

**City of La Habra, California**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2014**



**Prepared by the Department of Finance and Administrative Services**

Melvin Shannon, Acting Director of Finance



**CITY OF LA HABRA**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2014**

*Table of Contents*

	<i>Page(s)</i>
 <b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	i
Organization Chart.....	vii
Directory of City Officials .....	viii
 <b>FINANCIAL SECTION</b>	
Independent Auditor’s Report.....	1
Management Discussion and Analysis (Unaudited) .....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	26
Statement of Net Position – Proprietary Funds.....	28
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds .....	30
Statement of Cash Flows – Proprietary Funds.....	32
Statement of Fiduciary Net Position .....	36
Statement of Changes in Fiduciary Net Position .....	37
Notes to Financial Statements.....	39
 <b>REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)</b>	
Postemployment Healthcare Plan Schedule of Funding Progress.....	79
Public Employees Retirement System Schedule of Funding Progress .....	80
General Fund – Budgetary Comparison Schedule .....	81
Child Development Special Revenue Fund – Budgetary Comparison Schedule .....	82
Measure M Special Revenue Fund – Budgetary Comparison Schedule .....	83
Note to Required Supplementary Information .....	84

*Table of Contents (continued)*

*Page(s)*

**SUPPLEMENTARY INFORMATION**

Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	90
Nonmajor Funds Budgetary Comparison Schedules:	
State Gas Tax Special Revenue Fund .....	94
Park and Capital Improvement Special Revenue Fund .....	95
Air Quality Improvement Special Revenue Fund .....	96
Law Enforcement Special Revenue Fund .....	97
Housing and Community Development Special Revenue Fund .....	98
Employment and Training Special Revenue Fund .....	99
Public Safety Augmentation Special Revenue Fund .....	100
Other Federal Grants Special Revenue Fund .....	101
Traffic Safety Special Revenue Fund .....	102
Service Authority for Abandoned Vehicles Special Revenue Fund .....	103
Other Debt Service Fund .....	104
Other Capital Projects Fund .....	105
Low and Moderate Income Housing Assets Capital Projects Fund .....	106
Nonmajor Enterprise Funds:	
Combining Statement of Net Position – Nonmajor Enterprise Funds .....	107
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Enterprise Funds .....	108
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	109
Internal Service Funds:	
Combining Statement of Net Position – Internal Service Funds .....	112
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds .....	114
Combining Statement of Cash Flows – Internal Service Funds .....	116
Fiduciary Fund:	
Statement of Changes in Assets and Liabilities – Agency Fund .....	121
Measure T Transaction and Use Tax .....	122

*Table of Contents (continued)*

*Page(s)*

**STATISTICAL SECTION**

**Financial Trends**

Net Position by Component – Last Ten Fiscal Years .....	126
Change in Net Position – Last Ten Fiscal Years .....	128
Fund Balances of Governmental Funds – Last Ten Fiscal Years .....	132
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years .....	134

**Revenue Capacity**

Assessed and Estimated Actual Values of Taxable Property – Last Ten Fiscal Years .....	139
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years .....	140
Principal Property Tax Payers – Current and Nine Years Ago.....	142
Property Tax Levies and Collections – Last Ten Fiscal Years .....	143

**Debt Capacity**

Ratios of Outstanding Debt by Type – Last Nine Fiscal Years .....	146
Direct and Overlapping Debt .....	148
Legal Debt Margin Information – Last Ten Fiscal Years .....	150
Pledged Revenue Coverage – Last Seven Fiscal Years .....	152

**Demographic and Economic Information**

Demographic and Economic Statistics – Last Ten Fiscal Years.....	158
Principal Employers – Current Year and Last Year .....	159

**Operating Information**

Full-Time Equivalent City Employees by Function/Department – Last Ten Fiscal Years .....	162
Operating Indicators by Function – Last Seven Fiscal Years .....	163
Capital Asset Statistics by Function – Last Seven Fiscal Years .....	164
Water Service by Type of Customer – Last Ten Fiscal Years .....	165
Water Rates – Last Two Fiscal Years .....	166
Average Monthly Water Service Rate Comparison – Last Two Fiscal Years.....	167
Ten Largest Users of Water – Current Year and Last Year .....	168



## **INTRODUCTORY SECTION**







## City of La Habra

“A Caring Community”

### ADMINISTRATION BUILDING

201 E. La Habra Boulevard  
Post Office Box 337  
La Habra, CA 90633-0785  
Office: (562) 383-4010  
Fax: (562) 383-4474

June 19, 2015

#### **Honorable Mayor, Mayor Pro Tem and Members of the City Council:**

The Comprehensive Annual Financial Report of the City of La Habra for the fiscal year ended June 30, 2014 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City Administration. To the best of our knowledge and belief, the enclosed data are accurate in all materials respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City of La Habra. Disclosures necessary to enable a reader to gain an understanding of the City’s financial activities have been included. A more comprehensive analysis of the City’s financial health can be found in the Management Discussion and Analysis section of this report.

#### **FISCAL YEAR 2013-2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

The City of La Habra is required to undergo an annual audit in conformity with the provisions of the Single Audit Act and the U.S. Office of Management and Budget’s Circular A-133, *Audits of State and Local Governments and Non-profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal and state awards and the independent auditor’s reports on internal controls and compliance with applicable laws and regulations, is included in a separately issued compliance report.

This report includes all funds of the City of La Habra (the primary government), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The component units are controlled by common governing boards and, therefore, are represented as blended component units for financial reporting purposes. Blended component units, although legally separate entities are, in substance, part of the primary government’s operations and are included as part of the primary government. Accordingly, the La Habra Civic Improvement Authority (CIA), the La Habra Housing Authority (HA), and the La Habra Utility Authority (UA) are reported as funds of the primary government. In addition, the City has assumed fiduciary responsibility for the Successor Agency to the La Habra Redevelopment Agency (Successor Agency) and is reported as a Private-Purpose Trust.

The City of La Habra provides a full range of traditional municipal services. Police services are provided through a department operating under the direct control of the City of La Habra while fire services are contracted with the Los Angeles County Fire Department. The City’s Utility Authority operates a water distribution system and a wastewater collection system. The collection of solid waste (refuse) is provided as a City service through a franchise arrangement with a private firm. The City provides for construction, repair, and maintenance of streets, parks and storm water collection systems and is responsible for the administration and enforcement of housing and building codes, as well as economic and community development activities. The City also provides various community and social services, recreational activities and cultural events.

## **CITY LOCATION AND CHARACTER**

The City of La Habra (population 61,717) is located in the northwest corner of the County of Orange, California, approximately 20 miles east of downtown Los Angeles. La Habra is known as a unique suburban residential community where residents have access to, and participate in, the greater Orange County and Los Angeles County economies. La Habra is largely built out (90 percent developed by the mid-1970's), with the majority of residential housing constructed in the 1950's.

Net Taxable Assessed Value (NTAV) for FY 13/14 was \$4,979,294,301, which is 2.5% more than FY 12/13. Based on data from the 2009-2013 U.S. Census Bureau-American Community Survey 5-year Estimates, the median household income is higher than the state and national averages, but is lower than the average of Orange County cities.

The City is largely residential with a stable population that has remained virtually unchanged over the past decade. Unemployment had been relatively modest through 2007; however, it began increasing in 2008 due to the global recession that started that year. Since the end of the recession the City's unemployment has dropped slightly and was 5.9% in June 2014.

## **FINANCIAL INFORMATION**

The management of the City of La Habra is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and, 2) the valuation of costs and benefits requires estimates and judgments by management.

### *Single Audit*

As a recipient of federal, state and local financial assistance, the City is responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management.

As part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2014 are provided under a separate report.

### *Budget Controls*

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget appropriation adopted by resolution of the City Council for the General Fund, the Debt Service Fund, the Capital Project Funds, the Enterprise Funds, the Internal Service Funds, and the Special Revenue Funds. Some Special Revenue Funds are not included in the annual appropriation resolution, but are adopted separately on an as needed basis. Formal budgetary integration is employed as a management control during the year. Supplemental appropriations are approved by the City Council in the form of budget amendment motions, contract/project approval actions, or as part of special grant authorizing motions. The level of budgetary control is at the individual fund level, but management control is exercised at budgetary line-item level.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to restrict or assign that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all governmental and proprietary funds. Encumbrances outstanding at year-end are reported as restricted or assigned fund balance in the fund balance section of the balance sheet since they do not constitute expenditures or liabilities.

The budget has been prepared in accordance with generally accepted accounting principles (GAAP). The budget statement (combined statement of revenues, expenditures and changes in fund balance), budgeted and actual, is presented on the same basis of accounting used in preparing the adopted budget.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility of sound financial management.

### *Long-Term Financial Planning*

The City typically prepares two levels of financial planning for review by its governing body. The first level involves the preparation, presentation and adoption of the City's annual operating budget. This planning effort takes into account current projects, programs and staffing levels to determine the proper level of resource allocation necessary to effectively operate the City government on a year to year basis. This short-term financial plan is flexible and can be modified by Council action to adjust for changing revenue estimates, new programs or projects, or other unanticipated operating and capital costs. The annual adopted budget is reviewed by the City Council at mid-year to determine estimated year end revenue and expenditure performance of the General Fund and other major operating funds. Amendments are approved as necessary to reflect changing financial conditions or funding availability with the goal of maintaining a balanced budget at year end.

In addition, the City prepares and updates long-term capital plans, revenue estimates, and economic projections to account for high-cost long-term capital needs, major infrastructure improvement programs, and changing trends in the City's revenue and economic base. As part of the annual budget, the City updates its five year revenue projection model to take into account current and projected economic trends, major changes in revenues and expenses, and future capital needs. These models are based on other long-term financial plans developed by City departments, including a seven year capital project plan, a multi-year pavement management plan, a ten year water system master plan and a twelve year sewer system master plan. Each capital plan is updated every one to five years depending on the need for such updates or to account for major changes. The information provided by the City's long-range capital plans is also used to determine the potential net benefit of securing long-term capital financing via debt versus the use of current cash or other resources on a pay-as-you-go basis.

### *General Fund Balance*

The total General Fund balance as of June 30, 2014 was \$14,424,905. Of this amount, \$8,159,022 is considered non-spendable and unavailable for appropriation. The unassigned or available portion of fund balance was \$6,265,883.

Prudent financial management necessitates that sufficient reserves be established to provide funding for emergencies, disaster recovery, unanticipated expenses and to demonstrate creditworthiness to credit rating agencies. Among municipalities, unrestricted reserve levels typically range from 5 percent to 50 percent, or more, of annual expenditure budgets and can fluctuate based on availability of funds and individual reserve policies. As of June 30, 2014, the City's unassigned reserve level equaled 17.3% of the amended FY 13/14 General Fund expenditure budget.

### *Long-Term Liabilities*

As of fiscal year ended June 30, 2014, the City had several outstanding debt issues and other long-term liabilities totaling \$72.4 million (excluding deferred gain/loss on refunding), including:

- \$1.4 million in special tax bonds reported in the Successor Agency Private-Purpose Trust Fund
- \$18.2 million in certificates of participation
- \$6.1 million in tax allocation bonds reported in the Successor Agency Private-Purpose Trust Fund
- \$40.3 million in revenue bonds
- \$2.3 million in various notes, leases and loans of which \$0.9 million is reported in the Successor Agency Private-Purpose Trust Fund
- \$4.1 million for compensated absences

The City, as a separate legal entity, has no general obligation debt outstanding.

### *Capital Assets*

The capital assets of the City's governmental activities are those used in the performance of general government functions and exclude the capital assets of the Enterprise Funds and the Successor Agency Private-Purpose Trust Fund, but does include the capital assets of the Internal Service Funds. As of June 30, 2014, the capital assets (net of depreciation) of the City's governmental activities amounted to \$81.4 million. This amount represents the original cost of the assets or estimated historical cost if actual historical cost is not available. Depreciation of capital assets is recognized in the City's financial statements using the straight-line method based on the estimated useful life of an asset.

### *Enterprise Operations*

The enterprise operations of the City comprise several distinct business-type activities as shown in the following table:

Enterprise Operation	Net Position Beginning (As Restated)	Operating Revenue	Operating Expenses	Non-Operating Revenues (Expenses)	Net Transfers In and (Out)	Net Position Ending
Water	\$ 19,798,278	\$ 13,673,720	\$ 9,748,415	\$ (1,788,001)	\$ (272,487)	\$ 21,663,095
Sewer	8,982,081	1,622,818	1,927,963	26,821	(70,055)	8,633,702
Housing Authority	5,179,387	1,577,921	818,225	(776,325)	-	5,162,758
Refuse	3,354,134	3,164,353	3,175,353	35,289	(109,303)	3,269,120
Children's Museum	653,543	465,356	530,492	1,737	42,488	632,632
Mobile Home Lease	2,253,706	2,730,922	2,292,041	5,728	-	2,698,315
	\$ 40,221,129	\$ 23,235,090	\$ 18,492,489	\$ (2,494,751)	\$ (409,357)	\$ 42,059,622

### *Cash Management*

To assure the most competitive rates on investments, the City maintains a cash and investment pool that is available for use by all funds, except for bond proceeds and bond reserves, which are required to be held by a third-party trustee bank. The City's investments are guided by an investment policy that is annually reviewed and adopted by the City Council and is in compliance with statutory requirements for municipal investments. In January 2005, the City submitted its adopted 2005 Investment Policy to the Association of Public Treasurers of the United States and Canada (APT US&C) for review and certification. In July 2005, the APT US&C completed their review and certified the City's 2005 Investment Policy as "meeting the standards set forth" by their organization. Annually, the City and its investment advisors review the City's Investment Policy to determine what, if any, changes are prudent or necessary due to market and/or legislative changes.

As of June 30, 2014, the City had \$65.6 million in cash and investments such as securities of the U.S. Government and funds held with the State of California Local Agency Investment Fund. Of the City's total cash and investments, \$6.5 million is held with fiscal agents and \$13.7 million is held on behalf of the Successor Agency and in agency funds in a fiduciary capacity. The City's investment philosophy is to minimize credit and market risks while maintaining a competitive yield on its portfolio, to ensure that funds are available when needed, to manage its pooled idle cash position under the prudent investor's rule, and to maximize the productive use of assets entrusted to its care.

### *Risk Management*

The City has established a Risk Management division that is tasked with minimizing the loss of City assets caused by accidental loss, resulting from employee injuries or from third-party liability claims. This is accomplished by effectively utilizing management techniques of risk retention, risk transfer, loss prevention and loss reduction. There are two self-insured programs administered by the City: liability and industrial injury. The City became self-insured for liability claims and settlements in March 1976. Through reinsurance, a stop loss of \$300,000 per occurrence has been established. The City became self-insured for industrial injury (workers compensation) in 1974. Through reinsurance, a stop loss of \$750,000 for each miscellaneous and \$1,000,000 for each public safety occurrence has been established.

In the Risk Management Internal Service Fund, a Workers Compensation and General Liability exposure amount has been calculated to provide for future claims resulting from injuries and incidents occurring through June 30, 2014. The City's exposure has been calculated at \$2,786,581, with net position of \$2,789,555 available to address these potential costs.

## **INDEPENDENT AUDIT**

An annual audit of the accounting and financial records of the City of La Habra is conducted by independent certified public accountants to meet the requirements of the Single Audit Act and the related U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments and Non-profit Organizations*. The auditors are required to audit all opinion units of the City in accordance with auditing standards generally accepted in the United States of America and the standards set forth in the General Accounting Office's *Government Auditing Standards*. The firm, Macias Gini & O'Connell LLP, has been retained by the City under the terms of a multi-year agreement to perform auditing services.

The auditor's report on the basic financial statements and supplementary information is included in the financial section of this report. The auditor's reports on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards can be found in a separately issued compliance report.

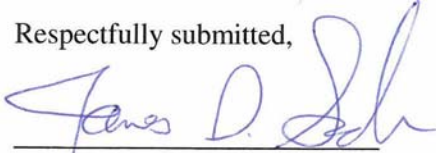
## **ACKNOWLEDGEMENTS**

The preparation of the Comprehensive Annual Financial Report could not have been accomplished without the effort and professionalism demonstrated by the Department of Finance and Administrative Services staff. Preparation of annual financial statements requires a major effort from the entire accounting staff and we would like to express our appreciation to everyone who assisted and contributed to the effort, particularly Acting Director of Finance Melvin Shannon, Finance Manager Jack Ponvanit, Senior Accountant Mary Ann Sy, Senior Accountant John Balderas, Accountant II Zukie Chiu, and Accountant Sue Suriati.

We wish to acknowledge the professional manner in which Macias Gini & O'Connell LLP conducted the audit and express our appreciation for their assistance and expertise.

We also thank the City Council for their commitment and support in planning and conducting the financial operations of the City in a fiscally responsible manner.

Respectfully submitted,

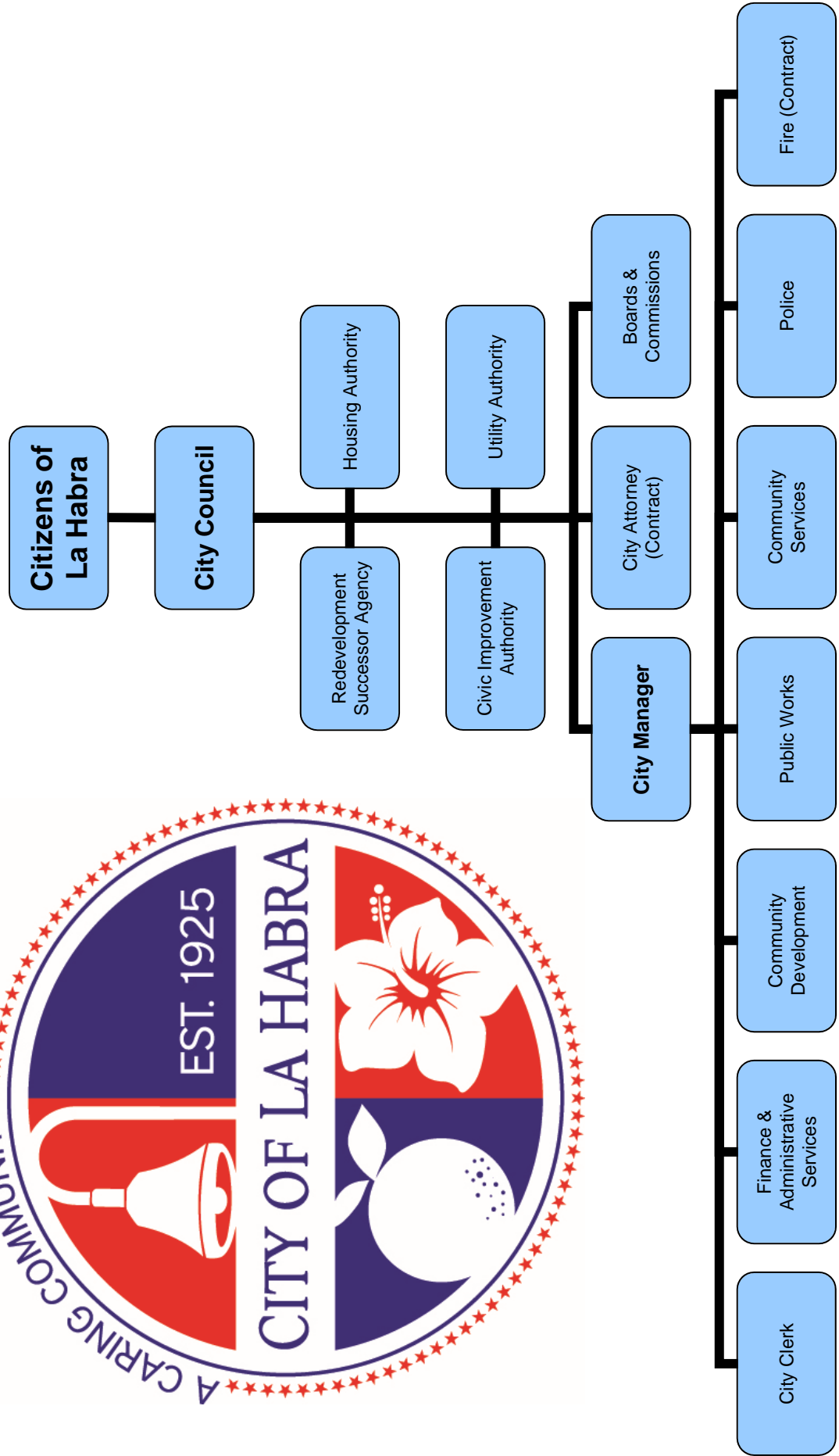


James D. Sadro  
City Manager



Melvin Shannon  
Director of Finance

# City of La Habra Organization and Services



# **CITY OF LA HABRA**

## **CITY OFFICIALS AS OF JUNE 30, 2014**

### **MEMBERS OF THE CITY COUNCIL**

Mayor Thomas Beamish  
Mayor Pro Tem Michael Blazey  
Councilmember James Gomez  
Councilmember Tim Shaw  
Councilmember Rose M. Espinoza

### **INTERIM CITY MANAGER**

James D. Sadro

### **CITY ATTORNEY**

Richard Jones

### **CITY CLERK**

Tamara D. Mason, MMC

### **ACTING DIRECTOR OF FINANCE**

Melvin Shannon

### **DIRECTOR OF COMMUNITY DEVELOPMENT**

Michael Haack

### **DIRECTOR OF COMMUNITY SERVICES**

Salvatore Failla

### **DIRECTOR OF PUBLIC WORKS**

Elias Saykali

### **CHIEF OF POLICE**

Jerry Price

### **ASSISTANT CHIEF OF FIRE**

Chris Jackson  
(Los Angeles County Fire)



**FINANCIAL SECTION**



## **Independent Auditor's Report**

To the Honorable Members of the City Council  
City of La Habra, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Habra, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 2(c) and Note 3(d), the City is in the process of resolving a disagreement with the State of California Department of Finance regarding an outstanding advance receivable due from the Successor Agency in the amount of \$7,885,303 as of June 30, 2014. As the outcome of this process is uncertain, our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, pension and other post-employment benefit schedules of funding progress, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, such as the combining and individual nonmajor fund financial statements and Measure T Transaction and Use Tax: Use of Funds schedule, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Newport Beach, California  
June 19, 2015

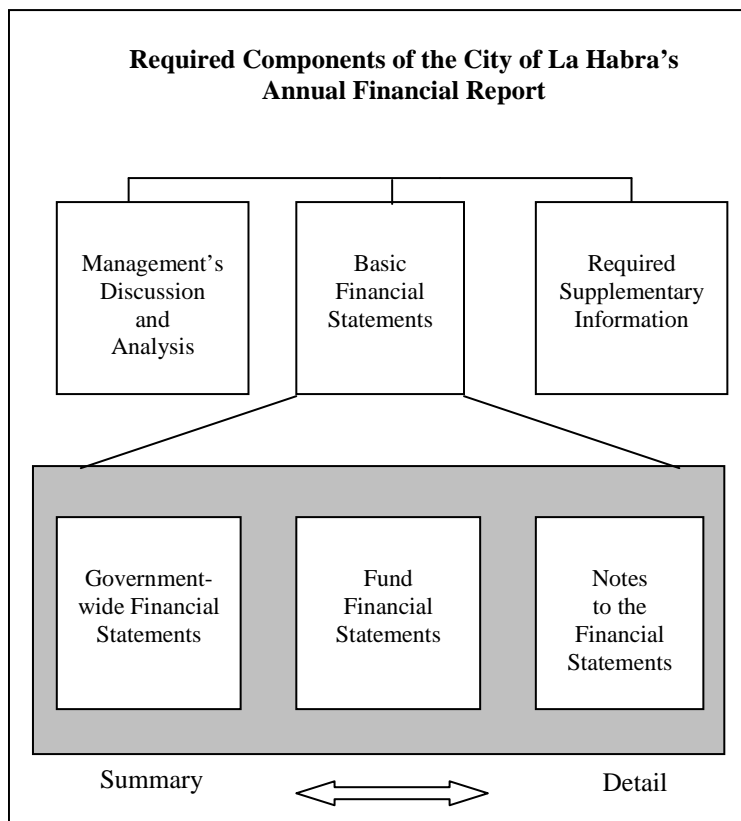
# Management’s Discussion and Analysis

In an effort to provide insight and perspective to the City of La Habra’s (“City”) annual financial statements, staff has prepared this management discussion of the financial activities of the City for the fiscal year ended June 30, 2014. The intent of this discussion is to assist the reader to better understand the fiscal condition of the City. Readers are encouraged to consider the information presented here in conjunction with the summary information found in the transmittal letter and the detailed information found in the body of the financial statements.

## Overview of the Financial Statements

The City’s annual financial report consists of four parts – *management’s discussion and analysis* (this section), the basic *financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are *Government-wide Financial Statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual* parts of the City government, reporting the City’s operations in *more detail* than the Government-wide Statements.



- The *Governmental Funds* Statements detail how *general government* services such as public safety were financed in the *short term* as well as what remains for future spending.
- *Propriety Fund* Statements offer *short-* and *long-term* financial information about the activities the City operates *like businesses*, such as the water and sewer services.
- *Fiduciary Fund* Statements provide information about the financial relationships in which the City acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required elements, the City has included a section with combined statements that provide detail about non-major governmental funds, enterprise funds, internal service funds, and fiduciary funds, which are added together and presented in single columns in the basic financial statements.

The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

### **Government-wide Financial Statements**

The Government-wide Financial Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes *all* of the City’s assets and liabilities. All of the audit year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide Financial Statements report the City’s *net position* and how they have changed. Net Position – the difference between the City’s assets and liabilities – are one way to measure the City’s financial health, or *position*. Over time, increases or decreases in the City’s net position is an indicator of whether the City’s financial health is improving or deteriorating, respectively. One needs to consider additional non-financial factors, such as changes in the City’s property tax base and the condition of the City’s infrastructure, to assess the overall fiscal condition of the City.

The Government-wide Financial Statements of the City are divided into two categories:

- *Governmental activities* – Most of the City’s basic services, such as police, fire, public works, community services, community development, and general administration, are included here. Taxes, revenues from other governments and agencies, income from property and investments, grants and contributions, and charges for services finance most of these activities.
- *Business-type activities* – The City charges fees to customers to cover the costs of certain services it provides. The City’s water, sewer, refuse, and housing authority are the primary business-type activities.

### **Fund Financial Statements**

The Fund Financial Statements provide more detailed information about the City’s most significant *funds* – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by State law or bond covenants, while the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has three types of funds:

- *Governmental funds* – Most of the City’s basic services are included in governmental funds. These funds are used to account for (1) *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) balances left at year-end that are available for spending. Consequently, the Governmental Funds Statements provide a detailed *short-term* view that helps the reader determine the amount of financial resources that can be spent in the near future to finance the City’s programs. Reconciliation between the long-term and short-term focus of the Government-wide Financial Statements is provided immediately following each statement. The basic financial statements also include budgetary comparison statements for the General Fund, Child Development Special Revenue Fund, and Measure M Special Revenue Fund, to demonstrate compliance with the annual budget as adopted and amended.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-wide Financial Statements, provide both long- and short-term financial information.

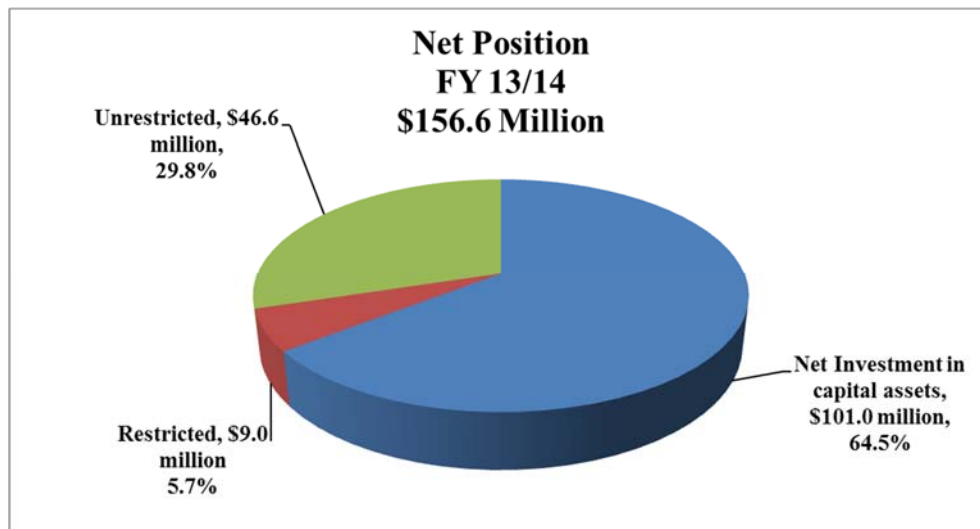
- There are two types of proprietary funds: *enterprise funds* and *internal service funds*.
  - o The City uses *enterprise funds* to report activities that provide business-type services, generally to external customers – such as water, sewer and refuse services. In both the Government-wide Financial Statements and the Fund Financial Statements, these funds are shown under business-type activities.
  - o The City uses *internal service funds* to report activities that provide service and support for the City’s other programs and activities – such as fleet maintenance and replacement, liability management, and information technology.
- *Fiduciary funds* – These funds are used to account for situations where the City’s role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. All of the City’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The City excludes these activities from the Government-wide Financial Statements because the City cannot use these assets to finance its operations.

**Financial Analysis of the City as a Whole**

**Net Position**

The City’s *combined* net position for the fiscal year ended June 30, 2014, as shown below, was \$156.6 million. 64.5% of this the net position, or \$101.0 million, represents capital assets such as land, buildings, machinery, equipment, and infrastructure, less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets cannot be easily liquidated and are *not* available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other revenue sources since the capital assets themselves are not usually able to pay for the associated debt.

In addition, 5.7%, or \$9.0 million, of the City’s net position represents resources that are subject to external restrictions regarding how they may be used. Furthermore, the unrestricted net position of the City’s business-type activities total \$19.2 million, and these resources cannot be used to help fund general governmental activities. The City can only use these resources to finance the continuing operations of its enterprise funds such as the Refuse fund, Mobile Home Lease fund and the Children’s Museum, or its agencies and authorities, such as the Utility Authority and Housing Authority. That leaves a \$27.4 million balance of unrestricted net position that can be used to meet the governmental activities ongoing obligations to citizens and creditors.





The following is an analysis that summarizes the City's net position (Table 1) at fiscal year ended June 30, 2014, and 2013, respectively:

**TABLE 1  
STATEMENTS OF NET POSITION**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>Change</b>
	FY 13/14	FY 12/13	FY 13/14	FY 12/13	FY 13/14	FY 12/13	
<b><u>ASSETS</u></b>							
Current and Other Assets	\$50,059,113	\$50,728,290	\$44,052,759	\$35,966,003	\$94,111,872	\$86,694,293	\$7,417,579
Capital Assets	83,325,163	81,443,804	57,548,524	56,500,825	140,873,687	137,944,629	2,929,058
<b>TOTAL ASSETS</b>	<b>133,384,276</b>	<b>132,172,094</b>	<b>101,601,283</b>	<b>92,466,828</b>	<b>234,985,559</b>	<b>224,638,922</b>	<b>10,346,637</b>
<b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>							
Unamortized loss on refunding of debt	238,165	-	1,631,423	-	1,869,588	-	1,869,588
<b><u>LIABILITIES</u></b>							
Current Liabilities	7,523,255	6,019,857	4,326,243	10,679,537	11,849,498	16,699,394	(4,849,896)
Noncurrent Liabilities	12,020,600	12,064,214	56,410,360	40,433,731	68,430,960	52,497,945	15,933,015
<b>TOTAL LIABILITIES</b>	<b>19,543,855</b>	<b>18,084,071</b>	<b>60,736,603</b>	<b>51,113,268</b>	<b>80,280,458</b>	<b>69,197,339</b>	<b>11,083,119</b>
<b><u>NET POSITION</u></b>							
Net Investment in Capital Assets	78,951,634	76,564,962	22,031,524	20,308,645	100,983,158	96,873,607	4,109,551
Restricted	7,673,024	9,844,805	1,288,543	1,363,180	8,961,567	11,207,985	(2,246,418)
Unrestricted	27,453,928	27,678,256	19,176,036	19,681,735	46,629,964	47,359,991	(730,027)
<b>TOTAL NET POSITION</b>	<b>\$114,078,586</b>	<b>\$114,088,023</b>	<b>\$42,496,103</b>	<b>\$41,353,560</b>	<b>\$156,574,689</b>	<b>\$155,441,583</b>	<b>\$1,133,106</b>

As noted earlier, comparing net position over time may serve as a useful indicator of the City's financial position. During the current fiscal year, the City implemented GASB 65 which resulted in \$862,459 decrease (restatement) in the beginning net position. Therefore, although the City's combined total net position increased by \$2.0 million during the current fiscal year, the condensed statement of net position above only shows change in net position of \$1.1 million. The Statement of Net Position for FY 12/13 presented in Table 1 above was not restated.

The increase in net position can be primarily attributed to a gradually improving economy which increased both program and general revenues in governmental activities. The increase in net position can also be attributed to the operating gain in business-type activities, especially in the Water Fund.

During the fiscal year, the City drew down proceeds from line of credit to acquire additional water rights stock. The City also issued new Water Bonds of \$20.2 million as well as refunded previously issued Water Bonds and paid off the outstanding line of credit. These activities resulted in significant increase in both assets and liabilities.

**TABLE 2  
CHANGES IN NET POSITION**

	<b>Government Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	FY 13/14	FY 12/13	FY 13/14	FY 12/13	FY 13/14	FY 12/13
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$5,731,270	\$5,586,058	\$23,235,090	\$22,422,372	\$28,966,360	\$28,008,430
Operating Grants and Contributions	8,027,156	8,864,116	-	-	8,027,156	8,864,116
Capital Grants and Contributions	4,556,286	3,163,745	-	-	4,556,286	3,163,745
<b>General Revenues</b>						
Property Taxes	13,235,491	13,333,682	-	-	13,235,491	13,333,682
Sales and Use Taxes	9,593,316	9,033,667	-	-	9,593,316	9,033,667
Transaction and Use Taxes	4,701,077	4,430,751	-	-	4,701,077	4,430,751
Franchise Tax	1,607,535	1,580,176	-	-	1,607,535	1,580,176
Grants and Contributions not Restricted to Specific Programs	84,906	325,718	-	-	84,906	325,718
Income from Property and Investments	2,664,660	2,790,519	152,270	30,416	2,816,930	2,820,935
Other General Revenues	1,094,588	1,253,294	398,879	366,303	1,493,467	1,619,597
<b>Total Revenues</b>	<b>51,296,285</b>	<b>50,361,726</b>	<b>23,786,239</b>	<b>22,819,091</b>	<b>75,082,524</b>	<b>73,180,817</b>
<b>Expenses</b>						
General Government	4,017,045	3,217,519	-	-	4,017,045	3,217,519
Public Safety	24,505,359	23,850,284	-	-	24,505,359	23,850,284
Public Works	7,430,857	7,172,065	-	-	7,430,857	7,172,065
Employment and Training	344,972	369,315	-	-	344,972	369,315
Community Services	9,114,775	8,561,460	-	-	9,114,775	8,561,460
Community Development	4,592,489	4,034,985	-	-	4,592,489	4,034,985
Interest on Long-Term Debt	206,922	266,069	-	-	206,922	266,069
Water	-	-	12,095,302	10,699,804	12,095,302	10,699,804
Sewer	-	-	1,927,963	2,012,774	1,927,963	2,012,774
Refuse	-	-	3,175,353	3,049,222	3,175,353	3,049,222
Housing Authority	-	-	1,629,058	1,685,659	1,629,058	1,685,659
Children's Museum	-	-	530,492	423,743	530,492	423,743
Mobile Home Lease	-	-	2,292,041	2,092,054	2,292,041	2,092,054
<b>Total Expenses</b>	<b>50,212,419</b>	<b>47,471,697</b>	<b>21,650,209</b>	<b>19,963,256</b>	<b>71,862,628</b>	<b>67,434,953</b>
Excess before Transfers	1,083,866	2,890,029	2,136,030	2,855,835	3,219,896	5,745,864
Extraordinary gain/(loss)	(1,224,331)	-	-	-	(1,224,331)	-
Transfers	249,824	51,592	(249,824)	(51,592)	-	-
<b>Increase in Net Position</b>	<b>109,359</b>	<b>2,941,621</b>	<b>1,886,206</b>	<b>2,804,243</b>	<b>1,995,565</b>	<b>5,745,864</b>
<b>Net Position - Beginning of Year, as Previously Reported</b>	<b>114,088,023</b>	<b>111,146,402</b>	<b>41,353,560</b>	<b>38,549,317</b>	<b>155,441,583</b>	<b>149,695,719</b>
Change in accounting principle	(118,796)	-	(743,663)	-	(862,459)	-
<b>Net Position - Beginning of Year, as Restated</b>	<b>113,969,227</b>	<b>111,146,402</b>	<b>40,609,897</b>	<b>38,549,317</b>	<b>154,579,124</b>	<b>149,695,719</b>
<b>Net Position - End of year</b>	<b>\$114,078,586</b>	<b>\$114,088,023</b>	<b>\$42,496,103</b>	<b>\$41,353,560</b>	<b>\$156,574,689</b>	<b>\$155,441,583</b>

## **Changes in Net Position**

The condensed summary of activities (Table 2) shows that the City's total net position increased by \$2.0 million during the year with General Government Activities accounting for \$109,359 of that increase.

Approximately 57% of the City's governmental revenue is generated through taxes collected (property, sales and use, transaction and use, and franchise), and approximately 98% of the City's business-type revenue is generated through charges for services.

## **Governmental Activities**

The increase in net position for *governmental* activities was \$109,359, caused as a result of total revenues for *governmental* activities of \$51.3 million being offset by \$50.2 million in total costs for *governmental* activities, with \$249,824 transferred in from the business-type activities and \$1.2 million extraordinary loss from the dissolution of the former Redevelopment Agency.

The primary reason for growth in net position is due to a gradually improving economy which increased both program and general revenues compared to the prior fiscal year. Non-tax program revenues are generated through several sources to cover the cost of the City's programs. Program Revenues for Charges for Services increased by \$145,212 and General Revenues for Sales tax and Transaction tax increased by \$829,975. Property Tax revenues remain at the same level compared to FY 12/13 due to stable housing market.

The "Capital Grants and Contributions" program revenues reflect an increase of \$1.4 million compared to FY 12/13 due mainly to the increase in capital improvement project activities, resulting in more capital grant reimbursements in FY 13/14.

During the FY 13/14, the accumulated interest on the loan from the City to the former Redevelopment Agency was recalculated from origination at the interest rate earned by funds deposited into the Local Agency Investment Fund (LAIF) in accordance with the Assembly Bill 1484. As a result, the City reported \$1.2 million extraordinary loss from the dissolution of the former Redevelopment Agency.

## **Business-Type Activities**

As of June 30, 2014, the business-type activities increased the net position by 4.6%, or \$1.9 million, with revenues totaling \$23.8 million and expenses totaling \$21.7 million (including \$249,824 transferred out to the governmental activities). As noted earlier, during the fiscal year, the City drew down proceeds from line of credit to acquire additional water rights stock. The City also issued new Water Bonds of \$20.2 million as well as refunded old Water Bonds and paid off outstanding line of credit. These activities resulted in significant increase in both assets and liabilities.

## **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## **Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, Assigned and Unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$27.9 million, a decrease of \$996,645 compared to the prior fiscal year. The following fund balances are considered to be either restricted or non-spendable for the City:

- \$8.1 million for long-term advances
- \$388,186 for low-moderate income housing
- \$52,313 for inventories
- \$48,231 for prepaid items
- \$7.2 million for special revenue and capital improvement funds.

The General Fund is the chief operating fund of the City and, as of June 30, 2014, had a total fund balance of \$14.4 million, same as the prior year. The General Fund had no assigned fund balance and its unassigned balance was \$6.3 million which represents approximately 17.3% of the FY 13/14 amended General Fund expenditure budget. The fund balance of Child Development major governmental fund remains at the same level as prior year. This special revenue fund is generally operated on a reimbursement basis; therefore, revenues and expenditures on any given year are substantially the same unless there are reimbursement costs that are not collected within availability period. The fund balance in Child Development Fund is restricted for community services function by the funding agency.

The City utilizes the general fund, several special revenue and capital projects funds to account for capital project funding. The major capital funding sources; however, come from the City's general Capital Projects fund, Gas Tax Fund, and Measure "M" Fund.

For fiscal year ended June 30, 2014, the City's general Capital Projects Fund balance increased by \$1.2 million, due to a transfer in of \$1.7 million for current and potential capital projects. The Gas Tax Fund balance decreased by \$1.7 million as annual apportionments were received for projects that were planned and initiated.

The City maintains an active capital improvement program with numerous projects underway or in planning each fiscal year. Fluctuations in the reported fund balances for capital funds are typically due to timing between the approval and appropriation of funds for various capital projects and the actual application and receipt of those funds to design and build the projects.

### **Enterprise Funds**

At fiscal year-end, net position for the water fund grew by \$1.9 million due mainly to operating income in Water Enterprise Fund. Generally, the operation of a business-type enterprise fund is designed to generate enough revenue to fund current operation as well as future infrastructures. Therefore, annual surplus from normal operation is expected. The Sewer Fund's net position decreased by \$348,379 due mainly to operating loss. The Housing Authority's net position remained virtually unchanged over the course of FY 13/14.

### **General Fund Budgetary Highlights**

The City's Finance Department monitors revenues during the year and updates estimated revenue figures when new information is available. At fiscal year-end, most revenue sources had met or outperformed budget estimates except for sales and use tax which performed 2.2% below budget estimates due to slow growth in retail sales. However, it is still positive compared to the prior year. Property taxes ended the year 2.0% above budget estimates, partly due to a gradually recovering housing market.

Overall revenues exceeded budget estimates by \$1.3 million, primarily due to increases in licenses and permits, charges for services, and fines and forfeitures which reflecting the increase in residential and commercial development activity. When combined with expenditures, which were held below budget, the City realized a positive net cash flow at fiscal year-end of \$2.6 million. This year-end carry over was applied, at Council direction, to capital projects, internal service fund reserves, liability reserves, and general reserves.

## **Capital Asset and Debt Administration**

### **Capital Assets**

At June 30, 2014, the City had recorded an investment of over \$226.4 million (before accumulated depreciation) in a broad range of capital assets categories, including park facilities, land, buildings, roads, bridges, water and sewer lines, police and fire vehicles, and other maintenance equipment.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Private-Purpose Trust</b>		<b>Total</b>	
	FY 13/14	FY 12/13	FY 13/14	FY 12/13	FY 13/14	FY 12/13	FY 13/14	FY 12/13
Land	\$8,426,783	\$8,426,783	\$12,800,000	\$12,800,000	\$1,387,022	\$1,387,022	\$22,613,805	\$22,613,805
Land improvements	6,968,404	6,968,404	-	-	-	-	6,968,404	6,968,404
Buildings and improvements	17,210,968	17,155,014	5,141,477	5,141,477	3,051,338	3,051,338	25,403,783	25,347,829
Improvements other than buildings	1,133,296	1,133,296	253,490	253,490	-	-	1,386,786	1,386,786
Machinery and equipment	7,765,371	7,562,356	1,721,694	1,721,694	-	-	9,487,066	9,284,050
Autos and trucks	4,434,529	4,397,961	257,402	257,402	-	-	4,691,931	4,655,363
Infrastructure	83,470,007	81,677,293	64,936,455	61,235,649	3,971,268	3,971,268	152,377,730	146,884,210
Construction in progress	3,467,940	332,920	-	1,143,031	-	-	3,467,940	1,475,951
(Less accumulated depreciation)	(49,552,135)	(46,210,223)	(27,561,995)	(26,051,918)	(1,302,983)	(1,094,323)	(78,417,113)	(73,356,464)
<b>TOTALS</b>	<b>\$83,325,163</b>	<b>\$81,443,804</b>	<b>\$57,548,524</b>	<b>\$56,500,825</b>	<b>\$7,106,645</b>	<b>\$7,315,305</b>	<b>\$147,980,332</b>	<b>\$145,259,934</b>

Governmental Capital Assets, before accumulated depreciation, increased by \$5.3 million over the prior year. The increase was attributed, in part, to \$5.0 million in various citywide street and road rehabilitation projects, sidewalk/storm drain improvements, handicap access ramps and traffic signal improvements. Business-Type Capital Assets, before accumulated depreciation, increased by \$2.6 million over the prior year. The increase was attributed to \$2.2 million of infrastructure improvements in the water fund.

### **Long-Term Debt**

At year-end, the City had \$70.5 million in bonds, certificates of participation, loans, leases, and accrued assessments payable, an increase of \$13.3 million from last year, as shown in the table below. The Private-Purpose Trust activities are being reported to account for the custodial responsibilities assigned to the Successor Agency pursuant to the State of California's redevelopment agency dissolution law.

**TABLE 4  
OUTSTANDING LONG-TERM DEBT AT YEAR-END**

	Governmental Activities		Business-Type Activities		Private-Purpose Trust Activities		Total	
	FY 13/14	FY 12/13	FY 13/14	FY 12/13	FY 13/14	FY 12/13	FY 13/14	FY 12/13
Certificates of Participation	\$3,381,531	\$3,669,271	\$14,792,948	\$15,078,505	-	-	\$18,174,479	\$18,747,776
Tax Allocation Bonds	-	-	-	-	6,100,000	6,345,000	6,100,000	6,345,000
Special Tax Bonds	-	-	-	-	1,355,000	1,540,000	1,355,000	1,540,000
Notes Payable	340,405	391,547	-	-	-	-	340,405	391,547
Notes Payable (Howard's Appliance)	-	-	-	-	881,904	1,101,955	881,904	1,101,955
Loan Payable	432,476	518,682	-	-	-	-	432,476	518,682
Contract and Leases Payable	693,341	751,064	-	-	-	-	693,341	751,064
Compensated Absences	4,061,177	4,274,385	-	-	-	-	4,061,177	4,274,385
2003 Revenue Bonds	-	-	-	6,075,000	-	-	-	6,075,000
2010 Revenue Bonds	-	-	19,084,008	19,378,381	-	-	19,084,008	19,378,381
2013 Revenue Bonds	-	-	21,268,404	-	-	-	21,268,404	-
Unamortized loss on refunding	(238,165)	(267,328)	(1,631,423)	(1,638,156)	-	-	(1,869,588)	(1,905,484)
<b>TOTALS</b>	<b>\$8,670,765</b>	<b>\$9,337,621</b>	<b>\$53,513,937</b>	<b>\$38,893,730</b>	<b>\$8,336,904</b>	<b>\$8,986,955</b>	<b>\$70,521,606</b>	<b>\$57,218,306</b>

More detail about the City's long-term liabilities is presented in Notes 2(g) to the financial statements.

**Economic Factors and Future Budgets and Rates**

- The City's FY 13/14 net taxable property values totaled \$4,979,294,301, approximately 2.2% more than five years ago, and it is 2.5% higher than FY 12/13.
- FY 14/15 CalPERS rates for the miscellaneous plan increases from 12.571% of payroll to 13.521% of payroll, and rates for public safety increases from 34.808% of payroll to 36.998% of payroll.
- FY 15/16 CalPERS rates for the miscellaneous plan will increase from 13.521% of payroll to 14.757% of payroll. For the public safety plan, beginning with FY 15/16, CalPERS will collect employer contributions toward the unfunded liability and side fund as dollar amounts instead of the prior method of a contribution rate. The future contribution rate for FY 15/16 will be 20.230% of payroll plus \$1,795,525 of unfunded liability.
- Projected FY 16/17 PERS rates for the miscellaneous plan will increase from 14.757% of payroll to 15.900% of payroll, and rates for public safety will increase from 20.230% of payroll plus \$1,795,525 to 21.300% of payroll plus \$2,069,124 of unfunded liability.
- The Consumer Price Index (CPI) for the Los Angeles/Riverside/Orange County Metropolitan Statistical Area for all urban consumers increased by 1.8 percent from June 2013 to June 2014.

These, among other factors, were considered in preparing the City of La Habra's General Fund budget for FY 14/15, which resulted in budgeted expenditures growing by 2.9% to \$37.3 million compared to the FY 13/14 amended budget of \$36.3 million.

The City's projected business-type activities reflect the following:

- The anticipation that modest enterprise fund rate increases will continue to be necessary over the course of the fiscal year to maintain sufficient cash flow for operations, capital reserves, and debt service coverage requirements.
- The continuing opportunity for the Utility Authority to purchase privately held Cal Domestic water shares and water rights in the San Gabriel Basin as they become available.

In preparing the budget for FY 14/15, management considered the possible impact that the State of California and the national economies will have on the City's budget. The State is now on its most stable fiscal footing in more than a decade. Despite the State's success in achieving a solid balanced budget, there remain a number of major risks that threaten the state's fiscal stability, including the overhang of fiscal debts, growing long-term liabilities, and lingering uncertainties regarding the costs of the federal Affordable Care Act. The recent agreement between the Governor and legislative leaders to create a Rainy Day Fund will help the state minimize future boom-and-bust cycles.

With the economy continuing to recover gradually from the recession, key areas of growth are beginning to take shape. Residential and commercial development activity is continuing to increase. Residential property prices and sales have recovered considerably since the depths of the recession. Growth in retail sales has cooled slightly, but it is still positive compared to the prior year. The City is cautiously optimistic regarding the immediate future.

The FY 14/15 budget was adopted with an identified General Fund surplus of \$102,259. On the revenue side, the City is expecting to see growth in property tax revenues with provided increase in other General Fund revenue sources. This should allow for sufficient funding to provide sources for expanded City programs and increase in personnel related costs.

### **Contacting the City's Department of Finance and Administrative Services**

This financial report is designed to provide our elected officials, residents, business owners, taxpayers, ratepayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it is entrusted with. If you have any questions about this report or need additional information, please contact the Department of Finance and Administrative Services, 201 E. La Habra Boulevard, La Habra, CA 90631. The Finance Department can also be reached at (562) 383-4050, or visit us online at "www.lahabraca.gov".





**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**CITY OF LA HABRA**  
**Statement of Net Position**  
**June 30, 2014**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and investments	\$ 26,490,468	\$ 18,911,580	\$ 45,402,048
Cash and investments with fiscal agents	474,224	6,065,156	6,539,380
Accounts receivable, net	4,515,694	2,530,232	7,045,926
Interest receivable	67,051	36,084	103,135
Prepaid items	48,352	68,754	117,106
Due from other governments	6,867,085	105,819	6,972,904
Due from Successor Agency	240,234	-	240,234
Internal balances	758	(758)	-
Inventories	96,618	121,306	217,924
Total current assets	<u>38,800,484</u>	<u>27,838,173</u>	<u>66,638,657</u>
Noncurrent assets:			
Prepaid insurance cost	-	269,969	269,969
Land held for resale	-	115,000	115,000
Loans to Successor Agency	11,258,629	-	11,258,629
Investment in water rights stock	-	15,829,617	15,829,617
Capital assets:			
Not being depreciated	11,894,723	12,800,000	24,694,723
Being depreciated, net	71,430,440	44,748,524	116,178,964
Total noncurrent assets	<u>94,583,792</u>	<u>73,763,110</u>	<u>168,346,902</u>
Total assets	<u>133,384,276</u>	<u>101,601,283</u>	<u>234,985,559</u>
<b>Deferred outflows of resources:</b>			
Unamortized loss on refunding of debt	238,165	1,631,423	1,869,588
Total deferred outflows of resources	<u>238,165</u>	<u>1,631,423</u>	<u>1,869,588</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	2,454,174	2,297,272	4,751,446
Accrued liabilities	2,226,853	146,021	2,372,874
Deposits payable	12,250	247,650	259,900
Due to Successor Agency	673,854	549	674,403
Interest payable	56,974	599,751	656,725
Unearned revenue	250,239	-	250,239
Compensated absences, current	1,293,279	-	1,293,279
Long-term obligations, due within one year	555,632	1,035,000	1,590,632
Total current liabilities	<u>7,523,255</u>	<u>4,326,243</u>	<u>11,849,498</u>
Noncurrent liabilities:			
Postemployment benefit obligation	2,174,000	-	2,174,000
Claims payable	2,786,581	-	2,786,581
Compensated absences	2,767,898	-	2,767,898
Long-term obligations, due in more than one year	4,292,121	54,110,360	58,402,481
Pollution remediation liability	-	2,300,000	2,300,000
Total noncurrent liabilities	<u>12,020,600</u>	<u>56,410,360</u>	<u>68,430,960</u>
Total liabilities	<u>19,543,855</u>	<u>60,736,603</u>	<u>80,280,458</u>
<b>Net position:</b>			
Net investment in capital assets	78,951,634	22,031,524	100,983,158
Restricted for:			
Low-moderate income housing	388,186	-	388,186
Public safety	1,497,599	-	1,497,599
Public works	3,462,993	-	3,462,993
Community development	2,288,729	-	2,288,729
Community services	315	-	315
Employment and training	35,202	-	35,202
Pollution remediation	-	1,288,543	1,288,543
Unrestricted	27,453,928	19,176,036	46,629,964
Total net position	<u>\$ 114,078,586</u>	<u>\$ 42,496,103</u>	<u>\$ 156,574,689</u>

See Accompanying Notes to Financial Statements.

**CITY OF LA HABRA**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
General government	\$ 4,017,045	\$ 105,934	\$ 202,284	\$ -
Public safety	24,505,359	3,242,072	1,038,823	-
Public works	7,430,857	-	12,792	4,556,286
Employment and training	344,972	-	-	-
Community services	9,114,775	1,234,637	6,220,755	-
Community development	4,592,489	1,148,627	552,502	-
Interest on long-term debt	206,922	-	-	-
Total governmental activities	<u>50,212,419</u>	<u>5,731,270</u>	<u>8,027,156</u>	<u>4,556,286</u>
<b>Business-type activities:</b>				
Water	12,095,302	13,673,720	-	-
Sewer	1,927,963	1,622,818	-	-
Refuse	3,175,353	3,164,353	-	-
Housing Authority	1,629,058	1,577,921	-	-
Children's Museum	530,492	465,356	-	-
Mobile Home Lease	2,292,041	2,730,922	-	-
Total business-type activities	<u>21,650,209</u>	<u>23,235,090</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 71,862,628</u>	<u>\$ 28,966,360</u>	<u>\$ 8,027,156</u>	<u>\$ 4,556,286</u>

General revenues:

Taxes:

Property tax

Sales and use taxes

Transaction and use taxes

Franchise tax

Grants and contributions not restricted to specific programs

Income from property and investments

Other general revenues

Extraordinary loss

Transfers

Total general revenues and transfers

Change in net positions

Net position, beginning of year, as previously reported

Change in accounting principle

Net position, beginning of year, as restated

Net position, end of year

See Accompanying Notes to Financial Statements.

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (3,708,827)	\$ -	\$ (3,708,827)
(20,224,464)	-	(20,224,464)
(2,861,779)	-	(2,861,779)
(344,972)	-	(344,972)
(1,659,383)	-	(1,659,383)
(2,891,360)	-	(2,891,360)
(206,922)	-	(206,922)
(31,897,707)	-	(31,897,707)
-	1,578,418	1,578,418
-	(305,145)	(305,145)
-	(11,000)	(11,000)
-	(51,137)	(51,137)
-	(65,136)	(65,136)
-	438,881	438,881
-	1,584,881	1,584,881
(31,897,707)	1,584,881	(30,312,826)
13,235,491	-	13,235,491
9,593,316	-	9,593,316
4,701,077	-	4,701,077
1,607,535	-	1,607,535
84,906	-	84,906
2,664,660	152,270	2,816,930
1,094,588	398,879	1,493,467
(1,224,331)	-	(1,224,331)
249,824	(249,824)	-
32,007,066	301,325	32,308,391
109,359	1,886,206	1,995,565
114,088,023	41,353,560	155,441,583
(118,796)	(743,663)	(862,459)
113,969,227	40,609,897	154,579,124
\$ 114,078,586	\$ 42,496,103	\$ 156,574,689



**FUND FINANCIAL STATEMENTS**







**CITY OF LA HABRA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<b>Major Funds</b>		
	<b>General</b>	<b>Child Development Special Revenue Fund</b>	<b>Measure M Special Revenue Fund</b>
<b>Assets:</b>			
Cash and investments	\$ 4,863,428	\$ -	\$ -
Accounts receivables	3,528,319	281,558	-
Interest receivables	29,416	-	-
Prepaid items	48,231	-	-
Due from other funds	4,903,557	-	-
Due from other governments	79,638	767,274	4,644,845
Due from Successor Agency	240,234	-	-
Loans to Successor Agency	10,050,507	-	-
Inventories	52,313	-	-
Total assets	<u>\$ 23,795,643</u>	<u>\$ 1,048,832</u>	<u>\$ 4,644,845</u>
<b>Liabilities, Deferred inflows of resources and Fund balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 722,947	\$ 263,676	\$ 66,074
Accrued liabilities	1,840,440	124,893	24,225
Deposits payable	6,250	-	-
Due to other funds	-	593,766	3,859,711
Due to Successor Agency	673,854	-	-
Advances from other funds	3,400,000	-	-
Unearned revenues	73,174	66,182	-
Total liabilities	<u>6,716,665</u>	<u>1,048,517</u>	<u>3,950,010</u>
<b>Deferred inflows of resources:</b>			
Unavailable revenues	2,654,073	-	-
Total deferred inflows of resources	<u>2,654,073</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>			
Nonspendable:			
Prepaid items	48,231	-	-
Loans to Successor Agency	8,058,478	-	-
Inventories	52,313	-	-
Restricted:			
Low-moderate income housing	-	-	-
Public safety	-	-	-
Public works	-	-	694,835
Community development	-	-	-
Community services	-	315	-
Employment and training	-	-	-
Assigned:			
Public works	-	-	-
Unassigned	6,265,883	-	-
Total fund balances	<u>14,424,905</u>	<u>315</u>	<u>694,835</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,795,643</u>	<u>\$ 1,048,832</u>	<u>\$ 4,644,845</u>

See Accompanying Notes to Financial Statements.

<b>Other Nonmajor Funds</b>	<b>Total Governmental Funds</b>
\$ 12,032,390	\$ 16,895,818
-	3,809,877
20,195	49,611
-	48,231
758	4,904,315
1,364,257	6,856,014
-	240,234
616,908	10,667,415
-	52,313
\$ 14,034,508	\$ 43,523,828

\$ 480,722	\$ 1,533,419
147,813	2,137,371
6,000	12,250
450,080	4,903,557
-	673,854
-	3,400,000
110,883	250,239
1,195,498	12,910,690
79,190	2,733,263
79,190	2,733,263

-	48,231
-	8,058,478
-	52,313
388,186	388,186
1,497,599	1,497,599
2,693,908	3,388,743
2,288,729	2,288,729
-	315
35,202	35,202
5,856,196	5,856,196
-	6,265,883
12,759,820	27,879,875
\$ 14,034,508	\$ 43,523,828

**CITY OF LA HABRA**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2014**

Total fund balances, governmental funds \$ 27,879,875

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 124,964,483	
Accumulated depreciation	<u>(43,950,976)</u>	81,013,507

Internal service funds are used by management to charge the costs of certain activities, such as risk management and fleet management, to individual funds. The assets and liabilities of the internal service funds, other than certain assets and liabilities of the Civic Improvement Authority which are business-activity related, are included in governmental activities in the statement of net position. 8,860,061

Certain receivables are not available to pay for current period expenditures and therefore, are reported as unavailable revenues in the governmental funds. However, these revenues are reported in the governmental activities. 2,733,263

Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.

Energy loan	\$ (432,476)	
Energy capital lease	(693,341)	
Notes payable	(340,405)	
Compensated absences	(2,767,898)	
Net OPEB obligation	<u>(2,174,000)</u>	
		<u>(6,408,120)</u>

Net position of governmental activities \$ 114,078,586

See Accompanying Notes to Financial Statements.



**CITY OF LA HABRA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	<b>Major Funds</b>		
	<b>General</b>	<b>Child Development Special Revenue Fund</b>	<b>Measure M Special Revenue Fund</b>
<b>Revenues:</b>			
Property taxes and special assessments	\$ 13,235,491	\$ -	\$ -
Sales and use tax	9,491,508	-	-
Transaction and use tax	4,567,116	-	-
Franchise tax	1,592,572	-	-
Intergovernmental	84,906	5,944,503	1,893,700
Licenses and permits	1,036,830	-	-
Charges for services	4,434,020	70,165	-
Fines, forfeitures, and penalties	1,030,240	-	-
Use of money and property	2,241,778	248	510
Total revenues	<u>37,714,461</u>	<u>6,014,916</u>	<u>1,894,210</u>
<b>Expenditures:</b>			
Current:			
General government	2,794,902	-	-
Public safety	23,100,493	-	-
Public works	3,043,202	-	903,593
Employment and training	-	-	-
Community services	2,748,813	5,992,712	-
Community development	2,942,041	-	-
Capital outlay	112,914	34,885	998,446
Debt service:			
Principal retirement	179,283	-	-
Interest and other charges	53,508	-	-
Total expenditures	<u>34,975,156</u>	<u>6,027,597</u>	<u>1,902,039</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,739,305</u>	<u>(12,681)</u>	<u>(7,829)</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	-	-
Transfers out	(2,764,128)	-	-
Total other financing sources (uses)	<u>(2,764,128)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(24,823)	(12,681)	(7,829)
Fund balances, beginning of year	14,449,728	12,996	702,664
Fund balances, end of year	<u>\$ 14,424,905</u>	<u>\$ 315</u>	<u>\$ 694,835</u>

See Accompanying Notes to Financial Statements.

<b>Other Nonmajor Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 13,235,491
-	9,491,508
-	4,567,116
-	1,592,572
4,755,111	12,678,220
186,325	1,223,155
29,494	4,533,679
-	1,030,240
65,992	2,308,528
5,036,922	50,660,509
164,318	2,959,220
993,833	24,094,326
264,546	4,211,341
344,972	344,972
-	8,741,525
1,589,668	4,531,709
4,206,987	5,353,232
51,142	230,425
17,495	71,003
7,632,961	50,537,753
(2,596,039)	122,756
1,814,128	1,814,128
(169,401)	(2,933,529)
1,644,727	(1,119,401)
(951,312)	(996,645)
13,711,132	28,876,520
\$ 12,759,820	\$ 27,879,875

**CITY OF LA HABRA**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2014**

Net change in fund balances - total governmental funds: \$ (996,645)

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 cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay	\$ 5,353,232	
Capital outlay not capitalized, therefore reclassified to general government expense	(31,683)	
Depreciation expense	<u>(3,670,371)</u>	1,651,178

The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term liabilities and related items.

Debt service - principal	\$ 195,071	
Increase in compensated absences	224,111	
Increase in OPEB obligation	<u>(458,000)</u>	(38,818)

Some revenues in statement of activities that do not provide current financial resources are not reported as revenues in the funds. 328,788

Accrued interest payable applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as fund liabilities. The statement of net position includes accrued interest. 69,735

Internal service funds are used by management to charge the costs of certain activities, such as risk management and fleet management, to individual funds. The net expense of the internal service funds is reported with governmental activities. 319,452

Extraordinary loss from the dissolution of former redevelopment agency (1,224,331)

Change in net position of governmental activities \$ 109,359

See Accompanying Notes to Financial Statements.





**CITY OF LA HABRA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Major Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Housing Authority</b>
<b>Assets:</b>			
Current assets:			
Cash and investments	\$ 5,568,647	\$ 3,766,071	\$ 2,614,973
Accounts receivable, net	1,795,628	214,764	20,733
Interest receivable	10,850	7,477	5,212
Prepaid items	15,649	-	20,279
Due from other governments	-	-	-
Inventory	121,306	-	-
Total current assets	<u>7,512,080</u>	<u>3,988,312</u>	<u>2,661,197</u>
Noncurrent assets:			
Cash and investments with fiscal agents	4,979,814	-	1,085,342
Advances to other funds	-	-	1,600,000
Loans to Successor Agency	-	-	-
Prepaid insurance costs	-	-	269,969
Investment in water rights stock	15,829,617	-	-
Land held for resale	-	-	115,000
Capital assets, net	36,327,704	4,686,873	12,917,414
Total noncurrent assets	<u>57,137,135</u>	<u>4,686,873</u>	<u>15,987,725</u>
Total assets	<u>64,649,215</u>	<u>8,675,185</u>	<u>18,648,922</u>
<b>Deferred outflows of resources:</b>			
Unamortized loss on refunding of debt	57,640	-	1,573,783
Total deferred outflows of resources	<u>57,640</u>	<u>-</u>	<u>1,573,783</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	2,008,631	16,711	-
Accrued liabilities	93,445	24,772	8,563
Accrued interest	359,122	-	240,629
Deposits payable	230,150	-	16,500
Due to other funds	-	-	758
Due to Successor Agency	-	-	549
Certificates of participation, current	-	-	300,000
Water revenue bonds, current	735,000	-	-
Compensated absences	-	-	-
Total current liabilities	<u>3,426,348</u>	<u>41,483</u>	<u>566,999</u>
Noncurrent liabilities:			
Advances from other funds	-	-	-
Claims payable	-	-	-
Certificates of participation	-	-	14,492,948
Water revenue bonds	39,617,412	-	-
Pollution remediation liability	-	-	-
Total noncurrent liabilities	<u>39,617,412</u>	<u>-</u>	<u>14,492,948</u>
Total liabilities	<u>43,043,760</u>	<u>41,483</u>	<u>15,059,947</u>
<b>Net position:</b>			
Net investment in capital assets	12,944,527	4,686,873	783,591
Restricted	-	-	-
Unrestricted	8,718,568	3,946,829	4,379,167
Total net position	<u>\$ 21,663,095</u>	<u>\$ 8,633,702</u>	<u>\$ 5,162,758</u>

Adjustment to reflect consolidation of internal service fund activities to related enterprise funds

Net position of business-type activities

See Accompanying Notes to Financial Statements.

**Business-Type Activities -  
Enterprise Funds**

<u>Other Nonmajor Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 6,525,408	\$ 18,475,099	\$ 10,031,131
499,107	2,530,232	705,817
12,545	36,084	17,440
32,826	68,754	121
105,819	105,819	11,071
-	121,306	44,305
<u>7,175,705</u>	<u>21,337,294</u>	<u>10,809,885</u>
-	6,065,156	474,224
-	1,600,000	3,400,000
-	-	591,214
-	269,969	-
-	15,829,617	-
-	115,000	-
<u>3,616,533</u>	<u>57,548,524</u>	<u>2,311,656</u>
<u>3,616,533</u>	<u>81,428,266</u>	<u>6,777,094</u>
<u>10,792,238</u>	<u>102,765,560</u>	<u>17,586,979</u>
-	1,631,423	238,165
-	1,631,423	238,165
271,930	2,297,272	920,755
19,241	146,021	89,482
-	599,751	56,974
1,000	247,650	-
-	758	-
-	549	-
-	300,000	310,000
-	735,000	-
-	-	1,293,279
<u>292,171</u>	<u>4,327,001</u>	<u>2,670,490</u>
1,600,000	1,600,000	-
-	-	2,786,581
-	14,492,948	3,071,531
-	39,617,412	-
<u>2,300,000</u>	<u>2,300,000</u>	<u>-</u>
<u>3,900,000</u>	<u>58,010,360</u>	<u>5,858,112</u>
<u>4,192,171</u>	<u>62,337,361</u>	<u>8,528,602</u>
3,616,533	22,031,524	2,311,656
1,288,543	1,288,543	-
1,694,991	18,739,555	6,984,886
<u>\$ 6,600,067</u>	<u>42,059,622</u>	<u>\$ 9,296,542</u>
	436,481	
	<u>\$ 42,496,103</u>	

**CITY OF LA HABRA**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Major Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Housing Authority</b>
<b>Operating revenues:</b>			
Water sales	\$ 13,529,368	\$ -	\$ -
Charges for services	144,352	1,617,818	1,569,054
Intergovernmental	-	5,000	8,867
Total operating revenues	<u>13,673,720</u>	<u>1,622,818</u>	<u>1,577,921</u>
<b>Operating expenses:</b>			
Water and materials	3,167,875	-	-
Contractual services	821,452	73,802	140,854
Wages and fringe benefits	1,536,531	441,109	240,938
Benefits and claims	-	-	-
Equipment and maintenance	336,359	304,954	165,174
Materials and supplies	172,202	18,015	-
Utilities	492,573	-	71,271
Depreciation	1,126,156	239,470	40,608
Administration	2,095,267	850,613	159,380
Total operating expenses	<u>9,748,415</u>	<u>1,927,963</u>	<u>818,225</u>
Operating income (loss)	<u>3,925,305</u>	<u>(305,145)</u>	<u>759,696</u>
<b>Nonoperating revenues (expenses):</b>			
Interest income	39,458	24,858	33,138
Other nonoperating revenues	339,929	-	-
Gain (loss) on sale of asset	-	-	-
Gain (loss) on sale of investments	8,729	1,963	1,370
Debt issuance costs	(243,021)	-	-
Interest (expense)	(1,933,096)	-	(810,833)
Total nonoperating revenues (expenses)	<u>(1,788,001)</u>	<u>26,821</u>	<u>(776,325)</u>
Income (loss) before transfers	2,137,304	(278,324)	(16,629)
Transfers in	158,110	-	-
Transfers out	(430,597)	(70,055)	-
Change in net position	<u>1,864,817</u>	<u>(348,379)</u>	<u>(16,629)</u>
Net position, beginning of year, as previously reported	20,063,654	8,982,081	5,471,440
Change in accounting principle	(265,376)	-	(292,053)
Net position, beginning of year, as restated	<u>19,798,278</u>	<u>8,982,081</u>	<u>5,179,387</u>
Net position, end of year	<u>\$ 21,663,095</u>	<u>\$ 8,633,702</u>	<u>\$ 5,162,758</u>

Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds.  
Change in net position of business-type activities

See Accompanying Notes to Financial Statements.

**Business-Type Activities -  
Enterprise Funds**

<b>Other Nonmajor Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
\$ -	\$ 13,529,368	\$ -
6,243,667	9,574,891	4,823,157
116,964	130,831	-
<u>6,360,631</u>	<u>23,235,090</u>	<u>4,823,157</u>
-	3,167,875	-
3,300,694	4,336,802	669,817
460,876	2,679,454	2,053,059
-	-	706,625
145,619	952,106	567,097
30,848	221,065	603,182
322,620	886,464	171,375
103,842	1,510,076	403,979
1,633,387	4,738,647	799,130
<u>5,997,886</u>	<u>18,492,489</u>	<u>5,974,264</u>
362,745	4,742,601	(1,151,107)
38,751	136,205	263,000
-	339,929	-
-	-	23,602
4,003	16,065	20,386
-	(243,021)	-
-	(2,743,929)	(317,474)
<u>42,754</u>	<u>(2,494,751)</u>	<u>(10,486)</u>
405,499	2,247,850	(1,161,593)
42,488	200,598	1,528,758
(109,303)	(609,955)	-
<u>338,684</u>	<u>1,838,493</u>	<u>367,165</u>
6,261,383	-	9,234,407
-	-	(305,030)
<u>6,261,383</u>	-	<u>8,929,377</u>
<u>\$ 6,600,067</u>	-	<u>\$ 9,296,542</u>
	47,713	
	<u>\$ 1,886,206</u>	

**CITY OF LA HABRA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Major Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Housing Authority</b>
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 13,198,167	\$ 1,666,237	\$ 529,408
Receipts from interfund services provided	-	-	1,032,280
Payments to suppliers	(3,811,586)	(343,816)	(323,498)
Cash paid for interfund services provided	(2,120,114)	(929,765)	(221,093)
Payments to employees	(1,511,891)	(432,973)	(237,519)
Net cash provided by (used in) operating activities	<u>5,754,576</u>	<u>(40,317)</u>	<u>779,578</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers to other funds	(430,597)	(70,055)	-
Transfers from other funds	158,110	-	-
Receipts of advances to other funds	-	-	-
Proceeds of line of credit	3,790,092	-	-
Principal paid on line of credit	(11,931,781)	-	-
Receipts of due from other funds	-	-	1,212
Net cash provided by (used in) noncapital financing activities	<u>(8,414,176)</u>	<u>(70,055)</u>	<u>1,212</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	(1,876,928)	(70,096)	-
Proceeds from sale of capital assets	-	-	-
Proceeds of debts	21,292,460	-	-
Issuance costs paid on capital debt	(243,021)	-	-
Principal paid on capital debt	(285,000)	-	(295,000)
Payments of advances from other funds	(6,075,000)	-	-
Payment to escrow agent to refund capital debt	(58,950)	-	-
Interest paid on capital debt	(1,482,188)	-	(728,412)
Net cash provided by (used in) capital and related financing activities	<u>11,271,373</u>	<u>(70,096)</u>	<u>(1,023,412)</u>
<b>Cash flows from investing activities:</b>			
Net (purchase) sales of investments	(3,478,771)	1,963	1,370
Interest on investments	37,624	27,062	34,674
Net cash provided by (used in) investing activities	<u>(3,441,147)</u>	<u>29,025</u>	<u>36,044</u>
Net increase (decrease) in cash and cash equivalents	5,170,626	(151,443)	(206,578)
Cash and cash equivalents, beginning of year	5,377,835	3,917,514	3,906,893
Cash and cash equivalents, end of year	<u>\$ 10,548,461</u>	<u>\$ 3,766,071</u>	<u>\$ 3,700,315</u>

See Accompanying Notes to Financial Statements.

**Business-Type Activities -  
Enterprise Funds**

<b>Other Nonmajor Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
\$ 6,226,818	\$ 21,620,630	\$ 64,184
232,495	1,264,775	4,057,576
(4,934,377)	(9,413,277)	(2,571,236)
(642,913)	(3,913,885)	(15,480)
(460,295)	(2,642,678)	(2,002,817)
<hr/>	<hr/>	<hr/>
421,728	6,915,565	(467,773)
<hr/>	<hr/>	<hr/>
(109,303)	(609,955)	-
42,488	200,598	1,528,758
-	-	6,365,000
-	3,790,092	-
-	(11,931,781)	-
-	1,212	-
<hr/>	<hr/>	<hr/>
(66,815)	(8,549,834)	7,893,758
<hr/>	<hr/>	<hr/>
(271,850)	(2,218,874)	(634,160)
-	-	23,602
-	21,292,460	-
-	(243,021)	-
-	(580,000)	(6,365,000)
-	(6,075,000)	-
-	(58,950)	-
-	(2,210,600)	(338,440)
<hr/>	<hr/>	<hr/>
(271,850)	9,906,015	(7,313,998)
<hr/>	<hr/>	<hr/>
4,003	(3,471,435)	20,386
41,843	141,203	265,729
<hr/>	<hr/>	<hr/>
45,846	(3,330,232)	286,115
<hr/>	<hr/>	<hr/>
128,909	4,941,514	398,102
6,396,499	19,598,741	10,107,253
<hr/>	<hr/>	<hr/>
\$ 6,525,408	\$ 24,540,255	\$ 10,505,355
<hr/>	<hr/>	<hr/>

(Continued)

**CITY OF LA HABRA**  
**Statement of Cash Flows**  
**Proprietary Funds (Continued)**  
**For the Year Ended June 30, 2014**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Major Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Housing Authority</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ 3,925,305	\$ (305,145)	\$ 759,696
Adjustments to Reconcile			
Operating Income (Loss) to Net Cash			
Provided by (Used in) Operating Activities:			
Depreciation	1,126,156	239,470	40,608
Change in Assets and Liabilities:			
(Increase) decrease in receivables	(481,953)	43,419	(20,733)
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in inventory	(49,768)	-	-
(Increase) decrease in prepaid items	-	-	(4,829)
Increase (decrease) in accrued liabilities and accounts payable	1,228,436	(18,061)	336
Increase (decrease) in deposits payable	6,400	-	4,500
Increase (decrease) in compensated absences	-	-	-
Total adjustments	<u>1,829,271</u>	<u>264,828</u>	<u>19,882</u>
Net cash provided by (used in) operating activities	<u>\$ 5,754,576</u>	<u>\$ (40,317)</u>	<u>\$ 779,578</u>
<b>Noncash Capital and Related Financing Transactions</b>			
Amortization of unamortized loss on refunding of debt	\$ 1,310	\$ -	\$ 64,372
Amortization of bond discount (premium)	(33,429)	-	9,443
Amortization of prepaid insurance cost related to bonds	-	-	10,317
Capital expenses funded by accounts payable	338,901	-	-

See Accompanying Notes to Financial Statements.



**Business-Type Activities -  
Enterprise Funds**

<u>Other Nonmajor Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 362,745	\$ 4,742,601	\$ (1,151,107)
103,842	1,510,076	403,979
127,678	(331,589)	(703,305)
(28,996)	(28,996)	1,908
-	(49,768)	434
(2,296)	(7,125)	59,213
(141,245)	1,069,466	910,202
-	10,900	-
-	-	10,903
<u>58,983</u>	<u>2,172,964</u>	<u>683,334</u>
<u>\$ 421,728</u>	<u>\$ 6,915,565</u>	<u>\$ (467,773)</u>
\$ -	\$ 65,682	\$ 29,163
-	(23,986)	2,260
-	10,317	-
-	-	-

**CITY OF LA HABRA**  
**Statement of Fiduciary Net Position**  
**June 30, 2014**

	<b>Private-Purpose Trust Fund</b>	<b>Agency Fund</b>
<b>Assets:</b>		
Current assets:		
Cash and investments	\$ 1,704,317	\$ 10,968,312
Cash and investments with fiscal agent	1,020,989	-
Accounts receivable	1,140	-
Interest receivable	-	21,972
Due from City of La Habra	674,403	-
Total current assets	3,400,849	10,990,284
Noncurrent assets:		
Land held for resale	3,000,000	-
Capital assets, net	7,106,645	-
Total noncurrent assets	10,106,645	-
 Total assets	 13,507,494	 \$ 10,990,284
 <b>Liabilities:</b>		
Current liabilities:		
Accounts payable	475,941	\$ 39,021
Accrued liabilities	2,240	14,211
Deposits	-	10,937,052
Due to City of La Habra	240,234	-
Notes payable	140,261	-
Bonds payable	450,000	-
Total current liabilities	1,308,676	10,990,284
Noncurrent liabilities:		
Loans due to City of La Habra	11,258,629	-
Notes payable	741,643	-
Bonds payable	7,005,000	-
Total noncurrent liabilities	19,005,272	-
 Total liabilities	 20,313,948	 \$ 10,990,284
 <b>Net Position (Deficit):</b>		
Held in trust for redevelopment dissolution	\$ (6,806,454)	

See Accompanying Notes to Financial Statements.

**CITY OF LA HABRA**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2014**

	<u>Private-Purpose Trust Fund</u>
<b>Additions:</b>	
Taxes	\$ 2,704,664
Other revenues	379,643
Total additions	<u>3,084,307</u>
<b>Deductions:</b>	
Program expenses	589,209
Administrative expenses	505,813
Interest and fiscal agency expenses	766,371
Total deductions	<u>1,861,393</u>
Extraordinary gain from dissolution of the redevelopment agency	<u>1,224,331</u>
Change in net position	2,447,245
<b>Net Position (deficit) held in trust:</b>	
Beginning of year	(9,253,699)
End of year	<u><u>\$ (6,806,454)</u></u>

See Accompanying Notes to Financial Statements.



**NOTES TO FINANCIAL STATEMENTS**



**CITY OF LA HABRA**  
**Notes to Financial Statements**  
**June 30, 2014**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Reporting Entity**

The City of La Habra, California (City), was incorporated in 1925 under the general laws of the State of California. The City operates under an elected Council/City Manager form of government. The City's major operations include police and fire protection, public works, parks, recreation, and certain social services and general administration services. In addition, the City operates three major enterprise activities comprising water, sewer and housing authority.

Accounting principles generally accepted in the United States of America require that these financial statements represent the City and its component units. The component units discussed below are included in the City's reporting entity because of their operational significance or financial relationships with the City. All component units included in the reporting entity report their financial information on a fiscal year ending June 30. These component units are controlled by common governing boards comprised of all City Council members and are presented as blended component units for financial reporting purposes as follows:

The La Habra Civic Improvement Authority (Authority) was formed by a joint exercise of powers agreement between the City and the former Redevelopment Agency of the City of La Habra (former Redevelopment Agency) (now the Successor Agency to the Redevelopment Agency of the City of La Habra) in September 1982. The purpose of the agreement is to provide a single public agency to acquire property for both the City and the former Agency. Separate financial statements are not prepared for this blended component unit.

The City of La Habra Housing Authority (Housing Authority) was formed on September 23, 1992, by resolution of the City Council. The purpose of the Housing Authority is to assist the City in financing the acquisition and construction of low and moderate income housing projects within the City. Separate financial statements are not prepared for this blended component unit.

The Utility Authority of the City of La Habra (Utility Authority) was formed on January 16, 2007, and began legal operation on July 1, 2007. The Utility Authority was formed by the City to maintain and operate the City's Water and Sewer systems. The Utility Authority is responsible for establishing utility rates, performing routine system maintenance, establishing and executing necessary capital improvement plans, purchasing and selling water, and performing other necessary utility system operations. Separately issued financial statements for the Utility Authority may be obtained through written request to the City Department of Finance.

**Fiduciary Component Unit**

The Successor Agency to the Redevelopment Agency of the City of La Habra (Successor Agency) is a separate legal entity, which was formed to hold the assets and liabilities of the former Redevelopment Agency pursuant to City Council actions taken on January 12, 2012. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City as Successor Agency of the former Redevelopment Agency. The nature and significance of the relationship between the City and the Successor Agency is such that it would be misleading to exclude the

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

Successor Agency from the City's financial statements. The Successor Agency is presented herein in the City's fiduciary fund statements as a private-purpose trust fund. Separate financial statements are not prepared for this component unit. See footnote (3)(d) for further detail regarding the dissolution.

***(b) Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its blended component units. As a general rule, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support. Exceptions to this general rule are charges between the government's enterprise activity functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not classified as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

***(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, have no measurement focus because they report only assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. Basis of accounting refers to when revenues and expenses are recognized in the accounts and are reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.



**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues from property, sales and other taxes and fees to be available if they are collected within 60 days of the end of the current fiscal period; grant revenues are considered to be available if collected within 365 days of the end of the grant period; and other revenues are considered to be available if collected within 365 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other post-employment benefits (OPEB), claims and judgments are recorded only when payment is due.

The City has categorized the Measure M Special Revenue Fund and Sewer Enterprise Fund as major funds for public benefit reasons. The City believes that these judgmentally determined major funds are particularly important to the financial statement users.

Governmental fund types are those funds through which most governmental functions typically are financed. The following comprise the City's major governmental funds:

***General Fund***

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important activities of the City, including operation of the City's general service departments; street and highway maintenance, public safety, parks and recreation programs are accounted for in this fund.

***Child Development Special Revenue Fund***

The Child Development Special Revenue Fund is used to account for financial resources to be used for various childcare and childcare food programs. Financing is provided through state and federal grants.

***Measure M Special Revenue Fund***

The Measure M Special Revenue Fund is used to account for financial resources to be used for various capital and street improvements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

The City reports the following major enterprise funds:

***Water Fund***

The Water Fund accounts for activities associated with the distribution and transmission of potable water to users.

***Sewer Fund***

The Sewer Fund accounts for all revenue and expenses of the sanitary sewer system. This enterprise activity, including maintenance, replacement, and improvement of capital projects, serves all residents of the City.

***Housing Authority Fund***

The Housing Authority Fund accounts for all revenue and expenses relating to the Housing Authority's activities.

Additionally, the City reports the following:

The internal service funds account for financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The following funds are included in this fund type:

The Fleet Management Fund accounts for the financing of the fuel, maintenance, and operation of motor vehicles owned by the City. Departments using vehicles are charged an annual amount for fuel, maintenance, and operation based on their actual experience.

The Risk Management Fund accounts for claim settlements, administrative costs, and the reserve trust fund established for future losses from liability suits; workers' compensation claims and medical, disability, and rehabilitation payments; legal and administrative costs; and the reserve trust fund established for future losses from industrial injury. This self-insurance fund is financed by departmental premiums based on historical experience.

The Information Technology Fund accounts for the provision of telephone and data technology services. The departments using these services are charged fees based on the number of telephones and computers assigned to each department.

The Civic Improvement Authority Fund accounts for all revenue and expenses of the separate legal entity as a joint powers agency by the City and the former Redevelopment Agency on September 14, 1982. Financing is mainly through the issuances of Certificates of Participation and Revenue Bonds used for the acquisition of equipment to be leased to the City. Additionally, until the dissolution of the former Redevelopment Agency, the Authority had purchased real property which produced rental income until it was included in a redevelopment project.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

The Fleet Replacement Fund accounts for the financing of vehicles and similar types of equipment. The departments using these vehicles and equipment are charged a “rental fee” composed of depreciation calculated on the straight-line basis plus an additional amount sufficient to finance the replacement of said vehicles and equipment.

The Employee Benefits Fund accounts for the payments and reserves for compensated absences. The departments with the respective employees are charged as benefit is used.

The Other Post Employment Benefit Set-aside Fund accounts for set-aside money to fund future other post employment benefit other than pension.

Fiduciary fund types are accounted for on the accrual basis of accounting as are proprietary funds explained above. These types of funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. The City reports the following fiduciary funds, which are excluded from the government-wide financial statements:

a. Agency Fund

The Agency Fund accounts for public deposits on a variety of City services held by the City as an agent for others. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

b. Private-Purpose Trust Fund

The Private-Purpose Trust Fund accounts for the custodial responsibilities that are assigned to the Successor Agency pursuant to the Dissolution Act.

**(d) *Assets, Liabilities, and Net Position***

***1. Deposits and investments***

The City pools idle cash from all funds in order to maximize income from investment activities. Investments are recorded on the City’s books at fair value (quoted market price or best available estimate thereof) in accordance with GASB Statement No. 31, except for nonparticipating investments (i.e. investment contracts) which are recorded at cost. Interest income on investments is recorded in the General Fund, except for that allocated to enterprise funds and where specifically required by law to be recorded in other funds.

The City’s cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City owns approximately 30% and 65%, respectively, of the outstanding common stock and preferred stock of a mutual water company (investment in water rights stock) at June 30, 2014, and has valued this investment at cost as this stock does not have a readily determinable value and does not meet the requirements of accounting under the equity method (see Note 2e). Cost is the amount of the City’s basis in an investment less any distributions. Investments at cost are analyzed for impairment to determine if events or changes in circumstances indicate the carrying amount of the investment may not be

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

recoverable. An investment is impaired and a loss is recognized in the period when a decline in its fair value below the amortized cost basis is other than temporary. Investment gains and losses are recognized when the investment is sold. Investment earnings, including interest and dividends, are recognized in the period earned.

**2. *Statement of Cash Flows***

For purposes of the statement of cash flows of the proprietary fund types, cash and cash equivalents include all pooled cash and investments and cash with fiscal agents with an original maturity of three months or less. The City considers the cash and investment pool to be a demand deposit account where funds may be withdrawn and deposited at any time without prior notice or penalty.

**3. *Receivables***

Interest receivable – The City accrues interest earned but not yet received.

Accounts receivable and due from other governments – These balances are comprised primarily of revenues that have already been earned but not yet received by the City as of June 30, 2014, from individual customers, private entities and government agencies. In addition, this includes accrued revenues due from other governmental agencies for expenditure driven types of grants whereby the City accrues grant revenues for expenditures incurred but not yet reimbursed by the grantors. Management determines the allowance for doubtful accounts by evaluating individual customer accounts for all balances over 60 days old. The allowance for doubtful accounts is adjusted at fiscal year end based on the amount equal to the annual uncollectible accounts. Utility customer closed accounts are written off when deemed uncollectible. Recoveries to utility customer receivables previously written off are recorded when received. For non-utility accounts receivables, delinquent notices for 30 days are sent to customers with outstanding balances. After 60 days, accounts still outstanding are forwarded to a collection company.

**4. *Interfund Transactions***

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are allocable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended are separately reported in the respective funds' operating statements.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

Activity between funds that is representative of lending/borrowing arrangements at the end of the fiscal year is referred to as “due to/from other funds” or “advances to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statement of net position as “internal balances.”

**5. *Taxes Receivable***

Real property taxes are levied for the period beginning on July 1 to June 30 against property owners of record on January 1. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01 a.m. on the first day of January in the fiscal year for which the taxes are levied. Under the provisions of NCGA Interpretation 3, property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the fiscal year in the governmental fund financial statements.

**6. *Inventories, Prepaid Items and Land Held for Resale***

Inventory reported in governmental funds is valued at cost using the first in, first out (FIFO) method. The cost is recorded as an expense as inventory items are consumed. Inventory in the proprietary funds consists of expendable supplies and water held for consumption.

Land held for resale is valued at the lower of cost or estimated net realizable value as determined upon the execution of a disposition and development agreement and is recorded in the City’s Low and Moderate Income Housing Assets capital projects fund, the Housing Authority enterprise fund, and the Successor Agency fiduciary fund.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**7. *Capital Assets***

Capital assets, which include land, buildings and improvements, vehicles, improvements other than buildings, property and equipment, and infrastructure assets (e.g. roads, bridges, traffic signals, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the respective proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General, Special Revenue and Capital Project Funds and as assets in the government-wide financial statements to the extent the City’s capitalization threshold is met. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset’s useful life is not capitalized.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. The estimated useful lives of depreciable assets are as follows:

<u>Type of Asset</u>	<u>Life in Years</u>
Sewer:	
Main	40
Lateral	40
Manholes	40
Water:	
Pumping equipment	20-25
Reservoirs and mains	40
Meters and hydrants	30
Telemetry	25
Autos and trucks	2-15
Machinery and equipment	3-20
Buildings and improvements	5-40
Infrastructure	30-50
Improvements other than buildings	5-20

**8. *Compensated Absences***

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. Sick leave is payable when used, or upon death or retirement.

For governmental fund types, the amount of accumulated unpaid vacation and sick leave, which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations. For government-wide and proprietary fund statements, the liability for compensated absences is recognized as incurred.

**9. *Unearned Revenue***

Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

**10. *Unavailable Revenue***

Unavailable revenue arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources (revenue) in the period that the amounts become available.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

***11. Long-Term Obligations***

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended when incurred.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***12. Budgets and Encumbrances***

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The government's department head, with approval of the Director of Finance & Administrative Services and City Manager, may make transfers of appropriations within a department. Transfers of appropriations between departments within a fund must be approved by the City Manager. Transfers between funds must be approved by the City Council; therefore, the legal level of budgetary control is at the fund level. The council made several supplemental budgetary appropriations throughout the year.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as restricted, committed, or assigned fund balances and do not constitute expenditures or liabilities, because the commitments will be reappropriated and honored during the subsequent year.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

**13. Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources and is categorized as net investment in capital assets, restricted and unrestricted for the government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets, excluding unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**14. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**15. Implementation of Pronouncements**

The City has adopted and implemented the following GASB Statements during the year ended June 30, 2014:

- GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. The implementation of this Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As of July 1, 2013, the City adopted the provisions of GASB Statement No. 65 and restated the beginning net position of the governmental activities and business-type activities in the amounts of \$118,796 and \$743,663 respectively, to write off unamortized bond issuance costs previously reported as an asset. In addition, the remaining unamortized loss on refunding was reclassified to deferred outflows of resources.
- GASB Statement No. 66 – *Technical Corrections-2012-an Amendment of GASB Statements No. 10 and No. 62*. The implementation of this Statement did not impact the financial statements of the City during the year ended June 30, 2014.
- GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this Statement did not impact the financial statements of the City during the year ended June 30, 2014.

The effects on the City's previously issued June 30, 2013 financial statements due to the implementation of GASB No. 65 are summarized as follows:



**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

**Business-type Activities:**

<b>Statement of Net Position Balances as of June 30, 2013</b>	<b>Previously Reported Balance</b>	<b>Increase (Decrease)</b>	<b>Balance as Restated</b>
Deferred charges	\$ 1,023,949	\$ (743,663)	\$ 280,286
Total assets	16,084,836	(743,663)	15,341,173
Ending net position	41,353,560	(743,663)	40,609,897

**Water Enterprise Fund:**

<b>Statement of Net Position Balances as of June 30, 2013</b>	<b>Previously Reported Balance</b>	<b>Increase (Decrease)</b>	<b>Balance as Restated</b>
Deferred charges	\$ 265,376	\$ (265,376)	\$ -
Total assets	54,633,237	(265,376)	54,367,861
Ending net position	20,063,654	(265,376)	19,798,278

**Housing Authority Enterprise Fund:**

<b>Statement of Net Position Balances as of June 30, 2013</b>	<b>Previously Reported Balance</b>	<b>Increase (Decrease)</b>	<b>Balance as Restated</b>
Deferred charges	\$ 572,339	\$ (292,053)	\$ 280,286
Total assets	19,174,452	(292,053)	18,882,399
Ending net position	5,471,440	(292,053)	5,179,387

**Governmental Activities:**

<b>Statement of Net Position Balances as of June 30, 2013</b>	<b>Previously Reported Balance</b>	<b>Increase (Decrease)</b>	<b>Balance as Restated</b>
Deferred charges	\$ 118,796	\$ (118,796)	\$ -
Total assets	132,172,094	(118,796)	132,053,298
Ending net position	114,088,023	(118,796)	113,969,227

**Civic Improvement Authority Internal Service Fund:**

<b>Statement of Net Position Balances as of June 30, 2013</b>	<b>Previously Reported Balance</b>	<b>Increase (Decrease)</b>	<b>Balance as Restated</b>
Deferred charges	\$ 305,030	* \$ (305,030)	\$ -
Total assets	11,736,720	(305,030)	11,431,690
Ending net position	1,883,085	(305,030)	1,578,055

\* \$118,796 of \$305,030 deferred charges in Civic Improvement Authority Internal Service Fund relates to governmental activities. The remaining \$186,234 relates to business-type activities.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

***16. Pronouncements Issued but Not Yet Adopted***

GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City, except that GASB Statements No. 68, No. 71, and No. 75 will have an effect on the City's net position; however, management has not calculated that effect.

- GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The provisions of this Statement are effective for fiscal years ending June 30, 2015.
- GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The provisions of this Statement are effective for fiscal years ending June 30, 2015.
- GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The provisions of this Statement are effective simultaneously with the provisions of GASB No. 68.
- GASB Statement No. 72 – *Fair Value measurement and Application*. The provisions of this Statement are effective for fiscal years ending June 30, 2016.
- GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions of this Statement are effective for fiscal years ending June 30, 2016.
- GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions of this Statement are effective for fiscal years ending June 30, 2017.
- GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions of this Statement are effective for fiscal years ending June 30, 2018.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

**(2) DETAILED NOTES ON ALL FUNDS**

**(a) Cash and Investments**

Cash and investments at June 30, 2014, consist of the following:

<b>Statement of net position:</b>	
Cash and investments	\$ 45,402,048
Cash and investments with fiscal agents	6,539,380
<b>Fiduciary funds:</b>	
Cash and investments	12,672,629
Cash and investments with fiscal agents	1,020,989
Total	\$ 65,635,046

Cash and investments at June 30, 2014 are classified as follows:

Petty cash	\$ 1,825
Deposits with financial institutions	14,652,802
Investments:	
City pool	43,420,050
Held by fiscal agent	7,560,369
Total cash and investments	\$ 65,635,046

The City maintains a cash and investment pool that is available for use by all funds. Each fund's share of the pool balance is reported in the financial statements as cash and investments. Separate cash and investment accounts are not maintained for each City fund; however, individual accounting records are maintained showing the balance attributable to each fund. Investment income resulting from this pooling is allocated to the respective funds based on the sources of funds invested as required by law.

***Investments Authorized by the California Government Code and the City of La Habra Adopted Investment Policy***

The table below identifies the investment types that are authorized for the City of La Habra by the California Government Code and by the City's adopted investment policy. The table also identifies certain provisions of the California Government Code or the City's adopted investment policy, where more restrictive, that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City or its Authorities, rather than the general provisions of the California Government Code or the City's adopted investment policy.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
City or City Agency Bonds	5 years	10%	None
U.S. Treasury Obligations	5 years	100%	None
State of California Obligations	5 years	20%	None
California Local Agency Bonds	5 years	20%	None
U.S. Agency Obligations	5 years	100%	10% *
Bankers' Acceptance	180 days	20% *	5% *
Commercial Paper	270 days	25%	5% *
Negotiable CDs	5 years	20% *	5% *
Time Certificates of Deposit	5 years	100%	None
Repurchase Agreements	90 days *	100%	None
Medium Term Notes	5 years	20 % *	5% *
Money Market Funds	N/A	20% *	10%*
Local Agency Investment Fund (LAIF)	N/A	100%	\$50 million per account

\* Represents where the City's investment policy is more restrictive than the California Government Code:

- U.S. Agency Obligations – The California Government Code allows a city to invest 100% of its portfolio in a single issuer of this investment type.
- Bankers' Acceptance – The California Government Code allows a city to invest up to 40% of its portfolio and up to 30% in a single issuer.
- Commercial Paper – The California Government Code allows a city to invest up to 10% of its portfolio in in a single issuer.
- Negotiable CDs – The California Government Code allows a city to invest up to 30% of its portfolio and up to 30% in a single issuer.
- Repurchase Agreements – The California Government Code allows a city to invest in repurchase agreements with a maximum maturity of 92 days.
- Medium Term Notes – The California Government Code allows a city to invest up to 30% of its portfolio and up to 30% in a single issuer.
- Money Market Funds – The California Government Code allows a city to invest up to 30% of its portfolio and up to 30% in a single issuer.

***Investments Authorized by Debt Agreements***

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the general investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
Federal Housing Administration Debentures	None	None	None
U.S. Agency Securities	None	None	None
Unsecured CDs, Time Deposits and Bankers' Acceptance	30 days	None	None
FDIC Insured Bank Deposits	None	None	None
Commercial Paper	270 days	None	None
Money Market Funds	N/A	None	None
State Obligations	None	None	None
Pre-funded Municipal Obligations	None	None	None
Repurchase Agreements	90 days	None	None
Investment Agreements	None	None	None
Local Agency Investment Fund (LAIF)	None	None	\$50 million per account

***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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investment to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity, except for fiscal agent investments which are reported in a separate section below:

<u>Investment Types</u>	<u>Amount</u>	<u>Remaining Maturity</u>		
		<u>Less Than 1 Year</u>	<u>1 to 3 Years</u>	<u>3 to 5 Years</u>
U.S. Treasury obligations	\$ 8,561,913	\$ 481,012	\$ 3,552,827	\$ 4,528,074
U.S. agency obligations	16,084,836	4,468,922	6,975,138	4,640,776
Corporate medium-term notes	5,150,457	1,001,445	1,452,302	2,696,710
Money market funds	443,081	443,081	-	-
LAIF	13,179,763	13,179,763	-	-
Total	<u>\$ 43,420,050</u>	<u>\$ 19,574,223</u>	<u>\$ 11,980,267</u>	<u>\$ 11,865,560</u>

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

***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. Presented below is the minimum rating required by the California Government Code or the City's investment policy, and the actual rating as of year end for each investment type, except for fiscal agent investments which are reported in a separate section below.

Investment Types	Amount	Minimum Legal Rating	Standard & Poor's Rating as of Year End (where applicable)				
			Exempt from Disclosure	AAA	AA	A	Not Rated
U.S. Treasury obligations	\$ 8,561,913	N/A	\$ 8,561,913	\$ -	\$ -	\$ -	\$ -
U.S. agency obligations	16,084,836	N/A	-	-	16,084,836	-	-
Corporate medium-term notes	5,150,457	A	-	-	2,868,240	2,282,217	-
Money market funds	443,081	AAA	-	443,081	-	-	-
LAIF	13,179,763	Not Rated	-	-	-	-	13,179,763
	<u>\$ 43,420,050</u>		<u>\$ 8,561,913</u>	<u>\$ 443,081</u>	<u>\$ 18,953,076</u>	<u>\$ 2,282,217</u>	<u>\$ 13,179,763</u>

***Concentration of Credit Risk***

The City's investment policy contains certain limitations as disclosed in the accompanying table on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The distribution of investments, by issuer that represents 5% or more of the City's investments is as follows:

Issuer Name	Investment Type	Reported Amount
U.S. Treasury obligations <sup>(1)</sup>	U.S. Treasury obligations <sup>(1)</sup>	\$ 8,561,913
U.S. agency obligations	Federal Farm Credit Bank	1,606,422
U.S. agency obligations	Federal Home Loan Mortgage Corp.	4,901,814
U.S. agency obligations	Federal National Mortgage Association	6,112,932
U.S. agency obligations	Federal Home Loan Bank	3,463,668

<sup>(1)</sup> Exempt from disclosure

***Custodial Credit Risk***

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 its 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 (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's deposits were not subject to custodial credit risk at June 30, 2014.

***Interest Rate Risk and Credit Risk for Investments Held by Fiscal Agents***

The following table lists the investment holdings of City issued bond transactions:

**Cash and Investments Held by Fiscal Agents**  
**(1998 Series A, B, and C COPs, 2000 Tax Allocation Bonds, 2010 Series A COPs, 2010 Revenue Bonds, and 2013 Revenue Bonds )**

<b>Investment Type</b>	<b>Reported Amount</b>	<b>Maturity</b>	<b>Rating</b>
Money market	\$ 6,526,909	Less than 1 year	AAA
Investment contracts:			
Westdeutsche Landesbank	395,460	9/1/2022	Not Rated
Negotiable Certificates of deposit	98,000	5/28/2015	Not Rated
Negotiable Certificates of deposit	98,000	6/4/2015	Not Rated
Negotiable Certificates of deposit	98,000	6/25/2015	Not Rated
Negotiable Certificates of deposit	148,000	7/30/2015	Not Rated
Negotiable Certificates of deposit	98,000	7/7/2015	Not Rated
Negotiable Certificates of deposit	98,000	7/9/2015	Not Rated
	<u>\$ 7,560,369</u>		

***Investment Contracts with Fiscal Agents***

The City has an investment contract held by trustees pledged to the payment or security of certain bonds. The investment contract represents monies invested with Westdeutsche Landesbank Girozentrale (WLG) out of New York City, New York, carried at cost. Pursuant to the Custody Agreement, WLG has posted collateral securities with the Custodian acting on behalf of the City. In the unlikely event of a payment default by WLG, the Custodian would liquidate the collateral securities, resulting in the City receiving 100% of its invested funds. The City receives semiannual interest payments each March 1 and September 1 at annual rates of 5.69% and 5.90%. The investment agreements expire September 1, 2022, at which time all unpaid principal will be remitted to the City. This investment is not insured.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

***Investment in State Investment Pool***

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) 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 LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF as of June 30, 2014, was \$21.1 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2014, had a balance of \$64.8 billion, of that amount, 1.86% was invested in medium-term and short-term structured notes and asset-backed securities. At June 30, 2014, these investments matured in an average of 232 days.

**(b) *Receivables***

Receivables of the City as of June 30, 2014, are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Accounts receivable:</b>			
Property taxes	\$ 156,812	\$ -	\$ 156,812
Sales taxes	2,241,454	-	2,241,454
Child care grants	281,558	-	281,558
Water sales	-	1,890,405	1,890,405
Sewer sales	-	214,764	214,764
Refuse sales	-	391,150	391,150
Franchise fees	418,354	-	418,354
Leases	-	82,809	82,809
Others	1,417,516	45,881	1,463,397
Total accounts receivable	<u>4,515,694</u>	<u>2,625,009</u>	<u>7,140,703</u>
Less allowance for uncollectible accounts	<u>-</u>	<u>(94,777)</u>	<u>(94,777)</u>
Total receivables	<u><u>\$ 4,515,694</u></u>	<u><u>\$ 2,530,232</u></u>	<u><u>\$ 7,045,926</u></u>



**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

**(c) Interfund Receivables, Payables and Transfers**

***Due To and Due From***

The composition of interfund balances as of June 30, 2014 is as follows:

<b>Due To</b>	<b>Due From</b>				<b>Totals</b>
	Child Development Special Revenue Fund	Measure M Special Revenue Fund	Nonmajor Governmental Funds	Housing Authority Enterprise Fund	
General Fund	\$ 593,766	\$ 3,859,711	\$ 450,080	\$ -	\$ 4,903,557
Nonmajor Governmental Funds	-	-	-	758	758
<b>Totals</b>	<b>\$ 593,766</b>	<b>\$ 3,859,711</b>	<b>\$ 450,080</b>	<b>\$ 758</b>	<b>\$ 4,904,315</b>

The interfund receivables and payables balances represent routine and temporary cash flow assistance.

***Advances To and Advances From***

The composition of interfund advances as of June 30, 2014 is as follows:

<b>Advances From</b>	<b>Advances To</b>		<b>Totals</b>
	General Fund	Nonmajor Enterprise Funds	
Housing Authority Enterprise Fund	\$ -	\$ 1,600,000	\$ 1,600,000
Internal Service Funds	3,400,000	-	3,400,000
<b>Totals</b>	<b>\$ 3,400,000</b>	<b>\$ 1,600,000</b>	<b>\$ 5,000,000</b>

- On July 1, 2003, the Housing Authority entered into a promissory note with the La Habra Mobile Home Lease Enterprise Fund in the amount of \$2,000,000 for necessary capital improvements at the two City owned Mobile Home parks. The repayment should be made from net rent and other revenues received by the Mobile Home Lease Enterprise Fund from its operation of the Mobile Home parks, as they become available. The current interest rate is 0%. At June 30, 2014, the outstanding balance of the advance was 1,600,000.
- On September 15, 1998, the Authority issued the Certificates of Participation Series B and C in an aggregate amount of \$6,705,000. The certificates are payable from lease payments made by the General Fund to the Authority. The outstanding balance at June 30, 2014 is \$3,400,000.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

*Interfund loans consist of loans as follows:*

<b>Loans to Successor Agency Private-Purpose Trust Fund</b>	<b>Loans due to City of La Habra</b>
	Successor Agency Private-Purpose Trust Fund
General Fund	\$ 10,050,507
Nonmajor	
Governmental Funds	616,908
Internal Service Funds	591,214
Totals	\$ 11,258,629

- As of June 30, 1992, the former Redevelopment Agency had borrowed an aggregate amount of \$5.7 million from the General Fund. From that date through September 1998, the balance of the advances, excluding unpaid interest of \$1,319,247, from the City totaled \$6,705,000, representing \$5,640,000 from the Series B Tax-Exempt Certificates and \$1,065,000 from the Series C Tax Certificates. On September 15, 1998, a loan agreement was entered into between the City and the former Redevelopment Agency whereby the former Redevelopment Agency would repay these advances in annual principal installments of between \$160,000 and \$455,000, plus interest of between 4.0% and 6.5%, maturing in 2022. In addition, any installment of principal or interest which was not paid when due would continue to accrue interest at 6.5% per annum. In October 2000, the agreement was amended to account for the former Redevelopment Agency's available cash flow, whereby the amount of the annual payments will be contingent upon the amount of the former Redevelopment Agency's available cash flow (i.e. the former Redevelopment Agency's ability to make scheduled payments). Outstanding amounts as of January 31, 2012, the date the former Redevelopment Agency was dissolved in accordance with California Assembly Bill X1 26 (AB X1 26), were transferred to the Successor Agency. At June 30, 2014, the outstanding balance of the advance was \$7,885,303. The total accrued interest included in the balance is \$1,826,823. See Note (3)(d) for further details regarding this loan.
  
- As authorized by State Assembly Bill (AB) 26 4x, the former Redevelopment Agency suspended its required 20% set-aside deposit of total annual tax increment into the Low and Moderate Income Housing Set-Aside (LMIH) fund for fiscal year 2010. These funds were used to pay the former Redevelopment Agency's required supplemental Education Revenue Augmentation Fund (SERAF) obligation to the County. On January 31, 2012, the dissolution date of the former Redevelopment Agency, outstanding payable amounts were transferred to the Successor Agency and the related receivable was transferred to the Housing Successor's Low-Moderate Income Housing Assets capital projects fund. Principal repayment is due on or before June 30, 2015 and interest is calculated based on the State's Pooled Money Investment Account's (PMIA) Average Monthly Effective Yields. At June 30, 2014, the outstanding balance of the advance was \$616,908, which included accrued interest of \$4,940.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

- In August 2007, the General Fund advanced the former Redevelopment Agency \$2,000,000, at an interest rate of 9%, towards the purchase of a building and land. Outstanding amounts as of January 31, 2012, the date the former Redevelopment Agency was dissolved in accordance with AB X1 26, were transferred to the Successor Agency. In addition, the accumulated interest on the remaining principal amount of the loan was recalculated from origination at the interest rate earned by funds deposited into the LAIF in accordance with AB 1484. At June 30, 2014, the outstanding balance of the advance was \$2,165,204. The total accrued interest included in the balance was \$165,204.
- As of June 30, 2014, the Successor Agency had an outstanding payable balance of \$591,214 owed to the Civic Improvement Authority. There are no repayment terms on these advances, and the current interest rate is 0%.

***Interfund Transfers***

The composition of interfund transfers for the year ended June 30, 2014, is as follows:

<b>Transfers Out</b>	<b>Transfers In</b>				<b>Total</b>
	<b>Nonmajor Governmental Funds</b>	<b>Water Enterprise Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Internal Service Funds</b>	
General Fund	\$ 1,814,128	\$ -	\$ -	\$ 950,000	\$ 2,764,128
Water Enterprise Fund	-	-	21,240	409,357	430,597
Sewer Enterprise Fund	-	53,807	16,248	-	70,055
Nonmajor Governmental Funds	-	-	-	169,401	169,401
Nonmajor Enterprise Funds	-	104,303	5,000	-	109,303
	<u>\$ 1,814,128</u>	<u>\$ 158,110</u>	<u>\$ 42,488</u>	<u>\$ 1,528,758</u>	<u>\$ 3,543,484</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and, 2) move receipts collected in debt service to other funds after debt service requirements have been met.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

**(d) Capital Assets**

The following is a summary of changes in capital assets for the year ended June 30, 2014:

	<u>Balance at July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2014</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 8,426,783	\$ -	\$ -	\$ 8,426,783
Construction in progress	332,920	3,264,757	129,737	3,467,940
Total capital assets not being depreciated	<u>8,759,703</u>	<u>3,264,757</u>	<u>129,737</u>	<u>11,894,723</u>
Capital assets being depreciated:				
Land improvements	6,968,404	-	-	6,968,404
Buildings and improvements	17,155,014	55,954	-	17,210,968
Improvements other than buildings	1,133,296	-	-	1,133,296
Machinery and equipment	7,562,356	606,693	403,678	7,765,371
Autos and trucks	4,397,961	365,328	328,760	4,434,529
Infrastructure	81,677,293	1,792,714	-	83,470,007
Total capital assets being depreciated	<u>118,894,324</u>	<u>2,820,689</u>	<u>732,438</u>	<u>120,982,575</u>
<b>Less accumulated depreciation for:</b>				
Land improvements	1,952,988	291,993	-	2,244,981
Buildings and improvements	7,335,017	414,097	-	7,749,114
Improvements other than buildings	928,023	5,270	-	933,293
Machinery and equipment	4,248,320	350,211	403,678	4,194,853
Autos and trucks	3,328,151	226,470	328,760	3,225,861
Infrastructure	28,417,724	2,786,309	-	31,204,033
Total accumulated depreciation	<u>46,210,223</u>	<u>4,074,350</u>	<u>732,438</u>	<u>49,552,135</u>
Total capital assets being depreciated, net	<u>72,684,101</u>	<u>(1,253,661)</u>	<u>-</u>	<u>71,430,440</u>
Governmental activities capital assets, net	<u>\$ 81,443,804</u>	<u>\$ 2,011,096</u>	<u>\$ 129,737</u>	<u>\$ 83,325,163</u>

Depreciation expense was charged to functions of the governmental activities as follows:

Governmental activities:	
General government	\$ 45,124
Public safety	411,033
Public works	3,219,517
Community services	373,250
Community development	25,426
Total depreciation expense, Governmental Activities	<u>\$ 4,074,350</u>

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

	<b>Balance at July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at June 30, 2014</b>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 12,800,000	\$ -	\$ -	\$ 12,800,000
Construction in progress	1,143,031		1,143,031	-
Total capital assets not being depreciated	<u>13,943,031</u>	<u>-</u>	<u>1,143,031</u>	<u>12,800,000</u>
Capital assets being depreciated:				
Buildings and improvements	5,141,477	-	-	5,141,477
Improvements other than buildings	253,490	-	-	253,490
Machinery and equipment	1,721,695	-	-	1,721,695
Autos and trucks	257,402	-	-	257,402
Infrastructure	61,235,649	3,700,806	-	64,936,455
Total capital assets being depreciated	<u>68,609,713</u>	<u>3,700,806</u>	<u>-</u>	<u>72,310,519</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	4,687,638	62,684	-	4,750,322
Improvements other than buildings	250,381	12,081	-	262,462
Machinery and equipment	542,749	111,604	-	654,353
Autos and trucks	175,191	18,060	-	193,251
Infrastructure	20,395,960	1,305,647	-	21,701,607
Total accumulated depreciation	<u>26,051,919</u>	<u>1,510,076</u>	<u>-</u>	<u>27,561,995</u>
Total capital assets being depreciated, net	<u>42,557,794</u>	<u>2,190,730</u>	<u>-</u>	<u>44,748,524</u>
Business-type activities capital assets, net	<u>\$ 56,500,825</u>	<u>\$ 2,190,730</u>	<u>\$ 1,143,031</u>	<u>\$ 57,548,524</u>

Depreciation expense was charged to functions of the business-type activities as follows:

Business-type activities:	
Water	\$ 1,126,156
Sewer	239,470
Housing Authority	40,608
Refuse	12,748
Children's Museum	34,942
Mobile Home Lease	56,152
Total depreciation expense, Business-type Activities	<u>\$ 1,510,076</u>

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

	<b>Balance at July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at June 30, 2014</b>
<b>Private-Purpose Trust Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,387,022	\$ -	\$ -	\$ 1,387,022
Total capital assets not being depreciated	1,387,022	-	-	1,387,022
Capital assets being depreciated:				
Buildings and improvements	3,051,338	-	-	3,051,338
Infrastructure	3,971,268	-	-	3,971,268
Total capital assets being depreciated	7,022,606	-	-	7,022,606
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	152,568	76,284	-	228,852
Infrastructure	941,755	132,376	-	1,074,131
Total accumulated depreciation	1,094,323	208,660	-	1,302,983
Total capital assets being depreciated, net	5,928,283	(208,660)	-	5,719,623
Private-Purpose Trust Activities capital assets, net	<u>\$ 7,315,305</u>	<u>\$ (208,660)</u>	<u>\$ -</u>	<u>\$ 7,106,645</u>

**(e) Investment in Water Rights Stock**

The Utility Authority currently imports approximately 60% of its water from two major suppliers: California Domestic Water Company (Cal Domestic) and the Metropolitan Water District (MWD). Since October 2008, the Utility Authority has been purchasing shares of water rights stock from Cal Domestic to secure the purchase of water at a discounted rate known as an “entitlement” rate each year from the Main San Gabriel Basin. The Utility Authority owns two classes of stock: Capital Stock and Class A Preferred Stock. Currently, a share of Capital Stock represents the right to purchase approximately 1.55 acre feet (AF) of water and a share of Class A Preferred Stock represents the right to purchase 1 AF of water. At June 30, 2014, the Utility Authority owned 2,330.25 shares of Capital Stock and 912.85 shares of Class A Preferred Stock. The Utility Authority has valued its investment in water rights stock at approximately \$15.8 million, which represents cost and does not intend to sell its interest in Cal Domestic.

**(f) Line of Credit**

The Utility Authority entered into a \$15,000,000 line of credit agreement with Bank of the West on December 22, 2011, for the purpose of financing the purchase of additional shares of Class A Preferred Stock from Cal Domestic. Bank advances on the line of credit carry an interest rate equal to LIBOR plus 2.00%. On October 22, 2013, the Utility Authority issued \$20,210,000 of Water Revenue Bonds, Series 2013A and used a portion of these proceeds to pay off the outstanding balance of \$11,931,781 resulting in no outstanding balances on the line of credit. The line of credit expired on November 30, 2013.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

**(g) Long-Term Liabilities**

The following is a summary of the changes in the long-term liabilities for the year ended June 30, 2014:

	Balance at July 1, 2013	Increases	Decreases	Balance at June 30, 2014	Due within One Year
<b>Governmental activities:</b>					
Energy loan agreement	\$ 518,682	\$ -	\$ 86,206	\$ 432,476	\$ 89,645
Energy capital lease agreement	751,064	-	57,723	693,341	102,362
Note Payable (Lowell Joint School District)	391,547	-	51,142	340,405	53,625
Compensated absences *	4,274,385	2,445,577	2,658,785	4,061,177	1,293,279
Internal service funds included in governmental activities:					
1998 Certificates of Participation, Series B	3,065,000	-	245,000	2,820,000	260,000
1998 Certificates of Participation, Series C	625,000	-	45,000	580,000	50,000
Less unamortized discount	(20,729)	-	(2,260)	(18,469)	-
Total long-term debt of governmental activities	<u>\$ 9,604,949</u>	<u>\$ 2,445,577</u>	<u>\$ 3,141,596</u>	<u>\$ 8,908,930</u>	<u>\$ 1,848,911</u>
<b>Business-type activities:</b>					
2010 Refunding Certificates of Participation, Series A	\$ 15,335,000	\$ -	\$ 295,000	\$ 15,040,000	\$ 300,000
2010 Revenue Bonds, Series A&B	19,130,000	-	285,000	18,845,000	300,000
2013 Revenue Bonds, Series A	-	20,210,000	-	20,210,000	435,000
Internal service funds included in business-type activities:					
2003 Revenue Bond, Series A	6,075,000	-	6,075,000	-	-
	40,540,000	20,210,000	6,655,000	54,095,000	1,035,000
Add unamortized premium	248,381	1,082,460	33,429	1,297,412	-
Less unamortized discount	(256,495)	-	(9,443)	(247,052)	-
Total long-term debt of business-type activities	<u>\$ 40,531,886</u>	<u>\$ 21,292,460</u>	<u>\$ 6,678,986</u>	<u>\$ 55,145,360</u>	<u>\$ 1,035,000</u>
<b>Private-purpose trust activities:</b>					
1999 refunding special tax bonds	\$ 1,540,000	-	185,000	1,355,000	195,000
2000 tax allocation bonds	6,345,000	-	245,000	6,100,000	255,000
Note Payable (Howard's Appliances)	1,101,955	-	220,051	881,904	140,261
Total long-term debt of private-purpose trust activities	<u>\$ 8,986,955</u>	<u>\$ -</u>	<u>\$ 650,051</u>	<u>\$ 8,336,904</u>	<u>\$ 590,261</u>

\* The portion of compensated absences due within one year is reported in the Internal Service Employee Benefit fund. All compensated absences are expended out of each of the respective funds that the payroll time was allocated to during that payroll period.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

**I. Governmental Activities**

***Energy Loan Agreement and Energy Capital Lease Agreement***

During the fiscal year ended June 30, 2003, Chevron Energy Solutions Company (Chevron) conducted a study of the City's energy use. Based on that study, in March 2004 the City and Chevron Energy Solutions Company entered into a service contract whereby Chevron would construct and install approximately \$2.3 million of energy saving solutions for the City. These solutions include lighting, motors, tiller systems, air conditioners, controllers, and control systems in both City buildings and on other City property (i.e. parks and streets).

To pay for these solutions, the City entered into a \$1,080,000 loan agreement and a separate \$1,273,390 capital lease agreement for the acquisition of buildings and improvements. The loan agreement is due in 28 semiannual installments of \$52,981, payments beginning on December 22, 2005. The capital lease agreement calls for 62 quarterly payments ranging from \$22,581 to \$38,999, ending on November 11, 2020. The City remitted a total of \$105,854 and \$126,937 for principal and interest on the loan and capital lease, respectively, during the year ended June 30, 2014.

<b>Fiscal Year Ending June 30</b>	<b>Energy Loan</b>		<b>Energy Capital Lease</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 89,645	\$ 16,209	\$ 102,362	\$ 29,517
2016	93,189	12,665	112,222	24,747
2017	96,938	8,916	122,689	19,523
2018	100,805	5,049	133,794	13,817
2019	51,899	1,028	145,573	7,600
2020	-	-	76,701	1,297
Totals	<u>\$ 432,476</u>	<u>\$ 43,867</u>	<u>\$ 693,341</u>	<u>\$ 96,501</u>

***Notes Payable***

The City has a note payable to the Lowell Joint School District that bears interest at 4.75% per annum and is secured by a deed of trust. The note payable calls for monthly payments of \$5,720, including interest, and expires in February 2020. The source of repayment is the General Fund. The outstanding balance at June 30, 2014 was \$340,405.

***1998 Certificates of Participation, Series B and C***

On September 15, 1998, the Civic Improvement Authority issued Certificates of Participation, Series B and C (Refunding Certificates) in an aggregate amount of \$6,705,000 with variable and fixed interest rates ranging from 4% to 6.5% to advance refund \$5,105,000 of outstanding 1992 Tax Allocation Revenue Bonds (Refunding Bonds), with interest rates ranging from 4.75% to 7.6%. The certificates mature in various annual amounts through September 1, 2022, and are payable from lease payments made by the City to the Authority as defined in the lease agreement. Lease payments are to be paid by the City in each rental period for and in consideration of the right to use and occupy the properties during each such period. Pledged lease payment received during the year ended June 30, 2014, was \$468,908 and was used against the total debt service payments of \$468,908. The outstanding balance at June 30, 2014 was \$3,400,000.



**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

**2. Business-Type Activities**

***2010 Refunding Certificates of Participation, Series A***

On March 25, 2010, the Housing Authority issued Certificates of Participation, Series A (Certificates) in an aggregate amount of \$15,910,000 with interest rates ranging from 1.00% to 5.25% to provide funds to refund on a current basis the outstanding 1998 Refunding Certificates of Participation, Series A (1998 Certificates), with interest rates ranging from 4% to 4.8%. The Certificates mature in varying annual amounts through September 1, 2040. Lease payments are to be paid by the city in each rental period for and in consideration of the right to use and occupy the properties during each such period. The outstanding balance at June 30, 2014 was \$15,040,000.

***2010 Water Revenue Bonds, Series A and Series B***

On December 1, 2010, the Utility Authority issued Water Revenue Bonds, Series A and B in an aggregate amount of \$19,675,000 with interest rates ranging from 2.00% to 7.55% to finance future capital improvements. The bonds mature in various annual amounts through November 2040 and are secured by a pledge of net income and revenues reported in the Water Enterprise Fund. Net revenue recognized during the year ended June 30, 2014, was \$5,083,058 against the total debt service payment of \$1,542,080. Principal is payable annually on each November 1, commencing November 1, 2011. Interest is payable semiannually on each May 1 and November 1, commencing May 1, 2011. The outstanding balance at June 30, 2014 was \$18,845,000.

***2013 Water Revenue Bonds, Series A***

On October 22, 2013, the Utility Authority issued \$20,210,000 of Water Revenue Bonds, Series 2013A and used the proceeds to 1) pay off the outstanding balance of the line of credit of \$11,931,781, 2) refund the Series 2003 Bonds (except the 2003 Bonds maturing on November 1, 2013 in the amount of \$180,000) in the amount of \$5,895,000, 3) finance additional improvements to the water system and, 4) pay the costs of issuance in connection with the issuance and sale of the Series 2013 Bonds. As a result, the refunded 2003 revenue bonds are considered to be defeased and the liability has been removed from the Business-Type Activities column of the Statement of Net Position. This current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of 2,922,827 and increased total debt service payments over the next 20 years by \$2,733,529. The bonds mature in various annual amounts through November 2043 and are secured by a pledge of net income and revenues reported in the Water Enterprise Fund. Net revenue recognized during the year ended June 30, 2014 was \$5,083,058 against the total debt service payment of \$479,693. Principal is payable annually on each November 1, commencing November 1, 2014. Interest is payable semiannually on each May 1 and November 1, commencing May 1, 2014 with interest rates ranging from 2.00% to 5.00%. The outstanding balance at June 30, 2014 was \$20,210,000.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

**3. *Private-Purpose Trust Activities***

***1999 Refunding Special Tax Bonds***

On July 1, 1999, the Community Facilities District of the Agency issued 1999 Special Tax Bonds (Refunding Bonds) in the amount of \$3,185,000 at interest rates ranging from 4.25% to 6% to advance refund \$3,250,000 of outstanding 1990 Special Tax Bonds (Refunded Bonds) with interest rates ranging from 7% to 7.75%. The bonds are secured primarily by a pledge of all special tax revenues levied on taxable real property with the District. Special tax revenues are defined as the special taxes levied by the former Redevelopment Agency within the District. In addition, the former Redevelopment Agency has committed, through an Owner Participation Agreement, to subsidize the special taxes payable on the Refunding Bonds with incremental property taxes. These revenues have been pledged until the year 2019, the final maturity date of the bonds. The total principal and interest remaining on the bonds is \$1,612,550, the approximate amount of revenue pledged. Special tax revenue recognized during the year ended June 30, 2014 was \$290,614 as against the total debt service payments of \$271,850. The outstanding balance at June 30, 2014 was \$1,355,000.

***2000 Tax Allocation Bonds***

On November 1, 2000, the former Redevelopment Agency issued Tax Allocation Bonds in an aggregate amount of \$8,000,000 with variable and fixed interest rates ranging from 4.5% to 5.875% to finance the Agency's redevelopment activities. The bonds mature in various annual amounts through October 1, 2032 and are secured and to be serviced from tax increment revenues of the former Redevelopment Agency. All tax increment revenues are the security for bonds. The total principal and interest remaining on the bonds is \$9,818,444 the approximate amount of revenue pledged. Pledged tax increment revenue recognized during the year ended June 30, 2014 was \$2,704,664 as against the total debt service payments of \$603,510. The outstanding balance at June 30, 2014 was \$6,100,000.

***Notes Payable***

On July 23, 2010, the former Redevelopment Agency purchased property from the Howard's Appliances, Inc. and issued a note payable in the amount of \$1,450,000. The note bears interest at 6.00% per annum and is secured by a deed of trust. The note payable calls for annual payments of \$193,176, including interest, and matures in June 2020. The outstanding balance at June 30, 2013 was \$881,904.

Upon the dissolution of the former Redevelopment Agency on January 31, 2012, the outstanding balances of the former Redevelopment Agency's obligations were transferred to the Successor Agency. The future payments of these obligations are subject to the Recognized Obligation Payment Schedule (ROPS) review and approval process by the California Department of Finance (DOF).

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

At June 30, 2014, annual debt service requirements to maturity for long-term debt, excluding accrued compensated absences, are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities		Private-Purpose Activities	
	Principal	Interest	Principal	Interest*	Principal	Interest
2015	555,631	224,973	1,035,000	2,880,486	590,261	473,651
2016	586,639	198,303	1,050,000	2,853,649	618,677	439,095
2017	618,585	169,911	1,085,000	2,821,599	647,598	402,712
2018	651,419	139,964	1,120,000	2,783,152	627,054	365,891
2019	637,294	108,293	1,170,000	2,738,792	662,077	328,458
2020-2024	1,816,654	180,068	6,635,000	12,952,746	1,866,237	1,220,081
2025-2029	-	-	8,435,000	11,143,144	1,685,000	727,337
2030-2034	-	-	10,685,000	8,515,934	1,640,000	199,456
2035-2039	-	-	13,800,000	4,914,922	-	-
2040-2044	-	-	9,080,000	842,805	-	-
	4,866,222	1,021,512	54,095,000	52,447,229	8,336,904	4,156,681
Unamortized premium	-	-	1,297,412	(1,297,412)	-	-
Unamortized discount	(18,469)	18,469	(247,052)	247,052	-	-
Totals	<u>\$ 4,847,753</u>	<u>\$ 1,039,981</u>	<u>\$ 55,145,360</u>	<u>\$ 51,396,869</u>	<u>\$ 8,336,904</u>	<u>\$ 4,156,681</u>

\* Interest is before the Federal subsidy for the 2010 Water Revenue Bonds, Series B. The total expected subsidy is \$7,919,973 through 2041.

**(h) Fund Balances**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for government funds are made up of the following:

- **Nonspendable Fund Balance** – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- **Restricted Fund Balance** – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- **Committed Fund Balance** – includes amounts that can only be used for the specific purposes determined by a formal action (i.e., resolution or ordinance) 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. There were no committed fund balances at June 30, 2014.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

- Assigned Fund Balance – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Council body by delegating the authority to assign amounts to be used for specific purposes.
- Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In the General Fund, the City has designated \$1,629,512 as an operating reserve, in accordance with the City’s General Fund Operating Reserve Policy. This amount may only be used for one-time operating expenditures, upon authorization from the City Manager and approval by the City Council. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When both restricted and unrestricted resources are available for an incurred expenditure, it is the City’s policy to spend restricted resources first then unrestricted resources, as necessary. When unrestricted resources are available for incurred expenditures, it is the City’s policy to use committed amounts first, followed by assigned amounts and then unassigned amounts.

**(3) OTHER INFORMATION**

*(a) Pension Plan*

*Plan Description*

The City’s defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries of the Miscellaneous Plan of the City of La Habra. The Miscellaneous Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. The City also contributes to the Safety Plan, a cost sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries of the Safety Police Plan of the City of La Habra. A menu of benefit provisions, as well as other requirements, is established by State statutes within the Public Employees’ Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

***Funding Policy***

Participants are required to contribute 7% and 9% for miscellaneous and safety employees, respectively, of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate for FY 13/14 was 12.571% and 34.808% of annual covered payroll for miscellaneous and safety employees. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013.

Key components of the legislation are as follows:

- Establishes PEPRA which applies to all public employers and public pension plans on and after January 1, 2013 (except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payment from being counted as compensation; and
- Increases retirement age for all new public employees.

Active plan members in the miscellaneous plan of the City are required to contribute 6.75% of reportable compensation for a 2.0% at 62 retirement plan under PEPRA. Active plan members in the safety plan of the City are required to contribute 12.25% of reportable compensation for a 2.7% at 57 retirement plan under PEPRA. The member rates will be reviewed once a year when the actuarial valuations of the plans are performed.

The required employer contribution rates for fiscal year ended June 30, 2014 under PEPRA are the same as the employer contribution rates for existing miscellaneous employees and public safety employees.

The funded status of the plan is based on the June 30, 2013 actuarial valuation as follows:

<b>Retirement Plan</b>	<b>Accrued Liability</b>	<b>Actuarial Value of Assets</b>	<b>Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Actuarial Accrued Liability % of Payroll</b>
Miscellaneous	\$ 82,504,534	\$ 66,088,714	\$ 16,415,820	80.1%	\$ 12,108,476	135.6%
Safety	129,545,841	95,548,730	33,997,111	73.8%	5,197,793	654.1%
2nd Tier Safety	43,514	34,308	9,206	78.8%	189,636	4.9%
PEPRA Safety	983	1,443	(460)	146.8%	182,096	-0.3%

The schedule of funding progress presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

As required by State law, effective July 1, 2005, the City's Safety Plan (agent-employer) was terminated, and the employees in this Plan were required by CalPERS to join a new State-wide cost-sharing pool. One of the conditions of entry to this pool was that the City true-up any unfunded actuarial liabilities of the former Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CalPERS. The City satisfied its Plan's unfunded actuarial liabilities by contributing to the Side Fund through additions to its normal contribution rate. The Side Fund amortization rate for the year ended June 30, 2014 was 6.931%, and was included as part of the City's required employer contribution rate. As of the June 30, 2013 actuarial valuation (most current valuation available), the estimated Safety Plan's Side Fund's liability was \$6,304,898.

***Annual Pension Cost***

For the year ended June 30, 2014, the City's annual pension cost for its miscellaneous and safety plans of \$4,870,486 with CalPERS was equal to the City's required and actual contributions. The required contribution was determined as part of the actuarial valuation, June 30, 2011, using the entry age normal cost method. The actuarial assumptions included a) 7.50% investment rate of return (net of administrative expenses); b) projected salary increases ranging from 3.30% to 14.20% depending on age, duration of service, and type of employment; and c) 3.00% per year cost-of-living adjustments. Both a) and b) included an inflation component of 2.75%. The actuarial assumptions used for the funded status are the same as those used to determine the annual required contribution.

The information presented below is the latest available.

<b>Three-Year Trend Information for PERS</b>			
<b>Fiscal Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
<u>Miscellaneous Plan</u>			
6/30/2012	\$ 2,231,449	100%	\$ -0-
6/30/2013	2,219,217	100%	-0-
6/30/2014	2,369,665	100%	-0-

<b>Three-Year Trend Information for PERS</b>			
<b>Fiscal Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
<u>Safety Plan</u>			
6/30/2012	\$ 2,501,967	100%	\$ -0-
6/30/2013	2,328,436	100%	-0-
6/30/2014	2,500,821	100%	-0-

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year period with direct rate smoothing with a 5-year ramp up-/ramp down. If the plans' accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

The City's employer contribution rate for miscellaneous employees is estimated to increase to approximately 13.521% and 14.757% for the fiscal years 2014-2015 and 2015-2016, respectively. Also, the City's employer contribution rate for safety employees is estimated to increase to approximately 36.998% and 20.230% plus \$1,795,525 of unfunded liability for the fiscal years 2014-2015 and 2015-2016, respectively.

**(b) *Post Employment Benefits***

***Plan Description***

The City of La Habra Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the City. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its management employees, and unions representing City employees.

The City provides retiree medical benefits through the California Public Employees' Retirement System healthcare program (PEMHCA) administered by the CalPERS. The City contributes the PEMHCA minimum for eligible retirees and surviving spouses. The City additionally contributes \$200 monthly to two eligible Fire Union retirees until age 65. The City also provides full medical coverage for life under a special agreement to one annuitant and dependents. No dental, vision, or life insurance benefits are provided. As of June 30, 2012, the date of the most recent actuarial valuation available, plan membership consisted of 298 active participants and 144 retirees and beneficiaries, 74 of who are currently receiving benefits. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

***Funding Policy***

There is no statutory requirement for the City to prefund its OPEB obligation. The City has currently chosen to pay plan benefits on a pay-as-you-go basis. There are no employee contributions. The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. For fiscal year 2013-2014, the City paid approximately \$131,000 for retiree healthcare plan benefits.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

***Annual OPEB Cost and Net OPEB Obligation***

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's Net OPEB obligation:

Annual required contribution	\$ 672,000
Interest on net OPEB obligation	66,000
Adjustment to annual required contribution	<u>(149,000)</u>
Annual OPEB cost (expense)	589,000
Contributions (benefit payments)	<u>(131,000)</u>
Increase in net OPEB obligation	458,000
Net OPEB obligation - beginning of year	<u>1,716,000</u>
Net OPEB obligation - end of year	<u><u>\$ 2,174,000</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2012 through 2014 are as follows:

<b>Fiscal Year</b>	<b>Annual</b>	<b>Percentage of</b>	<b>Net OPEB</b>
<b>Ended</b>	<b>OPEB Cost</b>	<b>Annual OPEB</b>	<b>Obligation</b>
<b>-----</b>	<b>-----</b>	<b>Cost Contributed</b>	<b>-----</b>
6/30/2014	\$ 589,000	22.2%	\$2,174,000
6/30/2013	556,000	24.6%	1,716,000
6/30/2012	474,000	26.4%	1,297,000

***Funded Status and Funding Progress***

The funded status of the plan as of June 30, 2012, the plan's most recent actuarial valuation date was as follows:

Actuarial accrued liability (AAL)	\$ 5,879,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	5,879,000
Fund ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active Plan members)	16,525,000
UAAL as a percentage of covered payroll	35.6%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

In addition to funding current year liabilities, the City has established an internal service fund to begin addressing its long-term unfunded OPEB liability and will annually add to this fund when funding becomes available. As of June 30, 2014, the City's OPEB internal service fund had unrestricted net position of approximately \$757,448.

***Actuarial Methods and Assumption***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment return on City investments, an annual healthcare cost trend rate of 8.0% to 8.3% initially, which varies by the Medicare eligibility, reduced by decrements to an ultimate rate of 5.0% after 8 years, a 3% general inflation assumption and an annual PEMHCA minimum increase rate of 4.5% after 2012. The UAAL is being amortized as a level percentage of projected payroll over a 30 year fixed (closed) period with 26 years remaining, as of June 30, 2012.

***(c) Commitments and Contingencies***

***1. Self-Insurance***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The City established a self-insurance program, the Risk Management Fund, to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$750,000 for each miscellaneous claim, \$1,000,000 for each safety workers' compensation claim, and \$300,000 for each general liability claim. The City purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years. All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates of amounts needed to pay claims.

The fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The City has accrued for its anticipated liability with respect to claims filed and claims incurred but not reported to the City as of year end. The accruals are in the amounts of \$1,955,081 and \$831,500 for the workers' compensation claims and general liability claims, respectively, and are reported as accrued liabilities on the Statement of Net Position in the Risk Management Internal Services Fund.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

A reconciliation of changes in aggregate liabilities for claims for the current fiscal year and the prior fiscal year is as follows:

	<b>Workers' Compensation</b>	<b>General Liability</b>
Amounts of accrued claims at June 30, 2012	\$ 2,089,237	\$ 577,403
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes (increase or decrease) in the provision for events of prior fiscal years	624,742	182,182
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	(829,310)	(98,188)
Amounts of accrued claims at June 30, 2013	1,884,669	661,397
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes (increase or decrease) in the provision for events of prior fiscal years	504,305	202,320
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	(433,893)	(32,217)
Amounts of accrued claims at June 30, 2014	\$ 1,955,081	\$ 831,500

**2. *Litigation***

There are several lawsuits pending against the City. According to the City's legal counsel, the outcome and eventual liability of the City, if any, in these cases is not known at this time. Management estimates that the potential claims against the City not covered by insurance or self-insurance reserves resulting from such litigation would not materially affect the financial statements of the City.

**3. *Owner Participation Agreements***

The former Redevelopment Agency entered into several Owner Participation Agreements with various business owners within the City. Generally, these agreements required that the Agency remit to these businesses a portion of the sales tax revenue generated by their operations. However, one agreement required the Agency to remit a percentage of the incremental property tax revenue earned by the Agency due to the increase in the assessed value of the business property in addition to a percentage of the sales tax revenue generated by their operations. Most of the agreements provide for limits of the amount of tax that can be remitted back to the business owner, ranging in the aggregate up to a maximum of \$5,839,000.

On February 1, 2012, the Successor Agency assumed all responsibilities under the agreement. Future payments towards the purchase, if any, are requested through the semi-annual Redevelopment Property Tax Trust Fund (RPTTF) distribution process. The remaining number of years under the Owner Participation Agreements range from 1 to 13 years and the Successor Agency remitted approximately \$582,000 during the year ended June 30, 2014.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

**4. Contractual Commitments**

The City was involved in contractual agreements for construction in progress. As of June 30, 2014, the remaining estimated costs for the contractual agreements are approximately \$3,712,570.

**5. Pollution Remediation Obligation**

The City was named as a responsible party in the environmental remediation of a City-owned park. The property was had been previously used as a refuse disposal site operated by the County of Orange, California (County), between 1949 and 1958. Prior to 1949, the park site was a burn dump operated by the City. As a result of these prior refuse disposal activities, several regulatory agencies have issued notices, orders and/or directives requiring the City to monitor methane gas emissions. In response to the regulatory agencies, the City has installed a methane monitoring system. The City estimates the cost to fully remediate the property to be \$2,300,000, which includes the preliminary design and construction of a permanent landfill “cap.”

The City anticipates spending approximately \$70,000 annually for an indeterminable period of time for environmental mitigation and monitoring obligations. Environmental monitoring costs relating to legal mandates such as regulatory agency orders, court orders or other affirmative legal obligations are included in the anticipated spending.

*Measurement and Assumptions*

The City measured the environmental liabilities for pollution remediation site using the Expected Cash Flow technique. The measurements are based on the current value of the outlays expected to be incurred. The cash flow scenarios include each component which can be reasonably estimated for outlays such as preliminary engineering and construction instead of ranges of all components. Reasonable estimates of ranges of possible cash flows are limited from a single scenario to a few scenarios. Data used to develop the cash flow scenarios is obtained City staff. Changes to estimates will be made when new information becomes available and/or benchmarks in the estimated outlay change, such as the following:

- Receipt of an administrative order.
- Participation, as a responsible party or a potentially responsible party, in the site assessment or investigation.
- Completion of a corrective measures feasibility study.
- Issuance of an authorization to proceed.
- Remediation design and implementation, through and including operation and maintenance and postremediation monitoring.
- Change in the remediation plan or operating conditions, including but not limited to type of equipment, facilities and services that will be used and price increases.
- Changes in technology.
- Changes in legal or regulatory requirements.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

*Recoveries*

The City Council approved a settlement agreement with the County of Orange on November 21, 2005, related to the remediation of the property. Under the terms of the settlement agreement, dated November 30, 2005, the County has paid \$4,995,000 for the full cost of remediation and to provide funding for future ongoing maintenance costs. The settlement relieves the County of any further remediation obligation related to the methane gas emissions and obligates the City as the responsible party to respond to current and future orders, notices and directives from regulatory agencies. As of June 30, 2014, the City has expensed \$1,406,457 related to monitoring activities. \$2,300,000 of the remaining cash balance is off-set by a pollution remediation liability and \$1,288,543 is restricted for future annual monitoring expenses that will be incurred.

**(d) Successor Agency Trust for Assets of Former Redevelopment Agency**

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of La Habra (City) that previously had reported a Redevelopment Agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a Redevelopment Agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 12, 2012, the City Council elected to become the Successor Agency to the La Habra Redevelopment Agency (Successor Agency) in accordance with the Bill as part of the City resolution number 5508.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Redevelopment Agency until all enforceable obligations of the prior Redevelopment Agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

**CITY OF LA HABRA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2014**

On May 29, 2013, the City received notice that the Department of Finance (DOF) issued the Finding of Completion for the City of La Habra Successor Agency. The Finding of Completion allows the Successor Agency to place the loan agreements between the former La Habra Redevelopment Agency and the City of La Habra on the Recognized Obligation Payments Schedule (ROPS), as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes.

On September 24, 2014, the Successor Agency Oversight Board approved a ratification and amendment of the 1001 East Imperial Highway loan in the amount of \$2,000,000 between the City and the Successor Agency and made a finding that the loan was for legitimate redevelopment purposes. In addition to establishing the loan agreement as an enforceable obligation, the ratification and amendment of the loan also establishes certain restrictions and limitations on, among other things, the calculation of interest on the remaining principal amount of the loan, the amounts that can be repaid under the loan agreement, and requires that 20% of any loan repayment shall be deducted from the loan repayment amount and shall be transferred to a Low and Moderate Income Housing Asset Fund.

On September 24, 2014, the Successor Agency Oversight Board also approved an agreement between the Successor Agency and the Housing Successor for repayment of the Supplemental Educational Revenue Augmentation Fund (SERAF) loan in the amount of \$616,000 and made a finding that the loan was for legitimate redevelopment purposes.

On November 14, 2014, the Successor Agency received a determination letter from the DOF regarding the Successor Agency's ROPS (14-15B) which denied certain items related to payments on the 1998 Loan Agreement between the City and the former Redevelopment Agency in connection with the 1998 Certificates of Participation despite having been approved by the DOF on four previous ROPS. Total outstanding balance relating to these obligations (including future payment in the amount of \$4,232,610) was \$12,117,913. The DOF stated in the letter that although the loan agreement was entered into at the time of issuance of the indebtedness obligations, it is not solely for the purpose of securing or repayment indebtedness obligations. Subsequently, the Successor Agency had a Meet and Confer session with the DOF regarding this issue. On December 17, 2014, the DOF issued another determination letter which still denied the obligations. The Successor Agency believes, in consultation with legal counsel, that these obligations of the former Redevelopment Agency due to the City are valid enforceable obligations. Successor Agency Legal Counsel has made the argument to the DOF that the specific language cited is being read out of context compared to the entirety of the transaction. A thorough read of the financing documents make it clear that the obligations of the former Redevelopment Agency were issued to fund redevelopment projects and therefore are enforceable obligations. Bond Counsel has issued a letter to the DOF that explained the language found in the debt documents and how the transaction was created for the purpose of carrying out redevelopment activities. The Successor Agency and its legal counsel will continue to have conversations with the DOF in hopes of resolving this issue without having to resort to litigation. The City is scheduled to have a special meeting with the Program Budget Manager at the DOF on June 25, 2015 to discuss the 1998 Loan Agreement.

The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City. No adjustments regarding this issue have been made to the financial statements as of June 30, 2014.



**REQUIRED SUPPLEMENTARY INFORMATION**





**CITY OF LA HABRA**  
**Post Employment Healthcare Plan**  
**Schedule of Funding Progress**  
**June 30, 2014**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability [(b)-(a)]</b>	<b>Funded Ratio [(a)/(b)]</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll {[(b)-(a)]/(c)}</b>
June 30, 2008	\$ -	\$ 4,473,000	\$ 4,473,000	0%	\$ 15,920,000	28.1%
June 30, 2010	\$ -	\$ 5,083,000	\$ 5,083,000	0%	\$ 15,908,000	32.0%
June 30, 2012	\$ -	\$ 5,879,000	\$ 5,879,000	0%	\$ 16,525,000	35.6%

See Accompanying Note to Required Supplementary Information.

**CITY OF LA HABRA**  
**Public Employees Retirement System**  
**Schedule of Funding Progress**  
**June 30, 2014**

<b>Actuarial Valuation Date</b>	<b>Entry Age Actuarial Accrued Liability (a)</b>	<b>Actuarial Asset Value (b)</b>	<b>Unfunded Liability/ (Excess Assets) [(a)-(b)]</b>	<b>Funded Ratio [(b)/(a)]</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll {[(a)-(b)]/(c)}</b>
June 30, 2011						
Misc.	75,595,594	68,280,690	7,314,904	90.3%	11,758,739	62.2%
Safety	119,951,803	89,755,193	30,196,610	74.8%	5,771,657	523.2%
2nd Tier Safety	-	-	-	0.0%	-	N/A
PEPRA Safety	-	-	-	0.0%	-	N/A
June 30, 2012						
Misc.	79,216,276	71,487,604	7,728,672	90.2%	11,648,745	66.3%
Safety	124,453,943	87,149,408	37,304,535	70.0%	5,536,416	673.8%
2nd Tier Safety	753	563	190	74.8%	184,111	0.1%
PEPRA Safety	-	-	-	0.0%	-	N/A
June 30, 2013						
Misc.	82,504,534	66,088,714	16,415,820	80.1%	12,108,476	135.6%
Safety	129,545,841	95,548,730	33,997,111	73.8%	5,197,793	654.1%
2nd Tier Safety	43,514	34,308	9,206	78.8%	189,636	4.9%
PEPRA Safety	983	1,443	(460)	146.8%	182,096	(0.3%)

See Accompanying Note to Required Supplementary Information.

**CITY OF LA HABRA**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance from</b>
	<u>Original</u>	<u>Final</u>		<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues:</b>				
Property taxes and special assessments	\$ 12,973,319	\$ 12,973,319	\$ 13,235,491	\$ 262,172
Sales and use tax	9,708,129	9,708,129	9,491,508	(216,621)
Transaction and use tax	4,553,000	4,553,000	4,567,116	14,116
Franchise tax	1,554,000	1,554,000	1,592,572	38,572
Intergovernmental	60,000	60,000	84,906	24,906
Licenses and permits	827,000	827,000	1,036,830	209,830
Charges for services	4,042,133	4,042,133	4,434,020	391,887
Fines, forfeitures, and penalties	628,000	628,000	1,030,240	402,240
Use of money and property	2,030,124	2,030,124	2,241,778	211,654
Total revenues	<u>36,375,705</u>	<u>36,375,705</u>	<u>37,714,461</u>	<u>1,338,756</u>
<b>Expenditures:</b>				
Current:				
General government	3,243,799	3,249,631	2,794,902	454,729
Public safety	23,525,014	23,525,014	23,100,493	424,521
Public works	3,200,521	3,200,521	3,043,202	157,319
Community services	2,978,355	2,978,355	2,748,813	229,542
Community development	3,110,149	3,110,149	2,942,041	168,108
Capital outlay	-	-	112,914	(112,914)
Debt service:				
Principal	179,283	179,283	179,283	-
Interest expense	53,508	53,508	53,508	-
Total expenditures	<u>36,290,629</u>	<u>36,296,461</u>	<u>34,975,156</u>	<u>1,321,305</u>
Excess (deficiency) of revenues over expenditures	<u>85,076</u>	<u>79,244</u>	<u>2,739,305</u>	<u>2,660,061</u>
<b>Other financial sources (uses):</b>				
Transfers out	<u>(81,557)</u>	<u>(81,557)</u>	<u>(2,764,128)</u>	<u>(2,682,571)</u>
Total other financing sources (uses)	<u>(81,557)</u>	<u>(81,557)</u>	<u>(2,764,128)</u>	<u>(2,682,571)</u>
Net change in fund balance	3,519	(2,313)	(24,823)	(22,510)
Fund balance, beginning of year	<u>14,449,728</u>	<u>14,449,728</u>	<u>14,449,728</u>	<u>-</u>
Fund balance, end of year	<u>\$ 14,453,247</u>	<u>\$ 14,447,415</u>	<u>\$ 14,424,905</u>	<u>\$ (22,510)</u>

See Accompanying Note to Required Supplementary Information.

**CITY OF LA HABRA**  
**Child Development Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>				
Intergovernmental	\$ 6,129,268	\$ 6,129,268	\$ 5,944,503	\$ (184,765)
Charges for services	-	-	70,165	70,165
Use of money and property	-	-	248	248
	<u>6,129,268</u>	<u>6,129,268</u>	<u>6,014,916</u>	<u>(114,352)</u>
<b>Expenditures:</b>				
Current:				
Community services	6,102,717	6,129,268	5,992,712	136,556
Capital outlay	-	-	34,885	(34,885)
	<u>6,102,717</u>	<u>6,129,268</u>	<u>6,027,597</u>	<u>101,671</u>
Net change in fund balance	26,551	-	(12,681)	(12,681)
Fund balance, beginning of year	<u>12,996</u>	<u>12,996</u>	<u>12,996</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 39,547</u></u>	<u><u>\$ 12,996</u></u>	<u><u>\$ 315</u></u>	<u><u>\$ (12,681)</u></u>

See Accompanying Note to Required Supplementary Information.

**CITY OF LA HABRA**  
**Measure M Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>				
Intergovernmental	\$ 6,187,429	\$ 6,187,429	\$ 1,893,700	\$ (4,293,729)
Use of money and property	3,616	3,616	510	(3,106)
Total Revenues	<u>6,191,045</u>	<u>6,191,045</u>	<u>1,894,210</u>	<u>(4,296,835)</u>
<b>Expenditures:</b>				
Current:				
Public works	965,576	966,076	903,593	62,483
Capital outlay	<u>5,614,667</u>	<u>5,614,667</u>	<u>998,446</u>	<u>4,616,221</u>
Total expenditures	<u>6,580,243</u>	<u>6,580,743</u>	<u>1,902,039</u>	<u>4,678,704</u>
Excess (deficiency) of revenues over (under) expenditures	(389,198)	(389,698)	(7,829)	381,869
<b>Other financing sources:</b>				
Transfers in	<u>520,633</u>	<u>520,633</u>	<u>-</u>	<u>(520,633)</u>
Net change in fund balance	131,435	130,935	(7,829)	(138,764)
Fund balance, beginning of year	<u>702,664</u>	<u>702,664</u>	<u>702,664</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ 834,099</u></u>	<u><u>\$ 833,599</u></u>	<u><u>\$ 694,835</u></u>	<u><u>\$ (138,764)</u></u>

See Accompanying Note to Required Supplementary Information.

**CITY OF LA HABRA**  
**Note to Required Supplementary Information**  
**June 30, 2014**

**(1) Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The government's department head, with approval of the Finance Director and City Manager, may make transfers of appropriations within a department. Transfers of appropriations between departments within a fund must be approved by the City Manager. Transfers between funds must be approved by the City Council; therefore, the legal level of budgetary control is at the fund level. The Council made several supplemental budgetary appropriations throughout the year.

Encumbrances accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as restricted, committed, or assigned fund balances and do not constitute expenditures or liabilities, because the commitments will be reappropriated and honored during the subsequent year.

*(a) Excess of Expenditures Over Appropriations*

<u>Fund</u>	<u>Amount Over Budget</u>
State Gas Tax Special Revenue Fund	\$ 2,394,310
Traffic Safety Special Revenue Fund	81,633
Low-Moderate Income Housing Assets Capital Projects Fund	131,469

**NONMAJOR GOVERNMENTAL FUNDS**







**CITY OF LA HABRA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2014**

	<b>Special Revenue Funds</b>		
	<b>State Gas Tax</b>	<b>Park and Capital Development</b>	<b>Air Quality Improvement</b>
<b>Assets:</b>			
Cash and investments	\$ 2,494,454	\$ 1,754,337	\$ 79,383
Interest receivables	4,886	3,451	14
Due from other funds	-	-	-
Due from other governments	262,118	-	38,283
Loans to Successor Agency	-	-	-
Land held for resale	-	-	-
Total assets	<u>\$ 2,761,458</u>	<u>\$ 1,757,788</u>	<u>\$ 117,680</u>
<b>Liabilities:</b>			
Accounts payable	\$ 26,093	\$ 39	\$ 55,098
Accrued liabilities	29,789	-	-
Deposits payable	-	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>55,882</u>	<u>39</u>	<u>55,098</u>
<b>Deferred inflows of resources:</b>			
Unavailable revenues	74,250	-	-
Total deferred inflows of resources	<u>74,250</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>			
Restricted:			
Low-moderate income housing	-	-	-
Redevelopment	-	-	-
Public safety	-	-	-
Public works	2,631,326	-	62,582
Community development	-	1,757,749	-
Employment and training	-	-	-
Assigned:			
Public works	-	-	-
Total fund balances	<u>2,631,326</u>	<u>1,757,749</u>	<u>62,582</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,761,458</u>	<u>\$ 1,757,788</u>	<u>\$ 117,680</u>

**Special Revenue Funds**

<b>Law Enforcement</b>	<b>Housing and Community Development</b>	<b>Employment and Training</b>	<b>Public Safety Augmentation</b>	<b>Other Federal Grants</b>	<b>Traffic Safety</b>
\$ 1,066,588	\$ -	\$ -	\$ 293,309	\$ -	\$ 17,020
2,102	-	-	1,053	-	147
-	-	-	-	-	-
118,293	420,454	68,253	31,742	13,596	411,518
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,186,983</u>	<u>\$ 420,454</u>	<u>\$ 68,253</u>	<u>\$ 326,104</u>	<u>\$ 13,596</u>	<u>\$ 428,685</u>
\$ 209,217	\$ 51,226	\$ 1,363	\$ -	\$ 2,792	\$ 35,000
83,073	14,072	11,156	-	-	-
6,000	-	-	-	-	-
-	194,651	20,532	-	10,804	-
110,883	-	-	-	-	-
<u>409,173</u>	<u>259,949</u>	<u>33,051</u>	<u>-</u>	<u>13,596</u>	<u>35,000</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
777,810	-	-	326,104	-	393,685
-	-	-	-	-	-
-	160,505	-	-	-	-
-	-	35,202	-	-	-
-	-	-	-	-	-
<u>777,810</u>	<u>160,505</u>	<u>35,202</u>	<u>326,104</u>	<u>-</u>	<u>393,685</u>
<u>\$ 1,186,983</u>	<u>\$ 420,454</u>	<u>\$ 68,253</u>	<u>\$ 326,104</u>	<u>\$ 13,596</u>	<u>\$ 428,685</u>

(Continued)

**CITY OF LA HABRA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (Continued)**  
**June 30, 2014**

	<u>Special Revenue Fund Service Authority for Abandoned Vehicles</u>	<u>Debt Service Fund Other Debt Service</u>	<u>Capital Projects Funds Other Capital Projects</u>
<b>Assets:</b>			
Cash and investments	\$ 375,007	\$ 5	\$ 5,952,287
Interest receivables	-	-	8,542
Due from other funds	-	-	-
Due from other governments	-	-	-
Loans to Successor Agency	-	-	-
Land held for resale	-	-	-
	<u>\$ 375,007</u>	<u>\$ 5</u>	<u>\$ 5,960,829</u>
<b>Liabilities:</b>			
Accounts payable	\$ 461	\$ 5	\$ 98,981
Accrued liabilities	4,071	-	5,652
Deposits payable	-	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
	<u>4,532</u>	<u>5</u>	<u>104,633</u>
<b>Deferred inflows of resources:</b>			
Unavailable revenues	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>			
Restricted:			
Low-moderate income housing	-	-	-
Redevelopment	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community development	370,475	-	-
Employment and training	-	-	-
Assigned:			
Public works	-	-	5,856,196
	<u>370,475</u>	<u>-</u>	<u>5,856,196</u>
Total fund balances	<u>370,475</u>	<u>-</u>	<u>5,856,196</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 375,007</u>	<u>\$ 5</u>	<u>\$ 5,960,829</u>

<b>Capital</b>	
<b>Projects Funds</b>	
<b>Low-Moderate</b>	
<b>Income</b>	
<b>Housing Assets</b>	<b>Total</b>
\$ -	\$ 12,032,390
-	20,195
758	758
-	1,364,257
616,908	616,908
-	-
<u>\$ 617,666</u>	<u>\$ 14,034,508</u>
\$ 447	\$ 480,722
-	147,813
-	6,000
224,093	450,080
-	110,883
<u>224,540</u>	<u>1,195,498</u>
<u>4,940</u>	<u>79,190</u>
<u>4,940</u>	<u>79,190</u>
388,186	388,186
-	-
-	1,497,599
-	2,693,908
-	2,288,729
-	35,202
-	5,856,196
<u>388,186</u>	<u>12,759,820</u>
<u>\$ 617,666</u>	<u>\$ 14,034,508</u>

**CITY OF LA HABRA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2014**

	<b>Special Revenue Funds</b>		
	<b>State Gas Tax</b>	<b>Park and Capital Development</b>	<b>Air Quality Improvement</b>
<b>Revenues:</b>			
Intergovernmental	\$ 2,199,099	\$ -	\$ 146,806
Licenses and permits	-	186,325	-
Charges for services	-	-	5,854
Use of money and property	15,121	12,808	508
Total revenues	<u>2,214,220</u>	<u>199,133</u>	<u>153,168</u>
<b>Expenditures:</b>			
Current:			
General government	971	-	159,484
Public safety	-	-	-
Public works	221,962	-	-
Employment and training	-	-	-
Community development	-	-	-
Capital outlay	3,686,672	-	-
Debt service:			
Principal retirement	-	-	-
Interest and other charges	-	-	-
Total expenditures	<u>3,909,605</u>	<u>-</u>	<u>159,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,695,385)</u>	<u>199,133</u>	<u>(6,316)</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(1,695,385)</u>	<u>199,133</u>	<u>(6,316)</u>
Fund balances, beginning of year	<u>4,326,711</u>	<u>1,558,616</u>	<u>68,898</u>
Fund balances, end of year	<u><u>\$ 2,631,326</u></u>	<u><u>\$ 1,757,749</u></u>	<u><u>\$ 62,582</u></u>

**Special Revenue Funds**

<b>Law Enforcement</b>	<b>Housing and Community Development</b>	<b>Employment and Training</b>	<b>Public Safety Augmentation</b>	<b>Other Federal Grants</b>	<b>Traffic Safety</b>
\$ 783,974	\$ 552,502	\$ 345,192	\$ 248,739	\$ 34,084	\$ 389,237
-	-	-	-	-	-
-	-	-	-	-	23,640
8,107	-	-	3,314	-	535
<u>792,081</u>	<u>552,502</u>	<u>345,192</u>	<u>252,053</u>	<u>34,084</u>	<u>413,412</u>
-	-	-	-	3,863	-
585,472	-	-	382,472	-	25,889
-	-	-	-	42,584	-
-	-	344,972	-	-	-
-	521,942	-	-	-	-
222,195	23,563	-	8,050	8,929	59,744
-	-	-	-	-	-
-	-	-	-	-	-
<u>807,667</u>	<u>545,505</u>	<u>344,972</u>	<u>390,522</u>	<u>55,376</u>	<u>85,633</u>
(15,586)	6,997	220	(138,469)	(21,292)	327,779
11,166	-	-	-	21,292	-
-	-	-	(169,401)	-	-
<u>11,166</u>	<u>-</u>	<u>-</u>	<u>(169,401)</u>	<u>21,292</u>	<u>-</u>
(4,420)	6,997	220	(307,870)	-	327,779
782,230	153,508	34,982	633,974	-	65,906
<u>\$ 777,810</u>	<u>\$ 160,505</u>	<u>\$ 35,202</u>	<u>\$ 326,104</u>	<u>\$ -</u>	<u>\$ 393,685</u>

(Continued)

**CITY OF LA HABRA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds (Continued)**  
**For the Year Ended June 30, 2014**

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
	<u>Service Authority for Abandoned Vehicles</u>	<u>Other Debt Service</u>	<u>Other Capital Projects</u>
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Charges for services	-	-	-
Use of money and property	2,473	-	23,126
Total revenues	<u>2,473</u>	<u>-</u>	<u>23,126</u>
<b>Expenditures:</b>			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Employment and training	-	-	-
Community development	132,873	-	340,321
Capital outlay	-	-	197,834
Debt service:			
Principal retirement	-	51,142	-
Interest and other charges	-	17,495	-
Total expenditures	<u>132,873</u>	<u>68,637</u>	<u>538,155</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(130,400)</u>	<u>(68,637)</u>	<u>(515,029)</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	68,637	1,713,033
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>68,637</u>	<u>1,713,033</u>
Net change in fund balances	(130,400)	-	1,198,004
Fund balances, beginning of year	<u>500,875</u>	<u>-</u>	<u>4,658,192</u>
Fund balances, end of year	<u>\$ 370,475</u>	<u>\$ -</u>	<u>\$ 5,856,196</u>



<b>Capital Projects Fund</b>	
<b>Low-Moderate Income</b>	
<b>Housing Assets</b>	<b>Total</b>
\$ 55,478	\$ 4,755,111
-	186,325
-	29,494
-	65,992
<u>55,478</u>	<u>5,036,922</u>
-	164,318
-	993,833
-	264,546
-	344,972
594,532	1,589,668
-	4,206,987
-	51,142
-	17,495
<u>594,532</u>	<u>7,632,961</u>
<u>(539,054)</u>	<u>(2,596,039)</u>
-	1,814,128
-	(169,401)
-	1,644,727
<u>(539,054)</u>	<u>(951,312)</u>
<u>927,240</u>	<u>13,711,132</u>
<u>\$ 388,186</u>	<u>\$ 12,759,820</u>

**CITY OF LA HABRA**  
**State Gas Tax Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 1,924,600	\$ 2,199,099	\$ 274,499
Use of money and property	49,204	15,121	(34,083)
	<u>1,973,804</u>	<u>2,214,220</u>	<u>240,416</u>
<b>Expenditures:</b>			
Current:			
General government	-	971	(971)
Public works	280,039	221,962	58,077
Capital outlay	1,235,256	3,686,672	(2,451,416)
	<u>1,515,295</u>	<u>3,909,605</u>	<u>(2,394,310)</u>
Net change in fund balance	458,509	(1,695,385)	(2,153,894)
Fund balance, beginning of year	<u>4,326,711</u>	<u>4,326,711</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 4,326,711</u></u>	<u><u>\$ 2,631,326</u></u>	<u><u>\$ (2,153,894)</u></u>

**CITY OF LA HABRA**  
**Park and Capital Improvement Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 74,250	\$ -	\$ (74,250)
Licenses and permits	102,546	186,325	83,779
Use of money and property	17,329	12,808	(4,521)
Total Revenues	<u>194,125</u>	<u>199,133</u>	<u>5,008</u>
<b>Expenditures:</b>			
Current:			
Community development	-	-	-
Capital outlay	369,250	-	369,250
Total Expenditures	<u>369,250</u>	<u>-</u>	<u>369,250</u>
Net change in fund balance	(175,125)	199,133	374,258
Fund balance, beginning of year	<u>1,558,616</u>	<u>1,558,616</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,383,491</u></u>	<u><u>\$ 1,757,749</u></u>	<u><u>\$ 374,258</u></u>

**CITY OF LA HABRA**  
**Air Quality Improvement Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 142,064	\$ 146,806	\$ 4,742
Charges for services	-	5,854	5,854
Use of money and property	611	508	(103)
	<u>142,675</u>	<u>153,168</u>	<u>10,493</u>
<b>Expenditures:</b>			
Current:			
General government	168,750	159,484	9,266
	<u>168,750</u>	<u>159,484</u>	<u>9,266</u>
Net change in fund balance	(26,075)	(6,316)	19,759
Fund balance, beginning of year	<u>68,898</u>	<u>68,898</u>	<u>-</u>
Fund balance, end of year	<u>\$ 42,823</u>	<u>\$ 62,582</u>	<u>\$ 19,759</u>

**CITY OF LA HABRA**  
**Law Enforcement Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 872,984	\$ 783,974	\$ (89,010)
Use of money and property	16,833	8,107	(8,726)
Total revenues	<u>889,817</u>	<u>792,081</u>	<u>(97,736)</u>
<b>Expenditures:</b>			
Current:			
Public safety	616,254	585,472	30,782
Capital outlay	815,000	222,195	592,805
Total Expenditures	<u>1,431,254</u>	<u>807,667</u>	<u>623,587</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(541,437)</u>	<u>(15,586)</u>	<u>525,851</u>
<b>Other financing sources:</b>			
Transfers in	12,920	11,166	(1,754)
Total other financing sources (uses)	<u>12,920</u>	<u>11,166</u>	<u>(1,754)</u>
Net change in fund balance	(528,517)	(4,420)	524,097
Fund balance, beginning of year	<u>782,230</u>	<u>782,230</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 253,713</u></u>	<u><u>\$ 777,810</u></u>	<u><u>\$ 524,097</u></u>

**CITY OF LA HABRA**  
**Housing and Community Development Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 736,457	\$ 552,502	\$ (183,955)
<b>Expenditures:</b>			
Current:			
Community development	676,457	521,942	154,515
Capital outlay	60,000	23,563	36,437
Total expenditures	736,457	545,505	190,952
Net change in fund balance	-	6,997	6,997
Fund balance, beginning of year	153,508	153,508	-
Fund balance, end of year	\$ 153,508	\$ 160,505	\$ 6,997

**CITY OF LA HABRA**  
**Employment and Training Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 369,075	\$ 345,192	\$ (23,883)
<b>Expenditures:</b>			
Current:			
Employment and training	369,075	344,972	24,103
Total expenditures	369,075	344,972	24,103
Net change in fund balance	-	220	220
Fund balance, beginning of year	34,982	34,982	-
Fund balance, end of year	\$ 34,982	\$ 35,202	\$ 220

**CITY OF LA HABRA**  
**Public Safety Augmentation Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 200,000	\$ 248,739	\$ 48,739
Use of money and property	6,500	3,314	(3,186)
Total revenues	<u>206,500</u>	<u>252,053</u>	<u>45,553</u>
<b>Expenditures:</b>			
Current:			
Public safety	316,000	382,472	(66,472)
Capital outlay	174,149	8,050	166,099
Total expenditures	<u>490,149</u>	<u>390,522</u>	<u>99,627</u>
Excess (deficiency) of revenues over expenditures	(283,649)	(138,469)	145,180
<b>Other financing sources (uses):</b>			
Transfers out	<u>-</u>	<u>(169,401)</u>	<u>(169,401)</u>
Net change in fund balance	(283,649)	(307,870)	(24,221)
Fund balance, beginning of year	<u>633,974</u>	<u>633,974</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 350,325</u></u>	<u><u>\$ 326,104</u></u>	<u><u>\$ (24,221)</u></u>



**CITY OF LA HABRA**  
**Other Federal Grants Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 461,000	\$ 34,084	\$ (426,916)
Total revenues	<u>461,000</u>	<u>34,084</u>	<u>(426,916)</u>
<b>Expenditures:</b>			
Current:			
General government	-	3,863	(3,863)
Public works	8,000	42,584	(34,584)
Capital outlay	453,000	8,929	444,071
Total expenditures	<u>461,000</u>	<u>55,376</u>	<u>405,624</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(21,292)</u>	<u>(21,292)</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	21,292	21,292
Net change in fund balance	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF LA HABRA**  
**Traffic Safety Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ 389,237	\$ 389,237
Charges for services	25,000	23,640	(1,360)
Use of money and property	569	535	(34)
	<u>25,569</u>	<u>413,412</u>	<u>387,843</u>
<b>Expenditures:</b>			
Current:			
Public safety	4,000	25,889	(21,889)
Capital outlay	-	59,744	(59,744)
	<u>4,000</u>	<u>85,633</u>	<u>(81,633)</u>
Net change in fund balance	21,569	327,779	306,210
Fund balance, beginning of year	<u>65,906</u>	<u>65,906</u>	<u>-</u>
Fund balance, end of year	<u>\$ 87,475</u>	<u>\$ 393,685</u>	<u>\$ 306,210</u>

**CITY OF LA HABRA**  
**Service Authority for Abandoned Vehicles Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
<b>Revenues:</b>			
Use of money and property	\$ 3,105	\$ 2,473	\$ (632)
Total revenues	<u>3,105</u>	<u>2,473</u>	<u>(632)</u>
<b>Expenditures:</b>			
Current:			
Community development	<u>232,929</u>	<u>132,873</u>	<u>100,056</u>
Total expenditures	<u>232,929</u>	<u>132,873</u>	<u>100,056</u>
Net change in fund balance	(229,824)	(130,400)	99,424
Fund balance, beginning of year	<u>500,875</u>	<u>500,875</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 271,051</u></u>	<u><u>\$ 370,475</u></u>	<u><u>\$ 99,424</u></u>

**CITY OF LA HABRA**  
**Other Debt Service Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
Debt service:			
Principal	\$ 51,142	\$ 51,142	\$ -
Interest expense	17,495	17,495	-
Total expenditures	<u>68,637</u>	<u>68,637</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(68,637)	(68,637)	-
<b>Other financing sources:</b>			
Transfers in	<u>68,637</u>	<u>68,637</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF LA HABRA**  
**Other Capital Projects Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 23,126	\$ 23,126
Total revenues	-	23,126	23,126
<b>Expenditures:</b>			
Current:			
Community development	416,224	340,321	75,903
Capital outlay	2,201,800	197,834	2,003,966
Total expenditures	2,618,024	538,155	2,079,869
Excess (deficiency) of revenues over (under) expenditures	(2,618,024)	(515,029)	2,102,995
<b>Other financing sources (uses):</b>			
Transfers in	-	1,713,033	1,713,033
Total other financing sources (uses)	-	1,713,033	1,713,033
Net change in fund balance	(2,618,024)	1,198,004	3,816,028
Fund balance, beginning of year	4,658,192	4,658,192	-
Fund balance, end of year	<u>\$ 2,040,168</u>	<u>\$ 5,856,196</u>	<u>3,816,028</u>

**CITY OF LA HABRA**  
**Low-Moderate Income Housing Assets Capital Projects Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ 55,478	\$ 55,478
Total revenues	<u>-</u>	<u>55,478</u>	<u>55,478</u>
<b>Expenditures:</b>			
Current:			
Community development	463,063	594,532	(131,469)
Total expenditures	<u>463,063</u>	<u>594,532</u>	<u>(131,469)</u>
Excess (deficiency) of revenues over expenditures	(463,063)	(594,532)	(131,469)
<b>Other financing sources:</b>			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(463,063)	(539,054)	(75,991)
Fund balance, beginning of year	<u>927,240</u>	<u>927,240</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 464,177</u></u>	<u><u>\$ 388,186</u></u>	<u><u>\$ (75,991)</u></u>

**NONMAJOR ENTERPRISE FUNDS**





**CITY OF LA HABRA**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**June 30, 2014**

	<u>Refuse</u>	<u>Children's Museum</u>	<u>Mobile Home Lease</u>	<u>Total</u>
<b>Assets:</b>				
Current assets:				
Cash and investments	\$ 5,016,962	\$ 257,074	\$ 1,251,372	\$ 6,525,408
Accounts receivable, net	416,298	-	82,809	499,107
Interest receivable	9,666	490	2,389	12,545
Prepaid items	-	-	32,826	32,826
Due from other governments	-	105,819	-	105,819
<b>Total current assets</b>	<b>5,442,926</b>	<b>363,383</b>	<b>1,369,396</b>	<b>7,175,705</b>
Noncurrent assets:				
Capital assets, net	398,223	288,391	2,929,919	3,616,533
<b>Total assets</b>	<b>5,841,149</b>	<b>651,774</b>	<b>4,299,315</b>	<b>10,792,238</b>
<b>Liabilities:</b>				
Current Liabilities:				
Accounts payable	265,048	6,882	-	271,930
Accrued liabilities	6,981	12,260	-	19,241
Deposits payable	-	-	1,000	1,000
<b>Total current liabilities</b>	<b>272,029</b>	<b>19,142</b>	<b>1,000</b>	<b>292,171</b>
Noncurrent Liabilities:				
Advances from other funds	-	-	1,600,000	1,600,000
Pollution remediation liability	2,300,000	-	-	2,300,000
<b>Total noncurrent liabilities</b>	<b>2,300,000</b>	<b>-</b>	<b>1,600,000</b>	<b>3,900,000</b>
<b>Total liabilities</b>	<b>2,572,029</b>	<b>19,142</b>	<b>1,601,000</b>	<b>4,192,171</b>
<b>Net position:</b>				
Net investment in capital assets	398,223	288,391	2,929,919	3,616,533
Restricted	1,288,543	-	-	1,288,543
Unrestricted (deficit)	1,582,354	344,241	(231,604)	1,694,991
<b>Total net position</b>	<b>\$ 3,269,120</b>	<b>\$ 632,632</b>	<b>\$ 2,698,315</b>	<b>\$ 6,600,067</b>

**CITY OF LA HABRA**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2014**

	<u>Refuse</u>	<u>Children's Museum</u>	<u>Mobile Home Lease</u>	<u>Total</u>
<b>Operating revenues:</b>				
Charges for services	\$ 3,137,136	\$ 375,609	\$ 2,730,922	\$ 6,243,667
Intergovernmental	27,217	89,747	-	116,964
Total operating revenues	<u>3,164,353</u>	<u>465,356</u>	<u>2,730,922</u>	<u>6,360,631</u>
<b>Operating expenses:</b>				
Contractual services	2,764,398	84,396	451,900	3,300,694
Wages and fringe benefits	167,252	293,624	-	460,876
Equipment and maintenance	52,859	7,932	84,828	145,619
Materials and supplies	1,558	29,290	-	30,848
Utilities	-	32,009	290,611	322,620
Depreciation	12,748	34,942	56,152	103,842
Administration	176,538	48,299	1,408,550	1,633,387
Total operating expenses	<u>3,175,353</u>	<u>530,492</u>	<u>2,292,041</u>	<u>5,997,886</u>
Operating income (loss)	<u>(11,000)</u>	<u>(65,136)</u>	<u>438,881</u>	<u>362,745</u>
<b>Nonoperating revenues (expenses):</b>				
Interest income (expense)	31,820	1,613	5,318	38,751
Gain (loss) on sale of investments	3,469	124	410	4,003
Total nonoperating revenues	<u>35,289</u>	<u>1,737</u>	<u>5,728</u>	<u>42,754</u>
Income (loss) before transfers	24,289	(63,399)	444,609	405,499
Transfers in	-	42,488	-	42,488
Transfers out	(109,303)	-	-	(109,303)
Change in net position	(85,014)	(20,911)	444,609	338,684
Net position, beginning of year	<u>3,354,134</u>	<u>653,543</u>	<u>2,253,706</u>	<u>6,261,383</u>
Net position, end of year	<u>\$ 3,269,120</u>	<u>\$ 632,632</u>	<u>\$ 2,698,315</u>	<u>\$ 6,600,067</u>

**CITY OF LA HABRA**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2014**

	<u>Refuse</u>	<u>Children's Museum</u>	<u>Mobile Home Lease</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 3,308,308	\$ 234,913	\$ 2,683,597	\$ 6,226,818
Receipts from interfund services provided	31,552	200,943	-	232,495
Payments to suppliers	(2,760,129)	(56,299)	(2,117,949)	(4,934,377)
Cash paid for internal services provided	(204,317)	(146,185)	(292,411)	(642,913)
Payments to employees	(166,157)	(291,395)	(2,743)	(460,295)
	<u>209,257</u>	<u>(58,023)</u>	<u>270,494</u>	<u>421,728</u>
Net cash provided by (used in) operating activities				
<b>Cash flows from noncapital financing activities:</b>				
Transfers to other funds	(109,303)	-	-	(109,303)
Transfers from other funds	-	42,488	-	42,488
	<u>(109,303)</u>	<u>42,488</u>	<u>-</u>	<u>(66,815)</u>
Net cash provided by (used in) noncapital financing activities				
<b>Cash flows from capital and related financing activities:</b>				
Purchase of capital assets	-	-	(271,850)	(271,850)
	<u>-</u>	<u>-</u>	<u>(271,850)</u>	<u>(271,850)</u>
Net cash (used in) capital and related financing activities				
<b>Cash flows from investing activities:</b>				
Net (purchase) sale of short-term investments	3,469	124	410	4,003
Interest on investments	33,872	1,762	6,209	41,843
	<u>37,341</u>	<u>1,886</u>	<u>6,619</u>	<u>45,846</u>
Net cash provided by investing activities				
Net increase (decrease) in cash and cash equivalents	137,295	(13,649)	5,263	128,909
Cash and cash equivalents, beginning of year	4,879,667	270,723	1,246,109	6,396,499
Cash and cash equivalents, end of year	<u>\$ 5,016,962</u>	<u>\$ 257,074</u>	<u>\$ 1,251,372</u>	<u>\$ 6,525,408</u>

(Continued)

**CITY OF LA HABRA**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds (Continued)**  
**For the Year Ended June 30, 2014**

	<u>Refuse</u>	<u>Children's Museum</u>	<u>Mobile Home Lease</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (11,000)	\$ (65,136)	\$ 438,881	\$ 362,745
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	12,748	34,942	56,152	103,842
Change in assets and liabilities:				
(Increase) decrease in receivables	171,172	3,831	(47,325)	127,678
(Increase) decrease in from other governments	4,335	(33,331)	-	(28,996)
(Increase) decrease in prepaid items	-	-	(2,296)	(2,296)
Increase (decrease) in accrued liabilities and accounts payable	32,002	1,671	(174,918)	(141,245)
Total adjustments	220,257	7,113	(168,387)	58,983
Net cash provided by (used in) operating activities	<u>\$ 209,257</u>	<u>\$ (58,023)</u>	<u>\$ 270,494</u>	<u>\$ 421,728</u>

**INTERNAL SERVICE FUNDS**





**CITY OF LA HABRA**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2014**

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Technology</u>
<b>Assets:</b>			
Current assets:			
Cash and investments	\$ 134,431	\$ 5,620,277	\$ 558,958
Accounts receivable, net	-	703,772	2,045
Interest receivable	343	11,095	981
Prepays	-	-	121
Due from other governments	11,071	-	-
Inventory	44,305	-	-
Total current assets	<u>190,150</u>	<u>6,335,144</u>	<u>562,105</u>
Noncurrent assets:			
Cash and investments with fiscal agents	-	-	-
Advances to other funds	-	-	-
Loans to Successor Agency	-	-	-
Capital assets, net of accumulated depreciation	-	-	347,315
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>347,315</u>
Total assets	<u>190,150</u>	<u>6,335,144</u>	<u>909,420</u>
<b>Deferred outflows of resources:</b>			
Unamortized loss on refunding of debt	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	75,661	750,306	93,038
Accrued liabilities	15,478	8,702	26,583
Accrued interest	-	-	-
Compensated absences	-	-	-
Certificates of participation, current	-	-	-
Total current liabilities	<u>91,139</u>	<u>759,008</u>	<u>119,621</u>
Noncurrent liabilities:			
Claims payable	-	2,786,581	-
Certificates of participation	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>2,786,581</u>	<u>-</u>
Total liabilities	<u>91,139</u>	<u>3,545,589</u>	<u>119,621</u>
<b>Net position:</b>			
Net investment in capital assets	-	-	347,315
Unrestricted	99,011	2,789,555	442,484
Total net position	<u>\$ 99,011</u>	<u>\$ 2,789,555</u>	<u>\$ 789,799</u>



<b>Civic Improvement Authority</b>	<b>Fleet Replacement</b>	<b>Employee Benefits</b>	<b>Other Post Employment Benefit set-aside</b>	<b>Totals</b>
\$ 354,021	\$ 963,353	\$ 1,643,481	\$ 756,610	\$ 10,031,131
-	-	-	-	705,817
359	1,911	1,913	838	17,440
-	-	-	-	121
-	-	-	-	11,071
-	-	-	-	44,305
<u>354,380</u>	<u>965,264</u>	<u>1,645,394</u>	<u>757,448</u>	<u>10,809,885</u>
474,224	-	-	-	474,224
3,400,000	-	-	-	3,400,000
591,214	-	-	-	591,214
-	1,964,341	-	-	2,311,656
<u>4,465,438</u>	<u>1,964,341</u>	<u>-</u>	<u>-</u>	<u>6,777,094</u>
<u>4,819,818</u>	<u>2,929,605</u>	<u>1,645,394</u>	<u>757,448</u>	<u>17,586,979</u>
238,165	-	-	-	238,165
<u>238,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,165</u>
1,750	-	-	-	920,755
1	2,690	36,028	-	89,482
56,974	-	-	-	56,974
-	-	1,293,279	-	1,293,279
<u>310,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310,000</u>
<u>368,725</u>	<u>2,690</u>	<u>1,329,307</u>	<u>-</u>	<u>2,670,490</u>
-	-	-	-	2,786,581
<u>3,071,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,071,531</u>
<u>3,071,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,858,112</u>
<u>3,440,256</u>	<u>2,690</u>	<u>1,329,307</u>	<u>-</u>	<u>8,528,602</u>
-	1,964,341	-	-	2,311,656
<u>1,617,727</u>	<u>962,574</u>	<u>316,087</u>	<u>757,448</u>	<u>6,984,886</u>
<u>\$ 1,617,727</u>	<u>\$ 2,926,915</u>	<u>\$ 316,087</u>	<u>\$ 757,448</u>	<u>\$ 9,296,542</u>

**CITY OF LA HABRA**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2014**

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Technology</u>
<b>Operating revenues:</b>			
Charges for services	\$ 967,315	\$ 2,186,973	\$ 1,409,602
<b>Operating expenses:</b>			
Contractual services	95,719	506,216	62,748
Wages and fringe benefits	369,508	200,072	680,671
Benefits and claims	-	706,625	-
Equipment and maintenance	31,305	-	533,392
Materials and supplies	595,683	147	7,352
Utilities	1,019	-	170,356
Depreciation	-	-	66,472
Administration	20,042	771,865	7,223
Total operating expenses	<u>1,113,276</u>	<u>2,184,925</u>	<u>1,528,214</u>
Operating income (loss)	<u>(145,961)</u>	<u>2,048</u>	<u>(118,612)</u>
<b>Nonoperating revenues (expenses):</b>			
Interest income	1,120	36,914	3,756
Interest (expense)	-	-	-
Gain (loss) on sale of asset	-	-	-
Gain (loss) on sale of investment	13,552	4,971	151
Total nonoperating revenues	<u>14,672</u>	<u>41,885</u>	<u>3,907</u>
Income (loss) before transfers	<u>(131,289)</u>	<u>43,933</u>	<u>(114,705)</u>
Transfers in	-	-	-
Transfers out	-	-	-
Changes in net position	<u>(131,289)</u>	<u>43,933</u>	<u>(114,705)</u>
Net position, beginning of year, as previously reported	230,300	2,745,622	904,504
Change in accounting principle	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of year, as restated	<u>230,300</u>	<u>2,745,622</u>	<u>904,504</u>
Net position, end of year	<u>\$ 99,011</u>	<u>\$ 2,789,555</u>	<u>\$ 789,799</u>

<b>Civic Improvement Authority</b>	<b>Fleet Replacement</b>	<b>Employee Benefits</b>	<b>Other Post Employment Benefit set-aside</b>	<b>Totals</b>
\$ -	\$ 184,401	\$ 74,866	\$ -	\$ 4,823,157
5,134	-	-	-	669,817
-	58,796	744,012	-	2,053,059
-	-	-	-	706,625
-	2,400	-	-	567,097
-	-	-	-	603,182
-	-	-	-	171,375
-	337,507	-	-	403,979
-	-	-	-	799,130
5,134	398,703	744,012	-	5,974,264
(5,134)	(214,302)	(669,146)	-	(1,151,107)
203,249	5,833	8,935	3,193	263,000
(317,474)	-	-	-	(317,474)
-	23,602	-	-	23,602
(502)	124	1,186	904	20,386
(114,727)	29,559	10,121	4,097	(10,486)
(119,861)	(184,743)	(659,025)	4,097	(1,161,593)
159,533	269,225	750,000	350,000	1,528,758
-	-	-	-	-
39,672	84,482	90,975	354,097	367,165
1,883,085	2,842,433	225,112	403,351	9,234,407
(305,030)	-	-	-	(305,030)
1,578,055	2,842,433	225,112	403,351	8,929,377
\$ 1,617,727	\$ 2,926,915	\$ 316,087	\$ 757,448	\$ 9,296,542

**CITY OF LA HABRA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2014**

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Technology</u>
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 64,184	\$ -	\$ -
Receipts from interfund services provided	905,136	1,485,601	1,407,572
Payments to suppliers	(677,556)	(1,009,004)	(758,782)
Cash paid for interfund services provided	(6,444)	(4,800)	(4,236)
Payments to employees	(367,883)	(199,571)	(680,109)
Net cash provided by (used in) operating activities	<u>(82,563)</u>	<u>272,226</u>	<u>(35,555)</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers from other funds	-	-	-
Receipt of advances to other funds	-	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	-	-	(268,832)
Proceeds from sale of capital assets	-	-	-
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	-
Net cash (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(268,832)</u>
<b>Cash flows from investing activities:</b>			
Net (purchase) sale of investments	13,552	4,971	151
Interest on investments	858	38,423	4,137
Net cash provided by investing activities	<u>14,410</u>	<u>43,394</u>	<u>4,288</u>
Net increase (decrease) in cash and cash equivalents	(68,153)	315,620	(300,099)
Cash and cash equivalents, beginning of year	<u>202,584</u>	<u>5,304,657</u>	<u>859,057</u>
Cash and cash equivalents, end of year	<u>\$ 134,431</u>	<u>\$ 5,620,277</u>	<u>\$ 558,958</u>

<b>Civic Improvement Authority</b>	<b>Fleet Replacement</b>	<b>Employee Benefits</b>	<b>Other Post Employment Benefit set-aside</b>	<b>Totals</b>
\$ -	\$ -	\$ -	\$ -	\$ 64,184
-	184,401	74,866	-	4,057,576
(3,384)	(122,510)	-	-	(2,571,236)
-	-	-	-	(15,480)
-	(58,173)	(697,081)	-	(2,002,817)
<u>(3,384)</u>	<u>3,718</u>	<u>(622,215)</u>	<u>-</u>	<u>(467,773)</u>
159,533	269,225	750,000	350,000	1,528,758
<u>6,365,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,365,000</u>
<u>6,524,533</u>	<u>269,225</u>	<u>750,000</u>	<u>350,000</u>	<u>7,893,758</u>
-	(365,328)	-	-	(634,160)
-	23,602	-	-	23,602
(6,365,000)	-	-	-	(6,365,000)
<u>(338,440)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(338,440)</u>
<u>(6,703,440)</u>	<u>(341,726)</u>	<u>-</u>	<u>-</u>	<u>(7,313,998)</u>
(502)	124	1,186	904	20,386
<u>203,824</u>	<u>6,719</u>	<u>8,914</u>	<u>2,854</u>	<u>265,729</u>
<u>203,322</u>	<u>6,843</u>	<u>10,100</u>	<u>3,758</u>	<u>286,115</u>
21,031	(61,940)	137,885	353,758	398,102
<u>807,214</u>	<u>1,025,293</u>	<u>1,505,596</u>	<u>402,852</u>	<u>10,107,253</u>
<u>\$ 828,245</u>	<u>\$ 963,353</u>	<u>\$ 1,643,481</u>	<u>\$ 756,610</u>	<u>\$ 10,505,355</u>

(Continued)

**CITY OF LA HABRA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds (Continued)**  
**For the Year Ended June 30, 2014**

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Technology</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ (145,961)	\$ 2,048	\$ (118,612)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	-	66,472
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	97	(701,372)	(2,030)
(Increase) decrease in due from other governments	1,908	-	-
(Increase) decrease in inventory	434	-	-
(Increase) decrease in prepaid items	59,334	-	(121)
Increase (decrease) in accounts payable and accrued liabilities	1,625	971,550	18,736
Increase (decrease) in compensated absences	-	-	-
Total adjustments	<u>63,398</u>	<u>270,178</u>	<u>83,057</u>
Net cash provided by (used in) operating activities	<u>\$ (82,563)</u>	<u>\$ 272,226</u>	<u>\$ (35,555)</u>
<b>Noncash Capital and Related Financing Transactions</b>			
Amortization of unamortized loss on refunding of debt	\$ -	\$ -	\$ -
Amortization of bond discount (premium)	-	-	-

<u>Civic Improvement Authority</u>	<u>Fleet Replacement</u>	<u>Employee Benefits</u>	<u>Other Post Employment Benefit set-aside</u>	<u>Totals</u>
\$ (5,134)	\$ (214,302)	\$ (669,146)	\$ -	\$ (1,151,107)
-	337,507	-	-	403,979
-	-	-	-	(703,305)
-	-	-	-	1,908
-	-	-	-	434
-	-	-	-	59,213
1,750	(119,487)	36,028	-	910,202
-	-	10,903	-	10,903
<u>1,750</u>	<u>218,020</u>	<u>46,931</u>	<u>-</u>	<u>683,334</u>
<u>\$ (3,384)</u>	<u>\$ 3,718</u>	<u>\$ (622,215)</u>	<u>\$ -</u>	<u>\$ (467,773)</u>
\$ 29,163	\$ -	\$ -	\$ -	\$ 29,163
2,260	-	-	-	2,260





**FIDUCIARY FUND**



**CITY OF LA HABRA**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended June 30, 2014**

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2014</b>
<b>Assets:</b>				
Cash and investments	\$ 10,701,756	\$ 588,637	\$ 322,081	\$ 10,968,312
Interest receivable	25,494	21,972	25,494	21,972
Total assets	<b>\$ 10,510,901</b>	<b>\$ 610,609</b>	<b>\$ 347,575</b>	<b>\$ 10,990,284</b>
<b>Liabilities:</b>				
Accounts payable	\$ 65,705	\$ 265,202	\$ 291,886	\$ 39,021
Accrued liabilities	13,211	213,382	212,382	14,211
Deposits	10,648,334	342,417	53,699	10,937,052
Total liabilities	<b>\$ 10,510,901</b>	<b>\$ 821,001</b>	<b>\$ 557,967</b>	<b>\$ 10,990,284</b>

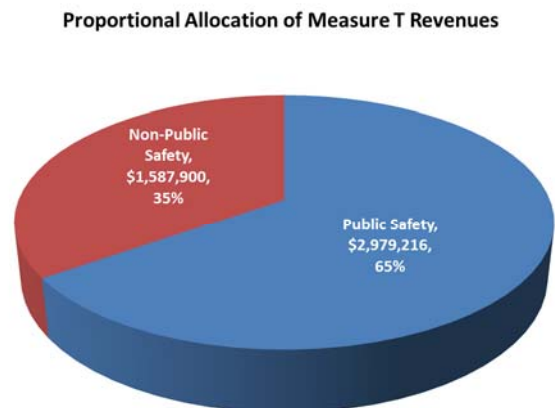
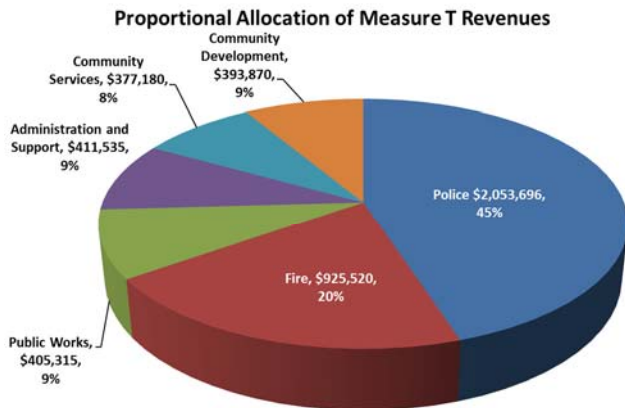
**CITY OF LA HABRA**  
**Measure T Transaction and Use Tax: Use of Funds**  
**Year Ended June 30, 2014**

In November 2008, the voters of La Habra approved Measure T which established a ½ cent local transaction and use tax. The measure was approved as an undesignated “general” tax that would be used to help support the activities and operations of the City’s General Fund. As this is a general tax, it legally cannot be earmarked for any specific use by code or statute.

One method to determine how this revenue source has impacted General Fund operations is to compare the allocation of these revenues by a proportional share of General Fund expenditures by department. The following table details this breakdown based on the Measure T amended revenue budget for FY 13/14 and the proportional allocation of the General Fund amended expenditure budget by department.

**Measure T Allocation Analysis by General Fund Department**

Department	FY 13/14 GF Amended Budget Expenditures	% of Total GF Budgeted Expenditures	Proportional Allocation of Measure T Revenues
Police	\$16,216,760	45.0%	\$2,053,696
Fire	\$7,308,254	20.3%	\$925,520
Public Works	\$3,200,521	8.9%	\$405,315
Administration and Support	\$3,249,631	9.0%	\$411,535
Community Development	\$3,110,149	8.6%	\$393,870
Community Services	\$2,978,355	8.3%	\$377,180
<b>Total</b>	<b>\$36,063,670</b>		<b>\$4,567,116</b>



This method of demonstrating the use of Measure T revenues is a fair representation based on the allocation of revenues to budgeted expenditures on a proportional basis. It is not possible to specifically identify the actual use of any undesignated General Fund revenue since those revenues are considered discretionary in nature.

**STATISTICAL SECTION**



**CITY OF LA HABRA**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2014**

**STATISTICAL SECTION**

This section of the City of La Habra’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city’s overall financial health.

*Table of Contents*

	<i>Page(s)</i>
<b>Financial Trends</b>	
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	126-135
<b>Revenue Capacity</b>	
<i>These schedules contain trend information to help the reader assess the government’s most significant current local revenue source, the property tax.</i>	139-143
<b>Debt Capacity</b>	
<i>These schedules contain present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	146-155
<b>Demographic and Economic Information</b>	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	158-159
<b>Operating Information</b>	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	162-168

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.





## **STATISTICAL SECTION**

### Financial Trends

**CITY OF LA HABRA**  
**Net Position by Component**  
**Last Ten Years**  
**(accrual basis of accounting)**

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 51,744,947	\$ 60,254,071	\$ 61,866,707	\$ 62,720,405
Restricted	2,125,116	2,425,184	2,962,479	3,060,362
Unrestricted	11,668,265	8,769,044	14,541,105	22,800,535
Total governmental activities net position	<u>\$ 65,538,328</u>	<u>\$ 71,448,299</u>	<u>\$ 79,370,291</u>	<u>\$ 88,581,302</u>
Business-type activities				
Net investment in capital assets	\$ 13,069,786	\$ 14,083,243	\$ 14,387,460	\$ 6,818,385
Restricted	-	-	-	-
Unrestricted	10,633,039	16,362,240	18,275,101	28,336,251
Total business-type activities net position	<u>\$ 23,702,825</u>	<u>\$ 30,445,483</u>	<u>\$ 32,662,561</u>	<u>\$ 35,154,636</u>
Primary Government				
Net investment in capital assets	\$ 64,814,733	\$ 74,337,314	\$ 76,254,167	\$ 69,538,790
Restricted	2,125,116	2,425,184	2,962,479	3,060,362
Unrestricted	22,301,304	25,131,284	32,816,206	51,136,786
Total primary government net position	<u>\$ 89,241,153</u>	<u>\$ 101,893,782</u>	<u>\$ 112,032,852</u>	<u>\$ 123,735,938</u>

Source: Finance Office, City of La Habra

<sup>(1)</sup> During fiscal year ended June 30, 2014, the City adopted GASB Statement 65 which resulted in the restatement of net position in fiscal year ended June 30, 2013.

Fiscal Year

2009	2010	2011	2012	2013 <sup>(1)</sup>	2014
\$ 69,852,168	\$ 72,267,324	\$ 74,411,098	\$ 74,666,668	\$ 76,564,962	\$ 78,951,634
443,262	1,100,726	10,086,784	8,699,455	9,844,805	7,673,024
18,146,165	18,770,240	14,909,849	25,179,579	27,559,460	27,453,928
<u>\$ 88,441,595</u>	<u>\$ 92,138,290</u>	<u>\$ 99,407,731</u>	<u>\$ 108,545,702</u>	<u>\$ 113,969,227</u>	<u>\$ 114,078,586</u>
\$ 11,978,153	\$ 16,282,084	\$ 15,332,126	\$ 14,823,632	\$ 19,564,982	\$ 22,031,524
1,630,052	1,630,052	1,630,052	1,630,052	1,363,180	1,288,543
20,649,253	17,457,587	20,091,568	22,095,633	19,681,735	19,176,036
<u>\$ 34,257,458</u>	<u>\$ 35,369,723</u>	<u>\$ 37,053,746</u>	<u>\$ 38,549,317</u>	<u>\$ 40,609,897</u>	<u>\$ 42,496,103</u>
\$ 81,830,321	\$ 88,549,408	\$ 89,743,224	\$ 89,490,300	\$ 96,129,944	\$ 100,983,158
2,073,314	2,730,778	11,716,836	10,329,507	11,207,985	8,961,567
38,795,418	36,227,827	35,001,417	47,275,212	47,241,195	46,629,964
<u>\$ 122,699,053</u>	<u>\$ 127,508,013</u>	<u>\$ 136,461,477</u>	<u>\$ 147,095,019</u>	<u>\$ 154,579,124</u>	<u>\$ 156,574,689</u>

**CITY OF LA HABRA**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year			
	2005	2006	2007	2008
<b>Expenses</b>				
Governmental activities:				
General government	\$ 3,740,025	\$ 2,466,028	\$ 1,727,569	\$ 2,450,872
Intergovernmental	392,850	351,407	38,142	14,426
Public safety	19,176,709	20,751,487	20,806,295	21,264,160
Public works	5,525,165	5,829,033	7,399,852	7,813,863
Employment and training	411,959	441,946	787,929	960,798
Community services	7,149,700	7,609,897	7,623,969	8,024,546
Community development	3,401,359	3,717,217	3,886,883	5,595,313
Interest on long-term debt	975,885	824,152	812,194	1,250,321
Total governmental activities expenses	<u>40,773,652</u>	<u>41,991,167</u>	<u>43,082,833</u>	<u>47,374,299</u>
Business-type activities:				
Water	7,198,574	7,591,959	8,557,829	9,091,989
Sewer	994,576	912,741	930,137	1,237,713
Housing Authority	1,701,542	1,681,163	1,988,194	961,673
Other business activities	4,764,065	5,101,290	5,392,422	5,874,526
Total business-type activities expenses	<u>14,658,757</u>	<u>15,287,153</u>	<u>16,868,582</u>	<u>17,165,901</u>
Total primary government expenses	<u>\$ 55,432,409</u>	<u>\$ 57,278,320</u>	<u>\$ 59,951,415</u>	<u>\$ 64,540,200</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services				
General government	\$ 3,668	\$ 1,940	\$ 2,032	\$ 310
Public safety	2,674,842	3,272,096	2,790,739	3,017,854
Community services	1,086,984	1,739,998	930,670	1,217,844
Community development	960,996	1,268,886	1,221,241	1,269,778
Operating grants and contributions	9,667,385	6,155,825	7,403,668	7,708,528
Capital grants and contributions	2,617,891	2,841,673	3,010,784	8,343,602
Total governmental activities program revenues	<u>17,011,766</u>	<u>15,280,418</u>	<u>15,359,134</u>	<u>21,557,916</u>
Business-type activities:				
Charges for services:				
Water	7,517,970	8,625,652	9,753,270	10,207,199
Sewer	914,135	791,592	878,314	1,351,929
Housing authority	1,957,341	1,951,143	1,915,376	1,984,399
Other business -type activities	4,893,092	10,094,887	5,462,799	5,958,707
Total business-type activities program revenues	<u>15,282,538</u>	<u>21,463,274</u>	<u>18,009,759</u>	<u>19,502,234</u>
Total primary government program revenues	<u>\$ 32,294,304</u>	<u>\$ 36,743,692</u>	<u>\$ 33,368,893</u>	<u>\$ 41,060,150</u>
Net (expense)/revenue:				
Governmental activities	\$(23,761,886)	\$(26,710,749)	\$(27,723,699)	\$(25,816,383)
Business-type activities	623,781	6,176,121	1,141,177	2,336,333
Total primary government net expense	<u>\$(23,138,105)</u>	<u>\$(20,534,628)</u>	<u>\$(26,582,522)</u>	<u>\$(23,480,050)</u>

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 4,567,895	\$ 2,799,293	\$ 3,391,804	\$ 3,686,663	\$ 3,461,904	\$ 4,017,045
-	-	-	-	-	-
22,940,011	22,433,260	22,518,416	22,890,241	23,605,899	24,505,359
8,240,683	12,543,772	13,295,177	7,129,157	7,172,065	7,430,857
824,748	1,335,844	350,183	409,814	369,315	344,972
8,362,899	8,412,550	8,658,108	8,047,441	8,796,440	9,114,775
5,867,904	5,516,373	5,675,859	4,632,329	4,034,985	4,592,489
1,087,697	1,265,049	1,663,267	923,269	266,069	206,922
<u>51,891,837</u>	<u>54,306,141</u>	<u>55,552,814</u>	<u>47,718,914</u>	<u>47,706,677</u>	<u>50,212,419</u>
9,616,279	10,274,385	10,171,235	10,111,046	10,699,804	12,095,302
1,321,849	1,523,707	1,591,981	1,664,713	2,012,774	1,927,963
1,715,950	1,671,488	2,093,743	3,035,323	3,049,222	1,629,058
6,131,357	6,274,848	5,315,794	4,189,973	4,201,456	5,997,886
<u>18,785,435</u>	<u>19,744,428</u>	<u>19,172,753</u>	<u>19,001,055</u>	<u>19,963,256</u>	<u>21,650,209</u>
<u>\$ 70,677,272</u>	<u>\$ 74,050,569</u>	<u>\$ 74,725,567</u>	<u>\$ 66,719,969</u>	<u>\$ 67,669,933</u>	<u>\$ 71,862,628</u>
\$ 7,183	\$ 428,161	\$ 102,225	\$ 100,150	\$ 100,360	\$ 105,934
2,801,704	3,359,502	3,234,734	2,998,253	3,071,009	3,242,072
1,192,031	1,445,127	1,144,869	823,340	1,078,848	1,234,637
1,006,964	929,396	1,057,923	869,115	1,335,841	1,148,627
7,944,392	10,219,344	9,645,109	9,278,565	9,099,096	8,027,156
6,831,889	9,314,080	13,545,193	3,578,616	3,163,745	4,556,286
<u>19,784,163</u>	<u>25,695,610</u>	<u>28,730,053</u>	<u>17,648,039</u>	<u>17,848,899</u>	<u>18,314,712</u>
9,889,342	10,759,475	11,423,986	11,043,029	13,045,637	13,673,720
1,124,764	1,346,611	1,450,422	1,509,749	1,541,770	1,622,818
2,097,380	2,129,124	1,247,111	1,582,853	1,584,262	1,577,921
6,040,726	6,071,837	6,231,787	6,278,645	6,250,703	6,360,631
<u>19,152,212</u>	<u>20,307,047</u>	<u>20,353,306</u>	<u>20,414,276</u>	<u>22,422,372</u>	<u>23,235,090</u>
<u>\$ 38,936,375</u>	<u>\$ 46,002,657</u>	<u>\$ 49,083,359</u>	<u>\$ 38,062,315</u>	<u>\$ 40,271,271</u>	<u>\$ 41,549,802</u>
\$ (32,107,674)	\$ (28,610,531)	\$ (26,822,761)	\$ (30,070,875)	\$ (29,857,778)	\$ (31,897,707)
366,777	562,619	1,180,553	1,413,221	2,459,116	1,584,881
<u>\$ (31,740,897)</u>	<u>\$ (28,047,912)</u>	<u>\$ (25,642,208)</u>	<u>\$ (28,657,654)</u>	<u>\$ (27,398,662)</u>	<u>\$ (30,312,826)</u>

**CITY OF LA HABRA**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities:				
Taxes:				
Property taxes	\$ 11,634,029	\$ 13,768,880	\$ 14,975,673	\$ 16,127,594
Sales and use taxes	8,836,139	9,208,476	9,853,179	10,298,735
Transaction and use taxes	-	-	-	-
Franchise tax	1,689,369	1,807,537	1,996,481	1,377,380
Utility users tax	4,765,367	5,128,226	5,293,525	2,854,515
Other taxes	599,921	399,436	398,603	-
Grants and contributions not restricted to specific programs	1,696,647	705,613	724,228	619,065
Income from property and investments	757,030	801,623	1,601,295	3,473,466
Other general revenues	796,231	885,929	717,424	309,139
Gain on sale of property	-	-	-	-
Extraordinary gain (loss)	-	-	-	-
Transfers	(76,000)	(85,000)	85,283	(32,500)
Total governmental activities	<u>30,698,733</u>	<u>32,620,720</u>	<u>35,645,691</u>	<u>35,027,394</u>
Business-type activities:				
Income from property and investments	346,084	481,537	1,161,184	123,242
Other general revenues	-	-	-	-
Transfers	76,000	85,000	(85,283)	32,500
Total business-type activities	<u>422,084</u>	<u>566,537</u>	<u>1,075,901</u>	<u>155,742</u>
Total primary government	<u>\$ 31,120,817</u>	<u>\$ 33,187,257</u>	<u>\$ 36,721,592</u>	<u>\$ 35,183,136</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 6,936,847	\$ 5,909,971	\$ 7,921,992	\$ 9,211,011
Business-type activities	1,045,865	6,742,658	2,217,078	2,492,075
Total primary government	<u>\$ 7,982,712</u>	<u>\$ 12,652,629</u>	<u>\$ 10,139,070</u>	<u>\$ 11,703,086</u>

Source: Finance Office, City of La Habra

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 16,153,525	\$ 15,575,910	\$ 15,512,868	\$ 14,175,467	\$ 13,333,682	\$ 13,235,491
8,900,156	7,669,656	8,116,354	8,490,350	9,033,667	9,593,316
888,150	3,572,975	3,882,815	4,215,209	4,430,751	4,701,077
1,451,228	1,492,703	1,534,468	1,561,518	1,580,176	1,607,535
-	-	-	-	-	-
-	-	-	-	-	-
492,053	453,076	580,840	316,262	325,718	84,906
2,808,384	2,962,495	3,280,649	3,175,312	2,790,519	2,664,660
795,111	577,174	1,169,235	1,123,908	1,253,294	1,094,588
499,360	-	-	-	-	-
-	-	-	8,194,111	-	(1,224,331)
(20,000)	3,237	14,973	557,409	51,592	249,824
<u>31,967,967</u>	<u>32,307,226</u>	<u>34,092,202</u>	<u>41,809,546</u>	<u>32,799,399</u>	<u>32,007,066</u>
1,016,045	552,883	386,167	273,456	30,416	152,270
-	-	132,276	366,303	366,303	398,879
20,000	(3,237)	(14,973)	(557,409)	(51,592)	(249,824)
<u>1,036,045</u>	<u>549,646</u>	<u>503,470</u>	<u>82,350</u>	<u>345,127</u>	<u>301,325</u>
<u>\$ 33,004,012</u>	<u>\$ 32,856,872</u>	<u>\$ 34,595,672</u>	<u>\$ 41,891,896</u>	<u>\$ 33,144,526</u>	<u>\$ 32,308,391</u>
\$ (139,707)	\$ 3,696,695	\$ 7,269,441	\$ 11,738,671	\$ 2,941,621	\$ 109,359
1,402,822	1,112,265	1,684,023	1,495,571	2,804,243	1,886,206
<u>\$ 1,263,115</u>	<u>\$ 4,808,960</u>	<u>\$ 8,953,464</u>	<u>\$ 13,234,242</u>	<u>\$ 5,745,864</u>	<u>\$ 1,995,565</u>

**CITY OF LA HABRA**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year			
	2005	2006	2007	2008
General fund				
Reserved	\$ 2,518,385	\$ 2,984,541	\$ 3,473,165	\$11,007,923
Unreserved	7,717,762	7,925,672	8,080,218	2,882,494
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$10,236,147</u>	<u>\$10,910,213</u>	<u>\$11,553,383</u>	<u>\$13,890,417</u>
All other governmental funds				
Reserved	\$ 3,811,387	\$ 6,530,768	\$ 6,387,594	\$ 7,105,221
Unreserved undesignated, reported in:				
Special revenue funds	728,328	771,473	157,435	(5,811,745)
Debt service funds	(178,299)	-	-	-
Capital projects funds	3,159,216	(4,969,337)	57,620	8,490,640
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 7,520,632</u>	<u>\$ 2,332,904</u>	<u>\$ 6,602,649</u>	<u>\$ 9,784,116</u>

Source: Finance Office, City of La Habra

<sup>(1)</sup> During fiscal year ended June 30, 2011, the City adopted GASB Statement 54 which established new categories for fund balance.



Fiscal Year					
2009	2010	2011 <sup>(1)</sup>	2012	2013	2014
\$ 10,105,173	\$ 9,321,926	\$ -	\$ -	\$ -	\$ -
3,067,881	3,792,796	-	-	-	-
-	-	9,270,571	9,191,664	8,716,824	8,159,022
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	4,604,127	5,308,531	5,732,904	6,265,883
<u>\$ 13,173,054</u>	<u>\$ 13,114,722</u>	<u>\$ 13,874,698</u>	<u>\$ 14,500,195</u>	<u>\$ 14,449,728</u>	<u>\$ 14,424,905</u>
\$ 11,841,774	\$ 7,105,637	\$ -	\$ -	\$ -	\$ -
		-	-	-	-
(10,520,112)	(9,312,632)	-	-	-	-
-	-	-	-	-	-
3,272,567	2,353,870	-	-	-	-
-	-	619,271	5,454	-	-
-	-	15,814,036	13,204,678	9,768,600	7,598,774
-	-	-	-	4,658,192	5,856,196
-	-	(11,906,575)	-	-	-
<u>\$ 4,594,229</u>	<u>\$ 146,875</u>	<u>\$ 4,526,732</u>	<u>\$ 13,210,132</u>	<u>\$ 14,426,792</u>	<u>\$ 13,454,970</u>

**CITY OF LA HABRA**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year			
	2005	2006	2007	2008
<b>Revenues</b>				
Property taxes and special assessments	\$ 11,634,029	\$ 13,768,879	\$ 14,975,672	\$ 16,127,594
Sales and use tax	8,580,008	9,208,476	9,853,179	10,298,735
Utility users tax	4,765,367	5,128,227	5,293,525	2,854,516
Franchise tax	-	-	-	-
Transaction and use tax	-	-	-	-
Intergovernmental	13,939,559	10,474,304	10,872,124	16,337,771
Licenses and permits	2,609,181	3,003,519	3,005,752	2,533,955
Charges for services	4,111,510	4,736,754	4,217,788	4,320,099
Fines, forfeitures and penalties	624,665	711,923	827,929	922,284
Use of money and property	1,201,020	886,846	1,325,055	2,806,572
Total revenue	<u>47,465,339</u>	<u>47,918,928</u>	<u>50,371,024</u>	<u>56,201,526</u>
<b>Expenditures</b>				
General government	3,794,454	3,190,161	3,284,442	3,776,287
Intergovernmental	392,850	351,407	38,142	14,426
Public safety	19,008,603	20,189,955	20,508,001	20,934,105
Public works	4,348,452	4,883,604	5,164,358	5,523,703
Employment and training	411,959	441,946	787,929	960,798
Community services	7,006,481	7,326,891	7,341,149	7,731,920
Community development	3,363,698	3,700,056	3,895,625	5,570,152
Intergovernmental - SERAF payment	-	-	-	-
Capital outlay	15,079,158	11,942,906	2,931,143	3,805,470
Debt service:				
Principal	568,967	265,000	276,699	404,466
Interest expense	929,510	877,374	595,620	1,029,198
Total expenditures	<u>54,904,132</u>	<u>53,169,300</u>	<u>44,823,108</u>	<u>49,750,525</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,438,793)</u>	<u>(5,250,372)</u>	<u>5,547,916</u>	<u>6,451,001</u>
<b>Other financing sources (uses)</b>				
Issuance of debt	-	-	-	-
Proceeds from note payable	1,608,437	-	-	-
Proceeds from sale of property	-	-	-	-
Transfers in	1,817,542	4,451,401	5,780,952	1,900,351
Transfers out	(2,083,859)	(3,714,691)	(6,415,953)	(2,832,851)
Total other financing sources (uses)	<u>1,342,120</u>	<u>736,710</u>	<u>(635,001)</u>	<u>(932,500)</u>
Extraordinary gain (loss)	-	-	-	-
Net change in fund balances	<u>\$ (6,096,673)</u>	<u>\$ (4,513,662)</u>	<u>\$ 4,912,915</u>	<u>\$ 5,518,501</u>
Debt service as a percentage of noncapital expenditures	3.76%	2.78%	2.13%	3.26%

Source: Finance Office, City of La Habra

Fiscal Year						
2009	2010	2011	2012	2013	2014	
\$ 16,153,525	\$ 15,575,909	\$ 15,512,868	\$ 14,175,467	\$ 13,333,682	\$ 13,235,491	
8,900,156	7,599,507	8,100,193	8,470,140	9,095,047	9,491,508	
-	-	-	-	-	-	
-	-	1,539,147	1,560,043	1,581,719	1,592,572	
888,150	3,321,233	4,009,945	4,217,599	4,496,894	4,567,116	
15,173,403	20,044,668	24,638,521	13,231,750	12,519,619	12,678,220	
2,289,291	2,377,893	831,524	983,459	1,328,317	1,223,155	
4,017,259	4,173,764	4,750,030	4,097,698	4,783,686	4,533,679	
1,019,890	1,079,904	933,279	818,988	721,905	1,030,240	
2,751,588	2,519,807	3,781,727	2,336,069	2,472,141	2,308,528	
51,193,262	56,692,685	64,097,234	49,891,213	50,333,010	50,660,509	
3,054,085	2,669,815	2,637,466	2,670,225	2,768,190	2,959,220	
2,949	-	-	-	-	-	
22,606,775	22,085,922	22,124,819	22,681,590	23,221,242	24,094,326	
5,762,012	9,892,445	10,442,627	3,922,907	4,077,979	4,211,341	
824,748	1,335,844	350,183	409,814	369,315	344,972	
8,064,550	8,124,301	8,362,752	7,687,354	8,417,176	8,741,525	
5,847,794	4,606,713	5,471,205	4,608,275	4,008,453	4,531,709	
-	892,557	183,762	-	-	-	
10,281,332	8,309,750	6,176,601	2,717,895	4,710,527	5,353,232	
430,552	452,158	608,560	703,163	216,011	230,425	
891,714	1,082,957	1,456,522	858,818	80,618	71,003	
57,766,511	59,452,462	57,814,497	46,260,041	47,869,511	50,537,753	
(6,573,249)	(2,759,777)	6,282,737	3,631,172	2,463,499	122,756	
-	-	1,450,000	-	-	-	
-	-	-	-	-	-	
790,000	-	-	-	2,694	-	
2,331,551	3,813,715	6,029,430	3,499,171	3,315,381	1,814,128	
(2,455,552)	(3,876,746)	(7,104,090)	(4,111,485)	(4,615,381)	(2,933,529)	
665,999	(63,031)	375,340	(612,314)	(1,297,306)	(1,119,401)	
-	-	-	6,290,039	-	-	
\$ (5,907,250)	\$ (2,822,808)	\$ 6,658,077	\$ 9,308,897	\$ 1,166,193	\$ (996,645)	
2.71%	3.04%	4.00%	3.59%	0.69%	0.67%	



**STATISTICAL SECTION**  
Revenue Capacity



**CITY OF LA HABRA**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property (1)	Total Taxable Assessed Value (2)	Total Direct Tax Rate
2005	\$ 2,697,043,410	\$ 470,826,383	\$ 219,273,760	\$ 212,114,339	\$3,599,257,892	0.20811%
2006	2,973,108,220	536,382,942	223,084,427	229,773,922	3,962,349,511	0.21467%
2007	3,350,470,647	552,151,340	241,253,193	261,169,322	4,405,044,502	0.21348%
2008	3,665,098,412	578,024,306	276,420,264	252,230,096	4,771,773,078	0.21732%
2009	3,700,917,522	607,254,122	299,147,783	266,515,101	4,873,834,528	0.21826%
2010	3,470,814,380	676,973,961	344,242,790	215,013,274	4,707,044,405	0.22193%
2011	3,513,333,660	713,436,330	308,220,069	171,182,915	4,706,172,974	0.22228%
2012	3,582,370,115	715,788,296	311,503,414	182,755,433	4,792,417,258	0.22158%
2013	3,641,858,952	732,735,818	321,514,482	161,568,293	4,857,677,545	0.21919%
2014	3,723,700,465	726,134,412	332,901,996	196,557,428	4,979,294,301	0.16576%

- (1) Other property includes recreational, institutional, vacant and miscellaneous property.  
(2) Tax-exempt property is excluded from the total taxable assessed value.

**NOTE.**

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Sources: HdL Coren & Cone; Orange County Assessor's Office

**CITY OF LA HABRA**  
**Direct and Overlapping Property Tax Rates**  
**(Rate per \$100 of assessed value)**  
**Last Ten Fiscal Years**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City Direct Rates:				
City basic rate	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
Total City Direct Rate	1.0000	1.0000	1.0000	1.0000
Overlapping Rates:				
School System	0.05099	0.05157	0.04736	0.04764
Metropolitan Water District	<u>0.00580</u>	<u>0.00520</u>	<u>0.00470</u>	<u>0.00450</u>
Total Direct Rate	<u><u>1.05679</u></u>	<u><u>1.05677</u></u>	<u><u>1.05206</u></u>	<u><u>1.05214</u></u>

Source: Orange County Assessor's Office



Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
0.04860	0.05359	0.05647	0.05362	0.06125	0.05885
<u>0.00430</u>	<u>0.00430</u>	<u>0.00370</u>	<u>0.00370</u>	<u>0.00350</u>	<u>0.00350</u>
<u><u>1.05290</u></u>	<u><u>1.05789</u></u>	<u><u>1.06017</u></u>	<u><u>1.05732</u></u>	<u><u>1.06475</u></u>	<u><u>1.06235</u></u>

**CITY OF LA HABRA**  
**Principal Property Taxpayers**  
**Current and Nine Years Ago**

Taxpayer	2014		2005	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
CVS Pharmacy Inc	\$ 90,942,317	1.83%	\$ -	0.00%
La Habra Associates LLC	90,744,352	1.82%	-	0.00%
La Habra Westridge Partnership LP	62,969,978	1.26%	-	0.00%
Ralph's Grocery Company	29,759,963	0.60%	-	0.00%
Bank First Security of Utah Trust	28,279,716	0.57%	-	0.00%
Essex Hillsborough Park	25,972,437	0.52%	-	0.00%
Costco Wholesale Corp	25,672,472	0.52%	-	0.00%
Garfield Beach CVS LLC	20,008,474	0.40%	-	0.00%
Clipperton Partners	19,673,165	0.40%	-	0.00%
02SKY Inc	18,638,186	0.37%	-	0.00%
American Food & Drug Inc	-	0.00%	70,627,383	1.96%
La Habra Westridge	-	0.00%	69,654,846	1.94%
NF La Habra Investors	-	0.00%	26,077,864	0.72%
Ralphs Grocery Company	-	0.00%	22,918,678	0.64%
Essex Portfolio	-	0.00%	22,345,648	0.62%
M and H Realty Partnership LP	-	0.00%	21,689,448	0.60%
M and H Realty Partnership LP Great Cir Fam	-	0.00%	19,587,425	0.54%
Bank First Security of Utah Trust	-	0.00%	17,126,861	0.48%
Clipperton Partners Lowes HIW INC	-	0.00%	17,039,080	0.47%
HB LA Habra Palm LLC	-	<u>0.00%</u>	<u>14,175,000</u>	<u>0.39%</u>
Top Ten Assessed Value	\$ 412,661,060	8.29%	\$ 301,242,233	8.37%
Total Assessed Value	<u>\$ 4,979,294,301</u>		<u>\$ 3,599,571,233</u>	

Source: Orange County Assessor's Office, HdL Coren & Cone

The amounts shown above include assessed value data for both the City and the Successor or the Redevelopment Agency.

**CITY OF LA HABRA**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year (1)	Collected within the		Collections in Subsequent Years	Total Collections to Date (2)	
		Fiscal Year of Levy Amount	Percent of Levy		Amount	Percent of Levy
2005 (1)	\$ 8,440,987	\$ 8,279,720	98.09%	23,723	\$ 8,303,444	98.37%
2006	9,919,544	9,704,534	97.83%	14,551	9,719,085	97.98%
2007	10,396,449	9,977,803	95.97%	28,837	10,006,640	96.25%
2008	11,581,270	11,312,879	97.68%	40,478	11,353,357	98.03%
2009	11,484,540	11,087,232	96.54%	62,236	11,149,467	97.08%
2010	11,119,314	10,827,627	97.38%	34,366	10,861,993	97.69%
2011	11,140,486	10,788,148	96.84%	16,586	10,804,734	96.99%
2012	11,306,017	10,758,711	95.16%	17,641	10,776,352	95.32%
2013 (3)	8,334,410	8,475,233	101.69%	8,127	8,483,360	101.79%
2014	8,685,217	8,536,194	98.28%	9,463	8,545,657	98.39%

Source: Orange County Auditor Controller's Office

**NOTE:**

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

Property Tax amounts reclassified/corrected to agree to how presented in the audited financial statements.

(1). Amount excludes Property Tax-In Lieu VLF and Sales, ERAF, Triple flip or VLF Swap tax reported beginning FY 04/05.

(2). Net collections excludes deductions for refunds, delinquencies and impounds.

(3). Beginning February 1, 2012, the property tax revenues of the former La Habra Redevelopment Agency are now accounted for in the Successor Agency to the La Habra Redevelopment Agency.



## **STATISTICAL SECTION**

### Debt Capacity

**CITY OF LA HABRA**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Years**

Fiscal Year Ended June 30	Governmental Activities					
	Certificates of Participation	Tax Allocation Bonds (2)	Special Tax Bonds (2)	Notes Payable	Loan Payable	Contract and Lease Payable
2005	\$ 5,586,192	\$ 7,550,000	\$ 2,695,000	\$ 724,036	\$ 1,080,000	\$ 1,236,783
2006	5,378,452	7,440,000	2,575,000	689,036	1,069,060	1,185,155
2007	5,165,712	7,325,000	2,450,000	652,337	970,593	1,143,252
2008	4,942,977	7,205,000	2,320,000	613,856	902,515	1,095,345
2009	4,710,242	7,080,000	2,180,000	573,507	831,620	1,041,037
2010	4,467,502	6,950,000	2,035,000	531,199	757,897	979,910
2011	4,209,751	6,795,000	1,880,000	1,827,692	681,234	911,520
2012	3,947,011	-	-	440,321	601,581	835,402
2013	3,669,271	-	-	391,547	518,682	751,064
2014	3,381,531	-	-	340,405	432,476	693,341

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

<sup>1</sup> These ratios are calculated using personal income and population for the prior calendar year. The statistical data ratios for all prior years have been revised to reflect City data rather than County. Source: HdL Coren & Cone

<sup>2</sup> For fiscal year ended June 30, 2012, outstanding long-term debts of the La Habra RDA were transferred to the Successor Agency on February 1, 2012, as a result of dissolution of Redevelopment Agencies in California.

Statistical information for prior fiscal years is unavailable.

Fiscal Year Ended June 30	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita (1)
	Total Governmental Long-term Debt	Certificates of Participation	Revenue Bonds	Total Business-type Activities				
2005	\$ 18,872,011	\$ 19,086,779	\$ 7,355,000	\$ 26,441,779	\$45,313,790	3.56%	\$ 2,189	
2006	18,336,703	18,434,540	7,205,000	25,639,540	43,976,243	3.30%	2,027	
2007	17,706,894	17,727,301	7,055,000	24,782,301	42,489,195	2.98%	1,834	
2008	17,079,693	16,970,062	6,900,000	23,870,062	40,949,755	2.74%	1,696	
2009	16,416,406	16,177,823	6,745,000	22,922,823	39,339,229	2.59%	1,614	
2010	15,721,508	13,793,909	6,585,000	20,378,909	36,100,417	2.43%	1,526	
2011	16,305,197	14,134,848	26,095,000	40,229,848	56,535,045	3.82%	2,414	
2012	5,824,315	13,914,290	25,655,000	39,569,290	45,393,605	3.03%	1,845	
2013	5,330,564	13,688,731	25,205,000	38,893,731	44,224,295	2.99%	1,831	
2014	4,847,753	13,219,165	40,294,772	53,513,937	58,361,690	4.02%	2,479	

**CITY OF LA HABRA**  
**Direct and Overlapping Debt**  
**June 30, 2014**

2013-14 Assessed Valuation		\$ 4,979,748,482	
Redevelopment Incremental Valuation		-	
Adjusted Assessed Valuation		<u>\$ 4,979,748,482</u>	
	% age	Outstanding	Estimated
	Applicable <sup>(1)</sup>	Debt 6/30/14	Share of
			Overlapping
			Debt
<b><u>OVERLAPPING TAX AND ASESMENT DEBT:</u></b>			
Metropolitan Water District	0.228%	\$ 132,275,000	\$ 301,587
North Orange County Joint Community College District	4.899%	201,239,001	9,858,699
Fullerton Joint Union High School District	18.392%	50,237,910	9,239,756
La Habra City School District	81.423%	17,732,134	14,438,035
City of La Habra Community Facilities District No. 1990-1	100.000%	<u>1,355,000</u>	<u>1,355,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 35,193,077</u>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>			
Orange County General Fund Obligations	1.126%	\$ 145,476,000	\$ 1,638,060
Orange County Pension Obligations	1.126%	32,195,288	362,519
Orange County Board of Education Certificates of Participation	1.126%	15,500,000	174,530
Municipal Water District of Orange County Water Facilities Corporation	1.347%	7,775,000	104,729
North Orange County Regional Occupation Program Certificate of Particip.	5.039%	10,690,000	538,669
Fullerton Joint Union High School District Certificates of Participation	18.392%	22,255,000	4,093,140
City of La Habra Certificate of Participation	100.000%	<u>18,440,000</u>	<u>18,440,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 25,351,647
Less: MWDOC Water Facilities Corporation (100% self-supporting)			<u>104,729</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 25,246,918
<b><u>OVERLAPPING TAX INCREMTN DEBT (Successor Agency):</u></b>	100.000%	\$ 6,100,000	<u>\$ 6,100,000</u>
TOTAL DIRECT DEBT			\$ 18,440,000
TOTAL GROSS OVERLAPPING DEBT			\$ 48,204,724
TOTAL NET OVERLAPPING DEBT			\$ 48,099,995
GROSS COMBINED TOTAL DEBT <sup>(2)</sup>			\$ 66,644,724
NET COMBINED TOTAL DEBT			66,539,995

<sup>(1)</sup> The Percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentage were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divide the district's total taxable assessed value.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, tax allocation bonds and non-bonded capital lease obligations.

**Ratios to 2013-14 Assessed Valuation:**

Total Overlapping Tax and Assessment Debt..... 0.71%

**Ratios to Adjusted Assessed Valuation:**

**Total Direct Debt ( \$ 18,440,000 ).....0.37%**

Gross Combined Total Debt.....1.34%

Net Combined Total Debt.....1.34%

**Ratios to Redevelopment Incremental Valuation (\$368,485,332):**

Total Overlapping Tax Increment Debt..... 1.66%

Source: California Municipal Statistics, Inc.





**CITY OF LA HABRA**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	Fiscal Year			
	2005	2006	2007	2008
Total Assessed Value of all Real and Personal Property	\$ 3,598,042,087	\$ 3,962,715,606	\$ 4,414,500,225	\$ 4,773,433,708
Debt Limit Percentage	15.00%	15.00%	15.00%	15.00%
Total Debt Limit (1)	539,706,313	594,407,341	662,175,034	716,015,056
Amount of Debt Applicable to Debt Limit (2)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Legal Debt Margin	<u>\$ 539,706,313</u>	<u>\$ 594,407,341</u>	<u>\$ 662,175,034</u>	<u>\$ 716,015,056</u>

(1) - In accordance with California Government Code Section 43605, general obligation bonds outstanding cannot exceed 15 percent of total assessed valuation.

(2) - The City currently has no general bonded indebtedness.

Source: City Finance Department  
Orange County Assessor's Office

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$4,876,737,977	\$4,708,919,643	\$4,700,690,212	\$4,792,478,144	\$4,857,042,662	\$4,979,748,482
15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
731,510,697	706,337,946	705,103,532	718,871,722	728,556,399	746,962,272
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 731,510,697</u>	<u>\$ 706,337,946</u>	<u>\$ 705,103,532</u>	<u>\$ 718,871,722</u>	<u>\$ 728,556,399</u>	<u>\$ 746,962,272</u>

**CITY OF LA HABRA**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Water Revenue Bonds						Coverage
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2005	(1) \$ 7,619,270	\$ 6,680,887	\$ 938,383	\$ 145,000	\$ 322,244	2.01	
2006	(1) 8,723,742	6,872,437	1,851,305	150,000	320,031	3.94	
2007	(1) 9,876,631	8,151,398	1,725,233	150,000	317,594	3.69	
2008	(1) 10,207,199	8,021,077	2,186,122	155,000	314,634	4.65	
2009	(1) 9,889,342	7,889,321	2,000,021	155,000	311,244	4.29	
2010	(1) 10,759,475	8,421,183	2,338,292	160,000	307,400	5.00	
2011	(2) 12,228,026	8,186,833	4,041,193	165,000	763,140	4.35	
2012	(2) 12,769,148	8,107,006	4,662,142	440,000	1,569,580	2.32	
2013	13,411,940	6,880,724	6,531,216	450,000	1,447,239	3.44	
2014	14,013,649	7,980,760	6,032,889	465,000	1,965,215	2.48	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, amortization, and the lease payment to the city. The Water Revenue Bonds operating revenues and expenses have been restated for 2008-2012

(1) '2003 Revenue Bonds, Series A

(2) '2003 Revenue Bonds, Series A; 2010 Revenue Bonds, Series A; 2010 Revenue Bonds, Series B

Certificate of Participation, Series A

Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
\$ 2,224,906	\$ 774,838	\$ 1,450,068	\$ 585,000	\$ 891,420	0.98
2,322,577	806,585	1,515,992	660,000	866,520	0.99
2,399,796	747,270	1,652,526	684,996	869,024	1.06
2,539,842	792,238	1,747,604	706,416	867,682	1.11
2,615,717	788,007	1,827,710	718,007	858,749	1.16
2,595,730	1,045,302	1,550,428	735,047	852,152	0.98
2,614,922	1,026,535	1,588,387	-	688,981	2.31
2,633,169	1,047,143	1,586,026	285,000	736,769	1.55
2,683,325	1,068,889	1,614,437	290,000	733,169	1.58
2,736,650	1,268,626	1,468,024	295,000	728,413	1.43

**CITY OF LA HABRA**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

Tax Allocation Bonds					
Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
\$ 1,370,272	\$ 802,566	\$ 567,706	\$ 105,000	\$ 426,423	1.07
2,085,904	1,121,430	964,474	110,000	421,585	1.81
1,873,932	734,015	1,139,917	115,000	416,465	2.14
2,343,944	1,038,171	1,305,773	120,000	411,000	2.46
2,361,818	1,431,419	930,399	125,000	405,180	1.75
2,447,870	2,055,699	392,171	130,000	398,995	0.74
2,446,322	1,614,675	831,647	155,000	391,935	1.52
2,377,771	1,427,386	950,385	220,000	382,450	1.58
2,446,245	1,465,205	981,040	230,000	370,860	1.63
2,704,664	1,377,798	1,326,866	245,000	358,510	2.20

Special Tax Bonds

Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
\$ 286,158	\$ 6,869	\$ 279,289	\$ 115,000	\$ 159,703	1.02
279,694	7,192	272,502	120,000	153,650	1.00
276,483	7,569	268,914	125,000	147,218	0.99
278,857	7,834	271,023	130,000	140,460	1.00
279,876	8,073	271,803	140,000	133,235	0.99
278,485	8,463	270,022	145,000	125,468	1.00
286,596	8,705	277,892	155,000	117,140	1.02
286,786	8,796	277,991	165,000	107,850	1.02
291,856	11,184	280,672	175,000	97,650	1.03
290,000	10,115	279,885	185,000	86,850	1.03





**STATISTICAL SECTION**  
Demographic and Economic Information

**CITY OF LA HABRA**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2005	61,411	\$ 1,271,463	\$ 20,704	4.8%
2006	61,470	1,333,587	21,695	4.3%
2007	61,588	1,426,814	23,167	3.9%
2008	61,973	1,496,367	24,145	4.4%
2009	62,309	1,518,571	24,372	6.0%
2010	62,747	1,484,763	23,663	10.1%
2011	63,184	1,479,959	23,423	10.8%
2012	60,871	1,497,853	24,607	9.8%
2013	61,202	1,478,212	24,153	6.4%
2014	61,717	1,452,756	23,539	5.7%

Source: HdL Coren & Cone

**CITY OF LA HABRA  
Principal Employers  
Current Year and Last Year**

Employer	2014		2013	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
CVS Pharmacy	804	2.64%	912	3.06%
Wal-Mart/Sams Stores Inc.	722	2.38%	728	2.44%
City of La Habra	406	1.34%	393	1.32%
Costco	278	0.91%	264	0.89%
The Kroger Co./La Habra Bakery	232	0.76%	232	0.78%
Target Stores	227	0.75%	181	0.61%
Home Depot	169	0.56%	165	0.55%
Lowe's Home Centers Inc.	154	0.51%	135	0.45%
Kohl's Department Stores Inc.	136	0.45%	123	0.41%
VIP Rubber Company Inc.	135	0.44%	135	0.45%
Payne's Janitorial Services	128	0.42%	128	0.43%
Park Regency Care Center	124	0.41%	108	0.36%
Northgate Market	107	0.35%	117	0.39%

"Total Employment" as used above represents the total employment of all employers located within City limits.

Source: Business License Dept.  
EDD Labor Market Info.



**STATISTICAL SECTION**  
Operating Information

**CITY OF LA HABRA**  
**Full-time Equivalent City Employees**  
**by Function/Department**  
**Last Ten Fiscal Years**

<b>Function/Department</b>	Full-time Equivalent Employees									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City Manager	4.94	4.94	4.94	5.50	4.50	3.50	3.75	3.75	3.75	4.75
City Clerk	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.53	2.75	2.75
Community Development	17.88	18.88	18.77	21.29	22.29	30.37	28.84	30.70	32.85	21.76
Community Services	100.34	100.18	100.72	100.24	107.52	104.21	99.25	94.50	101.67	103.23
Finance/Administrative Services	20.44	20.82	19.98	20.12	20.12	21.07	21.82	22.45	23.82	23.04
Fire *	41.00	-	-	-	-	-	-	-	-	-
Police	117.18	122.70	122.52	127.05	124.21	124.96	120.68	121.76	119.21	120.44
Public Works	60.81	64.11	67.37	67.59	66.87	59.31	54.24	54.50	45.22	65.34
Children's Museum	<u>8.67</u>	<u>7.51</u>	<u>7.98</u>	<u>6.50</u>	<u>8.01</u>	<u>7.02</u>	<u>7.89</u>	<u>6.19</u>	<u>9.53</u>	<u>6.29</u>
<b>Total</b>	<u>374.26</u>	<u>342.14</u>	<u>345.28</u>	<u>351.29</u>	<u>356.52</u>	<u>353.44</u>	<u>339.47</u>	<u>336.38</u>	<u>338.80</u>	<u>347.60</u>

Note: The City contracted Fire Operations to Los Angeles County Fire Department in 2006.

Source: City of La Habra, Finance Department  
Statistical information for prior fiscal years is not available.

**CITY OF LA HABRA**  
**Operating Indicators**  
**by Function**  
**Last Nine Fiscal Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Police:</b>									
Arrests	2,727	2,423	2,494	2,472	2,438	2,087	2,285	2,238	2,039
Crime Reports	-	8,786	8,190	8,363	7,932	7,786	6,909	6,465	6,334
Moving citations issued	-	6,098	7,845	10,801	8,771	7,683	5,070	5,859	7,845
Parking citations issued	13,875	14,856	17,051	16,386	14,617	10,546	8,389	10,452	11,644
<b>Fire *</b>									
Number of emergency calls	-	3,401	3,293	3,581	3,814	3,418	3,527	3,549	3,697
<b>Public Works</b>									
Street resurfacing (miles)	14	14	15	6	7	9	11	11	8
<b>Community development</b>									
Building Permits Issued	1,184	1,322	1,340	1,614	1,866	1,747	1,786	1,818	1,818
Building Inspections	-	4,768	4,061	3,424	3,242	3,922	3,422	3,170	3,170
Building Plan Checks	-	319	300	191	175	176	166	191	191
<b>Parks and recreation:</b>									
Number of Parks	23	24	24	24	24	24	24	24	24
Park Acreage	133.17	133.45	133.66	133.66	133.66	133.66	133.66	134.84	134.84
Number of recreation classes	29	26	24	20	16	17	17	18	18
<b>Municipal Water Department</b>									
Number of Accounts	12,601	12,707	12,584	12,569	12,638	12,656	12,614	12,620	13,969
Average daily consumption (thousands of gallons)	9,241	9,690	9,287	7,825	7,268	7,108	7,435	8,092	8,257

Note: The City contracted Fire Operations to Los Angeles County Fire Department in 2006.

Source: City of La Habra, Finance Department  
Statistical information for prior fiscal years is not available.

**CITY OF LA HABRA**  
**Capital Asset Statistics**  
**by Function**  
**Last Nine Fiscal Years**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police:									
Stations	1	1	1	1	1	1	1	1	1
Fire *									
Stations	4	4	4	4	4	4	4	4	4
Public works:									
Streets (miles)	108	108	108	108	108	108	108	108	108
Streetlights	2,646	2,649	2,637	2,635	2,635	2,510	2,537	2,540	2,523
Traffic signals	33	33	34	34	34	34	34	34	35
Parks and recreation:									
Parks	23	24	24	24	24	24	24	25	25
Community centers	1	1	1	1	1	1	1	1	1
Water:									
Water mains (miles)	120	120	130	130	130	130	130	130	158
Sewer									
Sanitary sewers (miles)	108	108	108	108	108	108	108	108	126

Note: The City contracted Fire Operations to Los Angeles County Fire Department in 2006.

Source: City of La Habra, Finance Department  
Statistical information for prior fiscal years is not available.



**CITY OF LA HABRA**  
**Water Service By Type of Customer**  
**Last Ten Fiscal Years**

	Fiscal Years									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water Services										
Residential	\$11,481	\$ 11,507	\$ 11,598	\$ 11,478	\$ 11,475	\$ 11,549	\$ 11,565	\$ 11,519	\$ 11,530	\$ 12,838
Commercial/Industrial	836	833	849	842	830	827	824	817	812	852
Schools/Other	250	261	260	264	264	262	267	278	278	279
Total	<u>\$12,567</u>	<u>\$ 12,601</u>	<u>\$ 12,707</u>	<u>\$ 12,584</u>	<u>\$ 12,569</u>	<u>\$ 12,638</u>	<u>\$ 12,656</u>	<u>\$ 12,614</u>	<u>\$ 12,620</u>	<u>\$ 13,969</u>

Source: City of La Habra  
Statistical information for prior fiscal years is not available.

**CITY OF LA HABRA**  
**Water Rates**  
**Last Two Fiscal Years**

Adopted: 06/04/13  
 Effective: 07/01/13

Meter Size	2013		2014	
	Monthly Meter Charge	Water Consumption Charge (1)	Monthly Meter Charge	Water Consumption Charge (1)
5/8 inch	\$ 11.33	\$ 2.54	\$ 11.61	\$ 2.60
3/4 inch	12.80	2.54	13.12	\$ 2.60
1 inch	16.53	2.54	16.94	\$ 2.60
1-1/2 inches	37.96	2.54	38.91	\$ 2.60
2 inches	65.80	2.54	67.45	\$ 2.60
3 inches	148.07	2.54	151.77	\$ 2.60
4 inches	262.06	2.54	268.61	\$ 2.60
6 inches	589.68	2.54	604.42	\$ 2.60
8 inches	665.38	2.54	682.01	\$ 2.60
10 inches	n/a	n/a	n/a	n/a

(1) For each Additional 100 cubic feet. From May 1 to September of each year, a charge of \$2.82 per 100 cubic feet is assessed for consumption above 17,000 cubic feet.

Source: City of La Habra

Statistical information for prior fiscal years is not available.

**CITY OF LA HABRA**  
**Average Monthly Water Service Rate Comparison**  
**Last Two Fiscal Years**

Water Agency	FY 2014				FY 2013			
	Usage (in ccf's)	Commodity Charge	Readiness to Serve	Total Bill	Usage (in ccf's)	Commodity Charge	Readiness to Serve	Total Bill
La Habra	25	\$ 2.60	\$ 11.61	\$ 76.61	25	\$ 2.54	\$ 11.33	\$ 74.83
Brea (Tiered Rate)	1-10	2.60	8.68	-	1-10	2.23	8.68	-
Brea (Tiered Rate)	11-20	3.65	-	-	11-20	3.14	-	-
Brea (Tiered Rate)	21-25	4.65	-	94.43	21-25	4.00	-	82.38
Fullerton (Tiered Rate)	1-10	2.72	6.78	-	1-10	2.39	6.41	-
Fullerton (Tiered Rate)	11-25	3.01	-	79.16	11-25	2.66	-	70.23
La Habra Heights (Lower Fire)	25	1.44	27.19	63.19	25	1.44	27.19	63.19
La Habra Heights (Higher Fire)	25	1.66	27.19	68.69	25	1.66	27.19	68.69
Suburban Water System	1-20	2.28	11.83	70.08	1-20	2.28	11.83	70.08
Suburban Water System (La Mirada & Whittier)	5	2.52	-	-	5	2.52	-	-
Whittier (3/4 meter)	25	1.76	20.45	64.45	25	1.76	14.93	58.93

Source: City of La Habra  
Statistical information for prior fiscal years is not available.

**CITY OF LA HABRA**  
**Ten Largest Users of Water**  
**Current and Last Year**

Customer	2014		2013	
	12 Month Consumption (100 Cubic Feet)	Percentage of Total Consumption	12 Month Consumption (100 Cubic Feet)	Percentage of Total Consumption
Westridge Golf, Inc.	126,074	3.13%	123,479	3.15%
City of La Habra	114,212	2.83%	120,001	3.06%
Cal Domestic	70,290	1.74%	-	0.34%
La Habra School District	69,281	1.72%	66,212	1.69%
Westridge Community Association	44,003	0.79%	48,954	1.25%
Tapestry	31,968	0.69%	28,883	0.74%
Brooklake Apartments	27,633	0.68%	27,106	0.69%
Fullerton Union High School	27,246	0.56%	26,682	0.68%
Whittier Christian High School	22,762	0.43%	22,271	0.57%
Friendly Village A/P	17,421	0.00%	24,201	0.62%
Total Consumption in 100 CCF		<u>4,028,905</u>		<u>3,921,196</u>

Source: City of La Habra  
Statistical information for prior fiscal years is not available.