



# CITY OF **ALISO VIEJO** CALIFORNIA



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT FY 2015-16**

**CITY OF ALISO VIEJO**  
Aliso Viejo, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by

FINANCIAL SERVICES

GINA M. THARANI

Director of Financial Services/City Treasurer

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“EXPERIENCE IT ALL”



ALISO  
VIEJO

**MAYOR**

MIKE MUNZING

**MAYOR PRO TEM**

DAVE HARRINGTON

**COUNCIL MEMBERS**

ROSS CHUN

WILLIAM A. PHILLIPS

PHILLIP B. TSUNODA

**CITY MANAGER**

DAVID A. DOYLE

**CITY ATTORNEY**

SCOTT C. SMITH

**CITY CLERK**

MITZI ORTIZ

November 1, 2016

To the Residents of the City of Aliso Viejo:

It is with great pleasure that we present the City of Aliso Viejo's Comprehensive Annual Financial Report (CAFR) for fiscal year 2015-16. This report has been prepared by the Department of Financial Services in conformity with Generally Accepted Accounting Principles (GAAP) and has been audited in accordance with Generally Accepted Auditing Standards (GAAS) by a firm of licensed Certified Public Accountants.

The report consists of management representations concerning the finances of the City. Consequently, responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements. Since the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to fairly present the financial position of the City. All disclosures necessary to enable an understanding of the City's financial activities have been included.

Rogers, Anderson, Malody & Scott, LLP, a firm of licensed Certified Public Accountants, has audited the City of Aliso Viejo's financial statements. The goal of the independent audit is to provide reasonable assurance that the City's financial statements for the fiscal year ended June 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Aliso Viejo's financial statements for the fiscal year ended June 30, 2016 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

**CITY OF ALISO VIEJO**  
INCORPORATED JULY 1, 2001

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This CAFR includes the financial activity for all funds of the City. In addition to the fund-by-fund financial information presented in the City's financial statements, government-wide financial statements are also included. The government-wide financial statements include a Statement of Net Position that provides the total net equity of the City, including infrastructure, and the Statement of Activities that shows the cost of providing government services. These statements have been prepared using the accrual basis of accounting whereas the fund financial statements were prepared using the modified accrual method. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition, the Statement 34 standard includes an emphasis on the City's major funds as shown in the Governmental Fund Statements. These statements, combined with other information, are further analyzed in a narrative section called Management's Discussion and Analysis (MD&A). The MD&A provides "financial highlights" and interprets the financial reports by analyzing trends and explaining changes, fluctuations and variances in the financial data. In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the City. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

## **PROFILE OF THE CITY**

The City of Aliso Viejo was incorporated on July 1, 2001 as a general law city under the laws of the State of California. The City of Aliso Viejo encompasses approximately seven square miles in south Orange County and has a population of slightly more than 50,000 people. Approximately 46 miles south of Los Angeles and 70 miles north of San Diego, the City is adjacent to the cities of Laguna Beach, Laguna Woods, Laguna Hills and Laguna Niguel.

The City operates under the Council-Manager form of government. The City Council is comprised of five members elected at large for staggered four-year terms of office. The Mayor and Mayor Pro Tem are selected by the Council from among its members to serve one-year terms. The Council acts as the legislative and policy-making body of the City, enacting all laws and directing such actions as required, to provide for the general welfare of the community.

The City Manager is appointed by the City Council and is responsible for overseeing the operations of the City and implementing the policy decisions made by the City Council. The City Attorney and City Treasurer are also appointed by the City Council. All other department heads and employees are appointed by the City Manager.

The City provides municipal services through a combination of in-house staffing and contract services. Police and fire services, public works, building, engineering, code enforcement, recreation, and legal services are all provided through contracts. The Aliso Viejo Community Association, a master community association, owns and manages 21 parks within the City limits. This Association also maintains most of the landscaped slopes and parkways. The City owns and manages Iglesia Park, Vista Park, and the Aliso Viejo Ranch property. The Orange County Library System provides public library services.

Prior to the beginning of each fiscal year, the City Council adopts the annual budget, which serves as the foundation for the City's financial planning and control. The budget is arranged by fund, function and department and presented to the Council by the City Manager. The level of budgetary control is established at the fund level. Transfers of appropriations between fund budgets can be made with the approval of the City Manager and Director of Financial Services. The City Council's approval is required for all budget amendments that result in a change to the adopted budget. The budget is reviewed mid-year in January by the City Manager and the Director of Financial Services to ensure compliance with City Council direction. The Mid-Year Budget is then reviewed by the City

Council and consideration is given to necessary adjustments for new programs, projects and other adjustments to ensure that expenditures and revenues are in line with the budgeted projections.

The City maintains an encumbrance accounting system as an additional method of budgetary control. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

## **ECONOMIC CONDITION AND OUTLOOK**

Information presented in the City's financial statements is best understood within the context of our broader economic conditions. Fundamentals of the national economy grew more resilient after the depth of the recession in mid-2009. Based on the most recent estimates from the Bureau of Economic Analysis, real GDP increased at an annual rate of 1.4% in the second quarter of 2016 after increasing 0.8% in the first quarter. With the moderate growth in real disposable income and continued addition of new jobs, consumers will hopefully continue to increase household spending.

Unemployment continued a slow decline from its heights in 2009 and, in September 2016 was estimated at 5.0%. The relatively slow reduction in unemployment from its peak is partially due to slower growth in the labor force as workers born during the baby boom generation begin to retire. However, payroll job growth is expected to continue to be strong.

Concerns about the weak global economy and uncertainty at home regarding Federal Reserve actions and fiscal policy have plagued uneasiness about the recovery every year. To support the economic recovery, in September 2016, the Federal Open Market Committee once again decided not to raise interest rates, citing job growth has remained solid but inflation continues to remain well below the 2% target and business investment remained soft. However, there has been speculation that in December 2016, the Fed will increase rates provided there are no new shocks to the economy.

## **LOCAL ECONOMY**

Although California's unemployment rate was estimated at 5.6% in September 2016, Orange County's rate has been consistently lower. Unemployment in Orange County was estimated at 4.4% in September 2016, up slightly from 4.0% a year ago, according to the latest available data by the California Employment Development Department. Orange County's regional economy remains on a solid path due to continued growth in the leisure and hospitality industries and steady employment in high-tech industries and professional and business services.

Based on recent economic forecasts by California State University, Fullerton, and Chapman University, Orange County's economy is expected to continue its upward trend of slow growth over the next couple of years. Improving employment conditions, continued historically low interest rates, increasing household wealth, and improving housing market conditions are all signs of a strengthening economy.

Aliso Viejo is comprised of single-family homes, condominiums, and apartments as well as a mixture of retail, office, light industrial, and service entities providing a solid tax base for the City. Most businesses are oriented toward serving local residents and visitors although the City is also home to several regional and corporate headquarters in a variety of industries. This dynamic local business environment and the availability of amenities in the community assisted Aliso Viejo in weathering the recession and positioned its local economy for future growth. The City is nearly built-out, with limited future opportunities for new residential or commercial construction. However, existing retail and office space within the City continues to be sought after, which bodes well for the future economic condition of the City.

The City's major revenue sources are property taxes, sales taxes, franchise fees and transient occupancy taxes. Recent data in the tourism and hospitality industries reflect positive trends in occupancy rates, as well as continued growth in business travel. The City also receives significant revenue streams through the State of California, including gasoline taxes, which are apportioned by the State based upon population, and property taxes in-lieu of motor vehicle license fees, which are apportioned similarly to property taxes.

While providing broader living options for residents, development projects within the City have also brought in over \$10.2 million in developer fees to date that have been used for community enhancements, affordable housing, traffic mitigation, and open spaces/trails projects.

Revenues budgeted for FY 16-17 were estimated conservatively due to the projected modest growth in the economy. Sales tax revenue is projected to increase 2.2% when compared to FY 15-16 actual results and adjusting for the one-time payback of funds to the State. Property taxes are estimated to remain flat in FY 16-17 when compared to the prior year. Appropriations have maintained service levels at prior year levels except for Council recommended new projects and programs.

### **LONG TERM FINANCIAL PLANNING**

As of June 30, 2016, the City has an assigned General Fund fund balance of \$16.4 million, including \$9.8 million for future replacement of City infrastructure assets, \$4.4 million for contingencies, \$1.5 million for other emergencies and unanticipated traffic projects, \$0.7 million for future benefit obligations and \$7.3 million is unassigned and available for any governmental purpose.

The Department of Financial Services published an update to the City's Five Year Strategic Plan in July 2015. The purpose of this document is to identify key factors affecting the City's fiscal outlook, examine fiscal trends, and analyze the General Fund's ability to continue current services, maintain existing assets, and fund City Council initiatives over the next five years. The next Five Year Strategic Plan update is scheduled for 2017.

### **RELEVANT FINANCIAL POLICIES**

The City has made a practice of living within its means since incorporation. In fiscal year 2005-06, the City Council formally adopted a Management and Budget policy to promote sound financial management which, in turn, led to improved bond ratings and lower cost of capital. The City continues to be conservative with expenditures while maintaining adequate reserves in accordance with City policies. General Fund surpluses, as well as outside funding sources when available, have been used to fund projects as directed by the City Council. To uphold the City's reputation of providing excellent amenities for residents and businesses, City staff continues to actively pursue outside grants and funding opportunities whenever possible.

The City's Fund Balance Policy was approved in 2012 to establish procedures for reporting unrestricted fund balances in the City's financial statements. The policy authorizes the City Manager and Director of Financial Services to prepare financial reports which accurately categorize fund balance per GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The City's long term financial plans are also in accordance with these policies.

### **MAJOR INITIATIVES**

The City's Economic Development program continued ongoing initiatives aimed at facilitating the retention and expansion of existing businesses, attracting new businesses to the community, and

promoting the City's "business friendly" environment. In FY 2015-16, staff continued its business visitation program and held meetings with property owners of key development sites, practical workshops geared toward small business owners, and networking events bringing together brokers and developers.

The City is currently in the process of developing a Specific Plan for Aliso Viejo Town Center. The Specific Plan will provide for an enhanced experience for residents, businesses, and patrons through defined linkages to areas bordering Aliso Viejo Town Center, approximately 140,000 square feet of added commercial/dining/entertainment/office uses, approximately 1,200 residential units, aesthetic enhancements, and pedestrian-friendly improvements. The intent of the Specific Plan is to increase economic health, public awareness and attendance of Aliso Viejo Town Center.

Construction continues on 435 luxury apartments at Vantis and are expected to be completed by early 2017. Projects on the horizon include two Senior-Multi-Family Affordable Housing projects with approximately 200 units each and will include low and very low units. A total of 58 affordable units have been built within the City to date with an additional 103 units on the horizon. Additionally, the City will see the construction of a couple of corporate offices, a medical office, a managed care facility, a parking garage, and professional office buildings.

Community programs include transportation services to bring seniors to local community centers. Programs and classes continued at the Family Resource Center include nutrition classes, free mammogram screenings, job and resume classes, pet and vet clinics, as well as smaller events like family movie nights and community night forums. The City's Aquatic Center, which now operates year round, will include a multitude of programs and swim opportunities for the community.

### **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) offers a Certificate of Achievement for Excellence in Financial Reporting to cities for their Comprehensive Annual Financial Report. This Certificate is a prestigious award, recognizing conformance with the highest standards of state and local government financial report preparation.

In order 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 a Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements.

The City submitted its FY 2014-15 Comprehensive Annual Financial Report for review and received the award for excellence in financial reporting from GFOA. The Certificate is valid for a period of one year. The City will also be submitting its FY 2015-16 Comprehensive Annual Financial Report to GFOA for review

We would like to recognize the assistance of the Financial Services staff and Ryan Smith, in the preparation of the CAFR and to our independent auditor, Rogers, Anderson, Malody & Scott, LLP. for their expertise and advice in preparing an improved financial report. Through the team effort of the City Council and staff, the City has been able to maintain a sound financial base from which to operate and continue to provide a high level of service to the community.

Respectfully submitted,



David Doyle  
City Manager

Respectfully submitted,



Gina M. Tharani  
Dir. of Financial Services/City Treasurer



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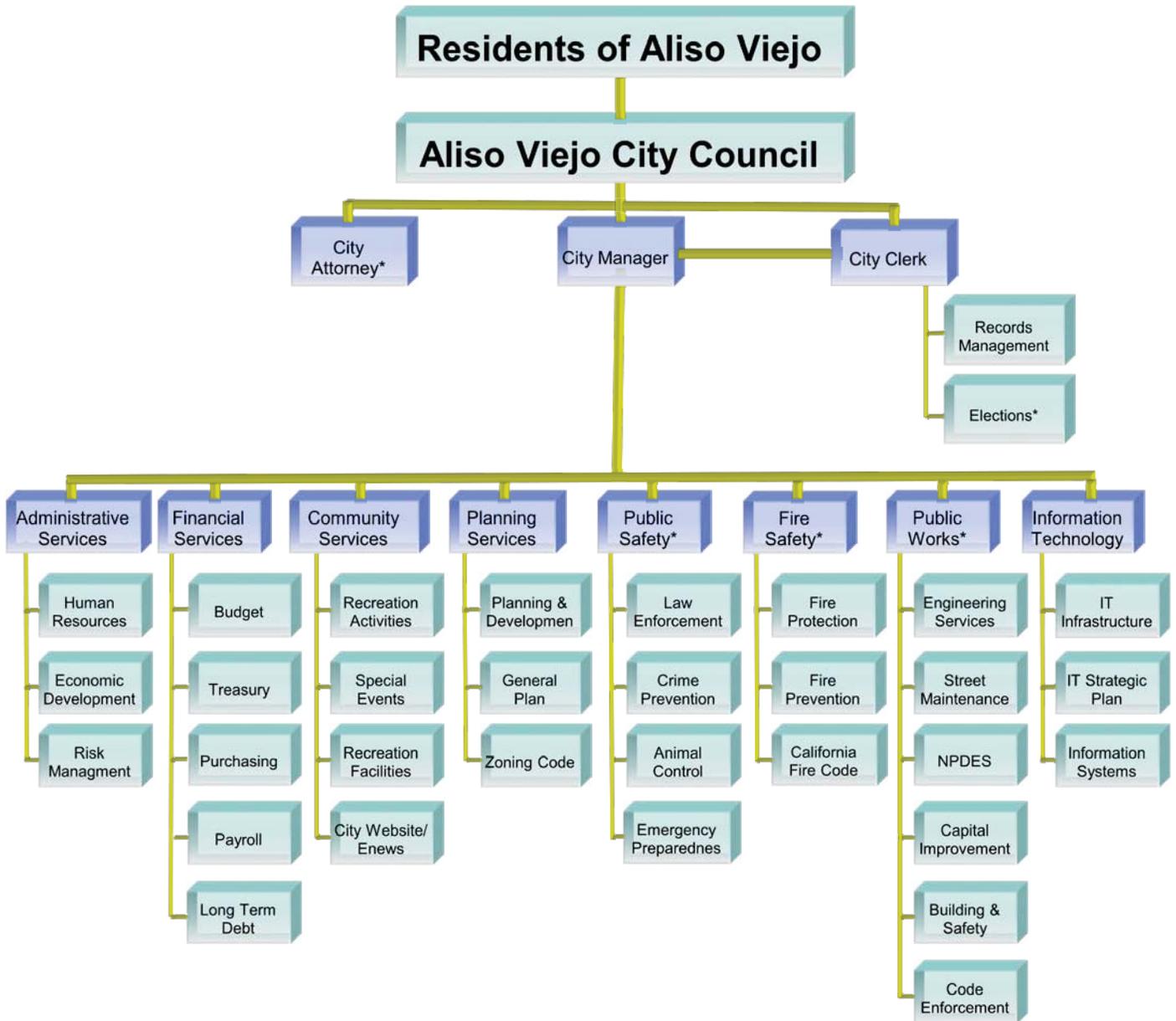
**City of Aliso Viejo  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

# City of Aliso Viejo Organization Chart June 30, 2016



\* Contract Services

**CITY OF ALISO VIEJO**  
**LIST OF PRINCIPAL OFFICIALS**

Council-Manager Form of Government

**CITY COUNCIL**

MIKE MUNZING  
Mayor

DAVE HARRINGTON  
Mayor Pro Tem

ROSS CHUN  
Council Member

PHILLIP B. TSUNODA  
Council Member

WILLIAM PHILLIPS  
Council Member

**CITY ADMINISTRATION**

DAVID DOYLE  
City Manager

Scott Smith, City Attorney  
Gina M. Tharani, Director of Financial Services/City Treasurer  
Mitzi Ortiz, City Clerk  
Omar Dadabhoy, Director of Planning Services  
Shaun Pelletier, City Engineer/Public Works Director  
Glenn Yasui, Director of Administrative Services  
Susan Jones, Interim Community Services Manager  
Lieutenant John MacPherson, Chief of Police Services  
Division Chief Jeff Adams, Fire Services (Orange County Fire Authority)



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CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

#### PARTNERS

Brenda L. Odle, CPA, MST  
Terry P. Shea, CPA  
Kirk A. Franks, CPA  
Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jay H. Zercher, CPA (Partner Emeritus)  
Phillip H. Waller, CPA (Partner Emeritus)

#### MANAGERS / STAFF

Jenny Liu, CPA, MST  
Seong-Hyea Lee, CPA, MBA  
Charles De Simoni, CPA  
Nathan Statham, CPA, MBA  
Gardenya Duran, CPA  
Ivan Gonzales, CPA, MSA  
Brianna Schultz, CPA  
Daniel Hernandez, CPA, MBA  
Lisa Dongxue Guo, CPA, MSA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Aliso Viejo, California (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

#### MEMBERS

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants

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, each major fund, and the aggregate remaining fund information of the City of Aliso Viejo, California, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the budgetary comparison schedules for the General Fund, the Gas Tax Fund, Development Impact Fund, Conference Center Fund, and the Aquatics Center Fund; the Modified Approach for the City's infrastructure assets; the schedules of proportionate share of net pension liability and related ratios as of the measurement date; the schedules of plan contributions; and the schedule of funding progress - other post employment benefits 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's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP

San Bernardino, California

November 1, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Aliso Viejo's financial performance provides an overview of the City's financial activities for the year ended June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the accompanying basic financial statements which follow this section.

### FINANCIAL HIGHLIGHTS

- The General Fund fund balance increased by 9.4% from fiscal year 2014-15, for a total balance of \$23,987,852. This balance is comprised of non-spendable funds of \$187,681, assigned funds of \$16,425,653, and \$7,374,518 of unassigned funds. The amount in unassigned funds at the fiscal year end of June 30, 2016 is equal to 45.9% of the fiscal year 2016-17 Adopted Budget General Fund Expenditures.
- The General Fund's actual resources available for appropriation (revenue inflows) were over the final budget by \$1,185,583 and actual appropriations (outflows) were \$1,336,584 under budget.
- The City increased its overall net position by \$933,906 for a total net position balance of \$129,944,592.
- The overall fund balance increased by \$1,515,513 for an all funds fund balance of \$35,936,106.
- The total revenue from all sources equaled \$20,587,233.
- The total cost of all City programs equaled \$19,653,327.
- The City spent \$2,115,066 for its street maintenance and improvement; this includes slurry seal and pavement rehabilitation projects.
- The City spent \$469,488 on Capital Improvement projects such as Dairy Fork Rehabilitation and Restoration and the installation of ADA Improvements throughout the City.
- Special Revenue Funds, including Gas Tax, Measure M2, and State grants, contributed \$1,018,951 towards the City's slurry seal and street rehabilitation projects.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and allow a longer-term view of the City's finances. Fund Financial Statements tell how City services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

## **Reporting the City as a Whole: The Statement of Net Position and the Statement of Activities**

The Statement of Net Position and the Statement of Activities report information about the City as a whole and in a way that helps clarify the City's overall financial position. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid. These two statements report the City's net position and changes in them. Net position, which is the difference between assets and liabilities, is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. Consideration should also be given to other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

All of the City's basic services are considered to be governmental activities. The Statement of Net Position and the Statement of Activities present information about these governmental activities, including general government, community development, community services, public safety, and public works. Property tax, sales tax, transient occupancy tax, and franchise fees finance 74.3% of these activities.

## **Reporting the City's Most Significant Funds: Fund Financial Statements**

The Fund Financial Statements provide detailed information about the most significant funds - not the City as a whole. In addition to the General Fund, other funds included are Gas Tax, Development Impact, Aliso Viejo Center, and Aliso Viejo Aquatic Center. Lesser funds are collectively reported as Other Governmental Funds. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The City currently has just one type of fund - governmental - which uses the modified accrual accounting approach. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Most of the City's basic services are reported in governmental funds. Under the modified accrual method of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current fiscal period while expenditures are recognized in the accounting period in which the liability is incurred.

The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. The relationship and differences between governmental activities reported in the Statement of Net Position and the Statement of Activities and the governmental funds statements are detailed in the reconciliations immediately following each of the fund financial statements.

## **The City as Trustee: Reporting the City's Fiduciary Responsibilities**

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners, and others. The City's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities. We exclude these activities from the City's other financial statements because the

City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

## THE CITY AS A WHOLE

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental activities. The City has no business-type activities.

**Table 1**  
**Net Position**  
June 30, 2016

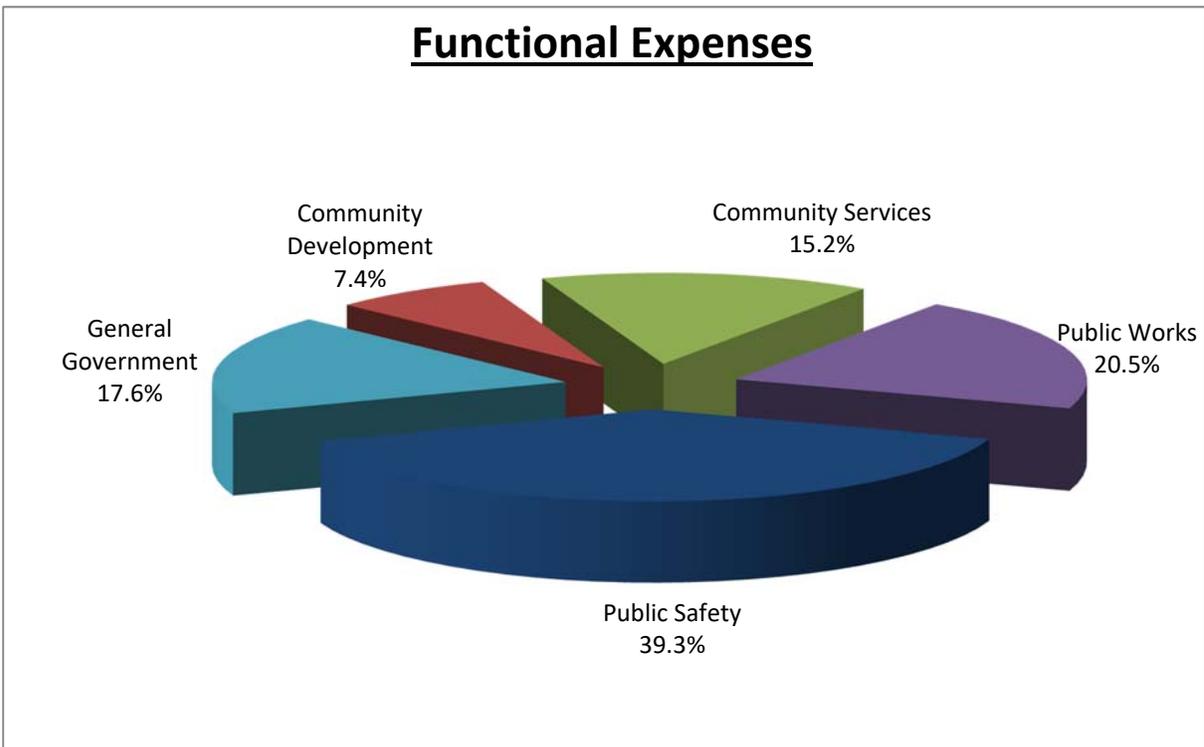
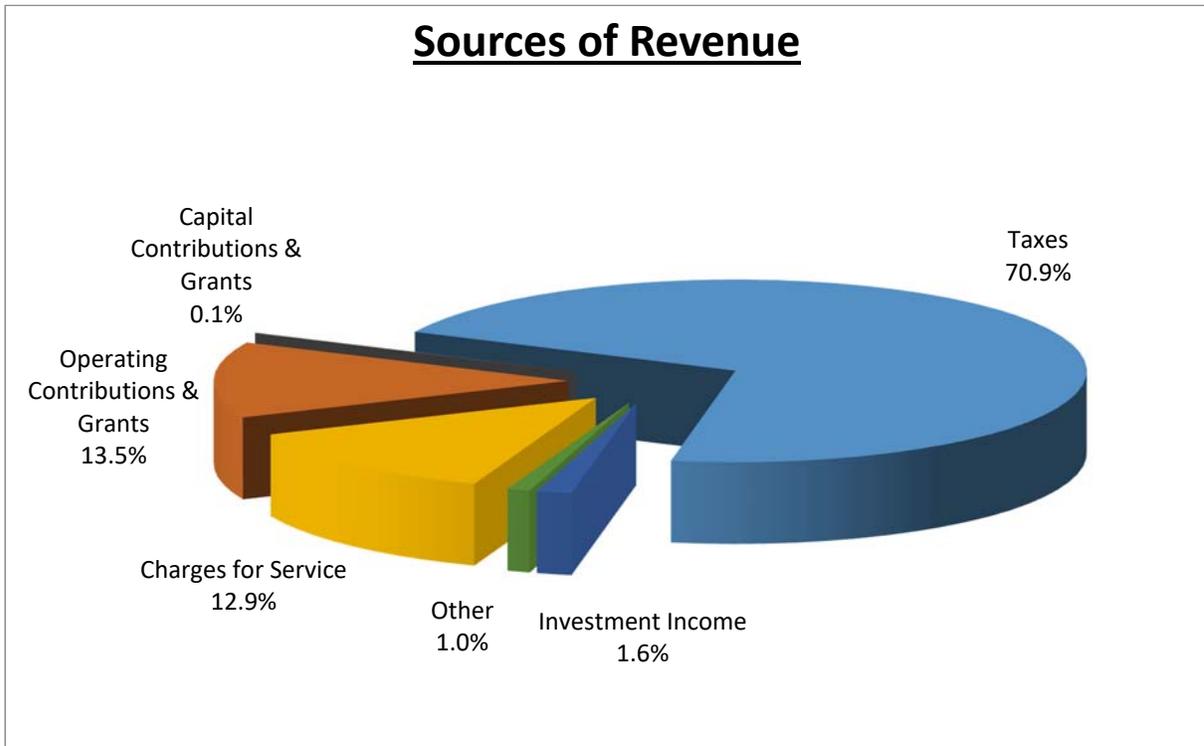
	Governmental Activities	
	2016	2015
Current and other assets	\$ 38,037,593	\$ 35,523,112
Capital assets, net	94,579,142	95,155,183
<b>Total Assets</b>	<b>132,616,735</b>	<b>130,678,295</b>
Deferred pension related items	372,348	429,700
<b>Total Deferred Outflows of Resources</b>	<b>372,348</b>	<b>429,700</b>
Non-current liabilities	854,313	876,034
Other liabilities	2,038,132	956,795
<b>Total Liabilities</b>	<b>2,892,445</b>	<b>1,832,829</b>
Deferred pension related items	152,046	264,480
<b>Total Deferred Inflows of Resources</b>	<b>152,046</b>	<b>264,480</b>
Net Position:		
Investment in capital assets	94,579,142	95,155,183
Restricted	12,132,433	12,501,228
Unrestricted	23,233,017	21,354,275
<b>Total Net Position</b>	<b>\$ 129,944,592</b>	<b>\$ 129,010,686</b>

Total net position increased to \$129,944,592 in FY 2015-16 from \$129,010,686 in FY 2014-15 due to the following:

- Net position increased 0.7% or \$933,906 as a result of current year operations.
- Total assets increased by 1.5% due to higher than anticipated revenues from Charges for Services, Property Taxes, and Transient Occupancy Tax, and due to increases in the cash balance due to increases in deposits and accounts payable as a result of timing issues.
- Liabilities increased by 57.7% due to the timing issue related to increases in deposits and accounts payable accounts as noted above.

- Net position includes funds invested in Capital Assets in the amount of \$94,579,142.

**Fiscal Year 2016 Governmental Activities**  
(See Table 2)



**Table 2**  
**Change in Net Position**  
Year Ended June 30, 2016

	Governmental Activities	
	2016	2015
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 2,654,055	\$ 2,287,957
Operating Contributions & Grants	2,770,178	2,682,605
Capital Contributions & Grants	18,875	99,283
General Revenues:		
Taxes:		
Sales Taxes	4,601,042	4,795,433
Property Taxes	7,317,139	6,741,164
Franchise Taxes	1,573,339	1,584,358
Transient Occupancy Taxes	1,108,102	916,286
Motor Vehicle License Fees	20,256	20,470
Use of money and property	328,416	273,901
Other	195,831	132,872
Total revenues	20,587,233	19,534,329
<b>Expenses</b>		
General Government	3,459,012	3,189,090
Community Development	1,450,043	1,635,629
Community Services	2,982,463	2,221,206
Public Works	4,038,360	3,360,251
Public Safety	7,723,449	7,427,581
Total expenses	19,653,327	17,833,757
<b>Increase in net position</b>	<b>\$ 933,906</b>	<b>\$ 1,700,572</b>
Net Position – Beginning of Year	129,010,686	127,310,114
Net Position – End of Year	129,944,592	129,010,686

Overall, the City continues to fare well in the stable local economy. The City's total revenues from all sources were \$20,587,233, while the total cost of all programs and services was \$19,653,327. Compared to fiscal Year 2014-15 total revenues were up 5.4%, or \$1,052,904, primarily due to increases in property taxes, charges for services, extended hours of operations at the City facilities, transient occupancy taxes and one time revenues. Total expenses were up 10.2% or \$1,819,570 primarily due to increased hours of operations and capital improvements at the City facilities, City branding efforts, Town Center Specific plan, completion of capital projects that were rolled over from

FY 2014-15, an increase in storm-water permit costs and contract and capital outlay costs for public safety.

General fund revenues increased 4.7% for the year with the majority of the increase attributed to an increase in real property transfer tax, general property taxes and transient occupancy taxes. The City's main revenue sources are Property Tax, Sales Tax, Franchise Fees, and Transient Occupancy Taxes. Property Taxes have been the most reliable local government revenue for decades and continues to be the City's largest revenue source at \$7.3 million this year. Property Taxes were up 8.5% from the prior year and are expected to remain stable at the current level. This increase can be attributed to increases in home values resulting in higher assessed values and the effect of Proposition 8 assessed value adjustments. Sales tax, the City's second largest revenue source, was down 4.0% from FY 2014-15 to \$4.6 million. This reduction was due to a one-time return of funds that had been received in error from the State Board of Equalization over several years. Excluding this one-time charge, recurring sales tax was up for the year. Starting in FY 2016-17, this revenue source is anticipated to stabilize near the current level as the City will again be receiving its full 1% share of sales taxes collected in the City.

Franchise fees were .7% lower at \$1.6 million due to a decrease in cable franchise revenues. Rapid developments in technology have provided the consumer with easy access to media and programming on mobile devices resulting in a modification in consumer behavior. Lower gas prices also contributed to the total decrease in franchise revenues. Fees collected within the City include electric, gas, cable, and waste collection. Transient occupancy taxes (TOT), another reliable source of revenue for the City at \$1.1 million, increased 20.9% over the prior year due to the operations of the new hotel. The current performance of City revenues is reflective of the present state of the economy and the lasting impacts of changes in the State Budget, which included the Motor Vehicle License Fee/Property Tax swap and the continuing effect of the Triple Flip. Additionally, investment earnings increased in FY 2015-16 but remain below historical averages due to the extremely low interest rate environment. These significant revenues fund a large part of the City's basic services.

### Government Activities

Tables 3 and 3A present the cost of each of the City's programs: General Government (Administrative Services), Community Development, Community Services, Public Safety, and Public Works, as well as each program's net cost (total cost less revenues generated by the activities).

**Table 3**  
**Net Cost of Governmental Activities**  
**Year Ended June 30, 2016**

	<u>Total Cost of Services</u>	<u>Program Revenues</u>	<u>Net (Revenue)/ Cost of Service</u>
General Government	\$ 3,459,012	\$ -	\$ 3,459,012
Community Development	1,450,043	(1,150,423)	299,620
Community Services	2,982,463	(1,414,834)	1,567,629
Public Works	4,038,360	(2,450,464)	1,587,896
Public Safety	<u>7,723,449</u>	<u>(427,387)</u>	<u>7,296,062</u>
Total	<u>\$ 19,653,327</u>	<u>\$ (5,443,108)</u>	<u>\$ 14,210,219</u>

**Table 3A**  
**Net Cost of Governmental Activities**  
**Year Ended June 30, 2015**

	<u>Total Cost of Services</u>	<u>Program Revenues</u>	<u>Net (Revenue)/ Cost of Service</u>
General Government	\$ 3,189,090	\$ -	\$ 3,189,090
Community Development	1,635,629	(1,516,645)	118,984
Community Services	2,221,206	(981,224)	1,239,982
Public Works	3,360,251	(2,053,139)	1,307,112
Public Safety	<u>7,427,581</u>	<u>(518,837)</u>	<u>6,908,744</u>
Total	<u>\$ 17,833,757</u>	<u>\$ (5,069,845)</u>	<u>\$ 12,763,912</u>

The City's total expenses were \$19,653,327 which includes paying for the cost of police protection, animal control services, NPDES (storm water runoff), street repairs, recreation programs, administrative costs, and capital outlay.

General Government expenses are 17.6% of the total governmental expenses and include City Council, City Manager, City Attorney, City Clerk, Economic Development, Financial Services and Non-Departmental. The increase of \$269,922 or 8.5% over the prior year was largely due to adjustments and recordation of pension and OPEB costs, the creation of an Information Technology department, realigning of expenditures between General Government and Community Development, City branding effort initiated this year and, professional services for various analyses and community outreach.

Community Development expenses are 7.4% of the governmental services expense and include Planning, Building and Safety, and Code Enforcement activities. Various building and planning fee revenues reduce the cost of this program, as well as development fees. Expenses incurred for these activities decreased by 11.4% or \$185,586 this year. The decrease in revenues and expenses from the prior year is due to the reduction of ongoing projects during the current year and the delay in the commencement of new projects until FY 2016-17, like the Town Center Specific Plan. The Town Center Specific Plan work efforts include a landscape concept plan, a signage plan, workshops and hearings, creation of renderings, market studies, creation of an economic model and impact studies.

Community Services expenses are 15.2% of the governmental services expenses and increased 34.3% or \$761,257 over last year. These costs include Community Services, the Family Resource Center, and Iglesia Park operating costs, as well as the Aliso Viejo Center and Aliso Viejo Aquatic Center. Additional operational costs due to the extended hours and additional programming at the Aquatic Center and an increase in events held at the Aliso Viejo Center resulted in higher expenses and increased revenues for the facilities. Additionally, enhanced marketing efforts and new programs at both the facilities continue to generate additional revenues that offset increased operational costs. One-time spending on capital projects completed at both the facilities included painting of the interior of the buildings, installation of fencing and pool equipment replacement.

Public Works expenses are 20.5% of the governmental services. Public Works spending increased by \$678,109, or 20.2%, due to the completion of prior year projects, capital spending for street maintenance and rehabilitation, and an increase in engineering and storm-water permit costs. The Public Works department manages all street and traffic maintenance, capital improvement projects, and any other major construction projects. Operating contributions and grants provide a large portion

of the funding for this function. Special Revenue funds, which are comprised of Gas Tax and Measure M monies, are also used to subsidize the cost of this program.

Public Safety expenses comprise the largest expense of the City at 39.3% of the governmental services expenses and include contract costs with the Orange County Sheriff Department for police services and emergency services, the City of Mission Viejo for animal services, as well as crime prevention outreach services for the City. Public Safety costs were up \$295,868, or 4.0%, from the prior year at \$7,723,449 largely due to the increase in contract costs and purchase of law enforcement equipment. Revenues from Fines, Fees & Forfeitures and Operating Contributions & Grants assist with offsetting the costs of this program.

A portion of the increases in appropriations across all departments are due to cost of living adjustments as required by existing Contract Services agreements and the City's employee pay for performance plan.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

At year-end, the City's Governmental Funds reported a combined Fund Balance of \$35,936,106, an increase of \$1,515,513 from the prior year. In addition to the factors discussed above that also contributed towards the change in fund balance are the combination of higher than anticipated taxes received and lower than expected expenditures. Some of these expenditure savings are due to the rollover of projects to future years.

Overall, City operations were consistent with prior year operating levels. The current fund balance reflects both compliance with the Management and Budget policy adopted by the City Council and the City's fiscal responsibility towards services. Funds in the amount of \$1,023,015 were expended from the Gas Tax Fund to maintain and enhance the City's streets, including traffic signals, street lighting and sweeping services. The City spent \$2,115,066 for its street improvement and maintenance projects, including slurry seal and pavement rehabilitation projects. Capital Improvement projects totaled \$469,488 including installation of ADA improvements, Dairy Fork Rehabilitation and Restoration as well as a continuation of stormwater cleanup measures. Special Revenue Funds contributing to these projects include Measure M Fairshare and Competitive Grant monies, Development Impact Fees, Proposition 84 funds, California Recycling grants and federal CDBG funds.

### **General Fund Budgetary Highlights**

**Revenues:** Actual revenues received were above the final year-end budget by \$1,185,583, or 7.7%. Property Taxes were up 4.3%, or \$275,503 over last year. This increase is primarily attributable to the reassessment of properties being sold in the current strong housing market at higher prices resulting in higher assessed values and Proposition 8 assessment recaptures. Sales tax revenue was down for the year due to a one-time payment for the return of funds previously paid to the City in error. After removing the effect of this one-time charge, recurring sales tax revenue was up approximately \$300,000. Transient occupancy tax was up 20.9%, or \$191,816, due to the opening of a new hotel in the City during the year. Overall, General Fund revenues in FY 2016-17 are expected to remain stable. The slight decrease when compared to FY 2015-16 actual receipts are due to one-time revenues received for Rule 20A monies, C&D deposit confiscations for not meeting stipulated diversion rates and the closeout of the triple flip.

**Expenditures:** Actual expenditures incurred were \$1,336,584, or 8.4%, lower than the final year-end budget as a result of the proactive approach by City Council and staff. Cost recoveries on charges for services are offset by proportional costs for providing these services. Additional cost

savings realized during FY 2015-16 were due to the rollover of various projects and programs to FY 2016-17. Overall, General Fund expenditures in FY 2016-17 are expected to increase by 10.9% over FY 2015-16 actual expenditures due to an increase in the Law Enforcement contract costs, the addition of the Town Center Specific Plan that was carried over from FY 2015-16, branding and economic development efforts, and the increase in personnel costs across all departments within the City.

**Ending Fund Balance:** Ending Fund Balance for the year increased by 9.4% from fiscal year 2014-15, for a total ending balance of \$23,987,852. Included in the fund balance are non-spendable funds of \$187,681 and assigned funds of \$16,425,653. The unassigned portion is the part of fund balance that is available for use without constraints established by legal requirements and totals \$7,374,518. The unassigned fund balance for the fiscal year ended June 30, 2016 is equal to 45.9% of FY2016-17 Adopted Budget General Fund Expenditures and is in compliance with the City’s Fund Balance Policy, 300-08.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

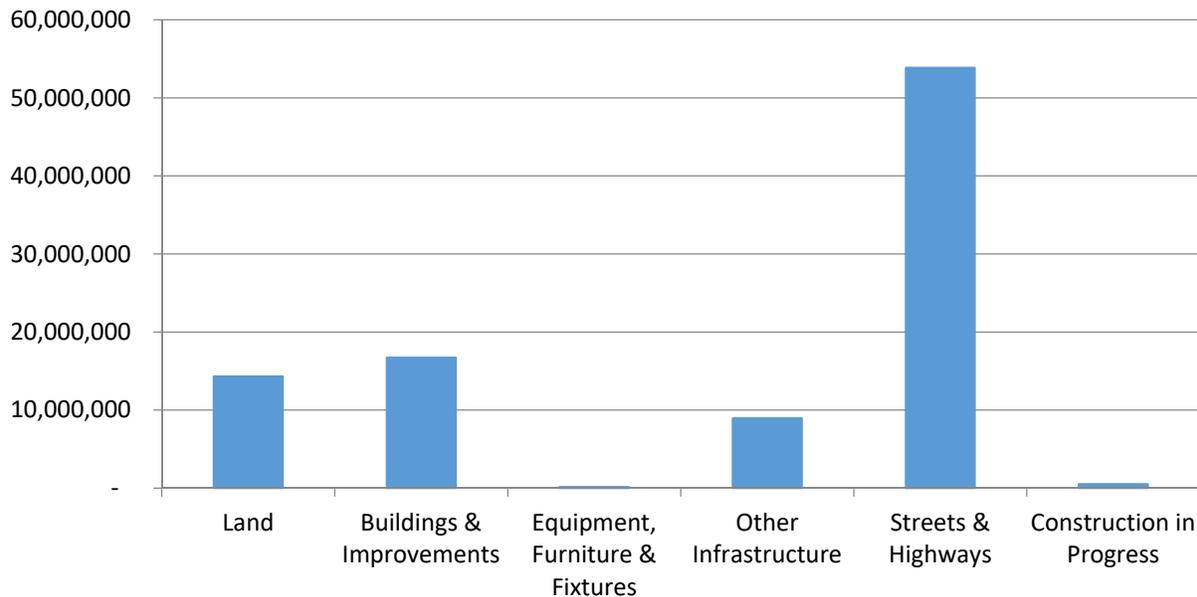
**Capital Assets**

As of June 30, 2016, the City had \$94,579,142 invested in a broad range of capital assets, including police equipment, buildings, land, park facilities, furniture and fixtures, and roads. (See Table 4 below). Additions to capital assets being depreciated were made in the amount of \$32,683 for the purchase of equipment, and there were no depreciable assets disposed during the year. Construction in Progress increased in the net amount of \$209,138 and consists of additions to infrastructure and buildings. Depreciation expense in the amount of \$817,862 was incurred in FY 2015-16. For additional information on capital assets, refer to Note 5 of Notes to the Financial Statements.

**Table 4  
Capital Assets at Year-End  
(Net of Depreciation)**

<u>Asset Type</u>	<u>2016</u>	<u>2015</u>
Land	\$14,315,978	\$14,315,978
Buildings and Improvements	16,741,175	17,079,645
Equipment, Furniture & Fixtures	167,645	184,251
Other Infrastructure	8,962,756	9,392,859
Streets & Highways	53,871,430	53,871,430
Construction-in-Progress	<u>520,158</u>	<u>311,020</u>
Total	<u>\$94,579,142</u>	<u>\$95,155,183</u>

**Capital Assets at Year End  
Fiscal Year 2015-16**



The City of Aliso Viejo elected to use the modified approach in reporting their streets and roads 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 certain requirements are met, which are disclosed in the accompanying *Basic Financial Statements* and *Required Supplementary Information*. In March 2002, the City Council approved a condition level of 80 as the minimum acceptable Pavement Condition Index (PCI). The following schedule discloses a comparison between the City's assessed condition level of the streets and roads network as of June 30, 2016 and the City's adopted target level of condition.

	<u>Actual Assessed Condition Level</u>	<u>Minimum Condition Level</u>
Overall Pavement Network	81.0	80

Under the modified approach, GASB Statement No. 34 requires that condition assessments be performed every three years. Last completed in May 2016, the City traditionally performs an assessment every two years. It is the City's intention to have another complete assessment performed on or before fiscal year ending June 30, 2018.

During the year ended June 30, 2016, actual streets and roads maintenance costs were \$2,115,066 compared to the estimate of \$2,574,200. The amount of underspending was mainly due to the rollover of a street project to FY 2016-17.

## Non-Current Liabilities

Changes in non-current liabilities for the fiscal year ended June 30, 2016 were as follows:

**Table 5**  
**Non-Current Liabilities**  
June 30, 2016

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016	Amount Due Within One Year	Amount Due Beyond One Year
Net Pension Obligation	\$ 593,141	\$ 271,318	\$ 266,827	\$ 597,632	\$ -	\$ 597,632
OPEB Obligation	168,924	23,897	(3,464)	189,357	-	189,357
Compensated Absences	113,969	152,946	(138,016)	128,899	61,575	67,324
Total	<u>\$ 876,034</u>	<u>\$ 181,334</u>	<u>\$ (141,480)</u>	<u>\$ 915,888</u>	<u>\$ 61,575</u>	<u>\$ 854,313</u>

For additional information on non-current liabilities, refer to Note 6 of the Notes to the Financial Statements.

## Debt

The City has no direct debt obligations. In the past, long term debt obligations of the City included the Certificates of Participation (COPS) issued in 2006 to finance the purchase of City Hall. In March of 2014, staff coordinated the refinancing of the Community Facilities District (CFD) bonds issued in conjunction with the Glenwood development and paid off all debt incurred with the issuance of Certificates of Participation (COP). Based on the final pricing of the CFD bonds, Glenwood property owners are saving an average of \$899 per year. There is no planned debt activity for FY 2016-17.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Another year of volatile GDP figures was attributed to slow growth in employment and personal income and uncertainty surrounding fiscal policies. In the first quarter of 2016, GDP growth increased 0.8%. The third estimate released for the second quarter of 2016 indicated the economy grew at a rate of 1.4%. Household spending and exports are rising moderately, supported by moderate growth in real disposable income. These increases were partially offset by decreases in investment in inventories, reductions in state and local spending and an upturn in imports. Inflation remains relatively flat and well below the Fed's target of 2%. In September the Federal Open Market Committee (FOMC) once again decided not to raise interest rates, citing while job growth has remained solid, inflation continues to remain well below the 2% target and business investment has remained soft. There does appear to be a possibility of the FOMC raising interest rates before the end of 2016.

Repercussions from the State's efforts to balance its budget during the great recession have continued to trickle down to the county and local government levels. The State budget for FY 2016-17 is projected to remain balanced, aided by stronger revenues compared to a year ago. The 2016 Budget Act pays down debt and saves for a rainy day as it continues to follow the terms of Proposition 2. In addition, it increases spending on education, infrastructure, affordable housing, and health care.

Unemployment in Orange County has consistently been among the lowest in the State and is expected to continue this trend into 2017. In August 2016, Orange County was ranked 7<sup>th</sup> lowest in the State with an unemployment rate of 4.4%. Total personal income is expected to continue to rise in 2017.

Forecasts for the Aliso Viejo community are optimistic given our strong economic base. The City's unemployment rate of 3.2% continues to be among the lowest among Orange County cities according to preliminary monthly labor force data provided by the State for September 2016. Although the City is mostly built out, businesses continue to seek vacant spaces within the City, which bodes well for the future economic condition of the City. The City's economic development team continues to work with property owners and commercial real estate professionals to assist in marketing currently available units and development sites. Housing market activity continued to increase in 2016 with rising prices and increased activity, adding to consumer confidence. Projects on the horizon, in addition to the Town Center Specific plan previously discussed, include two Senior Multi-Family Affordable Housing projects with approximately 200 units and will include low and very low units at each site.

Net General Fund operations for FY 2016-17 are estimated to result in a positive cash flow to the fund balance in the amount of \$110,795. Fund balance at the end of operations for FY 2016-17 is estimated at \$21.6 million. Overall, revenues in FY 2016-17 are anticipated to decrease slightly from FY 2015-16 levels, based on conservative estimates to account for modest growth in the economy, recent trends in construction activity and adjusted for one-time revenue receipts. The operating budget for FY 2016-17 is balanced and maintains current service levels.

CalPERS board had adopted new assumptions with impacts beginning with the FY 2016-17 budget year. Changes included demographic and mortality assumptions and its impacts on unfunded liability. Though they continued to maintain their 2.75% inflation and economic assumptions, they did however, adjusted their discount rate to 7.65% to be in compliance with GASB 68. As a result, the City experienced a .3% adjustment to its employer rates. In addition, the City continues to pay an additional portion of its unfunded liability as provided by CalPERS on an annual basis which reduces the volatility of the City's employer rate.

The Capital Improvement Budget represents a balanced approach for meeting the community's current and future needs, while continuing to address priority issues expressed by the community and City Council. The Capital Improvement Program for 2016-17 totals \$2.8 million and includes improvements to streets, stormwater projects, community amenities like ADA improvements, City signage update, wetlands maintenance, installation of a generator at City Hall and other improvements to City facilities. Staff continues to maximize the use of special revenues by actively pursuing grants and other funding opportunities from County, State, and Federal sources to help fund these programs.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Department of Financial Services, City of Aliso Viejo, 12 Journey, Suite 100, Aliso Viejo, California 92656, or call (949) 425-2520.

**CITY OF ALISO VIEJO**

**STATEMENT OF NET POSITION  
JUNE 30, 2016**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 28,136,443
Cash with fiscal agent	7,364,613
Receivables:	
Accounts	630,832
Accrued interest	29,583
Inventory	9,780
Prepaid costs	201,808
Due from other governments	1,664,534
Capital assets not being depreciated	68,707,566
Capital assets, net of depreciation	25,871,576
	<hr/>
<b>Total assets</b>	<b>132,616,735</b>
	<hr/>
<b>Deferred Outflows of Resources:</b>	
Deferred pension related items	372,348
	<hr/>
<b>Liabilities:</b>	
Accounts payable	1,251,798
Accrued liabilities	50,870
Deposits payable	563,754
Retentions payable	16,747
Due to other governments	93,388
Non-current liabilities:	
Net pension liability	597,632
Net OPEB liability	189,357
Due within one year	61,575
Due in more than one year	67,324
	<hr/>
<b>Total liabilities</b>	<b>2,892,445</b>
	<hr/>
<b>Deferred Inflows of Resources:</b>	
Deferred pension related items	152,046
	<hr/>
<b>Net Position:</b>	
Investment in capital assets	94,579,142
Restricted for:	
Community development projects	279,027
Public works	11,840,453
Public safety	12,953
Unrestricted	23,233,017
	<hr/>
<b>Total net position</b>	<b>\$ 129,944,592</b>
	<hr/>

See accompanying notes to the financial statements.

CITY OF ALISO VIEJO

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Functions/ Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General government	\$ 3,459,012	\$ -	\$ -	\$ -	\$ (3,459,012)
Public safety	7,723,449	312,400	114,987	-	(7,296,062)
Community development	1,450,043	1,101,048	30,500	18,875	(299,620)
Community services	2,982,463	1,240,607	174,227	-	(1,567,629)
Public works	4,038,360	-	2,450,464	-	(1,587,896)
Total governmental activities	19,653,327	2,654,055	2,770,178	18,875	(14,210,219)
<b>Total primary government</b>	<b>\$ 19,653,327</b>	<b>\$ 2,654,055</b>	<b>\$ 2,770,178</b>	<b>\$ 18,875</b>	<b>(14,210,219)</b>
<b>General revenues:</b>					
Taxes:					
					7,317,139
					1,108,102
					4,601,042
					1,573,339
					20,256
					328,416
					195,831
					<b>15,144,125</b>
					933,906
					129,010,686
					<b>\$ 129,944,592</b>

See accompanying notes to the financial statements.

## **GENERAL FUND**

The General Fund has been classified as a major fund and is used to account for revenues and expenditures that are not required to be accounted for in another fund.

## **SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for a particular purpose. The following funds have been classified as major funds.

### Gas Tax

This fund is used to account for the City's share of the motor vehicle gas tax imposed under the provisions of the Street and Highway Code of the State of California under Sections 2105, 2106, 2107, and 2107.5 which are legally restricted for the acquisition, construction, improvements and maintenance of public streets.

### Development Impact Fund

This fund is used to account for revenue received as a result of negotiated developer agreements for affordable housing, traffic mitigation, community enhancement and open spaces.

### Aliso Viejo Center

This fund is used to account for the operations of the Aliso Viejo Conference Center. The Aliso Viejo Conference Center is a City owned facility that serves as an ideal venue to accommodate an array of functions, such as banquets, wedding celebrations, conferences and corporate events.

### Aquatic Center

This fund is used to account for the operations of the Aliso Viejo Aquatic Center. The Aliso Viejo Aquatic Center is a City owned facility that will provide residents with a resort-style swimming complex that includes a lap pool, whirlpool, tot's wading pool, snack bar and patio.

### Other Governmental Funds

These funds constitute all other governmental funds that do not meet the major 10% and 5% test of assets, liabilities, revenues, or expenditures for the governmental funds. These funds consist of other Special Revenue and Capital Projects Funds for the City.

CITY OF ALISO VIEJO

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<u>Special Revenue Funds</u>		
	<u>General Fund</u>	<u>Gas Tax</u>	<u>Development Impact</u>
<b>Assets:</b>			
Cash and investments	\$ 15,300,516	\$ 1,775,605	\$ 7,880,045
Restricted cash and investments	7,364,613	-	-
Receivables:			
Accounts	604,226	108	12,500
Accrued interest	29,583	-	-
Inventory	-	-	-
Prepaid costs	187,681	-	-
Due from other governments	1,397,096	2,321	-
Due from other funds	108,055	-	-
<b>Total assets</b>	<b>\$ 24,991,770</b>	<b>\$ 1,778,034</b>	<b>\$ 7,892,545</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 921,077	\$ 66,062	\$ -
Accrued liabilities	50,870	-	-
Deposits payable	24,225	-	-
Due to other funds	284	-	-
Retentions payable	-	-	-
Due to other governments	-	-	-
<b>Total liabilities</b>	<b>996,456</b>	<b>66,062</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue - grants	7,462	1,838	12,500
<b>Fund Balances:</b>			
<b>Non-spendable:</b>			
Prepaid costs	187,681	-	-
<b>Restricted for:</b>			
Community development projects	-	-	-
Capital projects	-	1,710,134	7,880,045
<b>Assigned to:</b>			
Contingencies	4,351,653	-	-
Self insurance/benefit obligations	724,000	-	-
Asset replacement	9,850,000	-	-
Emergencies and unanticipated traffic projects	1,500,000	-	-
<b>Unassigned</b>	<b>7,374,518</b>	<b>-</b>	<b>-</b>
<b>Total fund balances</b>	<b>23,987,852</b>	<b>1,710,134</b>	<b>7,880,045</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 24,991,770</b>	<b>\$ 1,778,034</b>	<b>\$ 7,892,545</b>

See accompanying notes to the financial statements.

## CITY OF ALISO VIEJO

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

(Continued)

	Special Revenue Funds		Other Governmental Funds	Total Governmental Funds
	Aliso Viejo Center	Aquatic Center		
<b>Assets:</b>				
Cash and investments	\$ 623,616	\$ 71,881	\$ 2,484,780	\$ 28,136,443
Restricted cash and investments	-	-	-	7,364,613
Receivables:				
Accounts	6,507	7,491	-	630,832
Accrued interest	-	-	-	29,583
Inventory	9,780	-	-	9,780
Prepaid costs	14,092	35	-	201,808
Due from other governments	-	-	265,117	1,664,534
Due from other funds	284	-	-	108,339
<b>Total assets</b>	<b>\$ 654,279</b>	<b>\$ 79,407</b>	<b>\$ 2,749,897</b>	<b>\$ 38,145,932</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 114,750	\$ 57,323	\$ 92,586	\$ 1,251,798
Accrued liabilities	-	-	-	50,870
Deposits payable	539,529	-	-	563,754
Due to other funds	-	-	108,055	108,339
Retentions payable	-	10,805	5,942	16,747
Due to other governments	-	-	93,388	93,388
<b>Total liabilities</b>	<b>654,279</b>	<b>68,128</b>	<b>299,971</b>	<b>2,084,896</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue - grants	-	-	103,130	124,930
<b>Fund Balances:</b>				
<b>Non-spendable:</b>				
Prepaid costs	-	35	-	187,716
<b>Restricted for:</b>				
Community development projects	-	11,244	267,748	278,992
Capital projects	-	-	2,263,227	11,853,406
<b>Assigned to:</b>				
Contingencies	-	-	-	4,351,653
Self Insurance/benefit obligations	-	-	-	724,000
Asset replacement	-	-	-	9,850,000
Emergencies and unanticipated traffic projects	-	-	-	1,500,000
<b>Unassigned</b>	-	-	(184,179)	7,190,339
<b>Total fund balances</b>	<b>-</b>	<b>11,279</b>	<b>2,346,796</b>	<b>35,936,106</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 654,279</b>	<b>\$ 79,407</b>	<b>\$ 2,749,897</b>	<b>\$ 38,145,932</b>

See accompanying notes to the financial statements.

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**CITY OF ALISO VIEJO**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016**

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Fund balances of governmental funds	<b>\$ 35,936,106</b>
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.	94,579,142
Deferred inflows and outflows of resources related to pensions have not been reported in the governmental funds:	
Deferred outflows - pension related	372,348
Deferred inflows - pension related	(152,046)
Compensated absences that have not been included in the governmental fund activity.	(128,899)
Governmental funds report all pension contributions as expenditures, however, in the Statement of Net Position, the excess of the plan's proportionate share of the total pension liability over the proportionate share of the plan's fiduciary net position is reported as a net pension liability.	(597,632)
Governmental funds report all OPEB contributions as expenditures, however, in the Statement of Net Position, any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as assets or liabilities.	(189,357)
Revenues reported as unavailable revenue in the governmental funds are recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	<u>124,930</u>
<b>Net position of governmental activities</b>	<b><u><u>\$ 129,944,592</u></u></b>

See accompanying notes to the financial statements.

CITY OF ALISO VIEJO

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016**

	General Fund	Special Revenue Funds	
		Gas Tax	Development Impact
<b>Revenues:</b>			
Taxes	\$ 14,629,530	\$ -	\$ -
Licenses and permits	694,054	-	-
Intergovernmental	34,794	1,101,256	-
Charges for services	406,993	-	-
Use of money and property	330,087	10,200	-
Fines and forfeitures	312,400	-	-
Developer fees	-	-	30,500
Other	151,385	-	-
<b>Total revenues</b>	<b>16,559,243</b>	<b>1,111,456</b>	<b>30,500</b>
<b>Expenditures:</b>			
Current:			
General government:			
City council	159,745	-	-
City manager	724,789	-	-
Economic development	83,674	-	-
City clerk	183,057	-	-
City attorney	383,745	-	-
Finance	583,828	-	-
Information technology	127,624	-	-
General government	707,086	-	-
Community development:			
Community services	847,983	-	-
Planning	1,486,590	-	-
Public works	1,218,011	1,023,015	49,102
Public safety	7,591,658	-	-
Capital outlay	22,093	-	-
<b>Total expenditures</b>	<b>14,119,883</b>	<b>1,023,015</b>	<b>49,102</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,439,360	88,441	(18,602)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers out	(385,628)	-	(375,592)
<b>Total other financing sources (uses)</b>	<b>(385,628)</b>	<b>-</b>	<b>(375,592)</b>
Net change in fund balances	2,053,732	88,441	(394,194)
Fund balances, beginning of year	21,934,120	1,621,693	8,274,239
<b>Fund balances, end of year</b>	<b>\$ 23,987,852</b>	<b>\$ 1,710,134</b>	<b>\$ 7,880,045</b>

See accompanying notes to the financial statements.

CITY OF ALISO VIEJO

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016

(Continued)

	Special Revenue Funds		Other Governmental Funds	Total Governmental Funds
	Aliso Viejo Center	Aquatic Center		
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ 14,629,530
Licenses and permits	-	-	-	694,054
Intergovernmental	-	-	1,481,485	2,617,535
Charges for services	836,924	395,562	-	1,639,479
Use of money and property	-	-	18,630	358,917
Fines and forfeitures	-	-	-	312,400
Developer fees	-	-	-	30,500
Other	174,227	-	-	325,612
<b>Total revenues</b>	<b>1,011,151</b>	<b>395,562</b>	<b>1,500,115</b>	<b>20,608,027</b>
<b>Expenditures:</b>				
Current:				
General government:				
City council	-	-	-	159,745
City manager	-	-	-	724,789
Economic development	-	-	-	83,674
City clerk	-	-	-	183,057
City attorney	-	-	-	383,745
Finance	-	-	-	583,828
Information technology	-	-	-	127,624
General government	-	-	125,980	833,066
Community development:				
Community services	1,211,435	939,474	-	2,998,892
Planning	-	-	-	1,486,590
Public works	-	-	1,267,208	3,557,336
Public safety	-	-	85,768	7,677,426
Capital outlay	-	-	270,649	292,742
<b>Total expenditures</b>	<b>1,211,435</b>	<b>939,474</b>	<b>1,749,605</b>	<b>19,092,514</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(200,284)	(543,912)	(249,490)	1,515,513
<b>Other Financing Sources (Uses):</b>				
Transfers in	200,284	555,191	1,285,384	2,040,859
Transfers out	-	-	(1,279,639)	(2,040,859)
<b>Total other financing sources (uses)</b>	<b>200,284</b>	<b>555,191</b>	<b>5,745</b>	<b>-</b>
Net change in fund balances	-	11,279	(243,745)	1,515,513
Fund balances, beginning of year	-	-	2,590,541	34,420,593
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ 11,279</b>	<b>\$ 2,346,796</b>	<b>\$ 35,936,106</b>

See accompanying notes to the financial statements.

**CITY OF ALISO VIEJO**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2016**

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Net change in fund balances - total governmental funds **\$ 1,515,513**

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

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

Capital outlay	292,742
Depreciation	(817,862)
Capital projects expensed in current year	(50,921)

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	(14,930)
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Pension obligation expenses reported in the Statement of Activities do not require current financial resources and therefore, are not reported as expenditures in governmental funds.	50,591
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Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however, in the Statement of Activities, only the ARC is an expense.	(20,433)
--	----------

Revenues reported as unavailable revenue in the governmental funds are recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	<u>(20,794)</u>
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**Change in net position of governmental activities **\$ 933,906****

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CITY OF ALISO VIEJO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2016

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	Agency Funds
<b>Assets:</b>	
Cash and investments	\$ 935,382
Restricted cash and investments	4,262,635
Due from other governments	12,929
	<hr/>
<b>Total assets</b>	<b>\$ 5,210,946</b>
	<hr/>
<b>Liabilities:</b>	
Accounts payable	\$ 47,049
Deposits payable	890,069
Due to external parties/other agencies	4,273,828
	<hr/>
<b>Total liabilities</b>	<b>\$ 5,210,946</b>
	<hr/>

See accompanying notes to the financial statements.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Note 1: Summary of Significant Accounting Policies

The accounting policies of the City of Aliso Viejo conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### a. Reporting Entity

The City of Aliso Viejo (the City) was incorporated July 1, 2001, under the general laws of the State of California. The City operates under the Council-Manager form of government.

The City provides the following services as authorized by its general laws: public safety, public works, community development and general administrative services.

Generally accepted accounting principles require that these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. As of the end of the reporting period the City had no component units as defined by the GASB.

#### Aliso Viejo Public Facilities Corporation

The Aliso Viejo Public Facilities Corporation (Corporation) was created on July 19, 2006, for the purpose of providing for the financing of the acquisition and improvement of a building to be used as City Hall through the issuance of Certificates of Participation by the Corporation and the lease-back of the building from the Corporation to the City. Members of the City Council and management of the City act as the Corporation's governing board and exerts significant influence over its operations. Separate financial statements are not prepared for this Corporation, as the bonds have been paid off and the Corporation is now dormant.

#### b. Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

**b. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

**Government-Wide Financial Statements:** Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include a single column for the governmental activities of the primary government. The City of Aliso Viejo has no business-type activities. Eliminations have been made in the Statement of Activities 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.

Program revenues include charges for services, special assessments, and program payments. 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 an expenditure. 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 an expenditure.

**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 balances, 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, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and other funds in the aggregate for governmental 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.

**Note 1: Summary of Significant Accounting Policies (Continued)**

**b. Measurement Focus, Basis of Accounting and Basis of Presentation (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.

Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle license fee, transient occupancy taxes, 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 where 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. Revenues, expenses, gains, losses, 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.

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. Special reporting treatments are used to indicate; however, that they should not be considered "available spendable resources," since they do not represent net current assets.

**Note 1: Summary of Significant Accounting Policies (Continued)**

**b. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

Recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are classified as non spendable fund balance.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current 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 another financing source rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

**c. Fund Classifications**

The City reports the following major governmental funds:

**General Fund:** The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Gas Tax:** This fund is used to account for the City's share of the motor vehicle gas tax imposed under the provisions of the Street and Highway Code of the State of California under Sections 2105, 2106, 2107, and 2107.5 which are legally restricted for the acquisition, construction, improvements and maintenance of public streets.

**Development Impact Special Revenue Fund:** This fund is used to account for revenue received as a result of negotiated developer agreements for affordable housing, traffic mitigation, community enhancement and open spaces.

**Aliso Viejo Center Special Revenue Fund:** This fund is used to account for the operations of the Aliso Viejo Conference Center. The Aliso Viejo Conference Center is a City owned facility that serves as an ideal venue to accommodate an array of functions, such as banquets, wedding celebrations, conferences and corporate events. Revenues are generated from events held at the facility.

**Aquatic Center:** This fund is used to account for the operations of the Aliso Viejo Aquatic Center. The Aliso Viejo Aquatic Center is a City owned facility that provides residents with a resort-style swimming complex that includes a lap pool, family pool, tot's wading pool, snack bar and patio.

**Note 1: Summary of Significant Accounting Policies (Continued)**

**c. Fund Classifications (Continued)**

Additionally, the government reports the following fund types:

**Capital Projects Funds:** These funds are used to account for the financial resources used for the acquisition of capital assets and are funded by the General Fund, Gas Tax Fund, Measure M Fund, and the Federal Grants Fund.

**Agency Funds:** These funds are used to account for special deposits received for which the City acts as an agent for all special deposit activity.

**d. Cash and Investments**

Investments are reported in the accompanying statement of net position at fair value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings and changes in fair value. The City pools cash and investments of all 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 cash and investment balance, except for investment income associated with funds not legally required to receive pooled investment income which has been assigned to and recorded as revenue of the General Fund, as provided by California Government Code Section 53647.

**e. Prepaids**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The fund balances in the governmental fund statements have been classified as non-spendable for amounts equal to the prepaid items in the fund-level statements, since these amounts are not available for appropriation.

**f. Capital Assets**

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. Generally, capital asset purchases in excess of \$2,000 are capitalized if they have an expected useful life of three years or more.

Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements including roads, streets, sidewalks, medians, and storm drains. The City has elected to include infrastructure capital assets in their entirety (e.g., prior to 1980) in compliance with requirements of GASB Statement No. 34.

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**f. Capital Assets (Continued)**

Capital assets used in operations are depreciated over their estimated useful lives, except for streets, of which the City reports based on using the modified approach. The City uses the straight-line method in the government-wide financial statements for depreciating storm drains, park equipment, buildings, equipment and furniture and leasehold improvements. 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 are as follows:

Items	Useful Life
Buildings	100 years
Improvements	3-50 years
Equipment and furniture	5 years
Infrastructure:	
Sidewalks	20-50 years
Curb and gutters	20-50 years
Medians	20-50 years
Traffic signals	15 years
Street signs	15 years
Storm drains	20-50 years
Park equipment	10-50 years

The City of Aliso Viejo met all the criteria required by GASB Statement No. 34 to report their streets and roads network using the modified approach, which allows those infrastructure assets to be non-depreciable. Hence, all expenditures made for the streets and roads asset network (except for additions and improvements) are expensed in the period incurred. Additions or improvements to the streets and roads network assets that increase the capacity or efficiency of those assets (rather than preserve the useful life) are capitalized. The City elected to set their minimum acceptable level of condition at 80 for all streets and roads network systems based on their pavement management system scale of 1 to 100. The City plans to test/assess the condition level at least every three years. See the accompanying Required Supplementary Information section for additional information.

**g. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**Note 1: Summary of Significant Accounting Policies (Continued)**

**g. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City of Aliso Viejo has two types of items. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from various sources such as, grant revenue, taxes and other special revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is deferred pension related items.

The current year unavailable revenues balances included repayments from AYSO for a capital project in the amount of \$12,500, a receivable from the Emergency Operations Center in the amount of \$7,462, and receivables due from other governments in the amount of \$104,968.

**h. Net Pension Liabilities**

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, 2014

Measurement Date (MD) June 30, 2015

Measurement Period (MP) July 1, 2014 to June 30, 2015

**i. Compensated Absences**

In accordance with GASB Statement No. 16, an employee benefits payable liability is recorded for unused vacation and similar compensatory leave balances. The employee's entitlements to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

**Note 1: Summary of Significant Accounting Policies (Continued)**

**j. Property Taxes**

Under California law, property taxes are assessed and collected by the counties 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. Accordingly, the City recognizes as revenue only those taxes which are received within 60 days after year end.

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment - November 1 Second Installment - February 1
Delinquent Date:	First Installment - December 10 Second Installment - April 10

**k. Use of Estimates**

The preparation of basic 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**l. Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**m. Fund Balance Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Note 1: Summary of Significant Accounting Policies (Continued)**

**n. Fund Equity**

In the fund financial statements, government funds report the following fund balance classification:

Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager and/or Financial Services Director is authorized to assign amounts to a specific purpose, which was established by the governing through a resolution.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted or unrestricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

CITY OF ALISO VIEJO

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**o. Effect of New Accounting Standards**

During the fiscal year ended June 30, 2016, the City implemented the following Governmental Accounting Standards Board (GASB) standard:

**GASB Statement No. 72 – Fair Value Measurement and Application** This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of GASB Statement No. 72 are effective for financial statements beginning after June 15, 2015.

**II. STEWARDSHIP**

**Note 2: Stewardship, Compliance and Accountability**

**Excess of expenditures over appropriations are as follows:**

Expenditures for the year ended June 30, 2016, that exceeded the appropriations of the Major Special Revenue Funds are as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Major Funds:			
Conference Center:			
Community services	\$ 1,211,435	\$ 1,095,935	\$ 115,500

Operational activity increased, thus the related expenditures increased in the current year.

Deficit Fund Balance

At June 30, 2016, the following fund had a fund balance deficit:

<u>Fund</u>	<u>Fund Type</u>	<u>Deficit</u>
Storm Water	Other Governmental Fund – Capital Projects Fund	\$184,179

The Storm Water Fund had a deficit fund balance resulting from the negative cash reclassification as Due To Other Funds.

CITY OF ALISO VIEJO

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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III. DETAILED NOTES ON ALL FUNDS

**Note 3: Cash and Investments**

Cash and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 28,136,443
Cash and investments held by fiscal agent	7,364,613
Statement of Fiduciary Net Position:	
Cash and investments	935,382
Cash and investments held by fiscal agent	<u>4,262,635</u>
 Total cash and investments	 <u>\$ 40,699,073</u>

Cash and investments as of June 30, 2016 consists of the following:

Deposits with financial institutions	\$ 7,307,522
Cash on hand	1,620
Investments	<u>33,389,931</u>
 Total cash and investments	 <u>\$ 40,699,073</u>

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

The following table identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that 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 policy. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC.

**CITY OF ALISO VIEJO**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Note 3: Cash and Investments (Continued)**

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer*
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	75%	None
U.S. Agency Securities	Yes	5 years	60%	\$ 7,000,000
Banker's Acceptances	Yes	180 days	20%	3,000,000
Commercial Paper	Yes	270 days	20%	10%
Certificates of Deposit	Yes	5 years	75%	15,000,000
Negotiable Certificates of Deposit	Yes	3 years	20%	3,000,000
Repurchase Agreements	Yes	30 days	10%	2,000,000
Reverse Repurchase Agreements	No	30 days	10% of base value	2,000,000
Medium-Term Notes	Yes	5 years	10%	1,000,000
Mutual Funds	No	None	20%	10%
Money Market Mutual Funds	Yes	None	10%	1,000,000
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Fund	No	None	None	None
Local Agency Investment Fund	Yes	None	100%	65,000,000
JPA Pools (other investment pools)	No	None	None	None

\* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

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

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer*
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	75%	None
U.S. Agency Securities	Yes	5 years	60%	\$ 7,000,000
Banker's Acceptances	Yes	180 days	20%	3,000,000
Commercial Paper	Yes	270 days	20%	10%
Certificates of Deposit	Yes	5 years	75%	15,000,000
Negotiable Certificates of Deposit	Yes	3 years	20%	3,000,000
Repurchase Agreements	Yes	30 days	10%	2,000,000
Reverse Repurchase Agreements	No	30 days	10% of base value	2,000,000
Medium-Term Notes	Yes	5 years	10%	1,000,000
Mutual Funds	No	None	20%	10%
Money Market Mutual Funds	Yes	None	10%	1,000,000
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Fund	No	None	None	None
Local Agency Investment Fund	Yes	None	100%	65,000,000
JPA Pools (other investment pools)	No	None	None	None

**CITY OF ALISO VIEJO**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Note 3: 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 is to changes in market interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Fair Value	Remaining Maturity		
		12 Months or Less	13 to 24 Months	25 to 60 Months
State investment pool	\$21,757,841	\$21,757,841	\$ -	\$ -
Held by fiscal agent:				
Money market mutual funds	4,262,635	4,262,635	-	-
Certificate of deposit	4,365,000	735,000	2,160,000	1,470,000
Federal National Mortgage Assn.	2,002,565	-	-	2,002,565
Federal Home Loan Bank	1,001,890	-	500,969	500,921
<b>Total</b>	<b>\$33,389,931</b>	<b>\$26,755,476</b>	<b>\$ 2,660,969</b>	<b>\$ 3,973,486</b>

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 a 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 actual rating as of year-end for each investment type:

Investment Type	Total	Minimum Legal Rating	Ratings as of Year End		
			AAA	AA+	Not Rated
State investment pool	\$21,757,841	N/A	\$ -	\$ -	\$21,757,841
Held by fiscal agent:					
Money market mutual funds	4,262,635	AAA	4,262,635	-	-
Certificate of deposit	4,365,000	N/A	-	-	4,365,000
Federal National Mortgage Assn.	2,002,565	AA	-	2,002,565	-
Federal Home Loan Bank	1,001,890	AA	-	1,001,890	-
<b>Total</b>	<b>\$33,389,931</b>		<b>\$ 4,262,635</b>	<b>\$ 3,004,455</b>	<b>\$26,122,841</b>

## CITY OF ALISO VIEJO

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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#### **Note 3: Cash and Investments (Continued)**

##### Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2016, the City did not have any investments in any one issuer (other than, mutual funds and external investment pools) that represented 5% or more of its total investment portfolio.

##### 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 credit 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 policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

##### Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at an amount based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Currently, LAIF does not have an investment rating.

##### Fair value measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**CITY OF ALISO VIEJO**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Note 3: Cash and Investments (Continued)**

The City has the following recurring fair value measurements as of June 30, 2016:

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Federal National Mortgage Assn.	\$ 2,002,565	\$ 2,002,565	\$ -	\$ -
Federal Home Loan Bank	1,001,890	1,001,890	-	-
Certificate of deposit	4,365,000		4,365,000	
Total investments by fair value level	7,369,455	<u>\$ 3,004,455</u>	<u>\$ 4,365,000</u>	<u>\$ -</u>
Investments measured at the Net Asset Value (NAV)				
State Investment Pool	21,757,841			
Money market mutual funds	<u>4,262,635</u>			
Total	<u>\$33,389,931</u>			

**Note 4: Interfund Receivables, Payables and Transfers**

**Due To/From Other Funds**

Interfund receivables and payables as of June 30, 2016, consisted of the following:

Due From Other Funds	Due To Other Funds		Total
	General Fund	Other Governmental Funds	
General Fund	\$ -	\$ 108,055	\$ 108,055
Aliso Viejo Center	284	-	284
	<u>\$ 284</u>	<u>\$ 108,055</u>	<u>\$ 108,339</u>

The amount due from the Aliso Viejo Center represents funding from the General Fund for facility operations. The amount from the General Fund was to cover the Storm Water Fund's negative cash.

**CITY OF ALISO VIEJO**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**Note 4: Interfund Receivables, Payables and Transfers (Continued)**

**Interfund Transfers**

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Transfers In	Transfers Out			Total
	General Fund	Development Impact	Other Governmental Funds	
Aliso Viejo Center	\$ 85,692	\$ 114,592	\$ -	\$ 200,284
Aquatic Center	294,191	261,000	-	555,191
Non-Major Governmental Funds	5,745	-	1,279,639	1,285,384
Total	<u>\$ 385,628</u>	<u>\$ 375,592</u>	<u>\$ 1,279,639</u>	<u>\$ 2,040,859</u>

Transfers from the General Fund to the Aliso Viejo Center and Aquatic Center were made to provide funding for their operations. Transfers from the Development Impact Fund to the Aliso Viejo Center and Aquatic Center were made to provide funding for capital improvements. Transfers from various Special Revenue Funds were made to the Street Improvements Fund, Capital Improvements Fund and the Storm Water Fund (other governmental funds) to provide funding for various capital projects.

**CITY OF ALISO VIEJO**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Note 5: Capital Assets**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 14,315,978	\$ -	\$ -	\$ 14,315,978
Infrastructure - streets	53,871,430	-	-	53,871,430
Construction in progress**	311,020	260,059	(50,921)	520,158
 Total capital assets, not being depreciated	 68,498,428	 260,059	 (50,921)	 68,707,566
Capital assets, being depreciated:				
Buildings	19,387,998	-	-	19,387,998
Improvements	400,839	-	-	400,839
Equipment	392,079	32,683	-	424,762
Furniture	242,578	-	-	242,578
Infrastructure - other*	25,114,741	-	-	25,114,741
 Total capital assets, being depreciated	 45,538,235	 32,683	 -	 45,570,918
Accumulated Depreciation				
Buildings	(2,388,685)	(330,285)	-	(2,718,970)
Improvements	(320,507)	(8,185)	-	(328,692)
Equipment	(211,833)	(48,158)	-	(259,991)
Furniture	(238,573)	(1,131)	-	(239,704)
Infrastructure - other	(15,721,882)	(430,103)	-	(16,151,985)
 Total accumulated depreciation	 (18,881,480)	 (817,862)	 -	 (19,699,342)
 Total capital assets, being depreciated, net	 26,656,755	 (785,179)	 -	 25,871,576
 Capital assets, net	 <u>\$ 95,155,183</u>	 <u>\$ (525,120)</u>	 <u>\$ (50,921)</u>	 <u>\$ 94,579,142</u>

\*Other infrastructure consisted of sidewalks, curbs and gutters, medians, traffic signals, street signs, storm drains and park equipment.

\*\*Construction in progress consists primarily of additions to infrastructure and buildings.

Depreciation expense was charged to functions as follows:

General government	\$ 333,281
Community development	182
Public safety	46,023
Public works	430,103
Community services	8,273
 Total	 <u>\$ 817,862</u>

**CITY OF ALISO VIEJO**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**Note 6: Non-current Liabilities**

Changes in non-current liabilities for the fiscal year ended June 30, 2016, were as follows:

	Beginning Balance at July 1, 2015	Additions	Deletions	Ending Balance at June 30, 2016	Amount Due Within One Year
Net pension liability	\$ 593,141	\$ 271,318	\$ 266,827	\$ 597,632	\$ -
OPEB liability	168,924	23,897	3,464	189,357	-
Compensated absences	113,969	152,946	138,016	128,899	61,575
<b>Total</b>	<b>\$ 876,034</b>	<b>\$ 448,161</b>	<b>\$ 408,307</b>	<b>\$ 915,888</b>	<b>\$ 61,575</b>

Net Pension Obligation

The net pension obligation plan is described in Note 8. As of June 30, 2016, the outstanding balance was \$597,632. The General Fund will be used to liquidate this liability.

OPEB Obligation

The OPEB obligation plan is described in Note 9. As of June 30, 2016, the outstanding balance was \$189,357. The General Fund will be used to liquidate this liability.

Compensated Absences

The City's policies relating to employee leave benefits are described in Note 1.i. This liability will be paid in future years from future resources primarily from the General Fund. As of June 30, 2016, the outstanding balance was \$128,899.

**Note 7: Debt Without Government Commitment Community Facilities District No. 2005-01**

In November 2007, the City issued \$34,070,000 in Special Tax Bonds for Community Facilities District No. 2005-01 (Glenwood at Aliso Viejo). The bonds were issued to finance the acquisition and improvement of various public facilities within Community Facilities District 2005-01 (Glenwood at Aliso Viejo). The City later refinanced the 2007 Special Tax Bonds with the issuance of the 2014 Special Tax Bonds.

On September 1, 2014, the City issued \$32,270,000 in Special Tax Bonds for Community Facilities District No. 2005-01 (Glenwood at Aliso Viejo). Interest payments commenced on September 1, 2014, and are paid semiannually thereafter on September 1 and March 1 of each year. Principal payments commence on September 1, 2014, and are paid annually in amounts ranging from \$295,000 to \$2,850,000 until September 1, 2038. The bonds were issued to refinance the outstanding 2007 Special Tax Bonds and cause the early redemption thereof on March 1, 2014. The outstanding principal balance as of June 30, 2016, was \$31,615,000.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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**Note 8: Pension Plan**

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

Plan Description

The Plan is a cost-sharing, 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 is listed in the June 30, 2014 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. The actuarial valuation report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

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. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

The Plan's provisions and benefits in effect at June 30, 2016 are summarized as follows:

	<u>Miscellaneous</u>	<u>PEPRA Miscellaneous</u>
	And prior to <u>January 1, 2013*</u>	On or after <u>January 1, 2013</u>
Hire Date		
Benefit formula	2% @ 55	1.5% @ 65
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % eligible compensation	1.426% - 2.418%	1.000% - 2.500%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.003%	6.237%

**Note 8: Pension Plan (Continued)**

**A. General Information about the Pension Plan (Continued)**

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by Miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and 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. Employer Contributions for the fiscal year ended June 30, 2016 are \$146,386. The actual employer payments of \$167,016 made to CalPERS by the City during the measurement period ended June 30, 2015 differed from the City's proportionate share of the employer's contributions of \$116,994 by \$50,022, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

**B. Net Pension Liability**

The City'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, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**Note 8: Pension Plan (Continued)**

**B. Net Pension Liability (Continued)**

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases (1)	Varies by entry age and service
Investment Rate of Return (2)	7.65%
Mortality Rate Table (3)	Derived using CalPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) Annual increases vary by category, entry age, and duration of service

(2) Net of pension plan investment and administrative expenses; includes inflation

years of mortality improvements using Society of Actuaries Scale BB. For more details on this table,

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 8: Pension Plan (Continued)**

**B. Net Pension Liability (Continued)**

nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 <sup>(1)</sup>	Real Return Years 11+ <sup>(2)</sup>
Global equity	47%	5.25%	5.71%
Global fixed income	19%	0.99%	2.43%
Inflation sensitive	6%	45.00%	3.36%
Private equity	12%	6.83%	6.95%
Real estate	11%	4.50%	5.13%
Infrastructure and forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website under Forms and Publications, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

CITY OF ALISO VIEJO

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

Note 8: Pension Plan (Continued)

C. Proportionate Share of Net Pension Liability (Continued)

The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
Balance at 6/30/2014	\$ 3,494,972	\$ 2,901,831	\$ 593,141
Balance at 6/30/2015	3,979,871	3,382,239	597,632
Net changes during 2014 - 2015	<u>\$ 484,899</u>	<u>\$ 480,408</u>	<u>\$ 4,491</u>

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website under Forms and Publications, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The City's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

Proportionate Share of Net Pension Liability - June 30, 2014	0.02400%
Proportionate Share of Net Pension Liability - June 30, 2015	0.02178%
Change - Increase (Decrease)	-0.00222%

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

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
\$ 1,139,637	\$ 597,632	\$ 150,143

Subsequent Events

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

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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**Note 8: Pension Plan (Continued)**

**C. Proportionate Share of Net Pension Liability (Continued)**

Recognition of Gains and Losses

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

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

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

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

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for the PERF C for the June 30, 2015 measurement period is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

As of the start of the measurement period (July 1, 2014), the net pension liability for the plan is \$593,141 (the net pension liability of the aggregate plan as of June 30, 2015 is \$2,471,487,278).

For the measurement period ending June 30, 2015 (the measurement date), the City incurred a pension expense of \$95,795 for the Plan (the pension expense for the aggregate plan for the measurement period is \$169,012,983).

**CITY OF ALISO VIEJO**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**Note 8: Pension Plan (Continued)**

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

As of June 30, 2016, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 10,705	\$ -
Changes of Assumptions	-	(101,275)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(50,771)
Change in Employer's Proportion	58,387	-
Difference in Actual vs Projected Contributions	156,870	-
Pension Contributions Subsequent to Measurement Date	<u>146,386</u>	<u>-</u>
Total	<u>\$ 372,348</u>	<u>\$ (152,046)</u>

The amounts above are net of outflows and inflows recognized in the 2014-15 measurement period expense. The \$146,386 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Measurement period ended June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2016	\$ 11,726
2017	16,379
2018	22,663
2019	23,148
2020	-
Remaining	-

**E. Payable to the Pension Plan**

The City reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**CITY OF ALISO VIEJO**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**Note 9: Other Post Employment Benefits**

**Plan Description**

The City provides other postemployment benefits (OPEB) through the Public Employees' Medical and Hospital Care Act (PEMHCA), a cost-sharing defined benefit healthcare plan administered by the California Public Employees' Retirement System (CalPERS), by contributing a predetermined monthly maximum as stipulated by PEMHCA. The current benefit amount of \$1,500 is paid for each eligible retiree that are eligible to participate in the PERS Health Plan. These benefits are provided per contract between the City and the employee. Separate financial statements for the PEMHCA may be obtained by writing to CalPERS at Lincoln Plaza North 400 Q Street, Sacramento, California 95814 or by visiting the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Funding Policy**

The contribution requirements of plan members and the City are established and may be amended by the City and/or City Council. Currently, contributions are not required from plan members. A contribution of \$3,464 was made during the 2015-2016, fiscal year. The purpose of the contributions was to cover the pay-as-you-go financing requirements. As a result, the City calculated and recorded a Net OPEB Obligation, representing the difference between the Annual Required Contribution (ARC) and actual contributions, as presented in the following table:

Annual required contribution (ARC)	\$	25,280
Interest on net OPEB obligation		7,602
Adjustment to ARC		(8,985)
Annual OPEB cost (expense)		<u>23,897</u>
Contributions made		<u>3,464</u>
Increase/(decrease) in net OPEB obligation		20,433
Net OPEB obligation - beginning of year		<u>168,924</u>
Net OPEB obligation - end of year	\$	<u><u>189,357</u></u>

**Trend Information**

The City contributed \$3,464 of the adjusted ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the annual normal cost and the amortization of unfunded actuarial liabilities (or funding excess) over a thirty year period. For fiscal year 2015-2016, the City's annual OPEB cost (expense) was \$23,897. Information on the annual OPEB cost, percentage of Annual OPEB cost contributed, and Net OPEB Obligation are only available for this fiscal year. A three year trend will be available in future years from this fiscal year forward.

**CITY OF ALISO VIEJO**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**Note 9: Other Post Employment Benefits (Continued)**

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions (Net of Adjustments)</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 23,884	\$ 2,892	12.1%	\$ 168,924
June 30, 2016	23,897	3,464	14.5%	189,357

**Funded Status and Funding Progress**

Actuarial Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions and future employment, mortality, and the healthcare costs trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress in the Required Supplementary Information (presented after the footnotes) presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The information is as of the latest actuarial valuation.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the Individual Entry Age Actuarial Cost Method was used. The actuarial assumptions include a payroll growth rate of 2.75%, a discount rate of 4.50%, an inflation rate of 2.75%, and ultimate rate of medical inflation of 4.00%. The actuarial value of assets is set equal to the reported market value of assets. The initial Unfunded Actuarial Accrued Liability was amortized using level percent of 4.5%, closed 30 year amortization. The remaining Unfunded Actuarial Accrued Liability at June 30, 2016 is using level percent of 4.5% over open 30 year amortization. The remaining amortization period at June 30, 2016, is 23 years. The number of eligible active participants is 18 and the number of eligible retirees is 3.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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**Note 10: Risk Management**

The City is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

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. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years are closed, on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. Coverage years 2013-14, and forward are not subject to routine annual retrospective adjustment.

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

General Liability - In the liability program 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.

For 2015-16 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million x/s \$5 million layer, however it is fully covered under a separate policy and therefore not retained by the Authority.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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**Note 10: Risk Management (Continued)**

Workers' Compensation - In the workers' compensation program 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 2015-16 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law.

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

Pollution Legal Liability Insurance - The City 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. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2014 through July 1, 2017. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance - The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. City property currently has all-risk property insurance protection in the amount of \$21,237,632. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

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

## CITY OF ALISO VIEJO

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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#### **Note 10: Risk Management (Continued)**

Special Event Tenant User Liability Insurance -The City further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City according to a schedule. The City then pays for the insurance. The insurance is arranged by the Authority.

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 2015-16.

#### **Note 11: Joint Venture**

##### Orange County Fire Authority

In July 2001, 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, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, Westminster and Yorba Linda and the County of Orange to create the Orange County Fire Authority (Authority). Since the creation of the Authority, the Cities of Laguna Woods, Rancho Santa Margarita and Santa Ana joined the Authority as members eligible for fire protection services. The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each City and two from the County. The operations of the Authority are funded with fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, Seal Beach and Santa Ana. 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 Santa Ana are considered "cash contract cities" and accordingly, make cash contributions based on the Authority's annual budget. The City of Aliso 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, 180 S. Water Street, Orange, California 92866.

#### **Note 12: Contingent Liabilities**

Various claims and suits have been filed against the City in the normal course of business. Although the outcome of these matters is not presently determinable in the opinion of legal counsel, the resolutions of these matters will not have a material adverse effect on the financial condition of the City.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ALISO VIEJO**

**REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2016**

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**Budgetary Comparison Information**

**Budget Policies**

The City Manager shall prepare and submit the proposed annual budget to the City Council for its approval for all governmental funds. The agenda for the budget workshops and budget meetings are noticed in accordance with the Brown Act. After reviewing the same and making such revisions as it may deem advisable and public input the budget is then adopted annually by the Council at a regularly held meeting. The budget is adopted prior to the beginning of the fiscal year and serves as the foundation for the City's financial plan.

The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. Transfers of appropriations between funds can be made with the City Manager/Financial Services Director approval. City Council's approval is required for all budget amendments that result in a change to the adopted budget.

Budgets are prepared in accordance with generally accepted accounting principles using the modified accrual basis of accounting.

Appropriations lapse at the end of the fiscal year unless they are re-appropriated through the formal budget process. Encumbrances do not constitute expenditures or liabilities of the City.

Budgeted amounts are as originally adopted, or as amended in accordance with prescribed procedures throughout the fiscal year.

**Excess of expenditures over appropriations are as follows:**

Expenditures for the year ended June 30, 2016, that exceeded the appropriations of the Major Special Revenue Funds are as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Major Funds:			
Aliso Viejo Center:			
Community services	\$ 1,211,435	\$ 1,095,935	\$ 115,500

CITY OF ALISO VIEJO

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Fund Balances - beginning</b>	\$ 21,934,120	\$ 21,934,120	\$ 21,934,120	\$ -
<b>Resources (Inflows):</b>				
Taxes	14,319,370	13,596,450	14,629,530	1,033,080
Licenses and permits	567,890	643,000	694,054	51,054
Intergovernmental	12,500	32,750	34,794	2,044
Charges for services	299,560	323,950	406,993	83,043
Use of money and property	272,105	285,410	330,087	44,677
Fines and forfeitures	340,000	340,000	312,400	(27,600)
Other	62,550	152,100	151,385	(715)
Amounts available for appropriations	<b>37,808,095</b>	<b>37,307,780</b>	<b>38,493,363</b>	<b>1,185,583</b>
<b>Charges to Appropriations (Outflows):</b>				
General government:				
City council	156,460	163,070	159,745	3,325
City manager	742,105	736,815	724,789	12,026
Economic development	135,000	136,760	83,674	53,086
City clerk	186,225	194,900	183,057	11,843
City attorney	417,000	417,000	383,745	33,255
Finance	629,750	634,060	583,828	50,232
Information technology	123,450	199,955	127,624	72,331
General government	810,450	837,325	707,086	130,239
Community development:				
Community services	948,475	978,780	847,983	130,797
Planning	1,600,080	1,834,000	1,486,590	347,410
Public works	1,333,600	1,315,450	1,218,011	97,439
Public safety	7,717,822	7,756,717	7,591,658	165,059
Capital outlay	22,093	22,093	22,093	-
Transfers out	295,840	615,170	385,628	229,542
<b>Total charges to appropriations</b>	<b>15,118,350</b>	<b>15,842,095</b>	<b>14,505,511</b>	<b>1,336,584</b>
<b>Fund Balances - ending</b>	<b>\$ 22,689,745</b>	<b>\$ 21,465,685</b>	<b>\$ 23,987,852</b>	<b>\$ 2,522,167</b>

CITY OF ALISO VIEJO

BUDGETARY COMPARISON SCHEDULE  
 GAS TAX  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Fund Balances - beginning</b>	\$ 1,621,693	\$ 1,621,693	\$ 1,621,693	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,059,740	1,059,740	1,101,256	41,516
Use of money and property	2,000	3,300	10,200	6,900
<b>Amounts available for appropriations</b>	<b><u>2,683,433</u></b>	<b><u>2,684,733</u></b>	<b><u>2,733,149</u></b>	<b><u>48,416</u></b>
<b>Charges to Appropriations (Outflows):</b>				
Public works	1,141,000	1,136,000	1,023,015	112,985
<b>Total charges to appropriations</b>	<b><u>1,141,000</u></b>	<b><u>1,136,000</u></b>	<b><u>1,023,015</u></b>	<b><u>112,985</u></b>
<b>Fund Balances - ending</b>	<b><u>\$ 1,542,433</u></b>	<b><u>\$ 1,548,733</u></b>	<b><u>\$ 1,710,134</u></b>	<b><u>\$ 161,401</u></b>

CITY OF ALISO VIEJO

**BUDGETARY COMPARISON SCHEDULE  
DEVELOPMENT IMPACT  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Fund Balances - beginning</b>	\$ 8,274,239	\$ 8,274,239	\$ 8,274,239	\$ -
<b>Resources (Inflows):</b>				
Developer fees	245,125	-	30,500	30,500
<b>Amounts available for appropriations</b>	<b>8,519,364</b>	<b>8,274,239</b>	<b>8,304,739</b>	<b>30,500</b>
<b>Charges to Appropriations (Outflows):</b>				
Public works	100,000	50,000	49,102	898
Transfers out	805,000	867,845	375,592	492,253
<b>Total charges to appropriations</b>	<b>905,000</b>	<b>917,845</b>	<b>424,694</b>	<b>493,151</b>
<b>Fund Balances - ending</b>	<b>\$ 7,614,364</b>	<b>\$ 7,356,394</b>	<b>\$ 7,880,045</b>	<b>\$ 523,651</b>

CITY OF ALISO VIEJO

BUDGETARY COMPARISON SCHEDULE  
 ALISO VIEJO CENTER  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Fund Balances - beginning</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Charges for services	686,480	629,500	836,924	207,424
Other	105,895	116,900	174,227	57,327
Transfers in	150,000	349,535	200,284	(149,251)
<b>Amounts available for appropriations</b>	<b>942,375</b>	<b>1,095,935</b>	<b>1,211,435</b>	<b>115,500</b>
<b>Charges to Appropriations (Outflows):</b>				
Community services	941,185	1,095,935	1,211,435	(115,500)
<b>Total charges to appropriations</b>	<b>941,185</b>	<b>1,095,935</b>	<b>1,211,435</b>	<b>(115,500)</b>
<b>Fund Balances - ending</b>	<b>\$ 1,190</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

CITY OF ALISO VIEJO

**BUDGETARY COMPARISON SCHEDULE  
AQUATIC CENTER  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Fund Balances - beginning</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Charges for services	321,150	382,845	395,562	12,717
Transfers in	460,045	566,450	555,191	(11,259)
<b>Amounts available for appropriations</b>	<b>781,195</b>	<b>949,295</b>	<b>950,753</b>	<b>1,458</b>
<b>Charges to Appropriations (Outflows):</b>				
Community services	781,195	949,295	939,474	9,821
<b>Total charges to appropriations</b>	<b>781,195</b>	<b>949,295</b>	<b>939,474</b>	<b>9,821</b>
<b>Fund Balances - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,279</b>	<b>\$ 11,279</b>

**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**YEAR ENDED JUNE 30, 2016**

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**CAPITAL ASSETS – MODIFIED APPROACH FOR INFRASTRUCTURE**

The City elected to use the modified approach in reporting their street pavement 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.

The condition of road pavement is measured using the Abbott Pavement Management System. All city streets have asphalt surfaces. Six distress factors are assessed for all street segments. Pavement condition is rated on a scale of 0 to 100 points. This rating scale is called a deficiency rating. The scale is subdivided into ranges or categories. Pavement condition is commonly defined by the following five categories.

1. Very good (86 to 100 Rating) — A street rated as excellent has the characteristics of a new street. A street in this category has no surface defects that would affect ride quality or cause excess tire noise.
2. Good (75 to 85 Rating) — A street rated as good has some surface defects that can be seen when walking along the street. Some cracking and raveling will probably exist. In fact, there could be large cracks in the street or many hairline cracks. There may be some minor bumps that can be felt when driving the street at posted speeds.
3. Fair (60 to 74 Rating) — A street rated as fair has areas of surface defects that are apparent to drivers and passengers as they use the street. There will probably be significant cracking and raveling of the asphalt surface. If cracking does not exist, the street will probably have many patches and utility cuts or perhaps some rutting and deformation. There will be some ride roughness and some additional tire noise. These streets will not cause increases in vehicle driving costs due to extra wear and tear on vehicles.

**CITY OF ALISO VIEJO**

**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**CAPITAL ASSETS – MODIFIED APPROACH FOR INFRASTRUCTURE (CONTINUED)**

4. Poor (41 to 59 Rating) — A street rated as poor has surface defects generally throughout its length that are readily apparent to anyone using the street. There will be areas showing structural failure with closely spaced cracking and there may be pieces of loose pavement. A street in this category will cause additional vehicle user costs and excessive tire noise.
5. Very poor (40 and below Rating) — A street rated critical will have major areas of structural failure which may alter the speeds at which typical drivers drive on the street. There will be missing pieces of pavement. Repair of a street in this category will require reconstruction.

Annual street maintenance costs for the previous five fiscal years were as follows:

Year Ended June 30,	Actual	Estimated
2012	\$ 2,773,067	\$ 3,147,273
2013	2,366,721	2,712,700
2014	2,556,432	2,931,790
2015	1,534,638	2,675,800
2016	2,115,067	2,574,200
Total	<u>\$ 11,345,925</u>	<u>\$ 14,041,763</u>

The City of Aliso Viejo City Council (the Council) accepted the findings of the Pavement Management System performed in fiscal year 2002 (see results below) and adopted a condition rating of 80 as the minimum acceptable Pavement Condition Index (PCI). The PMS was updated using statistical methods in 2004. The approach incorporated a new field survey of approximately 10% of all streets. The survey was then statistically extended to the entire street system. A complete field survey was performed and accepted by the City Council in fiscal year 2008, 2010, 2012, 2014 and 2016. See below for the three most recent condition assessments:

Conditions		2012	Mileage	2014	Mileage	2016	Mileage
86-100	Very good	80.8%	58.9	57.5%	41.8	41.8%	30.4
75-85	Good	9.6%	7.0	19.6%	14.3	36.4%	26.5
60-74	Fair	6.5%	4.7	15.1%	11.0	20.6%	15.0
41-59	Poor	2.1%	1.5	6.7%	4.9	1.2%	0.9
0-40	Very poor	1.0%	0.7	1.1%	0.8	0.0%	-
		<u>100.0%</u>	<u>72.8</u>	<u>100.0%</u>	<u>72.8</u>	<u>100.0%</u>	<u>72.8</u>

The results of the most recent complete condition assessment (performed in fiscal year 2016) reported an average condition rating of 81 which is 5.9 points lower than the 2014 average of 86.9. The estimated total funding needed for maintenance/rehabilitation to achieve the minimum PCI standard was \$1,999,461 as of June 30, 2016. This figure is based on the fiscal year 2016 condition survey. The condition survey will be updated during the fiscal year ended June 30, 2018, for a two-year cycle.

CITY OF ALISO VIEJO

**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
 MISCELLANEOUS PLAN  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND  
 RELATED RATIOS AS OF THE MEASUREMENT DATE  
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS\***

	<b>Measurement Date</b>	
	<b>June 30, 2014</b>	<b>June 30, 2015</b>
Employer's Proportion of the Collective Net Pension Liability <sup>1</sup>	0.00953%	0.02178%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 593,141	\$ 597,632
Employer's Covered Payroll <sup>2</sup>	1,452,684	1,486,860
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	40.83%	40.19%
Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	81.15%	84.98%

<sup>1</sup> Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

<sup>2</sup> Covered payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

\*Measurement period 2013-14 (fiscal year 2014-15) was the first year of implementation, therefore, only two years are shown.

CITY OF ALISO VIEJO

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
 MISCELLANEOUS PLAN  
 SCHEDULE OF PLAN CONTRIBUTIONS  
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS \*

	Fiscal Year	
	2014-2015	2015-2016
Contractually Determined Contributions	\$ 266,827	\$ 146,386
Contributions in Relation to the Contractually Determined Contributions	<u>(266,827)</u>	<u>(146,386)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Employer's Covered Payroll <sup>1</sup>	\$ 1,486,860	\$ 1,606,038
Contributions as a Percentage of Covered Payroll	17.95%	9.11%

<sup>1</sup> Covered payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

\*Measurement period 2013-14 (fiscal year 2014-15) was the first year of implementation, therefore, only two years are shown.

*Notes to Schedule:*

Change in Benefit Terms: None

Change in Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

**CITY OF ALISO VIEJO**

**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Schedule of Funding Progress – Other Post Employment Benefits**

Provided below is the schedule of funding progress for the City of Aliso Viejo's other post employment benefits:

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Covered Payroll	AAL as a Percent of Covered Payroll	Interest Rate
Actual	6/30/2015	\$ -	\$ 191,081	0.00%	\$ 1,486,860	12.9%	4.5%

This is the latest information available. The City obtained its first actuarial as of June 30, 2015.

## **OTHER GOVERNMENTAL FUNDS**

### OTHER SPECIAL REVENUE FUNDS

#### Measure M

The Measure M Fund is used to account for the City's share of the sales tax increase authorized by Orange County's Measure "M". These monies are legally restricted for the acquisition, construction and improvement of public streets.

#### Public Safety Grants

This fund is used to account for law enforcement grants received such as the California Law Enforcement Equipment Program (CLEEP) and the Supplemental Law Enforcement State Fund (SLESF).

#### Air Quality Improvement

This fund is used to account for the City's share of vehicle registration fees that the State of California has allocated to address air quality concerns in Southern California. These monies are to be used in air quality maintenance programs locally and/or regionally.

#### Integrated Waste Management

This fund is used to account for the receipt of the California Beverage and Recycling Grant.

#### Other Grants

This fund is used to account for federal, state, local and other grants received such as the Orange County Prop. 10 and the Urban Runoff Grant.

#### Technology Grants

This fund is a result of negotiations between the City and a franchisee for a new franchise agreement. These funds will be used for new technology purchases, provide City information on the Cable T.V. Government Access Channel and provide programs and access to computers through technology upgrades to the Family Resource Center.

#### Federal Grants

The Federal Grants Fund is used to account for Federal Grants received by the City for various projects. Grants included are FTA Grants, T.A.R.P Funds, Federal Community Development Block Grants and Energy Efficiency and Conservation Block Grants.

## OTHER CAPITAL PROJECTS FUNDS

### Street Improvements

This fund is used to account for the City's street improvement projects.

### Capital Improvements

This fund is used to account for the City's Capital Improvements Projects that do not fall in the Street Improvement or Storm Water categories.

### Storm Water

This fund is used to account for the City's Storm Water related improvement projects.

CITY OF ALISO VIEJO

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<b>Special Revenue Funds</b>			
	<b>Measure M</b>	<b>Public Safety Grants</b>	<b>Air Quality Improvement</b>	<b>Integrated Waste Management</b>
<b>Assets:</b>				
Cash and investments	\$ 1,289,102	\$ 19,963	\$ 828,075	\$ 6,138
Due from other governments	120,136	138	17,177	13,250
<b>Total assets</b>	<b>\$ 1,409,238</b>	<b>\$ 20,101</b>	<b>\$ 845,252</b>	<b>\$ 19,388</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 4,216	\$ 7,148	\$ -	\$ -
Due to other funds	-	-	-	-
Retentions payable	-	-	-	-
Due to other governments	-	-	-	-
<b>Total liabilities</b>	<b>4,216</b>	<b>7,148</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	-	13,250
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Community development projects	-	-	-	6,138
Capital projects	1,405,022	12,953	845,252	-
Unassigned	-	-	-	-
<b>Total fund balances (deficit)</b>	<b>1,405,022</b>	<b>12,953</b>	<b>845,252</b>	<b>6,138</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,409,238</b>	<b>\$ 20,101</b>	<b>\$ 845,252</b>	<b>\$ 19,388</b>

CITY OF ALISO VIEJO

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
JUNE 30, 2016

(Continued)

	Special Revenue Funds			Capital Projects Funds
	Other Grants	Technology Grants	Federal Grants	Street Improvements
<b>Assets:</b>				
Cash and investments	\$ 92,259	\$ 232,983	\$ -	\$ 16,260
Due from other governments	89,881	-	-	-
<b>Total assets</b>	<b>\$ 182,140</b>	<b>\$ 232,983</b>	<b>\$ -</b>	<b>\$ 16,260</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 63,633	\$ -	\$ 16,260
Due to other funds	-	-	-	-
Retentions payable	-	-	-	-
Due to other governments	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>63,633</b>	<b>-</b>	<b>16,260</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	89,880	-	-	-
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Community development projects	92,260	169,350	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balances (deficit)</b>	<b>92,260</b>	<b>169,350</b>	<b>-</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 182,140</b>	<b>\$ 232,983</b>	<b>\$ -</b>	<b>\$ 16,260</b>

CITY OF ALISO VIEJO

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
JUNE 30, 2016

(Continued)

	<u>Capital Projects Funds</u>		<u>Total Governmental Funds</u>
	<u>Capital Improvements</u>	<u>Storm Water</u>	
<b>Assets:</b>			
Cash and investments	\$ -	\$ -	\$ 2,484,780
Due from other governments	-	24,535	265,117
<b>Total assets</b>	<b><u>\$ -</u></b>	<b><u>\$ 24,535</u></b>	<b><u>\$ 2,749,897</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 1,329	\$ 92,586
Due to other funds	-	108,055	108,055
Retentions payable	-	5,942	5,942
Due to other governments	-	93,388	93,388
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>208,714</u></b>	<b><u>299,971</u></b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	-	-	103,130
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Community development projects	-	-	267,748
Capital projects	-	-	2,263,227
Unassigned	-	(184,179)	(184,179)
<b>Total fund balances (deficit)</b>	<b><u>-</u></b>	<b><u>(184,179)</u></b>	<b><u>2,346,796</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>\$ -</u></b>	<b><u>\$ 24,535</u></b>	<b><u>\$ 2,749,897</u></b>

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CITY OF ALISO VIEJO

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			
	Measure M	Public Safety Grants	Air Quality Improvement	Integrated Waste Management
<b>Revenues:</b>				
Intergovernmental	\$ 1,029,657	\$ 114,891	\$ 63,830	\$ 13,390
Use of money and property	7,314	96	4,683	87
<b>Total revenues</b>	<b>1,036,971</b>	<b>114,987</b>	<b>68,513</b>	<b>13,477</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public works	20,288	-	-	18,541
Public safety	-	85,768	-	-
Capital outlay	-	10,590	-	-
<b>Total expenditures</b>	<b>20,288</b>	<b>96,358</b>	<b>-</b>	<b>18,541</b>
Excess (deficiency) of revenues over (under) expenditures	1,016,683	18,629	68,513	(5,064)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	(957,976)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(957,976)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	58,707	18,629	68,513	(5,064)
Fund balances, beginning of year	1,346,315	(5,676)	776,739	11,202
Fund balances, end of year	<b>\$ 1,405,022</b>	<b>\$ 12,953</b>	<b>\$ 845,252</b>	<b>\$ 6,138</b>

CITY OF ALISO VIEJO

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

(Continued)

	Special Revenue Funds			Capital Projects Funds
	Other Grants	Technology Grants	Federal Grants	Street Improvements
<b>Revenues:</b>				
Intergovernmental	\$ 42,080	\$ -	\$ 189,683	\$ 18,875
Use of money and property	-	6,450	-	-
<b>Total revenues</b>	<b>42,080</b>	<b>6,450</b>	<b>189,683</b>	<b>18,875</b>
<b>Expenditures:</b>				
Current:				
General government	-	125,980	-	-
Public works	-	-	-	943,071
Public safety	-	-	-	-
Capital outlay	-	-	-	75,879
<b>Total expenditures</b>	<b>-</b>	<b>125,980</b>	<b>-</b>	<b>1,018,950</b>
Excess (deficiency) of revenues over (under) expenditures	42,080	(119,530)	189,683	(1,000,075)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	1,000,075
Transfers out	(131,980)	-	(189,683)	-
<b>Total other financing sources (uses)</b>	<b>(131,980)</b>	<b>-</b>	<b>(189,683)</b>	<b>1,000,075</b>
Net change in fund balances	(89,900)	(119,530)	-	-
Fund balance, beginning of year	182,160	288,880	-	-
Fund balance, end of year	<b>\$ 92,260</b>	<b>\$ 169,350</b>	<b>\$ -</b>	<b>\$ -</b>

CITY OF ALISO VIEJO

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

(Continued)

	Capital Projects Funds		Total Nonmajor Governmental Funds
	Capital Improvements	Storm Water	
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ 9,079	\$ 1,481,485
Use of money and property	-	-	18,630
<b>Total revenues</b>	<b>-</b>	<b>9,079</b>	<b>1,500,115</b>
<b>Expenditures:</b>			
Current:			
General government	-	-	125,980
Public works	190,543	94,765	1,267,208
Public safety	-	-	85,768
Capital outlay	-	184,180	270,649
<b>Total expenditures</b>	<b>190,543</b>	<b>278,945</b>	<b>1,749,605</b>
Excess (deficiency) of revenues over (under) expenditures	(190,543)	(269,866)	(249,490)
<b>Other Financing Sources (Uses):</b>			
Transfers in	190,543	94,766	1,285,384
Transfers out	-	-	(1,279,639)
<b>Total other financing sources (uses)</b>	<b>190,543</b>	<b>94,766</b>	<b>5,745</b>
Net change in fund balances	-	(175,100)	(243,745)
Fund balance, beginning of year	-	(9,079)	2,590,541
Fund balance, end of year	\$ -	\$ (184,179)	\$ 2,346,796

CITY OF ALISO VIEJO

**BUDGETARY COMPARISON SCHEDULE  
MEASURE M  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Fund Balances - beginning</b>	<b>\$1,346,315</b>	<b>\$1,346,315</b>	<b>\$1,346,315</b>	<b>\$ -</b>
<b>Resources (Inflows):</b>				
Intergovernmental	1,263,950	1,101,850	1,029,657	(72,193)
Use of money and property	2,410	3,500	7,314	3,814
<b>Amount available for appropriations</b>	<b>2,612,675</b>	<b>2,451,665</b>	<b>2,383,286</b>	<b>(68,379)</b>
<b>Charges to Appropriations (Outflows):</b>				
Public works	24,300	24,300	20,288	4,012
Transfers out	2,845,550	1,846,450	957,976	888,474
<b>Total charges to appropriations</b>	<b>2,869,850</b>	<b>1,870,750</b>	<b>978,264</b>	<b>892,486</b>
<b>Fund Balances - ending</b>	<b>\$ (257,175)</b>	<b>\$ 580,915</b>	<b>\$1,405,022</b>	<b>\$ 824,107</b>

CITY OF ALISO VIEJO

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC SAFETY GRANTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Fund Balances - beginning</b>	<b>\$ (5,676)</b>	<b>\$ (5,676)</b>	<b>\$ (5,676)</b>	<b>\$ -</b>
<b>Resources (Inflows):</b>				
Intergovernmental	100,000	100,000	114,891	14,891
Use of money and property	100	125	96	(29)
<b>Amount available for appropriations</b>	<b><u>94,424</u></b>	<b><u>94,449</u></b>	<b><u>109,311</u></b>	<b><u>14,862</u></b>
<b>Charges to Appropriations (Outflows):</b>				
Public safety	85,680	85,680	85,768	(88)
Capital outlay	10,590	10,590	10,590	-
<b>Total charges to appropriations</b>	<b><u>96,270</u></b>	<b><u>96,270</u></b>	<b><u>96,358</u></b>	<b><u>(88)</u></b>
<b>Fund Balances - ending</b>	<b><u>\$ (1,846)</u></b>	<b><u>\$ (1,821)</u></b>	<b><u>\$ 12,953</u></b>	<b><u>\$ 14,774</u></b>

CITY OF ALISO VIEJO

**BUDGETARY COMPARISON SCHEDULE  
AIR QUALITY IMPROVEMENT  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Fund Balances - beginning</b>	<b>\$ 776,739</b>	<b>\$ 776,739</b>	<b>\$ 776,739</b>	<b>\$ -</b>
<b>Resources (Inflows):</b>				
Intergovernmental	61,300	61,300	63,830	2,530
Use of money and property	1,600	1,600	4,683	3,083
<b>Amount available for appropriations</b>	<b>839,639</b>	<b>839,639</b>	<b>845,252</b>	<b>5,613</b>
<b>Fund Balances - ending</b>	<b>\$ 839,639</b>	<b>\$ 839,639</b>	<b>\$ 845,252</b>	<b>\$ 5,613</b>

CITY OF ALISO VIEJO

**BUDGETARY COMPARISON SCHEDULE  
INTEGRATED WASTE MANAGEMENT  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Fund Balances - beginning</b>	<b>\$ 11,202</b>	<b>\$ 11,202</b>	<b>\$ 11,202</b>	<b>\$ -</b>
<b>Resources (Inflows):</b>				
Intergovernmental	13,250	13,390	13,390	-
Use of money and property	50	50	87	37
<b>Amount available for appropriations</b>	<b>24,502</b>	<b>24,642</b>	<b>24,679</b>	<b>37</b>
<b>Charges to Appropriations (Outflows):</b>				
Public works	22,000	22,000	18,541	3,459
<b>Total charges to appropriations</b>	<b>22,000</b>	<b>22,000</b>	<b>18,541</b>	<b>3,459</b>
<b>Fund Balances - ending</b>	<b>\$ 2,502</b>	<b>\$ 2,642</b>	<b>\$ 6,138</b>	<b>\$ 3,496</b>

CITY OF ALISO VIEJO

**BUDGETARY COMPARISON SCHEDULE  
OTHER GRANTS  
FOR THE YEAR ENDED JUNE 30, 2016**

---

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Fund Balances - beginning</b>	<b>\$ 182,160</b>	<b>\$ 182,160</b>	<b>\$ 182,160</b>	<b>\$ -</b>
<b>Resources (Inflows):</b>				
Intergovernmental	-	42,100	42,080	(20)
<b>Amount available for appropriations</b>	<b>182,160</b>	<b>224,260</b>	<b>224,240</b>	<b>(20)</b>
<b>Charges to Appropriations (Outflows):</b>				
Transfers out	-	42,100	131,980	(89,880)
<b>Total charges to appropriations</b>	<b>-</b>	<b>42,100</b>	<b>131,980</b>	<b>(89,880)</b>
<b>Fund Balances - ending</b>	<b><u>\$ 182,160</u></b>	<b><u>\$ 182,160</u></b>	<b><u>\$ 92,260</u></b>	<b><u>\$ (89,900)</u></b>

CITY OF ALISO VIEJO

**BUDGETARY COMPARISON SCHEDULE  
TECHNOLOGY GRANTS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Fund Balances - beginning</b>	<b>\$ 288,880</b>	<b>\$ 288,880</b>	<b>\$ 288,880</b>	<b>\$ -</b>
<b>Resources (Inflows):</b>				
Use of money and property	6,600	6,600	6,450	(150)
<b>Amount available     for appropriations</b>	<b>295,480</b>	<b>295,480</b>	<b>295,330</b>	<b>(150)</b>
<b>Charges to Appropriations (Outflows):</b>				
General government	20,000	197,260	125,980	71,280
<b>Total charges to appropriations</b>	<b>20,000</b>	<b>197,260</b>	<b>125,980</b>	<b>71,280</b>
<b>Fund Balances - ending</b>	<b>\$ 275,480</b>	<b>\$ 98,220</b>	<b>\$ 169,350</b>	<b>\$ 71,130</b>

CITY OF ALISO VIEJO

**BUDGETARY COMPARISON SCHEDULE  
FEDERAL GRANTS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Fund Balances - beginning</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	-	189,683	189,683
<b>Amount available for appropriations</b>	<u>-</u>	<u>-</u>	<u>189,683</u>	<u>189,683</u>
<b>Charges to Appropriations (Outflows):</b>				
Transfer out	-	-	189,683	(189,683)
<b>Total charges to appropriations</b>	<u>-</u>	<u>-</u>	<u>189,683</u>	<u>(189,683)</u>
<b>Fund Balances - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ALISO VIEJO

**BUDGETARY COMPARISON SCHEDULE  
STREET IMPROVEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Fund Balances - beginning</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	2,334,000	1,377,000	18,875	(1,358,125)
Transfer in	-	-	1,000,075	1,000,075
<b>Amount available for appropriations</b>	<b>2,334,000</b>	<b>1,377,000</b>	<b>1,018,950</b>	<b>(358,050)</b>
<b>Charges to Appropriations (Outflows):</b>				
Public works	2,258,121	1,320,121	943,071	377,050
Capital outlay	75,879	75,879	75,879	-
<b>Total charges to appropriations</b>	<b>2,334,000</b>	<b>1,396,000</b>	<b>1,018,950</b>	<b>377,050</b>
<b>Fund Balances - ending</b>	<b>\$ -</b>	<b>\$ (19,000)</b>	<b>\$ -</b>	<b>\$ 19,000</b>

CITY OF ALISO VIEJO

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

---

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Fund Balances - beginning</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Transfers in	<u>521,850</u>	<u>539,680</u>	<u>190,543</u>	<u>(349,137)</u>
<b>Amount available for appropriations</b>	<u><b>521,850</b></u>	<u><b>539,680</b></u>	<u><b>190,543</b></u>	<u><b>(349,137)</b></u>
<b>Charges to Appropriations (Outflows):</b>				
Public works	<u>521,850</u>	<u>539,680</u>	<u>190,543</u>	<u>349,137</u>
<b>Total charges to appropriations</b>	<u><b>521,850</b></u>	<u><b>539,680</b></u>	<u><b>190,543</b></u>	<u><b>349,137</b></u>
<b>Fund Balances - ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF ALISO VIEJO

**BUDGETARY COMPARISON SCHEDULE  
STORM WATER  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Fund Balances - beginning</b>	<b>\$ (9,079)</b>	<b>\$ (9,079)</b>	<b>\$ (9,079)</b>	<b>\$ -</b>
<b>Resources (Inflows):</b>				
Intergovernmental	139,655	212,920	9,079	(203,841)
Transfers in	652,345	728,580	94,766	(633,814)
<b>Amount available for appropriations</b>	<b>782,921</b>	<b>932,421</b>	<b>94,766</b>	<b>(837,655)</b>
<b>Charges to Appropriations (Outflows):</b>				
Public works	607,820	757,320	94,765	662,555
Capital outlay	184,180	184,180	184,180	-
<b>Total charges to appropriations</b>	<b>792,000</b>	<b>941,500</b>	<b>278,945</b>	<b>662,555</b>
<b>Fund Balances - ending</b>	<b>\$ (9,079)</b>	<b>\$ (9,079)</b>	<b>\$ (184,179)</b>	<b>\$ (175,100)</b>

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## **AGENCY FUNDS**

Agency Funds are used to account for the assets held by the City as an agent for individuals, private organizations and other government units. The City of Aliso Viejo has the following Agency Funds:

### Refundable Deposits

To account for development deposits made in conjunction with certain building permits issued. Upon satisfactory completion of the project, the deposit is returned to the depositor.

### Community Trust

This fund is used to account for funding received from the Aliso Viejo Community Foundation, a non-profit organization. The foundation holds fundraisers and provides opportunities for donors to contribute to the Aliso Viejo Community programs.

### CFD 2005-01

This fund is used to account for CFD 2005-01 Mello Roos funds held with the City's fiscal agent. Funds held by the fiscal agent include special taxes and the reserve funds for the payment of the bonds.

CITY OF ALISO VIEJO

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 JUNE 30, 2016

---

	<u>Refundable Deposits</u>	<u>Community Trust</u>	<u>CFD 2005-1</u>	<u>Total</u>
<b>Assets:</b>				
Cash and investments	\$ 858,048	\$ 77,334	\$ -	\$ 935,382
Restricted cash and investments	-	-	4,262,635	4,262,635
Due from other governments	-	-	12,929	12,929
<b>Total assets</b>	<b><u>\$ 858,048</u></b>	<b><u>\$ 77,334</u></b>	<b><u>\$ 4,275,564</u></b>	<b><u>\$ 5,210,946</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 29,346	\$ 15,967	\$ 1,736	\$ 47,049
Deposits payable	828,702	61,367	-	890,069
Due to external parties/other agencies	-	-	4,273,828	4,273,828
<b>Total liabilities</b>	<b><u>\$ 858,048</u></b>	<b><u>\$ 77,334</u></b>	<b><u>\$ 4,275,564</u></b>	<b><u>\$ 5,210,946</u></b>

CITY OF ALISO VIEJO

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2016

	Balance 7/1/2015	Additions	Deductions	Balance 6/30/2016
<b><u>Refundable Deposits</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 766,187	727,912	636,051	\$ 858,048
<b>Total assets</b>	<b>\$ 766,187</b>	<b>\$ 727,912</b>	<b>\$ 636,051</b>	<b>\$ 858,048</b>
<b>Liabilities:</b>				
Accounts payable	\$ 21,164	\$ 549,572	\$ 541,390	\$ 29,346
Deposits payable	745,023	757,511	673,832	828,702
<b>Total liabilities</b>	<b>\$ 766,187</b>	<b>\$ 1,307,083</b>	<b>\$ 1,215,222</b>	<b>\$ 858,048</b>
<b><u>Community Trust</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 93,194	\$ 33,919	\$ 49,779	\$ 77,334
Accounts receivable	33,817	-	33,817	-
<b>Total assets</b>	<b>\$ 127,011</b>	<b>\$ 33,919</b>	<b>\$ 83,596</b>	<b>\$ 77,334</b>
<b>Liabilities:</b>				
Accounts payable	\$ 1,670	\$ 64,076	\$ 49,779	\$ 15,967
Deposits payable	125,341	102	64,076	61,367
<b>Total liabilities</b>	<b>\$ 127,011</b>	<b>\$ 64,178</b>	<b>\$ 113,855</b>	<b>\$ 77,334</b>
<b><u>CFD 2005-1</u></b>				
<b>Assets:</b>				
Due from other governments	\$ 13,121	12,929	13,121	\$ 12,929
Restricted cash with fiscal agent	4,210,504	2,223,621	2,171,490	4,262,635
<b>Total assets</b>	<b>\$ 4,223,625</b>	<b>\$ 2,236,550</b>	<b>\$ 2,184,611</b>	<b>\$ 4,275,564</b>
<b>Liabilities:</b>				
Accounts payable	\$ 1,703	\$ 8,145	\$ 8,112	\$ 1,736
Due to other funds	3,827	-	3,827	-
Due to external parties/other agencies	4,218,095	1,964,351	1,908,618	4,273,828
<b>Total liabilities</b>	<b>\$ 4,223,625</b>	<b>\$ 1,972,496</b>	<b>\$ 1,920,557</b>	<b>\$ 4,275,564</b>

CITY OF ALISO VIEJO

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2016

---

**Total - All Agency Funds**

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2016</b>
<b>Assets:</b>				
Cash and investments	\$ 859,381	\$ 761,831	\$ 685,830	\$ 935,382
Restricted cash with fiscal agent	4,210,504	2,223,621	2,171,490	4,262,635
Accounts receivable	33,817	-	33,817	-
Due from other governments	13,121	12,929	13,121	12,929
	<u>13,121</u>	<u>12,929</u>	<u>13,121</u>	<u>12,929</u>
<b>Total assets</b>	<b><u>\$ 5,116,823</u></b>	<b><u>\$ 2,998,381</u></b>	<b><u>\$ 2,904,258</u></b>	<b><u>\$ 5,210,946</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 24,537	\$ 621,793	\$ 599,281	\$ 47,049
Deposits payable	870,364	757,613	737,908	890,069
Due to other funds	3,827	-	3,827	-
Due to external parties/other agencies	4,218,095	1,964,351	1,908,618	4,273,828
	<u>4,218,095</u>	<u>1,964,351</u>	<u>1,908,618</u>	<u>4,273,828</u>
<b>Total liabilities</b>	<b><u>\$ 5,116,823</u></b>	<b><u>\$ 3,343,757</u></b>	<b><u>\$ 3,249,634</u></b>	<b><u>\$ 5,210,946</u></b>

**STATISTICAL SECTION**

# STATISTICAL SECTION

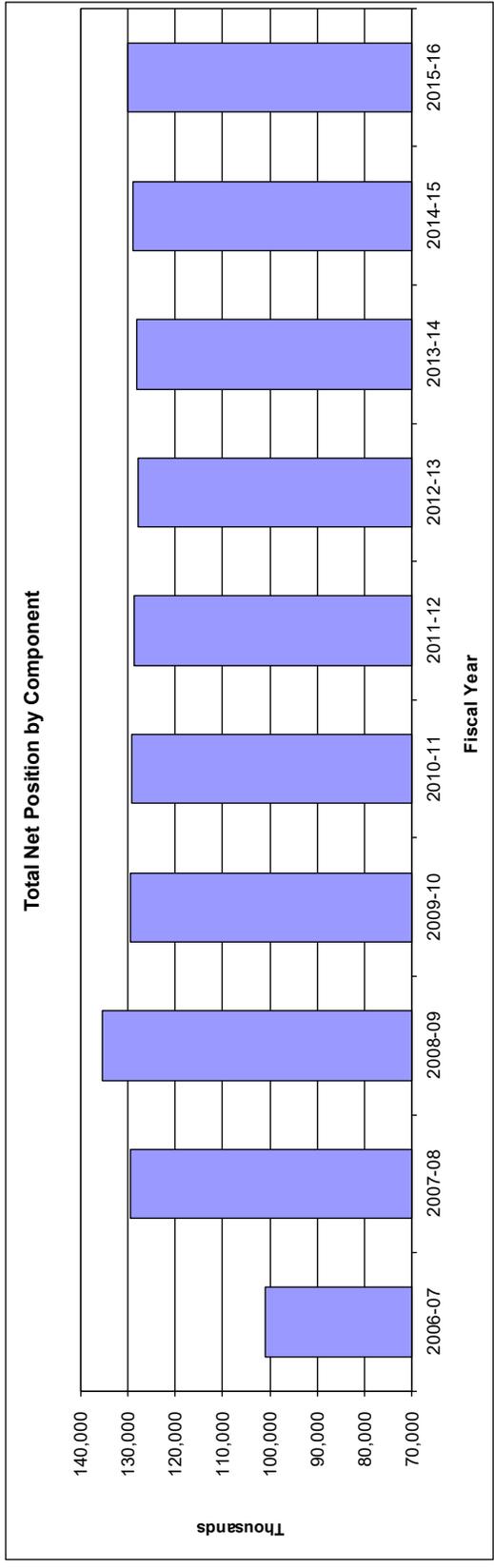
This part of the City of Aliso Viejo's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

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**NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS**

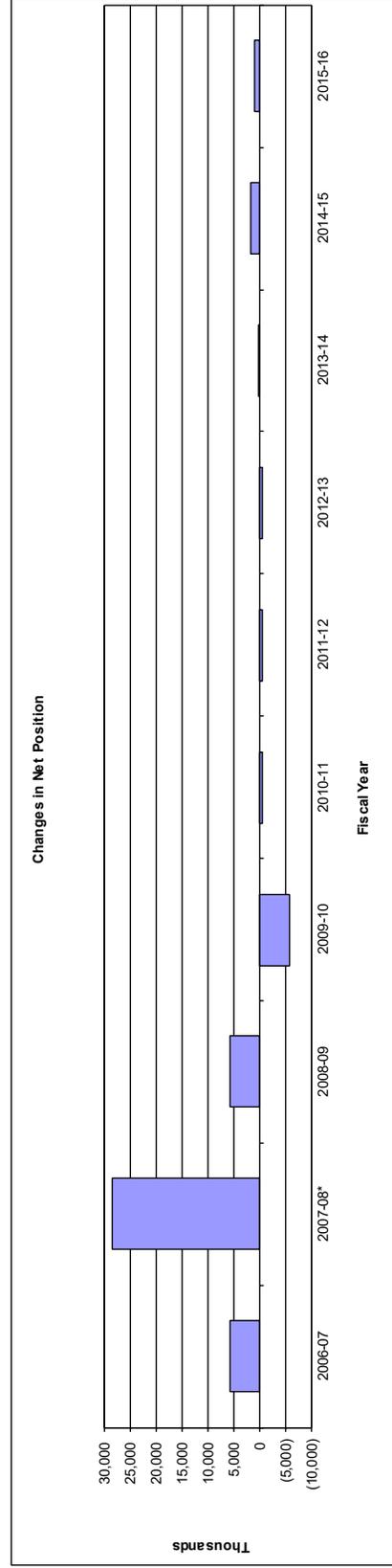
	Fiscal Years									
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 77,298,677	\$ 77,288,543	\$ 91,155,600	\$ 90,205,362	\$ 90,618,780	\$ 89,945,456	\$ 89,326,107	\$ 95,679,944	\$ 95,155,183	\$ 94,579,142
<b>Restricted</b>										
Community Development	549,637	530,830	635,914	641,045	630,408	1,220,163	770,031	731,008	482,242	279,027
Public Works	3,997,282	29,201,695	17,630,808	9,954,078	13,836,779	12,261,269	11,351,165	11,451,213	12,018,986	11,840,453
Public Safety	50,023	-	-	71,853	69,670	48,733	57,693	84,886	-	12,953
Debt Service	515,615	523,394	517,838	515,917	515,980	515,936	515,759	-	-	-
Unrestricted	18,629,391	22,030,514	25,297,384	28,120,331	23,466,745	24,562,723	25,767,983	20,080,095	21,354,275	23,233,017
<b>Total governmental activities net position</b>	<b>\$ 101,040,625</b>	<b>\$ 129,554,976</b>	<b>\$ 135,237,544</b>	<b>\$ 129,508,586</b>	<b>\$ 129,138,362</b>	<b>\$ 128,554,280</b>	<b>\$ 127,788,738</b>	<b>\$ 128,027,146</b>	<b>\$ 129,010,686</b>	<b>\$ 129,944,592</b>



Source: City Finance Department

**CHANGE IN NET POSITION  
LAST TEN FISCAL YEARS**

	Fiscal Years									
	2006-07	2007-08*	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Revenues</b>										
Program Revenues										
Charges for Services	\$ 1,921,159	\$ 1,401,383	\$ 1,670,614	\$ 1,861,525	\$ 1,960,206	\$ 2,071,956	\$ 1,861,661	\$ 1,853,679	\$ 2,287,957	\$ 2,654,055
Operating Contributions & Grants	2,871,037	2,960,905	2,826,912	2,355,183	3,463,190	5,362,500	2,604,100	3,902,695	2,682,605	2,770,178
Capital Contributions & Grants	932,264	27,441,417	3,200,695	800,983	-	-	-	99,283	99,283	18,875
<b>Taxes</b>										
Sales Tax	4,545,588	4,298,575	3,815,511	3,896,695	4,213,850	4,180,373	4,685,598	4,814,560	4,795,433	4,601,042
Property Tax	6,019,456	6,311,174	6,303,666	6,084,737	5,986,652	5,963,627	6,379,228	6,441,021	6,741,164	7,317,139
Franchise Fees	1,353,882	1,420,355	1,457,663	1,466,541	1,490,642	1,479,666	1,487,395	1,511,450	1,584,358	1,573,339
Transient Occupancy Tax	-	-	444,261	559,261	622,710	711,136	780,075	862,294	916,286	1,108,102
Motor Vehicle License Fees	1,329,365	1,240,275	130,041	134,924	270,180	-	25,112	20,991	20,470	20,256
Use of Money and Property	994,726	879,647	485,593	156,972	170,154	99,060	66,734	72,969	273,901	328,416
Other	171,243	68,723	78,684	202,326	64,340	147,925	79,919	61,559	132,872	196,831
<b>Total Revenues</b>	<b>20,138,720</b>	<b>46,022,454</b>	<b>20,413,640</b>	<b>17,519,147</b>	<b>18,241,924</b>	<b>20,016,243</b>	<b>17,969,822</b>	<b>19,640,501</b>	<b>19,534,329</b>	<b>20,587,233</b>
<b>Expenses</b>										
General Government	3,366,228	3,741,219	2,813,832	2,609,883	2,670,620	2,704,442	2,993,646	3,030,088	3,189,090	3,459,012
Community Development & Services	1,741,402	1,811,146	2,156,261	2,466,100	2,856,963	3,513,500	3,612,521	3,754,615	3,856,835	4,432,506
Public Works	3,508,562	5,382,758	2,875,719	11,302,397	6,367,126	7,347,932	4,927,121	5,246,908	3,360,251	4,038,360
Public Safety	5,536,714	6,163,625	6,483,638	6,475,501	6,516,727	6,658,558	6,637,899	7,022,580	7,427,581	7,723,449
Interest and Fiscal Charges	359,192	409,355	401,622	394,224	386,473	378,205	360,975	347,902	-	-
<b>Total Expense</b>	<b>14,512,098</b>	<b>17,508,103</b>	<b>14,731,072</b>	<b>23,248,105</b>	<b>18,797,909</b>	<b>20,602,637</b>	<b>18,532,162</b>	<b>19,402,093</b>	<b>17,833,757</b>	<b>19,653,327</b>
<b>Change in net Position</b>	<b>\$ 5,626,622</b>	<b>\$ 28,514,351</b>	<b>\$ 5,682,568</b>	<b>\$ (5,728,958)</b>	<b>\$ (555,985)</b>	<b>\$ (586,394)</b>	<b>\$ (562,340)</b>	<b>\$ 238,408</b>	<b>\$ 1,700,572</b>	<b>\$ 933,906</b>

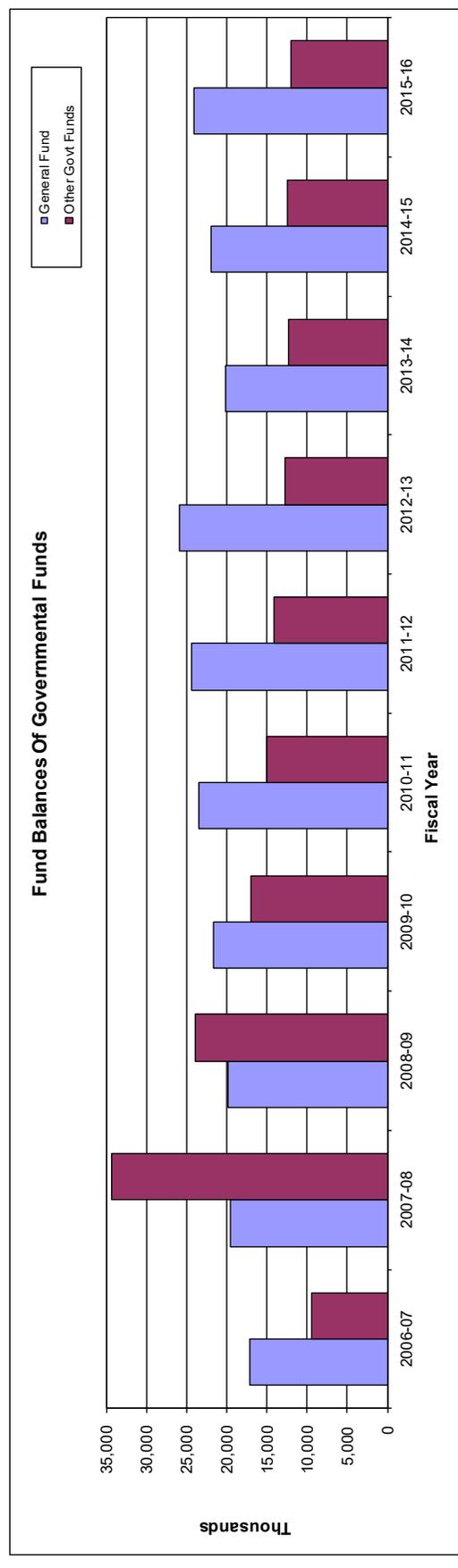


\* Fiscal Year 2007-2008 includes the issuance of special tax bonds for CFD 2005-01 (Glenwood at Aliso Viejo).

Source: City Finance Department

**FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>General Fund Balances</b>										
<b>Nonspendable:</b>										
Prepaid	\$ 79,413	\$ 90,736	\$ 79,300	\$ 66,754	\$ 90,565	\$ 86,492	\$ 130,620	\$ 111,045	\$ 146,132	\$ 187,681
<b>Assigned to:</b>										
Contingencies	4,882,242	4,901,150	5,255,635	4,444,549	4,741,227	4,693,673	4,000,331	4,127,631	4,229,500	4,351,653
Self Insurance/benefit obligations	135,000	135,000	135,000	135,000	471,500	471,450	570,000	570,000	738,900	724,000
Asset Replacement	-	-	550,000	700,000	7,838,000	8,288,000	8,657,715	9,065,735	9,440,700	9,850,000
Emergencies & Unanticipated Traffic Projects	-	-	-	-	2,000,000	2,500,000	500,000	1,500,000	1,500,000	1,500,000
800 MHz Upgrade & Replacement	-	-	-	-	-	-	-	262,000	262,000	-
Long Term Debt	-	-	-	-	-	5,000,000	7,335,000	-	-	-
<b>Unassigned:</b>										
12,070,495	14,478,712	13,837,440	16,296,062	8,364,455	3,385,179	4,709,175	4,521,835	4,521,835	5,616,888	7,374,518
<b>Total General Fund</b>	<b>\$17,167,150</b>	<b>\$19,605,598</b>	<b>\$19,857,375</b>	<b>\$21,642,365</b>	<b>\$23,505,747</b>	<b>\$24,424,794</b>	<b>\$25,902,841</b>	<b>\$20,158,246</b>	<b>\$21,934,120</b>	<b>\$23,987,852</b>
<b>All other governmental funds</b>										
<b>Nonspendable:</b>										
Prepaid	\$ -	\$ -	\$ 1,845	\$ -	\$ 11,878	\$ 4,132	\$ 30,942	\$ 30,562	\$ 4,272	\$ 35
<b>Assigned to:</b>										
Emergencies & Unanticipated Traffic Projects	241,125	237,264	207,750	181,500	-	-	-	-	-	-
<b>Restricted For:</b>										
Community Development Projects	549,815	616,336	586,026	641,046	45,117	1,220,163	770,031	731,008	482,242	278,992
Public Safety	50,023	-	15,760	71,853	69,670	48,733	57,693	84,886	-	-
Capital Projects	6,731,486	32,623,615	22,528,092	15,565,937	14,422,070	12,261,269	11,351,165	11,451,213	12,018,986	11,853,406
Debt Service	1,822,193	775,271	517,838	515,917	515,980	515,936	515,759	-	-	-
<b>Unassigned:</b>										
-	-	24,176	(1,330)	(1,330)	(57,119)	4,611	(23,971)	(30,562)	(19,027)	(184,179)
<b>Total All Other Governmental Funds</b>	<b>\$ 9,394,642</b>	<b>\$34,252,486</b>	<b>\$23,881,487</b>	<b>\$16,974,923</b>	<b>\$15,007,596</b>	<b>\$14,054,844</b>	<b>\$12,701,619</b>	<b>\$12,267,107</b>	<b>\$12,486,473</b>	<b>\$11,948,254</b>



Source: City Finance Department

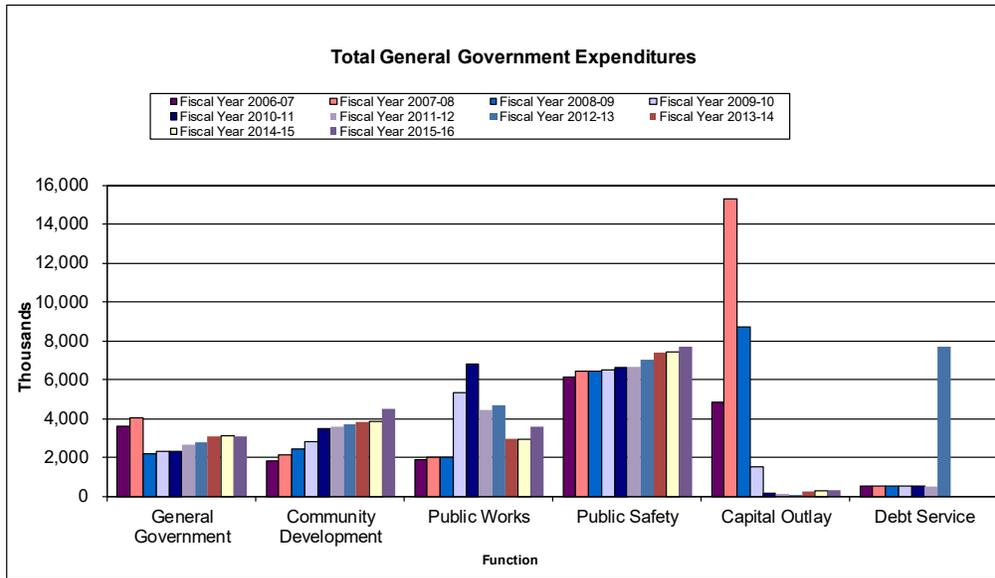
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

	Fiscal Years									
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14*	2014-15	2015-16
<b>Revenues</b>										
Taxes	\$ 11,926,855	\$ 12,042,206	\$ 12,035,875	\$ 12,019,898	\$ 12,326,544	\$ 12,350,386	\$ 13,348,284	\$ 13,648,081	\$ 14,064,937	\$ 14,629,530
Licenses and Permits	883,901	504,139	552,656	588,290	608,902	493,121	482,730	377,459	676,218	694,054
Intergovernmental	3,912,995	4,004,170	3,467,884	2,115,364	3,412,669	3,255,558	2,090,978	2,858,226	2,189,004	2,617,535
Charges for Services	537,739	305,038	440,980	647,850	756,087	945,900	817,633	1,029,007	1,190,138	1,639,479
Fines and Forfeitures	372,967	379,642	411,705	346,117	346,217	392,231	327,174	271,644	415,671	312,400
Developer Fees	932,264	778,570	2,232,416	800,983	809,253	1,931,591	355,137	992,783	521,859	30,500
Contributions From Property Owners	-	26,272,733	-	-	-	-	-	-	42,894	-
Investment Income	1,213,594	1,533,223	896,633	198,714	205,280	119,852	79,856	87,332	83,811	165,264
Rental Income	125,758	209,568	260,341	275,063	296,069	275,834	262,247	244,838	204,514	193,653
Other	199,448	32,619	42,790	165,229	25,442	107,704	205,803	131,131	145,283	325,612
<b>Total Revenues</b>	<b>20,105,521</b>	<b>46,061,908</b>	<b>20,341,280</b>	<b>17,157,508</b>	<b>18,786,463</b>	<b>19,872,177</b>	<b>17,969,822</b>	<b>19,640,501</b>	<b>19,534,329</b>	<b>20,608,027</b>
<b>Expenditures</b>										
General Government	3,291,991	3,605,757	4,019,647	2,155,933	2,285,841	2,299,137	2,632,999	2,744,983	3,101,820	3,079,528
Community Development & Services	1,734,964	1,805,488	2,150,495	2,460,168	2,815,425	3,483,691	3,549,268	3,663,530	3,821,432	4,485,482
Public Works	2,081,753	1,859,969	2,006,849	1,976,517	5,320,097	6,804,027	4,421,239	4,705,326	2,940,272	3,557,336
Public Safety	5,531,834	6,153,657	6,460,502	6,452,398	6,492,765	6,640,088	6,624,180	7,014,723	7,407,531	7,677,426
Capital Outlay	6,670,219	4,822,409	15,307,310	8,720,667	1,529,250	163,249	103,249	4,457	288,034	292,742
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	-	120,000	125,000	130,000	140,000	150,000	155,000	7,335,000	-	-
Interest	-	398,336	390,689	383,399	375,840	367,765	359,065	351,590	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>19,925,217</b>	<b>18,785,616</b>	<b>30,460,502</b>	<b>22,279,082</b>	<b>18,959,218</b>	<b>19,908,194</b>	<b>17,845,000</b>	<b>25,819,608</b>	<b>17,539,089</b>	<b>19,092,514</b>
<b>Excess of Revenues over Expenditures</b>	<b>180,304</b>	<b>27,296,292</b>	<b>(10,119,222)</b>	<b>(5,121,574)</b>	<b>(172,755)</b>	<b>(36,017)</b>	<b>124,822</b>	<b>(6,179,107)</b>	<b>1,995,240</b>	<b>1,515,513</b>
<b>Other Financing Sources (Uses)</b>										
Transfers In	6,708,005	3,704,264	4,078,611	2,760,167	2,493,292	3,871,339	2,284,326	9,422,668	1,209,782	2,040,859
Transfers Out	(6,708,005)	(3,704,264)	(4,078,611)	(2,760,167)	(2,493,292)	(3,871,339)	(2,284,326)	(9,422,668)	(1,209,782)	(2,040,859)
Bonds Issued	8,155,000	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<b>8,155,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>\$ 8,335,304</b>	<b>\$ 27,296,292</b>	<b>\$ (10,119,222)</b>	<b>\$ (5,121,574)</b>	<b>\$ (172,755)</b>	<b>\$ (36,017)</b>	<b>\$ 124,822</b>	<b>\$ (6,179,107)</b>	<b>\$ 1,995,240</b>	<b>\$ 1,515,513</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>4.64%</b>	<b>3.72%</b>	<b>3.40%</b>	<b>3.79%</b>	<b>2.96%</b>	<b>2.62%</b>	<b>2.90%</b>	<b>29.78%</b>	<b>0.00%</b>	<b>0.00%</b>

\* Fiscal Year 2013-14 debt service includes payoff of the City Hall COP bond.

**GENERAL GOVERNMENT – EXPENDITURES BY FUNCTION  
LAST TEN FISCAL YEARS**

Fiscal Year	General Government	Community Development	Public Works	Public Safety	Capital Outlay	Debt Service	Total
2006-07	\$ 3,291,991	\$ 1,734,964	\$ 2,081,753	\$ 5,531,834	\$ 6,670,219	\$ 614,456	\$ 19,925,217
2007-08	3,605,757	1,805,488	1,859,969	6,153,657	4,822,409	518,336	18,765,616
2008-09	4,019,647	2,150,495	2,006,849	6,460,502	15,307,310	515,699	30,460,502
2009-10	2,155,933	2,460,168	1,976,517	6,452,398	8,720,667	513,399	22,279,082
2010-11	2,285,841	2,815,425	5,320,097	6,492,765	1,529,250	515,840	18,959,218
2011-12	2,299,137	3,483,691	6,804,027	6,640,088	163,486	517,765	19,908,194
2012-13	2,632,999	3,549,268	4,421,239	6,624,180	103,249	514,065	17,845,000
2013-14*	2,744,983	3,663,530	4,705,326	7,014,723	4,457	7,686,590	25,819,608
2014-15	3,101,820	3,821,432	2,940,272	7,407,531	268,034	-	17,539,089
2015-16	3,079,528	4,485,482	3,557,336	7,677,426	292,742	-	19,092,514



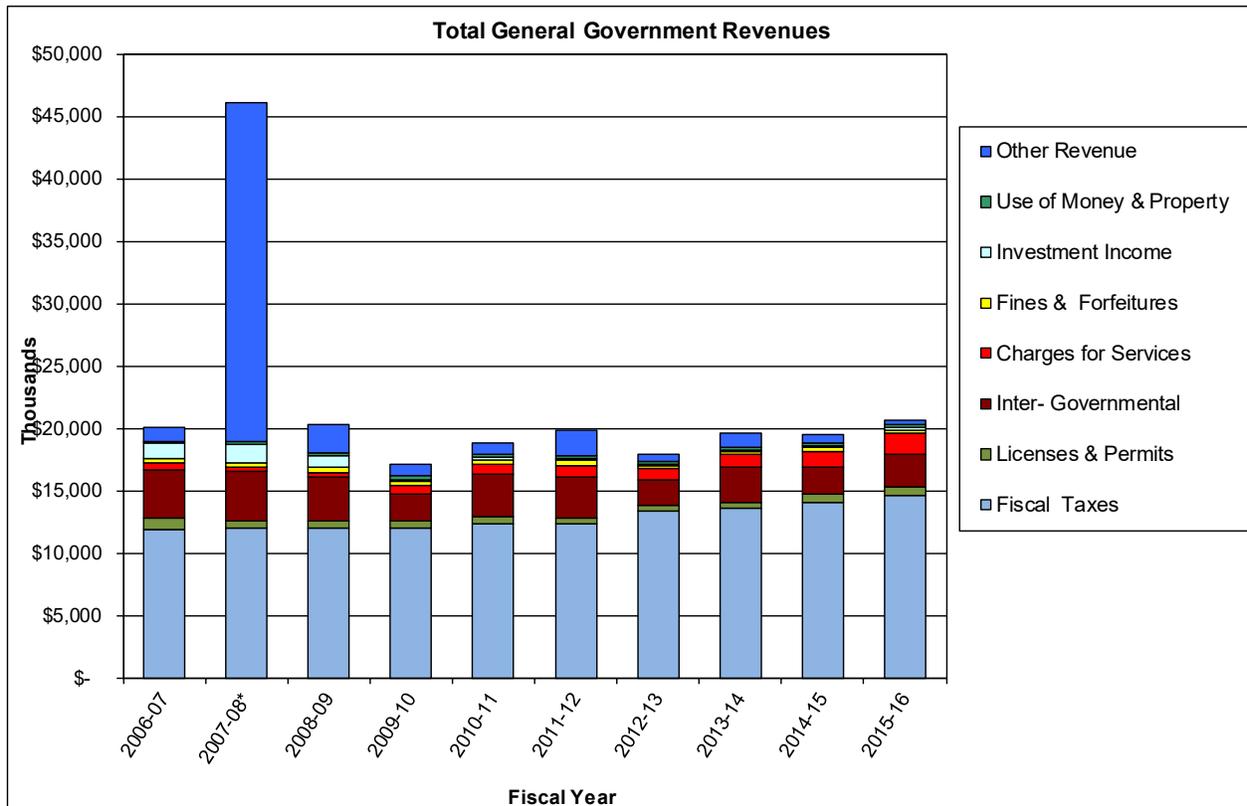
\* Fiscal Year 2013-14 debt service includes payoff of the City Hall COP bond.

\*\*Includes General and Special Revenue Funds.

Source: City Finance Department

**GENERAL GOVERNMENT – REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

Fiscal Year	Taxes	Licenses & Permits	Inter-Governmental	Charges for Services	Fines & Forfeitures	Investment Income	Use of Money & Property	Other Revenue	Total
2006-07	\$ 11,926,855	\$ 883,901	\$ 3,912,995	\$ 537,739	\$ 372,967	\$ 1,213,594	\$ 125,758	\$ 1,131,712	\$ 20,105,521
2007-08*	12,042,206	504,139	4,004,170	305,038	379,642	1,533,223	209,568	27,083,922	46,061,908
2008-09	12,035,875	552,656	3,467,884	440,980	411,705	896,633	260,341	2,275,206	20,341,280
2009-10	12,019,898	588,290	2,115,364	647,850	346,117	198,714	275,063	966,212	17,157,508
2010-11	12,326,544	608,902	3,412,669	756,087	346,217	205,280	296,069	834,695	18,786,463
2011-12	12,350,386	493,121	3,255,560	945,896	392,231	119,849	275,834	2,039,295	19,872,172
2012-13	13,348,264	482,730	2,090,978	817,633	327,174	79,856	262,247	560,940	17,969,822
2013-14	13,648,082	377,459	2,858,224	1,029,005	271,644	87,334	244,838	1,123,915	19,640,501
2014-15	14,064,937	676,218	2,189,004	1,190,138	415,671	83,811	204,514	710,036	19,534,329
2015-16	14,629,530	694,054	2,617,535	1,639,479	312,400	150,691	208,226	356,112	20,608,027



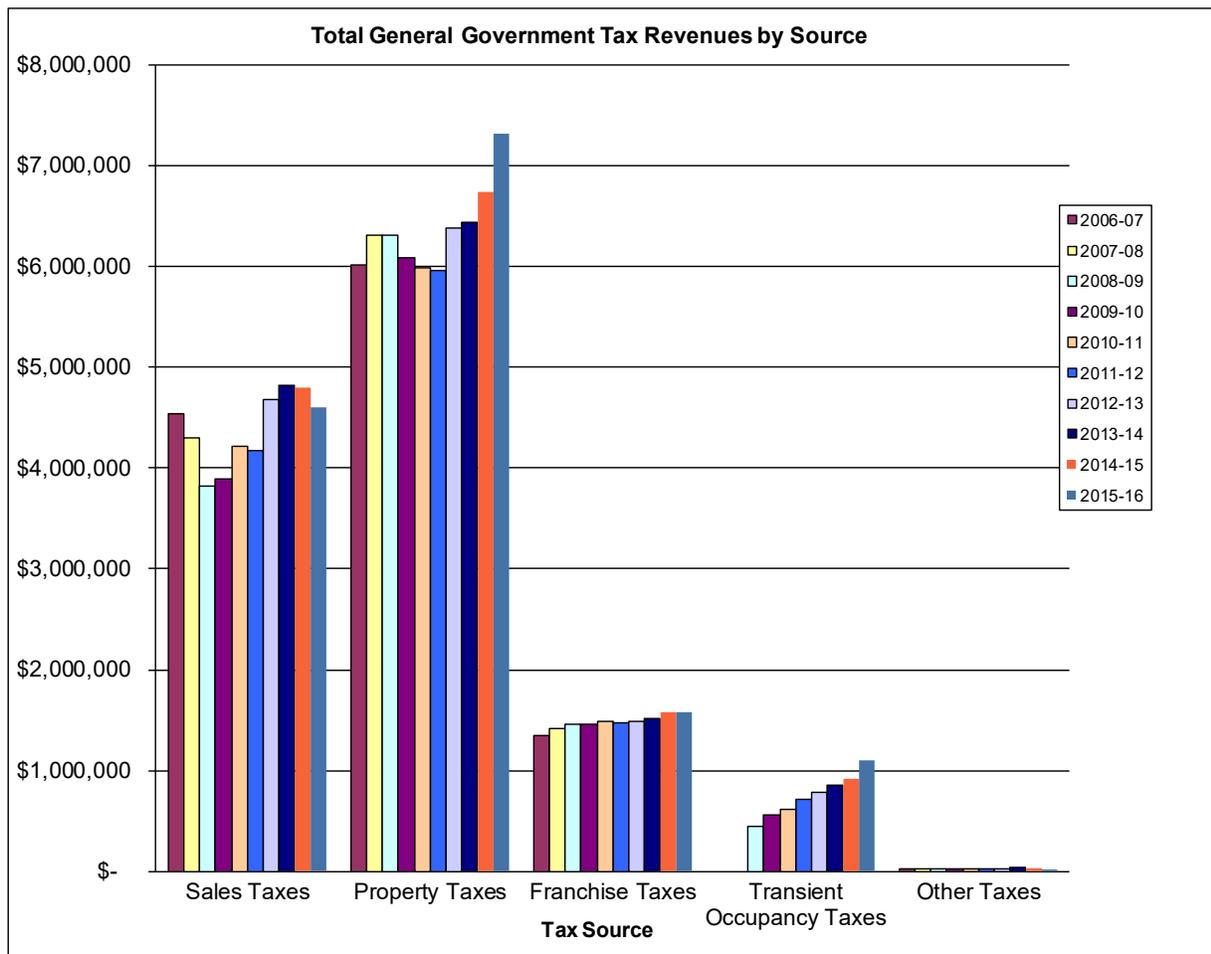
\* Fiscal Year 2007-2008 includes the issuance of special tax bonds for CFD 2005-01 (Glenwood at Aliso Viejo).

\*\* Includes General and Special Revenue Funds.

Source: City Finance Department

**GENERAL GOVERNMENT – TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

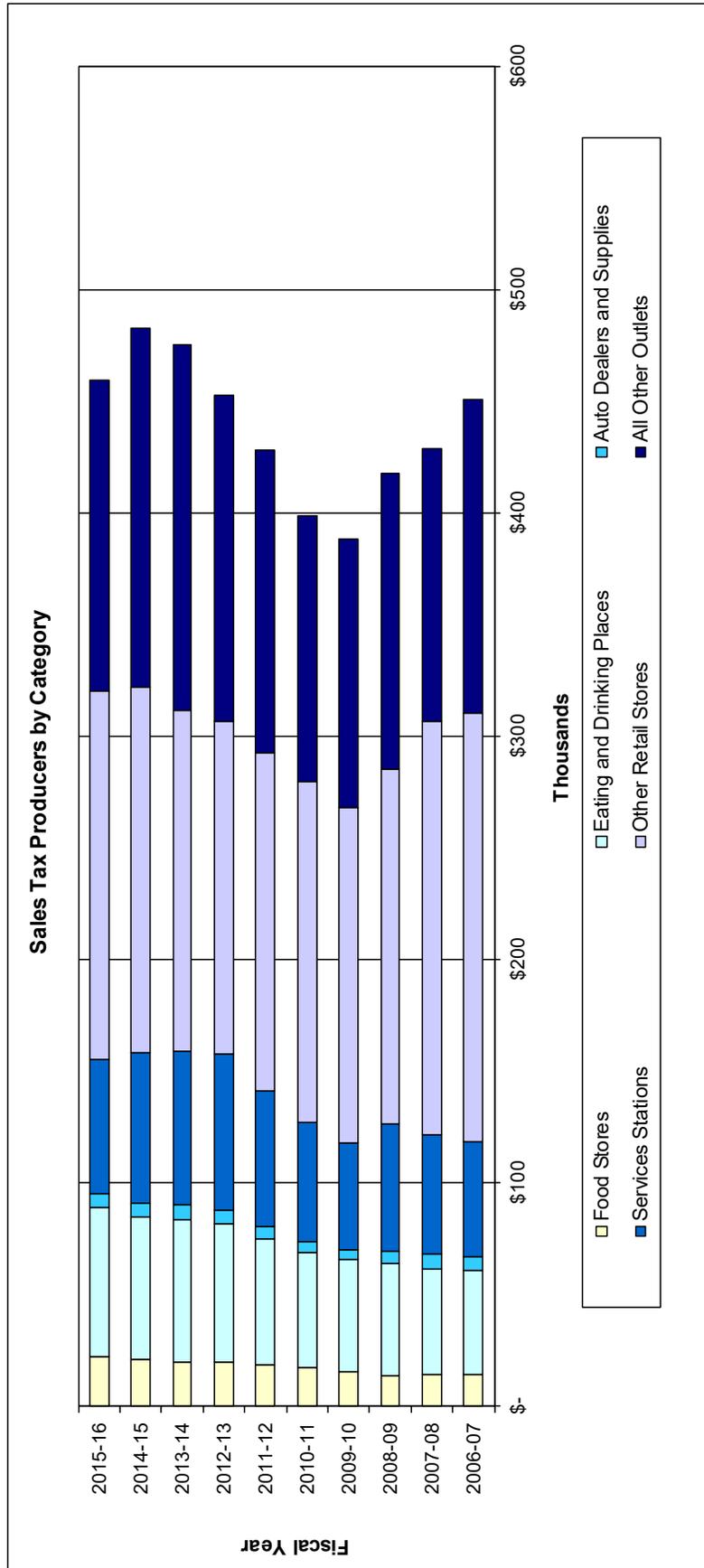
Fiscal Year	Sales Taxes	Property Taxes	Franchise Taxes	Transient Occupancy Taxes	Other Taxes	Total
2006-07	\$ 4,545,588	\$ 6,019,456	\$ 1,353,882	\$ -	\$ 26,056	\$ 11,944,982
2007-08	4,298,575	6,311,174	1,420,355	-	30,341	12,060,445
2008-09	3,815,511	6,303,666	1,457,663	444,261	32,523	12,053,624
2009-10	3,896,695	6,084,737	1,466,541	559,261	30,080	12,037,314
2010-11	4,213,850	5,986,652	1,490,642	622,710	29,666	12,343,520
2011-12	4,180,373	5,963,627	1,479,666	711,136	32,251	12,367,053
2012-13	4,685,598	6,379,228	1,487,395	780,075	32,058	13,364,354
2013-14	4,814,560	6,441,021	1,511,450	862,294	34,378	13,663,703
2014-15	4,795,433	6,741,164	1,584,358	916,286	27,696	14,064,937
2015-16	4,601,042	7,317,139	1,573,339	1,108,102	20,256	14,619,878



Source: City Finance Department

**PRINCIPAL SALES TAX PRODUCERS BY CATEGORY  
LAST TEN FISCAL YEARS**

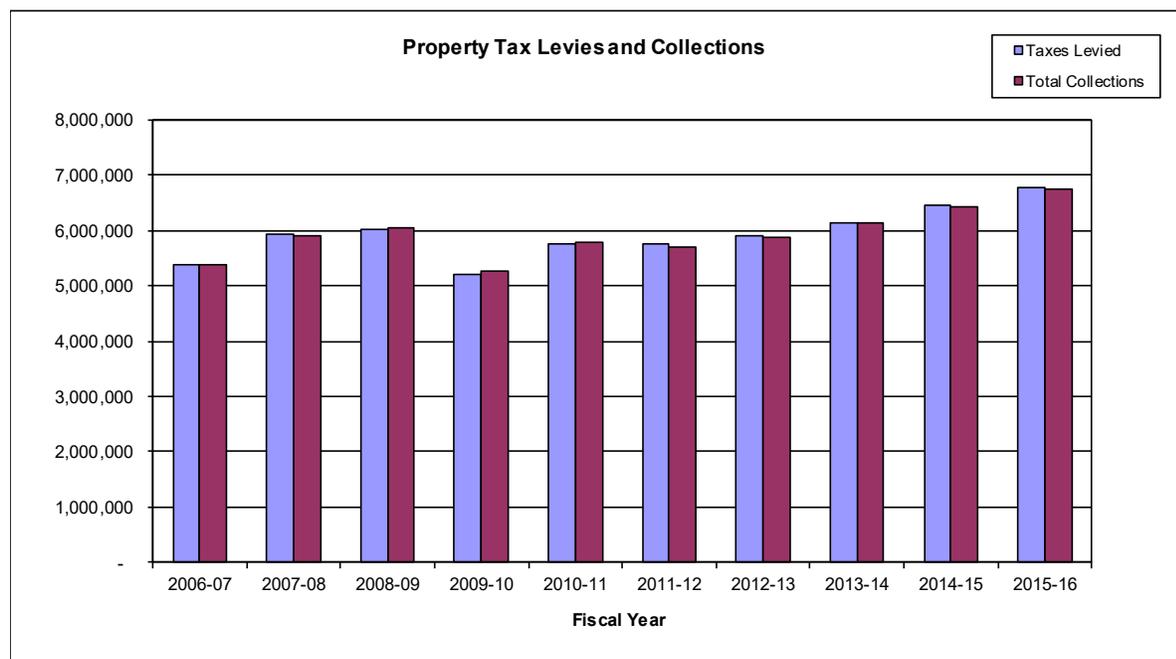
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Food Stores	\$ 14,114	\$ 14,270	\$ 13,959	\$ 15,405	\$ 17,591	\$ 18,683	\$ 19,800	\$ 19,997	\$ 21,091	\$ 22,526
Eating and Drinking Places	46,885	47,312	50,115	50,379	51,322	56,191	61,919	63,850	63,897	66,435
Auto Dealers and Supplies	6,219	6,553	5,419	4,522	4,858	5,328	6,106	6,480	5,953	6,067
Services Stations	51,243	53,293	56,966	47,659	53,523	60,822	70,032	68,893	67,428	60,255
Other Retail Stores	191,711	184,995	158,831	150,414	152,352	151,719	148,760	152,222	163,782	165,218
All Other Outlets	140,751	122,037	132,130	119,870	119,143	135,345	145,964	163,608	160,486	138,643
<b>Total</b>	<b>\$ 450,923</b>	<b>\$ 428,460</b>	<b>\$ 417,420</b>	<b>\$ 388,249</b>	<b>\$ 398,789</b>	<b>\$ 428,087</b>	<b>\$ 452,581</b>	<b>\$ 475,050</b>	<b>\$ 482,637</b>	<b>\$ 459,144</b>



Source: HDL Coren & Cone  
State Board of Equalization

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years <sup>2</sup>	Total Levy Collections to Date <sup>3</sup>	
		Amount	Percent of Levy		Amount	Percent of Levy
2007-08 <sup>1</sup>	5,927,548	5,862,080	98.90%	46,515	5,908,595	99.68%
2008-09 <sup>1</sup>	6,022,319	5,960,205	98.97%	81,038	6,041,243	100.31%
2009-10 <sup>1</sup>	5,216,475	5,177,208	99.25%	87,312	5,264,520	100.92%
2010-11 <sup>1</sup>	5,757,757	5,728,220	99.49%	57,911	5,786,131	100.49%
2011-12 <sup>1</sup>	5,747,335	5,671,091	98.67%	40,073	5,711,164	99.37%
2012-13 <sup>1</sup>	5,902,705	5,830,184	98.77%	37,843	5,868,027	99.41%
2013-14 <sup>1</sup>	6,139,991	6,109,976	99.51%	26,570	6,136,546	99.94%
2014-15 <sup>1</sup>	6,453,445	6,412,710	99.37%	23,671	6,436,381	99.74%
2015-16 <sup>1</sup>	6,778,670	6,724,355	99.20%	22,577	6,746,932	99.53%



<sup>1</sup> Includes amounts received for Property Tax-In Lieu of VLF

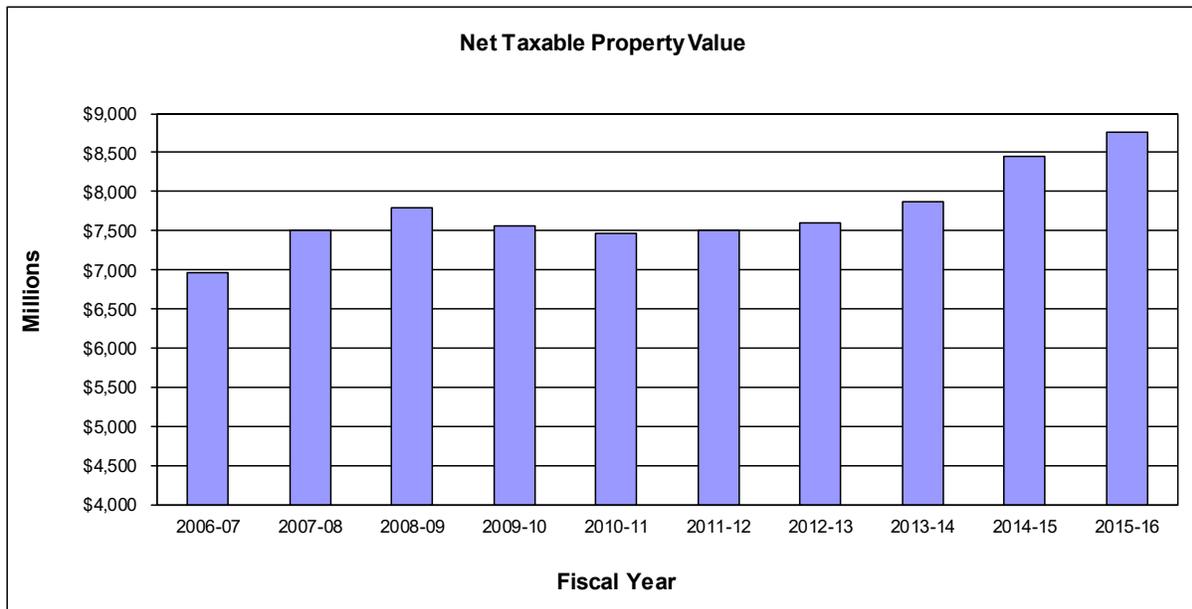
<sup>2</sup> The column includes the total amount of delinquent taxes collected in each fiscal year. The Orange County Auditor-Controller tax ledger does not provide detailed information regarding the levy year to which delinquent tax collections pertain.

<sup>3</sup> Total Levy Collections may exceed 100% due to prior years delinquent taxes and delinquent tax penalties collected.

Source: Orange County Auditor/Controller.

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

Fiscal Year	Secured Gross Value	Unsecured Gross Value	Nonunitary Utilities	Exemptions	Total	Percentage Increase	Total Direct Rate Applied
2006-07	\$ 6,970,094,083	\$ 302,719,951	-	\$ 304,647,030	\$ 6,968,167,004	12.81%	0.02168
2007-08	7,502,173,644	273,180,095	-	275,492,485	7,499,861,254	7.63%	0.02170
2008-09	7,781,094,363	283,810,583	-	272,760,549	7,792,144,397	3.90%	0.02168
2009-10	7,551,840,842	287,474,126	-	286,137,605	7,553,177,363	-3.07%	0.02165
2010-11	7,461,106,826	324,805,126	-	326,124,781	7,459,787,171	-1.24%	0.02164
2011-12	7,553,096,782	310,902,332	-	352,590,770	7,511,408,344	0.69%	0.02174
2012-13	7,643,633,146	290,218,553	-	328,327,398	7,605,524,301	1.25%	0.02167
2013-14	7,889,773,458	332,701,593	-	344,663,043	7,877,812,008	3.58%	0.02166
2014-15	8,449,701,616	320,520,081	-	329,481,251	8,440,740,446	7.15%	0.02166
2015-16	8,821,939,196	302,068,604	-	362,214,100	8,761,793,700	3.80%	0.02165



Source: HDL Coren & Cone

**DIRECT AND OVERLAPPING PROPERTY TAX RATES  
(RATE PER \$100 OF ASSESSED VALUE)  
LAST TEN FISCAL YEARS**

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
City Direct Rates										
City's Share of 1% Levy per Prop 13 <sup>(1)</sup>	0.02134	0.02134	0.02134	0.02134	0.02134	0.02134	0.02134	0.02134	0.02134	0.02134
Total City Direct Rate <sup>(2)</sup>	0.02168	0.02170	0.02168	0.02165	0.02164	0.02174	0.02167	0.02166	0.02165	0.02165
Overlapping Rates										
Basic Levy <sup>(3)</sup>	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Capistrano Union	0.00947	0.01019	0.00971	0.01077	0.01105	0.01101	0.01171	0.00972	0.00900	0.00845
Laguna Beach Unified	0.01720	0.01808	0.01544	0.01683	0.01582	0.01601	0.01694	0.01567	0.01461	0.01396
Saddleback Valley Unified	0.03694	0.02668	0.02834	0.03043	0.03194	0.03163	0.03265	0.03207	0.00350	0.03008
Moulton Niguel Water District	0.10852	0.08382	0.11110	0.11512	0.11582	0.12315	0.13840	0.12977	0.08600	0.09041
Metropolitan Water District	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.02806	0.00350
Total Overlapping Rates <sup>(4)</sup>	1.17683	1.14327	1.16889	1.17745	1.17833	1.1855	1.20320	1.19073	1.14117	1.14640
Total Direct & Overlapping Tax Rates	1.19851	1.16497	1.19057	1.19910	1.19997	1.20724	1.22487	1.21239	1.16282	1.16805

<sup>(1)</sup> City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

<sup>(2)</sup> Total Direct Rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

<sup>(3)</sup> In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

<sup>(4)</sup> Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city

**PRINCIPAL PROPERTY TAXPAYERS  
JUNE 30, 2016 AND 9 YEARS AGO**

		2015-16			2006-07		
Taxpayer	Primary Use	Assessed Valuation	Percentage of Total Assessed Valuation	Taxpayer	Primary Use	Assessed Valuation	Percentage of Total Assessed Valuation
Sequoia Equities	Residential	\$159,919,686	1.83%	Shea Homes Limited Partnership	Residential	\$120,500,000	1.73%
City Lights-Aliso Viejo LLC	Residential	113,564,290	1.30%	RREEF America REIT II Corporation	Commercial	109,650,000	1.57%
RREEF America REIT II Corporation	Commercial	113,116,096	1.29%	City Lights-Aliso Viejo LLC	Residential	99,413,918	1.43%
Moritz Associates LLC	Residential	112,200,478	1.28%	Moritz Associates LLC	Residential	98,883,095	1.42%
Barcelona LLC	Residential	96,721,571	1.10%	Northwestern Mutual Life Insurance Co	Residential	88,575,487	1.27%
QLogic Corporation	Commercial	76,431,839	0.87%	Barcelona LLC	Residential	85,296,052	1.22%
Aliso Viejo RP-V1 LLC	Commercial	66,798,438	0.76%	Canyon Villas Condominiums LP	Residential	71,003,805	1.02%
Aliso Creek Apartment Partners LLC	Residential	64,462,507	0.74%	Sequoia Equities Alicante	Residential	69,603,946	1.00%
Pacific Life Insurance Company	Commercial	62,782,294	0.72%	Qlogic Corporation	Commercial	63,296,604	0.91%
Summit Office LLC	Commercial	60,368,441	0.69%	Aliso-Holly Oaks Partners LP	Residential	56,784,721	0.82%
<b>Top Ten Totals</b>		<b>\$926,365,640</b>	<b>10.57%</b>	<b>Top Ten Totals</b>		<b>\$863,007,628</b>	<b>12.39%</b>

Source: HDL Coren & Cone  
Orange County Assessor

**RATIOS OF NET DIRECT GENERAL OBLIGATION DEBT  
LAST TEN FISCAL YEARS**

Fiscal Year	Net Direct General Obligation Debt	Assessed Value	Percentage of General Obligation Debt to Assessed Value	Population	Percentage of Personal Income	Net General Obligation Debt per Capita
2006-07	\$ 8,155,000	\$ 6,968,167,004	0.117%	45,037	0.39%	\$ 181
2007-08	8,035,000	7,499,861,254	0.107%	45,246	0.36%	177.58
2008-09	7,910,000	7,792,144,397	0.102%	45,683	0.34%	173.15
2009-10	7,780,000	7,553,177,363	0.103%	45,634	0.35%	170.49
2010-11	7,640,000	7,459,787,171	0.102%	47,823	0.43%	159.76
2011-12	7,490,000	7,511,408,344	0.100%	48,988	0.37%	152.89
2012-13	7,335,000	7,605,524,301	0.096%	49,477	0.35%	148.25
2013-14	-	7,877,812,008	0.000%	49,951	-	-
2014-15	-	8,440,740,446	0.000%	50,509	-	-
2015-16	-	8,761,793,694	0.000%	50,509	-	-

Ratios to Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.65%
<b>Total Direct Debt</b>	<b>0.00%</b>
Gross Combined Total Debt	0.99%
Net Combined Total Debt	0.99%

## COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT JUNE 30, 2016

2015-2016 Assessed Valuations \$ 8,765,964,235

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt 6/30/16</u>	<u>% Applicable (1)</u>	<u>Debt 6/30/16</u>
Metropolitan Water District	\$ 92,865,000	0.358%	\$ 332,457
Capistrano USD School Facilities Improvement District No 1	29,882,520	0.854%	255,197
Laguna Beach Unified School District,	29,090,000	1.855%	483,970
Saddleback Valley Unified School District	117,270,000	0.494%	579,314
Moulton-Niguel Water District, I.D No. 6	4,880,000	96.876%	4,727,549
City of Aliso Viejo Community Facilities District No. 2005-01	31,615,000	100.000%	31,615,000
Capistrano USD Community Facilities District No 87-1	26,020,000	72.710%	18,919,142
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>56,912,628</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	124,614,000	1.757%	2,189,468
Orange County Pension Obligation Bonds	353,417,858	1.757%	6,209,552
Orange County Board of Education Certificates of Participation	14,840,000	1.757%	260,739
Capistrano Unified School District Certificates of Participation	15,320,000	10.710%	1,640,772
Municipal Water District of Orange County Water Facilities Corp.	2,770,000	2.097%	58,087
Moulton-Niguel Water District Certificates of Participation	76,045,000	26.211%	19,932,155
Less: MWDOC Water Facilities Corporation (100% Self-supporting)			(58,087)
<b>TOTAL NET DIRECT OVERLAPPING GENERAL FUND DEBT</b>			<b>30,232,685</b>
 <b>TOTAL NET OVERLAPPING DEBT</b>			<b>87,145,313</b>
 <u>DIRECT GENERAL FUND DEBT:</u>			
City of Aliso Viejo	-	100.000%	-
 <b>TOTAL DIRECT DEBT</b>			<b>-</b>
 GROSS COMBINED TOTAL DEBT			87,203,400 (2)
<b>NET COMBINED TOTAL DEBT</b>			<b>\$ 87,145,313</b>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.65%
<b>Total Direct Debt</b>	<b>0.00%</b>
Gross Combined Total Debt	0.99%
Net Combined Total Debt	0.99%

Source: California Municipal Statistics, Inc

**LEGAL DEBT MARGIN  
LAST TEN FISCAL YEARS**

<u>Fiscal Years</u>	<u>Legal Debt Margin</u>
2006-07	\$ 253,151,263
2007-08	294,523,935
2008-09	292,205,415
2009-10	286,194,311
2010-11	284,331,698
2011-12	281,677,813
2012-13	277,872,161
2013-14	296,030,537
2014-15	316,527,767
2015-16	328,567,264

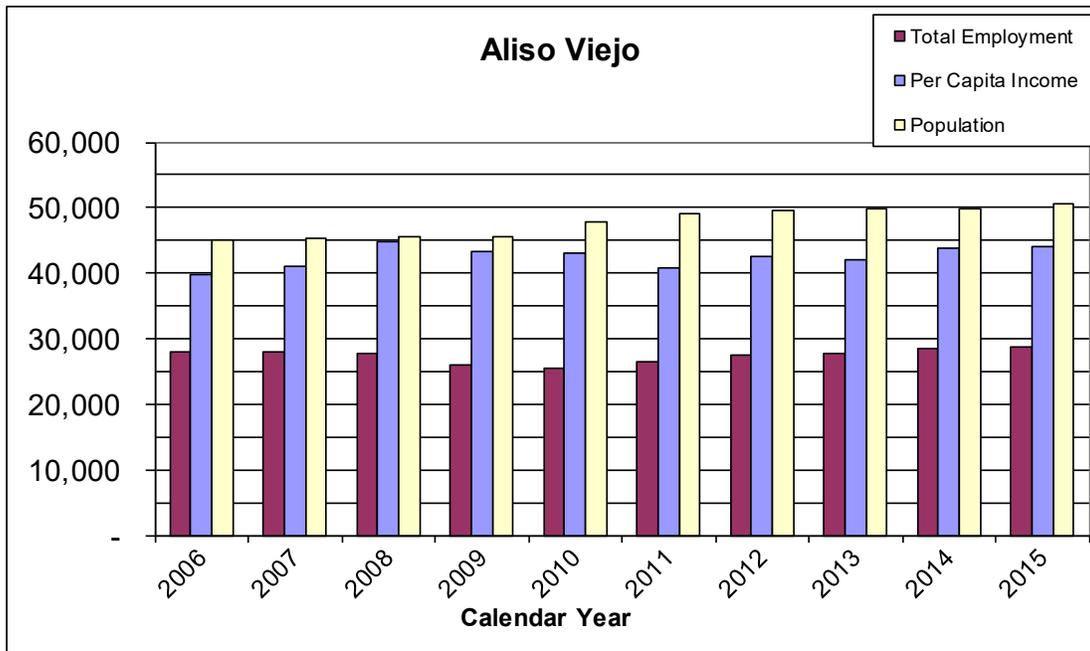
**Computation Of Legal Debt Margin for Fiscal Year 2015/16**

Assessed Valuations:	
Assessed Value	\$ 8,399,579,600
Add Back: Exempt Property	362,214,100
Total Assessed Value	<u>\$ 8,761,793,700</u>
Legal Debt Margin:	
Debt limitations-3.75% of Total Assessed Value*	<u>\$ 328,567,264</u>
Amount of Debt Applicable to Limit	0
Legal Debt Margin	<u>\$ 328,567,264</u>

Note: The general laws of the State of California for municipalities provide for a legal debt limit of 15% of grossed assessed valuation. However, this provision was enacted when assessed valuation was established based on 25% of market value. Effective with fiscal year 1981-82, taxable property is assessed at 100% of market value. Although the debt limit provision has not been amended by the State since this change, the percentage has been proportionately modified to 3.75% for the purpose of this calculation for consistency with the original intent of the State's debt limit.

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

Calendar Year	Population	Total Income	Per Capita Income	Total Employment	Employment Growth Rate	Unemployment Rate
2006	45,037	\$ 1,791,256,601	\$ 39,773	28,000	1.82%	1.80%
2007	45,249	1,857,154,707	41,043	28,000	0.00%	2.00%
2008	45,683	2,052,308,775	44,925	27,700	-1.07%	2.70%
2009	45,634	1,977,868,828	43,342	26,100	-5.78%	4.80%
2010	47,823	2,059,354,026	43,062	25,600	-1.92%	4.90%
2011	48,988	2,002,825,392	40,884	26,400	3.13%	4.60%
2012	49,477	2,100,001,788	42,444	27,600	4.55%	3.00%
2013	49,951	2,100,839,000	42,058	27,700	0.36%	2.60%
2014	49,939	2,181,535,000	43,684	28,500	2.89%	3.50%
2015	50,509	2,223,991,000	44,032	28,800	1.05%	3.60%



Source: California Department of Finance  
California Employment Development Department  
HDL Coren & Cone

CITY OF ALISO VIEJO

Table 17

PRINCIPAL EMPLOYERS  
JUNE 30, 2016 AND 9 YEARS AGO

	2016		2007		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
United Parcel Service	1,000	4.08%	Quest Software	600	4.24%
Pacific Life	811	3.31%	Fluor Corporation	500	3.53%
Capistrano Unified School District	679	2.77%	Lennar	500	3.53%
Flour	630	2.57%	Capistrano Unified School District	400	2.83%
Quest Software	600	2.45%	Pacific Shore Funding	250	1.77%
Qlogic	490	2.00%	US Technology Resources	225	1.59%
Renaissance ClubSport	259	1.06%	Pepsi	200	1.41%
Pepsi Beverages Company	215	0.88%	Buy.com Inc	186	1.31%
Smith Micro Software	200	0.82%	Merit Property Management Inc.	180	1.27%
Merit Property Management	199	0.81%	Lowes Home Centers Inc.	150	1.06%
<b>Total Top Employers</b>	<b>5,083</b>	<b>20.72%</b>	<b>Total Top Employers</b>	<b>3,191</b>	<b>22.55%</b>
<b>Total Employees in City</b>	<b>24,531</b>		<b>Total Employees in City</b>	<b>14,151</b>	

Source: City Finance Department

**OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Public Safety:										
Part I Crimes	530	572	488	467	498	455	458	340	308	395
Public Works:										
Streets Resurfaced	28	60	11	60	41	27	42	63	53	38
Building Permits Issued	1442	916	958	1031	1124	1103	1328	1486	2093	2455
Plan Checks Performed	296	233	226	171	174	185	218	185	219	275
Community Services:										
Iglesia Park & FRC										
Events Held	20	29	8	9	9	9	9	10	15	41
Special Programs	12	12	6	11	9	9	9	9	61	123
Recreation Classes	264	297	299	299	329	329	329	400	366	344
Aliso Viejo Ranch Events	2	2	3	2	2	2	2	2	3	3
City Events	4	6	9	5	5	8	8	8	8	7
Healthy Families Workshops	6	17	9	15	8	9	2	7	20	10
Shared Community Events	11	12	14	13	5	6	6	6	6	6

Source: City Public Works Department, Community Services Department, Orange County Sheriffs Department

**FULL-TIME AND PART-TIME CITY EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**

Function	Employees*									
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
General Government <sup>1</sup>	8	8	8	8	8	8	8	9	9.5	9
Public Safety	**Police Services were contracted through the Orange County Sheriffs Department									
Public Works	**Public Works Engineering and Building & Safety were contracted through Charles Abbott and Associates									
Community Development	6	6	7	7	7	7	7	7	8	7.4
Total	14	14	15	15	15	15	15	16	17.5	16.4

<sup>1</sup> Attorney Services were contracted through Best, Best, & Krieger LLP and are not included.

\* Full Time Equivalent

Source: City Finance Department

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

	Fiscal Years									
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
General Government										
City Hall	1	1	1	1	1	1	1	1	1	1
City Owned Property	4	4	4	4	4	4	4	4	4	4
Public Works:										
Streets (Miles)	73	73	73	73	73	73	73	73	73	73
Street Lights **	1263	1263	1263	1263	1263	1263	1263	1299	1410	1410
Traffic Signals **	42	42	42	42	42	42	42	42	47	47
Parks & Recreation:										
Parks ***	1	1	2	2	2	2	2	2	2	2
Community Facilities	1	1	2	2	2	2	2	2	2	2

\*\* The City leases 1,230 of the streetlights and shares 3 of the traffic signals with neighboring cities

\*\*\* Aliso Viejo Community Association independently owns and manages 21 parks in Aliso Viejo

Source: City Public Works Department

**SCHEDULE OF INSURANCE  
JUNE 30, 2016**

Type of Coverage	Limits/Deductibles	Insurer	Policy period
<b>General and Automobile Liability:</b>			
General Liability, Automobile Liability, Bodily Injury, Property Damage, Personal Injury.	\$50,000,000 limit per occurrence, \$50,000,000 annual aggregate.	Self Insured Program/ California Joint Powers Insurance Authority.	07/1/08-Until suspended or terminated.
<b>Special Liability:</b>			
Errors and omissions, Employment Practices injury, Contractual Liability injury, Broadcast/Publication injury Employee Benefits-Administration injury, Discrimination injury.	\$45,000,000 limit each occurrence, \$45,000,000 annual aggregate. Retained loss of \$30,000 per occurrence.	Self Insured Program/ California Joint Powers Insurance Authority.	07/1/08-Until suspended or terminated.
<b>Pollution &amp; Remediation Legal Liability:</b>			
Scheduled property, streets, storm drains, approved underground tanks & non-owned disposal sites.	CJPIA Limit \$50,000,000 for 3 years. \$10,000,000 per member. Self insured retention \$50,000 per occurrence.	Self Insured Program/ California Joint Powers Insurance Authority.	07/01/14-07/01/17
<b>Property:</b>			
All-Risk, including buildings, contents, garaged vehicles, contractor's equipment, fine arts, rental income and other miscellaneous extensions of coverage.	Limit \$500,000,000 per occurrence Coverage is written at replacement cost.	Self Insured Program/ California Joint Powers Insurance Authority.	07/01/15 - 07/01/16
<b>Crime:</b>			
Public Employee Blanket Fidelity Bond-			
Faithful Performance Bond Coverage 'O'	\$1,000,000 limit per member, deductible of \$2,500 per occurrence	California Joint Powers Insurance Authority.	07/01/15 - 07/01/16
Depositor's Forgery Coverage 'B'	\$1,000,000 limit per member, deductible of \$2,500 per occurrence	California Joint Powers Insurance Authority.	07/01/15 - 07/01/16
Crime- Money & Securities Coverage 'C'	\$1,000,000 limit per member, deductible of \$2,500 per occurrence	California Joint Powers Insurance Authority.	07/01/15 - 07/01/16
Computer Fraud Coverage 'F'	\$1,000,000 limit per member, deductible of \$2,500 per occurrence	California Joint Powers Insurance Authority.	07/01/15 - 07/01/16
<b>Worker's Compensation:</b>			
Work related injury/illness claims for temporary and permanent disability.	California Statutory Benefits \$10,000,000 per occurrence,	Self Insured Program/ California Joint Powers Insurance Authority.	07/01/15 - 07/01/16
<b>Special Events:</b>			
Tenants/Users for Property damage/bodily injury	\$1,000,000 per occurrence, \$1,000,000 aggregate per event. \$5,000 medical expense limit.	Alliant Insurance Services, Inc.	01/01/16 - 01/01/17

Source: City Finance Department

**MISCELLANEOUS STATISTICAL INFORMATION  
JUNE 30, 2016**

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Date of Incorporation .....	July 01, 2001
Form of Government .....	Council-Manager
Area .....	7 Square miles
Miles of Streets .....	73.7 miles
Miles of Sidewalks .....	147 miles
Employees .....	16.4
Public Safety	
Police Department .....	Contracted with the Orange County Sheriff's Department
Fire Department .....	Contracted with the Orange County Fire Authority
Recreation & Culture:	
Parks - Community & Neighborhood .....	23
Park Acreage (developed) .....	260 Acres
Education:	
Elementary Schools (K-6) .....	5
Middle Schools (6-8) .....	3
High Schools (9-12) .....	1
Private Schools .....	3
Universities .....	1

\*Source: State of California, Department of Finance



# ALISO VIEJO

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