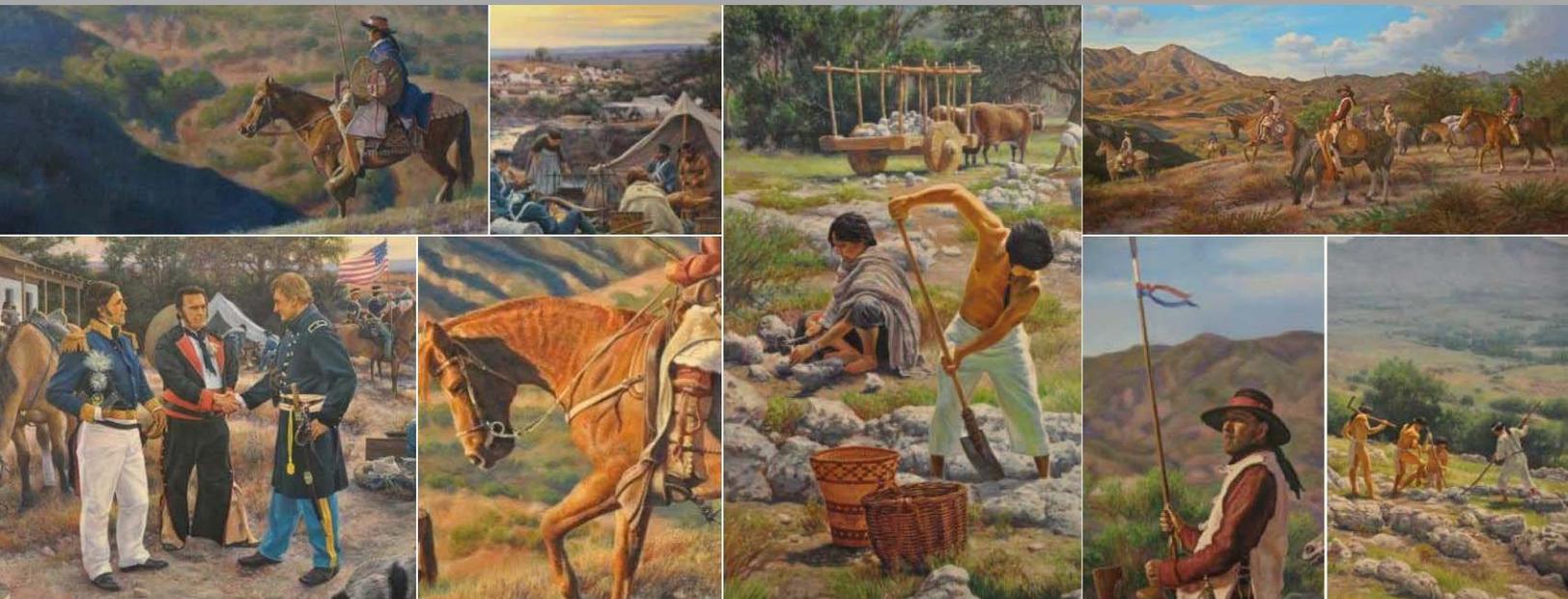




CITY OF LAGUNA HILLS CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014





CITY OF LAGUNA HILLS
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2014

CITY MANAGER
Bruce E. Channing

ASSISTANT CITY MANAGER
Donald J. White



INTRODUCTORY SECTION

CITY OF LAGUNA HILLS

Table of Contents

*Introductory
Section*

Table of Contents	i
GFOA Certificate of Achievement	iii
Letter of Transmittal	I - 1
Elected Officials	I - 10
Appointed Officials	I - 11
Organizational Chart	I - 12

*Financial
Section*

Independent Auditors' Report	II - 1
Management Discussion & Analysis	II - 5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	II - 17
Statement of Activities	II - 18
Fund Financial Statements:	
Balance Sheet - Governmental Funds	II - 21
Reconciliation - Balance Sheet of Governmental Funds to the Statement of Net Position.....	II - 22
Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds	II - 23
Reconciliation - Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	II - 24
Statement of Net Position - Proprietary Fund	II - 25
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund.....	II - 26
Statement of Cash Flows - Proprietary Fund	II - 27
Statement of Fiduciary Assets and Liabilities - Agency Fund	II - 28
Notes to the Financial Statements	II - 29
Required Supplementary Information:	
Notes to Required Supplementary Information	II - 59
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	II - 61
Supplementary Schedules:	
Non-Major Governmental Funds - Special Revenue:	
Combining Balance Sheet	II - 64
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	II - 66
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Capital Projects.....	II - 68
Debt Service.....	II - 69
Gas Tax	II - 70
Measure M - Turn Back and Discretionary	II - 71
AB 2766	II - 72
Quimby Act	II - 73
Senior Mobility Program	II - 74
CARITS.....	II - 75
CDBG.....	II - 76
Beverage Recycling.....	II - 77
CR&R Recycling Fees.....	II - 78
C&D Forfeited Deposits.....	II - 79
AB 939 Surcharge Grant	II - 80
Grants and Contribution	II - 81
Public Safety - SLESF/COPS Brulte	II - 82
Statement of Changes in Fiduciary Assets & Liabilities - Fiduciary Fund	II - 83

CITY OF LAGUNA HILLS

Table of Contents

*Statistical
Section
(Unaudited)*

Net Assets by Component	III - 3
Change in Net Position	III - 4
Governmental Activities Tax Revenue By Source	III - 6
Fund Balances of Governmental Funds	III - 7
Changes in Fund Balances of Governmental Funds	III - 8
General Government Tax Revenues by Source	III - 9
Assessed Value and Estimated Actual Value of Taxable Property	III -10
Property Tax Rates - Direct and Overlapping Governments	III -11
Principal Property Taxpayers	III -12
Property Tax Levies and Collections	III -13
Ratios of Outstanding Debt by Type	III -14
Ratios of General Bonded Debt Outstanding	III -15
Direct and Overlapping Governmental Activities Debt	III -16
Legal Debt Margin Information	III -17
Pledged Revenue Coverage	III -18
Demographic & Economic Statistics	III -19
Principal Employers	III -20
Full-time Equivalent Employees by Function	III -21
Operating Indicators by Function	III -22
Capital Assets Statistics by Function	III -23
City at a Glance	III -24



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Laguna Hills
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director/CEO

This page intentionally left blank.



December 9, 2014

**Honorable Mayor and
Members of the City Council:**

The Comprehensive Annual Financial Report (CAFR) of the City of Laguna Hills for the fiscal year ended June 30, 2014, is submitted herewith. This report is published in accordance with local ordinance and State law requirements that financial statements be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Laguna Hills. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. It is management's opinion that the data is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and contains all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, misuse, and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misrepresentation. As management, we assert that, to the best of our knowledge and belief, this financial report is complete

and reliable in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds of the City, as well as the City as a whole.

The City's financial statements have been audited by Moss, Levy & Hartzheim, LLP, a public accounting firm fully licensed and qualified to perform audits of local government. The independent auditors concluded that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements and that they present fairly, in all material respects, the financial condition of the City at the end of this fiscal year.

A narrative introduction, overview and analysis of the basic financial statements for the City for the fiscal year ended June 30, 2014, is discussed in the Management's Discussion and Analysis (MD&A), which immediately follows the independent auditor's report. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE CITY OF LAGUNA HILLS

The City of Laguna Hills is located in South Orange County approximately 60 miles south of Los Angeles and 70 miles north of San Diego. Incorporated in 1991 under the laws of the State of California, it enjoys all the rights and privileges pertaining to "General Law" cities. The City is home to approximately 30,857 residents and over 1,000 businesses.

The City of Laguna Hills operates under a Council-Manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and a four-member Council. The Mayor is annually selected by the City Council from among its membership, and serves a one-year term. The governing Council is responsible, among other things, for passing the City's ordinances and operating resolutions, adopting the biennial budget, appointing commissions and committees, and hiring the City Manager. The City Manager administers the daily operations and programs of the City through department heads, other staff members and employees.

The City contracts for selected municipal services utilizing agreements with other governmental entities, private firms and individuals. Police services are provided by the Orange County Sheriff's Department and fire services are provided through the Orange County Fire Authority, of which the City is a member.

Although the majority of the area in the City has a distinctive residential character, the City has a strong commercial base, specifically in the northern section of the City. This commercial area, or “Urban Village,” is anchored by the regional Laguna Hills Mall, the Oakbrook Village Shopping Center, and the Saddleback Memorial Medical Center. In addition, the area north of the Mall holds a complement of commercial and mixed-use industrial uses.

FACTORS AFFECTING FINANCIAL CONDITION

ECONOMIC CONDITIONS & OUTLOOK

In the five years since the Great Recession officially ended, it has become apparent that a structural correction has taken place in the general economy. The lingering effects have resulted in what many now refer to as the “new normal.” Government revenues at the local and regional level in particular have been affected. The City of Laguna Hills is no exception. In spite of the impact to revenues, the City has consistently maintained and continues to maintain a healthy financial condition. Much of this can be contributed to the City’s conservative financial policies. These policies played a critical role in allowing the City to respond quickly to the post-Recession difficulties prevalent in the economy. Another important factor in the City’s healthy financial condition is its strong and well-diversified tax base. Since Laguna Hills’ incorporation in 1991, its diversified tax base has consistently performed well in good economic times and, more importantly over these last five years, has helped the City weather slower economic conditions.

General fund revenues in Laguna Hills increased in FY 2013/14 by \$621,605, or 3.3%, most of which can be attributed to increases in property tax and sales tax revenues. Property tax revenues totaled \$8,826,271, representing a \$103,865 increase over the prior year revenues, and sales tax revenues came in at \$5,523,069, a \$331,151 increase over the previous year.

Total operating expenditures declined by \$181,214, or 1%, over the previous fiscal year, and came in \$43,010 under budget for FY 2013/14. Additionally, general fund revenues exceed operating expenditures by \$1,425,040.

As the real estate market in the City continues to recover, property taxes are expected to continue to rebound next year. Given a positive consumer price index, the end to most of the temporary Proposition 8 reductions imposed by the County Assessor over the last few years, and the overall improvement that is occurring in the

local housing market, property taxes are anticipated to increase over the next few years.

The City utilized a few key assumptions in the development of its biennial budget. The following assumptions and forecasts for 2015, should they hold true, will positively impact revenues in Laguna Hills:

- Taxable Sales +6.0%
- Consumer Price Index +2.5%
- Assessed Valuation +5.0%

**LONG TERM
FINANCIAL PLANNING**

The City utilizes a customized 8-Year Resource Allocation plan that is specifically designed to project the City's operating and reserve policy ratios over an eight year forecast horizon while taking into account a temporarily lowered operating ratio minimum of 1.03 and 1.05 for Years 1 & 2, respectively, and a reserve policy minimum of 40% for the Unencumbered Fund Balance and 25% for the Unassigned Fund Balance. The operating ratio for FY 2013/14 fell to 1.02 and the Unencumbered Fund Balance and the Unassigned Fund Balance were at 32% and 23%, respectively. Consequently, the City identified a number of cost saving measures that, once implemented, will have a significant impact on the City's financial outlook. With full implementation of the cost savings measures, it is anticipated the City will meet its Fund Balance policy minimums by FY 2015/16 and its operating ratio minimum by FY 2016/17.

**ACCOUNTING SYSTEM
AND BUDGETARY
CONTROLS**

In developing the City's accounting system, consideration was given to the adequacy of internal accounting controls, which are designed to provide reasonable, but not absolute, assurance in connection with: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Furthermore, the City maintains budgetary controls to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council. The City Manager is authorized to transfer budgeted amounts within and between funds as deemed necessary in order to meet the City's needs. Revisions that exceed the appropriated budget must be approved by the City Council.

CASH MANAGEMENT

The City invests its temporary idle cash in investments authorized under the City's prevailing Investment Resolution and Policies, which are reviewed and approved annually. These policies are significantly more restrictive than State law, limiting investments to a maturity of one year or less. At the present time, the City's investments are limited to the Local Agency Investment Fund (LAIF), fully insured or collateralized certificates of deposit with qualified banks, and U.S. Treasury money market funds.

CAPITAL ASSETS

Generally, only assets which cost \$5,000 or more and which have a useful life of five years or more are considered capital assets. This designation is extensively discussed in the City's Internal Control Policies and Procedures for Capital Assets and Minor Equipment, which were developed for the City's compliance with the requirements with GASB 34.

MAJOR INITIATIVES

The following section provides a sampling of some of the various initiatives and highlights occurring throughout the 2013/2014 fiscal year:

**LHHS ATHLETIC
FIELDS SYNTHETIC
TURF PROJECT**

This project represents a strategic partnership between the City of Laguna Hills, Moulton Niguel Water District (MNWD), and the Saddleback Valley Unified School District (SVUSD) to convert the Laguna Hills High School's upper athletic fields to synthetic turf. The school district approached the City in February 2014 about partnering together to convert the athletic fields to artificial synthetic turf at an estimated cost of \$1.6 million. Through MNWD's Water Efficiency Rebate Program, including Turf Removal Rebates and Synthetic Turf Installation Rebates, funds were made available to convert the entire 247,000 square foot of fields to artificial turf. The City proceeded to successfully secure over \$1 million in rebates and incentives, allowing for the project at no cost to the City. Construction on the project has been completed and a groundbreaking ceremony was held on November 20, 2014. This project will result in a significant decrease in water usage, estimated at approximately 50 million gallons of water over the next 10 years, as well as provide additional savings of approximately \$50,000 annually in SVUSD's operating budget. The City, in exchange, was able to secure rights for increased usage of the fields for both adult and youth sports organizations.

THE VILLAGE AT
NELLIE GAIL

This 11.3 acre area located on the north side of La Paz Road between Moulton Parkway to the west and Alameda to the east was identified as an Opportunity Area in the City's General Plan. Following the rezoning of this parcel from open space to commercial retail, staff processed a tentative parcel map essentially creating a 3.055 acre lot with a 50-foot-wide open space/trail easement along La Paz Road. Three years ago, the City Council authorized staff to file a quiet title action in court, giving the City clear title on the property. At the April 24, 2012, City Council meeting, the City Council approved the sale of the property to Vintage Real Estate, the owner of the adjacent shopping center for \$2.75 million. At that meeting, the City Council also approved the addition of 29,098 square feet of general commercial space. The approved purchase and sale agreement also included a creative and first-of-its-kind water quality easement over a portion of contiguous city-owned open space that allowed the project to move forward. The City negotiated an additional \$211,416 in exchange for the use of these easements. The quiet title action was completed in June 2012 and escrow on the property closed in September 2012 in the amount of \$2,963,093. The Center, now branded as The Village At Nellie Gail, is anchored by The Fresh Market. The Fresh Market in Laguna Hills, which is the chain's first store in Southern California and the second in the State, celebrated its Grand Opening on July 30, 2014. The Center continues to lease up with a number of new retailers and restaurants, including MOD Pizza and Rita's Italian Ice. The rehabilitation of the 8.25-acre open space along La Paz Road between Alameda Avenue and Moulton Parkway was also completed July 2014 by the City at a cost of \$1.24 million.

LAGUNA HILLS
MALL

In May 2013, Merlone Geier Partners purchased the 68-acre mall from the Simon Property Group. Built in 1973, the Laguna Hills Mall will soon undergo a major redevelopment plan that creates a modern pedestrian-friendly town center with more cafes, restaurants, an upscale movie theater, and public plaza. The mall serves as the backbone of the Laguna Hills Urban Village plan to design a mixed-use downtown space that provides not only shopping, but also a pedestrian experience and public gathering space. Over the past year, Merlone Geier Partners purchased the Sears lease to make way for a major redevelopment of the property. Sears subsequently vacated its location over the summer. The property owner has indicated it will submit new concept plans in the early part of 2015. It is anticipated that the new

redevelopment plan for the mall will generate an increase in property and sales tax revenue to the City.

**OAKBROOK
VILLAGE**

The owner of Oakbrook Village, Fritz Duda Company, received approval from the City in 2012 to create mixed-use development with new retail and residential units. This project will ultimately create the City's first urban village by demolishing 148,530 square feet of the existing 200,000 square foot center and replacing it with 489 homes in multi-story residential buildings and up to 82,574 square feet of new retail space. Phase 1 of this project, which includes the demolition of 82,730 square feet of retail uses and the development of 289 dwelling units and 23,974 square feet of new retail space, began grading and demolition work in April 2014. Building permits for the project were issued in October 2014 and construction for Phase I is anticipated to be completed in the spring of 2016. Additionally in October, the City received a total of \$2,777,779 in fees, including \$2,136,288 in Park In-lieu Fees.

**POLICE SERVICES
STUDY**

One of the Major Plans identified as part of the 2013-15 Biennial Budget was a review of the current Police Services contract, including recommendations regarding possible modifications or reallocation of resources. The City awarded a contract to Matrix Consulting in November 2013 to conduct a comprehensive evaluation of police services in Laguna Hills. A final report was presented to the City Council in June 2014 that identified several potential cost saving measures, which are currently under review for implementation.

**SOLID WASTE AND
RECYCLING
AGREEMENT**

The City approved an amendment to its current franchise agreement with CR&R for waste hauling services, extending the term of the agreement by eight years through June 30, 2024. In exchange for the extension, CR&R reduced its rates for residential and commercial customers, effective October 1, 2014. Residential rates saw a 13% reduction, while commercial service rates decreased by 2.5% to 8%, depending on the size of the container and the number of weekly pickups. Commercial recycling rates also decreased from 2.5% to 29%, depending on the size of the container and the number of weekly pickups. In addition to the reduction in rates, CR&R is establishing an On-Call Residential Household Hazardous Waste (HHW) Pick Up Service.

**COMMUNITY
DEVELOPMENT BLOCK
GRANT (CDBG)**

Over the past ten years, the City has been awarded Community Development Block Grant (CDBG) funds totaling over \$2.7 million dollars. Nearly \$2.5 million has been used for the partial rehabilitation of more than 180 affordable housing units for very low, low, and moderate income households in the City. In 2014, the City was awarded \$80,000 to renovate homes in the 248-unit Aliso Meadows Condominium Association. The remaining \$290,000 in grant monies have been used to complete a number of improvements and address deferred maintenance issues at the Florence Sylvester Memorial Senior Center. In 2014, the City was awarded \$75,000 for the following improvements: (1) removal of the landscaping on the south side of the building and replacing it with hardscape to create a safe staging area for the Meals on Wheels program; (2) purchase and install audio/video equipment for educational presentations; and (3) remove all fluorescent light fixtures and replace them with energy-efficient fixtures to reduce energy consumption.

**STREET MAINTENANCE
CONTRACT**

Since its incorporation in 1991, the City has utilized the services of the County of Orange for routine maintenance of the City's eighty-one miles of public streets. Upon closer evaluation, it was determined the City could benefit from a procurement for these services and the services could likely be provided at a lower cost as compared to the current agreement and at equal or better service levels. Following a lengthy and complex bidding process, the City contracted with Charles Abbott and Associates for street maintenance services, resulting in a projected budget savings of \$100,000 per year.

**SOUND WALL ALONG
I-5 / ALISO CREEK**

The San Diego Freeway (I-5) Project from San Joaquin Hills Toll Road (SR-73) to El Toro Road is a \$481 million freeway widening project under the direction of Caltrans and in cooperation with OCTA. As part of the environmental review process and outreach, OCTA presented an overview of the project at a City Council meeting. At the time, the City Council indicated concerns regarding noise impacts to specific neighborhoods in the City. As the process progressed, the City challenged the conclusions set forth in the environmental documents regarding noise impacts in the Aliso Creek neighborhoods. The City worked closely with Caltrans and OCTA to seek a resolution, and ultimately a community enhancement wall was added to the project to protect residents in the area from traffic noise impacts, at no cost to the City. The I-5 project is currently in the design phase and anticipated to begin construction in 2018.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Laguna Hills for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the twenty-first consecutive year the City has received this prestigious award. The certificate is a national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards, and must satisfy both generally accepted accounting principles and applicable legal requirements.

The City also received the GFOA Distinguished Budget Presentation Award for its 2013-15 biennial budget document. To qualify for the GFOA award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Administrative Services Department. The contributions are invaluable and clearly reflect the high standards the City has set for itself.

In closing, without the effective leadership, guidance, and support provided by the Mayor and the City Council, preparation of this report, as well as the favorable financial results of the past year, would not have been possible.

Respectfully submitted,

Original signed

Bruce E. Channing
City Manager

Original signed

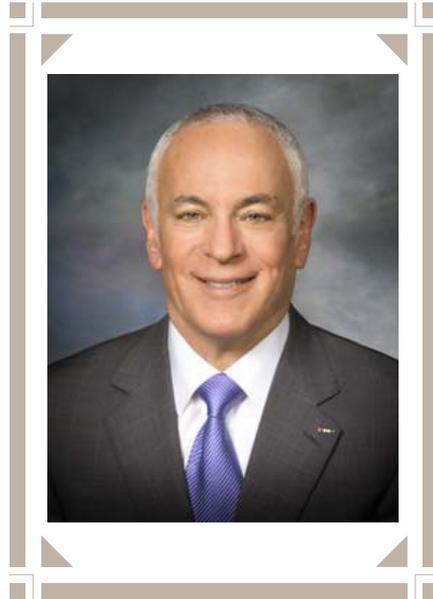
Donald J. White
Assistant City Manager

CITY OF LAGUNA HILLS

ELECTED OFFICIALS As of June 30, 2014



Andrew Blount
Mayor



Dore Gilbert
Mayor Pro Tem



Randal Bressette
Council Member



Melody Carruth
Council Member



Barbara Kogerman
Council Member

CITY OF LAGUNA HILLS

APPOINTED OFFICIALS As of June 30, 2014



Donald J. White
Assistant City Manager/Deputy Treasurer



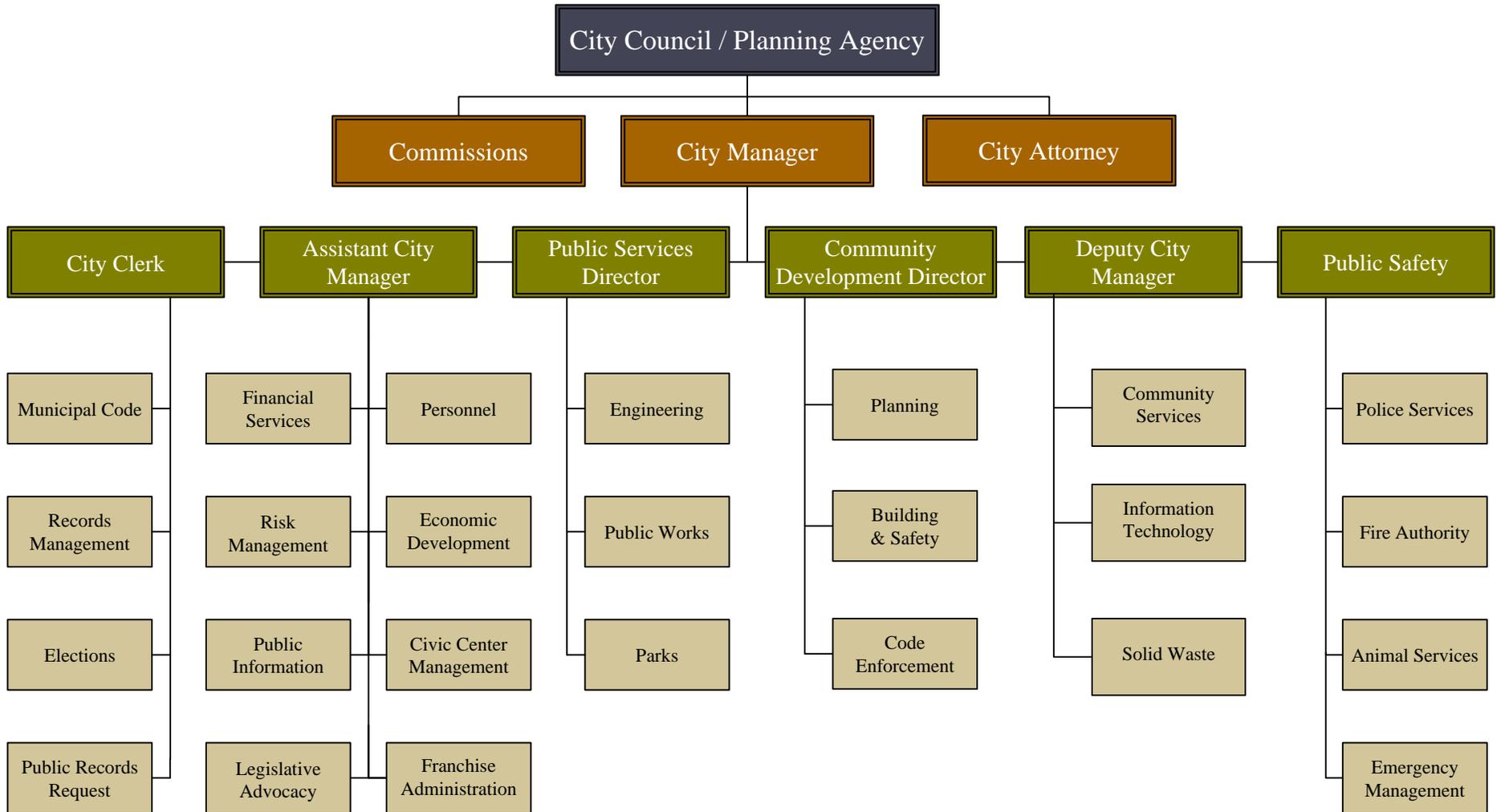
Bruce E. Channing
City Manager/Treasurer

◆ Gregory E. Simonian	City Attorney
◆ Peggy J. Johns	City Clerk
◆ David Chantarangsu	Community Development Director
◆ David T. Reynolds	Deputy City Manager
◆ Kenneth H. Rosenfield	Director of Public Works/City Engineer
◆ Lt. Roland Chacon	Police Chief (O.C. Sheriff Department)
◆ Bryan Brice	Division Chief (OC. Fire Department)

CITY OF LAGUNA HILLS

ORGANIZATIONAL CHART

June 30, 2014





FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
433 N. CAMDEN DR. SUITE 730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 E. HANNUM, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Laguna Hills
Laguna Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Laguna Hills, California (City), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in note 1 to the basic financial statements effective July 1, 2013, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Correction-2012*, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages II-5 through II-16 and II-61 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 non-major fund financial statements and schedules, major capital projects and debt service budgetary schedules, fiduciary changes in assets and liabilities, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

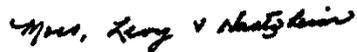
The combining and individual non-major fund financial statements and schedules, major capital projects and debt service budgetary schedules, fiduciary changes in assets and liabilities are the responsibility of management and were derived from and relate directly to the underlying accounting and other 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 non-major fund financial statements and schedules, major capital projects and debt service budgetary schedules, fiduciary changes in assets and liabilities 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 December 2, 2014, 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.



Moss, Levy & Hartzheim, LLP
Culver City, California
December 2, 2014

This page intentionally left blank.

MANAGEMENT'S DISCUSSION & ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Laguna Hills offers the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended **June 30, 2014**. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter on page I-1 and the basic financial statements in the appropriate section.

Financial Highlights

Government-Wide

- The net position of the City of Laguna Hills at the close of the most recent fiscal year was \$102,573,434. Of this amount, \$5,798,922 may be used to meet the City's ongoing obligations to its citizens and creditors.
- After recording the value of the City's infrastructure assets, net of accumulated depreciation, the decrease in the City's net position resulting from the most recent fiscal year's operation was \$1,383,189, approximately 1.3%.
- Total revenues from all sources were \$22,095,562.
- The total cost of all City programs and projects was \$23,478,751. Approximately 19%, or \$4,549,205, of this amount is attributable to depreciation on the City's capital assets.
- The net position of governmental activities was \$92,631,130 as of June 30, 2014, after recording the value of the City's infrastructure assets, net of accumulated depreciation and long term debt.
- Governmental activities, which include certain capital projects and depreciation related to capital assets, decreased the City's net position by \$874,853.

Fund Based

- As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$10,227,561.
- Total non-spendable fund balances, amounts that are either not in spendable form or are legally or contractually required to be maintained, were \$416,994.
- Total spendable fund balances were \$9,810,567. Of this amount, approximately 17% (\$1,726,228 total assigned) is constrained by the

City's intent to be used for a specific purpose and 43% (\$4,222,459 total restricted) is restricted in their use by external restrictions, such as by creditors, debt covenants, grantors, contributors, or by laws and regulations.

- Total governmental fund balances decreased by \$491,082.
- At the end of the most recent fiscal year, the total fund balance for the general fund was \$6,327,883; a decrease of \$1,832,535 over prior year.
- General fund reported revenues exceeded expenditures by \$1,425,040.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Laguna Hills' basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statement themselves.

- (1) **Government-wide financial statements.** These statements are designed to provide readers with a broad overview of the City of Laguna Hills' finances, in a manner similar to a private-sector business. The following reports comprise the government-wide financial statements:
 - a) *Statement of Net Position.* This report presents information on all the assets and liabilities, with the difference between the two reported as the *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or weakening, though it is important to consider other non-financial factors in accurately assessing the overall health of the City, such as the property tax base or condition of the roads, etc.; and
 - b) *Statement of Activities.* The information presented in this report shows how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (referred to as *governmental activities*), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as *business-type*

activities).

The **governmental activities** of the City of Laguna Hills include general government, public services, community development, community services and public safety. Property taxes, sales and use taxes, transient occupancy taxes, and franchise fees finance most of these activities.

The **business-type activity** of the City of Laguna Hills pertains to the leasing of certain areas in the Laguna Hills Civic Center, which also houses City Hall.

The government-wide financial statements can be found on pages II-17 to II-19 of this report.

- (2) **Fund financial statements.** These statements show how the City services were financed in the short term as well as what remains for future spending. These statements also report the City's operation in more detail than the government-wide statements by providing information about the City's most significant funds, but not the City as a whole. Funds are required to be established, either by State or Federal laws, in order to meet legal responsibilities associated with the usage of certain taxes, grants, and other money. There are three types of funds, namely:

- a) Governmental funds. These statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information provides a short-term view of the City's general government operations and shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using the *modified accrual method* of accounting, which measures cash and all other financial assets that can readily be converted to cash. The relationship between governmental activities and the governmental funds are reported in the reconciliation of government-wide and fund financial statements and in Note 1 in the Notes to the Basic Financial Statements.

The City maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, capital projects fund, and debt service fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each nonmajor governmental fund is provided in the form of *combining statements* elsewhere in this report.

- b) Proprietary funds. When the City charges for the services it provides, other than those services associated with the City's general governmental operations, these services are generally reported in proprietary funds. The proprietary fund is used to report the same function presented as *business-type activities* in the government-wide financial statements. The City uses the proprietary fund to account for its Civic Center leasing activity.
- c) Fiduciary funds. These funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs.

The fund financial statements can be found on pages II-21 to II-28 of this report.

- (3) **Notes to the basic financial statements.** The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages II-29 to II-57 of this report.
- (4) **Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the budgetary comparisons for the general fund.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government –Wide Financial Analysis

As noted earlier, net position may serve as a useful indicator over time of the City's financial position. The City's combined net position at the close of the most recent fiscal year ended June 30, 2014, was \$102,573,434, as shown on Table 1, on the following page.

By far the largest portion of the City's net position (roughly \$94 million, or 92% of total net position) reflects its investment in capital assets (land, building, machinery, and equipment) less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; Consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the

capital assets themselves cannot be used to liquidate these liabilities. There is \$13,436,572 in debt outstanding related to the acquisition and construction of these capital assets.

Table 1
Condensed Statement of Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 13,376	\$ 13,933	\$ 109	\$ 124	\$ 13,485	\$ 14,057
Capital assets	95,790	96,960	9,895	10,403	105,685	107,363
Total assets	<u>109,166</u>	<u>110,893</u>	<u>10,004</u>	<u>10,527</u>	<u>119,170</u>	<u>121,420</u>
Total deferred outflows	<u>305</u>				<u>305</u>	
Long-term liabilities						
outstanding	13,979	14,820	38	31	14,017	14,851
Other liabilities	2,861	2,115	23	45	2,884	2,160
Total liabilities	<u>16,840</u>	<u>16,935</u>	<u>61</u>	<u>76</u>	<u>16,901</u>	<u>17,011</u>
Net position:						
Net investment in capital assets	84,465	84,618	9,895	10,403	94,360	95,021
Restricted	2,415	999			2,415	999
Unrestricted	5,751	8,341	48	48	5,799	8,389
Total net position	<u>\$ 92,631</u>	<u>\$ 93,958</u>	<u>\$ 9,943</u>	<u>\$ 10,451</u>	<u>\$ 102,574</u>	<u>\$ 104,409</u>

Another portion of the City's net position, \$2,414,686 (2% of the total net position), represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City's net position is unrestricted net position of \$5,798,922, which may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's business-type activity involves the leasing of rentable areas in the Civic Center building. This 3-story building complex was renovated to accommodate the City offices and to add leasable spaces. Since June 28, 2004, the City government has operated from this facility. The occupancy rate was approximately 77% on June 30, 2014.

During the fiscal year ended June 30, 2014, the total revenue from all sources was \$22,095,562 and the cost of all activities was \$23,478,751, resulting in an overall decrease in net position of \$1,383,189. The City's governmental activities decreased total net position by \$874,853 and the City's business-type activities

decreased total net position by \$508,336. The decrease from governmental activities is primarily due to the planned use of reserves to fund capital improvement projects, namely the La Paz Open Space Improvement Project. The decrease from business-type activities is largely attributable to depreciation. Of the \$1,278,434 of total operating expenses related to the City's property leasing activities, depreciation represents 56% (\$712,735) of that total.

The details of the changes in the City's Net Position are shown in **Table 2** below.

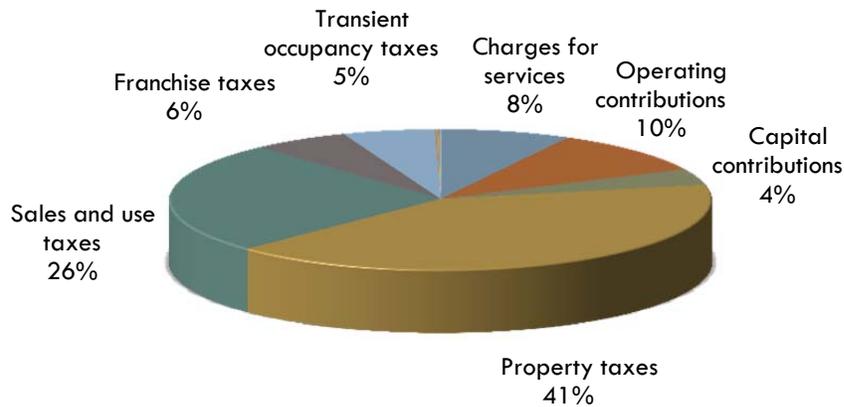
Table 2
Statement of Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 1,701	\$ 1,804	\$ 476	\$ 528	\$ 2,177	\$ 2,332
Operating contributions	2,186	2,138			2,186	2,138
Capital contributions	808	945			808	945
General Revenues:						
Property taxes	8,826	8,722			8,826	8,722
Sales and use taxes	5,563	5,305			5,563	5,305
Franchise taxes	1,259	1,211			1,259	1,211
Transient occupancy taxes	1,203	1,108			1,203	1,108
Motor vehicle in lieu taxes	14	17			14	17
State subvention	17				17	
Interest earnings	12	12			12	12
Sale of capital assets		2,770				2,770
Miscellaneous revenues	30	21			30	21
Total revenues	<u>21,619</u>	<u>24,053</u>	<u>476</u>	<u>528</u>	<u>22,095</u>	<u>24,581</u>
Expenses:						
Legislative/executive	1,547	1,546			1,547	1,546
Administrative services	1,758	1,976			1,758	1,976
Public services	6,377	6,151			6,377	6,151
Community development	1,266	1,138			1,266	1,138
Community services	3,886	3,777			3,886	3,777
Public safety	6,837	6,576			6,837	6,576
Property leasing			1,278	1,163		1,163
Interest	530	583			530	583
Total expenses	<u>22,201</u>	<u>21,747</u>	<u>1,278</u>	<u>1,163</u>	<u>23,479</u>	<u>22,910</u>
Change in net position before transfers	<u>(582)</u>	<u>2,306</u>	<u>(802)</u>	<u>(635)</u>	<u>(1,384)</u>	<u>1,671</u>
Transfers	<u>(294)</u>		<u>294</u>			
Change in net position	(876)	2,306	(508)	(635)	(1,384)	1,671
Net position, beginning, as restated	<u>93,506</u>	<u>91,652</u>	<u>10,451</u>	<u>11,086</u>	<u>103,957</u>	<u>102,738</u>
Net position, ending	<u>\$ 92,630</u>	<u>\$ 93,958</u>	<u>\$ 9,943</u>	<u>\$ 10,451</u>	<u>\$ 102,573</u>	<u>\$ 104,409</u>

Governmental Activities

The revenue sources from governmental activities presented in the preceding table are illustrated in a pie chart shown below as **Figure 1**, which illustrates the percentage relationship of these revenues to each other, as well as their impact on the City's total resources.

Figure 1
Revenue by Sources – Governmental Activities
FY 2013/14



As shown in the above pie chart, roughly 78% of the City's total governmental revenues are from taxes, comprised of property, sales and use, motor vehicle in lieu, franchise and transient occupancy taxes. Program revenues totaled 22% of the total resources, comprised of charges for services, operating and capital contributions.

The City's expenses in connection with its governmental activities are categorized by function, namely: legislative/executive, administrative services, public services, community development, community services and public safety. The program revenues associated with these governmental activities are classified into three categories, which are charges for services, operating contributions and capital contributions. The relationships of the City's program revenues with the related governmental functions are illustrated in a graph shown as **Figure 2** on the following page.

Expenses associated with governmental activities experienced only a slight increase of 2%, or \$452,792, this past year. This is largely attributable to an

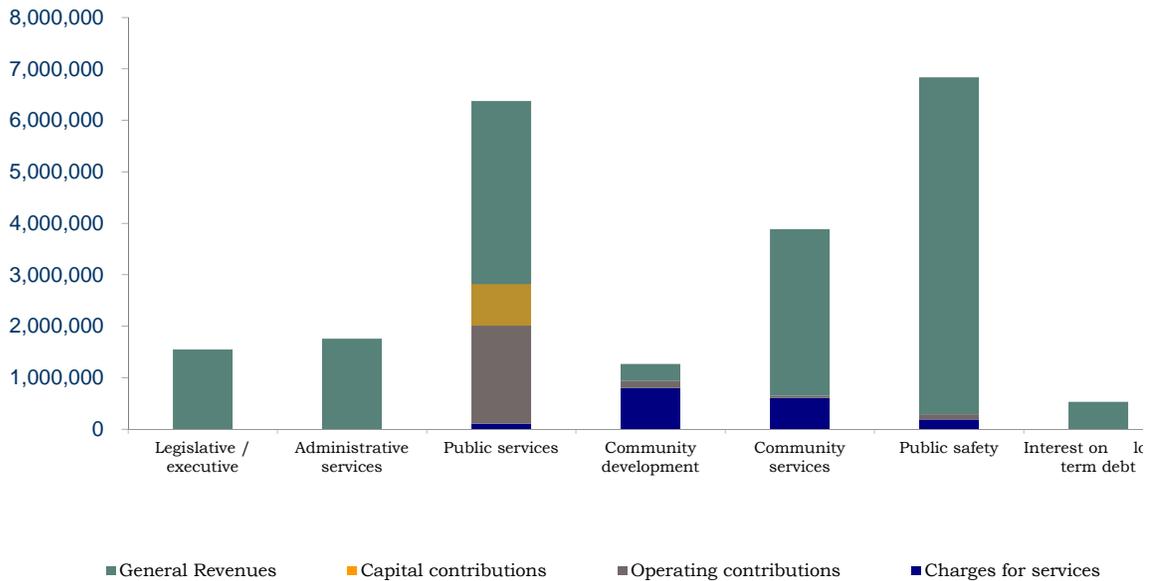
increase in building and landscape maintenance expenditures, due in part by a rise in the cost for water and electricity, as well as increase in recreation program activity, such as the Memorial Day Half Marathon and recreation classes. Of the \$22,200,317 of expenses, depreciation of capital assets accounts for \$3,836,470 (17%) and the debt service interest payment on capital related items accounts for \$530,039 (2%).

Program Revenues and Expenses:

Program revenues for the most recent fiscal year were \$4,694,768. Expenses related to governmental activities were \$22,200,317. The program revenues are generally not adequate to finance the governmental programs, so it is typical for governmental expenses to be subsidized by general revenues. The City’s expenses for public services and public safety are comparatively higher than the other expense categories, as shown in **Figure 2** below. The interest on long-term debt was \$530,039.

Figure 2

**FUNDING OF GOVERNMENTAL ACTIVITIES
FY 2013/14**



Business-type Activities

During the most recent fiscal year, the operating revenues of the Laguna Hills Civic Center were \$476,391 and the operating expenses were \$1,278,434, resulting in a net operating loss of \$802,043, which includes a depreciation charge of \$712,735. After interest earnings of \$16, the change in net position at

fiscal year-end was \$(802,027). The net cash provided by the leasing activities was \$1,246. The contra rent revenue associated with the occupied spaces for City Hall was \$613,071.

Analysis of Major Funds

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

Governmental funds:

The focus of the City of Laguna Hills' *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Laguna Hills' financing requirements. In particular, fund balances of the governmental funds are reported separately within classifications based on a hierarchy of constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$10,227,561, a decrease of \$491,082 from prior year's balance. Of the ending fund balance, \$416,994 is non-spendable fund balance, which represents the portion of fund balance that is either not in spendable form or are legally or contractually required to be maintained. Of the remaining \$9,810,567 in spendable fund balance, \$4,222,459 is restricted fund balance, \$1,726,228 is assigned fund balance and \$3,861,880 is unassigned fund balance. Restricted fund balance includes amounts that have externally imposed restrictions on their usage by creditors, such as debt covenants, grantors, and contributors, or by laws and regulations. Assigned fund balance includes amounts which are constrained by the City's intent to be used for a specific purpose. These include \$200,000 designated for claims liability and a total of \$1,526,228 designated for equipment maintenance of the Civic Center, Community Center, Sports Complex, and various parks.

The fund balance of the City's general fund decreased by \$1,832,535 from the prior fiscal year's balance, resulting from the transfers out to fund debt service and certain capital improvement projects. The fund balance of the non-major governmental funds increased by \$1,348,755, which is largely attributable to gas tax revenue held to fund future capital projects in the capital projects fund, namely the annual street maintenance program.

Proprietary fund:

The proprietary fund provides the same type of information found in the government-wide financial statements. The City's proprietary fund consists of owning a piece of commercial real estate and leasing it to various entities. The total square footage of the building is 51,944. The City is a tenant using approximately 21,033 square feet of the building. The enterprise fund does not charge the City rent. The estimated annual rent for the space would be approximately \$613,071.

The statement of revenues, expenses, and changes in net position shows a net operating loss of \$802,043, before the interest earnings of \$16. The net effect, after a transfer in of \$293,691 from General Fund, is a decrease in the ending net position of \$508,336, which is largely attributable to depreciation. It should be noted that before accounting for depreciation the net operating loss would be \$89,308 from the City's leasing related activities.

General Fund Budgetary Highlights

At fiscal year-end, total revenues were below the budgeted amount by \$120,398, which is largely due to a decrease in fines and forfeiture activity. The City's top revenues source, property taxes, performed well in comparison to the budget. Property taxes totaled \$8,826,271, which was \$107,267 over the budget estimate. The total operating expenditures came in lower than the budgeted amount by \$43,010.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounted to \$105,684,825 net of accumulated depreciation. This investment includes land, land improvements, easements, right of ways, building, building improvements, equipment, machinery, construction in progress, and infrastructure. In accordance with the requirement of GASB 34, the value of the City's infrastructure assets are included in this report, which include streets, sidewalks, curbs, gutters, playground equipment, and similar assets that are considered public property. Equipment and machinery includes vehicles, furniture, computer hardware and software.

A schedule showing the changes in the City's capital assets are shown in the following **Table 3** on the next page.

Table 3
City of Laguna Hills Capital Assets (Net of accumulated depreciation)
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land & improvements	\$ 29,736	\$ 29,692	\$ 2,855	\$ 2,855	\$ 32,592	\$ 32,547
Rights of ways/Easements	3,062	3,062			3,062	3,062
Building & improvements	5,524	6,197	7,039	7,547	12,563	13,745
Equipment and machinery	413	503			413	503
Construction in progress		696				696
Infrastructure						
Street signs	26	57			26	57
Storm drains	2,309	2,387			2,309	2,387
Streets	45,211	44,591			45,211	44,591
Parks inventory	1,485	1,414			1,485	1,414
Curbs, sidewalks, gutters	6,274	6,542			6,274	6,542
Bridges	1,750	1,819			1,750	1,819
Total capital assets net of accumulated depreciation	<u>\$ 95,790</u>	<u>\$ 96,960</u>	<u>\$ 9,895</u>	<u>\$ 10,403</u>	<u>\$ 105,685</u>	<u>\$ 107,363</u>

Additional information on the City's capital assets can be found in Note 5 on page II-47 of this report.

Long-term Debt

On January 26, 2010, to take advantage of favorable interest rates, the City issued \$17,190,000 of Certificates of Participation (COPs). Proceeds from the sale were placed in an irrevocable trust used to service the future debt requirements of the 2001 and 2003 Certificates of Participation, which were issued to finance a portion of the costs to develop certain property, including the Civic Center Renovation Project and Community Center. As a result, the balance of the 2001 and 2003 COPs are considered to be defeased and the liability for those bonds has been removed. At fiscal year-end June 30, 2014, the per capita liability of the City of Laguna Hills was \$407.85. Additional information on the City's long-term debt can be found in Note 7 on pages II-48 to II-49 of this report.

Budget and Economic Factors

The City's most recent adopted biennial budget for fiscal years 2013/14 - 2014/15 shows that the City continues to live within its means. The major goals and issues that dominated the budgeting process for this biennial budget are discussed in the transmittal letter together with the measures adopted to address the prevailing issues.

Requests for Information

This financial report is designed to provide a general overview of the City of Laguna Hills' finances to all interested parties. Any questions regarding this report or requests for additional information should be addressed to the City's Finance Department, at 24035 El Toro Road, Laguna Hills, California, 92653.

* * * * *

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LAGUNA HILLS

STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (note 2)	\$ 8,302,973	\$ 96,561	\$ 8,399,534
Taxes receivable	1,930,645		1,930,645
Accounts receivable, net of allowance	376,632	6,019	382,651
Interest receivable	5,349		5,349
Prepaid items	96,333	6,815	103,148
Due from other governments	809,081		809,081
Restricted cash and investments (note 2)	1,855,065		1,855,065
Capital assets, not depreciated (note 5)	20,815,814	2,855,425	23,671,239
Capital assets, net of accumulated depreciation (note 5)	74,974,508	7,039,078	82,013,586
Total assets	<u>109,166,400</u>	<u>10,003,898</u>	<u>119,170,298</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	304,796		304,796
Total deferred outflows of resources	<u>304,796</u>		<u>304,796</u>
LIABILITIES			
Accounts payable	1,262,970		1,262,970
Accrued liabilities	716,415	23,388	739,803
Interest payable	226,952		226,952
Due to other governments	654,845		654,845
Deposits		38,206	38,206
Noncurrent Liabilities (note 7):			
Due within one year	1,384,695		1,384,695
Due in more than one year	12,594,189		12,594,189
Total liabilities	<u>16,840,066</u>	<u>61,594</u>	<u>16,901,660</u>
NET POSITION			
Net investment in capital assets	84,465,323	9,894,503	94,359,826
Restricted for:			
Public services	2,319,956		2,319,956
Public safety	6,373		6,373
Community services	88,357		88,357
Unrestricted	5,751,121	47,801	5,798,922
Total net position	<u>\$ 92,631,130</u>	<u>\$ 9,942,304</u>	<u>\$ 102,573,434</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental activities:					
Legislative/executive	\$ 1,546,625	\$ -	\$ -	\$ -	\$ -
Administrative services	1,758,062				
Public services	6,376,642	106,633	1,905,527	807,545	2,819,705
Community development	1,265,719	799,316	135,468		934,784
Community services	3,886,180	608,877	41,570		650,447
Public safety	6,837,050	186,347	103,485		289,832
Interest expense	530,039				
Total governmental activities	<u>22,200,317</u>	<u>1,701,173</u>	<u>2,186,050</u>	<u>807,545</u>	<u>4,694,768</u>
Business-type activities:					
Property leasing	<u>1,278,434</u>	<u>476,391</u>			<u>476,391</u>
Total business-type activities	<u>1,278,434</u>	<u>476,391</u>			<u>476,391</u>
Total primary government	<u>\$ 23,478,751</u>	<u>\$ 2,177,564</u>	<u>\$ 2,186,050</u>	<u>\$ 807,545</u>	<u>\$ 5,171,159</u>

General revenues:

Taxes:

Property taxes

Sales and use tax

Franchise tax

Transient occupancy tax

Intergovernmental, unrestricted:

Motor vehicle in lieu

State subvention

Investment earnings

Miscellaneous revenue

Transfers

Total general revenues

Changes in net position

Net position - beginning, as restated (note 14)

Net position - ending

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (1,546,625)	\$ -	\$ (1,546,625)
(1,758,062)		(1,758,062)
(3,556,937)		(3,556,937)
(330,935)		(330,935)
(3,235,733)		(3,235,733)
(6,547,218)		(6,547,218)
(530,039)		(530,039)
<u>(17,505,549)</u>		<u>(17,505,549)</u>
	<u>(802,043)</u>	<u>(802,043)</u>
	<u>(802,043)</u>	<u>(802,043)</u>
<u>(17,505,549)</u>	<u>(802,043)</u>	<u>(18,307,592)</u>
8,826,271		8,826,271
5,562,823		5,562,823
1,259,021		1,259,021
1,203,422		1,203,422
14,344		14,344
16,549		16,549
12,251	16	12,267
29,706		29,706
<u>(293,691)</u>	<u>293,691</u>	
<u>16,630,696</u>	<u>293,707</u>	<u>16,924,403</u>
(874,853)	(508,336)	(1,383,189)
93,505,983	10,450,640	103,956,623
<u>\$ 92,631,130</u>	<u>\$ 9,942,304</u>	<u>\$ 102,573,434</u>

This page intentionally left blank.

FUND FINANCIAL STATEMENTS

CITY OF LAGUNA HILLS
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Assets					
Cash and investments	\$ 8,302,973	\$ -	\$ -	\$ -	\$ 8,302,973
Receivables:					
Taxes	1,930,645				1,930,645
Accounts	388,547				388,547
Interest	4,353		996		5,349
Prepaid items	96,333				96,333
Due from other funds (note 3)	2,120			2,414,686	2,416,806
Due from other governments	809,081				809,081
Advances to other funds (note 3)	320,661				320,661
Restricted assets:					
Cash and investments	48,288		1,806,777		1,855,065
Total assets	<u>\$ 11,903,001</u>	<u>\$ -</u>	<u>\$ 1,807,773</u>	<u>\$ 2,414,686</u>	<u>\$ 16,125,460</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,262,970	\$ -	\$ -	\$ -	\$ 1,262,970
Accrued liabilities	716,415				716,415
Due to other funds (note 3)	2,414,686			2,120	2,416,806
Due to other governments	654,845				654,845
Advances from other funds (note 3)				320,661	320,661
Total liabilities	<u>5,048,916</u>			<u>322,781</u>	<u>5,371,697</u>
Deferred Inflows of Resources					
Unavailable revenues	526,202				526,202
Total deferred inflows of resources	<u>526,202</u>				<u>526,202</u>
Fund balance (note 11):					
Nonspendable	416,994				416,994
Restricted			1,807,773	2,414,686	4,222,459
Assigned	1,726,228				1,726,228
Unassigned	4,184,661			(322,781)	3,861,880
Total fund balances	<u>6,327,883</u>		<u>1,807,773</u>	<u>2,091,905</u>	<u>10,227,561</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,903,001</u>	<u>\$ -</u>	<u>\$ 1,807,773</u>	<u>\$ 2,414,686</u>	<u>\$ 16,125,460</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Fund balances of governmental funds	\$ 10,227,561
Amounts reported for governmental activities in the Statement of Net position are different because:	
Accounts receivable allowance for uncollectible accounts.	(11,915)
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	95,790,322
Long term debt, bond premium, compensated absences, and claims and judgments that have not been included in the governmental fund activity.	(13,978,884)
Deferred outflows of resources (loss on refunding of bonds) that have not been included in the governmental fund activity.	304,796
Accrued interest payable for the current portion of interest due on the Certificates of Participation has not been reported in the governmental funds.	(226,952)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the funds.	<u>526,202</u>
Net position of governmental activities	<u><u>\$ 92,631,130</u></u>

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Revenues:					
Taxes	\$ 11,288,714	\$ -	\$ -	\$ 20,000	\$ 11,308,714
Licenses and permits	737,110			41,098	778,208
Intergovernmental revenues	5,553,962			3,310,767	8,864,729
Charges for current services	931,909				931,909
Fines and forfeitures	186,347				186,347
Investment income	11,533		4,355	5,720	21,608
Total revenues	<u>18,709,575</u>		<u>4,355</u>	<u>3,377,585</u>	<u>22,091,515</u>
Expenditures:					
Current:					
Legislative/executive	1,536,724				1,536,724
Administrative services	1,631,541				1,631,541
Public services	4,334,264			65,440	4,399,704
Community development	1,126,247			135,468	1,261,715
Community services	1,833,117			27,749	1,860,866
Public safety	6,822,642			3,661	6,826,303
Capital outlay		2,965,511			2,965,511
Debt service:					
Interest			601,542		601,542
Principal retirement			1,205,000		1,205,000
Total expenditures	<u>17,284,535</u>	<u>2,965,511</u>	<u>1,806,542</u>	<u>232,318</u>	<u>22,288,906</u>
Excess (deficiency) of revenues over expenditures	<u>1,425,040</u>	<u>(2,965,511)</u>	<u>(1,802,187)</u>	<u>3,145,267</u>	<u>(197,391)</u>
Other financing sources (uses):					
Transfers in (note 4)	1,716,321	2,965,511	1,794,885	737,619	7,214,336
Transfers out (note 4)	<u>(4,973,896)</u>			<u>(2,534,131)</u>	<u>(7,508,027)</u>
Total other financing sources (uses)	<u>(3,257,575)</u>	<u>2,965,511</u>	<u>1,794,885</u>	<u>(1,796,512)</u>	<u>(293,691)</u>
Net change in fund balances	(1,832,535)		(7,302)	1,348,755	(491,082)
Fund balances, beginning of fiscal year, as restated (note 14)	<u>8,160,418</u>		<u>1,815,075</u>	<u>743,150</u>	<u>10,718,643</u>
Fund balances, end of fiscal year	<u>\$ 6,327,883</u>	<u>\$ -</u>	<u>\$ 1,807,773</u>	<u>\$ 2,091,905</u>	<u>\$ 10,227,561</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds	\$ (491,082)
--	--------------

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation & disposals exceed capital outlays in the current period.	(1,169,915)
--	-------------

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Premiums associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Position, the premiums are deferred and amortized throughout the period during which the related debt is outstanding. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	1,285,464
--	-----------

Deferred losses on refunding of long-term debt in the Statement of Net Position are deferred and amortized throughout the period during which the related debt is outstanding.	(28,800)
--	----------

To record as an expense the net change in compensated absences and claims and judgments in the Statement of Activities.	(110,499)
---	-----------

Accrued interest for Certificates of Participation. This is the net change in accrued interest for the current period.	19,839
--	--------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in unearned revenue for the current period.	<u>(379,860)</u>
---	------------------

Change in net position of governmental activities	<u><u>\$ (874,853)</u></u>
---	----------------------------

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2014

	Enterprise - Property Leasing
ASSETS	
Current assets:	
Cash and investments (note 2)	\$ 96,561
Accounts receivable	6,019
Prepaid items	6,815
Total current assets	<u>109,395</u>
Noncurrent assets:	
Capital assets not depreciated	2,855,425
Capital assets, net of accumulated depreciation	7,039,078
Total noncurrent assets	<u>9,894,503</u>
Total assets	<u>10,003,898</u>
LIABILITIES	
Current liabilities:	
Accrued liabilities	23,388
Deposits	38,206
Total current liabilities	<u>61,594</u>
NET POSITION	
Net investment in capital assets	9,894,503
Unrestricted	47,801
Total net position	<u>\$ 9,942,304</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Enterprise - Property Leasing</u>
Operating revenues:	
Rental fees	\$ 460,468
CAM revenues	10,936
Other current service fees	4,987
Total operating revenues	<u>476,391</u>
Operating expenses:	
Direct operating expenses	450,573
Advertising and promotion	6,511
Administrative and professional fees	5,704
Legal fees	75
Repairs and maintenance	12,420
Bad debts	90,416
Depreciation expense	712,735
Total operating expenses	<u>1,278,434</u>
Operating income/(loss)	<u>(802,043)</u>
Nonoperating revenues (expenses):	
Interest income	16
Total nonoperating revenues (expenses)	<u>16</u>
Income/(loss) before transfers	(802,027)
Transfers in	<u>293,691</u>
Change in net position	(508,336)
Net position, beginning of fiscal year	<u>10,450,640</u>
Net position, end of fiscal year	<u><u>\$ 9,942,304</u></u>

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS

PROPRIETARY FUND

STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Enterprise - Property Leasing
Cash flows from operating activities:	
Receipts from tenants	\$ 582,747
Payments to suppliers for goods and services	(581,501)
Net cash provided by operating activities	<u>1,246</u>
Cash flows from capital and related financing:	
Transfers in	293,691
Acquisition of capital assets	(204,161)
Net cash provided for capital and related financing activities	<u>89,530</u>
Cash flows from investing activities:	
Interest on investments	16
Net cash provided by investing activities	<u>16</u>
Net increase (decrease) in cash and cash equivalents	90,792
Cash and cash equivalents at beginning of fiscal year	<u>5,769</u>
Cash and cash equivalents at end of fiscal year	<u>\$ 96,561</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (802,043)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	712,735
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	105,399
(Increase) decrease in prepaid items	13
Increase (decrease) in accrued liabilities	(15,815)
Increase (decrease) in prepaid rent & CAM revenue	(5,584)
Increase (decrease) in deposits payable	6,541
Total adjustments	<u>803,289</u>
Net cash provided by operating activities	<u>\$ 1,246</u>

Non-cash investing, capital, and financing activities:

During the fiscal year ending June 30, 2014, there were no non-cash investing, or financing items.

See Accompanying Notes to the Basic Financial Statements

NOTES TO FINANCIAL STATEMENTS

CITY OF LAGUNA HILLS

Notes to the Financial Statements
June 30, 2014

(1) Reporting Entity and Summary of Significant Accounting Policies

a) Summary of Significant Accounting Policies

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Financial Reporting Entity

The City of Laguna Hills (the City) was incorporated on December 20, 1991 under the General Laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety, highways and streets, parks, solid waste, public improvements, planning and zoning, building and safety, community services, and general administrative services.

b) Basis of Accounting and Measurement Focus

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

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

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB Pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. 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. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. 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 expenditures.

Fund Financial Statements

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

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

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. For this purpose, the City considers its general revenue, with the exception of property taxes, to be available if they are collected within 90 days of the end of the fiscal year. The City uses a 180-day availability period for special revenue grants and contributions, in accordance with the provisions set forth in Governmental Accounting, Auditing, and Financial Reporting (GAFR), Chapter 9, page 131, paragraph 4.

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

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

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate; however, they should not be considered “available spendable resources” since they do not represent net current assets. Recognition of governmental fund type revenues represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance nonspendable accounts.

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 *other financing sources* 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.

Proprietary Funds and Fiduciary Funds

The City's enterprise fund is a proprietary fund. In the fund financial statements, proprietary funds and fiduciary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds and fiduciary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations; however, they do use the full accrual basis of accounting to recognize receivables and payables. The City has no internal service funds.

Proprietary fund operating revenues, such as rental fees, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment income, results from non-exchange transactions or ancillary activities.

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

c) Major Funds and Fiduciary Fund Types

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 resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund.

Debt Service Fund

The Debt Service Fund is used to pay the City's debt service on its COP issue.

Capital Projects Fund

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition and construction of the City's capital projects.

The City reports the following major proprietary fund:

Property Leasing

The City Hall Fund is used to account for activity pertaining to the leasing of certain areas in the Laguna Hills Civic Center, which has been the City Hall site and seat of government since June 28, 2004.

Additionally, the City reports the following fund types:

Special Revenue Funds

The Special Revenue Funds are used to account for certain revenue sources set aside for specific purposes, to avoid including restricted revenues within the general fund and to provide separate information on the sources and applications of these restricted sources.

Fiduciary Fund Type

The City has one Fiduciary Fund Type, an Agency Fund, used to account for construction deposits and trust monies received from builders, land developers, and other agencies.

d) Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Position

"Total fund balances" of the City's governmental funds, \$10,227,561, differs from "net position" of governmental activities, \$92,631,130 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets.

Accounts Receivable Related Items

When receivables that are to be used in governmental activities are deemed to be uncollectible in the short term the statement of net position includes an allowance to reflect the true net position of the City as a whole.

Traffic accidents reimbursement	<u>\$ (11,915)</u>
---------------------------------	--------------------

Capital Related Items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$152,795,897
Accumulated depreciation	<u>(57,005,575)</u>
	<u>\$ 95,790,322</u>

Long-term Debt Transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities and refunding gains or losses (both current and long-term) are reported in the statement of net position. Balances at June 30, 2014 were:

Certificates of Participation	\$ (12,585,000)
COP bond premium, net of accumulated amortization of \$355,381	(851,572)
Claims and judgments	(226,611)
Compensated absences	<u>(315,701)</u>
	<u>\$ (13,978,884)</u>

Deferred Outflows of Resources

Deferred outflows of resources in the statement of net position differ from the amount reported in governmental funds due to COP deferred refunding loss, net accumulated of \$127,200.

Deferred refunding loss	<u>\$ 304,796</u>
-------------------------	-------------------

Accrued Interest

Accrued liabilities in the statement of net position differ from the amount reported in governmental funds due to accrued interest on Certificates of Participation.

Accrued interest	<u>\$ (226,952)</u>
------------------	---------------------

Other Long-term Assets

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the governmental funds.

Sales tax triple flip	\$ 514,286
Miscellaneous accounts receivable	<u>11,916</u>
	<u>\$ 526,202</u>

Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental and business-type activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the

expenses are being allocated, so that expenses are reported only once - in the function in which they are allocated.

e) Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for governmental funds, \$491,082, differs from the “change in net position” for governmental activities, \$874,853, reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effects of the differences are illustrated below.

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas the net position decreased by the amount of depreciation expense charged for the fiscal year.

Capital outlay	\$ 2,965,511
Less amounts expensed	(298,956)
Depreciation expense	<u>(3,836,470)</u>
	<u>\$ (1,169,915)</u>

Long-term Debt Transactions

The repayment of debt principal is reported as expenditures in the governmental funds. The proceeds from COP debt issuance and bond premium are reported as other financing sources. The net amount has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, these payments reduce and proceeds increase the liabilities in the statement of net position.

Amortization of bond premium is not an expense of the governmental funds, but under the full accrual method is a component of interest expense.

Repayment of debt principal	\$ 1,205,000
Bond premium amortized	<u>80,464</u>
	<u>\$ 1,285,464</u>

Some 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. This includes the net change in claims and judgments (see also Note 1 (j), Note 8 General Liability Insurance and Self-funded Workers’ Compensation, and Note 6 Compensated Absences.)

The City provides a Retiree Health Savings Plan for its employees, wherein the City deposits the equivalent of the balance of the eligible employee's accumulated sick leave balance to the plan on the eligible employee's anniversary hire date (see also Note 1 (k) and Note 6 Compensated Absences).

Claims and judgments	\$ (123,094)
Compensated absences	<u>12,595</u>
	<u>\$ (110,499)</u>

Deferred Outflows of Resources

Amortization of deferred refunding losses is not expenses of the governmental funds, but under the full accrual method is a component of interest expense.

Deferred refunding loss amortized	<u>\$ (28,800)</u>
-----------------------------------	--------------------

Accrued Interest

The statement of activities includes changes in accrued interest on Certificates of Participation.

Accrued interest	<u>\$ 19,839</u>
------------------	------------------

Other Long-term Assets

Revenues that do not provide current financial resources are not reported as revenue in the governmental funds.

Sales tax triple flip	\$ 39,754
Other government grants receivable	(406,367)
Miscellaneous accounts receivable	<u>(13,247)</u>
	<u>\$ (379,680)</u>

Reclassification and Eliminations

Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between business-type and governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once - in the function in which they are allocated.

f) Cash and Investments

Investments are reported in the accompanying basic financial statements at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not

transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for amounts held by fiscal agents. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

g) Statement of Cash Flows

The enterprise proprietary fund participates in the City-wide cash and investments pool, which provides immediate access to invested funds. Accordingly, all cash and investments are considered to be cash and cash equivalents for purposes of the Statement of Cash Flows.

h) Capital Assets

Capital assets are capital outlay for assets of a permanent nature, valued at \$5,000 or more and the usage of which is expected to be more than five years. 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 value at the date of the contribution.

Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, streets, sidewalks, medians, and storm drains.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government – wide financial statements and in the fund financial statements of the enterprise fund. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class, are as follows:

Building and improvements	20 years
Machinery and equipment	5-20 years
Infrastructure	5-60 years

i) Property Taxes

The County of Orange collects property taxes for the City. Tax liens attach annually as of 12:01 am on the first day of January proceeding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured

personal property taxes become due on January 1 each year, and are delinquent, if unpaid, on August 31.

j) Claims and Judgments Payable

As of July 1, 2003, the City became a member of the Exclusive Risk Management Authority of California. The annual premium included estimates of amounts paid for reported claims and incurred-but-not-reported claims based upon past experience, modified for current trends and information. Premiums are recorded as expenditures when they become payable from expendable available resources. When it is probable that a claims liability has been incurred and the amount of the loss can be reasonably estimated through historical trends and calculation of incurred but not reported claims (IBNR), the City accrues the estimated liability for the expected claims and judgments. These amounts are recorded in the government-wide financial statements. A liability is reported in the governmental funds only if there is an amount due and payable at June 30.

k) Deferred Inflows and Outflows of Resources

Pursuant to GASB Statement No. 63 the City recognizes deferred inflows and outflows of resources. A deferred inflow or outflow of resources is defined as a resource or consumption of net position by the government that is applicable to a future reporting period. Refer to Note 6 for a detailed listing of the deferred inflows and outflows of resources that the City has recognized.

l) Compensated Absences

Vacation time is provided to all full-time and extended part-time employees. Upon separation or retirement from City service, all employees shall be compensated at their prevailing pay rate for their accrued vacation. No employee shall be allowed to carry over more than 320 hours of vacation time from one fiscal year to the next. At the start of the fiscal year, if an employee has more than 320 hours accrued, the City will automatically cash out any hours in excess of 320.

The City provides an ICMA Vantage Care Retirement Health Savings Plan to its full-time employees who have reached ten (10) years of service with the City. This employer-sponsored retiree health benefit allows employees to accumulate assets to pay for medical expenses upon retirement from the City or age 50 on a tax-free basis. The employee's beneficiary receives the assets of the individual plan after the employee's death. The assets of the individual plans are not subject to claims of the City's creditors. The start-up contribution for employees will be based on their accumulated sick leave hours in excess of 160 hours upon completion of ten (10) years of service to the City, at their prevailing pay rate. Thereafter, annual contributions will be made to each employee's account for their unused sick leave hours in excess of 160 hours on June 30th of each fiscal year at the

employees' prevailing pay rate. Upon separation from employment, the City will make a final contribution on behalf of the employee equivalent to all the unused sick leave balance of the employee at the employee's prevailing pay rate at the time of separation. The City also contributes on behalf of each Participant \$5,000 upon completion of ten years of service and annually thereafter on the Participant's employment anniversary date.

All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

m) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The City has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The City has chosen to report the expenditures when benefitted.

n) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and American Institute of Certified Public Accountants (AICPA), require management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

o) Budgetary Information

Biennial budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for certain special revenue funds and capital projects funds, which adopt project length budgets and debt service funds that are not budgeted, as effective budgetary control is achieved through debt indenture provisions. The Public Art fund, JAG ARRA fund, and Other Law Enforcement Grants fund other did not have adopted budgets during the current fiscal year.

p) Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

q) New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 65

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation GASB Statement No. 65 had an impact on the City's financial statements for the fiscal year ended June 30, 2014 by requiring the removal of unamortized debt issuance costs from the Statement of Net Position and adding deferred outflows of resources related to the loss on debt refunding (Note 6) to the Statement of Net Position. Deferred inflows require the removal of unearned revenue from the Governmental Funds Balance Sheet liabilities and adding deferred inflows of resources unavailable revenues to the Governmental Funds Balance Sheet.

Governmental Accounting Standards Board Statement No. 66

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction - 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," and GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement No. 54 and Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement No. 62 and Statements No. 13, Accounting for Operating Leases with Scheduled Rent Increases, regarding the

reporting of certain operating lease transactions, and No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 70

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

(2) Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Cash and investments at June 30, 2014, are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 8,399,534
Restricted cash and investments	1,855,065
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	<u>299,454</u>
Total cash and investments	<u>\$ 10,554,053</u>

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

Cash on hand		\$	2,250
Pooled deposits:			
Demand deposits	\$1,041,660		
Certificates of deposit	<u>820,503</u>		
Total pooled deposits			1,862,163
Pooled investments:			
Local Agency Investment Fund			6,834,575
Restricted cash and investments:			
Demand deposits	\$ 48,288		
Local Agency Investment Fund	<u>1,806,777</u>		
Total restricted cash and investments			<u>1,855,065</u>
Total cash and investments			<u>\$ 10,554,053</u>

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on quarterly cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Deposits

At June 30, 2014, the carrying amount of the City's deposits was \$1,041,660 and the bank balance was \$1,229,356. The difference represents outstanding checks and other reconciling items.

<u>Pooled Deposits</u>	<u>Carrying Amount</u>
Demand Deposits:	
Bank Balance	\$ 1,229,356
Plus: Deposits in transit	3,139
Less: Outstanding warrants	<u>(190,835)</u>
Book Balance	1,041,660
Restricted Demand Deposits	48,288
Certificates of Deposit	<u>820,503</u>
Total Pooled Deposits	<u>\$ 1,910,451</u>

The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities with a fair value of 110% of a city's deposits. California law also allows financial institutions to secure a city's deposits by pledging first trust deed mortgage notes having a fair value of 150% of a city's total deposits. The City's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan

Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Authorized Investments

Under the provision of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments.

- U.S. Treasury bills
- U.S. Treasury notes, bonds or money market funds
- Certificates of deposit
- Money market mutual funds
- State Treasurer's Local Agency Investment Fund
- Overnight Government (U.S. Treasuries, Agencies, and Instrumentalities) Securities Investment Account managed by the City's primary bank
- Overnight Commercial Paper Investment Account managed by the City's primary bank
- Overnight repurchase agreements managed by the City's primary bank where market value of the repurchase agreement is 102 percent or greater than the value of the funds borrowed
- Commercial paper
- Prime Banker's Acceptances

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code.

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

GASB Statement No. 31

The City has adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external

investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

GASB Statement No. 40

The issuance of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, established the existing standards for providing note disclosures about a government's deposits and investments. This statement is designed to inform the user about deposit and investment risk and how it affects the entity's ability to provide services and meet its obligations as they become due. It requires an entity to disclose custodial credit risk only if they have:

- Deposits that are not insured and not collateralized, or that are collateralized with securities that are held by the bank or the bank's trust department or agent, but not in the government's name
- Investments that are not insured and are held by the other party or its trust department or agent, but not in the government's name.

The GASB also concluded that investments in mutual funds and external investment pools are not exposed to custodial credit risk and, therefore, do not have to be included in this disclosure.

Credit Risk

The City's investment policy limits investments in commercial paper and banker's acceptance to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policies further limits its investment choices. As of June 30, 2014, the City's investment in the State Treasurer's Local Agency Investment Fund has not been rated by a nationally recognized statistical rating organization. Investments in money market mutual funds are unrated, as well.

Concentration of Credit Risk

The City does not place a limit on the amount that may be invested with any one institution, with the exception of certificates of deposits. According to GASB 40, there is potential concentration of credit risk if more than 5 percent of the entity's investments are in any one issuer. As of June 30, 2014, none of the City's deposits or investments had been exposed to concentration of credit risk.

Custodial Credit Risk

The 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 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 to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of June 30, 2014, none of the City's deposits or investments had been exposed to custodial credit risk.

Interest Rate Risk

The City has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rates. The City limits the investment maturities for operating funds to be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures as well as considering sizable blocks of anticipated revenue. The City has elected the segment time distribution method to present the investment maturities as follows.

<u>Investment Type</u>	<u>6 months or less</u>	<u>Fair Value</u>
Local Agency Investment Funds	\$ 6,834,575	\$ 6,834,575
Investment with Fiscal Agent:		
Local Agency Investment Funds	1,806,777	1,806,777
Total	<u>\$ 8,641,352</u>	<u>\$ 8,641,352</u>

(3) Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2014, were as follows.

<u>Funds:</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Major Governmental:</u>		
General	\$ 2,120	\$ 2,414,686
<u>Non-major Governmental:</u>		
<u>Special Revenue Funds:</u>		
Gas Tax	1,052,250	
Grants & Contributions	126,758	
Senior Mobility Program	62,240	
SLEFS/COPS BRULTE	3,333	
CARITS	1,076,588	
Other Law Enforcement Grants	3,040	
Beverage Recycling	34,468	
CR&R Recycling Fee		2,120
C & D Forfeited Deposits	55,958	
AB 939 Surcharge Grant	51	
Total	<u>\$ 2,416,806</u>	<u>\$ 2,416,806</u>

Outstanding balances at the end of the fiscal year between funds are reported as “due to/from other funds”. These balances are the result primarily of interfund transfers that have not yet been funded.

Advances to and from other funds at June 30, 2014, were as follows:

<u>Funds:</u>	<u>Advances to other funds</u>	<u>Advances from other funds</u>
<u>Major Governmental:</u>		
General	\$ 320,661	\$ -
<u>Non-major Governmental:</u>		
<u>Special Revenue Funds:</u>		
Quimby Act Park Impact Fees		85,741
Public Art		234,920
	<hr/>	<hr/>
Total	<u>\$ 320,661</u>	<u>\$ 320,661</u>

These outstanding balances at the end of the fiscal year are the result of interest-free advances from the General Fund to the Quimby Act Park Impact Fee Fund to cover various park capital improvements and to the Public Art Fund to cover the costs of the City’s Civic Center Public Art Program.

(4) Transfers In and Out

Transfers in and out for the fiscal year ended June 30, 2014 are as follows:

<u>Paying Fund</u>	<u>Transfers Out</u>	<u>Receiving Fund</u>	<u>Transfers In</u>
<u>Major Governmental:</u>			
General	\$ 4,973,896	General	\$ 1,716,321
		Capital Projects	2,965,511
		Debt Service	1,794,885
		<u>Major Enterprise:</u>	
		Property Leasing	293,691
<u>Non-major Governmental:</u>			
<u>Special Revenue Funds:</u>			
Gas Tax	10,215	CARITS	697,251
Measure M	802,985	Senior Mobility Program	5,550
AB 2766	72,880	AB 2766	34,818
SLEFS/COPS BRULTE	100,000		
Grants & Contributions	1,195,172		
Quimby Park Impact Fees	85,741		
CARITS	267,138		
	<hr/>		<hr/>
Total	<u>\$ 7,508,027</u>	Total	<u>\$ 7,508,027</u>

Interfund transfers are principally used to 1) provide available funds to the Debt Service Fund for interest and principal payments on the City’s long-term debt and 2) supply the Capital Projects Fund with funding necessary to accomplish those projects approved by the City Council. During the fiscal

year ended June 30, 2014, there were no significant interfund transfers that were not expected, budgeted for, unusual, or of a non-routine nature.

(5) Capital Assets

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

	<u>Balance at</u> <u>July 1, 2013</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2014</u>
Governmental activities:					
Buildings and improvements	\$ 13,466,229	\$ -	\$ -	\$ -	\$ 13,466,229
Machinery and equipment	2,380,619		115,454	(24,833)	2,471,240
Land improvements	24,986,486	119,868	1,241,564		26,347,918
Infrastructure	87,808,720	576,439	1,309,537		89,694,696
Total cost of depreciable assets	128,642,054	696,307	2,666,555	(24,833)	131,980,083
Less accumulated depreciation for:					
Buildings and improvements	7,268,772		673,312		7,942,084
Machinery and equipment	1,877,819		205,209	(24,833)	2,058,195
Land improvements	13,048,632		1,317,396		14,366,028
Infrastructure	30,998,715		1,640,553		32,639,268
Total accumulated depreciation	53,193,938		3,836,470	(24,833)	57,005,575
Net depreciable assets	75,448,116	696,307	(1,169,915)		74,974,508
Land	17,754,286				17,754,286
Rights of way/Easements	3,061,528				3,061,528
Construction in progress	696,307	(696,307)			
Total cost of non-depreciable assets	21,512,121	(696,307)			20,815,814
Total capital assets, net	\$ 96,960,237	\$ -	\$ (1,169,915)	\$ -	\$ 95,790,322
Business-type activities:					
Buildings and improvements	\$ 14,050,544	\$ -	\$ 204,161	\$ -	\$ 14,254,705
Total cost of depreciable assets	14,050,544		204,161		14,254,705
Less accumulated depreciation for:					
Buildings and improvements	6,502,892		712,735		7,215,627
Total accumulated depreciation	6,502,892		712,735		7,215,627
Net depreciable assets	7,547,652		(508,574)		7,039,078
Land	2,855,425				2,855,425
Total capital assets, net	\$ 10,403,077	\$ -	\$ (508,574)	\$ -	\$ 9,894,503

Depreciation expense was charged in the following functions in The Statement of Activities:

Governmental activities:	
Legislative/executive	\$ 9,901
Administrative services	140,310
Community development	4,004
Public services	1,616,614
Community services	2,054,894
Public safety	<u>10,747</u>
	3,836,470
Business-type activities:	
Property leasing	<u>712,735</u>
Total	<u>\$ 4,549,205</u>

(6) Deferred Inflows and Outflows of Resources

Unavailable revenues and accounting gains and losses resulting from advance refunding of long-term debt are deferred in accordance with GASB Statement No. 23 and No. 65. Unavailable revenues of June 30, 2014, related to sales tax triple flip and miscellaneous accounts receivable was \$526,202. The deferred loss on refunding balance at June 30, 2014, related to the 2001 and 2003 Certificates of Participation bonds, was \$304,796

(7) Long-term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2014, was as follows:

Governmental Activities :

	<u>Balance at</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>June 30, 2014</u>	<u>Amounts Due</u> <u>in One Year</u>
Certificates of Participation:					
2010 COP	\$ 13,790,000	\$ -	\$ 1,205,000	\$ 12,585,000	\$ 1,250,000
Unamortized premium	932,036		80,464	851,572	80,464
Total Certificates of Participation	<u>14,722,036</u>		<u>1,285,464</u>	<u>13,436,572</u>	<u>1,330,464</u>
Other Liabilities:					
Compensated absences	328,296	199,650	212,245	315,701	31,570
Claims and judgments	103,517	205,003	81,909	226,611	22,661
Total Other Liabilities	<u>431,813</u>	<u>404,653</u>	<u>294,154</u>	<u>542,312</u>	<u>54,231</u>
Totals	<u>\$ 15,153,849</u>	<u>\$ 404,653</u>	<u>\$ 1,579,618</u>	<u>\$ 13,978,884</u>	<u>\$ 1,384,695</u>

Typically, the City liquidates its compensated absences and claims and judgments with general fund resources.

2010 Certificates of Participation

On January 26, 2010, the City (through the City’s blended component unit The Public Improvement Corporation) issued \$17,190,000 of Certificates of Participation (COPs). Proceeds from the sale were placed in an irrevocable trust that is used to service the future debt requirements of the 2001 and 2003 Certificates of Participation. This refunding resulted in an economic gain as well as savings from refunding. The economic gain realized in this refunding was \$1,072,242 and the savings resulting from the refunding was as follows:

Cash flow requirements to service old debt	\$ 23,858,154
Less: Cash flow requirements for new debt	<u>(22,738,962)</u>
Net savings from refunding	<u>\$ 1,119,192</u>

The 2010 COPs are direct obligations and pledge the full faith and credit of the City of Laguna Hills. The certificates were executed and delivered under the provisions of the Trust Agreement by and among The Bank of New York Mellon Trust Company, N.A, as trustee. The City is required under the Lease Agreement to make rental payments each 15th day of the month immediately preceding each February 1st and August 1st from any source of available funds in an amount sufficient to pay the annual principal and interest due with respect to the Certificates.

The Serial bonds mature in annual installments ranging from \$345,000 to \$1,670,000, commencing February 1, 2011 and ending February 1, 2025. Interest accrues at rates between 2.00% and 5.00% and is payable semiannually. The annual requirements to amortize the certificates of participation as of June 30, 2014, are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,250,000	\$551,386	\$ 1,801,386
2016	1,300,000	501,386	1,801,386
2017	1,350,000	449,386	1,799,386
2018	1,390,000	395,388	1,785,388
2019	1,450,000	340,882	1,790,882
2020 - 2024	5,470,000	692,610	6,162,610
2025	<u>375,000</u>	<u>15,937</u>	<u>390,937</u>
Totals	<u>\$12,585,000</u>	<u>\$2,946,975</u>	<u>\$15,531,975</u>

Compensated Absences

The City’s policies relating to compensated absences are described in Note 1. The long-term portion of this liability, amounting to \$284,131 at June 30, 2014 will be paid from fund balance.

(8) General Liability Insurance

In July 2003, the City joined the Exclusive Risk Management Authority of California (ERMAC), a pool of three other cities in California, namely Beaumont, Hayward, and Santa Maria, established under the provisions of California Government Code Section 6502, in order to jointly develop and fund General Liability insurance.

The ERMAC policy covers the City for losses due to personal injury, property damage, wrongful acts because of public officials' errors and omissions and unfair employment practices (see the chart below for City's retained limits and policy liability limits). Legal defense costs may be covered in addition to policy limits.

The City carries property, business interruption and boiler & machinery insurance with ERMAC (PEPIP Program) to cover all City property. In addition, Difference in Conditions (DIC) or earthquake and flood insurance is provided by Insurance Company of the West, which covers the Laguna Hills Civic Center only.

The following is a list of the allocation of risk coverage for the City as of June 30, 2014, taking in to account the City's self-insurance portion, if any.

Area of Risk	City Self-Insurance	Carrier	Risk Coverage
Municipal Broad General Liability	<ul style="list-style-type: none">• \$100,000 for PI, PD or wrongful acts (public officials E&O)• \$1,000,000 for unfair employment practices	ERMAC	<ul style="list-style-type: none">• \$25M per occurrence and in the annual aggregate excess of limit of the SIR
Property, Business Interruption and Boiler & Machinery	<ul style="list-style-type: none">• \$10,000 per occurrence (specific perils may be higher)	ERMAC (PEPIP program)	<ul style="list-style-type: none">• \$1B per occurrence combined• \$10M flood limit per occurrence• \$100M combined business interruption• \$100M boiler explosion & machinery breakdown combined
Difference in Conditions (Multi-peril) Civic Center only	<ul style="list-style-type: none">• \$25,000 per occurrence• 5% earthquake• 5% flood	Insurance Company of the West	<ul style="list-style-type: none">• \$5M per occurrence and annual aggregate• \$18.8M TIV

Area of Risk	City Self-Insurance	Carrier	Risk Coverage
Crime	<ul style="list-style-type: none"> • \$2,500 	CSAC-EIA	<ul style="list-style-type: none"> • \$10M employee dishonesty • \$10M forgery alterations • \$10M money & securities theft, inside premises • \$10M money & securities theft, outside premises • \$10M computer fraud • \$10M money order & counterfeit currency • \$10M theft of other property, inside premises • \$10M theft of other property, outside premises
Recreational Class & Officials Supplemental	<ul style="list-style-type: none"> • None 	SCMAF	<ul style="list-style-type: none"> • \$1M per occurrence • \$300,000 property damage • \$1M personal injury, products and partial liability • \$5,000 medical expense
Business Auto	<ul style="list-style-type: none"> • \$500 	Columbia Insurance Company	<ul style="list-style-type: none"> • \$1M combined BI & PD • \$1M uninsured, under-insured motorist • \$5,000 medical payments • If any basis, non-owned or hired auto liability
Workers' Compensation & Employers' Liability	<ul style="list-style-type: none"> • None 	SDRMA	<ul style="list-style-type: none"> • Statutory Workers' Compensation per occurrence • \$5M Employer's Liability per occurrence

Claims Liability

GASB Statement No. 10 specifies that a liability of outstanding unallocated loss adjustment expenses (ULAE) needs to be established, which are primarily composed of future claims administration for open claims, typically at 5% to 10% of estimated outstanding losses. The total amount designated for the Claims Liability Loss Reserve Fund as of June 30, 2014 is \$200,000.

When it is probable that a claims liability has been incurred and the amount of the loss can be reasonably estimated through historical trends and calculation of incurred but not reported claims (IBNR), the City accrues the estimated liability to the extent of the City's self-insured limit in the government-wide statements for expected claims and judgments.

The following is a summary of the changes in the claims liability for the last two fiscal years:

	<u>FY 2013/14</u>	<u>FY 2012/13</u>
Claims payable, beginning	\$ 103,517	\$ 116,938
Payments/changes in estimate	123,094	(13,421)
Claims payable, ending	<u>\$ 226,611</u>	<u>\$ 103,517</u>

(9) **Pension Plan**

Plan Description

The City of Laguna Hills contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office at 400 P. Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 7% (6.5% for Tier 2) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. The current rate as of June 30, 2014 is 9.205% (6.7% for Tier 2) of annual covered payroll. The contribution requirements of plan members and the City are established by contract and may be amended by PERS.

Annual Pension Cost

For 2013-2014, the City's annual pension cost of \$488,169 for PERS was equal to the City's required and actual contributions.

THREE YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$494,848	100%	\$0
6/30/2013	\$537,319	100%	\$0
6/30/2014	\$488,169	100%	\$0

For fiscal years 2003-2014, the City of Laguna Hills participated in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100

active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in the risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date, starting with the June 30, 2003 valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

At the time of joining a risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of the City's plan. On June 21, 2013, a lump sum payment of \$557,805 was made by the City to PERS. This lump sum pay off was sufficient to eliminate the side fund that resulted from risk pooling.

(10) Deferred Compensation

The City offers its employees two kinds of deferred compensation plans.

One plan is created in accordance with Internal Revenue Code Section 457. This plan, available to all employees, permits them to defer annually up to a maximum of \$17,500 for calendar year 2013 and \$17,500 for calendar year 2014. This maximum deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Amounts accumulated by the City under the plan have been invested in several investment options administered by independent third-party administrators at the direction of the employee. The assets of the Plan are held in trust, with the City as trustee, for the exclusive benefit of the Plan participants and their beneficiaries, and the assets cannot be diverted to any other purpose. The Trustee's beneficial ownership of Plan assets held in the ICMA Retirement Trust is held for the further exclusive benefit of the Plan participants and their beneficiaries. The Plan permits loans, administered by the City, in accordance with approved loan guidelines.

The other Plan is created in accordance with Internal Revenue Code Section 401A. This Plan is available to all management staff regardless of years of service, and non-management employees who have reached a minimum of ten years of service with the City. The City is the sole contributor to this Plan, and sets the contribution amount to each class of eligible employees. The contribution limit is in accordance with the prevailing IRS regulation. The assets of this Plan, held for the exclusive benefits of the Plan's participants and their beneficiaries, are administered by the Public Agency Retirement System (PARS), and the trustee is Union Bank of California. Amounts accumulated under this Plan are self-directed by each participant.

(11) Fund Equity

GASB Statement Nos. 34 and 63 add the concept of Net Position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

Net Position

Net Position is divided into three captions under GASB Statement Nos. 34 and 63. These captions apply only to Net Position as determined at the Government-wide level, and are described below:

Net Investment in Capital Assets, describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less outstanding balance of any debt issued to finance these capital assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter.

Restricted net position is subject to constraints either by (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulation of other governments or (2) imposed by law through constitutional provisions or enabling legislation. There was no net position at June 30, 2014 that was restricted by enabling legislation.

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

Governmental activities restricted net position at June 30, 2014 is as follows:

Public Services	\$ 2,319,956
Public Safety	6,373
Community Services	<u>88,357</u>
Total Restricted Net Position-Governmental Activities	<u>\$ 2,414,686</u>

Fund Balances

Fund Balances of the governmental funds are reported separately within classifications based on a hierarchy of constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance.

The *nonspendable* fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

Committed fund balances are those constrained to specific purposes by a government itself, using its highest level of decision-making authority. The City does not have any committed fund balances at June 30, 2014.

Assigned fund balances include amounts that are constrained by the City's intent to be used for specific purposes. The City Manager has the authority to assign the portion of the fund balance in the general fund that are constrained by the City's intent to be used for reserves as established in the City's Financial Policy No. 105 Section G.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

Fund balances are presented in the following categories: spendable, restricted, assigned, and unassigned. A detailed schedule of fund balances at June 30, 2014 is as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable:				
Prepaid Items	\$ 96,333	\$ -	\$ -	\$ 96,333
Advances	320,661			32,661
Total	416,994			416,994
Restricted:				
Debt Service		1,807,773		1,807,773
Gas Tax			1,052,250	1,052,250
CARITS			1,076,588	1,076,588
Beverage Recycling			34,468	34,468
Senior Mobility Program			62,240	62,240
C & D Forfeited Deposits			55,958	55,958
AB 939 Surcharge Grant			51	51
SLEFS/COPS BRULTE			3,333	3,333
Law Enforcement Other			3,040	3,040
Grants & Contributions			126,758	126,758
Total		1,807,773	2,414,686	4,222,459
Assigned:				
Claims Liability	200,000			200,000
Community Center Mtnc	496,147			496,147
Parks Maintenance	201,000			201,000
Sports Complex Mtnc	379,275			379,275
Civic Center Eqpt Mtnc	323,847			323,847
Slopes/Storm Drain Mtnc	125,959			125,959
Total	1,726,228			1,726,228
Unassigned	4,184,661		(322,781)	3,861,880
Total Fund Balances	\$ 6,327,883	\$ 1,807,773	\$ 2,091,905	\$ 10,227,561

(12) **Joint Venture**

Orange County Fire Authority

In January 1995, the City of Laguna Hills entered into a Joint Powers Agreement with the Cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Niguel, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, and Yorba Linda and the County of Orange to create the Orange County Fire Authority. Since the creation of the Authority, the cities of Aliso Viejo, Laguna Woods, Rancho Santa Margarita and Westminster have joined the Authority as members eligible for 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 structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member Cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, Seal Beach and Westminster. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia and Seal Beach are considered "cash contract cities" and accordingly make cash contributions based on the Authority's annual budget. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2014. Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership.

Summarized information of the Authority for the fiscal year ended June 30, 2014, is as follows.

	<u>Government-Wide</u>
Total Assets	\$ 396,694,637
Total Liabilities	<u>(152,940,022)</u>
Total Net Position	<u>\$ 243,754,615</u>
Total Revenues	\$ 311,595,747
Total Expenditures	<u>(324,600,955)</u>
Net Change in Net Position	<u>\$ (13,005,208)</u>

Complete financial statements may be obtained from the Orange County Fire Authority (1 Fire Authority Road, Irvine, CA 92602).

(13) Related Party Transactions

The City's enterprise fund consists of owning a piece of commercial real estate and leasing it to various entities. The total square footage of the building is 51,944. The City is a tenant using approximately 21,033 square feet of the building. The enterprise fund does not charge the City rent. The estimated annual rent for the space occupied by the City would be approximately \$613,071.

(14) Prior Period Adjustment

A prior period adjustment of (\$452,089) was made in the Statement of Activities for Governmental Activities. This is due to an overstatement of unamortized debt issuance costs in the prior fiscal year of (\$232,805) for implementation of GASB Statement No. 65 and an overstatement of due from other governments in the prior fiscal year of (\$219,284).

A prior period adjustment of (\$208,921) was made in the General Fund for an overstatement of due from other governments in the prior fiscal year.

A prior period adjustment of (\$10,363) was made in the Measure M Special Revenue Fund for an overstatement of due from other governments in the prior fiscal year.

(15) Commitments and Contingencies

The City is occasionally a defendant in lawsuits which have arisen in the normal course of business. Damages are alleged in some of these actions and their outcome cannot be predicted with certainty. However, in the opinion of the City Attorney, the outcome of these actions will not have a material adverse effect on the financial position of the City.

The City participates in several federal and state grant programs. The programs are subject to examination by the granters and the amount, if any, of expenses which may be disallowed by the granting agency cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

(16) Subsequent Events

During October 2014, the City received \$2,777,779 from the owners of the Oakbrook Village Shopping Center, associated with the Oakbrook Village Redevelopment Project. Below is a summary of the total fees collected:

Building permit fee	\$	320,824
Public art in-lieu fee		320,667
Park in-lieu fee		2,136,288
Total fees collected	\$	<u>2,777,779</u>

The City's Management has evaluated subsequent events through December 2, 2014, the date these financial statements were available to be issued, and has determined there were no other material events requiring disclosure.

This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAGUNA HILLS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETS AND BUDGETARY ACCOUNTING

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. The City Council approves the two-year budget submitted by the City Manager prior to the beginning of the new two-year budget cycle. The Council conducts public hearings prior to its adoption. All remaining appropriations in the Operating Budget will be carried over from the first year to the second year of the two-year budget period. The City Council has the legal authority to amend the budget at any time during the fiscal year. The City Manager has the authority to transfer budgeted amounts between funds and divisions as deemed necessary to meet the City's needs within the overall legal limit established by the City Council. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control is total expenditures by fund. Formal budgetary integration is employed as a management control device during the fiscal year for the governmental type funds.

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures exceeded appropriations in the following General Fund departments:

	Appropriations	Expenditures	Variance Positive (Negative)
General Fund:			
Legislative/executive	\$1,508,585	\$1,536,724	\$ (28,139)
Public services	\$4,213,571	\$4,334,264	\$ (120,693)
Community Development	\$1,114,828	\$1,126,247	\$ (11,419)
Community services	\$1,779,971	\$1,833,117	\$ (53,146)

The over-expenditure in the Legislative/Executive Department is attributable to legal services for general counsel. The over-expenditure in the Public Services Department is attributable to higher costs for utilities, specifically

water and electricity, as well as an increase in contractual engineering services for higher than anticipated improvement inspection activity. The over-expenditure in Community Development is due to a higher than anticipated use of contractual professional building and safety services as a result of an increase in building improvement activity. The over-expenditure in Community Services is attributable to the maintenance and operation of the Community Center building, as well as an increase in recreation program activity.

Expenditures exceeded appropriations in the following non-major governmental funds:

	Appropriations	Expenditures	Variance Positive (Negative)
Non-major Governmental Funds:			
CDBG	\$ 80,000	\$ 135,468	\$ (55,468)
CR&R Recycling	\$ 20,000	\$ 22,159	\$ (2,159)

The over-expenditure in the Debt Service Fund is the annual cost of trustee services. The over-expenditure in the CDBG Fund is directly attributable to an increase in awarded CDBG funds from the County of Orange to rehabilitate dwelling units within Aliso Meadows. The over-expenditure in the CR&R Recycling Fund is attributable to professional services to administer the pilot food waste program.

3. DEFICIT FUND BALANCE

A deficit fund balance of \$234,920 exists in the Public Art Special Revenue Fund. The deficit is due to the General Fund for incurring costs in advance of receiving revenue related to the City's Public Art Program.

A deficit fund balance of \$85,741 exists in the Quimby Act Special Revenue Fund. The deficit is due to the General Fund for incurring costs in advance of receiving anticipated revenue related to park in-lieu (Quimby Act) fees.

A deficit fund balance of \$2,120 exists in the CR&R Recycling Special Revenue Fund. The deficit is due to over-expenditure in professional services to administer the pilot food waste program.

CITY OF LAGUNA HILLS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Taxes	\$ 11,276,085	\$ 11,276,085	\$ 11,288,714	\$ 12,629
Licenses and permits	710,000	710,000	737,110	27,110
Intergovernmental revenues	5,559,000	5,559,000	5,553,962	(5,038)
Charges for current services	944,888	944,888	931,909	(12,979)
Fines and forfeitures	325,000	325,000	186,347	(138,653)
Investment income	15,000	15,000	11,533	(3,467)
Total Revenues	<u>18,829,973</u>	<u>18,829,973</u>	<u>18,709,575</u>	<u>(120,398)</u>
Expenditures:				
Legislative/executive	1,508,585	1,508,585	1,536,724	(28,139)
Administrative services	1,715,611	1,725,611	1,631,541	94,070
Public services	4,213,571	4,213,571	4,334,264	(120,693)
Community development	1,114,828	1,114,828	1,126,247	(11,419)
Community services	1,789,971	1,779,971	1,833,117	(53,146)
Public safety	6,984,979	6,984,979	6,822,642	162,337
Total Expenditures	<u>17,327,545</u>	<u>17,327,545</u>	<u>17,284,535</u>	<u>43,010</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>1,502,428</u>	<u>1,502,428</u>	<u>1,425,040</u>	<u>(77,388)</u>
Other Financing Sources (Uses):				
Transfers in	2,691,235	3,048,205	1,716,321	(1,331,884)
Transfers out	<u>(5,709,041)</u>	<u>(6,104,156)</u>	<u>(4,973,896)</u>	<u>1,130,260</u>
Total Other Financing Sources (Uses)	<u>(3,017,806)</u>	<u>(3,055,951)</u>	<u>(3,257,575)</u>	<u>(201,624)</u>
Net Change in Fund Balance	(1,515,378)	(1,553,523)	(1,832,535)	(279,012)
Fund Balance, beginning,				
as restated (note 14)	<u>8,160,418</u>	<u>8,160,418</u>	<u>8,160,418</u>	
Fund Balance, Ending	<u>\$ 6,645,040</u>	<u>\$ 6,606,895</u>	<u>\$ 6,327,883</u>	<u>\$ (279,012)</u>

See Notes to Required Supplementary Information

This page intentionally left blank.

SUPPLEMENTARY SCHEDULES

NON-MAJOR FUNDS

Gas Tax Fund - Used to account for revenues and expenditures for general street improvement maintenance related to the City's share of state gasoline taxes collected under Street and Highway Code, Sections 2103, 2105, 2106, 2107 and 2107.5.

Measure M Fund - Used to account for revenues and expenditures made for street improvement and transportation system maintenance financed through the Orange County Transportation Authority.

AB 2766 Fund - Used to account for revenues and expenditures made for air quality improvement. AB 2766 was enacted to authorize air pollution control districts to impose fees on motor vehicles.

Senior Mobility Program Fund - Used to account for revenues and expenditures related to help design and operate a transit program that best fits the needs of older adults under the OCTA Senior Mobility Program.

CARITS Fund - Used to account for revenues and expenditures related to the cooperative agreement with the County of Orange for Coastal Area Road Improvement and Traffic Signals (CARITS) fee program.

CDBG Fund - Used to account for revenues and expenditures to improve local and national objectives to provide decent and safe housing for low- and moderate-income families. This is grant funding obtained from the United States Department of Housing and Urban Development (HUD) for the purposes of rehabilitating "eligible" deteriorating housing.

Beverage Recycling Fund - Used to account for revenues and expenditures related to grant funding received from the California State Department of Conservation for the purpose of implementing and supporting beverage container recycling programs within the City.

CR&R Recycling Fund - Used to account for contractual revenues received from the City's franchised hauler, CR&R, for the purposes of recycling consulting services and general recycling activity expenditures.

C & D Forfeited Deposits Fund - Used to account for Construction and Demolition Waste Recycling Program security deposits, which have been forfeited by the applicant, used for administration costs of the program, or on programs to divert the waste from construction, demolition and alteration projects from landfill disposal, or other recycling programs.

AB 939 Surcharge Grant Fund - Used to account for revenues and expenditures related to the County of Orange Regional Recycling and Waste Diversion Grant Program for the purpose of implementing and supporting regional recycling and waste diversion within the City.

Quimby Act Fund - Used to account for revenues and expenditures related to the "Quimby Act", which authorizes the City to require dedication of parkland, or fees in-lieu of such dedication, to meet the needs of new residential subdivisions in accordance of the City's General Plan.

Grants & Contribution Fund - Used to account revenues and expenditures made for specific projects including landscape improvements and certain capital expenditures. Land developers and builders, as well as other public agencies provide financing.

Public Art Fund - Used to account for revenues and expenditures related to the City's Public Art program designed to enhance the cultural and aesthetic environment and to encourage creativity, education and appreciation of the arts.

SLESF/COPS Brulte Fund - Used to account for revenues received and expenditures made for front line law enforcement services related to the allocations received through the State Supplemental Law Enforcement Services Fund (SLESF)/COPS program.

Other Law Enforcement Grant Fund - Used to account for revenues received and expenditures made for law enforcement services related to the allocations received through other State and local law enforcement programs, which are not part of the State Supplemental Law Enforcement Services Fund (SLESF)/COPS program.

CITY OF LAGUNA HILLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2014

	Special Revenue					
	Gas Tax	Measure M	AB 2766	Senior Mobility Program	CARITS	CDBG
Assets						
Due from other funds	\$ 1,052,250	\$ -	\$ -	\$ 62,240	\$ 1,076,588	\$ -
Total Assets	<u>\$ 1,052,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,240</u>	<u>\$ 1,076,588</u>	<u>\$ -</u>
Liabilities and Fund Balances						
Liabilities:						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advances from other funds	_____	_____	_____	_____	_____	_____
Total Liabilities	_____	_____	_____	_____	_____	_____
Fund Balances:						
Restricted	1,052,250	_____	_____	62,240	1,076,588	_____
Unassigned	_____	_____	_____	_____	_____	_____
Total Fund Balance	<u>1,052,250</u>	_____	_____	<u>62,240</u>	<u>1,076,588</u>	_____
Total Liabilities and Fund Balance	<u>\$ 1,052,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,240</u>	<u>\$ 1,076,588</u>	<u>\$ -</u>

Special Revenue									
<u>Beverage Recycling</u>	<u>CR&R Recycling Fee</u>	<u>C & D Forfeited Deposits</u>	<u>AB 939 Surcharge Grant</u>	<u>Quimby Act Park Impact Fees</u>	<u>Grants & Contributions</u>	<u>Public Art</u>	<u>SLEFS/COPS BRULTE</u>	<u>Other Law Enforcement</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 34,468	\$ -	\$ 55,958	\$ 51	\$ -	\$ 126,758	\$ -	\$ 3,333	\$ 3,040	\$ 2,414,686
<u>\$ 34,468</u>	<u>\$ -</u>	<u>\$ 55,958</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 126,758</u>	<u>\$ -</u>	<u>\$ 3,333</u>	<u>\$ 3,040</u>	<u>\$ 2,414,686</u>
\$ -	\$ 2,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,120
				85,741		234,920			320,661
	2,120			85,741		234,920			322,781
34,468		55,958	51		126,758		3,333	3,040	2,414,686
	(2,120)			(85,741)		(234,920)			(322,781)
34,468	(2,120)	55,958	51	(85,741)	126,758	(234,920)	3,333	3,040	2,091,905
<u>\$ 34,468</u>	<u>\$ -</u>	<u>\$ 55,958</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 126,758</u>	<u>\$ -</u>	<u>\$ 3,333</u>	<u>\$ 3,040</u>	<u>\$ 2,414,686</u>

CITY OF LAGUNA HILLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Special Revenue					
	Gas Tax	Measure M	AB 2766	Senior Mobility Program	CARITS	CDBG
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits						
Intergovernmental	1,061,045	723,647	37,999	35,507		135,468
Investment income	1,420	1,061	63	159	2,267	
Total Revenues	1,062,465	724,708	38,062	35,666	2,267	135,468
Expenditures:						
Current:						
Public services						
Community development						135,468
Community services				27,749		
Public safety						
Total Expenditures				27,749		135,468
Excess (Deficiency) of Revenues over Expenditures	1,062,465	724,708	38,062	7,917	2,267	
Other Financing Sources (Uses):						
Transfers in			34,818	5,550	697,251	
Transfers out	(10,215)	(802,985)	(72,880)		(267,138)	
Total Other Financing Sources (Uses)	(10,215)	(802,985)	(38,062)	5,550	430,113	
Net Change in Fund Balances	1,052,250	(78,277)		13,467	432,380	
Fund Balances (Deficit), Beginning Restated (note 14)		78,277		48,773	644,208	
Fund Balances (Deficit), Ending	\$ 1,052,250	\$ -	\$ -	\$ 62,240	\$ 1,076,588	\$ -

Special Revenue									
<u>Beverage Recycling</u>	<u>CR&R Recycling Fee</u>	<u>C & D Forfeited Deposits</u>	<u>AB 939 Surcharge Grant</u>	<u>Quimby Act</u>	<u>Grants & Contributions</u>	<u>Public Art</u>	<u>SLEFS/COPS Brulte</u>	<u>Other Law Enforcement</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000
		41,098							41,098
8,326					1,195,172	10,294	103,157	152	3,310,767
91	13	102	1		367		176		5,720
<u>8,417</u>	<u>20,013</u>	<u>41,200</u>	<u>1</u>		<u>1,195,539</u>	<u>10,294</u>	<u>103,333</u>	<u>152</u>	<u>3,377,585</u>
18,745	22,159	21,695	2,841						65,440
									135,468
									27,749
								3,661	3,661
<u>18,745</u>	<u>22,159</u>	<u>21,695</u>	<u>2,841</u>					<u>3,661</u>	<u>232,318</u>
<u>(10,328)</u>	<u>(2,146)</u>	<u>19,505</u>	<u>(2,840)</u>		<u>1,195,539</u>	<u>10,294</u>	<u>103,333</u>	<u>(3,509)</u>	<u>3,145,267</u>
				(85,741)	(1,195,172)		(100,000)		737,619
				(85,741)	(1,195,172)		(100,000)		(2,534,131)
				(85,741)	(1,195,172)		(100,000)		(1,796,512)
(10,328)	(2,146)	19,505	(2,840)	(85,741)	367	10,294	3,333	(3,509)	1,348,755
<u>44,796</u>	<u>26</u>	<u>36,453</u>	<u>2,891</u>		<u>126,391</u>	<u>(245,214)</u>		<u>6,549</u>	<u>743,150</u>
<u>\$ 34,468</u>	<u>\$ (2,120)</u>	<u>\$ 55,958</u>	<u>\$ 51</u>	<u>\$ (85,741)</u>	<u>\$ 126,758</u>	<u>\$ (234,920)</u>	<u>\$ 3,333</u>	<u>\$ 3,040</u>	<u>\$ 2,091,905</u>

CITY OF LAGUNA HILLS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-</u>
				<u>Positive(Negative)</u>
Revenues:				
Investment income	\$ -	\$ -	\$ -	\$ -
Total Revenues				
Expenditures:				
Capital Outlay	3,812,000	4,207,115	2,965,511	1,241,604
Total Expenditures	3,812,000	4,207,115	2,965,511	1,241,604
Excess (Deficiency) of Revenues over Expenditures	(3,812,000)	(4,207,115)	(2,965,511)	1,241,604
Other Financing Sources (Uses):				
Transfers in	3,812,000	4,207,115	2,965,511	(1,241,604)
Total Other Financing Sources (Uses)	3,812,000	4,207,115	2,965,511	(1,241,604)
Net change in Fund Balance				
Fund Balance, Beginning				
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

CITY OF LAGUNA HILLS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-</u>
				<u>Positive(Negative)</u>
Revenues:				
Investment income	\$ 5,000	\$ 5,000	\$ 4,355	\$ (645)
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>4,355</u>	<u>(645)</u>
Expenditures:				
Debt Service:				
Interest	599,587	599,587	601,542	(1,955)
Principal	<u>1,205,000</u>	<u>1,205,000</u>	<u>1,205,000</u>	<u></u>
Total Expenditures	<u>1,804,587</u>	<u>1,804,587</u>	<u>1,806,542</u>	<u>(1,955)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,799,587)</u>	<u>(1,799,587)</u>	<u>(1,802,187)</u>	<u>(2,600)</u>
Other Financing Sources (Uses):				
Transfers in	<u>1,804,587</u>	<u>1,804,587</u>	<u>1,794,885</u>	<u>(9,702)</u>
Total Other Financing Sources (Uses)	<u>1,804,587</u>	<u>1,804,587</u>	<u>1,794,885</u>	<u>(9,702)</u>
Net Change in Fund Balance	5,000	5,000	(7,302)	(12,302)
Fund Balance, Beginning	<u>1,815,075</u>	<u>1,815,075</u>	<u>1,815,075</u>	<u></u>
Fund Balance, Ending	<u>\$ 1,820,075</u>	<u>\$ 1,820,075</u>	<u>\$ 1,807,773</u>	<u>\$ (12,302)</u>

CITY OF LAGUNA HILLS
GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 987,179	\$ 987,179	\$ 1,061,045	\$ 73,866
Investment income	<u>7,500</u>	<u>7,500</u>	<u>1,420</u>	<u>(6,080)</u>
Total Revenues	<u>994,679</u>	<u>994,679</u>	<u>1,062,465</u>	<u>67,786</u>
Other Financing Sources (Uses):				
Transfers out	<u> </u>	<u> </u>	<u>(10,215)</u>	<u>(10,215)</u>
Total Other Financing Sources (Uses)	<u> </u>	<u> </u>	<u>(10,215)</u>	<u>(10,215)</u>
Net Change in Fund Balance	994,679	994,679	1,052,250	57,571
Fund Balance, Beginning	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance, Ending	<u>\$ 994,679</u>	<u>\$ 994,679</u>	<u>\$ 1,052,250</u>	<u>\$ 57,571</u>

CITY OF LAGUNA HILLS
MEASURE M SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 603,235	\$ 757,099	\$ 723,647	\$ (33,452)
Investment income	6,000	6,000	1,061	(4,939)
Total Revenues	<u>609,235</u>	<u>763,099</u>	<u>724,708</u>	<u>(38,391)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(687,512)</u>	<u>(841,376)</u>	<u>(802,985)</u>	<u>38,391</u>
Total Other Financing Sources (Uses)	<u>(687,512)</u>	<u>(841,376)</u>	<u>(802,985)</u>	<u>38,391</u>
Net Change in Fund Balance	(78,277)	(78,277)	(78,277)	
Fund Balances, Beginning, Restated (note 14)	<u>78,277</u>	<u>78,277</u>	<u>78,277</u>	
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAGUNA HILLS
AB2766 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 37,999	\$ (2,001)
Investment income	600	600	63	(537)
Total Revenues	<u>40,600</u>	<u>40,600</u>	<u>38,062</u>	<u>(2,538)</u>
Other Financing Sources (Uses):				
Transfers in			34,818	34,818
Transfers out			(72,880)	(72,880)
Total Other Financing Sources (Uses)			<u>(38,062)</u>	<u>(38,062)</u>
Net Change in Fund Balance	40,600	40,600		(40,600)
Fund Balance, Beginning				
Fund Balance, Ending	<u>\$ 40,600</u>	<u>\$ 40,600</u>	<u>\$ -</u>	<u>\$ (40,600)</u>

CITY OF LAGUNA HILLS
QUIMBY ACT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
License & permit	\$ 977,000	\$ 977,000	\$ -	\$ (977,000)
Total Revenues	<u>977,000</u>	<u>977,000</u>		<u>(977,000)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(977,000)</u>	<u>(977,000)</u>	<u>(85,741)</u>	<u>891,259</u>
Total Other Financing Sources (Uses)	<u>(977,000)</u>	<u>(977,000)</u>	<u>(85,741)</u>	<u>891,259</u>
Net Change in Fund Balance			(85,741)	(85,741)
Fund Balance, Beginning				
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (85,741)</u>	<u>\$ (85,741)</u>

CITY OF LAGUNA HILLS
SENIOR MOBILITY PROGRAM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 31,500	\$ 31,500	\$ 35,507	\$ 4,007
Investment income	600	600	159	(441)
Total Revenues	32,100	32,100	35,666	3,566
Expenditures:				
Current:				
Community services	31,500	31,500	27,749	3,751
Total Expenditures	31,500	31,500	27,749	3,751
Excess (deficiency) of Revenues over Expenditures	600	600	7,917	7,317
Other Financing Sources (Uses):				
Transfers in			5,550	5,550
Total Other Financing Sources (Uses)			5,550	5,550
Net Change in Fund Balance	600	600	13,467	12,867
Fund Balance, Beginning	48,773	48,773	48,773	
Fund Balance, Ending	\$ 49,373	\$ 49,373	\$ 62,240	\$ 12,867

CITY OF LAGUNA HILLS
CARITS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Investment income	\$ 12,000	\$ 12,000	\$ 2,267	\$ (9,733)
Total Revenues	<u>12,000</u>	<u>12,000</u>	<u>2,267</u>	<u>(9,733)</u>
Other Financing Sources (Uses):				
Transfers in			697,251	697,251
Transfers out	<u>(100,000)</u>	<u>(188,229)</u>	<u>(267,138)</u>	<u>(78,909)</u>
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(188,229)</u>	<u>430,113</u>	<u>618,342</u>
Net Change in Fund Balance	(88,000)	(176,229)	432,380	608,609
Fund Balance, Beginning	<u>644,208</u>	<u>644,208</u>	<u>644,208</u>	
Fund Balance, Ending	<u>\$ 556,208</u>	<u>\$ 467,979</u>	<u>\$ 1,076,588</u>	<u>\$ 608,609</u>

CITY OF LAGUNA HILLS
CDBG SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 80,000	\$ 80,000	\$ 135,468	\$ 55,468
Total Revenues	<u>80,000</u>	<u>80,000</u>	<u>135,468</u>	<u>55,468</u>
Expenditures:				
Current:				
Community development	<u>80,000</u>	<u>80,000</u>	<u>135,468</u>	<u>(55,468)</u>
Total Expenditures	<u>80,000</u>	<u>80,000</u>	<u>135,468</u>	<u>(55,468)</u>
Net Change in Fund Balance				
Fund Balance, Beginning	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAGUNA HILLS
BEVERAGE RECYCLING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014



	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 44,710	\$ 44,710	\$ 8,326	\$ (36,384)
Investment income	<u>600</u>	<u>600</u>	<u>91</u>	<u>(509)</u>
Total Revenues	<u>45,310</u>	<u>45,310</u>	<u>8,417</u>	<u>(36,893)</u>
Expenditures:				
Current:				
Public Services	<u>44,710</u>	<u>44,710</u>	<u>18,745</u>	<u>25,965</u>
Total Expenditures	<u>44,710</u>	<u>44,710</u>	<u>18,745</u>	<u>25,965</u>
Net Change in Fund Balance	600	600	(10,328)	(10,928)
Fund Balance, Beginning	<u>44,796</u>	<u>44,796</u>	<u>44,796</u>	
Fund Balance, Ending	<u>\$ 45,396</u>	<u>\$ 45,396</u>	<u>\$ 34,468</u>	<u>\$ (10,928)</u>

CITY OF LAGUNA HILLS
CR&R RECYCLING FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Investment income	600	600	13	(587)
Total Revenues	<u>20,600</u>	<u>20,600</u>	<u>20,013</u>	<u>(587)</u>
Expenditures:				
Current:				
Public Services	<u>20,000</u>	<u>20,000</u>	<u>22,159</u>	<u>(2,159)</u>
Total Expenditures	<u>20,000</u>	<u>20,000</u>	<u>22,159</u>	<u>(2,159)</u>
Net Change in Fund Balance	600	600	(2,146)	(2,746)
Fund Balance, Beginning	<u>26</u>	<u>26</u>	<u>26</u>	
Fund Balance, Ending	<u>\$ 626</u>	<u>\$ 626</u>	<u>\$ (2,120)</u>	<u>\$ (2,746)</u>

CITY OF LAGUNA HILLS
C & D FORFEITED DEPOSITS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Licenses and permits	\$ 68,450	\$ 68,450	\$ 41,098	\$ (27,352)
Investment income	300	300	102	(198)
Total Revenues	<u>68,750</u>	<u>68,750</u>	<u>41,200</u>	<u>(27,550)</u>
Expenditures:				
Current:				
Public Services	68,450	68,450	21,695	46,755
Total Expenditures	<u>68,450</u>	<u>68,450</u>	<u>21,695</u>	<u>46,755</u>
Net Change in Fund Balance	300	300	19,505	19,205
Fund Balance, Beginning	<u>36,453</u>	<u>36,453</u>	<u>36,453</u>	
Fund Balance, Ending	<u><u>\$ 36,753</u></u>	<u><u>\$ 36,753</u></u>	<u><u>\$ 55,958</u></u>	<u><u>\$ 19,205</u></u>

CITY OF LAGUNA HILLS
AB 939 SURCHARGE GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Investment income	\$ 300	\$ 300	\$ 1	\$ (299)
Total Revenues	300	300	1	(299)
Expenditures:				
Current:				
Public Services	3,133	3,133	2,841	292
Total Expenditures	3,133	3,133	2,841	292
Net Change in Fund Balance	(2,833)	(2,833)	(2,840)	(7)
Fund Balance, Beginning	2,891	2,891	2,891	
Fund Balance, Ending	\$ 58	\$ 58	\$ 51	\$ (7)

CITY OF LAGUNA HILLS
GRANTS AND CONTRIBUTIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-</u>
				<u>Positive(Negative)</u>
Revenues:				
Intergovernmental	\$ 418,000	\$ 532,877	\$ 1,195,172	\$ 662,295
Investment income	1,500	1,500	367	(1,133)
Total Revenues	<u>419,500</u>	<u>534,377</u>	<u>1,195,539</u>	<u>661,162</u>
Other Financing Sources (Uses):				
Transfers out	<u>(418,000)</u>	<u>(532,877)</u>	<u>(1,195,172)</u>	<u>(662,295)</u>
Total Other Financing Sources (Uses)	<u>(418,000)</u>	<u>(532,877)</u>	<u>(1,195,172)</u>	<u>(662,295)</u>
Net Change in Fund Balance	1,500	1,500	367	(1,133)
Fund Balance, Beginning	<u>126,391</u>	<u>126,391</u>	<u>126,391</u>	
Fund Balance, Ending	<u>\$ 127,891</u>	<u>\$ 127,891</u>	<u>\$ 126,758</u>	<u>\$ (1,133)</u>

CITY OF LAGUNA HILLS
SLESF/COPS BRULTE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive(Negative)</u>
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 103,157	\$ 3,157
Investment income			176	176
	<u>100,000</u>	<u>100,000</u>	<u>103,333</u>	<u>3,333</u>
Total Revenues				
Other Financing Sources (Uses):				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	
Net Change in Fund Balance			3,333	3,333
Fund Balance, Beginning				
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,333</u>	<u>\$ 3,333</u>

CITY OF LAGUNA HILLS
AGENCY FUND
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Assets				
Cash and investments	\$ <u>233,280</u>	\$ <u>66,174</u>	\$ <u>-</u>	\$ <u>299,454</u>
Total assets	\$ <u><u>233,280</u></u>	\$ <u><u>66,174</u></u>	\$ <u><u>-</u></u>	\$ <u><u>299,454</u></u>
Liabilities				
Deposits	\$ <u>233,280</u>	\$ <u>66,174</u>	\$ <u>-</u>	\$ <u>299,454</u>
Total liabilities	\$ <u><u>233,280</u></u>	\$ <u><u>66,174</u></u>	\$ <u><u>-</u></u>	\$ <u><u>299,454</u></u>

This page intentionally left blank.



STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Laguna Hills' 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 says about the City of Laguna Hills' overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	III-3
<i>Financial trend schedules contain trend information to help the reader understand how the City of Laguna Hills' financial performance and well-being have changed over time.</i>	
Revenue Capacity	III-10
<i>Revenue capacity schedules contain information to help the reader assess the City of Laguna Hills' most significant local revenue source, the property tax.</i>	
Debt Capacity	III-14
<i>Debt capacity schedules present information to help the reader assess the affordability of the City of Laguna Hills' current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	III-19
<i>Demographic and economic information schedules offer demographic and economic indicators to help the reader understand the environment within which the City of Laguna Hills' financial activities take place.</i>	
Operating Information	III-21
<i>Operating information schedules contain service and infrastructure data to help the reader understand how the information in the City of Laguna Hills' financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

This page intentionally left blank.

CITY OF LAGUNA HILLS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net Investment in capital assets	\$ 44,165,410	\$ 46,474,237	\$ 50,728,980	\$ 52,338,159	\$ 56,606,677	\$ 76,364,755	\$ 78,797,985	\$ 82,982,768	\$ 84,618,576	\$ 84,465,323
Restricted	3,246,346	3,839,611	3,023,222	4,701,017	3,356,723	3,935,701	3,653,349	2,106,914	998,727	2,414,686
Unrestricted	9,308,718	9,377,131	10,606,335	10,230,570	7,858,499	7,501,713	6,504,972	6,944,547	8,340,769	5,751,121
Total government activities net position	<u>\$ 56,720,474</u>	<u>\$ 59,690,979</u>	<u>\$ 64,358,537</u>	<u>\$ 67,269,746</u>	<u>\$ 67,821,899</u>	<u>\$ 87,802,169</u>	<u>\$ 88,956,306</u>	<u>\$ 92,034,229</u>	<u>\$ 93,958,072</u>	<u>\$ 92,631,130</u>
Business-type activities										
Net Investment in capital assets	\$ 14,413,461	\$ 14,163,874	\$ 13,796,813	\$ 13,292,252	\$ 12,720,481	\$ 12,206,656	\$ 11,542,563	\$ 10,989,447	\$ 10,403,077	\$ 9,894,503
Restricted										
Unrestricted	169,956	540,017	359,254	195,703	134,998	150,668	85,344	96,511	47,563	47,801
Total business-type activities net position	<u>\$ 14,583,417</u>	<u>\$ 14,703,891</u>	<u>\$ 14,156,067</u>	<u>\$ 13,487,955</u>	<u>\$ 12,855,479</u>	<u>\$ 12,357,324</u>	<u>\$ 11,627,907</u>	<u>\$ 11,085,958</u>	<u>\$ 10,450,640</u>	<u>\$ 9,942,304</u>
Primary government										
Net Investment in capital assets	\$ 58,578,871	\$ 60,638,111	\$ 64,525,793	\$ 65,630,411	\$ 69,327,158	\$ 88,571,411	\$ 90,340,548	\$ 93,972,215	\$ 95,021,653	\$ 94,359,826
Restricted	3,246,346	3,839,611	3,023,222	4,701,017	3,356,723	3,935,701	3,653,349	2,106,914	998,727	2,414,686
Unrestricted	9,478,674	9,917,148	10,965,589	10,426,273	7,993,497	7,652,381	6,590,316	7,041,058	8,388,332	5,798,922
Total primary government net position	<u>\$ 71,303,891</u>	<u>\$ 74,394,870</u>	<u>\$ 78,514,604</u>	<u>\$ 80,757,701</u>	<u>\$ 80,677,378</u>	<u>\$ 100,159,493</u>	<u>\$ 100,584,213</u>	<u>\$ 103,120,187</u>	<u>\$ 104,408,712</u>	<u>\$ 102,573,434</u>

CITY OF LAGUNA HILLS

CHANGE IN NET POSITION LAST TEN FISCAL YEARS *(accrual basis of accounting)*

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
Legislative/executive	\$ 1,299,424	\$ 1,389,720	\$ 1,441,763	\$ 1,534,942	\$ 1,542,082	\$ 1,592,070	\$ 1,537,287	\$ 1,565,164	\$ 1,546,012	\$ 1,546,625
Administrative services	2,593,403	2,357,409	1,928,022	1,785,896	1,719,314	1,724,356	1,771,910	1,755,500	1,976,262	1,758,062
Public services	6,650,188	7,360,168	9,507,357	6,814,629	8,318,347	7,389,564	5,781,123	5,999,412	6,150,553	6,376,642
Community development	1,060,418	1,247,350	1,541,295	1,775,552	1,523,476	1,595,670	1,404,624	1,127,036	1,138,280	1,265,719
Community services	3,225,589	1,554,514	1,651,779	1,771,671	1,776,257	1,769,589	3,702,911	3,642,792	3,777,102	3,886,180
Public safety	5,288,663	5,598,571	5,893,769	6,503,096	6,422,802	6,597,894	6,487,711	6,528,489	6,575,855	6,837,050
Interest expense	1,002,505	973,024	942,801	910,500	875,447	636,441	663,944	620,376	583,461	530,039
Total governmental activities expenses	<u>21,120,190</u>	<u>20,480,756</u>	<u>22,906,786</u>	<u>21,096,286</u>	<u>22,177,725</u>	<u>21,305,584</u>	<u>21,349,510</u>	<u>21,238,769</u>	<u>21,747,525</u>	<u>22,200,317</u>
Business-type activities:										
Property leasing	1,035,344	1,087,912	1,139,550	1,162,891	1,117,002	1,125,330	1,190,752	1,154,967	1,163,305	1,278,434
Total business-type activities expenses	<u>1,035,344</u>	<u>1,087,912</u>	<u>1,139,550</u>	<u>1,162,891</u>	<u>1,117,002</u>	<u>1,125,330</u>	<u>1,190,752</u>	<u>1,154,967</u>	<u>1,163,305</u>	<u>1,278,434</u>
Total primary government expenses	<u>\$ 22,155,534</u>	<u>\$ 21,568,668</u>	<u>\$ 24,046,336</u>	<u>\$ 22,259,177</u>	<u>\$ 23,294,727</u>	<u>\$ 22,430,914</u>	<u>\$ 22,540,262</u>	<u>\$ 22,393,736</u>	<u>\$ 22,910,830</u>	<u>\$ 23,478,751</u>
Program Revenues										
Government activities:										
Charges for Services:										
Legislative/executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,236	\$ -	\$ -	\$ -
Administrative services							96,726	2,838		
Public services	48,696	38,683	59,584	58,539	98,818	86,176	155,373	83,989	112,629	106,633
Community development	552,029	535,973	672,168	616,819	544,227	514,162	653,918	669,936	750,626	799,316
Community services	511,766	540,369	562,584	683,911	687,987	703,099	701,040	657,129	714,634	608,877
Public safety	405,000	533,977	475,214	485,376	435,452	542,732	401,665	295,587	226,311	186,347
Operating Contributions	2,583,927	4,774,223	6,826,309	3,486,884	4,217,578	3,059,335	4,738,096	3,082,972	2,137,580	2,186,050
Capital Contributions	19,665	40,771	57,282	24,674			820,456	3,040,344	945,068	807,545
Total governmental activities program revenues	<u>4,121,083</u>	<u>6,463,996</u>	<u>8,653,141</u>	<u>5,356,203</u>	<u>5,984,062</u>	<u>4,905,504</u>	<u>7,569,510</u>	<u>7,832,795</u>	<u>4,886,848</u>	<u>4,694,768</u>
Business-type activities:										
Charges for Services:										
Property Leasing	406,721	588,842	688,215	790,817	591,665	649,270	535,455	527,530	527,931	476,391
Operating grants and contributions										
Capital grants and contributions	2,134,938							85,134		
Total business-type activities program revenues	<u>2,541,659</u>	<u>588,842</u>	<u>688,215</u>	<u>790,817</u>	<u>591,665</u>	<u>649,270</u>	<u>535,455</u>	<u>612,664</u>	<u>527,931</u>	<u>476,391</u>
Total primary government program revenues	<u>\$ 6,662,742</u>	<u>\$ 7,052,838</u>	<u>\$ 9,341,356</u>	<u>\$ 6,147,020</u>	<u>\$ 6,575,727</u>	<u>\$ 5,554,774</u>	<u>\$ 8,104,965</u>	<u>\$ 8,445,459</u>	<u>\$ 5,414,779</u>	<u>\$ 5,171,159</u>
Net (expense)/revenue										
Governmental activities	\$ (16,999,107)	\$ (14,016,760)	\$ (14,253,645)	\$ (15,740,083)	\$ (16,193,663)	\$ (16,400,080)	\$ (13,780,000)	\$ (13,405,974)	\$ (16,860,677)	\$ (17,505,549)
Business-type activities	1,506,315	(499,070)	(451,335)	(372,074)	(525,337)	(476,060)	(655,297)	(542,303)	(635,374)	(802,043)
	<u>\$ (15,492,792)</u>	<u>\$ (14,515,830)</u>	<u>\$ (14,704,980)</u>	<u>\$ (16,112,157)</u>	<u>\$ (16,719,000)</u>	<u>\$ (16,876,140)</u>	<u>\$ (14,435,297)</u>	<u>\$ (13,948,277)</u>	<u>\$ (17,496,051)</u>	<u>\$ (18,307,592)</u>

(continued)

CITY OF LAGUNA HILLS
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
(continued)										
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 4,892,577	\$ 5,219,940	\$ 6,000,932	\$ 6,310,302	\$ 8,624,076	\$ 8,573,008	\$ 8,186,735	\$ 8,223,234	\$ 8,722,406	\$ 8,826,271
Sales and use taxes	7,964,948	6,868,829	6,811,004	6,368,887	5,522,204	5,197,367	5,238,949	5,157,787	5,305,487	5,562,823
Motor vehicle in lieu taxes	2,724,783	2,591,236	2,575,919	2,690,646	114,895	99,167	154,787	16,727	17,332	14,344
Other State subvention	1,919	95,072	25,026						-	16,549
Franchise taxes	920,778	1,006,109	1,218,116	1,202,702	1,237,335	1,217,595	1,199,882	1,223,523	1,210,837	1,259,021
Transient occupancy taxes	980,585	1,156,409	1,227,989	1,219,609	915,807	752,478	869,505	1,004,483	1,108,290	1,203,422
Investment earnings	134,912	210,046	325,266	469,876	119,006	29,205	25,267	15,736	12,216	12,251
Miscellaneous revenue	111,761	404,382	620,465	44,312	62,493	21,389	4,468	21,951	21,016	29,706
Lawsuit settlement										
Sale of capital assets									2,769,504	
Transfers	(30,000)	(599,379)	100,000	300,000	150,000	24,790	75,000			(293,691)
Total governmental activities	<u>17,702,263</u>	<u>16,952,644</u>	<u>18,904,717</u>	<u>18,606,334</u>	<u>16,745,816</u>	<u>15,914,999</u>	<u>15,754,593</u>	<u>15,663,441</u>	<u>19,167,088</u>	<u>16,630,696</u>
Business-type activities:										
Investment earnings	3,318	30	3,511	3,962	2,877	2,695	880	354	56	16
Transfers	30,000	599,379	(100,000)	(300,000)	(150,000)	(24,790)	(75,000)			293,691
Total business-type activities	<u>33,318</u>	<u>599,409</u>	<u>(96,489)</u>	<u>(296,038)</u>	<u>(147,123)</u>	<u>(22,095)</u>	<u>(74,120)</u>	<u>354</u>	<u>56</u>	<u>293,707</u>
Total primary government	<u>\$ 17,735,581</u>	<u>\$ 17,552,053</u>	<u>\$ 18,808,228</u>	<u>\$ 18,310,296</u>	<u>\$ 16,598,693</u>	<u>\$ 15,892,904</u>	<u>\$ 15,680,473</u>	<u>\$ 15,663,795</u>	<u>\$ 19,167,144</u>	<u>\$ 16,924,403</u>
Change in Net Position:										
Governmental activities	703,156	2,935,884	4,651,072	2,866,251	552,153	(485,081)	1,974,593	2,257,467	2,306,411	(874,853)
Business-type activities	1,539,633	100,339	(547,824)	(668,112)	(672,460)	(498,155)	(729,417)	(541,949)	(635,318)	(508,336)
Total primary government	<u>\$ 2,242,789</u>	<u>\$ 3,036,223</u>	<u>\$ 4,103,248</u>	<u>\$ 2,198,139</u>	<u>\$ (120,307)</u>	<u>\$ (983,236)</u>	<u>\$ 1,245,176</u>	<u>\$ 1,715,518</u>	<u>\$ 1,671,093</u>	<u>\$ (1,383,189)</u>

CITY OF LAGUNA HILLS
GOVERNMENTAL ACTIVITIES - TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales & Use Tax	Motor Vehicle in Lieu Tax	Other State Subvention	Franchise Tax	Transient Occupancy Tax	Total
2005	4,892,577	7,964,948	2,724,783	1,919	920,778	980,585	17,485,590
2006	5,219,940	6,868,829	2,591,236	95,072	1,006,109	1,156,409	16,937,595
2007	6,000,932	6,811,004	2,575,919	25,026	1,218,116	1,227,989	17,858,986
2008	6,310,302	6,368,887	2,690,646		1,202,702	1,219,609	17,792,146
2009	8,624,076	5,522,204	114,895		1,237,335	915,807	16,414,317
2010	8,573,008	5,197,367	99,167		1,217,595	752,478	15,839,615
2011	8,186,735	5,238,949	154,787		1,199,882	869,505	15,649,858
2012	8,223,234	5,157,787	16,727		1,223,523	1,004,483	15,625,754
2013	8,722,406	5,305,487	17,332		1,210,837	1,108,290	16,364,352
2014	8,826,271	5,562,823	14,344	16,549	1,259,021	1,203,422	16,882,430

CITY OF LAGUNA HILLS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund										
Reserved	\$ 52,957	\$ 40,016	\$ 30,745	\$ 186,524	\$ 44,610	\$ 15,624	\$ -	\$ -	\$ -	\$ -
Unreserved	9,252,463	10,074,573	11,019,918	10,313,093	8,582,945	8,611,931				
Nonspendable							305,302	311,223	335,603	416,994
Restricted										
Committed										
Assigned							1,318,164	1,284,939	1,315,557	1,726,228
Unassigned							4,716,361	5,149,410	6,718,179	4,184,661
Total general fund	\$ 9,305,420	\$ 10,114,589	\$ 11,050,663	\$ 10,499,617	\$ 8,627,555	\$ 7,422,224	\$ 6,339,827	\$ 6,745,572	\$ 8,369,339	\$ 6,327,883
All other governmental funds										
Reserved	\$ 628,258	\$ 652,694	\$ 419,790	\$ 421,484	\$ 415,078	\$ 1,817,086				
Unreserved, reported in:										
Special revenue funds	2,129,536	2,751,414	2,603,432	4,202,374	2,427,534	2,411,192				
Debt service funds	421,470	435,502								
Nonspendable										
Restricted							4,473,805	3,916,541	2,813,802	4,222,459
Committed										
Assigned										
Unassigned							(273,326)	(238,732)	(245,214)	(322,781)
Total all other governmental funds	\$ 3,179,264	\$ 3,839,610	\$ 3,023,222	\$ 4,623,858	\$ 2,842,612	\$ 4,228,278	\$ 4,200,479	\$ 3,677,809	\$ 2,568,588	\$ 3,899,678

CITY OF LAGUNA HILLS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Taxes	\$ 7,312,670	\$ 7,412,442	\$ 8,598,829	\$ 8,843,272	\$ 10,858,989	\$ 10,553,196	\$ 10,513,681	\$ 10,533,542	\$ 11,061,533	\$ 11,308,714
Licenses and permits	530,839	505,608	599,423	579,915	521,724	423,012	550,155	816,863	655,855	778,208
Intergovernmental	12,348,515	14,796,110	16,153,141	12,364,967	9,727,124	7,975,877	10,023,285	10,960,315	8,597,520	8,864,729
Charges for current services	743,414	828,054	815,148	951,289	909,504	946,119	1,047,727	887,126	981,063	931,909
Fines and forfeitures	357,000	485,977	426,060	437,376	435,452	542,732	401,665	295,587	226,311	186,347
Miscellaneous		25,914								
Investment income	222,313	363,044	552,887	494,550	223,846	45,732	36,906	30,129	25,928	21,608
Total revenues	<u>21,514,751</u>	<u>24,417,149</u>	<u>27,145,488</u>	<u>23,671,369</u>	<u>22,676,639</u>	<u>20,486,668</u>	<u>22,573,419</u>	<u>23,523,562</u>	<u>21,548,210</u>	<u>22,091,515</u>
Expenditures:										
Current:										
Legislative/executive	1,296,945	1,389,261	1,431,276	1,521,937	1,527,927	1,583,009	1,528,226	1,556,386	1,661,199	1,536,724
Administrative services	1,811,903	1,663,400	1,804,671	1,863,562	1,664,029	1,537,841	1,591,486	1,622,122	2,014,343	1,631,541
Public services	3,441,494	3,551,780	4,050,846	4,897,258	4,419,088	4,088,538	4,190,842	4,155,386	4,346,672	4,399,704
Community development	1,050,679	1,239,540	1,533,319	1,823,818	1,660,768	1,593,187	1,404,624	1,127,036	1,259,502	1,261,715
Community services	1,378,890	1,518,157	1,679,248	1,717,124	1,733,464	1,570,196	1,646,388	1,595,904	1,904,831	1,860,866
Public safety	5,303,888	5,630,812	5,915,809	6,524,289	6,427,542	6,585,639	6,475,456	6,494,020	6,591,732	6,826,303
Capital outlay	6,128,394	5,337,802	8,991,937	2,619,246	7,102,899	2,013,797	5,013,252	5,289,390	4,402,694	2,965,511
Debt service:										
Interest	1,004,910	975,512	945,372	913,325	878,480	427,854	712,976	670,243	625,043	601,542
Cost of bond issuance						301,477				
Payment to bond escrow agent										
Discount on bond										
Principal retirement	1,216,000	1,130,000	1,160,000	1,016,178	1,010,000	820,000	1,090,000	1,130,000	1,180,000	1,205,000
Total expenditures	<u>22,633,103</u>	<u>22,436,264</u>	<u>27,512,478</u>	<u>22,896,737</u>	<u>26,424,197</u>	<u>20,521,538</u>	<u>23,653,250</u>	<u>23,640,487</u>	<u>23,986,016</u>	<u>22,288,906</u>
Excess (deficiency) of revenues over expenditures	(1,118,352)	1,980,885	(366,990)	774,632	(3,747,558)	(34,870)	(1,079,831)	(116,925)	(2,437,806)	(197,391)

(Continued)

(Continued)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Other financing sources (uses):										
Transfers in	\$ 10,035,905	\$ 10,928,487	\$ 17,968,939	\$ 5,956,627	\$ 13,800,602	\$ 7,868,431	\$ 12,431,918	\$ 13,529,097	\$ 10,468,784	\$ 7,214,336
Transfers out	(10,065,905)	(11,527,866)	(17,868,939)	(5,656,627)	(13,650,602)	(7,843,641)	(12,356,918)	(13,529,097)	(10,468,784)	(7,508,027)
Bond Proceeds						17,190,000				
Payment to bond escrow agent						(18,081,996)				
Premium on bond issue						1,206,953				
Sales tax repayment			(358,909)							
Lawsuit Settlement			550,000	(70,000)	(55,750)	(7,500)	(105,365)			
Sale of Capital Assets									2,952,352	
Total other financing sources (uses)	<u>(30,000)</u>	<u>(599,379)</u>	<u>291,091</u>	<u>230,000</u>	<u>94,250</u>	<u>332,247</u>	<u>(30,365)</u>	<u>-</u>	<u>2,952,352</u>	<u>(293,691)</u>
Net change in fund balances	<u>\$ (1,148,352)</u>	<u>\$ 1,381,506</u>	<u>\$ (75,899)</u>	<u>\$ 1,004,632</u>	<u>\$ (3,653,308)</u>	<u>\$ 297,377</u>	<u>\$ (1,110,196)</u>	<u>\$ (116,925)</u>	<u>\$ 514,546</u>	<u>\$ (491,082)</u>
Debt service as a percentage of noncapital expenditures	11.20%	11.74%	10.13%	10.17%	9.77%	6.74%	9.67%	9.81%	9.22%	9.35%

CITY OF LAGUNA HILLS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year Ended June 30	Secured Gross Value	Unsecured Gross Value	SBE Nonunitary	Exemptions	Total Taxable Assessed Value ⁽¹⁾	Percentage Increase	Total Direct Rate Applied ⁽²⁾
2005	4,344,058	163,468	199	30,625	4,507,725	7.4%	0.05330
2006	4,764,453	144,816	203	30,616	4,909,472	8.9%	0.05319
2007	5,160,814	154,887	190	31,676	5,315,891	8.3%	0.05342
2008	5,520,202	215,240		34,477	5,735,442	7.9%	0.10611
2009	5,516,226	174,459		32,955	5,690,685	-0.8%	0.10630
2010	5,413,579	175,241		33,614	5,588,820	-1.8%	0.10708
2011	5,299,826	160,738		33,534	5,460,565	-2.3%	0.10796
2012	5,308,488	156,488		33,852	5,464,976	0.1%	0.10853
2013	5,371,901	143,351		34,825	5,515,252	0.9%	0.10840
2014	5,509,351	146,695		35,252	5,656,046	2.6%	0.10583

Sources: HdL Coren & Cone, Orange County Assessor 2003/04 - 2013/14 Combined Tax Rolls

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

⁽¹⁾ Exempt values are not included in Total

⁽²⁾ Because basic and debt rates vary by tax rate area, individual rates cannot be summed. The Total Direct Rate is the weighted average of all individual direct rates applied.

CITY OF LAGUNA HILLS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING ⁽¹⁾ GOVERNMENTS
(RATE PER \$100 OF TAXABLE VALUE)
LAST TEN FISCAL YEARS

	Fiscal Year									
	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Overlapping and Direct Tax Rates ⁽¹⁾										
Overlapping Basic Rate ^{(2) (3)}	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Capistrano Union	0.01191	0.01078	0.00947	0.01019	0.00971	0.01077	0.01105	0.01101	0.01171	0.00972
Irvine Ranch Water	0.00000	0.00000	0.00000	0.00000	0.00000	0.03870	0.03870	0.04860	0.04860	0.04860
Metropolitan Water District	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350
Moulton Niguel Water District	0.21784	0.12923	0.11403	0.08830	0.11679	0.12104	0.12203	0.12936	0.14547	0.12977
Saddleback Valley Unified	0.03626	0.03079	0.03694	0.02668	0.02834	0.03043	0.03194	0.03163	0.03265	0.03207
Total	1.27181	1.17600	1.16514	1.12967	1.15914	1.20524	1.20742	1.22430	1.24193	1.22366
City Direct Rates										
City Share of 1% Levy Per Prop13 ^{(2) (3)}	0.05371	0.05371	0.05371	0.05371	0.12228	0.12282	0.05371	0.05371	0.05371	0.05371
Redevelopment Rate ⁽⁴⁾	1.00580	1.00520	1.00470	1.00450	1.00430	1.00430	1.00370	1.00370		
Total Direct Rate ⁽⁵⁾	0.05330	0.05319	0.05342	0.10611	0.10630	0.10708	0.10796	0.10853	0.10840	0.10583

Source: HdL Coren & Cone, Orange County Assessor 2003/04 - 2013/14 Tax Rate Table

- ⁽¹⁾ 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 property owners.
- ⁽²⁾ In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.0% fixed rate. This 1.0% is shared by all taxing agencies for which the subject property resides within. In addition, to the 1.0% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- ⁽³⁾ 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.
- ⁽⁴⁾ Redevelopment Rate is based on the largest RDA tax rate area and only includes rates from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied incremental property values. The approval of ABX126 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.
- ⁽⁵⁾ Because basic and debt rates vary by tax rate area, individual rates cannot be summed. The Total Direct Rate is the weighted average of all individual direct rates applied.

CITY OF LAGUNA HILLS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(amounts expressed in thousands)

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
MGP Fund X Laguna Hills LLC	\$ 121,203	1	2.14%	\$ -		
Acquiport Three Corporation	76,893	2	1.36%	61,030	2	1.35%
PMI Prado LLC	57,013	3	1.01%			
SPRTMRT Properties Trust	40,624	4	0.72%	31,487	5	0.70%
LHT Saddleback LLC	37,070	5	0.66%	30,615	6	0.68%
Lakehills at Laguna LLC	35,374	6	0.63%			
La Paz Office Plaza LLC	31,606	7	0.56%			
Memorial Health Services	24,946	8	0.44%			
Moulton Plaza LLC	23,501	9	0.42%			
Laguna Hills Investment Co.	22,997	10	0.41%	21,216	9	0.47%
Shopping Center Associates				105,506	1	2.34%
Landmark Laguna LP				40,485	3	0.90%
Pinebrook Apartments				36,397	4	0.81%
Frank N. Tomlinson Trust				27,149	7	0.60%
VV California				22,239	8	0.49%
LBA Realty Fund Holding				21,200	10	0.47%
Totals	<u>\$ 471,227</u>		<u>8.33%</u>	<u>\$ 397,324</u>		<u>8.81%</u>

Source: HdL Coren & Cone, Orange County Assessor Combined Tax Rolls

CITY OF LAGUNA HILLS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year Ended June 30,			Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	<u>Secured</u>	<u>Unsecured</u>		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	4,488	230	4,718	4,631	98.2%	50	4,682	99%
2006	4,884	232	5,116	4,990	97.5%	54	5,044	99%
2007	5,266	267	5,533	5,325	96.2%	67	5,393	97%
2008	5,697	250	5,946	5,714	96.1%	116	5,830	98%
2009	5,675	250	5,925	5,685	96.0%	200	5,885	99%
2010	5,555	256	5,812	5,629	96.9%	203	5,832	100%
2011	5,489	248	5,737	5,577	97.2%	126	5,702	99%
2012	5,526	246	5,772	5,605	97.1%	87	5,693	99%
2013	5,587	239	5,827	5,694	97.7%	85	5,779	99%
2014	5,732	261	5,992	5,885	98.2%	62	5,946	99%

Source: County of Orange 2013 Tax Ledger Detail & Summary Reports, A43 Laguna Hills City

CITY OF LAGUNA HILLS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

(amounts expressed in thousands, except per capita amounts)

Fiscal Year	Total Government Certificates of Participation	Personal Income	Per Capita Personal Income	Percentage of Personal Income	Per Capita^(a)
2005	22,300	1,321,554	\$ 39,938	1.69%	676.02
2006	21,390	1,384,623	\$ 41,813	1.54%	646.42
2007	20,450	1,425,961	\$ 43,058	1.43%	617.54
2008	19,480	1,441,089	\$ 43,346	1.35%	588.22
2009	18,470	1,417,282	\$ 42,444	1.30%	555.56
2010	17,943	1,500,666	\$ 44,672	1.20%	537.36
2011	16,802	1,445,996	\$ 47,227	1.16%	500.16
2012	15,620	1,363,858	\$ 44,421	1.15%	510.16
2013	14,388	1,320,001	\$ 42,778	1.09%	468.63
2014	13,437	1,333,022	\$ 43,200	1.01%	435.45

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

Source: 2002-2009 Income Data: ESRI-Demographic Estimates are based on the latest available Census 2010 and later -Income Data-US Census Bureau, most recent American Community Survey

^(a) Population data can be found in the Schedule of Demographic and Economic Statistics on page III - 19.

CITY OF LAGUNA HILLS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
------------------------	---	---	--------------	---	-----------------------

Note: There was no general bonded debt outstanding for the last ten fiscal years.

CITY OF LAGUNA HILLS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2014

	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	132,275,000	0.258%	341,270
Saddleback Valley Unified School District	126,840,000	18.254%	23,153,374
Capistrano Unified School District Facilities Improvement District No. 1	35,109,930	0.025%	8,777
Moulton-Niguel Water District and, I.D.'s 6 & 8	13,855,000	3.303%	457,631
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT:			<u>\$ 23,961,052</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</u>			
Orange County General Fund Obligations	145,476,000	1.276%	\$ 1,856,274
Orange County Pension Obligations	32,195,288	1.276%	410,812
Orange County Board of Education Certificates of Participation	15,500,000	1.276%	197,780
Municipal Water District of Orange County Water Facilities Corporation	7,775,000	1.527%	118,724
Capistrano Unified School District Certificates of Participation	18,245,000	0.017%	3,102
Moulton-Niguel Water District Certificates of Participation	81,795,000	13.624%	11,143,751
SUBTOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			<u>\$ 13,730,443</u>
City of Laguna Hills Certificates of Participation, Direct Debt	12,585,000	100.000%	<u>12,585,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT, AND LAGUNA HILLS CERTIFICATES OF PARTICIPATION:			26,315,443
Less: MWDOC Water Facilities Corporation (100% self-supporting)			<u>(118,724)</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT:			<u>\$ 26,196,719</u>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</u>	22,665,000	1.542%	349,434
<u>GROSS COMBINED TOTAL DEBT</u>			\$ 50,625,929
<u>NET COMBINED TOTAL DEBT</u>			\$ 50,507,205 ^(b)

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

(b) *Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations; see MWDOC above.*

Source: California Municipal Statistics, Inc.

CITY OF LAGUNA HILLS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 676,321	\$ 736,414	\$ 797,096	\$ 860,479	\$ 853,897	\$ 838,413	\$ 819,070	\$ 819,547	\$ 832,512	\$ 853,695
Total net debt applicable to limit	22,300	21,390	20,450	19,480	18,470	17,190	16,100	14,970	13,790	12,585
Legal debt margin	<u>\$ 654,021</u>	<u>\$ 715,024</u>	<u>\$ 776,646</u>	<u>\$ 840,999</u>	<u>\$ 835,427</u>	<u>\$ 821,223</u>	<u>\$ 802,970</u>	<u>\$ 804,577</u>	<u>\$ 818,722</u>	<u>\$ 841,110</u>
Total net debt applicable to limit, as a percentage of debt limit	3.30%	2.90%	2.57%	2.26%	2.16%	2.05%	1.97%	1.83%	1.66%	1.47%

Legal Debt Margin Calculation for Fiscal Year 2013/14

Assessed value	5,656,046
Add back: exempt real property	35,252
Total assessed value	<u>5,691,297</u>
Debt limit (15% of total assessed value)	853,695
Debt applicable to limit:	
Certificates of Participation	12,585
Total net debt applicable to limit	<u>12,585</u>
Legal debt margin	<u>\$ 841,110</u>

Note: Under state finance law, the City of Laguna Hills' outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

CITY OF LAGUNA HILLS
PLEGGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

Note: There was no debt covenants that required pledged-revenue coverage for the last ten fiscal years.

CITY OF LAGUNA HILLS

DEMOGRAPHIC & ECONOMIC STATISTICS

Calendar Year	Population ⁽¹⁾	Personal Income		Per Capita	
		(in thousands)	Personal Income	Personal Income	Unemployment Rate
2004	32,987	\$ 1,275,828	\$ 38,677	3.6%	
2005	33,090	\$ 1,321,554	\$ 39,938	3.2%	
2006	33,115	\$ 1,384,623	\$ 41,813	2.9%	
2007	33,117	\$ 1,425,961	\$ 43,058	3.3%	
2008	33,246	\$ 1,441,089	\$ 43,346	4.4%	
2009	33,392	\$ 1,417,282	\$ 42,444	7.6%	
2010	33,593	\$ 1,500,666	\$ 44,672	8.1%	
2011	30,618	\$ 1,445,996	\$ 47,227	7.4%	
2012	30,703	\$ 1,363,858	\$ 44,421	4.8%	
2013	30,737	\$ 1,320,001	\$ 42,778	4.2%	
2014	30,857	\$ 1,333,022	\$ 43,200	4.2%	

Consumer Price Index		
Year	CPI	% Change
2004	193.2	3.3%
2005	201.8	4.5%
2006	210.4	4.3%
2007	217.3	3.3%
2008	225.0	3.5%
2009	223.2	-0.8%
2010	225.8	1.2%
2011	231.9	2.7%
2012	236.7	2.1%
2013	239.2	1.1%

2010 Population by Race/Ethnicity		
White	18,725	61.7%
Hispanic	6,242	20.6%
Asian & Pacific Islander	3,790	12.5%
Black	373	1.2%
Other	1,214	4.0%

2010 Population by Age		
Age	Population	%
0-4	1,563	5.2%
5-14	3,804	12.5%
15-24	4,012	13.2%
25-34	3,466	11.4%
35-54	9,319	30.7%
55-64	4,290	14.1%
65-74	2,106	6.9%
75+	1,784	5.9%

Building Activity and Valuation (in thousands)			
	2011	2012	2013
Residential			
New Single Family	-	700	519
New Multi-Family	-	-	-
Additions, alterations	6,939	4,346	5,349
Total Residential	6,939	5,046	5,868
Commercial			
New Commercial	-	2,236	2,045
New Industrial	-	-	-
Additions, alterations	11,578	5,853	10,201
Total Non-Residential	11,578	8,089	12,246
Total Valuation	18,517	13,135	18,114
No. of New Dwelling Units	3	1	2

2012 Housing Units		
	Quantity	%
Total Housing Units	11,107	
Occupied	10,541	94.9%
Vacant	566	5.1%

Sources: Cal State Fullerton Center for Demographic Research, HDL Reported City of Laguna Hills' Demographic and Economic Statistics, US Census Bureau and Department of Labor and Statistics; State of California EDD.

⁽¹⁾ Population: California State Department of Finance. Demographic Data is totaled from Census Block Groups that overlap the City's Boundaries.

CITY OF LAGUNA HILLS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	2014			2005		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Saddleback Memorial Medical	1,020	1	5.93%	1,020	1	5.90%
Professional Community Management	350	2	2.03%			
Veteran's Affairs, U.S. Department	260	3	1.51%			
Care Plus Home Care, Inc.	250	4	1.45%			
Allied Business Schools, Inc.	235	5	1.37%	200	5	1.16%
Kennedy Pipeline				320	2	1.85%
Country Villa				200	3	1.16%
Saddlebck Coordinated Home				200	4	1.16%
Total	<u><u>2,115</u></u>		12.30%	<u><u>1,940</u></u>		11.21%

Source: California State University, Fullerton, Center for Demographic Research, Orange County Progress Report 2014 & 2005

CITY OF LAGUNA HILLS
FULL-TIME EQUIVALENT PERSONNEL ALLOCATION BY FUNCTION
LAST TEN FISCAL YEARS

Function	Full-time Equivalent Personnel at June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Legislative/executive	4.31	5.31	5.31	5.31	5.72	5.72	5.72	5.72	5.72	5.72
Administrative services	9.03	7.28	7.78	6.78	6.18	6.18	6.18	6.18	7.28	7.28
Public services	30.00	30.00	41.00	41.00	42.00	42.00	44.00	44.00	44.00	44.00
Community development	6.00	7.85	8.30	8.30	8.15	7.15	8.15	8.15	7.85	7.85
Community services	14.25	14.25	14.25	14.25	15.61	15.61	15.75	15.75	15.75	15.75
Public safety	<u>30.17</u>	<u>30.07</u>	<u>31.19</u>	<u>31.24</u>	<u>29.19</u>	<u>29.19</u>	<u>29.20</u>	<u>29.20</u>	<u>28.89</u>	<u>28.89</u>
Total	<u>93.76</u>	<u>94.76</u>	<u>107.83</u>	<u>106.88</u>	<u>106.85</u>	<u>105.85</u>	<u>109.00</u>	<u>109.00</u>	<u>109.49</u>	<u>109.49</u>

Source: City of Laguna Hills' Biennial Budget

CITY OF LAGUNA HILLS
OPERATING INDICATORS
LAST TEN FISCAL YEARS

Function	FY 04/05	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14
Police ^(b)										
Physical arrests	468	487	579	460	740	721	684	468	362	458
Parking violations	897	1,799	3,162	2,757	3,636	2,662	2,087	1,107	885	1,407
Traffic violations	3,637	5,367	3,846	5,566	4,886	5,781	4,089	3,074	2,462	2,070
Fire ^(c)										
Number of calls answered	2,211	2,373	2,424	2,434	2,421	2,558	2,614	2,550	2,579	2,584
Inspections	651	586	549	309	387	439	393	308	273	379
Highways and Streets ^(d)										
Sidewalk replacement (sq. ft.)	10,190	7,610	3,450	1,850	4,660	22,266	8,592	13,482	13,610	3,519
Curb & gutter replacement (linear ft.)	1,678	626	90	110	2,374	1,030	1,727	3,990	1,141	478
Asphalt concrete placed (tons)	12,244	15,203	13,385	11,362	21,291	15,695	14,454	15,692	16,319	7,857
Street sweeping debris collected (tons)	315	922	546	265	449	294	290	374	432	293
New sign installations	23	37	65	37	64	92	102	28	42	65
Sign Replacements	102	161	304	238	277	168	173	161	378	278
Trees trimmed	1,493	2,370	1,815	1,763	1,774	2,273	1,872	1,474	1,568	1,185
Trees removed	349	247	265	207	214	81	114	166	215	179
Trees planted	90	67	108	262	82	43	39	649	39	44
Sanitation ^(a)										
Refuse collected (tons/day)	83	80	70	63	50	46	46	44	47	41
Recyclables collected (tons/day)	72	77	65	55	52	50	47	45	46	42
Culture and Recreation ^(e)										
Community center programs (participants)	7,877	8,215	8,650	8,173	9,538	7,262	6,876	5,682	5,633	5,783
Athletic permits	70	74	71	70	76	69	57	44	41	45
Waste Stream ^(a)										
Refuse collected (tons)	30,124	29,126	25,705	22,981	18,089	16,698	16,814	15,932	17,185	14,925
Recyclables collected (tons)	26,102	27,927	23,691	20,120	19,081	18,162	17,325	16,391	16,753	15,454

^(a) CR&R Monthly Tonnage Report, 6/30/14

^(b) Orange County Sheriff's Department Deputy Statistics Report

^(c) Orange County Fire Authority- Clerk of the Authority, Safety & Environmental Services, Planning & Development

^(d) City of Laguna Hills, Public Works Department

^(e) City of Laguna Hills, Community Center Department

CITY OF LAGUNA HILLS
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Highways and streets										
Streets (miles)	83	83	83	83	83	83	83	83	83	83
Traffic signals	45	45	45	45	45	45	45	45	45	45
Culture and recreation										
Parks acreage	83	83	83	83	83	83	83	83	83	83
Parks	15	15	15	15	15	15	15	15	15	15
Community centers	1	1	1	1	1	1	1	1	1	1
Civic Center	1	1	1	1	1	1	1	1	1	1

Source: Various City Departments

CITY OF LAGUNA HILLS

AT A GLANCE

GENERAL INFORMATION

The City of Laguna Hills, located in South Orange County, has approximately 6.6 square miles of land in its corporate boundary and is now home to 30,857 people. Majority of the area in the City has a distinctive residential character. Yet, the City has a strong commercial base in its northern part. This commercial area, or “urban village”, is anchored by the regional Laguna Hills Mall, the Oakbrook Village Shopping Center, and the Saddleback Memorial Hospital. It includes approximately 2,000,000 square feet of retail, restaurant, professional office, and medical related building space. When the City annexed the “North Laguna Hills” area in July of 1996, the City acquired 1.2 square miles of primarily light industrial, professional office, specialty retail, hotel, and residential uses. This annexed area contains a furniture row, office headquarters, and the only light industrial/manufacturing establishments in the City. In September of 2000, the City grew by another 150 acres as a result of the annexation of residential properties identified as West Laguna Hills.

HISTORY

Laguna Hills is built on one of the major land grants developed during the rancho area. Following Mexico’s independence from Spain in 1821, those who had served in the government or who had friends in authority were given vast lands for cattle grazing. Rancho Lomas de Santiago, Rancho San Joaquin, and Rancho Niguel covered much of the western portion of the Saddleback Valley. Don Juan Avila was granted the 13,000-acre Rancho Niguel on which Laguna Hills is located.

In 1874, Lewis Moulton purchased Rancho Niguel from Don Juan Avila and increased the original grant to 22,000 acres. Moulton and his partner, Jean Piedrea Daguerre, used the ranch to raise sheep and cattle. The Moulton ranch was eventually subdivided in the early 1960s part of which is recognized as Laguna Hills.

Incorporation efforts began in 1987 and on March 5, 1991, the goal of incorporation was finally achieved with 86% of the residents voting in favor of forming the City of Laguna Hills. On December 20, 1991, Laguna Hills officially became a City.

CITY GOVERNMENT

The City of Laguna Hills is a General Law City that operates under the Council/Manager form of government. The voters elect five of their fellow citizens to the City Council for overlapping four-year terms. The Council, in turn, selects one of its members to serve as Mayor for a one-year term. The City Council holds regular public meetings on the second and fourth Tuesday of each month.

