

# Comprehensive Annual Financial Report

## Year Ended June 30, 2020

Mission Viejo, California



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***About the covers*** – Beginning in March 2020, the pandemic changed the way Mission Viejo provided services to the community. With COVID-19 forcing the closure of many City facilities, staff began working remotely and were challenged to modify or create new programs to support residents and businesses.

To pay homage to our frontline health care workers and first responders for their tremendous work in the COVID-19 fight, the City led volunteer groups in painting and installing large “thank you” signs near Mission Hospital.

***Front cover photos*** – “Thank you” letters installed on the corners of Crown Valley Parkway and The Shops at Mission Viejo. Each letter was designed and decorated by volunteer groups including Saddleback Church (T & Y), Mission Viejo Police Foundation (H), Community of Character Youth Committee (A), Mission Viejo Library staff (N), Potocki Art Instructors (K), Miss America Beautiful Girls (O), and Saddleback Art League (U). ***Bottom Left*** – Launching the tagline “Mission Viejo Strong,” the City worked with the Chamber of Commerce to create “We’re Open!” banners and distributed them to 100 restaurants and other essential businesses. ***Bottom Center*** – The Community Relations and Information Technology Departments developed a dedicated COVID-19 webpage to keep the community informed with timely and essential information. ***Bottom Right*** – Health care staff at Mission Hospital thanking the community and local businesses for generously donating meals to hospital workers.

***Back cover photos*** – City staff adapt to working remotely. Recreation staff conducting drive-through food, diaper and mask drives. Recreation staff delivering meals to senior residents. Library staff providing curbside pickup services. Mask distribution to employees. Modifications to public counters to enable staff to provide services to the community in a safe environment. Animal Services staff safely caring for shelter residents. ***Bottom*** – Thank you letters across the street from Mission Hospital on Medical Center Drive, designed and decorated by volunteer groups including Family Assistance Ministries (T), Mission Hospital staffers and volunteers (H), Mission Viejo Friends of the Arts (A), Community members Abriana Gutierrez, Diane, Georgia, and Ben Bottles (N), Saddleback Church and Bob Knoke (K), Little League District 68 (Y), Mission Viejo Activities Committee (O), and the Nunez Family (U).

***Photo credits*** – City Staff

***Cover design*** – Sherry Merrifield

**CITY OF MISSION VIEJO  
CALIFORNIA**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR FISCAL YEAR ENDED JUNE 30, 2020**

**CITY COUNCIL**

Brian Goodell, Mayor  
Trish Kelley, Mayor Pro Tem  
Wendy Bucknum, Council Member  
Greg Raths, Council Member  
Ed Sachs, 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, 2020

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MISSION VIEJO

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# City of Mission Viejo

## Administrative Services Department

**Brian Goodell**  
*Mayor*

**Trish Kelley**  
*Mayor Pro Tem*

**Wendy Bucknum**  
*Council Member*

**Greg Rath**  
*Council Member*

**Edward Sachs**  
*Council Member*

December 4, 2020

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, 2020 is submitted herewith.

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

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

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

### *Profile of Mission Viejo*

Mission Viejo is located in southern California approximately halfway between Los Angeles and San Diego, in the southern-most portion of Orange County commonly referred to as the Saddleback Valley. The City's current population is 94,267 making it the largest city in the Saddleback Valley and the ninth largest of the county's 34 cities.

The City of Mission Viejo is an 18 square-mile city. Although the City incorporated in 1988, the first homes in the community were built in the mid-1960's. It was developed as a master planned community by the former Mission Viejo Company. The City is best known for its recreational facilities and programs, and includes 42 park sites within its boundaries.

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

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

The City provides a full range of municipal services, including police, public works, planning, building, recreation, library, animal control, and beginning November 9, 2019, golfing. Mission Viejo is a "contract city," and contracts with other governmental entities, private firms and individuals to deliver many of these services, including police services provided by the **Orange County Sheriff's Department**. Fire services are provided directly by the Orange County Fire Authority, and water and sewer services are provided by separate districts.

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

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

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

### *Pandemic*

Fiscal year 2019-20 started out like any other year, but on **New Year's Eve 2019, a cluster of severe pneumonia cases** were reported in the city of Wuhan, China. Shortly thereafter, concerns began to escalate about the severity of these cases, what exactly was causing these illnesses, and international spread of what medical experts now refer to as the 2019 novel coronavirus (COVID-19). The first death due to COVID-19 in the United States was reported on February 29, 2020 in Kings County, Washington State. The first known patients in the U.S. contracted the virus while traveling in other countries or after exposure to someone who had been to China or Europe. Within a short time, community spread of the illness escalated. In efforts to reduce the transmission of the virus, the Governor of the State of California proclaimed a State of Emergency on March 4, 2020 and issued an Executive Order and Public Health Order on March 19, 2020 directing all Californians to stay home except to go to an essential job or to shop for essential needs. This order was in

place until May 4, 2020, when a following Executive Order allowed for the gradual re-opening under specific guidance provided by the State on May 7, 2020 under modified guidance of the Public Health Order. While there has been further loosening of restrictions and more businesses have been allowed to open, the State continues to operate under the Executive Order and not all business have opened and many that are open are not allowed to operate at full capacity. As a result of the stay-at-home order, local government revenues were expected to be severely impacted. In response to the stay-at-home order, the immediate shut-down of all city facilities to the public, and the immediate shut-down of many local businesses, the City adopted a modified budget in April, 2020 to reduce appropriations proportionate to the anticipated reductions in revenues to maintain a balanced budget. Overall, the City fared reasonably well from a financial perspective. Revenue losses were not as extreme as projected at the start of the pandemic and conservative spending in combination with Coronavirus Aid, Relief, and Economic Security (CARES) Act federal funding, the City reported an excess of revenues over expenditures in the General Fund for fiscal year ended June 30, 2020.

Unfortunately, the pandemic has taken a devastating human toll. As of the date of this report, over 65.0 million cases have been reported worldwide, with over 1.5 million deaths, including 275,000 deaths of U.S. citizens. Almost 1,400 Mission Viejo residents have been infected with the virus and we have lost 21 lives. I would like to extend my sympathies to all who have lost loved ones during this difficult time. Please continue to stay safe.

#### *Local economy*

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

The two largest employers in the City are Mission Hospital and Saddleback College. Both have been major employers in the community since incorporation. Mission Hospital is the largest hospital in South Orange County and one of only three trauma centers in all of Orange County with 2,600 employees. The hospital is in the middle of a multi-year expansion program to ensure that key services will meet patient care needs as the region continues to grow. In November 2019, the hospital opened the Leonard Cancer Institute that is located on a portion of the Shops at Mission Viejo site adjacent to Medical Center Road and the hospital campus. Saddleback College, **the City's** second largest employer with 1,210 employees, is a two-year community college serving over 41,000 students each school year. It was established in 1968 and is part of the California Community College system. The college is fully accredited and offers over 240 associate degrees, certificates and occupational awards in 85 program areas, including accounting, engineering, fashion, journalism and nursing.

The commercial section of the City is anchored by The Shops at Mission Viejo, a regional mall of 1.1 million **square feet. Tenants include Macy's, Nordstrom, Apple, Tesla and the Disney Store.** In addition to Tesla, six other high-end auto dealers are located in Mission Viejo: Acura, Audi, Infiniti, Jaguar/Land Rover, Lexus, and Volvo. Home Depot also has a major presence in town as does Floor & Décor and Target, with three locations in Mission Viejo. The Mission Viejo Freeway Center, located adjacent to Interstate 5, is home to Best Buy, Bed Bath and Beyond, World Market, **Michael's** and others. In September 2020, an Amazon Fulfillment Center opened at the former Unisys site on Jeronimo Road between Alicia Parkway and Los Alisos Boulevard. **The new station will power Amazon's last-mile delivery capabilities to speed up deliveries for customers in the south Orange County area and is expected to create more than 300 new jobs.**

Since its incorporation, Mission Viejo has had a strong tax base. Over the years, the relatively high property values and personal income levels within the City have generated tax revenues sufficient to support a very high level of municipal services and facilities for the community to enjoy, as well as healthy fund balances. Since 2010, assessed valuation of property in the City has grown at an average annual rate of 3.3%. City property tax revenue accounts for about 47% of total governmental revenues. Sales tax revenue represents about 22% of governmental revenues. The remainder of the tax base (franchise taxes, real property transfer taxes and transient occupancy taxes) contributes another 5.4% of general governmental revenues.

Mission Viejo experienced a slow but solid recovery after the 2009 great recession. Steady job growth occurred in Orange County and elsewhere and **Mission Viejo's** unemployment rate declined by 4.1% from the 2010 peak of 6.9% to 2.8% by the end of 2019. The pandemic will likely affect this unemployment rate. Updated information for Mission Viejo is not available at this time; however, it has been reported by the U.S. Department of Labor that the national unemployment rate in September 2020 is 7.9%, up from 3.3% a year ago. Median housing values have not been affected by the pandemic. Median housing values rose from a low of \$425,000 in 2012 to \$700,000 in 2019. Values have increased another 4% this year to \$728,000. The pre-great recession high was \$613,000 in 2007. Unfortunately, sales tax revenue has not been as resilient. The pandemic and state-wide closures have hurt our local businesses. Sales for fuel and service stations were down 26%, business and industry were down 22%, general consumer goods were down 17% and restaurants were down 4%. These declines were offset by increases in sales in the food and drug industry of about 6% and increases to internet-based purchasing of about 16%. Overall, the sales tax base declined approximately 2%. Hotels in the City have also experienced significant negative impacts as room occupancy in the fourth quarter of the fiscal year decreased in excess of 80% and continue to run at less than normal occupancy. While most if not all businesses in Mission Viejo have been allowed to open, they continue to operate under statewide occupancy restrictions further affecting their health and resiliency.

The pandemic is expected to continue through 2020 and into 2021 and continue to disrupt and negatively impact our local economy. The City remains committed to working with local businesses to provide support in modifying operations to adhere to statewide restrictions and keep Mission Viejo Strong.

### *Long-term financial planning*

The City prepared a Master Financial Plan (MFP) as part of the 2019-2021 biennial budget and is an integral **part of the City's budget process**. The MFP includes a seven-year General Fund revenue forecast and expenditure plan. The MFP also provides essential information on projected General Fund reserves, and allows for analysis of the amount of resources available to fund equipment replacement as well as asset rehabilitation and repair. The long-range nature of the MFP also allows management and staff to be more proactive in budget planning, using the seven years of projections to plan for anticipated swings in revenues or expenditures. The 2021-26 revenue forecast indicated that general fund revenue would grow throughout the forecast period on an average of 2.95% per year. Property tax and sales tax revenue represents 82% of General Fund revenue and are important revenue sources for the City. The MFP projects that both these revenue sources will grow annually on an average of 2.61% for property taxes and 0.05% for sales taxes through 2026. Actual revenue growth for property taxes was 4.17% in FY 2019-20, exceeding the MFP projection, while the City saw declines in sales tax revenue over the prior year in the amount of \$2.7 million. \$1.0 million of this decline is considered to be a one-time decrease due to administration issues causing fiscal year 2017-18 revenue to be reported in fiscal year 2018-19 due to delays in reporting by retailers. Another \$1.3 million was one-time growth in the prior year in the auto and transportation industry. Declines in excess of \$2.0 million were expected for fiscal year 2019-20. Beyond the expected decline, the City lost

another \$0.6 million in sales tax revenue due to the effects of the pandemic. While the current MFP was prepared with a conservative approach to future expenditure planning, adjustments were necessary for both fiscal year 2019-20 and 2020-21 to keep the General Fund budget balanced without the use of General Fund reserves in response to declines in revenue due to the pandemic. For each year beyond 2021, the MFP reflects that expenditures could exceed revenues in FY 2021-22 through FY 2025-26 by as much as \$5.3 million; however, with careful monitoring and a commitment to limit annual expenditures to current revenue resources, the City can continue to maintain balanced budgets through 2026.

Financial policy requires the City adopt a balanced operating budget. This means that budgeted revenues are sufficient to support current operating expenditures while maintaining a positive operating position. Any one-time revenues that are received are to be used for one-time costs. The **City's General** Fund reserve policy requires that reserves will be established through a risk analysis performed biennially in coordination with the preparation of the two-year budget. The analysis for the 2019-21 budget was adopted in April 2019. The City Council set the target General Fund reserve at \$29.0 million, with a minimum General Fund reserve of \$26.0 million. The reserve balance at June 30, 2020 is \$25.2 million, or 40.4% of fiscal year 2019-20 General Fund revenue. The city started the fiscal year with a \$32.2 million in reserves; however, on November 8, 2019, the City closed escrow on the purchase of the Oso Creek public golf course (formally known as Casta Del Sol) for the purpose of preserving the golf course and open space. This purchase resulted in a \$11.0 million decrease in General Fund reserves at the time of purchase.

The City received the GFOA Distinguished Budget Presentation Award and CSMFO Excellence in Operational Budgeting Award for its 2019-2021 biennial budget document. To qualify for the GFOA award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The CSMFO award reflects excellence in the budget document and the underlying budget process through which the budget is implemented.

#### *Major initiatives/projects*

Major projects completed during the 2019-20 fiscal year include:

Craycraft Park Restroom/Snack Bar Renovation - This project included a new 12 fixture restroom building with 6 sinks equally divided on each side of the facility. The new restroom facility is located central to the ball fields, the play area and the picnic facility. Additional hardscape was added adjacent to the restroom building and current picnic area. The old restroom facility was repurposed into onsite storage for the leagues and the City. Total project cost was \$693,000, with construction substantially completed by June 30, 2020.

Christopher Park Playground Renovation – This project included a complete replacement and renovation of the play area and retrofit of lighting to LED in order to upgrade efficiency and performance. The new play area included a variety of play elements and seating opportunities. The design incorporates a modular design to maximize usable space and to give the park a unique feel. The project cost was \$622,000, with construction substantially completed by June 30, 2020.

Major initiatives started/continuing through the 2019-20 fiscal year and into fiscal year 2020-21 include:

Oso Creek Public Golf Course – After four months of due diligence and negotiations with the seller, the City purchased the public golf course formally known as Casta Del Sol on November 8, 2019. This purchase will

preserve 108 acres of open space in the heart of Mission Viejo and create opportunities to complete the Oso Creek Trail and enhance other recreational venues in the City. Since close of escrow the City has completed a number of improvement projects at the golf course, including; repairs to the pump house; new parking lot lights and other irrigation, landscaping and lot improvements; clubhouse improvements, including interior and exterior painting, repairs to plumbing, electrical and gas infrastructure, and patio re-design with new furniture; and repairs to the course irrigation system. For fiscal year 2020-21, funding has been provided to dredge the lake, repair a slope failure on Oso Creek and for clubhouse restroom improvements. Additionally, in July 2020, the City issued a contract to MR-ProFun to develop a golf course and open space vision plan. The scope of the plan is to include potential future use and operation of the golf course, including potential complementary uses such as hospitality or other recreational uses that would serve to enhance and sustain the existing golf course facility. The effort would also include potential future use of approximately 5 acres of undeveloped land adjacent to the golf course and the Marguerite Recreation Center.

Economic Development - Initiatives include furtherance of the Core Area Vision Plan, including developing funding strategies and facilitating creek improvements, and infill projects that improve the economic vitality of older commercial areas such as centers along Los Alisos Boulevard, Marguerite Parkway, Avery Parkway, Alicia Parkway, and the Freeway Center.

Reducing Unfunded Liabilities – The City continues to be committed to reducing pension and healthcare unfunded liabilities. Additional contributions have been made to reduce unfunded liabilities of almost \$7.5 million during the past five years. In January 2018, 1.5% of the employer share pension normal cost was shifted to employees. As of June 30, 2019, the last date for both the pension and retiree healthcare valuations, funded status reflected that the pension plan is 80.7% funded and the healthcare plan is 110% funded.

Significant capital projects that are planned for fiscal year 2020-21 and beyond include:

Rehabilitation of Montanoso Recreation Center Pool Area – The renovation will include upgrading filtration equipment, replacing portions of the pool decking, improving site functionality and re-plastering the pools surface. Estimated cost of project is \$1.2 million with construction expected to begin in mid to late 2021.

La Paz Bridge & Road Widening – This project will add a third lane in each direction of La Paz Road between Chrisanta Drive and Muirlands Boulevard. The roadway and the existing bridges over the railroad tracks will be widened. Estimated cost of project is \$9.2 million with construction estimated to commence in summer 2021.

Slope Rehabilitations – City began slope rehabilitation in 2019-20 along Alicia Parkway from Trabuco Road to the I-5 freeway. Due to the pandemic and in efforts to maintain a balanced budget, rehabilitation efforts were substantially halted. For fiscal year 2020-21, the budget to complete the Alicia Parkway rehabilitation was restored along with funding to rehab slopes on Trabuco Road from Alicia Parkway to the city limits and on Muirlands Boulevard from Alicia Parkway to the city limits.

Development of Lower Curtis Park – The area below and east of the existing Curtis Park, between La Paz Road and Escatron has been identified as open space for additional recreational purposes. Beginning in 2019 the City began conceptual development of this site, including issuing contracts for geotechnical soils work and rough grading plans for the construction of a “super-pad”. **In September 2019, the City received a grant from the Orange County Transportation Authority for the construction of bioretention water quality**

Honorable Mayor, Members of the City Council, City Manager and Citizens of the City of Mission Viejo  
December 4, 2020

basins at the north end of the proposed park expansion site. The design and plans for this site will continue into fiscal year 2020-21 with the expectation that City will begin importing dirt to this location during fiscal year 2020-21 or 2021-22.

Implementation of Land Management Software – The City will be issuing a contract for the purchase of a new system in fiscal year 2020-21 with implementation expected to occur over several months and into fiscal year 2021-22. The selected system will include building permit tracking and approval process, inspection tracking, plan-checking capabilities, code enforcement tracking, cashiering, and parcel address management.

*Awards and acknowledgements*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mission Viejo for its comprehensive annual financial report for the fiscal year ended June 30, 2019. 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 2019-20 CAFR continues to conform to the Certificate of Achievement program requirements, and it will be submitted to GFOA for award consideration.

The preparation and publication of the CAFR is a team effort, requiring the dedication and cooperation of the entire Administrative Services Department staff and the City's independent auditors, Davis Farr LLP. I would like to acknowledge the following individuals who contributed significant effort toward the publication of this document: Administrative Services Manager Kim Lashley, Administrative Services Manager Andrea Pham, Accounting Information Specialist Julie Smith, Junior Accountant Jennifer Frye and Administrative Services Analyst Sherry Merrifield.

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

Respectfully submitted,



Cheryl Dyas, CPA  
Director of Administrative Services



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Mission Viejo  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

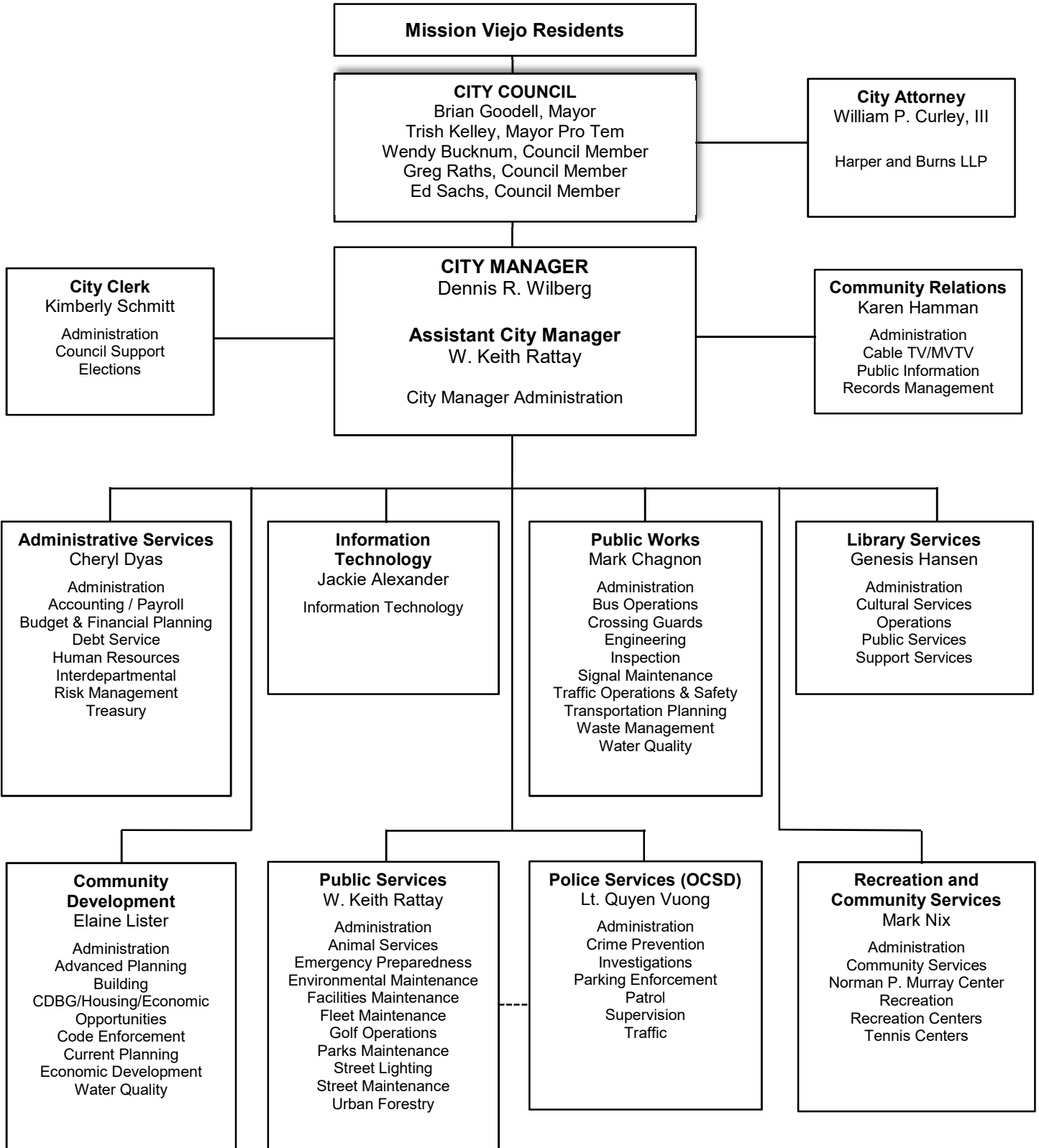
Executive Director/CEO



# CITY OF MISSION VIEJO

## Organizational Structure

June 30, 2020



**CITY OF MISSION VIEJO**

List of Principal Officials  
as of June 30, 2020

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City Manager .....	Dennis R. Wilberg
Assistant City Manager/Director of Public Services .....	W. Keith Rattay
Director of Administrative Services .....	Cheryl Dyas
Director of Community Development .....	Elaine Lister
Director of Community Relations .....	Karen Hamman
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
City Clerk .....	Kimberly Schmitt
City Attorney .....	William P. Curley III
Chief of Police Services (O.C. Sheriff Department) .....	Lt. Quyen Vuong

## **Independent Auditor's Report**

City Council  
City of Mission Viejo  
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 the City of Mission Viejo, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and aggregate remaining fund information of the City of Mission Viejo, as of June 30, 2020, 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.

## **Report on Summarized Comparative Information**

We have previously audited the City of Mission Viejo's 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison information for the General Fund and each major special revenue fund, schedule of changes in net pension liability and related ratios, schedule of plan contributions, schedule of changes in net OPEB liability/(asset) and related ratios and schedule of OPEB contributions* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mission Viejo's basic financial statements. The *combining and individual nonmajor fund financial statements and schedules, the introductory section and the statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *combining and individual nonmajor fund financial statements and schedules* are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures

in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining and individual nonmajor fund financial statements and schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report December 4, 2020 on our consideration of the City of Mission Viejo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mission Viejo's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan CP".

Irvine, California  
December 4, 2020



MISSION VIEJO

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Management's Discussion and Analysis (Required Supplementary Information)

**CITY OF MISSION VIEJO**  
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As management of the City of Mission Viejo ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. Please read it in conjunction with the accompanying transmittal letter at the front of this report, and the basic financial statements, which follow this section.

### **Financial Highlights**

- Assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2020 by \$684.0 million. This amount is referred to as the net position of the City. Of this amount, \$15.7 million is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.
- Net position increased \$0.6 million from the prior year.
- As of June 30, 2020, the City's governmental funds (the General Fund plus Special Revenue, Debt Service and Capital Projects funds) reported combined ending fund balances of \$43.2 million. Governmental expenditures and other financing uses exceeded revenues and other financing sources by \$5.0 million in FY 2019-20. Of the \$43.2 million combined ending fund balances at June 30, 2020, \$18.6 million is categorized as unassigned, \$6.1 million is categorized as assigned and \$18.5 million is categorized as restricted.
- Of the \$6.1 million General Fund assigned fund balance, \$1.0 million is assigned to natural disasters, \$1.0 million is assigned to pension and OPEB liabilities, \$1.1 million is assigned to capital asset replacement, with \$3.0 million assigned to capital projects.
- The unassigned General Fund fund balance of \$21.8 million includes a \$14.0 million reserve for economic and budgetary uncertainty. Another \$2.6 million is for carryover appropriations to FY 2020-21, including encumbrances. The balance of \$5.2 million is available for any purpose at the Council's discretion.
- The City's total long-term liabilities, as reported on the Statement of Net Position, decreased by \$0.9 million from the prior fiscal year. Liabilities for bond debt decreased \$2.1 million due to scheduled debt service payments, while pension liabilities increased \$1.1 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. They present information for the government as a whole and present a longer-term view of the City's finances. These two statements help to answer the question: "Is the City as a whole better off or worse off as a result of this year's activities?"



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

The Statement of Activities 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, golf, and government-access cable television.

The government-wide financial statements include not only the City of Mission Viejo itself (known as the primary government), but also two other legally separate entities: the Mission Viejo Housing Authority (Housing Authority); and the Mission Viejo Community Development Financing Authority (Financing Authority), a joint powers authority formed by both the City and the dissolved Community Development Agency of the City of Mission Viejo (the former redevelopment agency of the City), to issue bonds for the construction of major capital facilities. The City is financially accountable for both of these legally separate entities, which are referred to as component units. The Housing Authority and Financing Authority function for all practical purposes as departments of the City, 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 29-31 of this report.

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

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

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

The City reports on 16 individual governmental funds for financial statement reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Developer Fees Fund, Grants Fund, and Housing Authority Fund, which are considered to be the City's four major funds for the current fiscal year. Data from the other twelve governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these other governmental funds is provided in the form of combining schedules elsewhere in the report.

The City (the primary government) adopts a biennial budget for all its governmental and proprietary funds. Annual appropriations are approved prior to the beginning of each year of the biennial budget period. The Financing Authority and Housing Authority adopt an annual budget. A budgetary comparison schedule has been provided for each of the governmental funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 34-40 of this report.

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

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

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City utilizes one private-purpose trust fund to account for the assets, liabilities and activities of the Successor Agency to the dissolved Community Development Agency. The Successor Agency was created on February 1, 2012.

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

**Notes to basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 47-99 of this report.

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**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 102-114 of this report.

The supplemental schedules referred to earlier in connection with other governmental funds are presented immediately following the required supplementary information as supplementary schedules. Combining and individual fund statements and schedules can be found on pages 116-143 of this report.

### Government-wide Financial Analysis

**Net position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

#### Net Position at Year-End (in millions)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2019-2020
	2020	2019	2020	2019	2020	2019	
Current assets	\$ 45.5	\$ 49.3	\$ 5.6	\$ 5.6	\$ 51.1	\$ 54.9	-6.9%
Noncurrent assets	15.9	20.9	0.1	0.1	16.0	21.0	-23.8%
Capital assets	663.2	667.0	13.9	2.6	677.1	669.6	1.1%
<b>Total assets</b>	<b>724.6</b>	<b>737.2</b>	<b>19.6</b>	<b>8.3</b>	<b>744.2</b>	<b>745.5</b>	<b>-0.2%</b>
<b>Deferred outflows of resources</b>	<b>4.4</b>	<b>5.0</b>	<b>0.5</b>	<b>0.6</b>	<b>4.9</b>	<b>5.6</b>	<b>-12.5%</b>
Current liabilities	8.9	10.6	0.5	0.3	9.4	10.8	-13.0%
Noncurrent liabilities	51.6	52.7	2.7	2.5	54.3	55.2	-1.6%
<b>Total liabilities</b>	<b>60.5</b>	<b>63.3</b>	<b>3.2</b>	<b>2.8</b>	<b>63.7</b>	<b>66.0</b>	<b>-3.5%</b>
<b>Deferred inflows of resources</b>	<b>1.2</b>	<b>1.5</b>	<b>0.2</b>	<b>0.2</b>	<b>1.4</b>	<b>1.7</b>	<b>-17.6%</b>
Net position:							
Net investment							
in capital assets	633.1	634.9	14.0	2.6	647.1	637.5	1.5%
Restricted	21.2	18.5	-	-	21.2	18.5	14.6%
Unrestricted	12.9	24.0	2.8	3.3	15.7	27.4	-42.7%
<b>Total net position</b>	<b>\$ 667.2</b>	<b>\$ 677.4</b>	<b>\$ 16.8</b>	<b>\$ 5.9</b>	<b>\$ 684.0</b>	<b>\$ 683.4</b>	<b>0.1%</b>

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In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$684.0 million as of June 30, 2020, the close of the most recent fiscal year. In comparison to 2019 and 2018, net position was \$683.4 and \$683.3, respectively. The City's total net position increased by \$0.6 million from the prior year.

By far the largest portion of the City's net position at June 30, 2020 (\$647.1 million, or 95% of total net position) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Capital assets are further discussed later in this analysis.

An additional \$21.2 million of the City's net position is restricted net position, representing resources that are subject to external restrictions on how they may be used. Restricted net position increased \$2.7 million, or 14.6% from June 30, 2019. The primary cause for the increase is the accumulation of additional assets of over \$3.2 million dedicated to street and road projects, including the residential and arterial highway street resurfacing projects and the La Paz Road Bridge widening.

The third category of net position, unrestricted, decreased by \$11.7 million to \$15.7 million from the prior year. This decline is a result of the purchase of the Oso Creek golf course. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. This same condition also held true for the prior fiscal year. The City's overall net position increase by \$0.6 million from the prior fiscal year is discussed in the following sections for governmental activities and business-type activities.

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**Changes in Net Position (in millions)**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2019-2020
	2020	2019	2020	2019	2020	2019	
<b>Revenues</b>							
Program revenues:							
Charges of services	\$ 7.1	\$ 6.6	\$ 4.0	\$ 2.9	\$ 11.1	\$ 9.5	16.8%
Operating grants and contributions	7.5	7.4	0.1	0.2	7.6	7.6	0.0%
Capital grants and contributions	0.6	0.8	-	-	0.6	0.8	-25.0%
General revenues:							
Property taxes	37.6	36.5	-	-	37.6	36.5	3.0%
Sales and use taxes	17.0	19.7	-	-	17.0	19.7	-13.7%
Other taxes	4.2	4.5	-	-	4.2	4.5	-6.7%
Investment earnings	0.8	1.0	0.1	0.1	0.9	1.1	-18.2%
Other	0.1	0.2	-	-	0.1	0.2	-50.0%
<b>Total revenues</b>	<b>74.9</b>	<b>76.7</b>	<b>4.2</b>	<b>3.2</b>	<b>79.1</b>	<b>79.9</b>	<b>-1.0%</b>
<b>Expenses</b>							
General government- legislative	0.7	1.4	-	-	0.7	1.4	-50.0%
General government- management/support	10.3	9.5	-	-	10.3	9.5	8.4%
Public safety	21.8	21.2	-	-	21.8	21.2	2.8%
Community development	3.7	3.1	-	-	3.7	3.1	19.4%
Engineering & transportation	5.4	8.7	-	-	5.4	8.7	-37.9%
Infrastructure maintenance	20.8	20.9	-	-	20.8	20.9	-0.5%
Recreation, community and library services	10.1	10.5	-	-	10.1	10.5	-3.8%
Golf operations	-	-	1.2	-	1.2	-	100.0%
Animal services and other	-	-	3.1	3.2	3.1	3.2	-3.1%
Mission Viejo television	-	-	0.3	0.3	0.3	0.3	0.0%
Interest on long-term debt	1.1	1.0	-	-	1.1	1.0	10.0%
<b>Total expenses</b>	<b>73.9</b>	<b>76.3</b>	<b>4.6</b>	<b>3.5</b>	<b>78.5</b>	<b>79.8</b>	<b>-1.6%</b>
<b>Excess/(deficiency) in net position</b>							
<b>before transfers and extraordinary item</b>	<b>1.0</b>	<b>0.4</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>0.6</b>	<b>0.1</b>	<b>500.0%</b>
Transfers	(11.2)	(0.6)	11.2	0.6	-	-	0.0%
<b>Increase (decrease) in net position</b>	<b>(10.2)</b>	<b>(0.2)</b>	<b>10.8</b>	<b>0.3</b>	<b>0.6</b>	<b>0.1</b>	<b>500.0%</b>
Net position, beginning of year	677.4	677.6	6.0	5.6	683.4	683.3	0.0%
<b>Net position, end of year</b>	<b>\$ 667.2</b>	<b>\$ 677.4</b>	<b>\$ 16.8</b>	<b>\$ 5.9</b>	<b>\$ 684.0</b>	<b>\$ 683.4</b>	<b>0.1%</b>

**Governmental activities.** During the current year, net position for governmental activities decreased \$10.2 million from the prior fiscal year ending balance of \$677.4 million. Total revenues of \$74.9 million were less than expenses and net transfers out of \$85.1 million.

Revenue Analysis

Total revenues decreased by \$1.8 million. General revenues decreased by \$2.2 million. Property tax revenue was up \$1.1 million. The property tax growth rate for secured and unsecured property for FY 2019-20 was 4.17% accounting for the majority of this increase. The most notable change is a

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decrease in sales tax revenue from the prior year in the amount of \$2.7 million. Due to reporting issues at the California Department of Taxes and Fees Administration (CDTFA), the agency that administers the collection and distribution of sales taxes, revenue that should have been recorded in FY 2017-18 and was not considered available under accounting standards as of June 30, 2018, was reported in FY 2018-19. This unavailable amount of \$1.0 million in sales tax revenue was a one-time increase in FY 2018-19 and is one cause for the decline in sales tax in FY 2019-20. Additionally, sales in the area of autos and transportation performed extremely well during FY 2018-19, reflecting an increase of \$1.3 million. This increase is primarily due to one auto maker delivering on back orders during the prior fiscal year. This trend was not expected to continue into FY 2019-20 and while auto sales did not decline as greatly as expected, they were down approximately \$0.7 million prior to the start of the pandemic. Overall, it is estimated that the City lost approximately \$0.6 million in sales tax revenue due to effects of the pandemic.

Program revenues increased \$0.4 million, with a \$0.5 million increase reflected in charges for services. Conditions positively affecting revenue was an increase in user fees effective for building, planning and public work activities September 1, 2019 and January 1, 2020 for all other fees, including animal services, library and recreation. The average fee increase for planning and public works was 34% and 28% respectively. The building fee structure was modified with the goal of simplifying the fee structure and not necessarily to increase building permit fees. While the City Hall facility was closed to the public beginning late March through June 2, the building and planning and public works departments continued to function at close to normal operation throughout the pandemic event. Overall, building, development, and public work activity in the current year exceeded activity in the prior year. The combination of increased fees and steady activity resulted in building and planning fees increasing \$0.7 million, or 29% over last year, while public works fees increased almost \$0.5 million, or 53%.

Alternatively, library and recreation fees took a hit due to the pandemic. All recreation and library facilities were shut down in late March through April. All membership fees were frozen in March and were for the most part waived through June 30, 2020 due to limited access once facilities started re-opening. The City refunded over \$100,000 in membership, class and rental fees during the last 3 months of the fiscal year due to the pandemic. The Marguerite Tennis Center opened on May 7 for limited singles play, the Montanoso pool opened on June 12 and the Sierra pool and pickleball courts opened on June 15 also with limited access. The recreation center gyms and the library remained closed to the public until October 2020. Total recreation and library revenue were down almost \$0.5 million, or 22% from the prior year due to the pandemic.

#### Expenses Analysis

Expenses associated with governmental activities decreased by \$2.4 million, or 3.1%. The largest decline is in the area of Engineering & Transportation in the amount of \$3.3 million and related to capital improvement project activity. The City utilizes the modified approach for its street infrastructure network. All costs incurred that help to preserve the useful life of the street network are expensed each year. For FY 2018-19, the City expensed approximately \$3.5 million for residential and arterial resurfacing projects. This amount decreased to \$1.2 million in FY 2019-20. Another area of significant difference was for traffic signal synchronization projects. In the prior year, the City expensed almost

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\$1.0 million for the Marguerite corridor, El Toro corridor and the Felipe/Olympiad corridor projects. As these projects were winding down, only \$67,000 was incurred in the current year.

Expenses in General Government-Legislative decreased by \$0.7 million. Beginning on July 1, 2019, the City reorganized the Department of Community Relations/City Clerk by separating these two activities and moving the Community Relations Department to the General Government-Management and Support program area and leaving the City Clerk operation under the legislative program area. Total expenses incurred during FY 2019-20 for Community Relations was approximately \$0.6 million. This is also the primary reason that the Management and Support program area is up \$0.8 million.

Expenses in Public Safety is up due to the year-over-year increase of the Orange County Sheriff's contract. The total contract increased by 2.65% or \$0.5 million.

Expenses in Community Development are up due to the increase of building fee revenue. The City contracts with an outside vendor for building and safety services. The contract is based on fees collected by the City for building permit and plan check activities at rates that range from 63% to 55% depending up the level of revenue collected each month. Because the City's revenue was up due to fee increases and increased building activity, costs associated with the building and safety services contract also increased.

Expenses in Recreation, Community Services and Library were down approximately \$0.4 million. Due to the pandemic, all recreation and library facilities were closed and programs and events were cancelled. Due to these closures and in response to the anticipated loss of revenue, the City amended the recreation budget by approximately \$0.5 million. Actual expenses for the year were more than \$0.6 million less than the original adopted budget.

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The cost of all governmental activities in FY 2019-20 was \$58.7 million. That cost was financed by: those who directly benefited from the programs and services (9.6%); other governments and organizations that subsidized certain programs and projects with grants and contributions (11.0%); and general tax revenues and other general revenues of the City (79.4%). This is a slight decrease from 80.6% in the prior year.

**Net Cost of Governmental Activities (in millions)**

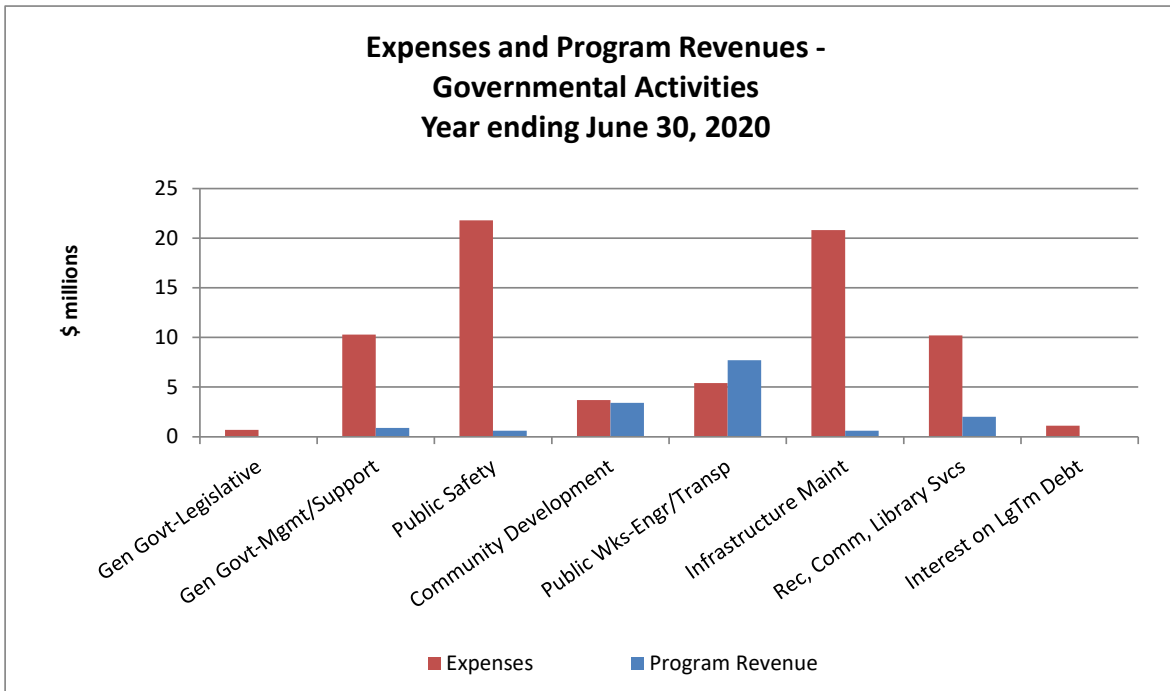
	2020			2019		
	Total Cost of Services	Net Cost of Services	% of Total Cost Borne By General Revenues	Total Cost of Services	Net Cost of Services	% of Total Cost Borne By General Revenues
General government- legislative	\$ 0.7	\$ 0.7	100.0%	\$ 1.4	\$ 1.4	100.0%
General government- management/support	10.3	9.4	91.3%	9.5	9.2	96.8%
Public safety	21.8	21.1	96.8%	21.2	20.5	96.7%
Community development	3.7	0.3	8.1%	3.1	0.2	6.5%
Engineering & transportation	5.4	(2.3)	-42.6%	8.7	0.9	10.3%
Infrastructure maintenance	20.8	20.2	97.1%	20.9	20.5	98.1%
Recreation, community and library services	10.1	8.2	81.2%	10.5	7.8	74.3%
Interest on long-term debt	1.1	1.1	100.0%	1.0	1.0	100.0%
	<b>\$ 73.9</b>	<b>\$ 58.7</b>	<b>79.4%</b>	<b>\$ 76.3</b>	<b>\$ 61.5</b>	<b>80.6%</b>

The overall decrease is caused by a decrease in total expenses of \$2.3 million as discussed in the previous paragraphs and an increase in total program revenue of almost \$0.5 million also discussed in the preceding revenue analysis.

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



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**Business-type activities.** There are three business-type activities of the City: Animal Services, comprising 67.3% of the total expenses; Mission Viejo Television, comprising 6.8% of expenses; and starting this year, Golf Course operations, comprising 25.9% of expenses. Business-type activities continue to be a relatively small component of overall City operations, representing about 5.9% of total City expenses for the current fiscal year.

Animal Services

Net position for the Animal Services Fund decreased \$28,000 in FY 2019-20. Program revenue was down from the prior year by \$72,000. Fee increases for licenses and permits went into effect on January 1, 2020 causing fee-based revenue to increase by \$33,000 in the current fiscal year. This increase was offset by a decrease in donations of almost \$100,000 and a decrease in fines and forfeitures revenue of approximately \$38,000. Expenses decreased approximately \$33,000. Personnel services was down approximately \$60,000 due to on-going position vacancies. Contracted services were up about \$40,000. The city conducted an organizational review of the Animal Services operation to assess current staffing levels, organizational structure, volunteer coordination and management and dispatch functions. This report will be used to determine future changes to the Animal Services operation and organizational structure. The City provides animal services to four neighboring cities in addition to the residents of Mission Viejo. Net costs of the operation are allocated to each city based on population. The charges for services collected from other cities was \$1.2 million for FY 2019-20, while the City's share of the operating subsidy was \$584,000, a decrease of \$25,000 from the prior year.

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Mission Viejo Television

Net position for Mission Viejo Television increased by \$234,000 in FY 2019-20. Program revenue was down \$32,000. The primary revenue for funding this operation are franchise fees from local cable operators. This revenue stream was slightly affected by the pandemic, causing this revenue source to decline. Operating expenditures decreased \$12,000 from the prior year. Contractual services declined \$35,000. With the pandemic causing the cancellation of numerous local events, the filming of several events was also cancelled in the last 3 months of the fiscal year. This decrease was offset by an increase in personnel due to higher pension costs allocated to this operation under GASB 68.

Golf Course

On November 8, 2019, the City purchased the Oso Creek Golf Course, formally known as Casta Del Sol, for the purpose of preserving the golf course and open space. This purchase will preserve 108 acres of open space in the heart of Mission Viejo and create opportunities to complete the Oso Creek Trail and enhance other recreational venues in the City. The total purchase cost was \$13.0 million and was purchased with \$1.0 of Park Development Fees, \$1.0 from a loan between the City and the Section 115 Pension Trust Fund and \$11.0 from General Fund reserves. The Section 115 Pension Trust loan is secured by the Deed of Trust naming the Trust as beneficiary and encumbering the Property. The City will make annual payments to the Trust using golf course revenue over a 20-year period at an interest rate of 2.5%. The City contracts with American Golf Corporation to manage the day-to-day operations of the golf course. The City transferred \$10.6 million of the purchase cost of the golf course to the newly established Golf Course Fund for the purchase and the assets comprising the golf course, clubhouse, maintenance yard and the slopes surrounding the golf course were recorded as assets of the Golf Course Fund. The land south of the golf course site between Casta Del Sol Road and Jeronimo Road are general assets of the City and maintenance of these southern parcels are the responsibility of the General Fund. Net position for the Golf Course Fund at June 30, 2020 is \$10.6 million, with \$11.5 comprised of investment in capital assets and the balance classified as unrestricted fund balance. In the first eight months of operation, the golf course generated \$1.2 million in revenue. The golf course was closed from March 21, 2020 through April 30, 2020 due to the pandemic and it is estimated that the City lost \$250,000 in revenue during this closure period. Total expenses for the eight months of operation were \$1.2 million. The golf course operation ended the year with a \$16,000 operating surplus.

Financial Analysis of the Governmental Funds

**Governmental funds.** As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary spending as this category of fund balance represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or

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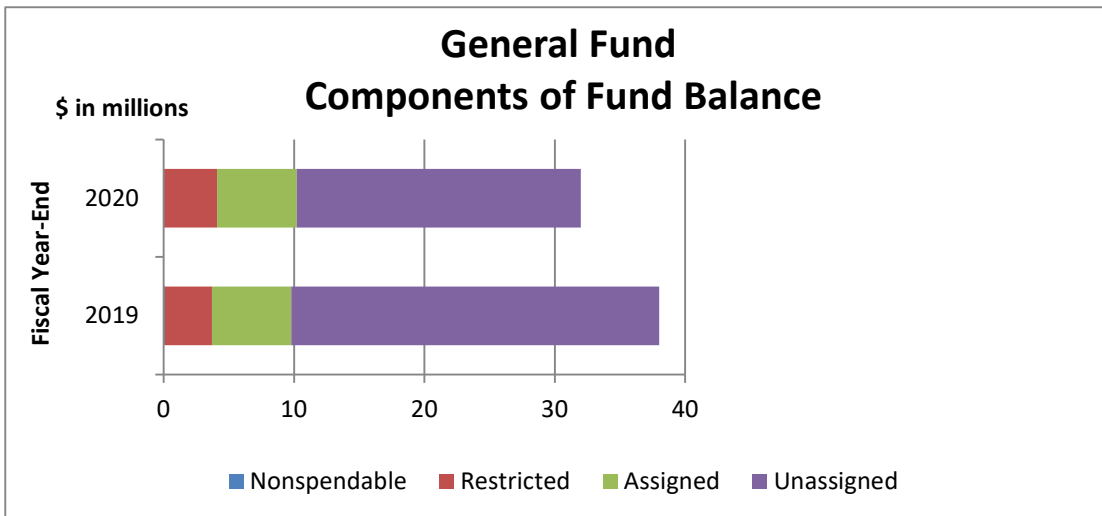
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individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

At June 30, 2020, the City's governmental funds (as presented in the balance sheet on pages 34-35) reported combined fund balances of \$43.2 million, a decrease of \$5.0 million in comparison with the prior year balance of \$48.2 million. Approximately \$18.6 million of this total amount (43%) 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 (\$15,000) 2) legally required to be spent on specific uses or be maintained intact (\$18.5 million), or 3) assigned for a particular purpose (\$6.1 million).

**General Fund.** The General Fund is the chief operating fund of the City. As of June 30, 2020, the total fund balance of the General Fund was \$32.0 million, a decrease of \$5.9 million from the \$37.9 million prior year balance. General Fund revenues were down overall approximately \$1.0 million due a total decline in sales tax revenue as previously discussed on page 12. Expenditures were down approximately \$0.5 million overall. Public Safety costs decreased by over \$800,000 in the General Fund as some public safety contract costs were shifted to the CARES Act Fund in response to the pandemic. The Recreation and Community Services Department also reflected declines of \$0.5 million due to facility closures and other budget cuts in response to the pandemic. Expenditures in capital outlay increased approximately \$370,000. General Fund expended resources for the renovation of the Christopher Park Playground in the amount of \$0.6 million. Capital outlay expenditures in the prior year were \$255,000 in comparison.

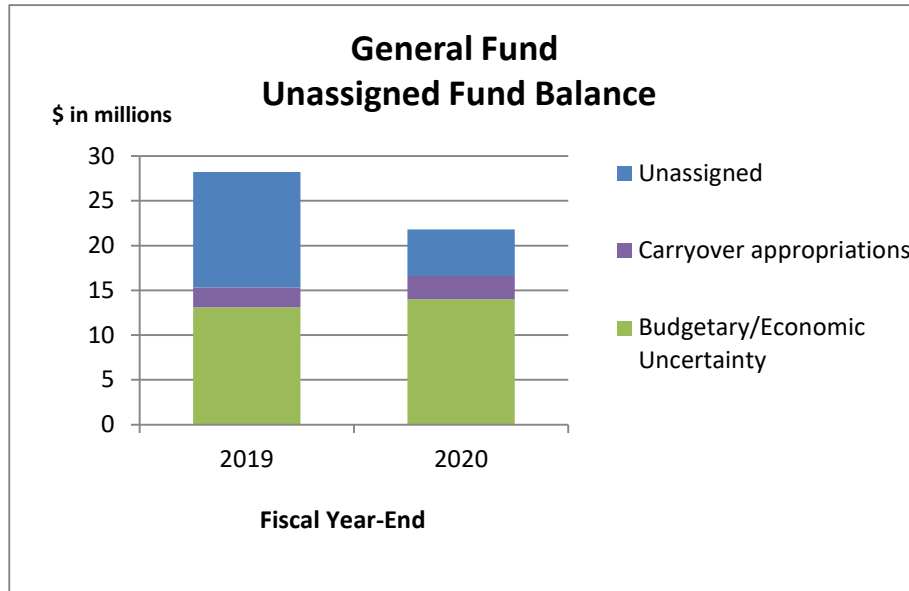
Components of General Fund fund balance are reflected in the following graph.



Restricted fund balance of \$4.1 million is primarily comprised of assets set aside in a Section 115 Trust account for the payment of its pension obligations to eligible employees of the City and their eligible dependents and beneficiaries. Assigned fund balance of \$6.1 million is comprised of \$1.0 million for pension and OPEB liabilities, \$1.0 million for natural disasters, \$1.1 million for capital asset

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replacement and \$3.0 million for capital projects. These amounts were designated by the City Council on April 23, 2019 with Resolution 19-08 as a result of the 2019 General Fund Reserve Risk Analysis. The largest component of fund balance is unassigned fund balance at \$21.8 million.



Unassigned fund balance includes \$14.0 million for economic and budgetary uncertainty and \$2.6 million for carry over appropriations, including amounts for encumbrances. The remaining balance in unassigned fund balance of \$5.2 million, is available for any purpose at the Council's discretion. Unassigned fund balance has declined \$7.7 million from the prior year. On November 8, 2019, the City purchased the Oso Creek Golf Course, formally known as Casta Del Sol, for the purpose of preserving the golf course and open space. The total cost was \$13.0 million and \$11.0 million from General Fund unassigned fund balance was used at the time of purchase.

As a measure of the General Fund's relative fiscal strength, it is useful to calculate the General Fund reserve balance as a percentage of total General Fund revenues. The City Council has defined reserves under their discretion for purposes of this calculation as the total balance of assigned reserves in the amount of \$6.1 million, the economic and budgetary uncertainty reserve in the amount of \$14.0 million and the unassigned reserve of \$5.2 million, to comprise the balance of the City Council's discretionary reserve balance of \$25.3 million at June 30, 2020. This amount represents 40.6% of FY 2019-20 General Fund revenue. The decline in General Fund reserves is due to the golf course purchase; however, the City ended the fiscal year with an operating surplus of \$3.5 million, thereby increasing the reserve levels by fiscal year end.

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

**Developer Fees Fund.** The Developer Fees Fund ended the year with a negative fund balance of \$1.5 million, a decrease of \$1.2 million from the prior year ending fund balance of negative \$0.3 million.

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The decrease in fund balance is due to the expenditures reported for capital improvement project costs that will be funded with South County Roadway Improvement Program (SCRIP) development fees and Park Development (Park) fees. SCRIP is a developer funding program for implementing improvements in South Orange County necessitated by the expected traffic impacts of Mission Viejo Ranch plan developments. Projects funded with SCRIP include the Felipe/Oso Parkway intersection improvement project and the Oso Parkway/I-5 northbound on ramp improvement project. SCRIP reimbursement to the City from the County of Orange is expected in a future fiscal year. Projects funded with Park fees include the Craycraft Park Restroom and Snack Bar project. Park fees are collected by developers as part of the building permit process and fees are expected to be collected during FY 2020-21. There is an intergovernmental receivable in this fund of \$0.5 million for amounts due the City at June 30, 2020. This receivable increased \$0.1 million over the prior year balance and are amounts due from the County of Orange for SCRIP projects.

**Grants Fund.** The Grants Fund ended the year with a negative fund balance of \$56,000, a decrease of \$245,000 from the prior year. The grants fund includes activity for the CDBG grant, Senior Mobility grant funded through the Orange County Transportation Authority (OCTA) and a project funded with Prop 68 Statewide Park Grant funds. CDBG and OCTA grant revenues in the current year were \$0.3 million compared to \$0.6 million in expenditures. CDBG program expenditures were \$0.3 million, while Senior Mobility grant expenditures were \$44,000. Capital improvement expenditures for the Craycraft Park Restroom and Snack Bar project were \$237,000. There is a CDBG housing rehabilitation loan receivable balance in this fund of \$2.0 million at June 30, 2020. These loans are repaid when a home is either refinanced, sold by the owner, or when the loan recipient no longer occupies the home. The loan receivable balance decreased by \$43,000 from the prior year. There were loan repayments of \$143,000 against new loans issued of \$100,000. Individual loans are capped at \$25,000. There is an intergovernmental receivable in this fund of \$0.3 million for amounts due the City at June 30, 2020. This receivable increased \$0.3 million over the prior year balance and are amounts due from the State of California for a Prop 68 grant project.

**Housing Authority Fund.** The Housing Authority Fund had a fund balance of \$5.5 million at June 30, 2020, an increase of \$0.2 million from the prior year. Expenditures during the fiscal year were minimal, at \$112,000, primarily for compliance monitoring of affordable housing sites and legal services. Revenue consisted of \$8,700 of investment earnings and the repayment of an affordable housing subsidy loan in the amount of \$272,000. There is a housing rehabilitation loan receivable balance in this fund of \$0.2 million at June 30, 2020. These loans are repaid when a home is either refinanced, sold by the owner, or when the loan recipient no longer occupies the home. There are no new loans made for the housing rehabilitation program using funds from the Housing Authority. All payoff proceeds are used for other affordable housing purposes. There is an amount due from developers in the amount of \$2.9 million at June 30, 2020. These amounts were loaned under affordable housing agreements executed by the City. Additional information on these agreements can be found in note 5 in the Notes to Basic Financial Statements. The fund has a note payable balance due the City in the amount of \$2.125 million against a note agreement dated May 8, 2015 for the purchase of land (Site C) for future affordable housing purposes. Additional information on this note can be found in note 7 in the Notes to Basic Financial Statements.

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

### General Fund Budgetary Highlights

**Original budget compared to final budget.** After each fiscal year is closed, outstanding encumbrances at year end and unencumbered appropriations are determined for carryover to the subsequent fiscal year. These amounts for FY 2019-20 were approved by the City Council in September 2019 and increased the original budget accordingly. Total carryover appropriations for FY 2019-20 were \$2.2 million, with \$1.6 million appropriated in the operating budget and \$0.6 million for the capital improvement program (CIP) budget. The most significant operating carryover appropriation was \$0.5 million to supplement the public safety program budget and specifically to provide additional funding for the Orange County Sheriff's contract. There was also a \$0.4 million carryover for economic development to continue implementation of the Civic Core Vision Plan and other economic development efforts. The capital improvement project carryover appropriation was for the Christopher Park Playground Renovation and LED safety light conversion for traffic signals.

During the year, there were a net total of \$1.3 million additional appropriations approved by the City Council that were not related to the pandemic. The more significant of these included: \$381,000 for the purchase of the open space as part of the golf course purchase; \$200,000 for the renovation of the Sycamore Room at the Norman P. Murray Senior and Community Center and carpet replacement in hallways and lobby; \$300,000 for slope renovation on Alicia Parkway from Jeronimo Road to the I-5; \$200,000 for hardscape improvements at the aquatics center; and \$60,000 for replacement of obsolete irrigation controllers in city parks and on medians and slopes. In April and July, the City amended the budget in response to the pandemic and reduced General Fund appropriations by \$4.3 million across all programs. The final General Fund appropriation budget was \$0.8 million less than the original adopted budget.

**Final budget compared to actual results.** In response to the pandemic, the City decreased revenue projections by 3.5 million in April, 2020. The majority of this decrease was a reduction in sales tax revenue of \$2.0 million. Other notable decreases were \$0.4 million in property tax revenue, \$0.3 million in hotel tax revenue, and \$0.3 million in recreation fees. The losses projected for both hotel tax and recreation did materialize; however, the losses for other areas did not to the extent projected. Actual revenues for the year were \$3.5 million more than revised budget estimates. Actual property tax revenue came in greater than projections in the amount of \$0.4 million and only \$0.1 million below the original projection. Sales tax revenue came in greater than projections in the amount of \$1.4 million and only \$0.3 million below the original projection. Licenses and permits revenue came in \$0.4 million above projections and charges for services revenue related to planning and public works projects exceeded projections by \$0.3 million. These increases were due to an approved increase in user fees effective September 1, 2019 and were not affected by the pandemic. Investment earnings fell below projections by \$0.3 million due primarily for the decrease in total cash and investments upon the purchase of the golf course property. Fines and forfeiture revenue exceeded projections by \$0.3

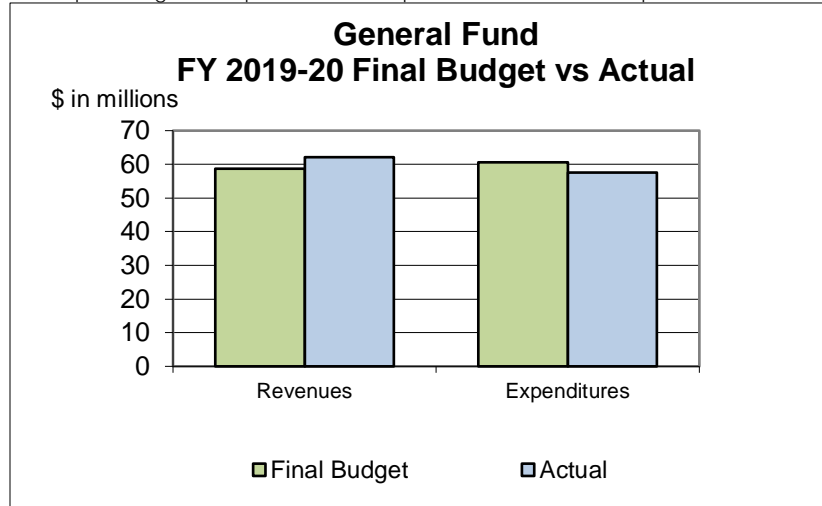
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million. Actual revenue for deposit forfeitures related to developer deposits came in greater than projections.

Due to conservative and cautious spending in response to the pandemic, actual expenditures were

\$2.8 million less than the final appropriations budget. Of this amount, operating expenditures were \$2.6 million less than budget and capital projects came in \$0.2 million under budget. There was significant difference between estimated and actual expenditures in the operating budget in the following program areas: General Government - Management and Support of



\$0.6 million; Public Safety of \$0.7 million; Community Development of \$0.3 million and Infrastructure Maintenance of \$0.9 million. Although these appropriations were not spent during FY 2019-20, the entire unspent balance has been carried over for continued use in FY 2020-21 for on-going active projects, including: \$435,000 for slope rehabilitations; \$210,000 for park improvements; \$442,000 for relocation of corp yard staff and storage; \$396,000 for cleaning contracts under pandemic response safety procedures for playgrounds and City facilities; and \$260,000 for economic development purposes. In the CIP budget, most projects utilizing General Fund resources were substantially completed by June 30, 2020. Unspent CIP appropriations for three projects in the General Fund have been carried over to FY 2020-21. The largest carryover is for the annual residential resurfacing program in the amount of \$141,000.

**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, 2020, amounts to \$677.1 million, net of accumulated depreciation. This investment in assets includes land, buildings, machinery, equipment, vehicles and infrastructure. The total increase in capital assets for the current fiscal year was \$7.5 million, or 1.1%.

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**Capital Assets, Net of Depreciation (in millions)**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2020	2019	2020	2019	2020	2019	2020-2019
	Land	\$ 50.1	\$ 48.8	\$ 11.1	\$ 0.6	\$ 61.2	\$ 49.4
Rights of way	243.8	243.8	-	-	243.8	243.8	0.0%
Buildings and Improvements	61.5	65.3	2.1	1.8	63.6	67.1	-5.2%
Park Improvements	5.4	5.2	0.5	-	5.9	5.2	13.5%
Machinery, equipment and furniture	2.3	2.5	0.2	0.1	2.5	2.6	-3.8%
Vehicles	0.1	0.1	-	0.1	0.1	0.2	-50.0%
Infrastructure	295.9	297.8	-	-	295.9	297.8	-0.6%
Water rights	0.8	0.9	-	-	0.8	0.9	-11.1%
Construction in progress	3.3	2.6	-	-	3.3	2.6	26.9%
<b>Total</b>	<b>\$ 663.2</b>	<b>\$ 667.0</b>	<b>\$ 13.9</b>	<b>\$ 2.6</b>	<b>\$ 677.1</b>	<b>\$ 669.6</b>	<b>1.1%</b>

**Governmental activities.** Capital asset additions included \$1.4 million in land from the golf course purchase and approximately \$1.4 million in other depreciable assets. The most significant of these purchases was for a variety of play equipment purchased as part of the Christopher Park Playground renovation for approximately \$0.5 million. The next most significant purchase was for computer network storage equipment for approximately \$0.3 million. Another \$0.2 million was added to various infrastructure assets as part of the Los Alisos Santa Margarita Parkway Intersection Improvement project. Construction in progress increased a net of \$0.7 million. A major project started this year but not completed include the Craycraft Park Restroom/Snack Bar renovation. Major projects completed during this fiscal year was the Christopher Park playground renovation and the Los Alisos and Santa Margarita Parkway intersection improvement project. Generally, as the notice of completion (NOC) is filed on each project, the costs associated with each project will be deleted from the construction in progress capital asset category and added to the appropriate capital asset category in the year the NOC is filed. Total asset additions were offset by current year depreciation of \$7.3 million, resulting in a net decrease in governmental activities capital assets of \$3.8 million.

The City funded a grant in the amount of \$1.0 million to Santa Margarita Water District to provide financial assistance for the construction of the Lake Mission Viejo Advanced Purified Water Treatment Facility. As part of that agreement, the City has the right to reduced water rates from the water district over a twenty-year period. This asset will be amortized at \$50,000 per year over twenty years. FY 2019-20 is the fourth year of amortization.

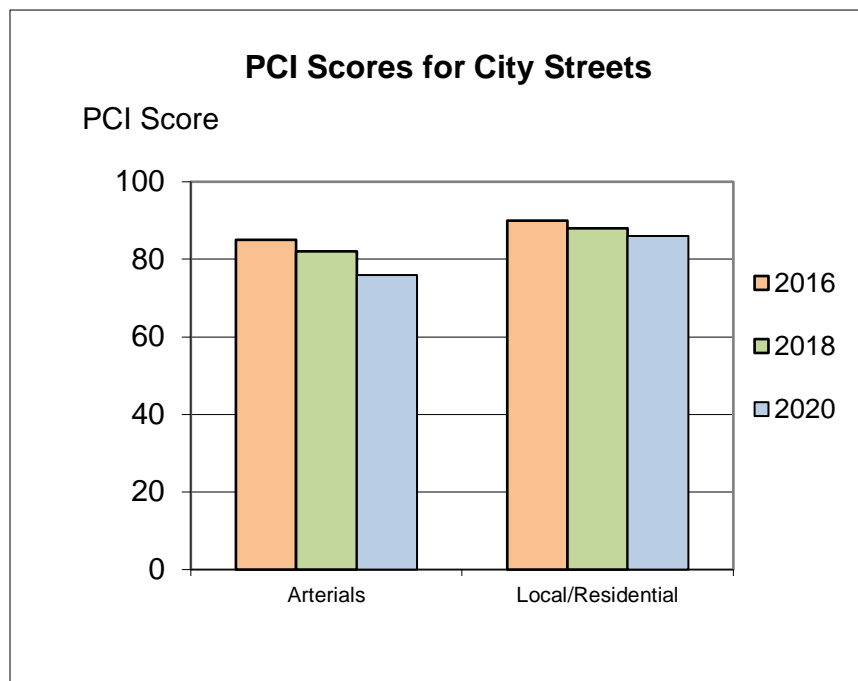


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**Business-type activities.** Capital assets increased \$11.3 million. Total additions of \$11.6 were from the purchase of the Oso Creek public golf course. The largest component of this purchase is land at \$10.5 million. Buildings and park improvements (value of improvements on the golf course) were each valued at approximately \$0.5 million. Additions were offset by total current year depreciation of \$0.2 million.

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

The City has continued to maintain the condition of its roads at a high level. The City Council's established minimum condition level is for categories of roads to have a Pavement Condition Index (PCI) rating of 75 or above, using the PCI methodology. There are five PCI categories ranging from "Very Good" to "Very Poor". Street categories are classified as Arterials or Local/Residential streets. The most recent



condition assessment, completed for fiscal year 2019-20, indicated that arterial roadways were in "good" condition with a PCI score of 76 and local/residential streets were in "very good" condition with a PCI score of 86. The current citywide weighted average Pavement Condition Index is 83, which is a slight decrease of three PCI points since the 2018 assessment. The City has 3.3% of its streets reported in the "Poor" category and 0.1% of its streets reported in the "Very Poor" category.

For the last five fiscal years, total actual maintenance fell below total projected preservation needs by \$2.4 million. For FY 2019-20, actual expenditures fell short of projected needs by \$2.2 million. At June 30, 2020, the City had \$2.8 of unspent appropriations for arterial highway and residential street resurfacing projects that were carried over to FY 2020-21. 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

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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 69-72 of this report and Note 2 of the Notes to Required Supplementary Information on pages 112-114.

**Long-Term Debt.** At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$54.3 million.

**Long-Term Liabilities (in millions)**

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2020	2019	2020	2019	2020	2019	Change
Revenue bonds	\$ 29.9	\$ 32.0	\$ -	\$ -	\$ 29.9	\$ 32.0	-6.6%
Bond Premium	0.8	0.9	-	-	0.8	0.9	-11.1%
<b>Subtotal-bonds payable</b>	<b>30.7</b>	<b>32.9</b>	<b>-</b>	<b>-</b>	<b>30.7</b>	<b>32.9</b>	<b>-6.7%</b>
Net pension liability	18.6	17.6	2.5	2.4	21.1	20.0	5.5%
Capital lease	0.3	0.3	-	-	0.3	0.3	0.0%
Compensated absences	2.0	1.9	0.2	0.1	2.2	2.0	10.0%
<b>Total</b>	<b>\$ 51.6</b>	<b>\$ 52.7</b>	<b>\$ 2.7</b>	<b>\$ 2.5</b>	<b>\$ 54.3</b>	<b>\$ 55.2</b>	<b>-1.6%</b>

The City's total debt decreased by \$0.9 million, or 1.6%, during the current fiscal year. Total principal on all debt issues decreased by \$2.1 million due to regular principal payments. The net pension liability increased \$0.9 million from the prior year. The City has one capital lease at June 30, 2020. Principal payments in the amount of \$84,000 were made during the year, resulting in a year-end balance of \$252,000.

The California State Constitution limits the amount of general obligation bond debt a city may incur to 3.75% of its total assessed valuation, which for the City of Mission Viejo was \$678.3 million at June 30, 2020. The City has no general obligation bond debt outstanding.

Additional information on the City's long-term liabilities can be found in Note 8 and 9 of the Notes to Basic Financial Statements on pages 73-77 of this report. Additional information on the City's pension liability can be found in Note 19 on pages 85-92 of this report.

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

The original fiscal year 2020-21 City budget adopted in July 2019 as part of the biennial 2019-21 budget was prepared conservatively with property tax and sales tax estimates projected with conservative growth from the previous fiscal year. This budget was subsequently amended in April and July 2020 in response to the pandemic. The 2020-21 General Fund amended budget is balanced and does not rely on reserves. The city completed a comprehensive user fee study in May 2019. The City Council approved an updated master fee schedule on June 11, 2019. New fees were effective September 1, 2019 for all building, planning and public works fees. Fees for recreation, library and animal services were effective January 1, 2020. Due to the pandemic, the City did not consider increasing fees for 2020-21. A comprehensive master fee schedule can be located on the finance page of the City website at the following link. <https://cityofmissionviejo.org/departments/finance/master-fee-schedule>. There were no tax rate increases as part of the preparation and adoption of the 2019-21 budget.

### **Requests for Information**

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



MISSION VIEJO

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## Basic Financial Statements

# CITY OF MISSION VIEJO

## BASIC FINANCIAL STATEMENTS - OVERVIEW YEAR ENDED JUNE 30, 2020

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The following basic financial statements, which consist of Government-wide Financial Statements and Fund Financial Statements, along with the Notes to Basic Financial Statements, present an overview of the City's financial position at June 30, 2020 and the results of its operations and cash flows for the fiscal year.

### Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement on the full accrual basis of accounting even though some items will only result in cash flows in future fiscal periods.

### Fund Financial Statements

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

### Governmental Fund Types

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

### Proprietary Fund Type

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

### Fiduciary Fund Types

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

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Statement of Net Position  
June 30, 2020 (With Comparative Totals As of June 30, 2019)

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	
			2020	2019
<b>ASSETS</b>				
Cash and investments (note 2)	\$ 32,734,448	\$ 6,429,446	\$ 39,163,894	\$ 44,010,519
Accounts receivable	192,155	6,722	198,877	270,321
Taxes receivable	3,766,719	121,956	3,888,675	4,771,692
Loans receivable	2,229,594	-	2,229,594	2,284,812
Interest receivable	161,376	-	161,376	213,136
Prepaid items	32,820	17,820	50,640	21,451
Inventories	-	23,588	23,588	-
Deposits	430	-	430	430
Intergovernmental receivable	2,875,654	-	2,875,654	2,659,341
Intergovernmental receivable-Successor Agency	-	-	-	4,141
Notes receivable (note 4)	2,523,405	-	2,523,405	2,616,996
Interfund balances (note 7)	1,000,000	(1,000,000)	-	-
Due from developers (note 5)	5,622,848	-	5,622,848	7,318,117
Land held for resale	6,900,000	-	6,900,000	6,900,000
Restricted cash and investments for pensions (note 2)	139,702	-	139,702	767,468
Restricted cash and investments with fiscal agent (note 2)	2,313,719	-	2,313,719	3,066,461
OPEB asset (note 21)	919,945	46,166	966,111	1,040,709
Capital assets not being depreciated (note 6)	499,052,473	11,083,377	510,135,850	497,474,683
Capital assets, net of depreciation (note 6)	164,122,845	2,865,763	166,988,608	172,151,589
<b>Total assets</b>	<b>724,588,133</b>	<b>19,594,838</b>	<b>744,182,971</b>	<b>745,571,866</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related (note 19)	3,661,279	500,211	4,161,490	4,788,051
OPEB related (note 21)	19,052	957	20,009	12,312
Deferred refunding charge	718,320	-	718,320	783,622
<b>Total deferred outflows of resources</b>	<b>4,398,651</b>	<b>501,168</b>	<b>4,899,819</b>	<b>5,583,985</b>
<b>Total assets and deferred outflows of resources</b>	<b>728,986,784</b>	<b>20,096,006</b>	<b>749,082,790</b>	<b>751,155,851</b>
<b>LIABILITIES</b>				
Accounts payable	3,820,875	186,560	4,007,435	4,871,578
Accrued payroll	835,391	125,594	960,985	884,492
Accrued interest payable	3,204,366	16,027	3,220,393	2,904,697
Unearned revenues	171,628	40,324	211,952	163,079
Deposits payable	714,932	4,187	719,119	1,729,829
Intergovernmental payable	136,840	71,439	208,279	47,934
Other liabilities	23,084	-	23,084	42,154
Retainage payable	30,442	-	30,442	138,231
<b>Noncurrent liabilities:</b>				
Due within one year (note 8)	3,519,521	119,647	3,639,168	3,532,085
Due in more than one year (note 8)	48,087,379	2,611,894	50,699,273	51,745,593
<b>Total liabilities</b>	<b>60,544,458</b>	<b>3,175,672</b>	<b>63,720,130</b>	<b>66,059,672</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related (note 19)	1,115,393	152,387	1,267,780	1,622,203
OPEB related (note 21)	73,379	3,682	77,061	81,603
<b>Total deferred inflows of resources</b>	<b>1,188,772</b>	<b>156,069</b>	<b>1,344,841</b>	<b>1,703,806</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>61,733,230</b>	<b>3,331,741</b>	<b>65,064,971</b>	<b>67,763,478</b>
<b>NET POSITION</b>				
Net investment in capital assets	633,138,918	13,949,140	647,088,058	637,511,320
Restricted for:				
General government - management and support	380,246	-	380,246	184,246
Community development	10,190,752	-	10,190,752	10,286,329
Public safety	103,410	-	103,410	72,896
Public works	7,136,248	-	7,136,248	3,892,186
Parks and recreation	-	-	-	189,561
Library	1,068,423	-	1,068,423	853,994
Debt service	2,321,302	-	2,321,302	3,073,986
Unrestricted	12,914,255	2,815,125	15,729,380	27,327,855
<b>Total net position</b>	<b>\$ 667,253,554</b>	<b>\$ 16,764,265</b>	<b>\$ 684,017,819</b>	<b>\$ 683,392,373</b>

See accompanying notes to basic financial statements.

# CITY OF MISSION VIEJO

## Statement of Activities

For the Year Ended June 30, 2020 (With Comparative Totals For The Year Ended June 30, 2019)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General Government - Legislative	\$ 683,637	\$ -	\$ -
General Government - Mgmt and Support	10,337,098	-	896,227
Public Safety	21,808,631	370,809	249,546
Community Development	3,670,408	3,301,820	85,602
Engineering and Transportation	5,407,856	1,422,160	5,899,152
Infrastructure Maintenance	20,802,296	302,021	87,904
Recreation/Community/Library Services	10,155,677	1,720,755	230,556
Interest and fiscal charges	1,086,716	-	-
<b>Total governmental activities</b>	<b>73,952,319</b>	<b>7,117,565</b>	<b>7,448,987</b>
<b>Business-type activities:</b>			
Golf Course	1,202,126	1,218,186	-
Animal Services	3,125,415	2,352,191	65,413
Mission Viejo Television	315,679	499,984	-
<b>Total business-type activities</b>	<b>4,643,220</b>	<b>4,070,361</b>	<b>65,413</b>
<b>Total primary government</b>	<b>\$ 78,595,539</b>	<b>\$ 11,187,926</b>	<b>\$ 7,514,400</b>
<b>General revenues:</b>			
Property taxes			
Sales and use taxes			
Other taxes			
Unrestricted motor vehicle in lieu fees			
Investment earnings			
Other			
<b>Transfers</b>			
<b>Total general revenues and transfers</b>			
<b>Change in net position</b>			
<b>Net position, beginning</b>			
<b>Net position, ending</b>			

See accompanying notes to basic financial statements.



Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
			2020	2019
\$ -	\$ (683,637)	\$ -	\$ (683,637)	\$ (1,396,878)
-	(9,440,871)	-	(9,440,871)	(9,202,670)
-	(21,188,276)	-	(21,188,276)	(20,501,282)
-	(282,986)	-	(282,986)	(252,169)
406,036	2,319,492	-	2,319,492	(879,437)
236,891	(20,175,480)	-	(20,175,480)	(20,476,141)
-	(8,204,366)	-	(8,204,366)	(7,824,292)
-	(1,086,716)	-	(1,086,716)	(1,025,169)
<u>642,927</u>	<u>(58,742,840)</u>	<u>-</u>	<u>(58,742,840)</u>	<u>(61,558,038)</u>
-	-	16,060	16,060	-
-	-	(707,811)	(707,811)	(668,905)
-	-	184,305	184,305	204,348
-	-	(507,446)	(507,446)	(464,557)
<u>\$ 642,927</u>	<u>(58,742,840)</u>	<u>(507,446)</u>	<u>(59,250,286)</u>	<u>(62,022,595)</u>
	37,609,454	-	37,609,454	36,537,581
	17,004,623	-	17,004,623	19,735,853
	4,129,818	-	4,129,818	4,500,794
	76,323	-	76,323	46,074
	780,708	163,222	943,930	1,149,901
	102,179	9,405	111,584	136,716
	<u>(11,176,076)</u>	<u>11,176,076</u>	<u>-</u>	<u>-</u>
	<u>48,527,029</u>	<u>11,348,703</u>	<u>59,875,732</u>	<u>62,106,919</u>
	<u>(10,215,811)</u>	<u>10,841,257</u>	<u>625,446</u>	<u>84,324</u>
	<u>677,469,365</u>	<u>5,923,008</u>	<u>683,392,373</u>	<u>683,308,049</u>
	<u>\$ 667,253,554</u>	<u>\$ 16,764,265</u>	<u>\$ 684,017,819</u>	<u>\$ 683,392,373</u>

# CITY OF MISSION VIEJO

## BASIC FINANCIAL STATEMENTS - OVERVIEW YEAR ENDED JUNE 30, 2020

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### DESCRIPTION OF GOVERNMENTAL FUNDS

#### **MAJOR GOVERNMENTAL FUNDS:**

##### **GENERAL FUND**

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

##### **CAPITAL PROJECTS FUNDS**

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

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

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

##### **SPECIAL REVENUE FUNDS**

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

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

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

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

#### **NON-MAJOR GOVERNMENTAL FUNDS:**

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

# CITY OF MISSION VIEJO

## BASIC FINANCIAL STATEMENTS - OVERVIEW YEAR ENDED JUNE 30, 2020

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### DESCRIPTION OF PROPRIETARY FUNDS

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

#### **MAJOR ENTERPRISE FUNDS:**

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

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

#### **NON-MAJOR ENTERPRISE FUND:**

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

### DESCRIPTION OF FIDUCIARY FUNDS

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

#### **PRIVATE-PURPOSE TRUST FUND**

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

**CITY OF MISSION VIEJO**

**Governmental Funds**

**Balance Sheet**

**June 30, 2020 (With Comparative Totals As of June 30, 2019)**

	General Fund	Developer Fees Fund	Grants Fund
<b>ASSETS</b>			
Cash and investments	\$ 24,881,931	\$ 25,354	\$ 308,526
Accounts receivable	192,155	-	-
Taxes receivable	3,485,820	-	15,107
Loans receivable	6,467	-	2,022,473
Interest receivable	157,144	-	-
Prepaid items	8,410	-	24,410
Deposits	430	-	-
Intergovernmental receivable	10,218	547,747	287,427
Interfund receivables (note 3)	4,298,689	-	-
Intergovernmental receivable-Successor Agency	-	-	-
Notes receivable (note 4)	2,523,405	-	-
Interfund note receivable (note 7)	3,125,000	-	-
Due from developers (note 5)	2,755,755	-	-
Land held for resale	-	-	-
Restricted assets:			
Cash and investment for pensions	139,702	-	-
Cash and investments with fiscal agents	-	-	-
<b>Total assets</b>	<b>\$ 41,585,126</b>	<b>\$ 573,101</b>	<b>\$ 2,657,943</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,911,297	\$ 161,296	\$ 49,390
Accrued payroll	713,388	1,448	1,491
Unearned revenues	171,628	-	-
Deposits payable	713,982	-	-
Intergovernmental payable	135,696	-	-
Interfund payable (note 3)	-	1,796,165	352,870
Other liabilities	23,084	-	-
Retainage payable	30,442	-	-
Interfund note payable (note 7)	-	-	-
<b>Total liabilities</b>	<b>4,699,517</b>	<b>1,958,909</b>	<b>403,751</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	4,880,753	98,772	2,309,901
<b>Total deferred inflow of resources</b>	<b>4,880,753</b>	<b>98,772</b>	<b>2,309,901</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>9,580,270</b>	<b>2,057,681</b>	<b>2,713,652</b>
<b>FUND BALANCES (deficits) (note 11)</b>			
Nonspendable	15,307	-	-
Restricted	4,075,151	-	-
Assigned	6,100,000	-	-
Unassigned	21,814,398	(1,484,580)	(55,709)
<b>Total fund balances (deficits)</b>	<b>32,004,856</b>	<b>(1,484,580)</b>	<b>(55,709)</b>
<b>Total liabilities, deferred inflows or resources and fund balances</b>	<b>\$ 41,585,126</b>	<b>\$ 573,101</b>	<b>\$ 2,657,943</b>

See accompanying notes to basic financial statements.

Mission Viejo		Total Nonmajor Funds	Totals	
Housing Authority Fund			2020	2019
\$ 376,968	\$ 7,141,669	\$ 32,734,448	\$ 38,468,492	
-	-	192,155	270,321	
-	265,792	3,766,719	4,642,073	
200,654	-	2,229,594	2,284,812	
4,232	-	161,376	213,136	
-	-	32,820	21,451	
-	-	430	430	
-	2,030,262	2,875,654	2,659,341	
-	-	4,298,689	2,151,759	
-	-	-	4,141	
-	-	2,523,405	2,616,996	
-	-	3,125,000	2,125,000	
2,867,093	-	5,622,848	7,318,117	
6,900,000	-	6,900,000	6,900,000	
-	-	139,702	767,468	
-	2,313,719	2,313,719	3,066,461	
<u>\$ 10,348,947</u>	<u>\$ 11,751,442</u>	<u>\$ 66,916,559</u>	<u>\$ 73,509,998</u>	
\$ 42,216	\$ 656,676	\$ 3,820,875	\$ 4,783,303	
-	119,064	835,391	781,063	
-	-	171,628	163,079	
-	950	714,932	1,725,352	
-	1,144	136,840	5,777	
924	2,148,730	4,298,689	2,151,759	
-	-	23,084	42,154	
-	-	30,442	138,231	
2,125,000	-	2,125,000	2,125,000	
<u>2,168,140</u>	<u>2,926,564</u>	<u>12,156,881</u>	<u>11,915,718</u>	
<u>2,692,576</u>	<u>1,580,736</u>	<u>11,562,738</u>	<u>13,398,643</u>	
<u>2,692,576</u>	<u>1,580,736</u>	<u>11,562,738</u>	<u>13,398,643</u>	
<u>4,860,716</u>	<u>4,507,300</u>	<u>23,719,619</u>	<u>25,314,361</u>	
-	-	15,307	33,361	
5,488,231	8,921,889	18,485,271	14,893,843	
-	-	6,100,000	6,100,000	
-	(1,677,747)	18,596,362	27,168,433	
<u>5,488,231</u>	<u>7,244,142</u>	<u>43,196,940</u>	<u>48,195,637</u>	
<u>\$ 10,348,947</u>	<u>\$ 11,751,442</u>	<u>\$ 66,916,559</u>	<u>\$ 73,509,998</u>	



MISSION VIEJO

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## City of Mission Viejo

### Reconciliation of Balance Sheet to the Statement of Net Position June 30, 2020

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Fund balances of governmental funds	\$ 43,196,940
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	663,175,318
Non-current asset that have not been included in the governmental fund OPEB asset	919,945
Long-term debt, capital lease, and compensated absences that have not been included in the governmental fund activity:	
Net pension liability	(18,595,180)
Long-term liabilities	(30,754,720)
Capital lease liability	(252,000)
Deferred refunding charge	718,320
Compensated absences	(2,005,000)
Deferred inflows and outflows of resources related to pensions that have not been included in the governmental fund activity:	
Deferred outflows of resources-pension related	3,661,279
Deferred inflows of resources-pension related	(1,115,393)
Deferred inflows and outflows of resources related to OPEB that have not been included in the governmental fund activity:	
Deferred outflows of resources-OPEB related	19,052
Deferred inflows of resources-OPEB related	(73,379)
Accrued interest payable for the current portion of interest due on bonds that has not been reported in the governmental funds	(3,204,366)
Receivables that are measurable, but not available, are recorded as a deferred inflow of resources under the modified accrual basis of accounting	<u>11,562,738</u>
Net position of governmental activities	<u><u>\$ 667,253,554</u></u>

See accompanying notes to basic financial statements.

# CITY OF MISSION VIEJO

## Governmental Funds

### Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2020 (With Comparative Totals For the Year Ended June 30, 2019)

	General Fund	Developer Fees Fund	Grants Fund
<b>REVENUES</b>			
Taxes	\$ 53,005,023	\$ -	\$ -
Licenses and permits	2,383,271	-	-
Intergovernmental	467,291	-	347,671
Charges for services	3,729,865	-	-
Investment earnings	780,708	719	5,497
Fines and forfeitures	962,606	-	-
Developer fees	-	448,975	-
Other	997,180	-	-
<b>Total revenues</b>	<b>62,325,944</b>	<b>449,694</b>	<b>353,168</b>
<b>EXPENDITURES</b>			
General government-Legislative	645,764	-	-
General government-Mgmt and Support	8,322,527	-	12,917
Public Safety	20,114,042	-	-
Community Development	3,105,980	-	304,775
Engineering & Transportation	2,275,816	-	-
Infrastructure Maintenance	17,248,065	1,000,000	-
Recreation/Community/Library Services	4,904,904	-	43,855
Capital Outlay	624,048	599,354	236,891
Debt Service:			
Principal retirement	84,000	-	-
Interest	9,878	-	-
Administrative charges	-	-	-
<b>Total expenditures</b>	<b>57,335,024</b>	<b>1,599,354</b>	<b>598,438</b>
Excess (deficiency) of revenues over (under) expenditures	4,990,920	(1,149,660)	(245,270)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (note 12)	1,750,332	-	-
Transfers out (note 12)	(12,668,603)	-	-
Capital lease	-	-	-
Sale of City property	5,650	-	-
<b>Total other financing sources (uses)</b>	<b>(10,912,621)</b>	<b>-</b>	<b>-</b>
Net change in fund balances	(5,921,701)	(1,149,660)	(245,270)
Fund balances (deficits) - beginning	37,926,557	(334,920)	189,561
Fund balances (deficits) - ending	<b>\$ 32,004,856</b>	<b>\$ (1,484,580)</b>	<b>\$ (55,709)</b>

See accompanying notes to basic financial statements



Mission Viejo Housing Authority Fund	Total Nonmajor Funds	Totals	
		2020	2019
\$ -	\$ 4,273,706	\$ 57,278,729	\$ 59,268,076
-	-	2,383,271	1,816,832
-	8,715,559	9,530,521	9,159,427
-	161,833	3,891,698	3,559,567
8,656	179,042	974,622	1,187,184
-	29,958	992,564	586,407
-	-	448,975	-
272,098	9,808	1,279,086	1,157,365
280,754	13,369,906	76,779,466	76,734,858
-	-	645,764	1,376,002
-	316,424	8,651,868	7,840,657
-	1,630,417	21,744,459	21,127,439
111,749	21,389	3,543,893	3,088,784
-	818,513	3,094,329	2,648,580
-	416,187	18,664,252	17,658,855
-	2,921,635	7,870,394	8,478,370
-	1,982,886	3,443,179	6,466,992
-	2,070,000	2,154,000	4,139,000
-	785,721	795,599	743,019
-	-	-	146,336
111,749	10,963,172	70,607,737	73,714,034
169,005	2,406,734	6,171,729	3,020,824
-	2,917,284	4,667,616	3,853,667
-	(3,175,089)	(15,843,692)	(4,436,666)
-	-	-	420,000
-	-	5,650	23,725
-	(257,805)	(11,170,426)	(139,274)
169,005	2,148,929	(4,998,697)	2,881,550
5,319,226	5,095,213	48,195,637	45,314,087
\$ 5,488,231	\$ 7,244,142	\$ 43,196,940	\$ 48,195,637

## City of Mission Viejo

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For the Year Ended June 30, 2020

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Net change in fund balances - total governmental funds	\$ (4,998,697)
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity	
Capital asset expenditures	3,521,719
Disposition of capital assets	(26,126)
Depreciation expense	(7,356,609)
Long-term debt, capital lease and compensated absences that have not been included in the governmental fund activity	
Principal payment	2,154,000
Premium amortization	8,552
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds	(299,669)
Compensated absence expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	(125,990)
Pension and OPEB expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, these expenses include the change in the net pension and OPEB liability, and related change in pension and OPEB amounts for deferred outflows of resources and deferred inflows and resources	
Pension related net adjustments	(1,210,112)
OPEB related net adjustments	(46,974)
Certain revenues in the governmental funds that are measurable but not available are recorded as a deferred inflows of resources under the modified accrual basis of accounting. These revenues are included on the accrual basis of accounting used in the Government-wide statements. Amount represents the change during the year.	<u>(1,835,905)</u>
Change in net position of governmental activities	<u>\$ (10,215,811)</u>

CITY OF MISSION VIEJO

Proprietary Funds

Statement of Net Position

June 30, 2020 (With Comparative Totals As of June 30, 2019)

	Business-type Activities				
	Golf Course	Animal Services	Nonmajor	Totals	
			Mission Viejo Television	2020	2019
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 209,667	\$ 4,672,174	\$ 1,547,605	\$ 6,429,446	\$ 5,542,027
Accounts receivable	6,722	-	-	6,722	-
Taxes receivable	-	-	121,956	121,956	129,619
Prepaid items	6,381	11,439	-	17,820	-
Inventories	23,588	-	-	23,588	-
Total current assets	246,358	4,683,613	1,669,561	6,599,532	5,671,646
Noncurrent assets:					
Capital assets, not depreciated	10,522,000	561,377	-	11,083,377	561,377
Capital assets, depreciated, net	1,017,136	1,718,641	129,986	2,865,763	2,028,560
Net OPEB asset	-	44,271	1,895	46,166	63,022
Total noncurrent assets	11,539,136	2,324,289	131,881	13,995,306	2,652,959
<b>Total assets</b>	<b>11,785,494</b>	<b>7,007,902</b>	<b>1,801,442</b>	<b>20,594,838</b>	<b>8,324,605</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related	-	476,491	23,720	500,211	567,385
OPEB related	-	917	40	957	746
Total deferred outflows of resources	-	477,408	23,760	501,168	568,131
<b>Total assets and deferred outflows of resources</b>	<b>11,785,494</b>	<b>7,485,310</b>	<b>1,825,202</b>	<b>21,096,006</b>	<b>8,892,736</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	97,226	84,579	4,755	186,560	88,274
Accrued payroll	-	121,246	4,348	125,594	103,429
Unearned revenues	36,746	3,578	-	40,324	-
Interest payable	16,027	-	-	16,027	-
Deposits payable	-	4,187	-	4,187	4,477
Intergovernmental payable	-	71,439	-	71,439	42,157
Compensated absences payable	-	111,965	7,682	119,647	113,925
Total current liabilities	149,999	396,994	16,785	563,778	352,262
Noncurrent liabilities:					
Note payable (note 7)	1,000,000	-	-	1,000,000	-
Compensated absences payable	-	57,249	14,135	71,384	50,310
Net pension liability	-	2,420,037	120,473	2,540,510	2,369,983
Total noncurrent liabilities	1,000,000	2,477,286	134,608	3,611,894	2,420,293
<b>Total liabilities</b>	<b>1,149,999</b>	<b>2,874,280</b>	<b>151,393</b>	<b>4,175,672</b>	<b>2,772,555</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related	-	145,160	7,227	152,387	192,231
OPEB related	-	3,531	151	3,682	4,942
Total deferred inflows of resources	-	148,691	7,378	156,069	197,173
<b>Total liabilities and deferred inflows of resources</b>	<b>1,149,999</b>	<b>3,022,971</b>	<b>158,771</b>	<b>4,331,741</b>	<b>2,969,728</b>
<b>NET POSITION (deficits)</b>					
Investment in capital assets	11,539,136	2,280,018	129,986	13,949,140	2,589,937
Unrestricted	(903,641)	2,182,321	1,536,445	2,815,125	3,333,071
<b>Total net position</b>	<b>\$ 10,635,495</b>	<b>\$ 4,462,339</b>	<b>\$ 1,666,431</b>	<b>\$ 16,764,265</b>	<b>\$ 5,923,008</b>

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2020 (With Comparative Totals For the Year Ended June 30, 2019)

	Business-type Activities				
	Golf Course	Animal Services	Nonmajor Mission Viejo Television	Totals	
				2020	2019
<b>OPERATING REVENUES</b>					
Licenses and permits	\$ -	\$ 812,829	\$ -	\$ 812,829	\$ 779,270
Charges for services	1,218,186	1,392,564	340	2,611,090	1,364,918
Franchise taxes	-	-	499,644	499,644	532,347
Fines and forfeitures	-	146,798	-	146,798	184,851
Other	-	65,413	9,405	74,818	169,371
<b>Total operating revenues</b>	<b>1,218,186</b>	<b>2,417,604</b>	<b>509,389</b>	<b>4,145,179</b>	<b>3,030,757</b>
<b>OPERATING EXPENSES</b>					
Personnel services	-	2,310,463	125,493	2,435,956	2,458,416
Supplies	195,553	189,030	5,433	390,016	222,951
Utilities	58,735	68,500	29,751	156,986	98,952
Contractual services	848,224	394,657	118,785	1,361,666	505,946
Rent	31,006	14,843	-	45,849	10,453
Depreciation	46,163	143,716	36,217	226,096	182,733
Other expenses	22,445	4,206	-	26,651	6,833
<b>Total operating expenses</b>	<b>1,202,126</b>	<b>3,125,415</b>	<b>315,679</b>	<b>4,643,220</b>	<b>3,486,284</b>
Operating income (loss)	16,060	(707,811)	193,710	(498,041)	(455,527)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment earnings	435	121,389	41,398	163,222	127,677
<b>Total nonoperating revenues (expenses)</b>	<b>435</b>	<b>121,389</b>	<b>41,398</b>	<b>163,222</b>	<b>127,677</b>
Income (loss) before contributions and transfers	16,495	(586,422)	235,108	(334,819)	(327,850)
Transfers in (note 12)	10,619,000	584,175	-	11,203,175	609,188
Transfers out (note 12)	-	(25,827)	(1,272)	(27,099)	(26,189)
Net transfers	10,619,000	558,348	(1,272)	11,176,076	582,999
Change in net position	10,635,495	(28,074)	233,836	10,841,257	255,149
Total net position - beginning	-	4,490,413	1,432,595	5,923,008	5,667,859
Total net position - ending	<b>\$ 10,635,495</b>	<b>\$ 4,462,339</b>	<b>\$ 1,666,431</b>	<b>\$ 16,764,265</b>	<b>\$ 5,923,008</b>

See accompanying notes to basic financial statements.

**CITY OF MISSION VIEJO**

**Proprietary Funds**

**Statement of Cash Flows**

**For the Year Ended June 30, 2020 (With Comparative Totals For the Year Ended June 30, 2019)**

	Business-type Activities - Enterprise Funds				
	Golf Course	Animal Services	Nonmajor Mission Viejo Television	Totals	
				2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers	\$ 1,248,210	\$ 2,450,464	\$ 517,052	\$ 4,215,726	\$ 2,985,035
Payments to suppliers	(1,088,706)	(671,388)	(164,486)	(1,924,580)	(833,923)
Payments to employees	-	(2,063,802)	(109,951)	(2,173,753)	(2,154,729)
Net cash provided (used) by operating activities	159,504	(284,726)	242,615	117,393	(3,617)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Cash transfers in	-	584,175	-	584,175	609,188
Cash transfers out	-	(25,827)	(1,272)	(27,099)	(26,189)
Net cash provided (used) by noncapital financing activities	-	558,348	(1,272)	557,076	582,999
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(11,585,299)	-	-	(11,585,299)	-
Transfers received for capital acquisition	10,619,000	-	-	10,619,000	-
Capital debt proceeds	1,000,000	-	-	1,000,000	-
Interest on debt paid	16,027	-	-	16,027	-
Disposal of capital assets	-	-	-	-	6,936
Net cash provided (used) by capital and related financing activities	49,728	-	-	49,728	6,936
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	435	121,389	41,398	163,222	127,677
Net cash provided (used) by investing activities	435	121,389	41,398	163,222	127,677
Net increase (decrease) in cash and cash equivalents	209,667	395,011	282,741	887,419	713,995
Cash and cash equivalents, beginning of year	-	4,277,163	1,264,864	5,542,027	4,828,032
Cash and cash equivalents, end of year	\$ 209,667	\$ 4,672,174	\$ 1,547,605	\$ 6,429,446	\$ 5,542,027

(Continued)

See accompanying notes to basic financial statements.

CITY OF MISSION VIEJO

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2020 (With Comparative Totals For the Year Ended June 30, 2019)

	Business-type Activities - Enterprise Funds				
	Golf Course	Animal Services	Nonmajor Mission Viejo Television	Totals	
				2020	2019
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income	\$ 16,060	\$ (707,811)	\$ 193,710	\$ (498,041)	\$ (455,527)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>					
Depreciation	46,163	143,716	36,217	226,096	182,733
Changes in assets and liabilities:					
Deferred outflows-pension related	-	63,601	3,573	67,174	139,490
Deferred outflows-OPEB related	-	(188)	(23)	(211)	9,564
Deferred inflows-pension related	-	(37,824)	(2,020)	(39,844)	78,380
Deferred inflows-OPEB related	-	(1,300)	40	(1,260)	4,942
Net pension liability	-	164,053	6,474	170,527	44,520
Net OPEB liability (asset)	-	17,345	(489)	16,856	(10,838)
Accounts receivable	(6,722)	-	-	(6,722)	-
Taxes receivable	-	-	7,663	7,663	5,738
Prepaid	(6,381)	(11,439)	-	(17,820)	-
Inventories	(23,588)	-	-	(23,588)	-
Interfund receivable	-	-	-	-	10,552
Accounts payable	97,226	11,577	(10,517)	98,286	11,003
Accrued payroll	-	22,086	79	22,165	17,503
Deposits payable	-	(290)	-	(290)	209
Intergovernmental payable	-	29,282	-	29,282	(51,460)
Interfund payable	-	-	-	-	(230)
Unearned revenues	36,746	3,578	-	40,324	-
Accrued compensated absences	-	18,888	7,908	26,796	9,804
<b>Total Adjustments</b>	<b>143,444</b>	<b>423,085</b>	<b>48,905</b>	<b>615,434</b>	<b>451,910</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 159,504</b>	<b>\$ (284,726)</b>	<b>\$ 242,615</b>	<b>\$ 117,393</b>	<b>\$ (3,617)</b>

There are no significant noncash investing, capital, or financing activities for the years ended June 30, 2020 and 2019.

See accompanying notes to basic financial statements.

# CITY OF MISSION VIEJO

## Fiduciary Funds

### Statement of Fiduciary Net Position

June 30, 2020 (With Comparative Totals As of June 30, 2019)

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	Successor Agency to the Community Development Agency of the City of Mission Viejo Private- purpose Trust Fund	
	2020	2019
<b>ASSETS</b>		
Cash and investments (note 2)	\$ 1,572,864	\$ 1,462,660
Prepaid items	15,535	15,535
<b>Total assets</b>	<u>1,588,399</u>	<u>1,478,195</u>
<b>LIABILITIES</b>		
Intergovernmental payable-City	-	4,141
<b>Total liabilities</b>	<u>-</u>	<u>4,141</u>
<b>NET POSITION</b>		
Retricted for former redevelopment obligations	1,588,399	1,474,054
<b>Total net position</b>	<u>\$ 1,588,399</u>	<u>\$ 1,474,054</u>

See accompanying notes to basic financial statements.

**CITY OF MISSION VIEJO**

**Fiduciary Funds**

**Statement of Changes in Fiduciary Net Position**

**For the Year Ended June 30, 2020**

**(With Comparative Totals for the Year Ended June 30, 2019)**

	Successor Agency to the Community Development Agency of the City of Mission Viejo Private- purpose Trust Fund	
	2020	2019
<b>ADDITIONS</b>		
Taxes	\$ 1,561,846	\$ 1,241,942
<b>Total additions</b>	<u>1,561,846</u>	<u>1,241,942</u>
<b>DEDUCTIONS</b>		
Administrative expenses	245,859	241,045
Contributions to other governments	1,178,719	1,128,852
Other expenses	22,923	29,111
<b>Total deductions</b>	<u>1,447,501</u>	<u>1,399,008</u>
Change in net position	114,345	(157,066)
Net Position - beginning of year	1,474,054	1,631,120
Net Position - end of year	<u>\$ 1,588,399</u>	<u>\$ 1,474,054</u>

See accompanying notes to basic financial statements.



# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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### (1) Summary of Significant Accounting Policies

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

#### (a) Reporting Entity

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

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

#### Blended Component Units

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

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

Mission Viejo Community Development Financing Authority (Financing Authority) was formed as a joint powers authority on June 2, 1997 by the City and the former Community Development Agency. Its purpose is to serve as the issuer of bonds for the construction of capital facilities for the City. The activities of the Financing Authority are recorded in the 1999 Mall Bonds and the 2016 Lease Revenue Refunding Bonds debt service funds. Separate financial statements are not prepared for the Financing Authority.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

(a) Reporting Entity, (continued)

Blended Component Units, (continued)

Mission Viejo Housing Authority (Housing Authority) was formed on February 21, 2011 pursuant to the California Housing Authorities Law, Health and Safety Code Section 34200, et seq. The primary mission of the Housing Authority is to facilitate development and rehabilitation of affordable housing and programs and services that support the city's housing goals. The activities are recorded in the Housing Authority special revenue fund. Separate financial statements are not prepared for the Housing Authority.

(b) Basis of Accounting and Measurement Focus

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

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

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

Government-wide Financial Statements

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

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

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

### Government-wide Financial Statements, (continued)

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

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

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

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

### Fund Financial Statements

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

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

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

### Governmental Funds

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

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

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

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

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

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

### Governmental Funds, (continued)

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

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

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

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

### Proprietary Funds

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

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

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

### Proprietary Funds, (continued)

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

### Fiduciary Funds

The City maintains one fiduciary fund type for the year ended June 30, 2020. The fund is a private-purpose trust fund which uses the economic resources measurement focus and the accrual basis of accounting. Private-purpose trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

(c) Fund Classifications

The City reports the following major governmental funds:

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

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

Grants Fund – This special revenue fund represents monies received from grant awards from various sources based on an application process. Currently included in these funds are monies from Federal, State, and County governments which are used to fund various housing, transportation, park and facility program and capital improvement projects.

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

(c) Fund Classifications, (continued)

The City reports the following major proprietary funds:

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

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

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

Special Revenue Funds - The City maintains a total of ten special revenue funds: two major special revenue funds discussed above and eight nonmajor special revenue funds. The other funds account for financial resources related to gas tax, library operations, law enforcement grants, air quality, Measure M, Certified Access Specialist program (CASp), Building Homes & Jobs Act (SB2), and CARES Act Assistance. These specific revenues are legally restricted and expended for specific purposes.

Capital Projects Funds - The City maintains a total of two capital projects funds: one major as discussed above and one nonmajor. These funds account for the resources accumulated to fund various capital construction projects in the City.

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

Enterprise Funds – The City maintains a total of three enterprise funds: two major as discussed above and one nonmajor. The nonmajor fund accounts for the operation of Mission Viejo Television (MVTV), a government access channel funded by user fees and charges as well as by a portion of the franchise fee paid by the City's cable television provider.

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

(d) Cash and Investments

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

The City pools cash and investments of all funds, except for a separate bank account for golf course operations, assets held by fiscal agents for debt services and the Housing Authority and Successor Agency funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average daily cash and investment balance.

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

(e) Deferred Outflows/Inflows of Resources

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

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



# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

(f) Interfund Note

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

(g) Capital Assets

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

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

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

<u>Item</u>	<u>Useful Life</u>
Buildings and improvements	32 years
Park improvements	15 years
Equipment, computers, furniture	5-7 years
Vehicles	3-5 years
Infrastructure – curbs and gutters	75 years
Infrastructure – sidewalks	75 years
Infrastructure – roadway bridges	75 years
Infrastructure – traffic signals	30 years
Infrastructure – medians, parkways, trees	75 years
Infrastructure – storm drains	75 years
Water rights	20 years

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

(g) Capital Assets, (continued)

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

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

(h) Compensated Absences

The City provides to its employees a comprehensive annual leave program. Leave pay is payable at the time it is taken or upon termination. There is also an optional, voluntary buyback program, subject to certain limitations. An employee cannot accrue more than three times his/her annual entitlement. On May 16, 2020, a temporary policy was put into place in response to the pandemic, allowing employees to exceed this limit. Once the Declaration of Emergency is suspended, employees will have 90 days to reduce their balances to no more than three times his/her annual enrollment. The City accounts for compensated absences in accordance with GASB Codification Section C60. Expenditures related to compensated absence liabilities are only recognized in the fund financial statements when they become due and payable.

(i) Property Taxes

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

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

(j) Prepaid Items

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

(k) Use of Estimates

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

(l) Pension Plan

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

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

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

(m) Other Postemployment Benefits (OPEB)

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

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

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

(n) Fair Value Measurements

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

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

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

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

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

(o) Prior Year Data

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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(2) Cash and Investments

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 39,163,894
Restricted assets:	
Cash and cash investments for pensions	139,702
Cash and cash investments with fiscal agent	2,313,719
Fiduciary Fund Statement of Assets and Liabilities:	
Cash and investments	1,572,864
Total cash and investments	<u>\$ 43,190,179</u>

Cash and investments at June 30, 2020, consisted of the following:

Cash on hand	\$ 5,755
Deposits with financial institutions	2,696,237
Investments	40,488,187
Total cash and investments	<u>\$ 43,190,179</u>

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

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

The following table identifies the investment types that are authorized for the City by the California Government Code (or the City of Mission Viejo's policies where more restrictive) at June 30, 2020. The table also identifies certain provisions of the investment policies that address interest rate risk, credit risk and concentration of credit risk. The investment authorized by the Housing Authority is limited to the Local Agency Investment Fund. This table does not address investments of debt proceeds held by bond trustees, which are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policies:

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

(2) Cash and Investments, (continued)

*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	100%	25% of total portfolio
Corporate Medium Term Notes	5 years	30%	5% of total portfolio
Municipal Securities	5 years	30%	5% of total portfolio
Supranationals	5 years	30%	10% of total portfolio
Banker's Acceptances	180 days	40%	5% of total portfolio
Federally Insured Time Deposits/Collateralized Time Deposits	5 years	20%	Maximum covered under federal insurance for federally insured No limit on collateralized
Certificates of Deposit Placement Service	5 years	30%	N/A
Negotiable Certificates of Deposit	5 years	30%	5% of total portfolio
Repurchase Agreements	1 year	100%	N/A
Commercial Paper	270 days	25%	5% of total portfolio
Local Agency Investment Fund	N/A	\$65M	N/A
Orange County Investment Pool	N/A	10%	N/A
California Asset Management Pool	5 years	15%	5% of fair value of total assets in investment pool
Government Money Market Funds	N/A	20%	10% of total portfolio
Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities	5 years	20%	5% of total portfolio

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

(2) Cash and Investments, (continued)

Investments Authorized by Debt Agreements

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

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

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

*CDFA 2016 Lease Revenue Refunding Bonds:*

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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(2) Cash and Investments, (continued)

Interest Rate Risk

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

The City's investment policy requires that investments only be in fixed-rate, fixed coupon securities and prohibits investments in securities with embedded options and securities that may return all or parts of their principal prior to their stated final maturity date. The investment policies set a Benchmark Index for each portfolio. The Benchmark Index has characteristics similar to those of the portfolio in terms of types of securities and maturities. The City manages its exposure to interest rate risk by keeping the average duration of the portfolio in line with the duration of the Benchmark Index. For the fiscal year ended June 30, 2020, the average duration of the Benchmark Index was 0.53 for the City portfolio.

*City of Mission Viejo:*

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration (in years)</u>
US Treasury Notes	\$1,210,914	2.58
US Government Sponsored Entities	5,594,782	1.53
Corporate Notes	3,072,874	1.90
Asset Backed Securities	891,907	1.01
Collateralized Mortgage Obligations	891,736	2.04
Government Money Market Funds	738,529	-
Local Agency Investment Fund	24,565,661	-
California Asset Management Pool	1,139,403	-
	<u>\$38,105,806</u>	0.53



**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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(2) Cash and Investments, (continued)

Interest Rate Risk, (continued)

*Mission Viejo Housing Authority:*

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration (in years)</u>
Local Agency Investment Fund	<u>\$68,662</u>	-
	<u>\$68,662</u>	-

*Mission Viejo Community Development Financing Authority:*

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration (in years)</u>
Government Money Market Funds	<u>\$2,313,719</u>	-
	<u>\$2,313,719</u>	-

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

#### Credit Risk

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

Investment Type	Fair Value	Minimum Legal Rating	Aaa/AAA*	Aa1/Aa2/Aa3*	A1/A2/A3*	A-1*	Not Rated
US Treasury Notes	\$1,210,914	N/A	\$1,210,914	\$ -	\$ -	\$ -	\$ -
US Government Sponsored Entities	5,594,782	N/A	5,594,782	-	-	-	-
Corporate Notes	3,072,874	A	140,040	632,544	2,300,290	-	-
Asset Backed Securities	891,907	AA	891,907	-	-	-	-
Collateralized Mortgage Obligations	891,736	AA	891,736	-	-	-	-
Government Money Market Funds	738,529	AAA	738,529	-	-	-	-
LAIF pool	24,634,323	N/A	-	-	-	-	24,634,323
CAMP pool	1,139,403	N/A	1,139,403	-	-	-	-
Held by Trustee:							
Government Money Market Funds	2,313,719	AAA	2,313,719	-	-	-	-
<b>Total</b>	<b>\$40,488,187</b>		<b>\$12,921,030</b>	<b>\$632,544</b>	<b>\$2,300,290</b>	<b>-</b>	<b>\$24,634,323</b>

\* Aaa, Aa1, Aa2, Aa3, A1, A2 and A3 - Moody's Rating Service  
AAA Standards & Poor Rating Service and Fitch Rating Service  
A-1 - Standards & Poor Rating Service

#### Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code (see preceding tables). Investments at June 30, 2020 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	7.12%	\$2,711,237

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

#### Custodial Credit Risk

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

As of June 30, 2020, all of the City's deposits with financial institutions in excess of federal depository insurance limits were collateralized by an interest in an undivided collateral pool as required by State law.

#### Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance and State Controller. The City may invest up to \$65 million in LAIF funds. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at <http://www.treasurer.ca.gov>.

The City's investment in this pool is reported in the accompanying City's financial statements at fair value at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling \$1.7 billion, which represent 1.66% of the total LAIF portfolio of \$101.0 billion as of June 30, 2020. LAIF's (and the City's) exposure to risk (credit, market or legal) is not currently available. This fund does not calculate duration for their portfolio. The average days to maturity for this fund is 179 days.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

#### Investment in California Asset Management Program Pool

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Trust's activities are directed by a Board of Trustees, all of whom are employees of the California public agencies which are participants in the Trust. The Pool's investments are limited to investments permitted by subdivision (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. CAMP is not registered with the Securities and Exchange Commission. This fund does not calculate a duration for their portfolio. The average days to maturity was 49 days.

#### Fair Value Measurement

The City categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2020:

#### Fair Value Hierarchy

	Investments not Subject to Fair Value Hierarchy	Level 1	Level 2	Level 3	Total
US Treasury Notes	\$ -	\$ -	\$ 1,210,914	\$ -	\$ 1,210,914
US Government Sponsored Entities	-	-	5,594,782	-	5,594,782
Corporate Notes	-	-	3,072,874	-	3,072,874
Asset Backed Securities	-	-	891,907	-	891,907
Collateralized Mortgage Obligations	-	-	891,736	-	891,736
Government Money					
Market Funds	3,052,248	-	-	-	3,052,248
CAMP Pool	1,139,403	-	-	-	1,139,403
LAIF Pool	24,634,323	-	-	-	24,634,323
Total investments	<u>\$ 28,825,974</u>	<u>\$ -</u>	<u>\$ 11,662,213</u>	<u>\$ -</u>	<u>\$ 40,488,187</u>

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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(3) Interfund Balances

Interfund balances at June 30, 2020 consisted of the following:

Payable Fund	Receivable Fund General Fund
Developer Fees Fund	\$ 1,796,165
Grants Fund	352,870
Housing Authority Fund	924
Other Governmental Funds	2,148,730
Total	\$4,298,689

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

(4) Notes Receivable/Payable

On April 22, 2016, the City of Mission Viejo entered into an agreement to loan Santa Margarita Water District (SMWD) \$3,000,000 for the design and construction of an Advanced Purified Water Treatment Facility for the benefit of The Lake Mission Viejo Association, which is comprised solely of residents of the City of Mission Viejo. The loan was made with the assets held in the Section 115 pension trust fund. The loan will be repaid by Santa Margarita Water District to the pension trust fund at an interest rate of 2.5% over a period of 20 years commencing October 1, 2016. The balance of the loan at June 30, 2020 was \$2,523,405. All assets in the pension trust fund are restricted for the benefit of members and beneficiaries of the City’s pension plan.

(5) Due from Developers

In 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, 2020, the outstanding balance is \$190,700 which includes unpaid accrued interest of \$16,182 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. In July 2018, these bonds were converted from variable rate to fixed rate and all variable debt related costs stopped accruing at date of conversion.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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(5) Due from Developers, (continued)

Total amount due from the developer at date of conversion was \$4,359,195. At June 30, 2020, the amount due from the developer for these costs was \$2,755,755 and is reported in the General Fund.

In March 2010, the former Mission Viejo Community Development Agency entered into an affordable housing agreement with Lennar homes which included the development of 22 affordable units located at The Ridge housing development. Upon the sale of each of the 22 affordable units, each homebuyer is required to enter into an Affordable Homebuyer Loan Agreement with the Housing Authority. These loans are secured by a second deed of trust on each property, and restrict ownership of each property to qualified Very Low or Low Income Households. The affordability period for each home is 45 years starting on the closing escrow date for each housing unit. As of June 30, 2020, 19 of these loans are still outstanding for a total balance of \$2,676,393 which is reported in the Housing Authority, a major special revenue fund.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

### (6) Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 48,737,312	\$ 1,381,000	\$ -	\$ 50,118,312
Rights of way	243,875,306	-	-	243,875,306
Construction in progress	2,566,324	1,724,889	(1,023,472)	3,267,741
Infrastructure - Street network:				
Streets	201,734,364	56,750	-	201,791,114
Total capital assets, not depreciated	496,913,306	3,162,639	(1,023,472)	499,052,473
Capital assets, being depreciated:				
Buildings and improvements	126,541,945	95,088	(27,796)	126,609,237
Park improvements	5,620,474	522,169	-	6,142,643
Equipment, Computers, Furniture	11,886,301	416,832	(41,400)	12,261,733
Vehicles & Vehicle Leases	1,095,634	46,772	-	1,142,406
Infrastructure - Street network:				
Curbs and gutters	34,121,120	53,886	(13,432)	34,161,574
Sidewalks	31,154,180	-	-	31,154,180
Roadway bridges	6,289,000	-	-	6,289,000
Traffic signals	11,334,505	46,300	-	11,380,805
Infrastructure - Medians Parkways network:				
Medians, Parkways, Trees	38,426,142	79,657	(14,350)	38,491,449
Infrastructure - Storm Drains network:				
Storm Drains	40,856,206	121,848	-	40,978,054
Water Rights	1,000,000	-	-	1,000,000
Total capital assets, being depreciated	\$ 308,325,507	\$ 1,382,552	\$ (96,978)	\$ 309,611,081

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Governmental activities:				
Less accumulated depreciation for:				
Buildings and improvements	\$ (61,184,316)	\$(3,938,152)	\$ 23,861	\$ (65,098,607)
Park improvements	(371,005)	(381,523)	-	(752,528)
Equipment, Computers, Furniture	(9,364,416)	(672,494)	38,670	(9,998,240)
Vehicles & Vehicle Leases	(991,434)	(64,721)	-	(1,056,155)
Infrastructure - Street network:				
Curbs and gutters	(13,058,382)	(456,254)	4,003	(13,510,633)
Sidewalks	(12,273,392)	(415,863)	-	(12,689,255)
Roadway bridges	(2,585,260)	(83,853)	-	(2,669,113)
Traffic signals	(9,149,389)	(205,894)	-	(9,355,283)
Infrastructure - Medians Parkways network:				
Medians, Parkways, Trees	(12,967,147)	(512,980)	4,318	(13,475,809)
Infrastructure - Storm Drains network:				
Storm Drains	(16,107,738)	(574,875)	-	(16,682,613)
Water Rights	(150,000)	(50,000)	-	(200,000)
Total accumulated depreciation	<u>(138,202,479)</u>	<u>(7,356,609)</u>	<u>70,852</u>	<u>(145,488,236)</u>
Total capital assets being depreciated, net	<u>170,123,028</u>	<u>(5,974,057)</u>	<u>(26,126)</u>	<u>164,122,845</u>
Governmental activities				
Capital assets, net	<u>\$ 667,036,334</u>	<u>\$(2,811,418)</u>	<u>\$(1,049,598)</u>	<u>\$ 663,175,318</u>



**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

(6) Capital Assets, (continued)

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 561,377	\$ 10,522,000	\$ -	\$ 11,083,377
Total capital assets, not depreciated	561,377	10,522,000	-	11,083,377
Capital assets, being depreciated:				
Buildings	2,434,204	495,299	-	2,929,503
Improvements other than buildings	912,847	-	-	912,847
Park Improvements	-	529,000	-	529,000
Equipment, Computers, Furniture	981,483	39,000	-	1,020,483
Total capital assets, being depreciated	4,328,534	1,063,299	-	5,391,833
Less accumulated depreciation for:				
Buildings	(1,256,700)	(86,069)	-	(1,342,769)
Improvements other than buildings	(318,700)	(28,342)	-	(347,042)
Park Improvements	-	(23,511)	-	(23,511)
Equipment, Computers, Furniture	(724,574)	(88,174)	-	(812,748)
Total accumulated depreciation	(2,299,974)	(226,096)	-	(2,526,070)
Total capital assets being depreciated, net	2,028,560	837,203	-	2,865,763
Business-type activities				
Capital assets, net	\$ 2,589,937	\$ 11,359,203	\$ -	\$ 13,949,140

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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(6) Capital Assets, (continued)

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

General Government – Legislative	\$	138
General Government – Management and Support		1,633,322
Public Safety		74,540
Community Development		10,803
Engineering and Transportation		457,233
Infrastructure Maintenance		3,321,816
Recreation, Community and Library Services		1,858,757
Total	\$	<u>7,356,609</u>

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

Golf Operations	\$	46,163
Animal Services		143,716
Mission Viejo Television		36,217
Total	\$	<u>226,096</u>

(7) Interfund Note Payable and Receivable

On May 18, 2015, the Housing Authority entered into an agreement with the City of Mission Viejo for the purchase of land for future affordable housing under the certified housing element of the City's General Plan. Under the agreement the Housing Authority executed a Promissory Note payable to the City for \$4,300,000. The Note has a thirty-year term which can be extended up to five additional one-year periods. The Note accrues no interest and is payable July 15 each year until the principal is paid in full. Note principal is paid from unencumbered and available funds in the Housing Authority Fund pursuant to the HAL and Dissolution Law that are not required for administration or other Housing Authority projects, enforceable obligations, or any other mandated payments due from Housing Authority to a third party. As of June 30, 2020, the loan balance is \$2,125,000.

On November 8, 2019, the City of Mission Viejo entered into an agreement to loan the Golf Course Fund \$1,000,000 for the purchase of the Oso Creek Golf Course (formerly known as Casta del Sol). The loan was made with the assets held in the Section 115 pension trust fund. The loan will be repaid by Oso Creek Golf Course resources at an interest rate of 2.5% over a period of 20 years commencing November 8, 2020. The balance of the loan at June 30, 2020 was \$1,000,000. All assets in the pension trust fund are restricted for the benefit of members and beneficiaries of the City's pension plan.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

### (8) Long-Term Liabilities

Changes in the long-term liabilities for the year ended June 30, 2020 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	\$13,925,000	\$ -	\$(1,265,000)	\$12,660,000	\$1,320,000	\$11,340,000
1999 Series B bonds	7,347,326	-	-	7,347,326	-	7,347,326
2016 Refunding bonds	10,740,000	-	(805,000)	9,935,000	825,000	9,110,000
Bond premium	886,248	-	(73,854)	812,394	73,854	738,540
Total bonds payable	<u>32,898,574</u>	<u>-</u>	<u>(2,143,854)</u>	<u>30,754,720</u>	<u>2,218,854</u>	<u>28,535,866</u>
Other liabilities:						
Net pension liability	17,629,876	3,112,441	(2,147,137)	18,595,180	-	18,595,180
Capital lease	336,000	-	(84,000)	252,000	84,000	168,000
Compensated absences	1,879,010	1,382,500	(1,256,510)	2,005,000	1,216,667	788,333
Total other liabilities	<u>19,844,886</u>	<u>4,494,941</u>	<u>(3,487,647)</u>	<u>20,852,180</u>	<u>1,300,667</u>	<u>19,551,513</u>
Governmental activities						
Total Long-term liabilities	<u>\$52,743,460</u>	<u>\$4,494,941</u>	<u>\$(5,631,501)</u>	<u>\$51,606,900</u>	<u>\$3,519,521</u>	<u>\$48,087,379</u>
<u>Business-type Activities:</u>						
Other liabilities:						
Net pension liability	\$2,369,983	\$459,306	\$(288,779)	\$2,540,510	\$ -	\$2,540,510
Compensated absences	164,235	147,478	(120,682)	191,031	119,647	71,384
Business-type Activities						
Total Long-term liabilities	<u>\$2,534,218</u>	<u>\$606,784</u>	<u>\$(409,461)</u>	<u>\$2,731,541</u>	<u>\$119,647</u>	<u>\$2,611,894</u>

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

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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(8) Long-Term Liabilities, (continued)

Bonds

1999 Series A Revenue Bonds

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

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

The Financing Authority exercised the option of converting the 1999 Series A bonds from a variable rate to a fixed rate debt on July 31, 2018 through private placement with Opus Bank. The conversion fixes the rate of the debt at 3.34% for the remaining life of the bonds. As part of the fixed rate conversion, the bond reserve was used to pay down the principal balance of the bonds from \$17.2 million to \$15.24 million. There is no bond reserve requirement on the fixed rate bonds. Payment of debt service under the Bond Purchase Agreement with Opus Bank is payable solely from certain property tax revenues and lease payments paid by the City from a portion of the sales tax generated by the mall as described in the paragraph above. There is no prepayment allowed under the Bond Purchase Agreement in the first seven years or until July 31, 2025. In the event of default, the interest rate will be 6.34% until the event of default is remedied. Principal amounts will continue to mature every September 1 and March 1 through September 1, 2028 in amounts ranging from \$625,000 to \$840,000. The amount of principal outstanding at June 30, 2020 is \$12,660,000.

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

<u>Year ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 1,320,000	\$ 411,989	\$ 1,731,989
2022	1,355,000	367,650	1,722,650
2023	1,400,000	321,976	1,721,976
2024	1,450,000	274,798	1,724,798
2025	1,495,000	226,035	1,721,035
2026 - 2029	<u>5,640,000</u>	<u>382,931</u>	<u>6,022,931</u>
	<u>\$ 12,660,000</u>	<u>\$ 1,985,379</u>	<u>\$ 14,645,379</u>

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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(8) Long-Term Liabilities, (continued)

Bonds, (continued)

1999 Series B Subordinate Lien Taxable Revenue Bonds

On May 19, 1999, the Financing Authority authorized \$10,000,000 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, 2020 an additional \$7,232,326 of Series B Bonds were issued. The balance authorized that has not yet been issued is \$2,652,674.

Through July 31, 2018, the interest rate on the bonds was equal to the six-month London Interbank Offered Rate plus 1.5%, not to exceed 8% per annum. If the 1999 Series A Bonds are converted to a fixed interest rate bond, interest on the 1999 Series B Bonds will be equal to the fixed interest rate plus 1%. The 1999 Series A Bonds were converted to a non-rated fixed interest rate bond on July 31, 2018. Interest from July 31, 2018 is calculated at the 3.34% Series A fixed rate plus 1.0% per the Series B Indenture. Interest is payable annually commencing September 1, 1999, subject to certain preconditions. If, in any year, revenues are insufficient to pay interest due on the Series B Bonds, such interest shall remain due and payable. Principal payments on the bonds will commence at the earlier of the conversion of the 1999 Series A Bonds to an investment grade fixed interest rate security or after two consecutive years of two times debt service coverage for the 1999 Series A Bonds. Annual principal payments will be an amount that is proportional to the principal of the 1999 Series A Bonds. The bonds mature on September 1, 2028, at which time, if any outstanding principal or accrued interest remains, such amounts shall cease to be payable. At June 30, 2020, the outstanding principal is \$7,347,326 and the unpaid interest is \$3,015,294.

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, 2020.

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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(8) Long-Term Liabilities, (continued)

Bonds, (continued)

CDFA 2016 Lease Revenue Refunding Bonds

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

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

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

Year ending June 30,	Principal	Interest	Totals
2021	\$ 825,000	\$ 306,913	\$ 1,131,913
2022	855,000	282,163	1,137,163
2023	875,000	256,512	1,131,512
2024	905,000	239,012	1,144,012
2025	935,000	202,813	1,137,813
2026	970,000	165,412	1,135,412
2027 - 2031	<u>4,570,000</u>	<u>371,575</u>	<u>4,941,575</u>
	<u>\$ 9,935,000</u>	<u>\$ 1,824,400</u>	<u>\$ 11,759,400</u>

Legal Debt Margin

The City is subject to a debt limit that is 15% of adjusted gross assessed valuation on taxable property. Adjusted assessed valuation is equal to 25% of gross assessed valuation. At June 30, 2020 that amount was \$678,281,429. As of June 30, 2020 the total outstanding debt applicable to the limit was \$0.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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(9) Capital Lease

On December 21, 2018, the City entered into a lease agreement as lessee for financing the acquisition of personal computer equipment valued at \$420,000 at 3.36% interest. The equipment has a five-year estimated useful life and is pledged as collateral. In the event of default, all rental payments and other amounts payable by the lessee become due and shall bear interest at the rate of 12% per annum or the maximum rate permitted by applicable law, whichever is less. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 91,056
2022	88,234
2023	<u>85,411</u>
Total minimum lease payments	264,701
Less: amount representing interest	<u>(12,701)</u>
Present value of minimum lease payments	<u>\$252,000</u>

(10) Net Position

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

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

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

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

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

As of June 30, 2020, 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, 2020

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### (11) Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes determined by the highest formal action of the City Council (adoption of ordinance). The City Council has the authority to establish, modify, or rescind a fund balance commitment. The City has no committed fund balance at June 30, 2020.

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, 2020 were reported solely in the General Fund.

Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications. Unassigned fund balance includes the City Council approved General Fund assignment for Economic/Budgetary Uncertainty in the amount of \$14.0 million which includes \$910,000 for uncertainties surrounding the pandemic and eligible CARES Act assistance expenditures.

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



# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

(11) Fund Balances, (continued)

Fund Balance Classifications:

Fund balances in the governmental funds at June 30, 2020 have been classified as follows:

	General Fund	Developer Fees	Grants Fund	MV Housing	Nonmajor Funds	Total Governmental Funds
<b>Non Spendable</b>						
Prepaid items	\$ 8,410	\$ -	\$ -	\$ -	\$ -	\$ 8,410
Long term receivables	6,467	-	-	-	-	6,467
Deposits	430	-	-	-	-	430
Subtotal	<u>15,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,307</u>
<b>Restricted for:</b>						
General gvnt-mgmt & support	380,246	-	-	-	-	380,246
Community development	-	-	-	5,488,231	3,654	5,491,885
Public safety	-	-	-	-	103,410	103,410
Public works	-	-	-	-	5,425,100	5,425,100
Library services	-	-	-	-	1,068,423	1,068,423
Debt service	-	-	-	-	2,321,302	2,321,302
Pensions	3,694,905	-	-	-	-	3,694,905
Subtotal	<u>4,075,151</u>	<u>-</u>	<u>-</u>	<u>5,488,231</u>	<u>8,921,889</u>	<u>18,485,271</u>
<b>Assigned to:</b>						
Pension and OPEB liabilities	1,000,000	-	-	-	-	1,000,000
Natural disasters	1,000,000	-	-	-	-	1,000,000
Capital asset replacement	1,100,000	-	-	-	-	1,100,000
Capital projects	3,000,000	-	-	-	-	3,000,000
Subtotal	<u>6,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,100,000</u>
<b>Unassigned</b>	<u>21,814,398</u>	<u>(1,484,580)</u>	<u>(55,709)</u>	<u>-</u>	<u>(1,677,747)</u>	<u>18,596,362</u>
<b>Totals</b>	<u>\$32,004,856</u>	<u>\$(1,484,580)</u>	<u>\$(55,709)</u>	<u>\$5,488,231</u>	<u>\$7,244,142</u>	<u>\$43,196,940</u>

In April, 2019, the City Council established the General Fund target reserve level at \$29.0 million for the 2019-21 budget cycle or 49 percent of 2018-19 General Fund revenues. The minimum level reserve was set at \$26.0 million and 44 percent. Reserves for the purpose of this calculation include assigned and unassigned fund balance.

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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(12) Interfund Transfers

Interfund transfers for the year ended June 30, 2020 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Golf Course Enterprise Fund	General Fund	\$10,619,000
General Fund	Other Governmental Funds	1,723,233
General Fund	Animal Services Enterprise Fund	25,827
Animal Services Enterprise Fund	General Fund	584,175
General Fund	Nonmajor Enterprise Fund	1,272
Other Governmental Funds	General Fund	1,465,428
Other Governmental Funds	Other Governmental Funds	1,451,856
Total		<u>\$15,870,791</u>

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

Transfers to Major Funds

A transfer of \$10,619,000 was made to the Golf Course Enterprise Fund from the General Fund for the purchase of the Oso Creek Golf Course (formerly known as Casta del Sol).

Of the \$1,723,233 transferred to the General Fund from other governmental funds, \$1,695,142 was transferred from the CDFA 1999 Mall Bonds Debt Service representing release of the Mall Bond rolling reserve, \$10 was transferred from the CDFA 2016 Lease Revenue Refunding Bonds for residual earnings and \$28,081 was transferred from the Library Fund for that funds share of Section 115 pension trust fund payment to the trust account.

A transfer of \$584,175 was made from General Fund to the Animal Services Enterprise Fund representing Mission Viejo’s proportionate share of the net costs of the Animal Services operations for the year, as estimated in the budget.

There was \$25,827 in transfers made to the General Fund from Animal Services Fund , and \$1,272 from the nonmajor Mission Viejo Television Enterprise Fund for those funds share of the Section 115 pension trust payment to the trust account.

Transfers to Other Governmental Funds

Of the \$1,465,428 transferred from the General Fund to Other Governmental Funds, \$1,135,869 was transferred to the CDFA 2016 Lease Revenue Refunding Bonds Debt Service Fund for payment of the debt service on those bonds and \$329,559 was transferred to the Library Operations Fund to fund operations.

The \$1,451,856 transferred from Other Governmental Funds to Other Governmental Funds, represents mall sales tax pledged for mall bond debt service transferred from the Mall Parking Lease Fund to the CDFA 1999 Mall Bonds Debt Service Fund.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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(13) Fund Deficits and Expenditures in Excess of Appropriations

The following funds reported deficits in fund balance as of June 30, 2020:

	<u>Deficit Balances</u>
Major Governmental Funds:	
Capital Projects Fund:	
Developer Fees Fund	\$(1,484,580)
Special Revenue Fund:	
Grants Fund	(55,709)
Non-major Governmental Funds:	
Special Revenue Fund:	
Measure M	(838,136)
Building Homes & Jobs Act (SB2)	(18,897)
CARES Act Assistance Fund	(820,714)

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

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

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

Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustments. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

#### Liability

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

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

#### Workers' Compensation

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

For 2019-20 the Authority's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$1 million. Coverage from \$1 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

#### Purchased Insurance

#### Pollution Legal Liability Insurance

The City of Mission Viejo participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Mission Viejo. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has an aggregate limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sub-limit during the 3-year policy term.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

### Purchased Insurance, (continued)

#### Property Insurance

The City of Mission Viejo participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Mission Viejo property is currently insured according to a schedule of covered property submitted by the City of Mission Viejo to the Authority. City of Mission Viejo property currently has all-risk property insurance protection in the amount of \$133,688,636. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

#### Earthquake and Flood Insurance

The City of Mission Viejo purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Mission Viejo property currently has earthquake protection in the amount of \$82,239,153. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

#### Crime Insurance

The City of Mission Viejo purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

#### Special Event Tenant User Liability Insurance

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

#### Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2019-20.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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(15) Joint Venture - Orange County Fire Authority

In January 1995, the City entered into a joint powers agreement with the Cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, Lake Forest, La Palma, Los Alamitos, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, Yorba Linda and the County of Orange to create the Orange County Fire Authority (Authority). Since the creation of the Authority, the Cities of Aliso Viejo, Laguna Woods, Rancho Santa Margarita, Santa Ana and Westminster joined the Authority as members eligible for fire protection services. The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was February 3, 1995. The Authority's governing board consists of one representative from each city and two from the County. The operations of the Authority are funded with fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, Seal Beach and Westminster. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, Seal Beach and Westminster are considered "cash contract cities" and accordingly make cash contributions based on the Authority's annual budget. The City of Mission Viejo does not have an equity interest in the assets of the Orange County Fire Authority. Complete financial statements may be obtained from the Orange County Fire Authority, One Fire Authority Road, Irvine, California 92602 or at [www.ocfa.org](http://www.ocfa.org).

(16) Significant Commitments

Significant contracts as of June 30, 2020 consisted of the following:

Projects	Commitment
Felipe/Oso Intersection Improvement	\$1,195,750
La Paz Bridge Rehabilitation project	421,985
Oso/I-5 On Ramp Improvement	165,172

(17) Lease Commitment

On December 1, 2000, the City entered into a lease agreement with the Santa Margarita Water District for office and storage space. The lease terminates on November 30, 2020, at which time the lease will be extended on a month to month basis through June 30, 2021 while City staff prepares to relocate for upcoming renovations. The remaining commitment on this lease is \$38,973.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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### (18) Deferred Compensation Plan

The City offers its employees a deferred compensation plan, the Mission Viejo 457 Plan & Trust administered by Nationwide Retirement Services, created in accordance with Internal Revenue Code Section 457. The plan is a voluntary, employee paid, defined contribution pension plan with no vesting requirement. There are no employer contributions to this plan. It is available to all employees, and permits them to defer annually up to \$19,500, until future years. Employees over age 50 may elect to defer up to an additional \$6,500 annually. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

### (19) Defined Benefit Pension Plan

#### A. General Information about the Pension Plan

##### Plan Description

The Plan is an agent, multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not account purposes), and membership information are listed in the Plan's June 30, 2018 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website.

##### Benefits Provided

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

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

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

(19) Defined Benefit Pension Plan, (continued)

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

The Plan's provisions and benefits in effect at June 30, 2019 (measurement date) are summarized as follows:

Hire Date	Prior to July 8, 2011	Between July 9, 2011 – December 31, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50 – 55	50 – 60	50 – 62
Monthly benefits, as % of eligible compensations	2.0% to 2.7%	1.092% to 2.000%	1.0% to 2.0%
Required employee contribution rates	9.5%	8.5%	7.75%

Employees Covered

At June 30, 2018 (valuation date), the following employees were covered by the benefit terms:

	<u>Miscellaneous</u>
Retired members and beneficiaries	97
Transferred and terminated members	123
Active employees	154
	<u>374</u>

Contribution Description

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan members contributions requirements are classified as plan member contributions.



**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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(19) Defined Benefit Pension Plan, (continued)

B. Net Pension Liability

The City of Mission Viejo’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2018 valuation was rolled forward to determine the June 30, 2019 total pension liability, based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS’ Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

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

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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(19) Defined Benefit Pension Plan, (continued)

B. Net Pension Liability, (continued)

### Change of Assumptions

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

### Discount Rate

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

### Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 + years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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(19) Defined Benefit Pension Plan, (continued)

B. Net Pension Liability, (continued)

### Long-term Expected Rate of Return, (continued)

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

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

<sup>1</sup> An expected inflation of 2.0% used for this period

<sup>2</sup> An expected inflation of 2.92% used for this period

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

(19) Defined Benefit Pension Plan, (continued)

B. Net Pension Liability, (continued)

Change in Net Pension Liability

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

Miscellaneous Plan			
	Increase (Decreases)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) – (b)
Balance at: 06/30/2018	\$ 88,649,132	\$ 68,649,273	\$ 19,999,859
Changes Recognized for the Measurement Period:			
• Service Cost	2,097,550	-	2,097,550
• Interest on the Total Pension Liability	6,341,861	-	6,341,861
• Changes of Benefit Terms	-	-	-
• Changes of Assumptions	-	-	-
• Differences between Expected and Actual Experience	599,798	-	599,798
• Plan to Plan Resource Movement	-	-	-
• Contributions – Employer	-	2,399,958	(2,399,958)
• Contributions – Employees	-	1,041,607	(1,041,607)
• Net Investment Income	-	4,510,644	(4,510,644)
• Benefit Payments, including Refunds of Employee Contributions	(3,200,691)	(3,200,691)	-
• Administrative Expense	-	(48,990)	48,990
• Other Miscellaneous Income	-	159	(159)
Net changes during 2018-19	\$5,838,518	\$4,702,687	\$1,135,831
Balance at: 06/30/2019	\$94,487,650	\$73,351,960	\$21,135,690

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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(19) Defined Benefit Pension Plan, (continued)

B. Net Pension Liability, (continued)

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

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Miscellaneous Plan's Net Pension Liability	\$33,784,686	\$21,135,690	\$10,644,892

Subsequent Events

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

Amortization of Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

The EARSL for the Plan for the measurement period ending June 30, 2019 is 3.9 years, which was obtained by dividing the total service years of 1,456 (the sum of remaining service lifetimes of the active employees) by 374 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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(19) Defined Benefit Pension Plan, (continued)

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

For fiscal year ended June 30, 2020, the City recognized pension expense of \$4,110,150.

The following table presents the deferred outflows and deferred inflows of resources related to pensions as of June 30, 2020.

Miscellaneous Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,011,425	\$ (391,062)
Difference between expected and actual experience	446,004	(558,508)
Contributions made after the measurement date	2,704,061	-
Net difference between projected and actual earnings on pension plan investments	-	(318,210)
Total	\$ 4,161,490	\$ (1,267,780)

The City reported \$2,704,061 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

Miscellaneous Plan	
Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2020	\$ 834,320
2021	(771,532)
2022	48,785
2023	78,076
2024	-
Thereafter	-

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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### (20) Supplemental Health Account for Retired Employees

The Supplemental Health Account for Retired Employees (SHARE) plan is a defined contribution post-employment benefits plan established by the City Council. This plan is intended to assist employee's first eligible for City health benefits on or after January 1, 2007, in saving for postemployment health insurance costs. Employer and employee contributions to the plan begin one year after the employee's hire date. The City's monthly contribution is \$100 for full-time employees and is prorated based on full-time equivalency. Employees are required to contribute 1.5% of their salary to this plan. The contributions made by employees are not forfeitable. To receive the City's contributions, employees must separate or retire from the City, have 15 years of service, and attain age 55. As of June 30, 2020, 86 employees were eligible to participate in this plan. Required employer contributions were made during the year in the amount of \$97,384 and required employee contributions totaled \$89,362. At June 30, 2020, there were no retirees eligible to receive the City's contributions under this plan.

The City has placed these assets in a trust held for the exclusive benefit of plan participants and their beneficiaries, as prescribed by Internal Revenue Code Section 401(a). Consequently, these assets are not included in the City's financial statements.

### (21) Other Post-Employment Benefits (OPEB)

#### A. General Information about the OPEB Plan

##### Plan Description

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

##### Eligibility

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

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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

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

Employees Covered

As of the June 30, 2019 measurement date, the following current and former employees were covered by the benefit terms under the RIP plan:

Inactive employee or beneficiaries currently receiving benefits	60
Inactive employees entitled to but not yet receiving benefits	-
Active plan members	157
	217
	217

Contributions

The obligation of the City to contribute to the plan is established and may be amended by the City Council. Employees are not required to contribute to the plan. The plan is currently overfunded, with assets in excess of the total OPEB liability by \$966,111. While the plan maintains excess assets, this City does not plan to make contributions to the plan. There were no cash contributions during fiscal year ended June 30, 2020.

B. Net OPEB Asset

Actuarial Methods and Assumptions Used to Determine Total OPEB Asset

The City’s net OPEB asset was measured as of June 30, 2019 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

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

Note:

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



# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

B. Net OPEB Asset, (continued)

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

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

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

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

### Discount Rate

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

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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

B. Net OPEB Asset, (continued)

Change in the OPEB Asset

The changes in the net OPEB asset are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2018 <i>(Measurement Date June 30, 2018)</i>	\$9,248,549	\$10,289,258	\$(1,040,709)
Changes recognized for the measurement period:			
Service cost	139,782	-	139,782
Interest on total OPEB liability	636,264	-	636,264
Expected investment income	-	704,767	(704,767)
Experience gains/losses	(68,925)	-	(68,925)
Net investment income	-	(87,835)	87,835
Benefit payments	(440,130)	(440,130)	-
Expected minus actual benefit payments	(17,769)	-	(17,769)
Administrative expense	-	(2,178)	2,178
Net Changes	249,222	174,624	74,598
Balance at June 30, 2019 <i>(Valuation Date June 30, 2019)</i>	\$9,497,771	\$10,463,882	\$(966,111)

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

The following presents the net OPEB asset of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability (Asset)	\$46,150	\$(966,111)	\$(1,827,687)

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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

B. Net OPEB Asset, (continued)

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

The following presents the net OPEB asset of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability (Asset)	\$(1,475,567)	\$(966,111)	\$(415,616)

OPEB Plan Fiduciary Net Position

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

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

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

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

Net difference between projected and actual earnings on OPEB plan investments	5 years straight-line amortization
Experience gains and losses	Straight-line amortization over expected average service lives (EARSL) of plan participants. Terminated employees (primarily retirees) are considered to have a working lifetime of zero. This often makes the EARSL quite short.

**CITY OF MISSION VIEJO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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

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

For the fiscal year ended June 30, 2020, the City recognized OPEB expense of \$62,359. As of fiscal year ended June 30, 2020, the City reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$10,943	\$(77,061)
Net difference between projected and actual earnings on OPEB plan investments	<u>9,066</u>	<u>-</u>
Total	<u>\$20,009</u>	<u>\$(77,061)</u>

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

OPEB Plan	
Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2020	\$(11,098)
2021	(11,098)
2022	(11,097)
2023	9,303
2024	(8,264)
Thereafter	(24,798)

# CITY OF MISSION VIEJO

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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(22) Subsequent Event

On July 14, 2020, the City Council authorized an affordable housing and CDBG loan agreement between the Mission Viejo Housing Authority and Families Forward. On October 9, 2020, escrow was closed on one home and a loan agreement was executed in the amount of \$352,488 at 3% simple interest. If the loan is not accelerated or does not come due on or before the fifty-fifth anniversary of the promissory note, the full amount of the loan, together with all interest accrued thereon, shall be forgiven. However, in the event of a non-permitted sale, other transfer or conveyance of the property, or other event of default by the subrecipient, the loan shall become due and payable.

On May 9, 2020, the City Council approved the execution of a lease purchase agreement for golf carts for an amount not to exceed \$450,000. The lease documents were executed in July 2020, and the lease was funded on October 2, 2020. Lease payments will be made from golf course operation resources.



MISSION VIEJO

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Required Supplementary Information

# CITY OF MISSION VIEJO

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

Measurement Period	2018-19	2017-18
<b>TOTAL PENSION LIABILITY</b>		
Service Cost	\$ 2,097,550	\$ 2,057,205
Interest	6,341,861	5,944,295
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	599,798	(732,035)
Changes of Assumptions	-	(782,124)
Contributions	(3,200,691)	(2,921,541)
<b>Net Change in Total Pension Liability</b>	<b>5,838,518</b>	<b>3,565,800</b>
<b>Total Pension Liability - Beginning</b>	<b>88,649,132</b>	<b>85,083,332</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 94,487,650</b>	<b>\$ 88,649,132</b>
<b>PLAN FIDUCIARY NET POSITION</b>		
Contributions - Employer	\$ 2,399,958	\$ 2,237,131
Contributions - Employee Paid Member Contributions	-	-
Contributions - Employee	1,041,607	926,703
Net Investment Income	4,510,644	5,343,289
Benefit Payments, Including Refunds of Employee Contributions	(3,200,691)	(2,921,541)
Net plan to plan resource movement	-	(159)
Administrative Expense	(48,990)	(98,717)
Other miscellaneous income/(expense)	159	(187,465)
<b>Net Change in Fiduciary Net Position</b>	<b>4,702,687</b>	<b>5,299,241</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>68,649,273</b>	<b>63,350,032</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 73,351,960</b>	<b>\$ 68,649,273</b>
<b>Plan Net Position Liability/(Asset) - Ending (a) - (b)</b>	<b>\$ 21,135,690</b>	<b>\$ 19,999,859</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>77.63%</b>	<b>77.44%</b>
<b>Covered Payroll</b>	<b>11,453,278</b>	<b>10,903,806</b>
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>184.54%</b>	<b>183.42%</b>

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

Benefits changes: The figures do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: None in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

\* Fiscal year 2013-14 was the 1st year of implementation, therefore, only six years are shown.



	2016-17	2015-16	2014-15	2013-14
\$	2,034,934	\$ 1,906,461	\$ 1,891,776	\$ 2,063,288
	5,695,055	5,419,496	5,062,617	4,692,063
	-	-	-	-
	(914,327)	(96,499)	97,537	-
	4,804,274	-	(1,279,571)	-
	(2,560,608)	(2,383,616)	(2,016,686)	(1,724,113)
	<b>9,059,328</b>	<b>4,845,842</b>	<b>3,755,673</b>	<b>5,031,238</b>
	<b>76,024,004</b>	<b>71,178,162</b>	<b>67,422,489</b>	<b>62,391,251</b>
<b>\$</b>	<b>85,083,332</b>	<b>\$ 76,024,004</b>	<b>\$ 71,178,162</b>	<b>\$ 67,422,489</b>
\$	2,241,112	\$ 1,903,477	\$ 3,419,577	\$ 1,817,494
	-	-	-	231,856
	875,578	849,550	844,477	603,514
	6,319,062	321,400	1,182,775	7,701,208
	(2,560,608)	(2,383,616)	(2,016,686)	(1,724,113)
	-	-	-	-
	(83,505)	(34,069)	(62,955)	-
	-	-	-	-
	<b>6,791,639</b>	<b>656,742</b>	<b>3,367,188</b>	<b>8,629,959</b>
	<b>56,558,393</b>	<b>55,901,651</b>	<b>52,534,463</b>	<b>43,904,504</b>
<b>\$</b>	<b>63,350,032</b>	<b>\$ 56,558,393</b>	<b>\$ 55,901,651</b>	<b>\$ 52,534,463</b>
<b>\$</b>	<b>21,733,300</b>	<b>\$ 19,465,611</b>	<b>\$ 15,276,511</b>	<b>\$ 14,888,026</b>
	74.46%	74.40%	78.54%	77.92%
	10,655,987	10,308,528	10,342,493	\$ 10,114,661
	203.95%	188.83%	147.71%	147.19%

# CITY OF MISSION VIEJO

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

	Fiscal Year 2019-20	Fiscal Year 2018-19
Actuarially Determined Contribution	\$ 2,704,061	\$ 2,401,838
Contributions in Relation to the Actuarially Determined Contribution	(2,704,061)	(2,401,838)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Payroll	\$ 11,849,760	\$ 11,453,278
Contributions as a Percentage of Covered Payroll	22.82%	20.97%

### Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019-20 were from the June 30, 2017 funding valuation report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2017 Funding Valuation Report.
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2017 Funding Valuation Report.
Inflation	2.625%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.875%
Investment Rate of Return	7.25% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of retirement are based on the 2017 CalPERS Experience Study.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

### Other Information:

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

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

<b>Fiscal Year 2017-18</b>	<b>Fiscal Year 2016-17</b>	<b>Fiscal Year 2015-16</b>	<b>Fiscal Year 2014-15</b>
\$ 2,237,110	\$ 2,154,078	\$ 1,909,220	\$ 1,917,929
(2,237,110)	(2,154,078)	(1,909,220)	(3,417,929)
\$ -	\$ -	\$ -	\$ (1,500,000)
\$ 10,903,806	\$ 10,655,987	\$ 10,308,528	\$ 10,342,493
20.52%	20.21%	18.52%	33.05%

# CITY OF MISSION VIEJO

## Required Supplementary Information

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

#### Last 10 Years\*

Measurement Period	2018-19	2017-18	2016-17
<b>TOTAL OPEB LIABILITY/(ASSET)</b>			
Service Cost	\$ 139,782	\$ 136,041	\$ 132,400
Interest	636,264	614,138	594,854
Experience Gain/Losses	(68,925)	-	-
Benefit Payments	(440,130)	(427,689)	(496,836)
Difference between actual and expected benefit payments	(17,769)	13,681	-
Net Change in Total OPEB Liability/(Asset)	249,222	336,171	230,418
Total OPEB Liability/(Asset) - Beginning	9,248,549	8,912,378	8,681,960
Total OPEB Liability/(Asset) - Ending (a)	\$ 9,497,771	\$ 9,248,549	\$ 8,912,378
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - Employer	\$ -	\$ 170,250	\$ 347,000
Net Investment Income	(87,835)	102,004	946,200
Expected investment income	704,767	675,022	-
Benefit Payments, Including Refunds of Employee Contributions	(440,130)	(427,689)	(496,836)
Actual minus expected benefit payments	-	13,681	-
Administrative Expense	(2,178)	(18,135)	(4,804)
Net Change in Fiduciary Net Position	174,624	515,133	791,560
Plan Fiduciary Net Position - Beginning	10,289,258	9,774,125	8,982,565
Plan Fiduciary Net Position - Ending (b)	\$ 10,463,882	\$ 10,289,258	\$ 9,774,125
Plan Net OPEB Liability/(Asset) - Ending (a) - (b)	\$ (966,111)	\$ (1,040,709)	\$ (861,747)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	110.17%	111.25%	109.67%
Covered Employee Payroll	\$ 11,453,278	\$ 10,903,806	\$ 10,655,987
Plan Net OPEB Liability/(Asset) as a Percentage of Covered Employee Payroll	-8.44%	-9.54%	-8.09%

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

None

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

# CITY OF MISSION VIEJO

## Required Supplementary Information Schedule of OPEB Contributions Last 10 Years\*

	Fiscal Year 2019-20	Fiscal Year 2018-19	Fiscal Year 2017-18
Actuarially Determined Contribution	\$ -	\$ -	\$ 227,000
Contributions in Relation to the Actuarially Determined Contribution	-	-	(170,250)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ 56,750
Covered Employee Payroll	\$ 11,849,760	\$ 11,453,278	\$ 10,903,806
Contributions as a Percentage of Covered Employee Payroll	0.00%	0.00%	1.56%

### Notes to Schedule:

The actuarial methods and assumptions used to set contributions for Fiscal Year 2019-20 were from the June 30, 2018 actuarial valuation.

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Inflation	2.75%
Payroll Growth	2.75% per annum, inaggregate
Investment Rate of Return	7.00%
Healthcare cost-trend rates	4.00%
Retirement Age	Tier 1 employees - 2.7%@55; Tier 2 employees - 2.0%@60. The probabilities of retirement are based on the 2009 CalPERS Experience Study that are appropriate for each pool.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

**CITY OF MISSION VIEJO**

**General Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balances**

**Budget and Actual**

**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 53,703,000	\$ 51,122,333	\$ 53,005,023	\$ 1,882,690
Licenses and permits	1,622,800	1,971,106	2,383,271	412,165
Intergovernmental	364,027	465,038	467,291	2,253
Charges for services	3,131,110	3,421,605	3,729,865	308,260
Investment earnings	427,000	427,000	691,257	264,257
Fines and forfeitures	561,000	614,604	962,606	348,002
Other	604,096	727,125	997,180	270,055
<b>Total revenues</b>	<b>60,413,033</b>	<b>58,748,811</b>	<b>62,236,493</b>	<b>3,487,682</b>
<b>EXPENDITURES</b>				
General Government-Legislative	602,084	655,834	655,834	-
General Government-Mgmt and Support	9,261,374	8,955,618	8,372,567	583,051
Public Safety	21,695,132	20,849,677	20,116,801	732,876
Community Development	2,616,181	3,443,458	3,122,755	320,703
Engineering & Transportation	2,282,124	2,297,556	2,297,555	1
Infrastructure Maintenance	17,735,960	18,180,334	17,278,063	902,271
Recreation/Community/Library Services	5,595,809	5,024,427	4,939,333	85,094
Debt Service				
Principal	889,000	84,000	84,000	-
Interest	340,942	9,878	9,878	-
Capital Outlay				
Christopher Park Playground Renovation	-	588,210	577,658	10,552
Marty Russo Park ADA Ramp Imp	-	10,145	10,145	-
Lower Curtis Park	-	15,750	4,125	11,625
Craycraft Park Restroom/Snack Bar	134,950	34,950	9,995	24,955
Marguerite Aquatics Pool Chillers	-	29,500	22,125	7,375
Residential Resurfacing	-	141,000	-	141,000
<b>Total expenditures</b>	<b>61,153,557</b>	<b>60,320,337</b>	<b>57,500,834</b>	<b>2,819,503</b>
Excess (deficiency) of revenues over (under) expenditures	(740,524)	(1,571,526)	4,735,659	6,307,185
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,695,142	1,695,142	1,695,152	10
Transfers out	(1,052,588)	(12,668,797)	(12,668,603)	194
Sale of City property	60,000	5,650	5,650	-
<b>Total other financing sources (uses)</b>	<b>702,554</b>	<b>(10,968,005)</b>	<b>(10,967,801)</b>	<b>204</b>
Net change in fund balances	(37,970)	(12,539,531)	(6,232,142)	6,307,389
Fund balances - beginning	34,542,093	34,542,093	34,542,093	-
Fund balances - ending	<b>\$ 34,504,123</b>	<b>\$ 22,002,562</b>	<b>\$ 28,309,951</b>	<b>\$ 6,307,389</b>

See notes to required supplementary information.

**CITY OF MISSION VIEJO**

**Grants Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balances**

**Budget and Actual**

**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,185,082	\$ 1,282,243	\$ 347,671	\$ (934,572)
Investment earnings	2,500	2,500	5,497	2,997
<b>Total revenues</b>	<b>1,187,582</b>	<b>1,284,743</b>	<b>353,168</b>	<b>(931,575)</b>
<b>EXPENDITURES</b>				
General Government-Mgmt and Support	4,385	12,918	12,917	1
Community Development	607,697	421,659	304,775	116,884
Engineering & Transportation	-	250,000	-	250,000
Recreation/Community/Library Services	119,555	118,978	43,855	75,123
Capital Outlay				
Marty Russo Park ADA Ramp Imp	-	186,896	-	186,896
Craycraft Park Restroom/Snack Bar	449,000	236,891	236,891	-
<b>Total expenditures</b>	<b>1,180,637</b>	<b>1,227,342</b>	<b>598,438</b>	<b>628,904</b>
Excess (deficiency) of revenues over (under) expenditures	6,945	57,401	(245,270)	(302,671)
Net change in fund balances	6,945	57,401	(245,270)	(302,671)
Fund balances - beginning	189,561	189,561	189,561	-
Fund balances (deficits) - ending	\$ 196,506	\$ 246,962	\$ (55,709)	\$ (302,671)

See notes to required supplementary information.

**CITY OF MISSION VIEJO**

**Mission Viejo Housing Authority Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ 7,205	\$ 7,205	\$ 8,656	\$ 1,451
Other	-	272,098	272,098	-
<b>Total revenues</b>	<b>7,205</b>	<b>279,303</b>	<b>280,754</b>	<b>1,451</b>
<b>EXPENDITURES</b>				
Community Development	52,500	111,749	111,749	-
<b>Total expenditures</b>	<b>52,500</b>	<b>111,749</b>	<b>111,749</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	(45,295)	167,554	169,005	1,451
Net change in fund balances	(45,295)	167,554	169,005	1,451
Fund balances - beginning	5,319,226	5,319,226	5,319,226	-
Fund balances - ending	<b>\$ 5,273,931</b>	<b>\$ 5,486,780</b>	<b>\$ 5,488,231</b>	<b>\$ 1,451</b>

See notes to required supplementary information.



# CITY OF MISSION VIEJO

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2020

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### Notes to Required Supplementary Information

(1) Budgetary Policy and Control

General Budget Policies

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

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the primary government's operating budget is the program area within each fund and for the capital improvement budget, each individual capital improvement project within each fund. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures.

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

Continuing Appropriations

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

# CITY OF MISSION VIEJO

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2020

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### (2) Capital Assets – Modified Approach for Infrastructure

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

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

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

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

### Streets

In 2011, the Orange County Transportation Authority (OCTA) established a new countywide Pavement Condition Index (PCI) that all Orange County jurisdictions must utilize in assessing the pavement conditions of its streets. Streets are classified into two functional classifications: Arterial and Local/Residential. For each street, the pavement management program catalogs roadway information such as pavement condition, recommended treatments to each pavement section, a recommended year to perform the treatment, and estimated costs for the treatment. Pavement management work generally includes two types of treatments: preventive maintenance (such as street slurry) and rehabilitation (which includes overlays and reconstruction).

# CITY OF MISSION VIEJO

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2020

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

Streets, (continued)

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

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

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

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

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

Condition Levels:	2016 Study	2018 Study	2020 Study
Arterials (MPAH)	Good	Good	Good
Local/Residential	Very Good	Very Good	Very Good

The January 2020 study indicated that the current citywide weighted average Pavement Condition Index (PCI) is 83, which shows a slight decrease of three PCI points since the last update in 2018. Overall, 79.2% (by area) of the City’s road network is in the “Very Good” and “Good” condition categories, approximately 17.4% of the streets are in the “Fair” category and 3.4% are in the “Poor” or “Very Poor” categories.

**CITY OF MISSION VIEJO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2020**

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

Streets, (continued)

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

Comparison of Needed to Actual Maintenance/Preservation

<u>Overall System:</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Needed	\$ 3,820,000	\$5,100,000	\$3,000,000	\$4,700,000	\$3,600,000
Actual	<u>4,795,423</u>	<u>2,843,718</u>	<u>4,825,157</u>	<u>3,896,582</u>	<u>1,437,530</u>
Difference	<u>\$ 975,423</u>	<u>\$(2,256,282)</u>	<u>\$1,825,157</u>	<u>\$ (803,418)</u>	<u>\$ (2,162,470)</u>



## Supplementary Schedules

**CITY OF MISSION VIEJO**

**General Fund  
Combining Balance Sheet  
June 30, 2020**

	General Fund	Section 115 Trust	Total General Fund
<b>ASSETS</b>			
Cash and investments	\$ 24,881,931	\$ -	\$ 24,881,931
Accounts receivable	192,155	-	192,155
Taxes receivable	3,485,820	-	3,485,820
Loans receivable	6,467	-	6,467
Interest receivable	125,346	31,798	157,144
Prepaid items	8,410	-	8,410
Deposits	430	-	430
Intergovernmental receivable	10,218	-	10,218
Interfund receivables	4,298,689	-	4,298,689
Notes receivable	-	2,523,405	2,523,405
Interfund note receivable	2,125,000	1,000,000	3,125,000
Due from developers	2,755,755	-	2,755,755
Restricted assets:			
Cash and investment for pensions	-	139,702	139,702
<b>Total assets</b>	<b>\$ 37,890,221</b>	<b>\$ 3,694,905</b>	<b>\$ 41,585,126</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,911,297	\$ -	\$ 2,911,297
Accrued payroll	713,388	-	713,388
Unearned revenues	171,628	-	171,628
Deposits payable	713,982	-	713,982
Intergovernmental payable	135,696	-	135,696
Other liabilities	23,084	-	23,084
Retainage payable	30,442	-	30,442
<b>Total liabilities</b>	<b>4,699,517</b>	<b>-</b>	<b>4,699,517</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	4,880,753	-	4,880,753
<b>Total deferred inflow of resources</b>	<b>4,880,753</b>	<b>-</b>	<b>4,880,753</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>9,580,270</b>	<b>-</b>	<b>9,580,270</b>
<b>FUND BALANCES</b>			
Nonspendable	15,307	-	15,307
Restricted	380,246	3,694,905	4,075,151
Assigned	6,100,000	-	6,100,000
Unassigned	21,814,398	-	21,814,398
<b>Total fund balances</b>	<b>28,309,951</b>	<b>3,694,905</b>	<b>32,004,856</b>
<b>Total liabilities, deferred inflows or resources and fund balances</b>	<b>\$ 37,890,221</b>	<b>\$ 3,694,905</b>	<b>\$ 41,585,126</b>

**CITY OF MISSION VIEJO**

**General Fund**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**

**For the Year Ended June 30, 2020**

	General Fund	Section 115 Trust	Elimination Column	Total General Fund
<b>REVENUES</b>				
Taxes	\$ 53,005,023	\$ -	\$ -	\$ 53,005,023
Licenses and permits	2,383,271	-	-	2,383,271
Intergovernmental	467,291	-	-	467,291
Charges for services	3,729,865	-	-	3,729,865
Investment earnings	691,257	89,451	-	780,708
Fines and forfeitures	962,606	-	-	962,606
Other	997,180	221,000	(221,000)	997,180
<b>Total revenues</b>	<b>62,236,493</b>	<b>310,451</b>	<b>(221,000)</b>	<b>62,325,944</b>
<b>EXPENDITURES</b>				
General Government-Legislative	655,834	-	(10,070)	645,764
General Government-Mgmt and Support	8,372,567	10	(50,050)	8,322,527
Public Safety	20,116,801	-	(2,759)	20,114,042
Community Development	3,122,755	-	(16,775)	3,105,980
Engineering & Transportation	2,297,555	-	(21,739)	2,275,816
Infrastructure Maintenance	17,278,063	-	(29,998)	17,248,065
Recreation/Community/Library Services	4,939,333	-	(34,429)	4,904,904
Debt Service				
Principal	84,000	-	-	84,000
Interest	9,878	-	-	9,878
Capital Outlay	624,048	-	-	624,048
<b>Total expenditures</b>	<b>57,500,834</b>	<b>10</b>	<b>(165,820)</b>	<b>57,335,024</b>
Excess (deficiency) of revenues over (under) expenditures	4,735,659	310,441	(55,180)	4,990,920
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,695,152	-	55,180	1,750,332
Transfers out	(12,668,603)	-	-	(12,668,603)
Sale of City property	5,650	-	-	5,650
<b>Total other financing sources (uses)</b>	<b>(10,967,801)</b>	<b>-</b>	<b>55,180</b>	<b>(10,912,621)</b>
Net change in fund balances	(6,232,142)	310,441	-	(5,921,701)
Fund balances - beginning	34,542,093	3,384,464	-	37,926,557
Fund balances - ending	<b>\$ 28,309,951</b>	<b>\$ 3,694,905</b>	<b>\$ -</b>	<b>\$ 32,004,856</b>

**CITY OF MISSION VIEJO**

**Nonmajor Governmental Funds  
Combining Governmental Balance Sheet  
Summary by Fund Type  
June 30, 2020**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 4,960,141	\$ 7,583	\$ 2,173,945	\$ 7,141,669
Taxes receivable	66,896	-	198,896	265,792
Intergovernmental receivable	1,305,565	-	724,697	2,030,262
Cash and investments with fiscal agents	-	2,313,719	-	2,313,719
<b>Total assets</b>	<b>\$ 6,332,602</b>	<b>\$ 2,321,302</b>	<b>\$ 3,097,538</b>	<b>\$ 11,751,442</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 639,791	\$ -	\$ 16,885	\$ 656,676
Accrued payroll	118,299	-	765	119,064
Deposits payable	950	-	-	950
Intergovernmental payable	1,144	-	-	1,144
Interfund payable	1,424,033	-	724,697	2,148,730
<b>Total liabilities</b>	<b>2,184,217</b>	<b>-</b>	<b>742,347</b>	<b>2,926,564</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	856,039	-	724,697	1,580,736
<b>Total deferred inflow of resources</b>	<b>856,039</b>	<b>-</b>	<b>724,697</b>	<b>1,580,736</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>3,040,256</b>	<b>-</b>	<b>1,467,044</b>	<b>4,507,300</b>
<b>FUND BALANCES (deficits)</b>				
Restricted for:				
Community development	3,654	-	-	3,654
Library services	1,068,423	-	-	1,068,423
Public safety	103,410	-	-	103,410
Public works	3,794,606	-	1,630,494	5,425,100
Debt service	-	2,321,302	-	2,321,302
Unassigned	(1,677,747)	-	-	(1,677,747)
<b>Total fund balances (deficits)</b>	<b>3,292,346</b>	<b>2,321,302</b>	<b>1,630,494</b>	<b>7,244,142</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,332,602</b>	<b>\$ 2,321,302</b>	<b>\$ 3,097,538</b>	<b>\$ 11,751,442</b>



**CITY OF MISSION VIEJO**

**Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Summary by Fund Type  
For the Year Ended June 30, 2020**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,821,850	\$ 1,451,856	\$ -	\$ 4,273,706
Intergovernmental	5,344,754	1,178,719	2,192,086	8,715,559
Charges for services	161,833	-	-	161,833
Investment earnings	95,144	31,745	52,153	179,042
Fines and forfeitures	29,958	-	-	29,958
Other	9,808	-	-	9,808
<b>Total revenues</b>	<b>8,463,347</b>	<b>2,662,320</b>	<b>2,244,239</b>	<b>13,369,906</b>
<b>EXPENDITURES</b>				
General Government-Mgmt and Support	316,424	-	-	316,424
Public Safety	1,630,417	-	-	1,630,417
Community Development	21,389	-	-	21,389
Engineering & Transportation	788,068	-	30,445	818,513
Infrastructure Maintenance	416,187	-	-	416,187
Recreation/Community/Library Services	2,921,635	-	-	2,921,635
Capital Outlay	1,480,055	-	502,831	1,982,886
Debt Service				
Principal retirement	-	2,070,000	-	2,070,000
Interest	-	785,721	-	785,721
<b>Total expenditures</b>	<b>7,574,175</b>	<b>2,855,721</b>	<b>533,276</b>	<b>10,963,172</b>
Excess (deficiency) of revenues over (under) expenditures	889,172	(193,401)	1,710,963	2,406,734
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	329,559	2,587,725	-	2,917,284
Transfers out	(28,081)	(3,147,008)	-	(3,175,089)
<b>Total other financing sources (uses)</b>	<b>301,478</b>	<b>(559,283)</b>	<b>-</b>	<b>(257,805)</b>
Net change in fund balances	1,190,650	(752,684)	1,710,963	2,148,929
Fund balances (deficits) - beginning	2,101,696	3,073,986	(80,469)	5,095,213
Fund balances - ending	<b>\$ 3,292,346</b>	<b>\$ 2,321,302</b>	<b>\$ 1,630,494</b>	<b>\$ 7,244,142</b>



MISSION VIEJO

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## CITY OF MISSION VIEJO

### NONMAJOR SPECIAL REVENUE FUNDS YEAR ENDED JUNE 30, 2020

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#### Nonmajor Special Revenue Funds

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

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

**GAS TAX** - To account for receipts and expenditures of money apportioned under Streets and Highways Code Sections 2105, 2106, 2107 and 2107.5 of the State of California and the Road Repair and Accountability Act of 2017 (SB1). These funds are earmarked for maintenance, rehabilitation or improvement of public streets.

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

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

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

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

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

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

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

**CITY OF MISSION VIEJO**

**Nonmajor Special Revenue Funds  
Combining Balance Sheet  
June 30, 2020**

	Gas Tax Fund	Library Operations Fund	Law Enforcement Fund
<b>ASSETS</b>			
Cash and investments	\$ 3,304,460	\$ 1,171,963	\$ 120,076
Taxes receivable	-	36,715	-
Intergovernmental receivable	439,369	10,157	-
<b>Total assets</b>	<b>\$ 3,743,829</b>	<b>\$ 1,218,835</b>	<b>\$ 120,076</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 331,522	\$ 32,046	\$ 16,666
Accrued payroll	883	117,416	-
Deposits payable	-	950	-
Intergovernmental payable	-	-	-
Interfund payable	-	-	-
<b>Total liabilities</b>	<b>332,405</b>	<b>150,412</b>	<b>16,666</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	-	-	-
<b>Total deferred inflow of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>332,405</b>	<b>150,412</b>	<b>16,666</b>
<b>FUND BALANCES (deficits)</b>			
Restricted for:			
Community development	-	-	-
Library services	-	1,068,423	-
Public safety	-	-	103,410
Public works	3,411,424	-	-
Unassigned	-	-	-
<b>Total fund balances (deficits)</b>	<b>3,411,424</b>	<b>1,068,423</b>	<b>103,410</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,743,829</b>	<b>\$ 1,218,835</b>	<b>\$ 120,076</b>

Air Quality Fund	Measure M Fund	Building Homes & Jobs Act (SB2) Fund	CASp Fund	CARES Act Assistance Fund	Total Nonmajor Special Revenue Funds
\$ 353,001	\$ -	\$ -	\$ 10,641	\$ -	\$ 4,960,141
30,181	-	-	-	-	66,896
-	837,142	18,897	-	-	1,305,565
<u>\$ 383,182</u>	<u>\$ 837,142</u>	<u>\$ 18,897</u>	<u>\$ 10,641</u>	<u>\$ -</u>	<u>\$ 6,332,602</u>
\$ -	\$ 35,456	\$ 6,900	\$ 5,843	\$ 211,358	\$ 639,791
-	-	-	-	-	118,299
-	-	-	-	-	950
-	-	-	1,144	-	1,144
-	802,680	11,997	-	609,356	1,424,033
-	838,136	18,897	6,987	820,714	2,184,217
-	837,142	18,897	-	-	856,039
-	837,142	18,897	-	-	856,039
-	1,675,278	37,794	6,987	820,714	3,040,256
-	-	-	3,654	-	3,654
-	-	-	-	-	1,068,423
-	-	-	-	-	103,410
383,182	-	-	-	-	3,794,606
-	(838,136)	(18,897)	-	(820,714)	(1,677,747)
<u>383,182</u>	<u>(838,136)</u>	<u>(18,897)</u>	<u>3,654</u>	<u>(820,714)</u>	<u>3,292,346</u>
<u>\$ 383,182</u>	<u>\$ 837,142</u>	<u>\$ 18,897</u>	<u>\$ 10,641</u>	<u>\$ -</u>	<u>\$ 6,332,602</u>

**CITY OF MISSION VIEJO**

**Nonmajor Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in  
Fund Balances  
For the Year Ended June 30, 2020**

	Gas Tax Fund	Library Operations Fund	Law Enforcement Grants Fund	Air Quality Fund
<b>REVENUES</b>				
Taxes	\$ -	\$ 2,821,850	\$ -	\$ -
Intergovernmental	3,906,597	227,626	227,853	142,790
Charges for services	-	154,823	-	-
Investment earnings	73,431	12,606	2,494	6,613
Fines and forfeitures	-	29,958	-	-
Other	-	9,808	-	-
<b>Total revenues</b>	<b>3,980,028</b>	<b>3,256,671</b>	<b>230,347</b>	<b>149,403</b>
<b>EXPENDITURES</b>				
General Government-Mgmt and Support	4,314	109,155	-	1,230
Public Safety	65,000	-	199,833	-
Community Development	-	-	-	4,758
Engineering & Transportation	648,718	-	-	-
Infrastructure Maintenance	-	352,131	-	1,855
Recreation/Community/Library Services	-	2,882,434	-	-
Capital Outlay	1,413,384	-	-	8,549
<b>Total expenditures</b>	<b>2,131,416</b>	<b>3,343,720</b>	<b>199,833</b>	<b>16,392</b>
Excess (deficiency) of revenues over (under) expenditures	1,848,612	(87,049)	30,514	133,011
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	329,559	-	-
Transfers out	-	(28,081)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>301,478</b>	<b>-</b>	<b>-</b>
Net change in fund balances	1,848,612	214,429	30,514	133,011
Fund balances (deficits) - beginning	1,562,812	853,994	72,896	250,171
Fund balances (deficits) - ending	\$ 3,411,424	\$ 1,068,423	\$ 103,410	\$ 383,182

Measure M Fund	Building Homes & Jobs Act (SB2) Fund	CASp Fund	CARES Act Assistance Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,821,850
-	-	-	839,888	5,344,754
-	-	7,010	-	161,833
-	-	-	-	95,144
-	-	-	-	29,958
-	-	-	-	9,808
-	-	7,010	839,888	8,463,347
-	11,997	-	189,728	316,424
-	-	-	1,365,584	1,630,417
-	6,900	5,843	3,888	21,389
139,350	-	-	-	788,068
-	-	-	62,201	416,187
-	-	-	39,201	2,921,635
58,122	-	-	-	1,480,055
197,472	18,897	5,843	1,660,602	7,574,175
(197,472)	(18,897)	1,167	(820,714)	889,172
-	-	-	-	329,559
-	-	-	-	(28,081)
-	-	-	-	301,478
(197,472)	(18,897)	1,167	(820,714)	1,190,650
(640,664)	-	2,487	-	2,101,696
\$ (838,136)	\$ (18,897)	\$ 3,654	\$ (820,714)	\$ 3,292,346

**CITY OF MISSION VIEJO**

**Gas Tax Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balances**

**Budget and Actual**

**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 4,110,095	\$ 4,029,636	\$ 3,906,597	\$ (123,039)
Investment earnings	19,000	19,000	73,431	54,431
<b>Total revenues</b>	<b>4,129,095</b>	<b>4,048,636</b>	<b>3,980,028</b>	<b>(68,608)</b>
<b>EXPENDITURES</b>				
General Government-Mgmt and Support	-	4,314	4,314	-
Public Safety	65,000	65,000	65,000	-
Engineering & Transportation	605,000	677,601	648,718	28,883
Capital Outlay				
La Paz Bridge Widening	-	503,846	81,861	421,985
Santa Margarita Pkwy Signal Sync	-	1,333	1,333	-
Oso Pkwy Corridor Signal Sync	-	6,398	4,677	1,721
Alicia Parkway Traffic Signal Sync	-	156	156	-
Safety Lighting LED Conversion	-	95,610	95,610	-
Marguerite Corridor Signal Sync	-	1,563	1,563	-
El Toro Corridor Signal Sync	-	595	595	-
Alicia/Marguerite Intersection Imp	-	1,434	1,434	-
SM Pkwy/Marguerite Intersection Imp	-	726	726	-
Felipe/Olympiad Signal Sync	-	12,918	7,123	5,795
Los Alisos/SM Pkwy Intersection Imp	-	181,051	181,051	-
Los Alisos Signal Synch	-	227,149	3,855	223,294
Catch Basin Debris Screens	30,000	24,602	24,602	-
Lower Curtis Park	-	80,000	43,338	36,662
I-5 Sound Wall Madrid Fore - MVHS	150,000	150,000	-	150,000
Storm Drain Atlas Update	30,000	30,000	-	30,000
Sidewalk Repair Program	20,000	7,969	-	7,969
Arterial Hgwy Resurfacing/Slurry	2,180,518	2,300,018	287,706	2,012,312
Residential Resurfacing/Slurry	1,033,577	677,755	677,754	1
<b>Total expenditures</b>	<b>4,114,095</b>	<b>5,050,038</b>	<b>2,131,416</b>	<b>2,918,622</b>
Excess (deficiency) of revenues over (under) expenditures	15,000	(1,001,402)	1,848,612	2,850,014
Net change in fund balances	15,000	(1,001,402)	1,848,612	2,850,014
Fund balances - beginning	1,562,812	1,562,812	1,562,812	-
Fund balances - ending	<b>\$ 1,577,812</b>	<b>\$ 561,410</b>	<b>\$ 3,411,424</b>	<b>\$ 2,850,014</b>



**CITY OF MISSION VIEJO**

**Library Operations Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balances**

**Budget and Actual**

**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,809,480	\$ 2,745,572	\$ 2,821,850	\$ 76,278
Intergovernmental	162,000	212,950	227,626	14,676
Charges for services	222,000	174,788	154,823	(19,965)
Investment earnings	11,000	6,000	12,606	6,606
Fines and forfeitures	35,000	31,417	29,958	(1,459)
Other	6,000	6,000	9,808	3,808
<b>Total revenues</b>	<b>3,245,480</b>	<b>3,176,727</b>	<b>3,256,671</b>	<b>79,944</b>
<b>EXPENDITURES</b>				
General Government-Mgmt and Support	126,400	147,550	109,155	38,395
Infrastructure Maintenance	425,160	415,650	352,131	63,519
Recreation/Community/Library Services	3,144,606	3,052,165	2,882,434	169,731
<b>Total expenditures</b>	<b>3,696,166</b>	<b>3,615,365</b>	<b>3,343,720</b>	<b>271,645</b>
Excess (deficiency) of revenues over (under) expenditures	(450,686)	(438,638)	(87,049)	351,589
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	439,412	329,559	329,559	-
Transfers out	-	(28,081)	(28,081)	-
<b>Total other financing sources (uses)</b>	<b>439,412</b>	<b>301,478</b>	<b>301,478</b>	<b>-</b>
Net change in fund balances	(11,274)	(137,160)	214,429	351,589
Fund balances - beginning	853,994	853,994	853,994	-
Fund balances - ending	\$ 842,720	\$ 716,834	\$ 1,068,423	\$ 351,589

**CITY OF MISSION VIEJO**

**Law Enforcement Grants Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 200,000	\$ 200,000	\$ 227,853	\$ 27,853
Investment earnings	912	912	2,494	1,582
<b>Total revenues</b>	<b>200,912</b>	<b>200,912</b>	<b>230,347</b>	<b>29,435</b>
<b>EXPENDITURES</b>				
Public Safety	200,000	200,000	199,833	167
<b>Total expenditures</b>	<b>200,000</b>	<b>200,000</b>	<b>199,833</b>	<b>167</b>
Excess (deficiency) of revenues over (under) expenditures	912	912	30,514	29,602
Net change in fund balances	912	912	30,514	29,602
Fund balances - beginning	72,896	72,896	72,896	-
Fund balances - ending	<b>\$ 73,808</b>	<b>\$ 73,808</b>	<b>\$ 103,410</b>	<b>\$ 29,602</b>

**CITY OF MISSION VIEJO**

**Air Quality Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balances**

**Budget and Actual**

**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 120,000	\$ 130,000	\$ 142,790	\$ 12,790
Investment earnings	4,500	4,500	6,613	2,113
<b>Total revenues</b>	<b>124,500</b>	<b>134,500</b>	<b>149,403</b>	<b>14,903</b>
<b>EXPENDITURES</b>				
General Government-Mgmt and Support	1,600	1,600	1,230	370
Community Development	45,000	61,015	4,758	56,257
Engineering & Transportation	57,384	57,384	-	57,384
Infrastructure Maintenance	-	2,222	1,855	367
Capital Outlay				
Alicia Parkway Signal Sync	-	145,880	8,549	137,331
El Toro Corridor Signal Sync	-	43,310	-	43,310
<b>Total expenditures</b>	<b>103,984</b>	<b>311,411</b>	<b>16,392</b>	<b>295,019</b>
Excess (deficiency) of revenues over (under) expenditures	20,516	(176,911)	133,011	309,922
Net change in fund balances	20,516	(176,911)	133,011	309,922
Fund balances - beginning	250,171	250,171	250,171	-
Fund balances - ending	<b>\$ 270,687</b>	<b>\$ 73,260</b>	<b>\$ 383,182</b>	<b>\$ 309,922</b>

**CITY OF MISSION VIEJO**

**Measure M Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balances**

**Budget and Actual**

**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 7,000	\$ 1,091,532	\$ -	\$ (1,091,532)
<b>Total revenues</b>	<u>7,000</u>	<u>1,091,532</u>	<u>-</u>	<u>(1,091,532)</u>
<b>EXPENDITURES</b>				
Engineering & Transportation	7,000	277,000	139,350	137,650
Capital Outlay				
Marguerite Corridor Traffic Signal Sync	-	87,227	42,449	44,778
Felipe/Olympiad Traffic Signal Sync	-	109,088	15,673	93,415
<b>Total expenditures</b>	<u>7,000</u>	<u>473,315</u>	<u>197,472</u>	<u>275,843</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>618,217</u>	<u>(197,472)</u>	<u>(815,689)</u>
Net change in fund balances	-	618,217	(197,472)	(815,689)
Fund balances (deficits) - beginning	(640,664)	(640,664)	(640,664)	-
Fund balances (deficits) - ending	<u>\$ (640,664)</u>	<u>\$ (22,447)</u>	<u>\$ (838,136)</u>	<u>\$ (815,689)</u>

**CITY OF MISSION VIEJO**

**Building Homes & Jobs Act (SB2) Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 250,000	\$ 250,000	\$ -	\$ (250,000)
<b>Total revenues</b>	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
<b>EXPENDITURES</b>				
General Government-Mgmt and Support	-	30,000	11,997	18,003
Public Safety	30,000	-	-	-
Community Development	140,000	155,000	6,900	148,100
<b>Total expenditures</b>	<u>170,000</u>	<u>185,000</u>	<u>18,897</u>	<u>166,103</u>
Excess (deficiency) of revenues over (under) expenditures	<u>80,000</u>	<u>65,000</u>	<u>(18,897)</u>	<u>(83,897)</u>
Net change in fund balances	80,000	65,000	(18,897)	(83,897)
Fund balances - beginning	-	-	-	-
Fund balances (deficits) - ending	<u>\$ 80,000</u>	<u>\$ 65,000</u>	<u>\$ (18,897)</u>	<u>\$ (83,897)</u>

**CITY OF MISSION VIEJO**

**CASp Certification and Training Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ -	\$ 7,500	\$ 7,010	\$ (490)
<b>Total revenues</b>	<u>-</u>	<u>7,500</u>	<u>7,010</u>	<u>(490)</u>
<b>EXPENDITURES</b>				
Community Development	-	5,843	5,843	-
<b>Total expenditures</b>	<u>-</u>	<u>5,843</u>	<u>5,843</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	1,657	1,167	(490)
Net change in fund balances	-	1,657	1,167	(490)
Fund balances - beginning	2,487	2,487	2,487	-
Fund balances (deficits) - ending	<u>\$ 2,487</u>	<u>\$ 4,144</u>	<u>\$ 3,654</u>	<u>\$ (490)</u>

**CITY OF MISSION VIEJO**

**CARES Act Assistance Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balances**

**Budget and Actual**

**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 2,020,000	\$ 839,888	\$ (1,180,112)
<b>Total revenues</b>	-	2,020,000	839,888	(1,180,112)
<b>EXPENDITURES</b>				
General Government-Mgmt and Support	-	267,320	189,728	77,592
Public Safety	-	1,485,961	1,365,584	120,377
Community Development	-	3,888	3,888	-
Infrastructure Maintenance	-	223,630	62,201	161,429
Recreation/Community/Library Services	-	39,201	39,201	-
<b>Total expenditures</b>	-	2,020,000	1,660,602	359,398
Excess (deficiency) of revenues over (under) expenditures	-	-	(820,714)	(820,714)
Net change in fund balances	-	-	(820,714)	(820,714)
Fund balances - beginning	-	-	-	-
Fund balances (deficits) - ending	\$ -	\$ -	\$ (820,714)	\$ (820,714)



MISSION VIEJO

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## CITY OF MISSION VIEJO

### NONMAJOR DEBT SERVICE FUNDS YEAR ENDED JUNE 30, 2020

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#### Nonmajor Debt Service Funds

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

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

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

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

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

**CITY OF MISSION VIEJO**

**Nonmajor Debt Service Funds  
Combining Balance Sheet  
June 30, 2020**

	Mall Parking Lease Fund	CDFA 1999 Mall Bonds Fund	CDFA 2016 Lease Revenue Refunding Bonds Fund	Total Nonmajor Debt Service Funds
<b>ASSETS</b>				
Cash and investments	\$ 7,583	\$ -	\$ -	\$ 7,583
Restricted assets:				
Cash and investments with fiscal agents	-	2,313,719	-	2,313,719
<b>Total assets</b>	<u>\$ 7,583</u>	<u>\$ 2,313,719</u>	<u>\$ -</u>	<u>\$ 2,321,302</u>
<b>LIABILITIES</b>				
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted for:				
Debt service	7,583	2,313,719	-	2,321,302
<b>Total fund balances</b>	<u>7,583</u>	<u>2,313,719</u>	<u>-</u>	<u>2,321,302</u>
<b>Total liabilities and fund balances</b>	<u>\$ 7,583</u>	<u>\$ 2,313,719</u>	<u>\$ -</u>	<u>\$ 2,321,302</u>

**CITY OF MISSION VIEJO**

**Nonmajor Debt Service Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2020**

	Mall Parking Lease Fund	CDFA 1999 Mall Bonds Fund	CDFA 2016 Lease Revenue Refunding Bonds Fund	Total Nonmajor Debt Service Funds
<b>REVENUES</b>				
Taxes	\$ 1,451,856	\$ -	\$ -	\$ 1,451,856
Intergovernmental	-	1,178,719	-	1,178,719
Investment earnings	58	31,483	204	31,745
<b>Total revenues</b>	<b>1,451,914</b>	<b>1,210,202</b>	<b>204</b>	<b>2,662,320</b>
<b>EXPENDITURES</b>				
Debt Service				
Principal retirement	-	1,265,000	805,000	2,070,000
Interest	-	454,658	331,063	785,721
<b>Total expenditures</b>	<b>-</b>	<b>1,719,658</b>	<b>1,136,063</b>	<b>2,855,721</b>
Excess (deficiency) of revenues over (under) expenditures	1,451,914	(509,456)	(1,135,859)	(193,401)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	1,451,856	1,135,869	2,587,725
Transfers out	(1,451,856)	(1,695,142)	(10)	(3,147,008)
<b>Total other financing sources (uses)</b>	<b>(1,451,856)</b>	<b>(243,286)</b>	<b>1,135,859</b>	<b>(559,283)</b>
Net change in fund balances	58	(752,742)	-	(752,684)
Fund balances - beginning	7,525	3,066,461	-	3,073,986
Fund balances - ending	\$ 7,583	\$ 2,313,719	\$ -	\$ 2,321,302

**CITY OF MISSION VIEJO**

**Mall Parking Lease Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balances**

**Budget and Actual**

**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,250,000	\$ 1,451,856	\$ 1,451,856	\$ -
Investment earnings	-	-	58	58
<b>Total revenues</b>	<u>1,250,000</u>	<u>1,451,856</u>	<u>1,451,914</u>	<u>58</u>
<b>EXPENDITURES</b>				
<b>Total expenditures</b>	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	<u>1,250,000</u>	<u>1,451,856</u>	<u>1,451,914</u>	<u>58</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,250,000)	(1,451,856)	(1,451,856)	-
<b>Total other financing sources (uses)</b>	<u>(1,250,000)</u>	<u>(1,451,856)</u>	<u>(1,451,856)</u>	<u>-</u>
Net change in fund balances	-	-	58	58
Fund balances - beginning	7,525	7,525	7,525	-
Fund balances - ending	<u>\$ 7,525</u>	<u>\$ 7,525</u>	<u>\$ 7,583</u>	<u>\$ 58</u>

**CITY OF MISSION VIEJO**

**CDFA 1999 Mall Bonds Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balances**

**Budget and Actual**

**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,400,000	\$ 1,400,000	\$ 1,178,719	\$ (221,281)
Investment earnings	50,000	50,000	31,483	(18,517)
<b>Total revenues</b>	<b>1,450,000</b>	<b>1,450,000</b>	<b>1,210,202</b>	<b>(239,798)</b>
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	1,265,000	1,265,000	1,265,000	-
Interest	454,658	454,658	454,658	-
<b>Total expenditures</b>	<b>1,719,658</b>	<b>1,719,658</b>	<b>1,719,658</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	(269,658)	(269,658)	(509,456)	(239,798)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,250,000	1,250,000	1,451,856	201,856
Transfers out	(1,695,142)	(1,695,142)	(1,695,142)	-
<b>Total other financing sources (uses)</b>	<b>(445,142)</b>	<b>(445,142)</b>	<b>(243,286)</b>	<b>201,856</b>
Net change in fund balances	(714,800)	(714,800)	(752,742)	(37,942)
Fund balances - beginning	3,066,461	3,066,461	3,066,461	-
Fund balances (deficits) - ending	<u>\$ 2,351,661</u>	<u>\$ 2,351,661</u>	<u>\$ 2,313,719</u>	<u>\$ (37,942)</u>

**CITY OF MISSION VIEJO**

**CDFA 2016 Lease Revenue Refunding Bonds Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ 500	\$ 500	\$ 204	\$ (296)
<b>Total revenues</b>	<u>500</u>	<u>500</u>	<u>204</u>	<u>(296)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	805,000	805,000	805,000	-
Interest	331,063	331,063	331,063	-
<b>Total expenditures</b>	<u>1,136,063</u>	<u>1,136,063</u>	<u>1,136,063</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,135,563)</u>	<u>(1,135,563)</u>	<u>(1,135,859)</u>	<u>(296)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,136,063	1,136,063	1,135,869	(194)
Transfers out	-	-	(10)	(10)
<b>Total other financing sources (uses)</b>	<u>1,136,063</u>	<u>1,136,063</u>	<u>1,135,859</u>	<u>(204)</u>
Net change in fund balances	500	500	-	(500)
Fund balances - beginning	-	-	-	-
Fund balances (deficits) - ending	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ (500)</u>

## CITY OF MISSION VIEJO

### CAPITAL PROJECTS FUNDS YEAR ENDED JUNE 30, 2020

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#### Capital Projects Funds

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

The City has the following major capital projects fund:

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

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

**CAPITAL PROJECTS** - This capital projects fund is used to account for funds received by the City as a result of the voter-approved ballot measure in 1990 and extended by voter approval in 2006 to increase sales tax by ½ percent in Orange County to fund transportation projects, and includes both Measure M apportionment and funds awarded through competitive allocation. This fund also includes funds received and expended for miscellaneous grants restricted for specific capital improvement projects including future transportation funds for road and bridge projects.

**CITY OF MISSION VIEJO**

**Developer Fees Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balances**

**Budget and Actual**

**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ 23,000	\$ 100	\$ 719	\$ 619
Developer fees	1,370,000	5,641,919	448,975	(5,192,944)
<b>Total revenues</b>	<b>1,393,000</b>	<b>5,642,019</b>	<b>449,694</b>	<b>(5,192,325)</b>
<b>EXPENDITURES</b>				
Infrastructure Maintenance	-	1,024,236	1,000,000	24,236
Capital Outlay				
Felipe/Oso Intersection Imp	-	3,332,458	72,825	3,259,633
Oso/I-5 NB On Ramp Imp	-	562,328	97,789	464,539
Montanoso Rehabilitation	1,193,950	981,241	-	981,241
Craycraft Park Restroom/Snack Bar	216,050	428,759	428,740	19
<b>Total expenditures</b>	<b>1,410,000</b>	<b>6,329,022</b>	<b>1,599,354</b>	<b>4,729,668</b>
Excess (deficiency) of revenues over (under) expenditures	(17,000)	(687,003)	(1,149,660)	(462,657)
Net change in fund balances	(17,000)	(687,003)	(1,149,660)	(462,657)
Fund balances (deficits) - beginning	(334,920)	(334,920)	(334,920)	-
Fund balances (deficits) - ending	<b>\$ (351,920)</b>	<b>\$ (1,021,923)</b>	<b>\$ (1,484,580)</b>	<b>\$ (462,657)</b>



**CITY OF MISSION VIEJO**

**Capital Projects Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 2,019,430	\$ 12,343,874	\$ 2,192,086	\$ (10,151,788)
Investment earnings	14,000	14,000	52,153	38,153
<b>Total revenues</b>	<b>2,033,430</b>	<b>12,357,874</b>	<b>2,244,239</b>	<b>(10,113,635)</b>
<b>EXPENDITURES</b>				
Engineering & Transportation	-	30,445	30,445	-
Capital Outlay				
La Paz RR Bridge Widening	-	8,755,528	-	8,755,528
Los Alisos & Santa Margarita Int	-	185,339	165,165	20,174
Trash & Runoff Abatement Project	-	28,420	-	28,420
Los Alisos Signal Synch	-	94,683	3,855	90,828
Catch Basin Debris Screens	120,000	120,000	97,246	22,754
Lower Curtis Park	-	400,000	-	400,000
I-5 Sound Wall Madrid Fore - MVHS	200,000	200,000	-	200,000
Los Alisos/Santa Marg Bus Stop	34,500	34,500	-	34,500
Sidewalk Repair Program	5,000	10,000	-	10,000
Arterial Highway Resurfacing/Slurry	380,314	617,672	7,459	610,213
Residential Resurfacing/Slurry	226,423	243,687	229,106	14,581
<b>Total expenditures</b>	<b>966,237</b>	<b>10,720,274</b>	<b>533,276</b>	<b>10,186,998</b>
Excess (deficiency) of revenues over (under) expenditures	1,067,193	1,637,600	1,710,963	73,363
Net change in fund balances	1,067,193	1,637,600	1,710,963	73,363
Fund balances (deficits) - beginning	(80,469)	(80,469)	(80,469)	-
Fund balances - ending	\$ 986,724	\$ 1,557,131	\$ 1,630,494	\$ 73,363



MISSION VIEJO

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# CITY OF MISSION VIEJO

## STATISTICAL TABLES AND OTHER SCHEDULES YEAR ENDED JUNE 30, 2020

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### STATISTICAL SECTION

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

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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..... 155

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

Debt Capacity ..... 159

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.

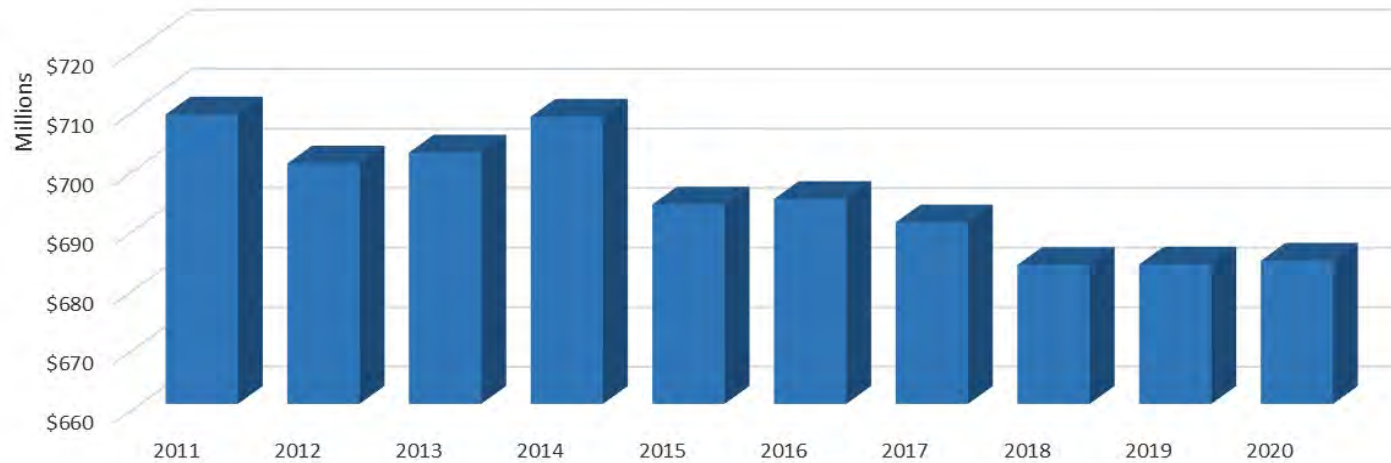
Demographic and Economic Information ..... 163

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 ..... 165

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

**CITY OF MISSION VIEJO**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**



	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Governmental activities</b>										
Net investment in capital assets	\$ 644,039,024	\$ 649,203,896	\$ 646,771,844	\$ 643,465,280	\$ 638,065,270	\$ 639,179,582	\$ 639,548,835	\$ 639,309,161	\$ 634,921,382	\$ 633,138,918
Restricted	23,261,890	18,405,963	20,610,691	25,646,475	31,261,374	26,061,848	25,041,749	20,909,550	21,937,662	21,200,381
Unrestricted	36,865,274	28,219,048	29,947,637	33,909,082	19,843,910	24,062,008	20,367,268	17,421,479	20,610,321	12,914,255
Total governmental net position	<u>704,166,188</u>	<u>695,828,907</u> <sup>1</sup>	<u>697,330,172</u>	<u>703,020,837</u>	<u>689,170,554</u> <sup>2</sup>	<u>689,303,438</u>	<u>684,957,852</u>	<u>677,640,190</u> <sup>3</sup>	<u>677,469,365</u>	<u>667,253,554</u> <sup>4</sup>
<b>Business-type activities</b>										
Net investment in capital assets	2,231,986	2,185,815	2,161,796	1,854,037	1,997,334	1,961,624	2,749,214	2,779,607	2,589,938	12,949,140
Unrestricted	2,178,529	2,324,417	2,686,422	3,330,497	2,296,870	3,117,861	2,752,807	2,888,252	3,333,070	3,815,125
Total business-type net position	<u>4,410,515</u>	<u>4,510,232</u>	<u>4,848,218</u>	<u>5,184,534</u>	<u>4,294,204</u>	<u>5,079,485</u>	<u>5,502,021</u>	<u>5,667,859</u>	<u>5,923,008</u>	<u>16,764,265</u>
<b>Primary governmental</b>										
Net investment in capital assets	646,271,010	651,389,711	648,933,640	645,319,317	640,062,604	641,141,206	642,298,049	642,088,768	637,511,320	646,088,058
Restricted	23,261,890	18,405,963	20,610,691	25,646,475	31,261,374	26,061,848	25,041,749	20,909,550	21,937,662	21,200,381
Unrestricted	39,043,803	30,543,465	32,634,059	37,239,579	22,140,780	27,179,869	23,120,075	20,309,731	23,943,391	16,729,380
Total primary government net position	<u>708,576,703</u>	<u>700,339,139</u> <sup>1</sup>	<u>702,178,390</u>	<u>708,205,371</u>	<u>693,464,758</u> <sup>2</sup>	<u>694,382,923</u>	<u>690,459,873</u>	<u>683,308,049</u> <sup>3</sup>	<u>683,392,373</u>	<u>684,017,819</u>

<sup>1</sup> Decrease due to the transfer out of redevelopment assets in the amount of \$1.8 M; the disbursement of \$4.8 M for the development of an affordable housing project; and the use of cash resources to pay off one of the City's revenue bonds in the amount of \$2.4 M.

<sup>2</sup> Decrease due to the restatement of net position related to the implementation of GASB 68.

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

<sup>4</sup> Change due to purchase of Oso Creek Golf Course (formerly Casta del Sol) resulting in \$10.5 million in Unrestricted net position under Governmental activities shifting to Net investment in capital assets under Business-type activities.

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

Source: Statement of Net Position

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Expenses</b>										
<b>Governmental activities:</b>										
General Government-Legislative	\$ 1,295,007	\$ 1,222,641	\$ 1,243,358	\$ 1,175,830	\$ 1,391,939	\$ 1,254,587	\$ 1,953,252	\$ 1,891,424	\$ 1,402,416	\$ 683,637 <sup>13</sup>
General Govt-Mgmt and Support	14,807,567	10,795,031	10,317,445	8,184,578 <sup>7</sup>	8,023,803	7,984,424	9,617,474	9,214,038	9,477,436	10,337,098 <sup>13</sup>
Public Safety	16,781,149	16,664,706	16,939,740	16,963,811	18,091,816	18,853,188	20,111,045	20,410,021	21,171,371	21,808,631
Community Development	2,571,601	10,102,297 <sup>2</sup>	3,079,388	3,270,422	3,266,884	3,171,164	4,743,210	3,368,119	3,139,741	3,670,408
Engineering & Transportation	2,998,197	1,808,209	2,806,889	2,409,419	2,837,220	5,478,851	6,924,142	8,133,213	8,651,747	5,407,856
Infrastructure Maintenance	25,209,859	24,041,299	20,777,340	21,835,813	32,520,271 <sup>8</sup>	20,725,795	20,358,759	24,466,949	20,952,619	20,802,296
Rec/Community/Library Services	9,153,074	9,419,034	9,805,902	9,788,128	9,495,628	10,352,676	11,137,331	10,240,895	10,481,960	10,155,677
Interest and fiscal charges	1,681,786	1,031,685	1,212,454	1,139,294	1,171,629	968,120	1,085,677	1,079,976	1,025,169	1,086,716
Total governmental activities expenses	74,498,240	75,084,902	66,182,516	64,767,295	76,799,190	68,788,805	75,930,890	78,804,635	76,302,459	73,952,319
<b>Business-type activities:</b>										
Golf Course	-	-	-	-	-	-	-	-	-	1,202,126
Animal Services	1,684,758	1,757,543	1,745,176	2,120,143	1,928,620	2,165,119	3,128,506 <sup>9</sup>	2,779,573	3,158,185	3,125,415
Mission Viejo Television	131,138	224,840	230,128	356,374	317,566	298,856	445,614	598,697	328,099	315,679
Total business-type activities expenses	1,815,896	1,982,383	1,975,304	2,476,517	2,246,186	2,463,975	3,574,120	3,378,270	3,486,284	4,643,220
Total primary government expenses	76,314,136	77,067,285	68,157,820	67,243,812	79,045,376	71,252,780	79,505,010	82,182,905	79,788,743	78,595,539
<b>Program revenues</b>										
<b>Governmental activities:</b>										
Charges for services										
General Government-Legislative	-	-	-	-	1,320	1,935	779	4,305	5,538	-
General Govt-Mgmt and Support	-	-	-	-	88,836	35,946	32,450	136,434	150,718	-
Public Safety	712,997	657,456	611,820	622,490	590,904	558,417	412,881	420,317	423,894	370,809
Community Development	1,279,153	1,388,402	1,936,689	2,157,105	2,501,057	2,529,804	2,942,021	3,131,388	2,564,613	3,301,820
Engineering & Transportation	467,949	384,856	468,278	951,474	526,963	524,837	622,602	679,171	927,931	1,422,160
Infrastructure Maintenance	-	-	-	15,000	41,992	51,941	51,353	167,412	300,800	302,021
Rec/Community/Library Services	3,951,337 <sup>1</sup>	1,788,114	1,807,694	1,878,387	2,242,589	2,255,657	2,212,519	2,108,549	2,219,695	1,720,755
Other Activities	553,623	107,810	53,983	203,635	-	-	-	-	-	-
Operating grants and contributions	7,573,309	8,912,482	7,867,922	7,602,759	8,318,977	4,130,294	5,721,395	6,700,659	7,394,760	7,448,987
Capital grants and contributions	6,697,833	3,395,881	4,533,348	5,549,795	4,277,263	3,227,117	1,838,621	1,188,079	756,472	642,927
Total governmental activities program revenues	21,236,201	16,635,001	17,279,734	18,980,645	18,589,901	13,315,948	13,834,621	14,536,314	14,744,421	15,209,479
<b>Business-type activities:</b>										
Charges for services										
Golf Course	-	-	-	-	-	-	-	-	-	1,218,186
Animal Services	1,241,507	1,305,162	1,366,721	1,424,226	1,364,502	1,452,532	2,810,457 <sup>9</sup>	2,275,983	2,328,939	2,352,191
Mission Viejo Television	100	700	580	420	440	500	529,645 <sup>10</sup>	532,816	532,447	499,984
Operating grants and contributions	200,985	324,654	-	1,052,005 <sup>6</sup>	686,790	823,279	143,106 <sup>10</sup>	98,892	160,341	65,413
Capital grants and contributions	-	-	-	-	-	9,200	-	-	-	-
Total business-type activities revenues	1,442,592	1,630,516	1,367,301	2,476,651	2,051,732	2,285,511	3,483,208	2,907,691	3,021,727	4,135,774
Total primary government revenues	22,678,793	18,265,517	18,647,035	21,457,296	20,641,633	15,601,459	17,317,829	17,444,005	17,766,148	19,345,253
<b>Net (Expense) Revenue</b>										
Government activities	(53,262,039)	(58,449,901)	(48,902,782)	(45,786,650)	(58,209,289)	(55,472,857)	(62,096,269)	(64,268,321)	(61,558,038)	(58,742,840)
Business-type activities	(373,304)	(351,867)	(608,003)	134	(194,454)	(178,464)	(90,912)	(470,579)	(464,557)	(507,446)
Total primary government net expense	(53,635,343)	(58,801,768)	(49,510,785)	(45,786,516)	(58,403,743)	(55,651,321)	(62,187,181)	(64,738,900)	(62,022,595)	(59,250,286)

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

<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	32,983,492	29,934,859 <sup>3</sup>	28,148,758	28,497,853	30,436,445	32,317,084	33,102,624	34,828,754	36,537,581	37,609,454
Sales and use taxes	11,059,525	11,622,640	11,998,071	12,574,446	12,721,842	15,218,225	17,186,469 <sup>11</sup>	16,732,687 <sup>12</sup>	19,735,853 <sup>12</sup>	17,004,623
Property taxes in lieu of sales/use taxes	3,731,802	3,834,165	3,937,682	4,316,288	4,211,353	3,324,689	- <sup>11</sup>	-	-	-
Other taxes	3,705,433	3,758,594	3,936,102	4,179,837	4,560,678	4,417,528	4,175,375	4,563,624	4,500,794	4,129,818
Unrestricted motor vehicle in lieu fees	497,722	49,831	51,634	42,733	41,278	38,997	43,321	50,911	46,074	76,323
Investment earnings	1,305,766	1,140,564	1,022,147	1,193,913	242,695	390,182	98,250	247,029	1,022,224	780,708
Other	655,288	2,031,801 <sup>4</sup>	1,784,653	1,202,634	1,540,212	521,251	664,063	329,825	127,686	102,179
Gain/(loss) on disposal of capital asset	3,151	-	-	-	-	271,129	1,021	-	-	-
Extraordinary item	-	(1,849,384) <sup>5</sup>	-	-	-	-	-	-	-	-
Gain on sale of land reclassified for resale	-	-	-	-	6,672,066	-	-	-	-	-
Transfers	(476,611)	(410,450)	(475,000)	(530,389)	(549,409)	(893,344)	(520,440)	(540,447)	(582,999)	(11,176,076) <sup>14</sup>
<b>Total governmental activities</b>	<b>53,465,568</b>	<b>50,112,620</b>	<b>50,404,047</b>	<b>51,477,315</b>	<b>59,877,160</b>	<b>55,605,741</b>	<b>54,750,683</b>	<b>56,212,383</b>	<b>61,387,213</b>	<b>48,527,029</b>
Business-type activities:										
Other taxes	-	-	-	-	-	-	-	-	-	-
Investment earnings	69,376	34,860	1,708	17,246	17,194	38,129	8,175	34,441	127,677	163,224
Other	5,941	6,274	-	-	-	-	9,219	9,200	9,030	9,405
Transfers	476,611	410,450	475,000	530,389	549,409	893,344	520,440	540,447	582,999	11,176,076 <sup>14</sup>
Gain/loss on sale/disposal of cap assets	-	-	-	(211,453)	-	-	(24,386)	-	-	-
<b>Total business-type activities</b>	<b>551,928</b>	<b>451,584</b>	<b>476,708</b>	<b>336,182</b>	<b>566,603</b>	<b>931,473</b>	<b>513,448</b>	<b>584,088</b>	<b>719,706</b>	<b>11,348,705</b>
<b>Total primary government</b>	<b>54,017,496</b>	<b>50,564,204</b>	<b>50,880,755</b>	<b>51,813,497</b>	<b>60,443,763</b>	<b>56,537,214</b>	<b>55,264,131</b>	<b>56,796,471</b>	<b>62,106,919</b>	<b>59,875,734</b>
<b>Change in Net Position</b>										
Government activities	203,529	(8,337,281)	1,501,265	5,690,665	1,667,871	132,884	(7,345,586)	(8,055,938)	(170,825)	(10,215,811)
Business-type activities	178,624	99,717	(131,295)	336,316	372,149	753,009	422,536	113,509	255,149	10,841,259
<b>Total primary government</b>	<b>382,153</b>	<b>(8,237,564)</b>	<b>1,369,970</b>	<b>6,026,981</b>	<b>2,040,020</b>	<b>885,893</b>	<b>(6,923,050)</b>	<b>(7,942,429)</b>	<b>84,324</b>	<b>625,448</b>

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

<sup>1</sup> One time park development fees received in 2011 of \$2M.

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

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

<sup>4</sup> Increase is due to the receipt of miscellaneous developer fee reimbursements related to completed capital projects.

<sup>5</sup> Amount represents the net asset transferred from the redevelopment agency upon dissolution.

<sup>6</sup> Large donation received FY 13/14 for the Animal Shelter.

<sup>7</sup> Elimination of OCTA Gas Tax Exchange funded under general government management and support.

<sup>8</sup> Increase in street infrastructure expenditures which are not capitalized and adjustments to construction in progress resulting in expense recognition.

<sup>9</sup> Operating costs and revenue increased due to providing the Cities of Laguna Hills and Rancho Santa Margarita with animal services beginning January 2017.

<sup>10</sup> MVT franchise taxes reported as Operating Grants and Contributions in previous years.

<sup>11</sup> Property taxes in lieu of sales and use taxes reverted back to Sales and use taxes due to Proposition 57 "triple-flip" ending.

<sup>12</sup> Approximately \$1.0 million of revenue recognized in 2019 was 2018 revenue not received within 60 day availability period due to CDTFA reporting issues.

<sup>13</sup> Department reorganization of Community Relations/City Clerk department, to move Community Relations to Management and Support while retaining City Clerk under Legislative.

<sup>14</sup> Purchased Oso Creek Golf Course (formerly Casta del Sol) in November of 2019 resulting in \$10.6M transfer from General Fund Reserves to Golf Fund for the purchase.

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

Source: Statement of Activities

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>General Fund</b>										
Nonspendable	\$ 654,403	\$ 92,437	\$ 554,384 <sup>4</sup>	\$ 534,944	\$ 569,023	\$ 597,668	\$ 606,885	\$ 36,014 <sup>4</sup>	\$ 33,361	\$ 15,307
Restricted	140,427	180,068	160,250	242,339	440,319	366,193	3,056,060 <sup>5</sup>	3,249,861	3,568,710	4,075,151
Assigned	-	18,262,314 <sup>2</sup>	17,253,034	17,175,604	16,942,850	18,275,290	4,500,000	4,500,000	6,100,000	6,100,000
Unassigned	32,486,599	10,191,747 <sup>2</sup>	11,140,289	13,285,786	15,097,438	13,477,307	26,519,396	24,985,180	28,224,486	21,814,398
Total general fund	<u>33,281,429</u>	<u>28,726,566</u>	<u>29,107,957</u>	<u>31,238,673</u>	<u>33,049,630</u>	<u>32,716,458</u>	<u>34,682,341</u>	<u>32,771,055</u>	<u>37,926,557</u>	<u>32,004,856</u>
<b>All other governmental funds</b>										
Nonspendable	4,456,564	4,458,310	6,042,642	5,421,335	75	-	-	-	-	-
Restricted	18,664,969	9,505,259 <sup>3</sup>	11,186,470	17,671,546	16,058,970	16,745,326	18,771,464	13,201,408 <sup>1</sup>	11,325,133	14,410,120
Unassigned	-	(2,545,097)	(3,383,951)	(2,276,368)	(3,597,725)	(873,939)	(63,579)	(658,376)	(1,056,053)	(3,218,036)
Total other governmental funds	<u>23,121,533</u>	<u>11,418,472</u>	<u>13,845,161</u>	<u>20,816,513</u>	<u>12,461,320</u>	<u>15,871,387</u>	<u>18,707,885</u>	<u>12,543,032</u>	<u>10,269,080</u>	<u>11,192,084</u>

<sup>1</sup> Decrease due to use of accumulated resources in excess of \$5.8 million for the Marguerite Aquatics rehabilitation project.

<sup>2</sup> Unassigned balances reported in 2011 were re-classified as assigned in accordance with GASB 54.

<sup>3</sup> The decrease is due to the disbursement of \$4.8M for a housing subsidy from the Housing Authority; the pay off of one bond issue for \$2.4M; and transfer of \$1.8M as a result of the dissolution of the Redevelopment Agency.

<sup>4</sup> Increase in 2013 relates to re-establishing City/RDA loan due to Department of Finance disallowance of loan payment. Decrease in 2018 reflects re-payment of loan.

<sup>5</sup> Section 115 Trust account to offset pension costs.

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

Source: Governmental Funds Balance Sheet



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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>REVENUES</b>										
Taxes	\$ 51,480,252	\$ 49,150,258	\$ 46,976,084	\$ 48,533,127	\$ 50,440,362	\$ 53,480,709	\$ 53,079,452	\$ 54,637,638	\$ 59,268,076	\$ 57,278,729
Licenses and permits	1,241,009	1,192,491	1,779,083	2,123,226	1,775,273	1,899,432	2,132,053	2,386,051	1,816,832	2,383,271
Intergovernmental	12,069,112	9,027,221	8,352,626	8,471,890	7,824,560	9,703,408	9,950,436	7,337,040	9,159,427	9,520,019
Charges for services	2,301,119	2,137,521	3,077,209	3,557,646	3,453,513	3,278,467	3,563,912	3,462,740	3,559,567	3,891,698
Investment earnings	1,500,919	1,518,378	156,612	358,774	367,070	470,299	161,556	427,381	1,187,184	974,622
Fines and forfeitures	969,262	915,398	838,406	943,592	1,041,542	813,287	507,538	664,077	586,407	992,564
Developer fees	2,394,099	2,990,867	3,246,060	4,800,000	-	1,000,000	4,069,104	64,958	-	448,975
Other	963,943	1,769,879	2,381,790	2,175,981	1,445,204	1,794,735	1,415,390	773,483	1,157,365	1,279,086
Total revenues	72,919,715	68,702,013	66,807,870	70,964,236	66,347,524	72,440,337	74,879,441	69,753,368	76,734,858	76,768,964
<b>EXPENDITURES</b>										
Current:										
General Government-Legislative	1,294,261	1,221,895	1,242,612	1,175,359	1,399,352	1,370,524	1,725,169	1,848,205	1,376,002	645,764
General Govt-Mgmt and Support	12,705,588	8,933,721	8,355,137	6,724,600	10,044,693	7,819,648	7,672,599	7,446,415	7,840,657	8,651,868
Public Safety	16,723,031	16,703,530	16,900,401	16,940,727	18,092,654	19,184,846	19,949,598	20,322,682	21,127,439	21,744,459
Community Development	2,570,480	8,102,297	3,079,388	3,270,422	3,280,456	3,409,459	4,348,923	3,280,501	3,088,784	3,543,893
Engineering & Transportation	2,495,045	2,519,010	2,298,426	2,423,926	2,378,539	2,913,831	2,688,907	2,559,113	2,648,580	3,083,827
Infrastructure Maintenance	13,912,489	13,937,952	14,686,204	14,570,652	14,823,913	16,110,507	16,463,740	17,685,584	17,658,855	18,663,806
Rec/Community/Library Services	7,279,008	7,517,881	7,792,327	8,002,589	7,875,459	8,811,348	7,671,084	8,046,601	8,478,370	7,870,394
Golf Operations	-	-	-	-	-	-	-	-	-	446
Capital Outlay	14,984,143	14,232,771	6,526,594	5,460,896	14,426,925	6,427,322	7,973,171	13,424,143	6,466,992	3,443,179
Debt service:										
Principal retirement	1,620,000	1,750,000	1,530,000	1,715,000	1,740,000	1,770,000	2,060,000	1,970,000	4,139,000	2,154,000
Interest	1,368,857	1,177,243	1,117,803	1,056,096	724,173	689,158	378,893	533,671	743,019	795,599
Administrative charges	-	-	-	-	370,447	141,250	503,316	179,820	146,336	-
Payment to bond escrow agent	-	-	-	-	-	-	1,363,981	-	-	-
Total expenditures	74,952,902	76,096,300	63,528,892	61,340,267	75,156,611	68,647,893	72,799,381	77,296,735	73,714,034	70,597,235
Excess (deficiency) of revenues over expenditures	(2,033,187)	(7,394,287)	3,278,978	9,623,969	(8,809,087)	3,792,444	2,080,060	(7,543,367)	3,020,824	6,171,729
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	11,873,668	3,754,173	3,541,011	4,208,247	4,198,196	5,371,184	5,829,812	4,273,297	3,853,667	4,667,616
Transfers out	(12,350,279)	(4,164,623)	(4,016,011)	(4,738,636)	(4,747,605)	(6,264,528)	(6,350,253)	(4,813,744)	(4,436,666)	(15,843,692)
Proceeds of bonds	-	-	-	-	-	-	13,150,000	-	-	-
Premium on bonds	-	-	-	-	-	-	1,107,810	-	-	-
Payment to bond escrow agent	-	(2,211,516)	-	-	-	-	(14,016,069)	-	-	-
Proceeds of capital lease	-	-	-	-	-	-	-	-	420,000	-
Sale of City property	3,151	5,619	4,102	8,488	27,782	1,365	1,021	7,675	23,725	5,650
Sale of land	-	-	-	-	2,600,000	-	-	-	-	-
Proceeds from housing loan payoff	-	-	-	-	186,481	-	-	-	-	-
Total other financing sources (uses)	(473,460)	(2,616,347)	(470,898)	(521,901)	2,264,854	(891,979)	(277,679)	(532,772)	(139,274)	(11,170,426)
Extraordinary Item	-	(1,849,384)	-	-	-	-	-	-	-	-
Net change in fund balances	(2,506,647)	(11,860,018)	2,808,080	9,102,068	(6,544,233)	2,900,465	1,802,381	(8,076,139)	2,881,550	(4,998,697)
Fund balances - beginning	54,511,703	52,005,056	40,145,038	42,953,118	52,055,189	45,687,380	51,587,845	53,390,226	45,314,087	48,195,637
Fund balances - ending	\$ 52,005,056	\$ 40,145,038	\$ 42,953,118	\$ 52,055,186	\$ 45,510,956	\$ 48,587,845	\$ 53,390,226	\$ 45,314,087	\$ 48,195,637	\$ 43,196,940
Debt service as a percentage of noncapital expenditures <sup>11</sup>	4.37%	4.35%	4.40%	4.68%	3.28%	3.74%	3.64%	3.47%	6.74%	4.40%

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

<sup>1</sup> Amount in 2019 is for new five-year computer equipment lease.

<sup>2</sup> Increase in 2010 is due to a payment to the Supplemental Educational Revenue Augmentation Fund as required by the State. This payment was \$1.4 million less in 2011.

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

<sup>4</sup> Department reorganization of Community Relations/City Clerk department, to move Community Relations to Management and Support while retaining City Clerk under Legislative.

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

<sup>6</sup> Amount represents the net asset transfer from the Redevelopment Agency upon dissolution.

<sup>7</sup> Rents on property previously reported as earnings on investments, now reported as charges for services.

<sup>8</sup> Increase due to additional contributions of \$2.1M for other post employment retirement benefit health costs, and \$1.5M in pension costs.

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

<sup>10</sup> Changes due to Refunding 2016 Lease Revenue Bonds.

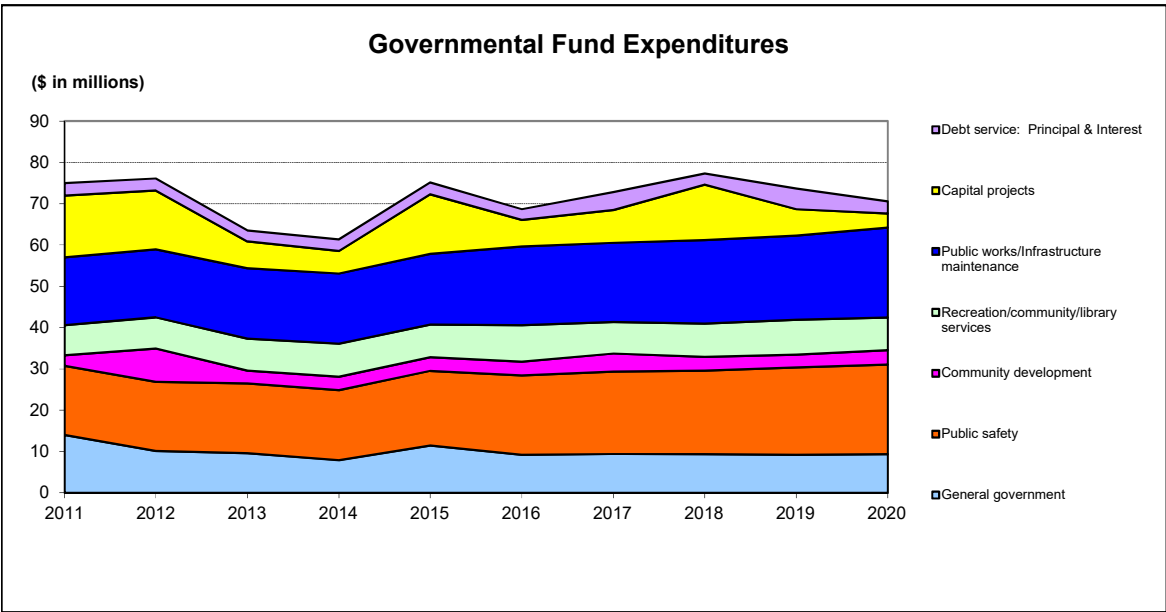
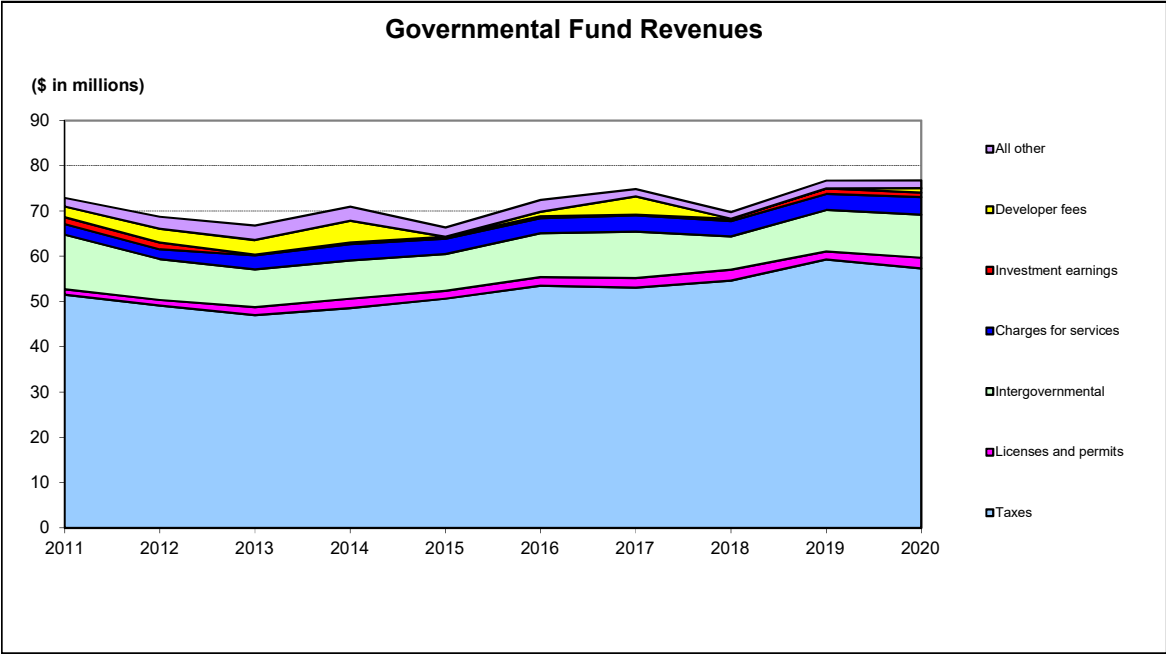
<sup>11</sup> Capital asset expenditures for this calculation are from the Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances to the Statement of Activities.

<sup>12</sup> Purchased Oso Creek Golf Course (formerly Casta del Sol) in November of 2019 resulting in \$10.6M transfer from General Fund Reserves to Golf Fund.

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

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

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



**CITY OF MISSION VIEJO**  
**Tax Revenues by Source**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Property Tax			Sales & Use Tax	Franchise Tax	Real Property Transfer Tax	Transient Occupancy Tax	Total
	City	Redevelopment Agency <sup>1</sup>	Successor Agency <sup>2</sup>					
2011	25,908,673	7,074,818	-	14,791,327	2,899,187	357,313	594,299	51,625,617
2012	25,830,084	4,104,775	826,533	15,456,805	3,087,094	357,241	608,311	50,270,843
2013	27,104,227	-	2,973,465	15,935,753	3,213,322	511,596	630,117	50,368,479
2014	27,462,558	-	1,613,733	16,890,734	3,333,588	522,333	749,316	50,572,261
2015	29,019,567	-	2,251,008	16,933,195	3,514,922	615,641	826,242	53,160,575
2016	30,584,018	-	2,130,770	18,542,914	3,439,858	593,415	882,409	56,173,384
2017	31,730,836	-	2,403,051	17,186,469	3,137,554	671,752	882,265	56,011,927
2018	33,402,237	-	1,788,215	16,732,687	3,236,957	736,109	1,062,423 <sup>3</sup>	56,958,628
2019	35,031,429	-	1,241,942	19,735,853 <sup>4</sup>	3,241,863	570,352	1,220,925	61,042,364
2020	36,144,288	-	1,561,846	17,004,623 <sup>5</sup>	3,128,176	602,031	899,256 <sup>5</sup>	59,340,220

<sup>1</sup> The State of California dissolved Redevelopment Agencies effective 1-31-12.

<sup>2</sup> Successor Agency of the Community Development Agency established 2-1-12.

<sup>3</sup> Increase due to the addition of a Hampton Inn, opened 9/15/17.

<sup>4</sup> Increase due to late payments from 2018 that were not received until 2019 due to CDTFA software issues in the amount of \$1.0 million; and better than expected sales in the auto and transportation industry of \$1.3 million.

<sup>5</sup> Decreases due to Coronavirus pandemic, closure of non-essential business resulted in drop in sales tax and reduced travel

Sources: General Ledger

## CITY OF MISSION VIEJO

### Assessed Value and Estimated Actual Value of Taxable Property

#### Last Ten Fiscal Years

(in thousands of dollars)

Fiscal Year Ended June 30	City				Community Development Agency <sup>2</sup>				Total Direct Tax Rate
	Secured	Public		Taxable Assessed Value <sup>1</sup>	Secured	Public		Incremental Valuation	
		Utility	Unsecured			Utility	Unsecured		
2011	12,820,786	2,418	334,775	13,157,979	637,830	2,418	81,684	721,932	0.1647%
2012	12,894,834	2,418	328,863	13,226,115	650,631	2,417	76,373	729,421	0.1647%
2013	13,014,823	2,418	303,333	13,320,574	636,435	2,418	82,469	721,322	0.1647%
2014	13,349,374	2,418	287,688	13,639,480	667,245	2,418	83,716	753,379	0.1647%
2015	14,207,345	2,418	323,782	14,533,545	675,710	2,418	80,299	758,427	0.1647%
2016	14,938,921	2,418	321,095	15,262,434	770,481	2,418	97,124	870,023	0.1647%
2017	15,546,057	2,418	286,902	15,835,377	796,666	2,418	68,717	867,801	0.1647%
2018	16,249,236	2,418	286,941	16,538,595	870,591	2,418	73,308	946,317	0.1647%
2019	17,071,372	2,418	288,829	17,362,619	920,736	2,418	68,724	991,878	0.1647%
2020	17,769,171	2,418	315,916	18,087,505	960,539	2,418	69,763	1,032,720	0.1647%

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

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

<sup>2</sup> The State of California dissolved Redevelopment Agencies effective 1-31-12.

Source: Orange County Auditor-Controller

**CITY OF MISSION VIEJO**

**Direct and Overlapping Property Tax Rates <sup>1</sup>  
Last Ten Fiscal Years**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
City Direct Rate:										
Mission Viejo City Reorg #98	0.09200	0.09200	0.09200	0.09200	0.09200	0.09200	0.09200	0.09200	0.09200	0.09200
Mission Viejo City Lighting Fund	0.03270	0.03270	0.03270	0.03270	0.03270	0.03270	0.03270	0.03270	0.03270	0.03270
Mission Viejo General Fund	0.02290	0.02290	0.02290	0.02290	0.02290	0.02290	0.02290	0.02290	0.02290	0.02290
Mission Viejo Library Fund	0.01711	0.01711	0.01711	0.01711	0.01711	0.01711	0.01711	0.01711	0.01711	0.01711
	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>	<u>0.16471</u>
Overlapping Rates:										
Capistrano Unified School District General Fund	0.36940	0.36940	0.36940	0.36940	0.36940	0.36940	0.36940	0.36940	0.36940	0.36940
Educational Revenue Augmentation Fund	0.13360	0.13360	0.13360	0.13360	0.13360	0.13360	0.13360	0.13360	0.13360	0.13360
Orange County Cemetery Fund	0.00051	0.00051	0.00051	0.00051	0.00051	0.00051	0.00051	0.00051	0.00051	0.00051
Orange County Department of Education	0.01674	0.01674	0.01674	0.01674	0.01674	0.01674	0.01674	0.01674	0.01674	0.01674
Orange County Fire Department	0.11535	0.11535	0.11535	0.11535	0.11535	0.11535	0.11535	0.11535	0.11535	0.11535
Orange County Flood Control District General	0.02030	0.02030	0.02030	0.02030	0.02030	0.02030	0.02030	0.02030	0.02030	0.02030
Orange County General Fund	0.05303	0.05303	0.05303	0.05303	0.05303	0.05303	0.05303	0.05303	0.05303	0.05303
Orange County Harbors Beaches & Parks CSA	0.01569	0.01569	0.01569	0.01569	0.01569	0.01569	0.01569	0.01569	0.01569	0.01569
Orange County Transportation Authority	0.00288	0.00288	0.00288	0.00288	0.00288	0.00288	0.00288	0.00288	0.00288	0.00288
Orange County Vector Control	0.00115	0.00115	0.00115	0.00115	0.00115	0.00115	0.00115	0.00115	0.00115	0.00115
Santa Margarita Water District	0.01558	0.01558	0.01558	0.01558	0.01558	0.01558	0.01558	0.01558	0.01558	0.01558
Santa Margarita Water Improvement District 1W	0.00021	0.00021	0.00021	0.00021	0.00021	0.00021	0.00021	0.00021	0.00021	0.00021
South Orange County Community College District	0.09085	0.09085	0.09085	0.09085	0.09085	0.09085	0.09085	0.09085	0.09085	0.09085
	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>	<u>0.83529</u>
Total Proposition 13 Direct & Overlapping Tax Rates <sup>2</sup>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>
Metropolitan Water District	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
Capistrano Unified School District 1999 Bond 2000 A	0.00317	0.00314	0.00335	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Capistrano Unified School District 1999 Bond 2001 B	0.00507	0.00506	0.00538	0.00507	0.00470	0.00445	0.00439	0.00417	0.00409	0.00388
Capistrano Unified School District 1999 Bond 2002 C	0.00281	0.00281	0.00298	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Capistrano Unified School District 1999 EL, 2012 Ref	0.00000	0.00000	0.00000	0.00465	0.00430	0.00400	0.00404	0.00383	0.00377	0.00357
Total School & Water District Overlapping Tax Rates	<u>0.01475</u>	<u>0.01471</u>	<u>0.01521</u>	<u>0.01322</u>	<u>0.01250</u>	<u>0.01195</u>	<u>0.01193</u>	<u>0.01150</u>	<u>0.01136</u>	<u>0.01095</u>
Total Direct and Overlapping Rates	<u>1.01475</u>	<u>1.01471</u>	<u>1.01521</u>	<u>1.01322</u>	<u>1.01250</u>	<u>1.01195</u>	<u>1.01193</u>	<u>1.01150</u>	<u>1.01136</u>	<u>1.01095</u>

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

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

**CITY OF MISSION VIEJO**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**

Taxpayer	2020			2011		
	Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Shops at Mission Viejo LLC	\$ 222,480,100	1	1.23%	-	-	-
HTA-Mission Mob LLC	145,654,954	2	0.81%	-	-	-
Mission Hospital Regional Medical Center	126,303,684	3	0.70%	67,135,437	4	0.51%
OC Los Alisos 2015 LLC	84,626,561	4	0.47%	-	-	-
EQR-Del Lago Vistas Inc	69,283,192	5	0.38%	59,954,165	6	0.46%
UDR Pacific Los Alisos LP	62,141,620	6	0.34%	-	-	-
Vista Real Apartments MV LLC	61,715,831	7	0.34%	-	-	-
Trust Mission Ridge LLC	60,174,032	8	0.33%	43,006,987	10	0.33%
Oasis-California Inc	58,612,777	9	0.32%	50,612,460	7	0.38%
Mission Viejo Oso Parkway Dev LP	53,555,023	10	0.30%	-	-	-
Mission Viejo Associates	-	-	-	136,568,196	1	1.04%
Mission Viejo Medical LLC	-	-	-	91,991,682	2	0.70%
NHP of PMB Mission Viejo LLC	-	-	-	67,787,247	3	0.51%
Laguna Cabot Road Business Park LP	-	-	-	62,152,349	5	0.47%
MV Unisys LLC	-	-	-	46,277,675	8	0.35%
Target Corporation	-	-	-	44,874,858	9	0.34%
	<u>\$ 944,547,774</u>		<u>5.22%</u>	<u>\$ 670,361,056</u>		<u>5.09%</u>

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

Source: 2020 - HdL Coren & Cone.  
2011 - FY 10/11 CAFR

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

Fiscal Year Ending June 30	Tax Levied for the Fiscal Year <sup>1</sup>	Collected within the Fiscal Year of Levy		Collections for Prior Years <sup>3</sup>	Total Collections to Date	
		Amount <sup>2</sup>	Percent of Levy		Amount	Percent of Levy
2011	26,156,545	24,728,390	94.54%	400,919	25,129,309	96.07%
2012	25,969,090	22,047,310	84.90%	364,000	22,411,310	86.30%
2013	19,246,353	19,249,605	100.02%	271,567	19,521,172	101.43% <sup>4</sup>
2014	20,015,012	19,499,656	97.43%	233,759	19,733,415	98.59%
2015	21,222,023	20,936,644	98.66%	229,431	21,166,075	99.74%
2016	22,459,253	22,325,258	99.40%	217,280	22,325,258	99.40%
2017	23,328,704	23,172,592	99.33%	196,616	23,172,592	99.33%
2018	24,297,123	24,503,875	100.85%	192,949	24,696,824	101.65% <sup>4</sup>
2019	25,380,703	25,692,684	101.23%	205,789	25,898,473	102.04% <sup>4</sup>
2020	26,139,940	26,413,347	101.05%	-	26,413,347	101.05% <sup>4</sup>

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

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

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

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

Source: Orange County Auditor-Controller



**CITY OF MISSION VIEJO**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	General Bonded Debt		Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>	Percentage of Actual Value of Taxable Property <sup>3</sup>
	Lease Revenue Bonds	Certificates of Participation			
2011	17,504,031	-	0.37%	187.24	0.13%
2012	17,014,329	-	0.35%	180.63	0.13%
2013	16,444,628	-	0.33%	173.42	0.12%
2014	15,789,926	-	0.30%	165.63	0.12%
2015	15,110,224	-	0.27%	156.34	0.10%
2016	14,400,522	-	0.25%	148.92	0.09%
2017	13,323,956	-	0.21%	138.81	0.08%
2018	12,480,102	-	0.19%	130.02	0.08%
2019	11,626,248	-	0.17%	120.56	0.07%
2020	10,747,394	-	0.15%	114.01	0.06%

Fiscal Year	Other Governmental Activities Debt			Total Primary Government <sup>2</sup>	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	Revenue Bonds	Note Payable	Capitalized Leases <sup>4</sup>			
2011	34,717,326	-	-	52,221,357	1.11%	558.62
2012	31,247,326	-	-	48,261,655	0.98%	512.35
2013	30,247,326	-	-	46,691,954	0.93%	492.41
2014	29,147,326	-	-	44,937,252	0.86%	471.37
2015	28,047,326	-	-	43,157,550	0.78%	446.53
2016	26,947,326	-	-	41,347,848	0.72%	427.58
2017	25,747,326	-	-	39,071,282	0.63%	407.06
2018	24,547,326	-	-	37,027,428	0.56%	385.75
2019	21,272,326	-	336,000	33,234,574	0.48%	344.64
2020	20,007,326	-	252,000	31,006,720	0.43%	328.92

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

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

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

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

<sup>4</sup> Five year computer equipment lease.

**CITY OF MISSION VIEJO**  
**Direct and Overlapping Debt**  
**as of June 30, 2020**

	<u>Debt Outstanding</u>	<u>Estimate Percentage Applicable <sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping tax and assessment debt:			
Metropolitan Water District	\$ 37,300,000	0.585%	\$ 218,205
Capistrano Unified School District School Facilities Improvement District No. 1	18,925,885	10.677%	\$ 2,020,717
Saddleback Valley Unified School District	107,545,000	17.755%	\$ 19,094,615
Santa Margarita Water District Improvement District No. 4	27,065,000	0.009%	\$ 2,436
Santa Margarita Water District Improvement District No. 4B	7,430,000	0.002%	\$ 149
Subtotal overlapping tax and assessment debt	<u>198,265,885</u>		<u>21,336,122</u>
Overlapping general fund obligation debt:			
Orange County General Fund Obligations	\$ 386,745,000	2.890%	\$ 11,176,931
Orange County Pension Obligations	466,863,754	2.890%	13,492,362
Orange County Board of Education Certificates of Participation	12,930,000	2.890%	373,677
Capistrano Unified School District Certificates of Participation	27,010,000	10.870%	2,935,987
Moulton-Niguel Water District Certificates of Participation	57,170,000	15.988%	9,140,340
Subtotal overlapping general fund obligation debt	<u>950,718,754</u>		<u>37,119,297</u>
Subtotal overlapping debt	<u>\$ 1,148,984,639</u>		<u>58,455,419</u>
Direct Debt			
City of Mission Viejo Community Development Financing Authority	20,007,326	100.000%	20,007,326 <sup>2</sup>
City of Mission Viejo			<u>10,999,394</u>
			<u>31,006,720</u>
Grand total direct and overlapping debt			<u>\$ 89,462,139</u>
Notes:			
<p>Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.</p> <p>Overlapping debt excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.</p> <p><sup>1</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another government unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.</p> <p><sup>2</sup> 1999 Series A and Subordinate Series B 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**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assessed valuation	\$ 13,157,979,198	\$ 13,226,115,127	\$ 13,320,574,029	\$ 13,639,459,848	\$ 14,533,544,020	\$ 15,262,434,352	\$ 15,835,376,499	\$ 16,538,594,766	\$ 17,362,619,028	\$ 18,087,504,763
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	3,289,494,800	3,306,528,782	3,330,143,507	3,409,864,962	3,633,386,005	3,815,608,588	3,958,844,125	4,134,648,692	4,340,654,757	4,521,876,191
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	493,424,220	495,979,317	499,521,526	511,479,744	545,007,901	572,341,288	593,826,619	620,197,304	651,098,214	678,281,429
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 493,424,220</u>	<u>\$ 495,979,317</u>	<u>\$ 499,521,526</u>	<u>\$ 511,479,744</u>	<u>\$ 545,007,901</u>	<u>\$ 572,341,288</u>	<u>\$ 593,826,619</u>	<u>\$ 620,197,304</u>	<u>\$ 651,098,214</u>	<u>\$ 678,281,429</u>
Total net debt applicable to limit as percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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

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

**CITY OF MISSION VIEJO**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

Fiscal Year	1999 Series A Revenue Bond					
	Property Tax	Sales Tax	Total Available	Debt Service		Coverage
	Increment		Revenue	Principal	Interest	
2011	666,005	1,126,628	1,792,633	900,000	60,372	1.87
2012	938,029	1,134,141	2,072,170	1,000,000	30,238	2.01
2013	1,044,529	1,179,693	2,224,222	1,000,000	34,582	2.15
2014	1,035,297	1,410,755	2,446,052	1,100,000	15,846	2.19
2015	1,273,540	1,397,595	2,671,135	1,100,000	8,061	2.41
2016	1,516,090	1,546,898	3,062,988	1,100,000	5,046	2.77
2017	1,235,364	1,442,102	2,677,466	1,200,000	98,273	2.06
2018	1,295,309	1,255,232	2,550,541	1,200,000	163,808	1.87
2019	1,417,029	1,128,852	2,545,881	3,275,000 <sup>1</sup>	382,873	0.70
2020	1,451,856	1,178,719	2,630,575	1,265,000	454,658	1.53

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

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

**CITY OF MISSION VIEJO**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Year	Population <sup>1</sup>	Median Age <sup>2</sup>	Median Housing Value <sup>3</sup>	Personal Income (thousands of dollars) <sup>4</sup>	Per Capita Personal Income <sup>4</sup>	Unemployment Rate <sup>5</sup>
2011	93,483	41.5	430,000	154,100,000	50,440	6.7%
2012	94,196	41.6	425,000	161,700,000	52,342	5.7%
2013	94,824	42.0	535,250	165,300,000	53,032	4.7%
2014	95,334	43.0	580,050	173,300,000	55,096	3.9%
2015	96,652	43.6	595,000	181,300,000	57,133	4.2%
2016	96,701	43.7	625,000	189,800,000	59,303	4.1%
2017	95,985	44.2	665,500	208,700,000	65,011	3.4%
2018	95,987	44.8	699,000	220,700,000	69,268	3.1%
2019	96,434	45.0	700,000	229,100,000	72,028	3.0%
2020	94,267	45.0	728,500	245,800,000	77,391	8.6%

- Sources: <sup>1</sup> California Department of Finance (2011-2020)  
<sup>2</sup> HdL Coren & Cone (2011-2019)  
Information for 2020 is unavailable, used number from prior year.  
<sup>3</sup> HdL Coren & Cone (2011-2020)  
<sup>4</sup> Data shown is for the County of Orange; data for City of Mission Viejo is not available.  
Cal State Fullerton Economic Forecast (2011-2020)  
<sup>5</sup> California Employment Development Department (2011-2020).

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

Employer	2020			2011		
	Employees	Rank	Percentage <sup>1</sup> of Total City Employment	Employees	Rank	Percentage <sup>2</sup> of Total City Employment
Mission Hospital Regional Medical Center	2,600	1	5.52%	1,349	2	2.70%
Saddleback College	1,210	2	2.57%	2,196	1	4.40%
Saddleback Valley Unified School District	914	3	1.94%	400	6	0.80%
Coldwell Banker	740	4	1.57%	410	4	0.82%
Capistrano Unified School District	690	5	1.46%	320	8	0.64%
James Hardie Building Products	400	6	0.85%			
Target	320	7	0.68%	377	7	0.76%
South Coast Children's Society	315	8	0.67%			
Nordstrom	300	9	0.64%	300	9	0.60%
Franchise Services	300	10	0.64%			
Quest Diagnostics				500	3	1.00%
Rmw Paleo Associates Inc				400	5	0.80%
Macy's				275	10	0.55%
<b>Total</b>	<u>7,789</u>		<u>16.53%</u>	<u>6,527</u>		<u>13.07%</u>

<sup>1</sup> Percentage of "Total City Employment" based on total number of City residents employed in August 2020 of 47,100  
<sup>2</sup> Percentage of "Total City Employment" based on total number of City residents employed in June 2010 of 51,000

Source: 2011 FY 10/11 City of Mission Viejo CAFR  
2020 Total City Employment - Number of employees and rank for 2017 used from FY 16/17 CAFR  
2020 Saddleback College Number of Employees - Saddleback College At A Glance 2019-2020

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

Function	2011	2012	2013	2014	2015	2016	2017 <sup>1</sup>	2018	2019	2020 <sup>2</sup>
General government - legislative	10.830	9.830	9.530	9.530	9.530	9.530	10.530	10.530	10.530	7.568
General government - management & support	25.970	23.670	23.600	25.600	23.600	23.600	26.600	26.700	26.700	31.170
Community development	7.700	8.700	8.720	8.720	8.720	8.720	8.220	8.220	8.220	8.050
Engineering and transportation	12.175	11.175	11.175	11.175	11.175	11.175	10.800	10.800	10.800	10.350
Infrastructure maintenance	18.250	17.250	16.650	16.650	16.650	16.650	16.250	17.250	17.250	16.850
Public safety	15.500	15.500	16.200	16.450	16.200	16.200	21.950	21.950	21.950	21.613
Recreation/community/library services	53.675	52.925	51.400	51.400	51.400	51.400	47.725	47.725	47.725	47.725
<b>Total</b>	<u>144.100</u>	<u>139.050</u>	<u>137.275</u>	<u>139.525</u>	<u>137.275</u>	<u>137.275</u>	<u>142.075</u>	<u>143.175</u>	<u>143.175</u>	<u>143.326</u>

<sup>1</sup> Increased staffing to accommodate the addition of the Cities of Laguna Hills and Rancho Santa Margarita to the Animal Services program

<sup>2</sup> Department reorganization of Community Relations/City Clerk department, moving Community Relations to Management and Support and retaining City Clerk under Legislative

Source: City budget document (2011-2014), Budget Summary of Authorized Positions (2015-2020)

**CITY OF MISSION VIEJO**  
**Operating Indicators by Function**  
**Last Ten Years**

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government - legislative										
Public Records Act requests	529	431	385	472	552	584	586	695	658	648
General government - management and support										
Service requests/complaint cases	3,292	3,467	3,681	3,840	3,512	3,221	4,142 <sup>9</sup>	3,357	3,937	3,608
Number of computer network nodes supported	819	1,039 <sup>1</sup>	1,063	1,126	1,119	1,182	1,217	1,240	1,598 <sup>13</sup>	1,910 <sup>16</sup>
Number of vendor checks issued	6,506	6,781	6,445	6,241	6,665 <sup>6</sup>	6,582	6,335	6,337	6,150	5,899
Public safety										
Calls for police services	36,246	33,982	36,234	34,917	25,206 <sup>7</sup>	29,714	29,246	32,281	37,698	35,005
Average response time-Priority 1 call in minutes	5:21	6:05	5:35	6:16	6:00	5:47	5:45	4:39	4:49	4:38
Community development										
Building inspections	6,685	9,947	12,807 <sup>3</sup>	16,243 <sup>4</sup>	13,476	13,131	13,177	13,706	11,805	11,871
Zoning plan checks	1,863	1,753	1,890	2,471	2,595	1,930	2,545	2,424	1,951	2,283
Public works - engineering and transportation										
Street resurfacing (lane miles)	36.30	32.70	18.80 <sup>5</sup>	15.93 <sup>5</sup>	34.73	46.91 <sup>8</sup>	33.24	61.08 <sup>11</sup>	75.70 <sup>14</sup>	50.50
Intersections on the city's interconnect system	111	111	112	112	112	112	113	113	113	113
Daily traffic count- La Paz Rd, Marguerite Pkwy to Spadra	27,419	32,747	33,500	24,100	25,200	26,200	26,200	25,100	25,400	24,100
Infrastructure maintenance										
Acres of medians and parkways renovated	3	6	9	10	5	3	4	3	6	5
Recreation/community/library services										
Attendance at recreation and tennis centers	270,443	259,635 <sup>2</sup>	254,161	271,244	263,994	261,511	270,616	264,611	240,017	202,442 <sup>17</sup>
Library circulation	939,734	917,736	931,376	887,234	800,236	788,292	1,109,462 <sup>10</sup>	1,211,864 <sup>12</sup>	1,187,609	915,109 <sup>17</sup>
Youth participating in organized sports on City fields	7,700	7,800	7,800	7,500	7,300	7,900	7,900	8,063	9,090 <sup>15</sup>	10,213

<sup>1</sup> Increase is due to the conversion of the transportation network from analog to an IP based network and an increase in mobile devices supported citywide

<sup>2</sup> Decrease is due to the construction of the Marguerite Tennis Center and the opening of two LA Fitness clubs in Mission Viejo

<sup>3</sup> Increase is due to the "Improve Don't Move" program which waived fees for a limited time and encouraged business and residential remodeling

<sup>4</sup> Increase is due to the "Improve Don't Move" program being extended for commercial projects

<sup>5</sup> Decrease is due to an overall reduction in funding of street resurfacing projects

<sup>6</sup> Increase is due to electronic fund transfers now being included in the report from new financial software, Tyler Munis

<sup>7</sup> Data conversion switched from a Calendar Year to a Fiscal Year basis, 2015 number represents January through June of that year

<sup>8</sup> Increase due to some residential streets being deferred from FY 14/15 to FY 15/16

<sup>9</sup> Increase due to adding street light calls to count beginning FY 16/17

<sup>10</sup> Increase due to implementation of auto-renewal system where each renewal counts as a circulation in addition to the original checkout, and policy change allowing increased number of renewals

<sup>11</sup> Increase due to additional residential street resurfacing

<sup>12</sup> Increase is due to the expansion of the auto renewal system with up to 10 renewals, the installation of two new self-check kiosks, and the elimination of new DVD fees

<sup>13</sup> Increase due to expansion of mobile devices, addition of Marguerite Aquatics network, and increase in Internet of Things (IoT) devices such as traffic & transportation systems and utility systems

<sup>14</sup> Number calculated by sorting the FY18-19 work in the 2018 PMP and multiplying the total length by 2 to get lane miles

<sup>15</sup> Increase due to additional programming, partnerships with sports organizations, and better attendance tracking with the new field ambassador program

<sup>16</sup> Increase due to continued expansion of City business needs including IT infrastructure, security, and additional equipment for the COVID-19 pandemic

<sup>17</sup> Decreases due to several months closure of City facilities resulting from the COVID-19 pandemic

Sources: Various city departments



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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public safety										
Police (provided by Orange County Sheriffs Department)										
Patrol units	24	24	24	24	24	23	23	22	22	22
Animal shelter buildings:										
Main shelter	1	1	1	1	1	1	1	1	1	1
Cattery	1	1	1	1	1	1	1	1	1	1
Rabbit shelter	1	1	1	1	1	1	1	1	1	1
Cat isolation	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (center miles)	228	228	228	228.2	228.2	228.2	228.2	225.9 <sup>1</sup>	225.9	225.9
Traffic signals	114	114	114	114	114	114	115	115	115	115
Infrastructure maintenance										
Number of park sites	41	41	41	42	42	42	42	42	42	42
Acreage: parks, open space, medians and slopes	1122	1122	1122	1128	1128	1128	1128	1128	1128	1228 <sup>2</sup>
Recreation/community/library services										
Facilities (buildings)	9	9	9	9	9	9	9	9	9	10 <sup>3</sup>
Athletic fields:										
Baseball/softball diamonds	19	19	19	19	19	19	19	19	19	19
Soccer/football fields	35	35	35	35	35	35	35	35	35	35
Golf course	0	0	0	0	0	0	0	0	0	1
Note: No capital asset indicators are available for general government or community development functions.										
<sup>1</sup> Change from previous years due to consultant re-measured the roads to verify lengths, previous years were estimated										
<sup>2</sup> Additional 100 acres purchase in November 2019										
<sup>3</sup> Oso Creek Golf Course building purchased in 2019 (formerly Casta del Sol Golf Course)										

Source: Various City departments



City of Mission Viejo  
200 Civic Center  
Mission Viejo, California 92691  
cityofmissionviejo.org

