
CITY OF LAGUNA HILLS
California

Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2023



City of Laguna Hills, California
Annual Comprehensive Financial Report
Year Ended June 30, 2023

City Manager
Jarad Hildenbrand

Finance Director
Eric Hendrickson

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Introductory Section

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December 1, 2023

**Honorable Mayor, Council Members, and Residents of
the City of Laguna Hills:**

The Annual Comprehensive Financial Report (ACFR) of the City of Laguna Hills for the fiscal year ended June 30, 2023, 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, 2023, is discussed in the Management's Discussion and Analysis (MD&A), which immediately follows the independent auditor's report. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE CITY OF LAGUNA HILLS

The City of Laguna Hills is located in South Orange County approximately 60 miles south of Los Angeles and 70 miles north of San Diego. Incorporated in 1991 under the laws of the State of California, it enjoys all the rights and privileges pertaining to "General Law" cities. The City is home to approximately 30,525 residents and over 1,300 businesses.

The City 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

Faced with the COVID-19 pandemic and its economic fallout several years ago, the City has remained resilient and adaptable to the ever-changing situation. Government-mandated shutdowns and stay-at-home orders in 2020 were followed by high unemployment, supply chain issues, and global uncertainty in all markets. Soon thereafter, government stimulus funds, like the CARES Act and American Rescue Plan, helped prop the economy up and allowed unemployment rates to drop. However, the large influx of cash into the financial system have caused massive spikes in inflation.

Orange County saw its unemployment rate rise from 2.8 percent in February 2020 to a high of 14.7 percent in May 2020, before dropping to 6.9 percent in June 2021. In Fiscal Year 2021-2022, the unemployment rate dropped even more, to 3.2 percent as of June 2022. It has slightly increased as of June 2023 to 3.7 percent.

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 has recovered. Unquestionably, the pandemic, inflation, and the associated economic impacts remain a fluid situation. Many economists are worried of an economic recession, given the challenges with inflationary prices, the tight labor market, an inverted yield curve on U.S. Treasury notes, and the likelihood that no further Federal stimulus funds are forthcoming. As a result, the Southern California region’s economic situation remains uncertain.

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, and an Unassigned General Fund Balance Ratio of 35% as compared to General Fund operating expenditures. Both of these benchmarks were achieved as of June 30, 2023. The operating ratio for FY 2022-23 came in at 1.20 and the Unassigned Fund Balance ratio was 91%.

**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, 2023, 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 \$20,000 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 2022-2023 fiscal year:

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 March 8, 2022, the City Council and Planning Agency approved “The Village at Laguna Hills” project. This project consists of demolition of the remaining mall property and buildings, along with development and construction of new retail buildings, residential buildings, a hotel, parking structures, and other infrastructure. As of June 30, 2023, the project is still under demolition. Plans for installing utility functions and infrastructure are the next significant phase. It is estimated to take many years before this major project is complete.

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.

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, 2022. This was the thirty first consecutive year the City has received this prestigious award. The certificate is a national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report (ACFR), whose contents conform to program standards, and must satisfy both generally accepted accounting principles and applicable legal requirements.

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,



Jarad Hildenbrand
City Manager

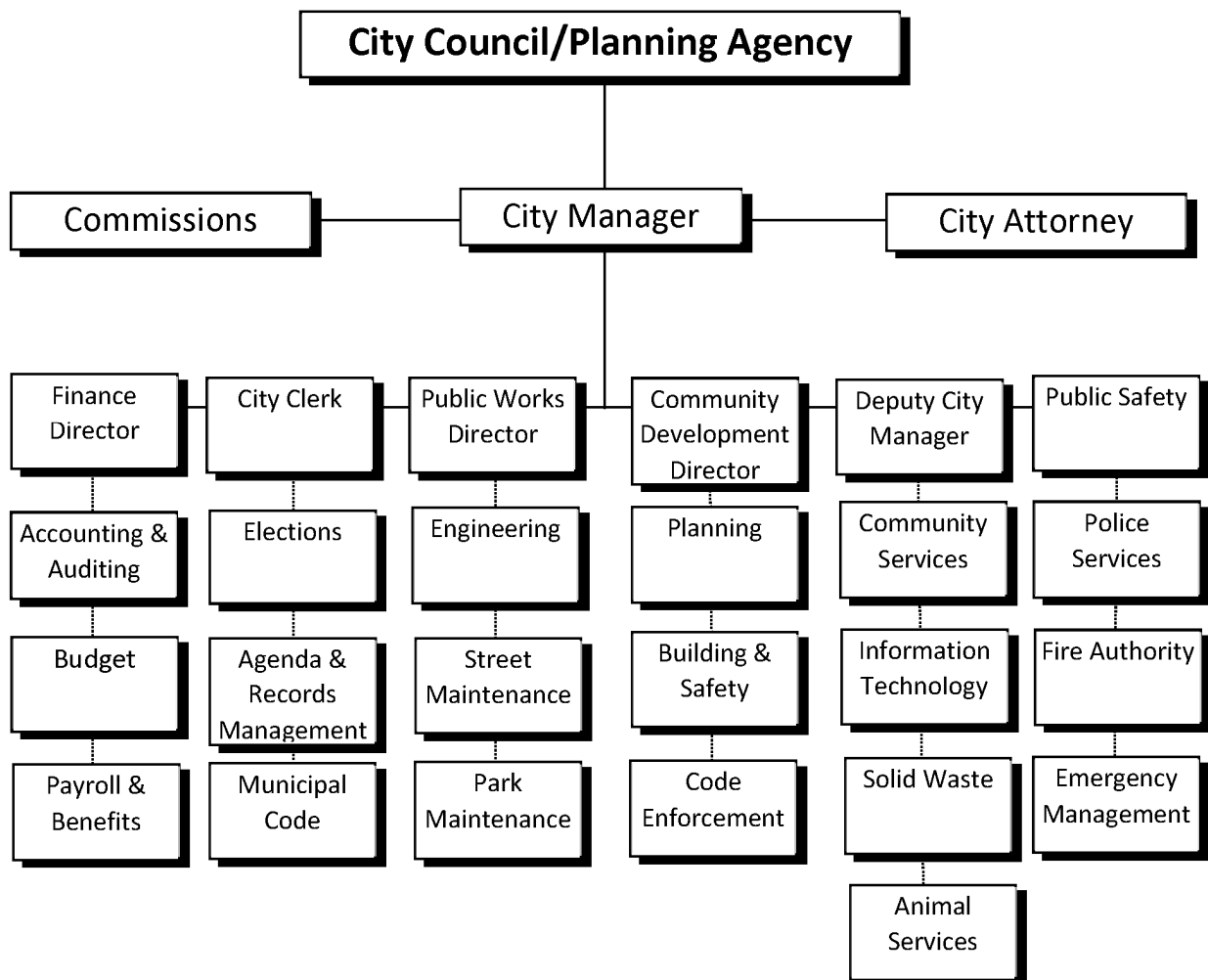


Eric Hendrickson
Finance Director



City of Laguna Hills

Organizational Chart



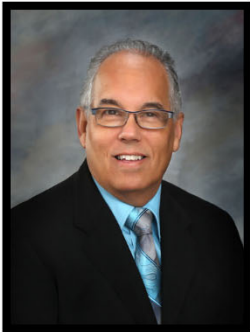


City Officials

Mayor and City Council



Janine Heft
Mayor



Dave Wheeler
Mayor Pro Tem



Erica Pezold
Council Member



Don Caskey
Council Member



Joshua Sweeney
Council Member

City Executive Staff

Jarad L. Hildenbrand
City Manager

David Reynolds
Deputy City Manager

Jennifer Lee
City Clerk

Capt. William Burk
Chief of Police Services

Larry Longenecker
Community Development Director

Eric Hendrickson
Finance Director

Gregory E. Simonian
City Attorney

Joseph Ames
Public Works Director



Government Finance Officers Association

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

Presented to

**City of Laguna Hills
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

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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 Audit of the Financial Statements

Opinions

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 combining and individual nonmajor funds financial statements, and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2023, 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.


Erik Bailey LLP
Laguna Hills, California
December 1, 2023

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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, 2023**. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter on page i 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 \$108,108,516. Of this amount, \$18,078,640 is not restricted to a specific use or purpose.
- The net change in the City's net position resulting from the most recent fiscal year's operation was an increase of \$9,842,181, or 10.0%. The net position of governmental activities was \$102,902,921 as of June 30, 2023, for an increase of \$10,404,969, while Business-type activities decreased the City's net position by \$562,788, for a total net position of \$5,205,595.
- Total revenues from all sources were \$37,584,151. Of this amount, \$14,274,070, or 38.0%, was from program revenues and \$23,310,081, or 62.0%, was from general revenues.
- The total cost of all City programs and projects was \$27,741,970. Approximately 36.4%, or \$10,106,055, of this amount is attributable to public safety; 27.7%, or \$7,674,208, is attributable to public works; and, 16.5%, or \$4,577,936, to general government.
- The net pension liability reported as of June 30, 2023, for the City's proportionate share of the net pension liability of all pension plans, was \$5,599,726. Deferred inflows of resources related to pension plans was \$593,668; and deferred outflows of resources related to pension plans was \$3,018,357.

Fund Based

- As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$29,868,312.
- Total nonspendable fund balances, amounts that are either not in spendable form or are legally or contractually required to be maintained, were \$105,889.
- Total spendable fund balances were \$29,762,423. Of this amount, approximately 2.9% (\$847,881 in total assigned) is constrained by the City's intent to be used for a specific purpose and 27.6% (\$8,202,665 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 \$20,711,877 in unassigned fund balance for the City's General Fund.
- Total governmental fund balances increased by \$12,012,296.
- At the end of the most recent fiscal year, the total fund balance for the General Fund was \$21,665,647, an increase of \$7,871,198 over prior year.
- General Fund reported revenues exceeding expenditures by \$4,645,698.

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 works, 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 18 to 20 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, of which, the City has two types:

- a) Governmental funds. The City maintains 22 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, ARPA Special Revenue Fund, and Capital Projects 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 21 to 27 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 28 to 60 of this report.
- (4) **Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including budgetary comparisons for the General Fund and ARPA Special Revenue 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, 2023, was \$108,108,516, 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	
	2022	2023	2022	2023	2022	2023
Current and other assets	\$ 21,218	\$ 32,821	\$ 1,615	\$ 1,445	\$ 22,833	\$ 34,266
Capital assets	<u>79,469</u>	<u>77,651</u>	<u>5,556</u>	<u>4,988</u>	<u>85,025</u>	<u>82,639</u>
Total assets	<u>100,687</u>	<u>110,472</u>	<u>7,171</u>	<u>6,433</u>	<u>107,858</u>	<u>116,905</u>
Total deferred outflows	<u>1,224</u>	<u>3,064</u>	<u>-</u>	<u>-</u>	<u>1,224</u>	<u>3,064</u>
Long-term liabilities	3,654	6,395	-	-	3,654	6,395
Other liabilities	<u>2,845</u>	<u>2,967</u>	<u>94</u>	<u>76</u>	<u>2,939</u>	<u>3,043</u>
Total liabilities	<u>6,499</u>	<u>9,362</u>	<u>94</u>	<u>76</u>	<u>6,593</u>	<u>9,438</u>
Total deferred inflows	<u>2,914</u>	<u>1,271</u>	<u>1,309</u>	<u>1,152</u>	<u>4,223</u>	<u>2,423</u>
Net position:						
Net investment in capital assets	79,982	76,839	5,556	4,988	85,538	81,827
Restricted	4,227	8,203	-	-	4,227	8,203
Unrestricted	<u>8,289</u>	<u>17,861</u>	<u>212</u>	<u>217</u>	<u>8,501</u>	<u>18,078</u>
Total net position	<u>\$ 92,498</u>	<u>\$ 102,903</u>	<u>\$ 5,768</u>	<u>\$ 5,205</u>	<u>\$ 98,266</u>	<u>\$ 108,108</u>

By far the largest portion of the City's net position (roughly \$81.8 million, or 75.7% 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 \$857,396 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, \$8,202,665 (7.6% of the total net position), represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City's net position is unrestricted net position of \$18,078,640 (16.7% 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 \$116,905,349. Of this amount, \$110,472,103, or 94.5%, represents assets from governmental activities and \$6,433,246, or 5.5%, 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 \$82,639,012, or 70.7%. The remaining \$34,266,337 of combined total assets is largely in the form of cash and investment of \$27,636,027 and restricted cash and investments of \$1,467,163.

At the end of the fiscal year, the City's combined total liabilities was \$9,437,795, which was largely in the form of long-term liabilities of the City's government activities at \$7,073,522, or 75.0%. Long-term liabilities were mainly comprised of the City's net pension liability of \$5,599,726, or 79.2%, and \$857,396, or 12.1%, 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 \$2,422,990 and deferred outflows of \$3,063,952 pertain to the City's pension liability and leases. More information on the City's pension plan can be found in Note 8, beginning on page 50 of this report.

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

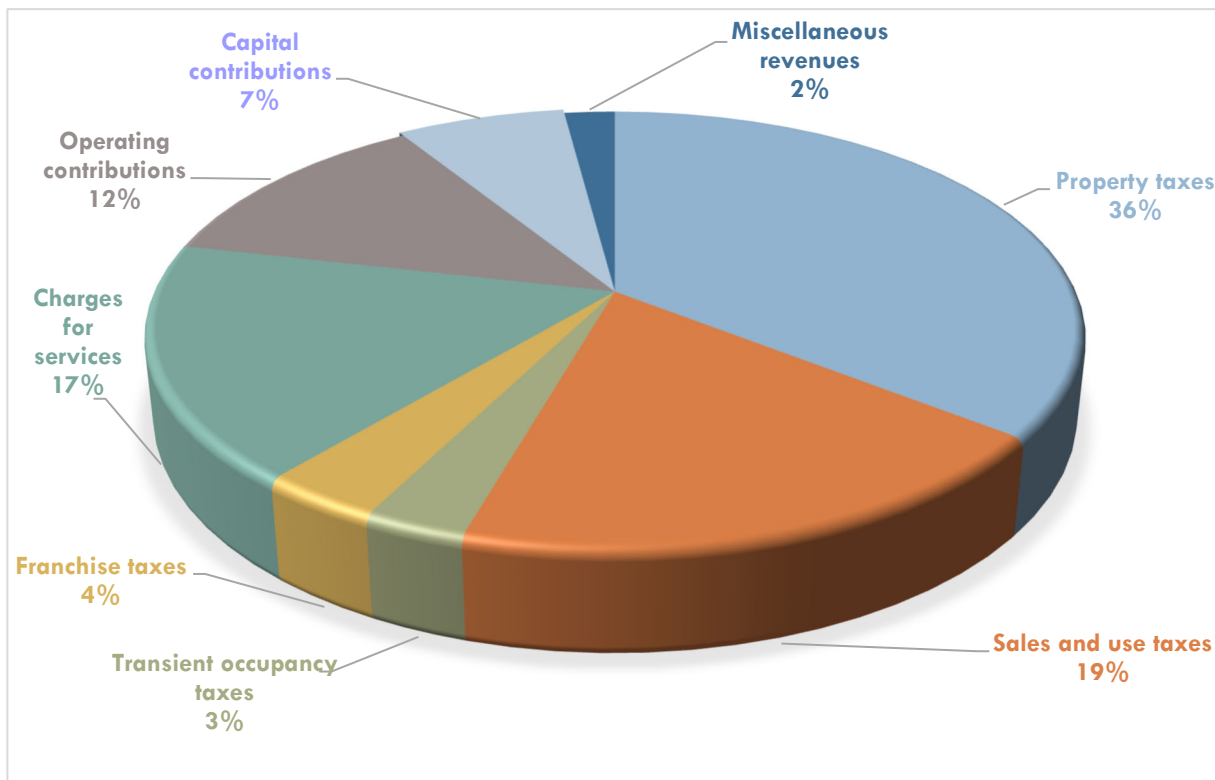
Table 2
Statement of Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2022	2023	2022	2023	2022	2023
Revenues:						
Program Revenues:						
Charges for services	\$ 2,501	\$ 6,410	\$ 706	\$ 755	\$ 3,207	\$ 7,165
Operating contributions	6,294	4,602	-	-	6,294	4,602
Capital contributions	239	2,507	-	-	239	2,507
General Revenues:						
Property taxes	12,341	13,069	-	-	12,341	13,069
Sales and use taxes	6,941	6,930	-	-	6,941	6,930
Franchise taxes	1,252	1,327	-	-	1,252	1,327
Transient occupancy taxes	1,021	1,123	-	-	1,021	1,123
Motor vehicle in lieu taxes	36	32	-	-	36	32
State subvention	-	81	-	-	-	81
Interest earnings	(117)	637	-	-	(117)	637
Miscellaneous revenues	<u>133</u>	<u>111</u>	<u>-</u>	<u>-</u>	<u>133</u>	<u>111</u>
Total revenues	<u>30,641</u>	<u>36,829</u>	<u>706</u>	<u>755</u>	<u>31,347</u>	<u>37,584</u>
Expenses:						
General government	3,319	4,578	-	-	3,319	4,578
Public works	6,849	7,674	-	-	6,849	7,674
Community development	1,763	1,406	-	-	1,763	1,406
Community services	4,028	2,573	-	-	4,028	2,573
Public safety	9,006	10,106	-	-	9,006	10,106
Property leasing	-	-	1,397	1,418	1,397	1,418
Interest	<u>40</u>	<u>(13)</u>	<u>-</u>	<u>-</u>	<u>40</u>	<u>(13)</u>
Total expenses	<u>25,005</u>	<u>26,324</u>	<u>1,397</u>	<u>1,418</u>	<u>26,402</u>	<u>27,742</u>
Change in net position before transfers	5,636	10,505	(691)	(663)	4,945	9,842
Transfers	<u>-</u>	<u>(100)</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>
Change in net position	5,636	10,405	(691)	(563)	4,945	9,842
Net position, beginning	<u>86,862</u>	<u>92,498</u>	<u>6,459</u>	<u>5,768</u>	<u>93,322</u>	<u>98,266</u>
Net position, ending	\$ <u>92,498</u>	\$ <u>102,903</u>	\$ <u>5,768</u>	\$ <u>5,205</u>	\$ <u>98,266</u>	\$ <u>108,108</u>

During the fiscal year, the total revenue from all sources was \$37,584,151 and the cost of all activities was \$27,741,970, resulting in an overall increase in net position of \$9,842,181. The City's governmental activities increased total net position by \$10,404,969 and its business-type activities decreased total net position by \$562,788.

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 2022-23



As shown in the above pie chart, roughly 61.1%, or \$22,448,828 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 \$13,519,157, or 36.8%, of the total revenue resources, which is comprised of charges for services, operating contributions and capital contributions. Increases from the prior year in property taxes, franchise fees, and transient occupancy taxes were realized in Fiscal Year 2022-23. Charges for services increased 156.3% over the prior year – increasing from \$2,501,187 to \$6,409,891. This is primarily due to the collection of Community Benefit fees (\$1.6 million) and developer park in-lieu fees (\$2.0 million). Investment earnings improved by 642.8% over the prior year – increasing from (\$117,321) to \$636,875. This increase is mainly due to higher interest rates resulting in higher earnings in the current fiscal year. In addition, there was a positive fair market value adjustment at June 30, 2023, compared to the negative fair market value adjustment at June 30, 2022.

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

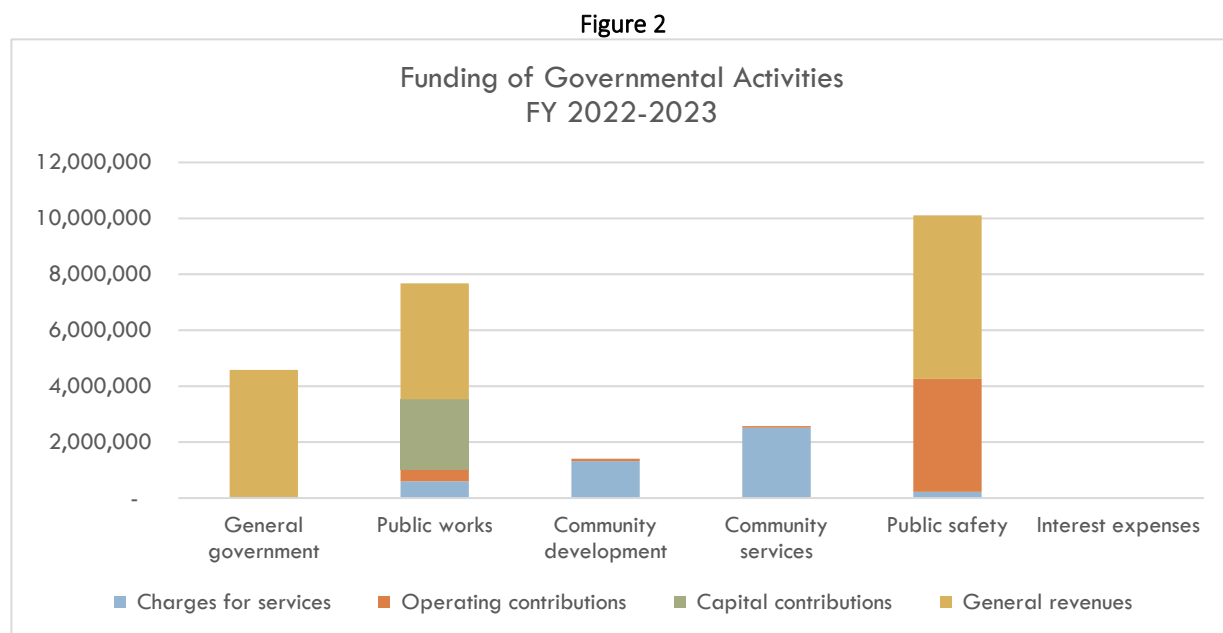
program revenues associated with these governmental activities are classified into three categories, which are charges for services, operating contributions, and capital contributions. The relationship of the City's program revenues to the related governmental functions are illustrated in a graph shown as **Figure 2** on the following page.

Expenses associated with governmental activities experienced an overall increase of 5.3%, or \$1,319,487 over the prior fiscal year, primarily due to increases in the Orange County Sheriff contract costs. The overall increase is largely attributable to increases in General Government activity of \$1,259,246, Public Safety of \$1,100,189, and Public Works of \$824,929.

The City's business-type activities for the leasing of the Civic Center decreased total net position by \$562,788. The decrease from business-type activities is largely attributable to depreciation. Of the \$1,417,830 of total operating expenses related to property leasing activities, depreciation represents 41.3%, or \$585,980, of that total.

Program Revenues and Expenses:

Program revenues for the most recent fiscal year were \$13,519,157. Expenses related to governmental activities were \$26,324,140. 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.



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 88% on June 30, 2023.

During the most recent fiscal year, the operating revenues of the Laguna Hills Civic Center were \$754,913 and the operating expenses were \$1,417,830, resulting in a net operating loss of \$662,917, which is largely attributable to depreciation charge of \$585,980. After interest income of \$129 and a transfer in of \$100,000 from the governmental activities, the change in net position at fiscal year-end was \$(562,788). The net cash provided by the leasing operating activities was \$23,192. 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 \$29,868,312, an increase of \$12,012,296 from the prior year's balance. Of the ending fund balance, \$105,889 is nonspendable 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 \$29,762,423 in spendable fund balance, \$8,202,665 is restricted fund balance, \$847,881 is assigned fund balance and \$20,711,877 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 designations for claims liability and amounts 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 \$7,871,198 from the prior fiscal year's balance. This is largely attributable to the spending of the second half of American Rescue Plan funds to partially pay for the Orange

County Sheriff costs of \$3,732,689, as well as the receipt of the Community Benefit fees from the developer MGP Fund X Laguna Hills, LLC for the former Laguna Hills Mall site project of \$1,613,533. In addition, transfers out to other funds were significantly lower than in the prior year as the capital projects activity was not as substantial as it was in the prior year and the remaining debt service payments were lower, requiring less monies from the General Fund.

The ARPA Special Revenue Fund accounts for revenues received from the U.S. Department of Treasury from the local allocation for the American Rescue Plan Act to provide relief funds that have been negatively impacted from the Coronavirus pandemic. During the fiscal year, the City recognized \$3,732,689 from ARPA revenues and transferred the funds to the General Fund to partially pay for the Orange County Sheriff costs. This was the remaining funding, therefore, no additional activity is to occur in future fiscal years.

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 \$911,752. Expenditures decreased from the prior year by roughly 73.2%, or \$2,488,472 as there were not any significant capital projects during the current fiscal year. Significant street projects are undertaken every other fiscal year, with the Street Maintenance Project incurring expenditures in FY 2021-2022.

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 \$1,472,833 in fund balance. Of the total fund balance, \$1,472,833 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 \$74,719.

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 fund net position reflect a net operating loss of \$662,917, before the interest income of \$129 and transfers in of \$100,000. The net effect is a decrease in the ending net position of \$562,788, which is largely attributable to depreciation. Before accounting for \$585,980 in depreciation expense, the net operating activity would result in a net operating income of \$23,192 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 \$27,376,101, which was roughly 18.5%, or \$4,270,716, above the amended budget for the year. This substantial increase was a result of the economy continuing to bounce back after being impacted by the COVID-19 pandemic in the prior years. Higher than anticipated property taxes, sales taxes, transient occupancy taxes, and franchise fees materialized in Fiscal Year 2022-23. Also, community development revenues came in higher than the prior year, as there were Community Benefit fees collected as a result of the developer agreement with MGP, which was not budgeted.

Revenues from taxes, the City's largest General Fund revenue source, came in over budget by \$1,926,885, or 9.4%, primarily due to sales taxes coming in higher than anticipated. The City's second largest General Fund revenue source were charges for services, which came in higher than budgeted by \$1,552,019, due to the \$1.6 million received in Community Benefit fees. Additionally, licenses and permits, the City's third largest General Fund revenue source, came in higher than budgeted by \$256,769, due to increased demand for building permits.

Given the indication that COVID-19 pandemic was going to have a significant negative effect on General Fund revenues for multiple years, a concerted effort was made to lower General Fund expenditures to offset a portion of the negative impact. General Fund expenditures totaled \$22,730,403 at fiscal year-end, below budget by \$2,056,937, or 8.3%. The largest budgetary savings by department was from Public Safety, which came under budget by \$605,263. This was mainly due to a credit received on the final Sheriff's invoice, in which overtime and vacancy credits are trued up for the fiscal year.

The net change in fund balance at fiscal year-end in the General Fund was \$7,871,198, which exceeded budget by \$8,203,473. The main reason for this increase, as noted above, is better than expected taxes revenues, charges for services, and investment income, along with the second (and final) transfer of American Rescue Plan funds into 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, 2023 amounted to \$82,639,012, 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** below.

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

	Governmental Activities		Business-type Activities		Totals	
	2022	2023	2022	2023	2022	2023
Land	\$ 17,955	\$ 17,955	\$ 2,855	\$ 2,855	\$ 20,810	\$ 20,810
Land improvements	1,509	1,280	-	-	1,509	1,280
Rights of ways/Easements	2,854	2,854	-	-	2,854	2,854
Building & improvements	1,092	1,113	2,701	2,133	3,793	3,246
Equipment and machinery	261	395	-	-	261	395
Construction in progress	-	15	-	-	-	15
Infrastructure	55,798	54,039	-	-	55,798	54,039
Total capital assets net of accumulated depreciation	<u>\$ 79,469</u>	<u>\$ 77,651</u>	<u>\$ 5,556</u>	<u>\$ 4,988</u>	<u>\$ 85,025</u>	<u>\$ 82,639</u>

Additional information on the City's capital assets can be found in Note 5 on page 43 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, 2023, the remaining principal balance was \$730,000. 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 44 to 46 of this report.

Budget and Economic Factors

The City's most recent adopted biennial budget for fiscal years 2023/24 - 2024/25 demonstrates the City's intent to effectively manage costs while simultaneously positioning the City for future growth. For Fiscal Year 2023/24, General Fund operating expenditures are projected at \$26,579,106, while General Fund revenues are estimated at \$26,952,038.

The major goals and issues that dominated the budget process for this 2024 – 2025 biennial period are discussed in the transmittal letter, along with measures adopted to address prevailing issues facing the City.

A copy of the 2024-2025 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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Basic Financial Statements

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City of Laguna Hills, California
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 27,430,780	\$ 205,247	\$ 27,636,027
Taxes receivable	2,099,845	-	2,099,845
Accounts receivable	45,066	26,842	71,908
Interest receivable	53,735	-	53,735
Lease receivable	706,504	1,212,734	1,919,238
Prepaid items	105,889	-	105,889
Due from other governments	912,532	-	912,532
Restricted cash and investments	1,467,163	-	1,467,163
Capital assets, not depreciated	20,824,536	2,855,425	23,679,961
Capital assets, net of accumulated depreciation	56,826,053	2,132,998	58,959,051
Total assets	110,472,103	6,433,246	116,905,349
Deferred Outflows of Resources:			
Deferred loss on refunding	45,595	-	45,595
Deferred amounts from pension plans	3,018,357	-	3,018,357
Total deferred outflows of resources	3,063,952	-	3,063,952
Liabilities:			
Accounts payable	697,074	-	697,074
Accrued liabilities	161,053	22,541	183,594
Interest payable	12,742	-	12,742
Due to other governments	696,242	-	696,242
Deposits payable	721,225	46,951	768,176
Unearned revenue	-	6,445	6,445
Noncurrent Liabilities:			
Due within one year	678,937	-	678,937
Due in more than one year			
Other long-term liabilities	794,859	-	794,859
Net pension liability	5,599,726	-	5,599,726
Total liabilities	9,361,858	75,937	9,437,795
Deferred Inflows of Resources:			
Deferred amounts from pension plans	593,668	-	593,668
Deferred amount from leases	677,608	1,151,714	1,829,322
Total deferred inflows of resources	1,271,276	1,151,714	2,422,990
Net Position:			
Net investment in capital assets	76,838,788	4,988,423	81,827,211
Restricted for:			
Capital projects	2,053,640	-	2,053,640
Public works	3,649,204	-	3,649,204
Community services	907,271	-	907,271
Police services	88,259	-	88,259
Community development	31,458	-	31,458
Debt service	1,472,833	-	1,472,833
Unrestricted	17,861,468	217,172	18,078,640
Total net position	\$ 102,902,921	\$ 5,205,595	\$ 108,108,516

City of Laguna Hills, California

Statement of Activities

Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
General government	\$ 4,577,936	\$ 36,804	\$ -	\$ -	\$ 36,804
Public works	7,674,208	600,449	422,486	2,507,586	3,530,521
Community development	1,405,880	2,890,596	84,230	-	2,974,826
Community services	2,572,809	2,657,311	56,978	-	2,714,289
Public safety	10,106,055	224,731	4,037,986	-	4,262,717
Interest expenses	(12,748)	-	-	-	-
Total governmental activities	26,324,140	6,409,891	4,601,680	2,507,586	13,519,157
Business-Type Activity:					
Property leasing	1,417,830	754,913	-	-	754,913
Total business-type activities	1,417,830	754,913	-	-	754,913
Total primary government	\$ 27,741,970	\$ 7,164,804	\$ 4,601,680	\$ 2,507,586	\$ 14,274,070
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					
Transfers In (Out)					
Total general revenues and transfers					
Change in Net Position					
Net Position at Beginning of Year					
Net Position at End of Year					

City of Laguna Hills, California
Statement of Activities
Year Ended June 30, 2023

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (4,541,132)	\$ -	\$ (4,541,132)
(4,143,687)	-	(4,143,687)
1,568,946	-	1,568,946
141,480	-	141,480
(5,843,338)	-	(5,843,338)
12,748	-	12,748
<u>(12,804,983)</u>	<u>-</u>	<u>(12,804,983)</u>
<u>-</u>	<u>(662,917)</u>	<u>(662,917)</u>
<u>-</u>	<u>(662,917)</u>	<u>(662,917)</u>
<u>(12,804,983)</u>	<u>(662,917)</u>	<u>(13,467,900)</u>
13,069,248	-	13,069,248
1,326,571	-	1,326,571
1,122,643	-	1,122,643
6,930,366	-	6,930,366
32,177	-	32,177
80,839	-	80,839
636,875	129	637,004
111,233	-	111,233
<u>23,309,952</u>	<u>129</u>	<u>23,310,081</u>
<u>(100,000)</u>	<u>100,000</u>	<u>-</u>
<u>23,209,952</u>	<u>100,129</u>	<u>23,310,081</u>
10,404,969	(562,788)	9,842,181
<u>92,497,952</u>	<u>5,768,383</u>	<u>98,266,335</u>
<u>\$ 102,902,921</u>	<u>\$ 5,205,595</u>	<u>\$ 108,108,516</u>

City of Laguna Hills, California

Balance Sheet - Governmental Funds

June 30, 2023

	General	ARPA Special Revenue Fund	Capital Projects	Other Governmental Funds	Totals
Assets:					
Cash and investments	\$ 21,111,445	\$ -	\$ -	\$ 6,319,335	\$ 27,430,780
Receivables:					
Taxes	2,099,845	-	-	-	2,099,845
Accounts	43,837	-	-	1,229	45,066
Interest	48,065	-	-	5,670	53,735
Leases	706,504	-	-	-	706,504
Prepaid items	105,889	-	-	-	105,889
Due from other funds	69,583	-	-	-	69,583
Due from other governments	252,300	-	-	660,232	912,532
Restricted Assets:					
Cash and investments	-	-	-	1,467,163	1,467,163
Total assets	\$ 24,437,468	\$ -	\$ -	\$ 8,453,629	\$ 32,891,097
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 547,528	\$ -	\$ -	\$ 149,546	\$ 697,074
Accrued liabilities	161,053	-	-	-	161,053
Deposits	721,225	-	-	-	721,225
Due to other funds	-	-	-	69,583	69,583
Due to other governments	664,407	-	-	31,835	696,242
Total liabilities	2,094,213	-	-	250,964	2,345,177
Deferred Inflows of Resources:					
Lease related	677,608	-	-	-	677,608
Total deferred inflows of resources	677,608	-	-	-	677,608
Fund Balances:					
Nonspendable	105,889	-	-	-	105,889
Restricted	-	-	-	8,202,665	8,202,665
Assigned	847,881	-	-	-	847,881
Unassigned	20,711,877	-	-	-	20,711,877
Total fund balances	21,665,647	-	-	8,202,665	29,868,312
Total liabilities, deferred inflows of resources and fund balances	\$ 24,437,468	\$ -	\$ -	\$ 8,453,629	\$ 32,891,097

City of Laguna Hills, California
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2023

Fund balances of governmental funds	\$	29,868,312
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets		166,801,466
Accumulated depreciation		(89,150,877)

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		(730,000)
Bond premium		(127,396)
Direct borrowings		(252,428)
Compensated absences		(252,170)
Claims and judgments payable		(111,802)

Deferred outflows of resources (loss on refunding of bonds) that have not been included in the governmental fund activity.		45,595
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Accrued interest payable for the current portion of interest due on the Certificates of Participation has not been reported in the governmental funds.		(12,742)
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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		3,018,357
Deferred inflows of resources		(593,668)
Net pension liability		(5,599,726)

Net Position of Governmental Activities	\$	102,902,921
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City of Laguna Hills, California
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023

	General	ARPA Special Revenue Fund	Capital Projects	Other Governmental Funds	Totals
Revenues:					
Taxes	\$ 22,448,828	\$ -	\$ -	\$ 180,000	\$ 22,628,828
Licenses and permits	1,381,282	-	-	71,785	1,453,067
Intergovernmental revenues	322,692	3,732,689	-	3,144,521	7,199,902
Charges for services	2,482,814	-	-	2,350,000	4,832,814
Fines and forfeitures	224,731	-	-	-	224,731
Investment income	515,754	-	-	229,451	745,205
Other revenues	-	-	-	4,055	4,055
Total revenues	27,376,101	3,732,689	-	5,979,812	37,088,602
Expenditures:					
General government	4,341,841	-	-	-	4,341,841
Public works	4,220,252	-	155,813	802,787	5,178,852
Community development	1,405,880	-	-	-	1,405,880
Community services	2,303,939	-	-	29,124	2,333,063
Public safety	10,096,445	-	-	-	10,096,445
Capital outlay	269,744	-	755,939	110,817	1,136,500
Debt service:					
Interest and fiscal charges	-	-	-	46,423	46,423
Principal retirement	92,302	-	-	345,000	437,302
Total expenditures	22,730,403	-	911,752	1,334,151	24,976,306
Excess (Deficiency) of Revenues over (Under) Expenditures	4,645,698	3,732,689	(911,752)	4,645,661	12,112,296
Other Financing Sources (Uses):					
Transfers in	4,392,118	-	911,752	4,866	5,308,736
Transfers out	(1,166,618)	(3,732,689)	-	(509,429)	(5,408,736)
Total other financing sources (uses)	3,225,500	(3,732,689)	911,752	(504,563)	(100,000)
Net Changes in Fund Balances	7,871,198	-	-	4,141,098	12,012,296
Fund Balances, Beginning of Year	13,794,449	-	-	4,061,567	17,856,016
Fund Balances, End of Year	\$ 21,665,647	\$ -	\$ -	\$ 8,202,665	\$ 29,868,312

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, 2023

Net change in fund balances - total governmental funds \$ 12,012,296

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 expense.

This activity is reconciled as follows:

Capital outlay, net of disposals	1,741
Depreciation and amortization expense, net of disposal	(1,820,200)

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	345,000
Amortization of bond premium	80,464
Direct borrowing principal payments	92,302

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. (28,801)

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	45,511
Change in claims and judgments payable	192,521
Change in accrued interest for Certificates of Participation	7,508

Net difference between pension expense recorded on the government wide
statement of activities and contributions paid. (263,880)

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. (259,493)

Change in net position of governmental activities \$ 10,404,969

City of Laguna Hills, California
Statement of Net Position – Proprietary Fund
June 30, 2023

	<u>Enterprise - Property Leasing</u>
Assets:	
Current Assets:	
Cash and investments	\$ 205,247
Receivables:	
Accounts	26,842
Leases	<u>341,941</u>
Total current assets	<u>574,030</u>
Noncurrent Assets:	
Receivables:	
Leases	870,793
Capital assets not depreciated	2,855,425
Capital assets, net of accumulated depreciation	<u>2,132,998</u>
Total noncurrent assets	<u>5,859,216</u>
Total assets	<u>6,433,246</u>
Liabilities:	
Current Liabilities:	
Accrued liabilities	22,541
Deposits payable	46,951
Unearned revenue	<u>6,445</u>
Total current liabilities	<u>75,937</u>
Deferred Inflows of Resources:	
Leases	<u>1,151,714</u>
Net Position:	
Net investment in capital assets	4,988,423
Unrestricted	<u>217,172</u>
Total net position	<u><u>\$ 5,205,595</u></u>

City of Laguna Hills, California
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
Year Ended June 30, 2023

	<u>Enterprise - Property Leasing</u>
Operating Revenues:	
Rental fees	\$ 713,350
Common area maintenance revenues	41,703
Other current service fees	<u>(140)</u>
Total operating revenues	<u>754,913</u>
Operating Expenses:	
Direct operating expenses	804,321
Administrative and professional fees	27,529
Depreciation expense	<u>585,980</u>
Total operating expenses	<u>1,417,830</u>
Operating income (loss)	<u>(662,917)</u>
Nonoperating Revenues:	
Transfers in	100,000
Interest income	<u>129</u>
Total nonoperating revenues	<u>100,129</u>
Change in Net Position	(562,788)
Net Position at Beginning of Year	<u>5,768,383</u>
Net Position at End of Year	<u><u>\$ 5,205,595</u></u>

City of Laguna Hills, California
Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2023

	<u>Enterprise - Property Leasing</u>
Operating Activities:	
Receipts from tenants	\$ 357,701
Payments to suppliers for goods and services	<u>(850,688)</u>
Net Cash Used for Operating Activities	<u>(492,987)</u>
Capital and Related Financing Activities:	
Acquisition of capital assets	(18,193)
Cash received on lease receivables	446,907
Cash received for interest on lease receivables	<u>48,050</u>
Net Cash Provided by Capital and Related Financing Activities	<u>476,764</u>
Investing Activities:	
Interest Received	<u>129</u>
Net Cash Provided by Investing Activities	<u>129</u>
Net Decrease in Cash and Cash Equivalents	(16,094)
Cash and Cash Equivalents at Beginning of Year	<u>221,341</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 205,247</u></u>
Reconciliation of cash and cash equivalents:	
Operating loss	<u><u>\$ (662,917)</u></u>
Adjustments to reconcile operating loss to net cash Provided by Operating Activities:	
Depreciation expense	585,980
Recognition of lease income	(426,251)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	28,361
Increase (decrease) in accrued liabilities	(21,538)
Increase (decrease) in deposits payable	2,700
Increase (decrease) in unearned revenue	<u>678</u>
Total adjustments	<u>169,930</u>
Net Cash Provided by (used for) Operating Activities	<u><u>\$ (492,987)</u></u>
Schedule of Non-Cash Investing, Capital and Financing Activities	
Lease receivable and deferred inflows recognized on new lessor lease transaction	\$ 69,143
Lease revenue recognized	\$ (66,287)

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. 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.

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 nonexchange 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 nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

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 services, 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. 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 and proprietary 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.

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 (except property tax), 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, 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

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.

ARPA Special Revenue Fund

The ARPA Special Revenue Fund accounts for revenue received from U.S Department of Treasury from the local allocation for the American Rescue Plan Act to provide relief funds that have been negatively impacted from the coronavirus pandemic.

Capital Projects Fund

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

The City reports the following major proprietary fund:

Property Leasing

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

Additionally, the City reports the following fund types:

Special Revenue Funds

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

Debt Service Fund

The Debt Service Fund is used to pay the City's debt service on its Certificate of Participation (COP) issue.

d) New Accounting Pronouncements

Current Year Standards

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issues and eliminate diversity in practice. The Statement is effective for reporting periods beginning after December 15, 2021. The City has determined that there was no material impact on the City's financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022. The City has determined that there was no material impact on the City's financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022. The City has determined that there was no material impact on the City's financial statements.

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. 100 – *Accounting Changes and Error Corrections*.

GASB Statement No. 101 – *Compensated Absences*.

e) Cash and Investments

Investments are reported in the accompanying basic financial statements at fair value, which is the 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 \$20,000 or more and the usage of which is expected to be more than five years. Right to use lease assets in excess of \$20,000 are capitalized. Right to use subscription assets in excess of \$20,000 are capitalized. 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 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:

<u>Asset</u>	<u>Years</u>
Building and improvements	20 years
Machinery and equipment	5 - 10 years
Infrastructure	5 - 60 years
Land improvements	20 years

j) Lease Receivable

Lease receivables are recorded by the City as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the City charges the lessee.

k) 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.

l) 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 assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The City has the following items that qualify for reporting in this category:

- Deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt, which is 15 years.
- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pensions for differences between expected and actual experiences, changes in assumptions, and changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.

In addition to liabilities, the government-wide statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets 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 related to pensions for differences between expected and actual experiences 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 leases where the City is the lessor and is reported in the governmental fund balance sheet and statement of net position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on the straight-line basis over the term of the lease.

m) 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, 2023, the City contributed \$30,000 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.

n) 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.

o) 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, 2023, are reported in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 27,636,027
Restricted cash and investments	<u>1,467,163</u>
Total cash and investments	<u><u>\$ 29,103,190</u></u>

Cash and investments at June 30, 2023, consisted of the following:

Cash on hand		\$ 2,500
Pooled deposits:		
Demand deposits	<u>\$ 459,127</u>	
Total pooled deposits		459,127
Pooled investments:		
Local Agency Investment Fund	6,142,965	
CalTRUST Money Market Mutual Fund	<u>21,031,435</u>	
Total pooled investments and deposits		27,174,400
Restricted cash and investments:		
BNY Mellon	<u>1,467,163</u>	
Total restricted cash and investments		<u>1,467,163</u>
Total cash and investments		<u><u>\$ 29,103,190</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.

Diversification By Investments	Maximum Percent of Portfolio
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%
Diversification By Institution/Issuer	Maximum Percent of Portfolio
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	\$ 6,142,965	\$ 6,142,965
CalTRUST Money Market Mutual Fund	21,031,435	21,031,435
Investment with Fiscal Agent: BNY Mellon	1,467,163	1,467,163
Total	\$ 28,641,563	\$ 28,641,563

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, 2023, the City's investment in the Local Agency Investment Fund has not been rated by a nationally recognized statistical rating organization.

Concentration of Credit Risk

Concentration credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. As of June 30, 2023, other than the State Treasurer's Local Agency Investment Fund and the CalTRUST 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, 2023, 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 and CalTRUST 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, 2023, were as follows.

Funds	Due From Other Funds	Due To Other Funds
Major Governmental:		
General	\$ 69,583	\$ -
Non-major Governmental:		
Measure M Special Revenue	-	69,583
Total	<u>\$ 69,583</u>	<u>\$ 69,583</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, 2023, are as follows:

Paying Fund	Transfers Out	Receiving Fund	Transfers In
Major Governmental:		Major Governmental:	
General	\$ 1,166,618	General	\$ 4,392,118
ARPA Special Revenue	3,732,689	Capital Projects	911,752
	<u>4,899,307</u>		<u>5,303,870</u>
Total major governmental		Total major governmental	
	<u>4,899,307</u>		<u>5,303,870</u>
Non-major Governmental:		Non-major Governmental:	
Gas Tax Special Revenue	61,428	Debt Service	2,041
Measure M Special Revenue	199,980	Senior Mobility Program Special Revenue	2,825
Grants & Contributions Special Revenue	82,021		<u>4,866</u>
SLESF / COPS BRULTE Special Revenue	166,000	Total non-major governmental	
	<u>509,429</u>		<u>4,866</u>
Total non-major governmental		Proprietary:	
	<u>509,429</u>	Enterprise - Property Leasing	100,000
			<u>100,000</u>
		Total proprietary	<u>100,000</u>
Total	<u>\$ 5,408,736</u>	Total	<u>\$ 5,408,736</u>

The General Fund transferred \$911,752 to the Capital Projects Fund for the initial funding of capital improvement project (CIP) expenses. The Gas Tax and Measure M Special Revenue Funds contributed \$61,428 and \$199,980, respectively to the General Fund to reimburse the fund for eligible CIP costs.

Transfers from the ARPA Special Revenue Fund to the General Fund in the amount of \$3,732,689 were to partially fund the law enforcement contract with American Rescue Plan funding. In addition, transfers from the SLESF/COPS BRULTE Special Revenue Fund in the amount of \$166,000 to the General Fund were to cover partial law enforcement contract costs.

Transfers from the Grants & Contributions Special Revenue Fund in the amount of \$82,021 were to close out the fund as of June 30, 2023.

Transfers from the General Fund were to: 1) provide the required 20% match for the Senior Mobility Program primarily funded by OCTA in the amount of \$2,825; 2) provide funding of \$2,041 for bond payment expenses in the Debt Service Fund; and 3) provide funding for the property leasing operations in the Enterprise Fund in the amount of \$100,000.

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Balance at July 1, 2022	Additions	Deletions	Ending June 30, 2023
Governmental activities:				
Land	\$ 17,955,354	\$ -	\$ -	\$ 17,955,354
Rights of way / easements	2,854,182	-	-	2,854,182
Construction in progress	-	15,000	-	15,000
Total cost of non-depreciable assets	20,809,536	15,000	-	20,824,536
Buildings and improvements	14,505,823	146,600	(75,055)	14,577,368
Machinery and equipment	2,754,219	276,529	(291,995)	2,738,753
Land improvements	26,417,256	-	(69,338)	26,347,918
Infrastructure	102,312,891	-	-	102,312,891
Total cost of depreciable assets	145,990,189	423,129	(436,388)	145,976,930
Less accumulated depreciation for:				
Buildings and improvements	(13,413,965)	(69,950)	19,057	(13,464,858)
Machinery and equipment	(2,493,375)	(75,538)	225,227	(2,343,686)
Land improvements	(24,908,663)	(162,709)	3,467	(25,067,905)
Infrastructure	(46,514,674)	(1,759,754)	-	(48,274,428)
Total accumulated depreciation	(87,330,677)	(2,067,951)	247,751	(89,150,877)
Net depreciable assets	58,659,512	(1,644,822)	(188,637)	56,826,053
Total capital assets, net	\$ 79,469,048	\$ (1,629,822)	\$ (188,637)	\$ 77,650,589
Business-type activity:				
Land	\$ 2,855,425	\$ -	\$ -	\$ 2,855,425
Total cost of non-depreciable assets	2,855,425	-	-	2,855,425
Buildings and improvements	15,234,382	18,193	-	15,252,575
Total cost of depreciable assets	15,234,382	18,193	-	15,252,575
Less accumulated depreciation for:				
Buildings and improvements	(12,533,597)	(585,980)	-	(13,119,577)
Total accumulated depreciation	(12,533,597)	(585,980)	-	(13,119,577)
Net depreciable assets	2,700,785	(567,787)	-	2,132,998
Total capital assets, net	\$ 5,556,210	\$ (567,787)	\$ -	\$ 4,988,423

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

Governmental Activities:	
General government	\$ 21,610
Public works	1,796,985
Community services	239,746
Public safety	9,610
	<u>2,067,951</u>
Business-type Activity:	
Property leasing	585,980
	<u>585,980</u>
Total	<u>\$ 2,653,931</u>

Note 6 - Long-term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2023, was as follows:

Governmental Activities:

	Balance at July 1, 2022	Additions	Reductions	Balance at June 30, 2023	Amounts Due in One Year
Certificates of Participation:					
2010 COP	\$ 1,075,000	\$ -	\$ (345,000)	\$ 730,000	\$ 355,000
Unamortized premium	207,860	-	(80,464)	127,396	80,464
	<u>1,282,860</u>	<u>-</u>	<u>(425,464)</u>	<u>857,396</u>	<u>435,464</u>
Total Certificates of Participation					
Direct Borrowings:					
Edison	234,828	-	(51,934)	182,894	51,370
SDGE	109,902	-	(40,368)	69,534	40,489
Other Liabilities:					
Compensated absences	297,681	371,886	(417,397)	252,170	50,434
Claims and judgments (Note 7)	304,323	11,701	(204,222)	111,802	101,180
	<u>946,734</u>	<u>383,587</u>	<u>(713,921)</u>	<u>616,400</u>	<u>243,473</u>
Total other liabilities					
Total	<u>\$ 2,229,594</u>	<u>\$ 383,587</u>	<u>\$ (1,139,385)</u>	<u>\$ 1,473,796</u>	<u>\$ 678,937</u>

Typically, the City liquidates its certificates of participation, direct borrowings, compensated absences, and claims and judgments with General Fund resources.

2010 Certificates of Participation

On January 26, 2010, the City (through the City's blended component unit the 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 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, 2023, are as follows:

Year Ending June 30:	Principal	Interest	Total
2024	\$ 355,000	\$ 30,581	\$ 385,581
2025	375,000	15,938	390,938
Total	<u>\$ 730,000</u>	<u>\$ 46,519</u>	<u>\$ 776,519</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, 2023 with a balance of \$1,467,163.

Direct Borrowings:

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, 2023. 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, 2023 was \$182,894. The annual debt service requirements are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>
2024	\$ 51,370
2025	50,342
2026	49,811
2027	30,404
2028	967
Total	<u>\$ 182,894</u>

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, 2023. 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, 2023 was \$69,534. The annual debt service requirements are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>
2024	\$ 40,489
2025	8,858
2026	8,858
2027	7,872
2028	3,457
Total	<u>\$ 69,534</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 \$201,736 at June 30, 2023 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, California 95814.

The following is a list of the allocation of risk coverage for the City as of June 30, 2023, 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/PRISM	<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"> • \$1,000M 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 	Trisura Specialty Insurance Company	<ul style="list-style-type: none"> \$7.5M per occurrence and annual aggregate
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"> \$45M 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, 2023, the estimated outstanding ULAE was \$111,802.

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

Fiscal Year Ending June 30,	FY 2022/23	FY 2021/22
Claims payable, beginning	\$ 304,323	\$ 306,451
Claims and changes in estimate	11,701	104,323
Claims payments	<u>(204,222)</u>	<u>(106,451)</u>
Claims payable, ending	<u>\$ 111,802</u>	<u>\$ 304,323</u>

In the current fiscal year, the City experienced claims for the amount of \$279,998 which is \$168,196 over the self-insured retention amount. The amount over the self-insurance limit is covered by the insurer.

During the fiscal year, 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 2022-2023.

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, 2022, 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%	7.25%
Required employer contribution rates:		
Normal cost rate	9.790%	7.760%
Payments of unfunded liability	\$ 387,935	\$ 4,047

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. For the period ended June 30, 2023, City contributions was \$674,800.

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, 2023, 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>\$ 5,599,726</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, 2022, 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, 2021 rolled forward to June 30, 2022 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, 2021 and 2022 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2021	0.03594%
Proportion - June 30, 2022	<u>0.04848%</u>
Change - Increase (Decrease)	0.01254%

For the year ended June 30, 2023, the City recognized pension expense of \$938,680. At June 30, 2023, (measurement period ending June 30, 2022), the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 674,800	\$ -
Differences between expected and actual experience	112,453	75,316
Change in assumptions	573,809	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	518,352
Change in employer's proportion	631,574	-
Net differences between projected and actual earnings on plan investments	1,025,721	-
Total	<u>\$ 3,018,357</u>	<u>\$ 593,668</u>

Deferred outflows of resources related to contributions subsequent to the measurement date of \$674,800 will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2024	\$ 456,087
2025	419,943
2026	246,493
2027	627,366
	<u>\$ 1,749,889</u>

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The total pension liability was based on the following assumptions:

	Miscellaneous
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.9% (4)
Inflation	2.30%
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 rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

(3) The less of contract COLA or 2.3% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.3% thereafter.

(4) For the measurement period ended June 30, 2022, the discount rate rate was reduced from 7.15% to 6.90%.

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 (a) (b)
Global Equity - Cap-Weighted	30.00%	4.45%
Global Equity - Non-Cap-Weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-Backed Securites	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100.0%	

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021-22 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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:

	Miscellaneous
1% Decrease	5.90%
Net Pension Liability	\$ 9,046,547
Current Discount Rate	6.90%
Net Pension Liability	\$ 5,599,726
1% Increase	7.90%
Net Pension Liability	\$ 2,763,848

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, 2023, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2023.

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 \$20,500 for calendar year 2022 and \$22,500 for calendar year 2023. 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 MissionSquare Retirement 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, 2023 was \$2,925.

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, 2023 was \$85,942. The assets of this Plan, held for the exclusive benefits of the Plan's participants and their beneficiaries, are administered by the MissionSquare Retirement. 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, 2023.

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, 2023 is as follows:

	General Fund	Other Governmental Funds	Total
Nonspendable:			
Prepaid items	\$ 105,889	\$ -	\$ 105,889
Total	105,889	-	105,889
Restricted:			
Capital projects	-	2,053,640	2,053,640
Public works	-	3,649,204	3,649,204
Community services	-	907,271	907,271
Police services	-	88,259	88,259
Community development	-	31,458	31,458
Debt service	-	1,472,833	1,472,833
Total	-	8,202,665	8,202,665
Assigned:			
Claims liability	210,411	-	210,411
Community Center and Sports Complex maintenance	240,000	-	240,000
Parks maintenance	365,700	-	365,700
Slopes/Storm Drain maintenance	31,770	-	31,770
Total	847,881	-	847,881
Unassigned	20,711,877	-	20,711,877
Total fund balances	\$ 21,665,647	\$ 8,202,665	\$ 29,868,312

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, Garden Grove, 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, Santa Ana, 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, Garden Grove, Santa Ana, 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, Garden Grove, Santa Ana, 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, 2023. 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, 1 Fire Authority Road, Irvine, California 92602.

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 \$549,965.

Note 13 - 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.

Note 14 - Leases

Governmental Activities/General Fund:

The City has accrued a receivable for five land leases. The remaining receivable for these leases was \$706,504 for the year ended June 30, 2023. Deferred inflows related to these leases were \$677,608 as of June 30, 2023. Interest revenue recognized on these leases was \$22,680 for the year ended June 30, 2023. Principal receipts of \$87,082 were recognized during the fiscal year. The interest rate on the leases is between 2.25% and 3.25%. Final receipt is expected in fiscal year 2038.

The future receipts on these leases are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 102,825	\$ 19,229	\$ 122,054
2025	106,029	16,775	122,804
2026	81,923	14,239	96,162
2027	84,727	12,231	96,958
2028	44,319	10,151	54,470
2029 - 2033	124,591	38,207	162,798
2034 - 2038	162,090	16,478	178,568
	<u>\$ 706,504</u>	<u>\$ 127,310</u>	<u>\$ 833,814</u>

Business-Type Activities - Property Leasing:

The City has accrued a receivable for 12 building leases. The remaining receivable for these leases was \$1,212,734 for the year ended June 30, 2023. Deferred inflows related to these leases were \$1,151,714 as of June 30, 2023. Interest revenue recognized on these leases was \$45,631 for the year ended June 30, 2023. Principal receipts of \$192,566 were recognized during the fiscal year. The interest rate on the leases is between 1.25% and 4.40%. Final receipt is expected in fiscal year 2036.

The lease agreement call for payments that are partially variable and therefore were not included in lease receivable or deferred inflow of resources for leases. These variable payments are a result of the underlying lease measured not on a fixed rate, but rather variable due to the underlying payments derived from 1.18% through 5.83 percent of lessee's share of operating expense. A total of \$241,146 was recognized as revenue from these variable payments for the year ended June 30, 2023.

The future receipts on these leases are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 341,941	\$ 29,596	\$ 371,537
2025	204,057	23,324	227,381
2026	130,872	18,873	149,745
2027	73,010	16,221	89,231
2028	60,653	14,127	74,780
2029 - 2033	306,393	39,641	346,034
2034 - 2036	95,808	3,810	99,618
	<u>\$ 1,212,734</u>	<u>\$ 145,592</u>	<u>\$ 1,358,326</u>

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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, 2023

Fiscal year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2022	June 30, 2021	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	0.04848%	0.03594%	0.04120%	0.03899%	0.03658%	0.03641%	0.03413%	0.02851%	0.03634%
Plan's proportionate share of the net pension liability	\$ 5,599,726	\$ 1,943,651	\$ 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	\$ 2,820,234	\$ 2,968,115	\$ 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	198.56%	65.48%	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	88.29%	88.29%	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.

From fiscal year June 30, 2021 to June 30, 2022:

There were no changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90%.

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

City of Laguna Hills, California
Schedule of Contributions
Last Ten Fiscal Years*
June 30, 2023

Fiscal year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 674,800	\$ 587,229	\$ 546,745	\$ 488,471	\$ 422,127	\$ 378,900	\$ 346,439	\$ 308,768	\$ 278,231
Contributions in relation to the actuarially determined contribution	(674,800)	(587,229)	(546,745)	(488,471)	(422,127)	(378,900)	(346,439)	(308,768)	(278,231)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,142,833	\$ 2,820,234	\$ 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	21.47%	20.82%	18.42%	15.86%	14.17%	11.84%	10.84%	10.04%	8.99%

Notes to Schedule:

Valuation Date	6/30/2020	6/30/2019	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	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	15 Year Smoothed Market Method
Inflation	2.50%	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.00 (3)	7.15 (3)	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)	(4)	(4)
Mortality	(5)	(5)	(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 nine 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, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Taxes	\$ 20,521,943	\$ 20,521,943	\$ 22,448,828	\$ 1,926,885
Licenses and permits	1,124,513	1,124,513	1,381,282	256,769
Intergovernmental	248,759	248,759	322,692	73,933
Charges for services	930,795	930,795	2,482,814	1,552,019
Fines and forfeitures	179,375	179,375	224,731	45,356
Investment income	100,000	100,000	515,754	415,754
Total revenues	23,105,385	23,105,385	27,376,101	4,270,716
Expenditures:				
Current:				
General government	4,491,907	4,782,999	4,341,841	441,158
Public works	5,032,134	4,485,620	4,220,252	265,368
Community development	1,451,113	1,927,613	1,405,880	521,733
Community services	2,310,411	2,488,542	2,303,939	184,603
Public safety	10,106,151	10,701,708	10,096,445	605,263
Capital outlay	63,200	310,858	269,744	41,114
Debt service:				
Principal retirement	-	90,000	92,302	(2,302)
Total expenditures	23,454,916	24,787,340	22,730,403	2,056,937
Excess (Deficiency) of Revenues Over (Under) Expenditures	(349,531)	(1,681,955)	4,645,698	6,327,653
Other Financing Sources (Uses):				
Transfers in	2,082,761	5,254,464	4,392,118	(862,346)
Transfers out	(1,923,467)	(3,904,784)	(1,166,618)	2,738,166
Total other financing sources (uses)	159,294	1,349,680	3,225,500	1,875,820
Net Change in Fund Balance	(190,237)	(332,275)	7,871,198	8,203,473
Fund Balance at Beginning of the Year	13,794,449	13,794,449	13,794,449	-
Fund Balance at End of the Year	\$ 13,604,212	\$ 13,462,174	\$ 21,665,647	\$ 8,203,473

City of Laguna Hills, California

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –
 ARPA Special Revenue Fund
 Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental	\$ 3,732,689	\$ 3,732,689	\$ 3,732,689	\$ -
Total revenues	3,732,689	3,732,689	3,732,689	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,732,689	3,732,689	3,732,689	-
Other Financing Sources (Uses):				
Transfers out	(839,171)	(3,732,689)	(3,732,689)	-
Net Change in Fund Balance	2,893,518	-	-	-
Fund Balance at Beginning of the Year	-	-	-	-
Fund Balance at End of the Year	<u>\$ 2,893,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, Park In-Lieu, and Water Conservation.

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Supplementary Information

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Special Revenue Funds:

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

Measure M Fund - Used to account for Measure M revenues from the Orange County Transportation Authority (OCTA) to be used for street improvement and transportation system maintenance.

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.

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

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

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.

SB 1383 Grant Fund – Used to account for a one-time grant program meant to provide aid in the implementation of regulations adopted by CalRecycle pursuant to Chapter 395, Statutes of 2016 and SB170 Budget Act of 2021.

Park In-Lieu Fund - Used to account for revenues received and expenditures made related to park fees. The Quimby Act authorizes the City to require residential subdivisions to dedicate land for parks or pay fees in-lieu of dedication.

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.

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

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

Debt Service Fund:

Debt Service Fund - Used to pay the City's debt service on its COP issue.

City of Laguna Hills, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023

	Special Revenue Funds		
	Gas Tax	Measure M	SB1 RMRA
Assets:			
Cash and investments	\$ 851,972	\$ -	\$ 584,794
Receivables:			
Accounts	-	-	-
Interest	-	-	-
Due from other governments	70,021	362,761	122,761
Restricted cash and investments	-	-	-
Total assets	<u>\$ 921,993</u>	<u>\$ 362,761</u>	<u>\$ 707,555</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 130,687	\$ -
Due to other governments	-	1,200	-
Due to other funds	-	69,583	-
Total liabilities	<u>-</u>	<u>201,470</u>	<u>-</u>
Fund Balances:			
Restricted	<u>921,993</u>	<u>161,291</u>	<u>707,555</u>
Total fund balances	<u>921,993</u>	<u>161,291</u>	<u>707,555</u>
Total liabilities and fund balances	<u>\$ 921,993</u>	<u>\$ 362,761</u>	<u>\$ 707,555</u>

City of Laguna Hills, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023

	Special Revenue Funds		
	AB 2766	Senior Mobility Program	CARITS
Assets:			
Cash and investments	\$ 184,639	\$ 207,205	\$ 1,310,717
Receivables:			
Accounts	-	-	-
Interest	-	-	-
Due from other governments	10,256	8,274	-
Restricted cash and investments	-	-	-
Total assets	<u>\$ 194,895</u>	<u>\$ 215,479</u>	<u>\$ 1,310,717</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 1,030	\$ -
Due to other governments	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>1,030</u>	<u>-</u>
Fund Balances:			
Restricted	<u>194,895</u>	<u>214,449</u>	<u>1,310,717</u>
Total fund balances	<u>194,895</u>	<u>214,449</u>	<u>1,310,717</u>
Total liabilities and fund balances	<u>\$ 194,895</u>	<u>\$ 215,479</u>	<u>\$ 1,310,717</u>

City of Laguna Hills, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023

	Special Revenue Funds		
	CDBG	Public Art	Beverage Recycling
Assets:			
Cash and investments	\$ -	\$ 197,334	\$ 8,778
Receivables:			
Accounts	-	-	-
Interest	-	-	-
Due from other governments	-	-	-
Restricted cash and investments	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 197,334</u>	<u>\$ 8,778</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other governments	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted	<u>-</u>	<u>197,334</u>	<u>8,778</u>
Total fund balances	<u>-</u>	<u>197,334</u>	<u>8,778</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 197,334</u>	<u>\$ 8,778</u>

City of Laguna Hills, California

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2023

	Special Revenue Funds		
	CR&R Recycling Fees	C & D Forfeited Deposits	SB 1383 Grant
Assets:			
Cash and investments	\$ 116,235	\$ 64,500	\$ 10,085
Receivables:			
Accounts	-	-	-
Interest	-	-	-
Due from other governments	-	-	-
Restricted cash and investments	-	-	-
Total assets	<u>\$ 116,235</u>	<u>\$ 64,500</u>	<u>\$ 10,085</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 8,502	\$ 270	\$ 9,057
Due to other governments	-	30,635	-
Due to other funds	-	-	-
Total liabilities	<u>8,502</u>	<u>30,905</u>	<u>9,057</u>
Fund Balances:			
Restricted	<u>107,733</u>	<u>33,595</u>	<u>1,028</u>
Total fund balances	<u>107,733</u>	<u>33,595</u>	<u>1,028</u>
Total liabilities and fund balances	<u>\$ 116,235</u>	<u>\$ 64,500</u>	<u>\$ 10,085</u>

City of Laguna Hills, California

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2023

	Special Revenue Funds		
	Park In-Lieu	CASp	Water Conservation
Assets:			
Cash and investments	\$ 2,053,640	\$ 30,229	\$ 352,753
Receivables:			
Accounts	-	1,229	-
Interest	-	-	-
Due from other governments	-	-	-
Restricted cash and investments	-	-	-
Total assets	<u>\$ 2,053,640</u>	<u>\$ 31,458</u>	<u>\$ 352,753</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other governments	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted	<u>2,053,640</u>	<u>31,458</u>	<u>352,753</u>
Total fund balances	<u>2,053,640</u>	<u>31,458</u>	<u>352,753</u>
Total liabilities and fund balances	<u>\$ 2,053,640</u>	<u>\$ 31,458</u>	<u>\$ 352,753</u>

City of Laguna Hills, California

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2023

	Special Revenue Funds		
	Grants & Contributions	Public Art VALH MGP	SLESF/COPS BRULTE
Assets:			
Cash and investments	\$ -	\$ 344,354	\$ 2,100
Receivables:			
Accounts	-	-	-
Interest	-	-	-
Due from other governments	-	-	86,159
Restricted cash and investments	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 344,354</u>	<u>\$ 88,259</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other governments	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted	<u>-</u>	<u>344,354</u>	<u>88,259</u>
Total fund balances	<u>-</u>	<u>344,354</u>	<u>88,259</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 344,354</u>	<u>\$ 88,259</u>

City of Laguna Hills, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023

	<u>Debt Service</u>	<u>Total Non-Major Governmental Funds</u>
Assets:		
Cash and investments	\$ -	\$ 6,319,335
Receivables:		
Accounts	-	1,229
Interest	5,670	5,670
Due from other governments	-	660,232
Restricted cash and investments	<u>1,467,163</u>	<u>1,467,163</u>
Total assets	<u><u>\$ 1,472,833</u></u>	<u><u>\$ 8,453,629</u></u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ -	\$ 149,546
Due to other governments	-	31,835
Due to other funds	<u>-</u>	<u>69,583</u>
Total liabilities	<u>-</u>	<u>250,964</u>
Fund Balances:		
Restricted	<u>1,472,833</u>	<u>8,202,665</u>
Total fund balances	<u>1,472,833</u>	<u>8,202,665</u>
Total liabilities and fund balances	<u><u>\$ 1,472,833</u></u>	<u><u>\$ 8,453,629</u></u>

City of Laguna Hills, California
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2023

	Special Revenue Funds		
	Gas Tax	Measure M	SB1 RMRA
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	726,030	1,014,238	700,569
Charges for services	-	-	-
Investment income	14,861	1,187	6,986
Other revenues	-	-	-
Total revenues	<u>740,891</u>	<u>1,015,425</u>	<u>707,555</u>
Expenditures:			
Current:			
Public works	-	619,154	-
Community services	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>-</u>	<u>619,154</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>740,891</u>	<u>396,271</u>	<u>707,555</u>
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	<u>(61,428)</u>	<u>(199,980)</u>	<u>-</u>
Total other financing sources (uses)	<u>(61,428)</u>	<u>(199,980)</u>	<u>-</u>
Net Change in Fund Balances	679,463	196,291	707,555
Fund Balances (Deficit), Beginning of Year	<u>242,530</u>	<u>(35,000)</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 921,993</u>	<u>\$ 161,291</u>	<u>\$ 707,555</u>

City of Laguna Hills, California
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2023

	Special Revenue Funds		
		Senior Mobility Program	CARITS
	AB 2766		
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	72,842	51,209	-
Charges for services	-	-	-
Investment income	5,873	5,023	34,236
Other revenues	-	-	-
Total revenues	<u>78,715</u>	<u>56,232</u>	<u>34,236</u>
Expenditures:			
Current:			
Public works	-	-	-
Community services	-	14,124	-
Capital outlay	110,817	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>110,817</u>	<u>14,124</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(32,102)</u>	<u>42,108</u>	<u>34,236</u>
Other Financing Sources (Uses):			
Transfers in	-	2,825	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>2,825</u>	<u>-</u>
Net Change in Fund Balances	(32,102)	44,933	34,236
Fund Balances (Deficit), Beginning of Year	<u>226,997</u>	<u>169,516</u>	<u>1,276,481</u>
Fund Balances, End of Year	<u>\$ 194,895</u>	<u>\$ 214,449</u>	<u>\$ 1,310,717</u>

City of Laguna Hills, California
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2023

	Special Revenue Funds		
	CDBG	Public Art	Beverage Recycling
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	120,000	-
Charges for services	-	-	-
Investment income	-	5,154	229
Other revenues	-	-	-
Total revenues	-	125,154	229
Expenditures:			
Current:			
Public works	-	-	-
Community services	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	125,154	229
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net Change in Fund Balances	-	125,154	229
Fund Balances (Deficit), Beginning of Year	-	72,180	8,549
Fund Balances, End of Year	\$ -	\$ 197,334	\$ 8,778

City of Laguna Hills, California
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2023

	Special Revenue Funds		
	CR&R Recycling Fees	C & D Forfeited Deposits	SB 1383 Grant
Revenues:			
Taxes	\$ 180,000	\$ -	\$ -
Licenses and permits	-	67,871	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Investment income	4,079	385	936
Other revenues	-	-	-
Total revenues	<u>184,079</u>	<u>68,256</u>	<u>936</u>
Expenditures:			
Current:			
Public works	85,415	53,438	44,780
Community services	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>85,415</u>	<u>53,438</u>	<u>44,780</u>
Excess (deficiency) of revenues over (under) expenditures	<u>98,664</u>	<u>14,818</u>	<u>(43,844)</u>
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	98,664	14,818	(43,844)
Fund Balances (Deficit), Beginning of Year	<u>9,069</u>	<u>18,777</u>	<u>44,872</u>
Fund Balances, End of Year	<u>\$ 107,733</u>	<u>\$ 33,595</u>	<u>\$ 1,028</u>

City of Laguna Hills, California
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2023

	Special Revenue Funds		
	Park In-Lieu	CASp	Water Conservation
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	3,914	-
Intergovernmental	-	-	-
Charges for services	2,000,000	-	-
Investment income	53,640	746	9,214
Other revenues	-	-	-
Total revenues	<u>2,053,640</u>	<u>4,660</u>	<u>9,214</u>
Expenditures:			
Current:			
Public works	-	-	-
Community services	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,053,640</u>	<u>4,660</u>	<u>9,214</u>
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,053,640	4,660	9,214
Fund Balances (Deficit), Beginning of Year	<u>-</u>	<u>26,798</u>	<u>343,539</u>
Fund Balances, End of Year	<u>\$ 2,053,640</u>	<u>\$ 31,458</u>	<u>\$ 352,753</u>

City of Laguna Hills, California
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2023

	Special Revenue Funds		
	Grants & Contributions	Public Art VALH MGP	SLESF/COPS BRULTE
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	208,203	-	251,430
Charges for services	-	350,000	-
Investment income	-	9,354	2,829
Other revenues	4,055	-	-
Total revenues	<u>212,258</u>	<u>359,354</u>	<u>254,259</u>
Expenditures:			
Current:			
Public works	-	-	-
Community services	-	15,000	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>-</u>	<u>15,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>212,258</u>	<u>344,354</u>	<u>254,259</u>
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(82,021)	-	(166,000)
Total other financing sources (uses)	<u>(82,021)</u>	<u>-</u>	<u>(166,000)</u>
Net Change in Fund Balances	130,237	344,354	88,259
Fund Balances (Deficit), Beginning of Year	<u>(130,237)</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 344,354</u>	<u>\$ 88,259</u>

City of Laguna Hills, California
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2023

	Debt Service	Total Non-Major Governmental Funds
Revenues:		
Taxes	\$ -	\$ 180,000
Licenses and permits	-	71,785
Intergovernmental	-	3,144,521
Charges for services	-	2,350,000
Investment income	74,719	229,451
Other revenues	-	4,055
	<u>74,719</u>	<u>5,979,812</u>
Total revenues		
Expenditures:		
Current:		
Public works	-	802,787
Community services	-	29,124
Capital outlay	-	110,817
Debt service:		
Principal	345,000	345,000
Interest and fiscal charges	46,423	46,423
	<u>391,423</u>	<u>1,334,151</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	<u>(316,704)</u>	<u>4,645,661</u>
Other Financing Sources (Uses):		
Transfers in	2,041	4,866
Transfers out	-	(509,429)
	<u>2,041</u>	<u>(504,563)</u>
Total other financing sources (uses)		
Net Change in Fund Balances	(314,663)	4,141,098
Fund Balances (Deficit), Beginning of Year	<u>1,787,496</u>	<u>4,061,567</u>
Fund Balances, End of Year	<u>\$ 1,472,833</u>	<u>\$ 8,202,665</u>

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, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Expenditures:				
Current:				
Public works	\$ 200,000	\$ 200,000	\$ 155,813	\$ 44,187
Capital outlay	825,000	2,556,317	755,939	1,800,378
Total expenditures	1,025,000	2,756,317	911,752	1,844,565
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,025,000)	(2,756,317)	(911,752)	1,844,565
Other Financing Sources (Uses):				
Transfers in	1,025,000	2,756,317	911,752	(1,844,565)
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
Gas Tax Special Revenue Fund
Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental	\$ 779,803	\$ 779,803	\$ 726,030	\$ (53,773)
Investment income	-	-	14,861	14,861
Total revenues	779,803	779,803	740,891	(38,912)
Excess (Deficiency) of Revenues Over (Under) Expenditures	779,803	779,803	740,891	(38,912)
Other Financing Sources (Uses):				
Transfers out	-	(220,432)	(61,428)	159,004
Net Change in Fund Balance	779,803	559,371	679,463	120,092
Fund Balance at Beginning of the Year	242,530	242,530	242,530	-
Fund Balance at End of the Year	\$ 1,022,333	\$ 801,901	\$ 921,993	\$ 120,092

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, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental	\$ 593,590	\$ 793,590	\$ 1,014,238	\$ 220,648
Investment income	-	-	1,187	1,187
Total revenues	593,590	793,590	1,015,425	221,835
Expenditures:				
Current:				
Public works	-	690,000	619,154	70,846
Excess (Deficiency) of Revenues Over (Under) Expenditures	593,590	103,590	396,271	292,681
Other Financing Sources (Uses):				
Transfers out	(593,590)	(200,000)	(199,980)	20
Net Change in Fund Balance	-	(96,410)	196,291	292,701
Fund Balances (Deficit), Beginning of Year	-	-	(35,000)	(35,000)
Fund Balance at End of the Year	\$ -	\$ (96,410)	\$ 161,291	\$ 257,701

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, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental	\$ 622,831	\$ 622,831	\$ 700,569	\$ 77,738
Investment income	-	-	6,986	6,986
Total revenues	622,831	622,831	707,555	84,724
Excess (Deficiency) of Revenues Over (Under) Expenditures	622,831	622,831	707,555	84,724
Other Financing Sources (Uses):				
Transfers out	-	(85,343)	-	85,343
Net Change in Fund Balance	622,831	537,488	707,555	170,067
Fund Balance at Beginning of the Year	-	-	-	-
Fund Balance at End of the Year	\$ 622,831	\$ 537,488	\$ 707,555	\$ 170,067

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, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 72,842	\$ 32,842
Investment income	-	-	5,873	5,873
Total revenues	40,000	40,000	78,715	38,715
Expenditures:				
Capital outlay	50,000	110,817	110,817	-
Net Change in Fund Balance	(10,000)	(70,817)	(32,102)	38,715
Fund Balance at Beginning of the Year	226,997	226,997	226,997	-
Fund Balance at End of the Year	<u>\$ 216,997</u>	<u>\$ 156,180</u>	<u>\$ 194,895</u>	<u>\$ 38,715</u>

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, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental	\$ 40,909	\$ 40,909	\$ 51,209	\$ 10,300
Investment income	-	-	5,023	5,023
Total revenues	40,909	40,909	56,232	15,323
Expenditures:				
Current:				
Community services	53,930	53,930	14,124	39,806
Capital outlay	300	300	-	300
Total expenditures	54,230	54,230	14,124	40,106
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,321)	(13,321)	42,108	55,429
Other Financing Sources (Uses):				
Transfers in	10,846	10,846	2,825	(8,021)
Net Change in Fund Balance	(2,475)	(2,475)	44,933	47,408
Fund Balance at Beginning of the Year	169,516	169,516	169,516	-
Fund Balance at End of the Year	\$ 167,041	\$ 167,041	\$ 214,449	\$ 47,408

City of Laguna Hills, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
CDBG Special Revenue Fund
Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Expenditures:				
Current:				
Community development	100,000	100,000	-	100,000
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, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Taxes	\$ 9,000	\$ 9,000	\$ -	\$ (9,000)
Investment income	-	-	229	229
Total revenues	9,000	9,000	229	(8,771)
Expenditures:				
Current:				
Public works	9,061	9,061	-	9,061
Net Change in Fund Balance	(61)	(61)	229	290
Fund Balance at Beginning of the Year	8,549	8,549	8,549	-
Fund Balance at End of the Year	<u>\$ 8,488</u>	<u>\$ 8,488</u>	<u>\$ 8,778</u>	<u>\$ 290</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, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Taxes	\$ 110,000	\$ 110,000	\$ 180,000	\$ 70,000
Investment income	-	-	4,079	4,079
Total revenues	110,000	110,000	184,079	74,079
Expenditures:				
Current:				
Public works	109,000	109,000	85,415	23,585
Net Change in Fund Balance	1,000	1,000	98,664	97,664
Fund Balance at Beginning of the Year	9,069	9,069	9,069	-
Fund Balance at End of the Year	\$ 10,069	\$ 10,069	\$ 107,733	\$ 97,664

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, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Licenses and permits	\$ 100,000	\$ 100,000	\$ 67,871	\$ (32,129)
Investment income	-	-	385	385
Total revenues	100,000	100,000	68,256	(31,744)
Expenditures:				
Current:				
Public works	130,000	130,000	53,438	76,562
Net Change in Fund Balance	(30,000)	(30,000)	14,818	44,818
Fund Balance at Beginning of the Year	18,777	18,777	18,777	-
Fund Balance at End of the Year	<u>\$ (11,223)</u>	<u>\$ (11,223)</u>	<u>\$ 33,595</u>	<u>\$ 44,818</u>

City of Laguna Hills, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
SB 1383 Grant Special Revenue Fund
Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Investment income	\$ -	\$ -	\$ 936	\$ 936
Expenditures:				
Current:				
Public works	-	44,821	44,780	41
Net Change in Fund Balance	-	(44,821)	(43,844)	977
Fund Balance at Beginning of the Year	44,872	44,872	44,872	-
Fund Balance at End of the Year	\$ 44,872	\$ 51	\$ 1,028	\$ 977

City of Laguna Hills, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
CASp Special Revenue Fund
Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Licenses and permits	\$ 5,000	\$ 5,000	\$ 3,914	\$ (1,086)
Investment income	-	-	746	746
Total revenues	5,000	5,000	4,660	(340)
Expenditures:				
Current:				
Community development	5,000	5,000	-	5,000
Net Change in Fund Balance	-	-	4,660	4,660
Fund Balance at Beginning of the Year	26,798	26,798	26,798	-
Fund Balance at End of the Year	\$ 26,798	\$ 26,798	\$ 31,458	\$ 4,660

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, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental	\$ -	\$ 200,000	\$ 208,203	\$ 8,203
Other revenue	-	-	4,055	4,055
Total revenues	-	200,000	212,258	12,258
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	200,000	212,258	12,258
Other Financing Sources (Uses):				
Transfers out	-	(200,000)	(82,021)	117,979
Net Change in Fund Balance	-	-	130,237	130,237
Fund Balance at Beginning of the Year	(130,237)	(130,237)	(130,237)	-
Fund Balance at End of the Year	<u>\$ (130,237)</u>	<u>\$ (130,237)</u>	<u>\$ -</u>	<u>\$ 130,237</u>

City of Laguna Hills, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Public Art VALH MGP Special Revenue Fund
Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Charges for services	\$ -	\$ -	\$ 350,000	\$ 350,000
Investment income	-	-	9,354	9,354
Total revenues	-	-	359,354	359,354
Expenditures:				
Current:				
Community services	-	15,000	15,000	-
Net Change in Fund Balance	-	(15,000)	344,354	359,354
Fund Balance at Beginning of the Year	-	-	-	-
Fund Balance at End of the Year	\$ -	\$ (15,000)	\$ 344,354	\$ 359,354

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, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 251,430	\$ 101,430
Investment income	-	-	2,829	2,829
Total revenues	150,000	150,000	254,259	104,259
Excess (Deficiency) of Revenues Over (Under) Expenditures	150,000	150,000	254,259	104,259
Other Financing Sources (Uses):				
Transfers out	(150,000)	(166,000)	(166,000)	-
Net Change in Fund Balance	-	(16,000)	88,259	104,259
Fund Balance at Beginning of the Year	-	-	-	-
Fund Balance at End of the Year	\$ -	\$ (16,000)	\$ 88,259	\$ 104,259

City of Laguna Hills, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Debt Service Fund
Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Revenues:				
Investment income	\$ -	\$ -	\$ 74,719	\$ 74,719
Expenditures:				
Debt service:				
Interest and fiscal charges	46,423	46,423	46,423	-
Principal retirement	345,000	345,000	345,000	-
Total expenditures	391,423	391,423	391,423	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(391,423)	(391,423)	(316,704)	74,719
Other Financing Sources (Uses):				
Transfers in	387,621	387,621	2,041	(385,580)
Net Change in Fund Balance	(3,802)	(3,802)	(314,663)	(310,861)
Fund Balance at Beginning of the Year	1,787,496	1,787,496	1,787,496	-
Fund Balance at End of the Year	<u>\$ 1,783,694</u>	<u>\$ 1,783,694</u>	<u>\$ 1,472,833</u>	<u>\$ (310,861)</u>

Statistical Section

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This part of the City of Laguna Hills's annual comprehensive 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's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity

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

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the annual comprehensive 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)

	Fiscal Year Ending				
	2014	2015	2016	2017	2018
Governmental activities					
Net Investment in capital assets	\$ 84,465,323	\$ 84,623,408	\$ 83,320,937	\$ 82,980,468	\$ 81,972,798
Restricted	2,414,686	5,240,670	2,470,305	2,394,252	2,155,589
Unrestricted	5,751,121	1,789,992	4,916,994	3,315,387	2,956,001
Total governmental activities net position	<u><u>\$ 92,631,130</u></u>	<u><u>\$ 91,654,070</u></u>	<u><u>\$ 90,708,236</u></u>	<u><u>\$ 88,690,107</u></u>	<u><u>\$ 87,084,388</u></u>
Business-type activities					
Net Investment in capital assets	\$ 9,894,503	\$ 9,324,493	\$ 8,998,114	\$ 8,343,488	\$ 7,635,240
Restricted	-	-	-	-	-
Unrestricted	47,801	(36,397)	68,288	117,338	236,196
Total business-type activities net position	<u><u>\$ 9,942,304</u></u>	<u><u>\$ 9,288,096</u></u>	<u><u>\$ 9,066,402</u></u>	<u><u>\$ 8,460,826</u></u>	<u><u>\$ 7,871,436</u></u>
Primary government					
Net Investment in capital assets	\$ 94,359,826	\$ 93,947,901	\$ 92,319,051	\$ 91,323,956	\$ 89,608,038
Restricted	2,414,686	5,240,670	2,470,305	2,394,252	2,155,589
Unrestricted	5,798,922	1,753,595	4,985,282	3,432,725	3,192,197
Total primary government net position	<u><u>\$ 102,573,434</u></u>	<u><u>\$ 100,942,166</u></u>	<u><u>\$ 99,774,638</u></u>	<u><u>\$ 97,150,933</u></u>	<u><u>\$ 94,955,824</u></u>

City of Laguna Hills
Net Position by Component (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending				
	2019	2020	2021	2022	2023
Governmental activities					
Net Investment in capital assets	\$ 79,706,238	\$ 80,312,979	\$ 78,878,248	\$ 79,981,695	\$ 76,838,788
Restricted	3,462,431	2,538,747	3,894,336	4,226,804	8,202,665
Unrestricted	4,583,713	4,177,487	4,089,857	8,289,453	17,861,468
Total government activities net position	<u>\$ 87,752,382</u>	<u>\$ 87,029,213</u>	<u>\$ 86,862,441</u>	<u>\$ 92,497,952</u>	<u>\$ 102,902,921</u>
Business-type activities					
Net Investment in capital assets	\$ 6,964,651	\$ 6,311,356	\$ 5,577,506	\$ 5,556,210	\$ 4,988,423
Restricted	-	-	-	-	-
Unrestricted	227,320	178,595	218,820	212,173	217,172
Total business-type activities net position	<u>\$ 7,191,971</u>	<u>\$ 6,489,951</u>	<u>\$ 5,796,326</u>	<u>\$ 5,768,383</u>	<u>\$ 5,205,595</u>
Primary government					
Net Investment in capital assets	\$ 86,670,889	\$ 86,624,335	\$ 84,455,754	\$ 85,537,905	\$ 81,827,211
Restricted	3,462,431	2,538,747	3,894,336	4,226,804	8,202,665
Unrestricted	4,811,033	4,356,082	4,308,677	8,501,626	18,078,640
Total primary government net position	<u>\$ 94,944,353</u>	<u>\$ 93,519,164</u>	<u>\$ 92,658,767</u>	<u>\$ 98,266,335</u>	<u>\$ 108,108,516</u>

City of Laguna Hills

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ending				
	2014	2015	2016	2017	2018
Expenses					
Governmental activities:					
General government	\$ 3,304,687	\$ 3,088,372	\$ 3,112,783	\$ 4,226,233	\$ 4,104,012
Public works	6,376,642	6,332,724	6,802,499	7,234,921	6,841,288
Community development	1,265,719	1,434,213	1,309,210	1,462,611	1,287,931
Community services	3,886,180	4,660,667	4,141,792	4,131,886	4,161,070
Public safety	6,837,050	7,162,514	6,929,025	8,167,361	8,032,660
Interest expense	530,039	479,589	431,264	376,993	323,513
Total governmental activities expenses	22,200,317	23,158,079	22,726,573	25,600,005	24,750,474
Business-type activities:					
Property leasing	1,278,434	1,204,437	1,222,043	1,255,765	1,247,849
Total business-type activities expenses	1,278,434	1,204,437	1,222,043	1,255,765	1,247,849
Total primary government expenses	\$ 23,478,751	\$ 24,362,516	\$ 23,948,616	\$ 26,855,770	\$ 25,998,323
Program Revenues					
Governmental activities:					
Charges for Services:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public works	106,633	136,037	205,446	196,054	189,662
Community development	799,316	1,050,127	881,286	894,150	988,719
Community services	608,877	775,330	780,519	756,089	821,388
Public safety	186,347	300,032	267,555	228,649	208,461
Operating Contributions	2,186,050	2,989,299	1,960,392	2,131,220	1,876,109
Capital Contributions	807,545	2,264,558	60,850	716,200	-
Total governmental activities program revenues	4,694,768	7,515,383	4,156,048	4,922,362	4,084,339
Business-type activities:					
Charges for Services:					
Property leasing	476,391	500,202	579,313	650,147	658,396
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	476,391	500,202	579,313	650,147	658,396
Total primary government program revenues	\$ 5,171,159	\$ 8,015,585	\$ 4,735,361	\$ 5,572,509	\$ 4,742,735
Net (expense)/revenue					
Governmental activities	\$ (17,505,549)	\$ (15,642,696)	\$ (18,570,525)	\$ (20,677,643)	\$ (20,666,135)
Business- type activities	(802,043)	(704,235)	(642,730)	(605,618)	(589,453)
	\$ (18,307,592)	\$ (16,346,931)	\$ (19,213,255)	\$ (21,283,261)	\$ (21,255,588)

City of Laguna Hills
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending				
	2014	2015	2016	2017	2018
General Revenues and Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 8,826,271	\$ 9,128,568	\$ 9,660,614	\$ 10,064,067	\$ 10,481,864
Sales and use taxes	5,562,823	5,603,521	5,439,210	5,779,073	5,755,661
Motor vehicle in lieu taxes	14,344	13,856	12,506	13,745	16,604
Other State subvention	16,549	93,653	57,112	9,209	5,725
Franchise taxes	1,259,021	1,343,505	1,303,919	1,191,868	1,248,488
Transient occupancy taxes	1,203,422	1,285,455	1,406,823	1,437,420	1,381,719
Investment earnings	12,251	14,266	14,893	21,911	49,179
Miscellaneous revenue	29,706	56,542	150,614	142,221	121,176
Transfers	(293,691)	(50,000)	(421,000)	-	-
Total governmental activities	16,630,696	17,489,366	17,624,691	18,659,514	19,060,416
Business-type activities:					
Investment earnings	16	27	36	42	63
Transfers	293,691	50,000	421,000	-	-
Total business-type activities	293,707	50,027	421,036	42	63
Total primary government	\$ 16,924,403	\$ 17,539,393	\$ 18,045,727	\$ 18,659,556	\$ 19,060,479
Changes in Net Position:					
Governmental activities	\$ (874,853)	\$ 1,846,670	\$ (945,834)	\$ (2,018,129)	\$ (1,605,719)
Business-type activities	(508,336)	(654,208)	(221,694)	(605,576)	(589,390)
Total primary government	\$ (1,383,189)	\$ 1,192,462	\$ (1,167,528)	\$ (2,623,705)	\$ (2,195,109)

City of Laguna Hills
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending				
	2019	2020	2021	2022	2023
Expenses					
Governmental activities:					
General government	\$ 3,467,852	\$ 4,350,707	\$ 4,468,341	\$ 3,318,690	\$ 4,577,936
Public works	6,433,542	6,783,242	6,727,008	6,849,279	7,674,208
Community development	1,385,455	1,656,277	2,270,417	1,762,606	1,405,880
Community services	4,079,412	3,781,731	3,371,755	4,027,705	2,572,809
Public safety	8,251,937	8,630,054	9,106,311	9,005,866	10,106,055
Interest expense	267,582	202,566	118,455	40,507	(12,748)
Total governmental activities expenses	23,885,780	25,404,577	26,062,287	25,004,653	26,324,140
Business-type activities:					
Property leasing	1,273,554	1,299,630	1,312,224	1,396,618	1,417,830
Total business-type activities expenses	1,273,554	1,299,630	1,312,224	1,396,618	1,417,830
Total primary government expenses	\$ 25,159,334	\$ 26,704,207	\$ 27,374,511	\$ 26,401,271	\$ 27,741,970
Program Revenues					
Governmental activities:					
Charges for Services:					
General government	\$ -	\$ -	\$ -	\$ -	\$ 36,804
Public works	253,438	738,335	1,480,182	787,032	600,449
Community development	1,010,326	1,182,430	1,009,012	1,042,546	2,890,596
Community services	777,605	345,328	183,008	498,155	2,657,311
Public safety	219,727	175,661	146,395	173,454	224,731
Operating Contributions	2,516,513	2,555,054	3,170,212	6,293,799	4,601,680
Capital Contributions	-	206,675	-	239,224	2,507,586
Total governmental activities program revenues	4,777,609	5,203,483	5,988,809	9,034,210	13,519,157
Business-type activities:					
Charges for Services:					
Property leasing	594,026	597,525	618,552	705,583	754,913
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	594,026	597,525	618,552	705,583	754,913
Total primary government program revenues	\$ 5,371,635	\$ 5,801,008	\$ 6,607,361	\$ 9,739,793	\$ 14,274,070
Net (expense)/revenue					
Governmental activities	\$ (19,108,171)	\$ (20,201,094)	\$ (20,073,478)	\$ (15,970,443)	\$ (12,804,983)
Business- type activities	(679,528)	(702,105)	(693,672)	(691,035)	(662,917)
	\$ (19,787,699)	\$ (20,903,199)	\$ (20,767,150)	\$ (16,661,478)	\$ (13,467,900)

City of Laguna Hills
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending				
	2019	2020	2021	2022	2023
General Revenues and Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 10,981,130	\$ 11,314,045	\$ 11,930,666	\$ 12,340,524	\$ 13,069,248
Sales and use taxes	5,966,524	5,372,149	5,825,883	6,940,812	6,930,366
Motor vehicle in lieu taxes	15,273	24,988	23,109	35,897	32,177
Other State subvention	22,529	10,613	9,895	-	80,839
Franchise taxes	1,265,411	1,198,008	1,218,098	1,251,870	1,326,571
Transient occupancy taxes	1,311,213	1,025,047	678,706	1,021,089	1,122,643
Investment earnings	99,204	112,250	2,988	(117,321)	636,875
Miscellaneous revenue	114,881	420,825	217,361	133,083	111,233
Transfers	-	-	-	-	(100,000)
Total governmental activities	19,776,165	19,477,925	19,906,706	21,605,954	23,209,952
Business-type activities:					
Investment earnings	63	85	47	76	129
Transfers	-	-	-	-	100,000
Total business-type activities	63	85	47	76	100,129
Total primary government	\$ 19,776,228	\$ 19,478,010	\$ 19,906,753	\$ 21,606,030	\$ 23,310,081
Changes in Net Position:					
Governmental activities	\$ 667,994	\$ (723,169)	\$ (166,772)	\$ 5,635,511	\$ 10,404,969
Business-type activities	(679,465)	(702,020)	(693,625)	(690,959)	(562,788)
Total primary government	\$ (11,471)	\$ (1,425,189)	\$ (860,397)	\$ 4,944,552	\$ 9,842,181

City of Laguna Hills
Governmental Activities - Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year Ending	Property Tax	Sales & Use Tax	Motor Vehicle in Lieu Tax	Other State Subvention	Franchise Tax	Transient Occupancy Tax	Total
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
2022	12,340,524	6,940,812	35,897	-	1,251,870	1,021,089	21,590,192
2023	13,069,248	6,930,366	32,177	80,839	1,326,571	1,122,643	22,561,844

City of Laguna Hills
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending				
	2014	2015	2016	2017	2018
General Fund					
Nonspendable	\$ 416,994	\$ 318,769	\$ 312,137	\$ 81,520	\$ 78,971
Restricted	-	88,990	-	-	-
Committed	-	-	-	-	-
Assigned	1,726,228	1,230,959	1,059,959	720,659	871,931
Unassigned	4,184,661	5,078,583	6,727,197	6,029,507	6,373,541
Total General Fund	<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>
All other governmental funds					
Nonspendable	-	-	-	-	-
Restricted	4,222,459	5,151,680	4,276,934	4,209,039	3,983,335
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(322,781)	(229,971)	(227,254)	-	-
Total all other governmental funds	<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>

City of Laguna Hills
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending				
	2019	2020	2021	2022	2023
General Fund					
Nonspendable	\$ 99,169	\$ 69,834	\$ 91,384	\$ 128,954	\$ 105,889
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	1,145,659	795,659	910,659	769,926	847,881
Unassigned	7,161,146	7,487,247	7,824,536	12,895,569	20,711,877
Total General Fund	<u>\$ 8,405,974</u>	<u>\$ 8,352,740</u>	<u>\$ 8,826,579</u>	<u>\$ 13,794,449</u>	<u>\$ 21,665,647</u>
All other governmental funds					
Nonspendable	-	-	-	-	-
Restricted	5,291,312	4,364,330	5,703,771	4,226,804	8,202,665
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	(164,472)	-	(165,237)	-
Total all other governmental funds	<u>\$ 5,291,312</u>	<u>\$ 4,199,858</u>	<u>\$ 5,703,771</u>	<u>\$ 4,061,567</u>	<u>\$ 8,202,665</u>

City of Laguna Hills
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending				
	2014	2015	2016	2017	2018
Revenues:					
Taxes	\$ 11,308,714	\$ 11,777,528	\$ 12,393,356	\$ 12,695,355	\$ 13,114,068
Licenses and permits	778,208	3,195,756	959,138	1,022,542	932,640
Intergovernmental	8,864,729	8,765,516	7,897,817	8,506,103	7,602,950
Charges for current services	931,909	944,054	1,156,880	1,068,521	1,159,437
Fines and forfeitures	186,347	300,032	267,555	228,649	208,461
Investment income	21,608	24,209	35,970	65,691	109,302
Other revenues	-	-	-	-	-
Total revenues	<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>
Expenditures:					
Current:					
General government	3,168,265	3,271,039	3,128,699	3,599,531	3,876,923
Public works	4,399,704	4,299,138	4,273,572	4,848,571	4,276,773
Community development	1,261,715	1,433,383	1,308,380	1,461,781	1,287,101
Community services	1,860,866	2,608,281	2,070,952	2,101,883	2,131,638
Public safety	6,826,303	7,153,841	6,917,275	8,149,762	8,025,961
Capital outlay	2,965,511	2,976,435	2,277,446	2,777,691	2,151,578
Debt Service:					
Interest	601,542	553,529	503,429	451,427	397,428
Principal retirement	1,205,000	1,250,000	1,300,000	1,352,353	1,423,396
Total expenditures	<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>
Excess (deficiency) of revenues over expenditures	(197,391)	1,461,449	930,963	(1,156,138)	(443,940)
Other financing sources (uses):					
Capital lease proceeds	-	-	-	47,890	710,993
Transfers in	7,214,336	8,059,715	7,006,357	7,582,790	5,207,406
Transfers out	(7,508,027)	(8,109,715)	(7,427,357)	(7,582,790)	(5,207,406)
Total other financing sources (uses)	<u>(293,691)</u>	<u>(50,000)</u>	<u>(421,000)</u>	<u>47,890</u>	<u>710,993</u>
Net change in fund balances	<u>\$ (491,082)</u>	<u>\$ 1,411,449</u>	<u>\$ 509,963</u>	<u>\$ (1,108,248)</u>	<u>\$ 267,053</u>
Debt service as a percentage of noncapital expenditures	8.55%	8.60%	8.76%	8.00%	8.21%

City of Laguna Hills
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending				
	2019	2020	2021	2022	2023
Revenues:					
Taxes	\$ 13,559,754	\$ 13,539,101	\$ 13,829,470	\$ 21,609,138	\$ 22,628,828
Licenses and permits	981,873	1,775,501	2,432,782	1,754,078	1,453,067
Intergovernmental	8,463,884	8,264,831	8,920,379	6,140,282	7,199,902
Charges for current services	1,152,319	637,373	584,889	894,419	4,832,814
Fines and forfeitures	219,727	175,661	146,395	173,454	224,731
Investment income	200,303	230,657	14,567	(121,953)	745,205
Other revenues	-	-	-	-	4,055
Total revenues	<u>24,577,860</u>	<u>24,623,124</u>	<u>25,928,482</u>	<u>30,449,418</u>	<u>37,088,602</u>
Expenditures:					
Current:					
General government	3,856,802	3,801,648	3,721,950	4,070,347	4,341,841
Public works	4,406,628	4,781,981	4,656,267	5,094,782	5,178,852
Community development	1,384,625	1,655,447	2,269,587	1,761,776	1,405,880
Community services	2,050,652	1,754,112	1,310,727	1,968,914	2,333,063
Public safety	8,243,746	8,621,863	9,098,120	8,992,127	10,096,445
Capital outlay	356,354	3,251,173	1,024,620	3,343,324	1,136,500
Debt Service:					
Interest	342,922	284,921	208,924	129,922	46,423
Principal retirement	1,546,623	1,616,667	1,660,535	1,762,560	437,302
Total expenditures	<u>22,188,352</u>	<u>25,767,812</u>	<u>23,950,730</u>	<u>27,123,752</u>	<u>24,976,306</u>
Excess (deficiency) of revenues over expenditures	2,389,508	(1,144,688)	1,977,752	3,325,666	12,112,296
Other financing sources (uses):					
Capital lease proceeds	-	-	-	-	-
Transfers in	2,992,799	8,539,794	3,770,978	12,861,293	5,308,736
Transfers out	(2,992,799)	(8,539,794)	(3,770,978)	(12,861,293)	(5,408,736)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Net change in fund balances	<u>\$ 2,389,508</u>	<u>\$ (1,144,688)</u>	<u>\$ 1,977,752</u>	<u>\$ 3,325,666</u>	<u>\$ 12,012,296</u>
Debt service as a percentage of noncapital expenditures	8.57%	8.38%	8.05%	7.96%	1.97%

City of Laguna Hills
Assessed Value and Estimated Actual Value of Taxable Property, Citywide
Last Ten Fiscal Years (in thousands)

Fiscal Year Ending	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	Assessed Value as a Percentage of Actual Value
2014	5,509,351	146,695	35,252	5,656,046	.05371	5,656,046	1.000000	100.00%
2015	5,809,642	148,567	35,410	5,958,209	.05371	5,958,209	1.000000	100.00%
2016	6,236,428	183,676	165,185	6,254,919	.05371	8,159,912	1.304559	76.65%
2017	6,499,868	187,553	218,920	6,468,501	.05371	9,167,561	1.417262	70.56%
2018	6,728,482	188,841	209,680	6,707,643	.05371	9,373,474	1.397432	71.56%
2019	7,089,277	245,352	212,722	7,121,907	.05371	9,878,938	1.387120	72.09%
2020	7,353,496	211,472	242,642	7,322,326	.05371	9,834,824	1.343128	74.45%
2021	7,623,019	213,636	219,789	7,616,866	.05371	10,190,719	1.337915	74.74%
2022	7,889,791	210,848	167,326	7,933,313	.05371	11,575,188	1.459061	68.54%
2023	8,267,342	194,441	238,422	8,223,361	.05371	13,379,293	1.626986	61.46%

Source: Orange County Assessor data, Avenu Insights & Analytics

Source: 2014-2015 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. 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 Eight Fiscal Years (In Thousands)

Category	Fiscal Year Ending				
	2016	2017	2018	2019	2020
Residential	\$ 4,947,347	\$ 5,170,783	\$ 5,398,624	\$ 5,669,336	\$ 5,889,434
Commercial	1,072,613	1,107,991	1,100,803	1,180,147	1,217,600
Industrial	216,447	221,072	229,033	239,771	246,439
Rural	22	22	23	23	23
Gross Secured Value	6,236,429	6,499,868	6,728,482	7,089,277	7,353,496
Unsecured Value	183,676	187,553	188,841	245,352	211,472
Less: Exemptions	165,185	218,920	209,680	212,722	242,642
Net Taxable Value	<u>\$ 6,254,920</u>	<u>\$ 6,468,501</u>	<u>\$ 6,707,643</u>	<u>\$ 7,121,907</u>	<u>\$ 7,322,326</u>

Source: Orange County Assessor Data, Avenu Insights & Analytics

Note: Data only available for eight years.

City of Laguna Hills
Assessed Value of Property by Use Code, Citywide
Last Eight Fiscal Years (In Thousands)

Category	Fiscal Year Ending		
	2021	2022	2023
Residential	\$ 6,106,523	\$ 6,288,266	\$ 6,595,302
Commercial	1,264,734	1,345,541	1,405,711
Industrial	251,738	255,960	266,304
Rural	24	24	25
Gross Secured Value	7,623,019	7,889,791	8,267,342
Unsecured Value	213,636	210,848	194,441
Less: Exemptions	219,789	167,326	238,422
Net Taxable Value	<u>\$ 7,616,866</u>	<u>\$ 7,933,313</u>	<u>\$ 8,223,361</u>

Source: Orange County Assessor Data, Avenu Insights & Analytics

Note: Data only available for eight years.

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

		Fiscal Year Ending				
		2014	2015	2016	2017	2018
Overlapping Basic Rate		1.000000	1.000000	1.000000	1.000000	1.000000
Capistrano Union		0.009720	0.009000	0.008450	0.008430	0.008000
Metropolitan Water District		0.003500	0.003500	0.003500	0.003500	0.003500
Moulton Niguel Water District		0.129770	0.086000	-	-	-
Saddleback Valley Unified		0.032070	0.028060	-	-	-
Total		1.175060	1.126560	1.011950	1.011930	1.011500
City Direct Rate:						
City Share of 1% Levy Per Prop 13		0.053710	0.053710	0.053710	0.053710	0.053710

Source: Orange County Assessor data, Avenu Insights & Analytics
TRA 31-000 is represented.

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

		Fiscal Year Ending				
		2019	2020	2021	2022	2023
Overlapping Basic Rate		1.000000	1.000000	1.000000	1.000000	1.000000
Capistrano Union		0.007860	0.007450	0.007560	0.007270	0.006910
Metropolitan Water District		0.003500	0.003500	0.003500	0.003500	0.003500
Moulton Niguel Water District		-	-	-	-	-
Saddleback Valley Unified		-	-	-	-	-
Total		1.011360	1.010950	1.011060	1.010770	1.010410
City Direct Rate:						
City Share of 1% Levy Per Prop 13		0.053710	0.053710	0.053710	0.053710	0.053710

Source: Orange County Assessor data, Avenu Insights & Analytics
TRA 31-000 is represented.

City of Laguna Hills
Principal Property Tax Payers
Last Fiscal Year and Nine Years Ago

Taxpayer	2022-23		2013-14	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
MGP Fund X Laguna Hills LLC	136,581,255	1.66%		
Laguna Hills Investment Company	107,132,427	1.30%	22,996,866	0.41%
PMI Prado LLC	101,670,944	1.24%		
Acquiport Three Corp	90,545,719	1.10%	76,893,378	1.37%
Juniper SB MOB LLC	82,477,549	1.00%		
Lakehills CM-CG LLC	51,313,868	0.62%		
ROIC California LLC	49,321,294	0.60%		
Vision Star II LLC	43,800,868	0.53%		
TM Medical Center LLC	43,292,120	0.53%		
Pacifica Laguna Hills LLC	39,942,068	0.49%		
La Paz Office Plaza LLC	38,923,349	0.47%	31,605,792	0.56%
Juniper Laguna MOB LLC	31,961,700	0.39%		
AG-LO Oakbrook Owner LLC	31,345,453	0.38%		
Spectrum Property Owner LLC	30,148,906	0.37%		
Memorial Health Services	27,202,263	0.33%	24,945,924	0.44%
EQR-Villa Solana Vistas Inc	26,083,395	0.32%	22,457,100	0.40%
Juniper Sb Professional LLC	25,092,000	0.31%		
Laguna Hills Estate LLC	24,739,921	0.30%	18,225,872	0.32%
Sylmar Apartments LLC	22,991,436	0.28%	19,791,214	0.35%
Calle De La Louisa Holdings LLC	20,353,702	0.25%		
Mouldy LLC	17,353,988	0.21%	14,849,984	0.26%
K & M Royal Group LLC	16,993,333	0.21%	14,609,134	0.26%
Force-Moulton Office LLC	16,568,763	0.20%		
Laguna Hills Real Estate Partnership LP	16,154,462	0.20%		
Ashley Real Estate LLC	16,031,215	0.19%		
Shopping Center Associates			133,125,192	2.37%
TGM Prado LLC			57,012,916	1.02%
Sptmrt Properties Trust			40,624,282	0.72%
LHT Saddleback LLC			37,070,166	0.66%
Lakehills At Laguna LLC			35,373,600	0.63%
Moulton Plaza LLC			23,500,978	0.42%
Muller Taj			19,402,158	0.35%
Columbia California Carlota			19,039,320	0.34%
Colton David A			18,336,583	0.33%
Westport Moulton Parkway Ltd.			15,866,100	0.28%
Realty Assoc Fund VIII			15,316,057	0.27%
Universal Properties LH Five			14,196,258	0.25%
Alicia Office Park Assoc LLC			14,040,198	0.25%
Laguna Hills Business Park			13,921,436	0.25%
Ashley Furniture Industries In			13,815,214	0.25%
Mission Hills Investment Co			13,783,728	0.25%
Total Top 25 Taxpayers	1,108,021,998	13.47%	730,799,450	13.01%
Total Taxable Value	8,223,359,714		5,615,202,542	

Source: Orange County Assessor data, Avenu Insights & Analytics

City of Laguna Hills
Property Tax Levy and Collections
Last Ten Fiscal Years

Fiscal Year Ending	Collected within the Fiscal Year of the Levy						Total Collections to Date	
	Secured	Unsecured	Taxes Levied for the Fiscal Year	Amount Collected	% of Levy	Other Collections	Amount	% of Levy
2014	\$ 5,732	\$ 261	\$ 5,992	\$ 5,885	98.2%	\$ 62	\$ 5,947	99%
2015	6,051	275	6,327	6,180	97.7%	52	6,231	98%
2016	6,375	232	6,607	6,456	97.7%	72	6,528	99%
2017	6,634	300	6,934	6,733	97.1%	69	6,802	98%
2018	6,901	230	7,131	7,004	98.2%	66	7,070	99%
2019	7,288	235	7,523	7,376	98.0%	66	7,442	99%
2020	7,529	242	7,771	7,624	98.1%	73	7,697	99%
2021	7,844	256	8,100	7,958	98.3%	90	8,048	99%
2022	8,168	281	8,449	8,150	96.5%	77	8,227	97%
2023	8,504	260	8,764	8,610	98.2%	87	8,697	99%

Source: County Auditor-Controller, Avenu Insights & Analytics

City of Laguna Hills
Principal Sales Tax Producers
Last Fiscal Year and Nine Years Ago

2022-23	
Taxpayer	Business Type
Ashley Furniture Homestore	Furniture/Appliance
BJ's Restaurant & Brewhouse	Restaurants
Chevron Service Stations	Service Stations
Chick-Fil-A	Restaurants
Circle K Food Stores	Food Markets
Cynergy Professional Systems	Electronic Equipment
Decisionpoint Systems Ca	Office Equipment
Dick's Sporting Goods	Recreation Products
Howard'S Appliances	Furniture/Appliance
In-N-Out Burgers	Restaurants
Jackson Energy Co	Energy Sales
Jeromes Furniture Warehouse	Furniture/Appliance
John Deere Landscapes	Florist/Nursery
King'S Seafood Company	Restaurants
Laguna Hills Auto Spa	Service Stations
Marshall's Stores	Apparel Stores
Material Supply Incorporated	Bldg.Matls-Whsle
Nordstrom Department Store	Department Stores
Pritchard Supply	Bldg.Matls-Whsle
Raising Cane's Chicken Fingers	Restaurants
Sidepat	Office Equipment
Snap One	Office Equipment
Total Wine & More	Liquor Stores
United Pacific	Service Stations
Vertiv Corporation	Electronic Equipment

2013-14	
Taxpayer	Business Type
7-Eleven Food Stores	Food Markets
A & R Floor Covering Accesrs-Sup.	Furniture/Appliance
Alicia-Laguna	Service Stations
Ashley Furniture Homestore	Furniture/Appliance
Big Lots	Department Stores
BJ's Restaurant & Brewhouse	Restaurants
Chevron Service Stations	Service Stations
David J.Phillips Buick-Pntc Mazda	Auto Sales - New
Dick's Sporting Goods	Recreation Products
Howard's Appliances	Furniture/Appliance
In-N-Out Burgers	Restaurants
J C Penney Company	Department Stores
King's Seafood Company	Restaurants
Macy's Department Store	Department Stores
Marshall's Stores	Apparel Stores
Material Supply Incorporated	Bldg.Matls-Whsle
Nordstrom Department Store	Department Stores
Petrolink Superior	Service Stations
Ralph's Grocery Company	Food Markets
Sears Roebuck & Company	Department Stores
Shell Service Stations	Service Stations
Sit 'N Sleep-Laguna Hills	Furniture/Appliance
Tesoro	Service Stations
Total Wine & More	Liquor Stores
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 Ending	Governmental Activities		Total Direct Debt	Debt Per Capita (a)	Personal Income	Percentage of Personal Income
	Certificates of Participation	Direct Borrowings (b)				
2014	13,437	-	13,437	435.45	1,336,181	1.01%
2015	12,106	-	12,106	394.58	1,373,184	0.88%
2016	10,726	-	10,726	340.02	1,479,761	0.72%
2017	9,295	46	9,341	293.57	1,587,577	0.59%
2018	7,825	723	8,548	270.74	1,661,606	0.51%
2019	6,294	627	6,921	219.65	1,724,666	0.40%
2020	4,694	530	5,224	168.11	1,835,890	0.28%
2021	3,033	437	3,470	112.85	1,935,992	0.18%
2022	1,283	345	1,628	53.33	2,026,083	0.08%
2023	857	252	1,109	36.33	2,107,165	0.05%

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*

^(b) *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, 2023

	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	19,215,000	0.227%	43,618
Saddleback Valley Unified School District	83,545,000	16.413%	13,712,241
Capistrano Unified School District Facilities Improvement District No. 1	10,033,567	0.024%	2,408
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT:			<u>\$ 13,758,267</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</u>			
Orange County General Fund Obligations	451,165,000	1.140%	5,143,281
Orange County Board of Education General Fund Obligations	10,860,000	1.140%	123,804
Capistrano Unified School District Certificates of Participation	21,360,000	0.017%	3,631
Moulton Niguel Water District Certificates of Participation	50,905,000	13.259%	6,749,494
SUBTOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT:			<u>\$ 12,020,210</u>
City of Laguna Hills Certificates of Participation, Direct Debt	857,396	100.000%	857,396
City of Laguna Hills Direct Borrowings, Direct Debt	252,428	100.000%	252,428
SUBTOTAL DIRECT GENERAL FUND OBLIGATION DEBT:			<u>\$ 1,109,824</u>
TOTAL DIRECT & OVERLAPPING GENERAL FUND OBLIGATION DEBT:			<u>\$ 13,130,034</u>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</u>	4,755,000	2.470%	117,449
<u>GROSS COMBINED TOTAL DEBT</u>			<u><u>\$ 27,005,749</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)

	Fiscal Year Ending				
	2014	2015	2016	2017	2018
Debt limit	\$ 853,695	\$ 899,043	\$ 963,016	\$ 1,003,113	\$ 1,037,598
Total net debt applicable to limit	12,585	11,335	10,035	9,295	7,825
Legal debt margin	<u>\$ 841,110</u>	<u>\$ 841,110</u>	<u>\$ 952,981</u>	<u>\$ 993,818</u>	<u>\$ 1,029,773</u>
Total net debt applicable to limit, as a percentage of debt limit	1.47%	1.26%	1.04%	0.93%	0.75%

City of Laguna Hills
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year Ending				
	2019	2020	2021	2022	2023
Debt limit	\$ 1,100,194	\$ 1,134,745	\$ 1,175,498	\$ 1,215,096	\$ 1,269,267
Total net debt applicable to limit	6,294	4,694	3,033	1,283	730
Legal debt margin	<u>\$ 1,093,901</u>	<u>\$ 1,130,051</u>	<u>\$ 1,172,465</u>	<u>\$ 1,213,813</u>	<u>\$ 1,268,537</u>
Total net debt applicable to limit, as a percentage of debt limit	0.57%	0.41%	0.26%	0.11%	0.06%

Legal Debt Margin Calculation for Fiscal Year 2022-23

Assessed value	8,223,361
Add back: exempt real property	238,422
Total assessed value	<u>8,461,783</u>
Debt limit (15% of total assessed value)	1,269,267
Debt applicable to limit:	
Certificates of Participation	730
Total net debt applicable to limit	<u>730</u>
Legal debt margin	<u>\$ 1,268,537</u>

Note: Under state finance law, the City of Laguna Hills' outstanding general obligation debt should not exceed 15% 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 Population with High School Diploma (5)	% of Population With Bachelor's Degree (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%
2021	30,750	2,086,807	67,864	2.2%	41.8	92.8%	50.4%
2022	30,525	2,416,252	79,157	2.9%	43.0	93.3%	80.8%

Source: Avenu Insights & Analytics

Source: 2013-2015 prior ACFR

- 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 is provided by the United States Census data estimation table.
- 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	2023		2014	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
MemorialCare Saddleback Medical Center	1,892	11.13%	1,020	5.93%
Saddleback Valley Unified School District	213	1.25%		
Laguna Hills Health and Rehabilitation Center	206	1.21%		
Moulton Niguel Water District	180	1.06%		
BJ's Restaurant & Brewhouse	160	0.94%		
United States Postal Service	131	0.77%		
Orange Coast Women's Medical Group	120	0.71%		
MemorialCare Home Health	115	0.68%		
The Wellington	93	0.55%		
Villa Valencia Healthcare Center	90	0.53%		
Professional Community Management			350	2.03%
Veteran's Affairs, U.S. Department			260	1.51%
Care Plus Home Care, Inc.			250	1.45%
Allied Business Schools, Inc.			235	1.37%
Total Top Employees	3,200	18.82%	2,115	12.29%
Total City Employment (1)	17,000			

Source: Avenu Insights & Analytics

Source: 2014 ACFR lists Top 5 Employers only

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

(1) Total City Labor Force provided by EDD Labor Force Data as of June 30th.

City of Laguna Hills
Full-time Equivalent Personnel Allocation by Function
Last Ten Fiscal Years

Function	Fiscal Year Ending									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government	11.75	10.99	10.99	10.49	9.74	9.50	9.50	9.50	9.50	9.00
Non-Departmental	1.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Public Works	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Community Development	7.85	8.23	8.23	8.23	8.00	7.10	7.10	6.50	6.50	6.87
Community Services ^(a)	15.75	15.40	15.40	15.40	14.65	14.50	14.50	14.25	14.25	16.00
Total	41.60	40.62	40.62	40.12	38.39	37.10	37.10	36.25	36.25	37.87

(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	Fiscal Year Ending									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police ^(b)										
Physical arrests	458	534	284	293	281	240	246	289	258	211
Parking violations	1,407	1,981	3,257	3,406	2,487	2,381	1,876	1,267	1,841	908
Traffic violations	2,070	3,041	3,187	2,669	1,512	1,136	722	842	900	3,113
Fire ^(c)										
Number of calls answered	2,584	2,675	2,887	3,078	3,203	3,303	3,122	3,263	3,842	3,878
Highways and Streets ^(d)										
Sidewalk replacement (sq. ft.)	3,519	7,250	940	7,012	1,328	1,790	790	2,961	1,847	742
Curb & gutter replacement (linear ft.)	478	-	211	523	28	85	93	20	66	22
Asphalt concrete placed (tons)	7,857	16,276	134	10,536	1,215	174	266	18	6,059	40
Street sweeping debris collected (tons)	293	265	229	219	217	227	206	244	226	329
New sign installations	65	23	155	12	31	2	13	18	11	27
Sign Replacements	278	380	297	312	196	55	220	287	187	309
Trees trimmed	1,185	792	821	1,396	1,347	1,407	1,639	1,592	1,546	1,461
Trees removed	179	461	152	263	286	183	206	211	200	164
Trees planted	44	38	43	118	120	109	139	122	123	199
Sanitation ^(a)										
Refuse collected (tons/day)	45	43	47	49	48	45	55	69	56	54
Recyclables collected (tons/day)	46	49	50	47	46	46	43	29	40	45
Waste Stream ^(a)										
Refuse collected (tons)	16,416	15,707	17,197	17,966	17,520	16,576	20,016	25,026	20,539	19,854
Recyclables collected (tons)	16,964	17,728	18,150	17,058	16,827	16,879	15,611	10,717	14,402	16,606
Culture and Recreation ^(e)										
Program participants	5,783	5,637	6,152	5,686	5,993	4,456	2,919	341	2,572	990
Athletic permits	45	41	42	48	41	43	30	6	26	32

^(a) CR&R Monthly Tonnage Report

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

^(c) Orange County Fire Authority - Annual Comprehensive Financial Report

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

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

City of Laguna Hills
Capital Assets Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year Ending									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Highways and streets										
Streets (miles)	83	83	83	83	83	83	83	83	83	83
Traffic signals	46	47	47	47	48	48	48	49	49	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 30,525 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.