



CITY OF LAGUNA HILLS CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2015





CITY OF LAGUNA HILLS

California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2015

CITY MANAGER
Bruce E. Channing

ASSISTANT CITY MANAGER
Donald J. White



INTRODUCTORY SECTION

CITY OF LAGUNA HILLS

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Introductory Section

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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, 2014

A handwritten signature in black ink, reading "Jeffrey R. Emen".

Executive Director/CEO

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December 8, 2015

**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, 2015, 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 White Nelson Diehl Evans, 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, 2015, 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 30,994 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

Six years after the end of the “Great Recession”, we now know that the general economy has in fact experienced a necessary structural correction. It is clear that the major repercussions of the historic economic downturn have substantially subsided. Consequently, the City of Laguna Hills expects to see continual signs of recovery in the local tax base and anticipates revenues to reach, and ultimately surpass, pre-recessionary levels. To maintain its strong financial position, the City must continue to promote overall fiscal health and sustainability by adhering to its conservative financial policies, focusing on organizational efficiency and performance, and fiscally prudent decision-making. This financially conservative stance has played a critical role in allowing the City to respond quickly to the post-Recession difficulties that were 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 six years, has helped the City weather slower economic conditions.

General fund revenues in Laguna Hills increased in FY 2014/15 by \$1,081,466, or 5.8%, most of which can be attributed to increases in property tax and sales tax revenues. Property tax revenues totaled \$9,128,569, representing a \$302,298 increase over the prior year revenues, and sales tax revenues came in at \$5,649,731, a \$126,662 increase over the previous year.

Total operating expenditures slightly increased over the previous fiscal year by \$556,251, or 3.3%, and came in \$119,679 under budget for FY 2014/15. Additionally, general fund revenues exceeded operating expenditures by \$1,940,255.

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 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 2016, should they hold true, will positively impact revenues in Laguna Hills:

- Taxable Sales +3.49%
- Consumer Price Index +2.52%
- Assessed Valuation +3.19%

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. The City's policy is to strive to maintain an operating ratio of 1.1 to 1.0, an Unrestricted General Fund Balance Ratio of 35% and an Unassigned General Fund balance Ratio of 25%. The operating ratio for FY 2014/15 came in at 1.04 and the Restricted Fund Balance and the Unassigned Fund Balance were at 36% and 29%, respectively. During the development of the 2015-17 Biennial Budget, the City identified a number of cost saving measures that, once implemented, will have a significant impact on the City's financial outlook. These, coupled with the completion of major development projects discussed under the *Major Initiatives* heading, will allow the City to achieve its operating ratio target.

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 2014/2015 fiscal year:

BIENNIAL BUDGET

Since its incorporation, the City has been committed to biennial budgeting and long-range financial planning. Preparing a budget every other year lends greater weight to the importance of such processes. This year's budget process lasted from February through June this year and, given the tenuous condition of the economic climate, dominated staff's time and resources. The lengthy budget process included three public study sessions, including a strategic planning budget session, and a public hearing. The City Council was ultimately presented with and adopted a budget that accomplished the following:

- Budgeted revenues and expenditures totaling \$49.17 million.
- Operating revenues for FY 15/16 are anticipated to increase by 4.18% from the previous year-end estimate. For the following year (FY 16/17), operating revenues are projected to increase by 1.56%

- Approved 13 capital projects totaling \$7,646,874. Of this amount, \$1,597,000, or 20.9%, is required from the General Fund. The balance of the funding will come from Special Funds and capital reserve funds.

LAGUNA HILLS MALL

In May 2013, Merlone Geier Partners, a private real estate investment company with a long-standing reputation of working closely with cities in the development and design of properties, purchased the 68-acre mall from the Simon Property Group. Built in 1973, the Laguna Hills Mall is in dire need of a major redevelopment. Furthermore, the Mall serves as the backbone of the Laguna Hills Urban Village Specific Plan and will help guide the area toward a mixed-use downtown space that provides not only shopping, but also a pedestrian experience and public gathering space. The conceptual redevelopment plan creates a modern pedestrian-friendly town center with more cafes and restaurants, an upscale movie theater, and a public plaza. In 2014, Merlone Geier Partners purchased the lease to the Sears building and parking field to allow for expanded redevelopment opportunities for the property.

Merlone Geier Partners submitted initial plans for the redevelopment of the Laguna Hills Mall in March 2015, which are currently being reviewed by staff in the Community Development Department. The redevelopment plan will result in a complete renovation to the Mall, bringing an additional mixed-use development project to the Urban Village Specific Plan (UVSP) area. The USVP envisions the creation of a village-like downtown core that will shape the future of the area as a vibrant community and regional destination. This \$500 million redevelopment project is expected to contribute to the quality of life for residents of Laguna Hills and the region. Furthermore, this renovation will seek to enhance the long-term economic vitality of the region.

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.

STOCKPORT PARK

The Stockport Park Renovation project consisted of a number of improvements, including the refurbishment of the playground equipment, the addition of rubberized playground surfacing, concrete repairs, the addition of slope fencing, new landscaping on the slopes, the removal of 15 Eucalyptus trees, and other miscellaneous site repairs. While this project was originally scheduled to begin construction in the summer of 2014, a delay in receiving the project funding revenues delayed the construction timeline for the project into 2015. Consequently, in May 2015, Hondo Company, Inc. began work on the \$300,000 renovation project. The project was substantially completed in November 2015.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

Over the past eleven 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 200 affordable housing units for very low, low, and moderate income households in the City. In 2015, the City of Laguna Hills directed \$80,000 in CDBG funds towards the exterior rehabilitation and renovation of homes in the 248-unit Aliso Meadows Condominium Association. As a result of a contract amendment with the City of Laguna Hills, the Aliso Meadows Condominium Association has received a total of \$322,000 in CDBG funds to date.

In addition, for the upcoming year, the City was awarded \$70,380 in CDBG funds for the following improvements to Florence Sylvester Memorial Senior Center: to repaint the interior and exterior of the building, grout and reseal tile throughout the Center, refinish all wood doors and cabinets, replace the existing obsolete phone system, remove and replace existing carpet, and remove the existing door on the north side of the building and replace it with an automatic door. Over the last seven years, the City has been awarded funds totaling over \$355,000 to complete a number of improvements and address deferred maintenance issues at the Florence Sylvester Senior Center.

POLICE SERVICES CONTRACT SAVINGS

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, with the final report presented to the City Council in June 2014. The report identified several potential cost saving measures, one recommendation being: "Explore alternative cost sharing arrangements from Laguna Woods for the value of the coverage and pro-activity received from Laguna Hills for late night law enforcement services." Subsequent analysis revealed the need to also explore alternative cost sharing arrangements with Laguna Woods for the true value for the coverage and pro-activity received from the City of Laguna Hills for all other shifts, patrol supervision and indirect supervision received from the City. As a result, early this year, the City successfully negotiated a fair share cost allocation of patrol sergeants among the Cities of Laguna Hills, Aliso Viejo, and Laguna Woods, as well as implemented a unified regional model for the midnight shift for the same three cities. This resulted in savings of approximately \$463,000 in the City's contract for sheriff services. Coupled with the reduction of the number of motorcycle deputies from three to two, the total cost for law enforcement services for FY 2015/16 is estimated to be \$6.9 million, representing a decrease of -2.94%.

WEBSITE REDESIGN

One of the major initiatives identified as part of the 2013-15 Biennial Budget was an update to the City's website to improve efficiency, effectiveness, transparency, and provide easier access to resources and services. In December 2014, based on input from the IT Committee and the City's management team, the City retained CivicPlus for the website redesign project. The cost for implementation of the new website, which includes maintenance, hosting, support, and design services, is \$36,000 for the first year. Subsequently, as outlined within the 5-year agreement, the annual cost for software updates, maintenance, support, and hosting services will be \$7,008.

The website redesign project will look to provide enhanced user-friendly resources, including: the ability to view upcoming events, community highlights, and news from around Laguna Hills; advanced searching of and access to City Council, Commission, and Committee meeting agendas and minutes; easy access to the City's biennial budget and other financial documents; the ability to register for classes and activities and to rent City facilities; and a resource for reporting an issue from your mobile device or computer. An economic development page to provide resources for

local businesses and businesses looking to locate within Laguna Hills will also be included as part of the project.

**BUILDING & SAFETY
DEPARTMENT
ACTIVITY**

During the past three years, the City has experienced a significant increase in permit activity. Consequently, the Building Division issued nearly 2,000 building permits over the course of the 2014-15 fiscal year. With the goal of reducing monetary costs and plan check completion times for applicants, the Building Division released a Request For Proposal for building and safety services in April 2015 and retained a consultant in July 2015. In addition, Building Division staff implemented an online solar plan check submission process and reduced the review process to three days or less in an effort to increase efficiency and lower costs.

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, 2014. This was the twenty-third 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 applied for the GFOA Distinguished Budget Presentation Award for its 2015-17 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 General Government 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

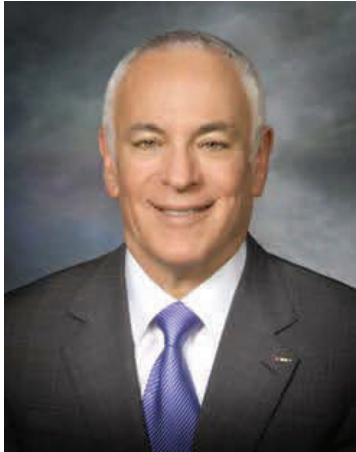
Bruce E. Channing
City Manager

original signed

Donald J. White
Assistant City Manager

CITY OF LAGUNA HILLS

ELECTED OFFICIALS As of June 30, 2015



Dore Gilbert
Mayor



Barbara Kogerman
Mayor Pro Tem



Andrew Blount
Council Member



Melody Carruth
Council Member



Don Sedgwick
Council Member

CITY OF LAGUNA HILLS

MANAGEMENT STAFF As of June 30, 2015



Donald J. White
Assistant City Manager/Deputy Treasurer



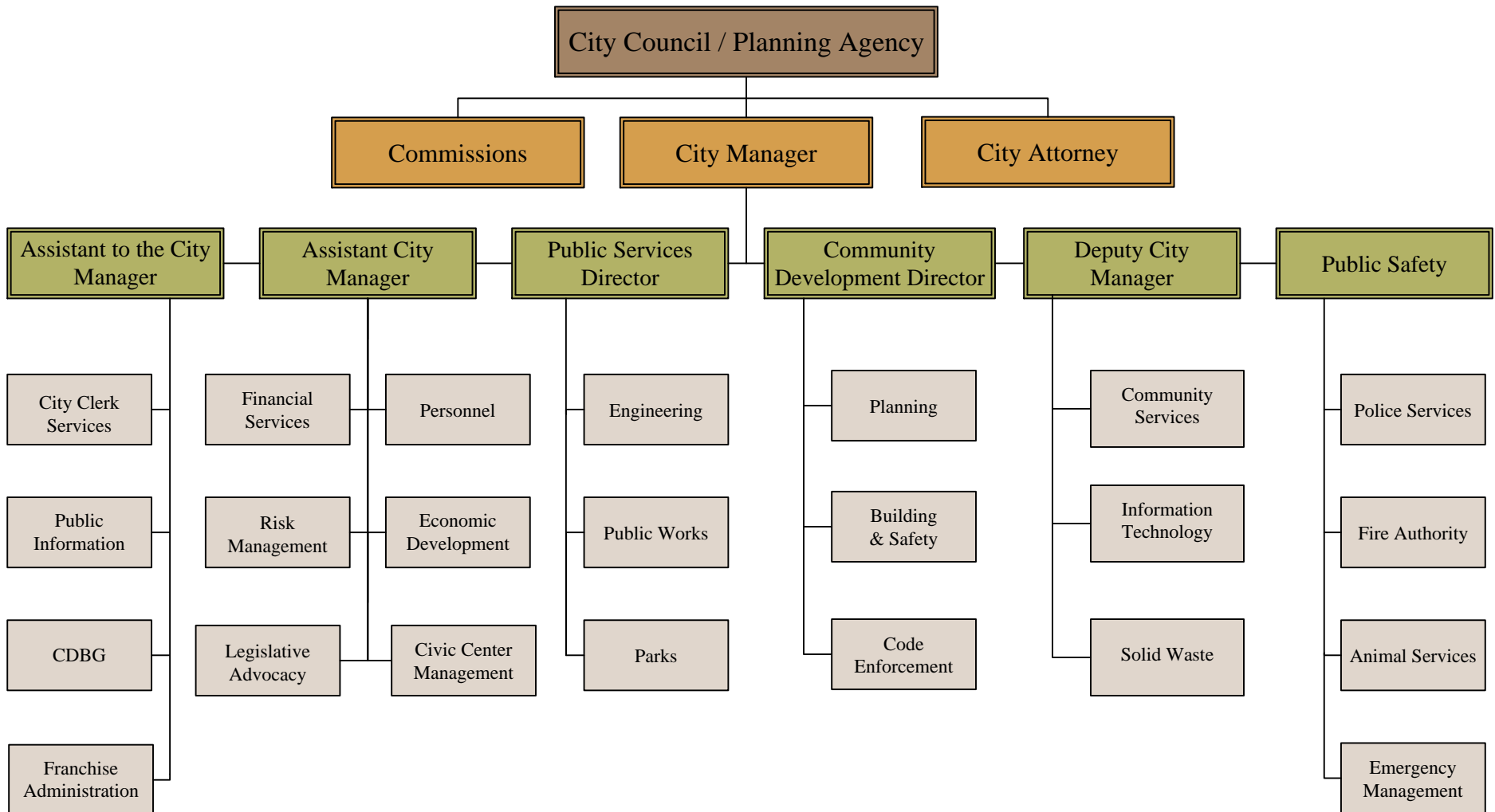
Bruce E. Channing
City Manager/Treasurer

- | | |
|--------------------------------|--|
| ♦ Melissa Au-Yeung | Assistant to the City Manager |
| ♦ Gregory E. Simonian | City Attorney |
| ♦ 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, 2015



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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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 activity, each major fund, and the aggregate remaining fund information of the City of Laguna Hills (the City), as of and for the year ended June 30, 2015, and the related notes to the basic 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.

Auditors' Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City'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 City'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 activity, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1d and 16 to the financial statements, the City adopted Governmental Accounting Standards Board's Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". The adoption of these standards required retrospective application resulting in a \$2,823,730 reduction of previously reported net position of the governmental activities. Our opinions are not modified with respect to this matter.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions - defined benefit pension plans, and the schedule of revenues, expenditures and changes in fund balance - budget and actual - general fund, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI 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, supplementary schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The supplementary schedules, as listed in the table of contents, 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 supplementary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, 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.

White Nelson Dick Evans LLP

Irvine, California
November 30, 2015

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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, 2015**. 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 \$100,942,166. Of this amount, \$1,753,595 is not restricted to a specific use or purpose.
- After recording the value of the City's infrastructure assets, net of accumulated depreciation, the increase in the City's net position resulting from the most recent fiscal year's operation was \$1,192,462, approximately 1.2%.
- Total revenues from all sources were \$25,554,978.
- The total cost of all City programs and projects was \$24,362,516. Approximately 18%, or \$4,444,823, of this amount is attributable to depreciation on the City's capital assets.
- The net pension liability reported as of June 30, 2015, for the City's proportionate shares of the net pension liability of all pension plans, was \$2,261,011.
- The net position of governmental activities was \$91,654,070 as of June 30, 2015, 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, increased the City's net position by \$1,846,670.

Fund Based

- As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$11,639,010.
- Total non-spendable fund balances, amounts that are either not in spendable form or are legally or contractually required to be maintained,

were \$318,769.

- Total spendable fund balances were \$11,320,241. Of this amount, approximately 11% (\$1,230,959 total assigned) is constrained by the City's intent to be used for a specific purpose and 46% (\$5,240,670 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 increased by \$1,411,449.
- At the end of the most recent fiscal year, the total fund balance for the general fund was \$6,717,301; an increase of \$389,418 over prior year.
- General fund reported revenues exceeded expenditures by \$1,940,255.

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' financial position, in a manner similar to a private-sector business, using the economic resources measurement focus and the full accrual basis of accounting. The following reports comprise the government-wide financial statements:
 - a) Statement of Net Position. This report presents information on all the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The difference between the assets and deferred outflow, on the one hand, and liabilities and deferred inflows of resources, on the other, constitutes 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-19 to II-21 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 19 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 non-major 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 the *business-type activity* 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-23 to II-30 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-31 to II-60 of this report.
- (4) **Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including budgetary comparisons for the general fund, a schedule of changes in net pension liability and related ratios, and a schedule of employer plan contributions.

The combining statements referred to earlier in connection with non-major 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, 2015, was \$100,942,166, as shown on Table 1, on the following page.

By far the largest portion of the City's net position (roughly \$94 million, or 93%

of total net position) reflects its net investment in capital assets, which is made up of: (1) capital assets (land, building, machinery, and equipment) less accumulated depreciation, any related debt used to acquire those assets that are still outstanding, and the unamortized bond premium, (2) outstanding deferred loss on refunding, and (3) the cash with fiscal agent held in reserve to secure the timely payment of principal and interest on the capital asset related debt. 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 and corresponding items, 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 \$12,106,108 in debt outstanding (including the unamortized debt premium) 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 13,954	\$ 13,376	\$ 40	\$ 109	\$ 13,994	\$ 13,485
Capital assets	<u>94,647</u>	<u>95,790</u>	<u>9,324</u>	<u>9,895</u>	<u>103,971</u>	<u>105,685</u>
Total assets	<u>108,601</u>	<u>109,166</u>	<u>9,365</u>	<u>10,004</u>	<u>117,966</u>	<u>119,170</u>
 Total deferred outflows	 <u>554</u>	 <u>570</u>	 <u> </u>	 <u> </u>	 <u>554</u>	 <u>570</u>
 Long-term liabilities	 14,735	 17,068	 	 38	 14,735	 17,106
Other liabilities	<u>1,958</u>	<u>2,861</u>	<u>77</u>	<u>23</u>	<u>2,035</u>	<u>2,884</u>
Total liabilities	<u>16,693</u>	<u>19,929</u>	<u>77</u>	<u>61</u>	<u>16,770</u>	<u>19,990</u>
 Total deferred inflows	 <u>808</u>	 <u> </u>	 <u> </u>	 <u> </u>	 <u>808</u>	 <u>0</u>
 Net position:						
Net investment in capital assets	84,623	84,465	9,324	9,895	93,947	94,360
Restricted	5,241	2,415			5,241	2,415
Unrestricted	<u>1,790</u>	<u>2,927</u>	<u>(36)</u>	<u>48</u>	<u>1,754</u>	<u>2,975</u>
Total net position	<u>\$ 91,654</u>	<u>\$ 89,807</u>	<u>\$ 9,288</u>	<u>\$ 9,943</u>	<u>\$ 100,942</u>	<u>\$ 99,750</u>

Another portion of the City's net position, \$5,240,670 (5% 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 \$1,753,595, 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 for the government as a whole. The same situation held true for the prior fiscal year. However, at the end of the current fiscal year, unrestricted net position for business-type activities is a negative \$36,397, or a negative .4%. This amount is negative as a result of total liabilities exceeding total current and other assets by \$36,397 in business-type activities.

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 82% on June 30, 2015.

During the fiscal year ended June 30, 2015, the total revenue from all sources was \$25,554,978 and the cost of all activities was \$24,362,516, resulting in an overall increase in net position of \$1,192,462. The City's governmental activities increased total net position by \$1,896,670 and the City's business-type activities decreased total net position by \$654,208. The increase from governmental activities is due from an increase in revenues, primarily in operating contributions from water conservation rebates and capital contributions from park in-lieu fees, as well as increases in general revenues. The decrease from business-type activities is largely attributable to depreciation. Of the \$1,204,437 of total operating expenses related to property leasing activities, depreciation represents 59%, or \$720,247, of that total.

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

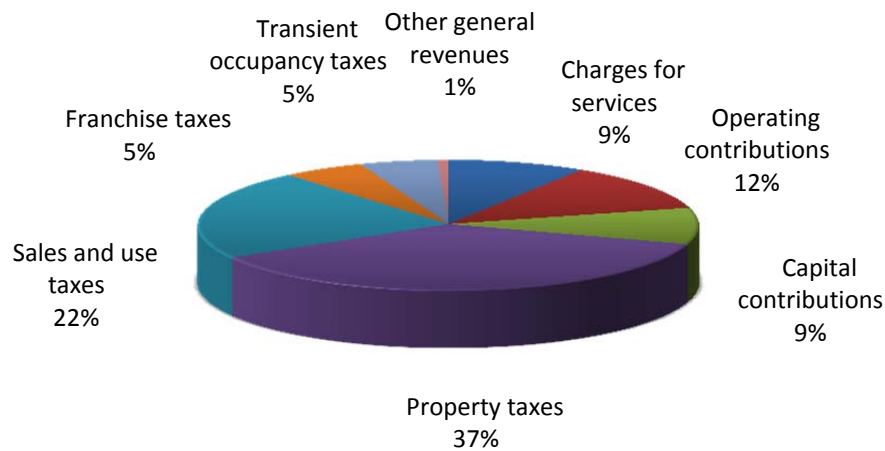
Table 2
Statement of Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for services	\$ 2,262	\$ 1,701	\$ 500	\$ 476	\$ 2,762	\$ 2,177
Operating contributions	2,989	2,186			2,989	2,186
Capital contributions	2,265	808			2,265	808
General Revenues:						
Property taxes	9,129	8,826			9,129	8,826
Sales and use taxes	5,604	5,563			5,604	5,563
Franchise taxes	1,343	1,259			1,343	1,259
Transient occupancy taxes	1,285	1,203			1,285	1,203
Motor vehicle in lieu taxes	14	14			14	14
State subvention	94	17			94	17
Interest earnings	14	12			14	12
Miscellaneous revenues	56	30			56	30
Total revenues	<u>25,055</u>	<u>21,619</u>	<u>500</u>	<u>476</u>	<u>25,555</u>	<u>22,095</u>
Expenses:						
Legislative/executive	1,513	1,547			1,513	1,547
Administrative services	1,574	1,492			1,574	1,492
Public services	6,333	6,377			6,333	6,377
Community development	1,434	1,266			1,434	1,266
Community services	4,661	3,886			4,661	3,886
Public safety	7,163	6,837			7,163	6,837
Property leasing	-	-	1,205	1,278	1,205	1,278
Interest	480	530			480	530
Total expenses	<u>23,158</u>	<u>21,935</u>	<u>1,205</u>	<u>1,278</u>	<u>24,363</u>	<u>23,213</u>
Change in net position before transfers	<u>1,897</u>	<u>(316)</u>	<u>(705)</u>	<u>(802)</u>	<u>1,192</u>	<u>(1,118)</u>
Transfers	<u>(50)</u>	<u>(294)</u>	<u>50</u>	<u>294</u>		
Change in net position	1,847	(610)	(655)	(508)	1,192	(1,118)
Net position, beginning, as restated	<u>89,807</u>	<u>90,417</u>	<u>9,943</u>	<u>10,451</u>	<u>99,750</u>	<u>100,868</u>
Net position, ending	<u>\$ 91,654</u>	<u>\$ 89,807</u>	<u>\$ 9,288</u>	<u>\$ 9,943</u>	<u>\$ 100,942</u>	<u>\$ 99,750</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 2014/15



As shown in the above pie chart, roughly 69%, or \$17,374,905, 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 \$7,515,383, 30% 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.

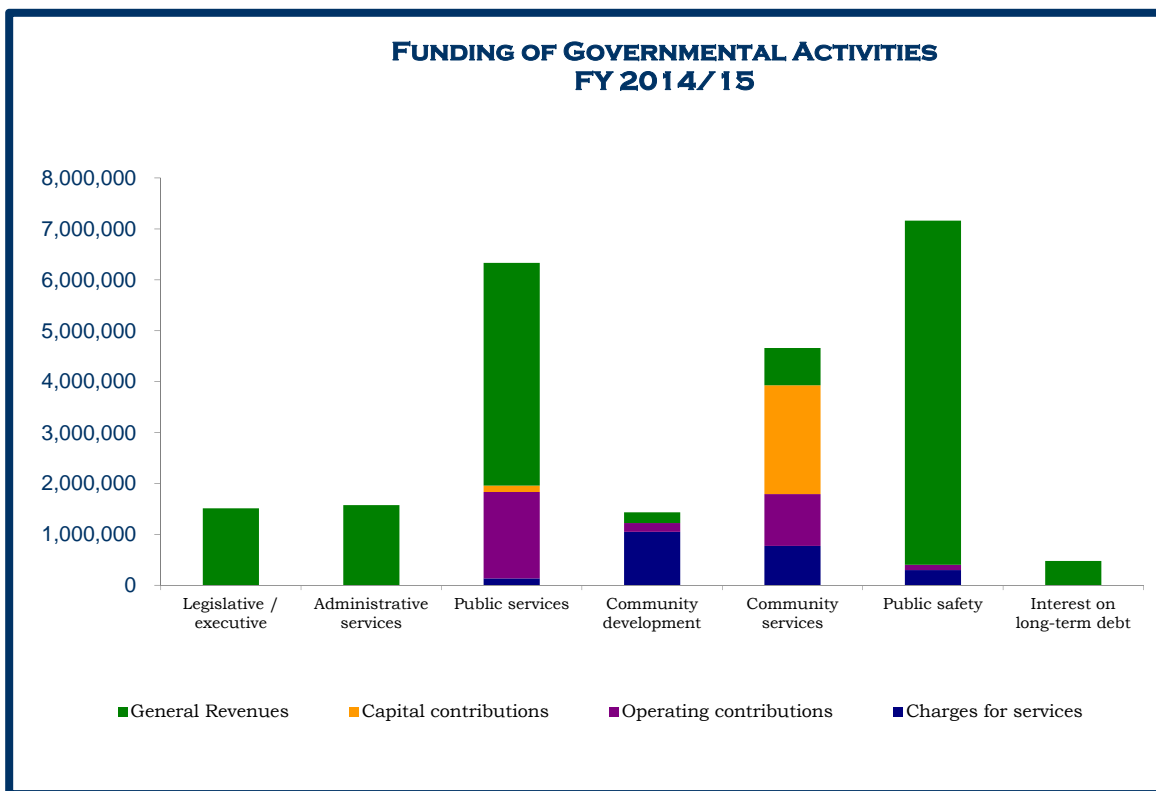
Expenses associated with governmental activities experienced an increase of 6%, or \$1,223,387, this past year. This is largely due in part by the City's contribution of \$650,000 towards the Laguna Hills High School athletic field synthetic turf renovation. The City, in exchange, has secured rights to use the

field for both adult and youth sports organizations. Additionally, the increase in expenses year-over-year can also be attributable to positions filled in the City's law enforcement that were primarily vacant during the prior fiscal year. Of the \$23,158,079 of expenses in governmental activities, depreciation of capital assets accounts for \$3,724,576 (16%) and the debt service interest payment on capital related items accounts for \$479,589 (2%).

Program Revenues and Expenses:

Program revenues for the most recent fiscal year were \$7,515,383. Expenses related to governmental activities were \$23,158,079. 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 \$479,589.

Figure 2



Business-type Activities

During the most recent fiscal year, the operating revenues of the Laguna Hills Civic Center were \$500,202 and the operating expenses were \$1,204,437, resulting in a net operating loss of \$704,235, which includes a depreciation charge of \$720,247. After interest earnings of \$27 and transfers in from governmental activities of \$50,000, the change in net position at fiscal year-end was \$(654,208). The net cash provided by the leasing activities was \$33,145. The contra rent revenue associated with the occupied spaces for City Hall was \$610,988 for the current fiscal year.

Analysis of Major Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. As noted earlier, the City of Laguna Hills uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus of the *governmental funds* is to provide information on near-term inflows and outflows, as well as the balances of spendable resources at the end of the fiscal year. Such information is useful in assessing the City of Laguna Hills' near term 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 \$11,639,010, an increase of \$1,411,499 from the prior year's balance. Of the ending fund balance, \$318,769 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 \$11,320,241 in spendable fund balance, \$5,240,670 is restricted fund balance, \$1,230,959 is assigned fund balance and \$4,848,612 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 \$1,030,959 designated for equipment maintenance of the Civic Center, Community Center, Sports Complex, slopes, storm drains, and various parks.

The fund balance of the City's general fund increased by \$389,418 from the prior fiscal year's balance, resulting from an increase in revenues year over year, primarily in property, franchise, and transient occupancy taxes. The fund balance of the non-major governmental funds increased by \$1,023,336, which is largely attributable to turf removal rebates and synthetic turf rebates received from Moulton Niguel Water Efficiency Rebate Program, as well Quimby Act park in-lieu developer impact fees associated with the Oakbrook Village redevelopment project.

The City's capital projects fund accounts for financial resources related to the acquisition and construction of the City's capital projects. Revenues and transfers in from other funds reflect the financial resources used to fund the capital project expenditures during the current fiscal year; therefore, this fund typically reflects no fund balance at the end of the fiscal year. Total expenditures and transfers in for the current fiscal year were \$2,976,435. The largest capital expenditure during the current year was the annual street maintenance project, which totaled \$2.04 million.

The City's debt service fund reports current financial resources restricted for the payment of principal and interest for long-term debt. As of the end of the current fiscal year, the debt service fund reported \$1,806,468 in fund balance restricted to meet the reserve requirement under the Trust Agreement of the Certificates of Participation for the 2010 Refinancing Project. Pursuant to the Agreement, a reserve fund was established by the trustee, The Bank of New York Mellon Trust Company, N.A., to further secure the timely payment of principal and interest. All interest or income received by the investment of the reserve fund is required to be retained in the reserve fund. Interest income for the current fiscal year was \$1,274. Only to the extent the reserve requirement is satisfied, may amounts in the reserve fund may be allocated toward lease payments.

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 51,672. The City is a tenant using approximately 20,843 square feet of the building. The enterprise fund does

not charge the City rent. The estimated annual rent for the space would be approximately \$610,988.

The statement of revenues, expenses, and changes in net position shows a net operating loss of \$704,235, before the interest earnings of \$27. The net effect, after a transfer in of \$50,000 from General Fund, is a decrease in the ending net position of \$654,208, which is largely attributable to depreciation. It should be noted that, before accounting for \$720,247 in depreciation expense, the net operating activity would result in a net operating income of \$16,012 from the City's other leasing related activities.

General Fund Budgetary Highlights

At fiscal year-end, total revenues were above the budgeted amount by \$41,399, which is largely due to an increase in license and permits. The amount of \$1,022,523 in total licenses and permits came in well above the projection of \$761,500 by a little more than \$261,000. In addition, the City's top revenues source, property taxes, performed better in comparison to prior year receipts. Property taxes totaled \$9,128,568, which was \$302,297 over the prior year and \$14,245 over projection. The total operating expenditures came in lower than the budgeted amount by \$119,679.

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, 2015 amounted to \$103,971,545 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 **Table 3** on the following page.

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

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 17,754	\$ 29,736	\$ 2,855	\$ 2,855	\$ 20,609	\$ 32,591
Land improvements	10,665				10,665	
Rights of ways/Easements	3,062	3,062			3,062	3,062
Building & improvements	4,851	5,524	6,469	7,039	11,320	12,563
Equipment and machinery	466	413			466	413
Construction in progress	308				308	
Infrastructure						
Street signs	4	26			4	26
Storm drains	2,301	2,309			2,301	2,309
Streets	46,262	45,211			46,262	45,211
Parks inventory	1,287	1,485			1,287	1,485
Curbs, sidewalks, gutters	6,007	6,274			6,007	6,274
Bridges	1,682	1,750			1,682	1,750
Total capital assets net of accumulated depreciation	<u>\$ 94,649</u>	<u>\$ 95,790</u>	<u>\$ 9,324</u>	<u>\$ 9,894</u>	<u>\$ 103,973</u>	<u>\$ 105,684</u>

Additional information on the City's capital assets can be found in Note 5 on page II-45 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, 2015, the per capita liability of the City of Laguna Hills was \$390.60. The 2010 COPs maintain a "AA+" rating from Standard & Poor's.

Additional information on the City's long-term debt can be found in Note 6 on pages II-46 to II-47 of this report.

Budget and Economic Factors

The City's most recent adopted biennial budget for fiscal years 2015/16 -

2016/17 shows that the City continues to live within its means and poised to further improve as projects throughout the City move forward. General Fund revenues are projected at \$20.66 million in fiscal year 2015/16, while operating expenditures are estimated at \$18.58 million. For fiscal year 2016/17, revenues are projected to increase slightly, by 1.56% to \$20.98 million, and operating expenditures are estimated at \$18.91 million. The major goals and issues that dominated the budgeting process for this upcoming biennial budget are discussed in the transmittal letter together with the measures adopted to address the prevailing issues. A copy of the 2015-17 Biennial Budget is available on the City's website: www.ci.laguna-hills.ca.us .

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.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LAGUNA HILLS

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	\$ 9,100,138	\$ 29,496	\$ 9,129,634
Taxes receivable	1,909,602	-	1,909,602
Accounts receivable	415,992	9,213	425,205
Interest receivable	7,413	-	7,413
Prepaid items	91,349	1,757	93,106
Due from other governments	535,079	-	535,079
Restricted cash and investments	1,894,184	-	1,894,184
Capital assets, not depreciated	21,123,347	2,855,425	23,978,772
Capital assets, net of accumulated depreciation	73,523,705	6,469,068	79,992,773
Total Assets	<u>108,600,809</u>	<u>9,364,959</u>	<u>117,965,768</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refunding	275,996	-	275,996
Deferred amount from pension plans	278,231	-	278,231
Total Deferred Outflows of Resources	<u>554,227</u>	<u>-</u>	<u>554,227</u>
LIABILITIES:			
Accounts payable	194,967	-	194,967
Accrued liabilities	1,162,292	32,620	1,194,912
Interest payable	204,676	-	204,676
Due to other governments	74,878	-	74,878
Deposits payable	320,669	44,243	364,912
Noncurrent Liabilities:			
Due within one year	1,336,812	-	1,336,812
Due in more than one year	11,137,409	-	11,137,409
Net pension liability	2,261,011	-	2,261,011
Total Liabilities	<u>16,692,714</u>	<u>76,863</u>	<u>16,769,577</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred amount from pension plans	808,252	-	808,252
Total Deferred Inflows of Resources	<u>808,252</u>	<u>-</u>	<u>808,252</u>
NET POSITION:			
Net investment in capital assets	84,623,408	9,324,493	93,947,901
Restricted for:			
Public services	1,384,655	-	1,384,655
Public safety	1,147	-	1,147
Community services	2,048,400	-	2,048,400
Debt service	1,806,468	-	1,806,468
Unrestricted	1,789,992	(36,397)	1,753,595
Total Net Position	<u>\$ 91,654,070</u>	<u>\$ 9,288,096</u>	<u>\$ 100,942,166</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

		Program Revenues			
		Charges for	Operating	Capital	Total
	Expenses	Services	Contributions and Grants	Contributions and Grants	Program Revenues
Governmental Activities:					
Legislative/executive	\$ 1,512,960	\$ -	\$ -	\$ -	\$ -
Administrative services	1,575,412	-	-	-	-
Public services	6,332,724	136,037	1,696,004	128,270	1,960,311
Community development	1,434,213	1,050,127	173,387	-	1,223,514
Community services	4,660,667	775,330	1,016,684	2,136,288	3,928,302
Public safety	7,162,514	300,032	103,224	-	403,256
Interest expense	479,589	-	-	-	-
Total Governmental Activities	<u>23,158,079</u>	<u>2,261,526</u>	<u>2,989,299</u>	<u>2,264,558</u>	<u>7,515,383</u>
Business-type Activity:					
Property leasing	<u>1,204,437</u>	<u>500,202</u>	<u>-</u>	<u>-</u>	<u>500,202</u>
Total Business-type Activity	<u>1,204,437</u>	<u>500,202</u>	<u>-</u>	<u>-</u>	<u>500,202</u>
Total Primary Government	<u>\$ 24,362,516</u>	<u>\$ 2,761,728</u>	<u>\$ 2,989,299</u>	<u>\$ 2,264,558</u>	<u>\$ 8,015,585</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 and Transfers

Changes in Net Position

Net Position, Beginning as Restated

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
\$ (1,512,960)	\$ -	\$ (1,512,960)
(1,575,412)	-	(1,575,412)
(4,372,413)	-	(4,372,413)
(210,699)	-	(210,699)
(732,365)	-	(732,365)
(6,759,258)	-	(6,759,258)
(479,589)	-	(479,589)
<u>(15,642,696)</u>	<u>-</u>	<u>(15,642,696)</u>
-	(704,235)	(704,235)
<u>-</u>	<u>(704,235)</u>	<u>(704,235)</u>
<u>(15,642,696)</u>	<u>(704,235)</u>	<u>(16,346,931)</u>
9,128,568	-	9,128,568
5,603,521	-	5,603,521
1,343,505	-	1,343,505
1,285,455	-	1,285,455
13,856	-	13,856
93,653	-	93,653
14,266	27	14,293
56,542	-	56,542
<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
<u>17,489,366</u>	<u>50,027</u>	<u>17,539,393</u>
1,846,670	(654,208)	1,192,462
<u>89,807,400</u>	<u>9,942,304</u>	<u>99,749,704</u>
<u>\$ 91,654,070</u>	<u>\$ 9,288,096</u>	<u>\$ 100,942,166</u>

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FUND FINANCIAL STATEMENTS

CITY OF LAGUNA HILLS
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Assets					
Current:					
Cash and investments	\$ 9,100,138	\$ -	\$ -	\$ -	\$ 9,100,138
Receivables:					
Taxes	1,909,602	-	-	-	1,909,602
Accounts	415,992	-	-	-	415,992
Interest	6,139	-	1,274	-	7,413
Prepaid items	91,349	-	-	-	91,349
Due from other funds	-	-	-	3,666,047	3,666,047
Due from other governments	535,079	-	-	-	535,079
Advances to other funds	227,420	-	-	-	227,420
Restricted assets:					
Cash and investments	88,990	-	1,805,194	-	1,894,184
Total Assets	<u>\$ 12,374,709</u>	<u>\$ -</u>	<u>\$ 1,806,468</u>	<u>\$ 3,666,047</u>	<u>\$ 17,847,224</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 194,967	\$ -	\$ -	\$ -	\$ 194,967
Accrued liabilities	1,162,292	-	-	-	1,162,292
Deposits				320,669	320,669
Due to other funds	3,663,330	-	-	2,717	3,666,047
Due to other governments	74,878	-	-	-	74,878
Advances from other funds	-	-	-	227,420	227,420
Total Liabilities	<u>5,095,467</u>	<u>-</u>	<u>-</u>	<u>550,806</u>	<u>5,646,273</u>
Deferred Inflows of Resources					
Unavailable revenues	561,941	-	-	-	561,941
Total Deferred Inflows of Resources	<u>561,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>561,941</u>
Fund Balances:					
Nonspendable	318,769	-	-	-	318,769
Restricted	88,990	-	1,806,468	3,345,212	5,240,670
Assigned	1,230,959	-	-	-	1,230,959
Unassigned	5,078,583	-	-	(229,971)	4,848,612
Total Fund Balances	<u>6,717,301</u>	<u>-</u>	<u>1,806,468</u>	<u>3,115,241</u>	<u>11,639,010</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,374,709</u>	<u>\$ -</u>	<u>\$ 1,806,468</u>	<u>\$ 3,666,047</u>	<u>\$ 17,847,224</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, 2015

Fund balances of governmental funds	\$ 11,639,010
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Amounts reported for governmental activities in the Statement of
Net Position are different because:

Capital assets net of depreciation have not been included as
financial resources in governmental fund activity.

Capital assets	155,274,244
Accumulated depreciation	(60,627,192)

Long-term liabilities are not available to pay for current-period
expenditures and, therefore, are not reported in the governmental
funds. Long-term liabilities consist of the following:

Certificates of participation	(11,335,000)
Bond premium	(771,108)
Compensated absences	(324,806)
Claims and judgments payable	(43,307)
Net pension liability	(2,261,011)

Deferred outflows of resources (loss on refunding of bonds) that have not been included in the governmental fund activity.	275,996
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Accrued interest payable for the current portion of interest due on the Certificates of Participation has not been reported in the governmental funds.	(204,676)
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Pension related deferred outflows of resources, net of accumulated amortization, have not been reported in the governmental funds:	
Employer contributions subsequent to the measurement date	278,231

Pension related deferred inflows of resources, net of accumulated amortization, have not been reported in the governmental funds:	
Difference in projected and actual earnings on investments	(759,804)
Changes in proportion and differences between employer contributions and the proportionate share of contributions	(48,448)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the funds.	561,941
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Net position of governmental activities	<u>\$ 91,654,070</u>
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See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Debt Service	Other Governmental Funds	Totals
Revenues:					
Taxes	\$ 11,757,528	\$ -	\$ -	\$ 20,000	\$ 11,777,528
Licenses and permits	1,022,523	-	-	2,173,233	3,195,756
Intergovernmental revenues	5,757,240	-	-	3,008,276	8,765,516
Charges for current services	944,054	-	-	-	944,054
Fines and forfeitures	300,032	-	-	-	300,032
Investment income	9,664	-	4,688	9,857	24,209
Total Revenues	19,791,041	-	4,688	5,211,366	25,007,095
Expenditures:					
Current:					
Legislative/executive	1,500,869	-	-	-	1,500,869
Administrative services	1,770,170	-	-	-	1,770,170
Public services	4,240,821	-	-	58,317	4,299,138
Community development	1,259,996	-	-	173,387	1,433,383
Community services	1,926,988	-	-	681,293	2,608,281
Public safety	7,151,942	-	-	1,899	7,153,841
Capital outlay	-	2,976,435	-	-	2,976,435
Debt service:					
Interest	-	-	553,529	-	553,529
Principal retirement	-	-	1,250,000	-	1,250,000
Total Expenditures	17,850,786	2,976,435	1,803,529	914,896	23,545,646
Excess (Deficiency) of Revenues over Expenditures	1,940,255	(2,976,435)	(1,798,841)	4,296,470	1,461,449
Other Financing Sources (Uses):					
Transfers in	3,279,439	2,976,435	1,797,536	6,305	8,059,715
Transfers out	(4,830,276)	-	-	(3,279,439)	(8,109,715)
Total Other Financing Sources (Uses)	(1,550,837)	2,976,435	1,797,536	(3,273,134)	(50,000)
Net Change in Fund Balances	389,418	-	(1,305)	1,023,336	1,411,449
Fund Balances, Beginning	6,327,883	-	1,807,773	2,091,905	10,227,561
Fund Balances, Ending	\$ 6,717,301	\$ -	\$ 1,806,468	\$ 3,115,241	\$ 11,639,010

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, 2015

Net change in fund balances - total governmental funds	\$ 1,411,449
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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 activity is reconciled as follows:

Capital outlay, net of disposals	2,581,306
Depreciation	(3,724,576)

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.

Principal payments	1,250,000
Amortization of bond premium	80,464

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)
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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 the governmental funds.

Change in compensated absences	(9,105)
Change in claims and judgments payable	183,304
Change in accrued interest for Certificates of Participation	22,276

Pension expense reported in the governmental funds includes the actual contributions made in the fiscal year. Pension expense reported in the Statement of Activities includes the changes in the net pension liability and pension related deferred outflows/inflows of resources.

Change in net pension liability	828,344
Change in deferred outflows of resources related to pensions	12,606
Change in deferred inflows of resources related to pensions	(808,252)

Revenues in the Statement of Activities that do not meet the "availability" criteria for revenue recognition are reported as deferred inflows of resources, unavailable revenues, in the governmental funds. This is the net change in deferred inflows of resources, unavailable revenues, from the prior year.

	47,654
Change in net position of governmental activities	\$ 1,846,670

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2015

	Enterprise - Property Leasing
ASSETS:	
Current Assets:	
Cash and investments	\$ 29,496
Accounts receivable	9,213
Prepaid items	1,757
Total Current Assets	<u>40,466</u>
Noncurrent Assets:	
Capital assets not depreciated	2,855,425
Capital assets, net of accumulated depreciation	6,469,068
Total Noncurrent Assets	<u>9,324,493</u>
Total Assets	<u>9,364,959</u>
LIABILITIES:	
Current Liabilities:	
Accrued liabilities	32,620
Deposits payable	44,243
Total Current Liabilities	<u>76,863</u>
NET POSITION:	
Net investment in capital assets	9,324,493
Unrestricted	<u>(36,397)</u>
Total Net Position	<u>\$ 9,288,096</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, 2015

	<u>Enterprise - Property Leasing</u>
Operating Revenues:	
Rental fees	\$ 488,258
CAM revenues	10,488
Other current service fees	1,456
Total Operating Revenues	<u>500,202</u>
Operating Expenses:	
Direct operating expenses	449,046
Advertising and promotion	1,583
Administrative and professional fees	24,371
Repairs and maintenance	9,190
Depreciation expense	720,247
Total Operating Expenses	<u>1,204,437</u>
Operating Loss	<u>(704,235)</u>
Nonoperating Revenues:	
Interest income	<u>27</u>
Total Nonoperating Rrvenues	<u>27</u>
Loss before Transfers	(704,208)
Transfers in	<u>50,000</u>
Change in Net Position	(654,208)
Net Position, Beginning	<u>9,942,304</u>
Net Position, Ending	<u><u>\$ 9,288,096</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, 2015

	Enterprise - Property Leasing
Cash Flows from Operating Activities:	
Receipts from tenants	\$ 503,045
Payments to suppliers for goods and services	(469,900)
Net Cash Provided by Operating Activities	33,145
Net Cash Flows from Noncapital Financing Activities:	
Transfers in	50,000
Net Cash Provided by Noncapital Financing Activities	50,000
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(150,237)
Net Cash Used for Capital and Related Financing Activities	(150,237)
Cash Flows from Investing Activities:	
Interest on investments	27
Net Cash Provided by Investing Activities	27
Net Decrease in Cash and Cash Equivalents	(67,065)
Cash and Cash Equivalents, Beginning	96,561
Cash and Cash Equivalents, Ending	\$ 29,496
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	\$ (704,235)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	720,247
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(3,194)
(Increase) decrease in prepaid items	5,058
Increase (decrease) in accrued liabilities	9,232
Increase (decrease) in deposits payable	6,037
Total adjustments	737,380
Net Cash Provided by Operating Activities	\$ 33,145

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
AGENCY FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2015

ASSETS:

Cash and investments	<u>\$ 398,808</u>
Total Assets	<u><u>\$ 398,808</u></u>

LIABILITIES:

Deposits	<u>\$ 398,808</u>
Total Liabilities	<u><u>\$ 398,808</u></u>

See Accompanying Notes to the Basic Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

CITY OF LAGUNA HILLS

Notes to the Basic Financial Statements
June 30, 2015

(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

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. The 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three categories: charges for service, operating grants and contributions, and capital grants and contributions.

Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

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.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally included on their balance sheets. The reported fund balance 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 fund balance. 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.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect fund balance, 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 Fund

The City's enterprise fund is a proprietary fund. In the fund financial statements, the proprietary fund is 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, the proprietary fund is presented using the *economic resources measurement focus*. This means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or non-current) associated with their activity are included on their statement of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. 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. Proprietary fund operating expenses result from providing the services in connection with the proprietary fund's principal ongoing operations.

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.

Fiduciary Fund

Fiduciary Fund Financial Statements include a Statement of Fiduciary Assets and Liabilities. The City's Fiduciary agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities. Because these funds are not available for use by the City, fiduciary funds are not included in the government-wide statements. The City uses an agency fund to account for construction deposits and trust monies received from builders, land developers, and other agencies.

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.

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.

Debt Service Fund

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

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

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

d) New Accounting Pronouncements

Current Year Standards

In fiscal year 2014-2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *“Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27”* and GASB Statement No. 71, *“Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68”*. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards decreased the net position of governmental activities at July 1, 2014 by \$2,823,730.

GASB Statement No. 69 - *“Government Combinations and Disposals of Government Operations”* was required to be implemented in the current fiscal year and did not impact the City.

Pending Accounting Standards

GASB has issued the following statements which may impact the City’s financial reporting requirements in the future.

- GASB 72 - *“Fair Value Measurement and Application”*, effective for periods beginning after June 15, 2015.
- GASB 73 - *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”*, effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*, effective for periods beginning after June 15, 2016.
- GASB 75 - *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*, effective for periods beginning after June 15, 2017.
- GASB 76 - *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*, effective for periods beginning after June 15, 2015.

e) 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.

f) 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.

g) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the Government-Wide and Fund Financial Statements.

h) Property Taxes

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing, they become available (within 90 days of the fiscal year end). 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.

i) 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 statement of net position. 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

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 the 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

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The City has two items that qualify for reporting in this category. The first item is the deferred loss on refunding reported in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is the deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be

recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The first item is unavailable revenues, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grants receivable collections. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The second item is a deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years. The third item is a deferred inflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years.

1) 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 (RHS) Plan to its full-time employees that 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 on a tax-free basis either upon separation of service from the City or age 50 dependent upon when contributions to the plan were made. In compliance with the Patient Protection and Affordable Care Act, contributions to the plan made after December 31, 2013, are available to plan participants for medical expenses only upon separation of employment. In the event of a participant's death, the participant's surviving spouse and/or eligible dependent(s) are immediately eligible to maintain the account and utilize it to fund eligible medical expenses. If a participant's balance is not fully depleted upon the death of the eligible spouse, the account balance may continue to be utilized to pay medical expenses of eligible dependents. An eligible dependent is (a) the participant's lawful spouse, (b) the participant's child under the age of 27, as defined by IRC Section 152(f)(1) and Internal Revenue Service Notice 2010-38, or (c) any other individual who is a person described in IRC Section 152(a), as classified by Internal Revenue Service Notice 2004-79. 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 at their prevailing pay rate, upon the completion of ten (10) years of service to the City. 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 \$5,000 on behalf of each participant, 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) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

n) Use of Estimates

The preparation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB, requires 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.

(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, 2015, are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 9,129,634
Restricted cash and investments	1,894,184
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	398,808
Total cash and investments	<u>\$ 11,422,626</u>

Cash and investments at June 30, 2015, consisted of the following:

Cash on hand		\$ 2,775
Pooled deposits:		
Demand deposits	\$ 907,393	
Certificates of deposit	<u>820,503</u>	
Total pooled deposits		1,727,896
Pooled investments:		
Local Agency Investment Fund		7,797,771
Restricted cash and investments:		
Demand deposits	\$ 88,990	
Local Agency Investment Fund	<u>1,805,194</u>	
Total restricted cash and investments		<u>1,894,184</u>
Total cash and investments		<u>\$ 11,422,626</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.

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

The maximum maturity for all investments listed above is 1 year with the exception of commercial paper and Prime Banker's Acceptances for which the maximum maturity is 180 days and 270 days, respectively.

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.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The City 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 specific identification 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	<u>\$ 7,797,771</u>	<u>\$ 7,797,771</u>
Investment with Fiscal Agent:		
Local Agency Investment Funds	<u>1,805,194</u>	<u>1,805,194</u>
Total	<u>\$ 9,602,965</u>	<u>\$ 9,602,965</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2015, the City's investment in the State Treasurer's Local Agency Investment Fund has not been rated by a nationally recognized statistical rating organization.

Concentration of Credit Risk

Concentration credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. As of June 30, 2015, other than the State Treasurer's Local Agency Investment Fund, the City had no investments concentrated in one issuer which exceeded 5% of total investments.

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.

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 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.

As of June 30, 2015, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Treasurer's Local Agency Investment Fund

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

(3) Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2015, were as follows.

<u>Funds:</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Major Governmental:</u>		
General	\$ -	\$ 3,663,330
<u>Non-major Governmental:</u>		
<u>Special Revenue Funds:</u>		
AB 2766	30,889	-
Senior Mobility Program	73,109	-
CARITS	1,064,465	-
Beverage Recycling	34,560	-
CR&R Recycling Fees	-	2,717
C & D Forfeited Deposits	55,351	-
AB 939 Surcharge Grant	51	-
Quimby Act Park Impact Fees	1,634,573	-
Water Conservation	323,865	-
Grants and Contributions	127,202	-
Public Art	320,835	-
Other Law Enforcement Grant	1,147	-
Total	<u>\$ 3,666,047</u>	<u>\$ 3,666,047</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, 2015, were as follows:

<u>Funds:</u>	<u>Advances to other funds</u>	<u>Advances from other funds</u>
<u>Major Governmental:</u>		
General	\$ 227,420	\$ -
<u>Non-major Governmental:</u>		
<u>Special Revenue Funds:</u>		
Public Art	-	227,420
Total	<u>\$ 227,420</u>	<u>\$ 227,420</u>

These outstanding balances at the end of the fiscal year are the result of interest-free advances from the General Fund to the Public Art Special Revenue 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, 2015 are as follows:

<u>Paying Fund</u>	<u>Transfers Out</u>	<u>Receiving Fund</u>	<u>Transfers In</u>
<u>Major Governmental:</u>		<u>Major Governmental:</u>	
General	\$ 4,830,276	General	\$ 3,279,439
		Capital Projects	2,976,435
		Debt Service	1,797,536
		<u>Major Enterprise:</u>	
		Property Leasing	50,000
<u>Non-major Governmental:</u>		<u>Non-major Governmental:</u>	
<u>Special Revenue Funds:</u>		<u>Special Revenue Funds:</u>	
Gas Tax	1,995,492	Senior Mobility Program	6,305
Measure M	606,883		
AB 2766	7,433		
CARITS	14,990		
Quimby Park Impact Fees	419,820		
Grants and Contributions	128,270		
SLEFS/COPS BRULTE	106,551		
Total	<u>\$ 8,109,715</u>	Total	<u>\$ 8,109,175</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, 2) supply the Capital Projects Fund with funding necessary to accomplish those projects approved by the City Council, and 3) to provide funding for deficits. During the fiscal year ended June 30, 2015, there were no significant interfund transfers that were unusual or of a non-routine nature.

(5) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance at</u> <u>July 1, 2014</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2015</u>
Governmental activities:					
Buildings and improvements	\$ 13,466,229	\$ -	\$ -	\$ -	\$ 13,466,229
Machinery and equipment	2,471,240	-	123,980	(105,149)	2,490,071
Land improvements	26,347,918	-	-	-	26,347,918
Infrastructure	89,694,696	-	2,151,983	-	91,846,679
Total cost of depreciable assets	131,980,083	-	2,275,963	(105,149)	134,150,897
Less accumulated depreciation for:					
Buildings and improvements	7,942,084	-	673,311	-	8,615,395
Machinery and equipment	2,058,195	-	69,283	(102,959)	2,024,519
Land improvements	14,366,028	-	1,317,396	-	15,683,424
Infrastructure	32,639,268	-	1,664,586	-	34,303,854
Total accumulated depreciation	57,005,575	-	3,724,576	(102,959)	60,627,192
Net depreciable assets	74,974,508	-	(1,448,613)	(2,190)	73,523,705
Land	17,754,286	-	-	-	17,754,286
Rights of way/Easements	3,061,528	-	-	-	3,061,528
Construction in progress	-	-	307,533	-	307,533
Total cost of non-depreciable assets	20,815,814	-	307,533	-	21,123,347
Total capital assets, net	\$ 95,790,322	\$ -	\$ (1,141,080)	\$ (2,190)	\$ 94,647,052
Business-type activity:					
Buildings and improvements	\$ 14,254,705	\$ -	\$ 150,237	\$ -	\$ 14,404,942
Total cost of depreciable assets	14,254,705	-	150,237	-	14,404,942
Less accumulated depreciation for:					
Buildings and improvements	7,215,627	-	720,247	-	7,935,874
Total accumulated depreciation	7,215,627	-	720,247	-	7,935,874
Net depreciable assets	7,039,078	-	(570,010)	-	6,469,068
Land	2,855,425	-	-	-	2,855,425
Total capital assets, net	\$ 9,894,503	\$ -	\$ (570,010)	\$ -	\$ 9,324,493

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

Governmental activities:

Legislative/executive	\$ 9,901
Administrative services	12,139
Community development	830
Public services	1,640,647
Community services	2,052,386
Public safety	<u>8,673</u>
	3,724,576

Business-type activity:

Property leasing	<u>720,247</u>
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Total \$ 4,444,823

(6) Long-term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2015, was as follows:

Governmental Activities :

	<u>Balance at</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>June 30, 2015</u>	<u>Amounts Due</u> <u>in One Year</u>
Certificates of Participation:					
2010 COP	\$ 12,585,000	\$ -	\$ 1,250,000	\$ 11,335,000	\$ 1,300,000
Unamortized premium	851,572		80,464	771,108	-
Total Certificates of Participation	<u>13,436,572</u>		<u>1,330,464</u>	<u>12,106,108</u>	<u>1,300,000</u>
Other Liabilities:					
Compensated absences	315,701	224,809	215,704	324,806	32,481
Claims and judgments	226,611		183,304	43,307	4,331
Total Other Liabilities	<u>542,312</u>	<u>224,809</u>	<u>399,008</u>	<u>368,113</u>	<u>36,812</u>
Totals	<u>\$ 13,978,884</u>	<u>\$ 224,809</u>	<u>\$ 1,729,472</u>	<u>\$ 12,474,221</u>	<u>\$ 1,336,812</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, 2015, are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,520,000	282,881	1,802,881
2021 - 2025	<u>4,325,000</u>	<u>425,663</u>	<u>4,750,663</u>
Totals	<u>\$11,335,000</u>	<u>\$ 2,395,586</u>	<u>\$13,730,586</u>

The COPs are subject to federal arbitrage regulations. The City calculated no arbitrage rebate due as of January 2010. No additional arbitrage reports were required since the proceeds were fully expended.

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. The long-term portion of this liability, amounting to \$292,325 at June 30, 2015 will be paid primarily from the general fund.

(7) 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, flood, and boiler & machinery insurance with ERMAC (PEPIP Program) to cover all City property. In addition, Difference in Conditions (DIC) or earthquake, including flood, is provided by Everest Indemnity Insurance Company, 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, 2015, 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 	Everest Indemnity Insurance Company	<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"> • \$15M employee dishonesty • \$15M forgery alterations • \$15M money & securities theft, inside premises • \$15M money & securities theft, outside premises • \$15M computer fraud • \$15M money order & counterfeit currency • \$15M theft of other property, inside premises • \$15M 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

In the financial statements prepared using the economic resources measurement focus, authoritative standards require that the liability for claims and the corresponding expense should be recognized in the period in which the underlying event occurs. Therefore, the liability of outstanding *unallocated loss adjustment expenses* (ULAE) must be established to represent the amount that will be paid out in claims as well as the expenses associated with processing of those claims. The City's third party administrator provides the data on estimated claim liabilities (paid and reserves). As of June 30, 2015, the estimated outstanding ULAE was \$37,983.

Furthermore, as a practical matter, claims are often not reported during the period in which the underlying event occurs. The claim, even if not filed timely, must still be reported in the period in which the underlying event took place. Therefore, when it is probable that a claims liability has been incurred and the amount of the loss can be reasonably estimated through historical trends, the liability for claims should include an amount for *incurred but not reported* (IBNR) claims. IBNR is estimated at 25% of the current year annual claim expenses. As of June 30, 2015, the estimated IBNR was \$5,324.

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

	FY 2014/15	FY 2013/14
Claims payable, beginning	\$ 226,611	\$ 103,517
Payments/changes in estimate	(183,304)	123,094
Claims payable, ending	\$ 43,307	\$ 226,611

The total amount designated in the Claims Liability Loss Reserve Fund as of June 30, 2015 is \$200,000, which would cover two full limit losses. The City's self-insured retention is \$100,000.

Curing the past three fiscal years, none of the above programs of protection have experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2014-2015.

(8) **Pension Plans**

a) **General Information about the Pension Plans**

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 and 52 with statutorily reduced benefits for Tier I and PEPRA, respectively. All members are eligible for non-industrial disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Tier I	PEPRA
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.5%
Required employer contribution rates	9.205%	6.700%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the

costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

b) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of all Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 2,261,011</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for all Plans as of June 30, 2013 and 2014 was as follows:

	Miscellaneous
Proportion - June 30, 2013	<u>0.09428%</u>
Proportion - June 30, 2014	0.09148%
Change - Increase (Decrease)	-0.00280%

For the year ended June 30, 2015, the City recognized pension expense of \$245,533. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 278,231	\$ -
Differences between actual and expected experience	-	-
Change in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(48,448)
Net differences between projected and actual earnings on plan investments	-	(759,804)
Total	<u>\$ 278,231</u>	<u>\$ (808,252)</u>

\$278,231 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (207,254)
2017	(207,254)
2018	(203,793)
2019	(189,951)
2020	-
Thereafter	-

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

		Miscellaneous
Valuation Date		June 30, 2013
Measurement Date		June 30, 2014
Actuarial Cost Method		Entry-Age Normal
		Cost Method
Actuarial Assumptions:		
Discount Rate		7.50%
Inflation		2.75%
Payroll Growth		3.00%
Projected Salary Increase		3.3% - 14.2% (1)
Investment Rate of Return		7.5% (2)
Mortality		(3)
(1) Depending on age, service and type of employment		
(2) Net of pension plan investment expenses, including inflation		
(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.		

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as a change in methodology occurs.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

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

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

	<u>Miscellaneous</u>
1% Decrease	6.50%
Net Pension Liability	\$ 4,028,423
Current Discount Rate	7.50%
Net Pension Liability	\$ 2,261,011
1% Increase	8.50%
Net Pension Liability	\$ 794,227

Pension Plans Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

c) Payable to the Pension Plans

At June 30, 2015, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

(9) 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 2014 and \$18,000 for calendar year 2015. 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.

(10) Classification of Net Position and Governmental Fund Balances

Net Position is measured on the full accrual basis of accounting as compared to the concept of Fund Balance, which is measured on the modified accrual basis of accounting.

Net Position Classifications

Net Position is divided into three captions as 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, 2015 that was restricted by enabling legislation.

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

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Governmental Fund Balances Classifications

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 determined by a formal action (resolution) of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally. The City does not have any committed fund balances at June 30, 2015.

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.

Unassigned fund balances include the residual balance for the City's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

When expenditures are incurred, the City's applies the most restrictive funds first; and then the City would use the appropriate funds in the following order: committed, assigned, and lastly unassigned amounts.

Fund balances are presented in the following categories: nonspendable, restricted, assigned, and unassigned. A detailed schedule of fund balances at June 30, 2015 is as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable:				
Prepaid Items	\$ 91,349	\$ -	\$ -	\$ 91,349
Advances	227,420	-	-	227,420
Total	318,769	-	-	318,769
Restricted:				
Debt Service	-	1,806,468	-	1,806,468
Public Service	88,990	-	-	88,990
AB 2766	-	-	30,889	30,889
CARITS	-	-	1,064,465	1,064,465
Beverage Recycling	-	-	34,560	34,560
Senior Mobility Program	-	-	73,109	73,109
C & D Forfeited Deposits	-	-	55,351	55,351
AB 939 Surcharge Grant	-	-	51	51
Quimby Act Park Impact Fees	-	-	1,634,573	1,634,573
Water Conservation	-	-	323,865	323,865
Law Enforcement Other Grant	-	-	1,147	1,147
Grants and Contributions	-	-	127,202	127,202
Total	88,990	1,806,468	3,345,212	5,240,670
Assigned:				
Claims Liability	200,000	-	-	200,000
Community Center Mtnc	200,000	-	-	200,000
Parks Maintenance	276,000	-	-	276,000
Sports Complex Mtnc	50,000	-	-	50,000
Civic Center Eqpt Mtnc	400,000	-	-	400,000
Slopes/Storm Drain Mtnc	104,959	-	-	104,959
Total	1,230,959	-	-	1,230,959
Unassigned	5,078,583	-	(229,971)	4,848,612
Total Fund Balances	\$ 6,717,301	\$ 1,806,468	\$ 3,115,241	\$ 11,639,010

(11) 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 (the 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, Seal Beach and Westminster 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, 2015. 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.

Complete financial statements may be obtained from the Orange County Fire Authority, 180 South Water Street, Orange, California 92866.

(12) 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 \$610,988.

(13) Other Required Individual Fund Disclosures

Accumulated Fund Deficits

The following funds reported deficits in their respective fund balance at June 30, 2015:

Non-major Governmental Funds:

CR&R Recycling Fees Special Revenue Fund	\$ (2,717)
Public Art Special Revenue Fund	(227,254)

These deficits are expected to be relieved from future revenues or transfers from other funds.

Excess of Expenditures over Appropriations

The following are funds in which expenditures exceeded appropriations for the fiscal year ended June 30, 2015. The City manages its budget at the fund level.

	Appropriations	Expenditures	Variance Positive (Negative)
Major Governmental Fund:			
Debt Service Fund	\$ 1,801,387	\$ 1,803,529	\$ (2,142)
Non-major Governmental Funds:			
CDBG Special Revenue Fund	150,000	173,387	(23,387)
CR&R Recycling Fees Special Revenue Fund	20,000	20,604	(604)
Water Conservation Special Revenue Fund	320,000	650,000	(330,000)

(14) 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.

(15) Operating Leases

Operating leases arise from renting the City's Civic Center. Initial lease terms generally range from 12 to 60 months. Future minimum rental payments to be received on non-cancelable operating leases are contractually due as follows as of June 30, 2015:

<u>Year Ending June 30</u>	<u>Amounts</u>
2016	\$ 539,081
2017	476,242
2018	338,392
2019	185,547
Thereafter	75,761
	<u>\$ 1,615,023</u>

Total rent revenue for the year ended June 30, 2015 was \$488,258.

(16) Restatement of Prior Year Financial Statements

The implementation of GASB Statement Numbers 68 and 71 requires reporting the net pension liability of the City's defined benefit pension plan in the financial statements and is applied retroactively by restating the net position as of the beginning of the fiscal year. The implementation of GASB Numbers 68 and 71 resulted in a reduction of governmental activities net position by \$2,823,730 as of July 1, 2014.

(17) Subsequent Events

In preparing these financial statements, the City's Management has evaluated events and transactions for potential recognition or disclosure through November 30, 2015, the date these financial statements were available to be issued, and has determined there were no other material events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAGUNA HILLS

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST TEN FISCAL YEARS*

	2015
Plan's proportion of the net pension liability	0.03634%
Plan's proportionate share of the net pension liability	\$ 2,261,011
Plan's covered - employee payroll	\$ 2,893,989
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	78.13%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	83.03%
Plan's proportionate share of aggregate employer contributions	\$ 299,124

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF LAGUNA HILLS

SCHEDULE OF CONTRIBUTIONS LAST TEN FISCAL YEARS*

	2015
Contractually required contribution (actuarially determined)	\$ 278,231
Contributions in relation to the actuarially determined contributions	(278,231)
Contribution deficiency (excess)	\$ -
Covered - employee payroll	\$ 3,093,576
Contributions as a percentage of covered - employee payroll	8.99%

Notes to Schedule:

Valuation Date 6/30/2012

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 year fixed with 5 year ramp up at beginning and 5 year ramp down at the end of the amortization period. Changes in liability for plan amendments, changes in actuarial methodology and assumptions are amortized over a 20 year period.
Asset valuation method	Market
Inflation	3.50%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense including inflation
Retirement age	50 years (2%@60), 52 years (2%@62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF LAGUNA HILLS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variances with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 11,725,731	\$ 11,725,731	\$ 11,757,528	\$ 31,797
Licenses and permits	761,500	761,500	1,022,523	261,023
Intergovernmental revenues	5,952,540	5,952,540	5,757,240	(195,300)
Charges for current services	962,371	962,371	944,054	(18,317)
Fines and forfeitures	325,000	325,000	300,032	(24,968)
Investment income	22,500	22,500	9,664	(12,836)
Total Revenues	19,749,642	19,749,642	19,791,041	41,399
Expenditures:				
Current:				
Legislative/executive	1,516,966	1,516,966	1,500,869	16,097
Administrative services	1,837,394	1,898,124	1,770,170	127,954
Public services	4,331,360	4,331,360	4,240,821	90,539
Community development	1,191,500	1,191,500	1,259,996	(68,496)
Community services	1,802,580	1,802,580	1,926,988	(124,408)
Public safety	7,199,935	7,229,935	7,151,942	77,993
Total Expenditures	17,879,735	17,970,465	17,850,786	119,679
Excess of Revenues over Expenditures	1,869,907	1,779,177	1,940,255	161,078
Other Financing Sources (Uses):				
Transfers in	3,437,482	5,487,530	3,279,439	(2,208,091)
Transfers out	(4,661,387)	(6,989,680)	(4,830,276)	2,159,404
Total Other Financing Sources (Uses)	(1,223,905)	(1,502,150)	(1,550,837)	(48,687)
Net Change in Fund Balance	646,002	277,027	389,418	112,391
Fund Balance, Beginning	6,327,883	6,327,883	6,327,883	-
Fund Balance, Ending	\$ 6,973,885	\$ 6,604,910	\$ 6,717,301	\$ 112,391

See Accompanying Note to Required Supplementary Information

CITY OF LAGUNA HILLS

NOTE 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 fund types.

Biennial budgets are adopted for all governmental funds except for certain special revenue funds and capital projects funds, which adopt project length budgets. The AB 939 Surcharge Grant Special Revenue Fund, Grants and Contributions Special Revenue Fund, Public Art Special Revenue Fund, and Other Law Enforcement Special Revenue Fund did not have adopted budgets during the current fiscal year.

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 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.

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

Water Conservation Fund - Used to account for revenues and expenditures related to water use efficiency and conservation programs.

Grants & Contributions Fund - Used to account for 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 Arts 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, 2015

Special Revenue Funds						
	Gas Tax	Measure M	AB 2766	Senior Mobility Program	CARITS	CDBG
Assets						
Due from other funds	\$ -	\$ -	\$ 30,889	\$ 73,109	\$ 1,064,465	\$ -
Total Assets	\$ -	\$ -	\$ 30,889	\$ 73,109	\$ 1,064,465	\$ -
Liabilities and Fund Balances						
Liabilities:						
Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-
Fund Balances (Deficits):						
Restricted	-	-	30,889	73,109	1,064,465	-
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	-	-	30,889	73,109	1,064,465	-
Total Liabilities and Fund Balances	\$ -	\$ -	\$ 30,889	\$ 73,109	\$ 1,064,465	\$ -

Special Revenue Funds (Continued)										
Beverage Recycling	CR&R Recycling Fees	C & D Forfeited Deposits	AB 939 Surcharge Grant	Quimby Act Park Impact Fees	Water Conservation	Grants & Contributions	Public Art	SLEFS/COPS BRULTE	Other Law Enforcement Grant	Total Nonmajor Governmental Funds
\$ 34,560	\$ -	\$ 55,351	\$ 51	\$ 1,634,573	\$ 323,865	\$ 127,202	\$ 320,835	\$ -	\$ 1,147	\$ 3,666,047
<u>\$ 34,560</u>	<u>\$ -</u>	<u>\$ 55,351</u>	<u>\$ 51</u>	<u>\$ 1,634,573</u>	<u>\$ 323,865</u>	<u>\$ 127,202</u>	<u>\$ 320,835</u>	<u>\$ -</u>	<u>\$ 1,147</u>	<u>\$ 3,666,047</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 320,669	\$ -	\$ -	\$ 320,669
-	2,717	-	-	-	-	-	-	-	-	2,717
-	-	-	-	-	-	-	227,420	-	-	227,420
-	2,717	-	-	-	-	-	548,089	-	-	550,806
34,560	-	55,351	51	1,634,573	323,865	127,202	-	-	1,147	3,345,212
-	(2,717)	-	-	-	-	-	(227,254)	-	-	(229,971)
<u>34,560</u>	<u>(2,717)</u>	<u>55,351</u>	<u>51</u>	<u>1,634,573</u>	<u>323,865</u>	<u>127,202</u>	<u>(227,254)</u>	<u>-</u>	<u>1,147</u>	<u>3,115,241</u>
<u>\$ 34,560</u>	<u>\$ -</u>	<u>\$ 55,351</u>	<u>\$ 51</u>	<u>\$ 1,634,573</u>	<u>\$ 323,865</u>	<u>\$ 127,202</u>	<u>\$ 320,835</u>	<u>\$ -</u>	<u>\$ 1,147</u>	<u>\$ 3,666,047</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, 2015

	Special Revenue Funds					
	Gas Tax	Measure M	AB 2766	Senior Mobility Program	CARITS	CDBG
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	942,531	606,170	38,285	35,678	-	173,387
Investment income	711	713	37	179	2,867	-
Total Revenues	943,242	606,883	38,322	35,857	2,867	173,387
Expenditures:						
Current:						
Public services	-	-	-	-	-	-
Community development	-	-	-	-	-	173,387
Community services	-	-	-	31,293	-	-
Public safety	-	-	-	-	-	-
Total Expenditures	-	-	-	31,293	-	173,387
Excess (Deficiency) of Revenues over Expenditures	943,242	606,883	38,322	4,564	2,867	-
Other Financing Sources (Uses):						
Transfers in	-	-	-	6,305	-	-
Transfers out	(1,995,492)	(606,883)	(7,433)	-	(14,990)	-
Total Other Financing Sources (Uses)	(1,995,492)	(606,883)	(7,433)	6,305	(14,990)	-
Net Change in Fund Balances	(1,052,250)	-	30,889	10,869	(12,123)	-
Fund Balances (Deficits), Beginning	1,052,250	-	-	62,240	1,076,588	-
Fund Balances (Deficits), Ending	\$ -	\$ -	\$ 30,889	\$ 73,109	\$ 1,064,465	\$ -

Special Revenue Funds (Continued)											Total
Beverage Recycling	CR&R Recycling Fees	C & D Forfeited Deposits	AB 939 Surcharge Grant	Quimby Act Park Impact Fees	Water Conservation	Grants & Contributions	Public Art	SLEFS/COPS BRULTE	Other Law Enforcement Grant	Nonmajor Governmental Funds	
\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000	
-	-	36,945	-	2,136,288	-	-	-	-	-	2,173,233	
-	-	-	-	-	973,410	128,270	7,500	103,045	-	3,008,276	
92	7	161	-	3,846	455	444	166	173	6	9,857	
92	20,007	37,106	-	2,140,134	973,865	128,714	7,666	103,218	6	5,211,366	
-	20,604	37,713	-	-	-	-	-	-	-	58,317	
-	-	-	-	-	-	-	-	-	-	173,387	
-	-	-	-	-	650,000	-	-	-	-	681,293	
-	-	-	-	-	-	-	-	-	1,899	1,899	
-	20,604	37,713	-	-	650,000	-	-	-	1,899	914,896	
92	(597)	(607)	-	2,140,134	323,865	128,714	7,666	103,218	(1,893)	4,296,470	
-	-	-	-	-	-	-	-	-	-	6,305	
-	-	-	-	(419,820)	-	(128,270)	-	(106,551)	-	(3,279,439)	
-	-	-	-	(419,820)	-	(128,270)	-	(106,551)	-	(3,273,134)	
92	(597)	(607)	-	1,720,314	323,865	444	7,666	(3,333)	(1,893)	1,023,336	
34,468	(2,120)	55,958	51	(85,741)	-	126,758	(234,920)	3,333	3,040	2,091,905	
\$ 34,560	\$ (2,717)	\$ 55,351	\$ 51	\$ 1,634,573	\$ 323,865	\$ 127,202	\$ (227,254)	\$ -	\$ 1,147	\$ 3,115,241	

CITY OF LAGUNA HILLS
CAPITAL PROJECTS FUND - MAJOR FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Positive (Negative)
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	2,810,000	5,138,293	2,976,435	2,161,858
Deficiency of Revenues over Expenditures	(2,810,000)	(5,138,293)	(2,976,435)	2,161,858
Other Financing Sources:				
Transfers in	2,810,000	5,138,293	2,976,435	(2,161,858)
Total Other Financing Sources	2,810,000	5,138,293	2,976,435	(2,161,858)
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

CITY OF LAGUNA HILLS
DEBT SERVICE FUND - MAJOR FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015



	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Investment income	\$ 25,500	\$ 25,500	\$ 4,688	\$ (20,812)
Total Revenues	25,500	25,500	4,688	(20,812)
Expenditures:				
Debt service:				
Interest	501,387	501,387	553,529	(52,142)
Principal retirement	1,300,000	1,300,000	1,250,000	50,000
Total Expenditures	1,801,387	1,801,387	1,803,529	(2,142)
Deficiency of Revenues over Expenditures	(1,775,887)	(1,775,887)	(1,798,841)	(22,954)
Other Financing Sources:				
Transfers in	1,801,387	1,801,387	1,797,536	(3,851)
Total Other Financing Sources	1,801,387	1,801,387	1,797,536	(3,851)
Net Change in Fund Balance	25,500	25,500	(1,305)	(26,805)
Fund Balance, Beginning	1,807,773	1,807,773	1,807,773	-
Fund Balance, Ending	\$ 1,833,273	\$ 1,833,273	\$ 1,806,468	\$ (26,805)

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 1,011,858	\$ 1,011,858	\$ 942,531	\$ (69,327)
Investment income	8,000	8,000	711	(7,289)
Total Revenues	1,019,858	1,019,858	943,242	(76,616)
Other Financing Uses:				
Transfers out	(2,000,000)	(2,000,000)	(1,995,492)	4,508
Total Other Financing Uses	(2,000,000)	(2,000,000)	(1,995,492)	4,508
Net Change in Fund Balance	(980,142)	(980,142)	(1,052,250)	(72,108)
Fund Balance, Beginning	1,052,250	1,052,250	1,052,250	-
Fund Balance, Ending	\$ 72,108	\$ 72,108	\$ -	\$ (72,108)

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, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 637,482	\$ 667,041	\$ 606,170	\$ (60,871)
Investment income	-	-	713	713
Total Revenues	637,482	667,041	606,883	(60,158)
Other Financing Uses:				
Transfers out	(637,482)	(667,041)	(606,883)	60,158
Total Other Financing Uses	(637,482)	(667,041)	(606,883)	60,158
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

CITY OF LAGUNA HILLS
AB 2766 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 38,285	\$ (1,715)
Investment income	400	400	37	(363)
Total Revenues	40,400	40,400	38,322	(2,078)
Other Financing Uses:				
Transfers out	-	-	(7,433)	(7,433)
Total Other Financing Uses	-	-	(7,433)	(7,433)
Net Change in Fund Balance	40,400	40,400	30,889	(9,511)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ 40,400	\$ 40,400	\$ 30,889	\$ (9,511)

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, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 31,500	\$ 31,500	\$ 35,678	\$ 4,178
Investment income	850	850	179	(671)
Total Revenues	32,350	32,350	35,857	3,507
Expenditures:				
Current:				
Community services	31,500	31,500	31,293	207
Total Expenditures	31,500	31,500	31,293	207
Excess of Revenues over Expenditures	850	850	4,564	3,714
Other Financing Sources:				
Transfers in	-	-	6,305	6,305
Total Other Financing Sources	-	-	6,305	6,305
Net Change in Fund Balance	850	850	10,869	10,019
Fund Balance, Beginning	62,240	62,240	62,240	-
Fund Balance, Ending	\$ 63,090	\$ 63,090	\$ 73,109	\$ 10,019

CITY OF LAGUNA HILLS
CARITS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Positive (Negative)
Revenues:				
Investment income	\$ 16,200	\$ 16,200	\$ 2,867	\$ (13,333)
Total Revenues	16,200	16,200	2,867	(13,333)
Other Financing Uses:				
Transfers out	-	(88,229)	(14,990)	73,239
Total Other Financing Uses	-	(88,229)	(14,990)	73,239
Net Change in Fund Balance	16,200	(72,029)	(12,123)	59,906
Fund Balance, Beginning	1,076,588	1,076,588	1,076,588	-
Fund Balance, Ending	\$ 1,092,788	\$ 1,004,559	\$ 1,064,465	\$ 59,906

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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 173,387	\$ 23,387
Total Revenues	150,000	150,000	173,387	23,387
Expenditures:				
Current:				
Community development	150,000	150,000	173,387	(23,387)
Total Expenditures	150,000	150,000	173,387	(23,387)
Excess of Revenues over Expenditures	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

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, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 19,984	\$ 19,984	\$ -	\$ (19,984)
Investment income	500	500	92	(408)
Total Revenues	20,484	20,484	92	(20,392)
Expenditures:				
Current:				
Community services	19,984	19,984	-	19,984
Total Expenditures	19,984	19,984	-	19,984
Excess of Revenues over Expenditures	500	500	92	(40,376)
Fund Balance, Beginning	34,468	34,468	34,468	-
Fund Balance, Ending	\$ 34,968	\$ 34,968	\$ 34,560	\$ (408)

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, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Positive (Negative)
Revenues:				
Taxes	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Investment income	-	-	7	7
Total Revenues	20,000	20,000	20,007	7
Expenditures:				
Current:				
Public services	20,000	20,000	20,604	(604)
Total Expenditures	20,000	20,000	20,604	(604)
Excess (Deficiency) of Revenues over Expenditures	-	-	(597)	(597)
Fund Balance (Deficit), Beginning	(2,120)	(2,120)	(2,120)	-
Fund Balance (Deficit), Ending	\$ (2,120)	\$ (2,120)	\$ (2,717)	\$ (597)

CITY OF LAGUNA HILLS
C & D FORFEITED DEPOSITS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Positive (Negative)
Revenues:				
Licenses and permits	\$ 49,583	\$ 49,583	\$ 36,945	\$ (12,638)
Investment income	1,050	1,050	161	(889)
Total Revenues	50,633	50,633	37,106	(13,527)
Expenditures:				
Current:				
Public Services	49,583	49,583	37,713	11,870
Total Expenditures	49,583	49,583	37,713	11,870
Excess (deficiency) of Revenues over Expenditures	1,050	1,050	(607)	(1,657)
Fund Balance, Beginning	55,958	55,958	55,958	-
Fund Balance, Ending	\$ 57,008	\$ 57,008	\$ 55,351	\$ (1,657)

CITY OF LAGUNA HILLS
QUIMBY ACT PARK IMPACT FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Positive (Negative)
Revenues:				
Licenses and permits	\$ 450,000	\$ 2,062,000	\$ 2,136,288	\$ 74,288
Investment income	-	-	3,846	3,846
Total Revenues	450,000	2,062,000	2,140,134	78,134
Other Financing Uses:				
Transfers out	(450,000)	(2,062,000)	(419,820)	1,642,180
Total Other Financing Uses	(450,000)	(2,062,000)	(419,820)	1,642,180
Net Change in Fund Balance	-	-	1,720,314	1,720,314
Fund Balance (Deficit), Beginning	(85,741)	(85,741)	(85,741)	-
Fund Balance, Ending	<u>\$ (85,741)</u>	<u>\$ (85,741)</u>	<u>\$ 1,634,573</u>	<u>\$ 1,720,314</u>

CITY OF LAGUNA HILLS
WATER CONSERVATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ -	\$ 320,000	\$ 973,410	\$ 653,410
Investment income	-	-	455	455
Total Revenues	-	320,000	973,865	653,865
Expenditures:				
Current:				
Community services	-	320,000	650,000	(330,000)
Total Expenditures	-	320,000	650,000	(330,000)
Excess of Revenues over Expenditures	-	-	323,865	323,865
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ 323,865	\$ 323,865

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 103,045	\$ 3,045
Investment income	-	-	173	173
Total Revenues	100,000	100,000	103,218	3,218
Other Financing Uses:				
Transfers out	(100,000)	(100,000)	(106,551)	(6,551)
Total Other Financing Uses	(100,000)	(100,000)	(106,551)	(6,551)
Net Change in Fund Balance	-	-	(3,333)	(3,333)
Fund Balance, Beginning	3,333	3,333	3,333	-
Fund Balance, Ending	\$ 3,333	\$ 3,333	\$ -	\$ (3,333)

CITY OF LAGUNA HILLS
AGENCY FUND
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Assets				
Cash and investments	\$ <u>299,454</u>	\$ <u>1,561,277</u>	\$ <u>(1,461,923)</u>	\$ <u>398,808</u>
Total assets	\$ <u><u>299,454</u></u>	\$ <u><u>1,561,277</u></u>	\$ <u><u>(1,461,923)</u></u>	\$ <u><u>398,808</u></u>
Liabilities				
Deposits	\$ <u>299,454</u>	\$ <u>1,561,277</u>	\$ <u>(1,461,923)</u>	\$ <u>398,808</u>
Total liabilities	\$ <u><u>299,454</u></u>	\$ <u><u>1,561,277</u></u>	\$ <u><u>(1,461,923)</u></u>	\$ <u><u>398,808</u></u>



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.

Contents

Page

Financial Trends

III-3

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.

Revenue Capacity

III-10

Revenue capacity schedules contain information to help the reader assess the City of Laguna Hills' most significant local revenue source, the property tax.

Debt Capacity

III-14

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.

Demographic and Economic Information

III-19

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.

Operating Information

III-21

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.

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

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net Investment in capital assets	\$ 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	\$ 84,623,408
Restricted	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	5,240,670
Unrestricted	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	1,789,992
Total government activities net position	<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>	<u>\$ 91,654,070</u>
Business-type activities										
Net Investment in capital assets	\$ 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	\$ 9,324,493
Restricted										
Unrestricted	540,017	359,254	195,703	134,998	150,668	85,344	96,511	47,563	47,801	(36,397)
Total business-type activities net position	<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>	<u>\$ 9,288,096</u>
Primary government										
Net Investment in capital assets	\$ 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	\$ 93,947,901
Restricted	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	5,240,670
Unrestricted	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	1,753,595
Total primary government net position	<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>	<u>\$ 100,942,166</u>

CITY OF LAGUNA HILLS

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
Legislative/executive	\$ 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	\$ 1,512,960
Administrative services	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	1,575,412
Public services	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	6,332,724
Community development	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	1,434,213
Community services	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	4,660,667
Public safety	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	7,162,514
Interest expense	973,024	942,801	910,500	875,447	636,441	663,944	620,376	583,461	530,039	479,589
Total governmental activities expenses	<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>	<u>23,158,079</u>
Business-type activities:										
Property leasing	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	1,204,437
Total business-type activities expenses	<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>	<u>1,204,437</u>
Total primary government expenses	<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>	<u>\$ 24,362,516</u>
Program Revenues										
Government activities:										
Charges for Services:										
Legislative/executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,236	\$ -	\$ -	\$ -	\$ -
Administrative services						96,726	2,838			
Public services	38,683	59,584	58,539	98,818	86,176	155,373	83,989	112,629	106,633	136,037
Community development	535,973	672,168	616,819	544,227	514,162	653,918	669,936	750,626	799,316	1,050,127
Community services	540,369	562,584	683,911	687,987	703,099	701,040	657,129	714,634	608,877	775,330
Public safety	533,977	475,214	485,376	435,452	542,732	401,665	295,587	226,311	186,347	300,032
Operating Contributions	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	2,989,299
Capital Contributions	40,771	57,282	24,674			820,456	3,040,344	945,068	807,545	2,264,558
Total governmental activities program revenues	<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>	<u>7,515,383</u>
Business-type activities:										
Charges for Services:										
Property Leasing	588,842	688,215	790,817	591,665	649,270	535,455	527,530	527,931	476,391	500,202
Operating grants and contributions							85,134			
Capital grants and contributions										
Total business-type activities program revenues	<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>	<u>500,202</u>
Total primary government program revenues	<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>	<u>\$ 8,015,585</u>
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (15,642,696)
Business- type activities	(499,070)	(451,335)	(372,074)	(525,337)	(476,060)	(655,297)	(542,303)	(635,374)	(802,043)	(704,235)
	<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>	<u>\$ (16,346,931)</u>
								(continued)	(continued)	

CITY OF LAGUNA HILLS

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
(continued)										
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 9,128,568
Sales and use taxes	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	5,603,521
Motor vehicle in lieu taxes	2,591,236	2,575,919	2,690,646	114,895	99,167	154,787	16,727	17,332	14,344	13,856
Other State subvention	95,072	25,026						-	16,549	93,653
Franchise taxes	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	1,343,505
Transient occupancy taxes	1,156,409	1,227,989	1,219,609	915,807	752,478	869,505	1,004,483	1,108,290	1,203,422	1,285,455
Investment earnings	210,046	325,266	469,876	119,006	29,205	25,267	15,736	12,216	12,251	14,266
Miscellaneous revenue	404,382	620,465	44,312	62,493	21,389	4,468	21,951	21,016	29,706	56,542
Lawsuit settlement										
Sale of capital assets								2,769,504		
Transfers	(599,379)	100,000	300,000	150,000	24,790	75,000			(293,691)	(50,000)
Total governmental activities	<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>	<u>17,489,366</u>
Business-type activities:										
Investment earnings	30	3,511	3,962	2,877	2,695	880	354	56	16	27
Transfers	599,379	(100,000)	(300,000)	(150,000)	(24,790)	(75,000)			293,691	50,000
Total business-type activities	<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>	<u>50,027</u>
Total primary government	<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>	<u>\$ 17,539,393</u>
Change in Net Position:										
Governmental activities	2,935,884	4,651,072	2,866,251	552,153	(485,081)	1,974,593	2,257,467	2,306,411	(874,853)	1,846,670
Business-type activities	100,339	(547,824)	(668,112)	(672,460)	(498,155)	(729,417)	(541,949)	(635,318)	(508,336)	(654,208)
Total primary government	<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>	<u>\$ 1,192,462</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
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
2015	9,128,568	5,603,521	13,856	93,653	1,343,505	1,285,455	17,468,558

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011 ⁽¹⁾	2012	2013	2014	2015
General fund										
Reserved	\$ 40,016	\$ 30,745	\$ 186,524	\$ 44,610	\$ 15,624	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	10,074,573	11,019,918	10,313,093	8,582,945	8,611,931					
Nonspendable						305,302	311,223	335,603	416,994	318,769
Restricted										88,990
Committed										
Assigned						1,318,164	1,284,939	1,315,557	1,726,228	1,230,959
Unassigned						4,716,361	5,149,410	6,718,179	4,184,661	5,078,583
Total general fund	<u>\$ 10,114,589</u>	<u>\$ 11,050,663</u>	<u>\$ 10,499,617</u>	<u>\$ 8,627,555</u>	<u>\$ 7,422,224</u>	<u>\$ 6,339,827</u>	<u>\$ 6,745,572</u>	<u>\$ 8,369,339</u>	<u>\$ 6,327,883</u>	<u>\$ 6,717,301</u>
All other governmental funds										
Reserved	\$ 652,694	\$ 419,790	\$ 421,484	\$ 415,078	\$ 1,817,086					
Unreserved, reported in:										
Special revenue funds	2,751,414	2,603,432	4,202,374	2,427,534	2,411,192					
Debt service funds	435,502									
Nonspendable										
Restricted						4,473,805	3,916,541	2,813,802	4,222,459	5,151,680
Committed										
Assigned										
Unassigned						(273,326)	(238,732)	(245,214)	(322,781)	(229,971)
Total all other governmental funds	<u>\$ 3,839,610</u>	<u>\$ 3,023,222</u>	<u>\$ 4,623,858</u>	<u>\$ 2,842,612</u>	<u>\$ 4,228,278</u>	<u>\$ 4,200,479</u>	<u>\$ 3,677,809</u>	<u>\$ 2,568,588</u>	<u>\$ 3,899,678</u>	<u>\$ 4,921,709</u>

⁽¹⁾ Fund Balance Classification reflects implementation of GASB 54 requirements starting with Fiscal Year 2010/11

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Taxes	\$ 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	\$ 11,777,528
Licenses and permits	505,608	599,423	579,915	521,724	423,012	550,155	816,863	655,855	778,208	3,195,756
Intergovernmental	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	8,765,516
Charges for current services	828,054	815,148	951,289	909,504	946,119	1,047,727	887,126	981,063	931,909	944,054
Fines and forfeitures	485,977	426,060	437,376	435,452	542,732	401,665	295,587	226,311	186,347	300,032
Miscellaneous	25,914									
Investment income	363,044	552,887	494,550	223,846	45,732	36,906	30,129	25,928	21,608	24,209
Total revenues	<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>	<u>25,007,095</u>
Expenditures:										
Current:										
Legislative/executive	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	1,500,869
Administrative services	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	1,770,170
Public services	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	4,299,138
Community development	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	1,433,383
Community services	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	2,608,281
Public safety	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	7,153,841
Capital outlay	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	2,976,435
Debt service:										
Interest	975,512	945,372	913,325	878,480	427,854	712,976	670,243	625,043	601,542	553,529
Cost of bond issuance					301,477					
Payment to bond escrow agent										
Discount on bond										
Principal retirement	<u>1,130,000</u>	<u>1,160,000</u>	<u>1,016,178</u>	<u>1,010,000</u>	<u>820,000</u>	<u>1,090,000</u>	<u>1,130,000</u>	<u>1,180,000</u>	<u>1,205,000</u>	<u>1,250,000</u>
Total expenditures	<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>	<u>23,545,646</u>
Excess (deficiency) of revenues over expenditures	1,980,885	(366,990)	774,632	(3,747,558)	(34,870)	(1,079,831)	(116,925)	(2,437,806)	(197,391)	1,461,449

(Continued)

(Continued)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other financing sources (uses):										
Transfers in	\$ 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	\$ 8,059,715
Transfers out	(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)	(8,109,715)
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)	(599,379)	291,091	230,000	94,250	332,247	(30,365)	-	2,952,352	(293,691)	(50,000)
Net change in fund balances	<u><u>\$ 1,381,506</u></u>	<u><u>\$ (75,899)</u></u>	<u><u>\$ 1,004,632</u></u>	<u><u>\$ (3,653,308)</u></u>	<u><u>\$ 297,377</u></u>	<u><u>\$ (1,110,196)</u></u>	<u><u>\$ (116,925)</u></u>	<u><u>\$ 514,546</u></u>	<u><u>\$ (491,082)</u></u>	<u><u>\$ 1,411,449</u></u>
Debt service as a percentage of noncapital expenditures	11.74%	10.13%	10.17%	9.77%	6.74%	9.67%	9.81%	9.22%	9.35%	8.77%

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⁾
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
2015	5,809,642	148,567		35,410	5,958,209	5.3%	0.10591

Sources: HdL Coren & Cone, Orange County Assessor 2005/06 - 2014/15 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 value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

⁽¹⁾ 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>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>	<u>2014/15</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	0.01078	0.00947	0.01019	0.00971	0.01077	0.01105	0.01101	0.01171	0.00972	0.00900
Metropolitan Water District	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350
Moulton Niguel Water District	0.12923	0.11403	0.08830	0.11679	0.12104	0.12203	0.12936	0.14547	0.12977	0.08600
Saddleback Valley Unified	0.03079	0.03694	0.02668	0.02834	0.03043	0.03194	0.03163	0.03265	0.03207	0.02806
Total	1.17600	1.16514	1.12967	1.15914	1.16654	1.16872	1.17570	1.19333	1.17506	1.12656
City Direct Rates										
City Share of 1% Levy Per Prop13 ^{(2) (3)}	0.05371	0.05371	0.05371	0.12228	0.12282	0.05371	0.05371	0.05371	0.05371	0.05371
Redevelopment Rate ⁽⁴⁾	1.00520	1.00470	1.00450	1.00430	1.00430	1.00370	1.00370			
Total Direct Rate ⁽⁵⁾	0.05319	0.05342	0.10611	0.10630	0.10708	0.10796	0.10853	0.10840	0.10583	0.10591

Source: HdL Coren & Cone, Orange County Assessor 2005/06 - 2014/15 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	2015			2006		
	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	\$ 151,275	1	2.54%	\$ -		
Acquiport Three Corporation	77,544	2	1.30%	66,564	2	1.36%
PMI Prado LLC	65,150	3	1.09%			
LHT Saddleback LLC	39,745	4	0.67%	47,094	3	0.96%
SPTMRT Properties Trust	36,633	5	0.61%	35,616	6	0.73%
Lakehills at Laguna LLC	35,534	6	0.60%			
La Paz Office Plaza LLC	31,749	7	0.53%			
Laguna Hills Estate LLC	25,584	8	0.43%			
Memorial Health Services	25,059	9	0.42%			
Moulton Plaza LLC	23,629	10	0.40%			
Shopping Center Associates				108,135	1	2.20%
Landmark Laguna LP				41,295	4	0.84%
Pinebrook Apartments				37,141	5	0.76%
Shea Laguna Hills LLC				35,578	7	0.72%
Franklin N. Tomlinson Trust				27,724	8	0.56%
W California				22,684	9	0.46%
LBA Realty Fund-Holding Company II LLC				21,624	10	0.44%
Totals	<u>\$ 511,902</u>		<u>8.59%</u>	<u>\$ 443,455</u>		<u>9.03%</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>		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
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%
2015	6,051	275	6,327	6,180	97.7%	52	6,231	98%

Source: County of Orange 2014 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)
2006	21,390	1,384,623	\$ 41,813	1.54%	645.93
2007	20,450	1,425,961	\$ 43,058	1.43%	617.51
2008	19,480	1,441,089	\$ 43,346	1.35%	585.94
2009	18,470	1,417,282	\$ 42,444	1.30%	553.13
2010	17,943	1,500,666	\$ 44,672	1.20%	534.14
2011	16,802	1,445,996	\$ 47,227	1.16%	548.75
2012	15,620	1,363,858	\$ 44,421	1.15%	508.75
2013	14,388	1,320,001	\$ 42,778	1.09%	466.29
2014	13,437	1,336,181	\$ 43,315	1.01%	435.57
2015	12,106				390.60

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
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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, 2015

	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	110,420,000	0.257%	283,779
Saddleback Valley Unified School District	122,240,000	18.121%	22,151,110
Capistrano Unified School District Facilities Improvement District No. 1	32,516,818	0.026%	8,454
Moulton-Niguel Water District and, I.D.'s 6	9,460,000	3.410%	322,586
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT:			<u>\$ 22,765,929</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</u>			
Orange County General Fund Obligations	98,906,000	1.265%	\$ 1,251,161
Orange County Pension Obligations	366,854,623	1.265%	4,640,711
Orange County Board of Education Certificates of Participation	15,190,000	1.265%	192,154
Municipal Water District of Orange County Water Facilities Corporation	5,360,000	1.512%	81,043
Capistrano Unified School District Certificates of Participation	16,805,000	0.017%	2,857
Moulton-Niguel Water District Certificates of Participation	77,825,000	13.396%	10,425,437
SUBTOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			<u>\$ 16,593,363</u>
City of Laguna Hills Certificates of Participation, Direct Debt	12,106,108	100.000%	<u>12,106,108</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT, AND LAGUNA HILLS CERTIFICATES OF PARTICIPATION:			28,699,471
Less: MWDOC Water Facilities Corporation (100% self-supporting)			<u>(81,043)</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT:			<u><u>\$ 28,618,428</u></u>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</u>	7,125,000	2.773%	197,576
<u>GROSS COMBINED TOTAL DEBT</u>			\$ 51,662,976
<u>NET COMBINED TOTAL DEBT</u>			\$ 51,581,933 ^(b)

- (a) *The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.*

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

Source: California Municipal Statistics, Inc.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 736,414	\$ 797,096	\$ 860,479	\$ 853,897	\$ 838,413	\$ 819,070	\$ 819,547	\$ 832,512	\$ 853,695	\$ 899,043
Total net debt applicable to limit	21,390	20,450	19,480	18,470	17,190	16,100	14,970	13,790	12,585	11,335
Legal debt margin	<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>	<u>\$ 887,708</u>
Total net debt applicable to limit, as a percentage of debt limit	2.90%	2.57%	2.26%	2.16%	2.05%	1.97%	1.83%	1.66%	1.47%	1.26%

Legal Debt Margin Calculation for Fiscal Year 2014/15

Assessed value	5,958,209
Add back: exempt real property	35,410
Total assessed value	<u>5,993,620</u>
Debt limit (15% of total assessed value)	899,043
Debt applicable to limit:	
Certificates of Participation	11,335
Total net debt applicable to limit	<u>11,335</u>
Legal debt margin	<u>\$ 887,708</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
PLEDGED-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

THE CITY OF LAGUNA HILLS DEMOGRAPHIC AND ECONOMIC STATISTICS

Calendar Year	Population	Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate	Median Age	% of Pop 25+ with High School Degree	% of Pop 25+ with Bachelor's Degree
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%	41.2	92.8%	44.0%
2010	33,593	\$1,500,666	\$44,672	8.1%	39.3	90.6%	42.9%
2011	30,618	\$1,445,996	\$47,227	7.4%	40.7	91.4%	43.0%
2012	30,703	\$1,363,858	\$44,421	4.8%	41.6	92.3%	44.5%
2013	30,857	\$1,320,001	\$42,778	4.2%	41.5	91.7%	42.8%
2014	30,848	\$1,336,181	\$43,315	5.0%	41.8	91.6%	45.3%

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%

Consumer Price Index

Year	CPI	% Change
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%
2014	242.4	1.3%

Building Activity and Valuation (in thousands)

	2012	2013	2014
Residential			
New Single Family	700	519	20
New Multi-Family	-	-	39,273
Additions, alterations	4,346	5,349	7,640
Total Residential	5,046	5,868	46,932
Commercial			
New Commercial	2,236	2,045	25,106
New Industrial	-	-	-
Additions, alterations	5,853	10,201	9,357
Total Non-Residential	8,089	12,246	34,463
Total Valuation	13,135	18,114	81,396
No. of New Dwelling Units	1	2	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	FY 2014/15		FY 2005/06	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Saddleback Memorial Medical Center	1,915	11.13%	1,020	5.90%
Laguna Hills Health and Rehabilitation Center	306	1.78%	200	1.16%
Saddleback Valley USD	260	1.51%		
Allied Schools/Ashley Crown Systems Inc	227	1.32%	200	1.16%
Macy's*	205	1.19%		
Bj's Restaurant & Brewhouse*	150	0.87%		
JC Penney	147	0.85%		
Memorial Care home health	137	0.80%		
City of Laguna Hills	105	0.61%		
US Post Office	98	0.57%		
Kennedy Pipeline			320	1.85%
Saddleback Coordinated Home			200	1.16%
Total Top Employers	3,550	20.64%	1,940	11.23%
Total City Employment (1)	17,200		-	

Source: MuniServices, LLC

Results based on direct correspondence with city's local businesses.

The Saddleback Valley Unified School District number represents all employees within the district.

(1) Total City Employment provided by EDD Labor Force Data

2005-06 previously published CAFR

*Includes Full and Part time

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

Function	Full-time Equivalent Personnel at June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	12.59	13.09	12.09	11.90	11.90	11.90	11.90	11.75	11.75	10.99
Non-Departmental	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.25	1.25	1.00
Public Services	30.00	41.00	41.00	42.00	42.00	44.00	44.00	44.00	44.00	43.00
Community Development	7.85	8.30	8.30	8.15	7.15	8.15	8.15	7.85	7.85	8.23
Community Services	14.25	14.25	14.25	15.61	15.61	15.75	15.75	15.75	15.75	15.40
Public Safety	<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>	<u>26.46</u>
Total	<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>	<u>105.08</u>

Source: City of Laguna Hills' Biennial Budget

CITY OF LAGUNA HILLS
OPERATING INDICATORS
LAST TEN FISCAL YEARS

Function	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	FY 14/15
Police ^(b)										
Physical arrests	487	579	460	740	721	684	468	362	458	534
Parking violations	1,799	3,162	2,757	3,636	2,662	2,087	1,107	885	1,407	1,981
Traffic violations	5,367	3,846	5,566	4,886	5,781	4,089	3,074	2,462	2,070	3,041
Fire ^(c)										
Number of calls answered	2,373	2,424	2,434	2,421	2,558	2,614	2,550	2,579	2,584	2,675
Inspections	586	549	309	387	439	393	308	273	379	494
Highways and Streets ^(d)										
Sidewalk replacement (sq. ft.)	7,610	3,450	1,850	4,660	22,266	8,592	13,482	13,610	3,519	7,250
Curb & gutter replacement (linear ft.)	626	90	110	2,374	1,030	1,727	3,990	1,141	478	-
Asphalt concrete placed (tons)	15,203	13,385	11,362	21,291	15,695	14,454	15,692	16,319	7,857	16,276
Street sweeping debris collected (tons)	922	546	265	449	294	290	374	432	293	265
New sign installations	37	65	37	64	92	102	28	42	65	23
Sign Replacements	161	304	238	277	168	173	161	378	278	380
Trees trimmed	2,370	1,815	1,763	1,774	2,273	1,872	1,474	1,568	1,185	792
Trees removed	247	265	207	214	81	114	166	215	179	461
Trees planted	67	108	262	82	43	39	649	39	44	38
Sanitation ^(a)										
Refuse collected (tons/day)	80	70	63	50	46	46	44	47	45	43
Recyclables collected (tons/day)	77	65	55	52	50	47	45	46	46	49
Culture and Recreation ^(e)										
Community center programs (participants)	8,215	8,650	8,173	9,022	7,262	6,876	5,682	5,633	5,783	5,637
Athletic permits	74	71	70	76	69	57	44	41	45	41
Waste Stream ^(a)										
Refuse collected (tons)	29,126	25,705	22,981	18,089	16,698	16,814	15,932	17,185	16,416	15,707
Recyclables collected (tons)	27,927	23,691	20,120	19,081	18,162	17,325	16,391	16,753	16,964	17,728

^(a) CR&R Monthly Tonnage Report, 6/30/15

^(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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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 30,994 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.

