



CITY OF LAGUNA HILLS

CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

CITY OF LAGUNA HILLS

California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019

CITY MANAGER
Donald J. White

FINANCE DIRECTOR
Janice Mateo Reyes

INTRODUCTORY SECTION

CITY OF LAGUNA HILLS

Table of Contents

Introductory Section

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

Financial Section

Independent Auditors' Report	II - 1
Management Discussion & Analysis	II - 5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	II - 19
Statement of Activities	II - 20
Fund Financial Statements:	
Balance Sheet - Governmental Funds	II - 23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	II - 24
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	II - 25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	II - 26
Statement of Net Position - Proprietary Fund	II - 27
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund.....	II - 28
Statement of Cash Flows - Proprietary Fund	II - 29
Statement of Fiduciary Assets and Liabilities - Agency Fund	II - 30
Notes to the Basic Financial Statements.....	II - 31
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability	II - 65
Schedule of Contribution	II - 66
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	II - 67
Measure M Special Revenue Fund.....	II - 68
Note to Required Supplementary Information	II - 69
Supplementary Schedules:	
Non-Major Governmental Funds - Special Revenue:	
Combining Balance Sheet	II - 72
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	II - 74
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Capital Projects Fund - Major Fund.....	II - 76
Debt Service Fund - Major Fund	II - 77
Gas Tax Special Revenue Fund	II - 78
SB1 RMRA Revenue Fund	II - 79
AB 2766 Special Revenue Fund	II - 80
Senior Mobility Program Special Revenue Fund	II - 81
CARITS Special Revenue Fund	II - 82
Public Art Special Revenue Fund.....	II - 83
Beverage Recycling Special Revenue Fund.....	II - 84
CR&R Recycling Fees Special Revenue Fund	II - 85
C & D Forfeited Deposits Special Revenue Fund	II - 86
Water Conservation Special Revenue Fund	II - 87
Grants and Contribution Special Revenue Fund	II - 88
SLESF/COPS Brulte Special Revenue Fund	II - 89
Statement of Changes in Fiduciary Assets & Liabilities - Agency Fund	II - 90

CITY OF LAGUNA HILLS

Table of Contents

Statistical Section (Unaudited)

Description of Statistical Section Contents	III - 1
Financial Trends:	
Net Position by Component	III - 3
Change in Net Position	III - 4
Governmental Activities Tax Revenues By Source	III - 6
Fund Balances of Governmental Funds	III - 7
Changes in Fund Balances of Governmental Funds	III - 8
Revenue Capacity:	
Assessed Value and Estimated Actual Value of Taxable Property	III -10
Assessed Value of Property by Use Code	III -11
Direct and Overlapping Property Tax Rates.....	III -12
Principal Property Taxpayers	III -13
Property Tax Levies and Collections	III -14
Principal Sales Tax Producers	III -15
Debt Capacity:	
Ratios of Outstanding Debt by Type	III -16
Ratios of General Bonded Debt Outstanding	III -17
Direct and Overlapping Governmental Activities Debt	III -18
Legal Debt Margin Information	III -19
Pledged Revenue Coverage	III -20
Demographic & Economic Information:	
Demographic and Economic Statistics	III -21
Principal Employers	III -22
Operating Information:	
Full-time Equivalent Personnel Allocation by Function	III -23
Operating Indicators by Function	III -24
Capital Assets Statistics by Function	III -25
City at a Glance	III -26



Government Finance Officers Association

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

Presented to

**City of Laguna Hills
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

This page intentionally left blank.



November 26, 2019

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

The Comprehensive Annual Financial Report (CAFR) of the City of Laguna Hills for the fiscal year ended June 30, 2019, 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, 2019, 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 31,818 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 contracted services.

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

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

FACTORS AFFECTING FINANCIAL CONDITION

ECONOMIC CONDITIONS & OUTLOOK

The national, state, and local economies continue to expand since the “Great Recession” of 2008. At the national level, real gross domestic product showed a 2.0% increase in the second quarter of 2019, with the state generating a 1.9% expansion during the same period, according to the Bureau of Economic Analysis at the U.S. Department of Commerce. As of June 2019, the national unemployment rate was 3.7%, a 0.3% decrease over the previous year. Similarly, the unemployment rate for California and Orange County experienced a downward trend of 4.2% and 3.0%, respectively. In Laguna Hills, the unemployment rate is 2.2%.

In March of 2016, the City approved a plan for the renovation of the Laguna Hills Mall which included approximately 860,000 square feet of new and renovated commercial retail space, movie theaters, restaurants, and 988 residential units. The approved plan was known as Five Lagunas, and was originally purchased by Merlone-Geier Partners (MGP) in 2013. In 2018, MGP informed City staff that they could not move forward with the approved 2016 plan due to market constraints. As a result, the City’s revenue stream has been suffering and losing approximately \$900,000 in sales tax revenue on an annual basis. On November 4, 2019, MGP submitted a development application to the City to replace the Five Lagunas project approved in 2016 and rebranded the project as “The Village at Laguna Hills”. Consequently, since the development project is at its beginning stages, the City’s tax base will not recover for at least 3 to 4 years.

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 reported revenues increased in Fiscal Year 2018-19 by \$804,521 and totaled \$22,047,533. Property tax revenues totaled \$10,981,130, representing a 4.76% increase over the prior year revenues. Total operating expenditures totaled \$19,725,985, an increase in the amount of \$222,560 over the previous fiscal year. Moreover, general fund revenues exceeded expenditures by \$2,321,548. The City ended the fiscal year with a total fund balance of \$13,697,286.

Given a positive consumer price index and the overall improvement that is occurring in the local housing market, property taxes are anticipated to increase slightly over the next few years.

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 2018-19 came in at 1.05 and the Unrestricted Fund Balance and the Unassigned Fund Balance were at 44% and 38%, respectively. During the development of the 2019-21 Biennial Budget, the City identified a number of costs saving measures that resulted in a structurally balanced budget. These, coupled with the completion of major development projects discussed under the *Major Initiatives* heading, will allow the City to improve 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. The City's investments at the close of the most recent fiscal year ended June 30, 2019, consisted of fully insured or collateralized certificates of deposit with qualified banks, money market mutual funds, and investment pools with the State Treasurer's Local Agency Investment Fund (LAIF) and Investment Trust of California (CALTrust).

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 2018-2019 fiscal year as well as from the current endeavors:

FY 2019-2021 BIENNIAL BUDGET DEVELOPMENT

Since its incorporation, the City has been committed to biennial budgeting and long-range financial planning. Preparing a budget every other year lends greater weight to the importance of such processes. This year's budget process lasted from February through June this year, and the lengthy budget process included public meetings and a public hearing. The City Council was ultimately presented with and adopted a structurally balanced budget that accomplished the following:

- Operating revenues for FY 2019-20 are anticipated to increase by 3.3% from the FY 2018-19 year-end estimate.

Revenues for the following year are projected to increase by 4.8%.

- Thirteen Capital projects are scheduled for completion during the Biennial Budget period for a total estimated cost of \$4,845,336. Of this amount, \$1,215,000 is required from the General Fund and another \$385,000 is funded out of capital reserve funds. The remaining \$3,345,336 will come from various Special Revenue funds.

REDEVELOPMENT OF FORMER PHILLIPS SITE

At a joint City Council and Planning Agency meeting on March 12, 2019, the City Council and Agency Members approved a site development permit, zoning text amendment, and municipal code amendment to construct a residential care facility for the elderly at 24888 Alicia Parkway – the former site of Phillips Mazda. The approved project, submitted by ActivCare Living, Inc., includes the following:

- An Amendment to the City's Zoning and Development Code
- Construction of a new approximately 31,500 square foot building
- Construction of various site improvements including 28 parking spaces, landscaping, and facility amenities
- Subdivision of the subject 5.2-acre property into two parcels
- Adoption of a Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program in accordance with the California Environmental Quality Act

The project is currently under construction with an estimated completion date of December 2020.

MOULTON NIGUEL WATER DISTRICT OPERATIONS CENTER

In November 2018, the City Council and Planning Agency approved a development application submitted by the Moulton Niguel Water District (District). The project includes the relocation and consolidation of the District's administrative facilities and operations functions and establishes a new headquarters at 26121 Gordon Road. The proposal included:

- Demolition of miscellaneous buildings totaling +/- 7,000 square feet

- Renovation of existing buildings totaling 21,735 square feet
- Construction of three new buildings totaling 64,664 square feet
- Construction of various site improvements including 349 parking spaces, over 123,000 square feet of landscaping including a +/- 25,000 square foot water quality basin
- Various modifications to the Zoning Code to facilitate construction of the project

Furthermore, site grading has commenced and building permits will be issued before the end of 2019. Construction is expected to last into 2021.

OAKBROOK VILLAGE REDEVELOPMENT

The City Council approved an additional expansion of Oakbrook Village resulting in the demolition of a vacant 7,800 square foot restaurant building and the construction of approximately 21,000 square feet of new building area. The new buildings will accommodate an enlarged Trader Joe's store, See's Candy, and additional retail space in addition to other related site improvements. Construction was completed in May 2019.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

The City successfully competed for a multiple-year award of FY 2018-2019 and 2019-2020 Community Development Block Grant (CDBG) funding for Public Facilities and Improvement monies to be used for certain improvements to public facilities. In FY 2018-19, the City managed a project to replace three existing heating, ventilation, and air conditioning units (HVAC) and one existing water heating unit at the Florence Sylvester Memorial Senior Center in partnership with Age Well Senior Services, Inc. The improvements to the senior center were completed in June 2019.

ELECTRIC VEHICLE CHARGING STATIONS AT THE CIVIC CENTER

As part of the Local Government Partnership Program with the Mobile Source Air Pollution Reduction Review Committee (MSRC), the City applied for and received a grant to install electric vehicle charging stations and related infrastructure at the Civic Center in early 2018. Subsequently, in March 2019, the City entered into an Agreement with the South Coast Air Quality Management District/MSRC detailing the project requirements. The City will leverage its AB 2766 Subvention Fund – a revenue fund from the

State's Motor Vehicle Registration Program – for project costs that exceed the grant award. Installation of the electric vehicle charging stations is expected to begin in the spring of 2020.

THE VILLAGE AT
LAGUNA HILLS
(FORMERLY FIVE
LAGUNAS)

In March of 2016, the City approved a plan for the renovation of the Laguna Hills Mall which included approximately 860,000 square feet of new and renovated commercial retail space, movie theaters, restaurants, and 988 residential units. The approved plan was known as Five Llagunas. Within the last year, the property owner of Five Llagunas, Merlone-Geier Partners, informed City staff that they could not move forward with the approved 2016 plan.

On November 4, 2019, Merlone-Geier Partners (MGP), the property owner of the former Laguna Hills Mall, submitted a development application to the City to replace the Five Llagunas project approved in 2016. Renamed, "The Village at Laguna Hills", MGP's development proposal includes the following:

- Retail: +/-225,000 square feet – +/-300,000 square feet
- Hotel: 125 Rooms
- Office: +/-390,000 square feet – +/-520,000 square feet
- Mixed Use/ Residential: +/- 1,200 units – 1,500 units

The development process is expected to take anywhere from 9 to 18 months.

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, 2018. This was the twenty-seventh consecutive year the City has received this prestigious award. The certificate is a national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards, and must satisfy both generally accepted accounting principles and applicable legal requirements.

The City also received the GFOA Distinguished Budget Presentation Award for its 2017-19 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,



Donald J. White
City Manager



Janice Mateo Reyes
Finance Director

CITY OF LAGUNA HILLS

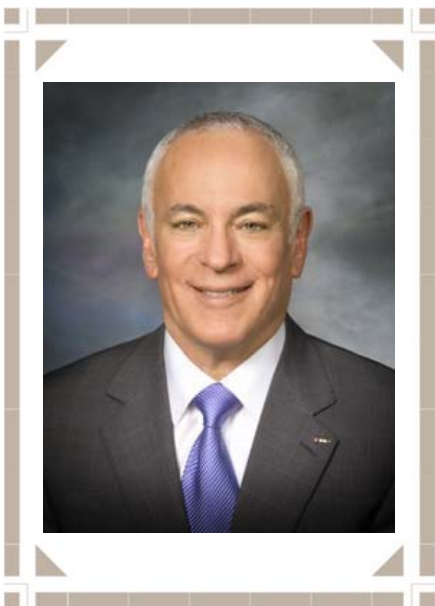
ELECTED OFFICIALS As of June 30, 2019



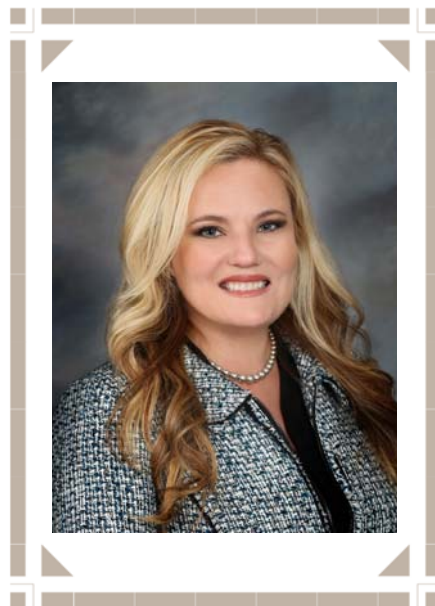
Don Sedgwick
Mayor



Janine Heft
Mayor Pro Tem



Dore Gilbert
Council Member



Erica Pezold
Council Member



Dave Wheeler
Council Member

CITY OF LAGUNA HILLS

MANAGEMENT STAFF As of June 30, 2019



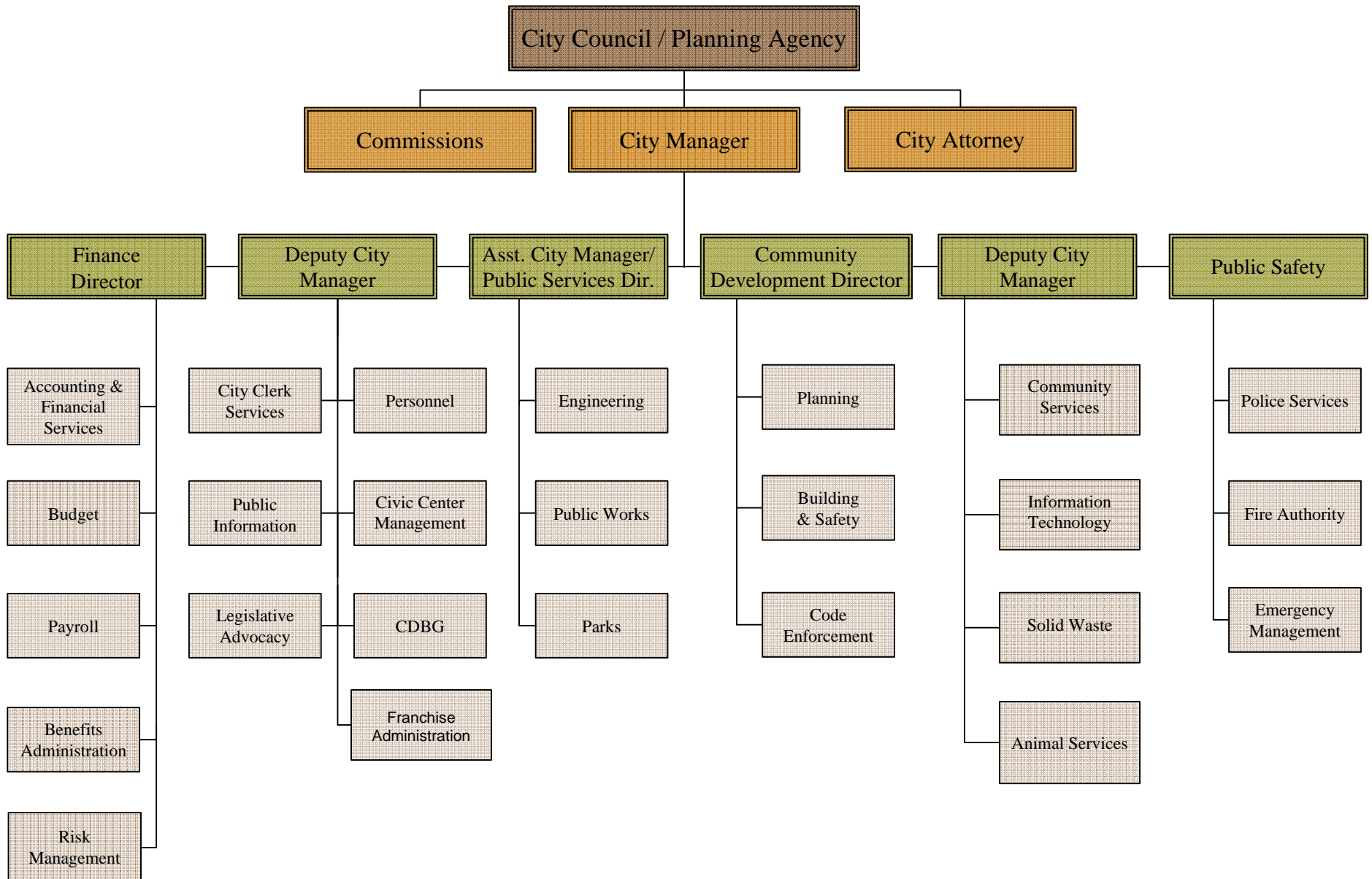
Donald J. White
City Manager/Treasurer

- | | |
|--------------------------------|---|
| ♦ Gregory E. Simonian | City Attorney |
| ♦ Kenneth H. Rosenfield | Assistant City Manager/Public Services Director |
| ♦ Janice Mateo Reyes | Finance Director |
| ♦ Melissa Au-Yeung | Deputy City Manager |
| ♦ David T. Reynolds | Deputy City Manager |
| ♦ David Chantarangsu | Community Development Director |
| ♦ Lt. Matthew Stiverson | Police Chief (O.C. Sheriff Department) |
| ♦ Mike Contreras | Division Chief (OC. Fire Department) |

CITY OF LAGUNA HILLS

ORGANIZATIONAL CHART

June 30, 2019



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, 2019, 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, 2019, 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 and major special revenue 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 November 18, 2019, 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 Diehl Evans LLP

Irvine, California
November 18, 2019

This page intentionally left blank.

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, 2019**. 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 \$94,944,353. Of this amount, \$4,811,033 is not restricted to a specific use or purpose.
- After recording the value of the City's infrastructure assets, net of accumulated depreciation, the net change in the City's net position resulting from the most recent fiscal year's operation was a decrease of \$11,471, or .01%.
- Total revenues from all sources were \$25,147,863. Of this amount, \$5,371,635, or 21%, was from program revenues and \$19,776,228, or 79%, was from general revenues.
- The total cost of all City programs and projects was \$25,159,334. Approximately 18%, or \$4,647,169, of this amount is attributable to depreciation on the City's capital assets.
- The net pension liability reported as of June 30, 2019, for the City's proportionate shares of the net pension liability of all pension plans, was \$3,524,547.
- The net position of governmental activities was \$87,752,382 as of June 30, 2019, after recording the value of the City's infrastructure assets, net of accumulated depreciation and long-term debt.
- Governmental activities, which include certain capital projects and depreciation related to capital assets, increased the City's net position by \$667,994.

Fund Based

- As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$13,697,286.
- Total nonspendable fund balances, amounts that are either not in spendable form or are legally or contractually required to be maintained, were \$99,169.
- Total spendable fund balances were \$13,598,117. Of this amount, approximately 8% (\$1,145,659 in total assigned) is constrained by the City's intent to be used for a specific purpose and 39% (\$5,291,312 in total restricted) is constrained 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 \$2,389,508.
- At the end of the most recent fiscal year, the total fund balance for the general fund was \$8,405,974, an increase of \$1,081,531 over prior year.
- General fund reported revenues exceeded expenditures by \$2,321,548.

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 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. The City maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, Measure M 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 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 be readily 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 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. Additionally, 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

The City's combined net position at the close of the most recent fiscal year ended June 30, 2019, was \$94,944,353, as shown on Table 1 below. 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.

Table 1
Condensed Statement of Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 15,160	\$ 12,537	\$ 295	\$ 314	\$ 15,455	\$ 12,851
Capital assets	84,011	87,780	6,965	7,634	90,976	95,414
Total assets	99,171	100,317	7,260	7,948	106,431	108,265
Total deferred outflows	1,208	1,513	-	-	1,208	1,513
Long-term liabilities	9,233	11,413	-	-	9,233	11,413
Other liabilities	3,196	2,937	68	77	3,264	3,014
Total liabilities	12,429	14,350	68	77	12,497	14,427
Total deferred inflows	198	395	-	-	198	395
Net position:						
Net investment in capital assets	79,706	81,973	6,965	7,635	86,671	89,608
Restricted	3,462	2,156	-	-	3,462	2,156
Unrestricted	4,584	2,956	227	236	4,811	3,192
Total net position	\$ 87,752	\$ 87,085	\$ 7,192	\$ 7,871	\$ 94,944	\$ 94,956

By far the largest portion of the City's net position (roughly \$86.7 million, or 91% 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 \$6,294,252 in debt outstanding (including the unamortized debt premium) related to the acquisition and construction of these capital assets.

Another portion of the City's net position, \$3,462,461 (3.6% 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 \$4,811,033 (5.1% of the total net position), which may be used to meet the City's ongoing obligations to its citizens and creditors.

The City's combined total assets at the close of the fiscal year was \$106,429,597. Of this amount, \$99,170,067, or 93%, represents assets from governmental activities and \$7,259,530, or 7%, represents assets from business-type activities. By far the largest component of the City's combined total assets is in the form of capital assets at \$90,975,464, or 85%. The remaining \$15,454,133 of combined total asset is largely in the form of cash and investment of \$10,900,303 and restricted cash and investment of \$1,828,881.

At the end of the fiscal year, the City's combined total liabilities was \$12,495,826, which was largely in the form of long-term liabilities of the City's government activities at \$10,894,251, or 87%. Long-term liabilities were mainly comprised of the City's net pension liability of \$3,524,547, or 32%, and \$6,294,252, or 58%, in debt pertaining to Certificates of Participation for the 2010 Refinancing Project.

Deferred inflows and outflows reported in the Statement of Net Position represent an acquisition (revenue) or consumption (expense) of net position that applies to a future period and hence will not be recognized as an inflow or outflow of resources until that time. The reported deferred inflows of \$197,536 and deferred outflows of \$1,047,322 pertain specifically to the City's pension liability. More information on the City's pension plan can be found in Note 6, beginning on page II-53 of this report.

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

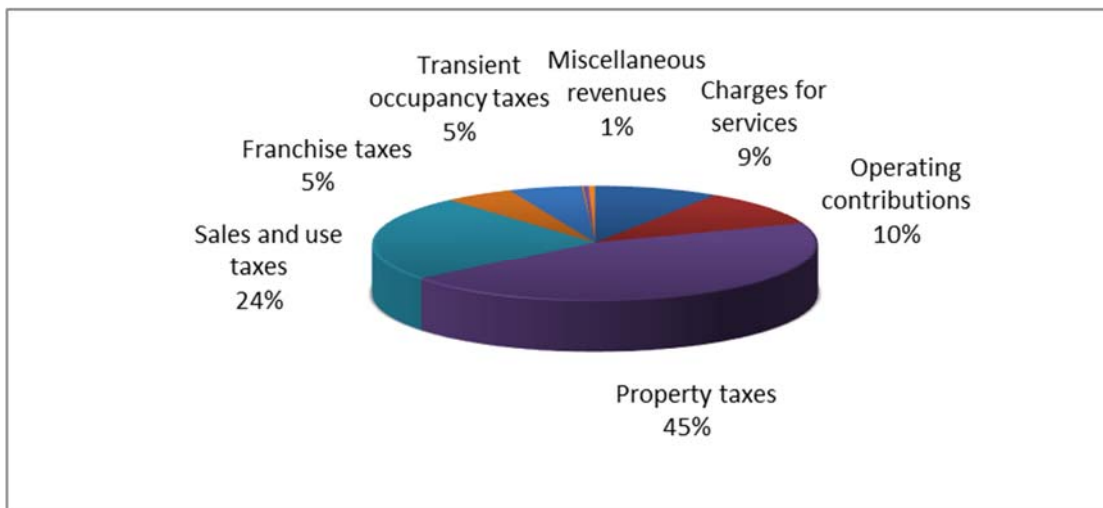
Table 2
Statement of Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 2,261	\$ 2,208	\$ 594	\$ 658	\$ 2,855	\$ 2,866
Operating contributions	2,517	1,876	-	-	2,517	1,876
Capital contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	10,981	10,482	-	-	10,981	10,482
Sales and use taxes	5,967	5,756	-	-	5,967	5,756
Franchise taxes	1,265	1,248	-	-	1,265	1,248
Transient occupancy taxes	1,311	1,382	-	-	1,311	1,382
Motor vehicle in lieu taxes	15	17	-	-	15	17
State subvention	23	6	-	-	23	6
Interest earnings	99	49	-	-	99	49
Miscellaneous revenues	115	121	-	-	115	121
Total revenues	<u>24,554</u>	<u>23,145</u>	<u>594</u>	<u>658</u>	<u>25,148</u>	<u>24,233</u>
Expenses:						
General government	3,468	4,104	-	-	3,468	4,104
Public services	6,434	6,841	-	-	6,434	6,841
Community development	1,385	1,288	-	-	1,385	1,288
Community services	4,079	4,161	-	-	4,079	4,161
Public safety	8,252	8,033	-	-	8,252	8,033
Property leasing	-	-	1,273	1,248	1,273	1,248
Interest	269	323	-	-	269	323
Total expenses	<u>23,887</u>	<u>24,750</u>	<u>1,273</u>	<u>1,248</u>	<u>25,160</u>	<u>25,998</u>
Change in net position before transfers	667	(1,605)	(679)	(590)	(12)	(2,195)
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	667	(1,605)	(679)	(590)	(12)	(2,195)
Net position, beginning	<u>87,085</u>	<u>88,690</u>	<u>7,871</u>	<u>8,461</u>	<u>94,953</u>	<u>97,151</u>
Net position, ending	\$ <u>87,752</u>	\$ <u>87,085</u>	\$ <u>7,192</u>	\$ <u>7,871</u>	\$ <u>94,944</u>	\$ <u>94,956</u>

During the fiscal year, the total revenue from all sources was \$25,147,863 and the cost of all activities was \$25,159,334, resulting in an overall decrease in net position of \$11,471. The City's governmental activities increased total net position by \$667,994.

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 2018/19



As shown in the above pie chart, roughly 80%, or \$19,539,551 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 \$4,777,609, or 19%, of the total revenue resources, which is 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 relationship of the City's program revenues to 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 3.5%, or \$864,694 over the prior fiscal year, as a result of reductions in General Government activities of \$636,160, or 15.5%, Community Services activities of \$81,658, or 2%, and Public Services activities of \$407,746, or 6%. These decreases offset the year-over-year increases in Public Safety activities of \$219,277, or 2.7%, and Community Development activities of \$97,524, or 7.6%.

Expenses related to public services was \$6,433,542 and to public safety was \$8,251,937, representing 27% and 35% of total governmental activities, respectively. Public services include certain capital projects, landscape maintenance, traffic signal maintenance, road maintenance, as well as water and electric utility usage charges. Public safety includes the costs for the law enforcement contract with the Orange

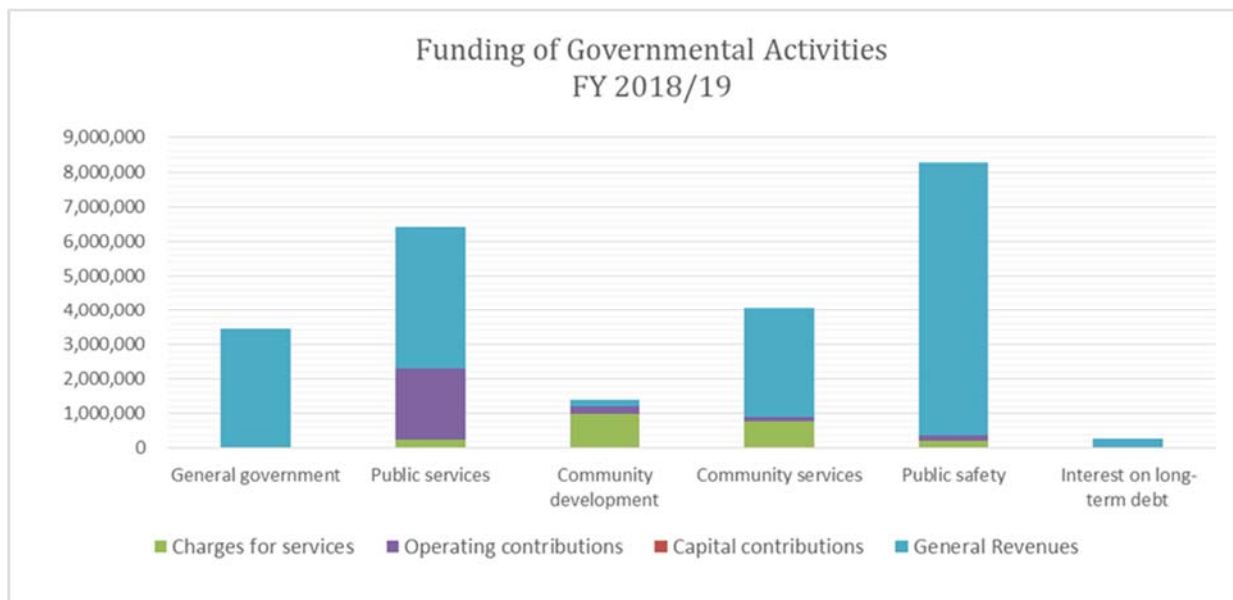
County Sheriff's Department (OCSD), as well as the cost for animal control and shelter services. The OCSD law enforcement contract represents roughly \$7.6 million, or 33%, of total governmental activities. Additionally, depreciation of capital assets accounts for \$3,896,631 (16%) and the debt service interest payment on capital related items accounts for \$267,582 (1.1%).

The City's business-type activities decreased total net position by \$679,465. The decrease from business-type activities is largely attributable to depreciation. Of the \$1,273,554 of total operating expenses related to property leasing activities, depreciation represents 59%, or \$750,538, of that total.

Program Revenues and Expenses:

Program revenues for the most recent fiscal year were \$4,777,609. Expenses related to governmental activities were \$23,885,780. 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 \$267,582.

Figure 2



Business-type Activities

The City's business-type activity involves the leasing of rentable areas in the Civic Center building. This 3-story building complex was renovated to accommodate the City offices and to add leasable spaces. Since June 28, 2004, the City government has operated from this facility. Altogether, there are 51,945 square feet of leasable office space in the Civic Center building. The City occupies 21,033 square feet and leases out 30,912 square feet. The occupancy rate was approximately 81% on June 30, 2019.

During the most recent fiscal year, the operating revenues of the Laguna Hills Civic Center were \$594,026 and the operating expenses were \$1,273,554, resulting in a net operating loss of \$679,528, which includes a depreciation charge of \$750,538. After interest income of \$63, the change in net position at fiscal year-end was \$(679,465). The net cash provided by the leasing operating activities was \$64,634. The contra rent revenue associated with the occupied spaces for City Hall was \$549,965 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 \$13,697,286, an increase of \$2,389,508 from the prior year's balance. Of the ending fund balance, \$99,169 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 \$13,598,117 in spendable fund balance, \$5,291,312 is restricted fund balance, \$1,145,659 is assigned fund balance and \$7,161,146 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 \$945,659 reserved for equipment maintenance of the Civic Center, Community Center, Sports Complex, slopes, storm drains, and various parks.

The City identifies "major" governmental funds within the fund financial statements. Funds are reviewed annually to determine if any should be classified as a major fund. Specifically, funds that have 10% or more of total assets, liabilities,

or fund balance of total governmental funds. The City may also classify as a major fund any fund or combination of funds that is considered essentially important to users.

The General Fund is the City's primary operating governmental fund. The fund balance of the City's general fund increased by \$1,081,531 from the prior fiscal year's balance, which exceeded expectation as a result of higher than anticipated sales tax revenue and revenues from licenses and permits, as well as lower than projected transfers out to fund certain capital projects that have been deferred.

The Measure M Fund accounts for revenues and expenditures for road improvements and transportation system maintenance financed through the Orange County's half-cent sales tax administered through the Orange County Transportation Authority (OCTA). Revenues and transfers out to other funds reflect financial resources are allocated to fund expenditures reported in other funds. During the fiscal year, the City recorded \$710,581 from Measure M2 revenues and \$7,124 in investment income, of which \$100,000 funded storm drain improvements to clean transportation-related pollutants from local waterways and \$617,705 to fund maintenance of roads, street lights, and traffic signals.

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 \$356,354. The largest capital expenditure during the current year was the Water Quality Improvement Program CIP #412, which totaled \$125,000, or 35% of the total capital improvement expenditures for the fiscal year.

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 \$1,840,536 in fund balance. Of the total fund balance, \$1,804,589 is 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. Only to the extent the reserve requirement is satisfied, may amounts in the reserve fund may be allocated toward lease payments. Interest income for the current fiscal year was \$45,934.

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 51,945. The City is a tenant using approximately 21,033 square feet of the building.

The statement of revenues, expenses, and changes in net position shows a net operating loss of \$679,528, before the interest income of \$63. The net effect is a decrease in the ending net position of \$679,465, which is largely attributable to depreciation. Before accounting for \$750,538 in depreciation expense, the net operating activity would result in a net operating income of \$71,010 from the City's other leasing related activities. It should be noted that the enterprise fund does not charge the City rent. The estimated annual rent for the space would be approximately \$549,965.

General Fund Budgetary Highlights

Total general fund revenue was originally budgeted at \$22,206,139, but was amended to \$21,427,984, a decrease of 4%, or \$778,155, to adjust for lower anticipated revenue. At fiscal year-end, total general fund revenues came in at \$22,047,533, which was roughly 3%, or \$619,549, above the amended budget for the year. This overage is largely attributable to higher than anticipated intergovernmental revenues and revenues from licenses and permits. Intergovernmental revenues exceeded the budget by \$452,292, mainly from sales tax revenue that exceeded the budget by \$388,524. License and permit revenue was approximately 19%, or \$154,017, higher than anticipated due a slight increase in projected development throughout the City. Additionally, various other revenues received from fines and forfeitures, charges for services, and investment income rose above projections, which when combined exceeded projections by \$133,499. The excess in these revenue sources absorbed the underperformance in taxes, which came in under budget by \$120,259, mainly as a result of lower than anticipated revenues from transient occupancy tax.

Given the lower than expected general fund revenues as indicated above, the original total general fund expenditures budget of \$20,470,017 was amended to \$19,715,489, which was a 4%, or \$754,528, decrease. After a concerted effort to lower general fund expenditures, general fund expenditures totaled \$19,725,985 at fiscal year-end, just slightly over budget by roughly .05%, or \$10,496. This is due entirely to litigation and lawsuit settlement expenditures, which totaled \$447,849 during the fiscal year and well over exceeded budget.

Expenditures in Public Services, Community Development, Community Services, and Public Safety each came in under budget, for a combined budget savings of \$406,790. The largest budget savings came from the Public Safety Department and Community Development Department. Public safety expenditures came in under budget by \$168,225, largely due to reduced staffing level from the Orange County Sheriff Department Law Enforcement Contract. Community development expenditures came in under budget by \$127,329, as a result of lower than anticipated contracted services for code enforcement, inspection, and plan check.

While other departments experienced positive budget variances, expenditures for the General Government Department and Debt Service exceeded the budget. General

government expenditures exceeded budget by \$320,663, as a result of the litigation expense and claim settlements mentioned above. The debt service of \$96,623 pertains to the on-bill financing program for energy efficiency lighting projects with Southern California Edison and San Diego Gas & Electric, and contributed to the budget savings in the Public Services department from lower utility cost.

The net change in fund balance at fiscal year-end in the General Fund was \$1,081,531, which exceeded budget by \$1,265,758. This was partially a result of the positive budget variance in the excess of revenues over expenditures of \$609,053, discussed above. Additionally, net total transfers in and out produced a positive budget variance of \$656,705, which was mainly due to the deferment of capital improvement projects funded by the general fund.

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, 2019 amounted to \$90,975,464, 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 **Table 3** on the following page.

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

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 17,962	\$ 17,962	\$ 2,855	\$ 2,855	\$ 20,817	\$ 20,817
Land improvements	5,395	6,712	-	-	5,395	6,712
Rights of ways/Easements	2,854	2,854	-	-	2,854	2,854
Building & improvements	2,158	2,831	4,110	4,780	6,268	7,611
Equipment and machinery	394	500	-	-	394	500
Construction in progress	-	-	-	-	-	-
Infrastructure						
Street signs	15	26	-	-	15	26
Storm drains	2,324	2,285	-	-	2,324	2,285
Streets	44,652	45,718	-	-	44,652	45,718
Parks inventory	1,910	2,210	-	-	1,910	2,210
Curbs, sidewalks, gutters	4,937	5,205	-	-	4,937	5,205
Bridges	1,409	1,477	-	-	1,409	1,477
Total capital assets net of accumulated depreciation	<u>\$ 84,010</u>	<u>\$ 87,780</u>	<u>\$ 6,965</u>	<u>\$ 7,635</u>	<u>\$ 90,975</u>	<u>\$ 95,415</u>

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

Long-term Debt

On January 26, 2010, to take advantage of favorable interest rates, the City issued \$17,190,000 of Certificates of Participation (COPs). Proceeds from the sale were placed in an irrevocable trust used to service the future debt requirements of the 2001 and 2003 Certificates of Participation, which were issued to finance a portion of the costs to develop certain property, including the Civic Center Renovation Project and Community Center. As a result, the balance of the 2001 and 2003 COPs are considered to be defeased and the liability for those bonds has been removed. At fiscal year-end June 30, 2019, the per capita liability of the City of Laguna Hills was \$199.36. 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-48 to II-50 of this report.

Budget and Economic Factors

The City's most recent adopted biennial budget for fiscal years 2019/20 -2020/21 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 \$22.4 million in fiscal year 2019/20, while operating expenditures are estimated at roughly \$20.7 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 2019-21 Biennial Budget is available on the City's website: www.ci.laguna-hills.ca.us.

Requests for Information

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

* * * * *

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LAGUNA HILLS

STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	\$ 10,613,202	\$ 287,101	\$ 10,900,303
Taxes receivable	1,586,656	-	1,586,656
Accounts receivable	452,511	7,778	460,289
Interest receivable	56,308	-	56,308
Prepaid items	99,169	-	99,169
Due from other governments	522,527	-	522,527
Restricted cash and investments	1,828,881	-	1,828,881
Capital assets, not depreciated	20,815,814	2,855,425	23,671,239
Capital assets, net of accumulated depreciation	63,194,999	4,109,226	67,304,225
Total Assets	<u>99,170,067</u>	<u>7,259,530</u>	<u>106,429,597</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refunding	160,796	-	160,796
Deferred amounts from pension plans	1,047,322	-	1,047,322
Total Deferred Outflows of Resources	<u>1,208,118</u>	<u>-</u>	<u>1,208,118</u>
LIABILITIES:			
Accounts payable	195,670	-	195,670
Accrued liabilities	659,670	20,329	679,999
Interest payable	115,478	-	115,478
Due to other governments	514,164	-	514,164
Deposits payable	49,034	42,858	91,892
Unearned revenue	-	4,372	4,372
Noncurrent Liabilities:			
Due within one year	1,661,582	-	1,661,582
Due in more than one year:			
Other long-term liabilities	5,708,122	-	5,708,122
Net pension liability	3,524,547	-	3,524,547
Total Liabilities	<u>12,428,267</u>	<u>67,559</u>	<u>12,495,826</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts from pension plans	197,536	-	197,536
Total Deferred Inflows of Resources	<u>197,536</u>	<u>-</u>	<u>197,536</u>
NET POSITION:			
Net investment in capital assets	79,706,238	6,964,651	86,670,889
Restricted for:			
Public services	3,027,780	-	3,027,780
Community services	422,996	-	422,996
Debt service	11,655	-	11,655
Unrestricted	4,583,713	227,320	4,811,033
Total Net Position	<u>\$ 87,752,382</u>	<u>\$ 7,191,971</u>	<u>\$ 94,944,353</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

		Program Revenues			
		Charges for	Operating	Capital	Total
	Expenses	Services	Contributions and Grants	Contributions and Grants	Program Revenues
Governmental Activities:					
General government	\$ 3,467,852	\$ -	\$ -	\$ -	\$ -
Public services	6,433,542	253,438	2,046,565	-	2,300,003
Community development	1,385,455	1,010,326	209,625	-	1,219,951
Community services	4,079,412	777,605	109,425	-	887,030
Public safety	8,251,937	219,727	150,898	-	370,625
Interest expense	267,582	-	-	-	-
Total Governmental Activities	<u>23,885,780</u>	<u>2,261,096</u>	<u>2,516,513</u>	<u>-</u>	<u>4,777,609</u>
Business-type Activity:					
Property leasing	<u>1,273,554</u>	<u>594,026</u>	<u>-</u>	<u>-</u>	<u>594,026</u>
Total Business-type Activity	<u>1,273,554</u>	<u>594,026</u>	<u>-</u>	<u>-</u>	<u>594,026</u>
Total Primary Government	<u>\$ 25,159,334</u>	<u>\$ 2,855,122</u>	<u>\$ 2,516,513</u>	<u>\$ -</u>	<u>\$ 5,371,635</u>

General Revenues:

Taxes:

Property taxes

Franchise tax

Transient occupancy tax

Intergovernmental, unrestricted:

Sales and use tax

Motor vehicle in lieu

State subvention

Investment earnings

Miscellaneous revenue

Total General Revenues

Changes in Net Position

Net Position, Beginning

Net Position, Ending

See Accompanying Notes to the Basic Financial Statement:

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activity	Total
\$ (3,467,852)	\$ -	\$ (3,467,852)
(4,133,539)	-	(4,133,539)
(165,504)	-	(165,504)
(3,192,382)	-	(3,192,382)
(7,881,312)	-	(7,881,312)
(267,582)	-	(267,582)
<u>(19,108,171)</u>	<u>-</u>	<u>(19,108,171)</u>
-	(679,528)	(679,528)
<u>-</u>	<u>(679,528)</u>	<u>(679,528)</u>
<u>(19,108,171)</u>	<u>(679,528)</u>	<u>(19,787,699)</u>
10,981,130	-	10,981,130
1,265,411	-	1,265,411
1,311,213	-	1,311,213
5,966,524	-	5,966,524
15,273	-	15,273
22,529	-	22,529
99,204	63	99,267
114,881	-	114,881
<u>19,776,165</u>	<u>63</u>	<u>19,776,228</u>
667,994	(679,465)	(11,471)
<u>87,084,388</u>	<u>7,871,436</u>	<u>94,955,824</u>
<u>\$ 87,752,382</u>	<u>\$ 7,191,971</u>	<u>\$ 94,944,353</u>

This page intentionally left blank

FUND FINANCIAL STATEMENTS

CITY OF LAGUNA HILLS
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2019

	General	Measure M Special Revenue Fund	Capital Projects	Debt Service	Other Governmental Funds	Totals
Assets						
Current:						
Cash and investments	\$ 7,327,662	\$ -	\$ -	\$ -	\$ 3,285,540	\$ 10,613,202
Receivables:						
Taxes	1,586,656	-	-	-	-	1,586,656
Accounts	452,511	-	-	-	-	452,511
Interest	44,653	-	-	11,655	-	56,308
Prepaid items	99,169	-	-	-	-	99,169
Due from other funds	189,530	-	-	-	-	189,530
Due from other governments	89,828	189,530	-	-	243,169	522,527
Restricted assets:						
Cash and investments	-	-	-	1,828,881	-	1,828,881
Total Assets	<u>\$ 9,790,009</u>	<u>\$ 189,530</u>	<u>\$ -</u>	<u>\$ 1,840,536</u>	<u>\$ 3,528,709</u>	<u>\$ 15,348,784</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	\$ 195,670	\$ -	\$ -	\$ -	\$ -	\$ 195,670
Accrued liabilities	581,737	-	-	-	77,933	659,670
Deposits	49,034	-	-	-	-	49,034
Due to other funds	-	189,530	-	-	-	189,530
Due to other governments	514,164	-	-	-	-	514,164
Total Liabilities	<u>1,340,605</u>	<u>189,530</u>	<u>-</u>	<u>-</u>	<u>77,933</u>	<u>1,608,068</u>
Deferred Inflows of Resources						
Unavailable revenues	<u>43,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,430</u>
Total Deferred Inflows of Resources	<u>43,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,430</u>
Fund Balances:						
Nonspendable	99,169	-	-	-	-	99,169
Restricted	-	-	-	1,840,536	3,450,776	5,291,312
Assigned	1,145,659	-	-	-	-	1,145,659
Unassigned	<u>7,161,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,161,146</u>
Total Fund Balances	<u>8,405,974</u>	<u>-</u>	<u>-</u>	<u>1,840,536</u>	<u>3,450,776</u>	<u>13,697,286</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,790,009</u>	<u>\$ 189,530</u>	<u>\$ -</u>	<u>\$ 1,840,536</u>	<u>\$ 3,528,709</u>	<u>\$ 15,348,784</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, 2019

Fund balances of governmental funds	\$ 13,697,286
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	159,683,800
Accumulated depreciation	(75,672,987)
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	(5,845,000)
Bond premium	(449,252)
Capital leases	(626,511)
Compensated absences	(339,698)
Claims and judgments payable	(109,243)
Deferred outflows of resources (loss on refunding of bonds) that have not been included in the governmental fund activity.	160,796
Accrued interest payable for the current portion of interest due on the Certificates of Participation has not been reported in the governmental funds.	(115,478)
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	1,047,322
Deferred inflows of resources	(197,536)
Net pension liability	(3,524,547)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.	43,430
Net position of governmental activities	<u>\$ 87,752,382</u>

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, 2019

	General	Measure M Special Revenue Fund	Capital Projects	Debt Service	Other Governmental Funds	Totals
Revenues:						
Taxes	\$ 13,557,754	\$ -	\$ -	\$ -	\$ 2,000	\$ 13,559,754
Licenses and permits	954,017	-	-	-	27,856	981,873
Intergovernmental revenues	6,072,420	710,581	-	-	1,680,883	8,463,884
Charges for current services	1,152,319	-	-	-	-	1,152,319
Fines and forfeitures	219,727	-	-	-	-	219,727
Investment income	91,296	7,124	-	45,934	55,949	200,303
Total Revenues	22,047,533	717,705	-	45,934	1,766,688	24,577,860
Expenditures:						
Current:						
General government	3,856,802	-	-	-	-	3,856,802
Public services	4,351,578	-	-	-	55,050	4,406,628
Community development	1,175,000	-	-	-	209,625	1,384,625
Community services	2,002,236	-	-	-	48,416	2,050,652
Public safety	8,243,746	-	-	-	-	8,243,746
Capital outlay	-	-	356,354	-	-	356,354
Debt service:						
Interest and fiscal charges	-	-	-	342,922	-	342,922
Principal retirement	96,623	-	-	1,450,000	-	1,546,623
Total Expenditures	19,725,985	-	356,354	1,792,922	313,091	22,188,352
Excess (Deficiency) of Revenues over Expenditures	2,321,548	717,705	(356,354)	(1,746,988)	1,453,597	2,389,508
Other Financing Sources (Uses):						
Transfers in	876,391	-	356,354	1,751,109	8,945	2,992,799
Transfers out	(2,116,408)	(717,705)	-	-	(158,686)	(2,992,799)
Total Other Financing Sources (Uses)	(1,240,017)	(717,705)	356,354	1,751,109	(149,741)	-
Net Change in Fund Balances	1,081,531	-	-	4,121	1,303,856	2,389,508
Fund Balances, Beginning	7,324,443	-	-	1,836,415	2,146,920	11,307,778
Fund Balances, Ending	\$ 8,405,974	\$ -	\$ -	\$ 1,840,536	\$ 3,450,776	\$ 13,697,286

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, 2019

Net change in fund balances - total governmental funds	\$ 2,389,508
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	137,923
Depreciation	(3,896,631)
Loss on disposition of capital assets	(10,651)
Long-term debt 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 revenues 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 principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	
Principal payments	1,546,623
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	(15,804)
Change in claims and judgments payable	457,713
Change in accrued interest for Certificates of Participation	23,676
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.	
	8,059
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.	
	(24,086)
Change in net position of governmental activities	\$ 667,994

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2019

	Enterprise - Property Leasing
ASSETS:	
Current Assets:	
Cash and investments	\$ 287,101
Accounts receivable	7,778
Total Current Assets	<u>294,879</u>
Noncurrent Assets:	
Capital assets not depreciated	2,855,425
Capital assets, net of accumulated depreciation	4,109,226
Total Noncurrent Assets	<u>6,964,651</u>
Total Assets	<u>7,259,530</u>
LIABILITIES:	
Current Liabilities:	
Accrued liabilities	20,329
Deposits payable	42,858
Unearned revenue	4,372
Total Current Liabilities	<u>67,559</u>
NET POSITION:	
Net investment in capital assets	6,964,651
Unrestricted	<u>227,320</u>
Total Net Position	<u>\$ 7,191,971</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, 2019

	<u>Enterprise - Property Leasing</u>
Operating Revenues:	
Rental fees	\$ 593,801
Other current service fees	225
Total Operating Revenues	<u>594,026</u>
Operating Expenses:	
Direct operating expenses	485,093
Advertising and promotion	2,996
Administrative and professional fees	6,670
Repairs and maintenance	28,257
Depreciation expense	750,538
Total Operating Expenses	<u>1,273,554</u>
Operating Loss	<u>(679,528)</u>
Nonoperating Revenues:	
Interest income	63
Total Nonoperating Revenues	<u>63</u>
Change in Net Position	(679,465)
Net Position, Beginning	<u>7,871,436</u>
Net Position, Ending	<u><u>\$ 7,191,971</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, 2019

	Enterprise - Property Leasing
Cash Flows from Operating Activities:	
Receipts from tenants	\$ 588,732
Payments to suppliers for goods and services	(524,098)
Net Cash Provided by Operating Activities	64,634
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(79,949)
Net Cash Used for Capital and Related Financing Activities	(79,949)
Cash Flows from Investing Activities:	
Interest on investments	63
Net Cash Provided by Investing Activities	63
Net Increase in Cash and Cash Equivalents	(15,252)
Cash and Cash Equivalents, Beginning	302,353
Cash and Cash Equivalents, Ending	\$ 287,101
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	\$ (679,528)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	750,538
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	913
(Increase) decrease in prepaid items	2,586
Increase (decrease) in accrued liabilities	(3,668)
Increase (decrease) in deposits payable	(6,207)
Total adjustments	744,162
Net Cash Provided by Operating Activities	\$ 64,634

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
AGENCY FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2019

ASSETS:

Cash and investments	\$ 243,494
----------------------	------------

Total Assets	<u>\$ 243,494</u>
--------------	-------------------

LIABILITIES:

Deposits	\$ 243,494
----------	------------

Total Liabilities	<u>\$ 243,494</u>
-------------------	-------------------

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, 2019

(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.

This report includes all fund types of the City (the primary government) and the Laguna Hills Public Improvement Corporation (the Corporation). The Corporation meets the definition of a component unit and is presented on a blended basis, as if it is a part of the primary government. Although it is a legally separate entity, the governing board of the Corporation is comprised of the same membership as the City Council. The City may impose its will on the Corporation, including the ability to appoint, hire, reassign, or dismiss management. There is also a financial benefit/burden relationship between the City and the Corporation.

The Corporation was established by the City Council on September 2, 1998. The Board of Directors of the Corporation is composed of the five members in connection with the acquisition, construction and improvement of public capital improvements. The activity of the Corporation is reported in the Debt Service Fund. Separate financial statements are not prepared for this blended component unit.

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. Also, interfund services provided and used have not been eliminated.

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, deferred outflows of resources, 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, deferred outflows of resources, 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, 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.

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 and liabilities (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

The 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.

Measure M Special Revenue Fund

The Measure M Special Revenue Fund is used to account for Measure M revenues from the Orange County Transportation Authority to be used for street improvement and transportation system maintenance.

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

GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018, and did not impact the City.

GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018, and did not significantly impact the City.

Pending Accounting Standards

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

- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.

- GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.
- GASB 91 - *Conduit Debt Obligations*, effective for periods beginning after December 15, 2020.

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 utilizing the consumption method.

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 acquisition 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
Land improvements	20 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 refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This

amount is deferred and amortized over the shorter of the life of the refunded or refunding debt, 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, changes in assumptions, and changes in proportion and differences between employer contributions and the proportionate share of contributions. 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.
- Deferred outflows 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.

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 inflows related to pensions for differences between expected and actual experiences, changes in assumptions, and changes in proportion and differences between employer contributions and the proportionate share of contributions. 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.

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, a defined contribution plan, to its full-time employees that

have reached ten (10) years of service with the City. This employer-sponsored retiree health benefit allows employees to accumulate assets to pay for medical expenses on a tax-free basis either upon separation of service from the City or age 50 dependent upon when contributions to the plan were made. In compliance with the Patient Protection and Affordable Care Act, contributions to the plan made after December 31, 2013, are available to plan participants for medical expenses only upon separation of employment. In the event of a participant's death, the participant's surviving spouse and/or eligible dependent(s) are immediately eligible to maintain the account and utilize it to fund eligible medical expenses. If a participant's balance is not fully depleted upon the death of the eligible spouse, the account balance may continue to be utilized to pay medical expenses of eligible dependents. An eligible dependent is (a) the participant's lawful spouse, (b) the participant's child under the age of 27, as defined by IRC Section 152(f)(1) and Internal Revenue Service Notice 2010-38, or (c) any other individual who is a person described in IRC Section 152(a), as classified by Internal Revenue Service Notice 2004-79. The assets of the individual plans are not subject to claims of the City's creditors. The start-up contribution for employees will be based on their accumulated sick leave hours in excess of 160 hours at their prevailing pay rate, upon the completion of ten (10) years of service to the City. Thereafter, annual contributions will be made to each employee's account for their unused sick leave hours in excess of 160 hours on June 30th of each fiscal year at the employees' prevailing pay rate. Upon separation from employment, the City will make a final contribution on behalf of the employee equivalent to all the unused sick leave balance of the employee at the employee's prevailing pay rate at the time of separation. The City also contributes \$5,000 on behalf of each participant, upon completion of ten years of service and annually thereafter on the participant's employment anniversary date as long as the individual is an employee with the City. The \$5,000 City contributions cease after termination or retirement of the employee. In the fiscal year ended June 30, 2019, the City contributed \$55,000 to the RHS Plan.

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, 2019, are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 10,900,303
Restricted cash and investments	1,828,881
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	243,494
Total cash and investments	<u><u>\$ 12,972,678</u></u>

Cash and investments at June 30, 2019, consisted of the following:

Cash on hand		\$ 2,500
Pooled deposits:		
Demand deposits	\$ 1,271,752	
Certificates of deposit	570,502	
Total pooled deposits		<u>1,842,254</u>
Pooled investments:		
Local Agency Investment Fund		7,999,114
CalTRUST Short-Term Investment Fund		524,914
Money Market Mutual Fund		775,015
Restricted cash and investments:		
Money Market Mutual Fund	\$ 24,586	
Local Agency Investment Fund	1,804,295	
Total restricted cash and investments		<u>1,828,881</u>
Total cash and investments		<u><u>\$ 12,972,678</u></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 fair value of the repurchase agreement is 102 percent or greater than the value of the funds borrowed
- Commercial paper
- Prime Banker's Acceptances
- Investment Trust of California, a Joint Powers Authority, doing business as CalTRUST

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 Fund	\$ 7,999,114	\$ 7,999,114
CalTRUST Short-Term Investment Fund	524,914	524,914
Money Market Mutual Fund	775,015	775,015
Investment with Fiscal Agent:		
Money Market Mutual Fund	24,586	24,586
Local Agency Investment Fund	1,804,295	1,804,295
Total	<u>\$ 11,127,924</u>	<u>\$ 11,127,924</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. The City's minimum legal rating for Money Market Mutual Funds is AAA. There is no minimum legal rating applicable for investments in the Local Agency Investment Fund and the City has no minimum legal rating for investments in CalTRUST. As of June 30, 2019, the City's investment in the State Treasurer's Local Agency Investment Fund has not been rated by a nationally recognized statistical rating organization, the City's investment in the CalTRUST Short-Term Investment Fund is rated AA, and the City's investment in the Money Market Mutual Funds are 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, 2019, other than the State Treasurer's Local Agency Investment Fund, CalTRUST Short-Term Investment Fund, and the Money Market Mutual 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, 2019, 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.

Investment in CalTRUST Investment Pool:

CalTRUST is a Joint Powers Agency Authority created by local public agencies to provide a convenient method for local public agencies to voluntarily pool their assets for investment purposes. CalTRUST is governed by a Board of Trustees made up of experienced local agency treasurers and investment officers. The Board sets overall policies for the program and selects and supervises the activities of the investment manager and other agents. CalTRUST maintains and administers four pooled accounts within the program: Government Fund, Money Market, Short-Term, and Medium-Term. The Government Fund and Money Market accounts permit daily transactions, with same-day liquidity (provided redemption requests are received by 1:00 p.m. Pacific time), with no limit on the amount of funds that may be invested. The Short-Term account permits an unlimited number of transactions per month (with prior day notice), with no limit on the amount of funds that may be invested. The Medium- account permits investments, withdrawals and transfers once per month, with five days advance notice. All CalTRUST accounts comply with the limits and restrictions placed on local agency investments by the California Government Code. CalTRUST imposes a \$250,000 minimum investment; however, there is no maximum limit.

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 percentage interest of the fair value provided by CalTRUST for the CalTRUST accounts (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CalTRUST.

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 valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

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

(3) Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2019, were as follows.

Funds:	Interfund Receivables	Interfund Payables
<u>Major Governmental:</u>		
General Fund	\$ 189,530	\$ -
Measure M Special Revenue Fund	-	189,530
Total	<u>\$ 189,530</u>	<u>\$ 189,530</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.

(4) Transfers In and Out

Transfers in and out for the fiscal year ended June 30, 2019 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	\$ 2,116,408	General	\$ 876,391
Measure M Special Revenue	717,705	Capital Projects	356,354
		Debt Service	1,751,109
<u>Non-major Governmental</u>		<u>Non-major Governmental</u>	
<u>Special Revenue Funds:</u>		<u>Special Revenue Funds:</u>	
Gas Tax	7,788	Senior Mobility Program	8,945
SLEFS/COPS BRULTE	150,898		
Total	<u>\$ 2,992,799</u>	Total	<u>\$ 2,992,799</u>

Interfund transfers are principally used to 1) provide available funds to the Debt Service Fund for interest and principal payments on the City's long-term debt and 2) supply the Capital Projects Fund with funding necessary to accomplish those projects approved by the City Council. 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, 2019, was as follows:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
Governmental activities:				
Buildings and improvements	\$ 13,466,229	\$ -	\$ -	\$ 13,466,229
Machinery and equipment	2,653,139	5,135	(26,624)	2,631,650
Land improvements	26,347,918	-	-	26,347,918
Infrastructure	96,289,401	132,788	-	96,422,189
Total cost of depreciable assets	138,756,687	137,923	(26,624)	138,867,986
Less accumulated depreciation for:				-
Buildings and improvements	10,635,329	673,312	-	11,308,641
Machinery and equipment	2,152,997	100,439	(15,973)	2,237,463
Land improvements	19,635,612	1,317,396	-	20,953,008
Infrastructure	39,368,391	1,805,484	-	41,173,875
Total accumulated depreciation	71,792,329	3,896,631	(15,973)	75,672,987
Net depreciable assets	66,964,358	(3,758,708)	(10,651)	63,194,999
Land	17,961,632	-	-	17,961,632
Rights of way/Easements	2,854,182	-	-	2,854,182
Total cost of non-depreciable assets	20,815,814	-	-	20,815,814
Total capital assets, net	\$ 87,780,172	\$ (3,758,708)	\$ (10,651)	\$ 84,010,813
Business-type activity:				
Buildings and improvements	\$ 14,949,672	\$ 79,949	\$ -	\$ 15,029,621
Total cost of depreciable assets	14,949,672	79,949	-	15,029,621
Less accumulated depreciation for:				
Buildings and improvements	10,169,857	750,538	-	10,920,395
Total accumulated depreciation	10,169,857	750,538	-	10,920,395
Net depreciable assets	4,779,815	(670,589)	-	4,109,226
Land	2,855,425	-	-	2,855,425
Total capital assets, net	\$ 7,635,240	\$ (670,589)	\$ -	\$ 6,964,651

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

Governmental activities:	
General government	\$ 50,367
Community development	830
Public services	1,808,483
Community services	2,028,760
Public safety	8,191
	<u>3,896,631</u>
Business-type activity:	
Property leasing	<u>750,538</u>
Total	<u>\$ 4,647,169</u>

(6) Long-term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

Governmental Activities:

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019	Amounts Due in One Year
Other Debt:					
Certificates of Participation:					
2010 COP	\$ 7,295,000	\$ -	\$ (1,450,000)	\$ 5,845,000	\$ 1,520,000
Unamortized premium	529,716	-	(80,464)	449,252	-
Total Certificates of Participation	<u>7,824,716</u>	<u>-</u>	<u>(1,530,464)</u>	<u>6,294,252</u>	<u>1,520,000</u>
Direct Borrowings and Direct Placements:					
Capital lease - Edison	451,894	-	(56,255)	395,639	56,320
Capital lease - SDGE	271,240	-	(40,368)	230,872	40,368
Other Liabilities:					
Compensated absences	323,894	221,781	(205,977)	339,698	33,970
Claims and judgments	566,956	58,462	(516,175)	109,243	10,924
Total Other Liabilities	<u>1,613,984</u>	<u>280,243</u>	<u>(818,775)</u>	<u>1,075,452</u>	<u>141,582</u>
Totals	<u>\$ 9,438,700</u>	<u>\$ 280,243</u>	<u>\$ (2,349,239)</u>	<u>\$ 7,369,704</u>	<u>\$ 1,661,582</u>

Typically, the City liquidates its certificates of participation, capital leases, compensated absences, and claims and judgments with general fund resources.

The City's legal debt margin is 15% of the gross assessed valuation, which is \$1,100,194 for the fiscal year ended June 30, 2019.

Other Debt: 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 was used to service the future debt requirements of the 2001 and

2003 Certificates of Participation. There are no amounts outstanding on the defeased COPs.

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

The Serial bonds mature in annual installments ranging from \$345,000 to \$1,670,000, commencing February 1, 2011 and ending February 1, 2025. Interest accrues at rates between 2.00% and 5.00% and is payable semiannually. The annual requirements to amortize the certificates of participation as of June 30, 2019, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2020	\$ 1,520,000	\$ 282,881	\$ 1,802,881
2021	1,580,000	206,881	1,786,881
2022	1,670,000	127,881	1,797,881
2023	345,000	44,381	389,381
2024	355,000	30,581	385,581
2025	375,000	15,939	390,939
Totals	<u>\$ 5,845,000</u>	<u>\$ 708,544</u>	<u>\$ 6,553,544</u>

The COPs are subject to federal arbitrage regulations. The City calculated no arbitrage rebate due.

The COPs require a reserve in an amount that is the least of (1) 125% of the average annual lease payments, (2) 10% of the original proceeds, or (3) maximum annual lease payments. This reserve is fully funded as of June 30, 2019 with a balance of \$1,804,589.

Direct Borrowings and Direct Placements:
Capital Lease: Southern California Edison On-Bill Financing Program

In fiscal year 2016-2017, the City approved the installation of energy-efficient LED streets lights in areas of the City. The project was partially funded through Southern California Edison's On-Bill Financing Program. Through this program, the City received zero percent financing for approved energy reduction projects for \$471,344 as of June 30, 2019. Since each individual item is below the City's capitalization policy, there are no amounts recorded as capital assets for these purchases. The costs are repaid from energy savings over a period of up to ten years. The unpaid balance as of June 30, 2019 was \$395,639. The annual debt service requirements are as follows:

Fiscal Year Ending June 30	Principal
2020	\$ 56,320
2021	52,299
2022	51,934
2023	51,934
2024	51,317
2025 - 2028	131,835
Totals	<u>\$ 395,639</u>

**Direct Borrowings and Direct Placements:
Capital Lease: San Diego Gas & Electric On-Bill Financing Program**

In fiscal year 2017-2018, the City approved the installation of energy-efficient LED streets lights in areas of the City. The project was partially funded through San Diego Gas & Electric's On-Bill Financing Program. Through this program, the City received zero percent financing for approved energy reduction projects for \$287,539 as of June 30, 2019. Since each individual item is below the City's capitalization policy, there are no amounts recorded as capital assets for these purchases. The costs are repaid from energy savings over a period of up to ten years. The unpaid balance as of June 30, 2019 was \$230,872. The annual debt service requirements are as follows:

Fiscal Year Ending June 30	Principal
2020	\$ 40,368
2021	40,368
2022	40,368
2023	40,368
2024	40,368
2025 - 2028	29,032
Totals	<u>\$ 230,872</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. The long-term portion of this liability, amounting to \$305,728 at June 30, 2019 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 City is also a member in an insurance pool through the Special District Risk Management Authority (SDRMA). SDRMA is a not-for-profit public agency formed under California Government Code Sections 6500 et. Seq. SDRMA is governed by a board composed of members from participating agencies. The mission of SDRMA is to provide renewable, efficiently priced risk financing and risk management services through a financially sound pool. The City pays an annual premium for commercial insurance covering workers' compensation and employers' liability claims. Accordingly, the City retains no risk of loss. Separate financial statements of SDRMA may be obtained at Special District Risk Management Authority, 1112 "I" Street, Suite 300, Sacramento, CA 95814.

The following is a list of the allocation of risk coverage for the City as of June 30, 2019, taking in to account the City's self-insurance portion, if any.

Area of Risk	City Self-Insurance	Carrier	Risk Coverage
Municipal Broad General Liability	<ul style="list-style-type: none"> • \$100,000 for BI, PI, PD and public officials E&O • \$1,000,000 for employment practices liability 	ERMAC	<ul style="list-style-type: none"> • \$50M per occurrence and in the annual aggregate excess of limit of the SIR of \$1M
Property, Business Interruption and Boiler & Machinery	<ul style="list-style-type: none"> • \$10,000 per occurrence (specific perils may be higher) 	ERMAC (PEPIP program)	<ul style="list-style-type: none"> • \$1B per occurrence combined • \$10M flood limit per occurrence • \$100M combined business interruption • \$100M boiler explosion & machinery breakdown combined
Difference in Conditions (Multi-peril) Civic Center only	<ul style="list-style-type: none"> • \$25,000 per occurrence • 5% earthquake 	Aegis Security Insurance Company	<ul style="list-style-type: none"> • \$7.5M per occurrence and annual aggregate • \$60.6M TIV

Area of Risk	City Self-Insurance	Carrier	Risk Coverage
Crime	<ul style="list-style-type: none"> • \$2,500 	CSAC-EIA	<ul style="list-style-type: none"> • \$15M funds transfer fraud • \$15M employee dishonesty • \$15M forgery alterations • \$15M money & securities theft, inside premises • \$15M money & securities theft, outside premises • \$15M computer fraud • \$15M money order & counterfeit paper currency • \$15M theft of other property, inside premises • \$15M theft of other property, outside premises
Cyber Liability	<ul style="list-style-type: none"> • \$50,000 per occurrence 	APIP	<ul style="list-style-type: none"> • \$25M annual aggregate for all members combined • \$2M per occurrence and annual aggregate
Recreational Class & Officials Supplemental	<ul style="list-style-type: none"> • None 	SCMAF	<ul style="list-style-type: none"> • \$1M per occurrence • \$2M aggregate • \$100,000 property damage • \$1M personal and adv injury, products • \$5,000 medical expense
Business Auto	<ul style="list-style-type: none"> • \$500 	Columbia Insurance Company	<ul style="list-style-type: none"> • \$500K combined BI • \$500K uninsured, under-insured motorist • \$5,000 medical payments • \$22,000 physical damage
Workers' Compensation & Employers' Liability	<ul style="list-style-type: none"> • None 	SDRMA	<ul style="list-style-type: none"> • Statutory Workers' Compensation per occurrence • \$5M Employer's Liability per occurrence

Claims Liability

In the financial statements prepared using the economic resources measurement focus, authoritative standards require that the liability for claims and the corresponding expense should be recognized in the period in which the underlying event occurs. Therefore, the liability of outstanding *unallocated loss adjustment expenses* (ULAE) must be established to represent the amount that will be paid out in claims as well as the expenses associated with processing of those claims. The City's third-party administrator provides the data on estimated claim liabilities (paid and reserves). As of June 30, 2019, the estimated outstanding ULAE was \$109,243.

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, 2019, the estimated IBNR was \$52,743. The following is a summary of the changes in the claims liability for the last two fiscal years:

Fiscal Year Ending June 30	FY 2018/19	FY 2017/18
Claims payable, beginning	\$ 566,956	\$ 526,994
Claims and changes in estimate	58,462	919,170
Claims payments	(516,175)	(879,208)
Claims payable, ending	<u>\$ 109,243</u>	<u>\$ 566,956</u>

The total amount designated in the Claims Liability Loss Reserve Fund as of June 30, 2019 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 2018-2019.

(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 PEPR, 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 the measurement period ending June 30, 2018, are summarized as follows:

	Miscellaneous	
	Tier I	PEPRA
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.5%
Required employer contribution rates:		
Normal cost rate	8.303%	6.908%
Payment of unfunded liability	\$ 119,403	\$ 539

Contributions

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

Typically, the City liquidates its net pension liability with general fund resources.

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

As of June 30, 2019, the City reported net pension liabilities for its proportionate share of the net pension liability of all Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 3,524,547</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, 2018, 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, 2017 rolled forward to June 30, 2018 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 the measurement dates ended June 30, 2017 and 2018 was as follows:

	Miscellaneous
Proportion - June 30, 2017	0.09159%
Proportion - June 30, 2018	0.09352%
Change - Increase (Decrease)	0.00193%

For the year ended June 30, 2019, the City recognized pension expense of \$414,066. At June 30, 2019 (measurement period ending June 30, 2018) 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	\$ 422,127	\$ -
Differences between expected and actual experience	135,230	(46,018)
Change in assumptions	401,809	(98,475)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	70,731	(53,043)
Net differences between projected and actual earnings on plan investments	17,425	-
Total	<u>\$ 1,047,322</u>	<u>\$ (197,536)</u>

\$422,127 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, 2020. 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
2020	\$ 343,336
2021	201,492
2022	(85,467)
2023	(31,702)
2024	-
Thereafter	-

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The total pension liability was based on the following assumptions:

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

- (1) Varies by entry age and service.
- (2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.
- (3) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

Long-term Expected Rate of Return

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

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

The expected real rates of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

- (a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
- (b) An expected inflation of 2.0% used for this period
- (c) An expected inflation of 2.92% used for this period

Discount Rate

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

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	6.15%
Net Pension Liability	\$ 6,151,480
Current Discount Rate	7.15%
Net Pension Liability	\$ 3,524,547
1% Increase	8.15%
Net Pension Liability	\$ 1,356,056

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, 2019, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2019.

(9) Deferred Compensation

The City offers its employees two kinds of defined contribution deferred compensation plans. City contribution rates may change if plan contracts are amended.

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 \$18,500 and \$19,000 for calendar years 2018 and 2019, respectively. 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 City contributes 3.75% of the employee's compensation for part-time seasonal employees. There are no City contributions required for full-time and non-seasonal part-

time employees. The City's total contributions for the fiscal year ended June 30, 2019 was \$5,336.

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, which is 3% for eligible non-management employees and 6.5% for eligible management employees. The City's total contributions for the fiscal year ended June 30, 2019 was \$90,589. 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.

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, 2019.

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, 2019 is as follows:

	General	Debt Service	Other	
	Fund	Fund	Governmental	Total
			Funds	
Nonspendable:				
Prepaid Items	\$ 99,169	\$ -	\$ -	\$ 99,169
Total	99,169	-	-	99,169
Restricted:				-
Public Services	-	-	3,027,780	3,027,780
Community Services	-	-	422,996	422,996
Debt Service	-	1,840,536	-	1,840,536
Total	-	1,840,536	3,450,776	5,291,312
Assigned:				
Claims Liability	200,000	-	-	200,000
Community Center and				
Sports Complex Mtnc	525,000	-	-	525,000
Parks Maintenance	315,700	-	-	315,700
Slopes/Storm Drain Mtnc	104,959	-	-	104,959
Total	1,145,659	-	-	1,145,659
Unassigned	7,161,146	-	-	7,161,146
Total Fund Balances	\$ 8,405,974	\$ 1,840,536	\$ 3,450,776	\$ 13,697,286

(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, 2019. 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

Excess of Expenditures over Appropriations

The following are funds in which expenditures exceeded appropriations for the fiscal year ended June 30, 2019. The City manages its budget at the fund level.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance Positive (Negative)</u>
Major Governmental Fund:			
General Fund	\$ 19,715,489	\$ 19,725,985	\$ (10,496)
Debt Service Fund	1,790,882	1,792,922	(2,040)
Non-major Governmental Special Revenue Funds:			
Pulbic Art	-	7,833	(7,833)

(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, 2019:

Fiscal Year Ending June 30	Principal
2020	\$ 525,673
2021	455,493
2022	395,283
2023	344,633
2024	260,972
Thereafter	274,307
Totals	<u>\$ 2,256,361</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 \$17,885,046. The carrying value of these capital assets as of June 30, 2019 is \$6,964,651.

Total rent revenue for the year ended June 30, 2019 was \$593,801.

(16) Subsequent Events

In preparing these financial statements, the City's Management has evaluated events and transactions for potential recognition or disclosure through November 18, 2019, the date these financial statements were available to be issued and has determined there were no other material events requiring disclosure.

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAGUNA HILLS

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

Fiscal year ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.03658%	0.03641%	0.03413%	0.02851%	0.03634%
Plan's proportionate share of the net pension liability	\$ 3,524,547	\$ 3,610,550	\$ 2,953,536	\$ 1,956,617	\$ 2,261,011
Plan's covered payroll	\$ 3,199,277	\$ 3,197,331	\$ 3,076,464	\$ 3,093,576	\$ 2,893,989
Plan's proportionate share of the net pension liability as a percentage of covered payroll	110.17%	112.92%	96.00%	63.25%	78.13%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%
Plan's proportionate share of aggregate employer contributions	\$ 605,465	\$ 553,754	\$ 482,240	\$ 431,378	\$ 299,124

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

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.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no changes in assumptions.

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

CITY OF LAGUNA HILLS

SCHEDULE OF CONTRIBUTIONS LAST TEN FISCAL YEARS*

Fiscal year ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 422,127	\$ 378,900	\$ 346,439	\$ 308,768	\$ 278,231
Contributions in relation to the actuarially determined contributions	<u>(422,127)</u>	<u>(378,900)</u>	<u>(346,439)</u>	<u>(308,768)</u>	<u>(278,231)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,978,329	\$ 3,199,277	\$ 3,197,331	\$ 3,076,464	\$ 3,093,576
Contributions as a percentage of covered payroll	14.17%	11.84%	10.84%	10.04%	8.99%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
----------------	-----------	-----------	-----------	-----------	-----------

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 50 years (2%@60), 52 years (2%@62)**

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

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

CITY OF LAGUNA HILLS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 13,762,883	\$ 13,678,013	\$ 13,557,754	\$ (120,259)
Licenses and permits	1,050,000	800,000	954,017	154,017
Intergovernmental revenues	6,012,662	5,620,128	6,072,420	452,292
Charges for current services	1,128,444	1,094,000	1,152,319	58,319
Fines and forfeitures	252,150	190,000	219,727	29,727
Investment income	-	45,843	91,296	45,453
Total Revenues	22,206,139	21,427,984	22,047,533	619,549
Expenditures:				
Current:				
General government	3,621,153	3,536,139	3,856,802	(320,663)
Public services	4,531,623	4,400,954	4,351,578	49,376
Community development	1,479,773	1,302,329	1,175,000	127,329
Community services	2,136,265	2,064,096	2,002,236	61,860
Public safety	8,701,203	8,411,971	8,243,746	168,225
Debt service:				
Principal retirement	-	-	96,623	(96,623)
Total Expenditures	20,470,017	19,715,489	19,725,985	(10,496)
Excess of Revenues over Expenditures	1,736,122	1,712,495	2,321,548	609,053
Other Financing Sources (Uses):				
Transfers in	2,300,060	1,238,959	876,391	(362,568)
Transfers out	(4,172,681)	(3,135,681)	(2,116,408)	1,019,273
Total Other Financing Sources (Uses)	(1,872,621)	(1,896,722)	(1,240,017)	656,705
Net Change in Fund Balance	(136,499)	(184,227)	1,081,531	1,265,758
Fund Balance, Beginning	7,324,443	7,324,443	7,324,443	-
Fund Balance, Ending	\$ 7,187,944	\$ 7,140,216	\$ 8,405,974	\$ 1,265,758

See Accompanying Note to Required Supplementary Information

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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 890,060	\$ 890,060	\$ 710,581	\$ (179,479)
Investment income	-	5,666	7,124	1,458
Total Revenues	890,060	895,726	717,705	(178,021)
Expenditures	-	-	-	-
Excess of Revenues over Expenditures	890,060	895,726	717,705	(178,021)
Other Financing Uses:				
Transfers out	(890,060)	(890,060)	(717,705)	172,355
Total Other Financing Uses	(890,060)	(890,060)	(717,705)	172,355
Net Change in Fund Balance	-	5,666	-	(5,666)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ 5,666	\$ -	\$ (5,666)

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 CDBG Special Revenue Fund did not have an adopted budget during the current fiscal year.

This page intentionally left blank

SUPPLEMENTARY INFORMATION

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.

SB1 RMRA Fund - Used to account for revenues received from the State SB1 taxes. Expenditures are restricted to basic road maintenance, rehabilitation, and critical safety projects.

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."

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

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.

CASp Fund - (Certified Access Specialist Program) Used to account for revenues and expenditures related to Senate Bill 1186 funds that are to be used for disability access and compliance with construction-related accessibility requirements.

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.

CITY OF LAGUNA HILLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2019

	Special Revenue Funds							
	Gas Tax	SB1 RMRA	AB 2766	Senior Mobility Program	CARITS	CDBG	Public Art	Beverage Recycling
Assets								
Cash and investments	\$ 678,981	\$ 484,810	\$ 213,506	\$ 73,704	\$ 1,245,578	\$ -	72,692	\$ 22,060
Due from other governments	<u>53,120</u>	<u>104,135</u>	<u>10,699</u>	<u>5,590</u>	<u>-</u>	<u>69,625</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 732,101</u>	<u>\$ 588,945</u>	<u>\$ 224,205</u>	<u>\$ 79,294</u>	<u>\$ 1,245,578</u>	<u>\$ 69,625</u>	<u>72,692</u>	<u>\$ 22,060</u>
Liabilities and Fund Balances								
Liabilities:								
Accrued liabilities	\$ -	\$ -	\$ -	\$ 1,462	\$ -	69,625	-	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,462</u>	<u>-</u>	<u>69,625</u>	<u>-</u>	<u>-</u>
Fund Balances:								
Restricted	<u>732,101</u>	<u>588,945</u>	<u>224,205</u>	<u>77,832</u>	<u>1,245,578</u>	<u>-</u>	<u>72,692</u>	<u>22,060</u>
Total Fund Balances	<u>732,101</u>	<u>588,945</u>	<u>224,205</u>	<u>77,832</u>	<u>1,245,578</u>	<u>-</u>	<u>72,692</u>	<u>22,060</u>
Total Liabilities and Fund Balances	<u>\$ 732,101</u>	<u>\$ 588,945</u>	<u>\$ 224,205</u>	<u>\$ 79,294</u>	<u>\$ 1,245,578</u>	<u>\$ 69,625</u>	<u>72,692</u>	<u>\$ 22,060</u>

Special Revenue Funds (Continued)						
CR&R Recycling Fees	C & D Forfeited Deposits	CASp	Water Conservation	Grants & Contributions	SLEFS/COPS BRULTE	Total Nonmajor Governmental Funds
\$ 2,934	\$ 57,556	\$ 8,998	\$ 338,294	\$ 86,427	\$ -	\$ 3,285,540
-	-	-	-	-	-	243,169
<u>\$ 2,934</u>	<u>\$ 57,556</u>	<u>\$ 8,998</u>	<u>\$ 338,294</u>	<u>\$ 86,427</u>	<u>\$ -</u>	<u>\$ 3,528,709</u>
\$ -	\$ 6,846	\$ -	\$ -	\$ -	\$ -	\$ 77,933
-	6,846	-	-	-	-	77,933
<u>2,934</u>	<u>50,710</u>	<u>8,998</u>	<u>338,294</u>	<u>86,427</u>	<u>-</u>	<u>3,450,776</u>
<u>2,934</u>	<u>50,710</u>	<u>8,998</u>	<u>338,294</u>	<u>86,427</u>	<u>-</u>	<u>3,450,776</u>
<u>\$ 2,934</u>	<u>\$ 57,556</u>	<u>\$ 8,998</u>	<u>\$ 338,294</u>	<u>\$ 86,427</u>	<u>\$ -</u>	<u>\$ 3,528,709</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, 2019

	Special Revenue Funds							
	Gas Tax	SB1 RMRA	AB 2766	Senior Mobility Program	CARITS	CDBG	Public Art	Beverage Recycling
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	659,630	583,485	41,270	38,126	-	209,625	-	-
Investment income	<u>7,821</u>	<u>5,460</u>	<u>3,825</u>	<u>1,502</u>	<u>23,761</u>	<u>-</u>	<u>1,456</u>	<u>423</u>
Total Revenues	<u>667,451</u>	<u>588,945</u>	<u>45,095</u>	<u>39,628</u>	<u>23,761</u>	<u>209,625</u>	<u>1,456</u>	<u>423</u>
Expenditures:								
Current:								
Public services	-	-	-	-	-	-	-	120
Community development	-	-	-	-	-	209,625	-	-
Community services	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,583</u>	<u>-</u>	<u>-</u>	<u>7,833</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,583</u>	<u>-</u>	<u>209,625</u>	<u>7,833</u>	<u>120</u>
Excess (Deficiency) of Revenues over Expenditures	<u>667,451</u>	<u>588,945</u>	<u>45,095</u>	<u>(955)</u>	<u>23,761</u>	<u>-</u>	<u>(6,377)</u>	<u>303</u>
Other Financing Sources (Uses):								
Transfers in	-	-	-	8,945	-	-	-	-
Transfers out	<u>(7,788)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(7,788)</u>	<u>-</u>	<u>-</u>	<u>8,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	659,663	588,945	45,095	7,990	23,761	-	(6,377)	303
Fund Balances, Beginning	<u>72,438</u>	<u>-</u>	<u>179,110</u>	<u>69,842</u>	<u>1,221,817</u>	<u>-</u>	<u>79,069</u>	<u>21,757</u>
Fund Balances, Ending	<u>\$ 732,101</u>	<u>588,945</u>	<u>\$ 224,205</u>	<u>\$ 77,832</u>	<u>\$ 1,245,578</u>	<u>\$ -</u>	<u>\$ 72,692</u>	<u>\$ 22,060</u>

Special Revenue Funds (Continued)							Total
CR&R Recycling Fees	C & D Forfeited Deposits	CASp	Water Conservation	Grants & Contributions	SLEFS/COPS BRULTE		Nonmajor Governmental Funds
\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$	2,000
-	21,952	5,904	-	-	-		27,856
-	-	-	-	-	148,747		1,680,883
56	1,288	104	6,453	1,649	2,151		55,949
2,056	23,240	6,008	6,453	1,649	150,898		1,766,688
-	54,930	-	-	-	-		55,050
-	-	-	-	-	-		209,625
-	-	-	-	-	-		48,416
-	54,930	-	-	-	-		313,091
2,056	(31,690)	6,008	6,453	1,649	150,898		1,453,597
-	-	-	-	-	-		8,945
-	-	-	-	-	(150,898)		(158,686)
-	-	-	-	-	(150,898)		(149,741)
2,056	(31,690)	6,008	6,453	1,649	-		1,303,856
878	82,400	2,990	331,841	84,778	-		2,146,920
\$ 2,934	\$ 50,710	\$ 8,998	\$ 338,294	\$ 86,427	\$ -	\$	3,450,776

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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	1,795,000	1,270,000	356,354	913,646
Total Expenditures	1,795,000	1,270,000	356,354	913,646
Excess (Deficiency) of				
Revenues over Expenditures	(1,795,000)	(1,270,000)	(356,354)	913,646
Other Financing Sources:				
Transfers in	1,795,000	1,278,000	356,354	(921,646)
Total Other Financing Sources	1,795,000	1,278,000	356,354	(921,646)
Net Change in Fund Balance	-	8,000	-	(8,000)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ 8,000	\$ -	\$ (8,000)

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, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Positive (Negative)
Revenues:				
Investment income	\$ -	\$ 11,690	\$ 45,934	\$ 34,244
Total Revenues	-	11,690	45,934	34,244
Expenditures:				
Debt service:				
Interest and fiscal charges	340,882	340,882	342,922	(2,040)
Principal retirement	1,450,000	1,450,000	1,450,000	-
Total Expenditures	1,790,882	1,790,882	1,792,922	(2,040)
Excess (Deficiency) of				
Revenues over Expenditures	(1,790,882)	(1,779,192)	(1,746,988)	32,204
Other Financing Sources:				
Transfers in	1,790,882	1,790,882	1,751,109	(39,773)
Total Other Financing Sources	1,790,882	1,790,882	1,751,109	(39,773)
Net Change in Fund Balance	-	11,690	4,121	(7,569)
Fund Balance, Beginning	1,836,415	1,836,415	1,836,415	-
Fund Balance, Ending	\$ 1,836,415	\$ 1,848,105	\$ 1,840,536	\$ (7,569)

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, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 697,429	\$ 697,429	\$ 659,630	\$ (37,799)
Investment income	-	8,260	7,821	(439)
Total Revenues	697,429	705,689	667,451	(38,238)
Other Financing Uses:				
Transfers out	-	(8,000)	(7,788)	212
Total Other Financing Uses	-	(8,000)	(7,788)	212
Net Change in Fund Balance	697,429	697,689	659,663	(38,026)
Fund Balance, Beginning	72,438	72,438	72,438	-
Fund Balance, Ending	\$ 769,867	\$ 770,127	\$ 732,101	\$ (38,026)

CITY OF LAGUNA HILLS
SB1 RMRA SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 527,571	\$ 527,571	\$ 583,485	\$ 55,914
Investment income	-	-	5,460	5,460
Total Revenues	527,571	527,571	588,945	61,374
Expenditures	-	-	-	-
Excess of Revenues over Expenditures	527,571	527,571	588,945	61,374
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ 527,571	\$ 527,571	\$ 588,945	\$ 61,374

CITY OF LAGUNA HILLS
AB 2766 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 41,270	\$ 1,270
Investment income	<u>-</u>	<u>1,395</u>	<u>3,825</u>	<u>2,430</u>
Total Revenues	<u>40,000</u>	<u>41,395</u>	<u>45,095</u>	<u>3,700</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues over Expenditures	40,000	41,395	45,095	3,700
Fund Balance, Beginning	<u>179,110</u>	<u>179,110</u>	<u>179,110</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 219,110</u></u>	<u><u>\$ 220,505</u></u>	<u><u>\$ 224,205</u></u>	<u><u>\$ 3,700</u></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, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 35,126	\$ 35,126	\$ 38,126	\$ 3,000
Investment income	-	240	1,502	1,262
Total Revenues	35,126	35,366	39,628	4,262
Expenditures:				
Current:				
Community services	44,000	44,000	40,583	3,417
Total Expenditures	44,000	44,000	40,583	3,417
Excess (Deficiency) of Revenues over Expenditures	(8,874)	(8,634)	(955)	7,679
Other Financing Sources (Uses):				
Transfers in	16,800	16,800	8,945	(7,855)
Transfers out	(40,000)	(40,000)	-	
Total Other Financing Sources (Uses)	(23,200)	(23,200)	8,945	(7,855)
Net Change in Fund Balance	(32,074)	(31,834)	7,990	39,824
Fund Balance, Beginning	69,842	69,842	69,842	-
Fund Balance, Ending	\$ 37,768	\$ 38,008	\$ 77,832	\$ 39,824

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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Investment income	\$ -	\$ 7,778	\$ 23,761	\$ 15,983
Total Revenues	-	7,778	23,761	15,983
Expenditures	-	-	-	-
Excess of Revenues over Expenditures	-	7,778	23,761	15,983
Fund Balance, Beginning	1,221,817	1,221,817	1,221,817	-
Fund Balance, Ending	\$ 1,221,817	\$ 1,229,595	\$ 1,245,578	\$ 15,983

CITY OF LAGUNA HILLS
PUBLIC ART SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Positive(Negative)
Revenues:				
Investment income	\$ -	\$ 503	\$ 1,456	\$ 953
Total Revenues	-	503	1,456	953
Expenditures:				
Current:				
Community services	-	-	7,833	(7,833)
Total Expenditures	-	-	7,833	(7,833)
Excess (Deficiency) of Revenues over Expenditures	-	503	(6,377)	(6,880)
Fund Balance, Beginning	79,069	79,069	79,069	-
Fund Balance, Ending	\$ 79,069	\$ 79,572	\$ 72,692	\$ (6,880)

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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 8,300	\$ 8,300	\$ -	\$ (8,300)
Investment income	-	139	423	284
Total Revenues	8,300	8,439	423	(8,016)
Expenditures:				
Current:				
Community services	8,300	8,300	120	8,180
Total Expenditures	8,300	8,300	120	8,180
Excess of Revenues over Expenditures	-	139	303	164
Fund Balance, Beginning	21,757	21,757	21,757	-
Fund Balance, Ending	\$ 21,757	\$ 21,896	\$ 22,060	\$ 164

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Investment income	-	6	56	50
Total Revenues	2,000	2,006	2,056	50
Expenditures:				
Current:				
Public services	2,000	2,000	-	2,000
Total Expenditures	2,000	2,000	-	2,000
Excess of Revenues over Expenditures	-	6	2,056	2,050
Fund Balance, Beginning	878	878	878	-
Fund Balance, Ending	\$ 878	\$ 884	\$ 2,934	\$ 2,050

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, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Licenses and permits	\$ 30,000	\$ 30,000	\$ 21,952	\$ (8,048)
Investment income	-	191	1,288	1,097
Total Revenues	30,000	30,191	23,240	(6,951)
Expenditures:				
Current:				
Public Services	82,328	82,328	54,930	27,398
Total Expenditures	82,328	82,328	54,930	27,398
Excess (Deficiency) of Revenues over Expenditures	(52,328)	(52,137)	(31,690)	20,447
Fund Balance, Beginning	82,400	82,400	82,400	-
Fund Balance, Ending	\$ 30,072	\$ 30,263	\$ 50,710	\$ 20,447

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, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Revenues:				
Investment income	\$ -	\$ 2,112	\$ 6,453	\$ 4,341
Total Revenues	-	2,112	6,453	4,341
Expenditures	-	-	-	-
Excess of Revenues over Expenditures	-	2,112	6,453	4,341
Fund Balance, Beginning	331,841	331,841	331,841	-
Fund Balance, Ending	<u>\$ 331,841</u>	<u>\$ 333,953</u>	<u>\$ 338,294</u>	<u>\$ 4,341</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, 2019

	Budgeted Amounts			Variance with Final Budget- Positive(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive(Negative)</u>
Revenues:				
Investment income	\$ <u>-</u>	\$ <u>540</u>	\$ <u>1,649</u>	\$ <u>1,109</u>
Total Revenues	<u>-</u>	<u>540</u>	<u>1,649</u>	<u>1,109</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues over Expenditures	<u>-</u>	<u>540</u>	<u>1,649</u>	<u>1,109</u>
Fund Balance, Beginning	<u>84,778</u>	<u>84,778</u>	<u>84,778</u>	
Fund Balance, Ending	\$ <u><u>84,778</u></u>	\$ <u><u>85,318</u></u>	\$ <u><u>86,427</u></u>	\$ <u><u>1,109</u></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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 100,000	\$ 148,747	\$ 148,747	\$ -
Investment income	-	637	2,151	1,514
Total Revenues	100,000	149,384	150,898	1,514
Expenditures	-	-	-	-
Excess of Revenues over Expenditures	100,000	149,384	150,898	1,514
Other Financing Uses:				
Transfers out	(100,000)	(150,898)	(150,898)	-
Total Other Financing Uses	(100,000)	(150,898)	(150,898)	-
Net Change in Fund Balance	-	(1,514)	-	1,514
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ (1,514)	\$ -	\$ 1,514

CITY OF LAGUNA HILLS
AGENCY FUND
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Assets				
Cash and investments	\$ -	\$ 243,494	\$ -	\$ 243,494
Accounts receivables	<u>279,433</u>	<u>-</u>	<u>(279,433)</u>	<u>-</u>
Total assets	<u>\$ 279,433</u>	<u>\$ 243,494</u>	<u>\$ (279,433)</u>	<u>\$ 243,494</u>
Liabilities				
Deposits	\$ 223,849	\$ 143,969	\$ (124,324)	\$ 243,494
Due to other governments	<u>55,584</u>	<u>-</u>	<u>(55,584)</u>	<u>-</u>
Total liabilities	<u>\$ 279,433</u>	<u>\$ 143,969</u>	<u>\$ (179,908)</u>	<u>\$ 243,494</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.

This page intentionally left blank.

CITY OF LAGUNA HILLS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net Investment in capital assets	\$ 76,364,755	\$ 78,797,985	\$ 82,982,768	\$ 84,618,576	\$ 84,465,323	\$ 84,623,408	\$ 83,320,937	\$ 82,980,468	\$ 81,972,798	\$ 79,706,238
Restricted	3,935,701	3,653,349	2,106,914	998,727	2,414,686	5,240,670	2,470,305	2,394,252	2,155,589	3,462,431
Unrestricted	7,501,713	6,504,972	6,944,547	8,340,769	5,751,121	1,789,992	4,916,994	3,315,387	2,956,001	4,583,713
Total government activities net position	<u>\$ 87,802,169</u>	<u>\$ 88,956,306</u>	<u>\$ 92,034,229</u>	<u>\$ 93,958,072</u>	<u>\$ 92,631,130</u>	<u>\$ 91,654,070</u>	<u>\$ 90,708,236</u>	<u>\$ 88,690,107</u>	<u>\$ 87,084,388</u>	<u>\$ 87,752,382</u>
Business-type activities										
Net Investment in capital assets	\$ 12,206,656	\$ 11,542,563	\$ 10,989,447	\$ 10,403,077	\$ 9,894,503	\$ 9,324,493	\$ 8,998,114	\$ 8,343,488	\$ 7,635,240	\$ 6,964,651
Restricted										
Unrestricted	150,668	85,344	96,511	47,563	47,801	(36,397)	68,288	117,338	236,196	227,320
Total business-type activities net position	<u>\$ 12,357,324</u>	<u>\$ 11,627,907</u>	<u>\$ 11,085,958</u>	<u>\$ 10,450,640</u>	<u>\$ 9,942,304</u>	<u>\$ 9,288,096</u>	<u>\$ 9,066,402</u>	<u>\$ 8,460,826</u>	<u>\$ 7,871,436</u>	<u>\$ 7,191,971</u>
Primary government										
Net Investment in capital assets	\$ 88,571,411	\$ 90,340,548	\$ 93,972,215	\$ 95,021,653	\$ 94,359,826	\$ 93,947,901	\$ 92,319,051	\$ 91,323,956	\$ 89,608,038	\$ 86,670,889
Restricted	3,935,701	3,653,349	2,106,914	998,727	2,414,686	5,240,670	2,470,305	2,394,252	2,155,589	3,462,431
Unrestricted	7,652,381	6,590,316	7,041,058	8,388,332	5,798,922	1,753,595	4,985,282	3,432,725	3,192,197	4,811,033
Total primary government net position	<u>\$ 100,159,493</u>	<u>\$ 100,584,213</u>	<u>\$ 103,120,187</u>	<u>\$ 104,408,712</u>	<u>\$ 102,573,434</u>	<u>\$ 100,942,166</u>	<u>\$ 99,774,638</u>	<u>\$ 97,150,933</u>	<u>\$ 94,955,824</u>	<u>\$ 94,944,353</u>

CITY OF LAGUNA HILLS

CHANGE IN NET POSITION

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General Government	\$ 3,316,426	\$ 3,309,197	\$ 3,320,664	\$ 3,522,274	\$ 3,304,687	\$ 3,088,372	\$ 3,112,783	\$ 4,226,233	\$ 4,104,012	\$ 3,467,852
Public services	7,389,564	5,781,123	5,999,412	6,150,553	6,376,642	6,332,724	6,802,499	7,234,921	6,841,288	6,433,542
Community development	1,595,670	1,404,624	1,127,036	1,138,280	1,265,719	1,434,213	1,309,210	1,462,611	1,287,931	1,385,455
Community services	1,769,589	3,702,911	3,642,792	3,777,102	3,886,180	4,660,667	4,141,792	4,131,886	4,161,070	4,079,412
Public safety	6,597,894	6,487,711	6,528,489	6,575,855	6,837,050	7,162,514	6,929,025	8,167,361	8,032,660	8,251,937
Interest expense	636,441	663,944	620,376	583,461	530,039	479,589	431,264	376,993	323,513	267,582
Total governmental activities expenses	21,305,584	21,349,510	21,238,769	21,747,525	22,200,317	23,158,079	22,726,573	25,600,005	24,750,474	23,885,780
Business-type activities:										
Property leasing	1,125,330	1,190,752	1,154,967	1,163,305	1,278,434	1,204,437	1,222,043	1,255,765	1,247,849	1,273,554
Total business-type activities expenses	1,125,330	1,190,752	1,154,967	1,163,305	1,278,434	1,204,437	1,222,043	1,255,765	1,247,849	1,273,554
Total primary government expenses	\$ 22,430,914	\$ 22,540,262	\$ 22,393,736	\$ 22,910,830	\$ 23,478,751	\$ 24,362,516	\$ 23,948,616	\$ 26,855,770	\$ 25,998,323	\$ 25,159,334
Program Revenues										
Government activities:										
Charges for Services:										
General Government	\$ -	\$ 98,962	\$ 2,838	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public services	86,176	155,373	83,989	112,629	106,633	136,037	205,446	196,054	189,662	253,438
Community development	514,162	653,918	669,936	750,626	799,316	1,050,127	881,286	894,150	988,719	1,010,326
Community services	703,099	701,040	657,129	714,634	608,877	775,330	780,519	756,089	821,388	777,605
Public safety	542,732	401,665	295,587	226,311	186,347	300,032	267,555	228,649	208,461	219,727
Operating Contributions	3,059,335	4,738,096	3,082,972	2,137,580	2,186,050	2,989,299	1,960,392	2,131,220	1,876,109	2,516,513
Capital Contributions		820,456	3,040,344	945,068	807,545	2,264,558	60,850	716,200	-	-
Total governmental activities program revenues	4,905,504	7,569,510	7,832,795	4,886,848	4,694,768	7,515,383	4,156,048	4,922,362	4,084,339	4,777,609
Business-type activities:										
Charges for Services:										
Property Leasing	649,270	535,455	527,530	527,931	476,391	500,202	579,313	650,147	658,396	594,026
Operating grants and contributions										
Capital grants and contributions			85,134							
Total business-type activities program revenues	649,270	535,455	612,664	527,931	476,391	500,202	579,313	650,147	658,396	594,026
Total primary government program revenues	\$ 5,554,774	\$ 8,104,965	\$ 8,445,459	\$ 5,414,779	\$ 5,171,159	\$ 8,015,585	\$ 4,735,361	\$ 5,572,509	\$ 4,742,735	\$ 5,371,635
Net (expense)/revenue										
Governmental activities	\$ (16,400,080)	\$ (13,780,000)	\$ (13,405,974)	\$ (16,860,677)	\$ (17,505,549)	\$ (15,642,696)	\$ (18,570,525)	\$ (20,677,643)	\$ (20,666,135)	\$ (19,108,171)
Business- type activities	(476,060)	(655,297)	(542,303)	(635,374)	(802,043)	(704,235)	(642,730)	(605,618)	(589,453)	(679,528)
	\$ (16,876,140)	\$ (14,435,297)	\$ (13,948,277)	\$ (17,496,051)	\$ (18,307,592)	\$ (16,346,931)	\$ (19,213,255)	\$ (21,283,261)	\$ (21,255,588)	\$ (19,787,699)

(continued)

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
(continued)										
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 8,573,008	\$ 8,186,735	\$ 8,223,234	\$ 8,722,406	\$ 8,826,271	\$ 9,128,568	\$ 9,660,614	\$ 10,064,067	\$ 10,481,864	\$ 10,981,130
Sales and use taxes	5,197,367	5,238,949	5,157,787	5,305,487	5,562,823	5,603,521	5,439,210	5,779,073	5,755,661	5,966,524
Motor vehicle in lieu taxes	99,167	154,787	16,727	17,332	14,344	13,856	12,506	13,745	16,604	15,273
Other State subvention				-	16,549	93,653	57,112	9,209	5,725	22,529
Franchise taxes	1,217,595	1,199,882	1,223,523	1,210,837	1,259,021	1,343,505	1,303,919	1,191,868	1,248,488	1,265,411
Transient occupancy taxes	752,478	869,505	1,004,483	1,108,290	1,203,422	1,285,455	1,406,823	1,437,420	1,381,719	1,311,213
Investment earnings	29,205	25,267	15,736	12,216	12,251	14,266	14,893	21,911	49,179	99,204
Miscellaneous revenue	21,389	4,468	21,951	21,016	29,706	56,542	150,614	142,221	121,176	114,881
Lawsuit settlement										
Sale of capital assets				2,769,504						
Transfers	24,790	75,000			(293,691)	(50,000)	(421,000)	-	-	-
Total governmental activities	<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>	<u>18,659,514</u>	<u>19,060,416</u>	<u>19,776,165</u>
Business-type activities:										
Investment earnings	2,695	880	354	56	16	27	36	42	63	63
Transfers	(24,790)	(75,000)			293,691	50,000	421,000	-	-	-
Total business-type activities	<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>	<u>42</u>	<u>63</u>	<u>63</u>
Total primary government	<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>	<u>\$ 18,659,556</u>	<u>\$ 19,060,479</u>	<u>\$ 19,776,228</u>
Change in Net Position:										
Governmental activities	\$ (485,081)	\$ 1,974,593	\$ 2,257,467	\$ 2,306,411	\$ (874,853)	\$ 1,846,670	\$ (945,834)	\$ (2,018,129)	\$ (1,605,719)	\$ 667,994
Business-type activities	(498,155)	(729,417)	(541,949)	(635,318)	(508,336)	(654,208)	(221,694)	(605,576)	(589,390)	(679,465)
Total primary government	<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>	<u>\$ (2,623,705)</u>	<u>\$ (2,195,109)</u>	<u>\$ (11,471)</u>

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

Fiscal Year	Property Tax	Sales & Use Tax	Motor Vehicle in Lieu Tax	Other State Subvention	Franchise Tax	Transient Occupancy Tax	Total
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
2017	10,064,067	5,779,073	13,745	9,209	1,191,868	1,437,420	18,495,382
2018	10,481,864	5,755,661	16,604	5,725	1,248,488	1,381,719	18,890,061

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

	Fiscal Year									
	2010	2011 ⁽¹⁾	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Reserved	\$ 15,624	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	8,611,931									
Nonspendable		305,302	311,223	335,603	416,994	318,769	312,137	81,520	78,971	99,169
Restricted						88,990	-	-	-	-
Committed										
Assigned		1,318,164	1,284,939	1,315,557	1,726,228	1,230,959	1,059,959	720,659	871,931	1,145,659
Unassigned		4,716,361	5,149,410	6,718,179	4,184,661	5,078,583	6,727,197	6,029,507	6,373,541	7,161,146
Total general fund	<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>	<u>\$ 6,831,686</u>	<u>\$ 7,324,443</u>	<u>\$ 8,405,974</u>
All other governmental funds										
Reserved	\$ 1,817,086									
Unreserved, reported in:										
Special revenue funds	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	4,209,039	3,983,335	5,291,312
Committed										
Assigned										
Unassigned		(273,326)	(238,732)	(245,214)	(322,781)	(229,971)	(227,254)			
Total all other governmental funds	<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>	<u>\$ 4,209,039</u>	<u>\$ 3,983,335</u>	<u>\$ 5,291,312</u>

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

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Taxes	\$ 10,553,196	\$ 10,513,681	\$ 10,533,542	\$ 11,061,533	\$ 11,308,714	\$ 11,777,528	\$ 12,393,356	\$ 12,695,355	\$ 13,114,068	\$ 13,559,754
Licenses and permits	423,012	550,155	816,863	655,855	778,208	3,195,756	959,138	1,022,542	932,640	981,873
Intergovernmental	7,975,877	10,023,285	10,960,315	8,597,520	8,864,729	8,765,516	7,897,817	8,506,103	7,602,950	8,463,884
Charges for current services	946,119	1,047,727	887,126	981,063	931,909	944,054	1,156,880	1,068,521	1,159,437	1,152,319
Fines and forfeitures	542,732	401,665	295,587	226,311	186,347	300,032	267,555	228,649	208,461	219,727
Investment income	45,732	36,906	30,129	25,928	21,608	24,209	35,970	65,691	109,302	200,303
Total revenues	<u>20,486,668</u>	<u>22,573,419</u>	<u>23,523,562</u>	<u>21,548,210</u>	<u>22,091,515</u>	<u>25,007,095</u>	<u>22,710,716</u>	<u>23,586,861</u>	<u>23,126,858</u>	<u>24,577,860</u>
Expenditures:										
Current:										
General Government	3,120,850	3,119,712	3,178,508	3,675,542	3,168,265	3,271,039	3,128,699	3,599,531	3,876,923	3,856,802
Public services	4,088,538	4,190,842	4,155,386	4,346,672	4,399,704	4,299,138	4,273,572	4,848,571	4,276,773	4,406,628
Community development	1,593,187	1,404,624	1,127,036	1,259,502	1,261,715	1,433,383	1,308,380	1,461,781	1,287,101	1,384,625
Community services	1,570,196	1,646,388	1,595,904	1,904,831	1,860,866	2,608,281	2,070,952	2,101,883	2,131,638	2,050,652
Public safety	6,585,639	6,475,456	6,494,020	6,591,732	6,826,303	7,153,841	6,917,275	8,149,762	8,025,961	8,243,746
Capital outlay	2,013,797	5,013,252	5,289,390	4,402,694	2,965,511	2,976,435	2,277,446	2,777,691	2,151,578	356,354
Debt service:										
Interest	427,854	712,976	670,243	625,043	601,542	553,529	503,429	451,427	397,428	342,922
Cost of bond issuance	301,477									
Principal retirement	820,000	1,090,000	1,130,000	1,180,000	1,205,000	1,250,000	1,300,000	1,352,353	1,423,396	1,546,623
Total expenditures	<u>20,521,538</u>	<u>23,653,250</u>	<u>23,640,487</u>	<u>23,986,016</u>	<u>22,288,906</u>	<u>23,545,646</u>	<u>21,779,753</u>	<u>24,742,999</u>	<u>23,570,798</u>	<u>22,188,352</u>
Excess (deficiency) of revenues over expenditures	(34,870)	(1,079,831)	(116,925)	(2,437,806)	(197,391)	1,461,449	930,963	(1,156,138)	(443,940)	2,389,508

(Continued)

(Continued)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Other financing sources (uses):										
Capital Lease Proceeds								47,890	710,993	-
Transfers in	\$ 7,868,431	\$ 12,431,918	\$ 13,529,097	\$ 10,468,784	\$ 7,214,336	\$ 8,059,715	\$ 7,006,357	\$ 7,582,790	\$ 5,207,406	\$ 2,992,799
Transfers out	(7,843,641)	(12,356,918)	(13,529,097)	(10,468,784)	(7,508,027)	(8,109,715)	(7,427,357)	(7,582,790)	(5,207,406)	(2,992,799)
Bond Proceeds	17,190,000									
Payment to bond escrow agent	(18,081,996)									
Premium on bond issue	1,206,953									
Lawsuit Settlement	(7,500)	(105,365)								
Sale of Capital Assets				2,952,352						
Total other financing sources (uses)	332,247	(30,365)	-	2,952,352	(293,691)	(50,000)	(421,000)	47,890	710,993	-
Net change in fund balances	<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>	<u>\$ (1,108,248)</u>	<u>\$ 267,053</u>	<u>\$ 2,389,508</u>
Debt service as a percentage of noncapital expenditures	6.74%	9.67%	9.81%	9.22%	9.35%	8.60%	8.76%	8.00%	8.21%	8.57%

City of Laguna Hills

Assessed Value and Estimated Actual Value of Taxable Property, Citywide
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year End	Other Property	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 (3)
2009-10	5,413,579	5,413,579	175,241	33,614	5,588,820	.05371	5,588,820	1.000000
2010-11	5,299,826	5,299,826	160,738	33,534	5,460,564	.05371	5,460,564	1.000000
2011-12	5,308,488	5,308,488	156,488	33,852	5,464,976	.05371	5,464,976	1.000000
2012-13	5,371,901	5,371,901	143,351	34,825	5,515,252	.05371	5,515,252	1.000000
2013-14	5,509,351	5,509,351	146,695	35,252	5,656,046	.05371	5,656,046	1.000000
2014-15	5,809,642	5,809,642	148,567	35,410	5,958,209	.05371	5,958,209	1.000000
2015-16	21,729	6,236,428	183,676	165,185	6,254,919	.05371	8,159,912	1.304559
2016-17	22,060	6,499,868	187,553	218,920	6,468,501	.05371	9,167,561	1.417262
2017-18	22,501	6,728,482	188,841	209,680	6,707,643	.05371	9,373,474	1.397432
2018-19	22,950	7,089,277	245,352	212,722	7,121,907	.05371	9,878,938	1.387120

Source: Orange County Assessor data, Avenu Insights & Analytics

Source: 2009-2018 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.

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

City of Laguna Hills

Assessed Value of Property by Use Code, Citywide Last Two Fiscal Year (In Thousands)

Category	2017-18	2018-19
Commercial	1,100,803	1,180,147
Industrial	229,033	239,771
Residential	5,398,624	5,669,336
Rural	23	23
Gross Secured Value	6,728,482	7,089,277
Unsecured Value	188,841	245,352
Exemptions	209,680	212,722
Net Taxable Value	6,707,643	7,121,907

Source: Orange County Assessor Data, Avenu Insights & Analytics

City of Laguna Hills

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Overlapping Basic Rate	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Capistrano Union	0.010770	0.011050	0.011010	0.011710	0.009720	0.009000	0.008450	0.008430	0.008000	0.007860
Metropolitan Water District	0.004300	0.003700	0.003000	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500
Moulton Niguel Water District	0.121040	0.122030	0.129360	0.145470	0.129770	0.086000	-	-	-	-
Saddleback Valley Unified	0.030430	0.031940	0.031630	0.032650	0.032070	0.028060	-	-	-	-
Total	1.166540	1.168720	1.175000	1.193330	1.175060	1.126560	1.011950	1.011930	1.011500	1.011360
City Direct Rate										
City Share of 1% Levy Per Prop 13	0.122820	0.053710	0.053710	0.053710	0.053710	0.053710	0.053710	0.053710	0.053710	0.053710

Source: Orange County Assessor data, Avenu Insights & Analytics

Source: 2009/10 - 2017/18 prior CAFR

TRA 31-000 is represented

City of Laguna Hills

Principal Property Tax Payers Last Fiscal Year and Nine Years Ago

Taxpayer	2018-19		2009-10	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
Laguna Hills Investment Co	139,672,728	1.96%	21,970,396	0.40%
Mgp Fund X Laguna Hills Llc	127,679,151	1.79%		0.00%
Pmi Prado Llc	94,824,425	1.33%		
Acquiport Three Corp	84,226,418	1.18%	73,413,089	1.32%
Sptmrt Properties Trust	52,632,193	0.74%	39,909,451	0.72%
Lakehills Cm Cg Llc	47,908,550	0.67%		
Roic California Llc	46,000,000	0.65%		
23961 Calle De La Magdalena In	35,893,800	0.50%		
Memorial Health Services	35,232,162	0.49%	13,093,239	0.24%
La Paz Office Plaza Llc	34,205,708	0.48%	30,223,114	0.55%
Ag Lo Oakbrook Owner Llc	30,625,000	0.43%		
Spectrum Property Owner Llc	28,050,051	0.39%		
Moulton Plaza Llc	25,536,624	0.36%	27,719,451	0.50%
Eqr Villa Solana Vistas Inc.	24,239,616	0.34%		
Laguna Hills Estate Llc	23,628,549	0.33%	17,408,903	0.31%
Sylmar Apts Llc	21,443,196	0.30%		
Muller Taj Llc	21,036,773	0.30%		
Colton David A Colton	20,742,221	0.29%	18,028,130	0.33%
Mpvca Laguna Llc	19,929,800	0.28%		
Universal Properties Lh Five L	18,300,000	0.26%	21,562,290	0.39%
Mouldy Llc	16,116,231	0.23%	14,459,993	0.26%
Laguna Hills Office Partners L	15,900,000	0.22%		
K M Royal Group Llc	15,814,343	0.22%		
Laguna Hills Real Estate Partn	15,066,627	0.21%		
La Paz Shopping Center	15,063,647	0.21%		
Shopping Center Associates			122,468,046	2.21%
Tgm Prado Llc			78,540,000	1.42%
Lakehills At Laguna Llc			54,091,833	0.98%
Lht Saddleback Llc			50,988,729	0.92%
Columbia California Carlota Of			32,600,000	0.59%
The Realty Associates Fund Vii			28,350,000	0.51%
Eqr-Villa Solana Vistas Inc			21,492,041	0.39%
HpF Gib Saddleback Llc			21,354,209	0.39%
Sylmar Apartments Llc			18,891,745	0.34%
Greenlaw Laguna Hills Llc			18,040,535	0.33%
Cox Com Inc. Orange			15,812,062	0.29%
Alicia Office Park Associates			15,600,158	0.28%
K & M Royal Group Llc			13,812,581	0.25%
Laguna Hills Business Park			13,312,406	0.24%
Muller-Taj			13,017,348	0.23%
Total Top 25 Taxpayers	1,009,767,813	14.18%	796,159,749	14.36%
Total Taxable Value	7,121,906,714		5,544,339,256	

Source: Orange County Assessor data, Avenu Insights & Analytics

Source: 2009/10 prior CAFR

City of Laguna Hills

Levy and Collections Last Ten Fiscal Years (amounts expressed in thousands)

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
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%
2016-17	6,634	300	\$6,934	\$ 6,733	97.1%	\$ 69	\$ 6,802	98%
2017-18	6,901	230	\$7,131	\$ 7,004	98.2%	\$ 66	\$ 7,070	99%
2018-19	7,288	235	\$7,523	\$ 7,376	98.0%	\$ 66	\$ 7,442	99%

Source: County Auditor-Controller, Avenu Insights & Analytics

City of Laguna Hills

Principal Sales Tax Producers Last Fiscal Year and Nine Years Ago

2018-19		2009-10	
Taxpayer	Business Type	Taxpayer	Business Type
Ashley Furniture Homestore	Home Furnishings	7-Eleven Food Stores	Grocery W/Beer/Wine
Big Lots	Variety Stores	Becton Dickinson & Company	Bio Medical
BJ's Restaurants & Brewery	Restaurants W/Onsale	Big Lots	Variety Stores
Chevron Service Stations	Service Stations	BJ's Restaurants & Brewery	Restaurants W/Onsale
Chick-Fil-A	Restaurants W/Beer	Chevron Service Stations	Service Stations
Dick's Sporting Goods	Sporting Goods	Chick's Sporting Goods	Sporting Goods
Howard's Appliances	Appliance Stores	Elephant Bar Restaurant	Restaurants W/Onsale
In-N-Out Burgers	Fast Food Restaurant	G & M Service Stations	Service Stations
J C Penney Company	Department Stores	Howard's Appliances	Appliance Stores
Jeromes Furniture Warehouse	Home Furnishings	In-N-Out Burgers	Fast Food Restaurant
John Deere Landscapes	Nursery	J C Penney Company	Department Stores
Johnstone Supply	Plumbing & Electric	King's Seafood Company	Restaurants W/Onsale
King's Seafood Company	Restaurants W/Onsale	Laguna Hills Auto Spa	Vehicle Repair
Laguna Hills Auto Spa	Vehicle Repair	Macy's Department Store	Department Stores
Marshall's Stores	Family Apparel	Marshall's Stores	Family Apparel
Material Supply Incorporated	Bldg Matls-Whsle	Material Supply Incorporated	Bldg Matls-Whsle
Nordstrom Department Store	Department Stores	Nordstrom Department Store	Department Stores
Raising Cane's Chicken Fingers	Fast Food Restaurant	Phillips Mazda	New Car Dealers
Ralph's Grocery Company	Supermarkets	Ralph's Grocery Company	Supermarkets
Schireson Bros	Music Stores	Sears Roebuck & Company	Department Stores
Sidepath	I.T. Consulting	Shell Service Stations	Service Stations
Sit 'N Sleep-Laguna Hills	Home Furnishings	Sit 'N Sleep-Laguna Hills	Home Furnishings
Tesoro Service Stations	Service Stations	Tesoro Service Stations	Service Stations
Total Wine & More	Liquor Stores	The Claim Jumper	Restaurants W/Onsale
Union 76 Service Stations	Service Stations	Union 76 Service Stations	Service Stations

Source: Avenu Insights & Analytics

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

(amounts expressed in thousands, except per capita amounts)

Fiscal Year	Total Government Certificates of Participation	Personal Income	Per Capita Personal Income	Percentage of Personal Income	COP Per Capita (a)	Direct Borrowing (c)
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	10,726	1,479,761	\$ 46,911	0.72%	340.02	
2017	9,295	1,587,577	\$ 49,896	0.59%	294.67	46
2018	7,825	1,661,606	\$ 52,629	0.47%	245.92	723
2019	6,294				199.36	627

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

Source: 2009-2010 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) *2019 personal income data not available at time of print; Hence, table provides personal income history for years 2008-2018.*

^(c) *On-bill financing program with Southern California Edison and San Diego Gas & Electric, for the installation of energy efficient LED street lighting throughout the City, beginning in FY 2016/ 17.*

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

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

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

CITY OF LAGUNA HILLS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2019

	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	4,805,000	0.246%	118,203
Saddleback Valley Unified School District	107,700,000	17.243%	18,570,711
Capistrano Unified School District Facilities Improvement District No. 1	21,748,753	0.022%	4,785
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT:			<u>\$ 18,693,699</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</u>			
Orange County General Fund Obligations	388,720,000	1.211%	4,707,399
Orange County Pension Obligations	407,629,239	1.211%	4,936,390
Orange County Board of Education Certificates of Participation	13,490,000	1.211%	163,364
Capistrano Unified School District Certificates of Participation	28,790,000	0.015%	4,319
Moulton-Niguel Water District Certificates of Participation	59,065,000	13.274%	7,840,288
SUBTOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			<u>\$ 17,651,760</u>
City of Laguna Hills Certificates of Participation, Direct Debt	5,845,000	100.000%	<u>5,845,000</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT:			<u><u>\$ 23,496,760</u></u>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</u>	12,345,000	0.863-2.813%	224,025
<u>GROSS COMBINED TOTAL DEBT</u>			\$ 42,414,484 ^(b)

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

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

Source: Avenu Insights & Analytics

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	838,413	\$ 819,070	\$ 819,547	\$ 832,512	\$ 853,695	\$ 899,043	\$ 963,016	\$ 1,003,113	\$ 1,037,598	\$ 1,100,194
Total net debt applicable to limit	<u>17,190</u>	<u>16,100</u>	<u>14,970</u>	<u>13,790</u>	<u>12,585</u>	<u>11,335</u>	<u>10,035</u>	<u>9,295</u>	<u>7,825</u>	<u>6,294</u>
Legal debt margin	<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>	<u>\$ 993,818</u>	<u>\$ 1,029,774</u>	<u>\$ 1,093,900</u>
Total net debt applicable to limit, as a percentage of debt limit	2.05%	1.97%	1.83%	1.66%	1.47%	1.26%	1.04%	0.93%	0.75%	0.57%

Legal Debt Margin Calculation for Fiscal Year 2018/19

Assessed value	7,121,907
Add back: exempt real property	<u>212,722</u>
Total assessed value	7,334,629
Debt limit (15% of total assessed value)	1,100,194
Debt applicable to limit:	
Certificates of Participation	<u>6,294</u>
Total net debt applicable to limit	6,294
Legal debt margin	<u>\$ 1,093,900</u>

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

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

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

City of Laguna Hills

Demographic 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)
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%
2016	31,544	1,479,761	46,911	3.7%	41.8	91.5%	45.6%
2017	31,818	1,587,577	49,896	2.6%	43.0	91.3%	46.7%
2018	31,572	1,661,606	52,629	2.2%	41.4	92.1%	49.1%

Source: Avenu Insights & Analytics, U.S. Census Bureau, 2010 American Community Survey

Source: 2009-2018 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 2009-2018

City of Laguna Hills

Principal Employers Last Fiscal Year and Nine Years Ago

Business Name	2018-19		2009-10	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Saddleback Memorial Medical Center	1,596	9.33%	1,020	6.22%
Laguna Hills Health and Rehabilitation Cntr	217	1.27%		
Five Star-Villa Valencia	170	0.99%		
Memorial Care home health	167	0.98%		
Moulton Niguel Water	152	0.89%		
Bj's Restaurant & Brewhouse*	150	0.88%		
Saddleback Valley USD	138	0.81%		
Orange Coast Women's Med Group	120	0.70%		
The Wellington (senior Living)	115	0.67%		
United States Post Office	83	0.49%		
Professional Community Management			350	2.13%
JCPenney Corp Inc.			250	1.52%
Macys Department Store			200	1.22%
Total Top Employers	2,908	17.01%	1,820	11.09%
Total City Employment (1)	17,100			

Source: Orange County Assessor data, Avenu Insights & Analytics

Source: 2009-10 prior published CAFR only list Top 4 employers.

*Includes Full and Part time

Note: Both Macy's and JCPenney Department Stores are permanently closed.

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

Function	Full-time Equivalent Personnel at June 30									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government	11.90	11.90	11.90	11.75	11.75	10.99	10.99	10.49	9.74	9.50
Non-Departmental	0.00	0.00	0.00	1.25	1.25	1.00	1.00	1.00	1.00	1.00
Public Services	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Community Development	7.15	8.15	8.15	7.85	7.85	8.23	8.23	8.23	8.00	7.10
Community Services	<u>15.61</u>	<u>15.75</u>	<u>15.75</u>	<u>15.75</u>	<u>15.75</u>	<u>15.40</u>	<u>15.40</u>	<u>15.40</u>	<u>14.65</u>	<u>14.50</u>
Total	<u>39.66</u>	<u>40.80</u>	<u>40.80</u>	<u>41.60</u>	<u>41.60</u>	<u>40.62</u>	<u>40.62</u>	<u>40.12</u>	<u>38.39</u>	<u>37.10</u>

Source: City of Laguna Hills' Biennial Budget

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

Function	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19
Police ^(b)										
Physical arrests	721	684	468	362	458	534	284	293	281	240
Parking violations	2,662	2,087	1,107	885	1,407	1,981	3,257	3,406	2,487	2,381
Traffic violations	5,781	4,089	3,074	2,462	2,070	3,041	3,187	2,669	1,512	1,136
Fire ^(c)										
Number of calls answered	2,558	2,614	2,550	2,579	2,584	2,675	2,888	3,077	3,203	3,303
Inspections	439	393	308	273	379	494	364	299	440	327
Highways and Streets ^(d)										
Sidewalk replacement (sq. ft.)	22,266	8,592	13,482	13,610	3,519	7,250	940	7,012	1,328	1,790
Curb & gutter replacement (linear ft.)	1,030	1,727	3,990	1,141	478	-	211	523	28	85
Asphalt concrete placed (tons)	15,695	14,454	15,692	16,319	7,857	16,276	134	10,536	1,215	174
Street sweeping debris collected (tons)	294	290	374	432	293	265	229	219	217	227
New sign installations	92	102	28	42	65	23	155	12	31	2
Sign Replacements	168	173	161	378	278	380	297	312	196	55
Trees trimmed	2,273	1,872	1,474	1,568	1,185	792	821	1,396	1,347	1,407
Trees removed	81	114	166	215	179	461	152	263	286	183
Trees planted	43	39	649	39	44	38	43	118	120	109
Sanitation ^(a)										
Refuse collected (tons/day)	46	46	44	47	45	43	47	49	48	45
Recyclables collected (tons/day)	50	47	45	46	46	49	50	47	46	46
Culture and Recreation ^(e)										
Community center programs (participants)	7,262	6,876	5,682	5,633	5,783	5,637	6,152	5,686	5,993	4,456
Athletic permits	69	57	44	41	45	41	42	48	41	43
Waste Stream ^(a)										
Refuse collected (tons)	16,698	16,814	15,932	17,185	16,416	15,707	17,197	17,966	17,520	16,576
Recyclables collected (tons)	18,162	17,325	16,391	16,753	16,964	17,728	18,150	17,058	16,827	16,879

^(a) CR&R Monthly Tonnage Report, 6/30/19

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

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

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

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

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

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Highways and streets										
Streets (miles)	83	83	83	83	83	83	83	83	83	83
Traffic signals	46	46	46	46	46	47	47	47	48	48
Culture and recreation										
Parks acreage	83	83	83	83	83	83	83	83	83	83
Parks	15	15	15	15	15	15	15	15	15	15
Community centers	1	1	1	1	1	1	1	1	1	1
Civic Center	1	1	1	1	1	1	1	1	1	1

Source: Various City Departments

CITY OF LAGUNA HILLS

AT A GLANCE

GENERAL INFORMATION

The City of Laguna Hills, located in South Orange County, has approximately 6.6 square miles of land in its corporate boundary and is now home to 31,572 people. Majority of the area in the City has a distinctive residential character. Yet, the City has a commercial base in its northern part. This commercial area, or “urban village”, is anchored by The Village at Laguna Hills, the Oakbrook Village Shopping Center, and the Saddleback Memorial Hospital. It includes 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.

