



City of Mission Viejo California



Comprehensive Annual Financial Report Year Ended June 30, 2014



ABOUT THE COVER: *More than 4,000 people flocked to the Symphony in the Cities, an event that celebrated the 30th anniversary of the Olympic bicycle race in Mission Viejo with a profusion of music, activities and rich history. In dramatic fashion, 100 volunteers carried American and international flags from around the world recreating an opening ceremony. Mission Viejo Olympians Julie Foudy and Brian Goodell carried the Olympic torch to the large caldron and lit the flame. The “Opening Ceremony” drew a rousing applause as Mission Viejo relived the historic 1984 Olympic Bicycle race that began and ended on Olympiad Road.*

Designed by Toni Nuñez and written by Kelly Tokarski of the Mission Viejo Community Relations Department.

**CITY OF MISSION VIEJO
CALIFORNIA**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2014**

CITY COUNCIL

Trish Kelley, Mayor
Dave Leckness, Mayor Pro Tem
Rhonda Reardon, 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, 2014

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

Independent Auditor's Report.....	1
Management's Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements:	
Basic Financial Statements - Overview	24
Government-wide Financial Statements:	
Statement of Net Position	25
Statement of Activities and Changes in Net Position.....	26
Fund Financial Statements:	
Description of Governmental Funds	28
Balance Sheet	30
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position ..	33
Statement of Revenues, Expenditures, and Changes in Fund Balances	34
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.....	36
Proprietary Funds:	
Statement of Net Position	37
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	38
Statement of Cash Flows.....	39
Fiduciary Funds:	
Statement of Net Position	41
Statement of Changes in Net Position	42
Notes to Basic Financial Statements	43
Required Supplementary Information:	
Defined Benefit Pension Plan	89
Other Post Employment Benefit Plan	90
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis):	
General Fund.....	91
Grants Fund.....	92
Developer Fees Fund	93
Housing Authority Fund	94

CITY OF MISSION VIEJO

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

Required Supplementary Information (continued):

Notes to Required Supplementary Information.....	95
--	----

Supplementary Schedules –

Other Governmental Funds:

Combining Balance Sheet	99
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	100

Other Special Revenue Funds:..... 101

Combining Balance Sheet	102
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	104
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis):	
Gas Tax Fund	106
Library Operations Fund	107
Law Enforcement Grants	108
Air Quality	109
Measure M.....	110

Other Debt Service Funds: 111

Combining Balance Sheet	112
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	113
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis):	
Mall Parking Lease	114
CDFA 1999 Mall Bonds	115
CDFA 2009 Lease Revenue Refunding Bonds	116

Agency Fund:..... 117

Statement of Changes in Assets and Liabilities.....	118
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CITY OF MISSION VIEJO

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

STATISTICAL SECTION

Description of Statistical Section Contents	119
Financial Trends:	
Net Position by Component - Last Ten Fiscal Years	120
Changes in Net Position - Last Ten Fiscal Years	121
Fund Balances of Governmental Funds - Last Ten Fiscal Years	124
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	125
Governmental Fund Revenues and Expenditures - Last Ten Fiscal Years	127
Tax Revenues by Source - Last Ten Fiscal Years.....	128
Revenue Capacity:	
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years.....	129
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	130
Principal Property Taxpayers - Current Year and Nine Years Ago	131
Property Tax Levies and Collections - Last Ten Fiscal Years.....	132
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	133
Direct and Overlapping Debt	134
Legal Debt Margin Information - Last Ten Fiscal Years	135
Pledged - Revenue Coverage - Last Ten Fiscal Years	136
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Fiscal Years	137
Principal Employers - Current Year and Eight Years Ago	138
Operating Information:	
Full - Time Equivalent City Government Employees by Function - Last Ten Fiscal Years.....	139
Operating Indicators by Function - Last Ten Fiscal Years.....	140
Capital Asset Statistics by Function - Last Ten Fiscal Years	141



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City of Mission Viejo

Administrative Services Department

Cathy Schlicht
Mayor

Greg Rath
Mayor Pro Tem

Wendy Bucknum
Council Member

Edward Sachs
Council Member

Frank Ury
Council Member

February 20, 2015

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

The Comprehensive Annual Financial Report (CAFR) of the City of Mission Viejo for the fiscal year ended June 30, 2014 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 95,334 making it the largest city in the Saddleback Valley and the ninth largest of the county's 34 cities.

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

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

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

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

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

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

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

Local economy

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

The two largest employers in the City are Mission Hospital Regional Medical Center and Saddleback College. Both have been major employers in the community since incorporation. Mission Hospital Regional Medical Center, is the largest hospital in South Orange County and one of only three trauma centers in all of Orange County with 2,443 employees. The hospital is in the middle of a multi-year expansion program to ensure that key services will meet patient care needs as the region continues to grow. Saddleback College, the City's second largest employer with 1,975 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 design, journalism and nursing.

The commercial section of the City is anchored by The Shops at Mission Viejo, a regional mall of 1.1 million square feet. Tenants include Macy's, Nordstrom, Forever 21, Microsoft, 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 3.7% despite the two recessions during this time period and the first-ever decline in assessed valuations in 2010. Our tax base is well diversified, with City property tax revenue accounting for about 39% of total governmental revenues. Sales tax revenue represents about 24% of governmental revenues. The remainder of the tax base (Franchise taxes, real property transfer taxes and transient occupancy taxes) contributes another 6% 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 3.9%, down from 4.7% 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 in each of the past four years. Median housing values have risen to \$580,050 from a low of \$425,000 in 2012. As a result of the City's diversified tax base and personal income levels, the Mission Viejo economy is expected to continue to perform as well as, or better than, the economies of Orange County and the State.

Long-term financial planning

The City prepared a Master Financial Plan (MFP) as part of the 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 indicated that general fund revenue would grow throughout the forecast period on an average of 2.20% per year. The forecast also projected that General Fund revenues would return to pre-recession levels in FY 2015-16; however, the City reached pre-recession revenue levels in FY

2013-14, two years ahead of the projection. Property tax and sales tax revenue represents 77% 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. Actual General Fund revenue growth for property taxes and sales taxes in FY 2013-14 were 2.45% and 4.9% respectively.

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 adopted 2013-15 budget projected revenues in excess of appropriations in the General Fund group in excess of \$0.6 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 discretionary reserve balance at June 30, 2014 is 52.6% and the current biennial budget and MFP maintains this reserve at or above 50% throughout the MFP forecast period. However, during pre-budget discussions in January 2015, the City Council directed staff to propose options for paying off the City's Other Post Employment Benefit unfunded liabilities and paying down a portion of pension unfunded liabilities. Options will include utilizing discretionary reserves and in doing so, discretionary reserve balances may drop below 50%. Any options presented would include making payments prior to June 30, 2015.

An updated MFP will be prepared as part of the 2015-2017 biennial budget process, which is currently underway.

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 to 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 2013-14, the Authority expended approximately \$353,690 for the sale of five affordable units. The total project consists of 144 townhomes/condominiums located in the northern portion of Mission Viejo near the intersection of Jeronimo Road and Los Alisos Boulevard. Every homebuyer of an affordable unit must own and occupy their home. Any sale, refinancing or other transfer of the unit during the 45-year affordability period will require the new owner to also qualify as a low income or very low income homebuyer. There have been 4 additional units sold after June 30, 2014, leaving 4 affordable units remaining to be sold in this development. 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. In recent years, construction was completed for intersection improvements at Oso Parkway and Marguerite Parkway and widening Crown Valley Parkway at the I/5 Interstate. Construction to widen Oso Parkway began in June 2014 and is expected to be completed by July 2015. This 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 the summer of 2015. 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.

Major resources are devoted to street resurfacing around the City each year. Approximately \$3.1 million was spent on residential streets and arterial resurfacing in FY 2013-14. Another \$6.8 million is budgeted for FY 2014-15.

The City anticipates that \$5.2 million in Park Development Fees will be available for park related projects during the next two year budget cycle. During pre-budget discussions in January 2015, the City Council prioritized the spending of these resources toward a number of capital improvement projects during the 2015-17 budget cycle, including the construction of new park restrooms at park facilities, rehabilitating the Marguerite Aquatics Complex Facility and installing bocce ball courts at Oso Viejo Park.

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, 2013. 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 2013-14 CAFR continues to conform to the Certificate of Achievement program requirements, and it will be submitted to GFOA for award consideration.

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

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

Honorable Mayor, Members of the City Council, City Manager and Citizens of the City of Mission Viejo
February 20, 2015

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, 2014



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, 2013

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, 2013.

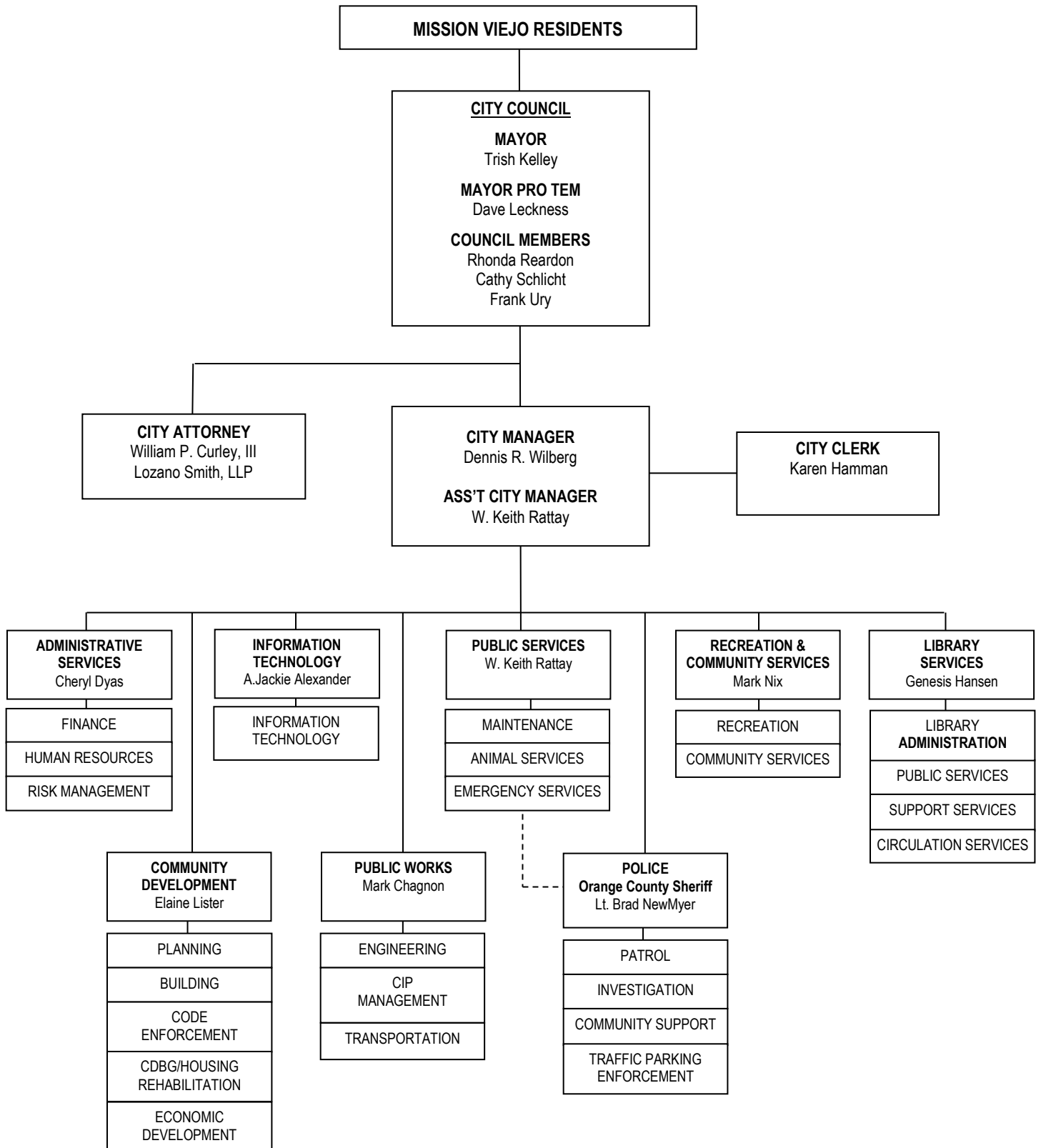
In order to be awarded a certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to industry standards. Such reports must satisfy both generally accepted accounting principles and applicable 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, 2014



CITY OF MISSION VIEJO

List of Principal Officials
as of June 30, 2014

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



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INDEPENDENT AUDITOR'S REPORT

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Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

DIRECTORS

Bradferd A. Welebir, CPA, MBA

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Yiann Fang, CPA
Nathan Statham, CPA, MBA
Brigitta Bartha, CPA
Gardenya Duran, CPA
Juan Romero, CPA
Ivan Gonzales, CPA, MSA
Brianna Pascoe, CPA

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, 2014, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 of the financial statements, the City adopted new accounting guidelines GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions were not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 2013 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 25, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2015, on our consideration of the City of Mission Viejo, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mission Viejo, California's internal control over financial reporting and compliance.

Rogers Anderson Maloney & Scott, LLP

San Bernardino, California
February 20, 2015



MISSION VIEJO

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2014

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, 2014. 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, 2014 by \$708.2 million. This amount is referred to as the net position of the City. Of this amount, \$37.2 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 \$6.0 million during the past year. FY 2013-14 revenues increased by \$3.3 million from prior year levels, and expenses (both expenses and non-cash expenses such as depreciation) decreased by \$0.8 million. (See pages 13-15 for a more detailed discussion of expenses.)
- As of June 30, 2014, the City's governmental funds (the General Fund plus Special Revenue, Debt Service and Capital Projects funds) reported combined ending fund balances of \$52.1 million. Governmental revenues and other financing sources exceeded expenditures and other financing uses by \$9.1 million in FY 2013-14. Of the \$52.1 million combined ending fund balances at June 30, 2014, \$11.0 million is categorized as unassigned, \$17.2 million is categorized as assigned, \$17.9 million is categorized as restricted, and \$6.0 is categorized as non-spendable.
- The combined \$30.5 million assigned and unassigned fund balance of the General Fund was 57% of General Fund revenue. Approximately \$16.3 million of the June 30, 2014 assigned fund balance has been designated by the City Council for capital asset replacement and \$0.9 million is encumbered or appropriated for subsequent years' expenditures.
- The City's total long-term liabilities decreased by \$1.8 million, or 3.7%, during the fiscal year ending June 30, 2014, to a level of \$46.7 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?"

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2014

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 25-27 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.

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2014

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

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

The City (the primary government) adopts a biennial budget for all its governmental and proprietary funds. Annual appropriations are approved prior to the beginning of each year of the biennial budget period. The Authority and MVHA adopt an annual budget. A budgetary comparison schedule has been provided for each of the governmental funds to demonstrate compliance with these budgets. The definition of the General Fund for purposes of these audited financial statements is different than for budgetary purposes. For budgeting purposes, the City maintains two asset replacement funds and 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 Mission Viejo Foundation Fund was closed in March 2014.

The basic governmental fund financial statements can be found on pages 30-36 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 37-40 of this report.

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

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2014

The basic fiduciary fund financial statements can be found on page 41-42 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 43-85 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 89-98 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 99-118 of this report.

Government-wide Financial Analysis

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$708.2 million as of June 30, 2014, the close of the most recent fiscal year. In comparison to 2013 and 2012, net position was \$702.2 and \$700.3, respectively.

By far the largest portion of the City's net position at June 30, 2014 (\$645.3 million, or 91% 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 \$25.7 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 \$37.2 million is unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position increased \$4.6 million, or 14.1% from June 30, 2013.

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2014

City of Mission Viejo Net Position at Year-End (in millions)							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other							
non-current assets	\$ 73.5	\$ 61.2	\$ 3.6	\$ 2.9	\$ 77.1	\$ 64.1	20.3%
Capital assets	<u>688.4</u>	<u>693.4</u>	<u>1.9</u>	<u>2.2</u>	<u>690.3</u>	<u>695.6</u>	-0.8%
Total assets	<u>761.9</u>	<u>754.6</u>	<u>5.5</u>	<u>5.1</u>	<u>767.4</u>	<u>759.7</u>	1.0%
Long-term liabilities							
outstanding	46.6	48.4	0.1	0.1	46.7	48.5	-3.7%
Other liabilities	<u>12.3</u>	<u>8.9</u>	<u>0.2</u>	<u>0.1</u>	<u>12.5</u>	<u>9.0</u>	38.9%
Total liabilities	<u>58.9</u>	<u>57.3</u>	<u>0.3</u>	<u>0.2</u>	<u>59.2</u>	<u>57.5</u>	3.0%
Net position:							
Net investment							
in capital assets	643.4	646.7	1.9	2.2	645.3	648.9	-0.6%
Restricted	25.7	20.7	-	-	25.7	20.7	24.2%
Unrestricted	<u>33.9</u>	<u>29.9</u>	<u>3.3</u>	<u>2.7</u>	<u>37.2</u>	<u>32.6</u>	14.1%
Total net position	<u>\$ 703.0</u>	<u>\$ 697.3</u>	<u>\$ 5.2</u>	<u>\$ 4.9</u>	<u>\$ 708.2</u>	<u>\$ 702.2</u>	0.9%

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 \$6.0 million from the prior fiscal year is discussed in the following sections for governmental activities and business-type activities.

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2014

City of Mission Viejo Changes in Net Position (in millions)							
	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2013-2014
	2014	2013	2014	2013	2014	2013	
Revenues							
Program revenues:							
Charges of services	\$ 5.8	\$ 4.9	\$ 1.4	\$ 1.4	\$ 7.2	\$ 6.3	14.3%
Operating grants and contributions	7.6	7.9	1.1	0.5	8.7	8.4	3.6%
Capital grants and contributions	5.5	4.5	-	-	5.5	4.5	22.2%
General revenues:							
Taxes:							
Property taxes	28.5	28.1	-	-	28.5	28.1	1.4%
Sales and use taxes	12.6	12.0	-	-	12.6	12.0	5.0%
Property taxes in lieu of sales and use taxes	4.3	3.9	-	-	4.3	3.9	10.3%
Other taxes	4.2	3.9	-	-	4.2	3.9	7.7%
Motor vehicle in lieu fees	0.1	0.1	-	-	0.1	0.1	0.0%
Investment earnings	1.2	1.0	-	-	1.2	1.0	20.0%
Other	1.2	1.8	(0.2)	-	1.0	1.8	-44.4%
Total revenues	<u>71.0</u>	<u>68.1</u>	<u>2.3</u>	<u>1.9</u>	<u>73.3</u>	<u>70.0</u>	4.7%
Expenses							
General government- legislative	1.2	1.2	-	-	1.2	1.2	0.0%
General government- management/support	8.2	10.3	-	-	8.2	10.3	-20.4%
Public safety	17.0	16.9	-	-	17.0	16.9	0.6%
Community development	3.3	3.1	-	-	3.3	3.1	6.5%
Public works – engineering/transportation	2.4	2.8	-	-	2.4	2.8	-14.3%
Infrastructure maintenance	21.8	20.8	-	-	21.8	20.8	4.8%
Recreation, community and library services	9.8	9.8	-	-	9.8	9.8	0.0%
Animal services and other	-	-	2.1	1.8	2.1	1.8	16.7%
Mission Viejo television	-	-	0.4	0.2	0.4	0.2	100.0%
Interest on long-term debt	1.1	1.2	-	-	1.1	1.2	-8.3%
Total expenses	<u>64.8</u>	<u>66.1</u>	<u>2.5</u>	<u>2.0</u>	<u>67.3</u>	<u>68.1</u>	-1.2%
Excess/(deficiency) in net position before transfers and extraordinary item	6.2	2.0	(0.2)	(0.1)	6.0	1.9	215.8%
Transfers	(0.5)	(0.5)	0.5	0.5	-	-	
Increase in net position	5.7	1.5	0.3	0.4	6.0	1.9	215.8%
Net position, beginning of year	697.3	695.8	4.9	4.5	702.2	700.3	0.3%
Net position, end of year	<u>\$ 703.0</u>	<u>\$ 697.3</u>	<u>\$ 5.2</u>	<u>\$ 4.9</u>	<u>\$ 708.2</u>	<u>\$ 702.2</u>	0.9%

Governmental activities. During the current year, net assets for governmental activities increased \$5.7 million from the prior fiscal year ending balance of \$697.3 million. As reflected above, revenues increased by \$2.9 million, or 4.2%, from prior year levels and expenses decreased \$1.3 million from the previous year. For revenues, moderate increases were reported in all categories of taxes and is a result of continued positive growth in the economy. The revenue category with the largest increase is reported under capital grants and contributions in the amount of \$1.0 million. Included in this category is Park Development Fee revenue. The City received fees due from the Watermarke

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2014

development located along Oso Parkway west of Country Club Drive in the amount of \$4.8 million. These development fees compare to \$3.2 million received in the prior year from the UDR development located on Los Alisos between Marguerite Parkway and the 241 toll road.

The second largest increase is under charges for services of \$0.9. Half of this increase is from engineering and building related fees, such as encroachment permits, improvement plan checks and inspections, and building permits and plan checks for the Watermarke development and the Skyridge development off El Toro Road. In addition to these two residential developments, the city has experienced an increase in commercial development activity requiring various engineering and building related permits during the year. Activity during FY 13/14 included a number of new restaurant facilities throughout the city and Lululemon and Sperry Top-Sider retailers at The Shops at Mission Viejo. Also during FY 2013-14, the Information Technology Department began contracting services to other municipalities which generated new revenue in the amount of \$45,000.

Expenses (expenses plus non-cash expenses) associated with governmental activities decreased by \$1.3 million, or 2.0%. This decline is most notably reflected in the General Government Management and Support program area, which reflects a decline of \$2.1 million. An agreement with Orange County Transportation Authority ("OCTA") for a Gas Tax swap expired on June 30, 2013. Prior to the expiration, the City would expend approximately \$2.0 million annually out of this program area in payments to OCTA. In lieu of these payments, the City would receive equal payments in the form of Gas Tax revenue from OCTA to be used only for street and road purposes. The largest increase in expenses is reflected in the Infrastructure Maintenance program area in the amount of \$1.0 million. The Oso Creek Restoration project was recorded as complete in FY 2013-14 and costs incurred over the life of this project in the amount of \$0.9 million, that were not eligible for capitalization, were recorded in the Infrastructure Maintenance program area.

The cost of all governmental activities in FY 2013-14 was \$64.8 million. That cost was financed by: those who directly benefited from the programs and services (9.0%); other governments and organizations that subsidized certain programs and projects with grants and contributions (20.0%); and general tax revenues and other general revenues of the City (71.0%). This is a decline from 74% in the prior year.

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2014

City of Mission Viejo Net Cost of Governmental Activities (in millions)						
	2014			2013		
	Total Cost of Services	Net Cost of Services	% of Total Cost Borne By General Revenues	Total Cost of Services	Net Cost of Services	% of Total Cost Borne By General Revenues
General government- legislative	\$ 1.2	\$ 1.2	100.0%	\$ 1.2	\$ 1.2	100.0%
General government- management/support	8.2	7.9	96.3%	10.3	10.2	99.0%
Public safety	17.0	16.2	95.3%	16.9	16.2	95.9%
Community development	3.3	(0.3)	-9.1%	3.1	0.4	12.9%
Public works- engineering/ transportation	2.4	0.5	20.8%	2.8	0.6	21.4%
Infrastructure maintenance	21.8	16.2	74.3%	20.8	14.5	69.7%
Recreation, community and library services	9.8	2.9	29.6%	9.8	4.6	46.9%
Interest on long-term debt	1.1	1.1	100.0%	1.2	1.2	100.0%
	<u>\$ 64.8</u>	<u>\$ 45.7</u>	70.5%	<u>\$ 66.1</u>	<u>\$ 48.9</u>	74.0%

The table above illustrates that the net cost of governmental services (expenses less program revenues) was \$45.7 million in the current year, a decrease of \$3.2 million from the prior year. The net cost of services for the General Government – Management and Support program area significantly declined by \$2.3 million; however, as previously stated, this is due to the expiration of the OCTA Gas Tax Exchange agreement.

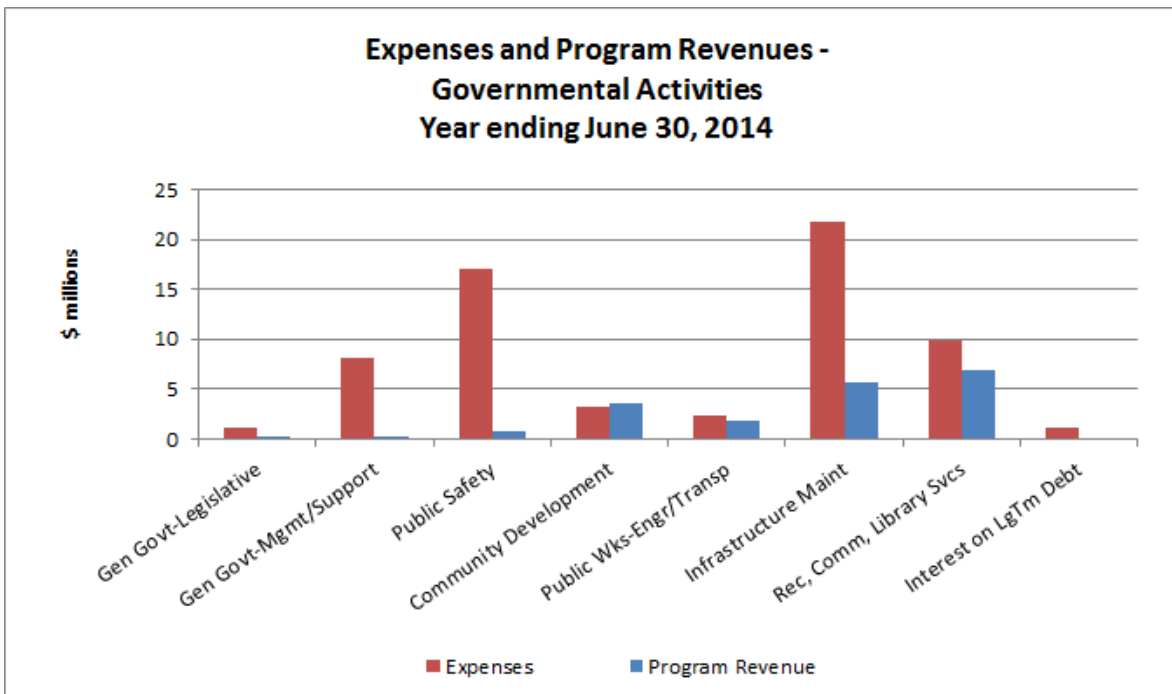
Community Development reflects a decline of \$0.7 million. This is directly related to an increase in operating grants and contributions in this program area in the amount of \$0.7 million. Of this amount, approximately \$0.4 million is revenue received by the Housing Authority from the Successor Agency to fund the Lennar affordable housing enforceable obligation. The balance of the increase is a result of recognizing the revenue from the sale of five Lennar Ridge affordable housing units. Upon the sale of each unit, the revenue along with a corresponding homebuyer loan receivable is recognized for the balance of the loan subsidy. The sale of five units during FY 2013-14 amounted to \$857,000 in revenue. This compares to \$551,800 in the prior year.

The largest increase of \$1.7 million is reflected in the Infrastructure Maintenance program area. This is a combination of an increase in total costs of approximately \$0.9 million due to the expense of Oso Creek Restoration project costs and a net decrease in operating and capital grants and contributions from the prior year in the amount of \$0.7 million. The primary revenue sources in this category are Gas Tax and Measure M apportionment funds. Due to the expiration of the OCTA Gas Tax Exchange agreement, this revenue was not received in FY 2013-14 as compared to revenue in the prior year of \$2.0 million. This loss of revenue was offset by increases in the City's regular Gas Tax allocation in FY 2013-14 of \$0.8 million. This City also received Prop 1B State Infrastructure bond funds in the amount of \$0.5 million during FY 2013-14 that were not received in the prior fiscal year.

CITY OF MISSION VIEJO
 Management's Discussion and Analysis
 Year ended June 30, 2014

These revenues were utilized for both the Arterial Highway Resurfacing and the Residential Resurfacing projects.

There was also a decline in net cost of services in the Recreation, Community and Library Services program area in the amount of \$1.7 million. This is due to the additional Park Development Fees received in FY 2013-14 of \$4.8 million over those fees received in the previous fiscal year of \$3.2 million. The following graph demonstrates the total program revenues and expenses by program area (function). The difference between these represents the net cost of governmental activities paid with general revenues.



Business-type activities. The business-type activities of the City continue to be a relatively small component of overall City operations, representing about 3.7% of total City expenses. Net position for business-type activities increased by \$0.3 million in FY 2013-14, the same increase experienced in FY 2012-13, which is primarily reflected in the Animal Services Fund. Program revenue in the Animal Services Fund was up from the prior year by \$0.6 million. This increase is due to a significant one time donation of \$0.5 million received during FY 2013-14 and a \$0.1 million reimbursement from the City of Aliso Viejo ("Aliso Viejo") for one half of that city's share of the cattery expansion. A balance of \$0.1 million is still owed by Aliso Viejo for this project. Operating expenditures in the Mission Viejo Television Fund increased by approximately \$0.1 from 2012-13 and is due to allocating a larger share of personnel costs to this fund and by shifting the cost to record City Council meetings from the General Fund to the MVTV Fund beginning in FY 2013-14.

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2014

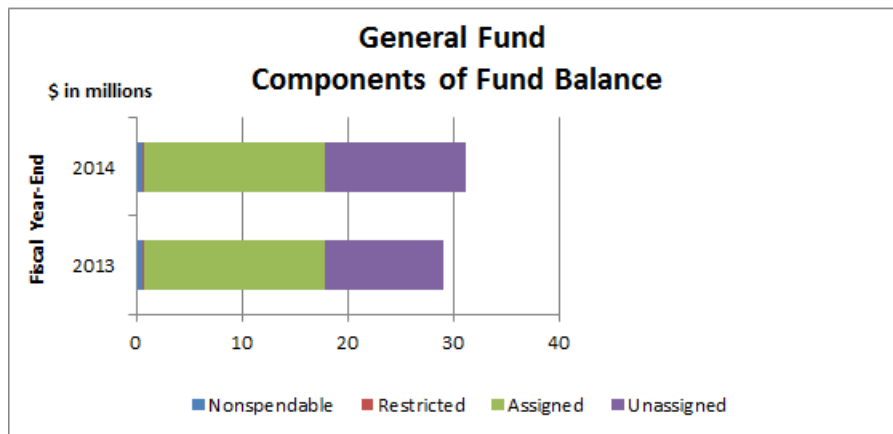
Financial Analysis of the Governmental Funds

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

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

At June 30, 2014, the City's governmental funds (as presented in the balance sheet on pages 30-31) reported combined fund balances of \$52.1 million, an increase of \$9.1 million in comparison with the prior year. Approximately \$11.0 million of this total amount (21%) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either non-spendable, restricted or assigned to indicate that it is 1) not in spendable form (\$6.0 million) 2) legally required to be spent on specific uses or be maintained intact (\$17.9 million), or 3) assigned for a particular purpose (\$17.2 million).

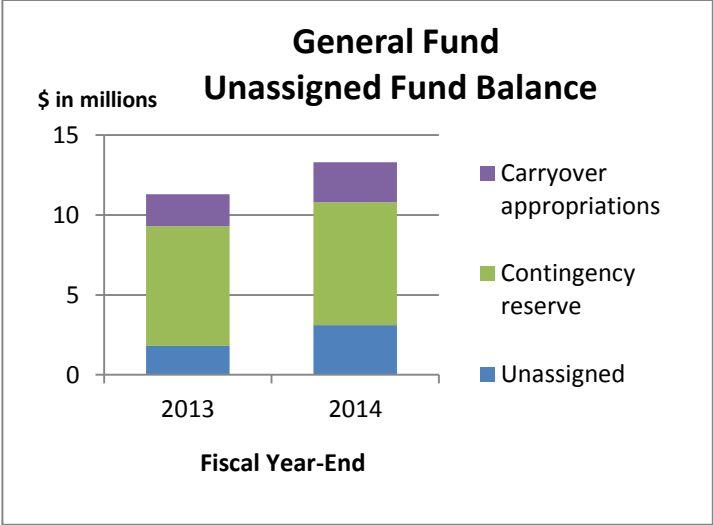
General Fund. The General Fund is the chief operating fund of the City. As of June 30, 2014, the total fund balance of the General Fund was \$31.2 million, an increase of \$2.1 million from \$29.1 million in the prior year.



The largest component of fund balance in the General Fund is assigned fund balance. This total at June 30, 2014 was \$17.2 million, an increase of \$0.1 million from the prior year of \$17.1 million. Assigned fund balance is comprised of \$16.3 million for capital asset replacement and \$0.9 million for encumbrances.

CITY OF MISSION VIEJO
 Management's Discussion and Analysis
 Year ended June 30, 2014

Unassigned fund balance at June 30, 2014 was \$13.3 million, an increase of \$2.0 million from \$11.3 million in the prior year. Unassigned fund balance is comprised of a contingency reserve, which equals 15% of general fund revenue, balances for carryover appropriations and amounts not assigned for a specific purpose in accordance with Governmental Accounting Standards Board standards. The contingency reserve portion increased \$0.2 million to keep this contingency reserve equal to 15% of general fund revenues estimated for FY 2014-15. The carryover appropriation portion increased \$0.5 million from the prior year primarily due to the carryover of an appropriation for the purchase of new accounting software. The unassigned portion has increased \$1.3 million.



As a measure of the General Fund's relative fiscal strength, it is useful to calculate the discretionary fund balance amount as a percentage of total fund revenues. For the City, the City Council has defined discretionary fund balance to include the unassigned fund balance, less those amounts designated as carryover appropriations, and those amounts assigned for capital asset replacement, since these assignments were made at the discretion of the City Council. The City Council discretionary fund balance at June 30, 2014 was \$27.2 million or 51.4% of total FY 2013-14 General Fund revenues.

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

Grants Fund. The Grants Fund ended the year with a total negative fund balance of \$0.3 million, a decrease of \$0.1 million from the prior year. Expenditures for the Community Development Block Grant are reported in this fund, including funds expended as part of the City's rehabilitation loan program. Many capital improvement projects in the City are funded with various grants and are also recorded in this fund. There were only three active projects utilizing grant funds during the 2013-14 fiscal year, including the Arterial Highway Resurfacing program, the Emergency Vehicle Preemption project and the Marguerite Median Island Rehabilitation project. These projects expended grant awards in the amount of \$1.0. This fund is due \$0.2 million in reimbursements from other governmental agencies at June 30, 2014. This receivable decreased \$0.2 million from the prior year balance of \$0.4 million. This fund also carries a \$2.0 million loan receivable balance as part of the Community Development Block Grant rehabilitation loan program.

The actual amount of revenue recognized each year is dependent upon whether revenue sources meet the definition of measurable and available at June 30, 2014 in accordance with accounting

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2014

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

Developer Fees Fund. The Developer Fees Fund ended the year with a total positive fund balance of \$4.8 million, an increase of \$3.4 million from the prior year ending fund balance of \$1.4 million. The increase in fund balance is due to the collection of park development fees received from Watermarke in the amount of \$4.8 million. Watermarke is a developer constructing a housing project on Oso Parkway, west of Country Club Drive. The largest expenditures in this fund were costs to complete the La Paws Dog Park in the amount of \$941,000. The Oso Widening project from Country Club Drive to the Interstate 5 Freeway and the Pavion Park rehabilitation project started construction before the end of FY 2013-14 and incurred costs of approximately \$0.2 million for each project. This fund is due a total of \$2.1 million in reimbursements from other governmental agencies at June 30, 2014. This receivable increased \$0.3 million from the prior year balance of \$1.8 million.

Housing Authority Fund. The Housing Authority Fund had a fund balance of \$6.3 million at the end of fiscal year 2013-14, compared to \$6.4 million at the end of the prior year. This is a decrease of \$0.1 million. During the fiscal year, the City expended \$353,000 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 \$0.6 million and will be distributed to Lennar in equal installments upon the sale of the remaining eight 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 assets at June 30, 2014 were \$2.7 million, a \$0.6 million increase from the prior year. For Mission Viejo Television, unrestricted net assets increased \$0.1 million from the prior year. The operating loss for Animal Services was \$0.1 million, a decrease of \$0.2 from the prior year. Mission Viejo Television reported operating income in the current year of \$0.1 million, a decline of \$0.1 million from the prior year. The operating loss for Animal Services was offset by an operating subsidy transferred from the City's General Fund in the amount of \$0.5 million. The operating subsidy in the prior year was also \$0.5 million. There 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 2013-14 were approved by the City Council in July 2013 and increased the original budget accordingly. Total carryover appropriations for 2013-14 were \$2.8 million, with \$2.5 million appropriated in the operating budget and \$0.3 million

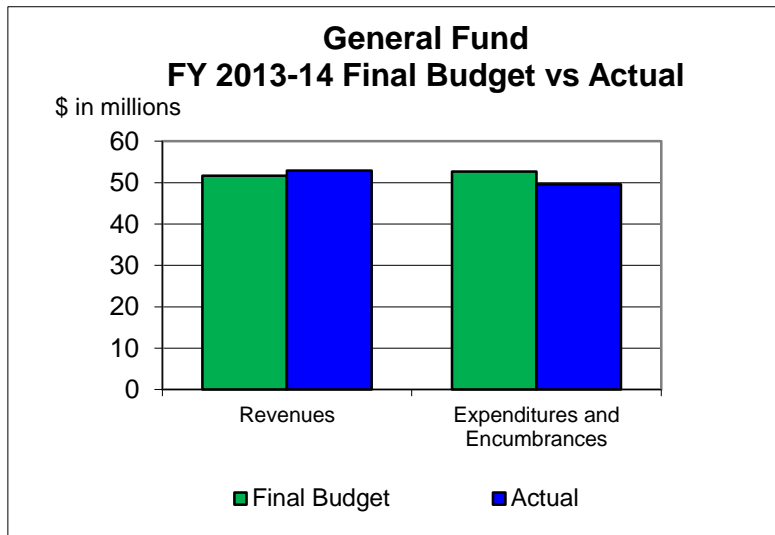
CITY OF MISSION VIEJO
 Management's Discussion and Analysis
 Year ended June 30, 2014

for the capital improvement program ("CIP") budget. The most significant carryover appropriation was \$1.5 for Information Technology related projects including the purchase and implementation costs of a new accounting software application. During the year, there were a number of amendments approved to increase the original adopted budgeted in the amount of \$1.5 million. The most significant of these amendments was the mid-year budget review appropriation adjustment in the amount of \$624,000. Included in this adjustment was an increase of \$290,000 for park and median landscape maintenance, and \$411,000 for increases to building and engineering related services due to building permit and development activity in the City. There was also an amendment at year end to increase the General Fund Oso Widening project budget by \$360,000.

General Fund revenues were increased as part of the City's annual mid-year review in the amount of \$0.8 million. The largest increase was to property taxes for \$0.4 million. Revenue estimates were also increased in June 2014 to recognize a reimbursement from a developer in relation to the Oso Widening project in the amount of \$360,000.

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 \$1.2 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 \$900,000. Both property and sales taxes exceeded final estimated projections.



Actual expenditures and encumbrances combined were \$3.0 million less than the final

appropriations budget. Of the total \$3.0 million, operating expenditures were \$2.5 million less than budget and capital projects came in \$0.5 million under budget. The most significant difference between estimated and actual expenditures for the operating budget was a positive variance of \$1.4 million in the General Government-Management and Support program area budget of which \$0.9 is reflected in the Information Technology program. Although these appropriations were not spent during FY 2013-14, the entire unappropriated balance in the Information Technology program has been carried over for continued use in FY 2014-15 for the continued implementation of the new

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2014

accounting software. Another \$0.3 million was carried over in the Administrative Services program as a contingency for personnel related costs. The Public Safety program area reflected a savings of \$0.4 million. This amount was also approved for carryover to FY 2014-15 to provide funding for the replacement of the City's share of the Countywide communications system and other police safety related costs. In the CIP budget, the largest difference between estimated and actual expenditures was for the Oso Parkway Widening project in the amount of \$360,000.

Of the \$3.0 million current year savings, \$2.7 million is being carried over to FY 2014-15 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, 2014, amounts to \$690.3 million, net of accumulated depreciation. This investment in assets includes land, buildings, machinery, equipment, vehicles and infrastructure. The total decrease in capital assets for the current fiscal year was \$5.3 million, or 0.8%.

City of Mission Viejo							
Capital Assets At Year-End							
(Net of Depreciation, in Millions)							
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>Percentage</u>
							<u>Change</u>
							<u>2013-2014</u>
Land	\$ 48.8	\$ 48.7	\$ 0.8	\$ 1.0	\$ 49.6	\$ 49.7	-0.2%
Rights of way	243.8	243.8	-	-	243.8	243.8	0.0%
Buildings and Improvements	76.5	78.0	1.0	1.0	77.5	79.0	-1.9%
Machinery, equipment and furniture	2.9	2.7	0.1	0.2	3.0	2.9	3.4%
Vehicles	0.2	0.1	-	-	0.2	0.1	100.0%
Infrastructure	308.0	309.8	-	-	308.0	309.8	-0.6%
Construction in progress	<u>8.2</u>	<u>10.3</u>	<u>-</u>	<u>-</u>	<u>8.2</u>	<u>10.3</u>	-20.4%
Total	<u>\$ 688.4</u>	<u>\$ 693.4</u>	<u>\$ 1.9</u>	<u>\$ 2.2</u>	<u>\$ 690.3</u>	<u>\$ 695.6</u>	-0.8%

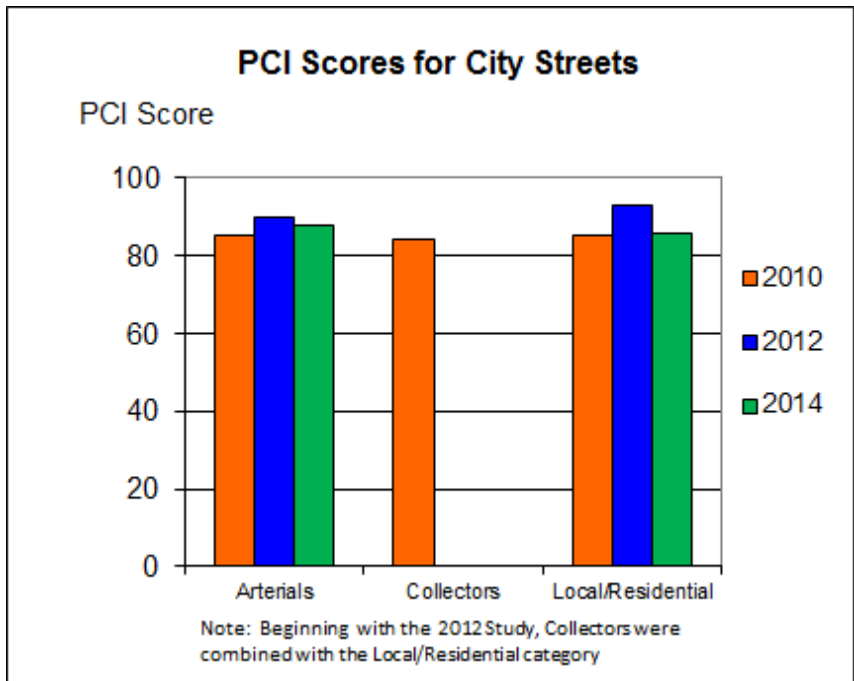
Major capital asset transactions during the current fiscal year included the following:

CITY OF MISSION VIEJO
 Management's Discussion and Analysis
 Year ended June 30, 2014

- Buildings and improvements decreased by \$1.5 million. There were additions to this capital asset category in the amount of \$2.3 million. Of this amount \$1.2 million was recorded for the construction of La Paws Dog Park, \$0.3 million relates to the Oso Creek Restoration project and the balance relates to the Traffic Safety/Signal Coordination project. This asset increase was offset by annual depreciation in the amount of \$3.8 million.
- Infrastructure assets decreased by \$1.8 million. There was a moderate increase in assets of \$0.5 million largely related to the Traffic Safety/Signal coordination project, with some minor increases to the curb and gutters and sidewalk street network. This increase was offset by annual depreciation in the amount of \$2.3 million.
- For construction in progress, the City completed the La Paws Dog Park, the Oso Creek Restoration project and the Traffic Safety/Signal Coordination project. The total of the accumulated costs for each project in the amount of \$4.6 million were re-classed to the Building and Improvements and Infrastructure asset categories. There were \$2.6 million of new additions to construction in progress for the current year. Those active projects with the largest FY 2013-14 costs were the La Paws Dog Park (\$1.1 million), Oso Parkway Widening project (\$0.6 million), the Cattery Expansion project (\$0.3 million) and Pavion Park Playground Renovation (\$0.2 million). Generally, as the Notice of Completion ("NOC") is filed on each project, the costs associated with each project will be deleted from the Construction in Progress capital asset category and added to the appropriate capital asset category in the year the NOC is filed.

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

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



See independent auditors' report

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2014

countywide PCI that all Orange County jurisdictions must utilize in assessing the pavement conditions of its streets. Under the old guidelines, streets were classified into three functional classifications: Arterial, Collector or Residential/Local streets. However, OCTA has now combined the "local/residential" and "collectors" into one category now called "local/residential" streets. The most recent condition assessment, completed for fiscal year 2013-14, indicated that arterials and local/residential roadways were all in "very good" condition. The average PCI rating for arterials were assessed at 88 and 86 for local/residential roadways. In comparison, the scores for both categories declined from the 2012 assessment, which reflected a 90 PCI and a 93 PCI for arterials and local streets respectively. All of the City's streets are still comfortably above the City Council's minimum acceptable rating of 75.

For the last five fiscal years, actual maintenance and preservation expenditures exceeded the original estimates with the exception of FY 2013-14. 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.

Additional information about the City's capital assets is presented in Note 6 of the Notes to Basic Financial Statements on pages 65-67 of this report and Note 2 of the Notes to Required Supplementary Information on pages 96-98.

Long-Term Debt. At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$46.7 million.

City of Mission Viejo							
Long-Term Liabilities at Year-End							
(in millions)							
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>Percentage</u>
							<u>Change</u>
							<u>2013-2014</u>
Revenue bonds	\$ 44.3	\$ 46.0	\$ -	\$ -	\$ 44.3	\$ 46.0	-3.7%
Bond Premium	<u>0.7</u>	<u>0.7</u>	<u>-</u>	<u>-</u>	<u>0.7</u>	<u>0.7</u>	0.0%
Subtotal – bonds payable	45.0	46.7	-	-	45.0	46.7	-3.6%
Compensated absences	<u>1.6</u>	<u>1.7</u>	<u>0.1</u>	<u>0.1</u>	<u>1.7</u>	<u>1.8</u>	-5.6%
Total	<u>\$ 46.6</u>	<u>\$ 48.4</u>	<u>\$ 0.1</u>	<u>\$ 0.1</u>	<u>\$ 46.7</u>	<u>\$ 48.5</u>	-3.7%

See independent auditors' report

CITY OF MISSION VIEJO
Management's Discussion and Analysis
Year ended June 30, 2014

The City's total debt decreased by \$1.8 million, or 3.7%, 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 \$511 million at June 30, 2014. 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 68-71 of this report.

Next Year's Budget, Tax Rates and Fee Levels

The fiscal year 2014-15 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 2014-15 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.



BASIC FINANCIAL STATEMENTS

CITY OF MISSION VIEJO

BASIC FINANCIAL STATEMENTS - OVERVIEW YEAR ENDED JUNE 30, 2014

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, 2014 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, 2014 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2013)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2014	2013
Assets:				
Cash and investments (note 2)	\$ 46,321,848	\$ 3,487,921	\$ 49,809,769	\$ 36,514,935
Accounts receivable	164,258	-	164,258	93,530
Taxes receivable	3,626,139	107,552	3,733,691	3,453,932
Loans receivable	2,464,259	-	2,464,259	2,466,898
Interest receivable	129,108	-	129,108	114,615
Prepaid items	991,574	63,011	1,054,585	1,113,745
Deposits	9,903	-	9,903	10,981
Intergovernmental receivable	3,297,063	-	3,297,063	4,816,486
Intergovernmental receivable - Successor Agency (note 4)	1,914,522	-	1,914,522	1,914,522
Due from developers (note 5)	8,237,022	-	8,237,022	7,699,863
Restricted assets:				
Cash with fiscal agent (note 2)	6,337,417	-	6,337,417	5,894,294
Capital assets not being depreciated (note 6)	502,308,643	789,311	503,097,954	505,171,435
Capital assets, net of depreciation (note 6)	186,093,889	1,064,726	187,158,615	190,454,159
Total assets	761,895,645	5,512,521	767,408,166	759,719,395
Liabilities:				
Accounts payable	4,168,264	170,228	4,338,492	4,139,819
Accrued payroll	493,094	70,990	564,084	395,150
Accrued interest payable	1,889,138	-	1,889,138	1,766,238
Unearned revenue	913,575	-	913,575	1,406,408
Deposits	4,694,998	3,275	4,698,273	1,315,825
Intergovernmental payable	305	-	305	18,750
Other liabilities	2,955	-	2,955	-
Retainage payable	98,211	-	98,211	17,052
Noncurrent liabilities:				
Due within one year (note 7)	2,889,901	1,305	2,891,206	2,004,200
Due in more than one year (note 7)	43,724,367	82,189	43,806,556	46,477,563
Total liabilities	58,874,808	327,987	59,202,795	57,541,005
Net position:				
Net investment in capital assets	643,465,280	1,854,037	645,319,317	648,933,640
Restricted for:				
General government - management and support	133,855	-	133,855	98,883
Community development projects	10,073,549	-	10,073,549	9,302,980
Parks and recreation	5,453,685	-	5,453,685	1,914,155
Public works	5,435,274	-	5,435,274	5,107,222
Capital projects	195,736	-	195,736	144,248
Debt service	4,354,376	-	4,354,376	4,043,203
Unrestricted	33,909,082	3,330,497	37,239,579	32,634,059
Total net position	\$ 703,020,837	\$ 5,184,534	\$ 708,205,371	\$ 702,178,390

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)**

Functions/programs	Expenses	Program Revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Primary government:				
Governmental activities:				
General government - legislative	\$ 1,175,830	\$ 2,465	\$ -	\$ -
General government - management and support	8,184,578	201,170	48,032	-
Public safety	16,963,811	622,490	174,014	-
Community development	3,270,422	2,157,105	1,410,378	-
Public works - engineering and transportation	2,409,419	951,474	478,248	462,277
Infrastructure maintenance	21,835,813	15,000	5,313,375	287,518
Recreation/community/library services	9,788,128	1,878,387	178,712	4,800,000
Interest on long-term debt	1,139,294	-	-	-
Total governmental activities	64,767,295	5,828,091	7,602,759	5,549,795
Business-type activities:				
Animal Services	2,120,143	1,424,226	626,605	-
Mission Viejo Television	356,374	420	425,400	-
Total business-type activities	2,476,517	1,424,646	1,052,005	-
Total primary government	\$ 67,243,812	\$ 7,252,737	\$ 8,654,764	\$ 5,549,795

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

Loss on disposal of capital asset

Transfers

Total general revenues and transfers

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	
		2014	2013
\$ (1,173,365)	\$ -	\$ (1,173,365)	\$ (1,242,669)
(7,935,376)	-	(7,935,376)	(10,235,294)
(16,167,307)	-	(16,167,307)	(16,142,224)
297,061	-	297,061	(432,002)
(517,420)	-	(517,420)	(603,054)
(16,219,920)	-	(16,219,920)	(14,477,542)
(2,931,029)	-	(2,931,029)	(4,557,543)
(1,139,294)	-	(1,139,294)	(1,212,454)
<u>(45,786,650)</u>	<u>-</u>	<u>(45,786,650)</u>	<u>(48,902,782)</u>
-	(69,312)	(69,312)	(328,107)
-	69,446	69,446	189,385
<u>-</u>	<u>134</u>	<u>134</u>	<u>(138,722)</u>
<u>(45,786,650)</u>	<u>134</u>	<u>(45,786,516)</u>	<u>(49,041,504)</u>
28,497,853	-	28,497,853	28,148,758
12,574,446	-	12,574,446	11,998,071
4,316,288	-	4,316,288	3,937,682
4,179,837	-	4,179,837	3,936,102
42,733	-	42,733	51,634
1,193,913	17,246	1,211,159	1,023,855
1,202,634	-	1,202,634	1,784,653
-	(211,453)	(211,453)	-
<u>(530,389)</u>	<u>530,389</u>	<u>-</u>	<u>-</u>
<u>51,477,315</u>	<u>336,182</u>	<u>51,813,497</u>	<u>50,880,755</u>
5,690,665	336,316	6,026,981	1,839,251
<u>697,330,172</u>	<u>4,848,218</u>	<u>702,178,390</u>	<u>700,339,139</u>
<u>\$703,020,837</u>	<u>\$ 5,184,534</u>	<u>\$708,205,371</u>	<u>\$702,178,390</u>

CITY OF MISSION VIEJO

BASIC FINANCIAL STATEMENTS - OVERVIEW YEAR ENDED JUNE 30, 2014

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:

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, 2014

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, 2014 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2013)

	General Fund	Special Revenue Funds	
		Grants	Developer Fees
Assets:			
Cash and investments (note 2)	\$ 32,942,575	\$ 16,725	\$ 6,965,525
Accounts receivable	164,258	-	-
Taxes receivable	3,331,284	-	-
Loans receivable	19,459	1,995,213	-
Interest receivable	101,744	-	-
Prepaid items	11,702	-	-
Deposits	9,903	-	-
Intergovernmental receivable	104,479	215,782	2,072,311
Interfund receivables (note 3)	2,644,405	-	-
Intergovernmental receivable - Successor Agency (note 4)	493,880	-	-
Due from developers (note 5)	3,418,544	-	-
Restricted assets:			
Cash and investments with fiscal agents (note 2)	-	-	-
Total assets	\$ 43,242,233	\$ 2,227,720	\$ 9,037,836
Liabilities, deferred inflow of resources, and fund balances:			
Liabilities:			
Accounts payable	\$ 3,452,855	\$ 73,053	\$ 71,333
Accrued payroll	351,505	3,177	8,528
Unearned revenues	83,953	-	-
Deposits	4,692,835	-	-
Intergovernmental payable	305	-	-
Interfund payable (note 3)	-	199,089	2,053,982
Other liabilities	2,955	-	-
Retainage payable	531	10,682	17,386
Total liabilities	8,584,939	286,001	2,151,229
Deferred inflow of resources:			
Unavailable revenue	3,418,621	2,210,995	2,072,311
Fund balances: (note 10)			
Nonspendable:			
Prepaid items	11,702	-	-
Long-term receivables	19,459	1,995,213	-
Intergovernmental receivable - Successor Agency	493,880	-	-
Deposits	9,903	-	-
Due from developers	-	-	-
Restricted for:			
General government - management and support	133,855	-	-
Community development projects	-	-	-
Parks and recreation	108,484	-	4,814,296
Public works	-	-	-
Capital projects	-	-	-
Debt service	-	-	-
Assigned	17,175,604	-	-
Unassigned	13,285,786	(2,264,489)	-
Total fund balances (deficit)	31,238,673	(269,276)	4,814,296
Total liabilities, deferred inflow of resources, and fund balances	\$ 43,242,233	\$ 2,227,720	\$ 9,037,836

See accompanying notes to basic financial statements.

Special Revenue		Other Governmental Funds	Totals	
Housing Authority			2014	2013
\$ 2,225,430	\$ 4,171,593	\$ 46,321,848	\$ 33,814,667	
-	-	164,258	93,530	
-	294,855	3,626,139	3,346,202	
449,587	-	2,464,259	2,466,898	
26,612	752	129,108	114,615	
-	-	11,702	33,674	
-	-	9,903	10,981	
-	904,491	3,297,063	4,816,486	
-	-	2,644,405	4,270,081	
1,420,642	-	1,914,522	1,914,522	
4,818,478	-	8,237,022	7,699,863	
-	6,337,417	6,337,417	5,894,294	
<u>\$ 8,940,749</u>	<u>\$ 11,709,108</u>	<u>\$ 75,157,646</u>	<u>\$ 64,475,813</u>	

\$ 30,531	\$ 540,492	\$ 4,168,264	\$ 4,095,059
-	129,884	493,094	340,064
-	-	83,953	87,445
-	2,163	4,694,998	1,312,741
-	-	305	18,750
2,259	389,075	2,644,405	4,270,081
-	-	2,955	-
-	69,612	98,211	17,052
<u>32,790</u>	<u>1,131,226</u>	<u>12,186,185</u>	<u>10,141,192</u>
<u>2,628,071</u>	<u>586,277</u>	<u>10,916,275</u>	<u>11,381,503</u>

-	-	11,702	33,674
449,587	-	2,464,259	2,466,898
1,420,642	-	1,914,522	1,914,522
-	-	9,903	10,981
1,555,893	-	1,555,893	2,170,951
-	-	133,855	98,883
2,853,766	-	2,853,766	2,296,431
-	530,905	5,453,685	1,914,155
-	3,033,329	3,033,329	1,083,562
-	195,736	195,736	144,248
-	6,243,514	6,243,514	5,809,441
-	-	17,175,604	17,137,144
-	(11,879)	11,009,418	7,872,228
<u>6,279,888</u>	<u>9,991,605</u>	<u>52,055,186</u>	<u>42,953,118</u>
<u>\$ 8,940,749</u>	<u>\$ 11,709,108</u>	<u>\$ 75,157,646</u>	<u>\$ 64,475,813</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, 2014

Fund balances of governmental funds \$ 52,055,186

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. 688,402,532

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

Long-term liabilities (44,937,252)
Compensated absences (1,677,016)

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. The excess of contributions are reported with prepaid items in the Statement of Net Position 979,872

Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds. (1,889,138)

Revenues reported as unavailable revenue in the governmental funds are recognized in the Statement of Activities. These are included in the intergovernmental and other revenues in the governmental fund activity. 10,086,653

Net position of governmental activities \$ 703,020,837

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, 2014 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	General Fund	Special Revenue Funds	
		Grants	Developer Fees
Revenues:			
Taxes	\$ 44,986,897	\$ -	\$ -
Licenses and permits	2,123,226	-	-
Intergovernmental	353,039	438,701	-
Charges for services	3,328,720	-	-
Investment earnings	191,238	60	58,359
Fines and forfeitures	838,582	-	-
Developer fees	-	-	4,800,000
Other	1,066,325	601,865	-
Total revenues	52,888,027	1,040,626	4,858,359
Expenditures:			
Current:			
General government - legislative	1,175,359	-	-
General government - management and support	6,623,079	2,704	-
Public safety	16,773,561	17,166	-
Community development	2,443,684	314,383	-
Public works - engineering and transportation	2,159,059	-	-
Infrastructure maintenance	14,246,950	-	-
Recreation/community/library services	5,086,225	-	-
Capital outlay	204,192	639,836	1,441,421
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	48,712,109	974,089	1,441,421
Excess (deficiency) of revenues over (under) expenditures	4,175,918	66,537	3,416,938
Other financing sources (uses):			
Transfers in (note 11)	603,061	68,069	-
Transfers out (note 11)	(2,656,751)	-	-
Proceeds from sale of capital asset	8,488	-	-
Total other financing sources (uses)	(2,045,202)	68,069	-
Net change in fund balances	2,130,716	134,606	3,416,938
Fund balances (deficits), beginning of year	29,107,957	(403,882)	1,397,358
Fund balances (deficits), end of year	\$ 31,238,673	\$ (269,276)	\$ 4,814,296

See accompanying notes to basic financial statements.

Special Revenue Fund	Other Governmental Funds	Totals	
		2014	2013
Housing Authority			
\$ -	\$ 3,546,230	\$ 48,533,127	\$ 46,976,084
-	-	2,123,226	1,779,083
-	7,680,150	8,471,890	8,352,626
-	228,926	3,557,646	3,077,209
97,305	11,812	358,774	156,612
-	105,010	943,592	838,406
-	-	4,800,000	3,246,060
335,000	172,791	2,175,981	2,381,790
432,305	11,744,919	70,964,236	66,807,870
-	-	1,175,359	1,242,612
-	98,817	6,724,600	8,355,137
-	150,000	16,940,727	16,900,401
461,959	50,396	3,270,422	3,079,388
-	264,867	2,423,926	2,298,426
-	323,702	14,570,652	14,686,204
-	2,916,364	8,002,589	7,792,327
-	3,175,447	5,460,896	6,526,594
-	1,715,000	1,715,000	1,530,000
-	1,056,096	1,056,096	1,117,803
461,959	9,750,689	61,340,267	63,528,892
(29,654)	1,994,230	9,623,969	3,278,978
-	3,537,117	4,208,247	3,541,011
(68,069)	(2,013,816)	(4,738,636)	(4,016,011)
-	-	8,488	4,102
(68,069)	1,523,301	(521,901)	(470,898)
(97,723)	3,517,531	9,102,068	2,808,080
6,377,611	6,474,074	42,953,118	40,145,038
\$ 6,279,888	\$ 9,991,605	\$ 52,055,186	\$ 42,953,118

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, 2014

Net change in fund balances - total governmental funds \$ 9,102,068

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	2,101,276
Disposition of capital assets	(4,602)
Depreciation expense	(7,157,940)

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	1,715,000
Premium	39,702

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. (122,900)

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

Changes in compensated absences for the current year	28,832
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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.

Changes in OPEB/PERS asset for the current year	(34,884)
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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.

24,113

Change in net position of governmental activities \$ 5,690,665

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

STATEMENT OF NET POSITION PROPRIETARY FUNDS

JUNE 30, 2014 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2013)

	Business-Type Activities - Enterprise Funds			
	Animal Services	Mission Viejo Television	Totals	
			2014	2013
Assets:				
Current assets:				
Cash and investments (note 2)	\$ 2,903,318	\$ 584,603	\$ 3,487,921	\$ 2,700,268
Taxes receivable	-	107,552	107,552	107,730
Prepaid costs	63,011	-	63,011	65,315
Total current assets	2,966,329	692,155	3,658,484	2,873,313
Noncurrent assets:				
Capital assets, not depreciated (note 6)	789,311	-	789,311	1,000,764
Capital assets, depreciated, net (note 6)	964,593	100,133	1,064,726	1,161,032
Total noncurrent assets	1,753,904	100,133	1,854,037	2,161,796
Total assets	4,720,233	792,288	5,512,521	5,035,109
Liabilities:				
Current liabilities:				
Accounts payable	144,038	26,190	170,228	44,760
Accrued payroll	67,433	3,557	70,990	55,086
Deposits	3,275	-	3,275	3,084
Accrued compensated absences	1,305	-	1,305	2,602
Total current liabilities	216,051	29,747	245,798	105,532
Noncurrent liabilities:				
Compensated absences payable	82,189	-	82,189	81,359
Total noncurrent liabilities	82,189	-	82,189	81,359
Total liabilities	298,240	29,747	327,987	186,891
Net Position:				
Net investment in capital assets	1,753,904	100,133	1,854,037	2,161,796
Unrestricted	2,668,089	662,408	3,330,497	2,686,422
Total net position	\$ 4,421,993	\$ 762,541	\$ 5,184,534	\$ 4,848,218

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, 2014 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	Business-Type Activities - Enterprise Funds			
	Animal Services	Mission Viejo Television	Totals	
			2014	2013
Operating Revenues:				
Charges for services	\$ 786,587	\$ 420	\$ 787,007	\$ 743,423
Licenses and permits	520,132	-	520,132	518,961
Franchise taxes	-	425,400	425,400	418,933
Fines and forfeitures	117,507	-	117,507	104,917
Other	626,605	-	626,605	50,348
Total operating revenues	2,050,831	425,820	2,476,651	1,836,582
Operating expenses:				
Personnel services	1,332,253	79,905	1,412,158	1,235,115
Supplies	137,447	65,360	202,807	181,691
Utilities	47,950	27,589	75,539	69,902
Contractual services	240,772	157,455	398,227	332,453
Rent	1,145	-	1,145	2,288
Depreciation (note 6)	96,761	24,869	121,630	148,696
Other	263,815	1,196	265,011	4,484
Total operating expenses	2,120,143	356,374	2,476,517	1,974,629
Operating income (loss)	(69,312)	69,446	134	(138,047)
Nonoperating revenues (expenses):				
Investment earnings	12,882	4,364	17,246	1,708
Loss on disposal of capital assets	(211,453)	-	(211,453)	(675)
Total nonoperating revenues (expenses)	(198,571)	4,364	(194,207)	1,033
Income (loss) before transfers	(267,883)	73,810	(194,073)	(137,014)
Transfers in	530,389	-	530,389	475,000
Change in net position	262,506	73,810	336,316	337,986
Net position, beginning of year	4,159,487	688,731	4,848,218	4,510,232
Net position, end of year	<u>\$ 4,421,993</u>	<u>\$ 762,541</u>	<u>\$ 5,184,534</u>	<u>\$ 4,848,218</u>

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	Business-Type Activities - Enterprise Funds			
	Animal Services	Mission Viejo Television	Totals	
			2014	2013
Cash flows from operating activities:				
Receipts from customers	\$ 2,051,022	\$ 425,998	\$ 2,477,020	\$ 1,859,248
Payments to suppliers for goods and services	(578,840)	(236,117)	(814,957)	(724,529)
Payments to employees for services	(1,318,086)	(78,635)	(1,396,721)	(1,221,323)
Net cash provided (used) by operating activities	154,096	111,246	265,342	(86,604)
Cash flows from non-capital financing activities:				
Cash transfers in	530,389	-	530,389	475,000
Net cash provided by non-capital financing activities	530,389	-	530,389	475,000
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	(25,324)	(25,324)	(125,352)
Net cash used by capital and related financing activities	-	(25,324)	(25,324)	(125,352)
Cash flows from investing activities:				
Interest received	12,882	4,364	17,246	1,708
Net cash provided by investing activities	12,882	4,364	17,246	1,708
Net increase in cash and cash equivalents	697,367	90,286	787,653	264,752
Cash and cash equivalents, beginning of year	2,205,951	494,317	2,700,268	2,435,516
Cash and cash equivalents, end of year	\$ 2,903,318	\$ 584,603	\$ 3,487,921	\$ 2,700,268

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

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

YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	Business-Type Activities - Enterprise Funds			
	Animal Services	Mission Viejo Television	Totals	
			2014	2013
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (69,312)	\$ 69,446	\$ 134	\$ (138,047)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	96,761	24,869	121,630	148,696
(Increase) decrease in intergovernmental receivable	-	-	-	20,386
(Increase) decrease in taxes receivable	-	178	178	(664)
(Increase) decrease in prepaid costs	2,304	-	2,304	1,866
Increase (decrease) in accounts payable	109,985	15,483	125,468	(86,001)
Increase (decrease) in accrued payroll	14,634	1,270	15,904	3,392
Increase (decrease) in intergovernmental payable	-	-	-	(49,576)
Increase (decrease) in deposits	191	-	191	2,944
Increase (decrease) in compensated absences	(467)	-	(467)	10,400
Total adjustments	223,408	41,800	265,208	51,443
Net cash provided (used) by operating activities	\$ 154,096	\$ 111,246	\$ 265,342	\$ (86,604)

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

The City's Animal Services Fund donated land to the County of Orange as part of a land swap for the Mission Viejo Dog Park. The value of the donated land was \$211,453.

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2014 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2013)

	Successor Agency to the Community Development Agency of the City of Mission Viejo Private-purpose Trust Fund		Community Facilities District 92-1 Agency Fund	
	2014	2013	2014	2013
Assets:				
Cash and investments (note 2)	\$ 1,558,499	\$ 1,579,343	\$ 179,303	\$ 175,841
Interest receivable	37	116	-	-
Restricted assets:				
Cash and investments with fiscal agents (note 2)	-	-	443,499	383,476
Total assets	1,558,536	1,579,459	\$ 622,802	\$ 559,317
Liabilities:				
Accounts payable	54,188	23,922	\$ 179,303	\$ -
Intergovernmental payable	104,479	289	-	-
Intergovernmental payable - City (note 4)	1,914,522	1,914,522	-	-
Due to bondholders	-	-	443,499	559,317
Total liabilities	2,073,189	1,938,733	\$ 622,802	\$ 559,317
Net position:				
Unrestricted (deficit)	(514,653)	(359,274)		
Total net position	\$ (514,653)	\$ (359,274)		

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2013)

	Successor Agency to the Community Development Agency of the City of Mission Viejo Private-purpose Trust Fund	
	2014	2013
Additions:		
Property taxes	\$ 1,613,733	\$ 2,973,465
Investment earnings	518	1,746
Total additions	<u>1,614,251</u>	<u>2,975,211</u>
Deductions:		
Administrative expenses	346,578	437,057
Program expenses	52,755	1,069,626
Contributions to other governments	1,035,297	1,538,409
Owner participation agreements	335,000	7,429
Total deductions	<u>1,769,630</u>	<u>3,052,521</u>
Change in net position	(155,379)	(77,310)
Net position (deficit), beginning of year	<u>(359,274)</u>	<u>(281,964)</u>
Net position (deficit), end of year	<u>\$ (514,653)</u>	<u>\$ (359,274)</u>

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

(1) Summary of Significant Accounting Policies

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

(a) Reporting Entity

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

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

Blended Component Units

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

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

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

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

(a) Reporting Entity (continued)

Blended Component Units, (continued)

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

(b) Basis of Accounting and Measurement Focus

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

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

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

Government-wide Financial Statements

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

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

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

Government-wide Financial Statements, (continued)

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

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

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

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

Fund Financial Statements

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

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

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

Governmental Funds

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

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

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

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

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

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

Governmental Funds, (continued)

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

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

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

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

Proprietary Funds

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

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

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

Proprietary Funds, (continued)

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

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

Fiduciary Funds

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

(c) Fund Classifications

The City reports the following major governmental funds:

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

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.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

(c) Fund Classifications, (continued)

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 represents the remaining resources available to carry out the community's affordable housing obligations after the dissolution of the Redevelopment Agency effective February 1, 2012. Additional resources are provided by the repayment of loans made for affordable housing construction and improvements.

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

(d) Cash and Investments

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

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

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

(e) Advances to Other Funds

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

(f) Deferred Outflow/Inflows of Resources

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

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

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

(g) Capital Assets

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

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

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

<u>Item</u>	<u>Useful Life</u>
Buildings and improvements	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.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

(g) Capital Assets, (continued)

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

(h) Compensated Absences

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

(i) Property Taxes

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

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

(j) Prepaid Items

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

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

(k) Use of Estimates

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

(l) Implementation of New Pronouncements

Effective July 1, 2013, the City adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

(2) Cash and Investments

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 49,809,769
Restricted assets:	
Cash with fiscal agent	6,337,417
Fiduciary Fund Statement of Assets and Liabilities:	
Cash and investments	1,737,802
Restricted assets:	
Cash and investments with fiscal agent	443,499
Total cash and investments	<u>\$ 58,328,487</u>

Cash and investments at June 30, 2014, consisted of the following:

Cash on hand	\$ 4,505
Deposits with financial institutions	588,283
Investments	57,735,699
Total cash and investments	<u>\$ 58,328,487</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, 2014

(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, 2014

(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, 2014

(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, 2014, the average duration of the Benchmark Index was 1.10 for the City portfolio.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

(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	\$ 23,333,713	1.78
Government Money Market Funds	1,004,209	-
Local Agency Investment Fund	17,525,149	-
Local Agency Sponsored Investment Pool	5,484,176	-
Held by Trustee:		
Money Market Funds	236,846	-
Local Agency Investment Fund	<u>206,653</u>	-
Total	<u>\$ 47,790,746</u>	1.10

Successor Agency:

<u>Investment Type</u>	<u>Market Value</u>	<u>Modified Duration (in years)</u>
Local Agency Sponsored Investment Pool	<u>\$ 1,489,036</u>	-
Total	<u>\$ 1,489,036</u>	-

Mission Viejo Housing Authority:

<u>Investment Type</u>	<u>Market Value</u>	<u>Modified Duration (in years)</u>
Local Agency Investment Fund	<u>\$ 2,118,500</u>	-
Total	<u>\$ 2,118,500</u>	-

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

(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	\$ 4,973,764	\$ 4,973,764	\$ -
Local Agency Investment Fund	<u>1,363,653</u>	<u>1,363,653</u>	<u>-</u>
Total	<u>\$ 6,337,417</u>	<u>\$ 6,337,417</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, 2014**

(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	\$ 23,333,713	N/A	\$ 23,333,713	\$ -
Government Money Market Funds	1,004,209	AAA	1,004,209	-
Local Agency Investment Fund	19,643,649	N/A	-	19,643,649
Local Agency Sponsored Investment Pool	6,973,212	N/A	-	6,973,212
Held by Trustee:				
Government Money Market Funds	5,210,610	AAA	5,210,610	-
Local Agency Investment Fund	<u>1,570,306</u>	N/A	<u>-</u>	<u>1,570,306</u>
Total	<u>\$ 57,735,699</u>		<u>\$ 29,548,532</u>	<u>\$ 28,187,167</u>
*Moody's Rating Service				

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code (see preceding tables). Investments at June 30, 2014 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 Home Loan Bank	US Government Sponsored Entities Securities	14.1%	\$ 7,202,631
City	Federal National Mortgage Association	US Government Sponsored Entities Securities	12.0%	6,106,637

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

(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, 2014, all of the City's deposits with financial institutions in excess of federal depository insurance limits were collateralized by an interest in an undivided collateral pool as required by State law.

Investment in State Investment Pool

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

The City's investment in this pool is reported in the accompanying City's financial statements at cost which approximate fair value at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling \$1,206 million, which represent 1.86% of the total LAIF portfolio of \$64.8 billion as of June 30, 2014. LAIF's (and the City's) exposure to risk (credit, market or legal) is not currently available.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

(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, 2014 consisted of the following:

<u>Interfund receivables</u>	<u>Interfund payables</u>	<u>Amount</u>
General Fund	Grants Fund	\$ 199,089
	Developer Fees Fund	2,053,982
	Housing Authority	2,259
	Other Governmental Funds	<u>389,075</u>
	Total	<u>\$ 2,644,405</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, 2014**

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

Intergovernmental receivable/payable - Successor Agency/City at June 30, 2014 consisted of the following:

<u>Intergovernmental Receivable - Successor Agency</u>	<u>Intergovernmental Payable - City</u>	<u>Amount</u>
General Fund Mission Viejo	Successor Agency	\$ 493,880
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, 2014, the outstanding balance is \$280,813 which includes unpaid accrued interest of \$23,829, 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, 2014

(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, 2014 is \$1,965,882 which includes unpaid accrued interest of \$32,457 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, 2014, the amount due from the developer for these costs was \$3,418,544 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, 2014 was \$829,621 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, 2014

(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, 2014, 14 of the 22 affordable units had closed escrow for a total loan balance of \$1,742,162 which is reported in the Housing Authority, a major special revenue fund.

(6) Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

Governmental activities:	Balance at <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2014</u>
Capital assets, not depreciated:				
Land	\$ 48,687,918	\$ 160,774	\$ -	\$ 48,848,692
Rights of way	243,853,387	-	-	243,853,387
Construction in progress	10,261,201	2,561,579	4,584,381	8,238,399
Infrastructure - street network:				
Streets	<u>201,368,165</u>	<u>-</u>	<u>-</u>	<u>201,368,165</u>
Total capital assets, not depreciated	<u>504,170,671</u>	<u>2,722,353</u>	<u>4,584,381</u>	<u>502,308,643</u>
Capital assets, being depreciated:				
Buildings and improvements	117,766,873	2,335,294	-	120,102,167
Equipment and furniture	8,555,411	1,027,118	416,469	9,166,060
Vehicles	1,197,166	118,243	130,759	1,184,650
Infrastructure - street network:				
Curbs and gutters	33,991,077	27,015	-	34,018,092
Sidewalks	31,076,636	49,081	-	31,125,717
Roadway bridges	6,289,000	-	-	6,289,000
Traffic signals	11,274,983	-	-	11,274,983
Infrastructure - medians and parkways network:				
Medians and parkways	37,998,841	-	-	37,998,841
Infrastructure - Storm drain network:				
Storm drains	<u>40,224,424</u>	<u>406,553</u>	<u>-</u>	<u>40,630,977</u>
Total capital assets, being depreciated	<u>288,374,411</u>	<u>3,963,304</u>	<u>547,228</u>	<u>291,790,487</u>

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

(6) Capital Assets, (continued)

	Balance at <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2014</u>
Governmental activities (continued):				
Less accumulated depreciation for:				
Buildings and improvements	\$ (39,855,913)	\$ (3,797,886)	\$ -	\$ (43,653,799)
Equipment and furniture	(5,826,012)	(895,995)	(411,867)	(6,310,140)
Vehicles	(1,091,871)	(59,995)	(130,759)	(1,021,107)
Infrastructure - street network:				
Curbs and gutters	(10,404,701)	(453,274)	-	(10,857,975)
Sidewalks	(9,816,320)	(414,519)	-	(10,230,839)
Roadway bridges	(2,082,142)	(83,853)	-	(2,165,995)
Traffic signals	(7,401,719)	(375,833)	-	(7,777,552)
Infrastructure - medians and parkways network:				
Medians and parkways	(9,909,693)	(506,651)	-	(10,416,344)
Infrastructure - Storm drain network:				
Storm drains	<u>(12,692,913)</u>	<u>(569,934)</u>	<u>-</u>	<u>(13,262,847)</u>
Total accumulated depreciation	<u>(99,081,284)</u>	<u>(7,157,940)</u>	<u>(542,626)</u>	<u>(105,696,598)</u>
Total capital assets being depreciated, net	<u>189,293,127</u>	<u>(3,194,636)</u>	<u>4,602</u>	<u>186,093,889</u>
Governmental activities				
Capital assets, net	<u>\$ 693,463,798</u>	<u>\$ (472,283)</u>	<u>\$ 4,588,983</u>	<u>\$ 688,402,532</u>
Business-type activities:	Balance at <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2014</u>
Capital assets, not depreciated:				
Land	<u>\$ 1,000,764</u>	<u>\$ -</u>	<u>\$ 211,453</u>	<u>\$ 789,311</u>
Total capital assets, not depreciated	<u>1,000,764</u>	<u>-</u>	<u>211,453</u>	<u>789,311</u>
Capital assets, being depreciated:				
Buildings	1,641,647	-	-	1,641,647
Improvements other than buildings	413,587	-	-	413,587
Machinery and equipment	<u>1,025,614</u>	<u>25,324</u>	<u>21,067</u>	<u>1,029,871</u>
Total capital assets, being depreciated	<u>3,080,848</u>	<u>25,324</u>	<u>21,067</u>	<u>3,085,105</u>

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

(6) Capital Assets, (continued)

Business-type activities (continued):	Balance at <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2014</u>
Less accumulated depreciation for:				
Buildings	\$ (908,000)	\$ (51,765)	\$ -	\$ (959,765)
Improvements other than buildings	(170,575)	(13,651)	-	(184,226)
Machinery and equipment	<u>(841,241)</u>	<u>(56,214)</u>	<u>(21,067)</u>	<u>(876,388)</u>
Total accumulated depreciation	<u>(1,919,816)</u>	<u>(121,630)</u>	<u>(21,067)</u>	<u>(2,020,379)</u>
 Total capital assets, being depreciated, net	 <u>1,161,032</u>	 <u>(96,306)</u>	 <u>-</u>	 <u>1,064,726</u>
 Business-type activities Capital assets, net	 <u>\$ 2,161,796</u>	 <u>\$ (96,306)</u>	 <u>\$ 211,453</u>	 <u>\$ 1,854,037</u>

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

General Government - Legislative	\$ 471
General Government - Management and Support	1,638,163
Public Safety	48,499
Infrastructure Maintenance	3,483,867
Recreation, Community and Library Services	<u>1,986,940</u>
Total	<u>\$ 7,157,940</u>

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

Animal Services	\$ 96,761
Mission Viejo Television	<u>24,869</u>
Total	<u>\$ 121,630</u>

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

(7) Long-Term Liabilities

Changes in the long-term liabilities for the year ended June 30, 2014 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year	Due Beyond One Year
<u>Governmental Activities:</u>						
Bonds:						
1999 Series A bonds	\$ 22,900,000	\$ -	\$ (1,100,000)	\$ 21,800,000	\$ 1,100,000	\$ 20,700,000
1999 Series B bonds	7,347,326	-	-	7,347,326	-	7,347,326
2009 Series A bonds	15,730,000	-	(615,000)	15,115,000	640,000	14,475,000
Bond premium	714,628	-	(39,702)	674,926	39,701	635,225
Total bonds payable	46,691,954	-	(1,754,702)	44,937,252	1,779,701	43,157,551
Other liabilities:						
Compensated absences	1,705,848	1,183,743	(1,212,575)	1,677,016	1,110,200	566,816
Governmental activities						
Long-term liabilities	<u>\$ 48,397,802</u>	<u>\$ 1,183,743</u>	<u>\$ (2,967,277)</u>	<u>\$ 46,614,268</u>	<u>\$ 2,889,901</u>	<u>\$ 43,724,367</u>
<u>Business-type Activities:</u>						
Other liabilities:						
Compensated absences	<u>\$ 83,961</u>	<u>\$ 100,603</u>	<u>\$ (101,070)</u>	<u>\$ 83,494</u>	<u>\$ 1,305</u>	<u>\$ 82,189</u>

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

Revenue Bonds

1999 Series A Variable Rate Demand Revenue Bonds

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

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

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

(7) Long-Term Liabilities, (continued)

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

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, 2014. The amount of principal outstanding at June 30, 2014 is \$21,800,000.

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, 2014, letter of credit commitment fees in the amount of \$236,506 were paid to Union Bank.

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
2015	\$ 1,100,000	\$ 9,810	\$ 1,109,810
2016	1,100,000	9,340	1,109,340
2017	1,200,000	8,820	1,208,820
2018	1,200,000	8,280	1,208,280
2019	1,300,000	7,740	1,307,740
2020	1,300,000	7,175	1,307,175
2021	1,400,000	6,570	1,406,570
2022	1,500,000	5,940	1,505,940
2023	1,500,000	5,265	1,505,265
2024	1,600,000	4,603	1,604,603
2025	1,600,000	3,870	1,603,870
2026	1,600,000	3,150	1,603,150
2027	1,700,000	2,430	1,702,430
2028	1,800,000	1,670	1,801,670
2029	1,900,000	430	1,900,430
Total	\$ 21,800,000	\$ 85,093	\$ 21,885,093

* The above debt service requirements to maturity were calculated using the interest rate as of June 30, 2014 of 0.05%.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

(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, 2014 an additional \$7,232,326 of Series B Bonds were issued. As of June 30, 2014, 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, 2014, the outstanding principal is \$7,347,326 and the unpaid interest is \$1,767,814.

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, 2014.

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, 2014. The amount of principal outstanding at June 30, 2014 was \$15,115,000.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

(7) Long-Term Liabilities, (continued)

CDFA 2009 Lease Revenue Refunding Bonds, (continued)

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

Year Ending June 30,	Principal	Interest	Totals
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
	<u>\$ 15,115,000</u>	<u>\$ 7,057,195</u>	<u>\$ 22,172,195</u>
Total	<u>\$ 15,115,000</u>	<u>\$ 7,057,195</u>	<u>\$ 22,172,195</u>

(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.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

(8) Community Facilities District Bonds, (continued)

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, 2014 was \$1,350,000. An amount of \$622,802 is being held by the City and is reflected as due to bondholders at June 30, 2014 in the Statement of Fiduciary Assets and Liabilities.

(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, 2014, there was no restricted net position in the proprietary funds. As provided under accounting principles generally accepted in the United States of America, restrictions are only established in proprietary funds for equity legally restricted by parties external to the governmental unit.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

(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.

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, 2014.

Assigned fund balance amounts are designated by City Council, in accordance with the City Council Management and Budget policies, for specific purposes and do not meet the criteria to be classified as restricted or committed. The City Council establishes (modifies or rescinds) assigned fund balance with the passage of a resolution. Assigned fund balances at June 30, 2014 were reported solely in the General Fund and include the following assignments:

Encumbrances	\$ 927,425
Capital asset replacement reserves	16,248,179
Total assigned fund balance	<u>\$ 17,175,604</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 \$7.7 million.

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

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

(11) Interfund Transfers

Interfund transfers for the year ended June 30, 2014 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 603,061
Grants Fund	Housing Authority	68,069
Animal Services Enterprise Fund	General Fund	530,389
Other Governmental Funds	General Fund	2,126,362
	Other Governmental Funds	<u>1,410,755</u>
Total		<u>\$ 4,738,636</u>

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

Transfers to Major Funds

The \$603,061 transferred to the General Fund was received from the CDFA 1999 Mall Bonds Debt Service Fund representing the 2013 release of the rolling reserve.

Transfers from Major Funds

The \$68,069 transferred from the Housing Authority to the Grants Fund represents the CDBG portion of the Heritage Villas loan payment.

Of the \$2,126,362 transferred from the General Fund to other governmental funds, \$1,358,886 was transferred to the CDFA 2009 Lease Revenue Refunding Bonds Debt Service Fund for payment of the debt service on those bonds and \$767,476 was transferred to the Library Operations fund to fund operations. In addition, the General Fund transferred \$530,389 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 \$1,410,755 transferred from other governmental funds to other governmental funds represents mall sales tax pledged for the mall bond debt service transferred from the Mall Parking Lease Fund to the CDFA 1999 Mall Bonds Debt Service Fund.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

(12) Fund Deficits and Expenditures in Excess of Appropriations

The following funds reported deficits in fund balance as of June 30, 2014:

	<u>Deficit Balances</u>
Major Governmental Funds:	
Special Revenue Funds:	
Grants	\$ (269,276)
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Law Enforcement Grants	(11,879)

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

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

<u>Major Governmental Fund:</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
Grants Fund:			
Public Safety	\$ 13,350	\$ 17,166	\$ (3,816)
Arterial Highway Resurfacing	573,830	574,000	(170)

(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 119 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.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

Self-Insurance Programs of the Authority, (continued)

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 \$20 million are covered through reinsurance agreements. (7) Cost of covered claims from \$20 million to \$50 million are paid under excess insurance policies.

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

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$30 million per occurrence. This \$30 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$15 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate limit.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

Workers' Compensation

In the workers' compensation program, claims are pooled separately between public safety (police and fire) and 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 \$114,125,510. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

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

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

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 \$69,789,463. 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 2013-14.

- (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, 2014**

(15) Significant Commitments

Encumbrances

Encumbrances at June 30, 2014 consisted of the following:

General Fund	\$ 927,425
Grants Special Revenue Fund	35,448
Developer Fees Special Revenue Fund	2,516,472
Measure M Special Revenue Fund	3,850,248
Mission Viejo Housing Authority Special Revenue Fund	565,909
Other non-major Governmental Funds	<u>147,038</u>
 Total Encumbrances at June 30, 2014	 <u><u>\$ 8,042,540</u></u>

Generally, encumbrances can be broken out between operating and capital improvements. Operating encumbrances at June 30, 2014 were \$1,563,338, while capital improvement encumbrances were \$6,479,202. Significant encumbrances that relate to active capital improvement projects as of June 30, 2014 are as follows:

<u>Projects:</u>	<u>Commitment</u>
Playground Renovations	\$ 969,726
Oso Parkway Widening	3,647,710
Arterial Resurfacing	1,728,345

The encumbrance reported in the Mission Viejo Housing Authority of \$565,909 relates to an agreement with Lennar Homes to provide a low and moderate income housing subsidy for The Ridge housing development.

(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, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 38,973
2016	38,973
2017	38,973
2018	38,973
2019	38,973
2020	<u>16,239</u>
 Total	 <u><u>\$ 211,104</u></u>

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

(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. New members hired between July 9, 2011 and December 31, 2012, were enrolled in the 2% at 60 retirement plan. New members hired on or after January 1, 2013, will be enrolled in the 2% at 62 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. Benefits for the 2% at 62 plan are based on the highest average annual compensation during a period of at least 36 months. Copies of PERS' annual financial report may be obtained from their executive office: 400 "P" Street, Sacramento, California 95814.

Funding Policy

Participants in the 2.7% at 55 plan are required to contribute 8.0% of their annual covered salary. For the year ending June 30, 2014 the City made 2.5% of the contribution required of City employees on their behalf and for their account. Participants in the 2% at 60 plan are required to contribute 7% of their annual salary for the year ending June 30, 2014. The City made 1.5% of the contribution. 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, 2014 was 17.725% 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.

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

(18) Defined Benefit Pension Plan, (continued)

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	\$ 1,797,200
Interest on net pension asset	(15,514)
Adjustment to annual required contribution	<u>35,655</u>
Annual pension cost	1,817,341
Contributions made	<u>(1,797,200)</u>
Decrease in net pension asset	20,141
Net pension asset - beginning of year	<u>(206,859)</u>
Net pension asset - end of year	<u><u>\$ (186,718)</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)
6/30/10	\$ 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)
6/30/14	1,817,341	1,797,200	99%	(186,718)

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 73.9% funded. The entry age normal accrued liability was \$59.2 million, and the actuarial value of assets was \$43.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$15.4 million. The covered payroll (annual payroll of active employees covered by the plan) was \$10.6 million, and the ratio of the UAAL to the covered payroll was 144.7%.

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.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

(18) Defined Benefit Pension Plan, (continued)

Actuarial Methods and Assumptions

The required contribution was determined as part of the June 30, 2011 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, 2011 was 24 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.

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	93
Total	<u>136</u>

CITY OF MISSION VIEJO

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

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

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 2013-14 was \$756,000, 7.0% of estimated covered payroll.

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	\$ 756,000
Interest on net OPEB asset	(63,308)
Adjustment to annual required contribution	<u>80,062</u>
Annual OPEB cost	772,754
Contributions made	<u>(756,000)</u>
Decrease in net OPEB asset	16,754
Net OPEB asset - beginning of year	<u>(873,211)</u>
Net OPEB asset - end of year	<u><u>\$ (856,457)</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>
6/30/12	\$ 728,666	\$ 717,996	98%	\$ (884,708)
6/30/13	747,497	736,000	98%	(873,211)
6/30/14	772,754	756,000	98%	(856,457)

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 63.4% funded. The actuarial accrued liability for benefits was \$8.0 million, and the actuarial value of assets was \$5.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$10.9 million, and the ratio of the UAAL to the covered payroll was 26.8%.

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

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

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.

CITY OF MISSION VIEJO

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

Supplemental Health Account for Retired Employees

The City administered Supplemental Health Account for Retired Employees (SHARE) plan is a defined contribution post-employment benefits plan established by the City Council. This plan is intended to assist employees first eligible for City health benefits on or after January 1, 2007, in saving for postemployment health insurance costs. Employer and employee contributions to the plan begin one year after the employee's hire date. The City's monthly contribution is \$100 for full-time employees and is prorated based on full-time equivalency. Employees are required to contribute 1.5% of their salary to this plan. The contributions made by employees are not forfeitable. To receive the City's contributions, employees must separate or retire from the City, have 15 years of service, and attain age 55. As of June 30, 2014, 42 employees were eligible to participate in this plan. Required employer contributions were made during the year in the amount of \$45,461 and required employee contributions totaled \$34,362. At June 30, 2014, there were no retirees eligible to receive the City's contributions under this plan.



MISSION VIEJO

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REQUIRED SUPPLEMENTARY INFORMATION



MISSION VIEJO

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CITY OF MISSION VIEJO

**REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN
YEAR ENDED JUNE 30, 2014**

**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 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%
6/30/13	59,266,683	43,816,259	15,450,424	73.9%	43,816,259	73.9%	10,674,010	144.7%

CITY OF MISSION VIEJO

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFIT PLAN
YEAR ENDED JUNE 30, 2014**

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	8,018,000	5,086,000	2,932,000	63.4%	10,928,000	26.8%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Employer Contributions	
	Annual Required Contribution	Percentage Contributed
2011	\$ 528,903	98%
2012	728,666	98%
2013	747,497	98%
2014	756,000	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, 2014

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final				
Revenues:						
Taxes	\$ 43,704,328	\$ 44,081,704	\$ 44,986,897	\$ -	\$ 44,986,897	\$ 905,193
Licenses and permits	1,704,200	1,934,200	2,123,226	-	2,123,226	189,026
Intergovernmental	509,000	496,000	353,039	-	353,039	(142,961)
Charges for services	3,030,922	3,259,461	3,328,720	-	3,328,720	69,259
Investment earnings	173,100	173,100	191,238	-	191,238	18,138
Fines and forfeitures	681,000	742,000	838,582	-	838,582	96,582
Other	519,150	1,017,135	1,066,325	-	1,066,325	49,190
Total revenues	50,321,700	51,703,600	52,888,027	-	52,888,027	1,184,427
Expenditures:						
General government - legislative	1,181,113	1,189,245	1,175,359	8,150	1,183,509	5,736
General government - management and support	6,668,209	8,572,473	6,623,079	552,679	7,175,758	1,396,715
Public safety	17,227,148	17,194,773	16,773,561	3,521	16,777,082	417,691
Community development	2,174,788	2,514,455	2,443,684	27,459	2,471,143	43,312
Public works - engineering and transportation	2,236,599	2,603,010	2,159,059	152,362	2,311,421	291,589
Infrastructure maintenance	13,808,626	14,712,321	14,246,950	165,549	14,412,499	299,822
Recreation/community/library services	5,073,165	5,159,856	5,086,225	-	5,086,225	73,631
Capital outlay:						
Ferrocarril	-	45,066	1,530	13,535	15,065	30,001
Marguerite - Resurfacing Oso/La Paz	-	3,000	-	3,000	3,000	-
Dog Park	-	217,345	202,443	1,170	203,613	13,732
Emergency Vehicle Preemption	-	10,000	219	-	219	9,781
2007 Playground Renovation	-	50,000	-	-	-	50,000
Marguerite Aquatics Decking	-	14,902	-	-	-	14,902
Arterial Highway Slurry Seal	-	2,911	-	-	-	2,911
Marguerite Median Rehab - Trabuco/Alicia	-	20,000	-	-	-	20,000
Oso Parkway Widening	-	360,495	-	-	-	360,495
Total expenditures	48,369,648	52,669,852	48,712,109	927,425	49,639,534	3,030,318
Excess (deficiency) of revenues over (under) expenditures	1,952,052	(966,252)	4,175,918	(927,425)	3,248,493	4,214,745
Other financing sources (uses):						
Transfers in	603,000	705,249	603,061	-	603,061	(102,188)
Transfers out	(2,648,280)	(2,762,114)	(2,656,751)	-	(2,656,751)	105,363
Proceeds from sale of capital asset	-	-	8,488	-	8,488	8,488
Total other financing sources (uses)	(2,045,280)	(2,056,865)	(2,045,202)	-	(2,045,202)	11,663
Net change in fund balance	(93,228)	(3,023,117)	2,130,716	(927,425)	1,203,291	4,226,408
Fund balance, beginning of year	29,107,957	29,107,957	29,107,957	-	29,107,957	-
Fund balance, end of year	<u>\$ 29,014,729</u>	<u>\$ 26,084,840</u>	<u>\$ 31,238,673</u>	<u>\$ -</u>	<u>\$ 30,311,248</u>	<u>\$ 4,226,408</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, 2014

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with
	Original	Final				Final Budget Positive (Negative)
Revenues:						
Intergovernmental	\$ 3,360,508	\$ 8,043,188	\$ 438,701	\$ -	\$ 438,701	\$ (7,604,487)
Investment earnings	-	-	60	-	60	60
Other	-	2,451	601,865	-	601,865	599,414
Total revenues	3,360,508	8,045,639	1,040,626	-	1,040,626	(7,005,013)
Expenditures:						
General government - management and support	15,501	15,501	2,704	800	3,504	11,997
Public safety	-	13,350	17,166	-	17,166	(3,816)
Community development	342,504	386,023	314,383	28,796	343,179	42,844
Capital outlay:						
Oso Creek Trail Signage	-	61,932	-	-	-	61,932
La Paz Railroad Bridge Widening	3,010,508	5,417,850	-	-	-	5,417,850
Marguerite Resurfacing/Median Oso to La Paz	-	203,720	6,888	-	6,888	196,832
Arterial Highway Resurfacing	-	573,830	574,000	-	574,000	(170)
Emergency Vehicle Preemption	-	718,600	58,948	5,852	64,800	653,800
Marguerite Median Rehab VF to Trabuco	-	102,500	-	-	-	102,500
Marguerite Median Rehab Trabuco to Alicia	-	139,800	-	-	-	139,800
Total expenditures	3,368,513	7,390,806	974,089	35,448	1,009,537	6,381,269
Excess (deficiency) of revenues over (under) expenditures	(8,005)	654,833	66,537	(35,448)	31,089	(623,744)
Other financing sources (uses):						
Transfers in	-	-	68,069	-	68,069	68,069
Total other financing sources (uses)	-	-	68,069	-	68,069	68,069
Net change in fund balance	(8,005)	654,833	134,606	(35,448)	99,158	(555,675)
Fund balance (deficits), beginning of year	(403,882)	(403,882)	(403,882)	-	(403,882)	-
Fund balance (deficits), end of year	\$ (411,887)	\$ 250,951	\$ (269,276)	\$ -	\$ (304,724)	\$ (555,675)

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, 2014

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final				Positive (Negative)
Revenues:						
Investment earnings	\$ 15,000	\$ 15,000	\$ 58,359	\$ -	\$ 58,359	\$ 43,359
Developer fees	5,800,000	7,182,128	4,800,000	-	4,800,000	(2,382,128)
Total revenues	5,815,000	7,197,128	4,858,359	-	4,858,359	(2,338,769)
Expenditures:						
Capital outlay:						
Dog Park	-	955,030	941,080	928	942,008	13,022
Oso Widening	-	1,675,829	229,365	1,446,464	1,675,829	-
Sierra Recreation Playground	357,160	357,160	15,212	-	15,212	341,948
Marguerite Aquatic Deck	70,000	70,000	14,953	27,821	42,774	27,226
Montanoso Locker Room Renovation	940,000	940,000	39,615	71,533	111,148	828,852
Playground Renovation Pavion	1,303,125	1,303,125	201,196	969,726	1,170,922	132,203
Bocce Ball/Oso Viejo Park	363,085	363,085	-	-	-	363,085
Felipe Tennis Light Replacement	400,000	400,000	-	-	-	400,000
La Paz & Felipe Overlook	150,000	150,000	-	-	-	150,000
Total expenditures	2,670,285	6,214,229	1,441,421	2,516,472	3,957,893	2,256,336
Net change in fund balances	3,144,715	982,899	3,416,938	(2,516,472)	900,466	(82,433)
Fund balance, beginning of year	1,397,358	1,397,358	1,397,358	-	1,397,358	-
Fund balance, end of year	<u>\$ 4,542,073</u>	<u>\$ 2,380,257</u>	<u>\$ 4,814,296</u>	<u>\$(2,516,472)</u>	<u>\$ 2,297,824</u>	<u>\$ (82,433)</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, 2014

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final				
Revenues:						
Investment earnings	\$ 60,000	\$ 60,000	\$ 97,305	\$ -	\$ 97,305	\$ 37,305
Other	-	-	335,000	-	335,000	335,000
Total revenues	60,000	60,000	432,305	-	432,305	372,305
Expenditures:						
Community development	173,000	1,092,594	461,959	565,909	1,027,868	64,726
Total expenditures	173,000	1,092,594	461,959	565,909	1,027,868	64,726
Excess (deficiency) of revenues over (under) expenditures	(113,000)	(1,032,594)	(29,654)	(565,909)	(595,563)	437,031
Other financing sources (uses):						
Transfers out	-	-	(68,069)	-	(68,069)	(68,069)
Total other financing sources (uses)	-	-	(68,069)	-	(68,069)	(68,069)
Net change in fund balance	(113,000)	(1,032,594)	(97,723)	(565,909)	(663,632)	368,962
Fund balance, beginning of year	6,377,611	6,377,611	6,377,611	-	6,377,611	-
Fund balance, end of year	<u>\$ 6,264,611</u>	<u>\$ 5,345,017</u>	<u>\$ 6,279,888</u>	<u>\$ (565,909)</u>	<u>\$ 5,713,979</u>	<u>\$ 368,962</u>

CITY OF MISSION VIEJO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2014

(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, 2014 were \$16,920,089. Of this amount, \$4,300,204 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, 2014

(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, 2014

(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, 2014**

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

Streets, (continued)

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

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

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

Comparison of Needed to Actual Maintenance/Preservation

<u>Overall System:</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Needed	\$ 4,604,490	\$ 5,786,000	\$ 4,520,000	\$ 3,790,000	\$ 5,720,000
Actual	<u>8,613,102</u>	<u>6,729,300</u>	<u>5,991,780</u>	<u>4,120,884</u>	<u>5,334,875</u>
Difference	<u>\$ 4,008,612</u>	<u>\$ 943,300</u>	<u>\$ 1,471,780</u>	<u>\$ 330,884</u>	<u>\$ (385,125)</u>

CITY OF MISSION VIEJO

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Special Revenue	Debt Service	Totals
Assets:			
Cash and investments	\$ 4,164,259	\$ 7,334	\$ 4,171,593
Taxes receivable	294,855	-	294,855
Interest receivable	-	752	752
Intergovernmental receivable	904,491	-	904,491
Restricted assets:			
Cash and investments with fiscal agents	-	6,337,417	6,337,417
Total assets	\$ 5,363,605	\$ 6,345,503	\$ 11,709,108
Liabilities, deferred inflow of resources, and fund balances:			
Liabilities:			
Accounts payable	\$ 535,117	\$ 5,375	\$ 540,492
Accrued payroll	129,884	-	129,884
Deposits	2,163	-	2,163
Interfund payable	292,461	96,614	389,075
Retainage payable	69,612	-	69,612
Total liabilities	1,029,237	101,989	1,131,226
Deferred inflow of resources:			
Unavailable revenue	586,277	-	586,277
Fund balances:			
Restricted for:			
Parks and recreation	530,905	-	530,905
Public works	3,033,329	-	3,033,329
Capital projects	195,736	-	195,736
Debt service	-	6,243,514	6,243,514
Unassigned	(11,879)	-	(11,879)
Total fund balances	3,748,091	6,243,514	9,991,605
Total liabilities, deferred inflow of resources, and fund balances	\$ 5,363,605	\$ 6,345,503	\$ 11,709,108

CITY OF MISSION VIEJO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Special Revenue	Debt Service	Total
Revenues:			
Taxes	\$ 2,135,475	\$ 1,410,755	\$ 3,546,230
Intergovernmental	6,644,853	1,035,297	7,680,150
Charges for services	228,926	-	228,926
Investment earnings	8,520	3,292	11,812
Fines and forfeitures	105,010	-	105,010
Other	172,791	-	172,791
Total revenues	9,295,575	2,449,344	11,744,919
Expenditures:			
Current:			
General government - management and support	98,817	-	98,817
Public safety	150,000	-	150,000
Community development	50,396	-	50,396
Public works - engineering and transportation	264,867	-	264,867
Infrastructure maintenance	323,702	-	323,702
Recreation/community/library service	2,916,364	-	2,916,364
Capital outlay	3,175,447	-	3,175,447
Debt service:			
Principal retirement	-	1,715,000	1,715,000
Interest and fiscal charges	-	1,056,096	1,056,096
Total expenditures	6,979,593	2,771,096	9,750,689
Excess (deficiency) of revenues over (under) expenditures	2,315,982	(321,752)	1,994,230
Other financing sources (uses):			
Transfers in	767,476	2,769,641	3,537,117
Transfers out	-	(2,013,816)	(2,013,816)
Total other financing sources (uses)	767,476	755,825	1,523,301
Net change in fund balances	3,083,458	434,073	3,517,531
Fund balances, beginning of year	664,633	5,809,441	6,474,074
Fund balances, end of year	<u>\$ 3,748,091</u>	<u>\$ 6,243,514</u>	<u>\$ 9,991,605</u>

CITY OF MISSION VIEJO

OTHER SPECIAL REVENUE FUNDS YEAR ENDED JUNE 30, 2014

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

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

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

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

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

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

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.

CITY OF MISSION VIEJO

**COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
JUNE 30, 2014**

	Gas Tax	Library Operations	Law Enforcement Grants
Assets:			
Cash and investments	\$ 2,427,382	\$ 736,660	\$ -
Taxes receivable	-	24,668	-
Intergovernmental receivable	297,297	-	21,650
Total assets	\$ 2,724,679	\$ 761,328	\$ 21,650
Liabilities, deferred inflow of resources, and fund balances:			
Liabilities:			
Accounts payable	\$ 96,276	\$ 98,269	\$ 12,500
Accrued payroll	203	129,258	-
Deposits	-	2,163	-
Interfund payable	-	-	21,029
Retainage payable	66,562	-	-
Total liabilities	163,041	229,690	33,529
Deferred inflow of resources:			
Unavailable revenue	-	733	-
Fund balances:			
Restricted for:			
Parks and recreation	-	530,905	-
Public works	2,561,638	-	-
Capital projects	-	-	-
Unassigned	-	-	(11,879)
Total fund balances (deficit)	2,561,638	530,905	(11,879)
Total liabilities, deferred inflow of resources, and fund balances	\$ 2,724,679	\$ 761,328	\$ 21,650

Air Quality	Measure M	Totals
\$ 168,600	\$ 831,617	\$ 4,164,259
29,000	241,187	294,855
-	585,544	904,491
<u>\$ 197,600</u>	<u>\$ 1,658,348</u>	<u>\$ 5,363,605</u>
\$ 1,864	\$ 326,208	\$ 535,117
-	423	129,884
-	-	2,163
-	271,432	292,461
-	3,050	69,612
<u>1,864</u>	<u>601,113</u>	<u>1,029,237</u>
-	585,544	586,277
-	-	530,905
-	471,691	3,033,329
195,736	-	195,736
-	-	(11,879)
<u>195,736</u>	<u>471,691</u>	<u>3,748,091</u>
<u>\$ 197,600</u>	<u>\$ 1,658,348</u>	<u>\$ 5,363,605</u>

CITY OF MISSION VIEJO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2014**

	Gas Tax	Library Operations	Law Enforcement Grants
Revenues:			
Taxes	\$ -	\$ 2,135,475	\$ -
Intergovernmental	3,143,544	127,897	155,764
Charges for services	-	228,926	-
Investment earnings	1,008	2,557	-
Fines and forfeitures	-	105,010	-
Other	146,750	24,865	-
Total revenues	3,291,302	2,624,730	155,764
Expenditures:			
Current:			
General government - management and support	20,222	76,665	-
Public safety	-	-	150,000
Community development	-	-	-
Public works - engineering and transportation	264,867	-	-
Infrastructure maintenance	-	323,702	-
Recreation/community/library services	-	2,916,364	-
Capital outlay	1,528,137	-	-
Total expenditures	1,813,226	3,316,731	150,000
Excess (deficiency) of revenues over (under) expenditures	1,478,076	(692,001)	5,764
Other financing sources (uses):			
Transfers in	-	767,476	-
Total other financing sources (uses)	-	767,476	-
Net change in fund balances	1,478,076	75,475	5,764
Fund balances (deficits), beginning of year	1,083,562	455,430	(17,643)
Fund balances (deficits), end of year	<u>\$ 2,561,638</u>	<u>\$ 530,905</u>	<u>\$ (11,879)</u>

Air Quality	Measure M	Totals
\$ -	\$ -	\$ 2,135,475
116,681	3,100,967	6,644,853
-	-	228,926
1,267	3,688	8,520
-	-	105,010
-	1,176	172,791
117,948	3,105,831	9,295,575
1,930	-	98,817
-	-	150,000
50,396	-	50,396
-	-	264,867
-	-	323,702
-	-	2,916,364
14,134	1,633,176	3,175,447
66,460	1,633,176	6,979,593
51,488	1,472,655	2,315,982
-	-	767,476
-	-	767,476
51,488	1,472,655	3,083,458
144,248	(1,000,964)	664,633
\$ 195,736	\$ 471,691	\$ 3,748,091

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, 2014**

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with
	Original	Final				Final Budget-
						Positive (Negative)
Revenues:						
Intergovernmental	\$ 2,923,491	\$ 2,889,235	\$ 3,143,544	\$ -	\$ 3,143,544	\$ 254,309
Investment earnings	2,000	2,000	1,008	-	1,008	(992)
Other	-	156,750	146,750	-	146,750	(10,000)
Total revenues	2,925,491	3,047,985	3,291,302	-	3,291,302	243,317
Expenditures:						
General government - management and support	31,515	31,515	20,222	-	20,222	11,293
Public works - engineering and transportation	274,000	327,243	264,867	37,246	302,113	25,130
Capital outlay:						
Los Alisos Traffic Signal Synch	-	55,802	30,896	-	30,896	24,906
Santa Marg Pkwy Traffic Signal Synch	-	22,928	12,359	-	12,359	10,569
Oso Parkway Traffic Signal Synch	-	28,563	17,556	-	17,556	11,007
La Paz Median Improvements	-	8,105	3,525	-	3,525	4,580
Traffic Safety/Signal Coordination Parkway to La Paz	-	8,182	2,060	-	2,060	6,122
Sidewalk Repair	-	1,235	-	1,235	1,235	-
Sidewalk Repair	-	21,900	14,144	-	14,144	7,756
Arterial Highway Slurry Seal	-	266,785	187,273	79,343	266,616	169
Residential Resurfacing	1,589,000	1,209,865	1,207,445	-	1,207,445	2,420
CVP Traffic Signal Synchronization	-	6,012	368	-	368	5,644
Jernoimo Signal Synchronization	10,000	10,000	582	-	582	9,418
Marguerite MedVF to Trabuco	-	119,300	19,300	-	19,300	100,000
MargueriteMedTrbtoAlic	-	59,961	15,819	6,913	22,732	37,229
Muirlands Signal Synchronization	-	485,000	243	-	243	484,757
La Paz Widening	-	18,031	16,567	1,433	18,000	31
Maguerite Traffic Signal Synchronization	-	30,000	-	-	-	30,000
Emergency Vehicle Preemption	-	30,000	-	-	-	30,000
Total expenditures	1,904,515	2,740,427	1,813,226	126,170	1,878,171	862,256
Net change in fund balance	1,020,976	307,558	1,478,076	(126,170)	1,413,131	1,105,573
Fund balance, beginning of year	1,083,562	1,083,562	1,083,562	-	1,083,562	-
Fund balance, end of year	<u>\$ 2,104,538</u>	<u>\$ 1,391,120</u>	<u>\$ 2,561,638</u>	<u>\$ (126,170)</u>	<u>\$ 2,496,693</u>	<u>\$ 1,105,573</u>

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, 2014**

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with
	Original	Final				Final Budget Positive (Negative)
Revenues:						
Taxes	\$ 2,055,200	\$ 2,124,740	\$ 2,135,475	\$ -	\$ 2,135,475	\$ 10,735
Intergovernmental	127,000	167,000	127,897	-	127,897	(39,103)
Charges for services	177,000	177,000	228,926	-	228,926	51,926
Investment earnings	3,000	3,000	2,557	-	2,557	(443)
Fines and forfeitures	131,000	131,000	105,010	-	105,010	(25,990)
Other	78,000	18,000	24,865	-	24,865	6,865
Total revenues	2,571,200	2,620,740	2,624,730	-	2,624,730	3,990
Expenditures:						
General government - management and support	91,700	124,033	76,665	5,430	82,095	41,938
Infrastructure maintenance	335,746	387,172	323,702	-	323,702	63,470
Recreation/community/library services	2,942,645	3,011,751	2,916,364	15,437	2,931,801	79,950
Total expenditures	3,370,091	3,522,956	3,316,731	20,867	3,337,598	185,358
Excess (deficiency) of revenues over (under) expenditures	(798,891)	(902,216)	(692,001)	(20,867)	(712,868)	189,348
Other financing sources (uses):						
Transfers in	755,891	767,476	767,476	-	767,476	-
Total other financing sources (uses)	755,891	767,476	767,476	-	767,476	-
Net change in fund balance	(43,000)	(134,740)	75,475	(20,867)	54,608	189,348
Fund balance, beginning of year	455,430	455,430	455,430	-	455,430	-
Fund balance, end of year	\$ 412,430	\$ 320,690	\$ 530,905	\$ (20,867)	\$ 510,038	\$ 189,348

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, 2014**

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final				
Revenues:						
Intergovernmental	\$ 150,000	\$ 150,000	\$ 155,764	\$ -	\$ 155,764	\$ 5,764
Total revenues	150,000	150,000	155,764	-	155,764	5,764
Expenditures:						
Public safety	150,000	150,000	150,000	-	150,000	-
Total expenditures	150,000	150,000	150,000	-	150,000	-
Net change in fund balance	-	-	5,764	-	5,764	5,764
Fund balance (deficits), beginning of year	(17,643)	(17,643)	(17,643)	-	(17,643)	-
Fund balance (deficits), end of year	\$ (17,643)	\$ (17,643)	\$ (11,879)	\$ -	\$ (11,879)	\$ 5,764

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, 2014**

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final				
Revenues:						
Intergovernmental	\$ 175,200	\$ 115,200	\$ 116,681	\$ -	\$ 116,681	\$ 1,481
Investment earnings	1,000	1,000	1,267	-	1,267	267
Total revenues	176,200	116,200	117,948	-	117,948	1,748
Expenditures:						
General government - management and support	1,930	1,930	1,930	-	1,930	-
Community development	45,000	50,824	50,396	-	50,396	428
Capital outlay:						
Marguerite Traffic Signal Synchronization	18,578	18,578	14,134	-	14,134	4,444
Muirlands Signal Synchronization	32,778	32,778	-	-	-	32,778
Jernoimo Signal Synchronization	36,010	36,010	-	-	-	36,010
Trabuco Road Signal Synchronization	27,399	27,399	-	-	-	27,399
Total expenditures	161,695	167,519	66,460	-	66,460	101,059
Net change in fund balance	14,505	(51,319)	51,488	-	51,488	102,807
Fund balance, beginning of year	144,248	144,248	144,248	-	144,248	-
Fund balance, end of year	\$ 158,753	\$ 92,929	\$ 195,736	\$ -	\$ 195,736	\$ 102,807

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, 2014**

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final				
Revenues:						
Intergovernmental	\$ 1,496,132	\$ 8,637,827	\$ 3,100,967	\$ -	\$ 3,100,967	\$ (5,536,860)
Investment earnings	2,000	2,000	3,688	-	3,688	1,688
Other	451,000	451,000	1,176	-	1,176	(449,824)
Total revenues	1,949,132	9,090,827	3,105,831	-	3,105,831	(5,984,996)
Expenditures:						
General government - management and support	-	1,739	-	-	-	1,739
Capital outlay:						
Crown Valley Traffic Signal Synch	-	755	607	-	607	148
Marguerite Traffic Signal Synch	-	21,351	1,439	-	1,439	19,912
Emergency Vehicle Preemption	-	40,000	7,200	-	7,200	32,800
La Paz Median Improvement	-	100,000	100,000	-	100,000	-
La Paz Bridge Widening	-	2,555,297	4,243	-	4,243	2,551,054
Oso Widening	-	2,598,683	397,437	2,201,246	2,598,683	-
Traffic Safety /Signal Coordination	-	9,286	5,282	-	5,282	4,004
Marguerite Resurfacing/Median Oso to La Paz	-	720	-	-	-	720
Sidewalk Repair Program	25,000	25,000	-	-	-	25,000
Arterial Highway Slurry Seal	1,750,000	2,353,740	704,108	1,649,002	2,353,110	630
Residential Resurfacing	61,000	444,539	411,785	-	411,785	32,754
Muirlands Signal Synchronization	10,000	10,000	265	-	265	9,735
Trabuco Road Signal Synchronization	10,080	10,080	390	-	390	9,690
MargMedVFtoTrabu	-	146,000	420	-	420	145,580
Total expenditures	1,856,080	8,317,190	1,633,176	3,850,248	5,483,424	2,833,766
Net change in fund balances	93,052	773,637	1,472,655	(3,850,248)	699,018	(74,619)
Fund balance (deficits), beginning of year	(1,000,964)	(1,000,964)	(1,000,964)	-	(1,000,964)	-
Fund balance (deficits), end of year	\$ (907,912)	\$ (227,327)	\$ 471,691	\$ -	\$ (301,946)	\$ (74,619)

CITY OF MISSION VIEJO

OTHER DEBT SERVICE FUNDS YEAR ENDED JUNE 30, 2014

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, 2014**

	Mall Parking Lease	CDFA 1999 Mall Bonds	CDFA 2009 Lease Revenue Refunding Bonds	Totals
Assets:				
Cash and investments	\$ 7,334	\$ -	\$ -	\$ 7,334
Interest receivable	-	-	752	752
Restricted assets:				
Cash and investments with fiscal agents	-	4,973,760	1,363,657	6,337,417
Total assets	\$ 7,334	\$ 4,973,760	\$ 1,364,409	\$ 6,345,503
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ -	\$ 5,375	\$ -	\$ 5,375
Interfund payable	-	96,614	-	96,614
Total liabilities	-	101,989	-	101,989
Fund balances:				
Restricted for:				
Debt service	7,334	4,871,771	1,364,409	6,243,514
Total fund balances	7,334	4,871,771	1,364,409	6,243,514
Total liabilities and fund balances	\$ 7,334	\$ 4,973,760	\$ 1,364,409	\$ 6,345,503

CITY OF MISSION VIEJO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2014**

	Mall Parking Lease	CDFA 1999 Mall Bonds	CDFA 2009 Lease Revenue Refunding Bonds	Totals
Revenues:				
Taxes	\$ 1,410,755	\$ -	\$ -	\$ 1,410,755
Intergovernmental	-	1,035,297	-	1,035,297
Investment earnings	(2)	1	3,293	3,292
Total revenues	1,410,753	1,035,298	3,293	2,449,344
Expenditures:				
Debt service:				
Principal retirement	-	1,100,000	615,000	1,715,000
Interest and fiscal charges	-	309,233	746,863	1,056,096
Total expenditures	-	1,409,233	1,361,863	2,771,096
Excess (deficiency) of revenues over (under) expenditures	1,410,753	(373,935)	(1,358,570)	(321,752)
Other financing sources (uses):				
Transfers in	-	1,410,755	1,358,886	2,769,641
Transfers out	(1,410,755)	(603,061)	-	(2,013,816)
Total other financing sources (uses)	(1,410,755)	807,694	1,358,886	755,825
Net change in fund balances	(2)	433,759	316	434,073
Fund balances, beginning of year	7,336	4,438,012	1,364,093	5,809,441
Fund balances, end of year	<u>\$ 7,334</u>	<u>\$ 4,871,771</u>	<u>\$ 1,364,409</u>	<u>\$ 6,243,514</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, 2014**

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final				
Revenues:						
Taxes	\$ 1,361,142	\$ 1,361,142	\$ 1,410,755	\$ -	\$ 1,410,755	\$ 49,613
Investment earnings	-	-	(2)	-	(2)	(2)
Total revenues	<u>1,361,142</u>	<u>1,361,142</u>	<u>1,410,753</u>	<u>-</u>	<u>1,410,753</u>	<u>49,611</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,361,142</u>	<u>1,361,142</u>	<u>1,410,753</u>	<u>-</u>	<u>1,410,753</u>	<u>49,611</u>
Other financing sources (uses):						
Transfers out	(1,361,142)	(1,361,142)	(1,410,755)	-	(1,410,755)	(49,613)
Total other financing sources (uses)	<u>(1,361,142)</u>	<u>(1,361,142)</u>	<u>(1,410,755)</u>	<u>-</u>	<u>(1,410,755)</u>	<u>(49,613)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(2)</u>	<u>(2)</u>
Fund balance, beginning of year	<u>7,336</u>	<u>7,336</u>	<u>7,336</u>	<u>-</u>	<u>7,336</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,336</u>	<u>\$ 7,336</u>	<u>\$ 7,334</u>	<u>\$ -</u>	<u>\$ 7,334</u>	<u>\$ (2)</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, 2014**

	Budget Amounts		Actual Amounts	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with
	Original	Final				Final Budget- Positive (Negative)
Revenues:						
Intergovernmental	\$ 938,000	\$ 938,000	\$ 1,035,297	\$ -	\$ 1,035,297	\$ 97,297
Investment earnings	1,000	1,000	1	-	1	(999)
Total revenues	939,000	939,000	1,035,298	-	1,035,298	96,298
Expenditures:						
Debt service:						
Principal retirement	1,100,000	1,100,000	1,100,000	-	1,100,000	-
Interest and fiscal charges	376,000	376,000	309,233	-	309,233	66,767
Total expenditures	1,476,000	1,476,000	1,409,233	-	1,409,233	66,767
Excess (deficiency) of revenues over (under) expenditures	(537,000)	(537,000)	(373,935)	-	(373,935)	163,065
Other financing sources (uses):						
Transfers in	1,361,142	1,361,142	1,410,755	-	1,410,755	49,613
Transfers out	(603,000)	(603,000)	(603,061)	-	(603,061)	(61)
Total other financing sources (uses)	758,142	758,142	807,694	-	807,694	49,552
Net change in fund balance	221,142	221,142	433,759	-	433,759	212,617
Fund balance, beginning of year	4,438,012	4,438,012	4,438,012	-	4,438,012	-
Fund balance, end of year	\$ 4,659,154	\$ 4,659,154	\$ 4,871,771	\$ -	\$ 4,871,771	\$ 212,617

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, 2014**

	Budget Amounts		Actual	Budgetary Adjustments	Actual (Budgetary Basis)	Variance with
	Original	Final				Final Budget Positive (Negative)
Revenues:						
Investment earnings	\$ 5,000	\$ 5,000	\$ 3,293	\$ -	\$ 3,293	\$ (1,707)
Total revenues	5,000	5,000	3,293	-	3,293	(1,707)
Expenditures:						
Debt service:						
Principal retirement	747,000	615,000	615,000	-	615,000	-
Interest and fiscal charges	620,000	752,000	746,863	-	746,863	5,137
Total expenditures	1,367,000	1,367,000	1,361,863	-	1,361,863	5,137
Excess (deficiency) of revenues over (under) expenditures	(1,362,000)	(1,362,000)	(1,358,570)	-	(1,358,570)	3,430
Other financing sources (uses):						
Transfers in	1,362,000	1,362,000	1,358,886	-	1,358,886	(3,114)
Total other financing sources (uses)	1,362,000	1,362,000	1,358,886	-	1,358,886	(3,114)
Net change in fund balance	-	-	316	-	316	316
Fund balance, beginning of year	1,364,093	1,364,093	1,364,093	-	1,364,093	-
Fund balance, end of year	<u>\$ 1,364,093</u>	<u>\$ 1,364,093</u>	<u>\$ 1,364,409</u>	<u>\$ -</u>	<u>\$ 1,364,409</u>	<u>\$ 316</u>

CITY OF MISSION VIEJO

AGENCY FUND

YEAR ENDED JUNE 30, 2014

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, 2014**

	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Community Facilities District 92-1				
Assets:				
Cash and investments	\$ 175,841	\$ 426,579	\$ 423,117	\$ 179,303
Restricted assets:				
Cash and investments with fiscal agents	383,476	786,273	726,250	443,499
Total assets	\$ 559,317	\$ 1,212,852	\$ 1,149,367	\$ 622,802
Liabilities:				
Accounts payable	\$ -	\$ 602,419	\$ 423,116	\$ 179,303
Due to bondholders	559,317	850,226	966,044	443,499
Total liabilities	\$ 559,317	\$ 1,452,645	\$ 1,389,160	\$ 622,802

CITY OF MISSION VIEJO

STATISTICAL TABLES AND OTHER SCHEDULES YEAR ENDED JUNE 30, 2014

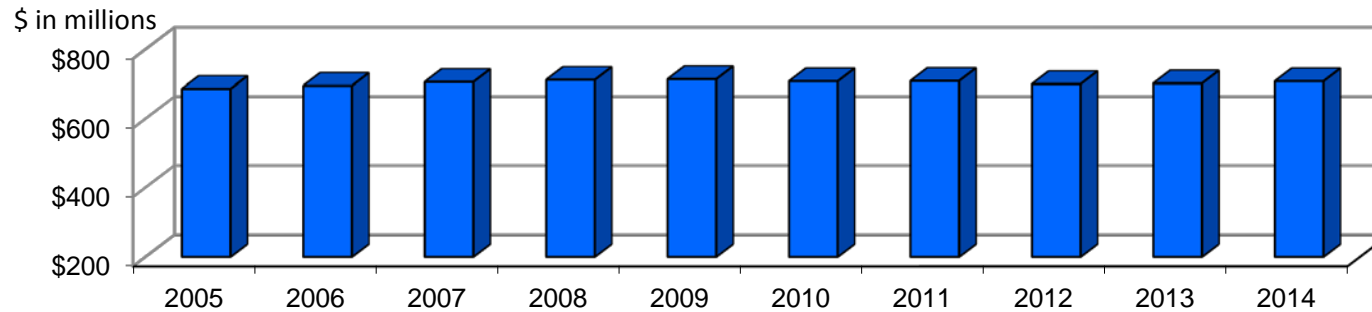
This part of the City of Mission Viejo's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends.....	120
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.....	128
These schedules contain information to help the reader assess the City's most significant local revenue source, property tax revenues.	
Debt Capacity.....	133
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.....	137
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.....	140
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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Net investment in capital assets	\$ 625,779,491	\$ 632,460,889	\$ 640,300,604	\$ 655,353,074	\$ 658,433,369	\$ 651,851,636	\$ 644,039,024	\$ 649,203,896	\$ 646,771,844	\$ 643,465,280
Restricted	13,153,006	14,737,582	13,544,769	18,087,908	17,607,666	22,790,399	23,261,890	18,405,963	20,610,691	25,646,475
Unrestricted	43,435,759	44,037,190	47,882,955	34,212,481	33,780,397	29,168,881	36,865,274	28,219,048	29,947,637	33,909,082
Total governmental activities net position	682,368,256	691,235,661	701,728,328	707,653,463	709,821,432	703,810,916 ¹	704,166,188	695,828,907 ²	697,330,172	703,020,837
Business-type activities:										
Net investment in capital assets	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	1,854,037
Unrestricted	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	3,330,497
Total business-type activities net position	3,734,377	3,812,845	3,963,564	4,546,122	4,630,960	4,231,891	4,410,515	4,510,232	4,848,218	5,184,534
Primary government:										
Net investment in capital assets	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	645,319,317
Restricted	13,153,006	14,737,582	13,544,769	18,087,908	17,607,666	22,790,399	23,261,890	18,405,963	20,610,691	25,646,475
Unrestricted	44,639,323	45,434,533	49,386,599	36,341,587	35,937,943	31,042,402	39,043,803	30,543,465	32,634,059	37,239,579
Total primary government net position	\$ 686,102,633	\$ 695,048,506	\$ 705,691,892	\$ 712,199,585	\$ 714,452,392	\$ 708,042,807	\$ 708,576,703 ¹	\$ 700,339,139 ²	\$ 702,178,390	\$ 708,205,371

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

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

Source: Statement of Net Position

CITY OF MISSION VIEJO

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Governmental activities:										
General government-legislative	\$ 1,643,865	\$ 1,278,397	\$ 1,458,585	\$ 1,539,469	\$ 2,186,488	\$ 2,346,309	\$ 1,295,007	\$ 1,222,641	\$ 1,243,358	\$ 1,175,830
General govt-management and support	10,545,172	13,767,465	13,359,098	15,012,892	14,766,918	16,209,817 ²	14,807,567	10,795,031	10,317,445	8,184,578 ¹²
Public safety	12,367,812	13,237,344	13,846,244	15,682,611	16,223,078	16,503,571	16,781,149	16,664,706	16,939,740	16,963,811
Community development	2,093,381	2,180,574	2,114,820	2,619,254	1,910,720	2,392,911	2,571,601	10,102,297 ⁴	3,079,388	3,270,422
Public works-engineering & transportation	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	2,409,419
Infrastructure maintenance	15,084,522	17,208,589	20,828,414	21,399,169	21,870,932	24,723,127	25,209,859	24,041,299	20,777,340	21,835,813
Recreation, community & library services	6,498,561	6,965,590	7,696,128	8,811,784	9,393,228	9,517,636	9,153,074	9,419,034	9,805,902	9,788,128
Interest on long-term debt	2,495,852	2,716,028	3,415,025 ¹	2,529,391	1,591,463	2,191,612 ³	1,681,786 ³	1,031,685	1,212,454	1,139,294
Total governmental activities expenses	54,345,298	61,404,947	65,996,470	70,991,157	71,310,751	77,051,881	74,498,240	75,084,902	66,182,516	64,767,295
Business-type activities:										
Animal services	990,544	1,093,211	1,157,320	1,321,913	1,788,096	1,701,974	1,684,758	1,757,543	1,745,176	2,120,143
Mission Viejo television	162,000	159,592	171,321	171,440	175,541	123,973	131,138	224,840	230,128	356,374
Total business-type activities expenses	1,152,544	1,252,803	1,328,641	1,493,353	1,963,637	1,825,947	1,815,896	1,982,383	1,975,304	2,476,517
Total primary government expenses	55,497,842	62,657,750	67,325,111	72,484,510	73,274,388	78,877,828	76,314,136	77,067,285	68,157,820	67,243,812
Program revenues:										
Governmental activities:										
Charges for services:										
Public safety	966,906	848,928	800,345	796,364	661,643	1,444,667	712,997	657,456	611,820	622,490
Community development	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	2,157,105
Public works-engineering & transportation	450,693	518,244	855,540	557,467	482,480	161,943	467,949	384,856	468,278	951,474
Infrastructure maintenance	-	-	-	-	-	-	-	-	-	15,000
Recreation, community and library serv	1,801,927	2,082,022	2,225,515	2,439,763	2,560,945	2,331,648	3,951,337 ⁷	1,788,114	1,807,694	1,878,387
Other activities	560,480	794,574	497,762	163,670	235,905	172,401	553,623	107,810	53,983	203,635
Operating grants and contributions	4,638,084	4,500,264	4,938,351	4,750,898	4,255,816	7,275,388	7,573,309	8,912,482	7,867,922	7,602,759
Capital grants and contributions	3,815,060	6,188,556	7,907,221	8,847,033	9,472,730	5,508,196	6,697,833	3,395,881	4,533,348	5,549,795
Total governmental activities revenues	13,889,173	17,097,649	19,257,943	19,323,680	19,383,710	18,217,699	21,236,201	16,635,001	17,279,734	18,980,645
Business-type activities:										
Charges for services:										
Animal services	394,365	475,944	502,477	863,528	634,515	685,173	1,241,507 ⁶	1,305,162	1,366,721	1,424,226
Mission Viejo television	2,156	1,054	539	543	404	60	100	700	580	420
Operating grants and contributions	339,577	390,156	459,977	534,414	801,456	590,780	200,985	324,654	-	1,052,005 ¹¹
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities revenues	736,098	867,154	962,993	1,398,485	1,436,375	1,276,013	1,442,592	1,630,516	1,367,301	2,476,651
Total primary government revenues	14,625,271	17,964,803	20,220,936	20,722,165	20,820,085	19,493,712	22,678,793	18,265,517	18,647,035	21,457,296
Net (expense)/revenue:										
Governmental activities	(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)	(45,786,650)
Business-type activities	(416,446)	(385,649)	(365,648)	(94,868)	(527,262)	(549,934)	(373,304)	(351,867)	(608,003)	134
Total net expense/revenue	(40,872,571)	(44,692,947)	(47,104,175)	(51,762,345)	(52,454,303)	(59,384,116)	(53,635,343)	(58,801,768)	(49,510,785)	(45,786,516)

(continued)

CITY OF MISSION VIEJO

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	20,439,513	28,315,994	31,183,198	33,527,411	34,221,795	34,352,871	32,983,492	29,934,859 ⁸	28,148,758	28,497,853
Sales and use taxes	13,558,656	13,590,547	13,099,593	12,231,539	10,557,007	10,547,009	11,059,525	11,622,640	11,998,071	12,574,446
Property taxes in lieu of sales & use taxes	4,344,402	4,567,285	4,381,834	4,088,418	3,863,059	2,718,259 ⁵	3,731,802	3,834,165	3,937,682	4,316,288
Other	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	4,179,837
Unrestricted motor vehicle in lieu fees	6,906,017	608,665	611,463	438,534	337,213	341,391	497,722	49,831	51,634	42,733
Investment income	1,454,287	1,920,079	3,715,080	3,698,871	2,014,231	1,001,415	1,305,766	1,140,564	1,022,147	1,193,913
Other	235,941	879,905	590,355	322,797	305,386	603,503	655,288	2,031,801 ⁹	1,784,653	1,202,634
Transfers	(432,018)	(428,372)	(432,705)	(552,488)	(521,260)	(132,831)	(476,611)	(410,450)	(475,000)	(530,389)
Gain (loss) on sale/disposal of cap assets	22,238	-	-	-	(111,522)	-	3,151	-	-	-
Extraordinary Item	-	-	-	-	-	-	-	(1,849,384) ¹⁰	-	-
Total governmental activities	<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>	<u>\$ 51,477,315</u>
Business-type activities:										
Investment earnings	\$ 25,375	\$ 35,745	\$ 83,662	\$ 124,938	\$ 90,070	\$ 18,034	\$ 69,376	\$ 34,860	\$ 1,708	\$ 17,246
Transfers	432,018	428,372	432,705	552,488	521,260	132,831	476,611	410,450	475,000	530,389
Other	-	-	-	-	-	-	5,941	6,274	-	-
Gain (loss) on sale/disposal of cap assets	-	-	-	-	770	-	-	-	-	(211,453)
Total business-type activities	<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>	<u>336,182</u>
Total primary government	<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>	<u>51,813,497</u>
Changes in net position:										
Governmental activities	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	5,690,665
Business-type activities	40,947	78,468	150,719	582,558	84,838	(399,069)	178,624	99,717	(131,295)	336,316
Total primary government	<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>\$ 1,369,970</u>	<u>\$ 6,026,981</u>

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

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

³ Interest on long-term debt increased in 2010 due to costs associated with the issuing of 2009 Lease Revenue Refunding bonds and the redemption premium paid to refund the 2001 Lease Revenue Bond. Because of the refunding, interest on long-term debt decreased in 2011.

⁴ Increase is due to the expending of \$4.8M for an affordable housing subsidy and the reclassification of a prior year \$2M housing subsidy.

⁵ Property taxes in lieu of sales and use taxes decreased due to a correction of a prior year overpayment and a reduction of estimated advances received for current year.

⁶ Operating costs increased due to providing the City of Aliso Viejo with animal services.

⁷ One time park development fees received in 2011 of \$2M.

(continued)

CITY OF MISSION VIEJO

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

⁸ Decrease is due to the dissolution of redevelopment agencies causing the City to receive \$3M less in property tax increment revenue.

⁹ Increase is due to the receipt of miscellaneous developer fee reimbursements related to completed capital projects.

¹⁰ Amount represent the net asset transferred from the redevelopment agency upon dissolution.

¹¹ Large donation received FY 13/14 for the Animal Shelter.

¹² Elimination of OCTA Gas Tax Exchange funded under general government management and support.

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund:										
Reserved	\$ 9,198,817	\$ 7,065,344	\$ 12,747,110	\$ 6,387,326	\$ 4,572,557	\$ 4,313,636	\$ -	\$ -	\$ -	\$ -
Unreserved	32,553,064	37,792,440	35,815,005	30,435,799 ¹	30,141,564	28,919,290	-	-	-	-
Nonspendable	-	-	-	-	-	-	654,403 ²	92,437	554,384 ⁵	534,944
Restricted	-	-	-	-	-	-	140,427 ²	180,068	160,250	242,339
Assigned	-	-	-	-	-	-	-	18,262,314 ³	17,253,034	17,175,604
Unassigned	-	-	-	-	-	-	32,486,599 ²	10,191,747 ³	11,140,289	13,285,786
Total general fund	<u>\$ 41,751,881</u>	<u>\$ 44,857,784</u>	<u>\$ 48,562,115</u>	<u>\$ 36,823,125</u>	<u>\$ 34,714,121</u>	<u>\$ 33,232,926</u>	<u>\$ 33,281,429</u>	<u>\$ 28,726,566</u>	<u>\$ 29,107,957</u>	<u>\$ 31,238,673</u>
All other governmental funds:										
Reserved	\$ 20,007,732	\$ 34,221,856	\$ 31,200,022	\$ 28,437,107	\$ 23,720,546	\$ 28,120,395	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenues funds	1,566,645	(8,892,769)	(8,264,397)	-	(609,794)	(4,638,772)	-	-	-	-
Debt service funds	(4,175,531)	(4,183,223)	(3,524,440)	(3,830,123)	(2,331,936)	(2,921,375)	-	-	-	-
Capital projects funds	215,481	230,623	(25,018)	463,170	263,118	566,786	-	-	-	-
Nonspendable	-	-	-	-	-	-	4,456,564 ²	4,458,310	6,042,642	5,421,335
Restricted	-	-	-	-	-	-	18,664,969 ²	9,505,259 ⁴	11,186,470	17,671,546
Unassigned	-	-	-	-	-	-	-	(2,545,097)	(3,383,951)	(2,276,368)
Total all other governmental funds	<u>\$ 17,614,327</u>	<u>\$ 21,376,487</u>	<u>\$ 19,386,167</u>	<u>\$ 25,070,154</u>	<u>\$ 21,041,934</u>	<u>\$ 21,127,034</u>	<u>\$ 23,121,533</u>	<u>\$ 11,418,472</u>	<u>\$ 13,845,161</u>	<u>\$ 20,816,513</u>

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

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

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

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

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

Source: Governmental Funds Balance Sheet

CITY OF MISSION VIEJO

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 41,454,221	\$49,990,351	\$ 52,897,806	\$ 53,701,448	\$ 51,911,454	\$ 50,849,597	\$ 51,480,252	\$ 49,150,258	\$ 46,976,084	\$ 48,533,127
Licenses and permits	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	2,123,226
Intergovernmental	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	8,471,890
Charges for services	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 ⁹	3,557,646
Investment earnings	1,902,109	2,509,971	4,296,276	4,378,762	3,180,455	1,851,646	1,500,919	1,518,378	156,612 ⁹	358,774
Fines and forfeitures	964,061	971,164	929,781	921,669	799,652	865,963	969,262	915,398	838,406	943,592
Developer fees	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	4,800,000
Other	891,006	1,777,565	1,850,303	1,065,056	1,321,170	763,812	963,943	1,769,879	2,381,790	2,175,981
Total revenues	<u>63,016,266</u>	<u>72,018,788</u>	<u>76,793,561</u>	<u>77,110,010</u>	<u>75,386,141</u>	<u>71,576,737</u>	<u>72,919,715</u>	<u>68,702,013</u>	<u>66,807,870</u>	<u>70,964,236</u>
Expenditures										
General government-legislative	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	1,175,359
General government-management and support	9,472,632	11,619,765 ¹	11,500,722	14,958,723 ³	13,374,990	14,811,597 ⁴	12,705,588 ⁴	8,933,721	8,355,137	6,724,600
Public safety	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	16,940,727
Community development	2,035,609	2,512,625	2,318,741	2,922,531	2,423,507	4,390,143 ⁵	2,570,480	8,102,297 ⁵	3,079,388	3,270,422
Public works- engineering and transportation	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	2,423,926
Infrastructure maintenance	11,036,227	13,369,920	14,361,764	17,808,967	16,392,734	14,335,933	13,912,489	13,937,952	14,686,204	14,570,652
Recreation/community/library services	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	8,002,589
Capital projects	6,981,864	8,624,841	16,446,670 ²	19,872,424	10,931,773	7,642,900	14,984,143 ⁷	14,232,771	6,526,594	5,460,896
Debt service										
Principal	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	1,715,000
Interest and fiscal charges	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	1,056,096
Payment to bond escrow agent	-	-	-	-	-	1,382,435 ⁶	-	-	-	-
Total expenditures	<u>56,436,161</u>	<u>64,723,633</u>	<u>74,656,182</u>	<u>87,973,457</u>	<u>75,687,168</u>	<u>74,757,823</u>	<u>74,952,902</u>	<u>76,096,300</u>	<u>63,528,892</u>	<u>61,340,267</u>
Excess of revenues over (under) expenditures	<u>6,580,105</u>	<u>7,295,155</u>	<u>2,137,379</u>	<u>(10,863,447)</u>	<u>(301,027)</u>	<u>(3,181,086)</u>	<u>(2,033,187)</u>	<u>(7,394,287)</u>	<u>3,278,978</u>	<u>9,623,969</u>
Other financing sources (uses)										
Transfers in	5,924,515	5,987,436	5,184,096	6,312,178	5,370,292	25,437,485 ⁶	11,873,668	3,754,173	3,541,011	4,208,247
Transfers out	(6,356,533)	(6,415,808)	(5,616,801)	(6,864,666)	(5,891,552)	(25,570,316) ⁶	(12,350,279)	(4,164,623)	(4,016,011)	(4,738,636)
Proceeds of bonds	-	-	-	-	-	17,305,000 ⁶	-	-	-	-
Premium on bonds	-	-	-	-	-	853,583 ⁶	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-	(16,244,503) ⁶	-	(2,211,516)	-	-
Proceeds from sale of capital assets	25,388	1,280	9,338	22,896	23,099	3,742	3,151	5,619	4,102	8,488
Issuance of debt	1,870	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(404,760)</u>	<u>(427,092)</u>	<u>(423,367)</u>	<u>(529,592)</u>	<u>(498,161)</u>	<u>1,784,991</u>	<u>(473,460)</u>	<u>(2,616,347)</u>	<u>(470,898)</u>	<u>(521,901)</u>
Extraordinary Item	-	-	-	-	-	-	-	(1,849,384) ⁸	-	-
Net change in fund balances	<u>6,175,345</u>	<u>6,868,063</u>	<u>1,714,012</u>	<u>(11,393,039)</u>	<u>(799,188)</u>	<u>(1,396,095)</u>	<u>(2,506,647)</u>	<u>(10,010,634)</u>	<u>2,808,080</u>	<u>9,102,068</u>
Debt service as a percentage of noncapital expenditures	8.494%	8.499%	8.584%	6.630%	4.991%	4.556%	4.369%	4.350%	4.400%	4.678%

(continued)

CITY OF MISSION VIEJO

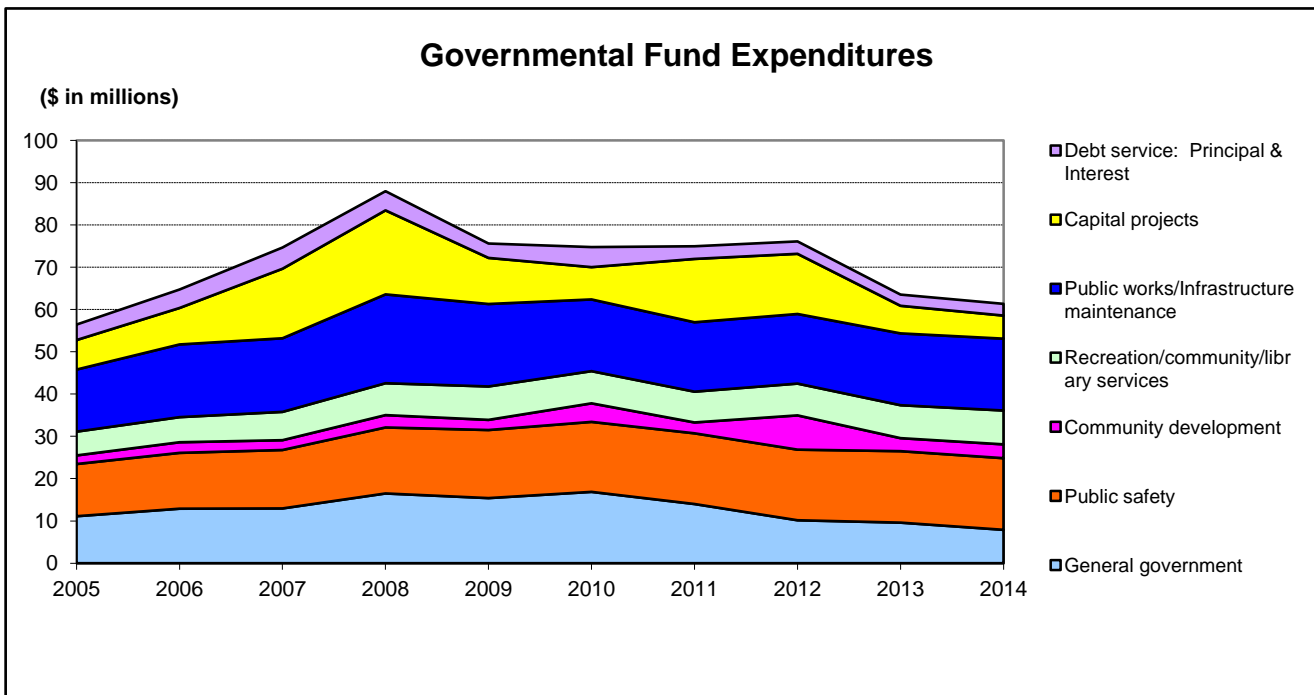
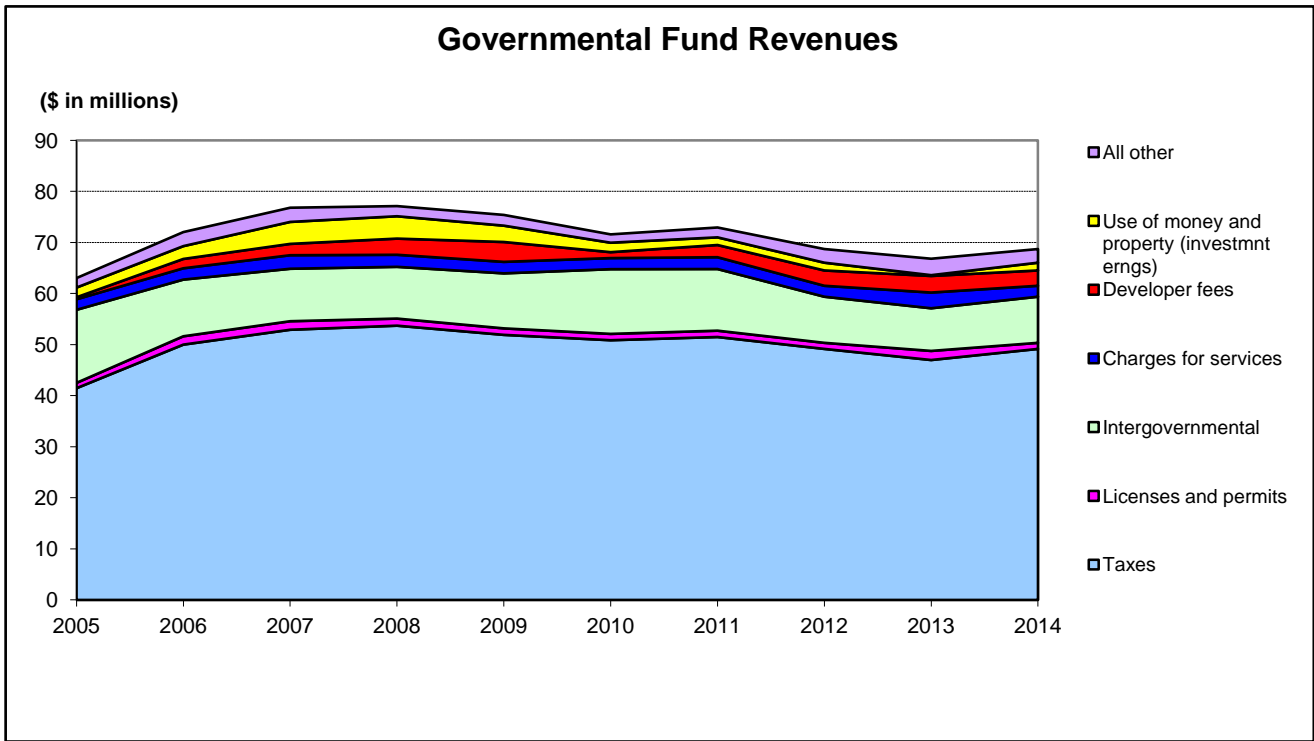
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING) (CONTINUED)

- ¹ 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.
- ² 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.
- ³ Increase due to the jumpstart in prefunding other post-employment retiree health benefit costs and increased spending on information technology.
- ⁴ 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.
- ⁵ Increase due to funding for a new low and moderate income housing project in the City.
- ⁶ Related to the issuance of 2009 Lease Revenue Refunding Bonds.
- ⁷ 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.
- ⁸ Amount represents the net asset transfer from the Redevelopment Agency upon dissolution.
- ⁹ 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 ¹	Successor Agency ²					
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	49,949,546
2014	27,462,558	-	1,613,733	16,890,734	2,908,188	522,333	749,316	50,146,861

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

Sources: General Ledger

CITY OF MISSION VIEJO

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

Fiscal Year Ended June 30	City			Taxable Assessed Value ¹	Community Development Agency ³				Total Direct Tax Rate ²
	Secured	Public Utility	Unsecured		Secured	Public Utility	Unsecured	Incremental Valuation	
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%
2014	13,349,374	2,418	287,668	13,639,460	667,245	2,418	83,716	753,379	0.16470%

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

¹ City amounts include Community Development Agency incremental valuation.

² City general fund direct rate only.

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

Source: CDA: Orange County Auditor-Controller
City: 2005-2006 HdL Coren & Cone
2007-2014 Orange County Auditor Controller

CITY OF MISSION VIEJO

DIRECT AND OVERLAPPING PROPERTY TAX RATES ¹ LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
City Direct Rate:										
Mission Viejo City Reorg #98	0.09200	0.09200	0.09200	0.09200	0.09200	0.09200	0.09200	0.09200	0.09200	0.09200
Mission Viejo City Lighting Fund	0.03270	0.03270	0.03270	0.03270	0.03270	0.03270	0.03270	0.03270	0.03270	0.03270
Mission Viejo General Fund	0.02290	0.02290	0.02290	0.02290	0.02290	0.02290	0.02290	0.02290	0.02290	0.02290
Mission Viejo Library Fund	0.01711	0.01711	0.01711	0.01711	0.01711	0.01711	0.01711	0.01711	0.01711	0.01711
	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>
Overlapping Rates:										
Capistrano Unified School District General Fund	0.36940	0.36940	0.36940	0.36940	0.36940	0.36940	0.36940	0.36940	0.36940	0.36940
Educational Revenue Augmentation Fund	0.13360	0.13360	0.13360	0.13360	0.13360	0.13360	0.13360	0.13360	0.13360	0.13360
Orange County Cemetery Fund	0.00051	0.00051	0.00051	0.00051	0.00051	0.00051	0.00051	0.00051	0.00051	0.00051
Orange County Department of Education	0.01674	0.01674	0.01674	0.01674	0.01674	0.01674	0.01674	0.01674	0.01674	0.01674
Orange County Fire Department	0.11535	0.11535	0.11535	0.11535	0.11535	0.11535	0.11535	0.11535	0.11535	0.11535
Orange County Flood Control District General	0.02030	0.02030	0.02030	0.02030	0.02030	0.02030	0.02030	0.02030	0.02030	0.02030
Orange County General Fund	0.05303	0.05303	0.05303	0.05303	0.05303	0.05303	0.05303	0.05303	0.05303	0.05303
Orange County Harbors Beaches & Parks CSA	0.01569	0.01569	0.01569	0.01569	0.01569	0.01569	0.01569	0.01569	0.01569	0.01569
Orange County Transportation Authority	0.00288	0.00288	0.00288	0.00288	0.00288	0.00288	0.00288	0.00288	0.00288	0.00288
Orange County Vector Control	0.00115	0.00115	0.00115	0.00115	0.00115	0.00115	0.00115	0.00115	0.00115	0.00115
Santa Margarita Water District	0.01558	0.01558	0.01558	0.01558	0.01558	0.01558	0.01558	0.01558	0.01558	0.01558
Santa Margarita Water Improvement District 1W	0.00021	0.00021	0.00021	0.00021	0.00021	0.00021	0.00021	0.00021	0.00021	0.00021
South Orange County Community College District	0.09085	0.09085	0.09085	0.09085	0.09085	0.09085	0.09085	0.09085	0.09085	0.09085
	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>
Total Proposition 13 Direct & Overlapping Tax Rates ²	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>
Metropolitan Water District	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350
Capistrano Unified School District 1999 Bond 2000 A	0.00340	0.00312	0.00273	0.00293	0.00279	0.00308	0.00317	0.00314	0.00335	0.00000
Capistrano Unified School District 1999 Bond 2001 B	0.00544	0.00494	0.00430	0.00468	0.00445	0.00494	0.00507	0.00506	0.00538	0.00507
Capistrano Unified School District 1999 Bond 2002 C	0.00307	0.00272	0.00244	0.00258	0.00247	0.00275	0.00281	0.00281	0.00298	0.00000
										0.00465
Santa Margarita Water District Improvement District #1 Bond	0.02400	0.02400	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Total School & Water District Overlapping Tax Rates	<u>0.04171</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>	<u>0.01322</u>
Total Direct and Overlapping Rates	<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>	<u>1.01322</u>

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

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

Source: Orange County Auditor-Controller
HdL Coren & Cone

CITY OF MISSION VIEJO

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

Taxpayer	2014			2005		
	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	\$131,173,116	1	0.96%	\$39,053,125	5	0.37%
Mission Viejo Associates	109,909,606	2	0.81%	145,383,290	1	1.38%
Mission Viejo Medical LLC	88,839,079	3	0.65%	-	-	-
Essex Madrid LP	64,020,695	4	0.47%	-	-	-
EQR-Del Lago Vistas Inc	62,694,822	5	0.46%	54,443,241	2	0.52%
Laguna Cabot Road Business Park	60,096,255	6	0.44%	-	-	-
Oasis-California Inc	53,047,289	7	0.39%	46,024,610	3	0.44%
MV Unisys LLC	48,509,840	8	0.36%	-	-	-
Target Corporation	44,991,064	9	0.33%	-	-	-
OC SD Holdings LLC	43,901,187	10	0.32%	-	-	-
Pacific Castle Properties II LLC	-	-	-	44,556,624	4	0.42%
KT Kaleidoscope	-	-	-	36,926,787	6	0.35%
Mission Ridge Associates LLC	-	-	-	34,457,553	7	0.33%
Saddleback II Associates	-	-	-	33,209,104	8	0.32%
Steadfast Jeronimo I LLC	-	-	-	32,858,219	9	0.31%
The Bascom Group	-	-	-	29,219,990	10	0.28%
	<u>\$ 707,182,953</u>		<u>5.19%</u>	<u>\$ 496,132,543</u>		<u>4.72%</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 ³	Collected within the Fiscal Year of Levy ³		Collections for Prior Years ¹	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
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% ²
2011	26,156,545	25,287,058	96.68%	558,668	25,845,726	98.81%
2012	25,969,090	22,448,229	86.44%	400,919	22,849,148	87.99%
2013	19,246,353	19,613,605	101.91% ²	364,000	19,977,605	103.80% ²
2014	20,015,012	19,771,223	98.78%	271,567	20,042,791	100.14% ²

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

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

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

Source: Orange County Auditor-Controller

CITY OF MISSION VIEJO

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

Fiscal Year	General Bonded Debt		Percentage of Personal Income ¹	Per Capita ¹	Percentage of Actual Value of Taxable Property ³
	Lease Revenue Bonds	Certificates of Participation			
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	0.14%
2009	14,955,000	2,545,000	0.34%	174.79	0.13%
2010	17,993,583	-	0.37%	192.86	0.14%
2011	17,504,031	-	0.37%	187.24	0.13%
2012	17,014,329	-	0.35%	180.63	0.12%
2013	16,444,628	-	0.33%	173.42	0.12%
2014	15,789,926	-	0.30%	165.63	0.12%

Fiscal Year	Other Governmental Activities Debt			Total Primary Government ²	Percentage of Personal Income ¹	Per Capita ¹
	Revenue Bonds	Note Payable	Capitalized Leases			
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	-	-	53,900,909	1.11%	577.73
2011	34,717,326	-	-	52,221,357	1.11%	558.62
2012	31,247,326	-	-	48,261,655	0.99%	512.35
2013	30,247,326	-	-	46,691,954	0.93%	492.41
2014	29,147,326	-	-	44,937,252	0.86%	471.37

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

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

² Includes general bonded debt and other governmental activities debt.

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

CITY OF MISSION VIEJO

DIRECT AND OVERLAPPING DEBT AS OF JUNE 30, 2014

	Debt Outstanding	Estimate Percentage Applicable ¹	Estimated Share of Overlapping Debt
Overlapping tax and assessment debt:			
Metropolitan Water District	\$ 132,275,000	0.624%	\$ 825,396
Capistrano Unified School District School Facilities Improvement District No. 1	35,109,930	11.503%	4,038,695
Saddleback Valley Unified School District	126,840,000	18.586%	23,574,482
Santa Margarita Water District Improvement District No. 4	87,890,000	0.031%	27,246
Santa Margarita Water District Improvement District No. 4B	11,095,000	0.005%	555
Capistrano Unified School District Community Facilities District No. 87-1	35,900,000	27.480%	9,865,320
Orange County Community Facilities District No. 87-3	6,554,751	100.000%	6,554,751
Total overlapping tax and assessment debt	435,664,681		44,886,445
Overlapping general fund obligation debt:			
Orange County General Fund Obligations	145,476,000	3.083%	4,485,025
Orange County Pension Obligations	32,195,288	3.083%	992,581
Orange County Board of Education Certificates of Participation	15,500,000	3.083%	477,865
Municipal Water District of Orange County Water Facilities Corporation	7,775,000	3.694%	287,209
Capistrano Unified School District Certificates of Participation	18,245,000	11.649%	2,125,360
Moulton-Niguel Water District Certificates of Participation	81,795,000	16.277%	13,313,772
Total overlapping general fund obligation debt	300,986,288		21,681,812
Total overlapping debt	\$ 736,650,969		66,568,257
<u>Overlapping Tax Increment Debt (Successor Agency):</u>			
City of Mission Viejo Community Development Financing Authority	29,147,326	100.000%	29,147,326 ²
City Direct Debt			15,789,926
Total direct and overlapping debt			\$ 111,505,509
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>¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another government unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.</p> <p>² 1999 Series A and Subordinate Series B Variable Rate Demand Revenue Bonds are secured by first call on net property tax increments and secondly by sales tax revenues of mall properties.</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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed valuation	\$ 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	\$ 13,639,459,848
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	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	3,409,864,962
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	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	511,479,744
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<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>	<u>\$ 511,479,744</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 ¹						
Fiscal Year	Property Tax Increment ²	Sales Tax ²	Total Available Revenue	Debt Service		Coverage
				Principal	Interest	
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	1,134,141	2,072,170	1,000,000	30,238	2.01
2013	1,004,297	1,179,693	2,183,990	1,000,000	34,582	2.11
2014	1,133,540	1,410,755	2,544,295	1,100,000	15,846	2.28

¹ The bonds were issued May 11, 1999.

² 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.

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

CITY OF MISSION VIEJO

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Year	Population ¹	Median Age ²	Median Housing Value ³	Personal Income (thousands of dollars) ⁴	Per Capita Personal Income ⁴	Unemployment Rate ⁵
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	161,700,000	52,342	5.7%
2013	94,824	42.0	535,250	165,300,000	53,032	4.7%
2014	95,334	42.0	580,050	172,400,000 ^f	54,839 ^f	3.9%

Sources: ¹ California Department of Finance

² Money.cnn.com (2005-2008)

HdL Coren & Cone (2009-2013)

Information for 2014 is unavailable, used number from prior year.

³ Orange County Register (2005-2008)

HdL Coren & Cone (2009-2014)

⁴ Data shown is for the County of Orange; data for City of Mission Viejo is not available. UCLA: Economic Forecast November 2011 (2005-2010)

Cal State Fullerton Economic Forecast (2011-2014), "f" = forecast number

⁵ California Employment Development Department (2005-2014)

CITY OF MISSION VIEJO

PRINCIPAL EMPLOYERS CURRENT YEAR AND EIGHT YEARS AGO

Employer	2014			2006 ¹		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mission Hospital Regional Medical Center	2,443	1	4.37%	1,349	2	2.50%
Saddleback College	1,975	2	3.53%	2,130	1	3.94%
Saddleback Valley Unified School District	1,502	3	2.69%	640	4	1.19%
Capistrano Unified School District	441	4	0.79%	-	-	-
Nordstrom	400	5	0.72%	300	7	0.56%
Macy's	250	6	0.45%	475	5	0.88%
Target	250	7	0.45%	-	-	-
City of Mission Viejo	248	8	0.44%	-	-	-
Vocational Visions	196	9	0.35%	-	-	-
US Post Office	194	10	0.35%	249	10	0.46%
Unisys Corporation	-	-	-	1,000	3	1.85%
Coldwell Banker	-	-	-	410	6	0.76%
Quest Diagnostics	-	-	-	300	8	0.56%
Bristol Farms	-	-	-	250	9	0.46%
Total	<u>7,899</u>		<u>14.14%</u>	<u>7,103</u>		<u>13.16%</u>

Percentage of "Total City Employment" based on total number of City residents employed in June 2014 of 55,900

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

Source: 2006 Selectory.com
2014 Telephone Survey

CITY OF MISSION VIEJO

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

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government - legislative	11.030	10.930	10.880	10.880	10.880	10.880	10.730	10.530	9.530	9.380
General government - management & support	26.345	27.470	28.720	28.720	29.795	28.220	27.070	23.420	23.600	24.013
Public safety	10.650	11.000	11.000	11.950	15.650 ⁵	15.650	14.750	16.200	16.200	16.000
Community development	9.650	9.500	9.650	9.650	9.650	8.650	7.700	8.700	8.720	8.808
Public works - engineering and transportation	12.225	12.225	12.225	14.175 ²	14.175	13.175	12.175	11.175	11.175	11.175
Infrastructure maintenance	16.600	16.000	16.150	18.250 ³	18.350	17.350	18.250	16.650	16.650	16.750
Recreation/community/library services	47.975 ¹	51.725 ¹	51.950	55.175 ^{1,4}	57.675 ⁶	56.425	53.425	52.675	51.400	51.400
Total	<u>134.475</u>	<u>138.850</u>	<u>140.575</u>	<u>148.800</u>	<u>156.175</u>	<u>150.350</u>	<u>144.100</u>	<u>139.350</u>	<u>137.275</u>	<u>137.526</u>

¹ Includes conversion of temporary positions to regular positions

² Increased staffing in the transportation area

³ Increased staffing for facilities and landscape maintenance

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

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

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

Source: City budget document

CITY OF MISSION VIEJO

OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government - legislative										
Public Records Act requests	109	133	137	335 ³	408	431	529	431	385	472
General government - management and support										
Service requests/complaint cases	2,319	3,155	2,834	2,940	2,780	3,036	3,292	3,467	3,681	3,840
Number of computer network nodes supported	425	415	460	748 ⁴	742	806	819	1,039 ⁵	1,063	1,126
Number of vendor checks issued	6,289	7,011	6,985	7,223	7,282	6,646	6,506	6,781	6,445	6,241
Public safety										
Calls for police services	48,297 ¹	52,534	50,964	49,272	46,664	40,387 ⁷	38,161 ⁷	36,068 ⁷	32,812 ⁷	26,550 ⁷
Average response time-Priority 1 call in minutes	5:34	5:14	5:03	5:11	5:07	5:32	5:21	6:05	5:35	6:16
Community development										
Building inspections	7,200	8,719	11,753	11,026	9,673	8,394	6,685	9,947 ⁹	12,807	16,243 ¹¹
Zoning plan checks	1,325	1,501	1,350	1,325	1,316	1,576 ⁶	1,863 ⁶	1,753	1,890	2,471
Public works - engineering and transportation										
Street resurfacing (lane miles)	35.50	21.70	23.20	31.00	28.80	28.00	36.30	32.70	18.80 ¹²	15.93 ¹²
Intersections on the city's interconnect system	109	110	110	110	110	111	111	111	112	112
Daily traffic count- La Paz Rd, Marguerite Pkwy to Spadra	29,600	27,100	26,800	25,000	24,739	26,808	27,419	32,747	33,500	24,100
Infrastructure maintenance										
Acres of medians and parkways renovated	7	9	9	10	6	4	3	6	9	10
Recreation/community/library services										
Attendance at recreation and tennis centers	180,742	211,265	242,000 ⁴	266,303	281,011	279,480	270,443	259,635 ¹⁰	254,161	271,244
Library circulation	727,599	727,253	738,456	833,488	945,298 ⁵	968,468 ⁵	939,734	917,736	931,376	887,234
Youth participating in organized sports on City fields	7,655	7,620	7,750	7,750	7,750	7,700	7,700	7,800	7,800	7,500

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

² Increase is due to increased usage by existing members and an increase in the number of members

³ Increase is due to tracking procedure improvements

⁴ Increase is due to growth in number of staff supported and implementation of VoIP

⁵ Due to the economic downturn citizens are taking advantage of free services at the Public Library

⁶ Increase is due to a rise in the number of business and residential remodeling

⁷ Decrease is due to a reduction in patrol hours resulting from staffing vacancies

⁸ 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.

⁹ Increase is due to the "Improve Don't Move" program which waived fees for a limited time and encouraged business and residential remodeling.

¹⁰ Decrease is due to the construction of the Marguerite Tennis Center and the opening of two LA Fitness clubs in Mission Viejo.

¹¹ Increase is due to the "Improve Don't Move" program being extended for commercial projects.

¹² 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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police (provided by Orange County Sheriffs Department)										
Patrol units	20	20	22	21	24	24	24	24	24	24
Animal shelter buildings:										
Main shelter	1	1	1	1	1	1	1	1	1	1
Cattery	1	1	1	1	1	1	1	1	1	1
Rabbit shelter	0	1	1	1	1	1	1	1	1	1
Cat isolation	0	1	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	114	114	114	114	114	114
Infrastructure maintenance										
Number of park sites	40	40	41	41	41	41	41	41	41	42
Acreage: parks, open space, medians and slopes	1122	1122	1122	1122	1122	1122	1122	1122	1122	1128
Recreation/community/library services										
Facilities (buildings)	9	9	9	9	9	9	9	9	9	9
Athletic fields:										
Baseball/softball diamonds	19	19	19	19	19	19	19	19	19	19
Soccer/football fields	33	33	33	35	35	35	35	35	35	35

Note: No capital asset indicators are available for general government or community development functions.

Source: Various City departments



City of Mission Viejo

200 Civic Center

Mission Viejo, CA 92691

www.cityofmissionviejo.org