

CITY OF LAGUNA BEACH, CALIFORNIA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

CITY OF LAGUNA BEACH, CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

City Council:

Bob Whalen, Mayor
Steve Dicterow, Mayor Pro Tem
Toni Iseman, Council Member
Kelly Boyd, Council Member
Rob Zur Schmiede, Council Member

Laura Parisi, City Treasurer

Lisette Chel-Walker, City Clerk

John Pietig, City Manager

**Prepared by:
Finance Department**

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INTRODUCTORY SECTION



December 23, 2015

To the Members of the City Council & Citizens of the City of Laguna Beach:

It is the policy of the City of Laguna Beach to annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of Laguna Beach ("the City") for the fiscal year ended June 30, 2015.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Vavrinek, Trine, Day & Co., LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2015, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Laguna Beach MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Laguna Beach, incorporated in 1927, is located in southwest Orange County, approximately 55 miles southeast of Los Angeles. The City currently occupies a land area of 8.84 square miles and serves a population of approximately 23,000. The City is home of the Pageant of the Masters and the Festival of the Arts. The City attracts approximately six million visitors annually due to its eight miles of coastline, the Mediterranean climate and the summer art festivals and pageants.



The City has operated under the council-manager form of government since 1944. Policy-making and legislative authority are vested in a City Council consisting of the mayor and four other council members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. City council members serve four-year staggered terms, with new members elected every two years. The mayor is elected by the city council on an annual basis.

The City of Laguna Beach is a full service city providing its residents and visitors with a full range of services including general governance; police, fire and marine safety protection; maintenance of streets, parks, the sewer system and parking facilities; solid waste; transit operations; community development; recreational activities and cultural events; and administrative services.

The biannual (two year) budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriations to the City's manager the January preceding the end of the two-year budget cycle. The City Manager uses these requests as the starting point for developing a proposed two-year budget. The City Manager then presents this proposed budget to the city council for review in May. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget by June 30th, the close of the City's fiscal year. The budget is organized by department (e.g., police, fire protection, marine safety, street and park maintenance, and general administrative services). The City Council may amend the budget through a vote of a majority or super majority of the Council during the fiscal year. The City Manager may transfer funds from one object or purpose to another within the same department, excluding capital outlay. Actual expenditures may not exceed budgeted appropriations at the department level.

Within the General Fund, an available fund balance of at least 20% of appropriations has been established as a reserve for contingencies. Budget-to-actual comparisons are provided in this financial report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and major special revenue funds, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the general fund and major special revenue funds, this comparison is presented in the supplementary section of the accompanying financial statements.

The City's financial statements present the financial activity of the City of Laguna Beach (the primary government) and the Laguna Beach County Water District (a component unit of the City). The Water District is discretely presented in the City's financial statements because the City Council also serves as board members of the Water District. Additional information about the Laguna Beach County Water District and the reporting entity can be found in Footnote 1 of the notes to the financial statements.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy. According to the UCLA Anderson Forecast, the national economy is likely to grow at a 3% pace during the next year as consumer spending is expected to improve and the unemployment rate falls to an anticipated 5%. For California, the news is also upbeat. Steady gains in employment are anticipated through 2017, as growth from construction, automobiles and business investment, along with higher

consumer demand, continues to power the state's economy. California's unemployment rate is also expected to continue to decline, likely falling to 5.1% by the end of 2017 according to the UCLA Anderson Economic Forecast, essentially the same as the national unemployment rate. Orange County also shows reasons for optimism. According to the Chapman University Economic Forecast, office and industrial vacancy rates are returning to levels not seen since the early 2000s, unemployment sits at about 5.5% and residential construction is improving. Job growth in Orange County is expected to grow by 2.2% for 2016.

The City of Laguna Beach continues to be a stable, prosperous, and financially secure municipality due to its strong underlying tax base, governance, and disciplined financial decisions. General Fund revenues were higher than expected primarily due to the higher property and transient occupancy taxes. It is anticipated that all three of the City's major revenue sources will continue to see gradual increases over the next year. However, in spite of these favorable economic trends, a general conservative outlook is still warranted.

The City ended FY 2014-2015 on a positive note with revenue exceeding the prior year revenue for all major revenue sources. The City's largest revenue source, property tax experienced a 6.5% increase over the prior fiscal year, signaling an improvement in the local housing market. Transient occupancy taxes (TOT), the second largest revenue source, experienced an increase of 7.6% over the prior year due to an increase in visitors. Sales tax revenue, the City's third largest revenue source, experienced an increase of 4.0% over the prior year due primarily to increased strength in the economy. These results contributed to the City completing FY 2014-2015 in good financial health. Total General Fund operating revenues exceeded operating expenditures by \$9.9 million; however, this amount is before transfers and budget carryovers (funds that have been obligated but not yet spent).

Long-term financial planning. The City's biennial budget serves as the foundation for the City of Laguna Beach financial planning and control and allows the City Council to prioritize City expenditures. Appropriations for operating expenditures shall be balanced in relation to current revenue sources. When significant uncertainty exists concerning revenue volatility or threatening/pending obligations, the City Council and City Manager reserve the right to impose any special fiscal control measures, including personnel hiring freezes, and other spending controls, whenever circumstances warrant. The City Council may authorize the use of contingency reserves (set at 20% of the General Fund Operating Budget) as set forth by City policy.

Over the past several years, the City of Laguna Beach tax base has performed well under adverse circumstances which have helped the City weather the last recession. However, while the local economy improves the revenue base supporting City services, the demand for additional services is also increasing. Laguna Beach will continue to be faced with balancing gradual revenue growth against increasing operating costs, retirement costs and healthcare costs. That said, the City's fiscal conservatism has created a stable financial base. The City's fiscal discipline has allowed it to prepare a balanced budget and improve reserves.

Summary of Current Year Accomplishments. Significant progress has been made on several of the City Council priorities including: completion of the Lifeguard Headquarters, implementation of strategies developed as part of the downtown parking management plan, and more recently the success of the off-season weekend trolley services. Other successes include implementation of the View Preservation and Restoration Ordinance, completion of the Enhanced Mobility and Complete Streets Transition Plan, Open for Business Workshops, and approval of a strategy to pay down the unfunded pension liability for miscellaneous, management, and safety employees which will help stabilize the impact of increasing pension costs.

The City Council also continues to incorporate prudent reserves in the budget to mitigate current and future risks.

Future Work Program Initiatives. Many of the City Councils major priorities, projects, and programs include:


- Municipal Transit System Improvements
- Parking Management
- Off-Season Trolley Service Implementation
- Village Entrance Project
- Sewage System Improvements and Financing
- Downtown Specific Plan Review/Civic Art District Expansion (MIG - Urban Design Consultant)
- Short-Term Lodging Implementation
- Open for Business Workshops
- Unfunded Pension Costs
- Utility Undergrounding
- Community Based Policing
- Emergency & Disaster Preparedness

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Division. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

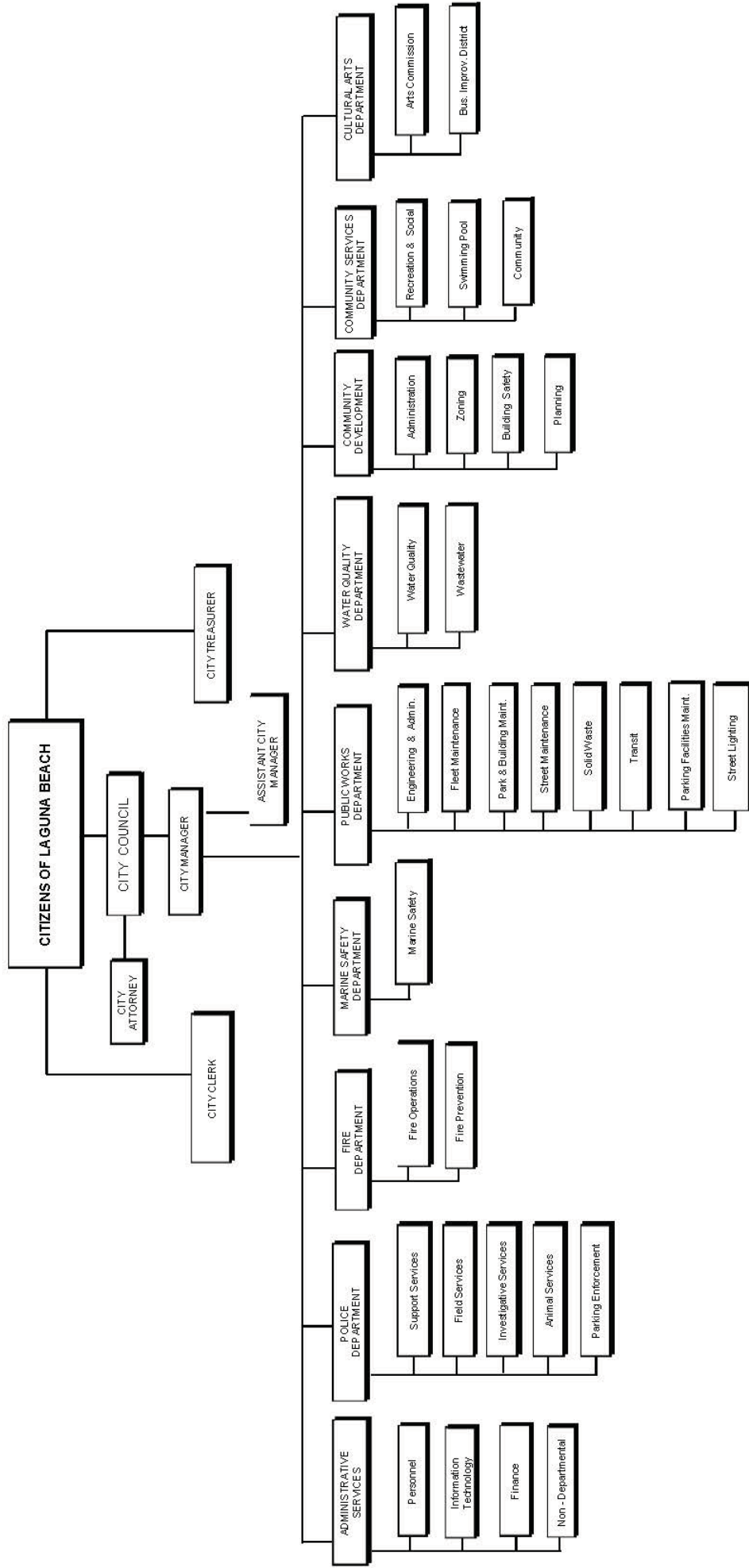
Respectfully submitted,


John Pietig
City Manager


Gavin Curran
Director of Finance and Information Technology


Nancy Pauley
Finance Officer

CITY OF LAGUNA BEACH Organizational Chart



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the City Council
City of Laguna Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Laguna Beach, California (City), as of and for the year ended June 30, 2015, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Laguna Beach County Water District (District), which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, 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 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, as of July 1, 2014. 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 management's discussion and analysis (pages 4 through 13), budgetary comparison information (pages 74 through 77 and page 83), schedule of proportionate share of the net pension liability (page 78), schedule of changes in the net pension liability and related ratios (page 80), schedules of contributions (pages 79 and 81), and schedule of funding progress (page 82) 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 introductory section, consolidating general fund financial statements, individual general fund sub-fund budgetary comparison schedules, combining and individual nonmajor fund financial statements and budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The consolidating general fund financial statements, individual general fund sub-fund budgetary comparison schedules, combining and individual nonmajor fund financial statements and budgetary comparison schedules (supplementary information) 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, based on our audit and the procedures performed as described above, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Prior-Year Comparative Information

We have previously audited the City's 2014 financial statements, and we expressed an unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information in our report dated December 29, 2014. The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2014, from which such summarized information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 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.



Laguna Hills, California

December 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Laguna Beach (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. Our intent is to assist the reader of these financial statements in better understanding the impact of financial decisions made by the City. This analysis will focus on the significant changes in an effort to explain the City's overall financial condition. Please read it in conjunction with the accompanying transmittal letter at the front of this report, and the basic financial statements, which follow this section.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual 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 nonmajor 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 tell how general government services, like public safety, were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the City's sewer service and transit system.
 - Fiduciary fund statements provide information about the fiduciary relationships – like the agency funds of the City – in which the City acts solely as agent or trustee for the benefit of others, to whom the resources in question 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 provides additional financial and budgetary information.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of the City's Government-wide and Fund Financial Statements

	Government-wide <u>Statements</u>	<u>Fund Statements</u>		
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Agency Funds</u>
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities • Reconciliation of revenues, expenses, and changes in fund net position • Reconciliation of balance sheet to statement of net position 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's fiduciary funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid.

Reporting the City as a Whole

The accompanying government-wide financial statements include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position – the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources – as one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here. Charges for Services, grants, sales taxes, property taxes, state subventions, and other revenues finance most of these activities.
- Business-type activities – The City charges user fees to customers to offset all or most of the expenses accounted for in these funds.

Reporting the City's Major Funds

The fund financial statements provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other current financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.
- Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities.

Reporting the City’s Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City’s fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A summary of the government-wide statement of net position follows:

Table 1
Net Position
(in Millions)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 84.9	\$ 76.2	\$ 6.9	\$ 3.6	\$ 91.8	\$ 79.8
Capital Assets	301.7	299.4	46.4	48.1	348.1	347.5
Total Assets	386.6	375.6	53.3	51.7	439.9	427.3
Deferred Outflows of Resources	5.7	-	0.4	-	6.1	-
Long-Term Debt Outstanding	47.9	5.3	6.5	3.9	54.4	9.2
Other Liabilities	4.5	5.7	0.9	0.8	5.4	6.5
Total Liabilities	52.4	11.0	7.4	4.7	59.8	15.7
Deferred Inflows of Resources	11.8	-	0.6	-	12.4	-
Net Position						
Net Investment in						
Capital Assets	301.7	299.4	42.4	43.8	344.1	343.2
Restricted	9.6	7.2	-	-	9.6	7.2
Unrestricted	16.9	57.9	3.2	3.1	20.1	61.0
Total Net Position	\$ 328.2	\$ 364.5	\$ 45.6	\$ 46.9	\$ 373.8	\$ 411.4

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets plus deferred outflows exceeded liabilities plus deferred inflows by approximately \$373.8 million as of June 30, 2015.

The largest portion of the City’s net position, \$344.1 million (92%) is reflected in its investment in capital assets (e.g., land, street infrastructure, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt will be provided from future revenues and the remaining 8% of the City’s net position, since the capital assets themselves cannot be used to liquidate these liabilities.

The net pension liability of \$43.9 million, deferred outflows of resources of \$6.1 million and \$12.4 million deferred inflows of resources shown on the Statement of Net Position are due to the requirements GASB Statements No. 68 and No. 71 which have been implemented in the current fiscal year for reporting of pension plans with CalPERS. The Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to the pension plans. The Statements specifically identify the methods and assumptions that are to be used in calculating and disclosing these pension-related accounts in the financial statements, refer to Note 16 for additional note disclosures.

A portion of the City's net position of \$9.6 million (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$20.1 million (5%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all three categories of net position for the City as a whole, as well as the governmental activities. For the City's business-type activities, the balance was also positive and there were no restrictions on net position.

The City's total net position increased by \$14.7 million during the current fiscal year. The net position of governmental activities increased by \$13.1 million and business-type activities had an increase of \$1.6 million.

A summary of the government-wide statement of activities follows:

Table 2
Changes in Net Position
(in thousands)

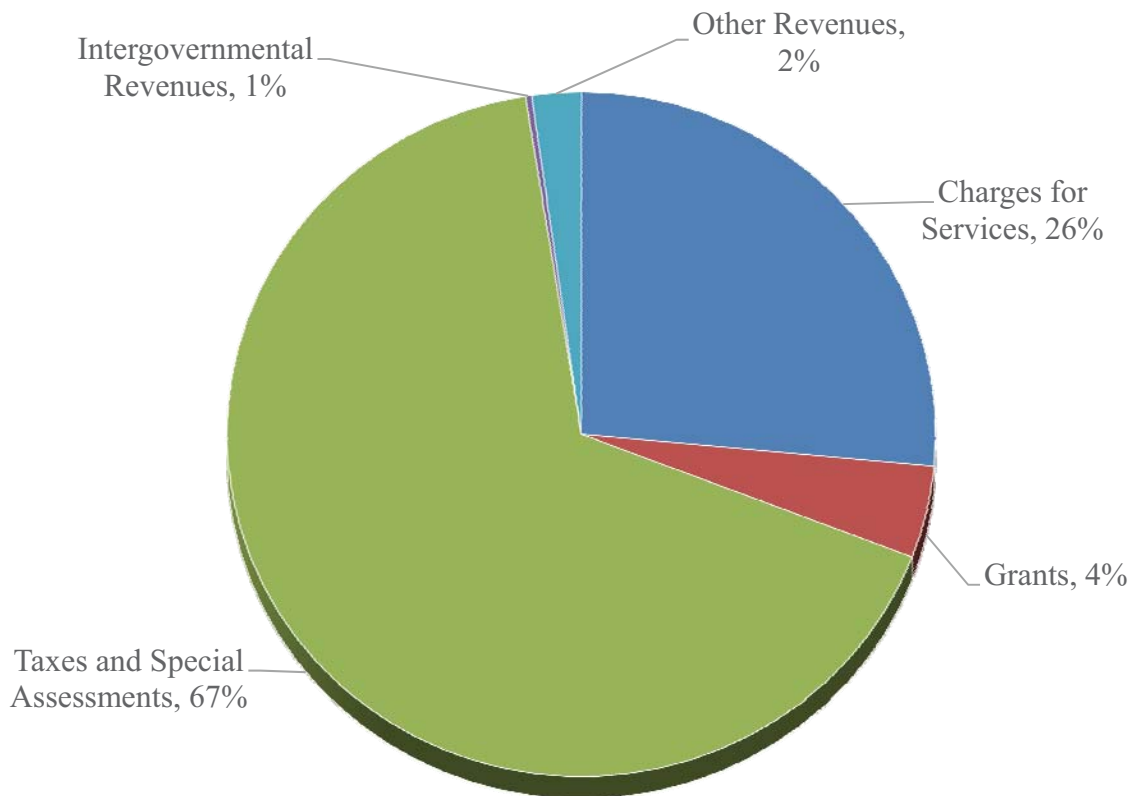
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for Services	\$ 19,465	\$ 16,426	\$ 7,413	\$ 7,161	\$ 26,878	\$ 23,587
Operating Grants/Contributions	2,765	1,972	2,303	1,766	5,068	3,738
Capital Grants/Contributions	434	1,596	555	852	989	2,448
General Revenues						
Taxes and special assessments	48,956	45,980			48,956	45,980
Intergovernmental	205	206	-	-	205	206
Rental income	485	501	1	-	486	501
Investment income	709	1,161	25	4	734	1,165
Miscellaneous revenues	382	296	4	25	386	321
Gain (loss) on sale/disposal of capital assets	76	198	(6)	-	70	198
Total Revenues	<u>73,477</u>	<u>68,336</u>	<u>10,295</u>	<u>9,808</u>	<u>83,772</u>	<u>78,144</u>
Expenses:						
General government	4,012	3,252	-	-	4,012	3,252
Community development	4,286	4,103	-	-	4,286	4,103
Public safety	26,606	25,755	-	-	26,606	25,755
Public works	18,085	16,320	-	-	18,085	16,320
Recreation and social services	6,023	5,174	-	-	6,023	5,174
Municipal transit	-	-	2,434	2,333	2,434	2,333
Sewer Service	-	-	7,569	5,636	7,569	5,636
Total Expenses	<u>59,012</u>	<u>54,604</u>	<u>10,003</u>	<u>7,969</u>	<u>69,015</u>	<u>62,573</u>
Increase (Decrease) in Net Position Before Transfers	14,465	13,732	292	1,839	14,757	15,571
Transfers	(1,351)	(915)	1,351	915	-	-
Increase (Decrease) in Net Position	13,114	12,817	1,643	2,754	14,757	15,571
Net Position-Beginning-as restated	<u>315,089</u>	<u>351,724</u>	<u>44,008</u>	<u>44,178</u>	<u>359,097</u>	<u>395,902</u>
Net Position-Ending	<u>\$ 328,203</u>	<u>\$364,541</u>	<u>\$45,651</u>	<u>\$46,932</u>	<u>\$373,854</u>	<u>\$411,473</u>

The City's total revenues were \$84 million while the total expenditures were \$69 million. Property taxes were the City's largest revenue source at \$30.9 million (36.9% of total revenues and 42% of governmental revenues). Transient lodging taxes at \$9.8 million (11.7% of total revenues and 13.3% governmental revenues) and sales taxes, including sales tax-in-lieu at \$5.8 million (6.9% of total revenues and 7.8% of governmental revenues) were the second largest revenue sources for the City this past year. Property taxes have increased approximately 6.5%. The City's sales taxes increased approximately 7.2% and transient lodging taxes have increased approximately 3.4% over prior fiscal year.

Governmental activities. The governmental activities' increase in net position of \$13.1 million activity accounted for 100% of the total growth in net position for the City this past year. A prior period adjustment is reflected in the financial statements to reduce beginning net position by \$49 million for the implementation of GASB Statement No. 68. Additional information on the City's prior period adjustment can be found in Note 2 in the Notes to the Basic Financial Statements.

The following graph depicts the major revenue sources of the City. It depicts very clearly the reliance on taxes and special assessments to fund governmental activities.

Revenues by Source – Governmental Activities



General government expenses (including City Council, City Manager, City Attorney, City Clerk, City Treasurer and Administrative Services) were 7% of the total cost of governmental activities. Charges for services offset 25% of the cost of providing these services.

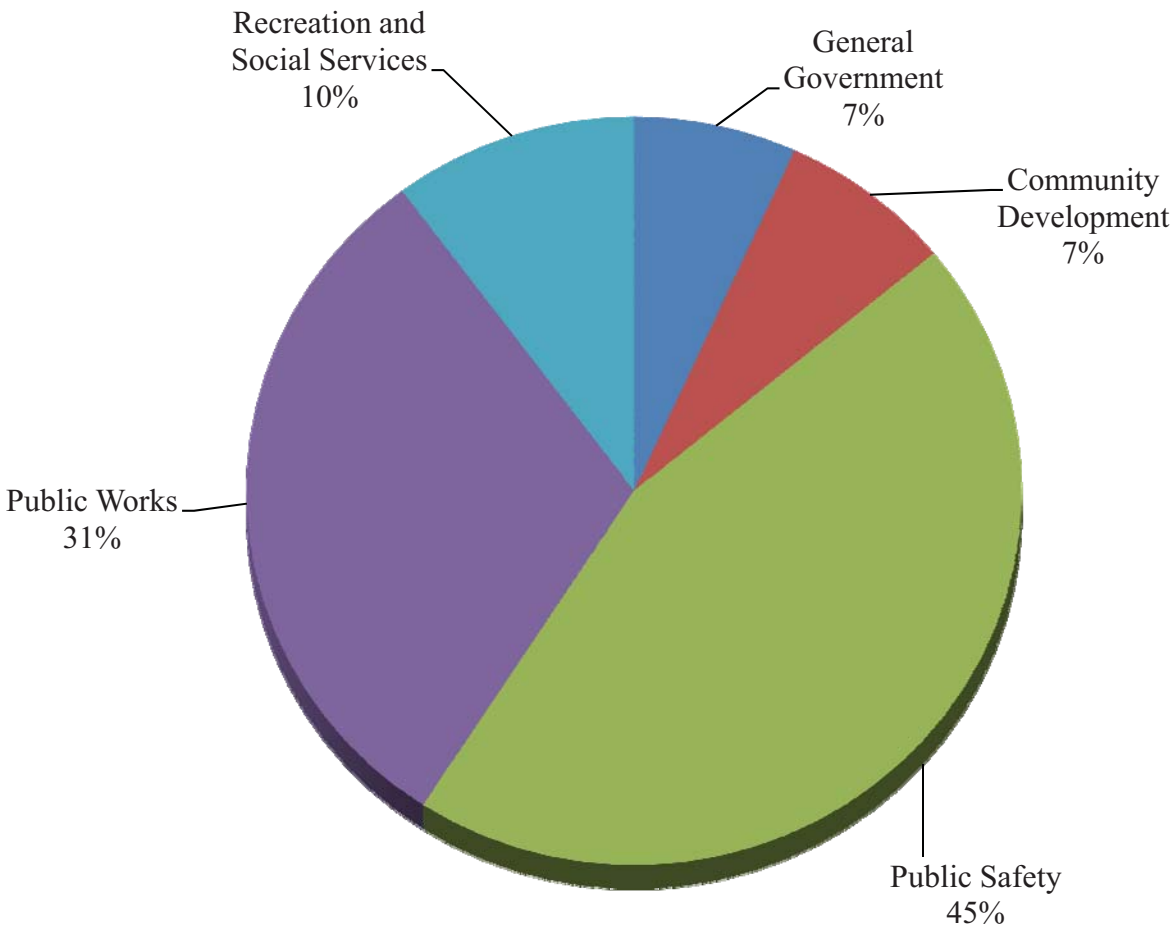
Community development expenditures were 7% of the total cost of governmental activities. Charges for services and operating grants and contributions helped to offset 79% of the cost of these activities.

Public safety expenses comprised the largest component of governmental activities in terms of cost (45%) this past year. Charges for services, operating and capital grants and contributions offset 11% of the cost of providing these services.

Public Works was the second largest governmental activity representing 31% of the total cost of governmental activities. Charges for services and operating grants and contributions helped to offset 61% of the cost of these activities.

Recreation and social services expenditures were 10% of the total cost of governmental activities. Charges for services, operating grants and contributions offset 71% of the cost of providing these services.

Expenses by Function – Governmental Activities



As illustrated in the governmental activities, the total illustrates the net cost of each service. The net cost represents the extent to which governmental activities are subsidized by taxes and other general revenue for the City.

Business-type activities. Business-type activities of the City had an increase in net position of \$1.6 million. The expenses of the City's business-type activity, the municipal transit system and sewer services, included costs incurred for capitalized assets that were funded by charges for services and operating and capital grants. The majority of the increase in net position of \$1.6 million consisted of an increase in operating grants and contributions in fiscal year 2014-15. A prior period adjustment is reflected in the financial statements to reduce beginning net position by \$2.9 million for the implementation of GASB Statement No. 68. Additional information on the City's prior period adjustment can be found in Note 2 in the Notes to the Basic Financial Statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to 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 and 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, 2015, the governmental funds reported combined ending fund balances of \$61.3 million, an increase of \$8.8 million in comparison with the prior year. The City has \$115 thousand (0.60%) in fund balance classified as nonspendable to indicate it cannot be readily converted to cash; \$9.5 million (15.5%) in restricted fund balance to indicate that it has an externally imposed restriction on the money may be spent; \$6.4 million (10.4%) in committed fund balance to indicate that the City Council committed how the money will be spent; \$29.4 million (47.9%) in assigned fund balance to indicate that the City Council has an assigned purpose or intent for how the money should be spent; and \$15.7 million (25.6%) in unassigned fund balance to indicate that it is the residual balance not otherwise restricted.

The fund balance of the City's General Fund increased by \$1.1 million during the fiscal year ending June 30, 2015. Reasons for changes in the revenues and expenditures of the City's General Fund from the prior year are as follows:

- Revenues increased by \$2.8 million with \$1.9 million resulting from property taxes. Business Improvement District Fees increased \$534 thousand, and reimbursements for State Mandated Costs increased by \$333 thousand compared to the prior year.
- Overall, expenditures increased \$1.9 million compared to the prior year. This increase was primarily due to repayment of CalPERS unfunded liability of \$1.4 million.

The City's other major fund is the Disaster Contingency Fund.

The Disaster Contingency Fund has a total fund balance of \$6.0 million which is used exclusively for (a) repair of public facilities and (b) the emergency protection of public and private property and lives during natural or manmade disasters. This funding is from the accumulation of a voter approved temporary ½ cent sales tax that was in effect for the period of July, 2006 through June, 2009.

Enterprise Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Municipal Transit Fund and Sewer Service Fund at the end of the fiscal year amounted to \$3.2 million. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGET

Differences between the original budget and the final amended budget of the General Fund totaled \$8.6 million and major items can be briefly summarized as follows:

- \$6.9 million increase in the budget for prior year carry over appropriations.
- Adding \$300 thousand for Public Safety Computer Aided Dispatch Software
- Adding \$400 thousand for CalPERS unfunded Liability
- Adding \$350 thousand for purchase of Replacement Capital Equipment

Major deviations between the final budget of the General Fund and its actual operating results were as follows:

- Total revenues were \$3.1 million above final budgeted revenues for the year ended June 30, 2015. The favorable variance includes increases in property taxes, sales and use taxes, planning fees, and parks and recreations fees.
- Total expenditures were under the budgeted amount by \$8.5 million, mostly as a result of capital equipment and capital projects not yet completed or deferred to next fiscal year. The remaining budget for these capital projects is included with the carryover appropriations.

These deviations did not significantly affect the City’s liquidity or ability to provide future government services.

	Capital Assets - Net of Depreciation					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 87,542,481	\$ 87,340,522	\$ 196,106	\$ 196,106	\$ 87,738,587	\$ 87,536,628
Buildings and Improvements	33,003,955	35,122,881	1,448,735	1,512,690	34,452,690	36,635,571
Office Equipment & Machinery	2,033,916	1,717,263	34,931	31,438	2,068,847	1,748,701
Furniture and Fixtures	1,546,344	1,402,156	48,196	47,679	1,594,540	1,449,835
Equipment Machinery & Tools	1,267,960	1,279,206	360,111	377,126	1,628,071	1,656,332
Sewer Plant and Lines	-	-	40,223,214	39,959,734	40,223,214	39,959,734
Automotive Equipment	2,345,207	1,886,236	2,828,102	2,261,487	5,173,309	4,147,723
Infrastructure	164,517,507	166,735,110	-	-	164,517,507	166,735,110
Construction in Progress	9,448,487	3,909,112	1,235,312	3,674,156	10,683,799	7,583,268
Total	\$ 301,705,857	\$ 299,392,486	\$ 46,374,707	\$ 48,060,416	\$ 348,080,564	\$ 347,452,902

The major changes to the capital assets during the year ended June 30, 2015, were the purchase of a new Fire Truck; three new Trolleys; Storm Drains at Park Avenue; and the Glenneyre Parking Structure Beautification Project. Unexpended construction commitments as of year-end are discussed in note 6 to the financial statements. Additional information on the City’s capital assets can be found in note 5 to the financial statements.

LONG-TERM DEBT

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Installment Agreement	\$ -	\$ -	\$ 3,922,145	\$ 4,302,111	\$ 3,922,145	\$ 4,302,111

The City's long-term debt decreased by \$379 thousand (8.8%) during the current fiscal year. Additional information on the City's long-term liabilities, including net pension liability, OPEB liability, compensated absences, and claims payable, can be found in notes 11, 12, and 16 in the accompanying financial statements.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office, at the City of Laguna Beach, 505 Forest Avenue, Laguna Beach, California 92651.

BASIC FINANCIAL STATEMENTS

CITY OF LAGUNA BEACH
Statement of Net Position
June 30, 2015
(With Comparative Totals for June 30, 2014)

	Primary Government				Component Unit
	Governmental Activities	Business-type Activities	Totals		Water District
			2015	2014	
ASSETS					
Cash and investments (note 3)	\$ 77,519,728	\$ 5,239,495	\$ 82,759,223	\$ 72,104,998	\$ 19,891,350
Receivables:					
Taxes	3,623,883	87,158	3,711,041	3,575,563	41,248
Accounts	582,463	173,852	756,315	504,244	1,557,928
Interest	48,183	-	48,183	33,133	66,024
Intergovernmental	324,558	1,340,816	1,665,374	832,108	-
Notes	1,035,637	-	1,035,637	870,749	251,921
Prepays	59,593	55,600	115,193	107,188	190,825
Inventory	55,496	-	55,496	89,402	141,760
Computer loans to employees	-	-	-	-	7,662
Property held for investment	1,677,809	-	1,677,809	1,677,809	-
Capital assets, not being depreciated (note 5)	96,990,968	1,431,418	98,422,386	95,119,896	1,963,245
Capital assets, net of depreciation (note 5)	204,714,889	44,943,289	249,658,178	252,333,006	44,691,572
Total Assets	<u>386,633,207</u>	<u>53,271,628</u>	<u>439,904,835</u>	<u>427,248,096</u>	<u>68,803,535</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts related to pensions (note 16)	5,748,945	412,536	6,161,481	-	341,282
LIABILITIES					
Accounts payable and accrued liabilities	3,414,584	946,410	4,360,994	3,864,882	937,831
Deposits	14,500	-	14,500	14,500	48,314
Due to other government agencies	42,796	-	42,796	5,995	-
Unearned revenue	984,995	-	984,995	522,359	-
Noncurrent liabilities:					
Due within one year	1,530,055	401,131	1,931,186	2,063,066	83,989
Due in more than one year	4,979,921	3,574,973	8,554,894	9,304,700	981,751
Net pension liability (note 16)	41,427,294	2,511,619	43,938,913	-	3,387,510
Total Liabilities	<u>52,394,145</u>	<u>7,434,133</u>	<u>59,828,278</u>	<u>15,775,502</u>	<u>5,439,395</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts related to pensions (note 16)	11,785,116	600,185	12,385,301	-	1,278,472
NET POSITION					
Net investment in capital assets	301,705,857	42,452,562	344,158,419	343,150,791	46,654,817
Restricted for:					
Capital projects	9,048,471	-	9,048,471	6,279,841	-
Other purposes	511,162	-	511,162	944,067	-
Unrestricted	16,937,401	3,197,284	20,134,685	61,097,895	15,772,133
Total Net Position	<u>\$ 328,202,891</u>	<u>\$ 45,649,846</u>	<u>\$ 373,852,737</u>	<u>\$ 411,472,594</u>	<u>\$ 62,426,950</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Statement of Activities
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Program Revenues				Total Program Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 4,011,666	\$ 1,015,049	\$ -	\$ -	\$ 1,015,049
Community development	4,286,769	3,167,128	160,200	65,053	3,392,381
Public safety	26,606,083	1,989,290	1,030,382	3,586	3,023,258
Public works	18,085,062	9,314,702	1,482,159	163,083	10,959,944
Recreation and social services	6,022,747	3,979,198	92,150	201,959	4,273,307
Total Governmental Activities	<u>59,012,326</u>	<u>19,465,367</u>	<u>2,764,891</u>	<u>433,681</u>	<u>22,663,939</u>
Business-type activities:					
Municipal transit	2,434,172	319,134	2,050,400	-	2,369,534
Sewer service	7,569,442	7,093,423	252,214	555,307	7,900,944
Total Business-type Activities	<u>10,003,614</u>	<u>7,412,557</u>	<u>2,302,614</u>	<u>555,307</u>	<u>10,270,478</u>
Total Primary Government	<u>\$ 69,015,940</u>	<u>\$ 26,877,924</u>	<u>\$ 5,067,505</u>	<u>\$ 988,988</u>	<u>\$ 32,934,417</u>
Component units:					
Water District	\$ 12,060,304	\$ 9,457,300	\$ -	\$ -	\$ 9,457,300
Total Component Units	<u>\$ 12,060,304</u>	<u>\$ 9,457,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,457,300</u>

General revenues:

- Taxes:
 - Sales tax & sales tax in-lieu
 - Transient occupancy tax
 - Property tax
 - Franchise tax
 - Other
- Intergovernmental
- Rental income
- Investment income, net
- Gain (loss) on disposal of capital assets
- Miscellaneous
- Total General Revenues

Transfers (note 14)

Change in net position

Net Position at Beginning of Year, as restated

Net Position at End of Year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government				Component Unit
Governmental Activities	Business-type Activities	Totals		Water District
		2015	2014	
\$ (2,996,617)	\$ -	\$ (2,996,617)	\$ (2,271,174)	\$ -
(894,388)	-	(894,388)	(860,670)	-
(23,582,825)	-	(23,582,825)	(23,318,866)	-
(7,125,118)	-	(7,125,118)	(6,340,109)	-
(1,749,440)	-	(1,749,440)	(1,819,711)	-
(36,348,387)	-	(36,348,387)	(34,610,530)	-
-	(64,638)	(64,638)	353,879	-
-	331,502	331,502	1,454,987	-
-	266,864	266,864	1,808,866	-
(36,348,387)	266,864	(36,081,523)	(32,801,664)	-
				(2,603,004)
				(2,603,004)
5,804,635	-	5,804,635	5,415,523	-
9,872,378	-	9,872,378	9,547,431	-
30,945,911	-	30,945,911	29,044,486	2,461,669
1,239,653	-	1,239,653	1,223,462	-
1,093,881	-	1,093,881	749,552	-
204,726	-	204,726	205,666	-
484,579	540	485,119	500,642	403,332
708,579	25,464	734,043	1,164,414	721,468
75,928	(6,537)	69,391	198,439	-
382,443	4,110	386,553	321,271	-
50,812,713	23,577	50,836,290	48,370,886	3,586,469
(1,350,691)	1,350,691	-	-	-
13,113,635	1,641,132	14,754,767	15,569,222	983,465
315,089,256	44,008,714	359,097,970	395,903,372	61,443,485
\$ 328,202,891	\$ 45,649,846	\$ 373,852,737	\$ 411,472,594	\$ 62,426,950

See accompanying notes to basic financial statements.

GOVERNMENTAL FUNDS

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The General fund, which is required to be classified as a major fund, is used to account for resources which are not required legally or by sound financial management to be accounted for in another fund.

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt services or capital projects.

The City of Laguna Beach has the following major Special Revenue Fund:

DISASTER CONTINGENCY FUND - This fund is used exclusively for the repair of public facilities and the emergency protection of public and private property and lives during natural or manmade disasters and was funded with a temporary restricted sales tax increase, approved by the voters.

NONMAJOR GOVERNMENTAL FUNDS

These funds constitute all other governmental funds that do not meet the qualitative or quantitative criteria to be a major fund, which are the 10 percent test of assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures for the governmental funds and the 5 percent test of total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures for the total governmental and enterprise funds combined. These funds include other Special Revenue and Capital Projects Funds of the City.

CITY OF LAGUNA BEACH
Governmental Fund Types
Balance Sheet
June 30, 2015
(With Comparative Totals for June 30, 2014)

	<u>General</u>	<u>Special Revenue Disaster Contingency</u>	<u>Nonmajor Governmental Funds</u>
ASSETS			
Cash and investments	\$ 54,185,151	\$ 6,089,679	\$ 5,307,634
Receivables:			
Taxes	3,610,709	-	13,174
Accounts	508,457	-	-
Interest	48,183	-	-
Intergovernmental	255,455	-	69,103
Notes	348,000	-	207,155
Due from other funds (note 4)	-	-	-
Prepays	59,593	-	-
Inventory	55,496	-	-
Advances to other funds (note 4)	-	-	1,670,000
Total Assets	<u>\$ 59,071,044</u>	<u>\$ 6,089,679</u>	<u>\$ 7,267,066</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 3,015,503	\$ -	\$ 215,691
Due to other funds (note 4)	-	-	-
Deposits	-	-	14,500
Due to other government agencies	42,796	-	-
Unearned revenue	82,935	-	902,060
Advances from other funds (note 4)	6,602,462	-	170,000
Total Liabilities	<u>9,743,696</u>	<u>-</u>	<u>1,302,251</u>
Fund balances (deficit) (note 13):			
Nonspendable	115,089	-	-
Restricted	3,073,396	-	6,486,737
Committed	363,278	6,089,679	-
Assigned	29,467,522	-	-
Unassigned	16,308,063	-	(521,922)
Total Fund Balances	<u>49,327,348</u>	<u>6,089,679</u>	<u>5,964,815</u>
Total Liabilities and Fund Balances	<u>\$ 59,071,044</u>	<u>\$ 6,089,679</u>	<u>\$ 7,267,066</u>

See accompanying notes to basic financial statements.

<u>Totals - Governmental Funds</u>	
<u>2015</u>	<u>2014</u>

\$ 65,582,464	\$ 57,024,810
3,623,883	3,415,143
508,457	376,055
48,183	33,133
324,558	174,504
555,155	348,000
-	463,493
59,593	57,588
55,496	89,402
<u>1,670,000</u>	<u>2,190,000</u>
<u>\$ 72,427,789</u>	<u>\$ 64,172,128</u>

\$ 3,231,194	\$ 3,251,663
-	463,493
14,500	14,500
42,796	5,995
984,995	492,510
<u>6,772,462</u>	<u>7,390,000</u>
<u>11,045,947</u>	<u>11,618,161</u>

115,089	2,336,990
9,560,133	7,223,908
6,452,957	6,369,081
29,467,522	23,734,527
<u>15,786,141</u>	<u>12,889,461</u>
<u>61,381,842</u>	<u>52,553,967</u>
<u>\$ 72,427,789</u>	<u>\$ 64,172,128</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2015

Fund balances of governmental funds	\$ 61,381,842
Amounts reported for governmental activities in the Statement of Net Position are difference because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	
Capital assets	381,647,981
Accumulated depreciation	(82,242,819)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds	
Net pension liability	(41,427,294)
Deferred outflows of resources related to pensions	5,748,945
Deferred inflows of resources related to pensions	(11,785,116)
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds must be added to the Statement of Net Position.	
	<u>14,879,352</u>
Net Position of Governmental Activities	<u><u>\$ 328,202,891</u></u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	General	Special Revenue Disaster Contingency	Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 48,036,893	\$ -	\$ 1,703,184
Licenses and permits	1,257,275	-	-
Fines and penalties	1,144,170	-	17,275
Investment income, net	651,228	55,123	9,170
Rental	484,579	-	-
Intergovernmental	2,086,561	-	731,306
Charges for services	8,153,319	-	-
Parking meters, lots and permits	7,400,349	-	-
Development tax	271,927	-	-
Other	1,353,649	-	202,373
Total Revenues	<u>70,839,950</u>	<u>55,123</u>	<u>2,663,308</u>
Expenditures:			
Current:			
General government	4,598,623	-	-
Community development	4,445,514	-	-
Public safety	27,014,412	-	-
Public works	11,416,458	-	451,016
Recreation and social services	4,902,441	-	-
Capital expenditures	8,564,312	-	2,171,588
Total Expenditures	<u>60,941,760</u>	<u>-</u>	<u>2,622,604</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,898,190</u>	<u>55,123</u>	<u>40,704</u>
Other financing sources (uses):			
Transfers in (note 14)	450,000	-	600,000
Transfers out (note 14)	(1,623,400)	-	(600,000)
Sale of land and equipment	7,258	-	-
Total Other Financing Sources (Uses)	<u>(1,166,142)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	8,732,048	55,123	40,704
Fund Balances, Beginning of Year	<u>40,595,300</u>	<u>6,034,556</u>	<u>5,924,111</u>
Fund Balances, End of Year	<u>\$ 49,327,348</u>	<u>\$ 6,089,679</u>	<u>\$ 5,964,815</u>

See accompanying notes to basic financial statements.

<u>Totals - Governmental Funds</u>	
<u>2015</u>	<u>2014</u>
\$ 49,740,077	\$ 46,861,756
1,257,275	1,292,248
1,161,445	1,179,799
715,521	1,159,549
484,579	500,642
2,817,867	3,363,671
8,153,319	7,509,075
7,400,349	5,308,051
271,927	254,370
<u>1,556,022</u>	<u>802,838</u>
<u>73,558,381</u>	<u>68,231,999</u>
4,598,623	3,701,265
4,445,514	4,034,924
27,014,412	25,170,727
11,867,474	12,292,930
4,902,441	4,581,842
<u>10,735,900</u>	<u>15,782,365</u>
<u>63,564,364</u>	<u>65,564,053</u>
<u>9,994,017</u>	<u>2,667,946</u>
1,050,000	419,760
(2,223,400)	(1,869,144)
<u>7,258</u>	<u>168,676</u>
<u>(1,166,142)</u>	<u>(1,280,708)</u>
8,827,875	1,387,238
<u>52,553,967</u>	<u>51,166,729</u>
<u>\$ 61,381,842</u>	<u>\$ 52,553,967</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2015

Net change in fund balances - total governmental funds	\$ 8,827,875
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period.	
Depreciation expense	(6,512,656)
Purchases of capital assets recorded in governmental funds	8,463,753
Net effect of various transactions involving capital assets (i.e. sales, retirements)	(23,450)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Pension expense reported on government wide statement of activities	(3,595,878)
Governmental funds report expenditures for retirement contributions whereas these amounts are reported as deferred outflows of resources on the statement of net position	5,584,145
Revenues collected after the period of availability and earned in the prior fiscal year on the government wide Statement of Activities.	(74,755)
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the internal service funds must be added to the Statement of Net Position.	444,601
Change in net position of governmental activities	\$ 13,113,635

See accompanying notes to basic financial statements.

PROPRIETARY FUNDS

MAJOR ENTERPRISE FUNDS

The Enterprise funds are used to report activity for which a fee is charged to external users for goods or services. In addition, activities are required to be reported as enterprise funds if the activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.

The City of Laguna Beach has the following major Enterprise Funds:

MUNICIPAL TRANSIT FUND – The fund is used to account for the operations of the City’s transit system. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations and maintenance.

SEWER SERVICE FUND – The fund is used to account for the operations of the City’s sewer system. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations and maintenance.

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency of a government to other departments or agencies on a cost reimbursement basis.

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Net Position
June 30, 2015
(With Comparative Totals for June 30, 2014)

	Business-Type Activities		
	Municipal Transit	Sewer Service	2015 Total
ASSETS			
Current assets:			
Cash and investments	\$ 646,602	\$ 4,592,893	\$ 5,239,495
Receivables:			
Accounts	4,617	169,235	173,852
Intergovernmental	1,340,816	-	1,340,816
Taxes	-	87,158	87,158
Prepays	55,600	-	55,600
Total Current Assets	<u>2,047,635</u>	<u>4,849,286</u>	<u>6,896,921</u>
Noncurrent assets:			
Advances to other funds (note 4)	-	-	-
Notes receivable	-	-	-
Property held for investment	-	-	-
Capital assets, not being depreciated	196,106	1,235,312	1,431,418
Capital assets, net of depreciation	3,737,274	41,206,015	44,943,289
Total Noncurrent Assets	<u>3,933,380</u>	<u>42,441,327</u>	<u>46,374,707</u>
Total Assets	<u>5,981,015</u>	<u>47,290,613</u>	<u>53,271,628</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>58,880</u>	<u>353,656</u>	<u>412,536</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	733,904	212,506	946,410
Compensated absences due within one year	3,305	7,487	10,792
Insurance claims payable due within one year	-	-	-
I Bank Installment Agreement due within one year	-	390,339	390,339
Unearned revenue	-	-	-
Total Current Liabilities	<u>737,209</u>	<u>610,332</u>	<u>1,347,541</u>
Non-current liabilities:			
Compensated absences (note 11)	13,220	29,947	43,167
Insurance claims payable (note 7)	-	-	-
I Bank Installment Agreement (note 11)	-	3,531,806	3,531,806
Net OPEB liability (note 12)	-	-	-
Net Pension liability	358,477	2,153,142	2,511,619
Total Noncurrent Liabilities	<u>371,697</u>	<u>5,714,895</u>	<u>6,086,592</u>
Total Liabilities	<u>1,108,906</u>	<u>6,325,227</u>	<u>7,434,133</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>85,663</u>	<u>514,522</u>	<u>600,185</u>
NET POSITION			
Net Position			
Net investment in capital assets	3,933,380	38,519,182	42,452,562
Unrestricted	911,946	2,285,338	3,197,284
Total Net Position	<u>\$ 4,845,326</u>	<u>\$ 40,804,520</u>	<u>\$ 45,649,846</u>

See accompanying notes to basic financial statements.

Governmental Activities	Business-Type Activities	Governmental Activities
Internal Service Funds	2014 Total	2014 Internal Service Funds
\$ 11,937,264	\$ 2,717,559	\$ 12,362,629
74,006	104,143	24,046
-	657,604	-
-	85,665	-
-	49,600	-
<u>12,011,270</u>	<u>3,614,571</u>	<u>12,386,675</u>
5,102,462	-	5,200,000
480,482	-	522,749
1,677,809	-	1,677,809
-	3,870,262	45,697
<u>2,300,695</u>	<u>44,190,154</u>	<u>1,869,274</u>
<u>9,561,448</u>	<u>48,060,416</u>	<u>9,315,529</u>
<u>21,572,718</u>	<u>51,674,987</u>	<u>21,702,204</u>
<u>-</u>	<u>-</u>	<u>-</u>
183,390	357,851	255,368
656,610	10,714	689,960
873,445	-	982,426
-	379,966	-
-	29,849	-
<u>1,713,445</u>	<u>778,380</u>	<u>1,927,754</u>
2,626,439	42,856	2,759,842
2,038,039	-	2,292,326
-	3,922,145	-
315,443	-	287,531
-	-	-
<u>4,979,921</u>	<u>3,965,001</u>	<u>5,339,699</u>
<u>6,693,366</u>	<u>4,743,381</u>	<u>7,267,453</u>
<u>-</u>	<u>-</u>	<u>-</u>
2,300,695	43,758,305	1,914,971
<u>12,578,657</u>	<u>3,173,301</u>	<u>12,519,780</u>
<u>\$ 14,879,352</u>	<u>\$ 46,931,606</u>	<u>\$ 14,434,751</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Business- Type Activities		
	Municipal Transit	Sewer Service	2015 Total
Operating revenues:			
Passenger revenues	\$ 319,135	\$ -	\$ 319,135
Vehicle rentals	-	-	-
Employee benefits charges	-	-	-
Insurance charges	-	-	-
Charges for services	-	7,093,423	7,093,423
Total Operating Revenues	<u>319,135</u>	<u>7,093,423</u>	<u>7,412,558</u>
Operating expenses:			-
Personnel services	1,387,851	1,171,641	2,559,492
Contractual services	152,364	2,076,394	2,228,758
Materials and supplies	380,033	958,211	1,338,244
Administration	244,064	13,371	257,435
Employee benefits	-	-	-
Insurance claims and premiums	-	-	-
Depreciation	269,860	3,242,893	3,512,753
Total Operating Expenses	<u>2,434,172</u>	<u>7,462,510</u>	<u>9,896,682</u>
Operating Income (Loss)	<u>(2,115,037)</u>	<u>(369,087)</u>	<u>(2,484,124)</u>
Nonoperating revenues (expenses):			-
Investment income	134	25,330	25,464
Intergovernmental	2,050,400	555,307	2,605,707
Interest expense	-	(106,933)	(106,933)
Gain (Loss) on disposal of capital assets	-	(6,537)	(6,537)
Other revenue	4,650	252,214	256,864
Total Nonoperating Revenues (Expenses)	<u>2,055,184</u>	<u>719,381</u>	<u>2,774,565</u>
Income (Loss) before contributions and transfers	<u>(59,853)</u>	<u>350,294</u>	<u>290,441</u>
Capital Contributions	-	-	-
Transfers in (note 14)	1,116,734	233,957	1,350,691
Transfers out (note 14)	-	-	-
Total Transfers	<u>1,116,734</u>	<u>233,957</u>	<u>1,350,691</u>
Change in Net Position	1,056,881	584,251	1,641,132
Net Position at Beginning of Year, as restated	<u>3,788,445</u>	<u>40,220,269</u>	<u>44,008,714</u>
Net Position at End of Year	<u>\$ 4,845,326</u>	<u>\$ 40,804,520</u>	<u>\$ 45,649,846</u>

See accompanying notes to basic financial statements.

Governmental Activities	Business- Type Activities	Governmental Activities
Internal Service Funds	2014 Total	2014 Internal Service Funds
\$ -	\$ 346,288	\$ -
1,227,599	-	1,235,712
654,400	-	812,000
7,025,929	-	6,180,286
-	6,814,418	-
<u>8,907,928</u>	<u>7,160,706</u>	<u>8,227,998</u>
-	2,690,396	-
-	2,134,506	-
-	1,371,796	-
143,711	268,113	127,688
767,236	-	764,796
6,878,531	-	6,013,371
565,228	1,382,095	607,170
<u>8,354,706</u>	<u>7,846,906</u>	<u>7,513,025</u>
<u>553,222</u>	<u>(686,200)</u>	<u>714,973</u>
-	3,819	-
-	2,042,562	-
-	(122,496)	-
68,670	-	29,763
-	25,103	-
<u>68,670</u>	<u>1,948,988</u>	<u>29,763</u>
<u>621,892</u>	<u>1,262,788</u>	<u>744,736</u>
-	575,000	-
450,000	915,389	533,995
(627,291)	-	-
<u>(177,291)</u>	<u>915,389</u>	<u>533,995</u>
444,601	2,753,177	1,278,731
14,434,751	44,178,429	13,156,020
<u>\$ 14,879,352</u>	<u>\$ 46,931,606</u>	<u>\$ 14,434,751</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Business-Type Activities		
	Municipal Transit	Sewer Service	2015 Total
Cash flows from operating activities:			
Cash received from customers	\$ 323,972	\$ 7,018,877	\$ 7,342,849
Cash received from user departments	-	-	-
Cash payments to suppliers for goods and services	(143,720)	(2,853,974)	(2,997,694)
Cash payments to employees for services	(1,415,174)	(1,367,553)	(2,782,727)
Net cash provided by (used for) operating activities	<u>(1,234,922)</u>	<u>2,797,350</u>	<u>1,562,428</u>
Cash flows from noncapital financing activities:			
Operating grant proceeds received	297,827	555,307	853,134
Cash received from (paid to) other funds	1,093,000	80,400	1,173,400
Cash received from operating grants - TDA	1,039,511	-	1,039,511
Other proceeds	540	-	540
Net cash provided by (used for) noncapital financing activities	<u>2,430,878</u>	<u>635,707</u>	<u>3,066,585</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(604,163)	(1,045,589)	(1,649,752)
Proceeds from sale of capital assets	4,110	-	4,110
Principal and interest paid on long-term debt	-	(486,899)	(486,899)
Net cash provided by (used for) capital and related financing activities	<u>(600,053)</u>	<u>(1,532,488)</u>	<u>(2,132,541)</u>
Cash flows from investing activities:			
Cash received related to other revenue	-	-	-
Interest received	134	25,330	25,464
Net cash provided by (used for) investing financing activities	<u>134</u>	<u>25,330</u>	<u>25,464</u>
Net increase (decrease) in cash and cash equivalents	596,037	1,925,899	2,521,936
Cash and cash equivalents at beginning of year	<u>50,565</u>	<u>2,666,994</u>	<u>2,717,559</u>
Cash and cash equivalents at end of year	<u>\$ 646,602</u>	<u>\$ 4,592,893</u>	<u>\$ 5,239,495</u>

See accompanying notes to basic financial statements.

<u>Governmental Activities</u> Internal Service Funds	<u>Business- Type Activities</u> 2014 Total	<u>Governmental Activities</u> 2014 Internal Service Funds
\$ - 8,976,679	\$ 7,064,865 -	\$ - 8,261,166
(7,576,199) (906,077)	(3,943,632) (2,731,237)	(6,805,591) (1,569,230)
<u>494,403</u>	<u>389,996</u>	<u>(113,655)</u>
- (177,291) -	687,293 915,389 1,013,242	- 533,995 -
<u>42,267</u>	<u>-</u>	<u>41,186</u>
<u>(37,486)</u>	<u>2,615,924</u>	<u>575,181</u>
(950,952) 68,670 -	(2,739,985) - (492,365)	(226,371) 29,763 -
<u>(882,282)</u>	<u>(3,232,350)</u>	<u>(196,608)</u>
- -	25,103 3,819	- -
<u>-</u>	<u>28,922</u>	<u>-</u>
(425,365) 12,362,629	(197,508) 2,915,067	264,918 12,097,711
<u>\$ 11,937,264</u>	<u>\$ 2,717,559</u>	<u>\$ 12,362,629</u>
		(Continued)

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 20, 2014)
(Continued)

	Business-Type Activities		
	Municipal Transit	Sewer Service	2015 Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (2,115,037)	\$ (369,087)	\$ (2,484,124)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	269,860	3,242,893	3,512,753
Pension Expense	26,963	161,949	188,912
Other income	-	245,677	245,677
(Increase) decrease in accounts receivable	4,837	(74,546)	(69,709)
(Increase) in prepaids	(6,000)	(1,493)	(7,493)
Payments related to deferred outflows for contributions subsequent to measurement date	(58,880)	(353,656)	(412,536)
Increase (decrease) in accounts payable and accrued liabilities	638,741	(50,182)	588,559
Increase (decrease) in compensated absences payable	4,594	(4,205)	389
Increase in net OPEB liability	-	-	-
(Decrease) in insurance claims payable	-	-	-
Net cash provided by (used for) operating activities	<u>\$ (1,234,922)</u>	<u>\$ 2,797,350</u>	<u>\$ 1,562,428</u>

Noncash investing, capital, and financing activities

Vehicles valued at \$23,734 and \$153,557, were transferred to the Municipal Transit Fund and Sewer Service Fund, respectively, from the Internal Service Funds during the year ended June 30, 2015.

See accompanying notes to basic financial statements.

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Governmental Activities</u>
<u>Internal Service Funds</u>	<u>2014 Municipal Transit</u>	<u>2014 Internal Service Funds</u>
\$ 553,222	\$ (686,200)	\$ 714,973
565,228	1,382,095	607,170
-	-	-
-	-	-
(49,960)	(95,841)	8,701
-	(13,725)	-
-	-	-
(71,978)	(155,492)	37,795
(166,753)	(40,841)	(838,429)
27,912	-	33,995
<u>(363,268)</u>	<u>-</u>	<u>(677,860)</u>
<u>\$ 494,403</u>	<u>\$ 389,996</u>	<u>\$ (113,655)</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2015
(With Comparative Totals for June 30, 2014)

	2015	2014
ASSETS		
Cash and investments (note 3)	\$ 3,351,070	\$ 3,371,476
Investments with fiscal agent (note 3)	294,812	598,248
Receivables:		
Taxes	14,811	41,068
Accounts	4,235	4,234
Intergovernmental	7,561	7,444
Total Assets	\$ 3,672,489	\$ 4,022,470
LIABILITIES		
Accounts payable and accrued liabilities	\$ 57,893	\$ 50,632
Deposits	2,489,712	2,362,751
Due to bondholders	1,124,884	1,609,087
Total Liabilities	\$ 3,672,489	\$ 4,022,470

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Laguna Beach, California have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant policies:

A. Reporting Entity

The City of Laguna Beach was incorporated in 1927 under the General Laws of the State of California. The City operates under a Council-Manager form of government governed by a five member council and provides the following services: public safety (police, fire, paramedic, and marine safety), highway and streets, parks and recreation, public improvements, planning and zoning and general administrative service.

Discretely Presented Component Unit

The Laguna Beach County Water District (the District) was incorporated in 1925, under the County Water District Act of the State Water Code, and is the second oldest operating district of its type in California. The District is governed by the publicly-elected Laguna Beach City Council members, serving as the District's Board of Directors. In 1998, the Local Agency Formation Commission of the County of Orange, California approved the Districts application to become a subsidiary district of the City of Laguna Beach, effective November 1, 2000. The District has a separately issued report that can be obtained from: Laguna Beach County Water District, 306 Third Street, Laguna Beach, California, 92652.

The District is considered a component unit because the City Council also serves as its Board of Directors, and the City Council (District's Board of Directors) is considered to be financially accountable.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements

Financial reporting is based upon all GASB pronouncements required to be adopted and implemented by the end of the fiscal year.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

***NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)***

B. Basis of Accounting and Measurement Focus (Continued)

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government.

Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, liabilities, and deferred inflows/outflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As discussed earlier, the City also presents the District as a discretely presented component unit on the government-wide statements.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

CITY OF LAGUNA BEACH, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

B. Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements (Continued)

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about the major fund individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus* and the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available*. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days for most of its material revenues including property taxes and uses an availability period of 180 days for grants.

Sales taxes, property taxes, franchise taxes, gas taxes, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period, as defined above. All other revenue items are considered to be measurable and available when cash is received by the government.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed nonexchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary nonexchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

As stated above, in the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

***NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)***

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Funds (Continued)

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect fund balance, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Proprietary and Fiduciary Funds

The City's enterprise funds and internal service funds are proprietary funds. In the fund financial statements, the proprietary funds and fiduciary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the *economic resources measurement focus*. This means that all assets, liabilities (whether current or noncurrent), and deferred inflows/outflows of resources associated with their activity are included. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the enterprise fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the enterprise fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the enterprise fund are reported as a reduction of the related liability, rather than as an expenditure. Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

***NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)***

C. Fund Classifications

The City of Laguna Beach reports the following major governmental funds:

General Fund - This is the primary operating fund of the City. It accounts for all activities of the general government, except those required to be accounted for in another fund.

Disaster Contingency Fund - This is used exclusively for the repair of public facilities and the emergency protection of public and private property and lives during natural or manmade disasters with committed resources.

The City of Laguna Beach reports the following major enterprise fund:

Municipal Transit Fund – This fund is used to account for the operations of the City's transit system. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, and maintenance.

Sewer Service Fund – This fund is used to account for the operations of the City's sewer services. All activities necessary to provide such service are accounted for in this fund.

The City's fund structure also includes the following fund types:

Internal Service Fund – The Internal Service Funds are used to account for the City's cost of providing employee benefits and various forms of insurance provided to the City departments, and the cost of maintaining and replacing the City's vehicles.

Agency Funds – Various fiduciary funds are used to account for assets held by the City as an agent for bondholders, property owners, contractors, developers and other individuals who have made miscellaneous deposits to the City.

D. Encumbrances

The City utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Under this system, encumbrances are recorded in the general, special revenue, and capital projects funds to represent purchase orders, contracts and other commitments. Encumbrances at year end are reported as restricted, committed, or assigned fund balance depending on the resources that have been identified to fund the applicable encumbrance. The total encumbrances outstanding as of June 30, 2015 were \$2,880,100.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

***NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)***

E. Cash and Investments

All cash and investments other than that held by fiscal agents are either held in certificates of deposits in local banks or in a City-wide investment pool. Accordingly, all cash and investments in the proprietary fund types are considered cash and cash equivalents.

Investments are reported at fair value (generally based on quoted market prices). Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains and losses realized upon the liquidation, maturity, or sale of investments.

F. Advances to Other Funds

Long-term interfund advances are recorded as a receivable and as nonspendable fund balance by the advancing governmental fund.

G. Inventory

Inventories are valued at cost, and are consumed using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

H. Investments with Fiscal Agent

Certain proceeds from the issuance of debt, as well as certain resources set aside for the payment of debt, are classified as investments with fiscal agent because their use is limited by applicable debt agreements.

I. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. Generally, capital asset purchases in excess of \$1,000 are capitalized if they have an expected useful life of three years or more.

Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements other than buildings, including storm drains, beach stairways, streets, sidewalks, sewer line relinings, sewer lines, and nuisance water diversification units.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

***NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)***

I. Capital Assets (Continued)

Capital assets used in operations are depreciated over their estimated useful lives. The City uses the straight-line method in the government-wide financial statements for depreciating storm drains, beach stairways, streets, sidewalks, sewer line relinings, sewer lines, nuisance water diversification units, buildings and improvements, office equipment and machines, furniture and fixtures, equipment, machinery and tools, and automotive equipment. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net position. The ranges of lives used for depreciation for each fixed asset class are as follows:

	Years
Storm drains	40 years
Beach stairways	30 years
Streets	50 years
Sidewalks	50 years
Sewer line relining	40 years
Sewer lines	50 years
Nuisance water diversification units	30 years
Buildings and improvements	30 years
Office equipment and machines	5 years
Furniture and fixtures	3 to 8 years
Equipment, machinery and tools	3 to 8 years
Automotive equipment	2 to 20 years

J. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they result in current receivables. The County is permitted by State law (Proposition 13) to levy taxes at 1 percent of full market value (at time of purchase) and can increase the property tax value base no more than 2 percent per year

K. Compensated Absences

Accumulated unpaid vacation and sick leave amounts are currently funded and recorded as expenditures in the individual funds. These amounts are recorded as employee benefit charges and are accrued when incurred in the Municipal Transit, Sewer Service, and Insurance and Employee Benefits Internal Service Funds.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

***NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)***

L. Fund Equity

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance:

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Spendable Fund Balance:

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by legal requirements imposed by other governments, external resource providers, enabling legislation, or creditors.

Committed Fund Balance – this includes amounts that can only be used for specific purposes pursuant to constraints imposed by the highest level of formal action of the City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action. The constraints are imposed by Resolution of the City Council, the highest level of approval.

Assigned Fund Balance – this includes amounts that are intended to be used for specific purposes as indicated by City Council or by persons to whom City Council has delegated the authority to assign amounts for specific purposes. City Council has not delegated such authority.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications. The use of this classification is limited to the General Fund or other governmental funds with a deficit fund balance.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Council.

M. General Fund Balance Policy

It is the policy of the City to maintain a minimum reserve in unassigned fund balance for unforeseen emergencies or catastrophic impacts upon the city, and whenever fiscally possible and financially prudent, to maintain a greater target reserve. The minimum reserve of the General Fund is 10 percent of General Fund operating expenditures (single fund, not combined General Fund) per the City's municipal code. However, the City Council has established a policy of a higher minimum reserve of 20 percent. Total expenditures were \$50,447,702 and minimum reserve requirement was \$10,089,540. The City's General Fund (single fund, not combined) reported \$16,308,063 of unassigned fund balance as of June 30, 2015.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

***NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)***

N. Grant and Allocations

The City is a recipient of State and Federal grants, which are governed by laws and regulations established by the granting agencies. Costs charged to the respective grant programs are subject to review and adjustment by the granting agencies. Certain requests relating to this funding are pending approval by the funding agency. The amount of disallowed cost, if any, that might be associated with this funding, cannot be reasonably estimated.

O. Comparative Data

Comparative total data for the prior year has been presented in the accompanying basic financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to understand. Certain minor reclassifications of prior year data have been made in order to enhance its comparability with current year figures.

P. Deferred Outflows and Inflows of Resources

The City reports deferred outflows and inflows of resources. A deferred outflow of resources is a consumption of net position or fund balance by the government that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position or fund balance by the government that is applicable to a future period.

The City reports deferred outflows and inflows of resources related to pensions on the government-wide statement of net position and the proprietary funds statement of net position, under the full accrual basis of accounting. Refer to Note 16 for items identified as deferred inflows and outflows related to pensions as of June 30, 2015.

Q. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees Retirement System (CalPERS) plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

***NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)***

R. New GASB Pronouncements

Adopted in the Current Year

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City implemented this pronouncement, effective July 1, 2014.

GASB Statement No. 71 – In November 2013, GASB issued statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- An Amendment of GASB Statement No. 68*. This statement addresses an issue relating to amounts associated with contributions made by a government employer to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The City implemented this pronouncement, effective July 1, 2014.

Effective in Future Years

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this statement is to define fair value and describe how fair value should be measured, define what assets and liabilities should be measured at fair value, and determine what information about fair value should be disclosed in the notes to the financial statements. The Statement is effective for periods beginning after June 15, 2015, or the 2015-16 fiscal year. The City has not determined the effect of the statement.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The Statement is effective for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The City has not determined the effect of the statement.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of the Statement is to address the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated. The Statement is effective for periods beginning after June 15, 2016, or the 2016-2017 fiscal year. The City has not determined the effect of the statement.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

***NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)***

Effective in Future Years (Continued)

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017, or the 2017-2018 fiscal year. The City has not determined the effect of the statement.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The Statement is effective for the periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The City has not determined the effect of the statement.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Statement requires state and local governments to disclose information about tax abatement agreements. The Statement is effective for the periods beginning after December 15, 2015, or the 2016-2017 fiscal year. The City has not determined the effect of the statement.

GASB Statement No. 78 – In December 2015, GASB issued Statement No 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement amends the scope and applicability of GASB Statement No. 68 to exclude certain types of cost-sharing multiple-employer plans. The Statement is effective for the periods beginning after December 15, 2015, or the 2016-2017 fiscal year. The City has not determined the effect of the statement.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – PRIOR PERIOD ADJUSTMENTS

As discussed in Note 1, the City implemented GASB Statement No. 68 and GASB Statement No. 71 effective July 1, 2014. Refer to Note 16 for further disclosures related to the plans and related balances. As a result of implementation, the City restated beginning net position for governmental activities, the enterprise funds, and business-type activities as noted below:

	Governmental Activities	Business Type Activities	Municipal Transit Fund	Sewer Service Fund
Beginning of year as, as previously reported Net Position	\$ 364,540,988	\$ 46,931,606	\$ 4,205,622	\$ 42,725,984
Contributions after the measurement date- Deferred Outflows of Resources	4,611,132	240,041	34,261	205,780
Difference between City's contributions and proportionate share of contributions - Deferred Outflows of Resources	129,974	-	-	-
Difference between City's contributions and proportionate share of contributions - Deferred Inflows of Resources	(538,467)	-	-	-
Net Pension Liability as of the measurement date of June 30, 2013	<u>(53,654,371)</u>	<u>(3,162,933)</u>	<u>(451,438)</u>	<u>(2,711,495)</u>
Beginning of year as, as restated Net Position	<u>\$ 315,089,256</u>	<u>\$ 44,008,714</u>	<u>\$ 3,788,445</u>	<u>\$ 40,220,269</u>

Following is the pro forma effect of the retroactive application:

	June 30, 2014 Previously Presented	Restatement	June 30, 2014 Restated
Governmental Activities			
Deferred outflows of resources	\$ -	\$ 4,741,106	\$ 4,741,106
Deferred inflows of resources	-	(538,467)	(538,467)
Net pension liability	-	(53,654,371)	(53,654,371)
Business-type Activities- Enterprise Funds			
Deferred outflows of resources	\$ -	\$ 240,041	\$ 240,041
Net pension liability	-	(3,162,933)	(3,162,933)
Municipal Transit Fund			
Deferred outflows of resources	\$ -	\$ 34,261	\$ 34,261
Net pension liability	-	(451,438)	(451,438)
Sewer Service Fund			
Deferred outflows of resources	\$ -	\$ 205,780	\$ 205,780
Net pension liability	-	(2,711,495)	(2,711,495)

In accordance with GASB 68, the restatement of all deferred outflows and inflows was not practical and therefore not included in the restatement of beginning balances.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – CASH AND INVESTMENTS

Cash and investments of the primary government as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	
Governmental Activities	\$ 77,519,728
Business-Type Activities	5,239,495
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	3,351,070
Cash and investments held by fiscal agent	<u>294,812</u>
Total cash and investments	<u><u>\$ 86,405,105</u></u>

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand (petty cash and change funds)	\$ 25,568
Deposits with financial institutions	1,040,072
Investments	<u>85,339,465</u>
Total cash and investments	<u><u>\$ 86,405,105</u></u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's 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 the bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Investment Types Authorized by State Law	Authorized By Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Municipal Bonds	Yes	5 years	25%	5%
U.S. Treasury Obligations	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	25%	None
Commerical Paper	Yes	270 days	25%	5%
Negotiable Certificates of Deposit	Yes	5 years	25%	None**
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	25%	5%
Mutual Funds	No	N/A	15%	10%
Money Market Mutual Funds	No	N/A	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
Passbook savings accounts	Yes	N/A	25%	None
County Pooled Investments Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	\$50,000,000
JPA Pools (other investment pools)	No	N/A	None	None
Supranational Securities	Yes	5 years	5%	None

*Based on state law requirements or investment policy requirement, whichever is more restrictive.

**Allowed up to FDIC limit

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The debt agreements permit the investments held by bond trustee to be invested in investment types that are permitted by California Government Code Section 53601 as illustrated in the previous table.

Disclosures Relating to 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.

CITY OF LAGUNA BEACH, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Total	Remaining Maturity (in Months)		
		18 Month Or Less	19 to 24 Months	25 to 60 Months
Federal Agency Securities	\$ 48,926,665	\$ 3,000,810	\$ 7,987,130	\$ 37,938,725
Municipal Bonds	1,832,957	-	-	1,832,957
State Investment Pool	18,487,217	18,487,217	-	-
Certificates of Deposit	9,749,292	4,253,342	1,000,418	4,495,532
Medium-Term Notes	5,146,463	3,026,000	-	2,120,463
Held by bond fiscal agent:				
State Investment Pool	1,196,871	1,196,871	-	-
Total	<u>\$ 85,339,465</u>	<u>\$ 29,964,240</u>	<u>\$ 8,987,548</u>	<u>\$ 46,387,677</u>

Disclosures Relating to 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 (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the Standard & Poor's (S&P) actual rating as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	Exempt from Disclosure	S&P Rating as of Year End			
				AAA	AA	A	Not Rated
Federal Agency Securities	\$ 48,926,665	N/A	\$ -	\$ -	\$ 48,926,665	\$ -	\$ -
Municipal Bonds	1,832,957	A	-	-	1,832,957	-	-
State Investment Pool	18,487,217	N/A	-	-	-	-	18,487,217
Certificates of Deposit	9,749,292	N/A	9,749,292	-	-	-	-
Medium-Term Notes	5,146,463	A	-	1,008,620	2,025,540	2,112,303	-
Held by bond fiscal agent:							
State Investment Pool	1,196,871	N/A	-	-	-	-	1,196,871
Total	<u>\$ 85,339,465</u>		<u>\$ 9,749,292</u>	<u>\$ 1,008,620</u>	<u>\$ 52,785,162</u>	<u>\$ 2,112,303</u>	<u>\$ 19,684,088</u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The investment policy of the City contains a 5 percent limitation on the amount that can be invested in any one issuer of Commercial Paper, Medium Term Corporate Notes and Local Municipal Bonds. Investments in any one issuer (other than external investment pools) that represent 5 percent or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal agency securities	\$ 14,966,850
Federal Home Loan Bank	Federal agency securities	11,964,860
Federal National Mortgage Association	Federal agency securities	10,986,240
Federal Home Loan Mortgage Corporation	Federal agency securities	11,008,715

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 City's investment policy requires that all investment transactions be conducted on a delivery-versus-payment (DVP) basis. The City's investment policy also requires that an independent, third party custodian designated by the Treasurer hold all securities. For all executed transactions, the third party custodian is required to issue a safekeeping receipt to the City that lists the specific instrument, rate, maturity and other information pertinent to the transaction.

The California Government Code requires that a financial institution secure deposits made by state 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 percent 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 percent of the secured public deposits. The City has \$878,734 in excess of FDIC Insurance. This amount is collateralized by the bank as described above.

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

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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 California Local Agency Investment Fund is not insured or collateralized. The Fund is subject to regulatory oversight by the State of California Treasurer, although it is not registered with the SEC.

NOTE 4 – INTERFUND ACTIVITY

Interfund balances at June 30, 2015 consisted of the following:

<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>	<u>Amount</u>
Non-Major Governmental Funds	Non-Major Governmental Funds	\$ 170,000
		(a) <u>170,000</u>
Internal Service Fund	General Fund	4,402,462
Internal Service Fund	General Fund	700,000
Non-Major Governmental Funds	General Fund	1,500,000
		(b) <u>6,602,462</u>
		<u>\$ 6,772,462</u>

- (a) The City has authorized the interfund borrowing listed for the operations of the Gas Tax Fund. The purpose of these advances was to fund a Citywide street resurfacing project.
- (b) During 2010, the City authorized an interfund borrowing to fund the pay off of the City's side fund obligation associated with the City's safety pension plans. The funds are to be repaid annually in the amount of \$857,078 over a period of fourteen years at an interest rate of 2.75 percent. The amount paid in FY 2014-2015 was principal of \$665,554 and interest of \$191,524 and was eliminated on the Statement of Activities. The principal payment schedule from the general fund is as follows:

<u>Year</u>	<u>Payment Amount</u>
2015 - 2016	\$ 684,090
2016 - 2017	703,141
2017 - 2018	722,723
2018 - 2019	742,850
2019 - 2020	763,538
2020 - 2024	2,986,120
	<u>\$ 6,602,462</u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance at July 1, 2014,	Additions	Deletions/ Transfers	Balance at June 30, 2015
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 87,340,522	\$ 201,959	\$ -	\$ 87,542,481
Construction in progress	3,909,112	6,637,680	(1,098,305)	9,448,487
Total Capital Assets, Not Depreciated	<u>91,249,634</u>	<u>6,839,639</u>	<u>(1,098,305)</u>	<u>96,990,968</u>
Capital assets, being depreciated:				
Buildings and improvements	56,830,674	352,885	-	57,183,559
Office equipment and machinery	5,407,793	674,694	(3,629)	6,078,858
Furniture and fixtures	1,794,339	170,466	-	1,964,805
Equipment, machinery and tools	5,446,591	371,947	-	5,818,538
Automotive equipment	7,132,272	1,047,873	(579,576)	7,600,569
Infrastructure	212,431,958	1,055,506	-	213,487,464
Total Capital Assets Being Depreciated	<u>289,043,627</u>	<u>3,673,371</u>	<u>(583,205)</u>	<u>292,133,793</u>
Less accumulated depreciation for:				
Buildings and improvements	(21,707,793)	(2,471,811)	-	(24,179,604)
Office equipment and machinery	(3,690,530)	(357,932)	3,520	(4,044,942)
Furniture and fixtures	(392,183)	(26,278)	-	(418,461)
Equipment, machinery and tools	(4,167,385)	(386,358)	3,165	(4,550,578)
Automotive equipment	(5,246,036)	(562,396)	553,070	(5,255,362)
Infrastructure	(45,696,848)	(3,273,109)	-	(48,969,957)
Total Accumulated Depreciation	<u>(80,900,775)</u>	<u>(7,077,884)</u>	<u>559,755</u>	<u>(87,418,904)</u>
Total Capital Assets Being Depreciated, Net	<u>208,142,852</u>	<u>(3,404,513)</u>	<u>(23,450)</u>	<u>204,714,889</u>
Governmental Activities Capital Assets, Net	<u>\$ 299,392,486</u>	<u>\$ 3,435,126</u>	<u>\$ (1,121,755)</u>	<u>\$ 301,705,857</u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Balance at July 1, 2014	Additions	Deletions/ Transfers	Balance at June 30, 2015
Municipal Transit Fund:				
Capital assets, not depreciated:				
Land	\$ 196,106	\$ -	\$ -	\$ 196,106
Total Capital Assets, Not Depreciated	<u>196,106</u>	<u>-</u>	<u>-</u>	<u>196,106</u>
Capital assets, being depreciated:				
Buildings and improvements	1,948,393	-	-	1,948,393
Office equipment and machinery	51,146	7,999	-	59,145
Furniture and fixtures	1,500	-	-	1,500
Equipment, machinery and tools	27,963	-	-	27,963
Automotive equipment	4,595,159	619,899	(45,254)	5,169,804
Total Capital Assets Being Depreciated	<u>6,624,161</u>	<u>627,898</u>	<u>(45,254)</u>	<u>7,206,805</u>
Less accumulated depreciation for:				
Buildings and improvements	(439,031)	(63,020)	-	(502,051)
Office equipment and machinery	(47,727)	-	-	(47,727)
Furniture and fixtures	(1,500)	-	-	(1,500)
Equipment, machinery and tools	(27,963)	-	-	(27,963)
Automotive equipment	(2,728,703)	(206,840)	45,254	(2,890,289)
Total Accumulated Depreciation	<u>(3,244,924)</u>	<u>(269,860)</u>	<u>45,254</u>	<u>(3,469,530)</u>
Total Capital Assets Being Depreciated, Net	<u>3,379,236</u>	<u>358,038</u>	<u>-</u>	<u>3,737,274</u>
Municipal Transit Fund Capital Assets, Net	<u>\$ 3,575,342</u>	<u>\$ 358,038</u>	<u>\$ -</u>	<u>\$ 3,933,380</u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Balance at July 1, 2014,	Additions	Deletions/ Transfers	Balance at June 30, 2015
Sewer Service Fund:				
Capital assets, not depreciated:				
Construction in progress	\$ 3,674,156	\$ 1,030,726	\$ (3,469,570)	\$ 1,235,312
Total Capital Assets, Not Depreciated	<u>3,674,156</u>	<u>1,030,726</u>	<u>(3,469,570)</u>	<u>1,235,312</u>
Capital assets, being depreciated:				
Buildings and improvements	28,042	-	-	28,042
Office equipment and machinery	455,452	-	-	455,452
Furniture and fixtures	51,441	1,574	-	53,015
Equipment, machinery and tools	489,506	18,175	-	507,681
Automotive equipment	965,880	153,557	-	1,119,437
Sewer plant and lines	72,344,327	3,469,570	(58,055)	75,755,842
Total Capital Assets Being Depreciated	<u>74,334,648</u>	<u>3,642,876</u>	<u>(58,055)</u>	<u>77,919,469</u>
Less accumulated depreciation for:				
Buildings and improvements	(24,714)	(935)	-	(25,649)
Office equipment and machinery	(427,433)	(4,506)	-	(431,939)
Furniture and fixtures	(3,762)	(1,057)	-	(4,819)
Equipment, machinery and tools	(112,380)	(35,190)	-	(147,570)
Automotive equipment	(570,849)	-	-	(570,849)
Sewer plant and lines	(32,384,593)	(3,201,205)	53,170	(35,532,628)
Total Accumulated Depreciation	<u>(33,523,731)</u>	<u>(3,242,893)</u>	<u>53,170</u>	<u>(36,713,454)</u>
Total Capital Assets Being Depreciated, Net	<u>40,810,917</u>	<u>399,983</u>	<u>(4,885)</u>	<u>41,206,015</u>
Sewer Service Fund Capital Assets, Net	<u>\$ 44,485,073</u>	<u>\$ 1,430,709</u>	<u>\$ (3,474,455)</u>	<u>\$ 42,441,327</u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Balance at July 1, 2014,	Additions	Deletions/ Transfers	Balance at June 30, 2015
Total Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 196,106	\$ -	\$ -	\$ 196,106
Construction in progress	3,674,156	1,030,726	(3,469,570)	1,235,312
Total Capital Assets, Not Depreciated	<u>3,870,262</u>	<u>1,030,726</u>	<u>(3,469,570)</u>	<u>1,431,418</u>
Capital assets, being depreciated:				
Buildings and improvements	1,976,435	-	-	1,976,435
Office equipment and machinery	506,598	7,999	-	514,597
Furniture and fixtures	52,941	1,574	-	54,515
Equipment, machinery and tools	517,469	18,175	-	535,644
Automotive equipment	5,561,039	773,455	(45,254)	6,289,240
Sewer plant and lines	72,344,327	3,469,570	(58,055)	75,755,842
Total Capital Assets Being Depreciated	<u>80,958,809</u>	<u>4,270,773</u>	<u>(103,309)</u>	<u>85,126,273</u>
Less accumulated depreciation for:				
Buildings and improvements	(463,745)	(63,955)	-	(527,700)
Office equipment and machinery	(475,160)	(4,506)	-	(479,666)
Furniture and fixtures	(5,262)	(1,057)	-	(6,319)
Equipment, machinery and tools	(140,343)	(35,190)	-	(175,533)
Automotive equipment	(3,299,552)	(206,840)	45,254	(3,461,138)
Sewer plant and lines	(32,384,593)	(3,201,205)	53,170	(35,532,628)
Total Accumulated Depreciation	<u>(36,768,655)</u>	<u>(3,512,753)</u>	<u>98,424</u>	<u>(40,182,984)</u>
Total Capital Assets Being Depreciated, Net	<u>44,190,154</u>	<u>758,020</u>	<u>(4,885)</u>	<u>44,943,289</u>
Business-type Activities Capital Assets, Net	<u>\$ 48,060,416</u>	<u>\$ 1,788,746</u>	<u>\$ (3,474,455)</u>	<u>\$ 46,374,707</u>

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

General government	\$ 244,622
Community development	59,964
Public safety	768,120
Public works	4,825,224
Recreation and social services	1,179,954
Total	<u>\$ 7,077,884</u>

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

Municipal transit	\$ 269,860
Sewer service	3,242,893
Total	<u>\$ 3,512,753</u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 – CONSTRUCTION COMMITMENTS

As of June 30, 2015, contract commitments for major capital projects included the following:

Description	Project Contract	Expenditures To Date	Unexpended Balance
Burn Dump Restoration	\$ 4,759,908	\$ 3,587,725	\$ 1,172,183
Storm Drain-Anita Street/Seaview Street	800,000	53,660	746,340
Storm Drain-Temple Hills Drive	1,465,000	1,428,233	36,767
Retaining Wall-Alta Vista Way	1,200,000	296,040	903,960
Temple Hills Pedestrian Improvements	678,100	19,434	658,666
Stairs Replacement - Thalia and Beach	500,000	151,718	348,282
South Main Beach Restroom Design	700,000	4,825	695,175
Lifeguard Headquarters and Restroom	7,112,890	6,718,271	394,619
Laguna Canyon Channel Rehabilitation	636,042	175,242	460,800
Creek Erosion Protection	1,249,000	260,763	988,237
Renovation of High School Tennis Courts	890,000	20,420	869,580
Parks Rehabilitation-Moulton, Alta, Lang	3,500,000	1,643,204	1,856,796
Village Entrance Project	13,921,772	7,118,492	6,803,280
Street Slurry Seal/Rehabilitation	3,200,000	2,421,504	778,496
Third Street/Loma Terrace Sewer	1,537,500	276,794	1,260,706
	<u>\$ 42,150,212</u>	<u>\$ 24,176,325</u>	<u>\$ 17,973,887</u>

NOTE 7 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

The City retains the risk of loss for general/auto liability claims of up to \$400,000 per occurrence and workers' compensation claims of up to \$300,000 per person per occurrence. Additionally, the City has retained risk of loss for employee PPO dental insurance claims. The City is fully insured for medical claims. The City has established the Insurance and Employee Benefits Internal Service Fund to account for and finance these uninsured risks of loss, and liabilities are accrued when incurred, including estimates for incurred but not reported (IBNR) loss, in this fund. An estimate for incurred but not reported claims for PPO dental coverage has not been accrued because management believes the liability for incurred but not recorded claims would be immaterial to the financial statements.

The City is also a member of the California Insurance Pool Authority (CIPA), a public entity risk pool consisting of 13 member cities in Southern California, which was established to pool resources, share risks, purchase excess insurance, and share costs for professional risk management and claims administration. The coverage for general and auto liability extends to \$1,600,000 per occurrence with a \$20,000,000 annual aggregate. The coverage for workers' compensation extends to a limit of \$3,000,000. Member cities' CIPA premiums are based on actuarial reports and underwriting estimates and are calculated based on the member cities' individual experience and exposure for a particular program. Members may be charged assessments if losses exceed the amount of premium collected.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 – RISK MANAGEMENT (CONTINUED)

All funds of the City participate in the risk management program and make payments to the Insurance and Employee Benefits Internal Service Fund based on estimates of the amounts needed to pay prior-year and current-year claims. A claims liability of \$2,911,484 is reported in the Insurance and Employee Benefits Internal Service Fund, at June 30, 2015. Changes in the Insurance and Employee Benefits Internal Service Fund's claims liability amounts in fiscal years 2015 and 2014 were as follows:

	2015	2014
Beginning of year liability	\$ 3,274,752	\$ 3,952,612
Current year claims and changes in estimates	2,617,794	1,395,341
Claims payments	(2,981,062)	(2,073,201)
Insurance claims payable	\$ 2,911,484	\$ 3,274,752

For the past three fiscal years, claims paid did not exceed the amount of applicable insurance coverage and there have been no significant changes in insurance policies or coverage amounts.

NOTE 8 – IMPROVEMENT DISTRICTS

Bonds issued for improvement districts are liabilities of the property owners and are secured by liens against the assessed property. The City is not liable for repayment, but is only acting as an agent to expend the project funds on behalf of the property owners and to collect principal and interest payments from property owners and remit such monies to the bondholders.

In January of 2015 the City of Laguna Beach refunded Assessment District 06-1, 09-2, 95-3, 99-1B, 99-4, and 99-5's outstanding bonds pursuant to the Municipal Improvement Act of 1913. As part of the refunding, the City established the Reassessment District No. 14-3R, which encompasses the boundaries of the refunded districts. The issue price for the bonds totaled \$1,833,638.

At June 30, 2015, the total Improvement District unpaid principal assessments in the 1915 Bond Improvement Districts were \$4,687,037.

NOTE 9 – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Federal legislation requires that the Section 457 plan assets be held in trust for employees. This change, which was implemented in the 1999 fiscal year, means that employee assets held in Section 457 plans are no longer the property of the City and are no longer subject to claims of the City's general creditors.

The City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. At June 30, 2015, the deferred compensation assets are not reflected in the City's financial statement.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – OPERATING LEASE

The City rents a community center under an operating lease that extends through January 31, 2019. Total expenditures under this lease were \$26,400 for the year ended June 30, 2015. The minimum future rental payments under this lease are as follows:

Year Ending June 30:		
2016	\$	26,400
2017		26,400
2018		26,400
2019		26,400
Total	\$	105,600

NOTE 11 – LONG-TERM LIABILITIES

The following is a summary of the changes in the principal balance of long-term liabilities for the year ended June 30, 2015:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015	Due within One year	Due beyond One year
Governmental activities:						
Net OPEB liability	\$ 287,351	\$ 28,092	\$ -	\$ 315,443	\$ -	\$ 315,443
Compensated absences	3,449,982	1,586,992	(1,753,925)	3,283,049	656,610	2,626,439
Insurance claims payable	3,274,752	2,617,794	(2,981,062)	2,911,484	873,445	2,038,039
Total Governmental activities	\$ 7,012,085	\$ 4,232,878	\$ (4,734,987)	\$ 6,509,976	\$ 1,530,055	\$ 4,979,921

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015	Due within One year	Due beyond One year
Business-type Activities:						
Transit Fund:						
Compensated absences	\$ 11,931	\$ 5,488	\$ (895)	\$ 16,524	\$ 3,305	\$ 13,219
Total Transit Fund	11,931	5,488	(895)	16,524	3,305	13,219
Sewer Service Fund:						
Compensated absences	41,639	19,154	(23,359)	37,434	7,487	29,947
I-Bank installment agreement	4,302,111	-	(379,966)	3,922,145	390,339	3,531,806
Total Sewer Service Fund	4,343,750	19,154	(403,325)	3,959,579	397,826	3,561,753
Total Business-type Activities	\$ 4,355,681	\$ 24,642	\$ (404,220)	\$ 3,976,103	\$ 401,131	\$ 3,574,973

For long term liabilities other than debt, such as claims payable, compensated absences, and net OPEB in governmental activities, the internal service funds have been used in prior years to liquidate such amounts.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11 – LONG-TERM LIABILITIES (CONTINUED)

I-Bank Installment Sale Agreement

The City entered into a twenty-year loan on June 1, 2004 from the I-Bank Installment Sale Agreement with the California Infrastructure and Economic Development Bank (CIEDB). The agreement was amended on August 1, 2005 to increase the maximum loan amount to \$7,000,000, for the City's Sewer Line Reconstruction, Line and Manhole Rehabilitation Project. The loan is secured by revenues generated by the Sewer Service Fund and bears interest at a rate of 2.73 percent per annum. Repayment of the loan is payable solely from Sewer Service user charges. The revenues are pledged for the total debt service until the year 2033. As of June 30, 2015, all of the \$7,000,000 loan proceeds have been disbursed under the loan agreement, and accordingly interest is due semiannually on February 1 and August 1 which commenced on August 1, 2005. Principal is due annually on August 1 which commenced on August 1, 2006. As of June 30, 2015, the outstanding principal amount was \$3,922,145. Total revenue available for debt service was 7,093,423 and total debt service, including interest, was \$492,227.

The annual payment amounts required to retire the Sales Agreement as of June 30, 2015 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2016	\$ 390,339	\$ 101,746	\$ 492,085
2017	400,996	90,945	491,941
2018	411,943	79,848	491,791
2019	423,189	68,448	491,637
2020	434,742	56,738	491,480
2021 - 2024	1,860,936	103,314	1,964,250
	<u>\$ 3,922,145</u>	<u>\$ 501,039</u>	<u>\$ 4,423,184</u>

NOTE 12 – OTHER POST EMPLOYMENT BENEFIT PLAN

Plan Description: The City administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees (those with 10 or more years of service with the City) and their spouses in accordance with various labor agreements. The City does not pay any of the cost of health benefits; however, eligible retirees and their spouses are permitted to participate in the City's medical insurance plan until age 65. After age 65, Medicare automatically becomes the primary provider of health coverage. The City's defined benefit plan becomes the secondary provider. Eligible retirees will have no noticeable change in health benefits or plan administration; however, there is a reduction in the City's cost of health coverage as the secondary provider. A separate report is not issued for the plan.

City's Funding Policy: The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2014-15, age-adjusted premiums contributed by the City totaled \$139,980.

The City has not established an irrevocable trust for the purpose of holding assets accumulated for plan benefits.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 – OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. 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 for these benefits:

Annual required contribution	\$ 173,196
Interest on net OPEB obligation	11,494
Adjustments to annual required contributions	<u>(16,618)</u>
Annual OPEB cost (expense)	168,072
Contributions made (including premiums paid)	<u>(139,980)</u>
Increase in net OPEB obligation	28,092
Net OPEB obligation - beginning of year	<u>287,351</u>
Net OPEB obligation - end of year	<u><u>\$ 315,443</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 150,021	76%	\$ 253,536
6/30/2014	150,766	78%	287,351
6/30/2015	168,072	83%	315,443

Funded Status and Funded Progress. The funded status of the plan as of the most recent valuation date is as follows:

Actuarial accrued liability (AAL)	\$ 1,634,753
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,634,753</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	21,450,536
UAAL as a percentage of covered payroll	7.6%

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 – OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts 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 the benefits.

Actuarial Methods and Assumptions. 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 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 assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit with Service Pro-Rate method. The actuarial assumptions included a 4 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements of 1 percent per year to an ultimate rate of 5 percent after the third year. The UAAL is being amortized as a level percentage of projected payroll over 30 years. It is assumed the City's payroll will increase 3 percent per year.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13 – FUND BALANCES (DEFICIT)

Fund balances are classified as follows:

	General Fund*	Major Special Revenue Fund Disaster Contingency Fund	Nonmajor Governmental Funds	Total
Fund balances:				
Nonspendable:				
Inventory	\$ 55,496	\$ -	\$ -	\$ 55,496
Prepays	59,593	-	-	59,593
Total Nonspendable	<u>115,089</u>	<u>-</u>	<u>-</u>	<u>115,089</u>
Restricted for:				
Parking in-lieu	113,157	-	-	113,157
Park in-lieu	407,912	-	-	407,912
Art in-lieu	249,265	-	-	249,265
Drainage	68,281	-	-	68,281
Housing in-lieu	833,177	-	-	833,177
Transportation infrastructure	1,401,604	-	-	1,401,604
Street lighting district	-	-	5,886,339	5,886,339
Gas tax	-	-	451,658	451,658
Public safety	-	-	148,740	148,740
Subtotal	<u>3,073,396</u>	<u>-</u>	<u>6,486,737</u>	<u>9,560,133</u>
Committed for:				
Solid waste	363,278	-	-	363,278
Repair of public facilities and natural disaster	-	6,089,679	-	6,089,679
Total Committed	<u>363,278</u>	<u>6,089,679</u>	<u>-</u>	<u>6,452,957</u>
Assigned to:				
Open space	207,507	-	-	207,507
Parking authority	10,981,975	-	-	10,981,975
Capital projects	16,384,040	-	-	16,384,040
800 MHZ Communications System	1,894,000	-	-	1,894,000
Subtotal	<u>29,467,522</u>	<u>-</u>	<u>-</u>	<u>29,467,522</u>
Unassigned [†]	<u>16,308,063</u>	<u>-</u>	<u>(521,922)</u>	<u>15,786,141</u>
Total Fund Balance	<u>\$ 49,327,348</u>	<u>\$ 6,089,679</u>	<u>\$ 5,964,815</u>	<u>\$ 61,381,842</u>

*For financial statement reporting the City has included the following in the General Fund: General Fund, Parking in lieu, Park in lieu, Art in lieu, Drainage, Housing in lieu, Transportation Infrastructure, Open Space, Parking Authority, and Capital Improvements.

[†]See footnote 1M for the General Fund Balance Reserve Policy.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14 – INTERFUND TRANSFERS

Interfund transfers at June 30, 2015 consisted of the following:

Transfers In	Transfers Out			Total
	General Fund	Internal Service Funds	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 450,000	\$ -	\$ 450,000
Non-Major Governmental Fund	-	-	600,000	600,000
Sewer Fund	80,400	153,557	-	233,957
Transit Fund	1,093,000	23,734	-	1,116,734
Internal Service Fund	450,000	-	-	450,000
	<u>\$ 1,623,400</u>	<u>\$ 627,291</u>	<u>\$ 600,000</u>	<u>\$ 2,850,691</u>

Transfers are used to:

1. Transfer from the Internal Service Fund to the General Fund in the amount of \$450,000 were for capital expenditures related to the Burn Site Project. This amount was transferred back from the Internal Service Fund from the General Fund in the same fiscal year.
2. Transfer from the General Fund to the Sewer Fund in the amount of \$80,400 were for Measure M Environmental Cleanup grant program of \$75,000 and purchase of capital equipment for \$5,400.
3. Transfer from the General Fund to the Transit Fund were for the following: 1) \$335,000 to purchase trolleys, 2) \$750,800 to cover the balance of operating and capital expenses not funded from grants and other revenues, 3) \$7,200 to purchase capital equipment.
4. Transfer from the Internal Service Funds to the Transit Fund related to an asset transferred from the Automotive Fund to the Transit Fund.
5. Transfer from the Internal Service Funds to the Sewer Fund related of \$153,557 related to assets transferred from the Automotive Fund to the Sewer Fund.
6. Transfer from the Street Lighting District Fund (Nonmajor) to the Assessment Districts Fund (Nonmajor) were for upfront assessment district costs.

NOTE 15 – SEWAGE TREATMENT FACILITIES

In March 1972, the City, five water districts and one sanitation district entered into a joint exercise of powers agreement to form the Aliso Water Management Agency, which ultimately joined other agencies and created the South Orange County Wastewater Authority (SOCWA), a public corporation. SOCWA currently includes ten member agencies, including the City. SOCWA was formed to develop a total water management program for its members' consolidated service areas. Specifically, SOCWA is to provide for construction, maintenance and operation of a regional wastewater transmission, treatment and disposal system. This system consists of an interceptor system, pumping stations, wastewater treatment plants and an ocean outfall.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 15 – SEWAGE TREATMENT FACILITIES (CONTINUED)

The governing board is comprised of one member from each participating agency and is responsible for the selection of management and for the budgeting and financial management of the Agency. As of June 30, 2014, (the most recent information available), SOCWA had total assets of \$63,181,024, total liabilities of \$2,237,354 and total equity of \$60,943,670. A separate financial report may be obtained from the South Orange County Wastewater Authority, 31592 West Street, Laguna Beach, California 92651.

The City's share of ownership varies by year depending upon the purchased capacities of each subsystem. Each member is responsible for its share of maintenance and operations costs proportional to its purchased capacity which is billed to each member by SOCWA. Sewer service charges are assessed to fund these and other operating costs. The City paid \$1,894,495 and \$550,062 for its share of operating and capital costs, respectively, during the fiscal year ended June 30, 2015.

NOTE 16 – DEFINED BENEFIT PENSION PLANS

The City of Laguna Beach participates in the California Public Employees Retirement System (CalPERS), a pension plan available to all qualified employees. The Safety Plan is a cost-sharing multiple employer defined benefit pension plan. The Miscellaneous Plan is an agent multiple employer defined benefit pension plan. A summary of pension amounts for the City's plans at June 30, 2015 is presented below:

	Safety Plan	Miscellaneous Plan	Total
Deferred Outflows- Pensions	\$ 2,703,781	\$ 3,457,700	\$ 6,161,481
Net Pension Liability	22,887,604	21,051,309	43,938,913
Deferred Inflows- Pensions	7,354,818	5,030,483	12,385,301
Pension Expense	2,201,411	1,583,379	3,784,790

Plan Descriptions –All qualified permanent and probationary employees are eligible to participate in the City's Safety (Police, Fire, and Lifeguard) Employee Pension Plan (Safety Plan), a cost sharing multiple employer defined benefit pension plan, or the City's Miscellaneous Plan, an agent-multiple-employer defined benefit pension plan, both administered by CalPERS. The CalPERS Safety Plan consists of safety pools (referred to as "risk pools"), which are comprised of individual employer safety rate plans. The risk pools are included within the Public Employees' Retirement Fund C (PERF C). For the Miscellaneous Plan, CalPERS acts as a common investment and administrative agent for its participating member employers, and are included within Public Employees' Retirement Fund A (PERF A). Benefit provisions under the Plans are established by State statute and may be amended by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information. These reports can be found on the CalPERS website.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 16 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Safety - Police		
	Tier 1	Tier 2	Tier 3
Formula	3% @ 50	3% @ 55	2.7 @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	55	57
Monthly benefits, as a % of annual salary	3.0%	3.0%	2.7%
Required employee contribution rates	9%	9%	11.25%
Required employer contribution rates	27.849%	22.25%	11.25%
	Safety - Fire		
	Tier 1	Tier 2	Tier 3
Formula	3% @ 50	3% @ 55	2.7 @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	55	57
Monthly benefits, as a % of annual salary	3.0%	3.0%	2.7%
Required employee contribution rates	9%	9%	11.25%
Required employer contribution rates	27.849%	22.25%	11.25%
	Safety - Lifeguard		
	Tier 1	Tier 2	Tier 3
Formula	3% @ 55	N/A	2.7 @ 57
Benefit vesting schedule	5 years of service	N/A	5 years of service
Benefit payments	monthly for life	N/A	monthly for life
Retirement age	55	N/A	57
Monthly benefits, as a % of annual salary	3.0%	N/A	2.7%
Required employee contribution rates	9%	N/A	11.25%
Required employer contribution rates	22.250%	N/A	11.25%
Applies to:	Tier 1	Tier 2	Tier 3
	Lifeguard Safety employees hired before January 1, 2013, Police Safety employees hired on or before April 2, 2012, and Fire Safety employees hired on or before October 3, 2011	Police Safety employees hired on or after April 2, 2012, and Fire Safety employees hired on or after October 3, 2011 (or laterals from other CalPERS agencies who meet certain requirements	New CalPERS covered employees hired after January 1, 2013 (mandated by AB 340, the Public Employees Pension Reform Act (PEPRA)

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 16 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of annual salary	2.50%	2%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	17.609%	6.25%

Employees Covered –As of June 30, 2013, the most recent valuation, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	181
Inactive employees entitled to but not yet receiving benefits	115
Active employees	151
Total	447

Contributions – Section 20814(c) of the California Public Employees’ Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. For the year-ended June 30, 2015, the City paid 3 percent of the Miscellaneous employees’ required contributions (for those hired before January 1, 2013).

Contributions to the pension plans totaled \$2,538,981 for the Safety Plan and \$3,457,700 for the Miscellaneous Plan, including contributions by Safety tier as follows, for the year ended June 30, 2015:

	Safety			Total
	Police	Fire	Lifeguard	
Contributions - employer	\$ 1,252,669	\$ 1,133,420	\$ 152,892	\$ 2,538,981

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 16 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Proportionate Share of Net Pension Liability - Safety Plan

As of June 30, 2015, the City’s reported a net pension liability for its proportionate share of the collective net pension liability of the Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Safety Plan	\$ 22,887,604

The City’s net pension liability for the Plan was measured as the proportionate share of the collective net pension liability of the cost-sharing plan. The net pension liability of the Plan was measured as of June 30, 2014 and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, and rolled forward to June 30, 2014 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers. The City’s proportionate share of the collective net pension liability the Plan as of June 30, 2013 and 2014 were as follows:

	Safety
Proportion - June 30, 2013	0.37597%
Proportion - June 30, 2014	0.36782%
Change - Increase (Decrease)	-0.00815%

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 16 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions for both Plans.

	Safety		
	Police	Fire	Lifeguard
Valuation Date	June 30, 2013	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method		
Actuarial Assumptions:			
Discount Rate	7.5%	7.5%	7.5%
Inflation	2.75%	2.75%	2.75%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)	7.5% (2)
Mortality	Derived using CalPERS' Membership Data for all Funds		

	Miscellaneous
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS' Membership Data for all Funds

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

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 16 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 7.50 percent for each Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City’s contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 68 calculations through at least 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changes their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected 7.50 percent rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Based on the expected benefit payments of the Public Employees’ Retirement Fund, CalPERS indicated that a 19 year horizon was ideal in determining the level equivalent discount rate assumption. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are the same for each Plan. These geometric rates of return are net of administrative expenses and are summarized in the following table:

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 16 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (a)	Long-Term Expected Real Rate of Return (b)
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99	2.43
Inflation Sensitive	6%	0.45	3.36
Private Equity	12%	6.83	6.95
Real Estate	11%	4.50	5.13
Infrastructure and Forestland	3%	4.50	5.09
Liquidity	2%	(0.55)	(1.05)
Total	<u>100%</u>		

(a) An expected inflation rate of 2.5% used for this period
(b) An expected inflation rate of 3.0% used for this period

Changes in the Net Pension Liability – Miscellaneous Plan

The City’s net pension liability for the Miscellaneous Plan was measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Miscellaneous Plan was measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown under the section *Actuarial Assumptions* within this note.

The total Net Pension Liability for the City’s Miscellaneous Plan as of June 30, 2015 was \$21,051,309. The changes in the Net Pension Liability for the Plan follows:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$ 88,900,546	\$ 62,390,222	\$ 26,510,324
Changes in the year:			
Service Cost	2,113,319	-	2,113,319
Interest on the total pension liability	6,610,117	-	6,610,117
Contribution - employer	-	2,011,915	(2,011,915)
Contribution - employee	-	1,240,843	(1,240,843)
Net investment income	-	4,724,924	(4,724,924)
Differences between projected and actual earning on plan investments	-	6,288,103	(6,288,103)
Administrative expenses	-	(83,334)	83,334
Benefit payments, including refunds of employee contributions	(3,644,602)	(3,644,602)	-
Net changes	<u>5,078,834</u>	<u>10,537,849</u>	<u>(5,459,015)</u>
Balance at June 30, 2015	<u>\$ 93,979,380</u>	<u>\$ 72,928,071</u>	<u>\$ 21,051,309</u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 16 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Expense and Deferred Outflows and Inflows of Resources

Safety Plan:

For the year ended June 30, 2015, the City recognized pension expense of \$2,201,411 for the Safety Plan. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,538,981	\$ -
Differences between actual contributions and proportionate share of contributions	95,771	396,766
Net differences between projected and actual earnings on plan investments	-	6,910,524
Changes in proportion	69,029	47,528
Total	\$ 2,703,781	\$ 7,354,818

The amount of \$2,538,981, reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30		
2016	\$	(1,827,451)
2017		(1,827,451)
2018		(1,807,485)
2019		(1,727,631)
Total	\$	(7,190,018)

Miscellaneous Plan:

For the year ended June 30, 2015, the City recognized pension expense of \$1,583,379 for the Miscellaneous Plan. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,457,700	\$ -
Net differences between projected and actual earnings on plan investments	-	5,030,484
Total	\$ 3,457,700	\$ 5,030,484

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 16 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

The amount of \$3,457,700, reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	
2016	\$ (1,257,621)
2017	(1,257,621)
2018	(1,257,621)
2019	(1,257,621)
Total	\$ (5,030,484)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Safety Plan's proportionate share of collective net pension liability	\$ 39,386,605	\$ 22,887,604	\$ 9,293,143
Miscellaneous Plan's net pension liability	32,845,247	21,051,309	11,176,851

Pension Plan Fiduciary Net Position – Detailed information about each pension plans’ fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 17 – SIGNIFICANT OPERATING LEASE FOR WHICH THE CITY IS LESSOR

For the period of October 1, 2001 through September 30, 2041, the City of Laguna Beach has leased to the Festival of Arts of Laguna Beach (an unrelated non-profit organization) parcels of land and related structures associated with the operation of certain community events relating to the arts. At all times throughout the term of this operating lease and at the termination of the lease, title to these assets remains with the City of Laguna Beach. The rental payment to be received by the City will be an amount equal to 3.5 percent of certain gross revenues relating to the use of the property without limitation (no maximum rental payment). In addition, the Festival of Arts of Laguna Beach will pay 6 percent of the gross revenues described above, which the City will deposit into a capital improvement fund. The money in the capital improvement fund is to be used solely for capital improvements to the premises being rented and debt associated with such improvements, and insurance premiums. All rentals are considered to be contingent upon the amount of gross revenues and the lease does not provide for minimum rental payments to be made to the City. The carrying amount of the land involved in this lease is \$405,040. The carrying amount of the structures and improvements being leased is \$1,022,667. These assets are recorded in the capital assets of the City of Laguna Beach. The land was originally donated to the City under the condition that if it is used for other than park and/or arts-related purposes, then title to the land would revert to the donor. Rental income associated with this lease has been recognized in the accompanying financial statements in the amount of \$234,249.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 18 – TRANSPORTATION DEVELOPMENT ACT

In accordance with the requirement of the Transportation Development Act (TDA), the following information is presented:

TDA 50% Limitation		
Total Operating Costs		<u>\$ 2,434,172</u>
Less: Depreciation		<u>(269,860)</u>
Net Operating Costs		2,164,312
50% Limitation		1,082,156
TDA Financial Need Limitation:		
Total Operating Costs		\$ 2,434,172
Depreciation	\$ (269,860)	
OCTA Operating Assistance	(95,392)	
Prop 1B Funding	(137,090)	
Passenger Revenues	(206,865)	
Taxi Voucher Program	(4,037)	
Park and Ride	<u>(108,233)</u>	<u>(821,477)</u>
Financial Need		<u>1,612,695</u>
Lesser of "Financial Need" or "50% Limitation"		<u><u>\$ 1,082,156</u></u>
TDA Allocation		1,067,376
Under (Over) allocation		14,780

For the year ended June 30, 2015, the City recognized \$1,067,376 revenues pursuant to the TDA requirements, which was less than the limit of \$1,082,156. This amount, along with \$983,024 of other grant revenues, is reflected within Intergovernmental revenues in the Transit fund.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 19 – RELATED PARTIES

Housing Program to Enhance Emergency Response

In order to enhance the ability of key personnel to respond to emergency situations within the community, the City is providing assistance for those employees to reside in close proximity to their response area. The accompanying financial statements reflect the City's investment in four such properties in the amount of \$1,677,809 and two loans to these respective employees. The outstanding balance of the loans was \$680,137, for fiscal years ending June 30, 2015. The balance of the loans are reported in the General Fund, Street Lighting District Special Revenue Fund and the Internal Service Funds.

NOTE 20 – CONTINGENCIES

Heritage Fields Project

In November 2013, the City entered into an Agreement Regarding Infrastructure Improvements/Municipal Services (the Agreement) with Heritage Fields El Toro, LLC (HFET), a developer of a commercial and residential project located in Irvine, California. The Agreement calls for installment payments to the City in the amount of \$6,000,000 to fund transportation infrastructure improvements and/or municipal services in the City limits, at the City's sole discretion.

The Agreement contains a schedule of payments; those payments will be made as the homes are built by HFET. The original Heritage Fields Project, approved in 2011, included approvals from the City of Irvine to build 4,894 dwelling units. Construction of these previously approved units has recently commenced. The Agreement's payment schedule refers to dwelling units built after the previously approved 4,894 units have been built.

NOTE 21 – DEFICIT FUND BALANCE

The Assessment Districts Capital Projects Funds has a fund deficit of \$(521,922) as of June 30, 2015 related to upfront costs for underground utility assessment districts within the City. The City expects to be reimbursed for these upfront costs from assessment district bond proceeds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAGUNA BEACH
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Budgeted Amounts		Actual	Variance with	2014
	Original	Final		Final Budget Positive/ (Negative)	
Revenues:					
Taxes:					
Property taxes	\$ 28,011,000	\$ 28,761,000	\$ 29,639,358	\$ 878,358	27,819,529
Sales and use taxes	4,985,000	4,985,000	5,408,004	423,004	5,042,551
Transient lodging taxes	5,700,000	5,700,000	5,361,905	(338,095)	5,820,176
Franchise taxes	1,145,000	1,145,000	1,239,653	94,653	1,223,462
Business license taxes	875,000	875,000	993,300	118,300	929,481
Total Taxes	40,716,000	41,466,000	42,642,220	1,176,220	40,835,199
Licenses and permits:					
Construction permits	1,104,000	1,104,000	1,223,680	119,680	1,268,860
Other	21,000	21,000	33,595	12,595	23,388
Total Licenses and Permits	1,125,000	1,125,000	1,257,275	132,275	1,292,248
Fines and penalties					
Other	16,000	16,000	14,650	(1,350)	12,775
Total Fines and Penalties	16,000	16,000	14,650	(1,350)	12,775
Investment Income, net	578,000	578,000	639,826	61,826	1,100,214
Rental income	451,400	451,400	484,579	33,179	500,642
Intergovernmental	566,100	920,236	1,107,066	186,830	769,855
Charges for services:					
Planning fees	1,270,000	1,270,000	1,544,808	274,808	1,512,908
Building department fees	240,000	240,000	302,569	62,569	293,196
Refuse service charges	2,000,000	2,000,000	2,013,901	13,901	2,017,846
Medical fees	103,000	103,000	130,186	27,186	124,795
Parks and recreation fees	3,151,500	3,151,500	3,799,616	648,116	3,230,951
Other	294,200	294,200	360,924	66,724	327,104
Total Charges for Services	7,058,700	7,058,700	8,152,004	1,093,304	7,506,800
Parking meters, lots and permits	-	-	2,331	2,331	2,019
Other					
Reimbursed expenditures	305,000	305,000	758,497	453,497	320,899
Other	50,000	395,356	407,548	12,192	320,709
Total Other	355,000	700,356	1,166,045	465,689	641,608
Total Revenues	50,866,200	52,315,692	55,465,996	3,150,304	52,661,360

See accompanying note to required supplementary information.

CITY OF LAGUNA BEACH
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)
(Continued)

	Budgeted Amounts		Actual	Final Budget Positive/ (Negative)	2014 Actual
	Original	Final			
Expenditures:					
General government:					
City Council	\$ 76,000	\$ 80,000	\$ 62,492	\$ 17,508	\$ 57,187
City Manager	794,000	783,700	773,138	10,562	723,175
City Clerk	364,000	371,700	342,884	28,816	286,129
City Treasurer	156,300	158,800	155,971	2,829	150,696
City Attorney	635,000	952,200	688,322	263,878	567,716
Administrative services	2,687,100	2,969,500	2,575,816	393,684	1,916,362
Total General Government	4,712,400	5,315,900	4,598,623	717,277	3,701,265
Community development	4,815,200	5,564,900	4,445,514	1,119,386	3,884,132
Public safety:					
Police protection	13,544,600	17,006,725	14,325,509	2,681,216	12,860,924
Fire protection	9,528,000	9,917,573	9,291,881	625,692	9,007,557
Marine safety	2,489,200	2,592,800	2,466,194	126,606	2,406,326
Total Public Safety	25,561,800	29,517,098	26,083,584	3,433,514	24,274,807
Public works	10,346,100	10,820,700	9,527,672	1,293,028	9,430,280
Recreation and social services	4,756,100	5,611,100	4,877,316	733,784	4,530,831
Capital expenditures	196,800	2,203,627	914,993	1,288,634	670,756
Total Expenditures	50,388,400	59,033,325	50,447,702	8,585,623	46,492,071
Excess (deficiency) of revenues over (under) expenditures	477,800	(6,717,633)	5,018,294	11,735,927	6,169,289
Other financing sources (uses):					
Transfers in	740,000	765,000	765,000	-	777,000
Transfers out	(200,000)	(4,662,600)	(4,662,600)	-	(863,995)
Sale of land and equipment	3,000	3,000	7,258	4,258	168,380
Total Other Financing Sources (uses)	543,000	(3,894,600)	(3,890,342)	4,258	81,385
Net Change in Fund Balances	1,020,800	(10,612,233)	1,127,952	11,740,185	6,250,674
Fund balances, Beginning of Year	17,552,478	17,552,478	17,552,478	-	11,301,804
Fund Balances, End of Year	\$ 18,573,278	\$ 6,940,245	\$ 18,680,430	\$ 11,740,185	\$ 17,552,478

See accompanying note to required supplementary information.

CITY OF LAGUNA BEACH
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)
(Continued)

The following schedule shows the Schedule of Revenues, Expenditures and Changes in Fund Balance reconciliation between the budgetary basis and GAAP basis for the General Fund:

	General Fund
Revenues and Other Financing Sources	
Revenues from Schedule of Revenues, Expenditures and Changes in Fund Balances	\$ 55,465,996
Revenues of the funds below are not inflows of budgetary resources in the General fund legally adopted budget, but are revenues of the General fund for financial reporting purposes:	
Capital Improvement Fund	7,708,314
Parking Authority Fund	7,398,018
Parking In-Lieu Fund	1,024
Park In-Leiu Fund	40,450
Art In-Leiu Fund	78,966
Drainage Fund	618
Housing In-Leiu Fund	146,564
Total Revenues from the Financial Statements	\$ 70,839,950
Transfers In & Sale of Land and Equipment from Schedule of Revenues, Expenditures and Changes in Fund Balances	\$ 772,258
Transfers In of the funds below are not inflows of budgetary resources in the General fund legally adopted budget, but are transfers amongst the General fund and General fund subfunds for financial reporting purposes:	
Capital Improvement Fund	5,104,000
Parking Authority Fund	2,521,800
Elimination of Transfers within General Fund in accordance with GASB 54 consolidation	(7,940,800)
Total Transfers In & Sale of Land and Equipment from the Financial Statements	\$ 457,258
Expenditures and Other Financing Uses	
Expenditures and Other Financing Uses from Schedule of Revenues, Expenditures and Changes in Fund Balances	\$ 55,110,302
Expenditures and Other Financing Uses of the funds below are not outflows of budgetary resources in the General fund legally adopted budget, but are expenditures of the General fund for financial reporting purposes:	
Open Space Fund	400
Capital Improvement Fund	10,380,900
Parking Authority Fund	4,861,837
Art In-Leiu Fund	54,125
Transportation Infrastructure Fund	98,396
	70,505,960
Elimination of Transfers Out within General Fund in accordance with GASB 54 consolidation.	(7,940,800)
Total Expenditures and Other Financing Uses from the Financial Statements	\$ 62,565,160

See accompanying note to required supplementary information.

CITY OF LAGUNA BEACH
Major Special Revenue Fund
Disaster Contingency Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with	<u>2014</u>
	<u>Original</u>	<u>Budget</u>		Final Budget	
				Positive/ (Negative)	
Revenues:					
Investment income	\$ 70,000	\$ 70,000	\$ 55,123	\$ (14,877)	\$ 49,857
Net Change in Fund Balances	70,000	70,000	55,123	(14,877)	49,857
Fund Balances, Beginning of Year	<u>6,034,556</u>	<u>6,034,556</u>	<u>6,034,556</u>	-	<u>5,984,699</u>
Fund Balances, End of Year	<u>\$ 6,104,556</u>	<u>\$ 6,104,556</u>	<u>\$ 6,089,679</u>	<u>\$ (14,877)</u>	<u>\$ 6,034,556</u>

See accompanying note to required supplementary information.

CITY OF LAGUNA BEACH
Safety Plan
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Years*
Year Ended June 30, 2015

	2015
Proportion of the collective net pension liability	0.36782%
Proportionate share of the collective net pension liability	\$ 22,887,604
Covered - employee payroll	\$ 11,392,754
Proportionate share of the collective net pension liability as a percentage of covered-employee payroll	200.90%
Plan fiduciary net position as a percentage of the total pension liability	79.82%

* - Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

See accompanying note to required supplementary information.

CITY OF LAGUNA BEACH
Safety Plan
Schedule of Contributions
Last Ten Years*
Year Ended June 30, 2015

	2015
Actuarially determined contributions	\$ 2,538,981
Contributions in relation to the actuarially determined contribution	(2,538,981)
Contribution deficiency (excess)	\$ -
 Covered-employee payroll	 \$ 11,889,060
Contributions as a percentage of covered-employee payroll	21.36%

* - Fiscal year 2015 was the first year of implementation, therefore only one year is shown

See accompanying note to required supplementary information.

CITY OF LAGUNA BEACH
Miscellaneous Plan
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Ten Years*
As of June 30, 2015

	2015
Total Pension Liability	
Service cost	\$ 2,113,319
Interest on the total pension liability	6,610,117
Benefit payments, including refunds of employee contributions	(3,644,602)
Net change in total pension liability	5,078,834
Total pension liability- beginning	88,900,546
Total pension liability- ending (a)	\$ 93,979,380
Plan fiduciary net position	
Contributions- employer	\$ 2,011,915
Contributions- employee	1,240,843
Net investment income	4,724,924
Administrative expenses	(83,334)
Difference between projected and actual earnings on plan investments	6,288,103
Benefit payments	(3,644,602)
Net change in plan fiduciary net position	10,537,849
Plan fiduciary net position- beginning	62,390,222
Plan fiduciary net position- ending (b)	\$ 72,928,071
Net pension liability - beginning	\$ 26,510,324
Net pension liability- ending (a) - (b)	\$ 21,051,309
Plan fiduciary net position as a percentage of the total pension liability	77.60%
Covered- employee payroll	12,167,957
Net pension liability as percentage of covered employee payroll	173.01%

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

See accompanying note to required supplementary information.

**CITY OF LAGUNA BEACH
Miscellaneous Plan
Schedule of Contributions
Last Ten Years*
As of June 30, 2015**

	2015
Actuarially determined contributions	\$ 2,057,700
Contributions in relation to the actuarially determined contribution	(3,457,700)
Contribution deficiency (excess)	\$ (1,400,000)
Covered-employee payroll	\$ 12,220,264
Contributions as a percentage of covered-employee payroll	28.29%
Notes to Schedule	
Valuation date:	6/30/2013
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Asset valuation method	Market value
Inflation	2.75%
Salary increases	3.3% to 14.20% depending on Age, Service, and type of employment
Investment Rate of Return	7.50%
Retirement age	50-70, depending on years of service
Mortality	Based on CalPERS Experience Study

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

See accompanying note to required supplementary information.

CITY OF LAGUNA BEACH
Other Post-Employment Benefit Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/2008	\$ -	\$ 1,047,047	\$ 1,047,047	0.0%	\$ 19,511,621	5.4%
6/30/2012	-	1,346,828	1,346,828	0.0%	20,159,361	6.7%
6/30/2014	-	1,634,753	1,634,753	0.0%	21,450,536	7.6%

See accompanying note to required supplementary information.

CITY OF LAGUNA BEACH

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

NOTE 1 – BUDGETARY POLICY AND CONTROL

Budgets are adopted on a basis consistent with generally accepted accounting principles. Biennial appropriated budgets are adopted for the general and special revenue funds. All biennial appropriations lapse at fiscal year end, except for encumbered amounts and capital expenditures which are re-appropriated in the next year's budget until such time as the project is completed or terminated.

The City is required to adopt annual biennial budget on or before June 30 of odd numbered calendar years. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget through a vote of a majority or super majority of the Council during the fiscal year. The City Manager may transfer funds from one object or purpose to another within the same department, excluding capital outlay. Actual expenditures may not exceed budgeted appropriations at the department level within the General Fund and at the fund level for special revenue, and capital projects funds; therefore, the legal level of budgetary control is at the department level.

Budget information is presented for the general and certain special revenue fund types. Budgeted revenue amounts represent the original budget modified by Council-authorized adjustments during the year which were contingent upon new or additional revenue sources. Budgeted expenditures amounts represent original appropriations adjusted for supplemental appropriations during the year. Supplemental appropriations include carryover appropriations from the prior year. Supplemental budgetary appropriations of \$25,454,600 were made in the General Fund.

SUPPLEMENTARY SCHEDULES

GENERAL FUND

The General Fund is used to account for financial resources applicable to the general government operations of the City of Laguna Beach, which are not required to be accounted for in another fund. This includes some operations that are budgeted as separate operating funds.

CITY OF LAGUNA BEACH
General Fund
Consolidating Balance Sheet by Sub-Fund
June 30, 2015
(With Comparative Totals for June 30, 2014)

ASSETS	<u>General</u>	<u>Open Space</u>	<u>Capital Improvement</u>	<u>Parking Authority</u>	<u>Parking In-Lieu</u>
Cash and investments	\$ 24,310,004	\$ 207,507	\$ 15,869,929	\$ 11,017,250	\$ 113,157
Receivables:					
Taxes	3,190,611	-	420,098	-	-
Accounts	257,833	-	83,530	167,094	-
Interest	48,183	-	-	-	-
Intergovernmental	180,455	-	75,000	-	-
Notes	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepays	59,593	-	-	-	-
Inventory	55,496	-	-	-	-
Total Assets	<u>\$ 28,102,175</u>	<u>\$ 207,507</u>	<u>\$ 16,448,557</u>	<u>\$ 11,184,344</u>	<u>\$ 113,157</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,736,348	\$ -	\$ 64,517	\$ 202,369	\$ -
Due to other government agencies	-	-	-	-	-
Deferred revenue	82,935	-	-	-	-
Advances from other funds	6,602,462	-	-	-	-
Total Liabilities	<u>9,421,745</u>	<u>-</u>	<u>64,517</u>	<u>202,369</u>	<u>-</u>
Fund balances:					
Nonspendable	115,089	-	-	-	-
Restricted	-	-	-	-	113,157
Committed	363,278	-	-	-	-
Assigned	1,894,000	207,507	16,384,040	10,981,975	-
Unassigned	16,308,063	-	-	-	-
Total Fund Balances	<u>18,680,430</u>	<u>207,507</u>	<u>16,384,040</u>	<u>10,981,975</u>	<u>113,157</u>
Total Liabilities and Fund Balances	<u>\$ 28,102,175</u>	<u>\$ 207,507</u>	<u>\$ 16,448,557</u>	<u>\$ 11,184,344</u>	<u>\$ 113,157</u>

Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Transportation Infrastructure	Eliminations (1)	Totals	
						2015	2014
\$ 407,912	\$ 250,065	\$ 68,281	\$ 527,973	\$ 1,413,073	\$ -	\$ 54,185,151	\$ 46,022,016
-	-	-	-	-	-	3,610,709	3,400,844
-	-	-	-	-	-	508,457	376,055
-	-	-	-	-	-	48,183	33,133
-	-	-	-	-	-	255,455	109,303
-	-	-	348,000	-	-	348,000	348,000
-	-	-	-	-	-	-	463,493
-	-	-	-	-	-	59,593	57,588
-	-	-	-	-	-	55,496	89,402
<u>\$ 407,912</u>	<u>\$ 250,065</u>	<u>\$ 68,281</u>	<u>\$ 875,973</u>	<u>\$ 1,413,073</u>	<u>\$ -</u>	<u>\$ 59,071,044</u>	<u>\$ 50,899,834</u>
\$ -	\$ 800	\$ -	\$ -	\$ 11,469	\$ -	\$ 3,015,503	\$ 3,106,029
-	-	-	42,796	-	-	42,796	5,995
-	-	-	-	-	-	82,935	492,510
-	-	-	-	-	-	6,602,462	6,700,000
-	800	-	42,796	11,469	-	9,743,696	10,304,534
-	-	-	-	-	-	115,089	146,990
407,912	249,265	68,281	833,177	1,401,604	-	3,073,396	2,958,295
-	-	-	-	-	-	363,278	334,525
-	-	-	-	-	-	29,467,522	23,734,527
-	-	-	-	-	-	16,308,063	13,420,963
<u>407,912</u>	<u>249,265</u>	<u>68,281</u>	<u>833,177</u>	<u>1,401,604</u>	<u>-</u>	<u>49,327,348</u>	<u>40,595,300</u>
<u>\$ 407,912</u>	<u>\$ 250,065</u>	<u>\$ 68,281</u>	<u>\$ 875,973</u>	<u>\$ 1,413,073</u>	<u>\$ -</u>	<u>\$ 59,071,044</u>	<u>\$ 50,899,834</u>

(1) Advances within the group of funds that are consolidated together to form the general fund for purposes of the combined financial statements have been eliminated on this schedule.

CITY OF LAGUNA BEACH
General Fund
Consolidating Schedules of Revenues, Expenditures and Changes in Fund Balances by Sub-Fund
Year Ended June 30, 2015

	General	Open Space	Capital Improvement	Parking Authority	Parking In-Lieu
Revenues:					
Taxes	\$ 42,642,220	\$ -	\$ 5,394,673	\$ -	\$ -
Licenses and permits	1,257,275	-	-	-	-
Fines and penalties	14,650	-	1,129,520	-	-
Investment income, net	639,826	-	-	-	1,024
Rental	484,579	-	-	-	-
Intergovernmental	1,107,066	-	979,495	-	-
Charges for services	8,152,004	-	1,315	-	-
Parking meters, lots and permits	2,331	-	-	7,398,018	-
Development tax	-	-	203,311	-	-
Other	1,166,045	-	-	-	-
Total Revenues	<u>55,465,996</u>	<u>-</u>	<u>7,708,314</u>	<u>7,398,018</u>	<u>1,024</u>
Expenditures:					
Current:					
General government	4,598,623	-	-	-	-
Community development	4,445,514	-	-	-	-
Public safety	26,083,584	-	-	930,828	-
Public works	9,527,672	-	-	1,790,390	-
Recreation and social services	4,877,316	-	-	-	-
Sewer service operating costs	-	-	-	-	-
Capital expenditures	914,993	400	7,334,100	314,819	-
Total Expenditures	<u>50,447,702</u>	<u>400</u>	<u>7,334,100</u>	<u>3,036,037</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,018,294</u>	<u>(400)</u>	<u>374,214</u>	<u>4,361,981</u>	<u>1,024</u>
Other financing sources (uses):					
Transfers in	765,000	-	5,104,000	2,521,800	-
Transfers out	(4,662,600)	-	(3,046,800)	(1,825,800)	-
Sale of land and equipment	7,258	-	-	-	-
Total Other Financing Sources (Uses)	<u>(3,890,342)</u>	<u>-</u>	<u>2,057,200</u>	<u>696,000</u>	<u>-</u>
Net Change in Fund Balances	1,127,952	(400)	2,431,414	5,057,981	1,024
Fund Balances, Beginning of Year	<u>17,552,478</u>	<u>207,907</u>	<u>13,952,626</u>	<u>5,923,994</u>	<u>112,133</u>
Fund Balances, End of Year	<u>\$ 18,680,430</u>	<u>\$ 207,507</u>	<u>\$ 16,384,040</u>	<u>\$ 10,981,975</u>	<u>\$ 113,157</u>

Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Transportation Infrastructure	Eliminations (1)	Totals	
						2015	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,036,893	\$ 45,263,827
-	-	-	-	-	-	1,257,275	1,292,248
-	-	-	-	-	-	1,144,170	1,086,847
3,608	2,192	618	3,960	-	-	651,228	1,108,764
-	-	-	-	-	-	484,579	500,642
-	-	-	-	-	-	2,086,561	2,577,929
-	-	-	-	-	-	8,153,319	7,509,075
-	-	-	-	-	-	7,400,349	5,308,051
36,842	31,774	-	-	-	-	271,927	254,370
-	45,000	-	142,604	-	-	1,353,649	731,066
<u>40,450</u>	<u>78,966</u>	<u>618</u>	<u>146,564</u>	<u>-</u>	<u>-</u>	<u>70,839,950</u>	<u>65,632,819</u>
-	-	-	-	-	-	4,598,623	3,701,265
-	-	-	-	-	-	4,445,514	4,034,924
-	-	-	-	-	-	27,014,412	25,170,727
-	-	-	-	98,396	-	11,416,458	11,022,264
-	25,125	-	-	-	-	4,902,441	4,581,842
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,564,312	14,324,981
<u>-</u>	<u>25,125</u>	<u>-</u>	<u>-</u>	<u>98,396</u>	<u>-</u>	<u>60,941,760</u>	<u>62,836,003</u>
<u>40,450</u>	<u>53,841</u>	<u>618</u>	<u>146,564</u>	<u>(98,396)</u>	<u>-</u>	<u>9,898,190</u>	<u>2,796,816</u>
-	-	-	-	-	(7,940,800)	450,000	378,500
-	(29,000)	-	-	-	7,940,800	(1,623,400)	(1,192,055)
-	-	-	-	-	-	7,258	168,676
<u>-</u>	<u>(29,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,166,142)</u>	<u>(644,879)</u>
40,450	24,841	618	146,564	(98,396)	-	8,732,048	2,151,937
367,462	224,424	67,663	686,613	1,500,000	-	40,595,300	38,443,363
<u>\$ 407,912</u>	<u>\$ 249,265</u>	<u>\$ 68,281</u>	<u>\$ 833,177</u>	<u>\$ 1,401,604</u>	<u>\$ -</u>	<u>\$ 49,327,348</u>	<u>\$ 40,595,300</u>

(1) Transfers within the group of funds that are consolidated together to form the general fund for purposes of the financial statements have been eliminated on this schedule.

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Open Space Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2014 Actual
Revenues:				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital expenditures	-	400	(400)	2,918
Total Expenditures	-	400	(400)	2,918
Excess (deficiency) of revenues over (under) expenditures	-	(400)	(400)	(2,918)
Net Change in Fund Balances	-	(400)	(400)	(2,918)
Fund Balances, Beginning of Year	207,907	207,907	-	210,825
Fund Balances, End of Year	<u>\$ 207,907</u>	<u>\$ 207,507</u>	<u>\$ (400)</u>	<u>\$ 207,907</u>

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Capital Improvements Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2014 Actual
Revenues:				
Taxes	\$ 4,350,000	\$ 5,394,673	\$ 1,044,673	\$ 4,419,954
Fines and penalties	1,100,000	1,129,520	29,520	1,074,072
Intergovernmental	1,142,300	979,495	(162,805)	308,074
Charges for services	1,000	1,315	315	2,275
Development tax	180,000	203,311	23,311	111,766
Other	-	-	-	18,640
Total Revenues	6,773,300	7,708,314	935,014	5,934,781
Expenditures:				
Capital expenditures	22,628,100	7,334,100	15,294,000	6,162,312
Total Expenditures	22,628,100	7,334,100	15,294,000	6,162,312
Excess (deficiency) of revenues over (under) expenditures	(15,854,800)	374,214	16,229,014	(227,531)
Other financing sources (uses):				
Transfers in	5,104,000	5,104,000	-	708,500
Transfers out	(3,046,800)	(3,046,800)	-	(2,718,260)
Total Other Financing Sources (Uses)	2,057,200	2,057,200	-	(2,009,760)
Net Change in Fund Balances	(13,797,600)	2,431,414	16,229,014	(2,237,291)
Fund Balances, Beginning of Year	13,952,626	13,952,626	-	16,189,917
Fund Balances, End of Year	<u>\$ 155,026</u>	<u>\$ 16,384,040</u>	<u>\$ 16,229,014</u>	<u>\$ 13,952,626</u>

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Parking Authority Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2014 Actual
Revenues:				
Parking meters, lots and permits	\$ 6,924,000	\$ 7,398,018	\$ 474,018	\$ 5,306,032
Other	155,000	-	(155,000)	818
Total Revenues	7,079,000	7,398,018	319,018	5,306,850
Expenditures:				
Public safety	931,800	930,828	972	895,920
Public works	1,933,700	1,790,390	143,310	1,591,984
Capital expenditures	7,291,500	314,819	6,976,681	7,488,995
Total Expenditures	10,157,000	3,036,037	7,120,963	9,976,899
Excess (deficiency) of revenues over (under) expenditures	(3,078,000)	4,361,981	7,439,981	(4,670,049)
Other financing sources (uses):				
Transfers in	3,089,816	2,521,800	(568,016)	2,500,000
Transfers out	(1,813,000)	(1,825,800)	(12,800)	(1,216,800)
Sale of land and equipment	-	-	-	296
Total Other Financing Sources (Uses)	1,276,816	696,000	(580,816)	1,283,496
Net Change in Fund Balances	(1,801,184)	5,057,981	6,859,165	(3,386,553)
Fund Balances, Beginning of Year	5,923,994	5,923,994	-	9,310,547
Fund Balances, End of Year	<u>\$ 4,122,810</u>	<u>\$ 10,981,975</u>	<u>\$ 6,859,165</u>	<u>\$ 5,923,994</u>

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Parking In-Lieu Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2014 Actual
Revenues:				
Investment Income, net	\$ -	\$ 1,024	\$ 1,024	\$ 927
Total Revenues	<u>-</u>	<u>1,024</u>	<u>1,024</u>	<u>927</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>1,024</u>	<u>1,024</u>	<u>927</u>
Net Change in Fund Balances	-	1,024	1,024	927
Fund Balances, Beginning of Year	<u>112,133</u>	<u>112,133</u>	<u>-</u>	<u>111,206</u>
Fund Balances, End of Year	<u>\$ 112,133</u>	<u>\$ 113,157</u>	<u>\$ 1,024</u>	<u>\$ 112,133</u>

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Park In-Lieu Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2014 Actual
Revenues:				
Investment income, net	\$ -	\$ 3,608	\$ 3,608	\$ 2,602
Development tax	-	36,842	36,842	88,341
Total Revenues	-	40,450	40,450	90,943
Excess (deficiency) of revenues over (under) expenditures	-	40,450	40,450	90,943
Net Change in Fund Balances	-	40,450	40,450	90,943
Fund Balances, Beginning of Year	367,462	367,462	-	276,519
Fund Balances, End of Year	<u>\$ 367,462</u>	<u>\$ 407,912</u>	<u>\$ 40,450</u>	<u>\$ 367,462</u>

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Art In-Lieu Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2014 Actual
Revenues:				
Investment income, net	\$ -	\$ 2,192	\$ 2,192	\$ 1,517
Development tax	-	31,774	31,774	54,263
Other	70,000	45,000	(25,000)	70,000
Total Revenues	70,000	78,966	8,966	125,780
Expenditures:				
Recreation and social services	88,500	25,125	63,375	51,011
Total Expenditures	88,500	25,125	63,375	51,011
Excess (deficiency) of revenues over (under) expenditures	(18,500)	53,841	72,341	74,769
Other financing sources (uses):				
Transfers out	(29,000)	(29,000)	-	-
Total Other Financing Sources (Uses)	(29,000)	(29,000)	-	-
Net Change in Fund Balances	(47,500)	24,841	72,341	74,769
Fund Balances, Beginning of Year	224,424	224,424	-	149,655
Fund Balances, End of Year	\$ 176,924	\$ 249,265	\$ 72,341	\$ 224,424

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Drainage Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2014 Actual
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 8,674
Investment income, net	-	618	618	516
Total Revenues	-	618	618	9,190
Excess (deficiency) of revenues over (under) expenditures	-	618	618	9,190
Net Change in Fund Balances	-	618	618	9,190
Fund Balances, Beginning of Year	67,663	67,663	-	58,473
Fund Balances, End of Year	<u>\$ 67,663</u>	<u>\$ 68,281</u>	<u>\$ 618</u>	<u>\$ 67,663</u>

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Housing In-Lieu Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2014 Actual
Revenues:				
Investment income, net	\$ -	\$ 3,960	\$ 3,960	\$ 2,988
Other		142,604	142,604	
Total Revenues	-	146,564	146,564	2,988
Expenditures:				
Community development	6,500	-	6,500	150,792
Total Expenditures	6,500	-	6,500	150,792
Excess (deficiency) of revenues over (under) expenditures	(6,500)	146,564	153,064	(147,804)
Net Change in Fund Balances	(6,500)	146,564	153,064	(147,804)
Fund Balances, Beginning of Year	686,613	686,613	-	834,417
Fund Balances, End of Year	\$ 680,113	\$ 833,177	\$ 153,064	\$ 686,613

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Transportation Infrastructure
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2014 Actual
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 1,500,000
Total Revenues	-	-	-	1,500,000
Expenditures:				
Public Works	109,540	98,396	11,144	
Total Expenditures	109,540	98,396	11,144	-
Excess (deficiency) of revenues over (under) expenditures	(109,540)	(98,396)	11,144	1,500,000
Net Change in Fund Balances	(109,540)	(98,396)	11,144	1,500,000
Fund Balances, Beginning of Year	1,500,000	1,500,000	-	-
Fund Balances, End of Year	<u>\$ 1,390,460</u>	<u>\$ 1,401,604</u>	<u>\$ 11,144</u>	<u>\$ 1,500,000</u>

NONMAJOR FUNDS

SPECIAL REVENUE

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt services or capital projects.

The City of Laguna Beach has the following non-major Special Revenue Funds:

Gas Tax Fund

This fund is used to account for the restricted gasoline tax revenues and Measure M2 sales taxes which are used for maintenance and improvements of City streets.

Street Lighting District Fund

This fund is used to account for restricted revenue and expenditures associated with maintenance and use of the City's street lighting system.

Asset Forfeiture Fund

This fund is used to account for restricted money received under federal and state programs distributing property confiscated from illegal activities.

CAPITAL PROJECTS FUND

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The City of Laguna Beach has the following non-major Capital Projects Fund:

Assessment Districts

This fund is used to account for assessment district utility undergrounding projects which are funded by property owners.

CITY OF LAGUNA BEACH
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015
(With Comparative Totals for June 30, 2014)

	Special Revenue		
	Gas Tax	Street Lighting District	Asset Forfeiture
ASSETS			
Cash and investments	\$ 565,313	\$ 4,170,497	\$ 148,740
Receivables:			
Taxes	-	13,174	-
Intergovernmental	69,103	-	-
Notes	-	207,155	-
Advances to other funds	-	1,670,000	-
Total Assets	<u>\$ 634,416</u>	<u>\$ 6,060,826</u>	<u>\$ 148,740</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 12,758	\$ 174,487	\$ -
Due to other funds	-	-	-
Deposits	-	-	-
Unearned Revenue	-	-	-
Advances from other funds	170,000	-	-
Total Liabilities	<u>182,758</u>	<u>174,487</u>	<u>-</u>
Fund balances (deficit):			
Nonspendable	-	-	-
Restricted	451,658	5,886,339	148,740
Unassigned	-	-	-
Total Fund Balances (deficit)	<u>451,658</u>	<u>5,886,339</u>	<u>148,740</u>
Total Liabilities and and Fund Balances	<u>\$ 634,416</u>	<u>\$ 6,060,826</u>	<u>\$ 148,740</u>

Capital Projects

Assessment Districts	Totals - Non-major Governmental Funds	
	2015	2014
\$ 423,084	\$ 5,307,634	\$ 4,968,238
-	13,174	14,299
-	69,103	65,201
-	207,155	-
-	1,670,000	2,190,000
<u>\$ 423,084</u>	<u>\$ 7,267,066</u>	<u>\$ 7,237,738</u>
\$ 28,446	\$ 215,691	\$ 145,634
-	-	463,493
14,500	14,500	14,500
902,060	902,060	-
-	170,000	690,000
<u>945,006</u>	<u>1,302,251</u>	<u>1,313,627</u>
-	-	2,190,000
-	6,486,737	4,265,613
<u>(521,922)</u>	<u>(521,922)</u>	<u>(531,502)</u>
<u>(521,922)</u>	<u>5,964,815</u>	<u>5,924,111</u>
<u>\$ 423,084</u>	<u>\$ 7,267,066</u>	<u>\$ 7,237,738</u>

CITY OF LAGUNA BEACH
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Special Revenue Fund		
	Gas Tax	Street Lighting District	Asset Forfeiture
Revenues:			
Taxes	\$ 396,631	\$ 1,306,553	\$ -
Fines and penalties	-	-	17,275
Investment income	-	-	1,509
Intergovernmental	724,823	6,483	-
Other	-	-	-
Total Revenues	<u>1,121,454</u>	<u>1,313,036</u>	<u>18,784</u>
Expenditures:			
Current:			
Public works	-	451,016	-
Capital expenditures	1,328,705	-	42,429
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	<u>1,328,705</u>	<u>451,016</u>	<u>42,429</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(207,251)</u>	<u>862,020</u>	<u>(23,645)</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	(600,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(600,000)</u>	<u>-</u>
Net Change in Fund Balances	(207,251)	262,020	(23,645)
Fund Balances (Deficit), Beginning of Year	<u>658,909</u>	<u>5,624,319</u>	<u>172,385</u>
Fund Balances (Deficit), End of Year	<u>\$ 451,658</u>	<u>\$ 5,886,339</u>	<u>\$ 148,740</u>

Capital Projects

Assessment Districts	Totals - Non-major Governmental Funds	
	2015	2014
\$ -	\$ 1,703,184	\$ 1,597,929
-	17,275	92,952
7,661	9,170	928
-	731,306	785,742
202,373	202,373	71,772
<u>210,034</u>	<u>2,663,308</u>	<u>2,549,323</u>
-	451,016	1,270,666
800,454	2,171,588	1,457,384
-	-	-
-	-	-
<u>800,454</u>	<u>2,622,604</u>	<u>2,728,050</u>
<u>(590,420)</u>	<u>40,704</u>	<u>(178,727)</u>
600,000	600,000	41,260
-	(600,000)	(677,089)
<u>600,000</u>	<u>-</u>	<u>(635,829)</u>
9,580	40,704	(814,556)
<u>(531,502)</u>	<u>5,924,111</u>	<u>6,738,667</u>
<u>\$ (521,922)</u>	<u>\$ 5,964,815</u>	<u>\$ 5,924,111</u>

CITY OF LAGUNA BEACH
Nonmajor Special Revenue Funds
Gas Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2014 Actual
Revenues:				
Taxes	\$ 390,000	\$ 396,631	\$ 6,631	\$ 372,972
Investment income	-	-	-	-
Intergovernmental	643,000	724,823	81,823	772,971
Other	10,000	-	(10,000)	-
Total Revenues	<u>1,043,000</u>	<u>1,121,454</u>	<u>78,454</u>	<u>1,145,943</u>
Expenditures:				
Capital expenditures	<u>2,369,200</u>	<u>1,328,705</u>	<u>1,040,495</u>	<u>1,009,336</u>
Total Expenditures	<u>2,369,200</u>	<u>1,328,705</u>	<u>1,040,495</u>	<u>1,009,336</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,326,200)</u>	<u>(207,251)</u>	<u>1,118,949</u>	<u>136,607</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(298,589)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(298,589)</u>
Net Change in Fund Balances	(1,326,200)	(207,251)	1,118,949	(161,982)
Fund Balances (Deficit), Beginning of Year	<u>658,909</u>	<u>658,909</u>	<u>-</u>	<u>820,891</u>
Fund Balances (Deficit), End of Year	<u>\$ (667,291)</u>	<u>\$ 451,658</u>	<u>\$ 1,118,949</u>	<u>\$ 658,909</u>

CITY OF LAGUNA BEACH
Nonmajor Special Revenue Funds
Street Lighting District Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2014 Actual
Revenues:				
Taxes	\$ 1,111,800	\$ 1,306,553	\$ 194,753	\$ 1,224,957
Intergovernmental	6,700	6,483	(217)	6,520
Other	-	-	-	-
Total Revenues	<u>1,118,500</u>	<u>1,313,036</u>	<u>194,536</u>	<u>1,231,477</u>
Expenditures:				
Current:				
Public works	1,339,000	451,016	887,984	1,270,666
Capital expenditures	60,000	-	60,000	-
Total Expenditures	<u>1,399,000</u>	<u>451,016</u>	<u>947,984</u>	<u>1,270,666</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(280,500)</u>	<u>862,020</u>	<u>1,142,520</u>	<u>(39,189)</u>
Other financing sources (uses):				
Transfers out	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(880,500)</u>	<u>262,020</u>	<u>1,142,520</u>	<u>(39,189)</u>
Fund Balances, Beginning of Year	<u>5,624,319</u>	<u>5,624,319</u>	<u>-</u>	<u>5,663,508</u>
Fund Balances, End of Year	<u>\$ 4,743,819</u>	<u>\$ 5,886,339</u>	<u>\$ 1,142,520</u>	<u>\$ 5,624,319</u>

CITY OF LAGUNA BEACH
Nonmajor Special Revenue Funds
Asset Forfeiture Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2014 Actual
Revenues:				
Fines and penalties	\$ -	\$ 17,275	\$ 17,275	\$ 92,952
Investment income	-	1,509	1,509	928
Total Revenues	<u>-</u>	<u>18,784</u>	<u>18,784</u>	<u>93,880</u>
Expenditures:				
Capital expenditures	88,300	42,429	45,871	58,641
Total Expenditures	<u>88,300</u>	<u>42,429</u>	<u>45,871</u>	<u>58,641</u>
Net Change in Fund Balances	(88,300)	(23,645)	64,655	35,239
Fund Balances, Beginning of Year	<u>172,385</u>	<u>172,385</u>	-	<u>137,146</u>
Fund Balances, End of Year	<u><u>\$ 84,085</u></u>	<u><u>\$ 148,740</u></u>	<u><u>\$ 64,655</u></u>	<u><u>\$ 172,385</u></u>

CITY OF LAGUNA BEACH
Nonmajor Capital Projects Fund
Assessment Districts
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2014 Actual
Revenues:				
Investment income	\$ -	\$ 7,661	\$ 7,661	\$ -
Other	1,146,523	202,373	(944,150)	6,000
Total Revenues	<u>1,146,523</u>	<u>210,034</u>	<u>(936,489)</u>	<u>6,000</u>
Expenditures:				
Capital expenditures	<u>2,295,523</u>	<u>800,454</u>	<u>1,495,069</u>	<u>389,407</u>
Total Expenditures	<u>2,295,523</u>	<u>800,454</u>	<u>1,495,069</u>	<u>389,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,149,000)</u>	<u>(590,420)</u>	<u>558,580</u>	<u>(383,407)</u>
Other financing sources:				
Transfers in	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(549,000)	9,580	558,580	(383,407)
Fund Balances (Deficit), Beginning of Year	<u>(531,502)</u>	<u>(531,502)</u>	<u>-</u>	<u>(148,095)</u>
Fund Balances (Deficit), End of Year	<u><u>\$ (1,080,502)</u></u>	<u><u>\$ (521,922)</u></u>	<u><u>\$ 558,580</u></u>	<u><u>\$ (531,502)</u></u>

INTERNAL SERVICES FUNDS

Insurance and Employee Benefits Fund

This fund is used to account for the cost of providing employee benefits and various forms of insurance (general liability, workers' compensation, and all other forms of employee group insurance) provided to the various City departments.

Vehicle Replacement Fund

This fund was created to acquire vehicles and other significant equipment for rental to the operating departments.

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Net Position
June 30, 2015
(With Comparative Totals for June 30, 2014)

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2015	2014
ASSETS				
Current assets:				
Cash and investments	\$ 6,135,375	\$ 5,801,889	\$ 11,937,264	\$ 12,362,629
Receivables:				
Accounts	30,057	43,949	74,006	24,046
Total Current Assets	<u>6,165,432</u>	<u>5,845,838</u>	<u>12,011,270</u>	<u>12,386,675</u>
Noncurrent assets:				
Advances to other funds	4,402,462	700,000	5,102,462	5,200,000
Notes receivable	381,188	99,294	480,482	522,749
Property held for investment	1,356,153	321,656	1,677,809	1,677,809
Capital assets, not being depreciated	-	-	-	45,697
Capital assets, net of depreciation	-	2,300,695	2,300,695	1,869,274
Total Noncurrent Assets	<u>6,139,803</u>	<u>3,421,645</u>	<u>9,561,448</u>	<u>9,315,529</u>
Total Assets	<u>12,305,235</u>	<u>9,267,483</u>	<u>21,572,718</u>	<u>21,702,204</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	29,833	153,557	183,390	255,368
Compensated absences due within one year	-	-	-	689,960
Insurance claims payable due within one year	-	-	-	982,426
Total Current Liabilities	<u>29,833</u>	<u>153,557</u>	<u>183,390</u>	<u>1,927,754</u>
Non-current liabilities:				
Compensated absences	3,283,049	-	3,283,049	2,759,842
Insurance claims payable	2,911,484	-	2,911,484	2,292,326
Net OPEB liability	315,443	-	315,443	287,531
Total Non-Current Liabilities	<u>6,509,976</u>	<u>-</u>	<u>6,509,976</u>	<u>5,339,699</u>
Total Liabilities	<u>6,539,809</u>	<u>153,557</u>	<u>6,693,366</u>	<u>7,267,453</u>
NET POSITION				
Net Position				
Net investment in capital assets	-	2,300,695	2,300,695	1,914,971
Unrestricted	5,765,426	6,813,231	12,578,657	12,519,780
Total Net Position	<u>\$ 5,765,426</u>	<u>\$ 9,113,926</u>	<u>\$ 14,879,352</u>	<u>\$ 14,434,751</u>

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2015	2014
Operating revenues:				
Vehicle rentals	\$ -	\$ 1,227,599	\$ 1,227,599	\$ 1,235,712
Employee benefits charges	654,400	-	654,400	812,000
Insurance charges	7,025,929	-	7,025,929	6,180,286
Total Operating Revenues	<u>7,680,329</u>	<u>1,227,599</u>	<u>8,907,928</u>	<u>8,227,998</u>
Operating expenses:				
Administration	143,711	-	143,711	127,688
Employee benefits	767,236	-	767,236	764,796
Insurance claims and premiums	6,878,531	-	6,878,531	6,013,371
Depreciation	-	565,228	565,228	607,170
Total Operating Expenses	<u>7,789,478</u>	<u>565,228</u>	<u>8,354,706</u>	<u>7,513,025</u>
Operating Income (Loss)	<u>(109,149)</u>	<u>662,371</u>	<u>553,222</u>	<u>714,973</u>
Nonoperating revenues (expenses):				
Gain (loss) on disposal of capital assets	-	68,670	68,670	29,763
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>68,670</u>	<u>68,670</u>	<u>29,763</u>
Income (Loss) Before Transfers	(109,149)	731,041	621,892	744,736
Transfers:				
Transfers in	-	450,000	450,000	533,995
Transfers out	-	(627,291)	(627,291)	-
Total Transfers	<u>-</u>	<u>(177,291)</u>	<u>(177,291)</u>	<u>533,995</u>
Change in Net Position	(109,149)	553,750	444,601	1,278,731
Net Position at Beginning of Year	<u>5,874,575</u>	<u>8,560,176</u>	<u>14,434,751</u>	<u>13,156,020</u>
Net Position at End of Year	<u>\$ 5,765,426</u>	<u>\$ 9,113,926</u>	<u>\$ 14,879,352</u>	<u>\$ 14,434,751</u>

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2015	2014
Cash flows from operating activities:				
Cash received from user departments	\$ 7,674,318	\$ 1,302,361	\$ 8,976,679	\$ 8,261,166
Cash payments to suppliers for goods and services	(7,576,199)	-	(7,576,199)	(6,805,591)
Cash payments to employees for services	(906,077)	-	(906,077)	(1,569,230)
Net cash provided by (used for) operating activities	(807,958)	1,302,361	494,403	(113,655)
Cash flows from noncapital financing activities:				
Cash received from other funds	-	(627,291)	(627,291)	533,995
Cash provided to other funds		450,000	450,000	
Cash received for payment on advance to other funds	97,538	-	97,538	-
Repayments received on notes receivable	23,322	18,945	42,267	41,186
Net cash provided by (used for) noncapital financing activities	120,860	(158,346)	(37,486)	575,181
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	(950,952)	(950,952)	(226,371)
Proceeds from sale of capital assets	-	68,670	68,670	29,763
Net cash provided by (used for) capital and related financing activities	-	(882,282)	(882,282)	(196,608)
Net increase (decrease) in cash and cash equivalents	(687,098)	261,733	(425,365)	264,918
Cash and cash equivalents at beginning of year	6,822,473	5,540,156	12,362,629	12,097,711
Cash and cash equivalents at end of year	\$ 6,135,375	\$ 5,801,889	\$ 11,937,264	\$ 12,362,629

(Continued)

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)
(Continued)

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2015	2014
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (109,149)	\$ 662,371	\$ 553,222	\$ 714,973
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	-	565,228	565,228	607,170
(Increase) decrease in accounts receivable	(6,011)	(43,949)	(49,960)	8,701
Increase (decrease) in accounts payable and accrued liabilities	(190,689)	118,711	(71,978)	37,795
Increase (decrease) in compensated absences payable	(166,753)	-	(166,753)	(838,429)
Increase (decrease) in Net OPEB liability	27,912	-	27,912	33,995
Increase (decrease) in insurance claims payable	(363,268)	-	(363,268)	(677,860)
Net cash provided by (used for) operating activities	<u>\$ (807,958)</u>	<u>\$ 1,302,361</u>	<u>\$ 494,403</u>	<u>\$ (113,655)</u>

AGENCY FUNDS

1915 Act Bonds Fund

This fund was created to account for the debt service and reserves required by the bond indentures related to undergrounding and infrastructure improvements associated with various assessment districts.

Deposits Fund

The purpose of this fund is to account for deposits placed by developers and individuals for performance bonds or safe keeping.

CITY OF LAGUNA BEACH
Agency Funds
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2015
(With Comparative Totals for June 30, 2014)

	1915 Act	Deposits	Totals	
	Bonds		2015	2014
ASSETS				
Cash and investments	\$ 815,261	\$ 2,535,809	\$ 3,351,070	\$ 3,371,476
Investments with fiscal agent	294,812	-	294,812	598,248
Receivables:				
Taxes	14,811	-	14,811	41,068
Accounts	-	4,235	4,235	4,234
Intergovernmental	-	7,561	7,561	7,444
Total Assets	<u>\$ 1,124,884</u>	<u>\$ 2,547,605</u>	<u>\$ 3,672,489</u>	<u>\$ 4,022,470</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 57,893	\$ 57,893	\$ 50,632
Deposits	-	2,489,712	2,489,712	2,362,751
Due to bondholders	1,124,884	-	1,124,884	1,609,087
Total Liabilities	<u>\$ 1,124,884</u>	<u>\$ 2,547,605</u>	<u>\$ 3,672,489</u>	<u>\$ 4,022,470</u>

CITY OF LAGUNA BEACH
Agency Funds
Combining Statement of Changes in Fiduciary Assets and Liabilities
Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<u>1915 Act Bonds</u>				
<u>Assets</u>				
Cash and investments	\$ 970,772	\$ 815,261	\$ 970,772	\$ 815,261
Investments with fiscal agent	598,248	294,812	598,248	294,812
Receivables:				
Taxes	41,068	14,811	41,068	14,811
Total Assets	\$ 1,610,088	\$ 1,124,884	\$ 1,610,088	\$ 1,124,884
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 1,001	\$ -	\$ 1,001	\$ -
Due to bondholders	1,609,087	1,124,884	1,609,087	1,124,884
Total Liabilities	\$ 1,610,088	\$ 1,124,884	\$ 1,610,088	\$ 1,124,884
<u>Deposits</u>				
<u>Assets</u>				
Cash and investments	\$ 2,400,704	\$ 2,535,809	\$ 2,400,704	\$ 2,535,809
Receivables:				
Accounts	4,234	4,235	4,234	4,235
Intergovernmental	7,444	7,561	7,444	7,561
Total Assets	\$ 2,412,382	\$ 2,547,605	\$ 2,412,382	\$ 2,547,605
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 49,631	\$ 57,893	\$ 49,631	\$ 57,893
Deposits	2,362,751	2,489,712	2,362,751	2,489,712
Total Liabilities	\$ 2,412,382	\$ 2,547,605	\$ 2,412,382	\$ 2,547,605
TOTALS				
<u>Assets</u>				
Cash and investments	\$ 3,371,476	\$ 3,351,070	\$ 3,371,476	\$ 3,351,070
Investments with fiscal agent	598,248	294,812	598,248	294,812
Receivables:				
Taxes	41,068	14,811	41,068	14,811
Accounts	4,234	4,235	4,234	4,235
Intergovernmental	7,444	7,561	7,444	7,561
Total Assets	\$ 4,022,470	\$ 3,672,489	\$ 4,022,470	\$ 3,672,489
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 50,632	\$ 57,893	\$ 50,632	\$ 57,893
Deposits	2,362,751	2,489,712	2,362,751	2,489,712
Due to bondholders	1,609,087	1,124,884	1,609,087	1,124,884
Total Liabilities	\$ 4,022,470	\$ 3,672,489	\$ 4,022,470	\$ 3,672,489

STATISTICAL SECTION

FINANCIAL TRENDS

This section of the City of Laguna Beach's Comprehensive Annual Financial Report (CAFR) 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. The statistical information presented herein is un-audited.

The following schedules contain trend information illustrating how the City's financial performance and well-being has changed over time:

- Net Position by Component
- Changes in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balance of Governmental Funds

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive annual financial reports and underlying accounting records for the relevant year.

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

	Fiscal Years			
	2006	2007	2008	2009
Governmental activities:				
Net Investment in capital assets	\$ 124,111,940	\$ 285,605,573	\$ 305,837,234	\$ 318,076,672
Restricted	10,449,060	11,766,456	10,754,223	10,806,358
Unrestricted	34,239,450	43,592,259	41,777,890	40,877,799
Total governmental activities	<u>\$ 168,800,450</u>	<u>\$ 340,964,288</u>	<u>\$ 358,369,347</u>	<u>\$ 369,760,829</u>
Business-type activities:				
Net Investment in capital assets	\$ 1,720,568	\$ 2,702,993	\$ 3,056,319	\$ 2,706,697
Unrestricted	265,839	505,975	465,194	464,012
Total business type activities	<u>\$ 1,986,407</u>	<u>\$ 3,208,968</u>	<u>\$ 3,521,513</u>	<u>\$ 3,170,709</u>
Primary Government:				
Net Investment in capital assets	\$ 125,832,508	\$ 288,308,566	\$ 308,893,553	\$ 320,783,369
Restricted	10,449,060	11,766,456	10,754,223	10,806,358
Unrestricted	34,505,289	44,098,234	42,243,084	41,341,811
Total business type activities	<u>\$ 170,786,857</u>	<u>\$ 344,173,256</u>	<u>\$ 361,890,860</u>	<u>\$ 372,931,538</u>

Data Source: City Records

Fiscal Years

2010	2011	2012	2013	2014	2015
\$ 315,618,279	\$ 321,965,481	\$ 324,225,923	\$ 328,944,217	\$ 299,392,486	\$ 301,705,857
12,512,277	5,196,077	5,869,787	4,421,951	7,223,908	9,559,633
43,085,546	56,708,144	50,569,411	60,011,983	57,924,594	16,937,401
<u>\$ 371,216,102</u>	<u>\$ 383,869,702</u>	<u>\$ 380,665,121</u>	<u>\$ 393,378,151</u>	<u>\$ 364,540,988</u>	<u>\$ 328,202,891</u>
\$ 2,620,625	\$ 3,033,502	\$ 2,834,551	\$ 2,642,078	\$ 43,758,305	\$ 42,452,562
55,182	372,435	372,452	408,379	3,173,301	3,197,284
<u>\$ 2,675,807</u>	<u>\$ 3,405,937</u>	<u>\$ 3,207,003</u>	<u>\$ 3,050,457</u>	<u>\$ 46,931,606</u>	<u>\$ 45,649,846</u>
\$ 318,238,904	\$ 324,998,983	\$ 327,060,474	\$ 331,586,295	\$ 343,150,791	\$ 344,158,419
12,512,277	5,196,077	5,869,787	4,421,951	7,223,908	9,559,633
43,140,728	57,080,579	50,941,863	60,420,362	61,097,895	20,134,685
<u>\$ 373,891,909</u>	<u>\$ 387,275,639</u>	<u>\$ 383,872,124</u>	<u>\$ 396,428,608</u>	<u>\$ 411,472,594</u>	<u>\$ 373,852,737</u>

City of Laguna Beach
Changes in Net Position
Last Ten Years
(accrual basis of accounting)

	Fiscal Years			
	2006	2007	2008	2009
Expenses:				
Governmental activities:				
General government	\$ 3,921,931	\$ 4,043,977	\$ 4,326,076	\$ 4,375,200
Community development	2,668,812	2,955,670	3,422,556	3,768,607
Public Safety	18,864,927	21,480,996	23,133,907	25,697,805
Public Works	21,427,184	13,372,777	22,374,310	18,182,514
Recreation and social services	3,415,130	3,609,896	3,839,208	4,147,762
Sewer service operating costs	3,484,183	4,561,407	4,682,498	5,850,403
Interest on long-term debt	521,755	511,304	408,619	368,191
Total governmental activities expenses	<u>54,303,922</u>	<u>50,536,027</u>	<u>62,187,174</u>	<u>62,390,482</u>
Business-type activities:				
Municipal transit	\$ 1,664,811	\$ 1,857,979	\$ 2,183,550	\$ 2,318,378
Sewer Service	-	-	-	-
Total business-type activities expenses	<u>\$ 1,664,811</u>	<u>\$ 1,857,979</u>	<u>\$ 2,183,550</u>	<u>\$ 2,318,378</u>
Total primary government expenses	<u>\$ 55,968,733</u>	<u>\$ 52,394,006</u>	<u>\$ 64,370,724</u>	<u>\$ 64,708,860</u>
Program revenues:				
Governmental activities:				
Charges for Services:				
General Government	\$ 985,885	\$ 1,097,636	\$ 1,031,632	\$ 1,073,481
Community development	2,775,360	2,811,790	2,635,214	2,587,192
Public safety	2,050,919	2,010,319	2,400,367	2,257,248
Public works	4,893,227	6,113,731	5,329,796	6,563,355
Recreation and social services	1,217,894	1,405,718	1,499,601	1,448,611
Sewer service operating costs	5,328,527	5,497,631	5,654,840	5,766,575
Operating Grants and Contributions:	3,716,412	5,017,124	6,159,388	5,445,042
Capital Grants and Contributions:	14,298,137	15,865,514	7,300,066	1,083,774
Total governmental activities program revenues	<u>\$ 35,266,361</u>	<u>\$ 39,819,463</u>	<u>\$ 32,010,904</u>	<u>\$ 26,225,278</u>
Business-type activities:				
Charges for Services:				
Municipal Transit	\$ 325,015	\$ 339,842	\$ 348,146	\$ 323,660
Sewer service	-	-	-	-
Operating Grants and Contributions:	881,047	1,221,042	951,510	1,019,877
Capital Grants and Contributions:	57,912	1,223,950	862,200	9,496
Total business-type activities program revenues	<u>\$ 1,263,974</u>	<u>\$ 2,784,834</u>	<u>\$ 2,161,856</u>	<u>\$ 1,353,033</u>
Total primary government program revenues	<u>\$ 36,530,335</u>	<u>\$ 42,604,297</u>	<u>\$ 34,172,760</u>	<u>\$ 27,578,311</u>
Net revenues (expenses):				
Governmental activities	\$ (19,037,561)	\$ (10,716,564)	\$ (30,176,270)	\$ (36,165,204)
Business-type activities	(400,837)	926,855	(21,694)	(965,345)
Total net revenues (expenses)	<u>\$ (19,438,398)</u>	<u>\$ (9,789,709)</u>	<u>\$ (30,197,964)</u>	<u>\$ (37,130,549)</u>

Data Source: City Records

Fiscal Years					
2010	2011	2012	2013	2014	2015
\$ 4,252,146	\$ 4,291,832	\$ 4,658,171	\$ 4,773,294	\$ 3,252,176	\$ 4,011,666
3,614,799	3,686,004	3,991,867	3,826,827	4,103,329	4,286,769
25,351,962	26,364,923	26,937,061	24,694,999	25,755,201	26,606,083
20,707,700	14,336,928	13,913,687	12,424,315	16,320,422	18,085,062
4,268,774	4,676,679	5,004,329	4,787,756	5,173,507	6,022,747
5,673,965	5,700,769	6,063,835	5,519,819	-	-
290,473	187,964	211,810	129,382	-	-
<u>64,159,819</u>	<u>59,245,099</u>	<u>60,780,760</u>	<u>56,156,392</u>	<u>54,604,635</u>	<u>59,012,326</u>
\$ 2,458,706	\$ 2,450,265	\$ 2,233,496	\$ 2,148,718	\$ 2,333,048	\$ 2,434,172
-	-	-	-	5,636,354	7,569,442
<u>\$ 2,458,706</u>	<u>\$ 2,450,265</u>	<u>\$ 2,233,496</u>	<u>\$ 2,148,718</u>	<u>\$ 7,969,402</u>	<u>\$ 10,003,614</u>
<u>\$ 66,618,525</u>	<u>\$ 61,695,364</u>	<u>\$ 63,014,256</u>	<u>\$ 58,305,110</u>	<u>\$ 62,574,037</u>	<u>\$ 69,015,940</u>
\$ 945,403	\$ 890,306	\$ 882,761	\$ 906,051	\$ 981,002	\$ 1,015,049
2,523,559	2,246,036	2,195,031	2,731,302	3,204,521	3,167,128
2,111,769	1,725,333	1,752,556	1,797,519	1,591,619	1,989,290
6,081,042	6,994,344	6,295,258	7,428,761	7,343,113	9,314,702
2,776,127	3,311,914	3,050,630	3,200,792	3,305,296	3,979,198
5,949,922	6,082,856	6,308,982	6,588,390	-	-
3,192,109	3,930,216	1,961,730	2,024,308	1,971,819	2,764,891
75,751	1,002,303	878,382	131,497	1,596,735	433,681
<u>\$ 23,655,682</u>	<u>\$ 26,183,308</u>	<u>\$ 23,325,330</u>	<u>\$ 24,808,620</u>	<u>\$ 19,994,105</u>	<u>\$ 22,663,939</u>
\$ 313,847	\$ 323,428	\$ 318,205	\$ 326,723	\$ 346,288	\$ 319,134
-	-	-	-	6,814,418	7,093,423
1,155,687	1,637,397	1,321,121	1,322,049	1,765,639	2,302,614
-	393,174	-	-	851,923	555,307
<u>\$ 1,469,534</u>	<u>\$ 2,353,999</u>	<u>\$ 1,639,326</u>	<u>\$ 1,648,772</u>	<u>\$ 9,778,268</u>	<u>\$ 10,270,478</u>
<u>\$ 25,125,216</u>	<u>\$ 28,537,307</u>	<u>\$ 24,964,656</u>	<u>\$ 26,457,392</u>	<u>\$ 29,772,373</u>	<u>\$ 32,934,417</u>
\$ (40,504,137)	\$ (33,061,791)	\$ (37,455,430)	\$ (31,347,772)	\$ (34,610,530)	\$ (36,348,387)
(989,172)	(96,266)	(594,170)	(499,946)	1,808,866	266,864
<u>\$ (41,493,309)</u>	<u>\$ (33,158,057)</u>	<u>\$ (38,049,600)</u>	<u>\$ (31,847,718)</u>	<u>\$ (32,801,664)</u>	<u>\$ (36,081,523)</u>

(Continued)

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

	Fiscal Years			
	2006	2007	2008	2009
General Revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 21,284,138	\$ 23,447,241	\$ 25,525,587	\$ 26,973,472
Sales Tax	3,623,610	3,924,620	4,074,094	3,427,084
Sales tax in-lieu	918,602	1,112,853	1,149,419	1,163,049
Transient occupancy taxes	7,900,582	8,661,017	8,741,413	7,856,964
Other taxes	5,144,450	5,823,284	6,638,617	5,759,315
Motor vehicle license fees, unrestricted	171,850	144,395	111,385	85,458
Investment Income	952,890	1,646,417	1,952,936	1,768,663
Other general revenue	912,165	1,042,577	551,766	754,080
Gain on sale of assets	-	595,802	302,575	(60,087)
Transfers	(173,386)	(272,174)	(386,000)	(602,000)
Total governmental activities	<u>\$ 40,734,901</u>	<u>\$ 46,126,032</u>	<u>\$ 48,661,792</u>	<u>\$ 47,125,998</u>
Business-type activities				
Investment Income	\$ -	\$ 19,532	\$ 13,197	\$ 10,377
Other general revenue	-	4,000	4,000	1,764
Gain or loss on sale of assets	-	-	-	-
Transfers	173,386	272,174	386,000	602,400
Total Business-type activities	<u>\$ 173,386</u>	<u>\$ 295,706</u>	<u>\$ 403,197</u>	<u>\$ 614,541</u>
Total Primary government	<u>\$ 40,908,287</u>	<u>\$ 46,421,738</u>	<u>\$ 49,064,989</u>	<u>\$ 47,740,539</u>
Changes in net position				
Governmental activities	\$ 21,697,340	\$ 35,409,468	\$ 18,485,522	\$ 10,960,794
Business-type activities	(227,451)	1,222,561	381,503	(350,804)
Total primary government	<u>\$ 21,469,889</u>	<u>\$ 36,632,029</u>	<u>\$ 18,867,025</u>	<u>\$ 10,609,990</u>

Data Source: City Records

Fiscal Years

2010	2011	2012	2013	2014	2015
\$ 27,766,596	\$ 27,799,676	\$ 26,553,228	\$ 27,498,818	\$ 29,051,006	\$ 30,945,911
3,206,617	3,356,309	3,825,793	3,989,812	4,230,239	4,602,679
697,446	948,251	979,382	1,125,941	1,185,284	1,201,956
6,759,353	7,073,251	7,904,562	8,537,050	9,366,183	9,872,378
1,816,278	2,167,624	2,311,061	2,086,233	2,147,742	2,233,271
74,043	115,763	-	-	-	-
1,332,412	1,028,790	739,632	(70,016)	1,160,595	708,579
775,565	1,365,120	1,576,053	964,666	1,002,476	1,172,011
-	5,050	70,207	271,698	198,439	75,928
(468,900)	(823,900)	(391,300)	(343,400)	(915,389)	(1,350,691)
<u>\$ 41,959,410</u>	<u>\$ 43,035,934</u>	<u>\$ 43,568,618</u>	<u>\$ 44,060,802</u>	<u>\$ 47,426,575</u>	<u>\$ 49,462,022</u>
\$ 19,065	\$ 2,496	\$ 3,936	\$ -	\$ 3,819	\$ 25,464
4,003	-	-	-	25,103	4,650
2,302	-	-	-	-	(6,537)
468,900	823,900	391,300	343,400	915,389	1,350,691
<u>\$ 494,270</u>	<u>\$ 826,396</u>	<u>\$ 395,236</u>	<u>\$ 343,400</u>	<u>\$ 944,311</u>	<u>\$ 1,374,268</u>
<u>\$ 42,453,680</u>	<u>\$ 43,862,330</u>	<u>\$ 43,963,854</u>	<u>\$ 44,404,202</u>	<u>\$ 48,370,886</u>	<u>\$ 50,836,290</u>
\$ 1,455,273	\$ 9,974,143	\$ 6,113,188	\$ 12,713,030	\$ 12,816,045	\$ 13,113,635
(494,902)	730,130	(198,934)	(156,546)	2,753,177	1,641,132
<u>\$ 960,371</u>	<u>\$ 10,704,273</u>	<u>\$ 5,914,254</u>	<u>\$ 12,556,484</u>	<u>\$ 15,569,222</u>	<u>\$ 14,754,767</u>

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

	Fiscal Years			
	2006	2007	2008	2009
General Fund:				
Reserved	\$ 12,084,685	\$ 16,453,679	\$ 8,211,027	\$ 5,858,971
Unreserved	21,154,238	24,117,352	27,071,427	28,418,761
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>33,238,923</u>	<u>40,571,031</u>	<u>35,282,454</u>	<u>34,277,732</u>
 All other governmental funds				
Reserved	3,830,101	2,806,815	2,473,864	4,788,422
Unreserved, reported in:				
Special revenue funds	(4,531,715)	(11,095,737)	2,678,698	2,939,618
Capital project funds	2,681,454	4,427,423	5,565,582	2,990,803
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 1,979,840</u>	<u>\$ (3,861,499)</u>	<u>\$ 10,718,144</u>	<u>\$ 10,718,843</u>

*Data Source: City Records
The City implemented GASB 54 in Fiscal Year 2010-2011*

Fiscal Years					
2010	2011	2012	2013	2014	2015
\$ 3,056,277	\$ -	\$ -	\$ -	\$ -	\$ -
22,743,525	-	-	-	-	-
-	1,457,462	103,726	129,616	146,990	115,089
-	4,731,971	3,526,976	3,317,856	2,958,295	3,073,396
-	234,988	306,539	306,359	334,525	363,278
-	19,511,838	20,962,498	27,272,289	23,734,527	29,467,522
-	4,822,332	8,215,647	6,781,959	13,420,963	16,308,063
<u>25,799,802</u>	<u>30,758,591</u>	<u>33,115,386</u>	<u>37,808,079</u>	<u>40,595,300</u>	<u>49,327,348</u>
5,235,110	-	-	-	-	-
5,511,826	-	-	-	-	-
1,269,168	-	-	-	-	-
-	791,384	791,384	3,531,567	2,190,000	-
-	6,266,345	10,385,155	3,595,034	4,265,613	6,486,737
-	5,857,868	-	5,984,699	6,034,556	6,089,679
-	-	-	265,217	-	-
-	(2,184,688)	(774,645)	(148,095)	(531,502)	(521,922)
<u>\$ 12,016,104</u>	<u>\$ 10,730,909</u>	<u>\$ 10,401,894</u>	<u>\$ 13,228,422</u>	<u>\$ 11,958,667</u>	<u>\$ 12,054,494</u>

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

	Fiscal Years			
	2006	2007	2008	2009
Revenues:				
Taxes and special assessments	\$ 37,249,362	\$ 41,980,491	\$ 45,061,416	\$ 44,868,922
License and permits	1,264,362	1,096,008	1,024,172	1,141,821
Fines and penalties	1,598,359	1,476,739	1,968,877	1,807,176
Investment income	1,277,408	1,836,734	2,172,846	1,907,979
Rental income	448,309	369,318	354,560	387,562
Intergovernmental	9,989,976	11,713,427	24,866,373	4,892,173
Charges for services	11,566,496	12,316,932	12,649,555	12,444,053
Parking meters, lots and permits	3,225,562	4,334,250	3,406,195	4,715,786
Development tax	386,146	276,472	152,469	6,441
Other	806,114	1,938,787	2,556,833	2,238,673
Total Revenue	<u>\$ 67,812,094</u>	<u>\$ 77,339,158</u>	<u>\$ 94,213,296</u>	<u>\$ 74,410,586</u>
Expenditures				
Current:				
General government	\$ 3,758,978	\$ 3,361,299	\$ 4,047,877	\$ 3,977,543
Community development	2,703,135	3,041,255	3,399,926	3,636,575
Public Safety	19,267,767	22,092,500	23,078,430	25,048,032
Public works	9,089,003	9,202,763	10,501,163	11,049,821
Recreation and social services	3,486,067	4,437,225	3,865,406	4,006,552
Sewer service operating costs	2,928,237	3,348,521	3,620,729	3,886,559
Capital expenditures	23,870,902	36,404,842	33,322,037	24,039,610
Debt service:				
Principal	1,730,000	2,101,314	2,199,676	1,655,800
Interest and fiscal charges	468,513	542,389	441,432	717,756
Total Expenditures	<u>\$ 67,302,602</u>	<u>\$ 84,532,108</u>	<u>\$ 84,476,676</u>	<u>\$ 78,018,248</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 509,492	\$ (7,192,950)	\$ 9,736,620	\$ (3,607,662)
Other financing sources (uses):				
Transfer In	\$ 2,905,040	\$ 3,000,810	\$ 1,857,367	\$ 1,499,569
Transfer Out	(2,651,632)	(3,346,660)	(2,465,695)	(2,101,969)
Issuance of bond	524,543	2,269,830	584,539	-
Issuance of loan	1,632,928	2,071,567	534,000	2,586,128
Advance payments of PERS obligation	-	-	-	-
Sales of land and equipment	4,344	4,788,172	302,572	7,223
Total other financing sources (uses)	<u>2,415,223</u>	<u>8,783,719</u>	<u>812,783</u>	<u>1,990,951</u>
Net change in fund balances	<u>\$ 2,924,715</u>	<u>\$ 1,590,769</u>	<u>\$ 10,549,403</u>	<u>\$ (1,616,711)</u>
Debt service as a percentage of noncapital expenditures	5.3%	5.8%	5.4%	4.6%

Data Source: City Records

Fiscal Years

2010	2011	2012	2013	2014	2015
\$ 40,986,641	\$ 41,678,318	\$ 41,653,733	\$ 43,929,172	\$ 46,861,756	\$ 49,740,077
924,040	990,966	975,884	1,052,041	1,292,248	1,257,275
1,483,462	1,274,270	1,283,698	1,341,961	1,179,799	1,161,445
1,361,432	1,064,467	739,628	(70,016)	1,159,549	715,521
420,678	445,491	419,641	427,341	500,642	484,579
3,228,921	3,978,327	3,469,505	2,121,486	3,363,671	2,817,867
12,693,018	13,056,488	12,987,838	13,603,713	7,509,075	8,153,319
4,080,151	4,891,228	4,276,533	5,384,197	5,308,051	7,400,349
39,804	680,391	183,704	433,526	254,370	271,927
1,047,961	1,372,893	900,815	652,921	802,838	1,556,022
<u>\$ 66,266,108</u>	<u>\$ 69,432,839</u>	<u>\$ 66,890,979</u>	<u>\$ 68,876,342</u>	<u>\$ 68,231,999</u>	<u>\$ 73,558,381</u>
\$ 3,901,637	\$ 3,991,706	\$ 4,071,235	\$ 4,014,084	\$ 3,701,265	\$ 4,598,623
3,482,651	3,531,828	3,600,452	3,751,468	4,034,924	4,445,514
24,681,583	24,676,244	24,419,318	24,336,927	25,170,727	27,014,412
11,070,780	10,097,113	10,671,049	10,958,046	12,292,930	11,867,474
4,196,800	4,003,836	4,049,299	4,216,980	4,581,842	4,902,441
4,093,162	4,009,715	4,062,448	3,950,183	-	-
9,377,939	11,060,240	10,745,569	8,974,111	15,782,365	10,735,900
1,425,000	1,490,000	1,915,472	360,040	-	-
697,523	625,428	181,283	132,459	-	-
<u>\$ 62,927,075</u>	<u>\$ 63,486,110</u>	<u>\$ 63,716,125</u>	<u>\$ 60,694,298</u>	<u>\$ 65,564,053</u>	<u>\$ 63,564,364</u>
\$ 3,339,033	\$ 5,946,729	\$ 3,174,854	\$ 8,182,044	\$ 2,667,946	\$ 9,994,017
\$ 6,087,140	\$ 538,742	\$ 987,270	\$ 1,697,131	\$ 419,760	\$ 1,050,000
(6,803,929)	(2,816,927)	(2,446,370)	(2,614,936)	(1,869,144)	(2,223,400)
-	-	459,263	-	-	-
152,486	-	-	-	-	-
(9,956,355)	-	-	-	-	-
956	5,050	12,109	254,582	168,676	7,258
<u>(10,519,702)</u>	<u>(2,273,135)</u>	<u>(987,728)</u>	<u>(663,223)</u>	<u>(1,280,708)</u>	<u>(1,166,142)</u>
<u>\$ (7,180,669)</u>	<u>\$ 3,673,594</u>	<u>\$ 2,187,126</u>	<u>\$ 7,518,821</u>	<u>\$ 1,387,238</u>	<u>\$ 8,827,875</u>
4.1%	4.2%	4.1%	1.0%	0.0%	0.0%

REVENUE CAPACITY

This section of the City of Laguna Beach's Comprehensive Annual Financial Report (CAFR) 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. The statistical information presented herein is un-audited.

The following schedules present factors affecting the City's ability to generate its own revenue and its most significant local revenue source, the property tax:

- Assessed Value and Estimated Actual Value of Taxable Property
- Direct and Overlapping Property Tax Rates
- Principal Property Tax Payers
- Property Tax Levies and Collections

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive annual financial reports and underlying accounting records for the relevant year.

CITY OF LAGUNA BEACH
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Secured	Unsecured	Taxable Assessed Value	Total Direct Tax Rate
2006	7,462,406,353	89,524,835	7,551,931,188	0.146%
2007	8,209,054,191	92,955,130	8,302,009,321	0.146%
2008	9,035,861,459	87,362,786	9,123,224,245	0.146%
2009	9,647,441,774	103,225,460	9,750,667,234	0.146%
2010	10,043,507,598	100,187,357	10,143,694,955	0.146%
2011	10,215,663,906	119,808,679	10,335,472,585	0.200%
2012	10,367,538,945	100,795,035	10,468,333,980	1.000%
2013	10,595,888,864	85,133,532	10,681,022,396	1.000%
2014	11,089,216,359	91,985,376	11,181,201,735	1.000%
2015	11,785,221,890	110,449,645	11,895,671,535	1.000%

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited the 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 re-assessed 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.

*Source: 2013-14 and prior, Prior Published CAFR
2014-15 Orange County Assessor and Miniseries, LLC*

CITY OF LAGUNA BEACH
Direct and Overlapping Property Tax Rates (1)
(Rate per \$100 of assessed value)
Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
City Direct Rates:				
City basic rate	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total City Direct Rate	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Overlapping Rates:				
City of Laguna Beach Bonds	0.0179	0.0179	0.0162	0.0152
Unified School District Bonds	0.0172	0.0172	0.0172	0.0154
South Coast Water District	0.0090	0.0090	0.0096	0.0093
Metro Water District	0.0047	0.0047	0.0045	0.0043
Total Direct Rate	<u>\$ 1.04883</u>	<u>\$ 1.04883</u>	<u>\$ 1.04756</u>	<u>\$ 1.04421</u>

NOTE:

- (1) Tax rates are for tax rate area 05-015. This area encompasses a majority of the total areas of the City. There are a total of 48 tax rate areas in the City with tax rates from 1.03979 to 1.04883
- (2) In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of other debt obligations.

Source: Orange County Auditor Controller's Office

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</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
0.0137	0.0119	-	-	-	-
0.0168	0.1580	0.1601	0.1694	0.0157	0.0146
0.0092	0.0091	0.0082	0.0082	0.0079	0.0072
0.0043	0.0037	0.0037	0.0035	0.0035	0.0035
<u><u>\$ 1.04406</u></u>	<u><u>\$ 1.18267</u></u>	<u><u>\$ 1.17200</u></u>	<u><u>\$ 1.18110</u></u>	<u><u>\$ 1.02704</u></u>	<u><u>\$ 1.02530</u></u>

CITY OF LAGUNA BEACH
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Laguna Beach Luxury Hotel	\$ 179,847,038	1	1.51%			
ICRE Laguna Club LLC	121,348,432	2	1.02%			
Hometown Laguna Beach Terrace LLC	55,821,282	3	0.47%			
Iconicviews Company LLC	33,000,000	4	0.28%			
Serenita, LLC	31,514,924	5	0.26%			
Neil D Nevills Trust	30,841,480	6	0.26%			
Daichendt Gary J	24,019,475	7	0.20%			
Residential Property Investment LLC	24,018,338	8	0.20%			
Leslie Joyce Moore Trust	23,720,519	9	0.20%			
Gregory J. Burden	21,713,739	10	0.18%			
Laguna Beach Luxury Hotel				162,210,636	1	2.15%
ICRE Laguna Club LLC				41,510,705	2	0.55%
Aliso Creek Properties				18,360,000	3	0.24%
Gary J. Daichendt Trust				18,327,205	4	0.24%
Laguna Hotels L.P.				18,296,275	5	0.24%
David Merage Trust				14,279,999	6	0.19%
Ted Tomasek Trust				13,137,449	7	0.17%
Nariman Yousefi				12,780,107	8	0.17%
Villa Laguna LLC				12,752,176	9	0.17%
Cox Communications Orange				12,608,932	10	0.17%
	<u>\$ 545,845,227</u>		<u>4.59%</u>	<u>\$ 324,263,484</u>		<u>4.75%</u>

Source: HdL Coren & Cone

CITY OF LAGUNA BEACH
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collections within the Fiscal Year of Levy		Collection in Subsequent Years	Total Collection to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2006	18,222,850	17,817,435	97.78%	405,415	18,222,850	100%
2007	19,684,235	18,984,179	96.44%	700,056	19,684,235	100%
2008	21,536,874	20,677,967	96.01%	858,906	21,536,873	100%
2009	22,533,278	21,703,512	96.32%	829,766	22,533,278	100%
2010	20,988,144	20,435,935	97.37%	552,209	20,988,144	100%
2011	23,406,343	22,993,852	98.24%	412,491	23,406,343	100%
2012	23,537,933	23,164,514	98.41%	373,417	23,537,931	100%
2013	24,298,820	23,997,150	98.76%	301,670	24,298,820	100%
2014	25,875,981	25,580,108	98.86%	295,873	25,875,981	100%
2015	27,630,335	27,321,360	98.88%	308,975	27,630,335	100%

Source: Orange County Auditor Controller's Office

DEBT CAPACITY

This section of the City of Laguna Beach's Comprehensive Annual Financial Report (CAFR) 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. The statistical information presented herein is un-audited.

The following schedules exhibit the City's levels of outstanding debt over time, to help readers assess the affordability of the current level of outstanding debt, and the City's ability to issue additional debt:

- Ratios of Outstanding Debt by Type
- Direct and Overlapping Debt
- Pledged Revenue Coverage
- Legal Debt Margin Information

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive annual financial reports and underlying accounting records for the relevant year.

CITY OF LAGUNA BEACH
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities			Total Governmental Activities	Business-type Activities		Percentage of Personal Income	Debt per Capita
	General Obligation Bonds	I-Bank Installment Agreement	Capital Leases		I-Bank Installment Agreement	Primary Government		
2006	8,405,000	1,702,285	1,405,000	11,512,285	-	11,512,285	6.90%	463
2007	7,150,000	3,467,538	865,000	11,482,538	-	11,482,538	6.65%	461
2008	5,840,000	3,686,862	290,000	9,816,862	-	9,816,862	5.63%	393
2009	4,480,000	5,949,723	-	10,429,723	-	10,429,723	6.08%	414
2010	3,055,000	5,723,651	-	8,778,651	-	8,778,651	4.58%	346
2011	1,565,000	5,382,492	-	6,947,492	-	6,947,492	3.63%	274
2012	-	5,032,020	-	5,032,020	-	5,032,020	2.70%	219
2013	-	4,671,980	-	4,671,980	-	4,671,980	2.59%	201
2014	-	-	-	-	4,302,111	4,302,111	2.59%	185
2015	-	-	-	-	3,922,145	3,922,145	2.59%	169

Data Source: City Records

CITY OF LAGUNA BEACH
Direct and Overlapping Debt
June 30, 2015

2014-15 Assessed Valuation: \$11,927,327,956

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt <u>6/30/2015</u>	<u>% Applicable (1)</u>	City's share of <u>Debt 6/30/15</u>
Metropolitan Water District	\$110,420,000	0.51%	\$568,663
Capistrano Unified School District School Facilities Improvement District No. 1	32,516,818	0.011	3,577
Laguna Beach Unified School District	27,325,000	73.243	20,013,650
City of Laguna Beach 1915 Act Bonds	4,038,638	100	4,038,638
South Coast County Water District	1,375,000	37.21	511,638
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$25,136,166
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	\$98,906,000	2.53%	\$2,503,311
Orange County Pension Obligation Bonds	366,854,623	2.531	9,285,091
Orange County Board of Education Certificates of Participation	15,190,000	2.531	384,459
Municipal Water District of Orange County Water Facilities Corporation	5,360,000	3.028	162,301
Capistrano Unified School District Certificates of Participation	16,805,000	0.007	1,176
City of Laguna Beach	0	100	0
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$12,336,338
Less: MWDOC Water Facilities Corporation (100% self-supporting)			<u>162,301</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$12,174,037
 TOTAL DIRECT DEBT			 \$0
TOTAL GROSS OVERLAPPING DEBT			<u>\$37,472,504</u>
TOTAL NET OVERLAPPING DEBT			<u>\$37,310,203</u>
 GROSS COMBINED TOTAL DEBT			 2 <u>\$37,472,504</u>
NET COMBINED TOTAL DEBT			<u>\$37,310,203</u>

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

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

Ratios to 2014-15 Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt	0.21%
Total Direct Debt	0.00%
Gross Combined Total Debt	0.31%
Net Combined Total Debt	0.31%

AB:(\$475)

Source: California Municipal Statistics, Inc.

CITY OF LAGUNA BEACH
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	I-Bank Installment Agreement			Debt Service		Coverage
	Operating Revenues	Less Operating Expenses	Net Available Revenue	Principal	Interest	
2006	5,323,530	2,928,237	2,395,293	520,000	58,885	413.78%
2007	5,826,273	3,348,521	2,477,752	846,314	181,083	241.17%
2008	6,699,165	3,620,729	3,078,436	889,676	132,426	301.19%
2009	6,644,104	3,886,559	2,757,545	295,800	466,401	361.79%
2010	6,196,701	4,093,162	2,103,539	332,092	478,479	259.51%
2011	6,272,622	4,009,715	2,262,907	341,159	168,769	443.77%
2012	6,878,503	4,062,448	2,816,055	350,472	142,158	571.64%
2013	6,667,426	3,950,183	2,717,243	360,040	132,459	551.73%
2014	6,814,418	4,329,460	2,484,958	369,869	122,496	504.70%
2015	7,093,423	4,219,617	2,873,806	379,966	112,261	583.84%

Data Source: City Records

CITY OF LAGUNA BEACH
 Legal Debt Margin
 Last Ten Fiscal Years

	Fiscal Years			
	2006	2007	2008	2009
Assessed valuation	8,302,009,321	9,123,224,245	9,750,667,234	10,143,694,955
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,075,502,330	2,280,806,061	2,437,666,809	2,535,923,739
Debt limit percentage	15%	15%	15%	15%
Debt limit	311,325,350	342,120,909	365,650,021	380,388,561
Total net debt applicable to limit:				
General obligation bonds	<u>8,913,977</u>	<u>7,600,937</u>	<u>6,330,853</u>	<u>7,150,000</u>
Legal debt margin	<u>\$ 302,411,373</u>	<u>\$ 334,519,972</u>	<u>\$ 359,319,168</u>	<u>\$ 373,238,561</u>
Total debt applicable to the limit as a percentage of debt limit	2.9%	2.2%	1.7%	1.9%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Note:

Data Source: Orange County Assessor data, MuniServices, LLC

Fiscal Years						
2010	2011	2012	2013	2014	2015	
10,335,472,585	10,468,333,980	10,595,888,864	10,681,022,396	11,181,201,735	11,895,671,535	
25%	25%	25%	25%	25%	25%	
2,583,868,146	2,617,083,495	2,648,972,216	2,670,255,599	2,795,300,434	2,973,917,884	
15%	15%	15%	15%	15%	15%	
387,580,222	392,562,524	397,345,832	400,538,340	419,295,065	446,087,683	
5,840,000	4,480,000	1,565,000	-	-	-	
<u>\$ 381,740,222</u>	<u>\$ 388,082,524</u>	<u>\$ 395,780,832</u>	<u>\$ 400,538,340</u>	<u>\$ 419,295,065</u>	<u>\$ 446,087,683</u>	
1.5%	1.1%	0.4%	0.0%	0.0%	0.0%	

DEMOGRAPHIC AND ECONOMIC INFORMATION

This section of the City of Laguna Beach's Comprehensive Annual Financial Report (CAFR) 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. The statistical information presented herein is un-audited.

The following schedules depict demographic and economic indicators to assist the reader in understanding the socio-economic, environment in which the City's financial activities take place:

- Demographic and Economic Statistics
- Principal Employers

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive annual financial reports and underlying accounting records for the relevant year.

CITY OF LAGUNA BEACH
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Income	Unemployment Rates
2007	24,921	1,726,808	69,291	2.8%
2008	24,998	1,745,071	69,808	3.8%
2009	25,175	1,716,641	68,188	6.6%
2010	25,354	1,917,193	75,617	7.1%
2011	22,966	1,914,147	83,347	6.4%
2012	23,105	1,860,923	80,542	4.1%
2013	23,225	1,802,399	77,606	3.6%
2014	<i>Not available</i>	<i>Not available</i>	75,460	<i>Not available</i>
2015	23,355	1,805,342	77,300	3.1%

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

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

- 1.) Population Projections are provided by the California Department of Finance Projections.*
- 2.) Income Data is provided by the U.S. Census Bureau, 2010 American Community Survey.*
- 3.) Unemployment Data is provided by the EDD's Bureau of Labor Statistics Department*
- 4.) Median Age reflects the U.S. Census data estimation Table.*

CITY OF LAGUNA BEACH
Principal Employers
Last Fiscal Year

Business Name	2014-15	
	Number of Employees	Percent of Total Employment (%)
Mission Hospital Laguna Beach	2,500	19.53%
Montage Laguna Beach	759	5.93%
Laguna Beach Unified School District	340	2.66%
Surf & Sand Resort*	339	2.65%
Laguna College of Art & Design	290	2.27%
City of Laguna Beach**	250	1.95%
Pacific Edge Hotel*	199	1.55%
Hotel Laguna*	105	0.82%
Mozambique*	100	0.78%
Whole Foods Market*	75	0.59%
Total Top 10 Employers	4,957	38.73%

Total City Labor Force (1) 12,800

Source: MuniServices, LLC

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

Unless otherwise noted, count includes full and part time.

*Includes full and part time

**Includes full time only

***Includes 2 restaurants on property

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

OPERATING INFORMATION

This section of the City of Laguna Beach's Comprehensive Annual Financial Report (CAFR) 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. The statistical information presented herein is un-audited.

The following schedules present information on the City's operations and resources including service and infrastructure data to facilitate the readers understanding of how financial statement information relates to the services the City provides and the activities it performs:

- Full Time City Employees by Functions
- Operating Indicators by Function
- Capital Asset Statistics by Function

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive annual financial reports and underlying accounting records for the relevant year.

CITY OF LAGUNA BEACH
 Full-time City Employees by Function
 Last Ten Fiscal Years

Function	Fiscal Years			
	2006	2007	2008	2009
General Government	18.03	18.03	18.03	18.03
Public Safety	132.00	133.00	135.00	134.00
Public Works	56.00	56.00	56.00	57.00
Community Development	24.00	26.00	26.00	29.00
Recreational and Cultural	7.50	7.50	7.50	7.65
Water Quality	15.00	15.00	15.00	15.00
Total	<u>252.53</u>	<u>255.53</u>	<u>257.53</u>	<u>260.68</u>

Data Source: City Records

Fiscal Years					
2010	2011	2012	2013	2014	2015
18.03	18.03	17.63	17.63	17.63	17.63
134.00	132.60	132.50	132.50	132.60	135.00
55.00	54.00	51.00	50.00	51.00	51.00
28.00	27.00	26.50	26.50	27.00	28.00
7.65	7.75	7.75	7.75	7.75	7.75
15.00	15.00	15.00	15.00	15.00	15.00
<u>257.68</u>	<u>254.38</u>	<u>250.38</u>	<u>249.38</u>	<u>250.98</u>	<u>254.38</u>

CITY OF LAGUNA BEACH
 Operating Indicators
 Last Ten Fiscal Years

	Fiscal Years			
	2006	2007	2008	2009
Police				
Custodial Arrests	1,823	N/A	1,337	1,296
Traffic Violations	7,089	N/A	3,718	7,292
Parking Violations	43,653	39,659	53,863	48,148
Fire Protection:				
Number of Calls Answered	2,446	2,607	2,613	2,894
Number of Inspections	714	800	850	900
Water Quality:				
Number of Service Connections	8,504	8,504	8,504	8,504
Daily Average Treatment in gallons	2	2	2	2
Maximum daily capacity of treatment plant in gallons	4	4	4	4

Data Source: City Records

N/A - Not currently available.

Fiscal Years					
2010	2011	2012	2013	2014	2015
1,411	2,163	1,527	2,176	1,694	2,093
6,624	7,176	5,855	6,138	5,300	5,923
39,108	35,688	38,553	40,050	34,004	36,685
3,052	3,080	3,413	3,311	3,375	3,447
950	1,035	1,620	1,650	1,021	1,384
8,504	8,504	8,504	8,504	8,504	8,504
2	2	2	2	2	2
4	4	4	4	4	4

CITY OF LAGUNA BEACH
 Capital Asset Statistics by Function
 Last Ten Fiscal Years

	Fiscal Years			
	2006	2007	2008	2009
Police				
Stations	1	1	1	1
Fire:				
Fire Stations	4	4	4	4
Public Works				
Streets (miles)	93	93	93	93
Streetlights	1,241	1,241	1,241	1,241
Culture and Recreation				
Community Centers	3	3	3	3
Parks	17	17	17	17
Park Acreage	47	47	47	47
Tennis Courts	12	12	12	12
Water Quality				
Miles of sanitary sewers	95.00	95.00	95.00	95.00
Miles of storm drains	78.00	78.00	78.00	78.00

Data Source: City Records

Fiscal Years					
2010	2011	2012	2013	2014	2015
1	1	1	1	1	1
4	4	4	4	4	4
93	93	93	93	93	93
1,241	1,241	1,241	1,241	1,241	1,241
3	3	3	3	3	3
17	17	17	17	17	17
47	47	47	47	47	47
12	12	12	12	12	12
95.00	95.00	95.00	95.00	95.00	95.00
78.00	78.00	78.00	78.00	78.00	78.00