



# CITY OF LAGUNA HILLS CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2016







**CITY OF LAGUNA HILLS**  
California

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
Fiscal Year Ended June 30, 2016

**CITY MANAGER**  
*Bruce E. Channing*

**ASSISTANT CITY MANAGER**  
*Donald J. White*





# INTRODUCTORY SECTION



# CITY OF LAGUNA HILLS

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Government Finance Officers Association

**Certificate of  
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**City of Laguna Hills  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

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

Executive Director/CEO

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December 13, 2016

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

**T**he Comprehensive Annual Financial Report (CAFR) of the City of Laguna Hills for the fiscal year ended June 30, 2016, 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 unmodified 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, 2016, 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**

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### **ECONOMIC CONDITIONS & OUTLOOK**

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Seven years after the end of the “Great Recession”, 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 seven years, has helped the City weather slower economic conditions.

General fund revenues in Laguna Hills increased in Fiscal Year 2015/2016 by \$852,085 and totaled \$20,643,126. Property tax revenues totaled \$9,660,613, representing a 5.8% increase over the prior year revenues. Total operating expenditures decreased over the previous fiscal year by approximately \$414,000, or 1.7%, and came in \$1,243,759 under budget for FY 2015/2016. Additionally, general fund revenues exceeded expenditures by \$3,042,769. The City ended the fiscal year with a total fund balance of \$12,148,973.

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 were used for 2017:

- Taxable Sales -1.67%
- Consumer Price Index +2.52%
- Assessed Valuation +3.26%

**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 2015/16 came in at 1.11 and the Unrestricted Fund Balance and the Unassigned Fund Balance were at 46% and 40%, 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 2015/2016 fiscal year:

#### **FIVE LAGUNAS**

In March, the City Council approved redevelopment plans submitted by Merlone Geier Partners (MGP), the owner of the former Laguna Hills Mall, to redevelop the existing project site – a \$500,000,000 project called "Five Lagunas." The Five Lagunas project includes major development and redevelopment activities, some of which include: demolition of approximately 449,000 square feet of existing space; exterior façade renovations; construction of approximately 410,000 square feet of commercial buildings for retail, restaurant, entertainment, and fitness uses; construction of a six-story parking structure containing over 1,500 parking stalls; development of three multifamily buildings; and various site improvements related to pedestrian walkways, plaza and park areas, and landscaping.

#### **OAKBROOK VILLAGE PROGRESS**

Throughout the year, the City took an active role in monitoring the first phase of construction of the Reata luxury apartments at Oakbrook Village. Due to the complexities involved with completing building improvements in an active shopping center, an amendment to the project's 2012 development agreement was completed in March. As of December 1, the Reata is 70% leased up. Shea Properties expects to be fully stabilized (95% occupancy) in early 2017.

#### **ANIMAL SERVICES TRANSITION**

Earlier this year, and for the first time in the City's history, the City Council voted to establish a new provider and contract partner for animal control and sheltering services. Beginning on January 1, 2017, the City of Mission Viejo will be the sole provider of animal services. Contracting with the City of Mission Viejo provides the City with the ability to better control operating and service costs over the lifetime of the contract.

**COMMUNITY  
DEVELOPMENT BLOCK  
GRANT (CDBG)**

The City successfully competed for an award of 2016/2017 Community Development Block Grant (CDBG) funding for Public Facilities and Improvement monies to be used at the Florence Sylvester Memorial Senior Center. The City was awarded \$60,000 to remodel the Center's restrooms to bring the restrooms into compliance with American with Disabilities Act (ADA) requirements, which includes the following improvements: enlarge stalls; install high-base toilets; modify countertops; replace hardware, tile, flashing, and plumbing; and install hands-free components.

**COMPREHENSIVE  
COMPENSATION  
STUDY**

One of the major plans identified as part of the 2015-17 Biennial was to conduct a Comprehensive Compensation and limited Classification Study for use as the basis of negotiations with the Laguna Hills City Employees Association. Consequently, the City issued of a Request for Proposals to conduct a comprehensive compensation and limited classification study for all regular, full-time management, non-management, and confidential positions within the City. Ralph Andersen & Associates, the selected firm, presented its final report to the City Council, wherein the report showed that overall the City's base salary levels are on average 5% above the market mean. When future retirement costs are taken into account and calculated at net present values, the City's total compensation levels are 8% below the market average.

**MOU NEGOTIATED  
WITH CITY EMPLOYEES**

The City and the Laguna Hills City Employees Association (LHCEA) negotiated a new MOU, benefiting both the City and its employees, and completing another major plan identified in the 2015-17 Biennial Budget. The MOU achieves numerous goals for the City, including: shifting a greater percentage of the City's annual PERS' contributions onto City employees; maintains the City's zero exposure to Other Post Employment Benefits (OPEB); maintains total personnel costs as a percentage of budget at or below the City's historical experience of 27%; and, in an effort to remain competitive in the labor market and retain highly competent and qualified employees, maintains the City's practice of setting

employee salary ranges at 5% above comparator cities average for similar positions. For the most part, the MOU allows the City to “tread water” over its two-year term with a 2% cost-of-living increase on July 1, 2016 and another similar cost-of-living increase on July 1, 2017.

**UPDATED  
PURCHASING  
ORDINANCE**

In March, the City Council adopted a Purchasing Ordinance which amended and restated in its entirety Chapter 3-08 of the Laguna Hills Municipal Code. The previous ordinance, adopted in February 2011, was becoming outdated and required a significant update. Consequently, in conjunction with the City Attorney’s Office, staff developed an updated Purchasing Ordinance intended to clarify, consolidate, correct, and further streamline the City’s procurement process, while at the same time, ensuring accountability.

**COMMUNITY  
DEVELOPMENT  
DEPARTMENT REVIEW**

The City worked closely with KAMG, a consulting group that evaluates municipal functions and services, to conduct a management review of the Community Development Department’s processes and service areas. As a result of the review, the City implemented a number of process improvements and pursued many of the recommendations that were identified in the KAMG’s report. The most significant recommendation was to add a planning manager to the department staffing level in lieu of replacing a vacant line staff position. Ultimately, with the concurrence of the City Council, the City started a recruitment process for a senior planner and is eager to fill the position by the end of the year. Of the 24 recommendations that were identified in the report, two were not approved by the City Council, 14 have been implemented by the City, and the remaining 8 are in progress of being completed or will be considered for funding during the upcoming Biennial Budget process. Additionally, the City’s building and planning permit software is in the process of being upgraded, which will have significantly enhance the customer service experience provided by the Community Development Department.

**COMMUNITY CENTER &  
SPORTS COMPLEX  
RENOVATION**

The sports complex physical infrastructure was updated and repaired as a part of CIP No. 514, a \$210,000 project, completed in June 2016. The work included the replacement of 5,000 square feet of sidewalk, the construction of 16 Americans with Disabilities Act (ADA) access ramps, refurbishment of the fountain wall tiles, the addition of a storage unit for Little League usage, the replacement of wall caps, the replacement of barbecue units, various restroom repairs, and painting of the restroom building.

**COMMUNITY CENTER  
FACILITY RENTAL  
RATES AND POLICY  
UPDATES**

The Community Services Department conducted a comprehensive rental rate study that compared the City of Laguna Hills' Community Center rental rates to other surrounding municipal rates and also compared the City of Laguna Hills rates to the cost to operate room rentals. This work effort also included updating the City Council Reservation Policies that pertain to Community Center facility and gymnasium rentals (Policies 309, 310, and 313). On June 28, 2016, the City Council approved a resolution that set in to place rental rates that more readily recover costs to operate room rentals on an hourly basis, and the City Council approved updates to City Council Reservation Policies 309, 310, and 313. It is estimated that the new rental rates will result in approximately \$14,500 increase in revenue based on 2015 reservation data. The City's rates continue to be very competitive to what other cities in the region are charging.

## AWARDS AND ACKNOWLEDGEMENTS

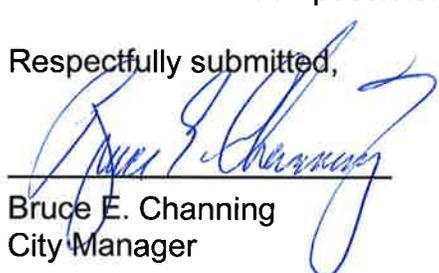
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Laguna Hills for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This was the twenty-fourth consecutive 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.

In January, the City was awarded 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,



Bruce E. Channing  
City Manager



Donald J. White  
Assistant City Manager

# CITY OF LAGUNA HILLS

## ELECTED OFFICIALS As of June 30, 2016



**Barbara Kogerman**  
Mayor



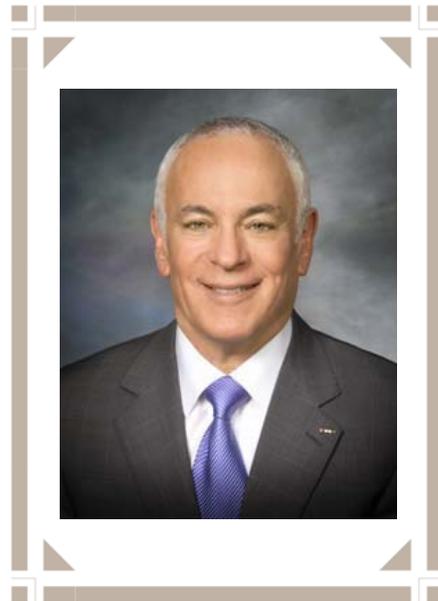
**Donald Sedgwick**  
Mayor Pro Tem



**Andrew Blount**  
Council Member



**Melody Carruth**  
Council Member



**Dore Gilbert**  
Council Member

# CITY OF LAGUNA HILLS

## APPOINTED OFFICIALS As of June 30, 2016



**Donald J. White**  
Assistant City Manager/Deputy Treasurer



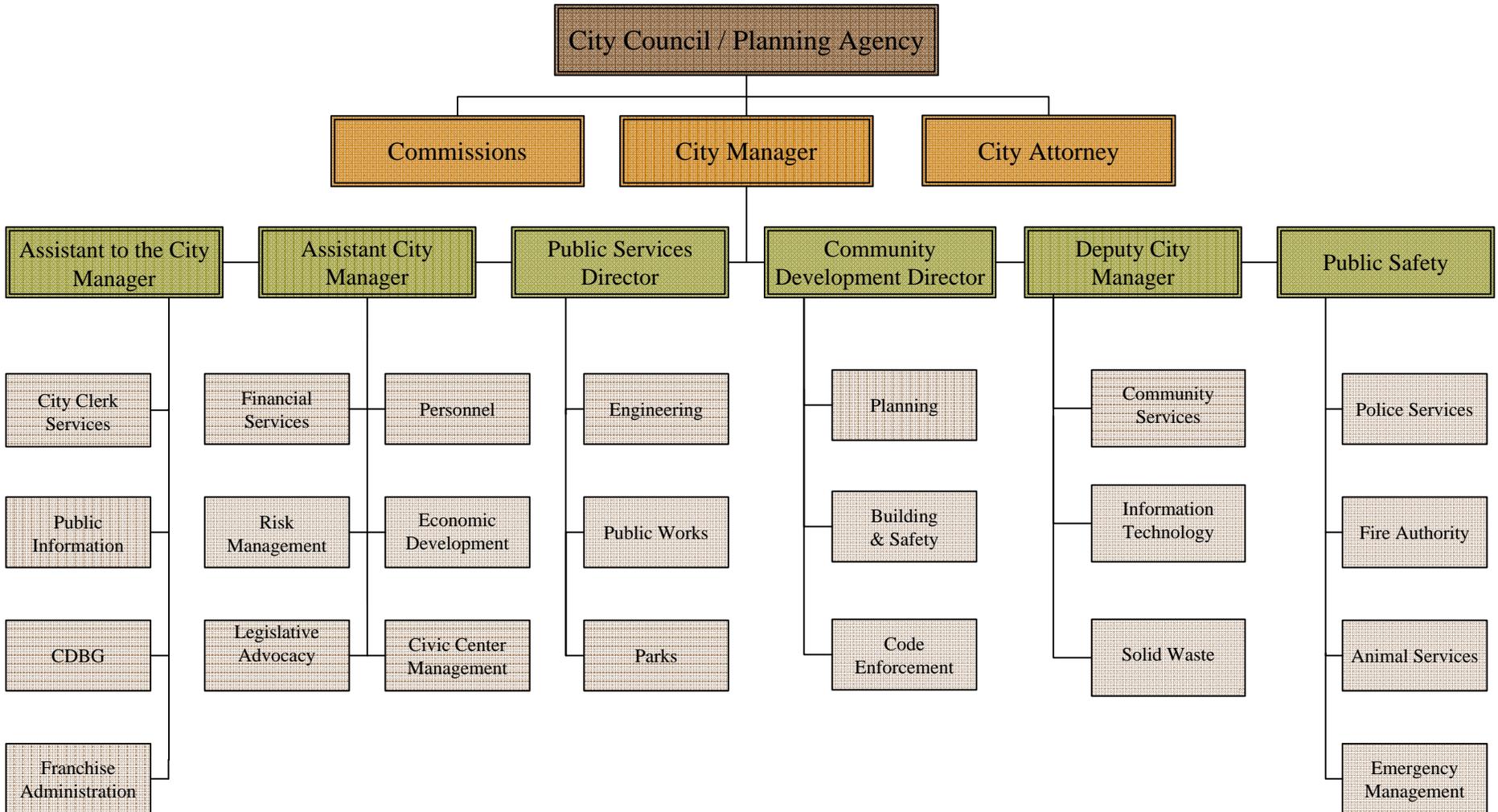
**Bruce E. Channing**  
City Manager/Treasurer

- ◆ **Melissa Au-Yeung** Assistant to the City Manager
- ◆ **Greg 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)
- ◆ **Jeff Adams** Division Chief (OC. Fire Department)

# CITY OF LAGUNA HILLS

## ORGANIZATIONAL CHART

June 30, 2016





# 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, 2016, 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, 2016, 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.

## **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, combining and individual non-major fund financial statements and 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.

The combining and individual non-major fund financial statements and schedules (supplementary information), 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*White Nelson Dick Evans LLP*

Irvine, California  
December 5, 2016

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# **MANAGEMENT'S DISCUSSION AND 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, 2016**. 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 \$99,774,638. Of this amount, \$4,985,282 is not restricted to a specific use or purpose.
- After recording the value of the City's infrastructure assets, net of accumulated depreciation, the decrease in the City's net position resulting from the most recent fiscal year's operation was \$1,167,528, or approximately 1.2%.
- Total revenues from all sources were \$22,781,088.
- The total cost of all City programs and projects was \$23,948,616. Approximately 19%, or \$4,585,605, of this amount is attributable to depreciation on the City's capital assets.
- The net pension liability reported as of June 30, 2016, for the City's proportionate shares of the net pension liability of all pension plans, was \$1,956,617.
- The net position of governmental activities was \$90,708,236 as of June 30, 2016, after recording the value of the City's infrastructure assets, net of accumulated depreciation and long term debt.
- Governmental activities, which include certain capital projects and depreciation related to capital assets, decreased the City's net position by \$945,834.

#### **Fund Based**

- As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$12,148,973.

- Total nonspendable fund balances, amounts that are either not in spendable form or are legally or contractually required to be maintained, were \$312,137.
- Total spendable fund balances were \$11,836,836. Of this amount, approximately 9% (\$1,059,959 total assigned) is constrained by the City's intent to be used for a specific purpose and 36% (\$4,276,934 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 \$509,963.
- At the end of the most recent fiscal year, the total fund balance for the general fund was \$8,099,293; an increase of \$1,381,992 over prior year.
- General fund reported revenues exceeded expenditures by \$3,042,769.

## 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 outflows, 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, program revenues, 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, public art special revenue 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-63 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 comparison for the general fund, a schedule of proportionate share of the net pension liability, 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, 2016, was \$99,774,638, as shown on Table 1, on the following page.

By far the largest portion of the City's net position (roughly \$92.3 million, or 92.5% 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 \$10,725,644 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)*

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 14,146	\$ 13,954	\$ 131	\$ 41	\$ 14,277	\$ 13,995
Capital assets	<u>91,993</u>	<u>94,647</u>	<u>8,998</u>	<u>9,324</u>	<u>100,991</u>	<u>103,971</u>
Total assets	<u>106,139</u>	<u>108,601</u>	<u>9,129</u>	<u>9,365</u>	<u>115,268</u>	<u>117,966</u>
Total deferred outflows	<u>574</u>	<u>554</u>	<u>-</u>	<u>-</u>	<u>574</u>	<u>554</u>
Long-term liabilities	13,009	14,735	-	-	13,009	14,735
Other liabilities	<u>2,127</u>	<u>1,958</u>	<u>63</u>	<u>77</u>	<u>2,190</u>	<u>2,035</u>
Total liabilities	<u>15,136</u>	<u>16,693</u>	<u>63</u>	<u>77</u>	<u>15,199</u>	<u>16,770</u>
Total deferred inflows	<u>869</u>	<u>808</u>	<u>-</u>	<u>-</u>	<u>869</u>	<u>808</u>
Net position:						
Net investment in capital assets	83,321	84,623	8,998	9,324	92,319	93,947
Restricted	2,470	5,241	-	-	2,470	5,241
Unrestricted	<u>4,917</u>	<u>1,790</u>	<u>68</u>	<u>(36)</u>	<u>4,985</u>	<u>1,754</u>
Total net position	<u>\$ 90,708</u>	<u>\$ 91,654</u>	<u>\$ 9,066</u>	<u>\$ 9,288</u>	<u>\$ 99,774</u>	<u>\$ 100,942</u>

Another portion of the City's net position, \$2,470,305 (2.5% 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 \$4,985,282 (5% of the total net position), 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, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's business-type activity involves the leasing of rentable areas in the Civic Center building. This 3-story building complex was renovated to accommodate the City offices and to add leasable spaces. Since June 28, 2004, the City government has operated from this facility. Altogether, there are 51,970 square feet of leasable office space in the Civic Center building. The City occupies 20,843 square feet and leases out 31,127 square feet. The occupancy rate was approximately 89% on June 30, 2016.

During the fiscal year ended June 30, 2016, the total revenue from all sources was \$22,781,088 and the cost of all activities was \$23,948,616, resulting in an overall decrease in net position of \$1,167,528. The City's governmental activities decreased total net position by \$945,834 and the City's business-type activities decreased total net position by \$221,694. The decrease from governmental activities is due from the planned use of reserves to fund capital improvement projects, most notably the Sports Complex Softball Field Synthetic Turf Capital Improvement Project #240, which was funded largely through program revenues from water conservation rebates and park in-lieu fees. The decrease from business-type activities is largely attributable to depreciation. Of the \$1,222,043 of total operating expenses related to property leasing activities, depreciation represents 60%, or \$740,977, of that total.

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

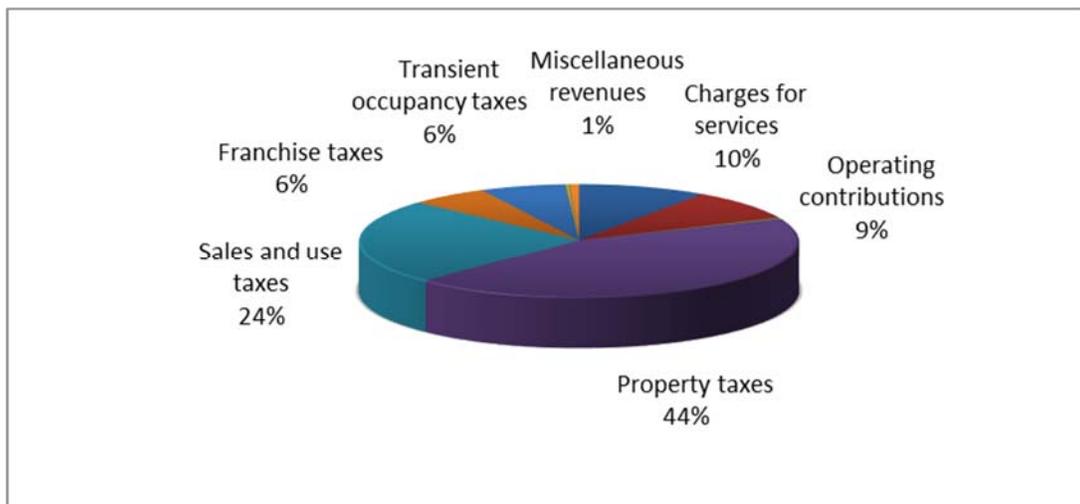
**Table 2**  
**Statement of Changes in Net Position**  
*(in thousands)*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 2,135	\$ 2,262	\$ 579	\$ 500	\$ 2,714	\$ 2,762
Operating contributions	1,960	2,989	-	-	1,960	2,989
Capital contributions	61	2,265	-	-	61	2,265
General Revenues:						
Property taxes	9,661	9,129	-	-	9,661	9,129
Sales and use taxes	5,439	5,604	-	-	5,439	5,604
Franchise taxes	1,304	1,343	-	-	1,304	1,343
Transient occupancy taxes	1,407	1,285	-	-	1,407	1,285
Motor vehicle in lieu taxes	12	14	-	-	12	14
State subvention	57	94	-	-	57	94
Interest earnings	15	14	-	-	15	14
Miscellaneous revenues	151	56	-	-	151	56
Total revenues	<u>22,202</u>	<u>25,055</u>	<u>579</u>	<u>500</u>	<u>22,781</u>	<u>25,555</u>
Expenses:						
General government	3,113	3,087	-	-	3,113	3,087
Public services	6,803	6,333	-	-	6,803	6,333
Community development	1,309	1,434	-	-	1,309	1,434
Community services	4,142	4,661	-	-	4,142	4,661
Public safety	6,929	7,163	-	-	6,929	7,163
Property leasing	-	-	1,222	1,205	1,222	1,205
Interest	431	480	-	-	431	480
Total expenses	<u>22,727</u>	<u>23,158</u>	<u>1,222</u>	<u>1,205</u>	<u>23,949</u>	<u>24,363</u>
Change in net position before transfers	(525)	1,897	(643)	(705)	(1,168)	1,192
Transfers	<u>(421)</u>	<u>(50)</u>	<u>421</u>	<u>50</u>	<u>-</u>	<u>-</u>
Change in net position	(946)	1,847	(222)	(655)	(1,168)	1,192
Net position, beginning	<u>91,654</u>	<u>89,807</u>	<u>9,288</u>	<u>9,943</u>	<u>100,942</u>	<u>99,750</u>
Net position, ending	<u>\$ 90,708</u>	<u>\$ 91,654</u>	<u>\$ 9,066</u>	<u>\$ 9,288</u>	<u>\$ 99,774</u>	<u>\$ 100,942</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 2015/16**



As shown in the above pie chart, roughly 80%, or \$17,823,072 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 \$4,156,048, 19% 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: general government, 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.

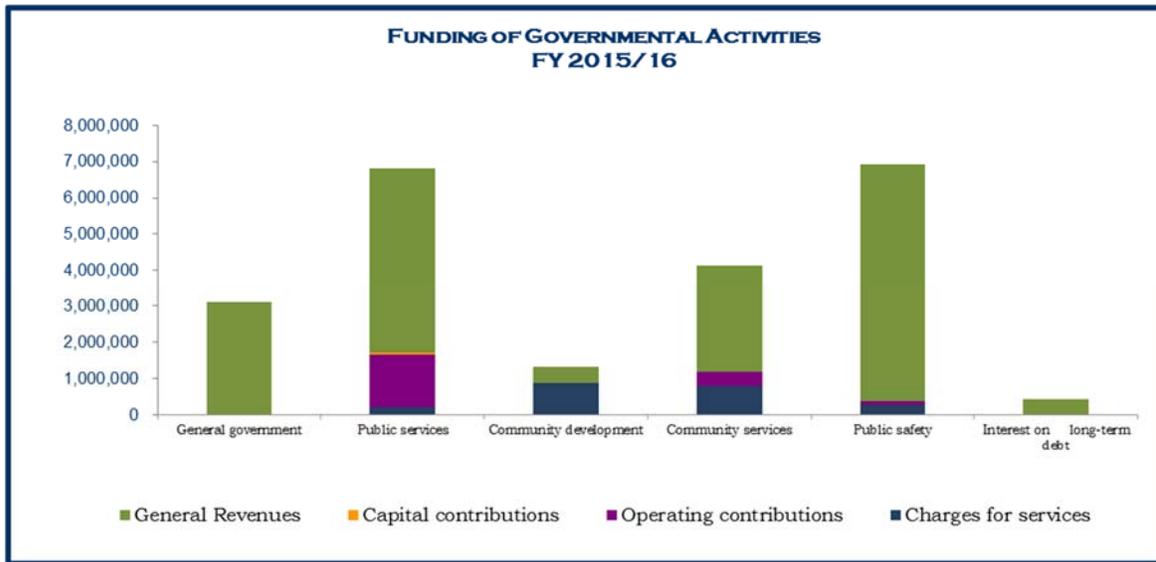
Expenses associated with governmental activities experienced a decrease of 2%, or \$431,506, this past year. This is largely due to the decrease in spending on capital improvement projects year-over-year. Of the \$22,726,573 of expenses in

governmental activities, depreciation of capital assets accounts for \$3,844,628 (17%) and the debt service interest payment on capital related items accounts for \$431,264 (2%).

**Program Revenues and Expenses:**

Program revenues for the most recent fiscal year were \$4,156,048. Expenses related to governmental activities were \$22,726,573. 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 \$431,264.

**Figure 2**



**Business-type Activities**

During the most recent fiscal year, the operating revenues of the Laguna Hills Civic Center were \$579,313 and the operating expenses were \$1,222,043, resulting in a net operating loss of \$642,730, which includes a depreciation charge of \$740,977. After interest income of \$36 and the net transfers from governmental activities of \$421,000, the change in net position at fiscal year-end was \$(221,694). The net cash provided by the leasing activities was \$88,733. The contra rent revenue associated with the occupied spaces for City Hall was \$613,663 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 \$12,148,973, an increase of \$509,963 from the prior year's balance. Of the ending fund balance, \$312,137 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 \$11,836,836 in spendable fund balance, \$4,276,934 is restricted fund balance, \$1,059,959 is assigned fund balance and \$6,499,943 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 \$859,959 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 \$1,381,992 from the prior fiscal year's balance, essentially as a result of lower than anticipated cost for contract law enforcement services, staffing level changes, and the rescheduling of various technology related projects.

The City's public art special revenue fund accounts for financial resources 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. As of the end of the fiscal year, the City's public art fund reported an ending fund balance of (\$227,420). This negative fund balance represents the interest-free advances from the City's general fund to the public art fund to cover the costs of the City's Civic Center Public Art program.

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 \$2,277,446. The largest capital expenditure during the current year was the Sports Complex Softball Field Synthetic Turf Project #240, which totaled \$1,237,790.

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 \$1,809,082 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 \$7,654. Only to the extent the reserve requirement is satisfied, any 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 51,970. 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 \$613,663.

The statement of revenues, expenses, and changes in net position shows a net operating loss of \$642,730, before the interest income of \$36. The net effect, after net transfer in of \$421,000 from General Fund, is a decrease in the ending net position of \$221,694, which is largely attributable to depreciation. It should be noted that, before accounting for \$740,977 in depreciation expense, the net operating activity would result in a net operating income of \$98,247 from the City's other leasing related activities.

## **General Fund Budgetary Highlights**

At fiscal year-end, total revenues were below the budgeted amount by less than 1%, or \$16,640. While total revenues essentially met expectations, sales tax revenues came in below projections by roughly 6%, mainly due to declining sales related to the redevelopment at the former Laguna Hills Mall site and the drop in fuel prices. The lower than anticipated sales tax revenues were largely offset by higher than expected revenues from building and engineering related fees and transient occupancy tax. The City's top revenues source, property taxes, performed better in comparison to prior year receipts. Property taxes totaled \$9,660,614, which was \$532,046, or 6%, over the prior year and \$1,468 over projection.

The total operating expenditures of \$17,600,357 came in lower than the budgeted amount by \$1,243,759. This variance is principally a result of lower than anticipated cost for contract law enforcement services with the Orange County Sheriff's Department (OCSD) due to vacancies and overtime credits, as well as staffing level changes within the Community Development Department and the deferment of various projects, namely technology equipment upgrade projects that have carried over into the following fiscal year.

## **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, 2016 amounted to \$100,990,870 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)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Land	\$ 17,962	\$ 17,754	\$ 2,855	\$ 2,855	\$ 20,817	\$ 20,609
Land improvements	9,347	10,664	-	-	9,347	10,664
Rights of ways/Easements	2,854	3,062	-	-	2,854	3,062
Building & improvements	4,178	4,851	6,143	6,469	10,321	11,320
Equipment and machinery	386	465	-	-	386	465
Construction in progress		308	-	-		308
Infrastructure						
Street signs	21	4	-	-	21	4
Storm drains	2,299	2,301	-	-	2,299	2,301
Streets	45,232	46,262	-	-	45,232	46,262
Parks inventory	2,361	1,287	-	-	2,361	1,287
Curbs, sidewalks, gutters	5,739	6,007	-	-	5,739	6,007
Bridges	1,614	1,682	-	-	1,614	1,682
Total capital assets net of accumulated depreciation	<u>\$ 91,993</u>	<u>\$ 94,647</u>	<u>\$ 8,998</u>	<u>\$ 9,324</u>	<u>\$ 100,991</u>	<u>\$ 103,971</u>

Additional information on the City's capital assets can be found in Note 5 on page II-48 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, 2016, the per capita liability of the City of Laguna Hills was \$327.08. 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-49 to II-50 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 approximately \$21 million in fiscal year 2016/17, while operating expenditures are estimated at roughly \$19 million. The major goals and issues that dominated the budgeting process for this biennial budget are discussed in the transmittal letter together with the measures adopted to address the prevailing issues. A copy of the 2015-17 Biennial Budget is available on the City's website: [www.ci.laguna-hills.ca.us](http://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, 2016**

	<b>Governmental Activities</b>	<b>Business-type Activity</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and investments	\$ 9,208,451	\$ 124,667	\$ 9,333,118
Taxes receivable	2,281,676	-	2,281,676
Accounts receivable	474,593	2,023	476,616
Interest receivable	12,945	-	12,945
Prepaid items	84,717	4,835	89,552
Due from other governments	277,235	-	277,235
Restricted cash and investments	1,806,629	-	1,806,629
Capital assets, not depreciated	20,815,814	2,855,425	23,671,239
Capital assets, net of accumulated depreciation	71,176,942	6,142,689	77,319,631
Total Assets	<u>106,139,002</u>	<u>9,129,639</u>	<u>115,268,641</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred loss on refunding	247,196	-	247,196
Deferred amounts from pension plans	326,600	-	326,600
Total Deferred Outflows of Resources	<u>573,796</u>	<u>-</u>	<u>573,796</u>
<b>LIABILITIES:</b>			
Accounts payable	122,485	-	122,485
Accrued liabilities	855,388	10,426	865,814
Interest payable	184,175	-	184,175
Due to other governments	644,127	-	644,127
Deposits payable	320,669	52,811	373,480
Noncurrent Liabilities:			
Due within one year	1,382,640	-	1,382,640
Due in more than one year	9,669,403	-	9,669,403
Net pension liability	1,956,617	-	1,956,617
Total Liabilities	<u>15,135,504</u>	<u>63,237</u>	<u>15,198,741</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred amounts from pension plans	869,058	-	869,058
Total Deferred Inflows of Resources	<u>869,058</u>	<u>-</u>	<u>869,058</u>
<b>NET POSITION:</b>			
Net investment in capital assets	83,320,937	8,998,114	92,319,051
Restricted for:			
Public services	1,979,979	-	1,979,979
Public safety	574	-	574
Community services	487,299	-	487,299
Debt service	2,453	-	2,453
Unrestricted	4,916,994	68,288	4,985,282
Total Net Position	<u>\$ 90,708,236</u>	<u>\$ 9,066,402</u>	<u>\$ 99,774,638</u>

*See Accompanying Notes to the Basic Financial Statements*

**CITY OF LAGUNA HILLS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**



	<u>Expenses</u>	<u>Program Revenues</u>			<u>Total Program Revenues</u>
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	
<b>Governmental Activities:</b>					
General government	\$ 3,112,783	\$ -	\$ -	\$ -	\$ -
Public services	6,802,499	205,446	1,443,183	60,850	1,709,479
Community development	1,309,210	881,286	-	-	881,286
Community services	4,141,792	780,519	400,979	-	1,181,498
Public safety	6,929,025	267,555	116,230	-	383,785
Interest expense	431,264	-	-	-	-
Total Governmental Activities	<u>22,726,573</u>	<u>2,134,806</u>	<u>1,960,392</u>	<u>60,850</u>	<u>4,156,048</u>
<b>Business-type Activity:</b>					
Property leasing	<u>1,222,043</u>	<u>579,313</u>	<u>-</u>	<u>-</u>	<u>579,313</u>
Total Business-type Activity	<u>1,222,043</u>	<u>579,313</u>	<u>-</u>	<u>-</u>	<u>579,313</u>
<b>Total Primary Government</b>	<u>\$ 23,948,616</u>	<u>\$ 2,714,119</u>	<u>\$ 1,960,392</u>	<u>\$ 60,850</u>	<u>\$ 4,735,361</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

Net Position, Ending

See Accompanying Notes to the Basic Financial Statements

**Net (Expense) Revenue and Changes in Net Position**

**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activity</b>	<b>Total</b>
\$ (3,112,783)	\$ -	\$ (3,112,783)
(5,093,020)	-	(5,093,020)
(427,924)	-	(427,924)
(2,960,294)	-	(2,960,294)
(6,545,240)	-	(6,545,240)
(431,264)	-	(431,264)
<u>(18,570,525)</u>	<u>-</u>	<u>(18,570,525)</u>
-	(642,730)	(642,730)
-	(642,730)	(642,730)
<u>(18,570,525)</u>	<u>(642,730)</u>	<u>(19,213,255)</u>
9,660,614	-	9,660,614
5,439,210	-	5,439,210
1,303,919	-	1,303,919
1,406,823	-	1,406,823
12,506	-	12,506
57,112	-	57,112
14,893	36	14,929
150,614	-	150,614
(421,000)	421,000	-
<u>17,624,691</u>	<u>421,036</u>	<u>18,045,727</u>
(945,834)	(221,694)	(1,167,528)
<u>91,654,070</u>	<u>9,288,096</u>	<u>100,942,166</u>
<u>\$ 90,708,236</u>	<u>\$ 9,066,402</u>	<u>\$ 99,774,638</u>

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# **FUND FINANCIAL STATEMENTS**



**CITY OF LAGUNA HILLS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**AS OF JUNE 30, 2016**

	<u>General</u>	<u>Public Art Special Revenue Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>Assets</b>						
Current:						
Cash and investments	\$ 9,208,451	\$ -	\$ -	\$ -	\$ -	\$ 9,208,451
Receivables:						
Taxes	2,281,676	-	-	-	-	2,281,676
Accounts	474,593	-	-	-	-	474,593
Interest	10,492	-	-	2,453	-	12,945
Prepaid items	84,717	-	-	-	-	84,717
Due from other funds	-	320,835	-	-	2,467,852	2,788,687
Due from other governments	277,235	-	-	-	-	277,235
Advances to other funds	227,420	-	-	-	-	227,420
Restricted assets:						
Cash and investments	-	-	-	1,806,629	-	1,806,629
Total Assets	<u>\$ 12,564,584</u>	<u>\$ 320,835</u>	<u>\$ -</u>	<u>\$ 1,809,082</u>	<u>\$ 2,467,852</u>	<u>\$ 17,162,353</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 122,485	\$ -	\$ -	\$ -	\$ -	\$ 122,485
Accrued liabilities	855,388	-	-	-	-	855,388
Deposits	-	320,669	-	-	-	320,669
Due to other funds	2,788,687	-	-	-	-	2,788,687
Due to other governments	644,127	-	-	-	-	644,127
Advances from other funds	-	227,420	-	-	-	227,420
Total Liabilities	<u>4,410,687</u>	<u>548,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,958,776</u>
Deferred Inflows of Resources						
Unavailable revenues	54,604	-	-	-	-	54,604
Total Deferred Inflows of Resources	<u>54,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,604</u>
Fund Balances (Deficit):						
Nonspendable	312,137	-	-	-	-	312,137
Restricted	-	-	-	1,809,082	2,467,852	4,276,934
Assigned	1,059,959	-	-	-	-	1,059,959
Unassigned	6,727,197	(227,254)	-	-	-	6,499,943
Total Fund Balances (Deficit)	<u>8,099,293</u>	<u>(227,254)</u>	<u>-</u>	<u>1,809,082</u>	<u>2,467,852</u>	<u>12,148,973</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,564,584</u>	<u>\$ 320,835</u>	<u>\$ -</u>	<u>\$ 1,809,082</u>	<u>\$ 2,467,852</u>	<u>\$ 17,162,353</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, 2016**

Fund balances of governmental funds	\$ 12,148,973
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	156,233,315
Accumulated depreciation	(64,240,559)
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	(10,035,000)
Bond premium	(690,644)
Compensated absences	(304,224)
Claims and judgments payable	(22,175)
Deferred outflows of resources (loss on refunding of bonds) that have not been included in the governmental fund activity.	247,196
Accrued interest payable for the current portion of interest due on the Certificates of Participation has not been reported in the governmental funds.	(184,175)
Pension related debt applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities:	
Deferred outflows of resources	326,600
Deferred inflows of resources	(869,058)
Net pension liability	(1,956,617)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the funds.	54,604
Net position of governmental activities	\$ 90,708,236

*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, 2016**

	<u>General</u>	<u>Public Art Special Revenue Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>Revenues:</b>						
Taxes	\$ 12,371,356	\$ -	\$ -	\$ -	\$ 22,000	\$ 12,393,356
Licenses and permits	859,399	-	-	-	99,739	959,138
Intergovernmental revenues	5,976,986	-	-	-	1,920,831	7,897,817
Charges for current services	1,156,880	-	-	-	-	1,156,880
Fines and forfeitures	267,555	-	-	-	-	267,555
Investment income	10,950	-	-	7,654	17,366	35,970
Total Revenues	<u>20,643,126</u>	<u>-</u>	<u>-</u>	<u>7,654</u>	<u>2,059,936</u>	<u>22,710,716</u>
<b>Expenditures:</b>						
Current:						
General government	3,128,699	-	-	-	-	3,128,699
Public services	4,225,582	-	-	-	47,990	4,273,572
Community development	1,308,380	-	-	-	-	1,308,380
Community services	2,022,247	-	-	-	48,705	2,070,952
Public safety	6,915,449	-	-	-	1,826	6,917,275
Capital outlay	-	-	2,277,446	-	-	2,277,446
Debt service:						
Interest	-	-	-	503,429	-	503,429
Principal retirement	-	-	-	1,300,000	-	1,300,000
Total Expenditures	<u>17,600,357</u>	<u>-</u>	<u>2,277,446</u>	<u>1,803,429</u>	<u>98,521</u>	<u>21,779,753</u>
Excess (Deficiency) of						
Revenues over Expenditures	<u>3,042,769</u>	<u>-</u>	<u>(2,277,446)</u>	<u>(1,795,775)</u>	<u>1,961,415</u>	<u>930,963</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	2,895,799	-	2,277,446	1,798,389	34,723	7,006,357
Transfers out	<u>(4,556,576)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,870,781)</u>	<u>(7,427,357)</u>
Total Other Financing Sources (Uses)	<u>(1,660,777)</u>	<u>-</u>	<u>2,277,446</u>	<u>1,798,389</u>	<u>(2,836,058)</u>	<u>(421,000)</u>
Net Change in Fund Balances						
Balances	1,381,992	-	-	2,614	(874,643)	509,963
<b>Fund Balances (Deficit),</b>						
<b>Beginning</b>	<u>6,717,301</u>	<u>(227,254)</u>	<u>-</u>	<u>1,806,468</u>	<u>3,342,495</u>	<u>11,639,010</u>
<b>Fund Balances (Deficit),</b>						
<b>Ending</b>	<u>\$ 8,099,293</u>	<u>\$ (227,254)</u>	<u>\$ -</u>	<u>\$ 1,809,082</u>	<u>\$ 2,467,852</u>	<u>\$ 12,148,973</u>

See Accompanying Notes to the Basic Financial Statements

# CITY OF LAGUNA HILLS

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds	\$ 509,963
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	1,190,332
Depreciation	(3,844,628)
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	1,300,000
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)
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	20,582
Change in claims and judgments payable	21,132
Change in accrued interest for Certificates of Participation	20,501
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.	
	291,957
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.	
	(507,337)
Change in net position of governmental activities	\$ (945,834)

*See Accompanying Notes to the Basic Financial Statements*

**CITY OF LAGUNA HILLS**  
**PROPRIETARY FUND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	<u>Enterprise - Property Leasing</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and investments	\$ 124,667
Accounts receivable	2,023
Prepaid items	4,835
Total Current Assets	<u>131,525</u>
Noncurrent Assets:	
Capital assets not depreciated	2,855,425
Capital assets, net of accumulated depreciation	6,142,689
Total Noncurrent Assets	<u>8,998,114</u>
Total Assets	<u>9,129,639</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accrued liabilities	10,426
Deposits payable	52,811
Total Current Liabilities	<u>63,237</u>
<b>NET POSITION:</b>	
Net investment in capital assets	8,998,114
Unrestricted	68,288
Total Net Position	<u>\$ 9,066,402</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, 2016**

	<u>Enterprise - Property Leasing</u>
<b>Operating Revenues:</b>	
Rental fees	\$ 565,720
CAM revenues	11,984
Other current service fees	1,609
Total Operating Revenues	<u>579,313</u>
<b>Operating Expenses:</b>	
Direct operating expenses	455,125
Advertising and promotion	3,140
Administrative and professional fees	9,654
Legal fees	260
Repairs and maintenance	12,887
Depreciation expense	740,977
Total Operating Expenses	<u>1,222,043</u>
Operating Loss	<u>(642,730)</u>
<b>Nonoperating Revenues:</b>	
Interest income	<u>36</u>
Total Nonoperating Rrvenues	<u>36</u>
Loss before Transfers	(642,694)
<b>Transfers in</b>	471,000
<b>Transfers out</b>	<u>(50,000)</u>
Change in Net Position	(221,694)
<b>Net Position, Beginning</b>	<u>9,288,096</u>
<b>Net Position, Ending</b>	<u><u>\$ 9,066,402</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, 2016**

	<b>Enterprise - Property Leasing</b>
<b>Cash Flows from Operating Activities:</b>	
Receipts from tenants	\$ 595,071
Payments to suppliers for goods and services	(506,338)
Net Cash Provided by Operating Activities	88,733
<b>Net Cash Flows from Noncapital Financing Activities:</b>	
Transfers in	471,000
Transfers out	(50,000)
Net Cash Provided by Noncapital Financing Activities	421,000
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of capital assets	(414,598)
Net Cash Used for Capital and Related Financing Activities	(414,598)
<b>Cash Flows from Investing Activities:</b>	
Interest on investments	36
Net Cash Provided by Investing Activities	36
<b>Net Increase in Cash and Cash Equivalents</b>	95,171
<b>Cash and Cash Equivalents, Beginning</b>	29,496
<b>Cash and Cash Equivalents, Ending</b>	\$ 124,667
 <b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>	
Operating loss	\$ (642,730)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	740,977
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	7,190
(Increase) decrease in prepaid items	(3,078)
Increase (decrease) in accrued liabilities	(22,194)
Increase (decrease) in deposits payable	8,568
Total adjustments	731,463
Net Cash Provided by Operating Activities	\$ 88,733

*See Accompanying Notes to the Basic Financial Statements*



**NOTES TO THE BASIC FINANCIAL STATEMENTS**



# CITY OF LAGUNA HILLS

Notes to the Basic Financial Statements  
June 30, 2016

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## (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 accordance 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, liabilities, and deferred inflows of resources

resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows of resources 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*. *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, 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 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.

#### 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.

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.

#### 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.

##### Public Art Special Revenue Fund

The Public Art Special Revenue Fund is 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.

##### 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 2015-2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "*Fair Value Measurement and Application*". GASB Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the City's financial statements as a result of the implementation of GASB Statement No. 72.

GASB Statement No. 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*", was required to be implemented in the current fiscal year, except for those provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement 68, and is effective for periods beginning after June 15, 2016, and did not impact the City.

GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", was required to be implemented in the current fiscal year and did not impact the City.

GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*", was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the City.

GASB Statement No. 82, "*Pension Issues an Amendment of GASB Statement No. 67, No. 68 and No. 73*", changed the measurement of covered payroll reported in required supplementary information and has been early implemented.

## **Pending Accounting Standards**

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

- 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"*, contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, 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 77 - *"Tax Abatement Disclosure"*, effective for periods beginning after December 15, 2015.
- GASB 78 - *"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"*, effective for periods beginning after December 15, 2015.
- GASB 79 - *"Certain External Investment Pools and Pool Participants"*, contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.
- GASB 80 - *"Blending Requirements for Certain Component Units"*, effective for periods beginning after June 15, 2016.
- GASB 81 - *"Irrevocable Split-Interest Agreements"*, effective for periods beginning after December 15, 2016.
- GASB 82 - *"Pension Issues"*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

### e) Cash and Investments

Investments are reported in the accompanying basic financial statements at fair value, which is price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value represented by the external pool.

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 statements 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 government-wide 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 the following items that qualify for reporting in this category:

- Deferred loss on 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, which is 15 years.
- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pensions for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans, which is 3.8 years.

In addition to liabilities, the government-wide 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 the following items that qualify for reporting in this category:

- Deferred inflows from unavailable revenues, which are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, which is property damage. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.
- Deferred inflow from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expecting remaining service lives of all employees that are provided with pensions through the plans, which is 3.8 years.
- Deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.
- 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, 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 30<sup>th</sup> 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, 2016, are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 9,333,118
Restricted cash and investments	1,806,629
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	<u>174,044</u>
Total cash and investments	<u>\$ 11,313,791</u>

Cash and investments at June 30, 2016, consisted of the following:

Cash on hand		\$ 2,750
Pooled deposits:		
Demand deposits	\$ 966,774	
Certificates of deposit	<u>820,502</u>	
Total pooled deposits		1,787,181
Pooled investments:		
Local Agency Investment Fund		7,717,136
Restricted cash and investments:		
Money Market Mutual Fund	\$ 7,743	
Local Agency Investment Fund	<u>1,798,886</u>	
Total restricted cash and investments		<u>1,806,629</u>
Total cash and investments		<u>\$ 11,313,791</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>\$ 7,717,136</u>	<u>\$ 7,717,136</u>
Investment with Fiscal Agent:		
Money Market Mutual Fund	7,743	7,743
Local Agency Investment Funds	<u>1,798,886</u>	<u>1,798,886</u>
Total	<u>\$ 9,523,765</u>	<u>\$ 9,523,765</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, 2016, the City's investment in the State Treasurer's Local Agency Investment Fund has not been rated by a nationally recognized statistical rating organization and the City's investment in the Money Market Mutual Fund is rated AAA by Standard and Poor's.

**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, 2016, 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, 2016, 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.

## **Fair Value Measurements**

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the City has the ability to access.
  
- Level 2: Inputs to the valuation methodology include:
  - Quoted prices for similar assets in active markets;
  - Quoted prices for identical or similar assets in inactive markets;
  - Inputs other than quoted prices that are observable for the asset;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
  
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the City's management. City management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management's perceived risk of that investment.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are based on evaluated prices received by City's broker or custodian.

The following is a description of the recurring valuation methods and assumptions used by the City to estimate the fair value of its investments.

Amounts invested in the Local Agency Investment Fund and Money Market Mutual Funds are not subject to fair value measurements.

The City has no investments categorized in Level 3. When valuing Level 3 securities, the inputs or methodology are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

**(3) Interfund Receivables and Payables**

Interfund receivables and payables at June 30, 2016, were as follows.

<u>Funds:</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Major Governmental:</u>		
General	\$ -	\$ 2,788,687
Public Art Special Revenue Fund	320,835	-
<u>Non-major Governmental Special Revenue Funds:</u>		
Gas Tax	623,702	
AB 2766	70,442	-
Senior Mobility Program	69,819	-
CARITS	1,088,273	-
Beverage Recycling	34,707	-
C & D Forfeited Deposits	126,825	-
AB 939 Surcharge Grant	51	-
Water Conservation	325,716	-
Grants and Contributions	127,743	-
Other Law Enforcement Grant	574	-
Total	<u>\$ 2,788,687</u>	<u>\$ 2,788,687</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, 2016, 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	\$ -
Public Art Special Revenue Fund	-	227,420
	<hr/>	<hr/>
Total	\$ 227,420	\$ 227,420
	<hr/>	<hr/>

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, 2016 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	\$ 4,556,576	General	\$ 2,895,799
		Capital Projects	2,277,446
		Debt Service	1,798,389
			<hr/>
<u>Major Enterprise:</u>		<u>Major Enterprise:</u>	
Property Leasing	50,000	Property Leasing	471,000
			<hr/>
<u>Non-major Governmental Special Revenue Funds:</u>		<u>Non-major Governmental Special Revenue Funds:</u>	
Gas Tax	28,224	Senior Mobility Program	9,741
Measure M	671,239	CARITS	19,283
C&D Forfeited Deposits	5,699	CR&R Recycling Fee	5,699
Quimby Park Impact Fees	1,640,555		<hr/>
Water Conservation	349,237		
Grants and Contributions	60,850		
SLEFS/COPS BRULTE	114,977		
	<hr/>		
Total	\$ 7,477,357	Total	\$ 7,477,357
	<hr/>		<hr/>

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, 2016, 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, 2016, was as follows:

	<u>Balance at</u> <u>July 1, 2015</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2016</u>
<b>Governmental activities:</b>					
Buildings and improvements	\$ 13,466,229	\$ -	\$ -	\$ -	\$ 13,466,229
Machinery and equipment	2,490,071	-	14,394	(24,590)	2,479,875
Land improvements	26,347,918	-	-	-	26,347,918
Infrastructure	91,846,679	-	1,778,384	(501,584)	93,123,479
Total cost of depreciable assets	134,150,897	-	1,792,778	(526,174)	135,417,501
Less accumulated depreciation for:					
Buildings and improvements	8,615,395	-	673,311	-	9,288,706
Machinery and equipment	2,024,519	-	91,794	(22,130)	2,094,183
Land improvements	15,683,424	-	1,317,396	-	17,000,820
Infrastructure	34,303,854	-	1,762,127	(209,131)	35,856,850
Total accumulated depreciation	60,627,192	-	3,844,628	(231,261)	64,240,559
Net depreciable assets	73,523,705	-	(2,051,850)	(294,913)	71,176,942
Land	17,754,286	207,346	-	-	17,961,632
Rights of way/Easements	3,061,528	(207,346)	-	-	2,854,182
Construction in progress	307,533	-	80,804	(388,337)	-
Total cost of non-depreciable assets	21,123,347	-	80,804	(388,337)	20,815,814
Total capital assets, net	\$ 94,647,052	\$ -	\$ (1,971,046)	\$ (683,250)	\$ 91,992,756
<b>Business-type activity:</b>					
Buildings and improvements	\$ 14,404,942	\$ -	\$ 414,598	\$ -	\$ 14,819,540
Total cost of depreciable assets	14,404,942	-	414,598	-	14,819,540
Less accumulated depreciation for:					
Buildings and improvements	7,935,874	-	740,977	-	8,676,851
Total accumulated depreciation	7,935,874	-	740,977	-	8,676,851
Net depreciable assets	6,469,068	-	(326,379)	-	6,142,689
Land	2,855,425	-	-	-	2,855,425
Total capital assets, net	\$ 9,324,493	\$ -	\$ (326,379)	\$ -	\$ 8,998,114

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

<b>Governmental activities:</b>	
General government	\$ 24,482
Community development	830
Public services	1,736,726
Community services	2,070,840
Public safety	<u>11,750</u>
	3,844,628
<b>Business-type activity:</b>	
Property leasing	<u>740,977</u>
Total	<u>\$ 4,585,605</u>

**(6) Long-term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2016, was as follows:

Governmental Activities :

	<u>Balance at</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>June 30, 2016</u>	<u>Amounts Due</u> <u>in One Year</u>
Certificates of Participation:					
2010 COP	\$ 11,335,000	\$ -	\$ 1,300,000	\$ 10,035,000	\$ 1,350,000
Unamortized premium	771,108	-	80,464	690,644	-
Total Certificates of Participation	<u>12,106,108</u>	<u>-</u>	<u>1,380,464</u>	<u>10,725,644</u>	<u>1,350,000</u>
Other Liabilities:					
Compensated absences	324,806	190,706	211,288	304,224	30,422
Claims and judgments	43,307	835,775	856,907	22,175	2,218
Total Other Liabilities	<u>368,113</u>	<u>1,026,481</u>	<u>1,068,195</u>	<u>326,399</u>	<u>32,640</u>
Totals	<u>\$ 12,474,221</u>	<u>\$ 1,026,481</u>	<u>\$ 2,448,659</u>	<u>\$ 11,052,043</u>	<u>\$ 1,382,640</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 15<sup>th</sup> 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, 2016, are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,580,000	206,881	1,786,881
2022 - 2025	<u>2,745,000</u>	<u>218,782</u>	<u>2,963,782</u>
Totals	<u>\$10,035,000</u>	<u>\$ 1,894,200</u>	<u>\$11,929,200</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 \$273,802 at June 30, 2016 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, 2016, taking in to account the City's self-insurance portion, if any.

<b>Area of Risk</b>	<b>City Self-Insurance</b>	<b>Carrier</b>	<b>Risk Coverage</b>
Municipal Broad General Liability	<ul style="list-style-type: none"> <li>• \$100,000 for PI, PD or wrongful acts (public officials E&amp;O)</li> <li>• \$1,000,000 for unfair employment practices</li> </ul>	ERMAC	<ul style="list-style-type: none"> <li>• \$50M per occurrence and in the annual aggregate excess of limit of the SIR</li> </ul>
Property, Business Interruption and Boiler & Machinery	<ul style="list-style-type: none"> <li>• \$10,000 per occurrence (specific perils may be higher)</li> </ul>	ERMAC (PEPIP program)	<ul style="list-style-type: none"> <li>• \$1B per occurrence combined</li> <li>• \$10M flood limit per occurrence</li> <li>• \$100M combined business interruption</li> <li>• \$100M boiler explosion &amp; machinery breakdown combined</li> </ul>
Difference in Conditions (Multi-peril) Civic Center only	<ul style="list-style-type: none"> <li>• \$25,000 per occurrence</li> <li>• 5% earthquake</li> <li>• 5% flood</li> </ul>	Everest Indemnity Insurance Company	<ul style="list-style-type: none"> <li>• \$5M per occurrence and annual aggregate</li> <li>• \$18.8M TIV</li> </ul>

<b>Area of Risk</b>	<b>City Self-Insurance</b>	<b>Carrier</b>	<b>Risk Coverage</b>
Crime	<ul style="list-style-type: none"> <li>• \$2,500</li> </ul>	CSAC-EIA	<ul style="list-style-type: none"> <li>• \$15M employee dishonesty</li> <li>• \$15M forgery alterations</li> <li>• \$15M money &amp; securities theft, inside premises</li> <li>• \$15M money &amp; securities theft, outside premises</li> <li>• \$15M computer fraud</li> <li>• \$15M money order &amp; counterfeit currency</li> <li>• \$15M theft of other property, inside premises</li> <li>• \$15M theft of other property, outside premises</li> </ul>
Recreational Class & Officials Supplemental	<ul style="list-style-type: none"> <li>• None</li> </ul>	SCMAF	<ul style="list-style-type: none"> <li>• \$1M per occurrence</li> <li>• \$300,000 property damage</li> <li>• \$1M personal injury, products and partial liability</li> <li>• \$5,000 medical expense</li> </ul>

Business Auto	<ul style="list-style-type: none"> <li>• \$500</li> </ul>	Columbia Insurance Company	<ul style="list-style-type: none"> <li>• \$1M combined BI &amp; PD</li> <li>• \$1M uninsured, under-insured motorist</li> <li>• \$5,000 medical payments</li> <li>• If any basis, non-owned or hired auto liability</li> </ul>
Workers' Compensation & Employers' Liability	<ul style="list-style-type: none"> <li>• None</li> </ul>	SDRMA	<ul style="list-style-type: none"> <li>• Statutory Workers' Compensation per occurrence</li> <li>• \$5M Employer's Liability per occurrence</li> </ul>

### 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, 2016, the estimated outstanding ULAE was \$14,846.

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, 2016, the estimated IBNR was \$7,328.

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

	<u>FY 2015/16</u>	<u>FY 2014/15</u>
Claims payable, beginning	\$ 43,307	\$ 226,611
Claims and changes in estimate	835,775	645,831
Claims payments	<u>(856,907)</u>	<u>(829,135)</u>
Claims payable, ending	<u>\$ 22,175</u>	<u>\$ 43,307</u>

The total amount designated in the Claims Liability Loss Reserve Fund as of June 30, 2016 is \$200,000, which would cover two full limit losses. The City's self-insured retention is \$100,000.

During 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 2015-2016.

(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, 2016, are summarized as follows:

	Miscellaneous	
	Tier I Prior to January 1, 2013	PEPRA 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	7.964% + \$67,184	6.730%

**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, 2016, 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>\$ 1,956,617</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, 2015, 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, 2014 rolled forward to June 30, 2015 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, 2014 and 2015 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2014	0.09148%
Proportion - June 30, 2015	0.07132%
Change - Increase (Decrease)	-0.02016%

For the year ended June 30, 2016, the City recognized pension expense of \$16,811. At June 30, 2016, 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	\$ 308,768	\$ -
Differences between actual and expected experience	17,832	-
Change in assumptions	-	(168,711)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(615,770)
Net differences between projected and actual earnings on plan investments	-	(84,577)
Total	<u>\$ 326,600</u>	<u>\$ (869,058)</u>

\$308,768 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2017	\$ (344,212)
2018	(340,751)
2019	(274,372)
2020	108,109
2021	-
Thereafter	-

### **Actuarial Assumptions**

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(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.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

### **Change of Assumptions**

GASB 69, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.65% 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 of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of

7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected 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. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	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	6.65%
Net Pension Liability	\$ 3,921,445
Current Discount Rate	7.65%
Net Pension Liability	\$ 1,956,617
1% Increase	8.65%
Net Pension Liability	\$ 334,424

**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, 2016, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

**(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 \$18,000 for calendar year 2015 and 2016. 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, 2016 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, 2016.

*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, 2016 is as follows:

	<b>General Fund</b>	<b>Public Art Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Nonspendable:					
Prepaid Items	\$ 84,717	\$ -	\$ -	\$ -	\$ 84,717
Advances	227,420	-	-	-	227,420
Total	312,137	-	-	-	312,137
Restricted:					
Debt Service	-	-	1,809,082	-	1,809,082
AB 2766	-	-	-	70,442	70,442
Gas Tax	-	-	-	623,702	623,702

CARITS	-	-	-	1,088,273	1,088,273
Beverage Recycling	-	-	-	34,707	34,707
Senior Mobility Program	-	-	-	69,819	69,819
C & D Forfeited Deposits	-	-	-	126,825	126,825
AB 939 Surcharge Grant	-	-	-	51	51
Water Conservation	-	-	-	325,716	325,716
Law Enforcement Other Grant	-	-	-	574	574
Grants and Contributions	-	-	-	127,743	127,743
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,809,082</b>	<b>2,467,852</b>	<b>4,276,934</b>
Assigned:					
Claims Liability	200,000	-	-	-	200,000
Community Center Mtnc	200,000	-	-	-	200,000
Parks Maintenance	351,000	-	-	-	351,000
Sports Complex Mtnc	100,000	-	-	-	100,000
Civic Center Eqpt Mtnc	79,000	-	-	-	79,000
Slopes/Storm Drain Mtnc	129,959	-	-	-	129,959
<b>Total</b>	<b>1,059,959</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,059,959</b>
Unassigned	6,727,197	(227,254)	-	-	6,499,943
Total Fund Balances (Deficit)	\$ 8,099,293	\$ (227,254)	\$ 1,809,082	\$ 2,467,852	\$ 12,148,973

## **(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, 2016. 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 \$549,965.

**(13) Other Required Individual Fund Disclosures**

Accumulated Fund Deficits

The following fund reported a deficit in its respective fund balance at June 30, 2016:

**Major Governmental Fund:**

Public Art Special Revenue Fund \$ (227,254)

This deficit is 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, 2016. The City manages its budget at the fund level.

	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance Positive (Negative)</b>
<b>Major Governmental Fund:</b>			
Debt Service Fund	\$ 1,801,387	\$ 1,803,429	\$ (2,042)
<b>Non-major Governmental Funds:</b>			
Senior Mobility Program Special Revenue Fund	-	48,705	(48,705)
CR&R Recycling Fees Special Revenue Fund	22,000	25,000	(3,000)

**(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, 2016:

<u>Year Ending June 30</u>	<u>Amounts</u>
2017	\$ 533,950
2018	350,023
2019	239,983
2020	166,745
Thereafter	472,784
	<u>\$ 1,763,485</u>

The Property Leasing Enterprise Fund Statement of Net Position includes the capital assets that represent the land, building, and improvements utilized by the operating leases. The original cost of these capital assets is \$17,674,964. The carrying value of these capital assets as of June 30, 2016 is \$8,998,114.

Total rent revenue for the year ended June 30, 2016 was \$565,720.

**(16) Subsequent Events**

In preparing these financial statements, the City’s Management has evaluated events and transactions for potential recognition or disclosure through December 5, 2016, the date these financial statements were available to be issued, and has determined there were no other material events requiring disclosure.

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## **REQUIRED SUPPLEMENTARY INFORMATION**



# CITY OF LAGUNA HILLS

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

Fiscal year ended	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement period	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.02851%	0.03634%
Plan's proportionate share of the net pension liability	\$ 1,956,617	\$ 2,261,011
Plan's covered - employee payroll	\$ 3,093,576	\$ 2,893,989
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	63.25%	78.13%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	78.40%	79.82%
Plan's proportionate share of aggregate employer contributions	\$ 431,378	\$ 299,124

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

# CITY OF LAGUNA HILLS

## SCHEDULE OF CONTRIBUTIONS LAST TEN FISCAL YEARS\*

Fiscal year ended	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 308,768	\$ 278,231
Contributions in relation to the actuarially determined contributions	<u>(308,768)</u>	<u>(278,231)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 3,076,464	\$ 3,093,576
Contributions as a percentage of covered - employee payroll	10.04%	8.99%

Notes to Schedule:

Valuation Date 6/30/2013

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
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 two years are shown.

\*\* - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) included the same actuarial assumptions.

\*\*\* - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method.

**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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Taxes	\$ 12,260,781	\$ 12,260,781	\$ 12,371,356	\$ 110,575
Licenses and permits	700,000	700,000	859,399	159,399
Intergovernmental revenues	6,307,000	6,307,000	5,976,986	(330,014)
Charges for current services	1,131,985	1,131,985	1,156,880	24,895
Fines and forfeitures	260,000	260,000	267,555	7,555
Investment income	-	-	10,950	10,950
	<u>20,659,766</u>	<u>20,659,766</u>	<u>20,643,126</u>	<u>(16,640)</u>
Total Revenues				
Expenditures:				
Current:				
General government	3,635,305	3,635,305	3,128,699	506,606
Public services	4,300,900	4,300,900	4,225,582	75,318
Community development	1,396,218	1,396,218	1,308,380	87,838
Community services	2,015,498	2,015,498	2,022,247	(6,749)
Public safety	7,496,195	7,496,195	6,915,449	580,746
	<u>18,844,116</u>	<u>18,844,116</u>	<u>17,600,357</u>	<u>1,243,759</u>
Total Expenditures				
Excess of Revenues over Expenditures	<u>1,815,650</u>	<u>1,815,650</u>	<u>3,042,769</u>	<u>1,227,119</u>
Other Financing Sources (Uses):				
Transfers in	5,772,456	5,772,456	2,895,799	(2,876,657)
Transfers out	(5,254,769)	(5,254,769)	(4,556,576)	698,193
	<u>517,687</u>	<u>517,687</u>	<u>(1,660,777)</u>	<u>(2,178,464)</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	2,333,337	2,333,337	1,381,992	(951,345)
Fund Balance, Beginning	<u>6,717,301</u>	<u>6,717,301</u>	<u>6,717,301</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 9,050,638</u>	<u>\$ 9,050,638</u>	<u>\$ 8,099,293</u>	<u>\$ (951,345)</u>

*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 Public Art Special Revenue Fund, AB 2766 Special Revenue Fund, AB 939 Surcharge Grant 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.

**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, 2016**

	<b>Special Revenue Funds</b>					
	<b>Gas Tax</b>	<b>Measure M</b>	<b>AB 2766</b>	<b>Senior Mobility Program</b>	<b>CARITS</b>	<b>CDBG</b>
<b>Assets</b>						
Due from other funds	\$ 623,702	\$ -	\$ 70,442	\$ 69,819	\$ 1,088,273	\$ -
Total Assets	<u>\$ 623,702</u>	<u>\$ -</u>	<u>\$ 70,442</u>	<u>\$ 69,819</u>	<u>\$ 1,088,273</u>	<u>\$ -</u>
<b>Fund Balances</b>						
Fund Balances:						
Restricted	\$ 623,702	\$ -	\$ 70,442	\$ 69,819	\$ 1,088,273	\$ -
Total Fund Balances	<u>623,702</u>	<u>-</u>	<u>70,442</u>	<u>69,819</u>	<u>1,088,273</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 623,702</u>	<u>\$ -</u>	<u>\$ 70,442</u>	<u>\$ 69,819</u>	<u>\$ 1,088,273</u>	<u>\$ -</u>

Special Revenue Funds (Continued)									
<u>Beverage Recycling</u>	<u>CR&amp;R Recycling Fees</u>	<u>C &amp; D Forfeited Deposits</u>	<u>AB 939 Surcharge Grant</u>	<u>Quimby Act Park Impact Fees</u>	<u>Water Conservation</u>	<u>Grants &amp; Contributions</u>	<u>SLEFS/COPS BRULTE</u>	<u>Other Law Enforcement Grant</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 34,707	\$ -	\$ 126,825	\$ 51	\$ -	\$ 325,716	\$ 127,743	\$ -	\$ 574	\$ 2,467,852
<u>\$ 34,707</u>	<u>\$ -</u>	<u>\$ 126,825</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 325,716</u>	<u>\$ 127,743</u>	<u>\$ -</u>	<u>\$ 574</u>	<u>\$ 2,467,852</u>
\$ 34,707	\$ -	\$ 126,825	\$ 51	\$ -	\$ 325,716	\$ 127,743	\$ -	\$ 574	\$ 2,467,852
<u>34,707</u>	<u>-</u>	<u>126,825</u>	<u>51</u>	<u>-</u>	<u>325,716</u>	<u>127,743</u>	<u>-</u>	<u>574</u>	<u>2,467,852</u>
\$ 34,707	\$ -	\$ 126,825	\$ 51	\$ -	\$ 325,716	\$ 127,743	\$ -	\$ 574	\$ 2,467,852
<u>\$ 34,707</u>	<u>\$ -</u>	<u>\$ 126,825</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 325,716</u>	<u>\$ 127,743</u>	<u>\$ -</u>	<u>\$ 574</u>	<u>\$ 2,467,852</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, 2016**

	Special Revenue Funds					
	Gas Tax	Measure M	AB 2766	Senior Mobility Program	CARITS	CDBG
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	650,309	669,830	39,354	35,376	-	-
Investment income	1,617	1,409	199	298	4,525	-
<b>Total Revenues</b>	<b>651,926</b>	<b>671,239</b>	<b>39,553</b>	<b>35,674</b>	<b>4,525</b>	<b>-</b>
Expenditures:						
Current:						
Public services	-	-	-	-	-	-
Community services	-	-	-	48,705	-	-
Public safety	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,705</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues over Expenditures	651,926	671,239	39,553	(13,031)	4,525	-
Other Financing Sources (Uses):						
Transfers in	-	-	-	9,741	19,283	-
Transfers out	(28,224)	(671,239)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(28,224)</b>	<b>(671,239)</b>	<b>-</b>	<b>9,741</b>	<b>19,283</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>623,702</b>	<b>-</b>	<b>39,553</b>	<b>(3,290)</b>	<b>23,808</b>	<b>-</b>
Fund Balances (Deficit), Beginning	-	-	30,889	73,109	1,064,465	-
<b>Fund Balances, Ending</b>	<b>\$ 623,702</b>	<b>\$ -</b>	<b>\$ 70,442</b>	<b>\$ 69,819</b>	<b>\$ 1,088,273</b>	<b>\$ -</b>

Special Revenue Funds (Continued)									
	Special Revenue Funds (Continued)								Total
	CR&R	C & D	AB 939	Quimby	Water	Grants &	SLEFS/COPS	Other Law	Total
Beverage	Recycling	Forfeited	Surcharge	Act Park	Conservation	Contributions	BRULTE	Enforcement	Nonmajor
Recycling	Fees	Deposits	Grant	Impact Fees				Grant	Governmental
									Funds
\$ -	\$ 22,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,000
-	-	99,739	-	-	-	-	-	-	99,739
-	-	-	-	-	349,237	60,850	114,626	1,249	1,920,831
147	18	424	-	5,982	1,851	541	351	4	17,366
147	22,018	100,163	-	5,982	351,088	61,391	114,977	1,253	2,059,936
-	25,000	22,990	-	-	-	-	-	-	47,990
-	-	-	-	-	-	-	-	-	48,705
-	-	-	-	-	-	-	-	1,826	1,826
-	25,000	22,990	-	-	-	-	-	1,826	98,521
147	(2,982)	77,173	-	5,982	351,088	61,391	114,977	(573)	1,961,415
-	5,699	-	-	-	-	-	-	-	34,723
-	-	(5,699)	-	(1,640,555)	(349,237)	(60,850)	(114,977)	-	(2,870,781)
-	5,699	(5,699)	-	(1,640,555)	(349,237)	(60,850)	(114,977)	-	(2,836,058)
147	2,717	71,474	-	(1,634,573)	1,851	541	-	(573)	(874,643)
34,560	(2,717)	55,351	51	1,634,573	323,865	127,202	-	1,147	3,342,495
\$ 34,707	\$ -	\$ 126,825	\$ 51	\$ -	\$ 325,716	\$ 127,743	\$ -	\$ 574	\$ 2,467,852

**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, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
				<b>Positive (Negative)</b>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	3,346,874	5,194,739	2,277,446	2,917,293
Deficiency of Revenues over Expenditures	(3,346,874)	(5,194,739)	(2,277,446)	2,917,293
Other Financing Sources:				
Transfers in	5,194,739	5,194,739	2,277,446	(2,917,293)
Total Other Financing Sources	5,194,739	5,194,739	2,277,446	(2,917,293)
Net Change in Fund Balance	1,847,865	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ 1,847,865	\$ -	\$ -	\$ -

**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, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Investment income	\$ -	\$ -	\$ 7,654	\$ 7,654
Total Revenues	-	-	7,654	7,654
<b>Expenditures:</b>				
<b>Debt service:</b>				
Interest	501,387	501,387	503,429	(2,042)
Principal retirement	1,300,000	1,300,000	1,300,000	-
Total Expenditures	1,801,387	1,801,387	1,803,429	(2,042)
Deficiency of Revenues over Expenditures	(1,801,387)	(1,801,387)	(1,795,775)	5,612
<b>Other Financing Sources:</b>				
Transfers in	-	-	1,798,389	1,798,389
Total Other Financing Sources	-	-	1,798,389	1,798,389
Net Change in Fund Balance	(1,801,387)	(1,801,387)	2,614	1,804,001
Fund Balance, Beginning	1,806,468	1,806,468	1,806,468	-
Fund Balance, Ending	\$ 5,081	\$ 5,081	\$ 1,809,082	\$ 1,804,001

**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, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
				<b>Positive (Negative)</b>
Revenues:				
Intergovernmental	\$ 736,729	\$ 736,729	\$ 650,309	\$ (86,420)
Investment income	-	-	1,617	1,617
Total Revenues	<u>736,729</u>	<u>736,729</u>	<u>651,926</u>	<u>(84,803)</u>
Other Financing Uses:				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(28,224)</u>	<u>71,776</u>
Total Other Financing Uses	<u>(100,000)</u>	<u>(100,000)</u>	<u>(28,224)</u>	<u>71,776</u>
Net Change in Fund Balance	636,729	636,729	623,702	(13,027)
Fund Balance, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 636,729</u>	<u>\$ 636,729</u>	<u>\$ 623,702</u>	<u>\$ (13,027)</u>

**CITY OF LAGUNA HILLS**  
**MEASURE M SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 2,679,490	\$ 2,679,490	\$ 669,830	\$ (2,009,660)
Investment income	-	-	1,409	1,409
Total Revenues	<u>2,679,490</u>	<u>2,679,490</u>	<u>671,239</u>	<u>(2,008,251)</u>
Other Financing Uses:				
Transfers out	<u>(2,709,049)</u>	<u>(2,709,049)</u>	<u>(671,239)</u>	<u>2,037,810</u>
Total Other Financing Uses	<u>(2,709,049)</u>	<u>(2,709,049)</u>	<u>(671,239)</u>	<u>2,037,810</u>
Net Change in Fund Balance	(29,559)	(29,559)	-	29,559
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	<u>\$ (29,559)</u>	<u>\$ (29,559)</u>	<u>\$ -</u>	<u>\$ 29,559</u>

**CITY OF LAGUNA HILLS**  
**SENIOR MOBILITY PROGRAM SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 28,776	\$ 28,776	\$ 35,376	\$ 6,600
Investment income	-	-	298	298
Total Revenues	<u>28,776</u>	<u>28,776</u>	<u>35,674</u>	<u>6,898</u>
Expenditures:				
Current:				
Community services	-	-	48,705	(48,705)
Total Expenditures	<u>-</u>	<u>-</u>	<u>48,705</u>	<u>(48,705)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>28,776</u>	<u>28,776</u>	<u>(13,031)</u>	<u>(41,807)</u>
Other Financing Sources:				
Transfers in	-	-	9,741	9,741
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>9,741</u>	<u>9,741</u>
Net Change in Fund Balance	28,776	28,776	(3,290)	(32,066)
Fund Balance, Beginning	<u>73,109</u>	<u>73,109</u>	<u>73,109</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 101,885</u>	<u>\$ 101,885</u>	<u>\$ 69,819</u>	<u>\$ (32,066)</u>

**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, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
				<b>Positive (Negative)</b>
Revenues:				
Investment income	\$ -	\$ -	\$ 4,525	\$ 4,525
Total Revenues	-	-	4,525	4,525
Other Financing Uses:				
Transfers in	-	-	19,283	19,283
Transfers out	(128,229)	(128,229)	-	128,229
Total Other Financing Uses	(128,229)	(128,229)	19,283	147,512
Net Change in Fund Balance	(128,229)	(128,229)	23,808	152,037
Fund Balance, Beginning	1,064,465	1,064,465	1,064,465	-
Fund Balance, Ending	\$ 936,236	\$ 936,236	\$ 1,088,273	\$ 152,037

**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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 70,380	\$ 70,380	\$ -	\$ (70,380)
Total Revenues	<u>70,380</u>	<u>70,380</u>	<u>-</u>	<u>(70,380)</u>
Expenditures:				
Current:				
Community development	<u>70,380</u>	<u>70,380</u>	<u>-</u>	<u>70,380</u>
Total Expenditures	<u>70,380</u>	<u>70,380</u>	<u>-</u>	<u>70,380</u>
Excess of Revenues over Expenditures	-	-	-	-
Fund Balance, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF LAGUNA HILLS**  
**BEVERAGE RECYCLING SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 26,233	\$ 26,233	\$ -	\$ (26,233)
Investment income	-	-	147	147
Total Revenues	<u>26,233</u>	<u>26,233</u>	<u>147</u>	<u>(26,086)</u>
Expenditures:				
Current:				
Community services	<u>26,233</u>	<u>26,233</u>	<u>-</u>	<u>26,233</u>
Total Expenditures	<u>26,233</u>	<u>26,233</u>	<u>-</u>	<u>26,233</u>
Excess of Revenues over Expenditures	-	-	147	147
Fund Balance, Beginning	<u>34,560</u>	<u>34,560</u>	<u>34,560</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 34,560</u>	<u>\$ 34,560</u>	<u>\$ 34,707</u>	<u>\$ 147</u>

**CITY OF LAGUNA HILLS**  
**CR&R RECYCLING FEES SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Taxes	\$ 22,000	\$ 22,000	\$ 22,000	\$ -
Investment income	-	-	18	18
Total Revenues	<u>22,000</u>	<u>22,000</u>	<u>22,018</u>	<u>18</u>
Expenditures:				
Current:				
Public services	<u>22,000</u>	<u>22,000</u>	<u>25,000</u>	<u>(3,000)</u>
Total Expenditures	<u>22,000</u>	<u>22,000</u>	<u>25,000</u>	<u>(3,000)</u>
Deficiency of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(2,982)</u>	<u>(2,982)</u>
Other Financing Sources:				
Transfers in	<u>-</u>	<u>-</u>	<u>5,699</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>5,699</u>	<u>-</u>
Net Change in Fund Balance	-	-	2,717	(2,982)
Fund Balance (Deficit), Beginning	<u>(2,717)</u>	<u>(2,717)</u>	<u>(2,717)</u>	<u>-</u>
Fund Balance (Deficit), Ending	<u>\$ (2,717)</u>	<u>\$ (2,717)</u>	<u>\$ -</u>	<u>\$ (2,982)</u>

**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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Licenses and permits	\$ 54,806	\$ 54,806	\$ 99,739	\$ 44,933
Investment income	-	-	424	424
Total Revenues	<u>54,806</u>	<u>54,806</u>	<u>100,163</u>	<u>45,357</u>
Expenditures:				
Current:				
Public Services	<u>54,806</u>	<u>54,806</u>	<u>22,990</u>	<u>31,816</u>
Total Expenditures	<u>54,806</u>	<u>54,806</u>	<u>22,990</u>	<u>31,816</u>
Excess of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>77,173</u>	<u>77,173</u>
Other Financing Uses:				
Transfers out	<u>-</u>	<u>-</u>	<u>(5,699)</u>	<u>(5,699)</u>
Total Other Financing Uses:	<u>-</u>	<u>-</u>	<u>(5,699)</u>	<u>(5,699)</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>71,474</u>	<u>71,474</u>
Fund Balance, Beginning	<u>55,351</u>	<u>55,351</u>	<u>55,351</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 55,351</u>	<u>\$ 55,351</u>	<u>\$ 126,825</u>	<u>\$ 71,474</u>

**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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Investment income	\$ -	\$ -	\$ 5,982	\$ 5,982
Total Revenues	-	-	5,982	5,982
Other Financing Uses:				
Transfers out	(1,797,304)	(1,797,304)	(1,640,555)	156,749
Total Other Financing Uses	(1,797,304)	(1,797,304)	(1,640,555)	156,749
Net Change in Fund Balance	(1,797,304)	(1,797,304)	(1,634,573)	162,731
Fund Balance, Beginning	1,634,573	1,634,573	1,634,573	-
Fund Balance (Deficit), Ending	\$ (162,731)	\$ (162,731)	\$ -	\$ 162,731

**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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ -	\$ 320,000	\$ 349,237	\$ 29,237
Investment income	-	-	1,851	1,851
Total Revenues	<u>-</u>	<u>320,000</u>	<u>351,088</u>	<u>31,088</u>
Other Financing Uses:				
Transfers out	<u>(320,000)</u>	<u>(320,000)</u>	<u>(349,237)</u>	<u>(29,237)</u>
Total Other Financing Uses	<u>(320,000)</u>	<u>(320,000)</u>	<u>(349,237)</u>	<u>(29,237)</u>
Net Change in Fund Balance	(320,000)	-	1,851	1,851
Fund Balance, Beginning	<u>323,865</u>	<u>323,865</u>	<u>323,865</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 3,865</u>	<u>\$ 323,865</u>	<u>\$ 325,716</u>	<u>\$ 1,851</u>

**CITY OF LAGUNA HILLS**  
**GRANTS AND CONTRIBUTIONS SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-</u>
				<u>Positive(Negative)</u>
Revenues:				
Intergovernmental	\$ 555,000	\$ 555,000	\$ 60,850	\$ (494,150)
Investment income	-	-	541	541
	<u>555,000</u>	<u>555,000</u>	<u>61,391</u>	<u>(493,609)</u>
Total Revenues				
Other Financing Uses:				
Transfers out	(555,000)	(555,000)	(60,850)	494,150
	<u>(555,000)</u>	<u>(555,000)</u>	<u>(60,850)</u>	<u>494,150</u>
Total Other Financing Uses				
Net Change in Fund Balance	-	-	541	541
Fund Balance, Beginning	<u>127,202</u>	<u>127,202</u>	<u>127,202</u>	
Fund Balance, Ending	<u>\$ 127,202</u>	<u>\$ 127,202</u>	<u>\$ 127,743</u>	<u>\$ 541</u>

**CITY OF LAGUNA HILLS**  
**SLESF/COPS BRULTE SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 114,626	\$ 14,626
Investment income	-	-	351	351
	<u>100,000</u>	<u>100,000</u>	<u>114,977</u>	<u>14,977</u>
Total Revenues				
Other Financing Uses:				
Transfers out	(100,000)	(100,000)	(114,977)	(14,977)
	<u>(100,000)</u>	<u>(100,000)</u>	<u>(114,977)</u>	<u>(14,977)</u>
Total Other Financing Uses				
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF LAGUNA HILLS**  
**AGENCY FUND**  
**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Assets</b>				
Cash and investments	\$ 398,808	\$ 402,510	\$ (627,274)	\$ 174,044
Total assets	<u>\$ 398,808</u>	<u>\$ 402,510</u>	<u>\$ (627,274)</u>	<u>\$ 174,044</u>
<b>Liabilities</b>				
Deposits	\$ 398,808	\$ 402,510	\$ (627,274)	\$ 174,044
Total liabilities	<u>\$ 398,808</u>	<u>\$ 402,510</u>	<u>\$ (627,274)</u>	<u>\$ 174,044</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-16**

*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-21**

*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-23**

*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)*

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities</b>										
Net Investment in capital assets	\$ 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	\$ 83,320,937
Restricted	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	2,470,305
Unrestricted	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	4,916,994
<b>Total government activities net position</b>	<b>\$ 64,358,537</b>	<b>\$ 67,269,746</b>	<b>\$ 67,821,899</b>	<b>\$ 87,802,169</b>	<b>\$ 88,956,306</b>	<b>\$ 92,034,229</b>	<b>\$ 93,958,072</b>	<b>\$ 92,631,130</b>	<b>\$ 91,654,070</b>	<b>\$ 90,708,236</b>
<b>Business-type activities</b>										
Net Investment in capital assets	\$ 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	\$ 8,998,114
Restricted										
Unrestricted	359,254	195,703	134,998	150,668	85,344	96,511	47,563	47,801	(36,397)	68,288
<b>Total business-type activities net position</b>	<b>\$ 14,156,067</b>	<b>\$ 13,487,955</b>	<b>\$ 12,855,479</b>	<b>\$ 12,357,324</b>	<b>\$ 11,627,907</b>	<b>\$ 11,085,958</b>	<b>\$ 10,450,640</b>	<b>\$ 9,942,304</b>	<b>\$ 9,288,096</b>	<b>\$ 9,066,402</b>
<b>Primary government</b>										
Net Investment in capital assets	\$ 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	\$ 92,319,051
Restricted	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	2,470,305
Unrestricted	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	4,985,282
<b>Total primary government net position</b>	<b>\$ 78,514,604</b>	<b>\$ 80,757,701</b>	<b>\$ 80,677,378</b>	<b>\$ 100,159,493</b>	<b>\$ 100,584,213</b>	<b>\$ 103,120,187</b>	<b>\$ 104,408,712</b>	<b>\$ 102,573,434</b>	<b>\$ 100,942,166</b>	<b>\$ 99,774,638</b>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
<b>Governmental activities:</b>										
General Government	\$ 3,369,785	\$ 3,320,838	\$ 3,261,396	\$ 3,316,426	\$ 3,309,197	\$ 3,320,664	\$ 3,522,274	\$ 3,304,687	\$ 3,088,372	\$ 3,112,783
Public services	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	6,802,499
Community development	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	1,309,210
Community services	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	4,141,792
Public safety	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	6,929,025
Interest expense	942,801	910,500	875,447	636,441	663,944	620,376	583,461	530,039	479,589	431,264
<b>Total governmental activities expenses</b>	<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>	<u>22,726,573</u>
<b>Business-type activities:</b>										
Property leasing	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	1,222,043
<b>Total business-type activities expenses</b>	<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>	<u>1,222,043</u>
<b>Total primary government expenses</b>	<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>	<u>\$ 23,948,616</u>
<b>Program Revenues</b>										
<b>Government activities:</b>										
Charges for Services:										
General Government	\$ -	\$ -	\$ -	\$ -	\$ 98,962	\$ 2,838.00	\$ -	\$ -	\$ -	\$ -
Public services	59,584	58,539	98,818	86,176	155,373	83,989	112,629	106,633	136,037	205,446
Community development	672,168	616,819	544,227	514,162	653,918	669,936	750,626	799,316	1,050,127	881,286
Community services	562,584	683,911	687,987	703,099	701,040	657,129	714,634	608,877	775,330	780,519
Public safety	475,214	485,376	435,452	542,732	401,665	295,587	226,311	186,347	300,032	267,555
Operating Contributions	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	1,960,392
Capital Contributions	57,282	24,674			820,456	3,040,344	945,068	807,545	2,264,558	60,850
<b>Total governmental activities program revenues</b>	<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>	<u>4,156,048</u>
<b>Business-type activities:</b>										
Charges for Services:										
Property Leasing	688,215	790,817	591,665	649,270	535,455	527,530	527,931	476,391	500,202	579,313
Operating grants and contributions										
Capital grants and contributions						85,134				
<b>Total business-type activities program revenues</b>	<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>	<u>579,313</u>
<b>Total primary government program revenues</b>	<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>	<u>\$ 4,735,361</u>
<b>Net (expense)/revenue</b>										
<b>Governmental activities</b>	\$ (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)	\$ (18,570,525)
<b>Business- type activities</b>	(451,335)	(372,074)	(525,337)	(476,060)	(655,297)	(542,303)	(635,374)	(802,043)	(704,235)	(642,730)
	<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>	<u>\$ (19,213,255)</u>

(continued)

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
(continued)										
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental activities:</b>										
Taxes										
Property taxes	\$ 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	\$ 9,660,614
Sales and use taxes	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	5,439,210
Motor vehicle in lieu taxes	2,575,919	2,690,646	114,895	99,167	154,787	16,727	17,332	14,344	13,856	12,506
Other State subvention	25,026						-	16,549	93,653	57,112
Franchise taxes	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	1,303,919
Transient occupancy taxes	1,227,989	1,219,609	915,807	752,478	869,505	1,004,483	1,108,290	1,203,422	1,285,455	1,406,823
Investment earnings	325,266	469,876	119,006	29,205	25,267	15,736	12,216	12,251	14,266	14,893
Miscellaneous revenue	620,465	44,312	62,493	21,389	4,468	21,951	21,016	29,706	56,542	150,614
Lawsuit settlement										
Sale of capital assets							2,769,504			
Transfers	100,000	300,000	150,000	24,790	75,000			(293,691)	(50,000)	(421,000)
<b>Total governmental activities</b>	<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>	<u>17,624,691</u>
<b>Business-type activities:</b>										
Investment earnings	3,511	3,962	2,877	2,695	880	354	56	16	27	36
Transfers	(100,000)	(300,000)	(150,000)	(24,790)	(75,000)			293,691	50,000	421,000
<b>Total business-type activities</b>	<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>	<u>421,036</u>
<b>Total primary government</b>	<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>	<u>\$ 18,045,727</u>
<b>Change in Net Position:</b>										
<b>Governmental activities</b>	\$ 4,651,072	\$ 2,866,251	\$ 552,153	\$ (485,081)	\$ 1,974,593	\$ 2,257,467	\$ 2,306,411	\$ (874,853)	\$ 1,846,670	\$ (945,834)
<b>Business-type activities</b>	(547,824)	(668,112)	(672,460)	(498,155)	(729,417)	(541,949)	(635,318)	(508,336)	(654,208)	(221,694)
<b>Total primary government</b>	<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>	<u>\$ (1,167,528)</u>

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales &amp; Use Tax</b>	<b>Motor Vehicle in Lieu Tax</b>	<b>Other State Subvention</b>	<b>Franchise Tax</b>	<b>Transient Occupancy Tax</b>	<b>Total</b>
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
2016	9,660,614	5,439,210	12,506	57,112	1,303,919	1,406,823	17,880,184

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

	Fiscal Year									
	2007	2008	2009	2010	2011 <sup>(1)</sup>	2012	2013	2014	2015	2016
General fund										
Reserved	\$ 30,745	\$ 186,524	\$ 44,610	\$ 15,624	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	11,019,918	10,313,093	8,582,945	8,611,931						
Nonspendable					305,302	311,223	335,603	416,994	318,769	312,137
Restricted									88,990	-
Committed										
Assigned					1,318,164	1,284,939	1,315,557	1,726,228	1,230,959	1,059,959
Unassigned					4,716,361	5,149,410	6,718,179	4,184,661	5,078,583	6,727,197
<b>Total general fund</b>	<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>	<u>\$ 8,099,293</u>
All other governmental funds										
Reserved	\$ 419,790	\$ 421,484	\$ 415,078	\$ 1,817,086						
Unreserved, reported in:										
Special revenue funds	2,603,432	4,202,374	2,427,534	2,411,192						
Debt service funds										
Nonspendable										
Restricted					4,473,805	3,916,541	2,813,802	4,222,459	5,151,680	4,276,934
Committed										
Assigned										
Unassigned					(273,326)	(238,732)	(245,214)	(322,781)	(229,971)	(227,254)
<b>Total all other governmental funds</b>	<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>	<u>\$ 4,049,680</u>

<sup>(1)</sup> 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)*

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Revenues:</b>										
Taxes	\$ 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	\$ 12,393,356
Licenses and permits	599,423	579,915	521,724	423,012	550,155	816,863	655,855	778,208	3,195,756	959,138
Intergovernmental	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	7,897,817
Charges for current services	815,148	951,289	909,504	946,119	1,047,727	887,126	981,063	931,909	944,054	1,156,880
Fines and forfeitures	426,060	437,376	435,452	542,732	401,665	295,587	226,311	186,347	300,032	267,555
Miscellaneous										
Investment income	552,887	494,550	223,846	45,732	36,906	30,129	25,928	21,608	24,209	35,970
<b>Total revenues</b>	<b>27,145,488</b>	<b>23,671,369</b>	<b>22,676,639</b>	<b>20,486,668</b>	<b>22,573,419</b>	<b>23,523,562</b>	<b>21,548,210</b>	<b>22,091,515</b>	<b>25,007,095</b>	<b>22,710,716</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General Government	3,235,947	3,385,499	3,191,956	3,120,850	3,119,712	3,178,508	3,675,542	3,168,265	3,271,039	3,128,699
Public services	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	4,273,572
Community development	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	1,308,380
Community services	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	2,070,952
Public safety	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	6,917,275
Capital outlay	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	2,277,446
<b>Debt service:</b>										
Interest	945,372	913,325	878,480	427,854	712,976	670,243	625,043	601,542	553,529	503,429
Cost of bond issuance				301,477						
Payment to bond escrow agent										
Discount on bond										
Principal retirement	1,160,000	1,016,178	1,010,000	820,000	1,090,000	1,130,000	1,180,000	1,205,000	1,250,000	1,300,000
<b>Total expenditures</b>	<b>27,512,478</b>	<b>22,896,737</b>	<b>26,424,197</b>	<b>20,521,538</b>	<b>23,653,250</b>	<b>23,640,487</b>	<b>23,986,016</b>	<b>22,288,906</b>	<b>23,545,646</b>	<b>21,779,753</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(366,990)</b>	<b>774,632</b>	<b>(3,747,558)</b>	<b>(34,870)</b>	<b>(1,079,831)</b>	<b>(116,925)</b>	<b>(2,437,806)</b>	<b>(197,391)</b>	<b>1,461,449</b>	<b>930,963</b>

(Continued)

(Continued)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Other financing sources (uses):</b>										
Transfers in	\$ 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	\$ 7,006,357
Transfers out	(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)	(7,427,357)
Bond Proceeds				17,190,000						
Payment to bond escrow agent				(18,081,996)						
Premium on bond issue				1,206,953						
Sales tax repayment	(358,909)									
Lawsuit Settlement	550,000	(70,000)	(55,750)	(7,500)	(105,365)					
Sale of Capital Assets							2,952,352			
Total other financing sources (uses)	<u>291,091</u>	<u>230,000</u>	<u>94,250</u>	<u>332,247</u>	<u>(30,365)</u>	<u>-</u>	<u>2,952,352</u>	<u>(293,691)</u>	<u>(50,000)</u>	<u>(421,000)</u>
<b>Net change in fund balances</b>	<u>\$ (75,899)</u>	<u>\$ 1,004,632</u>	<u>\$ (3,653,308)</u>	<u>\$ 297,377</u>	<u>\$ (1,110,196)</u>	<u>\$ (116,925)</u>	<u>\$ 514,546</u>	<u>\$ (491,082)</u>	<u>\$ 1,411,449</u>	<u>\$ 509,963</u>
<b>Debt service as a percentage of noncapital expenditures</b>	10.13%	10.17%	9.77%	6.74%	9.67%	9.81%	9.22%	9.35%	8.60%	8.76%

# *City of Laguna Hills*

## Assessed Value and Estimated Actual Value of Taxable Property, Citywide Last Ten Fiscal Years

Fiscal Year End	Secured Property	Unsecured Property	Less Tax-Exempt Property	Taxable Assessed Value	Total Direct Tax Rate (1)	Estimated Actual Taxable Value (2)	Factor of Taxable Assessed Value
2006-07	5,160,814	154,887	31,676	5,315,891	.05371	5,315,891	1.000000
2007-08	5,520,202	215,240	34,477	5,735,442	.05371	5,735,442	1.000000
2008-09	5,516,226	174,459	32,955	5,690,685	.05371	5,690,685	1.000000
2009-10	5,413,579	175,241	33,614	5,588,820	.05371	5,588,820	1.000000
2010-11	5,299,826	160,738	33,534	5,460,564	.05371	5,460,564	1.000000
2011-12	5,308,488	156,488	33,852	5,464,976	.05371	5,464,976	1.000000
2012-13	5,371,901	143,351	34,825	5,515,252	.05371	5,515,252	1.000000
2013-14	5,509,351	146,695	35,252	5,656,046	.05371	5,656,046	1.000000
2014-15	5,809,642	148,567	35,410	5,958,209	.05371	5,958,209	1.000000
2015-16	6,236,428	183,676	165,185	6,254,919	.05371	8,159,912	1.304559

Source: Orange County Assessor data, MuniServices, LLC

Source: 2007-2015 prior CAFR

Table has been reformatted to comply with GASB No. 44 and include estimated actual value.

(1.) Total direct tax rate is the city share of the 1% Proposition 13 tax only for TRA 31-001.

(2.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices.

Based on these calculations a multiplier value was extrapolated and applied to current assessed values.

# *City of Laguna Hills*

## Direct and Overlapping Property Tax Rates (1) Last Ten Fiscal Years

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Overlapping Basic Rate (2) (3)	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Capistrano Union	0.009470	0.010190	0.009710	0.010770	0.011050	0.011010	0.011710	0.009720	0.009000	0.008450
Metropolitan Water District	0.004700	0.004500	0.004300	0.004300	0.003700	0.003000	0.003500	0.003500	0.003500	0.003500
Moulton Niguel Water District	0.114030	0.088300	0.116790	0.121040	0.122030	0.129360	0.145470	0.129770	0.086000	0.000000
Saddleback Valley Unified	0.036940	0.026680	0.028340	0.030430	0.031940	0.031630	0.032650	0.032070	0.028060	0.000000
Total	1.165140	1.129670	1.159140	1.166540	1.168720	1.175000	1.193330	1.175060	1.126560	1.011950

City Direct Rate

City Share of 1% Levy Per Prop 13	0.053710	0.053710	0.122280	0.122820	0.053710	0.053710	0.053710	0.053710	0.053710	0.053710
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Source: Orange County Assessor data, MuniServices, LLC

Source: 2007-2015 prior CAFR

(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 taxratio figures.

# City of Laguna Hills

## Principal Property Tax Payers Last Fiscal Year and Nine Years Ago

Taxpayer	2015-16		2006-07	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
Acquiport Three Corp	79,270,305	1.27%	69,348,990	1.32%
Ashley Furniture Industries In	14,155,216	0.23%		
Colton David A Fam Trust	19,303,312	0.31%		
Columbia California Carlota Of	21,000,000	0.34%	35,400,000	0.67%
Eqr Villa Solana Vistas Inc.	22,979,657	0.37%	20,196,016	0.38%
K M Royal Group Llc	14,964,432	0.24%	13,015,905	0.25%
La Paz Office Plaza Llc	32,383,622	0.52%	28,278,044	0.54%
Laguna Hills Estates Llc	22,411,882	0.36%	16,386,311	0.31%
Laguna Hills Investment Co	17,926,203	0.29%	20,690,544	0.39%
Laguna Hills Real Estate Partn	14,264,049	0.23%		
Lakehills At Laguna Llc	40,024,416	0.64%	53,881,500	1.02%
Lht Saddleback Llc	40,535,552	0.65%	48,035,880	0.91%
Memorial Health Services	25,559,860	0.41%	12,386,303	0.24%
Mgp Fund X Laguna Hills Llc	154,269,093	2.47%		
Mission Hills Investment Co	14,130,138	0.23%	12,523,108	0.24%
Mouldy Llc	15,215,446	0.24%	13,569,967	0.26%
Moulton La Paz Llc	17,308,533	0.28%	21,346,759	0.41%
Moulton Plaza Llc	24,100,894	0.39%		
Muller Taj	19,916,172	0.32%	12,298,658	0.23%
Pmi Prado Llc	89,758,240	1.44%		
Realty Assoc Fund Viii	15,692,995	0.25%		
Sptmrt Properties Trust	38,413,121	0.61%	36,357,840	0.69%
Sylmar Apts Llc	20,300,943	0.32%	17,789,176	0.34%
Universal Properties Lh Five L	14,631,437	0.23%		
Yacoel Maria E	13,800,680	0.22%		
Alicia Office Park			21,993,500	0.42%
Laguna Hills Business			12,535,403	0.24%
Lh Square Investors Llc			14,382,000	0.27%
Mes-24 Llc			17,252,947	0.33%
Pine Brook Apartments			37,896,383	0.72%
Shea Laguna Hills Llc			35,321,191	0.67%
Shopping Center			101,208,925	1.92%
Shopping Ctr Assoc			28,560,000	0.54%
Vv California			23,137,630	0.44%
<b>Total Top 25 Taxpayers</b>	<b>802,316,198</b>	<b>12.83%</b>	<b>723,792,980</b>	<b>13.73%</b>
<b>Total Taxable Value</b>	<b>6,254,919,000</b>		<b>5,269,818,010</b>	

Source: Orange County Assessor data, MuniServices, LLC  
Source: 2007-2015 prior CAFR

# *City of Laguna Hills*

## Property Tax Levy and Collections Last Ten Fiscal Years

Fiscal Year	Secured	Unsecured	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date	
				Amount Collected	% of Levy	Other Collections	Amount	% of Levy
2006-07	5,266	267	\$5,533	\$ 5,325	96.2%	\$ 67	\$ 5,392	97%
2007-08	5,697	250	\$5,946	\$ 5,714	96.1%	\$ 116	\$ 5,830	98%
2008-09	5,675	250	\$5,925	\$ 5,685	95.9%	\$ 200	\$ 5,885	99%
2009-10	5,555	256	\$5,812	\$ 5,629	96.9%	\$ 203	\$ 5,832	100%
2010-11	5,489	248	\$5,737	\$ 5,577	97.2%	\$ 126	\$ 5,703	99%
2011-12	5,526	246	\$5,772	\$ 5,605	97.1%	\$ 87	\$ 5,692	99%
2012-13	5,587	239	\$5,827	\$ 5,694	97.7%	\$ 85	\$ 5,779	99%
2013-14	5,732	261	\$5,992	\$ 5,885	98.2%	\$ 62	\$ 5,947	99%
2014-15	6,051	275	\$6,327	\$ 6,180	97.7%	\$ 52	\$ 6,231	98%
2015-16	6,375	232	\$6,607	\$ 6,456	97.7%	\$ 72	\$ 6,528	99%

Source: County Auditor-Controller, MuniServices, LLC

# *City of Laguna Hills*

## Principal Sales Tax Producers Last Fiscal Year and Nine Years Ago

2015-16		2006-07	
Taxpayer	Business Type	Taxpayer	Business Type
A & R Floor Covering Accessori	Furniture/Appliance	Allied Real Estate School	Office Equipment
Ashley Furniture Homestore	Furniture/Appliance	Becton Dickinson & Company	Light Industry
Chicago Pizza & Brewery	Restaurants	Chicago Pizza & Brewery	Restaurants
Consolidated Electrical Dstr	Electronic Equipment	Chick's Sporting Goods	Recreation Products
Dick's Sporting Goods	Recreation Products	Circuit City	Furniture/Appliance
G&M Oil Co	Service Stations	Claim Jumper	Restaurants
Howard's Appliances	Furniture/Appliance	David J.Phillips Buick-Pntc Ma	Auto Sales - New
In-n-Out Burger	Restaurants	Easy Life Furniture	Furniture/Appliance
J.C.Penney Company	Department Stores	Equilon Enterprises	Service Stations
Jeromes Furniture Warehouse	Furniture/Appliance	G&M Oil Co	Service Stations
John Deere Landscapes	Florist/Nursery	Howard's Appliances	Furniture/Appliance
King's Seafood Company	Restaurants	J.C.Penney Company	Department Stores
Laguna Hills Auto Spa	Service Stations	John Deere Landscapes	Florist/Nursery
Macy's Department Stores	Department Stores	Ken Crane's Magnavox City	Furniture/Appliance
Marshall's	Apparel Stores	Laguna Auto Spa	Service Stations
Material Supply Inc.	Bldg.Matls-Retail	Laguna Hills Car Wash	Auto Parts/Repair
Nordstrom	Department Stores	Lamps Plus	Furniture/Appliance
Outback Steakhouse	Restaurants	Macy's Department Stores	Department Stores
Pritchard Supply	Miscellaneous Retail	Marshall's	Apparel Stores
Ralph's Grocery Company	Food Markets	Material Supply Inc.	Bldg.Matls-Retail
Sidepath	Furniture/Appliance	Philip Linder & Associates	Furniture/Appliance
Sit 'n Sleep	Furniture/Appliance	Ralph's Grocery Company	Food Markets
Tesoro Service Stations	Service Stations	Sears-Roebuck & Co.	Department Stores
Total Wine & More	Liquor Stores	Sit 'n Sleep	Furniture/Appliance
Western Fuel Group	Service Stations	Tsps Industries	Light Industry

Source: MuniServices, LLC

## CITY OF LAGUNA HILLS

### HISTORICAL SALES TAX AMOUNTS BY BENCHMARK YEAR

CATEGORY NAME	2007 Q1	2008 Q1	2009 Q1	2010 Q1	2011 Q1	2012 Q1	2013 Q1	2014 Q1	2015 Q1	2016 Q1
All Other Outlets	1,236,178	1,263,961	1,049,530	884,142	849,877	792,296	735,621	822,717	872,489	890,585
Apparel Stores	373,142	339,711	301,469	279,673	270,163	254,055	230,011	208,648	187,912	174,658
Auto Dealers & Auto	261,487	214,197	205,675	183,431	169,543	173,735	171,284	182,064	194,580	143,298
Bldg. Matrl. & Farm	135,661	135,073	123,149	101,403	101,671	99,375	116,584	122,652	128,621	138,186
Drug Stores	11,849	8,219	6,326	9,460	8,650	5,454	5,465	6,046	19,476	28,292
Eating & Drinking Pl	869,895	866,860	796,360	761,800	729,922	727,861	767,426	787,231	792,010	843,616
Food Stores	162,684	166,140	173,104	169,947	206,825	207,249	211,094	202,303	194,351	189,504
General Merchandise	1,015,151	945,239	955,853	979,961	981,826	993,045	955,219	941,531	815,486	666,738
Home Furnishings & A	1,031,880	825,210	661,165	427,069	439,422	429,006	552,878	579,058	619,151	849,640
Other Retail Stores	949,963	825,211	667,860	546,109	509,025	501,012	487,773	532,871	503,669	517,863
Packaged Liquor Stor	8,741	4,293	6,602	6,170	4,529	9,983	92,703	142,053	159,592	168,230
Service Station	376,623	413,991	383,494	369,259	413,658	518,896	515,684	486,775	449,530	392,410
<b>TOTAL</b>	<b>6,433,254</b>	<b>6,008,105</b>	<b>5,330,587</b>	<b>4,718,424</b>	<b>4,685,111</b>	<b>4,711,967</b>	<b>4,841,742</b>	<b>5,013,949</b>	<b>4,936,867</b>	<b>5,003,020</b>

Source: MuniServices, LLC

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

*(amounts expressed in thousands, except per capita amounts)*

<b>Fiscal Year</b>	<b>Total Government Certificates of Participation</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Percentage of Personal Income</b>	<b>Per Capita (a)</b>
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	1,373,184	\$ 44,757	0.88%	390.60
2016	10,035				327.08

*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 - 21.*

*(b) 2016 personal income data not available at time of print; Hence, table provides personal income history for years 2007-2015.*

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
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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, 2016**

	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	92,865,000	0.255%	236,806
Saddleback Valley Unified School District	117,270,000	18.001%	21,109,773
Capistrano Unified School District Facilities Improvement District No. 1	29,882,520	0.025%	7,471
Moulton-Niguel Water District and, I.D.'s 6	4,880,000	3.124%	152,451
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT:			\$ 21,506,501
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</u>			
Orange County General Fund Obligations	124,614,000	1.254%	\$ 1,562,660
Orange County Pension Obligations	353,417,858	1.254%	4,431,860
Orange County Board of Education Certificates of Participation	14,840,000	1.254%	186,094
Municipal Water District of Orange County Water Facilities Corporation	2,770,000	1.495%	41,412
Capistrano Unified School District Certificates of Participation	15,320,000	0.017%	2,604
Moulton-Niguel Water District Certificates of Participation	76,045,000	13.408%	10,196,114
SUBTOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			\$ 16,420,744
<b>City of Laguna Hills Certificates of Participation, Direct Debt</b>	<b>10,725,644</b>	<b>100.000%</b>	<b>10,725,644</b>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT, AND LAGUNA HILLS CERTIFICATES OF PARTICIPATION:			27,146,388
Less: MWDOC Water Facilities Corporation (100% self-supporting)			(41,412)
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT:			\$ 27,104,976
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</u>	18,480,000	0.860-2.757%	289,157
<u>GROSS COMBINED TOTAL DEBT</u>			\$ 48,942,046
<u>NET COMBINED TOTAL DEBT</u>			\$ 48,900,634 <sup>(b)</sup>

(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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 797,096	\$ 860,479	\$ 853,897	\$ 838,413	\$ 819,070	\$ 819,547	\$ 832,512	\$ 853,695	\$ 899,043	\$ 963,016
Total net debt applicable to limit	20,450	19,480	18,470	17,190	16,100	14,970	13,790	12,585	11,335	10,035
Legal debt margin	<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>	<u>\$ 952,981</u>
Total net debt applicable to limit, as a percentage of debt limit	2.57%	2.26%	2.16%	2.05%	1.97%	1.83%	1.66%	1.47%	1.26%	1.04%

**Legal Debt Margin Calculation for Fiscal Year 2015/16**

Assessed value	6,254,919
Add back: exempt real property	165,185
Total assessed value	<u>6,420,104</u>
Debt limit (15% of total assessed value)	963,016
Debt applicable to limit:	
Certificates of Participation	10,035
Total net debt applicable to limit	<u>10,035</u>
Legal debt margin	<u>\$ 952,981</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**

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

# *City of Laguna Hills*

## Demographic and Economic Statistics Last Ten Fiscal Years

Calendar Year	Population (1)	Personal Income (In Thousands)	Per Capita Personal Income (2)	City Unemployment Rate (3)	Median Age (4)	% Of Pop with High School Diploma (5)	% of Pop With Bachelor's Degree (5)
2006	33,090	1,384,623	41,813	2.9%	37.7	-	-
2007	33,115	1,425,961	43,058	3.3%	37.7	-	-
2008	33,117	1,441,089	43,346	4.4%	37.7	-	-
2009	33,246	1,417,282	42,444	7.6%	41.2	92.8%	44.0%
2010	33,392	1,500,666	44,672	8.1%	39.3	90.6%	42.9%
2011	33,593	1,445,996	47,227	7.4%	40.7	91.4%	43.0%
2012	30,618	1,363,858	44,421	4.8%	41.6	92.3%	44.5%
2013	30,703	1,320,001	42,778	4.2%	41.5	91.7%	42.8%
2014	30,857	1,336,181	43,315	5.0%	41.8	91.6%	45.3%
2015	30,681	1,373,184	44,757	4.1%	41.7	91.2%	44.8%

Source: MuniServices, LLC, U.S. Census Bureau, 2010 American Community Survey

Source: 2007-2015 prior CAFR

The California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark.

- 1.) Population Projections are provided by the California Department of Finance Projections.
- 2.) Income Data is provided by the United States Census Data and is adjusted for inflation.
- 3.) Unemployment and Total Employment Data are provided by the EDD's Bureau of Labor Statistics Department.
- 4.) Median Age reflects the U.S. Census data estimation table for years 2009-2015, Orange County progress report for years 2006-2008
- 5.) % of population with HS diploma and bachelors degree unavailable for years 2006-2008

# *City of Laguna Hills*

## Principal Employers Last Fiscal Year and Nine Years Ago

Business Name	2015-16		2006-07	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Saddleback Memorial Medical Center	1,707	10.04%	1,370	7.70%
Five Star-Villa Valencia	250	1.47%		
Laguna Hills Health and Rehabilitation Center	245	1.44%		
Saddleback Valley USD	180	1.06%		
Memorial Care home health	162	0.95%		
Bj's Restaurant & Brewhouse*	150	0.88%		
JC Penney	145	0.85%	250	1.41%
Allied Schools/Ashley Crown Systems Inc	128	0.75%		
Ashley Crown Systems Inc	128	0.75%		
Macy's*	120	0.71%		
Professional Community Management			350	1.97%
Federated Retail Holdings			200	1.12%
Millenia Mortgage Corp.			175	0.98%
Total Top Employers	3,215	18.91%	2,345	13.18%
Total City Employment (1)	17,000		17,792	

Source: Orange County Assessor data, MuniServices, LLC

Source: 2007-2015 prior 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	13.09	12.09	11.90	11.90	11.90	11.90	11.75	11.75	10.99	10.99
Non-Departmental	0.00	0.00	0.00	0.00	0.00	0.00	1.25	1.25	1.00	1.00
Public Services	41.00	41.00	42.00	42.00	44.00	44.00	44.00	44.00	43.00	43.00
Community Development	8.30	8.30	8.15	7.15	8.15	8.15	7.85	7.85	8.23	8.23
Community Services	14.25	14.25	15.61	15.61	15.75	15.75	15.75	15.75	15.40	15.40
Public Safety	<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>	<u>26.46</u>
Total	<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>	<u>105.08</u>

Source: City of Laguna Hills' Biennial Budget

**CITY OF LAGUNA HILLS**  
**OPERATING INDICATORS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Function	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	FY 15/16
<b>Police<sup>(b)</sup></b>										
Physical arrests	579	460	740	721	684	468	362	458	534	284
Parking violations	3,162	2,757	3,636	2,662	2,087	1,107	885	1,407	1,981	3,257
Traffic violations	3,846	5,566	4,886	5,781	4,089	3,074	2,462	2,070	3,041	3,187
<b>Fire<sup>(c)</sup></b>										
Number of calls answered	2,424	2,434	2,421	2,558	2,614	2,550	2,579	2,584	2,675	2,888
Inspections	549	309	387	439	393	308	273	379	494	364
<b>Highways and Streets<sup>(d)</sup></b>										
Sidewalk replacement (sq. ft.)	3,450	1,850	4,660	22,266	8,592	13,482	13,610	3,519	7,250	940
Curb & gutter replacement (linear ft.)	90	110	2,374	1,030	1,727	3,990	1,141	478	-	211
Asphalt concrete placed (tons)	13,385	11,362	21,291	15,695	14,454	15,692	16,319	7,857	16,276	134
Street sweeping debris collected (tons)	546	265	449	294	290	374	432	293	265	229
New sign installations	65	37	64	92	102	28	42	65	23	155
Sign Replacements	304	238	277	168	173	161	378	278	380	297
Trees trimmed	1,815	1,763	1,774	2,273	1,872	1,474	1,568	1,185	792	821
Trees removed	265	207	214	81	114	166	215	179	461	152
Trees planted	108	262	82	43	39	649	39	44	38	43
<b>Sanitation<sup>(a)</sup></b>										
Refuse collected (tons/day)	70	63	50	46	46	44	47	45	43	47
Recyclables collected (tons/day)	65	55	52	50	47	45	46	46	49	50
<b>Culture and Recreation<sup>(e)</sup></b>										
Community center programs (participants)	8,650	8,173	9,022	7,262	6,876	5,682	5,633	5,783	5,637	6,152
Athletic permits	71	70	76	69	57	44	41	45	41	42
<b>Waste Stream<sup>(a)</sup></b>										
Refuse collected (tons)	25,705	22,981	18,089	16,698	16,814	15,932	17,185	16,416	15,707	17,197
Recyclables collected (tons)	23,691	20,120	19,081	18,162	17,325	16,391	16,753	16,964	17,728	18,150

<sup>(a)</sup> CR&R Monthly Tonnage Report, 6/30/16

<sup>(b)</sup> Orange County Sheriff's Daily Booking Log,; Monthly Traffic Statistics; Data Ticket Citation Report

<sup>(c)</sup> Orange County Fire Authority- Clerk of the Authority, Safety & Environmental Services, Planning & Development

<sup>(d)</sup> City of Laguna Hills, Public Works Department

<sup>(e)</sup> City of Laguna Hills, Community Center Department

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

Function	Fiscal Year										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Highways and streets											
Streets (miles)	83	83	83	83	83	83	83	83	83	83	83
Traffic signals	45	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	83
Parks	15	15	15	15	15	15	15	15	15	15	15
Community centers	1	1	1	1	1	1	1	1	1	1	1
Civic Center	1	1	1	1	1	1	1	1	1	1	1

Source: Various City Departments

# CITY OF LAGUNA HILLS

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## 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 30,681 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.

