aquatics rehabilitation project.

⁴ Decline is from the use of reserves to purchase the Oso Creek Golf Course in November 2019.

⁵ The balance of the loan between the Golf Course Enterprise Fund and the Section 115 Trust Fund report in the General Fund was categorized from unassigned to restricted.

⁶ The unspent balance of 2021 bond proceeds in the amount of \$6.8 million has been restricted for Core Area Vision Plan project costs.

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

Source: Governmental Funds Balance Sheet

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
REVENUES										
Taxes	\$ 46,976,084	\$ 48,533,127	\$ 50,440,362	\$ 53,480,709	\$ 53,079,452	\$ 54,637,638	\$ 59,268,076	\$ 57,278,729	\$ 59,851,422	\$ 65,095,887
Licenses and permits	1,779,083	2,123,226	1,775,273	1,899,432	2,132,053	2,386,051	1,816,832	2,383,271	2,494,557	2,790,943
Intergovernmental	8,352,626	8,471,890	7,824,560	9,703,408	9,950,436	7,337,040	9,159,427	9,530,521	12,205,910	12,096,844
Charges for services	3,077,209	3,557,646	3,453,513	3,278,467	3,563,912	3,462,740	3,559,567	3,891,698	3,080,859	4,865,817
Investment earnings	156,612	358,774	367,070	470,299	161,556	427,381	1,187,184	974,622	142,157	(876,316)
Fines and forfeitures	838,406	943,592	1,041,542	813,287	507,538	664,077	586,407	992,564	385,795	552,520
Developer fees	3,246,060	4,800,000	-	1,000,000	4,069,104	64,958	-	448,975	4,455,000	-
Other	2,381,790	2,175,981	1,445,204	1,794,735	1,415,390	773,483	1,157,365	1,279,086	1,474,612	1,506,500
Total revenues	66,807,870	70,964,236	66,347,524	72,440,337	74,879,441	69,753,368	76,734,858	76,779,466	84,090,312	86,032,195
EXPENDITURES										
Current:										
General Government-Legislative	1,242,612	1,175,359	1,399,352	1,370,524	1,725,169	1,848,205	1,376,002	645,764	734,109	755,253
General Govt-Mgmt and Support	8,355,137	6,724,600	10,044,693	7,819,648	7,672,599	7,446,415	7,840,657	8,651,868	8,384,797	9,553,900
Public Safety	16,900,401	16,940,727	18,092,654	19,184,846	19,949,598	20,322,682	21,127,439	21,744,459	21,667,545	22,231,612
Community Development	3,079,388	3,270,422	3,280,456	3,409,459	4,348,923	3,280,501	3,088,784	5,668,460	3,543,893	4,246,811
Engineering & Transportation	2,298,426	2,423,926	2,378,539	2,913,831	2,688,907	2,559,113	2,648,580	3,094,329	2,644,632	3,247,922
Infrastructure Maintenance	14,686,204	14,570,652	14,823,913	16,110,507	16,463,740	17,685,584	17,658,855	18,664,252	18,978,723	20,896,644
Rec/Community/Library Services	7,792,327	8,002,589	7,875,459	8,811,348	7,671,084	8,046,601	8,478,370	7,870,394	6,474,648	7,912,491
Golf Operations	-	-	-	-	-	-	-	-	-	-
Capital Outlay	6,526,594	5,460,896	14,426,925	6,427,322	7,973,171	13,424,143	6,466,992	3,443,179	5,165,679	20,204,427
Debt service:										
Principal retirement	1,530,000	1,715,000	1,740,000	1,770,000	2,060,000	1,970,000	4,139,000	2,154,000	2,235,966	2,671,932
Interest	1,117,803	1,056,096	724,173	689,158	378,893	533,671	743,019	795,599	727,340	847,155
Bond issuance costs	-	-	-	-	-	-	-	-	-	313,851
Administrative charges	-	-	370,447	141,250	503,316	179,820	146,336	-	-	-
Payment to bond escrow agent	-	-	-	-	1,363,981	-	-	-	-	-
Total expenditures	63,528,892	61,340,267	75,156,611	68,647,893	72,799,381	77,296,735	73,714,034	70,607,737	72,681,899	92,881,998
Excess (deficiency) of revenues over expenditures	3,278,978	9,623,969	(8,809,087)	3,792,444	2,080,060	(7,543,367)	3,020,824	6,171,729	11,408,413	(6,849,803)
OTHER FINANCING SOURCES (USES)										
Transfers in	3,541,011	4,208,247	4,198,196	5,371,184	5,829,812	4,273,297	3,853,667	4,667,616	4,683,997	18,150,654
Transfers out	(4,016,011)	(4,738,636)	(4,747,605)	(6,264,528)	(6,350,253)	(4,813,744)	(4,436,666)	(15,843,692)	(5,233,247)	(18,731,069)
Proceeds of bonds	-	-	-	-	13,150,000	-	-	-	-	18,595,000
Premium on bonds	-	-	-	-	1,107,810	-	-	-	-	733,333
Payment to bond escrow agent	-	-	-	-	(14,016,069)	-	-	-	-	-
Proceeds of capital lease	-	-	-	-	-	-	420,000	-	118,962	-
Sale of City property	4,102	8,488	27,782	1,365	1,021	7,675	23,725	5,650	203,798	153,077
Sale of land	-	-	2,600,000	-	-	-	-	-	-	-
Proceeds from housing loan payoff	-	-	186,481	-	-	-	-	-	-	-
Total other financing sources (uses)	(470,898)	(521,901)	2,264,854	(891,979)	(277,679)	(532,772)	(139,274)	(11,170,426)	(226,490)	18,900,995
Extraordinary Item	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	2,808,080	9,102,068	(6,544,233)	2,900,465	1,802,381	(8,076,139)	2,881,550	(4,998,697)	11,181,923	12,051,192
Fund balances - beginning	40,145,038	42,953,118	52,055,189	45,687,380	51,587,845	53,390,226	45,314,087	48,195,637	43,286,641	54,468,564
Fund balances - ending	\$ 42,953,118	\$ 52,055,186	\$ 45,510,956	\$ 48,587,845	\$ 53,390,226	\$ 45,314,087	\$ 48,195,637	\$ 43,196,940	\$ 54,468,564	\$ 66,519,756
Debt service as a percentage of noncapital expenditures ¹¹	4.40%	4.68%	3.28%	3.74%	3.64%	3.47%	6.74%	4.40%	4.14%	4.52%

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

¹ Amount in 2019 is for new five-year computer equipment lease. Amount in 2021 are for 5 vehicle leases.

² Department reorganization in 2020 of Community Relations/City Clerk department, to move Community Relations to Management and Support while retaining City Clerk under Legislative.

³ Issue 2021A and B Lease Revenue Bonds to fund Phase I of the Core Area Vision Plan project.

⁴ Increase due to additional contributions of \$2.1M for other post employment retirement benefit health costs, and \$1.5M in pension costs.

⁵ Increase due to the commencement of work on Oso Parkway widening, and increased spending on city-wide pavement projects.

⁶ Changes due to Refunding 2016 Lease Revenue Bonds.

⁷ Purchased Oso Creek Golf Course (formerly Casta del Sol) in November of 2019 resulting in \$10.6M transfer from General Fund Reserves to Golf Fund.

⁸ Amount includes allocations received from CARES Act and ARPA funds due to the COVID-19 pandemic.

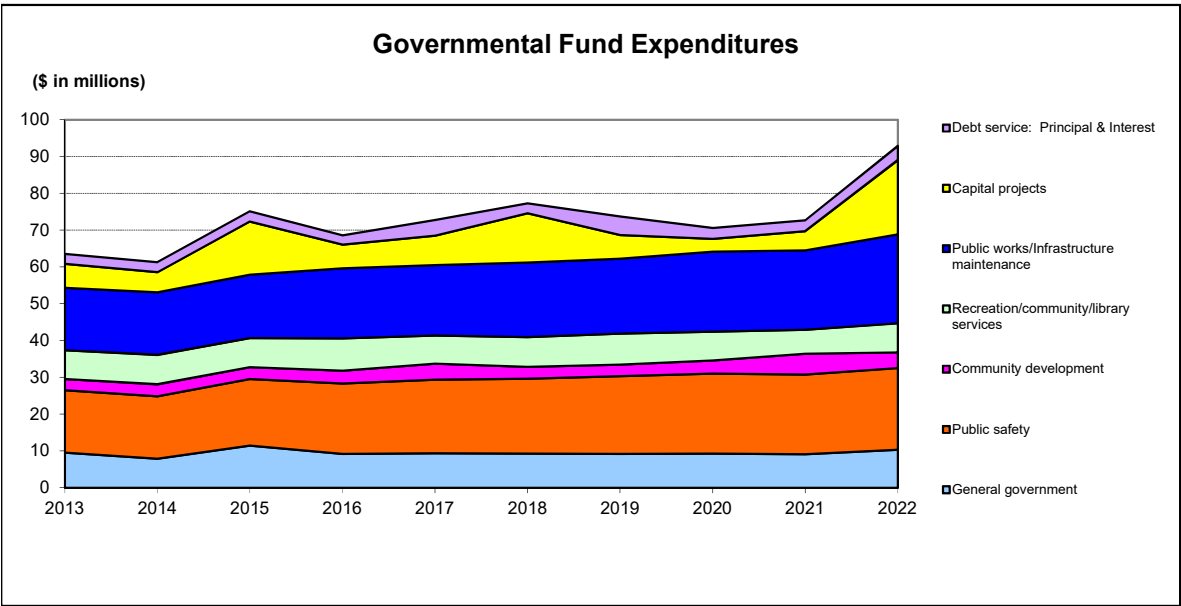
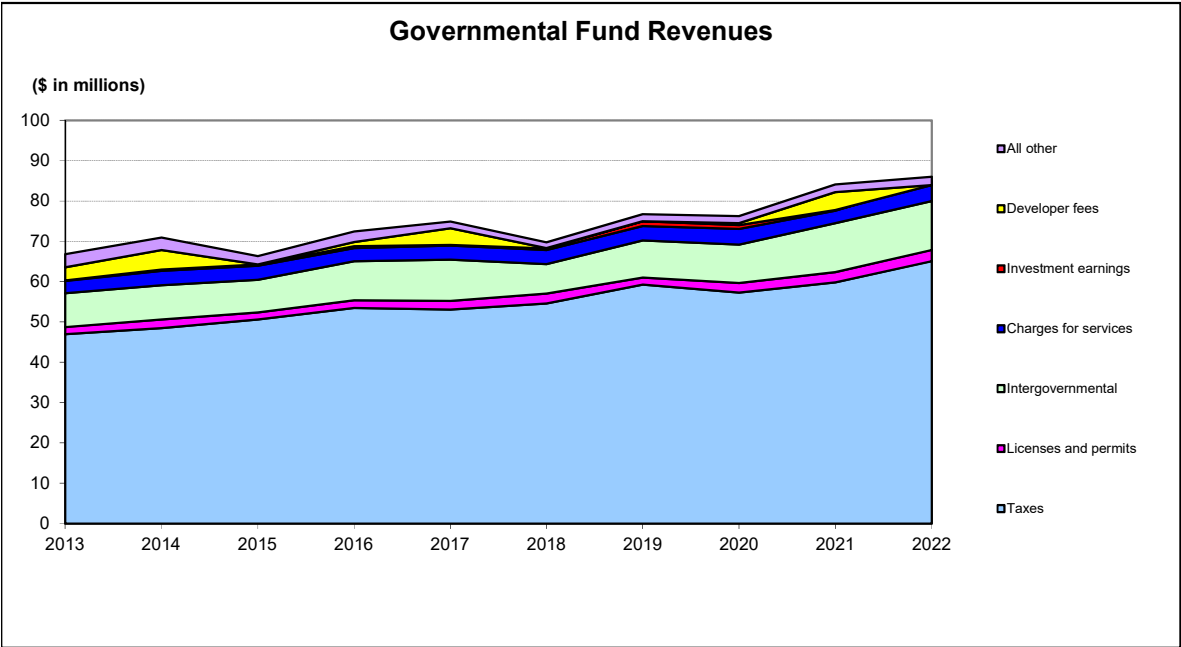
⁹ Increase due to award of small business grants to businesses affected by the COVID-19 pandemic in the amount of \$842,500. Another \$525,000 was distributed to Families Forward for transitional housing and approximately \$400,000 was expended to develop a vision plan at the golf course location and surrounding area and to further the Core Area Vision Plan.

¹⁰ Includes \$11.9M for the purchase real property in the Village enter as part of the Core Area Vision Plan project.

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 REVENUES 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	Successor Agency ¹					
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 ²	56,958,628
2019	35,031,429	1,241,942	19,735,853 ³	3,241,863	570,352	1,220,925	61,042,364
2020	36,144,288	1,561,846	17,004,623 ⁴	3,128,176	602,031	899,256 ⁴	59,340,220
2021	37,520,144	1,643,111	17,905,482	3,336,451	929,992 ⁵	635,204 ⁴	61,970,384
2022	38,733,004	1,776,665	20,550,900 ⁶	4,077,591 ⁷	1,001,546	1,171,247 ⁶	67,310,953

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

² Increase due to the opening of a Hampton Inn on 9/15/17.

³ Increase due to late payments from 2018 that were not received until 2019 due to CDTFA software issues in the amount of \$1.0 million; and better than expected sales in the auto and transportation industry of \$1.3 million.

⁴ Decreases due to Coronavirus pandemic, closure of non-essential business resulted in drop in sales tax and reduced travel

⁵ Increase due to increase in property transfers reflected in the CA housing market.

⁶ Increase due to the economic recovery after the Coronavirus pandemic, businesses reopening increased sales tax revenue and increase in travel increased TOT Tax.

⁷ Effective January 1, 2021, the franchise fee under the waste management contract increased from 6% to 8%. Remittances for this increase were not received until FY 2021-22.

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				Community Development Agency ²				Total Direct Tax Rate
	Secured	Public		Taxable Assessed Value ¹	Secured	Public		Incremental Valuation	
		Utility	Unsecured			Utility	Unsecured		
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%
2019	17,071,372	2,418	288,829	17,362,619	920,736	2,418	68,724	991,878	0.1647%
2020	17,769,171	2,418	315,916	18,087,505	960,539	2,418	69,763	1,032,720	0.1647%
2021	18,455,208	- ³	294,071	18,749,279	1,037,534	- ³	51,728	1,089,262	0.1647%
2022	19,071,125	- ³	296,655	19,367,780	1,079,120	- ³	41,606	1,120,726	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.

³ Public Utility parcels classified as non operational assessed at State level were sold. Will be assessed going forward at county level under Secured Property Taxes.

Source: Orange County Auditor-Controller

CITY OF MISSION VIEJO

Direct and Overlapping Property Tax Rates ¹

Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
Capistrano Unified School District 1999 Bond 2000 A	0.00335	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Capistrano Unified School District 1999 Bond 2001 B	0.00538	0.00507	0.00470	0.00445	0.00439	0.00417	0.00409	0.00388	0.00394	0.00378
Capistrano Unified School District 1999 Bond 2002 C	0.00298	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Capistrano Unified School District 1999 EL, 2012 Ref	0.00000	0.00465	0.00430	0.00400	0.00404	0.00383	0.00377	0.00357	0.00362	0.00349
	<u>0.01521</u>	<u>0.01322</u>	<u>0.01250</u>	<u>0.01195</u>	<u>0.01193</u>	<u>0.01150</u>	<u>0.01136</u>	<u>0.01095</u>	<u>0.01106</u>	<u>0.01077</u>
Total Direct and Overlapping Rates	<u>1.01521</u>	<u>1.01322</u>	<u>1.01250</u>	<u>1.01195</u>	<u>1.01193</u>	<u>1.01150</u>	<u>1.01136</u>	<u>1.01095</u>	<u>1.01106</u>	<u>1.01077</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 Taxpayers
Current Year and Nine Years Ago

Taxpayer	2022			2013		
	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	\$ 242,395,142	1	1.25%	-	-	-
HTA-Mission Mob LLC	150,107,214	2	0.78%	-	-	-
Mission Hospital Regional Medical Center	129,685,252	3	0.67%	223,157,915	1	1.68%
Idylwillow LP	124,021,419	4	0.64%	-	-	-
OC Los Alisos 2015 LLC	93,515,099	5	0.48%	-	-	-
EQR-Del Lago Vistas Inc	71,449,323	6	0.37%	61,489,810	3	0.46%
UDR Pacific Los Alisos LP	64,041,114	7	0.33%	-	-	-
Vista Real Apartments MV LLC	63,558,460	8	0.33%	-	-	-
Trust Mission Ridge LLC	62,004,827	9	0.32%	-	-	-
Oasis-California Inc	60,378,640	10	0.31%	52,122,479	5	0.39%
Mission Viejo Associates	-	-	-	124,209,322	2	0.93%
Laguna Cabot Road Business Park LP	-	-	-	58,996,145	4	0.44%
MV Unisys LLC	-	-	-	47,558,667	6	0.36%
Target Corporation	-	-	-	44,479,531	7	0.33%
MG Promenade Apartment	-	-	-	42,459,025	8	0.32%
Pacific Castle Properties II LLC	-	-	-	41,776,393	9	0.31%
Mission Ridge Associates LLC	-	-	-	40,291,142	10	0.30%
	<u>\$ 1,061,156,490</u>		<u>5.48%</u>	<u>\$ 736,540,429</u>		<u>5.52%</u>

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

Source: 2022 - HdL Coren & Cone.
2013 - FY 12/13 ACFR

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 ⁴
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%	215,807	22,541,065	100.36% ⁴
2017	23,328,704	23,172,592	99.33%	196,616	23,369,208	100.17% ⁴
2018	24,297,123	24,503,875	100.85%	192,949	24,696,824	101.65% ⁴
2019	25,380,703	25,692,684	101.23%	205,789	25,898,473	102.04% ⁴
2020	26,139,940	26,413,347	101.05%	289,119	26,702,466	102.15% ⁴
2021	27,068,326	27,365,277	101.10%	270,042	27,635,319	102.09% ⁴
2022	28,459,538	28,275,845	99.35%	-	28,275,845	99.35%

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			
2013	16,444,628	-	0.33%	173.42	0.12%
2014	15,789,926	-	0.30%	165.63	0.12%
2015	15,110,224	-	0.27%	156.34	0.10%
2016	14,400,522	-	0.25%	148.92	0.09%
2017	13,323,956	-	0.21%	138.81	0.08%
2018	12,480,102	-	0.19%	130.02	0.08%
2019	11,626,248	-	0.17%	120.56	0.07%
2020	10,747,394	-	0.15%	114.01	0.06%
2021	9,848,540	-	0.13%	104.64	0.05%
2022	27,931,352 ⁵	-	0.35%	301.91	0.14%

Fiscal Year	Other Governmental Activities Debt			Total Primary Government ²	Percentage of Personal Income ¹	Per Capita ¹
	Revenue Bonds	Note Payable	Capitalized Leases ⁴			
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	0.63%	407.06
2018	24,547,326	-	-	37,027,428	0.56%	385.75
2019	21,272,326	-	336,000	33,234,574	0.48%	344.64
2020	20,007,326	-	252,000	31,006,720	0.43%	328.92
2021	18,687,326	-	126,817	28,662,683	0.38%	304.54
2022	17,332,326	-	91,672	45,355,350	0.57%	490.25

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.

⁴ Five year vehicle and computer equipment leases.

⁵ 2021 Core Area Lease Revenue Bonds issued during FY 2021-22.

CITY OF MISSION VIEJO
Direct and Overlapping Debt
as of June 30, 2022

	Debt Outstanding	Estimate Percentage Applicable ¹	Estimated Share of Overlapping Debt
Overlapping tax and assessment debt:			
Metropolitan Water District	\$ 20,175,000	0.571%	\$ 115,199
Capistrano Unified School District School Facilities Improvement District No. 1	13,015,244	10.648%	1,385,863
Saddleback Valley Unified School District	92,040,000	17.265%	15,890,706
Santa Margarita Water District Improvement District No. 4	19,230,000	0.009%	1,731
Santa Margarita Water District Improvement District No. 4B	6,550,000	0.002%	131
Subtotal overlapping tax and assessment debt	<u>151,010,244</u>		<u>17,393,630</u>
Overlapping general fund obligation debt:			
Orange County General Fund Obligations	\$ 376,780,000	2.842%	\$ 10,708,088
Orange County Pension Obligations	521,784,000	2.842%	14,829,101
Orange County Board of Education General Fund Obligations	11,620,000	2.842%	330,240
Capistrano Unified School District Certificates of Participation	23,295,000	10.791%	2,513,763
Moulton-Niguel Water District Certificates of Participation	53,095,000	16.222%	8,613,071
Subtotal overlapping general fund obligation debt	<u>986,574,000</u>		<u>36,994,265</u>
Subtotal overlapping debt	<u>\$ 1,137,584,244</u>		<u>54,387,895</u>
Direct Debt			
City of Mission Viejo Community Development Financing Authority	17,332,326	100.000%	17,332,326 ²
City of Mission Viejo			<u>27,931,352</u>
			<u>45,263,678</u>
Grand total direct and overlapping debt			<u>\$ 99,651,573</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 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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Assessed valuation	\$ 13,320,574,029	\$ 13,639,459,848	\$ 14,533,544,020	\$ 15,262,434,352	\$ 15,835,376,499	\$ 16,538,594,766	\$ 17,362,619,028	\$ 18,087,504,763	\$ 18,749,278,901	\$ 19,367,779,917
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	3,330,143,507	3,409,864,962	3,633,386,005	3,815,608,588	3,958,844,125	4,134,648,692	4,340,654,757	4,521,876,191	4,687,319,725	4,841,944,979
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	499,521,526	511,479,744	545,007,901	572,341,288	593,826,619	620,197,304	651,098,214	678,281,429	703,097,959	726,291,747
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 499,521,526</u>	<u>\$ 511,479,744</u>	<u>\$ 545,007,901</u>	<u>\$ 572,341,288</u>	<u>\$ 593,826,619</u>	<u>\$ 620,197,304</u>	<u>\$ 651,098,214</u>	<u>\$ 678,281,429</u>	<u>\$ 703,097,959</u>	<u>\$ 726,291,747</u>
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

Fiscal Year	1999 Series A Revenue Bond					
	Property Tax Increment	Sales Tax	Total Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2019	1,128,852	1,678,970	2,807,822	3,275,000 ¹	382,873	0.77
2020	1,178,719	2,284,698	3,463,417	1,265,000	454,658	2.01
2021	1,731,989	420,839 ²	2,152,828	1,320,000	411,989	1.24
2022	1,722,651	698,314 ²	2,420,965	1,355,000	367,651	1.41

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.

¹ Bonds were converted to a fixed rate on 7/31/18. At date of conversion, an amount of \$1,960,000 from the reserve fund was used to pay down the principal balance. Additional details regarding the City's outstanding debt can be found in the notes to the financial statements.

² Due to COVID-19, Mall specific sales tax was substantially down as compared to prior year levels. The indenture states that the City keeps a minimum amount of sales tax revenue generated at the mall and that minimum was not reached. That threshold increases every year.

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
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	665,500	208,700,000	65,011	3.4%
2018	95,987	44.8	699,000	220,700,000	69,268	3.1%
2019	96,434	45.0	700,000	227,700,000	71,711	3.0%
2020	94,267	45.0	728,500	242,300,000	76,434	8.6%
2021	94,119	45.0	837,500	257,100,000	81,189	5.5%
2022	92,515	45.3	1,010,000	271,700,000	85,589	3.0%

Sources: ¹ California Department of Finance

² HdL Coren & Cone
Information for 2021 is unavailable, used number from prior year.

³ HdL Coren & Cone

⁴ Data shown is for the County of Orange; data for City of Mission Viejo is not available.
Cal State Fullerton Economic Forecast

⁵ California Employment Development Department

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

Employer	2022			2013		
	Employees	Rank	Percentage ¹ of Total City Employment	Employees	Rank	Percentage ² of Total City Employment
Mission Hospital Regional Medical Center	2,764	1	5.68%	2,500	1	4.44%
Saddleback College	1,429	2	2.93%	1,877	2	3.33%
Saddleback Valley Unified School District	917	3	1.88%	1,245	3	2.21%
Target Corporation	513	4	1.05%	250	7	0.44%
James Hardie Building Products	436	5	0.90%			
Capistrano Unified School District	432	6	0.89%	537	4	0.95%
Nordstrom Department Store	362	7	0.74%	400	5	0.71%
Amazon Delivery Station	266	8	0.55%			
Macy's Department Store	263	9	0.54%	250	8	0.44%
City of Mission Viejo	250	10	0.51%	261	6	0.46%
U.S. Post Office				194	9	0.34%
Vocational Visions				175	10	0.31%
Total	<u><u>7,632</u></u>		<u><u>15.67%</u></u>	<u><u>7,689</u></u>		<u><u>13.63%</u></u>

¹ Percentage of "Total City Employment" based on total number of City residents employed in August 2022 of 48,700
² Percentage of "Total City Employment" based on total number of City residents employed in June 2013 of 56,300

Source: 2013 ranks- FY 12/13 City of Mission Viejo ACFR
2022 Employers and ranks- 20/21 ACFR numbers from MuniServices LLC

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

Function	2013	2014	2015	2016	2017 ¹	2018	2019	2020 ²	2021	2022
General government - legislative	9.530	9.530	9.530	9.530	10.530	10.530	10.530	7.568	7.568	7.690
General government - management & support	23.600	25.600	23.600	23.600	26.600	26.700	26.700	31.170	31.170	32.530
Community development	8.720	8.720	8.720	8.720	8.220	8.220	8.220	8.050	8.050	7.700
Engineering and transportation	11.175	11.175	11.175	11.175	10.800	10.800	10.800	10.350	10.350	10.500
Infrastructure maintenance	16.650	16.650	16.650	16.650	16.250	17.250	17.250	16.850	16.850	16.600
Public safety	16.200	16.450	16.200	16.200	21.950	21.950	21.950	21.613	21.613	23.980
Recreation/community/library services	51.400	51.400	51.400	51.400	47.725	47.725	47.725	47.725	47.725	44.325
Total	<u>137.275</u>	<u>139.525</u>	<u>137.275</u>	<u>137.275</u>	<u>142.075</u>	<u>143.175</u>	<u>143.175</u>	<u>143.326</u>	<u>143.326</u>	<u>143.325</u>

¹ Increased staffing to accommodate the addition of the Cities of Laguna Hills and Rancho Santa Margarita to the Animal Services program
² Department reorganization of Community Relations/City Clerk department, moving Community Relations to Management and Support and retaining City Clerk under Legislative

Source: City budget document (2013-2014), Budget Summary of Authorized Positions (2015-2022)

CITY OF MISSION VIEJO
Operating Indicators by Function
Last Ten Years

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government - legislative										
Public Records Act requests	385	472	552	584	586	695	658	648	742	708
General government - management and support										
Service requests/complaint cases	3,681	3,840	3,512	3,221	4,142 ⁶	3,357	3,937	3,608	3,681	4,245
Number of computer network nodes supported	1,063	1,126	1,119	1,182	1,217	1,240	1,598 ¹⁰	1,910 ¹³	2,003 ¹³	2,023
Number of vendor checks issued	6,445	6,241	6,665	6,582	6,335	6,337	6,150	5,899	4,633	5,083
Public safety										
Calls for police services	36,234	34,917	25,206 ⁴	29,714	29,246	32,281	37,698	35,005	31,857	28,694
Average response time-Priority 1 call in minutes	5:35	6:16	6:00	5:47	5:45	4:39	4:49	4:38	4:26	4:33
Community development										
Building inspections	12,807 ¹	16,243 ²	13,476	13,131	13,177	13,706	11,805	11,871	15,724	11,194
Zoning plan checks	1,890	2,471	2,595	1,930	2,545	2,424	1,951	2,283	2,227	2,273
Public works - engineering and transportation										
Street resurfacing (lane miles)	18.80 ³	15.93 ³	34.73	46.91 ⁵	33.24	61.08 ⁸	75.70 ¹¹	50.50	47.80	81.90
Intersections on the city's interconnect system	112	112	112	112	113	113	113	113	113	113
Daily traffic count- La Paz Rd, Marguerite Pkwy to Spadra	33,500	24,100	25,200	26,200	26,200	25,100	25,400	24,100	14,400 ¹⁵	22,100
Infrastructure maintenance										
Acres of medians and parkways renovated	9	10	5	3	4	3	6	5	4	5
Recreation/community/library services										
Attendance at recreation and tennis centers	254,161	271,244	263,994	261,511	270,616	264,611	240,017	202,442 ¹⁴	98,281 ¹⁴	198,665
Library circulation	931,376	887,234	800,236	788,292	1,109,462 ⁷	1,211,864 ⁹	1,187,609	915,109 ¹⁴	502,580 ¹⁴	838,382
Youth participating in organized sports on City fields	7,800	7,500	7,300	7,900	7,900	8,063	9,090 ¹²	10,213	11,584	11,868

¹ Increase is due to the "Improve Don't Move" program which waved fees for a limited time and encouraged business and residential remodeling
² Increase is due to the "Improve Don't Move" program being extended for commercial projects
³ Decrease is due to an overall reduction in funding of street resurfacing projects
⁴ Data conversion switched from a Calendar Year to a Fiscal Year basis, 2015 number represents January through June of that year
⁵ Increase due to some residential streets being deferred from FY 14/15 to FY 15/16
⁶ Increase due to adding street light calls to count beginning FY 16/17
⁷ 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
⁸ Increase due to additional residential street resurfacing
⁹ 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
¹⁰ Increase due to expansion of mobile devices, addition of Marguerite Aquatics network, and increase in Internet of Things (IoT) devices such as traffic & transportation systems and utility systems
¹¹ Number calculated by sorting the FY18-19 work in the 2018 PMP and multiplying the total length by 2 to get lane miles
¹² Increase due to additional programming, partnerships with sports organizations, and better attendance tracking with the new field ambassador program
¹³ Increase due to continued expansion of City business needs including IT infrastructure, security, and additional equipment for the COVID-19 pandemic
¹⁴ Decreases due to multiple closures of City facilities resulting from the COVID-19 pandemic
¹⁵ Traffic count was taken while COVID-19 stay at home orders were still in effect

Sources: Various city departments

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

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Public safety										
Police (provided by Orange County Sheriffs Department)										
Patrol units	24	24	24	23	23	22	22	22	22	21
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	228.2	228.2	228.2	228.2	225.9 ¹	225.9	225.9	225.9	225.9
Traffic signals	114	114	114	114	115	115	115	115	115	115
Infrastructure maintenance										
Number of park sites	41	42	42	42	42	42	42	42	42	42
Acreage: parks, golf course, open space, medians and slopes	1122	1128	1128	1128	1128	1128	1128	1236 ²	1236	1236
Recreation/community/library services										
Facilities (buildings)	9	9	9	9	9	9	9	10 ³	10	10
Athletic fields:										
Baseball/softball diamonds	19	19	19	19	19	19	19	19	19	31 ⁴
Soccer/football fields	35	35	35	35	35	35	35	35	35	28 ⁵
Golf course	0	0	0	0	0	0	0	1 ³	1	1
Note: No capital asset indicators are available for general government or community development functions.										
¹ Change from previous years due to re-measurement of roads to verify lengths, previous years were estimated										
² Additional 108 acres purchased in November 2019										
³ Oso Creek Golf Course and building purchased in November 2019										
⁴ Began utilizing all temporary fields and additional parks never used before for programming										
⁵ Fewer temporary soccer fields utilized, City refrained from programming in specific neighborhood parks previously used due to resident complaints										

Source: Various City departments



City of Mission Viejo

200 Civic Center

Mission Viejo, California 92691

cityofmissionviejo.org