



# City of Mission Viejo California



## Comprehensive Annual Financial Report Year Ended June 30, 2013

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**ABOUT THE COVER:** *Since the library opened in 1997, the demand for storytime programs has exploded with more than 5,800 children a year attending the 171 programs sponsored by the Friends of the Mission Viejo Library. Last year, the Storytime Room was transformed from a plain meeting room into an engaging vignette of old Saddleback Valley complete with a mission façade, oak tree, orange trees, mountain scape, sun and moon and starlit ceiling.*

*Cover design by Toni Nuñez, Design and Marketing Specialist for the City.*

**CITY OF MISSION VIEJO  
CALIFORNIA**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

**CITY COUNCIL**

Rhonda Reardon, Mayor  
Trish Kelley, Mayor Pro Tem  
Dave Leckness, Council Member  
Cathy Schlicht, Council Member  
Frank Ury, Council Member

**CITY MANAGER**

Dennis R. Wilberg

**PREPARED BY  
DEPARTMENT OF ADMINISTRATIVE SERVICES**

Cheryl Dyas  
Director of Administrative Services



MISSION VIEJO

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# CITY OF MISSION VIEJO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2013

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# City of Mission Viejo

## Administrative Services Department

Rhonda Reardon  
*Mayor*

Trish Kelley  
*Mayor Pro Tem*

Dave Leckness  
*Council Member*

Cathy Schlicht  
*Council Member*

Frank Ury  
*Council Member*

December 2, 2013

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

The Comprehensive Annual Financial Report (CAFR) of the City of Mission Viejo for the fiscal year ended June 30, 2013 is submitted herewith.

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

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

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

### *Profile of Mission Viejo*

Mission Viejo is located in southern California approximately halfway between Los Angeles and San Diego, in the southern-most portion of Orange County commonly referred to as the Saddleback Valley. The City's current population is 94,824 making it the largest city in the Saddleback Valley and the ninth largest of the county's 34 cities.

The City of Mission Viejo is a 17.4 square-mile city. Although the City incorporated in 1988, the first homes in the community were built in the mid-1960's. It was developed as a master planned community by the former Mission Viejo Company. The City is best known for its recreational facilities and programs, and includes 41 park sites within its boundaries.

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

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

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

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

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

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

### *Local economy*

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

The two largest employers in the City are Mission Hospital Regional Medical Center and Saddleback College. Both have been major employers in the community since incorporation. Mission Hospital Regional Medical Center, is the largest hospital in South Orange County and one of only three trauma centers in all of Orange County with 2,500 employees. The hospital is in the middle of a multi-year expansion program to ensure that key services will meet patient care needs as the region continues to grow. Saddleback College, the City's second largest employer with 1,877 employees, is a two-year community college serving approximately 40,000 students annually. It was established in 1968 and is part

of the California Community College system. The college is fully accredited and offers over 300 associate degrees, certificate and occupational awards in 190 program areas, including accounting, computer science, engineering, fashion, journalism and nursing.

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

Since its incorporation, Mission Viejo has had a strong and well-diversified tax base. Over the years, the relatively high property values and personal income levels within the City have generated tax revenues sufficient to support a very high level of municipal services and facilities for the community to enjoy, as well as healthy fund balances. The tax base has performed well in good economic times, and it has also been able to weather the slower economic times. Since 2002, assessed valuation of property in the City has grown at an average annual rate of 4.1% despite the two recessions during this time period and the first-ever decline in assessed valuations in 2010. Our tax base is well diversified, with City property tax revenue now accounting for about 41% of total governmental revenues. Sales tax revenue increased slightly from the prior year and represents about 24% of governmental revenues. The remainder of the tax base (Franchise taxes, real property transfer taxes and transient occupancy taxes) contributes another 6-7% of general governmental revenues.

Mission Viejo has generally maintained a low unemployment rate. The rate has traditionally not only been below the State and national rates, but also below the County unemployment rate. Except during periods of recession in the early 1990's and since 2008, the unemployment rate in the City has ranged between 1.4% and 2.9%. In the mid-1990's, it peaked at 6.6% and it reached 6.9% in 2010. The City's current unemployment rate is 4.7%, down from 5.7% a year ago.

Since the recession ended in 2009 the economy in Mission Viejo has been slowly recovering. Job growth is occurring in Orange County and elsewhere and the unemployment rate has declined over the past three years. As a result of the City's diversified tax base and personal income levels, the Mission Viejo economy is expected to continue to perform as well as, or better than, the economies of Orange County and the State.

### *Long-term financial planning*

The City prepared a Master Financial Plan (MFP) as part of the 2013-2015 biennial budget process and is an integral part of the City's budget process. The MFP includes a seven-year General Fund revenue forecast and expenditure plan. The MFP also provides essential information on projected General Fund group fund balances, including discretionary reserves, and allows for analysis of the amount of resources available to fund equipment replacement as well as asset rehabilitation and repair. The long-range nature of the MFP also allows management and staff to be more proactive in budget planning, using the seven years of projections to plan for anticipated swings in revenues or expenditures.

The 2013-20 revenue forecast indicates that general fund revenue will grow throughout the forecast period on an average of 2.20% per year. The current forecast projects that General Fund revenues will return to

pre-recession levels in FY 2015-16. Property tax and sales tax revenue represents 80% of General Fund revenue and are important revenue sources for the City. The MFP projects that both these revenue sources will grow annually on an average of 1.39% for property taxes and 3.72% for sales taxes through 2020.

The current MFP was prepared with a conservative approach to future expenditure planning. Due to the permanent cuts to the operating budget over the past few years due to the recession and through the economic recovery, the current 2013-15 adopted General Fund budget is balanced without the use of reserves. In fact, the proposed 2013-15 budget projected revenues in excess of appropriations in the General Fund group in excess of \$1.2 million. For each year thereafter the MFP remains balanced and generates revenues in excess of operating expenditures and transfers through 2020.

The City's General fund discretionary reserve policy requires that reserves be maintained between 40% and 50% of General Fund revenues. The current discretionary reserve balance under the reserve policy is at 51.4% and the current biennial budget and MFP maintain this reserve at or above 50% throughout the MFP forecast period. This reserve level going forward will give the City a substantial cushion for absorbing unforeseen events as the economy continues its recovery. In addition, given the continued problems the State has experienced balancing its own budget, these reserves could be necessary should the State continue to fix its financial problems at the expense of local municipalities. The most recent and on-going issue has been the elimination of redevelopment agencies effective February 1, 2012. The dissolution of the City's redevelopment agency continues to challenge the city as the State Department of Finance has clawed back in excess of \$5.3 million in local property tax increment revenue since dissolution and has continually denied funding for prior redevelopment obligations.

#### *Major initiatives*

A major goal of the City for the past several years has been to address the affordable housing needs of the City in an acceptable manner that meets both community expectations and the State's regional housing needs assessment (RHNA) requirements. The CDA, as required by the State, accumulated resources every year up to dissolution to assist and promote low to moderate income housing development. Upon dissolution of the CDA on February 1, 2012, the affordable housing responsibilities were transferred to the Mission Viejo Housing Authority. During fiscal year 2012-13, the Authority expended approximately \$353,000 for the sale of five affordable units. The total project consists of 144 townhomes/condominiums to be located in the northern portion of Mission Viejo near the intersection of Jeronimo Road and Los Alisos Boulevard. Every homebuyer of an affordable unit must own and occupy their home. Any sale, refinancing or other transfer of the unit during the 45-year affordability period will require the new owner to also qualify as a low income or very low income homebuyer. There are 13 additional affordable units to be sold in this development and the Authority has retained encumbered monies for this purpose.

Another significant ongoing effort has been to manage and improve the flow of traffic throughout the City. The focus for the past several years has been to expand the capacity of the City's major east-west thoroughfares. During fiscal year 2011-12, construction was completed for intersection improvements at Oso Parkway and Marguerite Parkway and improved the traffic flow at this major intersection by adding one through lane in each direction on Oso Parkway and additional turn lanes in all directions. Construction to widen other sections of Oso Parkway is scheduled for the spring of 2014. This widening project will increase the number of lanes from six to eight between Interstate 5 and Country Club Drive. Construction

is expected to begin for the La Paz Bridge Rehabilitation and Road Widening project in January 2014. This project will add a third lane in each direction of La Paz Road between Chrisanta Drive and Muirlands Boulevard with both the roadway and existing bridges over the railroad tracks widened. Finally, the City was a partner with the City of Laguna Niguel for the widening of Crown Valley Parkway at the I/5 Interstate. This project included a dedicated right turn lane for the northbound ramp and four continuous eastbound through lanes from Cabot to match the four through lanes that begin in Mission Viejo at the northbound ramp. This project was substantially completed in February 2013.

Major resources are devoted to street resurfacing around the City each year. Approximately \$3.6 million was budgeted for residential street resurfacing in FY 2012-13, including the resurfacing of key arterials. Another \$8.6 million has been budgeted for FY 2013-14 and 2014-15.

The City anticipates that \$8.1 million in Park Development Fee will be available for park related projects during the next two year budget cycle. The City Council approved to spend these resources toward a number of capital improvement projects including a playground renovation at Pavion Park, a new play structure at Sierra Recreation Center, bocce ball courts at Oso Viejo Park, locker room renovation at Montanoso Recreation Center, light replacement at Felipe Tennis Center and an overlook at La Paz Road and Felipe Road. The City Council also approved preparation of plans for rehabilitating the Marguerite Aquatics Complex Facility.

#### *Awards and acknowledgements*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mission Viejo for its comprehensive annual financial report for the fiscal year ended June 30, 2012. The Certificate is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Mission Viejo received its first Certificate of Achievement in 1988-89, its first full year of incorporation as a city, and has received the certificate every year since then. I believe this 2012-13 CAFR continues to conform to the Certificate of Achievement program requirements, and it will be submitted to GFOA for award consideration.

The City also received the GFOA Distinguished Budget Presentation Award and CSMFO Excellence in Operational Budgeting Award for its 2011-2013 biennial budget document. To qualify for the GFOA award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The CSMFO award reflects excellence in the budget document and the underlying budget process through which the budget is implemented. The 2013-2015 biennial budget document was submitted to both GFOA and CSMFO for award consideration in October 2013.

The preparation and publication of the CAFR is a team effort, requiring the dedication and cooperation of the entire Administrative Services Department staff and the City's independent auditors, Rogers, Anderson,

Honorable Mayor, Members of the City Council, City Manager and Citizens of the City of Mission Viejo  
November 26, 2013

Malody & Scott, LLP, throughout the year as well as at year-end. I would like to acknowledge the following individuals who contributed significant effort toward the publication of this document: Accounting Supervisor Patricia Brunell, Accountant Kim Lashley, Junior Accountant Andrea Pham, Budget and Purchasing Analyst Susan Knudson and Administrative Assistant Sherry Merrifield.

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

Respectfully submitted,



Cheryl Dyas, CPA  
Director of Administrative Services

CITY OF MISSION VIEJO  
Comprehensive Annual Financial Report  
June 30, 2013



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Mission Viejo**  
**California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

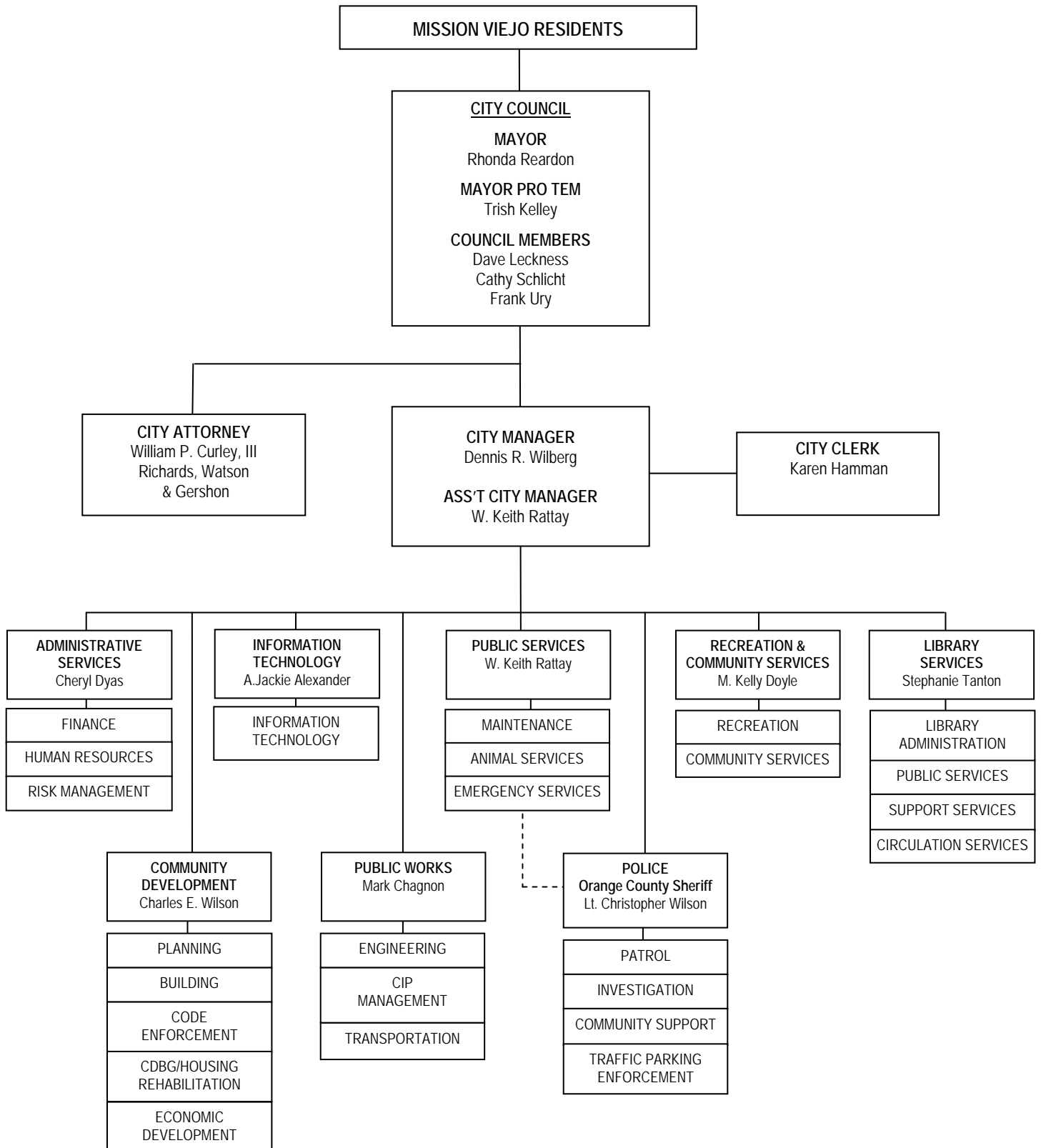
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mission Viejo for our Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012.

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

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

CITY OF MISSION VIEJO  
Organizational Structure  
June 30, 2013

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CITY OF MISSION VIEJO

List of Principal Officials  
as of June 30, 2013

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City Manager .....	Dennis R. Wilberg
City Attorney .....	William P. Curley III
City Clerk.....	Karen Hamman
Assistant City Manager/Director of Public Services.....	W. Keith Rattay
Director of Administrative Services.....	Cheryl Dyas
Director of Community Development.....	Charles E. Wilson
Director of Information Technology.....	A. Jackie Alexander
Director of Library and Cultural Services .....	Stephanie Tanton
Director of Public Works .....	Mark Chagnon
Director of Recreation and Community Services .....	M. Kelly Doyle
Chief of Police Services (O.C. Sheriff Department) .....	Lt. Christopher Wilson



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CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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**MANAGERS / STAFF**

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David D. Henwood, CPA

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Mission Viejo, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

**MEMBERS**

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mission Viejo, California, as of June 30, 2013, 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.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

#### *Prior-Year Comparative Information*

We have previously audited the City's 2012 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated November 21, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2013, on our consideration of the City of Mission Viejo, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mission Viejo, California's internal control over financial reporting and compliance.

*Rogers, Anderson, Malody & Scott, LLP*

San Bernardino, CA  
November 25, 2013



MISSION VIEJO

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# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

CITY OF MISSION VIEJO  
Management's Discussion and Analysis  
Year ended June 30, 2013

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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, 2013. Please read it in conjunction with the accompanying transmittal letter at the front of this report, and the basic financial statements, which follow this section.

### Financial Highlights

- The assets of the City exceeded its liabilities at June 30, 2013 by \$702.2 million. This amount is referred to as the net position of the City. Of this amount, \$32.6 million is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by \$1.9 million during the past year. FY 2012-13 revenues decreased by \$.7 million from prior year levels, and expenses (both expenditures and non-cash expenses such as depreciation) decreased by \$9.0 million. (See pages 11-13 for a more detailed discussion of expenses.)
- As of June 30, 2013, the City's governmental funds (the General Fund plus Special Revenue and Debt Service funds) reported combined ending fund balances of \$42.9 million. Governmental revenues and other financing sources exceeded expenditures and other financing uses by \$2.8 million in FY 2012-13. Of the \$42.9 million combined ending fund balances at June 30, 2013, \$7.9 million is categorized as unassigned, \$17.1 million is categorized as assigned, \$11.3 million is categorized as restricted, and \$6.6 is categorized as non-spendable.
- The combined \$28.4 million assigned and unassigned fund balance of the General Fund was 56% of General Fund revenues. Approximately \$16.3 million of the June 30, 2013 assigned fund balance has been designated by the City Council for capital asset replacement and \$0.8 million is encumbered for subsequent years' expenditures.
- The City's total long-term liabilities decreased by \$1.5 million, or 3.0%, during the fiscal year ending June 30, 2013, to a level of \$48.5 million.

### Overview of the Financial Statements

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

***Government-wide financial statements.*** These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. There are two government-wide financial statements: the Statement of Net Position and the Statement of Activities and Changes in Net Position. They present information for the government as a whole and present a longer-term view of the City's finances. These two statements help to answer the question: "Is the City as a whole better off or worse off as a result of this year's activities?"



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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 and Changes in Net Position presents information on how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused employee leave).

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

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

The government-wide financial statements can be found on pages 23-25 of this report.

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

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

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

The City maintains 12 individual governmental funds for financial statement reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Measure M Fund, Grants Fund, Developer Fees Fund, and Housing Authority Fund, which are considered to be the City's five major funds. Data from the other 7 governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these other governmental funds is provided in the form of combining schedules elsewhere in the report.

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

The basic governmental fund financial statements can be found on pages 28-33 of this report.

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

The basic proprietary fund financial statements can be found on pages 34-37 of this report.

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

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The basic fiduciary fund financial statements can be found on page 38-39 of this report.

**Notes to basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 40-83 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 84-94 of this report.

The combining schedules referred to earlier in connection with other governmental funds are presented immediately following the required supplementary information as supplementary schedules. Combining and individual fund statements and schedules can be found on pages 95-113 of this report.

### Government-wide Financial Analysis

**Net position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$702.2 million as of June 30, 2013, the close of the most recent fiscal year. In comparison to 2012 and 2011, net position was \$700.3 and \$708.5, respectively.

By far the largest portion of the City's net position at June 30, 2013 (\$648.9 million, or 92% of total net position) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$20.7 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. The remaining \$32.6 million is unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position increased \$2.1 million, or 6.9% from June 30, 2012.

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<b>City of Mission Viejo Net Position at Year-End (in millions)</b>							
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2012-2013</b>
Current and other non-current assets	\$ 61.2	\$ 63.4	\$ 2.9	\$ 2.6	\$ 64.1	\$ 66.0	-2.9%
Capital assets	<u>693.4</u>	<u>697.5</u>	<u>2.2</u>	<u>2.2</u>	<u>695.6</u>	<u>699.7</u>	-0.6%
<b>Total assets</b>	<b><u>754.6</u></b>	<b><u>760.9</u></b>	<b><u>5.1</u></b>	<b><u>4.8</u></b>	<b><u>759.7</u></b>	<b><u>765.7</u></b>	<b>-0.8%</b>
Long-term liabilities outstanding	48.4	49.9	0.1	0.1	48.5	50.0	-3.0%
Other liabilities	<u>8.9</u>	<u>15.2</u>	<u>0.1</u>	<u>0.2</u>	<u>9.0</u>	<u>15.4</u>	-41.6%
<b>Total liabilities</b>	<b><u>57.3</u></b>	<b><u>65.1</u></b>	<b><u>0.2</u></b>	<b><u>0.3</u></b>	<b><u>57.5</u></b>	<b><u>65.4</u></b>	<b>-12.1%</b>
Net position:							
Net investment in capital assets	646.7	649.2	2.2	2.2	648.9	651.4	-0.4%
Restricted	20.7	18.4	-	-	20.7	18.4	12.5%
Unrestricted	<u>29.9</u>	<u>28.2</u>	<u>2.7</u>	<u>2.3</u>	<u>32.6</u>	<u>30.5</u>	6.9%
<b>Total net position</b>	<b><u>\$ 697.3</u></b>	<b><u>\$ 695.8</u></b>	<b><u>\$ 4.9</u></b>	<b><u>\$ 4.5</u></b>	<b><u>\$ 702.2</u></b>	<b><u>\$ 700.3</u></b>	<b>0.3%</b>

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. This same situation held true for the prior fiscal year as well. The City's overall increase in net position of \$1.9 million from the prior fiscal is discussed in the following sections for governmental activities and business-type activities.

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City of Mission Viejo Changes in Net Position (in millions)							
	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2012-2013
	2013	2012	2013	2012	2013	2012	
<b>Revenues</b>							
Program revenues:							
Charges of services	\$ 4.9	\$ 4.3	\$ 1.4	\$ 1.3	\$ 6.3	\$ 5.6	12.5%
Operating grants and contributions	7.9	8.9	0.5	0.3	8.4	9.2	-8.7%
Capital grants and contributions	4.5	3.4	-	-	4.5	3.4	32.4%
General revenues:							
Taxes:							
Property taxes	28.1	29.9	-	-	28.1	29.9	-6.0%
Sales and use taxes	12.0	11.6	-	-	12.0	11.6	3.4%
Property taxes in lieu of sales and use taxes	3.9	3.8	-	-	3.9	3.8	2.6%
Other taxes	3.9	3.8	-	-	3.9	3.8	2.6%
Motor vehicle in lieu fees	0.1	0.1	-	-	0.1	0.1	0.0%
Investment earnings	1.0	1.2	-	0.1	1.0	1.3	-23.1%
Other	1.8	2.0	-	-	1.8	2.0	-10.0%
<b>Total revenues</b>	<b><u>68.1</u></b>	<b><u>69.0</u></b>	<b><u>1.9</u></b>	<b><u>1.7</u></b>	<b><u>70.0</u></b>	<b><u>70.7</u></b>	<b>-1.0%</b>
<b>Expenses</b>							
General government- legislative	1.2	1.2	-	-	1.2	1.2	0.0%
General government- management/support	10.3	10.8	-	-	10.3	10.8	-4.6%
Public safety	16.9	16.7	-	-	16.9	16.7	1.2%
Community development	3.1	10.1	-	-	3.1	10.1	-69.3%
Public works – engineering/transportation	2.8	1.8	-	-	2.8	1.8	55.6%
Infrastructure maintenance	20.8	24.0	-	-	20.8	24.0	-13.3%
Recreation, community and library services	9.8	9.5	-	-	9.8	9.5	3.2%
Animal services and other	-	-	1.8	1.8	1.8	1.8	0.0%
Mission Viejo television	-	-	0.2	0.2	0.2	0.2	0.0%
Interest on long-term debt	1.2	1.0	-	-	1.2	1.0	20.0%
<b>Total expenses</b>	<b><u>66.1</u></b>	<b><u>75.1</u></b>	<b><u>2.0</u></b>	<b><u>2.0</u></b>	<b><u>68.1</u></b>	<b><u>77.1</u></b>	<b>-11.7%</b>
<b>Excess/(deficiency) in net position</b>							
<b>before transfers and extraordinary item</b>	<b>2.0</b>	<b>(6.1)</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>1.9</b>	<b>(6.4)</b>	<b>-129.7%</b>
Transfers	(0.5)	(0.4)	0.5	0.4	-	-	25.0%
Extraordinary item	-	(1.8)	-	-	-	(1.8)	-100.0%
<b>Increase in net position</b>	<b>1.5</b>	<b>(8.3)</b>	<b>0.4</b>	<b>0.1</b>	<b>1.9</b>	<b>(8.2)</b>	<b>-123.2%</b>
Net position, beginning of year	<u>695.8</u>	<u>704.1</u>	<u>4.5</u>	<u>4.4</u>	<u>700.3</u>	<u>708.5</u>	-1.2%
<b>Net position, end of year</b>	<b><u>\$ 697.3</u></b>	<b><u>\$ 695.8</u></b>	<b><u>\$ 4.9</u></b>	<b><u>\$ 4.5</u></b>	<b><u>\$ 702.2</u></b>	<b><u>\$ 700.3</u></b>	<b>0.3%</b>

**Governmental activities.** During the current year, net position for governmental activities increased \$1.5 million from the prior fiscal year ending balance of \$695.8 million. As reflected above, revenues decreased by \$0.9 million, or 1.0%, from prior year levels and expenses decreased \$9.0 million from

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the previous year. For revenues, the largest decline is reported under property taxes general revenue of \$1.8 million. This decline was due to the dissolution of the City's redevelopment agency on February 1, 2012. The dissolution caused approximately \$3.0 million in redevelopment property tax increment to be diverted to the Redevelopment Property Tax Trust Fund administered by the County of Orange. The \$3.0 million reduction in property tax increment was offset by additional property tax revenue received by the City's General Fund due to growth in assessed valuations of \$525,000 and residual payments diverted back to the City from redevelopment dissolution in the amount of \$713,000.

The second largest decline is under operating grants and contributions of \$1.0. More than half of this decline is due to a decrease in gas tax revenue of \$529,000 during the year. This decline was unexpected and was caused by lower than anticipated distributions by the State of California 2103 Highway Users Tax allocations. The 2103 allocation was previously funded from a portion of sales tax under Proposition 42, Transportation Congestion Improvement Act. The State swapped the revenue source for these allocations from sales tax to fuel excise taxes beginning July 1, 2010. Because of the major changes in California's fuel tax structure and allocations in recent years, there has been much error and confusion by the state Department of Finance ("DOF") and Controller's Office interpreting and applying the allocation under the new formula. According to DOF, funds for FY 2011-12 were "over-allocated"; therefore, these over-allocated funds were deducted from FY 2012-13 allocations. The result was a decrease in 2103 allocations in excess of 40% from the previous year. But these issues are being resolved. According to the DOF, estimates should increase 20% for 2103 allocations in FY 2013-14 over FY 2012-13; however, it appears that the revenue will continue to be a challenge to project since DOF is also anticipating that 2103 revenue will decrease by 26% in FY 2014-15. Another aspect to the decline in operating grants and contributions is the decrease in investment earnings of approximately \$335,000 as the low interest rate environment, post- recession, is beginning to significantly affect investment earnings of the City's investment portfolio.

The largest increase in revenue is reported for capital grants and contributions in the amount of \$1.1 million. Included in this category is Park Development Fee revenue. The City received the final fees due from the UDR development located on Los Alisos between Marguerite Parkway and the 241 toll road in August 2012 in the amount of \$3.2 million. These development fees compare to \$1.5 million received in the prior year from the County of Orange related to the Ladera Ranch development and the initial fees paid by UDR of \$400,000.

Charges for services increased by \$0.6 million from the previous year. During FY 2011-12, the City implemented a residential and commercial permit fee holiday program, which resulted in a decrease of permit revenue in the amount of \$0.4 million, savings that were passed on to Mission Viejo residents. The residential program was implemented from January 1, 2012 to July 4, 2012 and waived building fees for home improvement related construction. The commercial program was implemented beginning February 1, 2012 and ended July 31, 2012 and provided a 25% discount on building fees for commercial improvement related construction. Both of these programs were concluded by July 31, 2012 and the full cost of permits for both residential and commercial

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construction were in effect for eleven months out of the year compared to only six month during FY 2011-12.

Expenses (expenditures plus non-cash expenses) associated with governmental activities decreased by \$9.0 million, or 12.0%. This decline is most notably reflected in the Community Development program area with a \$7.0 million decrease. This decrease can be attributed to the following three causes. In FY 2011-12, the City expended \$4.8 million, a one-time subsidy for an affordable housing project located on Oso Parkway at Country Club Drive. This subsidy was subsequently disallowed by the DOF in their oversight of redevelopment dissolution during FY 2012-13 and the \$4.8 million was forfeited by the developer and paid to the County of Orange; however the initial subsidy transaction did occur and is properly recorded as an expense in the prior fiscal year (2011-12). Another affordable housing related transaction also occurred during FY 2011-12 in which a \$2.0 million subsidy to Lennar Homes of California, Inc. was re-classified to deferred revenue in the prior fiscal year. There were no such affordable housing related transactions affecting expenses in FY 2012-13. The third issue affecting expenses relates to a decrease in spending for the Community Development Block Grant Fund housing rehabilitation loan and grant program, with FY 2011-12 loan and grant expenditures exceeding FY 2012-13 by \$273,000.

Expenses in the Infrastructure Maintenance program area decreased \$3.2 million due to a decrease in funds expended on the City's street network. The City has elected to use the modified approach for its street infrastructure network. That means that all funds expended to maintain and improve the City's streets are expensed in the government-wide financial statements. The City expended \$2.5 million less in FY 2012-13 as compared to FY 2011-12 as part of its annual street resurfacing program of residential streets and arterial highways and other street related improvement projects (i.e. Oso Parkway Widening and La Paz Road Bridge Rehabilitation and Road Widening) and \$0.7 million less in facility related projects (i.e. Marguerite Tennis Center Renovation and Library Community Room Remodel) for costs that do not meet the requirements for capitalization.

The largest program area expense increase is reflected in the Public Works – Engineering & Transportation program area in the amount of \$1.0 million. The total costs for this program were \$221,000 higher in fiscal year FY 2011-12 than FY 2012-13 as is reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances in the Government Funds financial statements. For government-wide presentation, costs that met the definition for capitalization in the amount of \$1.1 million for the Oso Marguerite Intersection Improvement project were deducted from the total cost reported in the governmental funds statements in FY 2011-12. The reclassification of these assets in FY 11-12 caused program area expense to be \$1.0 million less in FY 2011-12 than in FY 2012-13.

The decline in expenses in the General Government – Management and Support program area of \$0.5 million is largely due to the replacement of almost all city computers in the prior fiscal year. The total expended for these computers in FY 2011-12 was \$470,000. There were no large equipment purchases made in the information technology area during FY 2012-13.

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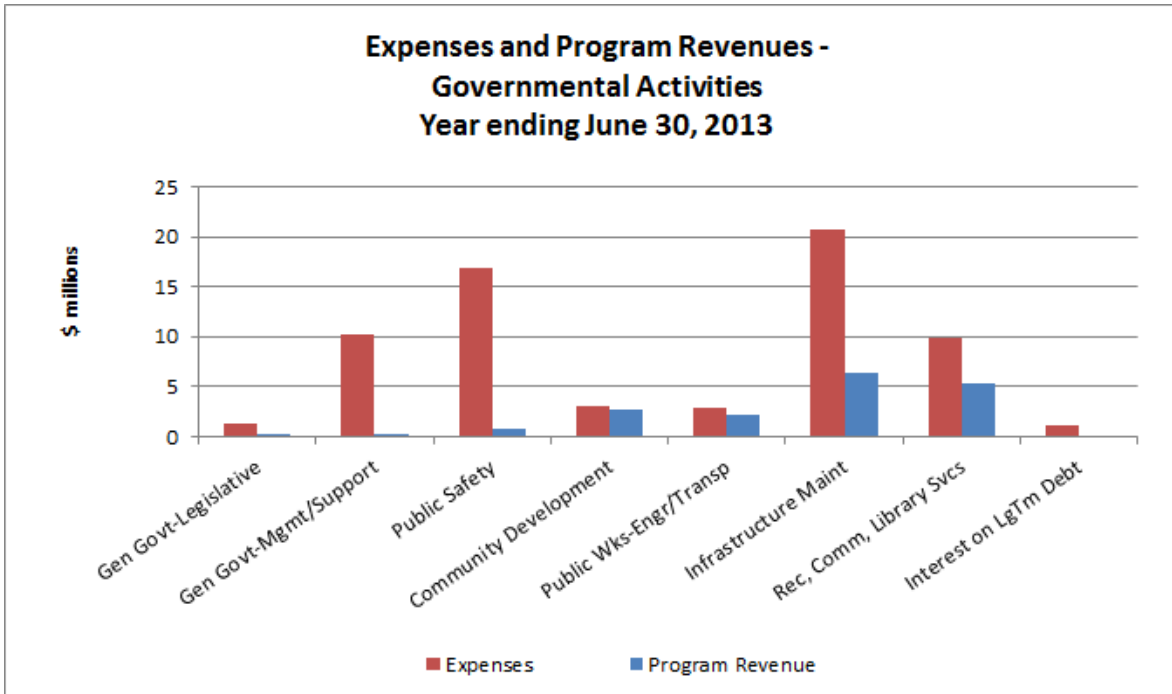
The cost of all governmental activities in FY 2012-13 was \$66.1 million. That cost was financed by: those who directly benefited from the programs and services (7.3%); other governments and organizations that subsidized certain programs and projects with grants and contributions (18.7%); and general tax revenues and other general revenues of the City (74.0%).

<b>City of Mission Viejo</b>						
<b>Net Cost of Governmental Activities</b>						
<b>(in millions)</b>						
	<b>2013</b>			<b>2012</b>		
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>% of Total Cost Borne By General Revenues</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>% of Total Cost Borne By General Revenues</b>
General government- legislative	\$ 1.2	\$ 1.2	100.0%	\$ 1.2	\$ 1.2	100.0%
General government- management/support	10.3	10.2	99.0%	10.8	10.5	97.2%
Public safety	16.9	16.2	95.9%	16.7	15.6	93.4%
Community development	3.1	0.4	12.9%	10.1	7.6	75.2%
Public works- engineering/ transportation	2.8	0.6	21.4%	1.8	(0.5)	-27.8%
Infrastructure maintenance	20.8	14.5	69.7%	24.0	16.0	66.7%
Recreation, community and library services	9.8	4.6	46.9%	9.5	7.0	73.7%
Interest on long-term debt	1.2	1.2	100.0%	1.0	1.0	100.0%
	<u>\$ 66.1</u>	<u>\$ 48.9</u>	74.0%	<u>\$ 75.1</u>	<u>\$ 58.4</u>	77.8%

The table above illustrates that the net cost of governmental services (expenses less program revenues) was \$48.9 million in the current year, a decrease of \$9.5 million from the prior year. Community Development and Recreation, Community and Library Services were the two program areas that required a smaller amount of costs to be borne by general revenues in FY 2012-13 than in FY 2011-12. General Government – Management and Support, Public Safety, Public Works – Engineering and Transportation and Infrastructure Maintenance required higher amount of costs to be borne by general revenues in FY 2012-13 than in FY 2011-12. The following graph demonstrates the total program revenues and expenses by program area (function). The difference between these represents the net cost of governmental activities paid with general revenues.



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**Business-type activities.** The business-type activities of the City continue to be a relatively small component of overall City operations, representing about 3% of total City expenses. Net position for business-type activities increased by \$0.3 million in FY 2012-13, compared to an increase of \$0.1 million in FY 2011-12. Program revenue in the Animal Services Fund was up from the prior year by \$80,000. This additional revenue along with an increase in the General Fund subsidy to the Animal Services Fund, resulted an increase in net position in the Animal Services Fund of \$0.1 million. Franchise taxes in the Mission Viejo Television Fund were approximately \$0.1 higher in 2012-13 from the prior year, resulting in an increase in net position for that fund of almost \$0.2 million.

**Financial Analysis of the Governmental Funds**

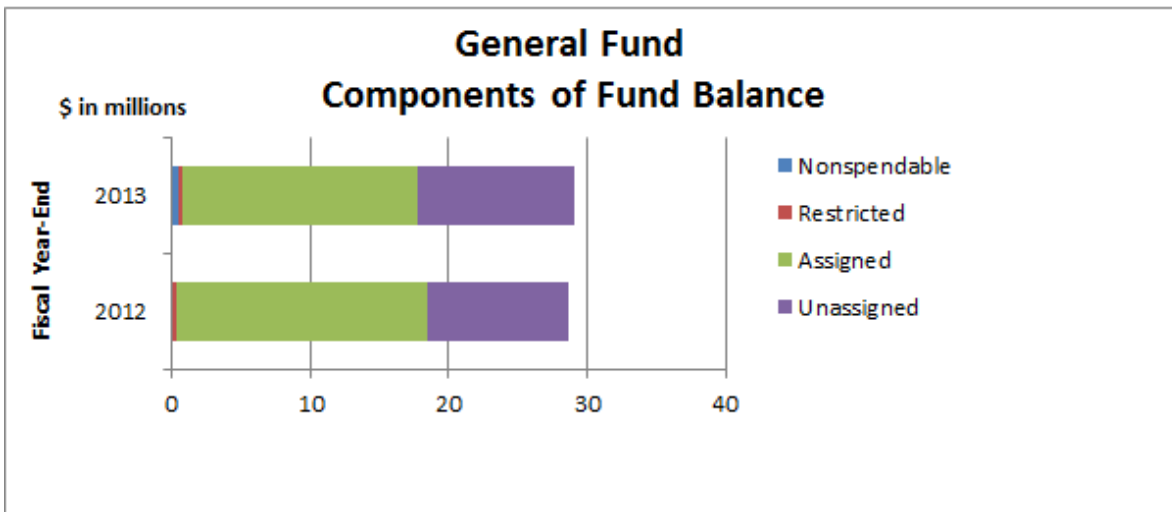
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

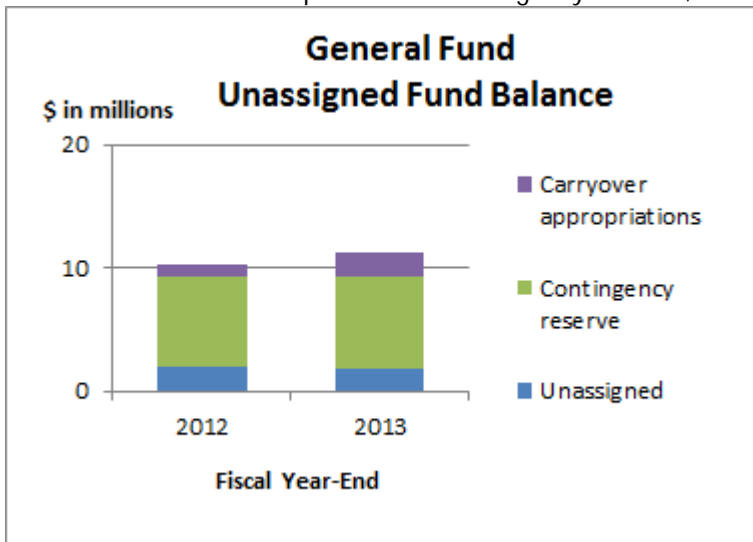
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At June 30, 2013, the City's governmental funds (as presented in the balance sheet on pages 28-29) reported combined fund balances of \$42.9 million, an increase of \$2.8 million in comparison with the prior year. Approximately \$7.9 million of this total amount (18%) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted or assigned to indicate that it is 1) not in spendable form (\$6.6 million) 2) legally required to be spent on specific uses or be maintained intact (\$11.3 million), or 3) assigned for a particular purpose (\$17.1 million).

**General Fund.** The General Fund is the chief operating fund of the City. As of June 30, 2013, the total fund balance of the General Fund was \$29.1 million, an increase of \$0.4 million from \$28.7 million in the prior year.



Unassigned fund balance at June 30, 2013 was \$11.3 million, an increase of \$1.1 million from \$10.2 million in the prior year. Unassigned fund balance is comprised of a contingency reserve, which equals 15% of general fund revenues, balances for carryover appropriations and amounts not assigned for a specific purpose. The contingency reserve portion increased \$0.2 million to keep this contingency reserve equal to 15% of general fund revenues as estimated for FY 2013-14. The carryover appropriation portion increased \$1.1 million from the prior year primarily due to the carryover of an appropriation for the purchase of new accounting software. The unassigned portion has decreased \$0.2 million.



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The largest component of fund balance in the General Fund is assigned fund balance. This total at June 30, 2013 was \$17.1 million, a decrease of \$1.2 million from the prior year of \$18.3 million. Assigned fund balance is comprised of \$16.3 million for capital asset replacement and \$0.8 million for encumbrances. The prior year balance of \$18.3 million included a software replacement reserve of \$359,000, which was appropriated during FY 2012-13 and encumbrances equaled \$1.4 million at June 30, 2012.

As a measure of the General Fund's relative fiscal strength, it is useful to calculate the discretionary fund balance amount as a percentage of total fund revenues. For financial statement reporting purposes discretionary fund balance includes the entire unassigned fund balance and the entire assigned fund balance, since these assignments were made at the discretion of the City Council. The City Council discretionary fund balance at June 30, 2013 was \$27.6 million or 54.4% of total FY 2012-13 General Fund revenues.

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

***Measure M Fund.*** The Measure M Fund ended the year with a total negative fund balance of \$1.0 million, no change from the prior year. There were a number of projects funded by Measure M apportionment and competitive Measure M grant funds that were partially or wholly completed during 2012-13, including the La Paz Bridge Widening project, Oso Widening project, Marguerite Resurfacing/Median project and the Residential Resurfacing project. These projects incurred costs approximately equal to revenue resources received for these projects through June 30, 2012. The negative fund balance is a result of expending grant awards in prior years against pending reimbursements. This fund is due \$1.8 million in reimbursements from other governmental agencies at June 30, 2013. This receivable increased \$0.3 million from the prior year balance of \$1.5 million.

***Grants Fund.*** The Grants Fund ended the year with a total negative fund balance of \$0.4 million, an increase of \$0.1 million from the prior year. There were a number of projects funded by various grants, including, Federal Safe Route to School funds, Department of Transportation funds and Community Development Block Grant funds that were partially or wholly completed during 2012-13, including the Federal Safe Routes to School project, La Paz Bridge Widening project and the Marguerite Resurfacing/Median project. These projects expended grant awards in the amount of \$0.2 million against pending reimbursements. This fund is due \$0.4 million in reimbursements from other governmental agencies at June 30, 2013. This receivable decreased \$1.0 million from the prior year balance of \$1.4 million.

***Developer Fees Fund.*** The Developer Fees Fund ended the year with a total positive fund balance of \$1.4 million, an improvement in the fund of \$2.6 million from the prior year ending negative fund balance of \$1.2 million. The largest expenditures in this fund were costs to complete the Marguerite Tennis Center renovation for \$437,000. The increase in fund balance for this fund is due to the collection of park development fees received from UDR in the amount of \$3.2 million. UDR is a developer constructing a housing project on Los Alisos between Marguerite Parkway and the 241

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Toll Road. This fund is due a total of \$1.8 million in reimbursements from other governmental agencies at June 30, 2013. This receivable decreased \$0.2 million from the prior year balance of \$2.0 million.

The actual amount of revenue recognized each year is dependent upon whether revenue sources meet the definition of measurable and available at June 30, 2013 in accordance with accounting standards. Available is defined as "received within 60 days of the last day of the fiscal year." If revenue does not meet the availability criteria, the revenue must be deferred to subsequent years. This delay in revenue recognition has resulted in the deficit fund balances reported in the Measure M and Grants Funds.

***Housing Authority Fund.*** The Housing Authority Fund had a fund balance of \$6.4 million at the end of fiscal year 2012-13, compared to \$6.8 million at the end of the prior year. This is a decrease of \$0.4 million. During the fiscal year, the City expended over \$400,000 to Lennar Homes of California, Inc. ("Lennar") as part of an affordable housing subsidy entered into between Lennar and the former Community Development Agency (dissolved redevelopment agency). The balance due on this subsidy is \$0.9 million and will be distributed to Lennar in equal installments upon the sale of the remaining 13 unsold affordable units in The Ridge development located near the intersection of Jeronimo Road and Los Alisos Boulevard.

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

The City operated two business-type activities: Animal Services and Mission Viejo Television. For the Animal Services Fund, unrestricted net position at June 30, 2013 was \$2.1 million, a \$2.1 million increase from the prior year. For Mission Viejo Television, unrestricted net position increased \$0.1 million from the prior year. The operating loss for Animal Services was \$0.3 million, a decrease of \$0.1 from the prior year. Mission Viejo Television reported operating income in the current year of \$0.2 million, an improvement of \$0.1 million over the prior year. The operating loss for Animal Services was offset by an operating subsidy transferred from the City's General Fund in the amount of \$0.5 million. The operating subsidy in the prior year was \$0.4 million. There are no operating subsidies from the City's General Fund for Mission Viejo Television.

### General Fund Budgetary Highlights

***Original budget compared to final budget.*** After each fiscal year is closed, the amount of encumbrances outstanding at year end and unencumbered appropriations are determined for carryover to the subsequent fiscal year. These amounts for FY 2012-13 were approved by the City Council in September 2012 and increase the original budget accordingly. Total carryover appropriations for 2012-13 were \$2.4 million, with \$1.4 million appropriated in the operating budget and \$1.0 million for the capital improvement program ("CIP") budget. The most significant carryover appropriation was \$0.5 for Information Technology related projects including the purchase of a new accounting software application. The most significant CIP carryover was \$0.3 million for the completion of the Marguerite Tennis Center Renovation project. During the year, there were a

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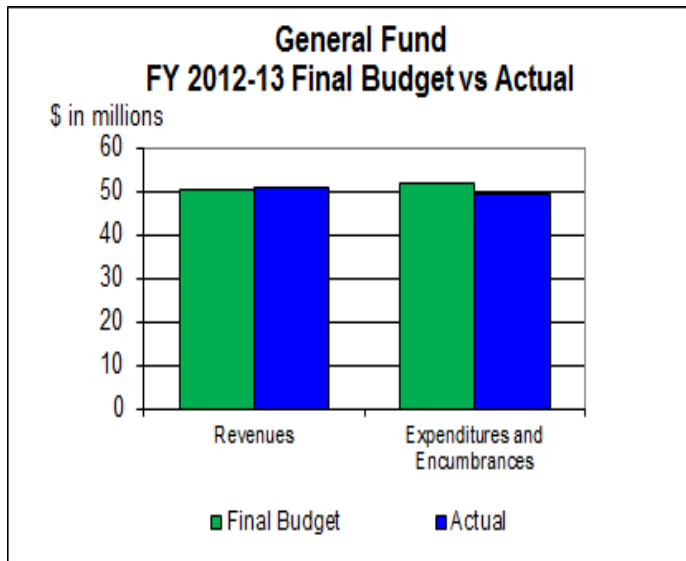
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number of amendments approved to increase the original adopted budgeted. The more significant of these amendments was a total appropriation of \$1.1 million for the purchase of new accounting software. Total appropriations were also increased \$196,000 to supplement the funding for slope rehabilitation and \$110,000 was appropriated for the replacement of two city vehicles. The total increase to appropriations in the General Fund (not including carryover appropriations) was \$2.1 million. There were a number of amendments to appropriations that were entirely offset by amendments (increases) to the revenue budget.

General Fund revenues were increased as part of the City's annual mid-year review in the amount of \$1.1 million. The largest increase was to property taxes for \$0.8 million. Revenue estimates were also increased in June 2013 to recognize a reimbursement from the County of Orange for overpayment of property tax administration fees in the amount of \$481,000.

**Final budget compared to actual results.** The City prepares budgetary schedules on a basis which differs from generally accepted accounting principles (GAAP). Under the budgetary basis of accounting, expenditures include all encumbrances in existence at year-end, in addition to all expenditures as defined by generally accepted accounting principles. Encumbrances are commitments to outside vendors that have been made in the form of outstanding contracts and purchase orders.

Actual revenues for the year were \$0.5 million greater than revised budget estimates. The most significant difference between estimated and actual revenues was a positive variance for tax revenue in the amount of \$558,000. Both property and sales taxes exceeded final estimated projections.



Actual expenditures and encumbrances combined were \$2.6 million less than the final appropriations budget. Of the total \$2.6 million, operating expenditures were \$2.3 million less than budget and capital projects came in \$0.3 million under budget.

The most significant difference between estimated and actual expenditures for the operating budget was a positive variance of \$1.8 million in the General Government-Management and Support program area budget of which \$1.4 is reflected with the Information Technology program. Although these appropriations were not spent during FY 2012-13, the entire unappropriated balance in the Information Technology program has been carried over for continued use in FY 2013-14. This carry over appropriation includes \$1.1 million for the purchase of new accounting software. The Public Safety program area reflected a savings of \$0.3 million most of which was assigned to a special reserve for the future replacement of the City's share of the

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Countywide communications system. In the CIP budget, there were no significant differences between estimated and actual expenditures for each General Fund active project, with the largest unspent CIP budget of \$67,000 for the Arterial Highway Slurry Seal annual program.

Of the \$2.6 million current year savings, \$2.0 million is being carried over to FY 2013-14 for continuing operations and the completion of capital projects.

**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, 2013, amounts to \$695.6 million, net of accumulated depreciation. This investment in assets includes land, buildings, machinery, equipment, vehicles and infrastructure. The total decrease in capital assets for the current fiscal year was \$4.1 million, or 0.6%.

<b>City of Mission Viejo</b>							
<b>Capital Assets At Year-End</b>							
<b>(Net of Depreciation, in Millions)</b>							
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>Percentage</u>
							<u>Change</u>
							<u>2012-2013</u>
Land	\$ 48.7	\$ 48.7	\$ 1.0	\$ 1.0	\$ 49.7	\$ 49.7	0.0%
Rights of way	243.8	242.9	-	-	243.8	242.9	0.4%
Buildings and Improvements	78.0	76.7	1.0	1.0	79.0	77.7	1.7%
Machinery, equipment and furniture	2.7	3.3	0.2	0.2	2.9	3.5	-17.1%
Vehicles	0.1	0.2	-	-	0.1	0.2	-50.0%
Infrastructure	309.8	311.9	-	-	309.8	311.9	-0.7%
Construction in progress	<u>10.3</u>	<u>13.8</u>	<u>-</u>	<u>-</u>	<u>10.3</u>	<u>13.8</u>	-25.4%
<b>Total</b>	<b><u>\$ 693.4</u></b>	<b><u>\$ 697.5</u></b>	<b><u>\$ 2.2</u></b>	<b><u>\$ 2.2</u></b>	<b><u>\$ 695.6</u></b>	<b><u>\$ 699.7</u></b>	<b>-0.6%</b>

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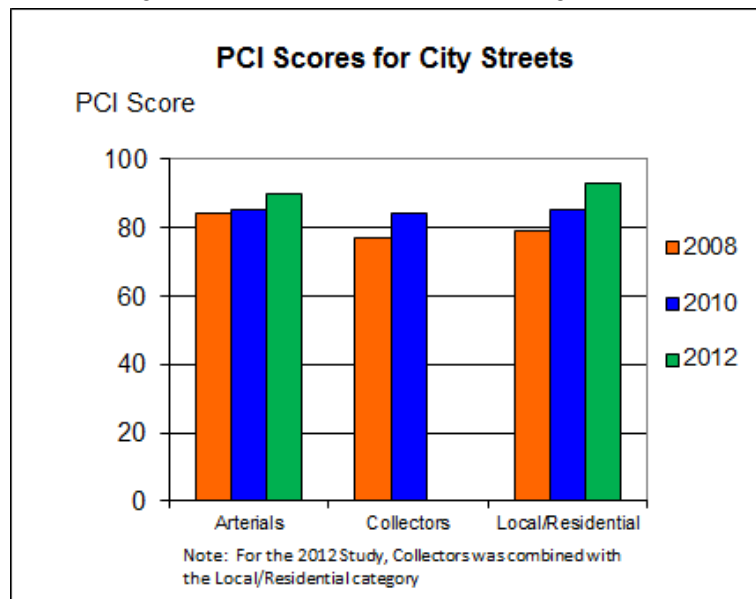
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Major capital asset transactions during the current fiscal year included the following:

- Rights-of-way increased by \$0.9 million. In conjunction with the construction for the Oso Parkway Widening project and the La Paz Bridge Rehabilitation and Road Widening, the City was required to purchase rights-of-way in the amounts of \$0.2 million and \$0.7 million, respectively, before construction could begin on these projects.
- Buildings and improvements increased by \$1.3 million as a result of the addition of assets related to the Marguerite Tennis Center Renovation improvements.
- For construction in progress, the City completed the Marguerite Tennis Center Renovation project during the year. The completion of this project required that \$5.6 million be deleted from construction in progress and be re-classified to buildings and improvements. Total deletions to construction in progress (\$6.0 million) were offset by a \$2.4 million addition to construction in progress for the current year. Those active projects with the largest FY 2012-13 costs were the La Paz Road Bridge Rehabilitation and Road Widening project (\$0.2 million), Traffic Safety/Signal Coordination project (\$0.2 million) and the Marguerite Tennis Center Renovation project (\$0.8 million). As the Notice of Completion 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 a future year.

As allowed by GASB Statement No. 34, the City has adopted an alternative process to 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 the 228 miles of roads that the City is responsible for maintaining.

The City has continued to maintain the condition of its roads at a high level. The City Council's established minimum condition level is for categories of roads to have a PCI rating of 75 or above, using the Pavement Condition Index (PCI) methodology. There are five PCI categories ranging from "Very Good" to "Very Poor". In 2011, the Orange County Transportation Authority (OCTA) established a new countywide Pavement Condition Index (PCI) that all Orange County jurisdictions must utilize in assessing the pavement conditions of its streets. Under the old guidelines, streets were classified into three functional classifications: Arterial, Collector or Residential/Local streets.



See independent auditors' report

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However, OCTA has now combined the "local/residential" and "collectors" into one category now called "local/residential" **streets**. The most recent condition assessment, completed for fiscal year 2011-12, indicated that arterials and local/residential roadways were all in "very good" condition. With average PCI ratings in 2012 of 90 and 93 respectively for the arterials, and local/residential roadways, the scores for both categories increased over the 2010 assessment. All of the City's streets are still comfortably above the City Council's minimum acceptable rating of 75.

For the last five fiscal years, actual maintenance and preservation expenditures exceeded the original estimates. The amounts actually spent were higher than the estimates due in part to the increase in the cost of asphalt as well as some of the assumptions used to calculate the estimate. 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. However, over the past six years, each year has shown actual expenditures for maintenance and preservation to be in excess of estimated amount needed. Staff will be further reviewing the reasons behind this continued overage.

Additional information about the City's capital assets is presented in Note 6 of the Notes to Basic Financial Statements on pages 62-64 of this report and Note 2 of the Notes to Required Supplementary Information on pages 92-94.

**Long-Term Debt.** At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$48.5 million.

<b>City of Mission Viejo Long-Term Liabilities at Year-End (in millions)</b>							
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2012-2013</b>
Revenue bonds	\$ 46.0	\$ 47.5	\$ -	\$ -	\$ 46.0	\$ 47.5	-3.2%
Bond Premium	<u>0.7</u>	<u>0.8</u>	<u>-</u>	<u>-</u>	<u>0.7</u>	<u>0.8</u>	-12.5%
Subtotal – bonds payable	46.7	48.3	-	-	46.7	48.3	-3.3%
Compensated absences	<u>1.7</u>	<u>1.6</u>	<u>0.1</u>	<u>0.1</u>	<u>1.8</u>	<u>1.7</u>	5.9%
<b>Total</b>	<b><u>\$ 48.4</u></b>	<b><u>\$ 49.9</u></b>	<b><u>\$ 0.1</u></b>	<b><u>\$ 0.1</u></b>	<b><u>\$ 48.5</u></b>	<b><u>\$ 50.0</u></b>	<b>-3.0%</b>



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The City's total debt decreased by \$1.5 million, or 3.0%, during the current fiscal year, an amount equal to total principal payments due on all debt issues in the current year.

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

The California State Constitution limits the amount of general obligation bond debt a city may incur to 3.75% of its total assessed valuation, which for the City of Mission Viejo was \$499 million at June 30, 2013. The City has no general obligation bond debt outstanding.

Additional information on the City's long-term liabilities can be found in Note 7 of the Notes to Basic Financial Statements on pages 65-69 of this report.

#### **Next Year's Budget, Tax Rates and Fee Levels**

The fiscal year 2013-14 City budget was prepared conservatively. Property tax and sales tax estimates were projected with minimal growth from the previous fiscal year and there were no tax rate or fee increases as part of the preparation and adoption of the 2013-14 budget. The General Fund budget is balanced without the use of reserves.

#### **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 [adminservices@cityofmissionviejo.org](mailto:adminservices@cityofmissionviejo.org).



MISSION VIEJO

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# **BASIC FINANCIAL STATEMENTS**

# CITY OF MISSION VIEJO

## BASIC FINANCIAL STATEMENTS - OVERVIEW YEAR ENDED JUNE 30, 2013

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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, 2013 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 and liabilities, with the difference between the two 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 and Change in Net Position 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, and Debt Service) are those through which most governmental functions are typically financed. The governmental fund measurement focus is on "financial flow," the accounting for sources and uses of available spendable resources, not on net income determination.

### **Proprietary Fund Type**

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

### **Fiduciary Fund Types**

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

**CITY OF MISSION VIEJO**

**STATEMENT OF NET POSITION**

**JUNE 30, 2013 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2012)**

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2013	2012
<b>Assets:</b>				
Cash and investments (note 2)	\$ 33,814,667	\$ 2,700,268	\$ 36,514,935	\$ 38,737,346
Accounts receivable	93,530	-	93,530	63,098
Taxes receivable	3,346,202	107,730	3,453,932	3,499,916
Loans receivable	2,466,898	-	2,466,898	2,663,417
Interest receivable	114,615	-	114,615	115,814
Prepaid items	1,048,430	65,315	1,113,745	1,169,042
Deposits	10,981	-	10,981	9,566
Intergovernmental receivable	4,816,486	-	4,816,486	5,429,983
Intergovernmental receivable - Successor Agency (note 4)	1,914,522	-	1,914,522	1,420,642
Due from developers (note 5)	7,699,863	-	7,699,863	7,441,943
Restricted assets:				
Cash with fiscal agent (note 2)	5,894,294	-	5,894,294	5,499,929
Capital assets not being depreciated (note 6)	504,170,671	1,000,764	505,171,435	507,823,799
Capital assets, net of depreciation (note 6)	189,293,127	1,161,032	190,454,159	191,827,567
<b>Total assets</b>	<b>754,684,286</b>	<b>5,035,109</b>	<b>759,719,395</b>	<b>765,702,062</b>
<b>Liabilities:</b>				
Accounts payable	4,095,059	44,760	4,139,819	4,952,253
Accrued payroll	340,064	55,086	395,150	437,867
Accrued interest payable	1,766,238	-	1,766,238	1,631,886
Unearned revenue	1,406,408	-	1,406,408	6,659,392
Deposits	1,312,741	3,084	1,315,825	1,496,220
Intergovernmental payable	18,750	-	18,750	49,576
Retainage payable	17,052	-	17,052	42,119
Advances from other governments	-	-	-	116,026
Noncurrent liabilities:				
Due within one year (note 7)	2,001,598	2,602	2,004,200	3,213,245
Due in more than one year (note 7)	46,396,204	81,359	46,477,563	46,764,339
<b>Total liabilities</b>	<b>57,354,114</b>	<b>186,891</b>	<b>57,541,005</b>	<b>65,362,923</b>
<b>Net position:</b>				
Net investment in capital assets	646,771,844	2,161,796	648,933,640	651,389,711
Restricted for:				
General government - management and support	98,883	-	98,883	98,700
Community development projects	9,302,980	-	9,302,980	9,330,665
Public safety	-	-	-	55,530
Parks and recreation	1,914,155	-	1,914,155	940,112
Public works	5,107,222	-	5,107,222	4,036,031
Capital projects	144,248	-	144,248	158,278
Debt service	4,043,203	-	4,043,203	3,786,647
Unrestricted	29,947,637	2,686,422	32,634,059	30,543,465
<b>Total net position</b>	<b>\$ 697,330,172</b>	<b>\$ 4,848,218</b>	<b>\$ 702,178,390</b>	<b>\$ 700,339,139</b>

See accompanying notes to basic financial statements.

**CITY OF MISSION VIEJO**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2013 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

Functions/programs	Expenses	Program Revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government - legislative	\$ 1,243,358	\$ 689	\$ -	\$ -
General government - management and support	10,317,445	53,294	28,857	-
Public safety	16,939,740	611,820	185,696	-
Community development	3,079,388	1,936,689	710,697	-
Public works - engineering and transportation	2,806,889	468,278	869,005	866,552
Infrastructure maintenance	20,777,340	-	5,869,062	430,736
Recreation/community/library services	9,805,902	1,807,694	204,605	3,236,060
Interest on long-term debt	1,212,454	-	-	-
<b>Total governmental activities</b>	<b>66,182,516</b>	<b>4,878,464</b>	<b>7,867,922</b>	<b>4,533,348</b>
<b>Business-type activities:</b>				
Animal Services	1,745,176	1,366,721	50,348	-
Mission Viejo Television	230,128	580	418,933	-
<b>Total business-type activities</b>	<b>1,975,304</b>	<b>1,367,301</b>	<b>469,281</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 68,157,820</b>	<b>\$ 6,245,765</b>	<b>\$ 8,337,203</b>	<b>\$ 4,533,348</b>

**General revenues:**

Taxes:

Property taxes

Sales and use taxes

Property taxes in lieu of sales and use taxes

Other taxes

Unrestricted motor vehicle in lieu fees

Investment earnings

Other

**Transfers**

**Total general revenues and transfers**

**Extraordinary item**

**Change in net position**

**Net position, beginning of year**

**Net position, end of year**

See accompanying notes to basic financial statements.

Net (expense) revenue and changes in net position			
Governmental Activities	Business-type Activities	Totals	
		2013	2012
\$ (1,242,669)	\$ -	\$ (1,242,669)	\$ (1,221,621)
(10,235,294)	-	(10,235,294)	(10,518,904)
(16,142,224)	-	(16,142,224)	(15,586,649)
(432,002)	-	(432,002)	(7,611,292)
(603,054)	-	(603,054)	505,073
(14,477,542)	-	(14,477,542)	(15,991,522)
(4,557,543)	-	(4,557,543)	(6,993,301)
(1,212,454)	-	(1,212,454)	(1,031,685)
(48,902,782)	-	(48,902,782)	(58,449,901)
-	(328,107)	(328,107)	(421,798)
-	189,385	189,385	69,931
-	(138,722)	(138,722)	(351,867)
(48,902,782)	(138,722)	(49,041,504)	(58,801,768)
28,148,758	-	28,148,758	29,934,859
11,998,071	-	11,998,071	11,622,640
3,937,682	-	3,937,682	3,834,165
3,936,102	-	3,936,102	3,758,594
51,634	-	51,634	49,831
1,022,147	1,708	1,023,855	1,175,424
1,784,653	-	1,784,653	2,038,075
(475,000)	475,000	-	-
50,404,047	476,708	50,880,755	52,413,588
-	-	-	(1,849,384)
1,501,265	337,986	1,839,251	(8,237,564)
695,828,907	4,510,232	700,339,139	708,576,703
<u>\$697,330,172</u>	<u>\$ 4,848,218</u>	<u>\$702,178,390</u>	<u>\$700,339,139</u>

# CITY OF MISSION VIEJO

## BASIC FINANCIAL STATEMENTS - OVERVIEW YEAR ENDED JUNE 30, 2013

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### DESCRIPTION OF GOVERNMENTAL FUNDS

#### MAJOR GOVERNMENTAL FUNDS:

##### GENERAL FUND

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

##### SPECIAL REVENUE FUNDS

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

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

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

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

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

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



# CITY OF MISSION VIEJO

## BASIC FINANCIAL STATEMENTS - OVERVIEW YEAR ENDED JUNE 30, 2013

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### DESCRIPTION OF GOVERNMENTAL FUNDS (CONTINUED)

#### OTHER GOVERNMENTAL FUNDS:

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

### DESCRIPTION OF PROPRIETARY FUNDS

#### ENTERPRISE FUNDS

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

The City of Mission Viejo has the following Enterprise Funds:

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

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

### DESCRIPTION OF FIDUCIARY FUNDS

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

#### PRIVATE-PURPOSE TRUST FUND

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

#### AGENCY FUND

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

# CITY OF MISSION VIEJO

## BALANCE SHEET

### GOVERNMENTAL FUNDS

JUNE 30, 2013 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2012)

	General Fund	Special Revenue Funds	
		Measure M	Grants
<b>Assets:</b>			
Cash and investments (note 2)	\$ 26,158,801	\$ 562,241	\$ 2,083
Accounts receivable	93,530	-	-
Taxes receivable	3,055,070	237,970	-
Loans receivable	15,849	-	1,961,462
Interest receivable	85,835	-	-
Prepaid items	33,674	-	-
Deposits	10,981	-	-
Intergovernmental receivable	314,260	1,799,069	406,716
Interfund receivables (note 3)	4,205,360	-	64,721
Intergovernmental receivable - Successor Agency (note 4)	493,880	-	-
Due from developers (note 5)	3,113,933	-	-
Restricted assets:			
Cash and investments with fiscal agents (note 2)	-	-	-
<b>Total assets</b>	<b>\$ 37,581,173</b>	<b>\$ 2,599,280</b>	<b>\$ 2,434,982</b>
<b>Liabilities and fund balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 3,708,444	\$ 43,350	\$ 125,295
Accrued payroll	233,733	116	2,806
Deferred revenues	3,112,778	1,799,069	2,343,105
Unearned revenues	87,445	-	-
Deposits	1,311,154	-	-
Intergovernmental payable	18,750	-	-
Interfund payable (note 3)	-	1,756,283	357,320
Retainage payable	912	1,426	10,338
Advances from other governments	-	-	-
<b>Total liabilities</b>	<b>8,473,216</b>	<b>3,600,244</b>	<b>2,838,864</b>
<b>Fund balances: (note 10)</b>			
<b>Nonspendable:</b>			
Prepaid items	33,674	-	-
Long-term receivables	15,849	-	1,961,462
Intergovernmental receivable - Successor Agency	493,880	-	-
Deposits	10,981	-	-
Due from developers	-	-	-
<b>Restricted for:</b>			
General government - management and support	98,883	-	-
Community development projects	-	-	-
Public safety	-	-	-
Parks and recreation	61,367	-	-
Public works	-	-	-
Capital projects	-	-	-
Debt service	-	-	-
<b>Assigned</b>	<b>17,137,144</b>	<b>-</b>	<b>-</b>
<b>Unassigned</b>	<b>11,256,179</b>	<b>(1,000,964)</b>	<b>(2,365,344)</b>
<b>Total fund balances (deficit)</b>	<b>29,107,957</b>	<b>(1,000,964)</b>	<b>(403,882)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 37,581,173</b>	<b>\$ 2,599,280</b>	<b>\$ 2,434,982</b>

See accompanying notes to basic financial statements.

Special Revenue Funds		Other		
Developer Fees	Housing Authority	Governmental Funds	Totals	
			2013	2012
\$ 3,242,321	\$ 2,171,338	\$ 1,677,883	\$ 33,814,667	\$ 36,301,830
-	-	-	93,530	63,098
-	-	53,162	3,346,202	3,392,850
-	489,587	-	2,466,898	2,663,417
-	27,953	827	114,615	115,814
-	-	-	33,674	59,263
-	-	-	10,981	9,566
1,842,947	53,377	400,117	4,816,486	5,409,597
-	-	-	4,270,081	5,216,884
-	1,420,642	-	1,914,522	1,420,642
-	4,585,930	-	7,699,863	7,441,943
-	-	5,894,294	5,894,294	5,499,929
<u>\$ 5,085,268</u>	<u>\$ 8,748,827</u>	<u>\$ 8,026,283</u>	<u>\$ 64,475,813</u>	<u>\$ 67,594,833</u>
\$ 2,016	\$ 16,875	\$ 199,079	\$ 4,095,059	\$ 4,821,492
-	-	103,409	340,064	386,173
1,842,947	2,282,871	733	11,381,503	15,282,889
-	-	-	87,445	88,132
-	-	1,587	1,312,741	1,496,080
-	-	-	18,750	-
1,842,947	71,470	242,061	4,270,081	5,216,884
-	-	4,376	17,052	42,119
-	-	-	-	116,026
<u>3,687,910</u>	<u>2,371,216</u>	<u>551,245</u>	<u>21,522,695</u>	<u>27,449,795</u>
-	-	-	33,674	59,263
-	489,587	-	2,466,898	608,997
-	1,420,642	-	1,914,522	1,420,642
-	-	-	10,981	9,566
-	2,170,951	-	2,170,951	2,452,279
-	-	-	98,883	98,700
-	2,296,431	-	2,296,431	2,327,354
-	-	-	-	55,530
1,397,358	-	455,430	1,914,155	940,112
-	-	1,083,562	1,083,562	686,820
-	-	144,248	144,248	158,278
-	-	5,809,441	5,809,441	5,418,533
-	-	-	17,137,144	18,262,314
-	-	(17,643)	7,872,228	7,646,650
<u>1,397,358</u>	<u>6,377,611</u>	<u>7,475,038</u>	<u>42,953,118</u>	<u>40,145,038</u>
<u>\$ 5,085,268</u>	<u>\$ 8,748,827</u>	<u>\$ 8,026,283</u>	<u>\$ 64,475,813</u>	<u>\$ 67,594,833</u>



MISSION VIEJO

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# CITY OF MISSION VIEJO

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2013

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<b>Fund balances of governmental funds</b>	\$ 42,953,118
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.	693,463,798
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Long-term liabilities	(46,691,954)
Compensated absences	(1,705,848)
Governmental funds report all OPEB and PERS contributions as expenditures, however, in the Statement of Net Position, any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as an asset or liability.	1,014,756
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.	(1,766,238)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	<u>10,062,540</u>
<b>Net position of governmental activities</b>	<u><u>\$ 697,330,172</u></u>

See accompanying notes to basic financial statements.

# CITY OF MISSION VIEJO

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

YEAR ENDED JUNE 30, 2013 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	General Fund	Special Revenue Funds	
		Measure M	Grants
<b>Revenues:</b>			
Taxes	\$ 43,662,464	\$ -	\$ -
Licenses and permits	1,779,083	-	-
Intergovernmental	295,611	1,982,195	362,500
Charges for services	2,859,150	-	-
Investment earnings	51,951	293	624
Fines and forfeitures	723,107	-	-
Developer fees	10,000	-	-
Other	1,241,783	276,381	438,838
<b>Total revenues</b>	<b>50,623,149</b>	<b>2,258,869</b>	<b>801,962</b>
<b>Expenditures:</b>			
Current:			
General government - legislative	1,242,612	-	-
General government - management and support	8,181,103	-	9,272
Public safety	16,257,152	-	12,750
Community development	2,254,525	-	305,628
Public works - engineering and transportation	2,114,962	-	-
Infrastructure maintenance	12,810,988	-	-
Recreation/community/library services	4,997,567	-	-
Capital outlay	588,564	2,222,183	681,164
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>48,447,473</b>	<b>2,222,183</b>	<b>1,008,814</b>
Excess (deficiency) of revenues over (under) expenditures	2,175,676	36,686	(206,852)
<b>Other financing sources (uses):</b>			
Transfers in (note 11)	486,605	-	64,721
Transfers out (note 11)	(2,284,992)	-	-
Payment to refunded bonds escrow agent	-	-	-
Proceeds from sale of capital asset	4,102	-	-
<b>Total other financing sources (uses)</b>	<b>(1,794,285)</b>	<b>-</b>	<b>64,721</b>
<b>Extraordinary item:</b>			
Loss on dissolution of redevelopment agency	-	-	-
Net change in fund balances	381,391	36,686	(142,131)
Fund balances (deficits), beginning of year	28,726,566	(1,037,650)	(261,751)
Fund balances (deficits), end of year	\$ 29,107,957	\$ (1,000,964)	\$ (403,882)

See accompanying notes to basic financial statements.

Special Revenue Funds		Other Governmental Funds	Totals	
Developer Fees	Housing Authority		2013	2012
\$ -	\$ -	\$ 3,313,620	\$ 46,976,084	\$ 49,150,258
-	-	-	1,779,083	1,192,491
-	-	5,712,320	8,352,626	9,027,221
-	-	218,059	3,077,209	2,992,473
25,334	77,375	1,035	156,612	663,426
-	-	115,299	838,406	915,398
3,236,060	-	-	3,246,060	2,990,867
-	53,377	371,411	2,381,790	1,769,879
<u>3,261,394</u>	<u>130,752</u>	<u>9,731,744</u>	<u>66,807,870</u>	<u>68,702,013</u>
-	-	-	1,242,612	1,221,895
-	-	164,762	8,355,137	8,933,721
-	-	630,499	16,900,401	16,703,530
-	474,084	45,151	3,079,388	8,102,297
-	-	183,464	2,298,426	2,519,010
-	-	1,875,216	14,686,204	13,937,952
-	-	2,794,760	7,792,327	7,517,881
618,340	-	2,416,343	6,526,594	14,232,771
-	-	1,530,000	1,530,000	1,750,000
-	-	1,117,803	1,117,803	1,177,243
<u>618,340</u>	<u>474,084</u>	<u>10,757,998</u>	<u>63,528,892</u>	<u>76,096,300</u>
<u>2,643,054</u>	<u>(343,332)</u>	<u>(1,026,254)</u>	<u>3,278,978</u>	<u>(7,394,287)</u>
-	-	2,989,685	3,541,011	3,754,173
-	(64,721)	(1,666,298)	(4,016,011)	(4,164,623)
-	-	-	-	(2,211,516)
-	-	-	4,102	5,619
-	(64,721)	1,323,387	(470,898)	(2,616,347)
-	-	-	-	(1,849,384)
2,643,054	(408,053)	297,133	2,808,080	(11,860,018)
(1,245,696)	6,785,664	7,177,905	40,145,038	52,005,056
<u>\$ 1,397,358</u>	<u>\$ 6,377,611</u>	<u>\$ 7,475,038</u>	<u>\$ 42,953,118</u>	<u>\$ 40,145,038</u>

# CITY OF MISSION VIEJO

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2013

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**Net change in fund balances - total governmental funds** \$ 2,808,080

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

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

Capital asset expenditures	3,357,507
Disposition of capital assets	(303,693)
Depreciation expense	(7,055,567)

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

Principal payment	1,530,000
Premium	39,701

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. (134,352)

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (63,480)

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB and PERS as expenditures; however, in the Statement of Activities only the ARC is an expense. (27,842)

Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity. 1,350,911

**Change in net position of governmental activities** \$ 1,501,265

See accompanying notes to basic financial statements.



# CITY OF MISSION VIEJO

## STATEMENT OF NET POSITION PROPRIETARY FUNDS

JUNE 30, 2013 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2012)

	Business-Type Activities - Enterprise Funds			
	Animal Services	Mission Viejo Television	Totals	
			2013	2012
<b>Assets:</b>				
Current assets:				
Cash and investments (note 2)	\$ 2,205,951	\$ 494,317	\$ 2,700,268	\$ 2,435,516
Intergovernmental receivable	-	-	-	20,386
Taxes receivable	-	107,730	107,730	107,066
Prepaid costs	65,315	-	65,315	67,181
Total current assets	2,271,266	602,047	2,873,313	2,630,149
Noncurrent assets:				
Capital assets, not depreciated (note 6)	1,000,764	-	1,000,764	1,000,764
Capital assets, depreciated, net (note 6)	1,061,354	99,678	1,161,032	1,185,051
Total noncurrent assets	2,062,118	99,678	2,161,796	2,185,815
<b>Total assets</b>	<b>4,333,384</b>	<b>701,725</b>	<b>5,035,109</b>	<b>4,815,964</b>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	34,053	10,707	44,760	130,761
Accrued payroll	52,799	2,287	55,086	51,694
Deposits	3,084	-	3,084	140
Intergovernmental payable	-	-	-	49,576
Accrued compensated absences	2,602	-	2,602	1,175
Total current liabilities	92,538	12,994	105,532	233,346
Noncurrent liabilities:				
Compensated absences payable	81,359	-	81,359	72,386
Total noncurrent liabilities	81,359	-	81,359	72,386
<b>Total liabilities</b>	<b>173,897</b>	<b>12,994</b>	<b>186,891</b>	<b>305,732</b>
<b>Net Position:</b>				
Net investment in capital assets	2,062,118	99,678	2,161,796	2,185,815
Unrestricted	2,097,369	589,053	2,686,422	2,324,417
<b>Total net position</b>	<b>\$ 4,159,487</b>	<b>\$ 688,731</b>	<b>\$ 4,848,218</b>	<b>\$ 4,510,232</b>

See accompanying notes to basic financial statements.

**CITY OF MISSION VIEJO**

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

**YEAR ENDED JUNE 30, 2013 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

	Business-Type Activities - Enterprise Funds			
	Animal Services	Mission Viejo Television	Totals	
			2013	2012
<b>Operating Revenues:</b>				
Charges for services	\$ 742,843	\$ 580	\$ 743,423	\$ 725,526
Licenses and permits	518,961	-	518,961	512,178
Franchise taxes	-	418,933	418,933	294,052
Fines and forfeitures	104,917	-	104,917	86,458
Other	50,348	-	50,348	36,876
<b>Total operating revenues</b>	<b>1,417,069</b>	<b>419,513</b>	<b>1,836,582</b>	<b>1,655,090</b>
<b>Operating expenses:</b>				
Personnel services	1,190,725	44,390	1,235,115	1,225,633
Supplies	164,968	16,723	181,691	189,401
Utilities	46,149	23,753	69,902	62,951
Contractual services	211,426	121,027	332,453	366,068
Rent	2,288	-	2,288	2,123
Depreciation (note 6)	125,080	23,616	148,696	128,750
Other	3,865	619	4,484	6,401
<b>Total operating expenses</b>	<b>1,744,501</b>	<b>230,128</b>	<b>1,974,629</b>	<b>1,981,327</b>
Operating income (loss)	(327,432)	189,385	(138,047)	(326,237)
<b>Nonoperating revenues (expenses):</b>				
Investment earnings	1,008	700	1,708	16,560
Loss on disposal of capital assets	(675)	-	(675)	(1,056)
<b>Total nonoperating revenues (expenses)</b>	<b>333</b>	<b>700</b>	<b>1,033</b>	<b>15,504</b>
Income (loss) before transfers	(327,099)	190,085	(137,014)	(310,733)
Transfers in	475,000	-	475,000	410,450
Change in net position	147,901	190,085	337,986	99,717
Net position, beginning of year	4,011,586	498,646	4,510,232	4,410,515
Net position, end of year	<u>\$ 4,159,487</u>	<u>\$ 688,731</u>	<u>\$ 4,848,218</u>	<u>\$ 4,510,232</u>

See accompanying notes to basic financial statements.

# CITY OF MISSION VIEJO

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2013 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	Business-Type Activities - Enterprise Funds			
	Animal Services	Mission Viejo Television	Totals	
			2013	2012
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 1,440,399	\$ 418,849	\$ 1,859,248	\$ 1,563,668
Payments to suppliers for goods and services	(547,596)	(176,933)	(724,529)	(546,365)
Payments to employees for services	(1,177,727)	(43,596)	(1,221,323)	(1,236,275)
Net cash provided (used) by operating activities	(284,924)	198,320	(86,604)	(218,972)
<b>Cash flows from non-capital financing activities:</b>				
Cash transfers in	475,000	-	475,000	410,450
Net cash provided (used) by non-capital financing activities	475,000	-	475,000	410,450
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(61,338)	(64,014)	(125,352)	(83,635)
Net cash provided (used) by capital and related financing activities	(61,338)	(64,014)	(125,352)	(83,635)
<b>Cash flows from investing activities:</b>				
Interest received	1,008	700	1,708	16,560
Net cash provided (used) by investing activities	1,008	700	1,708	16,560
Net increase (decrease) in cash and cash equivalents	129,746	135,006	264,752	124,403
Cash and cash equivalents, beginning of year	2,076,205	359,311	2,435,516	2,311,113
Cash and cash equivalents, end of year	\$ 2,205,951	\$ 494,317	\$ 2,700,268	\$ 2,435,516

See accompanying notes to basic financial statements.

# CITY OF MISSION VIEJO

## STATEMENT OF CASH FLOWS, CONTINUED

### PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2013 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	Business-Type Activities - Enterprise Funds			
	Animal Services	Mission	Totals	
		Viejo Television	2013	2012
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (327,432)	\$ 189,385	\$ (138,047)	\$ (326,237)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>				
Depreciation	125,080	23,616	148,696	128,750
(Increase) decrease in intergovernmental receivable	20,386	-	20,386	(20,386)
(Increase) decrease in taxes receivable	-	(664)	(664)	(70,906)
(Increase) decrease in prepaid costs	1,866	-	1,866	1,733
Increase (decrease) in accounts payable	(71,190)	(14,811)	(86,001)	77,227
Increase (decrease) in accrued payroll	2,598	794	3,392	(20,278)
Increase (decrease) in intergovernmental payable	(49,576)	-	(49,576)	3,352
Increase (decrease) in deposits	2,944	-	2,944	(130)
Increase (decrease) in compensated absences	10,400	-	10,400	7,903
<b>Total adjustments</b>	<b>42,508</b>	<b>8,935</b>	<b>51,443</b>	<b>107,265</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ (284,924)</b>	<b>\$ 198,320</b>	<b>\$ (86,604)</b>	<b>\$ (218,972)</b>

### Non-cash investing, non-capital financing, and capital and related financing activities:

There were no significant non-cash investing, non-capital financing, or capital and related financing transactions.

See accompanying notes to basic financial statements.

# CITY OF MISSION VIEJO

## STATEMENT OF NET POSITION FIDUCIARY FUNDS

JUNE 30, 2013 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2012)

	Successor Agency to the Community Development Agency of the City of Mission Viejo Private-purpose Trust Fund		Community Facilities District 92-1 Agency Fund	
	2013	2012	2013	2012
<b>Assets:</b>				
Cash and investments (note 2)	\$ 1,579,343	\$ 2,386,524	\$ 175,841	\$ -
Interest receivable	116	331	-	183
Restricted assets:				
Cash and investments with fiscal agents (note 2)	-	-	383,476	646,503
<b>Total assets</b>	<u>1,579,459</u>	<u>2,386,855</u>	<u>\$ 559,317</u>	<u>\$ 646,686</u>
<b>Liabilities:</b>				
Accounts payable	23,922	1,226,292	\$ -	\$ -
Intergovernmental payable	289	21,885	-	-
Intergovernmental payable - City (note 4)	1,914,522	1,420,642	-	-
Due to bondholders	-	-	559,317	646,686
<b>Total liabilities</b>	<u>1,938,733</u>	<u>2,668,819</u>	<u>\$ 559,317</u>	<u>\$ 646,686</u>
<b>Net position:</b>				
Unrestricted	<u>(359,274)</u>	<u>(281,964)</u>		
<b>Total net position</b>	<u>\$ (359,274)</u>	<u>\$ (281,964)</u>		

See accompanying notes to basic financial statements.

# CITY OF MISSION VIEJO

## STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2013 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2012)

	Successor Agency to the Community Development Agency of the City of Mission Viejo Private-purpose Trust Fund	
	2013	2012
<b>Additions:</b>		
Property taxes	\$ 2,973,465	\$ 826,533
Investment earnings	1,746	-
<b>Total additions</b>	<b>2,975,211</b>	<b>826,533</b>
<b>Deductions:</b>		
Administrative expenses	437,057	49,179
Program expenses	1,069,626	1,231,839
Contributions to other governments	1,538,409	1,657,677
Owner participation agreements	7,429	7,086
Interest expense	-	12,100
<b>Total deductions</b>	<b>3,052,521</b>	<b>2,957,881</b>
Extraordinary gain on dissolution of redevelopment agency	-	1,849,384
Change in net position	(77,310)	(281,964)
Net position, beginning of year	(281,964)	-
Net position, end of year	<b>\$ (359,274)</b>	<b>\$ (281,964)</b>

See accompanying notes to basic financial statements.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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### (1) Summary of Significant Accounting Policies

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

#### (a) Reporting Entity

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

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

#### Blended Component Units

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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

(a) Reporting Entity (Continued)

Blended Component Units, (continued)

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

Mission Viejo Community Development Financing Authority (Authority) was formed as a joint powers authority on June 2, 1997 by the City and Agency. Its purpose is to serve as the issuer of bonds for the construction of capital facilities for the City. The activities of the Authority are recorded in the 1999 Mall Bonds and 2009 Lease Revenue Refunding Bonds debt service funds.

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

Separate financial statements are not prepared for the Mission Viejo Community Development Financing Authority or the Mission Viejo 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.



# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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

### 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), as well as any discretely presented component units. The City of Mission Viejo has no discretely presented 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.

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

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

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

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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

### Fund Financial Statements

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

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

### Governmental Funds

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

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

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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

### Governmental Funds, (continued)

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.

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

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

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

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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

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

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

### Fiduciary Funds

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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

(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.

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

Grants Fund - This special revenue fund is used to account for grant awards received by the City from various sources based on an application process. Currently included in this fund are monies from Federal, State and County governments which are used to fund several specific transportation and park capital improvement projects.

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

Mission Viejo Housing Authority Fund - This special revenue fund is used to account for receipts and expenditures required to carry out the community's affordable housing obligations.

The City reports the following major proprietary funds:

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

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

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

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

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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

(c) Fund Classifications, (continued)

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

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

(d) Cash and Investments

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

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

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

(e) Advances to Other Funds

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

(f) Capital Assets

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

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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

(f) Capital Assets, (continued)

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

<u>Item</u>	<u>Useful Life</u>
Buildings and improvements	31.5 years
Equipment, furniture and vehicles	5-7 years
Infrastructure – curbs and gutters	75 years
Infrastructure – sidewalks	75 years
Infrastructure – roadway bridges	75 years
Infrastructure – traffic signals	30 years
Infrastructure – trees	75 years
Infrastructure – storm drains	75 years

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

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

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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

(g) 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.

(h) 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.

(i) Prepaid Items

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

(j) 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.

(k) Reclassifications

Certain 2012 amounts have been reclassified to conform to the 2013 presentation. These reclassifications have no effect on the change in fund balance or net position.



# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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

(l) Implementation of New Pronouncements

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the government's net position.

Deferred outflows of resources are transactions that result in the consumption of net position in one period that are applicable to future periods and are not considered assets as described by the statement. Deferred outflows of resources are required to be presented separately after assets on the statement of net position.

Deferred inflows of resources are transactions that result in the acquisition of net position in one period that are applicable to future periods and are not considered to be liabilities as described by the statement. Deferred inflows of resources are required to be presented separately after liabilities on the statement of net position.

The statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

For the years covered by these financial statements, the City had no transactions that would be classified as deferred inflows or outflows of resources.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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(2) Cash and Investments

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 36,514,935
Restricted assets:	
Cash with fiscal agent	5,894,294
Fiduciary Fund Statement of Assets and Liabilities:	
Cash and investments	1,755,184
Restricted assets:	
Cash and investments with fiscal agent	383,476
Total cash and investments	<u>\$ 44,547,889</u>

Cash and investments at June 30, 2013, consisted of the following:

Cash on hand	\$ 4,505
Deposits with financial institutions	26,943
Investments	44,516,441
Total cash and investments	<u>\$ 44,547,889</u>

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

(2) Cash and Investments, (continued)

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

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

*City of Mission Viejo:*

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

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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(2) Cash and Investments, (continued)

Investments Authorized by Debt Agreements

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

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

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

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

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(2) Cash and Investments, (continued)

Investments Authorized by Debt Agreements, (continued)

*CDFA 2009 Lease Revenue Refunding Bonds:*

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

Disclosures Relating to Interest Rate Risk

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

The City's investment policy requires that investments only be in fixed-rate, fixed coupon securities and prohibits investments in securities with embedded options and securities that may return all or parts of their principal prior to their stated final maturity date. The investment policies set a Benchmark Index for each portfolio. The Benchmark Index has characteristics similar to those of the portfolio in terms of types of securities and maturities. The City manages its exposure to interest rate risk by keeping the average duration of the portfolio in line with the duration of the Benchmark Index. For the fiscal year ended June 30, 2013, the average duration of the Benchmark Index was 0.99 for the City portfolio.

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

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(2) Cash and Investments, (continued)

Disclosures Relating to Interest Rate Risk, (continued)

*City of Mission Viejo:*

<u>Investment Type</u>	<u>Market Value</u>	<u>Modified Duration (in years)</u>
US Government Sponsored Entities Securities	\$ 15,507,433	2.11
FDIC Insured US Corporate Notes	-	-
Government Money Market Funds	1,004,072	-
Local Agency Investment Fund	13,194,507	-
Local Agency Sponsored Investment Pool	4,561,322	-
Held by Trustee:		
Money Market Funds	177,333	-
Local Agency Investment Fund	<u>206,143</u>	-
Total	<u><u>\$ 34,650,810</u></u>	0.96

*Successor Agency:*

<u>Investment Type</u>	<u>Market Value</u>	<u>Modified Duration (in years)</u>
Local Agency Sponsored Investment Pool	<u>\$ 1,968,440</u>	-
Total	<u><u>\$ 1,968,440</u></u>	-

*Mission Viejo Housing Authority:*

<u>Investment Type</u>	<u>Market Value</u>	<u>Modified Duration (in years)</u>
Local Agency Investment Fund	<u>\$ 2,002,897</u>	-
Total	<u><u>\$ 2,002,897</u></u>	-

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

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(2) Cash and Investments, (continued)

Disclosures Relating to Interest Rate Risk, (continued)

*Mission Viejo Community Development Financing Authority:*

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

<u>Investment Type</u>	<u>Market Value</u>	<u>Remaining Maturity</u>	
		<u>12 Months or Less</u>	<u>More than 60 Months</u>
Held by Trustee:			
Government Money Market Funds	\$ 4,531,922	\$ 4,531,922	\$ -
Local Agency Investment Fund	<u>1,362,372</u>	<u>1,362,372</u>	<u>-</u>
Total	<u>\$ 5,894,294</u>	<u>\$ 5,894,294</u>	<u>\$ -</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

Disclosures Relating to Credit Risk

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

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

(2) Cash and Investments, (continued)

Disclosures Relating to Credit Risk, (continued)

Investment Type	Market Value	Minimum Legal Rating	Rating as of Year End	
			AAA*	Not Rated
US Government Sponsored Entities Securities	\$ 15,507,433	N/A	\$ 15,507,433	\$ -
Government Money Market Funds	1,004,072	AAA	1,004,072	-
Local Agency Investment Fund	15,197,404	N/A	-	15,197,404
Local Agency Sponsored Investment Pool	6,529,762	N/A	-	6,529,762
Held by Trustee:				
Government Money Market Funds	4,709,255	AAA	4,709,255	-
Local Agency Investment Fund	1,568,515	N/A	-	1,568,515
<b>Total</b>	<b>\$ 44,516,441</b>		<b>\$ 21,220,760</b>	<b>\$ 23,295,681</b>
*Moody's Rating Service				

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code (see preceding tables). Investments at June 30, 2013 in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total portfolio investments (excluding investments held by trustee) were as follows:

Portfolio	Issuer	Investment Type	%	Reported Amount
City	Federal Farm Credit	US Government Sponsored Entities Securities	7.9%	\$ 3,025,380
City	Federal Home Loan Bank	US Government Sponsored Entities Securities	19.3%	7,362,863
City	Federal National Mortgage Association	US Government Sponsored Entities Securities	10.8%	4,128,161



# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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### (2) Cash and Investments, (continued)

#### Custodial Credit Risk

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

As of June 30, 2013, 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) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements 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). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

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(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.

(3) Interfund Balances

Interfund balances at June 30, 2013 consisted of the following:

<u>Interfund receivables</u>	<u>Interfund payables</u>	<u>Amount</u>
General Fund	Measure M Fund	\$ 1,756,283
	Grants Fund	357,320
	Developer Fees Fund	1,842,947
	Housing Authority	6,749
	Other Governmental Funds	242,061
Grants Fund	Housing Authority	<u>64,721</u>
	Total	<u>\$ 4,270,081</u>

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

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

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

Intergovernmental receivable/payable - Successor Agency/City at June 30, 2013 consisted of the following:

<u>Intergovernmental Receivable - Successor Agency</u>	<u>Intergovernmental Payable - City</u>	<u>Amount</u>
General Fund	Successor Agency	\$ 493,880
Mission Viejo Housing Authority	Successor Agency	<u>1,420,642</u>
	Total	<u>\$ 1,914,522</u>

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

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

(5) Due from Developers

In October 1994, the Mission Viejo Community Development Agency (now the Successor Agency) loaned \$401,000 to a developer in accordance with an affordable housing agreement executed by the Agency and the Developer on July 1, 1994. The note bears no interest during the first two years after the date of the note, and thereafter until the note is paid in full, bears simple interest at the rate of 3% per annum. No payments were required to be made on the note during the first five years. Thereafter, annual payments of principal and interest amortized over a thirty year period are due. At June 30, 2013, the outstanding balance is \$294,339 which includes unpaid accrued interest of \$24,977, and is reported in the Housing Authority, a major special revenue fund.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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(5) Due from Developers, (continued)

In August 1998, the Mission Viejo Community Development Agency (now the Successor Agency) loaned \$2,143,000 to a developer in accordance with an affordable housing agreement executed by the Agency and Developer on April 20, 1998. The first \$900,000 of the note bears simple interest of 4% per annum for the first six years of the note. The remaining \$1,243,000 bears no interest during the first six years after the date of the note. Commencing upon the sixth anniversary date of the note, the entire principal balance bears simple interest at the rate of 4% per annum until paid in full. No payments are required to be made on the note during the first six years. Thereafter, principal payments equal to 100% of the developer's annual net profits up to \$142,733 will be due. In addition, principal payments equal to 50% of the developer's annual net profits in excess of \$142,733 per year will be due for the remaining balance of the note. A portion of each payment received must be spent on approved Community Development Block Grant items. Principal payments are due annually on April 1 beginning on April 1, 2006. On the 32nd anniversary of the note, any remaining outstanding balance of principal and interest will be due and payable. The outstanding balance at June 30, 2013 is \$2,067,166 which includes unpaid accrued interest of \$33,468, and is reported in the Housing Authority, a major special revenue fund.

On May 11, 1999, the Mission Viejo Community Development Financing Authority issued \$31,100,000 of 1999 Series A Variable Rate Demand Revenue Bonds to finance a portion of the costs of the acquisition, construction, installation and equipping of various public capital improvements to the Mission Viejo Mall (The Shops at Mission Viejo). As a result of the issuance of these bonds, the mall owner, Simon Properties Group, entered into an agreement with the City. Under terms of this agreement, Simon Properties Group is obligated to pay the annual letter of credit, remarketing and other variable debt related costs related to the Series A Bonds. At June 30, 2013, the amount due from the developer for these costs was \$3,113,933, and is reported in the General Fund.

In June 2010, the Mission Viejo Community Development Agency loaned \$2,000,000 to a developer in accordance with an affordable housing agreement executed by the Agency and the Developer on March 1, 2010. The loan is secured by both a loan repayment guarantee executed by the Developer and a first deed of trust on the property, and will mature upon Developer's sale of the last of 22 affordable units to be built by the Developer to an eligible low income or very low income homebuyer. The unpaid principal balance of the loan shall accrue interest at the rate of Wall Street Journal prime rate plus 1%, compounded annually. At the closing of each sale of an affordable unit, an amount equal to \$90,909 plus accrued and unpaid interest on said amount through the date of closing shall be deemed repaid. Upon the closing of the sale of the 22nd unit, any remaining outstanding principal balance and all accrued and unpaid interest shall be deemed repaid. The amount due from the developer at June 30, 2013 was \$1,318,963, and is reported in the Housing Authority, a major special revenue fund.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

(5) Due from Developers, (continued)

Upon the sale of each of the 22 affordable units, each homebuyer is required to enter into an Affordable Homebuyer Loan Agreement with the Housing Authority. These loans are secured by a second deed of trust on each property, and restrict ownership of each property to qualified Very Low or Low Income Households. The affordability period for each home is 45 years starting on the closing escrow date for each housing unit. As of June 30, 2013, 9 of the 22 affordable units had closed escrow for a total loan balance of \$905,462, which is reported in the Housing Authority, a major special revenue fund.

(6) Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Governmental activities:	Balance at <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2013</u>
Capital assets, not depreciated:				
Land	\$ 48,687,918	\$ -	\$ -	\$ 48,687,918
Rights of way	242,919,005	934,382	-	243,853,387
Construction in progress	13,847,947	2,364,417	5,951,163	10,261,201
Infrastructure - street network:				
Streets	<u>201,368,165</u>	<u>-</u>	<u>-</u>	<u>201,368,165</u>
Total capital assets, not depreciated	<u>506,823,035</u>	<u>3,298,799</u>	<u>5,951,163</u>	<u>504,170,671</u>
Capital assets, being depreciated:				
Buildings and improvements	113,300,972	5,279,858	813,957	117,766,873
Equipment and furniture	8,381,507	340,213	166,309	8,555,411
Vehicles	1,186,666	10,500	-	1,197,166
Infrastructure - street network:				
Curbs and gutters	33,976,277	14,800	-	33,991,077
Sidewalks	31,069,721	6,915	-	31,076,636
Roadway bridges	6,289,000	-	-	6,289,000
Traffic signals	11,274,983	-	-	11,274,983
Infrastructure - medians and parkways network:				
Medians and parkways	37,641,256	357,585	-	37,998,841
Infrastructure - Storm drain network:				
Storm drains	<u>40,224,424</u>	<u>-</u>	<u>-</u>	<u>40,224,424</u>
Total capital assets, being depreciated	<u>283,344,806</u>	<u>6,009,871</u>	<u>980,266</u>	<u>288,374,411</u>

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

### (6) Capital Assets, (continued)

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Governmental activities (continued):				
Less accumulated depreciation for:				
Buildings and improvements	\$ (36,679,270)	\$ (3,693,485)	\$ (516,842)	\$ (39,855,913)
Equipment and furniture	(5,071,278)	(914,465)	(159,731)	(5,826,012)
Vehicles	(1,041,441)	(50,430)	-	(1,091,871)
Infrastructure - street network:				
Curbs and gutters	(9,951,618)	(453,083)	-	(10,404,701)
Sidewalks	(9,402,026)	(414,294)	-	(9,816,320)
Roadway bridges	(1,998,289)	(83,853)	-	(2,082,142)
Traffic signals	(7,025,888)	(375,831)	-	(7,401,719)
Infrastructure - medians and parkways network:				
Medians and parkways	(9,405,028)	(504,665)	-	(9,909,693)
Infrastructure - Storm drain network:				
Storm drains	<u>(12,127,452)</u>	<u>(565,461)</u>	<u>-</u>	<u>(12,692,913)</u>
Total accumulated depreciation	<u>(92,702,290)</u>	<u>(7,055,567)</u>	<u>(676,573)</u>	<u>(99,081,284)</u>
Total capital assets being depreciated, net	<u>190,642,516</u>	<u>(1,045,696)</u>	<u>303,693</u>	<u>189,293,127</u>
Governmental activities Capital assets, net	<u>\$ 697,465,551</u>	<u>\$ 2,253,103</u>	<u>\$ 6,254,856</u>	<u>\$ 693,463,798</u>
Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 1,000,764	\$ -	\$ -	\$ 1,000,764
Total capital assets, not depreciated	<u>1,000,764</u>	<u>-</u>	<u>-</u>	<u>1,000,764</u>
Capital assets, being depreciated:				
Buildings	1,641,647	-	-	1,641,647
Improvements other than buildings	413,587	-	-	413,587
Machinery and equipment	<u>940,791</u>	<u>125,352</u>	<u>40,529</u>	<u>1,025,614</u>
Total capital assets, being depreciated	<u>2,996,025</u>	<u>125,352</u>	<u>40,529</u>	<u>3,080,848</u>

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

(6) Capital Assets, (continued)

	Balance at <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2013</u>
Business-type activities (continued):				
Less accumulated depreciation for:				
Buildings	\$ (854,787)	\$ (53,213)	\$ -	\$ (908,000)
Improvements other than buildings	(156,784)	(13,791)	-	(170,575)
Machinery and equipment	<u>(799,403)</u>	<u>(81,692)</u>	<u>(39,854)</u>	<u>(841,241)</u>
Total accumulated depreciation	<u>(1,810,974)</u>	<u>(148,696)</u>	<u>(39,854)</u>	<u>(1,919,816)</u>
 Total capital assets, being depreciated, net	 <u>1,185,051</u>	 <u>(23,344)</u>	 <u>675</u>	 <u>1,161,032</u>
 Business-type activities Capital assets, net	 <u>\$ 2,185,815</u>	 <u>\$ (23,344)</u>	 <u>\$ 675</u>	 <u>\$ 2,161,796</u>

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

General Government - Legislative	\$ 746
General Government - Management and Support	1,696,506
Public Safety	49,839
Public Works - Engineering and Transportation	530,178
Infrastructure Maintenance	2,841,626
Recreation, Community and Library Services	1,936,672
Total	<u>\$ 7,055,567</u>

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

Animal Services	\$ 125,080
Mission Viejo Television	23,616
Total	<u>\$ 148,696</u>

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

(7) Long-Term Liabilities

Changes in the long-term liabilities for the year ended June 30, 2013 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year	Due Beyond One Year
<u>Governmental Activities:</u>						
Bonds/notes payable:						
1999 Series A bonds	\$ 23,900,000	\$ -	\$ (1,000,000)	\$ 22,900,000	\$ 1,100,000	\$ 21,800,000
1999 Series B bonds	7,347,326	-	-	7,347,326	-	7,347,326
2009 Series A bonds	16,260,000	-	(530,000)	15,730,000	615,000	15,115,000
Bond premium	754,329	-	(39,701)	714,628	39,702	674,926
Total bonds payable	48,261,655	-	(1,569,701)	46,691,954	1,754,702	44,937,252
Other liabilities:						
Compensated absences	1,642,368	1,182,987	(1,119,507)	1,705,848	246,896	1,458,952
Governmental activities						
long-term liabilities	<u>\$ 49,904,023</u>	<u>\$ 1,182,987</u>	<u>\$ (2,689,208)</u>	<u>\$ 48,397,802</u>	<u>\$ 2,001,598</u>	<u>\$ 46,396,204</u>
<u>Business-type Activities:</u>						
Other liabilities:						
Compensated absences	<u>\$ 73,561</u>	<u>\$ 92,572</u>	<u>\$ (82,172)</u>	<u>\$ 83,961</u>	<u>\$ 2,602</u>	<u>\$ 81,359</u>

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



# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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(7) Long-Term Liabilities, (continued)

Revenue Bonds

1999 Series A Variable Rate Demand Revenue Bonds

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

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

Interest on the bonds is calculated weekly at a rate determined to reflect the current market conditions. At any time, the Authority may elect to convert the bonds to a fixed interest rate. Principal amounts mature between September 1, 2002 and September 1, 2028 in amounts ranging from \$400,000 to \$1,900,000. The bond reserve requirement of \$2,359,500 was fully funded at June 30, 2013. The amount of principal outstanding at June 30, 2013 is \$22,900,000.

The bonds provide for an option exercisable by each bondholder for the bonds held by that bondholder to be purchased by the Authority at a price equal to one hundred percent of the principal amount of the bonds purchased plus accrued interest, if any. The purchase price and principal of, and interest on, the Series A Bonds purchased under this option are payable from amounts available to be drawn by the Trustee under an irrevocable direct pay letter of credit issued by Union Bank. This letter of credit terminates on May 18, 2016. The Trustee is permitted to draw on the letter of credit to pay the principal, redemption amounts, and interest on the Series A Bonds and the purchase price of any Series A Bonds tendered but not remarketed to the extent that other moneys are not available. During the year ended June 30, 2013, letter of credit commitment fees in the amount of \$202,234 were paid to Union Bank.

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

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(7) Long-Term Liabilities, (continued)

Revenue Bonds, (continued)

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

If Union Bank fails to honor a draw request, an irrevocable confirming letter of credit issued by the California State Teachers' Retirement System has been established to honor the draw. During the year ended June 30, 2013, letter of credit commitment fees in the amount of \$62,110 were paid to the California State Teachers' Retirement System.

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

Year Ending June 30,	Principal	Interest *	Totals
2014	\$ 1,100,000	\$ 27,480	\$ 1,127,480
2015	1,100,000	26,160	1,126,160
2016	1,100,000	24,908	1,124,908
2017	1,200,000	23,520	1,223,520
2018	1,200,000	22,080	1,222,080
2019	1,300,000	20,640	1,320,640
2020	1,300,000	19,132	1,319,132
2021	1,400,000	17,520	1,417,520
2022	1,500,000	15,840	1,515,840
2023	1,500,000	14,040	1,514,040
2024	1,600,000	12,274	1,612,274
2025	1,600,000	10,320	1,610,320
2026	1,600,000	8,400	1,608,400
2027	1,700,000	6,480	1,706,480
2028	1,800,000	4,452	1,804,452
2029	1,900,000	1,149	1,901,149
Total	<u>\$ 22,900,000</u>	<u>\$ 254,395</u>	<u>\$ 23,154,395</u>

\* The above debt service requirements to maturity were calculated using the interest rate as of June 30, 2013 of 0.12%.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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(7) Long-Term Liabilities, (continued)

1999 Series B Subordinate Lien Taxable Revenue Bonds

On May 19, 1999, the Mission Viejo Community Development Financing Authority authorized \$10,000,000 and issued \$115,000 of 1999 Series B Subordinate Lien Taxable Revenue Bonds to finance a portion of the costs of the acquisition, construction, installation and equipping of various public capital improvements to the Mission Viejo Mall. Through June 30, 2013 an additional \$7,232,326 of Series B Bonds were issued. As of June 30, 2013, a total of \$7,347,326 of 1999 Series B bonds have been issued.

The interest rate on the bonds is equal to the six-month London Interbank Offered Rate plus 1.5%, not to exceed 8% per annum. If the 1999 Series A Bonds are converted to a fixed interest rate, interest on the 1999 Series B Bonds will be equal to the fixed interest rate plus 1%. Interest is payable annually commencing September 1, 1999, subject to certain preconditions. If, in any year, revenues are insufficient to pay interest due on the Series B Bonds, such interest shall remain due and payable. Principal payments on the bonds will commence at the earlier of the conversion of the 1999 Series A Bonds to a fixed interest rate or after two consecutive years of two times debt service coverage for the 1999 Series A Bonds. Annual principal payments will be an amount that is proportional to the principal of the 1999 Series A Bonds. The bonds mature on September 1, 2028, at which time, if any outstanding principal or accrued interest remains, such amounts shall cease to be payable. At June 30, 2013, the outstanding principal is \$7,347,326 and the unpaid interest is \$1,632,646.

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, 2013.

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

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(7) Long-Term Liabilities, (continued)

CDFA 2009 Lease Revenue Refunding Bonds

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

Interest on the bonds ranges from 3.875% to 5.25% and is payable semi-annually on May 1 and November 1 of each year. Principal amounts mature between May 1, 2010 and May 1, 2031 in amounts ranging from \$165,000 to \$1,110,000. The bond reserve requirement of \$1,362,313 was fully funded at June 30, 2013. The amount of principal outstanding at June 30, 2013 was \$15,730,000.

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

Year Ending June 30,	Principal	Interest	Totals
2014	\$ 615,000	\$ 746,862	\$ 1,361,862
2015	640,000	716,113	1,356,113
2016	670,000	684,112	1,354,112
2017	705,000	657,313	1,362,313
2018	735,000	622,062	1,357,062
2019	770,000	585,313	1,355,313
2020	810,000	546,812	1,356,812
2021	845,000	506,313	1,351,313
2022	885,000	473,569	1,358,569
2023	910,000	438,169	1,348,169
2024	960,000	401,769	1,361,769
2025	1,005,000	353,769	1,358,769
2026	1,050,000	303,518	1,353,518
2027	1,110,000	251,019	1,361,019
2028	935,000	195,519	1,130,519
2029	980,000	154,613	1,134,613
2030	1,025,000	110,512	1,135,512
2031	1,080,000	56,700	1,136,700
Total	<u>\$ 15,730,000</u>	<u>\$ 7,804,057</u>	<u>\$ 23,534,057</u>

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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### (8) Community Facilities District Bonds

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

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

The bonds are not general obligations of the City, and neither the faith nor the taxing power of the City is pledged to the payment of these bonds. Therefore, the bonds are not recorded as liabilities of the City. The City has no obligation beyond the balances in the agency fund for any delinquent District bond payments. The bonds are limited obligations of the District payable solely from the special tax or funds held pursuant to the bond indenture agreement. The principal amount of bonds outstanding at June 30, 2013 was \$1,670,000. An amount of \$559,317 is being held by the City and is reflected as due to bondholders at June 30, 2013 in the Statement of Fiduciary Assets and Liabilities.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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### (9) 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, 2013, 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.

### (10) Fund Balances

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

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

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

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

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

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(10) Fund Balances, (continued)

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, 2013.

Assigned fund balance amounts are designated by the City Council for specific purposes and do not meet the criteria to be classified as restricted or committed. Assigned fund balances at June 30, 2013 were reported solely in the General Fund and include the following assignments:

Encumbrances	\$ 816,525
Capital asset replacement reserves	16,320,619
Total assigned fund balance	<u>\$ 17,137,144</u>

Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications. Unassigned fund balance includes the City Council approved General Fund contingency, which is equal to 15% of General Fund revenues in the amount of \$7.5 million.

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

(11) Interfund Transfers

Interfund transfers for the year ended June 30, 2013 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 486,605
Grants Fund	Housing Authority	64,721
Animal Services Enterprise Fund	General Fund	475,000
Other Governmental Funds	General Fund	1,809,992
	Other Governmental Funds	<u>1,179,693</u>
Total		<u>\$ 4,016,011</u>

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

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(11) Interfund Transfers, (continued)

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

Transfers to Major Funds

The \$486,605 transferred to the General Fund was received from the CDFA 1999 Mall Bonds Debt Service Fund representing the 2012 release of the rolling reserve.

Transfers from Major Funds

The \$64,721 transferred from the Housing Authority to the Grants Fund represents the CDBG portion of the Heritage Villas loan payment.

Of the \$1,809,992 transferred from the General Fund to other governmental funds, \$1,298,542 was transferred to the CDFA 2009 Lease Revenue Refunding Bonds Debt Service Fund for payment of the debt service on those bonds and \$511,450 was transferred to the Library Operations fund to fund operations. In addition, the General Fund transferred \$475,000 to the Animal Services Enterprise Fund representing Mission Viejo's proportionate share of the net costs of the Animal Services operations for the year, as estimated in the budget.

Transfers To/From Other Governmental Funds

The \$1,179,693 transferred from other governmental funds to other governmental funds represents mall sales tax pledged for the mall bond debt service transferred from the Mall Parking Lease Fund to the CDFA 1999 Mall Bonds Debt Service Fund.

(12) Fund Deficits and Expenditures in Excess of Appropriations

The following funds reported deficits in fund balance as of June 30, 2013:

	<u>Deficit Balances</u>
Major Governmental Funds:	
Special Revenue Funds:	
Measure M	\$ (1,000,964)
Grants	(403,882)
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Law Enforcement Grants	(17,643)

The special revenue fund deficits will be remedied as the grants are billed and received.

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

<u>Nonmajor Governmental Funds:</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
Debt Service Fund:			
CDFA 1999 Mall Bonds:			
Interest and fiscal charges	\$ 335,000	\$ 344,440	\$ (9,440)



# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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### (13) Liability, Workers' Compensation, and Purchased Insurance

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

#### Self-Insurance Programs of the Authority

Each member pays an annual contribution (formally called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

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

#### Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. The \$3.0 million annual aggregate deductible is fully retained by the Authority. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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### (13) Liability, Workers' Compensation, and Purchased Insurance, (continued)

#### Liability (continued)

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$25 million per occurrence. This \$25 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

#### Workers' Compensation

In the workers' compensation program, claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

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

#### Purchased Insurance:

##### Pollution Legal Liability Insurance

The City participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

##### Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City of Mission Viejo to the Authority. City property currently has all-risk property insurance protection in the amount of \$107,333,151. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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

Crime Insurance

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

Earthquake and Flood Insurance

The City 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 property currently has earthquake protection in the amount of \$63,458,065. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Special Event Tenant User Liability Insurance

The City 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 according to a schedule. The City then pays for the insurance. The insurance is arranged by the Authority.

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2012-13.

(14) Joint Venture - Orange County Fire Authority

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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(15) Significant Commitments

Encumbrances

Encumbrances at June 30, 2013 consisted of the following:

General Fund	\$	816,525
Grants Special Revenue Fund		609,557
Developer Fees Special Revenue Fund		103,073
Measure M Special Revenue Fund		657,958
Mission Viejo Housing Authority Special Revenue Fund		919,599
Other non-major Governmental Funds		<u>397,960</u>
Total Encumbrances at June 30, 2013	\$	<u><u>3,504,672</u></u>

Generally, encumbrances can be broken out between operating and capital improvements. Operating encumbrances at June 30, 2013 were \$1,798,642, while capital improvement encumbrances were \$1,706,030. Significant encumbrances that relate to active capital improvement projects as of June 30, 2013 are as follows:

<u>Projects:</u>	<u>Commitment</u>
Arterial Highway Slurry Seal	\$ 955,003
Arterial Resurfacing	573,830
OSO Widening	102,973

The encumbrance reported in the Mission Viejo Housing Authority of \$919,599 relates to an agreement with Lennar Homes to provide a low and moderate income housing subsidy for The Ridge housing development.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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(16) Lease Commitment

On December 1, 2000, the City entered into a lease agreement with the Santa Margarita Water District for office and storage space. The lease terminates on November 30, 2020. Minimum annual lease commitments as of June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 38,973
2015	38,973
2016	38,973
2017	38,973
2018	38,973
2019	38,973
2020	<u>16,239</u>
Total	<u>\$ 250,077</u>

(17) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer annually up to \$17,500, until future years. Employees over age 50 may elect to defer up to an additional \$5,500 annually. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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

(18) Defined Benefit Pension Plan

Plan Description

The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. For employees hired prior to July 9, 2011, the 2.7% at 55 retirement plan is applicable. Effective July 9, 2011, new employees will be enrolled in the 2% at 60 retirement plan. Benefits for the 2.7% at 55 plan are based on final compensation that is the monthly average of the member's highest 12 consecutive months of full-time equivalent monthly pay. Benefits for the 2% at 60 plan are based on a three year average final compensation. Copies of PERS' annual financial report may be obtained from their executive office: 400 "P" Street, Sacramento, California 95814.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

(18) Defined Benefit Pension Plan, (continued)

Funding Policy

Participants are required to contribute 8.0% of their annual covered salary. For the year ending June 30, 2013 the City made 2.5% of the contribution required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate calculated as a percentage of payroll. The employer contribution rate for the year ended June 30, 2013 was 16.820% for non-safety employees. The City has no safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost and Net Pension Asset

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

Annual required contribution	\$ 1,644,187
Interest on net pension asset	(17,443)
Adjustment to annual required contribution	<u>35,655</u>
Annual pension cost	1,662,399
Contributions made	<u>(1,644,187)</u>
Decrease in net pension asset	18,212
Net pension asset - beginning of year	<u>(225,071)</u>
Net pension asset - end of year	<u><u>\$ (206,859)</u></u>

The net pension asset is reported in the government-wide and proprietary fund statements as part of prepaid expenses.

Five-Year Trend Information:

Fiscal Year	Annual Pension Cost (APC) (Employer Contribution)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/09	\$ 1,606,484	\$ 1,592,973	99%	\$ (272,217)
6/30/10	1,464,115	1,449,557	99%	(257,659)
6/30/11	1,421,642	1,405,956	99%	(241,973)
6/30/12	1,604,428	1,587,526	99%	(225,071)
6/30/13	1,662,399	1,644,187	99%	(206,859)

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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### (18) Defined Benefit Pension Plan, (continued)

#### Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 80.0% funded. The entry age normal accrued liability was \$55.3 million, and the actuarial value of assets was \$44.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$11.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.8 million, and the ratio of the UAAL to the covered payroll was 113.5%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### Actuarial Methods and Assumptions

The required contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by age, service and type of employment, ranging from 3.3% to 14.2%, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2010 was 21 years.

### (19) Other Post Employment Benefits (OPEB)

#### Plan Description

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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

Eligibility

Employees of the City are eligible for retiree health benefits if they (1) have been employed by the City for a minimum of twelve continuous years of service, (2) were eligible to participate in the City's Fixed Monthly City Contribution to Benefits program prior to January 1, 2007, (3) are at least fifty years of age as of the last day of work prior to retirement, (4) are a vested member of CalPERS, (5) simultaneously retire from both the City and CalPERS on the same day, (6) receive a monthly retirement allowance check from CalPERS, and (7) have been enrolled in the insurance plan(s) at the desired benefit plan enrollment level for at least one year prior to retirement. The current maximum monthly contribution amounts for full-time employees are \$825 for employee only coverage and \$912 for employee plus one coverage. Membership in the plan consisted of the following at June 30, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	43
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>93</u>
Total	<u><u>136</u></u>

Funding Policy

The obligation of the City to contribute to the plan is established and may be amended by the City Council. Employees are not required to contribute to the plan. The City has established a policy of contributing to the irrevocable CERBT trust administered by CalPERS 100% of the annual required contribution of the employer (ARC), an amount actuarially determined every two years in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC for fiscal year 2012-13 was \$736,000, 7.0% of estimated covered payroll.



# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

### (19) Other Post Employment Benefits (OPEB), (continued)

#### Annual OPEB Cost and Net OPEB Asset

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

Annual required contribution	\$ 736,000
Interest on net OPEB asset	(68,565)
Adjustment to annual required contribution	80,062
Annual OPEB cost	<u>747,497</u>
Contributions made	<u>(736,000)</u>
Decrease in net OPEB asset	11,497
Net OPEB asset - beginning of year	(884,708)
Net OPEB asset - end of year	<u><u>\$ (873,211)</u></u>

The net OPEB asset is reported in the government-wide and proprietary fund statements as part of prepaid expenses.

#### Three Year Trend Information:

<u>Fiscal Year</u>	<u>Annual OPEB Cost (AOC) (Employer Contribution)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/11	\$ 528,903	\$ 519,000	98%	\$ (895,378)
6/30/12	728,666	717,996	98%	(884,708)
6/30/13	747,497	736,000	98%	(873,211)

#### Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 56.8% funded. The actuarial accrued liability for benefits was \$7.5 million, and the actuarial value of assets was \$4.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.9 million, and the ratio of the UAAL to the covered payroll was 32.9%.

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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### (19) Other Post Employment Benefits (OPEB), (continued)

#### Funded Status and Funding Progress, (continued)

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

#### Actuarial Methods and Assumptions

The required contribution was determined as part of the June 30, 2013, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses); (b) aggregate payroll increases of 3.25% per year; (c) 0% per year increases to the City's Fixed Monthly City Contribution to Benefits; (d) an annual inflation component of 3.0%; and (e) healthcare cost trend rates ranging from 5.0% to 8.0% for medical, and 4% and 3% for dental and vision, respectively. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a fixed 15 year period. The average remaining amortization period at June 30, 2013 was 13.1 years.

The City administered Supplemental Health Account for Retired Employees (SHARE) plan is a defined contribution post-employment benefits plan established by the City Council. This plan is intended to assist employees first eligible for City health benefits on or after January 1, 2007, in saving for postemployment health insurance costs. Employer and employee contributions to the plan begin one year after the employee's hire date. The City's monthly contribution is \$100 for full-time employees and is prorated based on full-time equivalency. Employees are required to contribute 1.5% of their salary to this plan. The contributions made by employees are not forfeitable. To receive the City's contributions, employees must separate or retire from the City, have 15 years of service, and attain age 55. As of June 30, 2013, 38 employees were eligible to participate in this plan. Required employer contributions were made during the year in the amount of \$40,394 and required employee contributions totaled \$29,458. At June 30, 2013, there were no retirees eligible to receive the City's contributions under this plan.



## **REQUIRED SUPPLEMENTARY INFORMATION**



MISSION VIEJO

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**CITY OF MISSION VIEJO**

**REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT PENSION PLAN  
YEAR ENDED JUNE 30, 2013**

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**DEFINED BENEFIT PENSION PLAN  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded	Funded Status Based on AVA (b)/(a)	Market Value of Assets (MVA) (c)	Funded	Annual Covered Payroll (d)	UAAL
			Actuarial Accrued Liability (UAAL)/ (Excess Assets) (a)-(b)			Status Based on MVA (c)/(a)		As a % of Payroll [(a)-(b)]/(d)
6/30/07	\$29,475,073	\$24,506,369	\$ 4,968,704	83.1%	\$27,789,959	94.3%	\$ 8,835,113	56.2%
6/30/08	34,504,320	28,755,811	5,748,509	83.3%	28,666,932	83.1%	9,866,479	58.3%
6/30/09	42,076,529	32,897,337	9,179,192	78.2%	24,225,380	57.6%	10,322,231	88.9%
6/30/10	46,287,502	36,787,929	9,499,573	79.5%	29,489,295	63.7%	9,879,953	96.1%
6/30/11	51,387,228	40,829,833	10,557,395	79.5%	37,202,591	72.4%	9,629,988	109.6%
6/30/12	55,336,400	44,251,357	11,085,043	80.0%	37,971,519	68.6%	9,762,788	113.5%

# CITY OF MISSION VIEJO

## REQUIRED SUPPLEMENTARY INFORMATION OTHER POST EMPLOYMENT BENEFIT PLAN YEAR ENDED JUNE 30, 2013

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

#### SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Entry Age	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL)/ (Excess Assets) (a) - (b)	Funded Ratio Based on AVA (b) / (a)	Annual Covered Payroll (c)	UAAL As a % of Payroll [(a)-(b)]/(c)
	Normal Actuarial Accrued Liability (a)					
6/30/08	\$ 4,751,000	\$ 1,462,000	\$ 3,289,000	30.8%	\$ 9,866,479	33.3%
6/30/10	6,524,000	2,247,000	4,277,000	34.4%	9,879,953	43.3%
6/30/11	7,362,000	2,805,000	4,557,000	38.1%	9,771,000	46.6%
6/30/13	7,518,000	4,269,000	3,249,000	56.8%	9,874,000	32.9%

#### SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Employer Contributions	
	Annual Required Contribution	Percentage Contributed
2010	\$ 498,190	98%
2011	528,903	98%
2012	728,666	98%
2013	747,497	98%

# CITY OF MISSION VIEJO

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (BUDGETARY BASIS)

### GENERAL FUND

YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with
	Original	Final				Final Budget
<b>Revenues:</b>						
Taxes	\$ 42,281,000	\$ 43,104,492	\$ 43,662,464	\$ -	\$ 43,662,464	\$ 557,972
Licenses and permits	1,637,200	1,881,200	1,779,083	-	1,779,083	(102,117)
Intergovernmental	268,800	399,904	295,611	-	295,611	(104,293)
Charges for services	2,984,370	2,842,820	2,859,150	-	2,859,150	16,330
Investment earnings	209,700	209,700	51,951	-	51,951	(157,749)
Fines and forfeitures	781,000	756,000	723,107	-	723,107	(32,893)
Developer fees	-	10,000	10,000	-	10,000	-
Other	328,350	884,774	1,241,783	-	1,241,783	357,009
<b>Total revenues</b>	<b>48,490,420</b>	<b>50,088,890</b>	<b>50,623,149</b>	<b>-</b>	<b>50,623,149</b>	<b>534,259</b>
<b>Expenditures:</b>						
General government - legislative	1,306,592	1,289,648	1,242,612	19,350	1,261,962	27,686
General government - management and support	7,959,751	10,194,633	8,181,103	243,165	8,424,268	1,770,365
Public safety	16,589,932	16,597,447	16,257,152	40,883	16,298,035	299,412
Community development	1,985,625	2,274,977	2,254,525	20,452	2,274,977	-
Public works - engineering and transportation	2,170,824	2,227,264	2,114,962	93,171	2,208,133	19,131
Infrastructure maintenance	11,851,068	13,329,830	12,810,988	376,193	13,187,181	142,649
Recreation/community/library services	4,658,013	5,010,483	4,997,567	-	4,997,567	12,916
<b>Capital outlay:</b>						
Ferrocarril	-	94,345	13,935	15,065	29,000	65,345
Marguerite - Resurfacing Oso/La Paz	-	43,897	36,991	3,000	39,991	3,906
Dog Park	-	61,284	34,539	2,334	36,873	24,411
Emergency Vehicle Preemption	-	10,000	-	-	-	10,000
2007 Playground Renovation	-	61,481	-	-	-	61,481
Marguerite Aquatics Decking	-	16,884	494	-	494	16,390
Oso Creek Trail Signage	-	1,276	(7,169)	-	(7,169)	8,445
MV Library Room Remodel	-	45,376	45,113	-	45,113	263
Bleacher Shade Covers	-	118,154	86,239	-	86,239	31,915
Marguerite Tennis Renovation and Lighting	-	367,178	346,197	-	346,197	20,981
Arterial Highway Slurry Seal	-	71,702	1,790	2,911	4,701	67,001
Residential Resurfacing	-	67,711	30,435	-	30,435	37,276
<b>Total expenditures</b>	<b>46,521,805</b>	<b>51,883,570</b>	<b>48,447,473</b>	<b>816,524</b>	<b>49,263,997</b>	<b>2,619,573</b>
Excess (deficiency) of revenues over (under) expenditures	1,968,615	(1,794,680)	2,175,676	(816,524)	1,359,152	3,153,832
<b>Other financing sources (uses):</b>						
Transfers in	386,000	386,000	486,605	-	486,605	100,605
Transfers out	(2,319,000)	(2,290,450)	(2,284,992)	-	(2,284,992)	5,458
Proceeds from sale of capital asset	-	-	4,102	-	4,102	4,102
<b>Total other financing sources (uses)</b>	<b>(1,933,000)</b>	<b>(1,904,450)</b>	<b>(1,794,285)</b>	<b>-</b>	<b>(1,794,285)</b>	<b>110,165</b>
Net change in fund balance	35,615	(3,699,130)	381,391	(816,524)	(435,133)	3,263,997
Fund balance, beginning of year	28,726,566	28,726,566	28,726,566	-	28,726,566	-
Fund balance, end of year	<b>\$ 28,762,181</b>	<b>\$ 25,027,436</b>	<b>\$ 29,107,957</b>	<b>\$ -</b>	<b>\$ 28,291,433</b>	<b>\$ 3,263,997</b>

# CITY OF MISSION VIEJO

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (BUDGETARY BASIS) MEASURE M FUND YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with
	Original	Final				Final Budget Positive (Negative)
<b>Revenues:</b>						
Intergovernmental	\$ 6,368,250	\$ 9,026,804	\$ 1,982,195	\$ -	\$ 1,982,195	\$ (7,044,609)
Investment earnings	28,000	28,000	293	-	293	(27,707)
Other	-	342,856	276,381	-	276,381	(66,475)
<b>Total revenues</b>	<b>6,396,250</b>	<b>9,397,660</b>	<b>2,258,869</b>	<b>-</b>	<b>2,258,869</b>	<b>(7,138,791)</b>
<b>Expenditures:</b>						
Capital outlay:						
Crown Valley Traffic Signal Synch	-	10,146	3,379	-	3,379	6,767
Marguerite Traffic Signal Synch	-	56,549	5,198	-	5,198	51,351
Emergency Vehicle Preemption	-	70,000	-	-	-	70,000
La Paz Median Improvement	-	100,000	-	-	-	100,000
La Paz Bridge Widening	2,551,000	2,763,085	189,756	3,827	193,583	2,569,502
Oso Widening	2,408,000	3,246,997	628,016	8,111	636,127	2,610,870
Traffic Safety /Signal Coordination	-	84,129	60,756	13,643	74,399	9,730
Marguerite Resurfacing/Median Oso to La Paz	-	308,543	307,823	-	307,823	720
Arterial Highway Slurry Seal	600,000	638,466	5,677	632,377	638,054	412
Residential Resurfacing	739,250	1,294,596	1,007,933	-	1,007,933	286,663
Oso/Marguerite Intersection Improvements	-	13,646	13,645	-	13,645	1
<b>Total expenditures</b>	<b>6,298,250</b>	<b>8,586,157</b>	<b>2,222,183</b>	<b>657,958</b>	<b>2,880,141</b>	<b>5,706,016</b>
Excess of revenues over (under) expenditures	98,000	811,503	36,686	(657,958)	(621,272)	(1,432,775)
Net change in fund balances	98,000	811,503	36,686	(657,958)	(621,272)	(1,432,775)
Fund balance (deficits), beginning of year	(1,037,650)	(1,037,650)	(1,037,650)	-	(1,037,650)	-
Fund balance (deficits), end of year	<u>\$ (939,650)</u>	<u>\$ (226,147)</u>	<u>\$ (1,000,964)</u>	<u>\$ -</u>	<u>\$ (1,658,922)</u>	<u>\$ (1,432,775)</u>



# CITY OF MISSION VIEJO

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (BUDGETARY BASIS) GRANTS FUND YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final				Positive (Negative)
<b>Revenues:</b>						
Intergovernmental	\$ 968,064	\$ 6,556,775	\$ 362,500	\$ -	\$ 362,500	\$ (6,194,275)
Investment earnings	-	-	624	-	624	624
Other	-	-	438,838	-	438,838	438,838
<b>Total revenues</b>	<b>968,064</b>	<b>6,556,775</b>	<b>801,962</b>	<b>-</b>	<b>801,962</b>	<b>(5,754,813)</b>
<b>Expenditures:</b>						
General government - management and support	9,393	9,393	9,272	-	9,272	121
Public safety	-	45,416	12,750	13,350	26,100	19,316
Community development	385,038	619,286	305,628	-	305,628	313,658
Capital outlay:						
Oso Creek Restoration	-	29,640	29,638	-	29,638	2
SRT Sidewalk Access Ramp	-	141,420	139,116	-	139,116	2,304
Oso Creek Trail Signage	-	90,527	28,595	-	28,595	61,932
Federal Safe Routes to Schools	-	76,378	69,913	-	69,913	6,465
La Paz Railroad Bridge Widening	-	2,607,405	200,062	-	200,062	2,407,343
Cabot/Camino Capistrano Bridge	-	928,289	-	-	-	928,289
Marguerite Resurfacing/Median Oso to La Paz	-	417,560	213,840	22,377	236,217	181,343
Arterial Highway Resurfacing	573,830	573,830	-	573,830	573,830	-
Emergency Vehicle Preemption	-	718,600	-	-	-	718,600
<b>Total expenditures</b>	<b>968,261</b>	<b>6,257,744</b>	<b>1,008,814</b>	<b>609,557</b>	<b>1,618,371</b>	<b>4,639,373</b>
Excess (deficiency) of revenues over (under) expenditures	(197)	299,031	(206,852)	(609,557)	(816,409)	(1,115,440)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	64,721	-	64,721	64,721
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>64,721</b>	<b>-</b>	<b>64,721</b>	<b>64,721</b>
Net change in fund balance	(197)	299,031	(142,131)	(609,557)	(751,688)	(1,050,719)
Fund balance (deficits), beginning of year	(261,751)	(261,751)	(261,751)	-	(261,751)	-
Fund balance (deficits), end of year	\$ (261,948)	\$ 37,280	\$ (403,882)	\$ -	\$ (1,013,439)	\$ (1,050,719)

**CITY OF MISSION VIEJO**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 DEVELOPER FEES FUND  
 YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with
	Original	Final				Final Budget Positive (Negative)
<b>Revenues:</b>						
Investment earnings	\$ -	\$ -	\$ 25,334	\$ -	\$ 25,334	\$ 25,334
Developer fees	-	7,567,852	3,236,060	-	3,236,060	(4,331,792)
<b>Total revenues</b>	<b>-</b>	<b>7,567,852</b>	<b>3,261,394</b>	<b>-</b>	<b>3,261,394</b>	<b>(4,306,458)</b>
<b>Expenditures:</b>						
Capital outlay:						
Oso Creek Restoration	-	10,858	(18,088)	-	(18,088)	28,946
Dog Park	-	860,000	4,160	-	4,160	855,840
Marguerite Tennis Renovations	-	444,814	437,881	-	437,881	6,933
Oso Widening	-	1,870,417	196,406	102,973	299,379	1,571,038
Oso/Marguerite Intersection Improvements	-	706,005	(2,019)	100	(1,919)	707,924
<b>Total expenditures</b>	<b>-</b>	<b>3,892,094</b>	<b>618,340</b>	<b>103,073</b>	<b>721,413</b>	<b>3,170,681</b>
 Net change in fund balances	 -	 3,675,758	 2,643,054	 (103,073)	 2,539,981	 (1,135,777)
Fund balance, beginning of year	(1,245,696)	(1,245,696)	(1,245,696)	-	(1,245,696)	-
Fund balance, end of year	<u>\$ (1,245,696)</u>	<u>\$ 2,430,062</u>	<u>\$ 1,397,358</u>	<u>\$ (103,073)</u>	<u>\$ 1,294,285</u>	<u>\$ (1,135,777)</u>

**CITY OF MISSION VIEJO**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 HOUSING AUTHORITY FUND  
 YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>Revenues:</b>						
Investment earnings	\$ 60,000	\$ 60,000	\$ 77,375	\$ -	\$ 77,375	\$ 17,375
Other	-	-	53,377	-	53,377	53,377
<b>Total revenues</b>	<u>60,000</u>	<u>60,000</u>	<u>130,752</u>	<u>-</u>	<u>130,752</u>	<u>70,752</u>
<b>Expenditures:</b>						
Community development	250,000	1,523,992	474,084	919,599	1,393,683	130,309
<b>Total expenditures</b>	<u>250,000</u>	<u>1,523,992</u>	<u>474,084</u>	<u>919,599</u>	<u>1,393,683</u>	<u>130,309</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(190,000)</u>	<u>(1,463,992)</u>	<u>(343,332)</u>	<u>(919,599)</u>	<u>(1,262,931)</u>	<u>201,061</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(64,721)	-	(64,721)	(64,721)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(64,721)</u>	<u>-</u>	<u>(64,721)</u>	<u>(64,721)</u>
Net change in fund balance	<u>(190,000)</u>	<u>(1,463,992)</u>	<u>(408,053)</u>	<u>(919,599)</u>	<u>(1,327,652)</u>	<u>136,340</u>
Fund balance, beginning of year	<u>6,785,664</u>	<u>6,785,664</u>	<u>6,785,664</u>	<u>-</u>	<u>6,785,664</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,595,664</u>	<u>\$ 5,321,672</u>	<u>\$ 6,377,611</u>	<u>\$ (919,599)</u>	<u>\$ 5,458,012</u>	<u>\$ 136,340</u>



MISSION VIEJO

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# CITY OF MISSION VIEJO

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2013

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(1) Budgetary Policy and Control

General Budget Policies

The City Council adopts a biennial budget for all funds of the primary government prior to the beginning of each biennium, which begins on July 1 of each odd-numbered year. Annual budgets are adopted for the Community Development Financing Authority and the Mission Viejo Housing Authority. Public discussions are conducted prior to the budget's adoption by the Council. Annual appropriations are approved by the Council prior to the beginning of each year of the biennial budget period. All appropriations lapse at year-end. The City Council has the legal authority to amend the budget at any time during the fiscal year. For the operating budget, the City Manager has the authority to transfer appropriations between accounts (without dollar limitation) within the same fund as long as the transfers are within the same program area. For the capital improvement program, the City Manager has the authority to transfer up to \$30,000 in appropriations between capital projects within the same fund as long as the transfers are within the responsibility of the same department. All other appropriation changes require City Council approval. The total additional appropriations for all funds for fiscal year ended June 30, 2013 were \$18,645,630. Of this amount, \$5,361,765 represents additional appropriations in the General Fund.

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

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

Continuing Appropriations

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

# CITY OF MISSION VIEJO

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2013

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(1) Budgetary Policy and Control, (continued)

Budgetary Basis of Accounting

Budgets for the governmental funds (which include encumbrances and interfund borrowings and repayments) are administered on a basis which differs from generally accepted accounting principles (GAAP). The Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual present comparisons of the legally adopted budget with actual data on the budgetary basis. Encumbrances at year end are considered expenditures on the budgetary basis. Furthermore, on a budgetary basis, interfund borrowings are considered to be other financing uses and repayments are considered to be expenditures. The differences between the budgetary basis and GAAP are presented on the same financial statements. Budgeted amounts are as originally adopted and as further amended by the City Council.

(2) Capital Assets – Modified Approach for Infrastructure

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

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

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

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

# CITY OF MISSION VIEJO

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2013

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

Streets

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

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

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

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

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

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

# CITY OF MISSION VIEJO

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2013

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

Streets, (continued)

Condition Levels:	2008 Study	2010 Study	2012 Study
Arterials (MPAH)	Good	Very Good	Very Good
Collectors	Good	Good	(combined w/ Local/Residential)
Local/Residential	Good	Very Good	Very Good

The June 2012 study indicated that the average pavement condition of the City's streets is "Very Good" for Arterials, and "Very Good" for Local streets. The average PCI for Arterials was assessed at 90 PCI and Local streets were assessed at 93 PCI. In comparison, the 2010 study assessed Arterials at 85 PCI, Collectors at 84 PCI and Local/Residential streets at 85 PCI and the 2008 study assessed Arterials at 84 PCI, Collectors at 77 PCI and Local Residential streets at 79 PCI.

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

Comparison of Needed to Actual Maintenance/Preservation

<u>Overall System:</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Needed	\$ 3,006,379	\$ 4,604,490	\$ 5,786,000	\$ 4,520,000	\$ 3,790,000
Actual	<u>3,594,516</u>	<u>8,613,102</u>	<u>6,729,300</u>	<u>5,991,780</u>	<u>4,120,884</u>
Difference	<u>\$ 588,137</u>	<u>\$ 4,008,612</u>	<u>\$ 943,300</u>	<u>\$ 1,471,780</u>	<u>\$ 330,884</u>



**CITY OF MISSION VIEJO**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	Special Revenue	Debt Service	Totals
<b>Assets:</b>			
Cash and investments	\$ 1,670,547	\$ 7,336	\$ 1,677,883
Taxes receivable	53,162	-	53,162
Interest receivable	-	827	827
Intergovernmental receivable	400,117	-	400,117
Restricted assets:			
Cash and investments with fiscal agents	-	5,894,294	5,894,294
<b>Total assets</b>	<b>\$ 2,123,826</b>	<b>\$ 5,902,457</b>	<b>\$ 8,026,283</b>
<b>Liabilities and fund balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 199,079	\$ -	\$ 199,079
Accrued payroll	103,409	-	103,409
Deferred revenues	733	-	733
Deposits	1,587	-	1,587
Interfund payable	149,045	93,016	242,061
Retainage payable	4,376	-	4,376
<b>Total liabilities</b>	<b>458,229</b>	<b>93,016</b>	<b>551,245</b>
<b>Fund balances:</b>			
<b>Restricted for:</b>			
Parks and recreation	455,430	-	455,430
Public works	1,083,562	-	1,083,562
Capital projects	144,248	-	144,248
Debt service	-	5,809,441	5,809,441
<b>Unassigned</b>	<b>(17,643)</b>	<b>-</b>	<b>(17,643)</b>
<b>Total fund balances</b>	<b>1,665,597</b>	<b>5,809,441</b>	<b>7,475,038</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,123,826</b>	<b>\$ 5,902,457</b>	<b>\$ 8,026,283</b>

**CITY OF MISSION VIEJO**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013**

	Special Revenue	Debt Service	Total
<b>Revenues:</b>			
Taxes	\$ 2,133,927	\$ 1,179,693	\$ 3,313,620
Intergovernmental	4,667,791	1,044,529	5,712,320
Charges for services	218,059	-	218,059
Investment earnings	(1,517)	2,552	1,035
Fines and forfeitures	115,299	-	115,299
Other	371,411	-	371,411
<b>Total revenues</b>	<b>7,504,970</b>	<b>2,226,774</b>	<b>9,731,744</b>
<b>Expenditures:</b>			
Current:			
General government - management and support	164,762	-	164,762
Public safety	630,499	-	630,499
Community development	45,151	-	45,151
Public works - engineering and transportation	183,464	-	183,464
Infrastructure maintenance	1,875,216	-	1,875,216
Recreation/community/library service	2,794,760	-	2,794,760
Capital outlay	2,416,343	-	2,416,343
Debt service:			
Principal retirement	-	1,530,000	1,530,000
Interest and fiscal charges	-	1,117,803	1,117,803
<b>Total expenditures</b>	<b>8,110,195</b>	<b>2,647,803</b>	<b>10,757,998</b>
Excess (deficiency) of revenues over (under) expenditures	(605,225)	(421,029)	(1,026,254)
<b>Other financing sources (uses):</b>			
Transfers in	511,450	2,478,235	2,989,685
Transfers out	-	(1,666,298)	(1,666,298)
<b>Total other financing sources (uses)</b>	<b>511,450</b>	<b>811,937</b>	<b>1,323,387</b>
Net change in fund balances	(93,775)	390,908	297,133
Fund balances, beginning of year	1,759,372	5,418,533	7,177,905
Fund balances, end of year	<u>\$ 1,665,597</u>	<u>\$ 5,809,441</u>	<u>\$ 7,475,038</u>

## CITY OF MISSION VIEJO

### OTHER SPECIAL REVENUE FUNDS YEAR ENDED JUNE 30, 2013

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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, as well as funds exchanged with Orange County Transportation Authority as part of the gas tax exchange program. These funds are earmarked for maintenance, rehabilitation or improvement of public streets.

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

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

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

**CITY OF MISSION VIEJO**

**COMBINING BALANCE SHEET  
OTHER SPECIAL REVENUE FUNDS  
JUNE 30, 2013**

	Gas Tax	Library Operations	Law Enforcement Grants
<b>Assets:</b>			
Cash and investments	\$ 952,542	\$ 594,987	\$ -
Taxes receivable	-	23,862	-
Intergovernmental receivable	361,587	-	38,530
<b>Total assets</b>	<b>\$ 1,314,129</b>	<b>\$ 618,849</b>	<b>\$ 38,530</b>
<b>Liabilities and fund balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 111,908	\$ 60,101	\$ 19,000
Accrued payroll	2,411	100,998	-
Deferred revenues	-	733	-
Deposits	-	1,587	-
Interfund payable	111,872	-	37,173
Retainage payable	4,376	-	-
<b>Total liabilities</b>	<b>230,567</b>	<b>163,419</b>	<b>56,173</b>
<b>Fund balances:</b>			
<b>Restricted for:</b>			
Parks and recreation	-	455,430	-
Public works	1,083,562	-	-
Capital projects	-	-	-
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>(17,643)</b>
<b>Total fund balances (deficit)</b>	<b>1,083,562</b>	<b>455,430</b>	<b>(17,643)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,314,129</b>	<b>\$ 618,849</b>	<b>\$ 38,530</b>

Air Quality	Totals
\$ 123,018	\$ 1,670,547
29,300	53,162
-	400,117
<u>\$ 152,318</u>	<u>\$ 2,123,826</u>

\$ 8,070	\$ 199,079
-	103,409
-	733
-	1,587
-	149,045
-	4,376
<u>8,070</u>	<u>458,229</u>

-	455,430
-	1,083,562
144,248	144,248
-	(17,643)
<u>144,248</u>	<u>1,665,597</u>
<u>\$ 152,318</u>	<u>\$ 2,123,826</u>

**CITY OF MISSION VIEJO**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2013**

	Gas Tax	Library Operations	Law Enforcement Grants
<b>Revenues:</b>			
Taxes	\$ -	\$ 2,133,927	\$ -
Intergovernmental	4,261,912	137,928	154,826
Charges for services	-	218,059	-
Investment earnings	(3,177)	431	-
Fines and forfeitures	-	115,299	-
Other	309,600	61,811	-
<b>Total revenues</b>	<b>4,568,335</b>	<b>2,667,455</b>	<b>154,826</b>
<b>Expenditures:</b>			
Current:			
General government - management and support	-	162,931	-
Public safety	402,500	-	227,999
Community development	-	-	-
Public works - engineering and transportation	183,464	-	-
Infrastructure maintenance	1,539,623	335,593	-
Recreation/community/library services	-	2,794,760	-
Capital outlay	2,046,006	288,935	-
<b>Total expenditures</b>	<b>4,171,593</b>	<b>3,582,219</b>	<b>227,999</b>
Excess (deficiency) of revenues over (under) expenditures	396,742	(914,764)	(73,173)
<b>Other financing sources (uses):</b>			
Transfers in	-	511,450	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>511,450</b>	<b>-</b>
Net change in fund balances	396,742	(403,314)	(73,173)
Fund balances (deficits), beginning of year	686,820	858,744	55,530
Fund balances (deficits), end of year	<b>\$ 1,083,562</b>	<b>\$ 455,430</b>	<b>\$ (17,643)</b>

Air Quality	Totals
\$ -	\$ 2,133,927
113,125	4,667,791
-	218,059
1,229	(1,517)
-	115,299
-	371,411
<u>114,354</u>	<u>7,504,970</u>
1,831	164,762
-	630,499
45,151	45,151
-	183,464
-	1,875,216
-	2,794,760
<u>81,402</u>	<u>2,416,343</u>
<u>128,384</u>	<u>8,110,195</u>
<u>(14,030)</u>	<u>(605,225)</u>
<u>-</u>	<u>511,450</u>
<u>-</u>	<u>511,450</u>
(14,030)	(93,775)
<u>158,278</u>	<u>1,759,372</u>
<u>\$ 144,248</u>	<u>\$ 1,665,597</u>

# CITY OF MISSION VIEJO

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (BUDGETARY BASIS) OTHER SPECIAL REVENUE FUNDS - GAS TAX FUND YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with
	Original	Final				Final Budget-
						Positive (Negative)
<b>Revenues:</b>						
Intergovernmental	\$ 4,610,308	\$ 4,610,308	\$ 4,261,912	\$ -	\$ 4,261,912	\$ (348,396)
Investment earnings	30,000	30,000	(3,177)	-	(3,177)	(33,177)
Other	-	309,600	309,600	-	309,600	-
<b>Total revenues</b>	<b>4,640,308</b>	<b>4,949,908</b>	<b>4,568,335</b>	<b>-</b>	<b>4,568,335</b>	<b>(381,573)</b>
<b>Expenditures:</b>						
General government - management and support	1,500	1,500	-	-	-	1,500
Public safety	402,500	402,500	402,500	-	402,500	-
Public works - engineering and transportation	203,000	299,117	183,464	53,243	236,707	62,410
Infrastructure maintenance	1,554,856	1,554,856	1,539,623	-	1,539,623	15,233
Capital outlay:						
Los Alisos Traffic Signal Synch	57,000	57,000	1,198	-	1,198	55,802
Santa Marg Pkwy Traffic Signal Synch	24,000	24,000	1,072	-	1,072	22,928
Oso Parkway Traffic Signal Synch	30,000	30,000	1,437	-	1,437	28,563
La Paz Median Improvements	-	20,000	11,895	-	11,895	8,105
Traffic Safety Program	-	-	-	-	-	-
Traffic Safety/Signal Coordination	-	20,191	12,009	1,621	13,630	6,561
Marguerite Resurfacing - Oso Parkway to La Paz	-	138,237	137,002	1,235	138,237	-
Sidewalk Repair	-	21,900	-	-	-	21,900
Arterial Highway Slurry Seal	400,000	397,957	75,331	322,626	397,957	-
Residential Resurfacing	1,842,058	2,249,036	1,806,062	-	1,806,062	442,974
<b>Total expenditures</b>	<b>4,514,914</b>	<b>5,216,294</b>	<b>4,171,593</b>	<b>378,725</b>	<b>4,550,318</b>	<b>665,976</b>
 Net change in fund balance	 125,394	 (266,386)	 396,742	 (378,725)	 18,017	 284,403
 Fund balance, beginning of year	 686,820	 686,820	 686,820	 -	 686,820	 -
 Fund balance, end of year	 \$ 812,214	 \$ 420,434	 \$ 1,083,562	 \$ (378,725)	 \$ 704,837	 \$ 284,403



**CITY OF MISSION VIEJO**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 OTHER SPECIAL REVENUE FUNDS - LIBRARY OPERATIONS FUND  
 YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with
	Original	Final				Final Budget Positive (Negative)
<b>Revenues:</b>						
Taxes	\$ 2,032,000	\$ 2,119,380	\$ 2,133,927	\$ -	\$ 2,133,927	\$ 14,547
Intergovernmental	121,000	121,000	137,928	-	137,928	16,928
Charges for services	234,500	175,670	218,059	-	218,059	42,389
Investment earnings	8,000	8,000	431	-	431	(7,569)
Fines and forfeitures	131,000	131,000	115,299	-	115,299	(15,701)
Other	16,000	51,184	61,811	-	61,811	10,627
<b>Total revenues</b>	<b>2,542,500</b>	<b>2,606,234</b>	<b>2,667,455</b>	<b>-</b>	<b>2,667,455</b>	<b>61,221</b>
<b>Expenditures:</b>						
General government - management and support	180,000	345,267	162,931	5,430	168,361	176,906
Infrastructure maintenance	368,520	387,017	335,593	-	335,593	51,424
Recreation/community/library services	2,670,368	2,802,741	2,794,760	7,981	2,802,741	-
Capital outlay:						
MV Library Common Room Remodel	-	290,496	288,935	-	288,935	1,561
<b>Total expenditures</b>	<b>3,218,888</b>	<b>3,825,521</b>	<b>3,582,219</b>	<b>13,411</b>	<b>3,595,630</b>	<b>229,891</b>
Excess (deficiency) of revenues over (under) expenditures	(676,388)	(1,219,287)	(914,764)	(13,411)	(928,175)	291,112
<b>Other financing sources (uses):</b>						
Transfers in	540,000	511,450	511,450	-	511,450	-
<b>Total other financing sources (uses)</b>	<b>540,000</b>	<b>511,450</b>	<b>511,450</b>	<b>-</b>	<b>511,450</b>	<b>-</b>
Net change in fund balance	(136,388)	(707,837)	(403,314)	(13,411)	(416,725)	291,112
Fund balance, beginning of year	858,744	858,744	858,744	-	858,744	-
Fund balance, end of year	<b>\$ 722,356</b>	<b>\$ 150,907</b>	<b>\$ 455,430</b>	<b>\$ (13,411)</b>	<b>\$ 442,019</b>	<b>\$ 291,112</b>

**CITY OF MISSION VIEJO**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 OTHER SPECIAL REVENUE FUNDS - LAW ENFORCEMENT GRANTS  
 YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>Revenues:</b>						
Intergovernmental	\$ 376,000	\$ 151,000	\$ 154,826	\$ -	\$ 154,826	\$ 3,826
<b>Total revenues</b>	<b>376,000</b>	<b>151,000</b>	<b>154,826</b>	<b>-</b>	<b>154,826</b>	<b>3,826</b>
<b>Expenditures:</b>						
Public safety	228,000	228,000	227,999	-	227,999	1
<b>Total expenditures</b>	<b>228,000</b>	<b>228,000</b>	<b>227,999</b>	<b>-</b>	<b>227,999</b>	<b>1</b>
Net change in fund balance	148,000	(77,000)	(73,173)	-	(73,173)	3,827
Fund balance (deficit), beginning of year	55,530	55,530	55,530	-	55,530	-
Fund balance (deficit), end of year	<u>\$ 203,530</u>	<u>\$ (21,470)</u>	<u>\$ (17,643)</u>	<u>\$ -</u>	<u>\$ (17,643)</u>	<u>\$ 3,827</u>

**CITY OF MISSION VIEJO**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 OTHER SPECIAL REVENUE FUNDS - AIR QUALITY  
 YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final				
<b>Revenues:</b>						
Intergovernmental	\$ 115,200	\$ 115,200	\$ 113,125	\$ -	\$ 113,125	\$ (2,075)
Investment earnings	6,800	6,800	1,229	-	1,229	(5,571)
<b>Total revenues</b>	<b>122,000</b>	<b>122,000</b>	<b>114,354</b>	<b>-</b>	<b>114,354</b>	<b>(7,646)</b>
<b>Expenditures:</b>						
General government - management and support	1,910	1,910	1,831	-	1,831	79
Community development	45,000	50,975	45,151	5,824	50,975	-
Public works - engineering and transportation	70,200	130,200	-	-	-	130,200
Capital outlay:						
Traffic Signal/Safety Coordination	-	81,402	81,402	-	81,402	-
<b>Total expenditures</b>	<b>117,110</b>	<b>264,487</b>	<b>128,384</b>	<b>5,824</b>	<b>134,208</b>	<b>130,279</b>
Net change in fund balance	4,890	(142,487)	(14,030)	(5,824)	(19,854)	122,633
Fund balance, beginning of year	158,278	158,278	158,278	-	158,278	-
Fund balance, end of year	<b>\$ 163,168</b>	<b>\$ 15,791</b>	<b>\$ 144,248</b>	<b>\$ (5,824)</b>	<b>\$ 138,424</b>	<b>\$ 122,633</b>



MISSION VIEJO

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## CITY OF MISSION VIEJO

### OTHER DEBT SERVICE FUNDS YEAR ENDED JUNE 30, 2013

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

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

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

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

**CDFA 2009 LEASE REVENUE REFUNDING BONDS** - To accumulate funds for payment of the CDFA 2009 Lease Revenue Bonds.

**CITY OF MISSION VIEJO**

**COMBINING BALANCE SHEET  
OTHER DEBT SERVICE FUNDS  
JUNE 30, 2013**

	Mall Parking Lease	CDFA 1999 Mall Bonds	CDFA 2009 Lease Revenue Refunding Bonds	Totals
<b>Assets:</b>				
Cash and investments	\$ 7,336	\$ -	\$ -	\$ 7,336
Interest receivable	-	-	827	827
Restricted assets:				
Cash and investments with fiscal agents	-	4,531,028	1,363,266	5,894,294
<b>Total assets</b>	<u>\$ 7,336</u>	<u>\$ 4,531,028</u>	<u>\$ 1,364,093</u>	<u>\$ 5,902,457</u>
<b>Liabilities and fund balances:</b>				
<b>Liabilities:</b>				
Interfund payable	\$ -	\$ 93,016	\$ -	\$ 93,016
<b>Total liabilities</b>	-	93,016	-	93,016
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Debt service	7,336	4,438,012	1,364,093	5,809,441
<b>Total fund balances</b>	7,336	4,438,012	1,364,093	5,809,441
<b>Total liabilities and fund balances</b>	<u>\$ 7,336</u>	<u>\$ 4,531,028</u>	<u>\$ 1,364,093</u>	<u>\$ 5,902,457</u>

**CITY OF MISSION VIEJO**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OTHER DEBT SERVICE FUNDS  
YEAR ENDED JUNE 30, 2013**

	Mall Parking Lease	CDFA 1999 Mall Bonds	CDFA 2009 Lease Revenue Refunding Bonds	Totals
<b>Revenues:</b>				
Taxes	\$ 1,179,693	\$ -	\$ -	\$ 1,179,693
Intergovernmental	-	1,044,529	-	1,044,529
Investment earnings	106	(1,209)	3,655	2,552
<b>Total revenues</b>	<b>1,179,799</b>	<b>1,043,320</b>	<b>3,655</b>	<b>2,226,774</b>
<b>Expenditures:</b>				
Debt service:				
Principal retirement	-	1,000,000	530,000	1,530,000
Interest and fiscal charges	-	344,440	773,363	1,117,803
<b>Total expenditures</b>	<b>-</b>	<b>1,344,440</b>	<b>1,303,363</b>	<b>2,647,803</b>
Excess (deficiency) of revenues over (under) expenditures	1,179,799	(301,120)	(1,299,708)	(421,029)
<b>Other financing sources (uses):</b>				
Transfers in	-	1,179,693	1,298,542	2,478,235
Transfers out	(1,179,693)	(486,605)	-	(1,666,298)
<b>Total other financing sources (uses)</b>	<b>(1,179,693)</b>	<b>693,088</b>	<b>1,298,542</b>	<b>811,937</b>
Net change in fund balances	106	391,968	(1,166)	390,908
Fund balances (deficits), beginning of year	7,230	4,046,044	1,365,259	5,418,533
Fund balances (deficits), end of year	<u>\$ 7,336</u>	<u>\$ 4,438,012</u>	<u>\$ 1,364,093</u>	<u>\$ 5,809,441</u>

**CITY OF MISSION VIEJO**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 OTHER DEBT SERVICE FUNDS - MALL PARKING LEASE  
 YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with
	Original	Final				Final Budget- Positive (Negative)
<b>Revenues:</b>						
Taxes	\$ 1,324,000	\$ 1,324,000	\$ 1,179,693	\$ -	\$ 1,179,693	\$ (144,307)
Investment earnings	-	-	106	-	106	106
<b>Total revenues</b>	<u>1,324,000</u>	<u>1,324,000</u>	<u>1,179,799</u>	<u>-</u>	<u>1,179,799</u>	<u>(144,201)</u>
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,324,000</u>	<u>1,324,000</u>	<u>1,179,799</u>	<u>-</u>	<u>1,179,799</u>	<u>(144,201)</u>
<b>Other financing sources (uses):</b>						
Transfers out	<u>(1,324,000)</u>	<u>(1,324,000)</u>	<u>(1,179,693)</u>	<u>-</u>	<u>(1,179,693)</u>	<u>144,307</u>
<b>Total other financing sources (uses)</b>	<u>(1,324,000)</u>	<u>(1,324,000)</u>	<u>(1,179,693)</u>	<u>-</u>	<u>(1,179,693)</u>	<u>144,307</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>106</u>	<u>-</u>	<u>106</u>	<u>106</u>
Fund balance, beginning of year	<u>7,230</u>	<u>7,230</u>	<u>7,230</u>	<u>-</u>	<u>7,230</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,230</u>	<u>\$ 7,230</u>	<u>\$ 7,336</u>	<u>\$ -</u>	<u>\$ 7,336</u>	<u>\$ 106</u>



**CITY OF MISSION VIEJO**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 OTHER DEBT SERVICE FUNDS - CDFA 1999 MALL BONDS  
 YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with
	Original	Final				Final Budget- Positive (Negative)
<b>Revenues:</b>						
Intergovernmental	\$ 700,000	\$ 700,000	\$ 1,044,529	\$ -	\$ 1,044,529	\$ 344,529
Investment earnings	1,000	1,000	(1,209)	-	(1,209)	(2,209)
<b>Total revenues</b>	<b>701,000</b>	<b>701,000</b>	<b>1,043,320</b>	<b>-</b>	<b>1,043,320</b>	<b>342,320</b>
<b>Expenditures:</b>						
Debt service:						
Principal retirement	1,000,000	1,000,000	1,000,000	-	1,000,000	-
Interest and fiscal charges	335,000	335,000	344,440	-	344,440	(9,440)
<b>Total expenditures</b>	<b>1,335,000</b>	<b>1,335,000</b>	<b>1,344,440</b>	<b>-</b>	<b>1,344,440</b>	<b>(9,440)</b>
Excess (deficiency) of revenues over (under) expenditures	(634,000)	(634,000)	(301,120)	-	(301,120)	332,880
<b>Other financing sources (uses):</b>						
Transfers in	1,215,621	1,215,621	1,179,693	-	1,179,693	(35,928)
Transfers out	(486,605)	(486,605)	(486,605)	-	(486,605)	-
<b>Total other financing sources (uses)</b>	<b>729,016</b>	<b>729,016</b>	<b>693,088</b>	<b>-</b>	<b>693,088</b>	<b>(35,928)</b>
Net change in fund balance	95,016	95,016	391,968	-	391,968	296,952
Fund balance, beginning of year	4,046,044	4,046,044	4,046,044	-	4,046,044	-
Fund balance, end of year	<u>\$ 4,141,060</u>	<u>\$ 4,141,060</u>	<u>\$ 4,438,012</u>	<u>\$ -</u>	<u>\$ 4,438,012</u>	<u>\$ 296,952</u>

**CITY OF MISSION VIEJO**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 OTHER DEBT SERVICE FUNDS - CDFA 2009 LEASE REVENUE REFUNDING BONDS  
 YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with
	Original	Final				Final Budget Positive (Negative)
<b>Revenues:</b>						
Investment earnings	\$ 5,000	\$ 5,000	\$ 3,655	\$ -	\$ 3,655	\$ (1,345)
<b>Total revenues</b>	<b>5,000</b>	<b>5,000</b>	<b>3,655</b>	<b>-</b>	<b>3,655</b>	<b>(1,345)</b>
<b>Expenditures:</b>						
Current:						
General government - management and support	5,000	5,000	-	-	-	5,000
Debt service:						
Principal retirement	530,000	530,000	530,000	-	530,000	-
Interest and fiscal charges	773,363	773,363	773,363	-	773,363	-
<b>Total expenditures</b>	<b>1,308,363</b>	<b>1,308,363</b>	<b>1,303,363</b>	<b>-</b>	<b>1,303,363</b>	<b>5,000</b>
Excess (deficiency) of revenues over (under) expenditures	(1,303,363)	(1,303,363)	(1,299,708)	-	(1,299,708)	3,655
<b>Other financing sources (uses):</b>						
Transfers in	1,303,363	1,303,363	1,298,542	-	1,298,542	(4,821)
<b>Total other financing sources (uses)</b>	<b>1,303,363</b>	<b>1,303,363</b>	<b>1,298,542</b>	<b>-</b>	<b>1,298,542</b>	<b>(4,821)</b>
Net change in fund balance	-	-	(1,166)	-	(1,166)	(1,166)
Fund balance, beginning of year	1,365,259	1,365,259	1,365,259	-	1,365,259	-
Fund balance, end of year	<u>\$ 1,365,259</u>	<u>\$ 1,365,259</u>	<u>\$ 1,364,093</u>	<u>\$ -</u>	<u>\$ 1,364,093</u>	<u>\$ (1,166)</u>

## CITY OF MISSION VIEJO

### AGENCY FUND

YEAR ENDED JUNE 30, 2013

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

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

**CITY OF MISSION VIEJO**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2013**

<u>Community Facilities District 92-1</u>	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>
<b>Assets:</b>				
Cash and investments	\$ -	\$ 350,480	\$ 174,639	\$ 175,841
Interest receivable	183	-	183	-
Restricted assets:				
Cash and investments with fiscal agents	<u>646,503</u>	<u>612,723</u>	<u>875,750</u>	<u>383,476</u>
<b>Total assets</b>	<u><u>\$ 646,686</u></u>	<u><u>\$ 963,203</u></u>	<u><u>\$ 1,050,572</u></u>	<u><u>\$ 559,317</u></u>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 174,639	\$ 174,639	\$ -
Due to bondholders	<u>646,686</u>	<u>525,828</u>	<u>613,197</u>	<u>559,317</u>
<b>Total liabilities</b>	<u><u>\$ 646,686</u></u>	<u><u>\$ 700,467</u></u>	<u><u>\$ 787,836</u></u>	<u><u>\$ 559,317</u></u>

# CITY OF MISSION VIEJO

## STATISTICAL TABLES AND OTHER SCHEDULES YEAR ENDED JUNE 30, 2013

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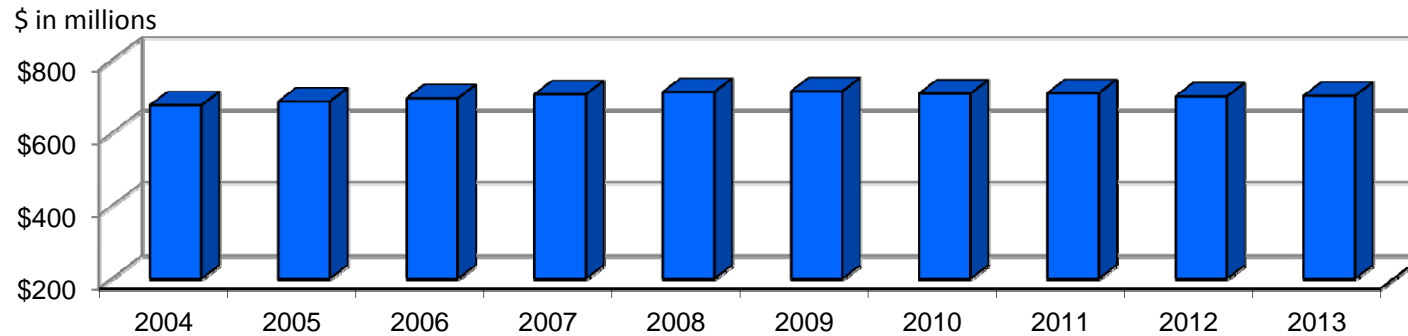
This part of the City of Mission Viejo's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends.....	115
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.....	123
These schedules contain information to help the reader assess the City's most significant local revenue source, property tax revenues.	
Debt Capacity.....	128
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.....	132
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.....	135
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.	

Sources: Unless otherwise noted, the information in these schedules is derived from the City's Comprehensive Annual Financial Report for the relevant year.

# CITY OF MISSION VIEJO

## NET POSITION BY COMPONENT LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)



	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities:</b>										
Net investment in capital assets										
Restricted	\$ 10,851,075	\$ 13,153,006	\$ 14,737,582	\$ 13,544,769	\$ 18,087,908	\$ 17,607,666	\$ 22,790,399	\$ 23,261,890	\$ 14,143,637	\$ 20,610,691
Unrestricted	\$ 33,805,512	\$ 43,435,759	\$ 44,037,190	\$ 47,882,955	\$ 34,212,481	\$ 33,780,397	\$ 29,168,881	\$ 36,865,274	\$ 32,481,374	\$ 29,947,637
Total governmental activities net position	\$ 672,581,684 <sup>1</sup>	\$ 682,368,256	\$ 691,235,661	\$ 701,728,328	\$ 707,653,463	\$ 709,821,432	\$ 703,810,916 <sup>2</sup>	\$ 704,166,188	\$ 695,828,907 <sup>4</sup>	\$ 697,330,172
<b>Business-type activities:</b>										
Net investment in capital assets	2,658,310	2,530,813	2,415,502	2,459,920	2,417,016	2,473,414	2,358,370	2,231,986	2,185,815	2,161,796
Unrestricted	1,035,120	1,203,564	1,397,343	1,503,644	2,129,106	2,157,546	1,873,521	2,178,529	2,324,417	2,686,422
Total business-type activities net position	\$ 3,693,430	\$ 3,734,377	\$ 3,812,845	\$ 3,963,564	\$ 4,546,122	\$ 4,630,960	\$ 4,231,891 <sup>3</sup>	\$ 4,410,515	\$ 4,510,232	\$ 4,848,218
<b>Primary government:</b>										
Net investment in capital assets	630,583,407	628,310,304	634,876,391	642,760,524	657,770,090	660,906,783	654,210,006	646,271,010	651,389,711	648,933,640
Restricted	10,851,075	13,153,006	14,737,582	13,544,769	18,087,908	17,607,666	22,790,399	23,261,890	14,143,637	20,610,691
Unrestricted	34,840,632	44,639,323	45,434,533	49,386,599	36,341,587	35,937,943	31,042,402	39,043,803	34,805,791	32,634,059
Total primary government net position	\$ 676,275,114	\$ 686,102,633	\$ 695,048,506	\$ 705,691,892	\$ 712,199,585	\$ 714,452,392	\$ 708,042,807 <sup>2,3</sup>	\$ 708,576,703	\$ 700,339,139 <sup>4</sup>	\$ 702,178,390

<sup>1</sup> Increase was due primarily to the addition of two infrastructure networks, Medians & Parkways and Storm Drains.

<sup>2</sup> Decrease was due to a reduction in capital assets from depreciation and disposals.

<sup>3</sup> Decrease was due to the return of prior year subsidies in excess of amounts needed to fund operations.

<sup>4</sup> Decrease is due to the transfer out of redevelopment assets in the amount of \$1.8M; the disbursement of \$4.8M for the development of an affordable housing project; and the use of cash resources to pay off one of the City's revenue bonds in the amount of \$2.4M.

Source: Statement of Net Position

# CITY OF MISSION VIEJO

## CHANGES IN NET POSITION LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental activities:										
General government-legislative	\$ 1,417,807	\$ 1,643,865	\$ 1,278,397	\$ 1,458,585	\$ 1,539,469	\$ 2,186,488	\$ 2,346,309	\$ 1,295,007 <sup>25</sup>	\$ 1,222,641	\$ 1,243,358
General govt-management and support	8,872,595	10,545,172	13,767,465 <sup>5</sup>	13,359,098	15,012,892 <sup>13</sup>	14,766,918	16,209,817 <sup>19</sup>	14,807,567 <sup>19</sup>	10,795,031 <sup>22</sup>	10,317,445
Public safety	12,099,669	12,367,812	13,237,344	13,846,244	15,682,611 <sup>14</sup>	16,223,078	16,503,571	16,781,149	16,664,706	16,939,740
Community development	1,895,841	2,093,381	2,180,574	2,114,820	2,619,254	1,910,720	2,392,911	2,571,601	10,102,297 <sup>23</sup>	3,079,388
Public works-engineering & transportation	3,344,704	3,616,133	4,050,960	3,278,156	3,396,587	3,367,924	3,166,898	2,998,197	1,808,209	2,806,889
Infrastructure maintenance	9,989,256	15,084,522 <sup>1</sup>	17,208,589 <sup>6</sup>	20,828,414	21,399,169	21,870,932	24,723,127 <sup>20</sup>	25,209,859	24,041,299	20,777,340
Recreation, community & library services	5,933,112	6,498,561	6,965,590	7,696,128 <sup>9</sup>	8,811,784 <sup>15</sup>	9,393,228	9,517,636	9,153,074	9,419,034	9,805,902
Interest on long-term debt	2,292,056	2,495,852	2,716,028	3,415,025 <sup>11</sup>	2,529,391	1,591,463	2,191,612 <sup>21</sup>	1,681,786 <sup>21</sup>	1,031,685	1,212,454
Total governmental activities expenses	<u>45,845,040</u>	<u>54,345,298</u>	<u>61,404,947</u>	<u>65,996,470</u>	<u>70,991,157</u>	<u>71,310,751</u>	<u>77,051,881</u>	<u>74,498,240</u>	<u>75,084,902</u>	<u>66,182,516</u>
Business-type activities:										
Animal services	957,177	990,544	1,093,211	1,157,320	1,321,913 <sup>16</sup>	1,788,096	1,701,974	1,684,758	1,757,543	1,745,176
Mission Viejo television	162,784	162,000	159,592	171,321	171,440	175,541	123,973	131,138	224,840	230,128
Total business-type activities expenses	<u>1,119,961</u>	<u>1,152,544</u>	<u>1,252,803</u>	<u>1,328,641</u>	<u>1,493,353</u>	<u>1,963,637</u>	<u>1,825,947</u>	<u>1,815,896</u>	<u>1,982,383</u>	<u>1,975,304</u>
Total primary government expenses	<u>46,965,001</u>	<u>55,497,842</u>	<u>62,657,750</u>	<u>67,325,111</u>	<u>72,484,510</u>	<u>73,274,388</u>	<u>78,877,828</u>	<u>76,314,136</u>	<u>77,067,285</u>	<u>68,157,820</u>
Program revenues:										
Governmental activities:										
Charges for services:										
Public safety	962,083	966,906	848,928	800,345	796,364	661,643	1,444,667	712,997	657,456	611,820
Community development	1,460,268	1,656,023	2,165,061	2,033,209	1,768,485	1,714,191	1,323,456	1,279,153	1,388,402	1,936,689
Public works-engineering & transportation	613,377	450,693	518,244	855,540	557,467	482,480	161,943	467,949	384,856	468,278
Recreation, community and library serv	1,370,860	1,801,927	2,082,022	2,225,515	2,439,763	2,560,945	2,331,648	3,951,337	1,788,114 <sup>27</sup>	1,807,694
Other activities	650,272	560,480	794,574	497,762	163,670	235,905	172,401	553,623	107,810	53,983
Operating grants and contributions	8,245,441	4,638,084 <sup>2</sup>	4,500,264	4,938,351	4,750,898	4,255,816	7,275,388	7,573,309	8,912,482	7,867,922
Capital grants and contributions	518,267	3,815,060 <sup>2</sup>	6,188,556 <sup>7</sup>	7,907,221	8,847,033	9,472,730	5,508,196	6,697,833	3,395,881	4,533,348
Total governmental activities revenues	<u>13,820,568</u>	<u>13,889,173</u>	<u>17,097,649</u>	<u>19,257,943</u>	<u>19,323,680</u>	<u>19,383,710</u>	<u>18,217,699</u>	<u>21,236,201</u>	<u>16,635,001</u>	<u>17,279,734</u>
Business-type activities:										
Charges for services:										
Animal services	323,380	394,365	475,944	502,477	863,528	634,515	685,173	1,241,507 <sup>26</sup>	1,305,162	1,366,721
Mission Viejo television	2,221	2,156	1,054	539	543	404	60	100	700	580
Operating grants and contributions	382,985	339,577	390,156	459,977	534,414	801,456	590,780	200,985	324,654	469,281
Capital grants and contributions	5,806	-	-	-	-	-	-	-	-	-
Total business-type activities revenues	<u>714,392</u>	<u>736,098</u>	<u>867,154</u>	<u>962,993</u>	<u>1,398,485</u>	<u>1,436,375</u>	<u>1,276,013</u>	<u>1,442,592</u>	<u>1,630,516</u>	<u>1,836,582</u>
Total primary government revenues	<u>14,534,960</u>	<u>14,625,271</u>	<u>17,964,803</u>	<u>20,220,936</u>	<u>20,722,165</u>	<u>20,820,085</u>	<u>19,493,712</u>	<u>22,678,793</u>	<u>18,265,517</u>	<u>19,116,316</u>
Net (expense)/revenue:										
Governmental activities	(32,024,472)	(40,456,125)	(44,307,298)	(46,738,527)	(51,667,477)	(51,927,041)	(58,834,182)	(53,262,039)	(58,449,901)	(48,902,782)
Business-type activities	(405,569)	(416,446)	(385,649)	(365,648)	(94,868)	(527,262)	(549,934)	(373,304)	(351,867)	(138,722)
Total net expense/revenue	<u>(32,430,041)</u>	<u>(40,872,571)</u>	<u>(44,692,947)</u>	<u>(47,104,175)</u>	<u>(51,762,345)</u>	<u>(52,454,303)</u>	<u>(59,384,116)</u>	<u>(53,635,343)</u>	<u>(58,801,768)</u>	<u>(49,041,504)</u>

(continued)

# CITY OF MISSION VIEJO

## CHANGES IN NET POSITION LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (CONTINUED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	16,822,016	20,439,513 <sup>3</sup>	28,315,994 <sup>8</sup>	31,183,198	33,527,411	34,221,795	34,352,871	32,983,492	29,934,859 <sup>28</sup>	28,148,758
Sales and use taxes	15,463,156	13,558,656	13,590,547	13,099,593	12,231,539	10,557,007 <sup>17</sup>	10,547,009	11,059,525	11,622,640	11,998,071
Property taxes in lieu of sales & use taxes	-	4,344,402 <sup>4</sup>	4,567,285	4,381,834	4,088,418	3,863,059	2,718,259 <sup>24</sup>	3,731,802	3,834,165	3,937,682
Other	3,429,715	3,713,661	3,720,600	4,082,376	3,620,011	3,429,101	3,392,049	3,705,433	3,758,594	3,936,102
Unrestricted motor vehicle in lieu fees	4,533,335	6,906,017	608,665	611,463	438,534	337,213	341,391	497,722	49,831	51,634
Investment income	1,101,787	1,454,287	1,920,079	3,715,080 <sup>12</sup>	3,698,871	2,014,231 <sup>18</sup>	1,001,415 <sup>18</sup>	1,305,766	1,140,564	1,022,147
Other	461,817	235,941	879,905	590,355	322,797	305,386	603,503	655,288	2,031,801 <sup>29</sup>	1,784,653
Transfers	(360,727)	(432,018)	(428,372)	(432,705)	(552,488)	(521,260)	(132,831)	(476,611)	(410,450)	(475,000)
Gain (loss) on sale/disposal of cap assets	-	22,238	-	-	-	(111,522)	-	3,151	-	-
Extraordinary Item	-	-	-	-	-	-	-	-	(1,849,384) <sup>30</sup>	-
Total governmental activities	<u>41,451,099</u>	<u>50,242,697</u>	<u>53,174,703</u>	<u>57,231,194</u>	<u>57,375,093</u>	<u>54,095,010</u>	<u>52,823,666</u>	<u>53,465,568</u>	<u>50,112,620</u>	<u>50,404,047</u>
Business-type activities:										
Investment earnings	11,530	25,375	35,745	83,662	124,938	90,070	18,034	69,376	34,860	1,708
Transfers	360,727	432,018	428,372	432,705	552,488	521,260	132,831	476,611	410,450	475,000
Other	-	-	-	-	-	-	-	5,941	6,274	-
Gain (loss) on sale/disposal of cap assets	-	-	-	-	-	770	-	-	-	-
Total business-type activities	<u>372,257</u>	<u>457,393</u>	<u>464,117</u>	<u>516,367</u>	<u>677,426</u>	<u>612,100</u>	<u>150,865</u>	<u>551,928</u>	<u>451,584</u>	<u>476,708</u>
Total primary government	<u>41,823,356</u>	<u>50,700,090</u>	<u>53,638,820</u>	<u>57,747,561</u>	<u>58,052,519</u>	<u>54,707,110</u>	<u>52,974,531</u>	<u>54,017,496</u>	<u>50,564,204</u>	<u>50,880,755</u>
Changes in net position:										
Governmental activities	9,426,627	9,786,572	8,867,405	10,492,667	5,707,616	2,167,969	(6,010,516)	203,529	(8,337,281)	1,501,265
Business-type activities	(33,312)	40,947	78,468	150,719	582,558	84,838	(399,069)	178,624	99,717	337,986
Total primary government	<u>9,393,315</u>	<u>9,827,519</u>	<u>8,945,873</u>	<u>10,643,386</u>	<u>6,290,174</u>	<u>2,252,807</u>	<u>(6,409,585)</u>	<u>382,153</u>	<u>(8,237,564)</u>	<u>1,839,251</u>

<sup>1</sup> Infrastructure maintenance expenditures increased in FY2005 due to an increase in capital project activity.

<sup>2</sup> Operating grants and contributions were down and capital grants and contributions were up due to a reclassification of certain grants deemed operating grants for FY 2004.

<sup>3</sup> Property tax revenue increased significantly in FY2005 due to the continued strong housing market which resulted in an increase in assessed valuation of the properties.

<sup>4</sup> In 2005 the City began receiving property taxes in lieu of a portion of sales tax from the State, commonly referred to as "Triple Flip" revenue.

<sup>5</sup> General government cost increased primarily due to higher insurance costs.

<sup>6</sup> Infrastructure maintenance increased due primarily to the transfer of certain environmental maintenance and community center utility costs to this area from Public Works.

<sup>7</sup> Capital grants and contributions increased as a result of federal disaster assistance for emergency slope failure repair work, reimbursements from the Ladera development, and reinstatement of Proposition 42 traffic congestion relief funds.

(continued)



# CITY OF MISSION VIEJO

## CHANGES IN NET POSITION LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (CONTINUED)

- <sup>8</sup> The substantial increase was due to the swap by the state of motor vehicle in lieu fees for additional property tax revenue of Proposition 42 traffic congestion relief funds.
- <sup>9</sup> Infrastructure maintenance increased due to an increase in road resurfacing and slurry seal costs, and increases in street, park and median maintenance.
- <sup>10</sup> Recreation, community and library services costs increased due to an increase in personnel costs and an increase in the number of sites where recreation programs are offered.
- <sup>11</sup> The increase in interest on long-term debt was the result of higher interest payments made on variable rate bonds during the year.
- <sup>12</sup> Investment earning increased due to higher yields on investments and higher invested balances.
- <sup>13</sup> General government - management and support increased primarily due to the jumpstart in prefunding other post-employment retiree health benefit costs.
- <sup>14</sup> Public Safety increase due to the addition of two School Resource Officer positions.
- <sup>15</sup> Recreation, community and library services increased due to increases in the number of programs offered and the number of patrons using City facilities.
- <sup>16</sup> Animal services increased due to increased personnel costs associated with operating the shelter.
- <sup>17</sup> Sales Tax decrease was due to the national recession.
- <sup>18</sup> Investment Income decreased due to a decline in yields earned on City investments and a decline in the size of the City portfolio.
- <sup>19</sup> General government-management and support increase in 2010 is due to a payment to the Supplemental Educational Revenue Augmentation Fund as required to transfer local revenues back to the State to assist in balancing the State's budget. This payment was approximately \$1.4 million less in 2011.
- <sup>20</sup> Infrastructure maintenance increase is due to increased spending on maintenance of streets in conjunction with the Crown Valley Widening project.
- <sup>21</sup> Interest on long-term debt increased in 2010 due to costs associated with the issuing of 2009 Lease Revenue Refunding bonds and the redemption premium paid to refund the 2001 Lease Revenue Bond. Because of the refunding, interest on long-term debt decreased in 2011.
- <sup>22</sup> Decrease is due to a number of operational budget cuts and the decrease in expenditures of \$3.8 due to the dissolution of the redevelopment agency.
- <sup>23</sup> Increase is due to the expending of \$4.8M for an affordable housing subsidy and the reclassification of a prior year \$2M housing subsidy.
- <sup>24</sup> Property taxes in lieu of sales and use taxes decreased due to a correction of a prior year overpayment and a reduction of estimated advances received for current year.
- <sup>25</sup> Legislative costs were significantly less in 2011 since there were no special recall election costs incurred (costs exceeded \$400,000 in 2010) and legal costs were significantly less in 2011.
- <sup>26</sup> Operating costs increased due to providing the City of Aliso Viejo with animal services.
- <sup>27</sup> Decrease is caused by the amount of park development fees received. \$2M in 2011 and only \$0.4M in 2012.
- <sup>28</sup> Decrease is due to the dissolution of redevelopment agencies causing the City to receive \$3M less in property tax increment revenue.
- <sup>29</sup> Increase is due to the receipt of miscellaneous developer fee reimbursements related to completed capital projects.
- <sup>30</sup> Amount represent the net position transferred from the redevelopment agency upon dissolution.

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

# CITY OF MISSION VIEJO

## FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General fund:</b>										
Reserved	\$ 6,847,283	\$ 9,198,817	\$ 7,065,344	\$ 12,747,110 <sup>1</sup>	\$ 6,387,326	\$ 4,572,557	\$ 4,313,636	\$ -	\$ -	\$ -
Unreserved	29,131,890	32,553,064	37,792,440	35,815,005	30,435,799 <sup>3</sup>	30,141,564	28,919,290 <sup>6</sup>	-	-	-
Nonspendable	-	-	-	-	-	-	-	654,403 <sup>5</sup>	92,437	554,384 <sup>9</sup>
Restricted	-	-	-	-	-	-	-	140,427 <sup>5</sup>	180,068	160,250
Assigned	-	-	-	-	-	-	-	-	18,262,314 <sup>6</sup>	17,253,034
Unassigned	-	-	-	-	-	-	-	32,486,599 <sup>5</sup>	10,191,747 <sup>6</sup>	11,140,289
<b>Total general fund</b>	<b>\$ 35,979,173</b>	<b>\$ 41,751,881</b>	<b>\$ 44,857,784</b>	<b>\$ 48,562,115</b>	<b>\$ 36,823,125</b>	<b>\$ 34,714,121</b>	<b>\$ 33,232,926</b>	<b>\$ 33,281,429</b>	<b>\$ 28,726,566</b>	<b>\$ 29,107,957</b>
<b>All other governmental funds:</b>										
Reserved	\$ 19,142,865	\$ 20,007,732	\$ 34,221,856 <sup>1</sup>	\$ 31,200,022	\$ 28,437,107	\$ 23,720,546	\$ 28,120,395	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenues funds	1,758,008	1,566,645	(8,892,769) <sup>2</sup>	(8,264,397) <sup>2</sup>	(5,338,036) <sup>2</sup>	(609,794)	(4,638,772) <sup>4</sup>	-	-	-
Debt service funds	(3,810,925)	(4,175,531)	(4,183,223)	(3,524,440)	(3,830,123)	(2,331,936)	(2,921,375)	-	-	-
Capital projects funds	121,742	215,481	230,623	(25,018)	463,170	263,118	566,786	-	-	-
Nonspendable	-	-	-	-	-	-	-	4,456,564 <sup>5</sup>	6,630,213	6,042,642
Restricted	-	-	-	-	-	-	-	18,664,969 <sup>5</sup>	7,333,356 <sup>8</sup>	11,186,470
Unassigned	-	-	-	-	-	-	-	(4,397,906) <sup>5</sup>	(2,545,097)	(3,383,951)
<b>Total all other governmental funds</b>	<b>\$ 17,211,690</b>	<b>\$ 17,614,327</b>	<b>\$ 21,376,487</b>	<b>\$ 19,386,167</b>	<b>\$ 19,732,118</b>	<b>\$ 21,041,934</b>	<b>\$ 21,127,034</b>	<b>\$ 18,723,627</b>	<b>\$ 11,418,472</b>	<b>\$ 13,845,161</b>

<sup>1</sup> Increase is due to large encumbered balances at year-end for capital improvement projects.

<sup>2</sup> Large encumbered balances for capital improvement projects funded by reimbursement-based grants and developer fees resulted in unreserved fund deficits in several special revenue funds.

<sup>3</sup> Decrease is due to an increase in expenditures for capital projects, paid with resources accumulated in prior years.

<sup>4</sup> Increase in negative fund balance is caused by the expending of Measure M, Gas Tax and Grants funds in advance of revenue receipts.

<sup>5</sup> New GASB 54 classifications for FY 10/11

<sup>6</sup> Unassigned balances reported in 2011 were re-classified as assigned in accordance with GASB 54.

<sup>7</sup> Decrease in total general fund balance is related to the expending of \$4.2M on the Marguerite Tennis Center Renovation, utilizing resources accumulated in prior years.

<sup>8</sup> The decrease is due to the disbursement of \$4.8M for a housing subsidy from the Housing Authority; the pay off of one bond issue for \$2.4M; and transfer of \$1.8 as a result of the dissolution of the redevelopment agency.

<sup>9</sup> Increase relates to re-establishing City/RDA loan due to Department of Finance disallowance of loan payment.

Source: Governmental Funds Balance Sheet

# CITY OF MISSION VIEJO

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Taxes	\$ 37,791,653	\$ 41,454,221	\$ 49,990,351 <sup>1</sup>	\$ 52,897,806	\$ 53,701,448	\$ 51,911,454	\$ 50,849,597	\$ 51,480,252	\$ 49,150,258	\$ 46,976,084
Licenses and permits	1,022,612	1,050,504	1,631,189	1,673,856	1,388,460	1,265,539	1,244,695	1,241,009	1,192,491	1,779,083
Intergovernmental	13,509,239	14,299,965	11,100,513	10,274,757	10,131,158	10,774,264	12,668,991	12,069,112	9,027,221	8,352,626
Charges for services	1,752,372	2,066,709	2,208,203	2,650,875	2,357,708	2,248,499	2,167,175	2,301,119	2,137,521	3,077,209 <sup>16</sup>
Investment earnings	1,104,595	1,902,109	2,509,971	4,296,276 <sup>4</sup>	4,378,762 <sup>4</sup>	3,180,455	1,851,646 <sup>10</sup>	1,500,919	1,518,378	156,612 <sup>16</sup>
Fines and forfeitures	1,025,448	964,061	971,164	929,781	921,669	799,652	865,963	969,262	915,398	838,406
Developer fees	44,218	387,691	1,829,832	2,219,907	3,165,749	3,885,108	1,164,858	2,394,099	2,990,867	3,246,060
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Other	959,571	891,006	1,777,565	1,850,303	1,065,056	1,321,170	763,812	963,943	1,769,879	2,381,790
<b>Total revenues</b>	<b>57,209,708</b>	<b>63,016,266</b>	<b>72,018,788</b>	<b>76,793,561</b>	<b>77,110,010</b>	<b>75,386,141</b>	<b>71,576,737</b>	<b>72,919,715</b>	<b>68,702,013</b>	<b>66,807,870</b>
<b>Expenditures</b>										
General government-legislative	1,408,127	1,640,829	1,272,859	1,454,655	1,536,513	2,057,338	2,057,561	1,294,261	1,221,895	1,242,612
General government-management and support	9,481,875	9,472,632	11,619,765 <sup>2</sup>	11,500,722	14,958,723	13,374,990	14,811,597 <sup>11</sup>	12,705,588 <sup>11</sup>	8,933,721	8,355,137
Public safety	11,977,994	12,342,183	13,202,638	13,821,556	15,610,489	16,086,919	16,551,580	16,723,031	16,703,530	16,900,401
Community development	1,862,875	2,035,609	2,512,625	2,318,741	2,922,531	2,423,507	4,390,143 <sup>13</sup>	2,570,480	8,102,297	3,079,388
Public works- engineering and transportation	3,199,844	3,641,733	3,821,094	3,046,499	3,197,302	3,135,609	2,621,355	2,495,045	2,519,010	2,298,426
Infrastructure maintenance	10,522,399	11,036,227	13,369,920 <sup>3</sup>	14,361,764	17,808,967 <sup>8</sup>	16,392,734	14,335,933 <sup>12</sup>	13,912,489	13,937,952	14,686,204
Recreation/community/library services	4,965,716	5,624,495	5,935,518	6,692,548	7,538,916	7,910,635	7,609,303	7,279,008	7,517,881	7,792,327
Capital projects	9,020,728	6,981,864	8,624,841	16,446,670 <sup>5</sup>	19,872,424	10,931,773	7,642,900	14,984,143 <sup>15</sup>	14,232,771	6,526,594
Debt service										
Principal	1,463,231	1,588,231	1,240,000	1,370,000	1,505,000	1,535,000	1,415,000	1,620,000	1,750,000	1,530,000
Interest and fiscal charges	2,063,261	2,072,358	3,124,373	3,643,027	3,022,592	1,838,663	1,940,016	1,368,857	1,177,243	1,117,803
Payment to bond escrow agent	-	-	-	-	-	-	1,382,435 <sup>14</sup>	-	-	-
<b>Total expenditures</b>	<b>55,966,050</b>	<b>56,436,161</b>	<b>64,723,633</b>	<b>74,656,182</b>	<b>87,973,457</b>	<b>75,687,168</b>	<b>74,757,823</b>	<b>74,952,902</b>	<b>76,096,300</b>	<b>63,528,892</b>
Excess of revenues over (under) expenditures	1,243,658	6,580,105	7,295,155	2,137,379	(10,863,447)	(301,027)	(3,181,086)	(2,033,187)	(7,394,287)	3,278,978
Other financing sources (uses)										
Transfers in	5,962,430	5,924,515	5,987,436	5,184,096	6,312,178	5,370,292	25,437,485 <sup>14</sup>	11,873,668	3,754,173	3,541,011
Transfers out	(6,323,157)	(6,356,533)	(6,415,808)	(5,616,801)	(6,864,666)	(5,891,552)	(25,570,316) <sup>14</sup>	(12,350,279)	(4,164,623)	(4,016,011)
Proceeds of bonds	-	-	-	-	-	-	17,305,000 <sup>14</sup>	-	-	-
Premium on bonds	-	-	-	-	-	-	853,583 <sup>14</sup>	-	-	-
Payment to bond escrow agent	-	-	-	-	-	-	(16,244,503) <sup>14</sup>	-	(2,211,516)	-
Proceeds from sale of capital assets	23,370	25,388	1,280	9,338	22,896	23,099	3,742	3,151	5,619	4,102
Issuance of debt	15,779	1,870	-	-	-	-	-	-	-	-
Proceeds of advances	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(321,578)</b>	<b>(404,760)</b>	<b>(427,092)</b>	<b>(423,367)</b>	<b>(529,592)</b>	<b>(498,161)</b>	<b>1,784,991</b>	<b>(473,460)</b>	<b>(2,616,347)</b>	<b>(470,898)</b>
Extraordinary Item	-	-	-	-	-	-	-	-	(1,849,384)	-
<b>Net change in fund balances</b>	<b>922,080</b>	<b>6,175,345</b>	<b>6,868,063</b>	<b>1,714,012</b>	<b>(11,393,039)</b>	<b>(799,188)</b>	<b>(1,396,095)</b>	<b>(2,506,647)</b>	<b>(11,860,018)</b>	<b>2,808,080</b>
Debt service as a percentage of noncapital expenditures	8.123%	8.494%	8.499%	8.584%	6.630%	4.991%	4.556%	4.369%	4.350%	4.400%

(continued)

# CITY OF MISSION VIEJO

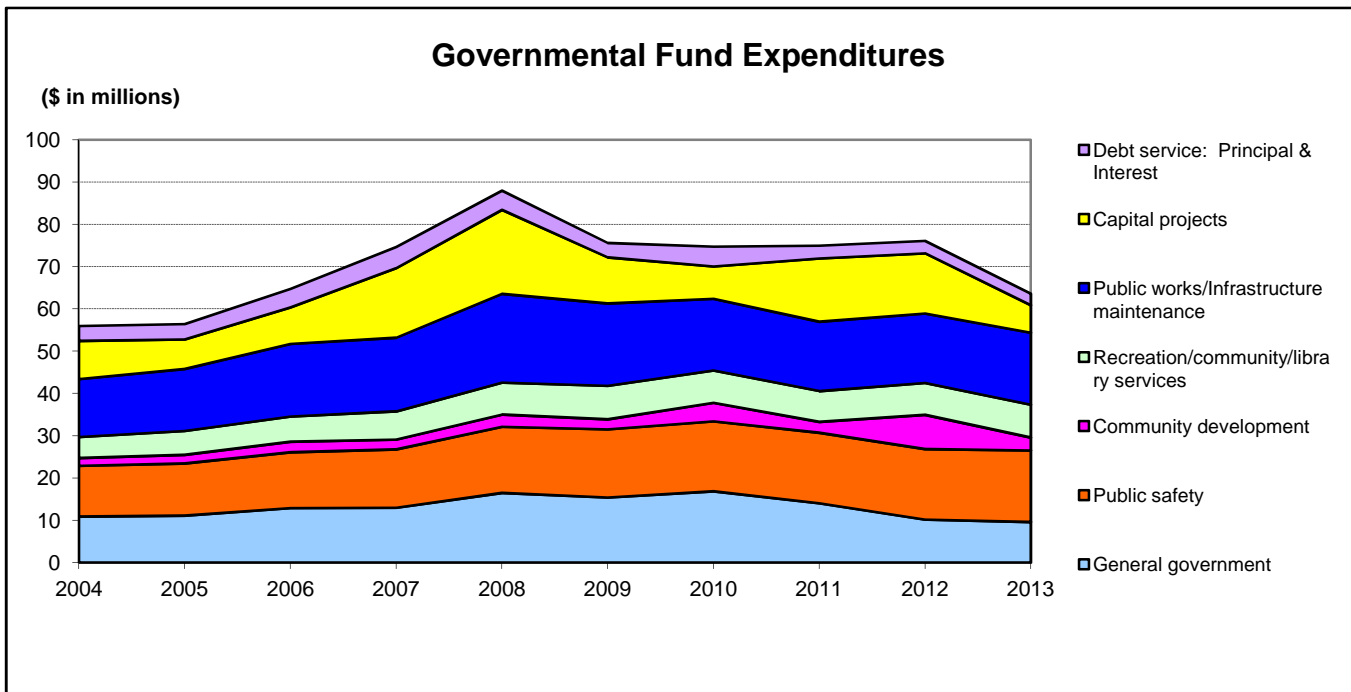
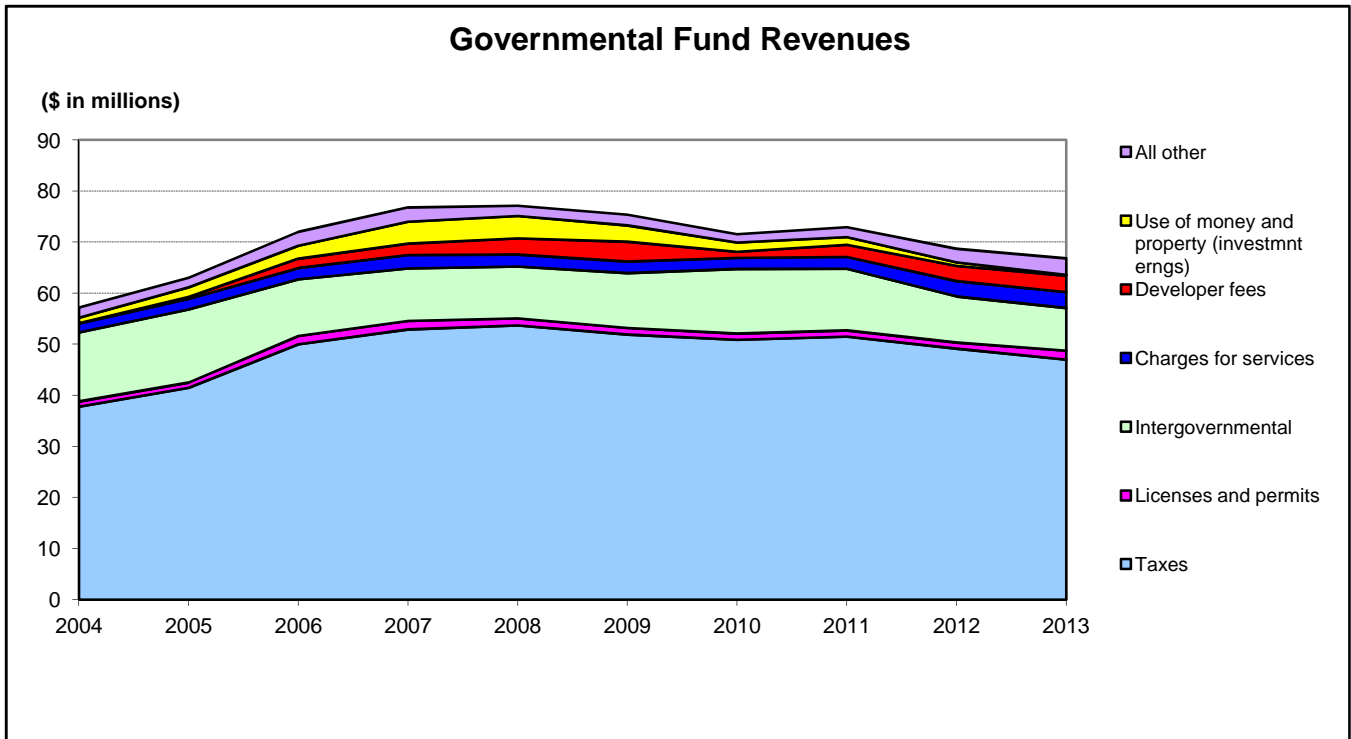
## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING) (CONTINUED)

- <sup>1</sup> The growth in tax revenue is due to the strong economy and real estate market in the City, and the swap by the State of Motor Vehicle in lieu fees for additional property tax revenue.
- <sup>2</sup> The increase is attributable to increased insurance costs and an advance payment made to pay down the unfunded liability in the City's defined benefit pension plan.
- <sup>3</sup> Increase due to certain reclassification of costs from public works-engineering and transportation and recreation/community/library services, as well as increased maintenance expenditures for streets, sidewalks, parks, medians and recreation centers.
- <sup>4</sup> Increase due to higher yields on investment and higher invested balances.
- <sup>5</sup> Increase due to the commencement of work on two major projects during the year, the Norman P. Murray Center Expansion and Crown Valley Widening projects.
- <sup>6</sup> Increase due to the jumpstart in prefunding other post-employment retiree health benefit costs and increased spending on information technology.
- <sup>7</sup> Increase primarily due to the addition of two School Resource Officer positions.
- <sup>8</sup> Increase due to higher spending on maintenance of City parks, streets, sidewalks, medians and slopes.
- <sup>9</sup> Decreased due to the completion of Crown Valley which resulted in a significantly lower amount of developer fees paid from Ladera Ranch.
- <sup>10</sup> Decreased due to a decline in yields earned on City investments and a decline in the size of the City portfolio.
- <sup>11</sup> Increase in 2010 is due to a payment to the Supplemental Educational Revenue Augmentation Fund as required by the State. This payment was \$1.4 million less in 2011.
- <sup>12</sup> Decrease is due to a reduction of expenditures as a result of reduced revenues.
- <sup>13</sup> Increase due to funding for a new low and moderate income housing project in the City.
- <sup>14</sup> Related to the issuance of 2009 Lease Revenue Refunding Bonds.
- <sup>15</sup> Increase is due in part to the commencement of work on the Oso Creek Restoration project and the Oso/Marguerite parkway Intersectin Improvement project, and the completion of the Crown Valley Parkway Widening project.
- <sup>16</sup> Rents on property previously reported as earnings on investments, now reported as charges for services.

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)**

Fiscal Year Ended June 30	Property Tax			Sales & Use Tax	Franchise Tax	Real Property Transfer Tax	Transient Occupancy Tax	Total
	City	Redevelopment Agency <sup>1</sup>	Successor Agency <sup>2</sup>					
2004	\$ 14,551,779	\$ 4,347,003	\$ -	\$ 15,463,156	\$ 2,232,287	\$ 777,481	\$ 419,947	\$ 37,791,653
2005	15,909,756	4,529,758	-	17,301,046	2,411,905	897,540	404,216	41,454,221
2006	22,830,026	5,485,967	-	17,616,495	2,752,067	769,143	536,653	49,990,351
2007	25,194,371	5,988,826	-	17,632,233	2,927,803	573,226	581,347	52,897,806
2008	26,654,054	6,519,989	-	16,722,281	2,880,671	335,254	589,199	53,701,448
2009	26,582,596	7,167,827	-	14,420,066	2,953,525	311,863	475,577	51,911,454
2010	25,952,524	7,811,875	-	13,265,268	2,851,736	448,100	520,095	50,849,598
2011	25,908,673	7,074,818	-	14,791,327	2,753,821	357,313	594,299	51,480,251
2012	25,830,084	4,104,775	826,533	15,456,805	2,793,042	357,241	608,311	49,976,791
2013	27,104,227	-	2,973,465	15,935,753	2,794,389	511,596	630,117	49,949,547

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

Sources: General Ledger

**CITY OF MISSION VIEJO**

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS  
(IN THOUSANDS OF DOLLARS)**

Fiscal Year Ended June 30	City			Taxable Assessed Value <sup>1</sup>	Community Development Agency <sup>3</sup>			Total Direct Tax Rate <sup>2</sup>	
	Secured	Public Utility	Unsecured		Secured	Public Utility	Unsecured		Incremental Valuation
2004	9,580,126	3,283	299,230	9,882,639	351,633	2,329	76,308	430,270	0.16470%
2005	10,214,708	2,222	297,265	10,514,195	363,471	1,303	68,168	432,942	0.16470%
2006	11,190,844	2,171	280,342	11,473,357	444,269	1,306	62,187	507,762	0.16470%
2007	12,127,246	2,110	320,408	12,449,764	486,643	1,297	77,063	565,003	0.16470%
2008	12,903,096	1,209	341,820	13,246,125	556,199	1,209	86,171	643,579	0.16470%
2009	13,007,415	2,418	347,733	13,357,566	630,632	2,418	96,259	729,309	0.16470%
2010	12,736,555	2,418	365,726	13,104,699	644,506	2,418	102,443	749,367	0.16470%
2011	12,820,786	2,418	334,775	13,157,979	637,830	2,418	81,684	721,932	0.16470%
2012	12,894,834	2,418	328,863	13,226,115	650,631	2,417	76,373	729,421	0.16470%
2013	13,014,823	2,418	303,333	13,320,574	636,435	2,418	82,469	721,322	0.16470%

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.

<sup>1</sup> City amounts include Community Development Agency incremental valuation.

<sup>2</sup> City general fund direct rate only.

<sup>3</sup> The State of California dissolved redevelopment agencies effective 1-31-12.

Source: CDA: Orange County Auditor-Controller  
City: 2004-2006 HdL Coren & Cone  
2007-2013 Orange County Auditor Controller

# CITY OF MISSION VIEJO

## DIRECT AND OVERLAPPING PROPERTY TAX RATES <sup>1</sup> LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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 <sup>2</sup>	<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	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350
Capistrano Unified School District 1999 Bond 2000 A	0.00392	0.00340	0.00312	0.00273	0.00293	0.00279	0.00308	0.00317	0.00314	0.00335
Capistrano Unified School District 1999 Bond 2001 B	0.00597	0.00544	0.00494	0.00430	0.00468	0.00445	0.00494	0.00507	0.00506	0.00538
Capistrano Unified School District 1999 Bond 2002 C	0.00303	0.00307	0.00272	0.00244	0.00258	0.00247	0.00275	0.00281	0.00281	0.00298
Santa Margarita Water District Improvement District #1 Bond	0.06400	0.02400	0.02400	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Total School & Water District Overlapping Tax Rates	<u>0.08302</u>	<u>0.04171</u>	<u>0.03998</u>	<u>0.01417</u>	<u>0.01469</u>	<u>0.01401</u>	<u>0.01507</u>	<u>0.01475</u>	<u>0.01471</u>	<u>0.01521</u>
Total Direct and Overlapping Rates	<u>1.16604</u>	<u>1.08342</u>	<u>1.07996</u>	<u>1.02834</u>	<u>1.02938</u>	<u>1.02802</u>	<u>1.03014</u>	<u>1.01475</u>	<u>1.01471</u>	<u>1.01521</u>

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

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

Source: Orange County Auditor-Controller  
HdL Coren & Cone



# CITY OF MISSION VIEJO

## PRINCIPAL PROPERTY TAX PAYERS CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2013			2004		
	Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Mission Hospital Regional Medical Center	\$ 223,157,915	1	1.68%	\$26,284,373	10	0.27%
Mission Viejo Associates	124,209,322	2	0.93%	155,820,989	1	1.58%
EQR-Del Lago Vistas Inc	61,489,810	3	0.46%	53,255,507	2	0.54%
Laguna Cabot Road Business Park	58,996,145	4	0.44%	-	-	-
Oasis-California Inc	52,122,479	5	0.39%	45,229,409	3	0.46%
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%	-	-	-
Cox Communications	-	-	-	30,395,193	7	0.31%
New Age Kaleidoscope	-	-	-	36,250,000	4	0.37%
The Bascom Group	-	-	-	28,684,452	8	0.29%
W9 TRR Real Estate Limited	-	-	-	34,019,534	5	0.34%
Saddleback II Associates	-	-	-	26,729,481	9	0.27%
Steadfast Jeronimo I LLC	-	-	-	32,256,000	6	0.33%
	<u>\$ 736,540,429</u>		<u>5.52%</u>	<u>\$ 468,924,938</u>		<u>4.75%</u>

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

Source: HdL Coren & Cone

**CITY OF MISSION VIEJO**

**PROPERTY TAX LEVIES & COLLECTIONS  
LAST TEN FISCAL YEARS**

Fiscal Year Ending June 30	Tax Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections for Prior Years <sup>1</sup>	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2004	19,222,439	18,652,129	97.03%	246,653	18,898,782	98.32%
2005	20,667,323	20,233,207	97.90%	206,307	20,439,514	98.90%
2006	23,210,863	22,464,597	96.78%	235,770	22,700,367	97.80%
2007	24,702,934	23,882,142	96.68%	306,257	24,188,399	97.92%
2008	26,674,212	25,268,197	94.73%	519,443	25,787,640	96.68%
2009	26,965,638	25,587,957	94.89%	844,471	26,432,428	98.02%
2010	26,506,153	25,815,252	97.39%	837,760	26,653,011	100.55% <sup>2</sup>
2011	26,156,545	25,287,058	96.68%	558,668	25,845,726	98.81%
2012	25,969,090 <sup>3</sup>	22,448,229 <sup>4</sup>	86.44%	400,919	22,849,148	87.99%
2013	19,246,353 <sup>4</sup>	19,613,605 <sup>4</sup>	101.91% <sup>2</sup>	364,000	19,977,605	103.80% <sup>2</sup>

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

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

<sup>3</sup> Includes City and Community Development Agency.

<sup>4</sup> Does not include Community Development Agency after 01/31/12 dissolution.

Source: Orange County Auditor-Controller

**CITY OF MISSION VIEJO**

**RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

Fiscal Year	General Bonded Debt		Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>	Percentage of Actual Value of Taxable Property <sup>3</sup>
	Lease Revenue Bonds	Certificates of Participation			
2004	(655,000)	2,900,000	0.05%	22.94	0.02%
2005	(1,000,000)	2,835,000	0.43%	18.75	0.02%
2006	(1,355,000)	2,770,000	0.03%	14.41	0.01%
2007	(1,720,000)	2,700,000	0.02%	10.00	0.01%
2008	15,350,000	2,625,000	0.34%	180.14	0.13%
2009	14,955,000	2,545,000	0.34%	174.79	0.13%
2010	17,140,000	-	0.35%	183.71	0.13%
2011	16,710,000	-	0.35%	178.75	0.13%
2012	16,260,000	-	0.33%	172.62	0.12%
2013	15,730,000	-	0.31%	165.89	0.12%

Fiscal Year	Other Governmental Activities Debt			Total Primary Government <sup>2</sup>	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	Revenue Bonds	Note Payable	Capitalized Leases			
2004	41,757,326	361,361	-	44,363,687	1.08%	453.41
2005	40,942,326	-	-	42,777,326	1.35%	437.18
2006	40,122,326	-	-	41,537,326	0.75%	423.14
2007	39,187,326	-	-	40,167,326	0.74%	409.75
2008	38,137,326	-	-	56,112,326	1.05%	562.35
2009	37,077,326	-	-	54,577,326	1.06%	545.11
2010	35,907,326	-	-	53,047,326	1.09%	568.59
2011	34,717,326	-	-	51,427,326	1.09%	550.12
2012	31,247,326	-	-	47,507,326	0.97%	504.35
2013	30,247,326	-	-	45,977,326	0.91%	484.87

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

<sup>1</sup> See the Demographic and Economic Statistics schedule for personal income and population information.

<sup>2</sup> Includes general bonded debt and other governmental activities debt.

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

# CITY OF MISSION VIEJO

## DIRECT AND OVERLAPPING DEBT AS OF JUNE 30, 2013

	Debt Outstanding	Estimate Percentage Applicable <sup>1</sup>	Estimated Share of Overlapping Debt
Overlapping tax and assessment debt:			
Metropolitan Water District	\$ 165,085,000	0.635%	\$ 1,048,290
Capistrano Unified School District School Facilities Improvement District No. 1	39,579,930	11.615%	4,597,209
Saddleback Valley Unified School District	121,645,000	18.459%	22,454,451
Santa Margarita Water District Improvement District No. 4	96,105,000	0.041%	39,403
Santa Margarita Water District Improvement District No. 4B	11,470,000	0.006%	688
Capistrano Unified School District Community Facilities District No. 87-1	41,025,000	26.284%	10,783,011
Orange County Community Facilities District No. 87-3	10,988,004	100.000%	10,988,004
Total overlapping tax and assessment debt	<u>485,897,934</u>		<u>49,911,056</u>
Overlapping general fund obligation debt:			
Orange County General Fund Obligations	190,546,000	3.114%	5,933,602
Orange County Pension Obligations	306,287,244	3.114%	9,537,785
Orange County Board of Education Certificates of Participation	15,770,000	3.114%	491,078
Municipal Water District of Orange County Water Facilities Corporation	10,035,000	3.739%	375,209
Capistrano Unified School District Certificates of Participation	19,635,000	11.720%	2,301,222
Moulton-Niguel Water District Certificates of Participation	83,535,000	16.198%	13,530,999
Total overlapping general fund obligation debt	<u>625,808,244</u>		<u>32,169,895</u>
Total overlapping debt	<u>\$ 1,111,706,178</u>		<u>82,080,951</u>
<u>Overlapping Tax Increment Debt (Successor Agency):</u>			
City of Mission Viejo Community Development Financing Authority			30,247,326 <sup>2</sup>
City Direct Debt			15,730,000
Total direct and overlapping debt			<u>\$ 128,058,277</u>
Notes:			
<p>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.</p>			
<p>Overlapping debt excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.</p>			
<p><sup>1</sup> 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.</p>			
<p><sup>2</sup> 1999 Series A and Subordinate Series B Variable Rate Demand Revenue Bonds are secured by first call on net property tax increments and secondly by sales tax revenues of mall properties.</p>			

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**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed valuation	\$ 9,882,638,615	\$ 10,514,195,052	\$ 11,473,356,454	\$ 12,449,763,507	\$ 13,246,125,427	\$ 13,357,565,673	\$ 13,104,698,129	\$ 13,157,979,198	\$ 13,226,115,127	\$ 13,320,574,029
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,470,659,654	2,628,548,763	2,868,339,114	3,112,440,877	3,311,531,357	3,339,391,418	3,276,174,532	3,289,494,800	3,306,528,782	3,330,143,507
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	370,598,948	394,282,314	430,250,867	466,866,132	496,729,704	500,908,713	491,426,180	493,424,220	495,979,317	499,521,526
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 370,598,948</u>	<u>\$ 394,282,314</u>	<u>\$ 430,250,867</u>	<u>\$ 466,866,132</u>	<u>\$ 496,729,704</u>	<u>\$ 500,908,713</u>	<u>\$ 491,426,180</u>	<u>\$ 493,424,220</u>	<u>\$ 495,979,317</u>	<u>\$ 499,521,526</u>
Total net debt applicable to the limit as percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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

Source:

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

**CITY OF MISSION VIEJO**

**PLEDGED-REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

1999 Series A Variable Rate Demand Revenue Bonds <sup>1</sup>						
Fiscal Year	Property Tax	Sales Tax <sup>2</sup>	Total Available	Debt Service		Coverage
	Increment <sup>2</sup>			Revenue	Principal	
1999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2004	621,351	1,752,672	2,374,023	500,000	299,663	2.97
2005	661,618	2,125,209	2,786,827	600,000	403,261	2.78
2006	658,243	2,048,916	2,707,159	600,000	771,553	1.97
2007	736,610	1,810,528	2,547,138	700,000	993,795	1.50
2008	670,539	1,632,789	2,303,328	800,000	939,475	1.32
2009	685,774	1,436,723	2,122,497	800,000	430,566	1.72
2010	767,199	1,097,181	1,864,380	900,000	48,950	1.96
2011	666,005	1,126,628	1,792,633	900,000	60,372	1.87
2012	938,029 <sup>3</sup>	1,134,141	2,072,170	1,000,000	30,238	2.01
2013	1,004,297 <sup>3</sup>	1,179,693	2,183,990	1,000,000	34,582	2.11

<sup>1</sup> The bonds were issued May 11, 1999.

<sup>2</sup> Revenues are derived from all property tax increment revenue and sales tax revenue remaining after minimum thresholds are met, generated by the Shops at Mission Viejo.

<sup>3</sup> Includes tax increment for the Successor Agency of the Community Development Agency established 2-1-12.

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

# CITY OF MISSION VIEJO

## DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Year	Population <sup>1</sup>	Median Age <sup>2</sup>	Median Housing Value <sup>3</sup>	Personal Income (thousands of dollars) <sup>4</sup>	Per Capita Personal Income <sup>4</sup>	Unemployment Rate <sup>5</sup>
2004	97,845	39.7	592,500	130,200,000	52,871	2.1%
2005	97,848	38.0	677,000	139,300,000	54,127	2.7%
2006	98,165	38.1	669,750	150,500,000	56,114	2.6%
2007	98,030	38.4	613,000	153,300,000	55,172	2.8%
2008	99,781	39.6	520,500	155,000,000	53,552	3.8%
2009	100,122	40.5	440,000	148,300,000	51,374	6.8%
2010	93,297	40.8	460,000	153,300,000	52,124	6.9%
2011	93,483	41.5	430,000	154,100,000	50,440	6.7%
2012	94,196	41.6	425,000	160,100,000	51,950	5.7%
2013	94,824	41.6	535,250	164,900,000	53,029	4.7%

Sources: <sup>1</sup> California Department of Finance

<sup>2</sup> Money.cnn.com (2004-2008)

HdL Coren & Cone (2009-2012)

Information for 2013 is unavailable, used number from prior year.

<sup>3</sup> Orange County Register (2004-2008)

HdL Coren & Cone (2009-2013)

<sup>4</sup> Data shown is for the County of Orange; data for City of Mission Viejo is not available. UCLA: Economic Forecast November 2011 (2004-2010)

Cal State Fullerton Economic Forecast 2013 (2011-2013)

<sup>5</sup> Venturi Staffing (2004)

California Employment Development Department (2005-2013)

# CITY OF MISSION VIEJO

## PRINCIPAL EMPLOYERS CURRENT YEAR AND SEVEN YEARS AGO

Employer	2013			2006 <sup>1</sup>		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mission Hospital Regional Medical Center <sup>2</sup>	2,500	1	4.44%	1,349	2	2.50%
Saddleback College	1,877	2	3.33%	2,130	1	3.94%
Saddleback Valley Unified School District	1,245	3	2.21%	640	4	1.19%
Capistrano Unified School District	537	4	0.95%	-	-	-
Nordstrom	400	5	0.71%	300	7	0.56%
City of Mission Viejo	261	6	0.46%	-	-	-
Target	250	7	0.44%	-	-	-
Macy's	250	8	0.44%	475	5	0.88%
U.S. Post Office	194	9	0.34%	249	10	0.46%
Vocational Visions	175	10	0.31%	-	-	-
Unisys Corporation	-	-	-	1,000	3	1.85%
Coldwell Banker	-	-	-	410	6	0.76%
Quest Diagnostics	-	-	-	300	8	0.56%
Bristol Farms	-	-	-	250	9	0.46%
<b>Total</b>	<u><u>7,689</u></u>		13.63%	<u><u>7,103</u></u>		13.15%

Percentage of "Total City Employment" based on total number of City residents employed in June 2013 of 56,300

<sup>1</sup> Information for 2004 is not available in order to include ten years of history. Information is from City's 2006 Comprehensive Annual Financial Report.

<sup>2</sup> Includes Mission Viejo and Laguna Beach locations (surgery center, nursing staff and leadership). Employees either work out of the Mission Viejo Hospital in Mission Viejo or they work at both locations, not one or the other.

Source: 2006 Selectory.com  
2013 Telephone Survey



# CITY OF MISSION VIEJO

## FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION LAST TEN FISCAL YEARS

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government - legislative	11.230	11.030	10.930	10.880	10.880	10.880	10.880	10.730	10.530	9.530
General government - management & support	27.795	26.345	27.470	28.720	28.720	29.795	28.220	27.070	23.420	23.600
Public safety	10.500	10.650	11.000	11.000	11.950	15.650 <sup>5</sup>	15.650	14.750	16.200	16.200
Community development	9.650	9.650	9.500	9.650	9.650	9.650	8.650	7.700	8.700	8.720
Public works - engineering and transportation	11.730	12.225	12.225	12.225	14.175 <sup>2</sup>	14.175	13.175	12.175	11.175	11.175
Infrastructure maintenance	14.895	16.600	16.000	16.150	18.250 <sup>3</sup>	18.350	17.350	18.250	16.650	16.650
Recreation/community/library services	41.150 <sup>1</sup>	47.975 <sup>1</sup>	51.725 <sup>1</sup>	51.950	55.175 <sup>1,4</sup>	57.675 <sup>6</sup>	56.425	53.425	52.675	51.400
<b>Total</b>	<b>126.950</b>	<b>134.475</b>	<b>138.850</b>	<b>140.575</b>	<b>148.800</b>	<b>156.175</b>	<b>150.350</b>	<b>144.100</b>	<b>139.350</b>	<b>137.275</b>

<sup>1</sup> Includes conversion of temporary positions to regular positions

<sup>2</sup> Increased staffing in the transportation area

<sup>3</sup> Increased staffing for facilities and landscape maintenance

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

<sup>5</sup> Increased staffing to accommodate the addition of the City of Aliso Viejo to the Animal Services program

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

Source: City budget document

# CITY OF MISSION VIEJO

## OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government - legislative										
Public Records Act requests	140	109	133	137	335 <sup>4</sup>	408	431	529	431	385
General government - management and support										
Service requests/complaint cases	2,649	2,319	3,155	2,834	2,940	2,780	3,036	3,292	3,467	3,681
Number of computer network nodes supported	399	425	415	460	748 <sup>5</sup>	742	806	819	1,039 <sup>9</sup>	1,063
Number of vendor checks issued	6,338	6,289	7,011	6,985	7,223	7,282	6,646	6,506	6,781	6,445
Public safety										
Calls for police services	42,062	48,297 <sup>1</sup>	52,534	50,964	49,272	46,664	40,387 <sup>8</sup>	38,161 <sup>8</sup>	36,068	32,812
Average response time-Priority 1 call in minutes	6:11	5:34	5:14	5:03	5:11	5:07	5:32	5:21	6:05	5:35
Community development										
Building inspections	7,000	7,200	8,719	11,753	11,026	9,673	8,394	6,685	9,947 <sup>10</sup>	12,807 <sup>12</sup>
Zoning plan checks	1,300	1,325	1,501	1,350	1,325	1,316	1,576 <sup>7</sup>	1,863 <sup>7</sup>	1,753	1,890
Public works - engineering and transportation										
Street resurfacing (lane miles)	32.30	35.50	21.70	23.20	31.00	28.80	28.00	36.30	32.70	18.80 <sup>13</sup>
Intersections on the city's interconnect system	109	109	110	110	110	110	111	111	111	112
Daily traffic count- La Paz Rd, Marguerite Pkwy to Spadra	27,800	29,600	27,100	26,800	25,000	24,739	26,808	27,419	32,747	33,500
Infrastructure maintenance										
Acres of medians and parkways renovated	4	7	9	9	10	6	4	3	6	9
Recreation/community/library services										
Attendance at recreation and tennis centers	129,000 <sup>2</sup>	180,742	211,265	242,000 <sup>3</sup>	266,303	281,011	279,480	270,443	259,635 <sup>11</sup>	254,161
Library circulation	720,000	727,599	727,253	738,456	833,488	945,298 <sup>6</sup>	968,468 <sup>6</sup>	939,734	917,736	931,376
Youth participating in organized sports on City fields	7,872	7,655	7,620	7,750	7,750	7,750	7,700	7,700	7,800	7,800

<sup>1</sup> Deputy observations/self-initiated activity included in calls for services as of April 15, 2004 per new Sheriff's Department policy

<sup>2</sup> Montanoso recreation center closed for renovation

<sup>3</sup> Increase is due to increased usage by existing members and an increase in the number of members

<sup>4</sup> Increase is due to tracking procedure improvements

<sup>5</sup> Increase is due to growth in number of staff supported and implementation of VoIP

<sup>6</sup> Due to the economic downturn citizens are taking advantage of free services at the Public Library

<sup>7</sup> Increase is due to a rise in the number of business and residential remodeling

<sup>8</sup> Decrease is due to a reduction in patrol hours resulting from staffing vacancies

<sup>9</sup> Increase is due to the conversion of the transportation network from analog to an IP based network and an increase in mobile devices supported citywide.

<sup>10</sup> Increase is due to the "Improve Don't Move" program which waved fees for a limited time and encouraged business and residential remodeling.

<sup>11</sup> Decrease is due to the construction of the Marguerite Tennis Center and the opening of two LA Fitness clubs in Mission Viejo.

<sup>12</sup> Increase is due to the "Improve Don't Move" program being extended for commercial projects.

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

Sources: Various City departments

**CITY OF MISSION VIEJO**

**CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Police (provided by Orange County Sheriffs Department)										
Patrol units	19	20	20	22	21	24	24	24	24	24
Animal shelter buildings:										
Main shelter	1	1	1	1	1	1	1	1	1	1
Cattery	1	1	1	1	1	1	1	1	1	1
Rabbit shelter	0	0	1	1	1	1	1	1	1	1
Cat isolation	0	0	1	1	1	1	1	1	1	1
Public works										
Streets (center miles)	228	228	228	228	228	228	228	228	228	228
Traffic signals	111	111	111	111	111	114	114	114	114	114
Infrastructure maintenance										
Number of park sites	40	40	40	41	41	41	41	41	41	41
Acreage: parks, open space, medians and slopes	1122	1122	1122	1122	1122	1122	1122	1122	1122	1122
Recreation/community/library services										
Facilities (buildings)	9	9	9	9	9	9	9	9	9	9
Athletic fields:										
Baseball/softball diamonds	19	19	19	19	19	19	19	19	19	19
Soccer/football fields	33	33	33	33	35	35	35	35	35	35
Note: No capital asset indicators are available for general government or community development functions.										

Source: Various City departments



**City of Mission Viejo**

200 Civic Center

Mission Viejo, CA 92691

[www.cityofmissionviejo.org](http://www.cityofmissionviejo.org)