
CITY OF LAGUNA HILLS
California

Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2021



CITY OF LAGUNA HILLS

California



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2021

INTERIM CITY MANAGER
Kenneth H. Rosenfield

FINANCE DIRECTOR
Janice Mateo Reyes

INTRODUCTORY SECTION

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CITY OF LAGUNA HILLS

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CITY OF LAGUNA HILLS

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Government Finance Officers Association

Certificate of
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Presented to

**City of Laguna Hills
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrell

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December 7, 2021

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

The Annual Comprehensive Financial Report (ACFR) of the City of Laguna Hills for the fiscal year ended June 30, 2021, 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 Eide Bailly, 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 the financial statements 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, 2021, 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 31,073 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, retaining the City Attorney and hiring the City Manager. The City Manager is the chief executive officer of the City and 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 Village at Laguna Hills, the Oakbrook Village Shopping Center, and the Saddleback Memorial Medical Center. In addition, the area north of the Village at Laguna Hills holds a complement of commercial, retail and office mixed-uses.

FACTORS AFFECTING FINANCIAL CONDITION

ECONOMIC CONDITIONS & OUTLOOK

Despite the continuing COVID-19 pandemic, the national economy has made significant positive steps forward since the months of April and May 2020. The Southern California region has followed a similar trend, with unemployment rates reaching a high of 18.1 percent in May 2020 before gradually declining back to 12.7 percent in September 2020 and 7.8 percent in June 2021. Due to government-mandated shutdowns and stay-at-home orders, industries such as Leisure and Hospitality, Information, Nondurable Goods and Retail Trade were hardest hit.

Orange County saw its unemployment rate rise from 2.8 percent in February 2020 to a high of 14.7 percent in May, before dropping to 9.0 percent in September 2020 and 6.3 percent in June 2021. The hardest hit sector in Orange County was Leisure and Hospitality, which saw considerable losses at restaurants, hotels, and, of important note, Disneyland, having shut their doors for the first extended period since opening in 1955. Despite these losses, Orange County's diversified industry base has already made progress in rebuilding its labor market. Business and consumer sentiment in the region are already improving.

At the State level, California spent almost nine times more on unemployment insurance benefits between March and August 2020 than it did in all of 2019. In June 2021, California's unemployment rate was 7.9 percent. Combined, these policy interventions represented the single most important metric in keeping residents financially afloat.

The national economy has taken significant positive steps since May 2020:

- The United States added 3.4 million workers to its labor force in May and June and reduced the unemployment rate from 14.7% to 10.2%.
- The national housing market has boomed, with home sales as of September 2020 exceeding 2019's total.
- U.S. consumer confidence increased by 15 points in September 2020, representing the largest increase in 17 years.
- Retail and durable goods sales recovered to pre-pandemic highs.
- The U.S. GDP contracted 31.4% in the first quarter of 2020, before recovering by 33.1% in the third quarter 2020. As of June 2021, the U.S. GDP increased by 13.4% from the third quarter of 2020.

Overall, the pandemic has dramatically upended nearly every aspect of life. The resilience of the Southern California region indicates, however, that just as after the Great Recession, the region will recover. Unquestionably, the pandemic and the associated economic impacts remain a fluid situation. As a result, the Southern California region's economic situation remains uncertain.

At the local level, 2020 saw the City undergo an unprecedented shortfall in general fund revenues related to the pandemic. Consequently, the City implemented numerous cost-savings measures to offset the negative impact from the coronavirus pandemic, including a reduction in recreation programs and services, a furlough of City employees, a decrease in operating expenditures in all City departments, and the deferral of certain capital improvement projects. As a result of these cost savings measures and the City's swift action, the City successfully met or exceeded its operating and reserve policy ratios at the close of the fiscal year.

To maintain its strong financial position into the future, 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 difficulties that were prevalent in the economy as a result of the coronavirus pandemic, as well as to the previous economic downturn during the years of the Great Recession.

**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 2020-21 came in at 1.05 and the Unrestricted Fund Balance and the Unassigned Fund Balance were at 45% and 40%, respectively. During the 2020-21 fiscal year, the City identified a number of costs savings measures that allowed the City to achieve a structurally balanced budget. Additionally, these cost savings measures also allowed 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, 2021, 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 2020-2021 fiscal year as well as from the current endeavors:

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 Lagunas. In 2018, the property owner of Five Lagunas, Merlone-Geier Partners (MGP), informed City staff that they could not move forward with the approved 2016 plan. On November 4, 2019, MGP submitted a new application to redevelop the site. The new project, named "The Village at Laguna Hills", was presented to the City Council by MGP at the November 12, 2019, City Council meeting.

On April 27, 2021, the City Council and Planning Agency conducted a joint public hearing to consider approval of the entitlements and a proposed Development Agreement pertaining to the redevelopment of the former Laguna Hills Mall for the Village at Laguna Hills (the Project). No action was taken on the Project at that Hearing; the City Council voted to keep the public hearing open and to continue the item to June 24, 2021. At the continued public hearing on June 24, 2021, the City Council and Planning Agency received additional public comment and closed the public comment portion of the Public Hearing. The City Council continued the Public Hearing to June 29, 2021, at which time, following deliberations, the City Council continued the Public Hearing to a December 14, 2021, joint meeting of the City Council and Planning Agency.

FY 2021-2023 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 to June, and the lengthy budget process included public meetings and public hearings. The City Council was ultimately presented with and adopted a structurally balanced budget that accomplished the following:

- Operating revenues and expenditures for FY 2021-2022 are anticipated to total \$23,925,869 and \$22,125,948, respectively.
- Operating revenues and expenditures for FY 2022-2023 are anticipated to total \$23,848,975 and \$23,404,916, respectively.
- Thirteen Capital projects are scheduled for completion during the Biennial Budget period for a total estimated cost of \$5,065,000. These projects will be funded over the course of the two-year budget cycle with Special Revenues and Reserve Funds in the amount of \$4,000,000, or 79% of the required funding. The balance of \$1,065,000, or 21%, will be supported by the City's General Fund.

**BUDGET SAVINGS
RELATED TO THE
COVID-19 PANDEMIC**

In July 2020, the City enacted a total of \$1.9 million in budget savings to mitigate the negative effects from the significant shortfall in operating revenues as a result of the COVID-19 crisis. The budget savings were crucial in alleviating the decline in revenues and maintaining a balanced budget. The budget savings, however, did not fully offset the revenue losses estimated at \$2.6 million. The budget savings also resulted in a series of deferred maintenance and operating needs. Some of the budget savings included a reduction in recreation programs and services, a layoff of City employees, a decrease in operating expenditures in all City departments, and the deferral of certain capital improvement projects. Although unfortunate, these reductions were necessary to keep the City's budget structurally balanced.

**SB 1383 ORGANIC
WASTE REDUCTION
IMPLEMENTATION
WORK EFFORT**

The California Department of Resources Recycling and Recovery ("CalRecycle") finalized regulations for the implementation of Senate Bill ("SB") 1383 in November 2020. SB 1383 requires local governments to reduce organic waste being sent to landfills. City staff began a concerted work effort in early 2021 to implement the requirements of SB 1383 and CalRecycle. Some of these efforts include:

- Negotiate a new contract with the City's Franchise Waste Hauler, CR&R.

- Implement new and/or revised trash and recycling service fees.
- Establish an enforcement ordinance and policies to meet the requirements of SB 1383.
- Community outreach and education on the requirements of SB 1383.

**APPEAL OF THE CITY'S
RHNA FOR THE SIXTH
CYCLE HOUSING
ELEMENT**

The City is required by State law to maintain a General Plan which provides a “blueprint” for how the community will accommodate growth and development. One of the required topics for the City’s General Plan is a Housing Element, which identifies the amount of new housing the City must plan for during a defined period, typically covering an eight (8) year period. The Southern California Association of Governments (SCAG) is authorized by State law to allocate to cities and counties in the SCAG Region a projected need for new housing units through a process known as the Regional Housing Needs Assessment (RHNA). The number of new housing units allocated to the City in this process will be used to update the City’s Housing Element in the upcoming Sixth Cycle Housing Element planning period commencing in October 2021. The City’s RHNA allocation is 1,985 units which is separated into several categories based on household income.

**AUDIO-VIDEO SYSTEM
IMPROVEMENTS IN THE
CITY COUNCIL
CHAMBERS**

As a direct result of the COVID-19 pandemic and its corresponding shift to remote work, the City Council directed staff to explore the use of online meeting platforms to conduct City Council meetings online, including the utilization of software platforms such as ClickMeeting, GoToMeeting, and Zoom. The City Council approved software and hardware upgrades to the audio-video system in the City Council chambers at the September 8, 2020, City Council meeting to allow for the integration of online meetings platforms during the COVID-19 pandemic. The cost of the improvements was approximately \$15,000.

**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 subsequently leveraged its AB 2766 Subvention Fund – a revenue fund from the State’s Motor Vehicle Registration Program – for

project costs that exceeded the grant award. At the January 12, 2021, City Council meeting, the City Council awarded a Contract to GC Electric Corporation, in the low bid amount of \$52,750, for the installation of the electric vehicle charging stations. Construction was completed in April 2021.

AWARDS AND ACKNOWLEDGEMENTS

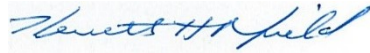
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Laguna Hills for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This was the twenty-ninth consecutive 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 Annual Comprehensive Financial Report (ACFR), 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 2019-2021 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,



Kenneth H. Rosenfield
Interim City Manager

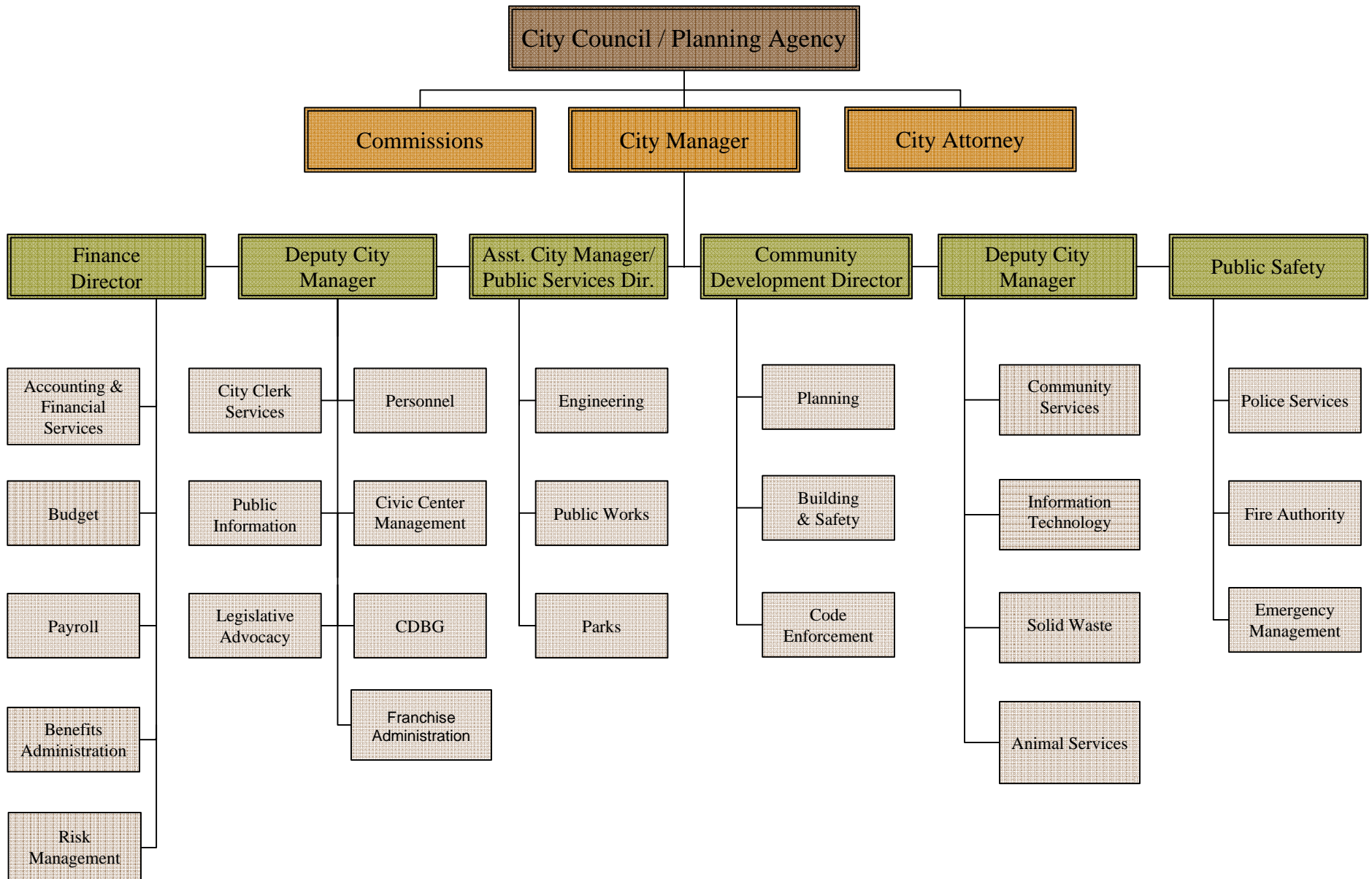


Janice Mateo-Reyes
Finance Director

CITY OF LAGUNA HILLS

ORGANIZATIONAL CHART

June 30, 2021



CITY OF LAGUNA HILLS

ELECTED OFFICIALS As of June 30, 2021



Erica Pezold
Mayor



Don Sedgwick
Mayor Pro Tem



Janine Heft
Council Member



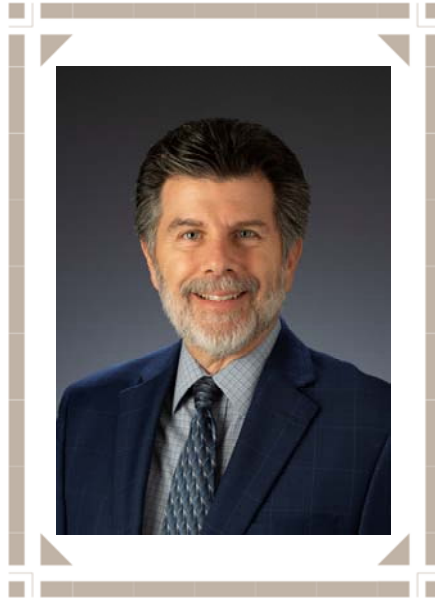
Bill Hunt
Council Member



Dave Wheeler
Council Member

CITY OF LAGUNA HILLS

MANAGEMENT STAFF As of June 30, 2021



Kenneth H. Rosenfield
Interim City Manager

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

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FINANCIAL SECTION

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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
City of Laguna Hills
Laguna Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Laguna Hills, California, (City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, 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*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 funds, 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 our 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 nonmajor funds financial statements and budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021, 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 solely 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 the effectiveness of the City's 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Laguna Hills, California
December 7, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2021**. 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 \$92,658,767. Of this amount, \$4,308,677 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 \$860,397, or 0.9%.
- Total revenues from all sources were \$26,514,114. Of this amount, \$6,607,361, or 25%, was from program revenues and \$19,906,753, or 75%, was from general revenues.
- The total cost of all City programs and projects was \$27,374,511. Approximately 17%, or \$4,652,883, of this amount is attributable to depreciation on the City's capital assets; 33%, or \$9,106,311, is attributable to public safety; and, 25%, or \$6,727,008, to public services.
- The net pension liability reported as of June 30, 2021, for the City's proportionate share of the net pension liability of all pension plans, was \$4,483,185.
- The net position of governmental activities was \$86,862,441 as of June 30, 2021, after recording the value of the City's infrastructure assets, net of accumulated depreciation and long-term debt.
- Governmental activities, which include certain capital projects and depreciation related to capital assets, decreased the City's net position by \$166,772.

Fund Based

- As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$14,530,350.
- Total nonspendable fund balances, amounts that are either not in spendable form or are legally or contractually required to be maintained, were \$91,384.
- Total spendable fund balances were \$14,438,966. Of this amount, approximately 6% (\$910,659 in total assigned) is constrained by the City's intent to be used for a specific purpose and 39% (\$5,703,771 in total restricted) is constrained in their use by external restrictions, such as by creditors, debt

covenants, grantors, contributors, or by laws and regulations. This leaves a residual of \$7,824,536 in unassigned fund balance for the City's general fund.

- Total governmental fund balances increased by \$1,977,752.
- At the end of the most recent fiscal year, the total fund balance for the general fund was \$8,826,579, an increase of \$473,839 over prior year.
- General fund reported revenues exceeded expenditures by \$2,161,574.

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 one hand, and liabilities and deferred inflows of resources, on the other hand, 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.
- 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 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, 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.

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-64 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, 2021, was \$92,658,767, 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 16,790	\$ 15,585	\$ 321	\$ 252	\$ 17,111	\$ 15,837
Capital assets	79,999	83,174	5,578	6,311	85,577	89,485
Total assets	96,789	98,759	5,899	6,563	102,688	105,322
Total deferred outflows	1,358	1,133	-	-	1,358	1,133
Long-term liabilities	8,602	9,615	-	-	8,602	9,615
Other liabilities	2,249	3,017	102	73	2,532	3,090
Total liabilities	10,852	12,632	102	73	10,954	12,705
Total deferred inflows	433	231	-	-	433	231
Net position:						
Net investment in capital assets	78,878	80,313	5,578	6,311	84,456	86,624
Restricted	3,894	2,539	-	-	3,894	2,539
Unrestricted	4,090	4,177	219	179	4,309	4,356
Total net position	\$ 86,862	\$ 87,029	\$ 5,797	\$ 6,490	\$ 92,659	\$ 93,519

By far the largest portion of the City's net position (roughly \$84.5 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 \$3,033,324 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, \$3,894,336 (4% 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 \$4,308,677 (5% 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 \$102,688,131. Of this amount, \$96,789,335, or 94%, represents assets from governmental activities and \$5,898,796, or 6%, 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 \$85,576,447, or 83%. The remaining \$17,111,684 of combined total asset is largely in the form of cash and investment of \$12,144,232 and restricted cash and investment of \$1,809,435.

At the end of the fiscal year, the City's combined total liabilities was \$10,953,984, which was largely in the form of long-term liabilities of the City's government activities at \$8,602,216, or 79%. Long-term liabilities were mainly comprised of the City's net pension liability of \$4,483,185, or 52%, and \$3,033,324, or 48%, 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 \$432,949 and deferred outflows of \$1,254,373 pertain specifically to the City's pension liability. More information on the City's pension plan can be found in Note 8, beginning on page II-52 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)

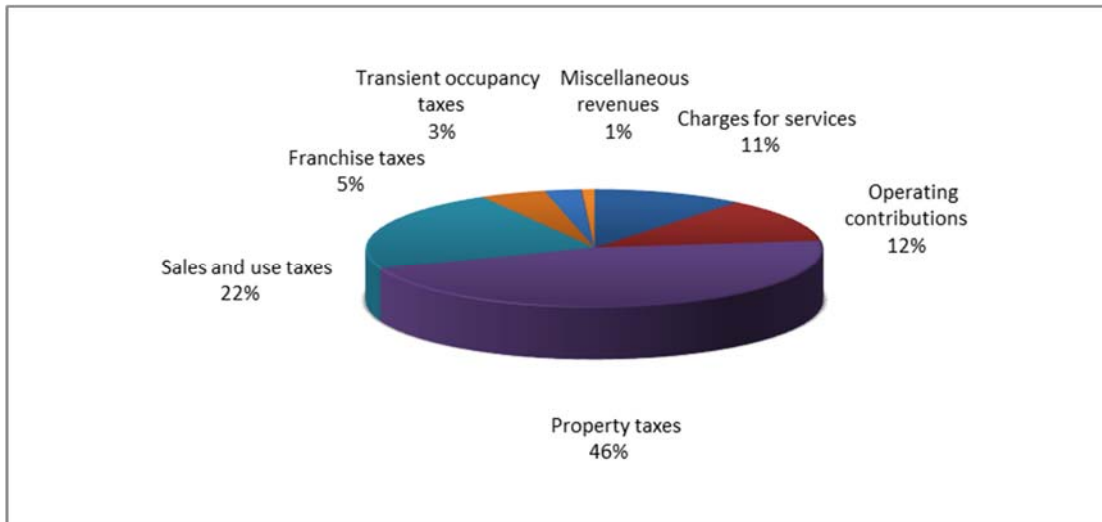
	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 2,818	\$ 2,442	\$ 619	\$ 598	\$ 3,437	\$ 3,040
Operating contributions	3,170	2,555	-	-	3,170	2,555
Capital contributions	-	207	-	-	-	207
General Revenues:						
Property taxes	11,931	11,314	-	-	11,931	11,314
Sales and use taxes	5,826	5,372	-	-	5,826	5,372
Franchise taxes	1,218	1,198	-	-	1,218	1,198
Transient occupancy taxes	679	1,025	-	-	679	1,025
Motor vehicle in lieu taxes	23	25	-	-	23	25
State subvention	10	11	-	-	10	11
Interest earnings	3	112	-	-	3	112
Miscellaneous revenues	<u>217</u>	<u>421</u>	<u>-</u>	<u>-</u>	<u>217</u>	<u>421</u>
Total revenues	<u>25,895</u>	<u>24,682</u>	<u>619</u>	<u>598</u>	<u>26,514</u>	<u>25,280</u>
Expenses:						
General government	4,468	4,351	-	-	4,468	4,351
Public services	6,727	6,783	-	-	6,727	6,783
Community development	2,270	1,656	-	-	2,270	1,656
Community services	3,372	3,782	-	-	3,372	3,782
Public safety	9,106	8,630	-	-	9,106	8,630
Property leasing	-	-	1,312	1,300	1,312	1,300
Interest	<u>119</u>	<u>203</u>	<u>-</u>	<u>-</u>	<u>119</u>	<u>203</u>
Total expenses	<u>26,062</u>	<u>24,405</u>	<u>1,312</u>	<u>1,300</u>	<u>27,375</u>	<u>26,705</u>
Change in net position before transfers	(167)	(723)	(694)	(702)	(860)	(1,425)
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(167)	(723)	(694)	(702)	(860)	(1,425)
Net position, beginning	<u>87,029</u>	<u>87,752</u>	<u>6,490</u>	<u>7,192</u>	<u>93,519</u>	<u>94,944</u>
Net position, ending	\$ <u>86,862</u>	\$ <u>87,029</u>	\$ <u>5,796</u>	\$ <u>6,490</u>	\$ <u>92,659</u>	\$ <u>93,519</u>

During the fiscal year, the total revenue from all sources was \$26,514,114 and the cost of all activities was \$27,374,511, resulting in an overall decrease in net position of

\$860,397. The City's governmental activities decreased total net position by \$166,772 and its business-type activities decreased total net position by \$693,625.

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 2020/21



As shown in the above pie chart, roughly 76%, or \$19,676,462 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 \$5,988,809, or 23%, of the total revenue resources, which is comprised of charges for services and operating contributions. Transient occupancy tax, investment earnings, and miscellaneous recovery revenues experienced year-over-year declines. Most notably, transient occupancy tax declined year-over-year by \$346,341, or 34%, as the impact the COVID-19 pandemic continues to have a lasting negative impact on the travel industry. However, losses in these revenues were offset by year-over-year increases in property tax, sales tax, franchise tax, and program revenues.

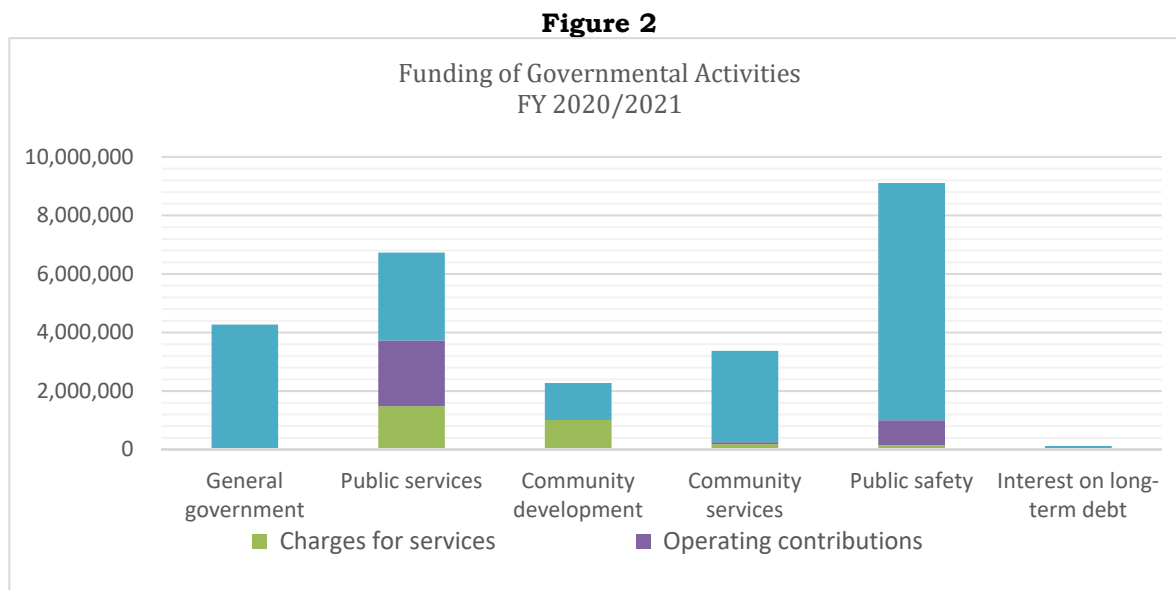
The City's expenses in connection with its governmental activities are categorized by function, namely: general government, public services, community development, community services and public safety. The program revenues associated with these governmental activities are classified into three categories, 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 an overall decrease of 2.6%, or \$657,710 over the prior fiscal year, in an effort to manage costs to offset the economic impacts of the COVID-19 pandemic. This decrease is largely attributable to year-over-year reductions in Public Service activity of \$56,234, or 1%; Community Services of \$409,976, or 11%; and interest expense on long-term debt of \$84,111, or 42%. Expenses increased over the prior fiscal year in General Government activity by \$117,634, of 3%, due to liability claims; Community Development by \$614,140, or 37%, due to redevelopment activity, and in Public Safety by \$476,257, or 6%, due to the increase in the law enforcement contract with the Orange County Sheriff Department and expenses pertaining to COVID-19 mitigation activity.

The City's business-type activities for the leasing of the Civic Center decreased total net position by \$693,625. The decrease from business-type activities is largely attributable to depreciation. Of the \$1,312,224 of total operating expenses related to property leasing activities, depreciation represents 58%, or \$757,849, of that total.

Program Revenues and Expenses:

Program revenues for the most recent fiscal year were \$5,988,809. Expenses related to governmental activities were \$25,862,287. 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 \$118,455.



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 83% on June 30, 2021.

During the most recent fiscal year, the operating revenues of the Laguna Hills Civic Center were \$618,552 and the operating expenses were \$1,312,224, resulting in a net operating loss of \$693,672, which is largely attributable to depreciation charge of \$757,849. After interest income of \$47, the change in net position at fiscal year-end was \$(693,625). The net cash provided by the leasing operating activities was \$93,161. 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 \$14,530,350, an increase of \$1,977,752 from the prior year's balance. Of the ending fund balance, \$91,384 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 \$14,438,966 in spendable fund balance, \$5,703,771 is restricted fund balance, \$910,659 is assigned fund balance and \$7,824,536 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 \$710,659 assigned

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 \$473,839 from the prior fiscal year’s balance, which was higher than budget by \$429,981. This is largely attributable to reductions in operating expenditures, which were made to offset the economic impacts from the COVID-19 pandemic on general fund revenues.

The Measure M Fund accounts for revenues and expenditures for road improvements and transportation system maintenance financed through an Orange County half-cent sales tax for transportation improvements as 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 \$793,037 from Measure M2 revenues and \$73 in investment income, of which \$193,767 funded water quality improvements to clean transportation-related pollutants from local waterways and \$599,343 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 \$1,024,620. The largest capital expenditure during the current year was the Community Center Renovation Project CIP #513, which totaled \$385,321, or 38% of the total capital improvement expenditures for the fiscal year, with the primary source of funding from the General Fund.

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 \$1,810,912 in fund balance. Of the total fund balance, \$1,809,435 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 be allocated toward lease payments. Interest income for the current fiscal year was \$1,477.

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 Civic Center 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 reflect a net operating loss of \$693,672, before the interest income of \$47. The net effect is a decrease in the ending net position of \$693,625, which is largely attributable to depreciation. Before accounting for \$757,849 in depreciation expense, the net operating activity would result in a net operating income of \$64,177 from the City's other leasing related activities. Moreover, the enterprise fund does not charge the City rent and common area maintenance (CAM). The estimated annual rent for the space occupied by City Hall would be approximately \$549,965, not including CAM.

General Fund Budgetary Highlights

At fiscal year-end, total general fund revenues came in at \$22,752,294, which was roughly 7%, or \$1,778,419, below the amended budget for the year. This shortfall is largely attributable to effects of the COVID-19 pandemic on the economy, namely on sales tax revenues, transient occupancy tax revenues, franchise tax revenues, and license and permit revenues, due to safer-at-home guidelines and social distancing restrictions. Additionally, to minimize exposure, city programs and recreation activities, services, and operations had been either modified, reduced, or canceled, resulting in lower revenues from charges for services.

Revenues from taxes, the City's largest general fund revenue source, came in under budget by \$535,680, or 4%, primarily from the shortfall in transient occupancy tax of \$687,107. Additionally, intergovernmental revenues, the City's second largest general fund revenue source, fell short of budget by \$125,693, or 2%, as a direct result of less than anticipated sales tax revenues. Most notably, revenue from charges for services fell short of projections by \$661,336, or 53%, as the effects of the pandemic continued to impact community recreation programs and events, as well as facility rental activity. Furthermore, revenues received from license and permits, fines and forfeitures, and investment income also fell short of projections, for a combined shortfall of \$455,710.

Given the indication that COVID-19 pandemic was going to have a significant negative affect on general fund revenues, a concerted effort was made to lower general fund expenditures to offset a portion of the negative impact. General fund expenditures totaled \$20,590,720 at fiscal year-end, below budget by \$2,123,597, or 9%. All current operating expenditures came in under budget for a combined budget savings of \$2,112,132. Additionally, expenditures for the principal retirement of debt came in under budget by \$11,465, which pertains to the on-bill financing program for energy efficiency lighting projects with Southern California Edison and San Diego Gas & Electric. The largest budget savings came from the Community Development Department and Community Services Department. Community development

expenditures came in under budget by \$495,390, because of lower than anticipated contracted services for code enforcement, inspection, and plan check. Community Services was under budget by \$908,292, due to canceled programs and activities, and furloughs of seasonal part-time recreation program staff.

The net change in fund balance at fiscal year-end in the General Fund was \$473,839, which exceeded budget by \$429,981. This was largely a result of the positive budget variance in the excess of revenues over expenditures of \$345,178, discussed above. Additionally, net total transfers in and out produced a positive budget variance of \$84,803, 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, 2021 amounted to \$85,576,444, 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	
	2021	2020	2021	2020	2021	2020
Land	\$ 17,955	\$ 17,955	\$ 2,855	\$ 2,855	\$ 20,810	\$ 20,810
Land improvements	2,760	4,078	-	-	2,760	4,078
Rights of ways/Easements	2,854	2,854	-	-	2,854	2,854
Building & improvements	1,446	1,484	2,722	3,456	4,168	4,940
Equipment and machinery	206	295	-	-	206	295
Construction in progress	-	283	-	-	-	283
Infrastructure						
Street signs	-	5	-	-	-	5
Storm drains	2,641	2,485	-	-	2,641	2,485
Streets	45,042	46,084	-	-	45,042	46,084
Parks inventory	1,420	1,641	-	-	1,420	1,641
Curbs, sidewalks, gutters	4,403	4,670	-	-	4,403	4,670
Bridges	1,272	1,340	-	-	1,272	1,340
Total capital assets net of accumulated depreciation	<u>\$ 79,999</u>	<u>\$ 83,174</u>	<u>\$ 5,577</u>	<u>\$ 6,311</u>	<u>\$ 85,576</u>	<u>\$ 89,485</u>

Additional information on the City's capital assets can be found in Note 5 on page II-46 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, 2021, the per capita liability of the City of Laguna Hills was \$96.26. 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-47 to II-49 of this report.

Budget and Economic Factors

The City's most recent adopted biennial budget for fiscal years 2021/22 - 2022/23 demonstrates the City's intent to effectively manage costs while simultaneously positioning the City for future growth. To mitigate the negative effects from the significant decrease in operating revenues, an extensive review of fiscal year 2021/22 expenditures, as well as one-time non-recurring revenue sources, were reviewed to offset the anticipated declines while the City continues to bounce back from the impacts from the COVID-19 pandemic. General Fund operating expenditures are projected at \$22,125,948, while General Fund revenues is estimated at \$22,236,737.

The major goals and issues that dominated the budget process for this 2021 – 2023 biennial period are discussed in the transmittal letter, along with measure adopted to address prevailing issues facing the City.

A copy of the 2021-2023 Biennial Budget is available on the City's website: www.ci.laguna-hills.ca.us.

Requests for Information

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Laguna Hills, California

Statement of Net Position

June 30, 2021

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 11,840,152	\$ 304,080	\$ 12,144,232
Taxes receivable	2,055,714	-	2,055,714
Accounts receivable	401,807	17,210	419,017
Interest receivable	7,183	-	7,183
Prepaid items	91,384	-	91,384
Due from other governments	584,719	-	584,719
Restricted cash and investments	1,809,435	-	1,809,435
Capital assets, not depreciated	20,809,536	2,855,425	23,664,961
Capital assets, net of accumulated depreciation	59,189,405	2,722,081	61,911,486
Total assets	96,789,335	5,898,796	102,688,131
Deferred Outflows of Resources:			
Deferred loss on refunding	103,196	-	103,196
Deferred amounts from pension plans	1,254,373	-	1,254,373
Total deferred outflows of resource	1,357,569	-	1,357,569
Liabilities:			
Accounts payable	108,481	-	108,481
Accrued liabilities	1,034,477	45,175	1,079,652
Interest payable	58,001	-	58,001
Due to other governments	580,363	-	580,363
Deposits payable	467,976	44,160	512,136
Unearned revenue	-	13,135	13,135
Noncurrent Liabilities:			
Due within one year	1,843,060	-	1,843,060
Due in more than one year:			
Other long-term liabilities	2,275,971	-	2,275,971
Net pensions liability	4,483,185	-	4,483,185
Total liabilities	10,851,514	102,470	10,953,984
Deferred Inflows of Resources:			
Deferred amounts from pension plans	432,949	-	432,949
Total deferred inflows of resources	432,949	-	432,949
Net Position:			
Net investment in capital assets	78,878,248	5,577,506	84,455,754
Restricted for:			
Public services	3,431,658	-	3,431,658
Community services	461,201	-	461,201
Debt service	1,477	-	1,477
Unrestricted	4,089,857	218,820	4,308,677
Total net position	\$ 86,862,441	\$ 5,796,326	\$ 92,658,767

See Notes to Basic Financial Statements

City of Laguna Hills, California

Statement of Activities

Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
General government	\$ 4,468,341	\$ -	\$ -	\$ -	\$ -
Public services	6,727,008	1,480,182	2,248,714	-	3,728,896
Community development	2,270,417	1,009,012	-	-	1,009,012
Community services	3,371,755	183,008	66,338	-	249,346
Public safety	9,106,311	146,395	855,160	-	1,001,555
Interest expenses	118,455	-	-	-	-
Total governmental activities	26,062,287	2,818,597	3,170,212	-	5,988,809
Business-Type Activity:					
Property leasing	1,312,224	618,552	-	-	618,552
Total business-type activities	1,312,224	618,552	-	-	618,552
Total primary government	\$ 27,374,511	\$ 3,437,149	\$ 3,170,212	\$ -	\$ 6,607,361
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					
Change in Net Position					
Net Position at Beginning of Year					
Net Position at End of Year					

See Notes to Basic Financial Statements

City of Laguna Hills, California
Statement of Activities
Year Ended June 30, 2021

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (4,468,341)	\$ -	\$ (4,468,341)
(2,998,112)	-	(2,998,112)
(1,261,405)	-	(1,261,405)
(3,122,409)	-	(3,122,409)
(8,104,756)	-	(8,104,756)
(118,455)	-	(118,455)
<u>(20,073,478)</u>	<u>-</u>	<u>(20,073,478)</u>
<u>-</u>	<u>(693,672)</u>	<u>(693,672)</u>
<u>-</u>	<u>(693,672)</u>	<u>(693,672)</u>
<u>(20,073,478)</u>	<u>(693,672)</u>	<u>(20,767,150)</u>
11,930,666	-	11,930,666
1,218,098	-	1,218,098
678,706	-	678,706
5,825,883	-	5,825,883
23,109	-	23,109
9,895	-	9,895
2,988	47	3,035
217,361	-	217,361
<u>19,906,706</u>	<u>47</u>	<u>19,906,753</u>
(166,772)	(693,625)	(860,397)
<u>87,029,213</u>	<u>6,489,951</u>	<u>93,519,164</u>
<u>\$ 86,862,441</u>	<u>\$ 5,796,326</u>	<u>\$ 92,658,767</u>

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FUND FINANCIAL STATEMENTS

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City of Laguna Hills, California
Balance Sheet - Governmental Funds
June 30, 2021

	General	Measure M Special Revenue Fund	Capital Projects	Debt Service	Other Governmental Funds	Totals
Assets:						
Current Assets:						
Cash and investments	\$ 8,144,577	\$ -	\$ -	\$ -	\$ 3,695,575	\$ 11,840,152
Receivables:						
Taxes	2,055,714	-	-	-	-	2,055,714
Accounts	401,807	-	-	-	-	401,807
Interest	5,706	-	-	1,477	-	7,183
Prepaid items	91,384	-	-	-	-	91,384
Due from other funds	300,548	-	-	-	-	300,548
Due from other governments	76,882	300,548	-	-	207,289	584,719
Restricted Assets:						
Cash and investments	-	-	-	1,809,435	-	1,809,435
Total assets	<u>\$ 11,076,618</u>	<u>\$ 300,548</u>	<u>\$ -</u>	<u>\$ 1,810,912</u>	<u>\$ 3,902,864</u>	<u>\$ 17,090,942</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	\$ 108,481	\$ -	\$ -	\$ -	\$ -	\$ 108,481
Accrued liabilities	1,024,472	-	-	-	10,005	1,034,477
Deposits	467,976	-	-	-	-	467,976
Due to other funds	-	300,548	-	-	-	300,548
Due to other governments	580,363	-	-	-	-	580,363
Total liabilities	<u>2,181,292</u>	<u>300,548</u>	<u>-</u>	<u>-</u>	<u>10,005</u>	<u>2,491,845</u>
Deferred Inflows of Resources:						
Unavailable revenues	68,747	-	-	-	-	68,747
Total deferred inflows of resources	<u>68,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,747</u>
Fund Balances:						
Nonspendable	91,384	-	-	-	-	91,384
Restricted	-	-	-	1,810,912	3,892,859	5,703,771
Assigned	910,659	-	-	-	-	910,659
Unassigned	7,824,536	-	-	-	-	7,824,536
Total fund balances	<u>8,826,579</u>	<u>-</u>	<u>-</u>	<u>1,810,912</u>	<u>3,892,859</u>	<u>14,530,350</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,076,618</u>	<u>\$ 300,548</u>	<u>\$ -</u>	<u>\$ 1,810,912</u>	<u>\$ 3,902,864</u>	<u>\$ 17,090,942</u>

City of Laguna Hills, California
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2021

Fund balances of governmental funds	\$ 14,530,350
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	163,456,401
Accumulated depreciation	(83,457,460)
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	(2,745,000)
Bond premium	(288,324)
Capital leases	(437,290)
Compensated absences	(341,966)
Claims and judgments payable	(306,451)
Deferred outflows of resources (loss on refunding of bonds) that have not been included in the governmental fund activity.	103,196
Accrued interest payable for the current portion of interest due on the Certificates of Participation has not been reported in the governmental funds.	(58,001)
Pension related liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. 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 affects only the government-wide statements for governmental activities:	
Deferred outflows of resources	1,254,373
Deferred inflows of resources	(432,949)
Net pension liability	(4,483,185)
Revenues reported as deferred inflows in the governmental funds do not provide current financial resources but are recognized in the statement of activities.	68,747
Net Position of Governmental Activities	<u><u>\$ 86,862,441</u></u>

City of Laguna Hills, California
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

	General	Measure M Special Revenue Fund	Capital Projects	Debt Service	Other Governmental Funds	Totals
Revenues:						
Taxes	\$ 13,827,470	\$ -	\$ -	\$ -	\$ 2,000	\$ 13,829,470
Licenses and permits	2,311,051	-	-	-	121,731	2,432,782
Intergovernmental revenues	5,879,645	793,037	-	-	2,247,697	8,920,379
Charges for services	584,889	-	-	-	-	584,889
Fines and forfeitures	146,395	-	-	-	-	146,395
Investment income	2,844	73	-	10,670	980	14,567
Total revenues	22,752,294	793,110	-	10,670	2,372,408	25,928,482
Expenditures:						
Current:						
General government	3,721,795	-	-	-	155	3,721,950
Public services	4,544,662	-	-	-	111,605	4,656,267
Community development	2,269,587	-	-	-	-	2,269,587
Community services	1,304,563	-	-	-	6,164	1,310,727
Public safety	8,669,578	-	-	-	428,542	9,098,120
Capital outlay	-	-	1,024,620	-	-	1,024,620
Debt service:						
Interest and fiscal charges	-	-	-	208,924	-	208,924
Principal retirement	80,535	-	-	1,580,000	-	1,660,535
Total expenditures	20,590,720	-	1,024,620	1,788,924	546,466	23,950,730
Excess (Deficiency) of Revenues over (Under) Expenditures	2,161,574	793,110	(1,024,620)	(1,778,254)	1,825,942	1,977,752
Other Financing Sources (Uses):						
Transfers in	988,923	-	1,024,620	1,757,435	-	3,770,978
Transfers out	(2,676,658)	(793,110)	-	-	(301,210)	(3,770,978)
Total other financing sources (uses)	(1,687,735)	(793,110)	1,024,620	1,757,435	(301,210)	-
Net Changes in Fund Balances	473,839	-	-	(20,819)	1,524,732	1,977,752
Fund Balances, Beginning of Year	8,352,740	-	-	1,831,731	2,368,127	12,552,598
Fund Balances, End of Year	\$ 8,826,579	\$ -	\$ -	\$ 1,810,912	\$ 3,892,859	\$ 14,530,350

City of Laguna Hills, California
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Net change in fund balances - total governmental funds	\$ 1,977,752
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 are allocated over their estimated useful lives as depreciation expenses. This activity is reconciled as follows:	
Capital outlay, net of disposals	720,257
Depreciation	(3,895,034)
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	1,580,000
Amortization of bond premium	80,464
Capital lease payments	92,554
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	(1,477)
Change in claims and judgments payable	(251,016)
Change in accrued interest for Certificates of Participation	26,786
Net difference between pension expense recorded on the government wide statement of activities and contributions paid.	(435,291)
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.	(32,967)
Change in net position of governmental activities	<u>\$ (166,772)</u>

City of Laguna Hills, California
Statement of Net Position – Proprietary Fund
June 30, 2021

	<u>Enterprise - Property Leasing</u>
Assets	
Current Assets:	
Cash and investments	\$ 304,080
Accounts receivable	<u>17,210</u>
Total current assets	<u>321,290</u>
Noncurrent Assets:	
Capital assets not depreciated	2,855,425
Capital assets, net of accumulated depreciation	<u>2,722,081</u>
Total noncurrent assets	<u>5,577,506</u>
Total assets	<u>5,898,796</u>
Liabilities	
Current Liabilities:	
Accrued liabilities	45,175
Deposits payable	44,160
Unearned revenue	<u>13,135</u>
Total current liabilities	<u>102,470</u>
Total liabilities	<u>102,470</u>
Net Position	
Net investment in capital assets	5,577,506
Unrestricted	<u>218,820</u>
Total net position	<u>\$ 5,796,326</u>

City of Laguna Hills, California
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
Year Ended June 30, 2021

	Enterprise - Property Leasing
Operating Revenues:	
Rental fees	\$ 606,770
Common area maintenance revenues	11,782
	<hr/>
Total operating revenues	618,552
	<hr/>
Operating Expenses:	
Direct operating expenses	534,360
Advertising and promotion	2,414
Administrative and professional fees	2,216
Repairs and maintenance	15,385
Depreciation expense	757,849
	<hr/>
Total operating expenses	1,312,224
	<hr/>
Operating income (loss)	(693,672)
	<hr/>
Nonoperating Revenues:	
Interest income	47
	<hr/>
Total nonoperating revenues	47
	<hr/>
Change in Net Position	(693,625)
Net Position at Beginning of Year	6,489,951
	<hr/>
Net Position at End of Year	\$ 5,796,326
	<hr/> <hr/>

City of Laguna Hills, California
Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2021

	Enterprise - <u>Property Leasing</u>
Operating Activities:	
Receipts from tenants	\$ 631,159
Payments to suppliers for goods and services	<u>(537,998)</u>
Net Cash Provided by (used for) Operating Activities	<u>93,161</u>
Capital and Related Financing Activities	
Acquisition of capital assets	<u>(23,999)</u>
Net Cash Provide by (used for) Capital and Related Financing Activities	<u>(23,999)</u>
Investing Activities:	
Interest on investments	<u>47</u>
Net Cash Provided by (used for) Investing Activities	<u>47</u>
Net Increase (Decrease) in Cash and Cash Equivalents	69,209
Cash and Cash Equivalents at Beginning of Year	<u>234,871</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 304,080</u></u>
Reconciliation of cash and cash equivalents	
Operating loss	\$ (693,672)
Adjustments to reconcile operating loss to net cash	
Provided by (used for) Operating Activities:	
Depreciation expense	757,849
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(528)
Increase (decrease) in accrued liabilities	16,377
Increase (decrease) in unearned revenue	<u>13,135</u>
Total adjustments	<u>786,833</u>
Net Cash Provided by (used for) Operating Activities	<u><u>\$ 93,161</u></u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Note 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, of which none are reported in the current year.

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 60-day and 180-day availability period for property tax and special revenue grants and contributions, respectively.

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, 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.

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.

d) New Accounting Pronouncements

Current Year Standards

GASB Statement No. 84 - In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements for this Statement are effective for periods beginning after December 15, 2019. The City has determined that there was no impact on the City's financial statements.

GASB Statement No. 98 - In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. The Statement established the term *annual comprehensive financial report* and its acronym ACFR. That new term and acronym replaces instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This Statement is effective for fiscal years ending after December 15, 2021. The City has implemented this standard and accordingly is using the term *annual comprehensive financial report* or ACFR on a go forward basis.

Pending Accounting Standards

GASB has issued the following statements that may impact the City's financial reporting requirements in the future. The City is currently evaluating the potential impact of these statements:

GASB Statement No. 87 - *Leases*.

GASB Statement No. 89 - *Accounting for Interest Cost Incurred Before the End of a Construction Period*.

GASB Statement No. 91 - *Conduit Debt Obligations*.

GASB Statement No. 92 - *Omnibus 2020*.

GASB Statement No. 93 - *Replacement of Interbank Offered Rates*.

GASB Statement No. 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements*.

GASB Statement No. 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

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 60 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:

Asset	Years
Building and improvements	20 years
Machinery and equipment	5 - 10 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 includes estimates for 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.

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 three sources, which are property damage, planning fees, and grants. 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.
- Deferred inflows 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.

l) Compensated Absences

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

The City provides an ICMA Vantage Care Retirement Health Savings (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, 2021, the City contributed \$50,000 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

Note 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, 2021, are reported in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 12,144,232
Restricted cash and investments	<u>1,809,435</u>
Total cash and investments	<u><u>\$ 13,953,667</u></u>

Cash and investments at June 30, 2021, consisted of the following:

Cash on hand		\$ 2,000
Pooled deposits:		
Demand deposits	\$ 4,502,973	
Certificates of deposit	<u>70,502</u>	
Total pooled deposits		4,573,475
Pooled investments:		
Local Agency Investment Fund		6,243,345
CalTRUST Short-Term Investment Fund		539,998
Money Market Mutual Fund		785,414
Restricted cash and investments:		
Local Agency Investment Fund	<u>1,809,435</u>	
Total restricted cash and investments		<u>1,809,435</u>
Total cash and investments		<u><u>\$ 13,953,667</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, including investment policy considerations. 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>Diversification By Investments</u>	<u>Maximum Percent of Portfolio</u>
U.S. Treasury Obligations (bills, notes and bonds)	50%
Certificates of Deposit (CDs) Commercial Banks	50%
Certificates of Deposit (CDs) Savings and Loan	25%
State Treasurer's Local Agency Investment Fund	75%
CalTRUST	75%
Overnight investment accounts managed by City's primary bank	50%
Commercial Paper	10%
Banker's Acceptances	15%
Money Market Mutual Funds	15%
<u>Diversification By Institution/Issuer</u>	<u>Maximum Percent of Portfolio</u>
Certificates of Deposit (CDs) Commercial Banks	25%
Certificates of Deposit (CDs) Savings and Loan	\$250,000 maximum

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.

Investment Type	6 Months or less	Fair Value
Local Agency Investment Fund	\$ 6,243,345	\$ 6,243,345
CalTRUST Short-Term Investment Fund	539,998	539,998
Money Market Mutual Fund	785,414	785,414
Investment with Fiscal Agent: Local Agency Investment Fund	<u>1,809,435</u>	<u>1,809,435</u>
Total	<u><u>\$ 9,378,192</u></u>	<u><u>\$ 9,378,192</u></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, 2021, the City's investment in the Local Agency Investment Fund has not been rated by a nationally recognized statistical rating organization, and the City's investment in the CalTRUST Short-Term Investment Fund is rated AAF 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, 2021, 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, 2021, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

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

Investment in State Treasurer's Local Agency Investment Fund

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

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-Term 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. Deposits and withdrawals are made on the basis of \$1 and not at fair value.

Note 3 - Due From/To Other Funds

Interfund receivables and payables at June 30, 2021, were as follows.

Funds	Due From Other Funds	Due To Other Funds
Major Governmental:		
General Fund	\$ 300,548	\$ -
Measure M Special Revenue Fund	-	300,548
	<u> </u>	<u> </u>
Total	<u>\$ 300,548</u>	<u>\$ 300,548</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 from short-term negative cash balances.

Note 4 - Transfers In and Out

Transfers in and out for the fiscal year ended June 30, 2021, are as follows:

Paying Fund	Transfers Out	Receiving Fund	Transfers In
Major Governmental:		Major Governmental:	
General	\$ 2,676,658	General	\$ 988,923
Measure M Special Revenue	793,110	Capital Projects	1,024,620
		Debt Service	<u>1,757,435</u>
Non-major Governmental			
Special Revenue Funds:			
CARES Act Special Revenue	105,397		
Gas Tax	31,313		
AB 2766	5,610		
Senior Mobility Program	2,137		
SLEFS / COPS BRULTE	<u>156,753</u>		
Total Non-major Governmental			
Special Revenue Funds	<u>301,210</u>		
Total	<u>\$ 3,770,978</u>	Total	<u>\$ 3,770,978</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.

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance at July 1, 2020	Additions	Deletions	Ending June 30, 2021
Governmental activities:				
Land	\$ 17,955,354	\$ -	\$ -	\$ 17,955,354
Rights of way / easements	2,854,182	-	-	2,854,182
Construction in progress	282,863	-	(282,863)	-
Total cost of non-depreciable assets	21,092,399	-	(282,863)	20,809,536
Buildings and improvements	13,466,229	668,184	-	14,134,413
Machinery and equipment	2,631,650	18,821	(31,789)	2,618,682
Land improvements	26,347,918	-	-	26,347,918
Infrastructure	99,220,200	325,652	-	99,545,852
Total cost of depreciable assets	141,665,997	1,012,657	(31,789)	142,646,865
Less accumulated depreciation for:				
Buildings and improvements	(11,981,952)	(706,721)	-	(12,688,673)
Machinery and equipment	(2,336,762)	(98,002)	22,252	(2,412,512)
Land improvements	(22,270,404)	(1,317,396)	-	(23,587,800)
Infrastructure	(42,995,560)	(1,772,915)	-	(44,768,475)
Total accumulated depreciation	(79,584,678)	(3,895,034)	22,252	(83,457,460)
Net depreciable assets	62,081,319	(2,882,377)	(9,537)	59,189,405
Total capital assets, net	\$ 83,173,718	\$ (2,882,377)	\$ (292,400)	\$ 79,998,941
Business-type activity:				
Land	\$ 2,855,425	\$ -	\$ -	2,855,425
Buildings and improvements	15,132,975	23,999	-	15,156,974
Total cost of depreciable assets	15,132,975	23,999	-	15,156,974
Less accumulated depreciation for:				
Buildings and improvements	(11,677,044)	(757,849)	-	(12,434,893)
Total accumulated depreciation	(11,677,044)	(757,849)	-	(12,434,893)
Net depreciable assets	3,455,931	(733,850)	-	2,722,081
Total capital assets, net	\$ 6,311,356	\$ (733,850)	\$ -	5,577,506

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

Governmental Activities:	
General government	\$ 49,070
Community development	830
Public services	1,775,915
Community services	2,061,028
Public safety	<u>8,191</u>
	3,895,034
Business-type Activity:	
Property leasing	<u>757,849</u>
Total	<u><u>\$ 4,652,883</u></u>

Note 6 - Long-term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2021, was as follows:

Governmental Activities:

	Balance at July 1, 2020	Additions	Reductions	Balance at June 30, 2021	Amounts Due in One Year
Other Debt:					
Certificates of Participation:					
2010 COP	\$ 4,325,000	\$ -	\$ (1,580,000)	\$ 2,745,000	\$ 1,670,000
Unamortized premium	<u>368,788</u>	<u>-</u>	<u>(80,464)</u>	<u>288,324</u>	<u>-</u>
Total certificates of Participation	<u>4,693,788</u>	<u>-</u>	<u>(1,660,464)</u>	<u>3,033,324</u>	<u>1,670,000</u>
Direct Borrowings and Direct Placements:					
Capital lease - Edison	339,319	-	(52,186)	287,133	51,934
Capital lease - SDGE	190,525	-	(40,368)	150,157	40,368
Other Liabilities:					
Compensated absences	340,489	195,222	(193,745)	341,966	50,113
Claims and judgements	<u>55,435</u>	<u>306,451</u>	<u>(55,435)</u>	<u>306,451</u>	<u>30,645</u>
Total other liabilities	<u>925,768</u>	<u>501,673</u>	<u>(341,734)</u>	<u>1,085,707</u>	<u>173,060</u>
Total	<u><u>\$ 5,619,556</u></u>	<u><u>\$ 501,673</u></u>	<u><u>\$ (2,002,198)</u></u>	<u><u>\$ 4,119,031</u></u>	<u><u>\$ 1,843,060</u></u>

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

Other Debt: 2010 Certificates of Participation

On January 26, 2010, the City (through the City's blended component unit the 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 4.00% and 5.00% and is payable semiannually. The annual requirements to amortize the certificates of participation as of June 30, 2021, are as follows:

Year Ending June 30,	Principal	Interest	Total
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
Total	<u>\$ 2,745,000</u>	<u>\$ 218,782</u>	<u>\$ 2,963,782</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, 2021 with a balance of \$1,809,435.

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, 2021. 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, 2021 was \$287,133. The annual debt service requirements are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>
2022	\$ 51,934
2023	51,934
2024	51,370
2025	50,341
2026	49,811
2027	<u>31,743</u>
Total	<u>\$ 287,133</u>

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, 2021. 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, 2021 was \$150,157. The annual debt service requirements are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>
2022	\$ 40,368
2023	40,368
2024	40,489
2025	8,858
2026	8,858
2027	<u>11,216</u>
Total	<u>\$ 150,157</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 \$291,853 at June 30, 2021 will be paid primarily from the general fund.

Note 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. 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, 2021, 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 Bodily Injury, Personal Injury, Property Damage 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"> • \$800M per occurrence combined • \$10M flood limit per occurrence • \$100M combined business interruption • \$100M boiler explosion & machinery breakdown combined

Area of Risk	City Self-Insurance	Carrier	Risk Coverage
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 • \$61.8M TIV
Crime	<ul style="list-style-type: none"> • \$2,500 	CSAC-EIA	\$10M for the following: <ul style="list-style-type: none"> • Funds transfer fraud • Employee dishonesty • Forgery alterations • Money & securities theft, inside premises • Money & securities theft, outside premises • Computer fraud • Money order & counterfeit paper currency • Theft of other property, inside premises • 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
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, 2021, the estimated outstanding ULAE was \$106,451.

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 increase in the current year annual claim expenses as compared to the prior year annual claim expenses. As of June 30, 2021, the estimated IBNR was approximately \$86,351.

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

Fiscal Year Ending June 30,	FY 2020/21	FY 2019/20
Claims payable, beginning	\$ 55,435	\$ 109,243
Claims and changes in estimate	306,451	55,435
Claims payments	<u>(55,435)</u>	<u>(109,243)</u>
Claims payable, ending	<u>\$ 306,451</u>	<u>\$ 55,435</u>

The total amount assigned in the Claims Liability Loss Reserve Fund as of June 30, 2021 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 2020-2021.

Note 8 - Pension Plans

a) General Information about the Pension Plans

Plan Descriptions

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

Benefits Provided

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

The Plans' provisions and benefits in effect at the measurement period ending June 30, 2020, are summarized as follows:

	Miscellaneous Plan	
	Tier 1 Prior to January 1, 2013	PEPRA On or After January 1, 2013
Hire date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years 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% - 2.5%
Required employee contribution rates	7.0%	7.3%
Required employer contribution rates:		
Normal cost rate	9.929%	7.874%
Payments of unfunded liability	\$ 275,116	\$ 3,267

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, 2021, the City reported net pension liabilities for its proportionate share of the net pension liability of all Plans as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	<u>\$ 4,483,185</u>

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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, 2019 and 2020 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2019	0.09978%
Proportion - June 30, 2020	<u>0.10629%</u>
Change - Increase (Decrease)	0.00651%

For the year ended June 30, 2021, the City recognized pension expense of \$982,034. At June 30, 2021, (measurement period ending June 30, 2020), the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 546,745	\$ -
Differences between expected and actual experience	231,032	-
Change in assumptions	-	31,976
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	400,973
Change in employer's proportion	343,416	-
Net differences between projected and actual earnings on plan investments	<u>133,180</u>	<u>-</u>
Total	<u>\$ 1,254,373</u>	<u>\$ 432,949</u>

\$546,745 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 37,205
2023	90,432
2024	83,165
2025	63,877

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement period was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The total pension liability was based on the following assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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 probabilities of mortality are based on the 2017 Cal PERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) The less of contract COLA or 2.5% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.5% 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%
	<u>100.0%</u>		

(a) In the CalPERS ACFR, 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 2.00% 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	\$ 7,433,096
Current Discount Rate	7.15%
Net Pension Liability	\$ 4,483,185
1% Increase	8.15%
Net Pension Liability	\$ 2,045,765

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, 2021, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2021.

Note 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 \$19,500 for calendar years 2020 and 2021, respectively. This maximum deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Amounts accumulated 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 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, 2021 was \$889.

The other Plan is a defined contribution plan 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, 2021 was \$48,569. 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.

Note 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, 2021.

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, 2021 is as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable:				
Prepaid items	\$ 91,384	\$ -	\$ -	\$ 91,384
Total	91,384	-	-	91,384
Restricted:				
Public services	-	-	3,431,658	3,431,658
Community services	-	-	461,201	461,201
Debt service	-	1,810,912	-	1,810,912
Total	-	1,810,912	3,892,859	5,703,771
Assigned:				
Claims liability	200,000	-	-	200,000
Community Center and Sports Complex maintenance	240,000	-	-	240,000
Parks maintenance	365,700	-	-	365,700
Slopes/Storm Drain maintenance	104,959	-	-	104,959
Total	910,659	-	-	910,659
Unassigned	7,824,536	-	-	7,824,536
Total fund balances	\$ 8,826,579	\$ 1,810,912	\$ 3,892,859	\$ 14,530,350

Note 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, 2021. 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.

Note 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 \$549,960.

Note 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, 2021. The City manages its budget at the fund level.

	<u>Appropriations</u>	<u>Expenditures</u>	Variance Positive (Negative)
Major Governmental			
Debt Service Fund	\$ 1,788,921	\$ 1,788,924	\$ (3)
Non-major Governmental			
Special Revenue Funds:			
C&D Forfeited Deposits	\$ 68,000	\$ 111,222	\$ (43,222)

Note 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.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of an outbreak of a new strain of coronavirus (the "COVID-19 outbreak") and the risks that is posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The City's operations are heavily dependent on the ability to raise sales taxes, property taxes and transient occupancy taxes and assess business licenses. Additionally, access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. The City cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, if the pandemic continues, it may have an effect on the City's results of future operations and financial position in fiscal year 2022.

Note 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, 2021:

<u>Year ended June 30,</u>	<u>Principal</u>
2022	\$ 564,158
2023	452,517
2024	352,973
2025	175,264
2026	<u>82,518</u>
Total	<u><u>\$ 1,627,430</u></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 \$17,988,400. The carrying value of these capital assets as of June 30, 2021 is \$5,577,505.

Total rent and common area maintenance revenue for the year ended June 30, 2021 was \$618,552.

Note 16 - Subsequent Events

Subsequent to June 30, 2021, the City was allocated \$7,465,377 of funding from the Corona-Virus State and Local Fiscal Recovery funds, as authorized under the American Rescue Plan Act. The City received \$3,732,688 in July 2021, and the remaining funds are expected to be received in July 2022.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Laguna Hills, California
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years*
June 30, 2021

Fiscal year ended	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<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, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.04120%	0.03899%	0.03658%	0.03641%	0.03413%	0.02851%	0.03634%
Plan's proportionate share of the net pension liability	\$ 4,483,185	\$ 3,995,763	\$ 3,524,547	\$ 3,610,550	\$ 2,953,536	\$ 1,956,617	\$ 2,261,011
Plan's covered payroll	\$ 3,079,318	\$ 2,978,329	\$ 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	145.59%	134.16%	110.17%	112.92%	96.00%	63.25%	78.13%
Plan's fiduciary net position as a percentage of the Plan's total pension liability	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

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 June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measure 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 significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no changes in assumptions.

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

City of Laguna Hills, California
Schedule of Contributions
Last Ten Fiscal Years*
June 30, 2021

Fiscal year ended	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<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)	\$ 546,745	\$ 488,471	\$ 422,127	\$ 378,900	\$ 346,439	\$ 308,768	\$ 278,231
Contributions in relation to the actuarially determined contribution	<u>(546,745)</u>	<u>(488,471)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,968,115	\$ 3,079,318	\$ 2,978,329	\$ 3,199,277	\$ 3,197,331	\$ 3,076,464	\$ 3,093,576
Contribution as a percentage of covered payroll	18.42%	15.86%	14.17%	11.84%	10.84%	10.04%	8.99%

Notes to Schedule:

Valuation Date	6/30/2018	6/30/2017	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	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	15 Year Smoothed Market Method
Inflation	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.15 (3)	7.25 (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(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 seven years are shown.

City of Laguna Hills, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –
General Fund
Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final	Amounts	
Revenues:				
Taxes	\$ 14,363,150	\$ 14,363,150	\$ 13,827,470	\$ (535,680)
Licenses and permits	896,000	2,576,000	2,311,051	(264,949)
Intergovernmental revenues	6,005,338	6,005,338	5,879,645	(125,693)
Charges for current services	1,246,225	1,246,225	584,889	(661,336)
Fines and forfeitures	190,000	190,000	146,395	(43,605)
Investment income	150,000	150,000	2,844	(147,156)
Total revenues	22,850,713	24,530,713	22,752,294	(1,778,419)
Expenditures:				
Current:				
General government	4,033,509	4,033,509	3,721,795	311,714
Public services	4,700,514	4,700,514	4,544,662	155,852
Community development	1,459,977	2,764,977	2,269,587	495,390
Community services	2,212,855	2,212,855	1,304,563	908,292
Public safety	8,910,462	8,910,462	8,669,578	240,884
Debt service:				
Principal retirement	92,000	92,000	80,535	11,465
Total expenditures	21,409,317	22,714,317	20,590,720	2,123,597
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,441,396	1,816,396	2,161,574	345,178
Other Financing Sources (Uses):				
Transfers in	1,153,798	1,511,864	988,923	(522,941)
Transfers out	(2,711,902)	(3,284,402)	(2,676,658)	607,744
Total other financing sources (uses)	(1,558,104)	(1,772,538)	(1,687,735)	84,803
Net Change in Fund Balance	(116,708)	43,858	473,839	429,981
Fund Balance at Beginning of the Year	8,352,740	8,352,740	8,352,740	-
Fund Balance at End of the Year	\$ 8,236,032	\$ 8,396,598	\$ 8,826,579	\$ 429,981

City of Laguna Hills, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –
Measure M Special Revenue Fund
Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental revenues	\$ 628,798	\$ 828,798	\$ 793,037	\$ (35,761)
Investment income	-	-	73	73
Total revenues	628,798	828,798	793,110	(35,688)
Excess (Deficiency) of Revenues Over (Under) Expenditures	628,798	828,798	793,110	(35,688)
Other Financing Sources (Uses):				
Transfers out	(628,798)	(828,798)	(793,110)	35,688
Total other financing sources (uses)	(628,798)	(828,798)	(793,110)	35,688
Net Change in Fund Balance	-	-	-	-
Fund Balance at Beginning of the Year	-	-	-	-
Fund Balance at End of the Year	\$ -	\$ -	\$ -	\$ -

Note 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 following Special Revenue Funds did not have an adopted budget during the current fiscal year: CARITS, Public Art, and Water Conservation.

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE

CARES Act Special Revenue Fund - The CARES Act Special Revenue Fund is used to account for revenues received and expenditures made for the CARES Act funds received from the County and State to respond to COVID-19.

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, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

Special Revenue Funds							
	CARES Act	Gas Tax	SB1 RMRA	AB 2766	Senior Mobility Program	CARITS	CDBG
Assets:							
Cash and investments	\$ -	\$ 900,346	\$ 477,679	\$ 294,387	\$ 122,436	\$ 1,272,825	\$ -
Due from other governments	-	81,058	106,442	10,461	6,434	-	-
Total assets	<u>\$ -</u>	<u>\$ 981,404</u>	<u>\$ 584,121</u>	<u>\$ 304,848</u>	<u>\$ 128,870</u>	<u>\$ 1,272,825</u>	<u>\$ -</u>
Liabilities and Fund Balances							
Liabilities:							
Accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 568	\$ -	\$ -
Fund balances:							
Restricted:	-	981,404	584,121	304,848	128,302	1,272,825	-
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 981,404</u>	<u>\$ 584,121</u>	<u>\$ 304,848</u>	<u>\$ 128,870</u>	<u>\$ 1,272,825</u>	<u>\$ -</u>

City of Laguna Hills, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

Special Revenue Funds								Total Nonmajor Governmental Funds
Public Art	Beverage Recycling	CR&R Recycling Fees	C & D Forfeited Deposits	CASP	Water Conservation	Grants & Contributions	SLEFS/COPS BRULTE	
\$ 71,973	\$ 19,968	\$ 7,043	\$ 80,050	\$ 18,128	\$ 342,555	\$ 88,185	\$ -	\$ 3,695,575
-	-	-	-	2,894	-	-	-	207,289
<u>\$ 71,973</u>	<u>\$ 19,968</u>	<u>\$ 7,043</u>	<u>\$ 80,050</u>	<u>\$ 21,022</u>	<u>\$ 342,555</u>	<u>\$ 88,185</u>	<u>\$ -</u>	<u>\$ 3,902,864</u>
\$ -	\$ 538	\$ -	\$ 8,899	\$ -	\$ -	\$ -	\$ -	\$ 10,005
<u>71,973</u>	<u>19,430</u>	<u>7,043</u>	<u>71,151</u>	<u>21,022</u>	<u>342,555</u>	<u>88,185</u>	<u>-</u>	<u>3,892,859</u>
<u>\$ 71,973</u>	<u>\$ 19,968</u>	<u>\$ 7,043</u>	<u>\$ 80,050</u>	<u>\$ 21,022</u>	<u>\$ 342,555</u>	<u>\$ 88,185</u>	<u>\$ -</u>	<u>\$ 3,902,864</u>

City of Laguna Hills, California
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2021

	Special Revenue Funds						
	CARES Act	Gas Tax	SB1 RMRA	AB 2766	Senior Mobility Program	CARITS	CDBG
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	698,407	712,113	584,112	41,142	55,192	-	-
Investment income	4	157	9	93	27	441	-
Total revenues	698,411	712,270	584,121	41,235	55,219	441	-
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public services	-	-	-	-	-	-	-
Community services	-	-	-	-	6,164	-	-
Public safety	428,542	-	-	-	-	-	-
Total expenditures	428,542	-	-	-	6,164	-	-
Excess (deficiency) of revenues over (under) expenditures	269,869	712,270	584,121	41,235	49,055	441	-
Other Financing Sources (Uses):							
Transfers out	(105,397)	(31,313)	-	(5,610)	(2,137)	-	-
Total other financing sources (uses)	(105,397)	(31,313)	-	(5,610)	(2,137)	-	-
Net Change in Fund Balances	164,472	680,957	584,121	35,625	46,918	441	-
Fund Balances (Deficit), Beginning of Year	(164,472)	300,447	-	269,223	81,384	1,272,384	-
Fund Balances (Deficit), End of Year	\$ -	\$ 981,404	\$ 584,121	\$ 304,848	\$ 128,302	\$ 1,272,825	\$ -

City of Laguna Hills, California
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2021

Special Revenue Funds								Total Nonmajor Governmental Funds
Public Art	Beverage Recycling	CR&R Recycling Fees	C & D Forfeited Deposits	CASP	Water Conservation	Grants & Contributions	SLEFS/COPS BRULTE	
\$ -	\$ -	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000
-	-	-	115,900	5,831	-	-	-	121,731
-	-	-	-	-	-	-	156,731	2,247,697
25	7	2	41	4	118	30	22	980
25	7	2,002	115,941	5,835	118	30	156,753	2,372,408
-	-	-	155	-	-	-	-	155
-	538	-	111,067	-	-	-	-	111,605
-	-	-	-	-	-	-	-	6,164
-	-	-	-	-	-	-	-	428,542
-	538	-	111,222	-	-	-	-	546,466
25	(531)	2,002	4,719	5,835	118	30	156,753	1,825,942
-	-	-	-	-	-	-	(156,753)	(301,210)
-	-	-	-	-	-	-	(156,753)	(301,210)
25	(531)	2,002	4,719	5,835	118	30	-	1,524,732
71,948	19,961	5,041	66,432	15,187	342,437	88,155	-	2,368,127
\$ 71,973	\$ 19,430	\$ 7,043	\$ 71,151	\$ 21,022	\$ 342,555	\$ 88,185	\$ -	\$ 3,892,859

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**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

City of Laguna Hills, California

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Capital Projects Fund – Major Fund

Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Expenditures:				
Capital outlay	\$ 825,000	\$ 1,157,500	\$ 1,024,620	\$ 132,880
Excess (Deficiency) of Revenues Over (Under) Expenditures	(825,000)	(1,157,500)	(1,024,620)	132,880
Other Financing Sources (Uses):				
Transfers in	825,000	1,157,500	1,024,620	(132,880)
Total other financing sources (uses)	825,000	1,157,500	1,024,620	(132,880)
Net Change in Fund Balance	-	-	-	-
Fund Balance at Beginning of the Year	-	-	-	-
Fund Balance at End of the Year	\$ -	\$ -	\$ -	\$ -

City of Laguna Hills, California

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Debt Service Fund – Major Fund

Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenues:				
Investment income	\$ -	\$ -	\$ 10,670	\$ 10,670
Expenditures:				
Debt service:				
Interest and fiscal charges	208,921	208,921	208,924	(3)
Principal retirement	1,580,000	1,580,000	1,580,000	-
Total expenditures	1,788,921	1,788,921	1,788,924	(3)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,788,921)	(1,788,921)	(1,778,254)	10,667
Other Financing Sources (Uses):				
Transfers in	1,788,921	1,788,921	1,757,435	(31,486)
Total other financing sources (uses)	1,788,921	1,788,921	1,757,435	(31,486)
Net Change in Fund Balance	-	-	(20,819)	(20,819)
Fund Balance at Beginning of the Year	1,831,731	1,831,731	1,831,731	-
Fund Balance at End of the Year	\$ 1,831,731	\$ 1,831,731	\$ 1,810,912	\$ (20,819)

City of Laguna Hills, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
CARES Act Special Revenue Fund
Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental revenues	\$ -	\$ 692,651	\$ 698,407	\$ 5,756
Investment income	-	11,485	4	(11,481)
Total revenues	-	704,136	698,411	(5,725)
Expenditures:				
Current:				
Public safety	-	429,664	428,542	1,122
Total expenditures	-	429,664	428,542	1,122
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	274,472	269,869	(4,603)
Other Financing Sources (Uses):				
Transfers out	-	(110,000)	(105,397)	4,603
Total other financing sources (uses)	-	(110,000)	(105,397)	4,603
Net Change in Fund Balance	-	164,472	164,472	-
Fund Balance at Beginning of the Year	(164,472)	(164,472)	(164,472)	-
Fund Balance at End of the Year	<u>\$ (164,472)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Laguna Hills, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Gas Tax Special Revenue Fund
Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental revenues	\$ 700,000	\$ 700,000	\$ 712,113	\$ 12,113
Investment income	-	-	157	157
Total revenues	700,000	700,000	712,270	12,270
Excess (Deficiency) of Revenues Over (Under) Expenditures	700,000	700,000	712,270	12,270
Other Financing Sources (Uses):				
Transfers out	-	(31,313)	(31,313)	-
Total other financing sources (uses)	-	(31,313)	(31,313)	-
Net Change in Fund Balance	700,000	668,687	680,957	12,270
Fund Balance at Beginning of the Year	300,447	300,447	300,447	-
Fund Balance at End of the Year	<u>\$ 1,000,447</u>	<u>\$ 969,134</u>	<u>\$ 981,404</u>	<u>\$ 12,270</u>

City of Laguna Hills, California

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

SB1 RMRA Special Revenue Fund

Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental revenues	\$ 550,000	\$ 550,000	\$ 584,112	\$ 34,112
Investment income	-	-	9	9
Total revenues	550,000	550,000	584,121	34,121
Excess (Deficiency) of Revenues Over (Under) Expenditures	550,000	550,000	584,121	34,121
Net Change in Fund Balance	550,000	550,000	584,121	34,121
Fund Balance at Beginning of the Year	-	-	-	-
Fund Balance at End of the Year	\$ 550,000	\$ 550,000	\$ 584,121	\$ 34,121

City of Laguna Hills, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
AB 2766 Special Revenue Fund
Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental revenues	\$ 40,000	\$ 40,000	\$ 41,142	\$ 1,142
Investment income	-	-	93	93
Total revenues	40,000	40,000	41,235	1,235
Expenditures:				
Current:				
Community development	35,000	35,000	-	35,000
Total expenditures	35,000	35,000	-	35,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,000	5,000	41,235	36,235
Other Financing Sources (Uses):				
Transfers out	-	(60,000)	(5,610)	54,390
Total other financing sources (uses)	-	(60,000)	(5,610)	54,390
Net Change in Fund Balance	5,000	(55,000)	35,625	90,625
Fund Balance at Beginning of the Year	269,223	269,223	269,223	-
Fund Balance at End of the Year	\$ 274,223	\$ 214,223	\$ 304,848	\$ 90,625

City of Laguna Hills, California

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Senior Mobility Program Special Revenue Fund

Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental revenues	\$ 38,091	\$ 38,091	\$ 55,192	\$ 17,101
Investment income	-	-	27	27
Total revenues	38,091	38,091	55,219	17,128
Expenditures:				
Current:				
Community services	64,904	64,904	6,164	58,740
Total expenditures	64,904	64,904	6,164	58,740
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,813)	(26,813)	49,055	75,868
Other Financing Sources (Uses):				
Transfers in	12,981	12,981	-	(12,981)
Transfers out	-	-	(2,137)	(2,137)
Total other financing sources (uses)	12,981	12,981	(2,137)	(15,118)
Net Change in Fund Balance	(13,832)	(13,832)	46,918	60,750
Fund Balance at Beginning of the Year	81,384	81,384	81,384	-
Fund Balance at End of the Year	\$ 67,552	\$ 67,552	\$ 128,302	\$ 60,750

City of Laguna Hills, California

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Community Development Block Grant Special Revenue Fund

Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental revenues	\$ 100,000	\$ -	\$ -	\$ -
Total revenues	100,000	-	-	-
Expenditures:				
Current:				
Community development	100,000	-	-	-
Total expenditures	100,000	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance at Beginning of the Year	-	-	-	-
Fund Balance at End of the Year	\$ -	\$ -	\$ -	\$ -

City of Laguna Hills, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Beverage Recycling Special Revenue Fund
Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Taxes	\$ 8,500	\$ 8,500	\$ -	\$ (8,500)
Investment income	-	-	7	7
Total revenues	8,500	8,500	7	(8,493)
Expenditures:				
Current:				
General government	8,500	8,500	-	8,500
Public services	-	-	538	(538)
Total expenditures	8,500	8,500	538	7,962
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(531)	(531)
Net Change in Fund Balance	-	-	(531)	(531)
Fund Balance at Beginning of the Year	19,961	19,961	19,961	-
Fund Balance at End of the Year	<u>\$ 19,961</u>	<u>\$ 19,961</u>	<u>\$ 19,430</u>	<u>\$ (531)</u>

City of Laguna Hills, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
CR&R Recycling Special Revenue Fund
Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Taxes	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Investment income	-	-	2	2
Total revenues	2,000	2,000	2,002	2
Expenditures:				
Current:				
General government	2,879	2,879	-	2,879
Total expenditures	2,879	2,879	-	2,879
Excess (Deficiency) of Revenues Over (Under) Expenditures	(879)	(879)	2,002	2,881
Net Change in Fund Balance	(879)	(879)	2,002	2,881
Fund Balance at Beginning of the Year	5,041	5,041	5,041	-
Fund Balance at End of the Year	\$ 4,162	\$ 4,162	\$ 7,043	\$ 2,881

City of Laguna Hills, California

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

C & D Forfeited Deposits Special Revenue Fund

Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Licenses and permits	\$ 35,000	\$ 35,000	\$ 115,900	\$ 80,900
Investment income	-	-	41	41
Total revenues	35,000	35,000	115,941	80,941
Expenditures:				
Current:				
General government	3,000	3,000	155	2,845
Public services	65,000	65,000	111,067	(46,067)
Total expenditures	68,000	68,000	111,222	(43,222)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(33,000)	(33,000)	4,719	37,719
Net Change in Fund Balance	(33,000)	(33,000)	4,719	37,719
Fund Balance at Beginning of the Year	66,432	66,432	66,432	-
Fund Balance at End of the Year	<u>\$ 33,432</u>	<u>\$ 33,432</u>	<u>\$ 71,151</u>	<u>\$ 37,719</u>

City of Laguna Hills, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
CASP Fund
Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Licenses and permits	\$ 5,000	\$ 5,000	\$ 5,831	\$ 831
Investment income	-	-	4	4
Total revenues	5,000	5,000	5,835	835
Expenditures:				
Current:				
General government	5,000	5,000	-	5,000
Total expenditures	5,000	5,000	-	5,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	5,835	5,835
Net Change in Fund Balance	-	-	5,835	5,835
Fund Balance at Beginning of the Year	15,187	15,187	15,187	-
Fund Balance at End of the Year	\$ 15,187	\$ 15,187	\$ 21,022	\$ 5,835

City of Laguna Hills, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Grants and Contributions Special Revenue Fund
Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental revenues	\$ 200,000	\$ -	\$ -	\$ -
Investment income	-	-	30	30
Total revenues	200,000	-	30	30
Excess (Deficiency) of Revenues Over (Under) Expenditures	200,000	-	30	30
Other Financing Sources (Uses):				
Transfers out	(200,000)	-	-	-
Total other financing sources (uses)	(200,000)	-	-	-
Net Change in Fund Balance	-	-	30	30
Fund Balance at Beginning of the Year	88,155	88,155	88,155	-
Fund Balance at End of the Year	<u>\$ 88,155</u>	<u>\$ 88,155</u>	<u>\$ 88,185</u>	<u>\$ 30</u>

City of Laguna Hills, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
SLESF/COPS Brulte Special Revenue Fund
Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental revenues	\$ 140,000	\$ 140,000	\$ 156,731	\$ 16,731
Investment income	-	-	22	22
Total revenues	140,000	140,000	156,753	16,753
Excess (Deficiency) of Revenues Over (Under) Expenditures	140,000	140,000	156,753	16,753
Other Financing Sources (Uses):				
Transfers out	(140,000)	(156,753)	(156,753)	-
Total other financing sources (uses)	(140,000)	(156,753)	(156,753)	-
Net Change in Fund Balance	-	(16,753)	-	16,753
Fund Balance at Beginning of the Year	-	-	-	-
Fund Balance at End of the Year	\$ -	\$ (16,753)	\$ -	\$ 16,753

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STATISTICAL SECTION

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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

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Financial Trends

III-3

Financial trend schedules contain trend information to help the reader understand how the City of Laguna Hills' financial performance and well-being have changed over time.

Revenue Capacity

III-10

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

Debt Capacity

III-16

Debt capacity schedules present information to help the reader assess the affordability of the City of Laguna Hills' current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

III-21

Demographic and economic information schedules offer demographic and economic indicators to help the reader understand the environment within which the City of Laguna Hills' financial activities take place.

Operating Information

III-23

Operating information schedules contain service and infrastructure data to help the reader understand how the information in the City of Laguna Hills' financial report relates to the services the government provides and the activities it performs.

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

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net Investment in capital assets	\$ 82,982,768	\$ 84,618,576	\$ 84,465,323	\$ 84,623,408	\$ 83,320,937	\$ 82,980,468	\$ 81,972,798	\$ 79,706,238	\$ 80,312,979	\$ 78,878,248
Restricted	2,106,914	998,727	2,414,686	5,240,670	2,470,305	2,394,252	2,155,589	3,462,431	2,538,747	3,894,336
Unrestricted	6,944,547	8,340,769	5,751,121	1,789,992	4,916,994	3,315,387	2,956,001	4,583,713	4,177,487	4,089,857
Total government activities net position	<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>	<u>\$ 87,029,213</u>	<u>\$ 86,862,441</u>
Business-type activities										
Net Investment in capital assets	\$ 10,989,447	\$ 10,403,077	\$ 9,894,503	\$ 9,324,493	\$ 8,998,114	\$ 8,343,488	\$ 7,635,240	\$ 6,964,651	\$ 6,311,356	\$ 5,577,506
Restricted										
Unrestricted	96,511	47,563	47,801	(36,397)	68,288	117,338	236,196	227,320	178,595	218,820
Total business-type activities net position	<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>	<u>\$ 6,489,951</u>	<u>\$ 5,796,326</u>
Primary government										
Net Investment in capital assets	\$ 93,972,215	\$ 95,021,653	\$ 94,359,826	\$ 93,947,901	\$ 92,319,051	\$ 91,323,956	\$ 89,608,038	\$ 86,670,889	\$ 86,624,335	\$ 84,455,754
Restricted	2,106,914	998,727	2,414,686	5,240,670	2,470,305	2,394,252	2,155,589	3,462,431	2,538,747	3,894,336
Unrestricted	7,041,058	8,388,332	5,798,922	1,753,595	4,985,282	3,432,725	3,192,197	4,811,033	4,356,082	4,308,677
Total primary government net position	<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>	<u>\$ 93,519,164</u>	<u>\$ 92,658,767</u>

CITY OF LAGUNA HILLS

CHANGE IN NET POSITION LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General Government	\$ 3,320,664	\$ 3,522,274	\$ 3,304,687	\$ 3,088,372	\$ 3,112,783	\$ 4,226,233	\$ 4,104,012	\$ 3,467,852	\$ 4,350,707	\$ 4,468,341
Public services	5,999,412	6,150,553	6,376,642	6,332,724	6,802,499	7,234,921	6,841,288	6,433,542	6,783,242	6,727,008
Community development	1,127,036	1,138,280	1,265,719	1,434,213	1,309,210	1,462,611	1,287,931	1,385,455	1,656,277	2,270,417
Community services	3,642,792	3,777,102	3,886,180	4,660,667	4,141,792	4,131,886	4,161,070	4,079,412	3,781,731	3,371,755
Public safety	6,528,489	6,575,855	6,837,050	7,162,514	6,929,025	8,167,361	8,032,660	8,251,937	8,630,054	9,106,311
Interest expense	620,376	583,461	530,039	479,589	431,264	376,993	323,513	267,582	202,566	118,455
Total governmental activities expenses	21,238,769	21,747,525	22,200,317	23,158,079	22,726,573	25,600,005	24,750,474	23,885,780	25,404,577	26,062,287
Business-type activities:										
Property leasing	1,154,967	1,163,305	1,278,434	1,204,437	1,222,043	1,255,765	1,247,849	1,273,554	1,299,630	1,312,224
Total business-type activities expenses	1,154,967	1,163,305	1,278,434	1,204,437	1,222,043	1,255,765	1,247,849	1,273,554	1,299,630	1,312,224
Total primary government expenses	\$ 22,393,736	\$ 22,910,830	\$ 23,478,751	\$ 24,362,516	\$ 23,948,616	\$ 26,855,770	\$ 25,998,323	\$ 25,159,334	\$ 26,704,207	\$ 27,374,511
Program Revenues										
Government activities:										
Charges for Services:										
General Government	\$ 2,838	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public services	83,989	112,629	106,633	136,037	205,446	196,054	189,662	253,438	738,335	1,480,182
Community development	669,936	750,626	799,316	1,050,127	881,286	894,150	988,719	1,010,326	1,182,430	1,009,012
Community services	657,129	714,634	608,877	775,330	780,519	756,089	821,388	777,605	345,328	183,008
Public safety	295,587	226,311	186,347	300,032	267,555	228,649	208,461	219,727	175,661	146,395
Operating Contributions	3,082,972	2,137,580	2,186,050	2,989,299	1,960,392	2,131,220	1,876,109	2,516,513	2,555,054	3,170,212
Capital Contributions	3,040,344	945,068	807,545	2,264,558	60,850	716,200	-	-	206,675	-
Total governmental activities program revenues	7,832,795	4,886,848	4,694,768	7,515,383	4,156,048	4,922,362	4,084,339	4,777,609	5,203,483	5,988,809
Business-type activities:										
Charges for Services:										
Property Leasing	527,530	527,931	476,391	500,202	579,313	650,147	658,396	594,026	597,525	618,552
Operating grants and contributions										
Capital grants and contributions	85,134									
Total business-type activities program revenues	612,664	527,931	476,391	500,202	579,313	650,147	658,396	594,026	597,525	618,552
Total primary government program revenues	\$ 8,445,459	\$ 5,414,779	\$ 5,171,159	\$ 8,015,585	\$ 4,735,361	\$ 5,572,509	\$ 4,742,735	\$ 5,371,635	\$ 5,801,008	\$ 6,607,361
Net (expense)/revenue										
Governmental activities	\$ (13,405,974)	\$ (16,860,677)	\$ (17,505,549)	\$ (15,642,696)	\$ (18,570,525)	\$ (20,677,643)	\$ (20,666,135)	\$ (19,108,171)	\$ (20,201,094)	\$ (20,073,478)
Business- type activities	(542,303)	(635,374)	(802,043)	(704,235)	(642,730)	(605,618)	(589,453)	(679,528)	(702,105)	(693,672)
	\$ (13,948,277)	\$ (17,496,051)	\$ (18,307,592)	\$ (16,346,931)	\$ (19,213,255)	\$ (21,283,261)	\$ (21,255,588)	\$ (19,787,699)	\$ (20,903,199)	\$ (20,767,150)

(continued)

CITY OF LAGUNA HILLS

CHANGE IN NET POSITION

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
(continued)										
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 8,223,234	\$ 8,722,406	\$ 8,826,271	\$ 9,128,568	\$ 9,660,614	\$ 10,064,067	\$ 10,481,864	\$ 10,981,130	\$ 11,314,045	\$ 11,930,666
Sales and use taxes	5,157,787	5,305,487	5,562,823	5,603,521	5,439,210	5,779,073	5,755,661	5,966,524	5,372,149	5,825,883
Motor vehicle in lieu taxes	16,727	17,332	14,344	13,856	12,506	13,745	16,604	15,273	24,988	23,109
Other State subvention		-	16,549	93,653	57,112	9,209	5,725	22,529	10,613	9,895
Franchise taxes	1,223,523	1,210,837	1,259,021	1,343,505	1,303,919	1,191,868	1,248,488	1,265,411	1,198,008	1,218,098
Transient occupancy taxes	1,004,483	1,108,290	1,203,422	1,285,455	1,406,823	1,437,420	1,381,719	1,311,213	1,025,047	678,706
Investment earnings	15,736	12,216	12,251	14,266	14,893	21,911	49,179	99,204	112,250	2,988
Miscellaneous revenue	21,951	21,016	29,706	56,542	150,614	142,221	121,176	114,881	420,825	217,361
Sale of capital assets		2,769,504								
Transfers			(293,691)	(50,000)	(421,000)	-	-	-	-	-
Total governmental activities	15,663,441	19,167,088	16,630,696	17,489,366	17,624,691	18,659,514	19,060,416	19,776,165	19,477,925	19,906,706
Business-type activities:										
Investment earnings	354	56	16	27	36	42	63	63	85	47
Transfers			293,691	50,000	421,000	-	-	-	-	-
Total business-type activities	354	56	293,707	50,027	421,036	42	63	63	85	47
Total primary government	\$ 15,663,795	\$ 19,167,144	\$ 16,924,403	\$ 17,539,393	\$ 18,045,727	\$ 18,659,556	\$ 19,060,479	\$ 19,776,228	\$ 19,478,010	\$ 19,906,753
Change in Net Position:										
Governmental activities	\$ 2,257,467	\$ 2,306,411	\$ (874,853)	\$ 1,846,670	\$ (945,834)	\$ (2,018,129)	\$ (1,605,719)	\$ 667,994	\$ (723,169)	\$ (166,772)
Business-type activities	(541,949)	(635,318)	(508,336)	(654,208)	(221,694)	(605,576)	(589,390)	(679,465)	(702,020)	(693,625)
Total primary government	\$ 1,715,518	\$ 1,671,093	\$ (1,383,189)	\$ 1,192,462	\$ (1,167,528)	\$ (2,623,705)	\$ (2,195,109)	\$ (11,471)	\$ (1,425,189)	\$ (860,397)

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
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
2019	10,981,130	5,966,524	15,273	22,529	1,265,411	1,311,213	19,562,080
2020	11,314,045	5,372,149	24,988	10,613	1,198,008	1,025,047	18,944,850
2021	11,930,666	5,825,883	23,109	9,895	1,218,098	678,706	19,686,357

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General fund										
Nonspendable	\$ 311,223	\$ 335,603	\$ 416,994	\$ 318,769	\$ 312,137	\$ 81,520	\$ 78,971	\$ 99,169	\$ 69,834	\$ 91,384
Restricted				88,990	-	-	-	-	-	-
Committed										
Assigned	1,284,939	1,315,557	1,726,228	1,230,959	1,059,959	720,659	871,931	1,145,659	795,659	910,659
Unassigned	5,149,410	6,718,179	4,184,661	5,078,583	6,727,197	6,029,507	6,373,541	7,161,146	7,487,247	7,824,536
Total general fund	<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>	<u>\$ 8,352,740</u>	<u>\$ 8,826,579</u>
All other governmental funds										
Nonspendable										
Restricted	3,916,541	2,813,802	4,222,459	5,151,680	4,276,934	4,209,039	3,983,335	5,291,312	4,364,330	5,703,771
Committed										
Assigned										
Unassigned	(238,732)	(245,214)	(322,781)	(229,971)	(227,254)				(164,472)	-
Total all other governmental funds	<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>	<u>\$ 4,199,858</u>	<u>\$ 5,703,771</u>

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues:										
Taxes	\$ 10,533,542	\$ 11,061,533	\$ 11,308,714	\$ 11,777,528	\$ 12,393,356	\$ 12,695,355	\$ 13,114,068	\$ 13,559,754	\$ 13,539,101	\$ 13,829,470
Licenses and permits	816,863	655,855	778,208	3,195,756	959,138	1,022,542	932,640	981,873	1,775,501	2,432,782
Intergovernmental	10,960,315	8,597,520	8,864,729	8,765,516	7,897,817	8,506,103	7,602,950	8,463,884	8,264,831	8,920,379
Charges for current services	887,126	981,063	931,909	944,054	1,156,880	1,068,521	1,159,437	1,152,319	637,373	584,889
Fines and forfeitures	295,587	226,311	186,347	300,032	267,555	228,649	208,461	219,727	175,661	146,395
Investment income	30,129	25,928	21,608	24,209	35,970	65,691	109,302	200,303	230,657	14,567
Total revenues	<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>	<u>24,623,124</u>	<u>25,928,482</u>
Expenditures:										
Current:										
General Government	3,178,508	3,675,542	3,168,265	3,271,039	3,128,699	3,599,531	3,876,923	3,856,802	3,801,648	3,721,950
Public services	4,155,386	4,346,672	4,399,704	4,299,138	4,273,572	4,848,571	4,276,773	4,406,628	4,781,981	4,656,267
Community development	1,127,036	1,259,502	1,261,715	1,433,383	1,308,380	1,461,781	1,287,101	1,384,625	1,655,447	2,269,587
Community services	1,595,904	1,904,831	1,860,866	2,608,281	2,070,952	2,101,883	2,131,638	2,050,652	1,754,112	1,310,727
Public safety	6,494,020	6,591,732	6,826,303	7,153,841	6,917,275	8,149,762	8,025,961	8,243,746	8,621,863	9,098,120
Capital outlay	5,289,390	4,402,694	2,965,511	2,976,435	2,277,446	2,777,691	2,151,578	356,354	3,251,173	1,024,620
Debt service:										
Interest	670,243	625,043	601,542	553,529	503,429	451,427	397,428	342,922	284,921	208,924
Principal retirement	<u>1,130,000</u>	<u>1,180,000</u>	<u>1,205,000</u>	<u>1,250,000</u>	<u>1,300,000</u>	<u>1,352,353</u>	<u>1,423,396</u>	<u>1,546,623</u>	<u>1,616,667</u>	<u>1,660,535</u>
Total expenditures	<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>	<u>25,767,812</u>	<u>23,950,730</u>
Excess (deficiency) of revenues over expenditures	(116,925)	(2,437,806)	(197,391)	1,461,449	930,963	(1,156,138)	(443,940)	2,389,508	(1,144,688)	1,977,752

(Continued)

(Continued)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Other financing sources (uses):										
Capital Lease Proceeds						47,890	710,993	-	-	-
Transfers in	\$ 13,529,097	\$ 10,468,784	\$ 7,214,336	\$ 8,059,715	\$ 7,006,357	\$ 7,582,790	\$ 5,207,406	\$ 2,992,799	\$ 8,539,794	\$ 3,770,978
Transfers out	(13,529,097)	(10,468,784)	(7,508,027)	(8,109,715)	(7,427,357)	(7,582,790)	(5,207,406)	(2,992,799)	(8,539,794)	(3,770,978)
Sale of Capital Assets		2,952,352								
Total other financing sources (uses)	-	2,952,352	(293,691)	(50,000)	(421,000)	47,890	710,993	-	-	-
Net change in fund balances	\$ (116,925)	\$ 514,546	\$ (491,082)	\$ 1,411,449	\$ 509,963	\$ (1,108,248)	\$ 267,053	\$ 2,389,508	\$ (1,144,688)	\$ 1,977,752
Debt service as a percentage of noncapital expenditures	9.81%	9.22%	9.35%	8.60%	8.76%	8.00%	8.21%	8.57%	8.38%	8.05%

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	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)
2010-11	5,299,826	160,738	33,534	5,460,564	.05371	5,460,564	1.000000
2011-12	5,308,488	156,488	33,852	5,464,976	.05371	5,464,976	1.000000
2012-13	5,371,901	143,351	34,825	5,515,252	.05371	5,515,252	1.000000
2013-14	5,509,351	146,695	35,252	5,656,046	.05371	5,656,046	1.000000
2014-15	5,809,642	148,567	35,410	5,958,209	.05371	5,958,209	1.000000
2015-16	6,236,428	183,676	165,185	6,254,919	.05371	8,159,912	1.304559
2016-17	6,499,868	187,553	218,920	6,468,501	.05371	9,167,561	1.417262
2017-18	6,728,482	188,841	209,680	6,707,643	.05371	9,373,474	1.397432
2018-19	7,089,277	245,352	212,722	7,121,907	.05371	9,878,938	1.387120
2019-20	7,353,496	211,472	242,642	7,322,326	.05371	9,834,824	1.343128
2020-21	7,623,019	213,636	219,789	7,616,866	.05371	10,190,719	1.337915

Source: Orange County Assessor data, Avenu Insights & Analytics

Source: 2011-2020 prior ACFR

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 Four Fiscal Years (In Thousands)

Category	2017-18	2018-19	2019-20	2020-21
Residential	5,398,624	5,669,336	5,889,434	6,106,523
Commercial	1,100,803	1,180,147	1,217,600	1,264,734
Industrial	229,033	239,771	246,439	251,738
Rural	23	23	23	24
Gross Secured Value	6,728,482	7,089,277	7,353,496	7,623,019
Unsecured Value	188,841	245,352	211,472	213,636
Exemptions	209,680	212,722	242,642	219,789
Net Taxable Value	6,707,643	7,121,907	7,322,326	7,616,866

Source: Orange County Assessor Data, Avenu Insights & Analytics

Data presented from fiscal year 2017-18, when data was first compiled for ACFR presentation.

City of Laguna Hills
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
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	0.011010	0.011710	0.009720	0.009000	0.008450	0.008430	0.008000	0.007860	0.007450	0.007560
Metropolitan Water District	0.003000	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500
Moulton Niguel Water District	0.129360	0.145470	0.129770	0.086000	-	-	-	-	-	-
Saddleback Valley Unified	0.031630	0.032650	0.032070	0.028060	-	-	-	-	-	-
Total	1.175000	1.193330	1.175060	1.126560	1.011950	1.011930	1.011500	1.011360	1.010950	1.011060
City Direct Rate										
City Share of 1% Levy Per Prop 13	0.053710	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: 2011/12 - 2019/20 prior AFR
TRA 31-000 is represented

City of Laguna Hills

Principal Property Tax Payers Last Fiscal Year and Nine Years Ago

Taxpayer	2020-21		2011-12	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
MGP Fund X Laguna Hills LLC	110,685,451	1.45%		
PMI Prado LLC	98,655,329	1.30%		
Acquiport Three Corp	87,792,362	1.15%	73,898,240	1.36%
Laguna Hills Investment Company	85,051,286	1.12%	22,083,351	0.41%
Lakehills CM-CG LLC	49,791,875	0.65%		
ROIC California LLC	48,440,843	0.64%		
SPTMRT Properties Trust	45,802,922	0.60%	40,074,895	0.74%
Vision Star II LLC	42,487,856	0.56%		
23961 Calle De La Magdalena Investors LLC	37,343,906	0.49%		
La Paz Office Plaza LLC	33,541,131	0.44%	30,378,511	0.56%
AG-LO Oakbrook Owner LLC	31,862,250	0.42%		
Saddleback Memorial Medic	29,438,275	0.39%		
Spectrum Property Owner LLC	29,254,673	0.38%		
Memorial Health Services	28,863,315	0.38%	23,968,993	0.44%
EQR-Villa Solana Vistas Inc	25,289,388	0.33%	21,592,534	0.40%
Laguna Hills Estate LLC	24,583,141	0.32%	17,591,628	0.32%
Sylmar Apartments LLC	22,309,500	0.29%	18,999,836	0.35%
MGP X Lh Residential LLC	22,098,569	0.29%		
Mjmulder LLC	21,886,655	0.29%		
MPVCA Laguna LLC	20,734,963	0.27%		
Universal Properties LH Five LLC	19,039,320	0.25%	13,645,000	0.25%
Mouldy LLC	16,839,264	0.22%	14,534,341	0.27%
Laguna Hills Office Partners LLC	16,542,360	0.22%		
K & M Royal Group LLC	16,477,052	0.22%	13,927,264	0.26%
Laguna Hills Real Estate Partnership LP	15,675,315	0.21%		
Shopping Center Associates			120,921,957	2.23%
TGM Prado LLC			51,535,158	0.95%
LHT Saddleback LLC			35,632,386	0.66%
Lakehills at Laguna LLC			34,000,000	0.63%
Moulton Plaza LLC			26,445,050	0.49%
Columbia California Carlota			18,300,000	0.34%
Colton David A			17,633,398	0.33%
The Realty Associates Fund VII			14,597,539	0.27%
Cox Com Inc. Orange			13,650,785	0.25%
Alicia Office Park Associates			13,495,000	0.25%
Laguna Hills Business Park			13,380,854	0.25%
Muller-Taj			13,084,282	0.24%
Yacoel Maria E			12,938,174	0.24%
La Paz Shopping Center			12,655,840	0.23%
Total Top 25 Taxpayers	980,487,001	12.87%	688,965,016	12.71%
Total Taxable Value	7,616,865,540		5,421,898,340	

Source: Orange County Assessor data, Avenu Insights & Analytics

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
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%
2019-20	7,529	242	\$7,771	\$ 7,624	98.1%	\$ 73	\$ 7,697	99%
2020-21	7,844	256	\$8,100	\$ 7,958	98.3%	\$ 90	\$ 8,048	99%

Source: County Auditor-Controller, Avenu Insights & Analytics

City of Laguna Hills

Principal Sales Tax Producers Last Fiscal Year and Nine Years Ago

2020-21		2011-12	
Taxpayer	Business Type	Taxpayer	Business Type
Ashley Furniture Homestore	Furniture/Appliance	A & R Floor Covering Accesrs-Sup.	Furniture/Appliance
BJ's Restaurant & Brewhouse	Restaurants	Alicia-Laguna	Service Stations
Chevron Service Stations	Service Stations	Ashley Furniture Homestore	Furniture/Appliance
Chick-Fil-A At El Toro Road	Restaurants	BJ's Restaurant & Brewhouse	Restaurants
Dick's Sporting Goods	Recreation Products	Chevron Service Stations	Service Stations
Howard's Appliances	Furniture/Appliance	David J.Phillips Buick-Pntc Mazda	Auto Sales - New
In-N-Out Burgers	Restaurants	Dick's Sporting Goods	Recreation Products
Jeromes Furniture Warehouse	Furniture/Appliance	Howard's Appliances	Furniture/Appliance
John Deere Landscapes	Florist/Nursery	In-N-Out Burgers	Restaurants
King's Seafood Company	Restaurants	J C Penney Company	Department Stores
Laguna Hills Auto Spa	Service Stations	King's Seafood Company	Restaurants
Link Associates	Heavy Industry	Lamps Plus	Furniture/Appliance
Marshall's Stores	Apparel Stores	Macy's Department Store	Department Stores
Material Supply Incorporated	Bldg.Matls-Whsle	Marshall's Stores	Apparel Stores
Nordstrom Department Store	Department Stores	Material Supply Incorporated	Bldg.Matls-Whsle
Pritchard Supply	Bldg.Matls-Whsle	Nordstrom Department Store	Department Stores
Raising Cane's Chicken Fingers	Restaurants	Petrolink Superior	Service Stations
Ralph's Grocery Company	Food Markets	Pritchard Supply	Bldg.Matls-Whsle
Rebel Offroad	Office Equipment	Ralph's Grocery Company	Food Markets
Shell Service Stations	Service Stations	Sears Roebuck & Company	Department Stores
Sidepat	Office Equipment	Shell Service Stations	Service Stations
Sit 'N Sleep-Laguna Hills	Furniture/Appliance	Sit 'N Sleep-Laguna Hills	Furniture/Appliance
The Reinforced Earth Company	Office Equipment	Tesoro	Service Stations
Total Wine & More	Liquor Stores	Total Wine & More	Liquor Stores
Trader Joe's	Food Markets	Western Fuel Group	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	Governmental Activities		Total Direct Debt	Debt Per Capita (a)	Personal Income (b)	Percentage of Personal Income
	Certificates of Participation	Capital Leases (c)				
2012	15,620		15,620	508.75	1,363,858	1.15%
2013	14,388		14,388	466.29	1,320,001	1.09%
2014	13,437		13,437	435.57	1,336,181	1.01%
2015	12,106		12,106	390.60	1,373,184	0.88%
2016	10,726		10,726	340.02	1,479,761	0.72%
2017	9,295	46	9,341	296.12	1,587,577	0.59%
2018	7,825	723	8,548	268.65	1,661,606	0.51%
2019	6,294	627	6,921	219.21	1,724,666	0.40%
2020	4,694	530	5,224	165.79	1,835,890	0.28%
2021	3,033	437	3,470	111.68		

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

Source: Income Data is provided by the United States Census Data and is adjusted for inflation.

^(a) *Population data can be found in the Schedule of Demographic and Economic Statistics on page III - 21.*

^(b) *2021 personal income data not available at time of print; Hence, table provides personal income history for years 2012-2020.*

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

CITY OF LAGUNA HILLS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2021

	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	26,830,000	0.234%	62,782
Saddleback Valley Unified School District	99,865,000	16.567%	16,544,635
Capistrano Unified School District Facilities Improvement District No. 1	16,013,396	0.019%	3,043
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT:			<u>\$ 16,610,460</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</u>			
Orange County General Fund Obligations	381,885,000	1.167%	4,456,598
Orange County Pension Obligations	485,318,204	1.167%	5,663,663
Orange County Board of Education Certificates of Participation	12,310,000	1.167%	143,658
Capistrano Unified School District Certificates of Participation	25,160,000	0.013%	3,271
Moulton-Niguel Water District Certificates of Participation	55,180,000	13.247%	7,309,694
City of Laguna Hills Certificates of Participation, Direct Debt	3,033,324	100.000%	3,033,324
City of Laguna Hills Capital Leases, Direct Debt	437,290	100.000%	437,290
TOTAL DIRECT & OVERLAPPING GENERAL FUND OBLIGATION DEBT:			<u>\$ 21,047,498.59</u>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</u>	7,965,000	0.802-2.658%	<u>164,382</u>
<u>GROSS COMBINED TOTAL DEBT</u>			<u><u>\$ 37,822,341</u></u> ^(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)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	\$ 819,547	\$ 832,512	\$ 853,695	\$ 899,043	\$ 963,016	\$ 1,003,113	\$ 1,037,598	\$ 1,100,194	\$ 1,134,745	\$ 1,175,498
Total net debt applicable to limit	14,970	13,790	12,585	11,335	10,035	9,295	7,825	6,294	4,694	3,033
Legal debt margin	<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>	<u>\$ 1,130,051</u>	<u>\$ 1,172,465</u>
Total net debt applicable to limit, as a percentage of debt limit	1.83%	1.66%	1.47%	1.26%	1.04%	0.93%	0.75%	0.57%	0.41%	0.26%

Legal Debt Margin Calculation for Fiscal Year 2020/21

Assessed value	7,616,866
Add back: exempt real property	219,789
Total assessed value	<u>7,836,655</u>
Debt limit (15% of total assessed value)	1,175,498
Debt applicable to limit:	
Certificates of Participation	3,033
Total net debt applicable to limit	<u>3,033</u>
Legal debt margin	<u>\$ 1,172,465</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)
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%
2019	31,508	1,724,666	54,737	12.2%	42.5	92.3%	49.4%
2020	31,073	1,835,890	59,083	7.4%	42.8	92.2%	50.5%

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

Source: 2011-2020 prior CAFR

The California Department of Finance demographics estimates now incorporate 2020 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 2011-2020

5) School diploma and Bachelor's degree is provided by the United States Census data.

City of Laguna Hills

Principal Employers Last Fiscal Year and Nine Years Ago

Business Name	2020-21		2011-12	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
MemorialCare Saddleback Medical Center	1,781	10.93%	1,020	6.14%
Saddleback Valley Unified School District	302	1.85%		
Laguna Hills Health and Rehabilitation Center	186	1.14%		
Moulton Niguel Water District	167	1.02%		
MemorialCare Home Health	144	0.88%		
Orange Coast Women's Medical Group	120	0.74%		
United States Postal Service	117	0.72%		
The Wellington	109	0.67%		
BJ's Restaurant & Brewhouse	97	0.60%		
Villa Valencia Healthcare Center	96	0.59%		
Hines Growers LLC			600	3.61%
Professional Community Management			350	2.11%
JC Penney Corp Inc.			250	1.51%
Allied Business Schools, Inc.			235	1.42%
Total Top Employees	3,119	19.13%	2,455	14.79%
Total City Employment (1)	16,300			

Source: Avenu Insights & Analytics

Source: 2011-12 prior published CAFR only list Top 5 Employers

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

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

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

Function	Full-time Equivalent Personnel at June 30									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government	11.90	11.75	11.75	10.99	10.99	10.49	9.74	9.50	9.50	9.50
Non-Departmental	0.00	1.25	1.25	1.00	1.00	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	8.15	7.85	7.85	8.23	8.23	8.23	8.00	7.10	7.10	6.50
Community Services ^(a)	<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>	<u>14.50</u>	<u>14.25</u>
Total	<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>	<u>37.10</u>	<u>36.25</u>

(a) Community Services count includes number of full-time equivalent employees furloughed due to the COVID-19 pandemic due from cancelled programs and facility closures.

Source: City of Laguna Hills' Biennial Budget, includes vacant positions

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

Function	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21
Police ^(b)										
Physical arrests	468	362	458	534	284	293	281	240	246	289
Parking violations	1,107	885	1,407	1,981	3,257	3,406	2,487	2,381	1,876	1,267
Traffic violations	3,074	2,462	2,070	3,041	3,187	2,669	1,512	1,136	722	842
Fire ^(c)										
Number of calls answered	2,550	2,579	2,584	2,675	2,888	3,077	3,203	3,303	3,122	3,263
Inspections	308	273	379	494	364	299	440	327	310	211
Highways and Streets ^(d)										
Sidewalk replacement (sq. ft.)	13,482	13,610	3,519	7,250	940	7,012	1,328	1,790	790	2,961
Curb & gutter replacement (linear ft.)	3,990	1,141	478	-	211	523	28	85	93	20
Asphalt concrete placed (tons)	15,692	16,319	7,857	16,276	134	10,536	1,215	174	266	18
Street sweeping debris collected (tons)	374	432	293	265	229	219	217	227	206	244
New sign installations	28	42	65	23	155	12	31	2	13	18
Sign Replacements	161	378	278	380	297	312	196	55	220	287
Trees trimmed	1,474	1,568	1,185	792	821	1,396	1,347	1,407	1,639	1,592
Trees removed	166	215	179	461	152	263	286	183	206	211
Trees planted	649	39	44	38	43	118	120	109	139	122
Sanitation ^(a)										
Refuse collected (tons/day)	44	47	45	43	47	49	48	45	55	69
Recyclables collected (tons/day)	45	46	46	49	50	47	46	46	43	29
Culture and Recreation ^(e)										
Community center programs (participants)	5,682	5,633	5,783	5,637	6,152	5,686	5,993	4,456	2,919	341
Athletic permits	44	41	45	41	42	48	41	43	30	6
Waste Stream ^(a)										
Refuse collected (tons)	15,932	17,185	16,416	15,707	17,197	17,966	17,520	16,576	20,016	25,026
Recyclables collected (tons)	16,391	16,753	16,964	17,728	18,150	17,058	16,827	16,879	15,611	10,717

^(a) CR&R Monthly Tonnage Report, 6/30/20

^(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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Highways and streets										
Streets (miles)	83	83	83	83	83	83	83	83	83	83
Traffic signals	46	46	46	47	47	47	48	48	48	49
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 31,073 people. The majority of the area in the City has a distinctive residential character. Yet, the City has a commercial base in its northern part. This area, or “urban village”, is anchored by upcoming development of The Village at Laguna Hills, the Oakbrook Village Retail Center, and 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.