

CITY OF LAGUNA BEACH, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

City Council:

Sue Kempf, Mayor
Bob Whalen, Mayor Pro Tem
Peter Blake, Council Member
Toni Iseman, Council Member
George Weiss, Council Member

Laura Parisi, City Treasurer

Ann Marie McKay, City Clerk

Shohreh Dupuis, City Manager

Prepared by:
Finance Division

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Laura Parisi, City Treasurer

Lisette Chel-Walker, City Clerk

John Pietig, City Manager

Prepared by:
Finance Division

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INTRODUCTORY SECTION

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March 10, 2022

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, 2021.

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 CliftonLarsonAllen 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, 2021, 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, 2021, 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 roughly 23,000. The City is the home to the Pageant of the Masters and the Festival of the Arts. The City attracts more than 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 for, among other things, 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 arts and events; and administrative services.

The 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 Manager the January preceding the end of the budget cycle. The City Manager uses these requests as the starting point for developing a proposed 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, public works, and general administrative services). The City Council may amend the budget by a vote of a 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.

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 governmental fund for which an appropriated 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 of the Water District. Additional information about the Laguna Beach County Water District and the reporting entity can be found in Note 1 of the notes to the basic 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.

The City began Fiscal Year 2020-21 in good fiscal health with a positive net position and growing revenues despite the impacts of the COVID-19 pandemic. The City Council approved an entirely new budget that reduced the budget by \$13 million, including \$6.7 million in the General Fund, while still providing residents and businesses with essential services and economic relief packages. As the year progressed, property tax, transient occupancy tax, and sales tax all exceeded revenue projections resulting in a General Fund surplus at year-end.

Property taxes increased compared to the prior year and are expected to continue to increase as the City experiences a continued demand in housing and higher assessed property values. The increase in property tax revenue is consistent with the City's revenue projections and remains a stable revenue source for the City. Community Development fees are also exceeding revenue projections due to the high level of building development and activity.

The City's transient occupancy tax (TOT) was significantly impacted in the prior year due to the pandemic and the temporary closure of hotels and short-term rentals and decreased traveling. However, with the reopening of these establishments, the City has experienced notable increases in TOT collecting record high revenues. Sales tax was also significantly impacted by the pandemic but has been able to slowly return back to its pre-pandemic levels.

The City Council's timely and strategic financial decisions over the past year has positioned the City well to begin moving past the pandemic. The City anticipates that property tax, transient occupancy tax, and sales tax will continue to grow due to increases in assessed property values, demand for lodging, and return of consumer spending. The City remains cautiously optimistic as we look forward to the coming year and will continue to assess the impact of COVID-19 on the economy.

Local economy. According to the UCLA Anderson Forecast, the national economy is forecasted to have slow growth through the first quarter of 2022 due to the omicron variant with an adjusted annual growth rate of 2.6% before stronger growth of 4.6% in the second quarter of 2022. For the third and fourth quarters of 2022, growth is forecasted to be at 4.6% and 2.4%, respectively. UCLA Anderson Senior Economist Leo Feler writes that the "recent increase in inflation is related to higher oil prices, as demand has recovered more quickly than supply" and prices for goods and services will begin to ease as supply constraints lessen. In addition, the unemployment rate is expected to stall in the first quarter of 2022 at 3.7% and continue to decline to 3.4% by the fourth quarter.

For California, UCLA Anderson Forecast suggests that the omicron variant will have a dampening effect on the State's economy and recovery time. Inflation in the state is expected to be higher than in the past, but largely below inflation in the U.S., with rates of 4.1% in 2022 and 2.9% in 2023. Economists expect the State's unemployment rate will end 2021 at 7.0% before falling to an annual average of 5.6% in 2022 and 4.4% in 2023. California home prices continue to climb, and a lack of affordability remains a concern. The California Association of Realtors reports that the state's median home price has increased by 33.6% over the past two years to a record high of \$800,000. However, economists are also forecasting a slowdown, and even a drop, in home prices in 2022 as mortgage rates rise due to inflation.

The outlook for Orange County is similar. According to the December 2021 Chapman University Forecast, home prices are projected to drop by 3.3% in 2022 due to rising mortgages rates. Building permits are also projected to drop by 250 units to 7,151 new homes next year. Job growth is expected to hit 5% next year while employment remains at 6.2% below pre-pandemic levels. Orange County has experienced economic losses in tourism-related sectors, but it has been offset by the strength of the high-tech innovation sector. Of the 50 innovation hubs across the nation, Orange County ranks 12th on the list bringing in higher-paying tech jobs.

Long-term financial planning. The City's 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 next several years, Laguna Beach will be faced with balancing 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, improve reserves, and take steps to mitigate increases in pension costs.

Summary of Current Year Accomplishments. The City is constantly undertaking many significant initiatives to address the priorities of the City Council and its residents. Significant progress was achieved on several of the City Council priorities including implementation of the Neighborhood and Environmental Protection plan; approval of the Downtown Specific Plan by the California Coastal Commission; comprehensive updates to the Sewer System Management Plan to address the City's aging wastewater infrastructure; implementation of key measures of the Wildfire Mitigation and Fire Safety Plan to include installation of the expanded outdoor warning system; completion of a comprehensive cost of services study for fee-based services; implementation of a free on-demand, shared ride transit service; launch of a new City website with improved functionality; and continued improvements of City facilities and local infrastructure.

The City also continues to monitor the economic impacts of the pandemic and maintains key initiatives to help business through this time. City Council approved the extension of the Promenade on Forest and Outdoor Dining Program through January 2024 allowing businesses to continue operating under an outdoor dining permit and utilizing parklets for outdoor space. The City has also been able to restore the General Fund reserves back to 20% due to ending the year with higher than anticipated revenues.

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

- Community Fire Risk Assessment
- Construction of Fire Station 4
- Parking and Mobility Master Plan
- Development of Workforce Investment Initiatives
- Senior/Affordable Housing Programs
- Unfunded Pension Liability

Unfunded Pension Liability: One of the most significant challenges to the long-term fiscal stability of Laguna Beach is the unfunded pension obligations for City staff under the California Public Employees Retirement System (CalPERS). The City has consistently taken steps to mitigate increases in its pension cost using a combination of pay downs of its unfunded accrued liability (UAL), employee cost-sharing, and prepayments to CalPERS. Currently, the UAL for the City is \$79.2 million as of June 30, 2020 (the most recent information available). However, CalPERS reported significant investment earnings of 21.3% in FY20-21 and is expected to

reduce our UAL to \$51 million. The City is also exploring pension obligation bonds (POBs) to refinance some or all of the City's UAL at a lower interest rate than the current CalPERS discount rate of 6.8%. The City Council understands the urgency of addressing this issue and continues to work with City staff to evaluate strategies in lowering the City's unfunded pension obligations.

Awards and Acknowledgements

Awards: The City has received the award for excellence in financial reporting for the past four years.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Laguna Beach for its comprehensive annual financial report for the fiscal year ended June 30, 2021. This was the fifth consecutive year that the government has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate is valid for one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its edibility for another certificate.

Acknowledgments: 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,



Shohreh Dupuis
City Manager

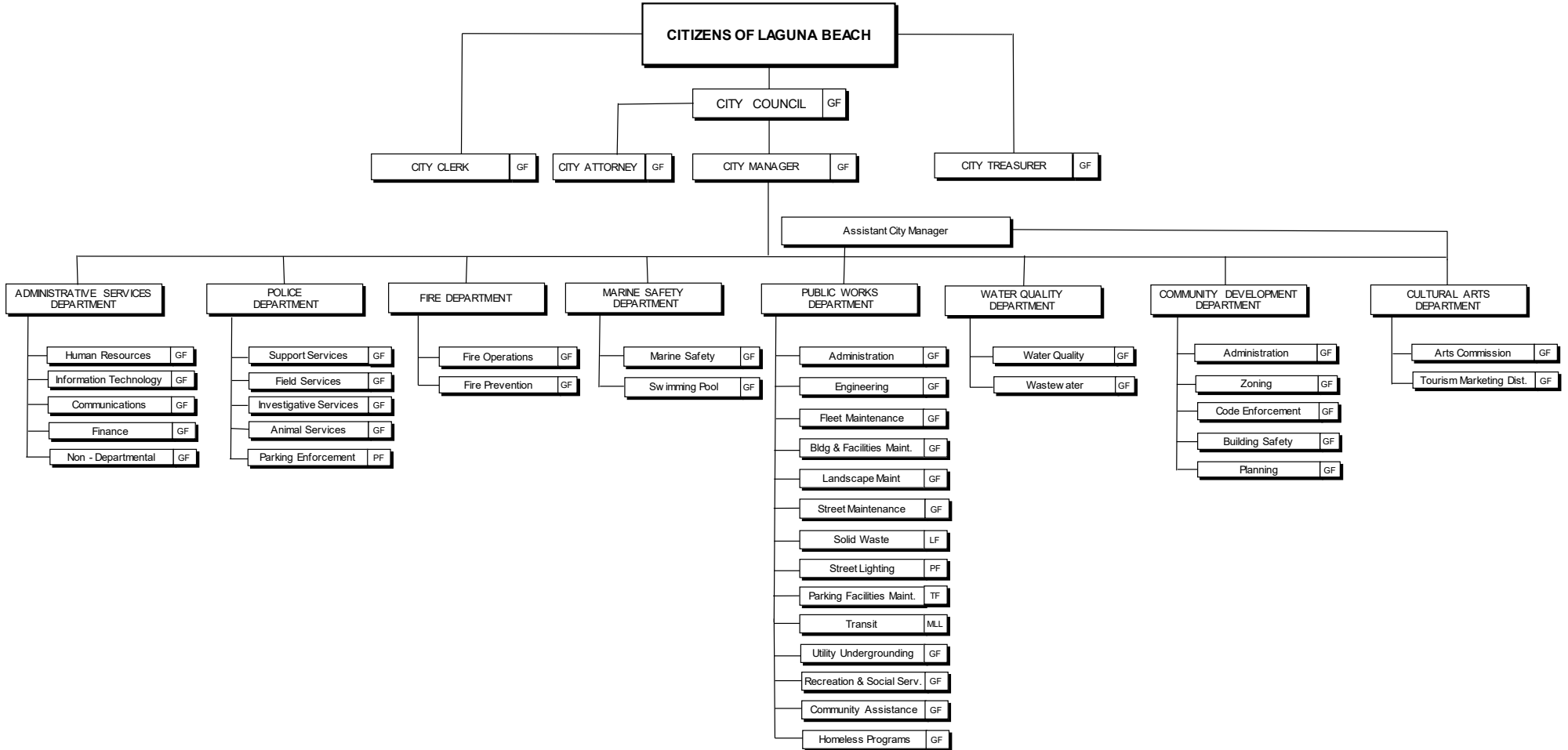


Gavin Curran
Director of Administrative Services



Kristopher Ryan
Finance Manager

CITY OF LAGUNA BEACH ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Laguna Beach
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

City Council Members
City of Laguna Beach
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 (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the fiscal year ended June 30, 2021, the City adopted GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the previously reported Deposits agency fund was reclassified to the General Fund since these activities no longer meet the definition of fiduciary activities and beginning fund balance and net position was restated (see Notes 1T and 19). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability - safety plan, the schedule of contributions - safety plan, the schedule of changes in the net pension liability and related ratios - miscellaneous plan, the schedule of contributions - miscellaneous plan, the schedule of changes in the total OPEB liability and related ratios, and the schedule of revenues, expenditures and changes in fund balance - budget and actual for the general fund, identified as Required Supplementary Information (RSI), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

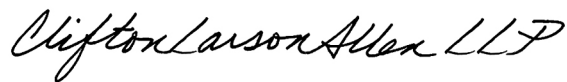
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, consolidating general fund financial statements, individual general fund sub-fund budgetary comparison schedules, major capital projects fund budgetary comparison schedule, combining and individual nonmajor fund financial statements and budgetary comparison schedules (supplementary information), and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
March 8, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CITY OF LAGUNA BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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, 2021. 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 supplementary information that presents combining statements for the General Fund, 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 basic 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.

**CITY OF LAGUNA BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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

	Fund Statements			
	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary 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 custodian for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Reconciliation to the balance sheet to the statement of net position • Statement of revenues, expenditures and changes in fund balances • Reconciliation of the statement of revenues, expenditures and changes to fund balances to the statement of activities 	<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 net position • Statement of changes in fiduciary net position
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, liabilities, and deferred inflows/outflows of resources, 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

**CITY OF LAGUNA BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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, liabilities, and deferred inflows and outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All 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 and facilities, 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 specific 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.

**CITY OF LAGUNA BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Reporting the City's Fiduciary Responsibilities

The City is a custodian for certain assets held for, and under the control of, other organizations and individuals. All the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. 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	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 137.8	\$ 122.0	\$ 8.6	\$11.8	\$ 146.4	\$133.8
Capital Assets	296.9	301.7	49.6	47.2	346.5	348.9
Total Assets	<u>434.7</u>	<u>423.7</u>	<u>58.2</u>	<u>59.0</u>	<u>492.9</u>	<u>482.7</u>
Deferred Outflows of Resources	<u>15.8</u>	<u>13.9</u>	<u>0.8</u>	<u>0.7</u>	<u>16.6</u>	<u>14.6</u>
Long-Term Debt Outstanding	82.9	75.4	13.4	14.2	96.3	89.6
Other Liabilities	<u>13.9</u>	<u>9.4</u>	<u>2.0</u>	<u>1.5</u>	<u>15.9</u>	<u>10.9</u>
Total Liabilities	<u>96.8</u>	<u>84.8</u>	<u>15.4</u>	<u>15.7</u>	<u>112.2</u>	<u>100.5</u>
Deferred Inflows of Resources	<u>0.4</u>	<u>1.8</u>	<u>0.0</u>	<u>0.1</u>	<u>0.4</u>	<u>1.9</u>
Net Position						
Net Investment in						
Capital Assets	295.9	300.8	44.0	42.5	339.9	343.3
Restricted	19.0	17.4	-	-	19.0	17.4
Unrestricted	<u>38.4</u>	<u>32.2</u>	<u>(0.4)</u>	<u>1.3</u>	<u>38.0</u>	<u>33.5</u>
Total Net Position	<u>\$ 353.3</u>	<u>\$ 350.4</u>	<u>\$ 43.6</u>	<u>\$ 43.8</u>	<u>\$ 396.9</u>	<u>\$ 394.2</u>

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 \$396.9 million as of June 30, 2021.

The largest portion of the City's net position, \$339.9 million (85.6%) are reflected in its investment in capital assets (e.g., land, street infrastructure, buildings, machinery, and equipment) less any related debt and capital related payables used to acquire those assets that are still outstanding. The City uses these capital assets to

**CITY OF LAGUNA BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt and capital related payables, it should be noted that the resources needed to repay this debt will be provided from future revenues and the remaining 14.0% of the City's net position, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position of \$19.0 million (4.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$38.0 million (9.6%) 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 total net position was also positive, and there were no restrictions on net position.

The City's total net position increased by \$2.8 million during the current fiscal year. The net position of governmental activities increased by \$3.0 million and business-type activities had a decrease of \$228 thousand.

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

**CITY OF LAGUNA BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Table 2
Changes in Net Position
(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for Services	\$20,253	\$17,076	\$9,048	\$8,880	\$29,301	\$25,956
Operating Grants/Contributions	4,870	2,689	776	2,650	5,646	5,339
Capital Grants/Contributions	2,737	572	-	-	2,737	572
General Revenues						
Taxes and special assessments	62,013	55,641	-	-	62,013	55,641
Intergovernmental	6,356	5,892	-	-	6,356	5,892
Rental income	-	-	-	-	-	-
Investment income	162	3,146	32	218	194	3,364
Miscellaneous revenues	208	189	448	192	656	381
Gain (loss) on sale/disposal of capital assets	8	50	-	42	8	92
Total Revenues	96,607	85,255	10,304	11,982	106,911	97,237
Expenses:						
General government	8,821	6,734	-	-	8,821	6,734
Community development	6,528	6,724	-	-	6,528	6,724
Public safety	44,415	42,332	-	-	44,415	42,332
Public works	29,838	25,734	-	-	29,838	25,734
Recreation and social services	3,980	6,173	-	-	3,980	6,173
Municipal transit	-	-	1,621	3,752	1,621	3,752
Sewer Service	-	-	8,911	8,786	8,911	8,786
Total Expenses	93,582	87,697	10,532	12,538	104,114	100,235
Increase (Decrease) in Net Position						
Before Transfers	3,025	(2,442)	(228)	(556)	2,797	(2,998)
Transfers	-	(1,035)	-	1,035	-	(0)
Increase (Decrease) in Net Position	3,025	(3,477)	(228)	479	2,797	(2,998)
Net Position-Beginning, as restated	350,283	353,798	43,828	43,350	394,111	397,148
Net Position-Ending	\$353,308	\$350,321	\$43,600	\$43,828	\$396,908	\$394,149

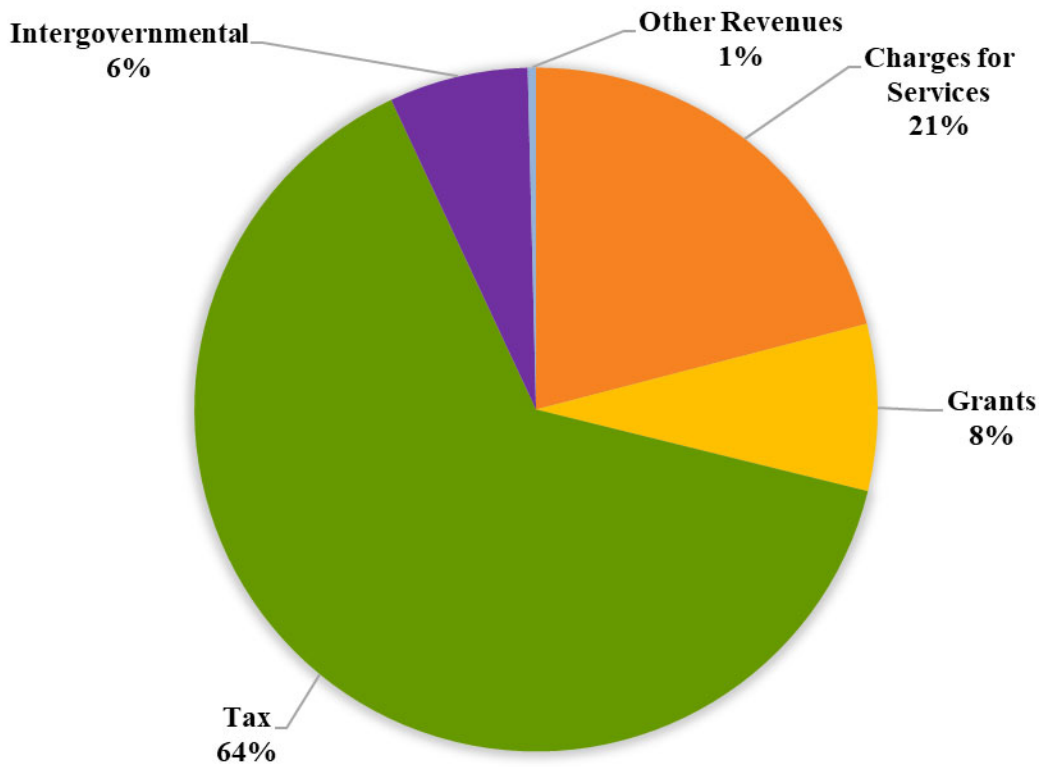
The City's total revenues were \$106.9 million while the total expenditures were \$104.1 million. Property taxes were the City's largest revenue source at \$45.3 million (42.4% of total revenues and 46.9% of governmental revenues). Transient occupancy taxes at \$15.3 million (14.3% of total revenues and 15.8% governmental revenues) and sales taxes, at \$6.0 million (5.6% of total revenues and 6.2% of governmental revenues) were the second largest revenue sources for the City this past year. Property taxes increased approximately 6.9% resulting from a steady increase in secured taxes driven by higher demand in housing and higher property values. The City's sales taxes increased by 7.9% and transient occupancy taxes (TOT) increased by 30.2% as the economy begins to recover from the COVID-19 pandemic.

**CITY OF LAGUNA BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental activities. The governmental activities' increase in net position of \$3.0 million accounted for 100% of the total growth in net position for the City this past year. Revenues increased \$9.7 million compared to the prior year due to the easing of restrictions related to the pandemic and strong consumer spending. The largest increases in revenues came from TOT of \$3.5 million and property taxes of \$2.9 million. Other revenue increases included \$1.9 million in parking and permit fees, \$800 thousand from community development fees, \$400 thousand in sales tax, and \$261 thousand from recreation fees.

The following graph depicts the major revenue sources of the City. It depicts very clearly the reliance on taxes (i.e., property, franchise, building, and transient occupancy taxes) 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 9% of the total cost of governmental activities. Charges for services offset 15% of the cost of providing these services.

Community development expenditures were 7% of the total cost of governmental activities. Charges for services helped to offset 58% of the cost of these activities.

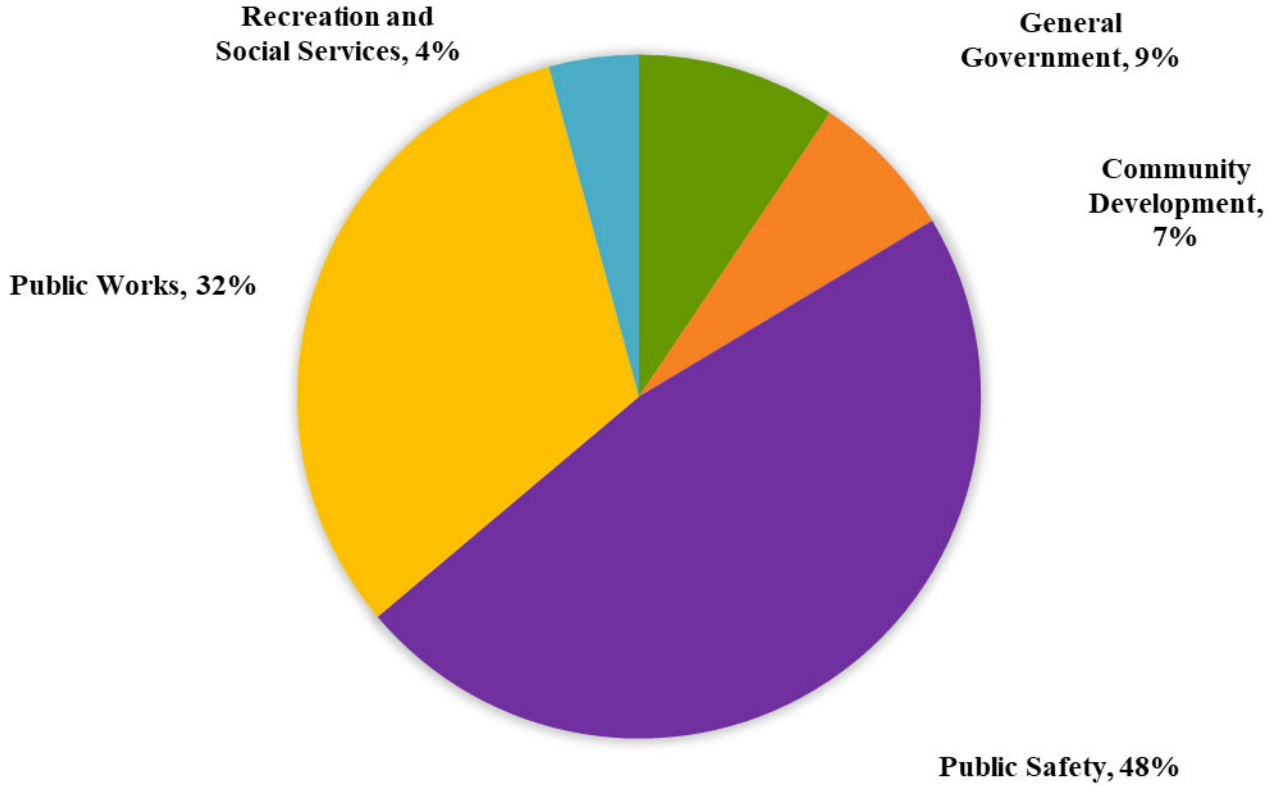
Public safety expenses comprised the largest component of governmental activities, approximately 48% of the total cost of governmental activities this past year. Charges for services, operating and capital grants, and contributions offset 9% of the cost of providing these services.

Public Works was the second largest governmental activity representing 32% of the total cost of governmental activities. Charges for services, operating and capital grants and contributions helped to offset 47% of the cost of these activities.

**CITY OF LAGUNA BEACH
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Recreation and social services expenditures were 4% of the total cost of governmental activities. Charges for services, operating and capital grants and contributions offset 96% of the cost of providing these services.

Expenses by Function – Governmental Activities



The governmental activities for each department, listed above, 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 a decrease in net position of \$228 thousand. 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.

**CITY OF LAGUNA BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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, 2021, the governmental funds reported combined ending fund balances of \$99.1 million, an increase of \$10.8 million in comparison with the prior year. The City has \$6.6 million (6.7%) in fund balance classified as nonspendable to indicate it cannot be readily converted to cash; \$14.3 million (14.4%) in restricted fund balance to indicate that it has an externally imposed restriction on the money may be spent; \$8.1 million (8.2%) in committed fund balance to indicate that the City Council committed how the money will be spent; \$43.9 million (44.3%) in assigned fund balance to indicate that the City Council has an assigned purpose or intent for how the money should be spent; and \$26.2 million (26.4%) 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 \$11.3 million during the fiscal year ending June 30, 2021. Reasons for changes in the revenues and expenditures of the City's General Fund from the prior year include:

- Revenues increased by \$12.4 million compared to the prior year due to the easing of restrictions related to the pandemic and strong consumer spending. Of that amount, \$3.5 million was from an increase in transient occupancy taxes (TOT), \$2.9 million was from an increase in property taxes, \$2.1 million from parking fees and permits, \$800 thousand from community development fees, \$440 thousand from sales tax, and \$261 thousand in recreation fees.
- Expenditures increased by \$1.7 million compared to the prior year due to the City's response to the COVID-19 pandemic and enacting several economic recovery programs to help the most impacted community members. Those programs included the Laguna Beach Cares program that offered \$1.7 million of aid to help local restaurants, retailers, hotels, and art organizations endure the crisis.

The City's other major fund is the Assessment District Fund capital projects fund.

- The Assessment District Fund, a Capital Projects Fund, has a total fund balance of \$891 thousand which is used to account for assessment utility undergrounding projects which are funded by property owners of the assessment district. Revenues include contributions from property owners restricted for projects within the Assessment District and interest earned on such funds. The fund balance decreased by \$549 thousand due to the close-out of assessment districts Summit Drive and Coast Royal utility undergrounding projects.

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

The unrestricted net position of the Municipal Transit Fund and Sewer Service Fund at the end of the fiscal year amounted to a deficit of \$375 thousand. It's not uncommon to see a deficit in unrestricted net assets for a proprietary fund. This deficit is due to significant investment in capital assets that will be paid with future charges for services. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

**CITY OF LAGUNA BEACH
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GENERAL FUND BUDGET

Differences between the original budget and the final amended budget of the General Fund totaled \$23.0 million, and significant items can be briefly summarized as follows:

- \$16.7 million increase for carryover appropriations, items appropriated in a prior fiscal year that have not yet been spent.
- \$1.7 million for the Laguna Beach Cares program and \$250 thousand for community assistance grants to offer aid the community in response to the pandemic.
- \$1.0 million for the South Laguna Fuel Modification Grant and \$541 thousand for the Bluebird Canyon Fuel Modification Grant to help reduce the threat of wildfires.
- \$825 thousand toward overtime salaries for the Fire department for mutual aid and participation in vaccination PODS.
- \$550 thousand for reinstating Community Development positions furloughed due to the pandemic and increasing overtime salaries.
- \$500 thousand for appropriations towards the Wildfire Mitigation and Fire Safety Fund for projects that were previously approved but deferred due to the pandemic.
- \$150 thousand for the Public Works department to fund consulting services for the Solid Waste program.
- \$150 thousand to reinstate contractual services for recreation programs that were reduced due to the pandemic.
- \$100 thousand for the Administrative Services department to fund an IT Manager position and contract for actuarial services for POBs.

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

- Total revenues were \$3.5 million above final budgeted revenues. The favorable variance is from the increased revenues in property taxes, transient occupancy taxes and sales taxes that has already been addressed in the discussion of the City's governmental funds.
- Total expenditures were under the budgeted amount by \$16.0 million, mostly because of special programs, capital equipment, and capital projects not yet completed or deferred to next fiscal year. The remaining budget, or appropriation, for these programs is carried over to the next fiscal year.

These deviations did not significantly affect the City's liquidity or ability to provide future government services due to the City's strong General Fund reserves.

**CITY OF LAGUNA BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

CAPITAL ASSETS

		Capital Assets - Net of Depreciation					
		Governmental Activities		Business-Type Activities		Total	
		2021	2020	2021	2020	2021	2020
Land	\$	90,454,722	90,454,722	196,106	196,106	90,650,828	90,650,828
Buildings and Improvements		44,458,713	45,633,875	1,068,996	1,131,864	45,527,709	46,765,739
Office Equipment & Machinery		1,450,714	1,797,171	191,617	205,658	1,642,331	2,002,829
Furniture and Fixtures		1,974,297	1,954,573	34,959	37,680	2,009,256	1,992,253
Equipment Machinery & Tools		2,633,880	2,755,038	556,159	628,841	3,190,039	3,383,879
Sewer Plant and Lines		-	-	30,882,968	31,934,017	30,882,968	31,934,017
Capacity Rights		-	-	9,943,389	8,891,728	9,943,389	8,891,728
Automotive Equipment		3,497,330	4,008,950	3,437,323	4,004,896	6,934,653	8,013,846
Infrastructure		145,882,297	130,158,426	-	-	145,882,297	130,158,426
Construction in Progress		6,555,474	24,967,662	3,263,220	194,129	9,818,694	25,161,791
Total	\$	296,907,427	301,730,417	49,574,737	47,224,919	346,482,164	348,955,336

The major changes to the capital assets during the year ended June 30, 2021, were completion of the village entrance project, the retaining wall at 870 Baja St., renovation of the south main beach restrooms, street resurfacing of Temple Hills Dr., intersection improvements on Coast Highway, and rehabilitation of the Laguna Canyon channel. Unexpended construction commitments as of year-end are discussed in note 5 to the financial statements. Additional information on the City's capital assets can be found in the note 4 to the financial statements.

LONG-TERM DEBT

		Governmental Activities		Business-type Activities		Total	
		2021	2020	2021	2020	2021	2020
Installment Agreement	\$	-	-	9,388,760	10,163,699	9,388,760	10,163,699
Total	\$	-	-	9,388,760	10,163,699	9,388,760	10,163,699

The City's total debt decreased by \$775 thousand (8.3%) during the current fiscal year. The outstanding debt is to help fund capital improvements to the City's sewer system. The decrease in total debt is from the annual debt service payments made to the loan provider. Additional information on the City's long-term liabilities, including net pension liability, OPEB liability, compensated absences, and claims payable, can be found in the notes 6, 10, 11, and 14 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 Administrative Services Department at the City of Laguna Beach, 505 Forest Avenue, Laguna Beach, California 92651.

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BASIC FINANCIAL STATEMENTS

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**CITY OF LAGUNA BEACH
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Water District
ASSETS				
Cash and Investments	\$ 119,280,396	\$ 2,954,868	\$ 122,235,264	\$ 20,664,554
Receivables:				
Taxes	8,141,916	143,285	8,285,201	65,206
Accounts	907,391	8,310	915,701	1,792,144
Interest	19,836	-	19,836	77,516
Intergovernmental	270,043	96,049	366,092	-
Ibank Installment Agreement	-	5,402,142	5,402,142	-
Notes	803,449	-	803,449	47,759
Prepays	6,532,183	-	6,532,183	191,473
Inventory	90,239	-	90,239	328,949
Computer Loans to Employees	-	-	-	5,970
Property for Housing Program	1,743,653	-	1,743,653	-
Capital Assets, not Being Depreciated	97,010,196	3,459,326	100,469,522	6,392,752
Capital Assets, Being Depreciated	199,897,231	46,115,411	246,012,642	48,843,727
Total Assets	<u>434,696,533</u>	<u>58,179,391</u>	<u>492,875,924</u>	<u>78,410,050</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amounts Related to Pension Plans	14,468,840	725,910	15,194,750	1,742,260
Deferred Amounts Related to OPEB	1,341,200	80,856	1,422,056	79,254
Total Deferred Outflows of Resources	<u>15,810,040</u>	<u>806,766</u>	<u>16,616,806</u>	<u>1,821,514</u>
LIABILITIES				
Accounts Payable	5,114,214	752,495	5,866,709	1,472,534
Accrued Liabilities	2,194,859	-	2,194,859	-
Deposits	3,036,722	-	3,036,722	53,503
Unearned Revenues	20,575	-	20,575	-
Interest Payable	-	143,863	143,863	-
Noncurrent Liabilities:				
Due Within One Year				
Other Long-Term Liabilities	3,251,840	1,106,280	4,358,120	95,396
Total OPEB Liability	287,744	17,392	305,136	-
Due in More than One Year:				
Other Long-Term Liabilities	9,047,592	9,605,303	18,652,895	286,187
Total OPEB Liability	3,542,689	213,617	3,756,306	878,745
Net Pension Liability	70,344,877	3,529,242	73,874,119	7,089,882
Total Liabilities	<u>96,841,112</u>	<u>15,368,192</u>	<u>112,209,304</u>	<u>9,876,247</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Amounts Related to Pension Plans	356,780	17,900	374,680	338,840
Deferred Amounts Related to OPEB Plan	-	-	-	55,467
Total Deferred Inflows of Resources	<u>356,780</u>	<u>17,900</u>	<u>374,680</u>	<u>394,307</u>
NET POSITION				
Net Investment in Capital Assets	295,876,139	43,975,072	339,851,211	54,930,695
Restricted for:				
Capital Projects	891,252	-	891,252	-
Parking In-Lieu	970	-	970	-
Park In-Lieu	693,111	-	693,111	-
Art In-Lieu	206,878	-	206,878	-
Drainage	79,885	-	79,885	-
Housing in-Lieu	907,598	-	907,598	-
Transportation Infrastructure	2,597,328	-	2,597,328	-
Street Lighting District	11,710,476	-	11,710,476	-
Street Projects	1,934,169	-	1,934,169	-
Public Safety	9,030	-	9,030	-
Unrestricted	38,401,845	(375,007)	38,026,838	15,030,315
Total Net Position	<u>\$ 353,308,681</u>	<u>\$ 43,600,065</u>	<u>\$ 396,908,746</u>	<u>\$ 69,961,010</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAGUNA BEACH
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 8,820,634	\$ 1,271,664	\$ 52,100	\$ -	\$ 1,323,764
Community Development	6,528,400	3,807,099	1,006,650	-	4,813,749
Public Safety	44,415,494	1,401,587	2,454,872	-	3,856,459
Public Works	29,837,540	10,137,266	1,177,143	2,736,838	14,051,247
Recreation and Social Services	3,979,828	3,635,895	178,966	-	3,814,861
Total Governmental Activities	<u>93,581,896</u>	<u>20,253,511</u>	<u>4,869,731</u>	<u>2,736,838</u>	<u>27,860,080</u>
Business-Type Activities:					
Municipal Transit	1,620,696	10,669	754,291	-	764,960
Sewer Service	8,911,039	9,037,083	21,825	-	9,058,908
Total Business-Type Activities	<u>10,531,735</u>	<u>9,047,752</u>	<u>776,116</u>	<u>-</u>	<u>9,823,868</u>
Total Primary Government	<u>\$ 104,113,631</u>	<u>\$ 29,301,263</u>	<u>\$ 5,645,847</u>	<u>\$ 2,736,838</u>	<u>\$ 37,683,948</u>
Component Unit:					
Water District	<u>\$ 15,403,586</u>	<u>\$ 12,080,857</u>	<u>\$ -</u>	<u>\$ 143,630</u>	<u>\$ 12,224,487</u>

General Revenues:
Taxes:
 Transient Occupancy Tax
 Property Tax
 Franchise Tax
 Other
Intergovernmental
Intergovernmental Revenue - Sales Tax and Sales Tax In-Lieu
Investment Income, Net
Gain on Disposal of Capital Assets
Miscellaneous
Total General Revenues

CHANGE IN NET POSITION

Net Position - Beginning of Year, As Restated

NET POSITION - END OF YEAR

See accompanying Notes to Basic Financial Statements.

**CITY OF LAGUNA BEACH
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Water District
\$ (7,496,870)	\$ -	\$ (7,496,870)	\$ -
(1,714,651)	-	(1,714,651)	-
(40,559,035)	-	(40,559,035)	-
(15,786,293)	-	(15,786,293)	-
(164,967)	-	(164,967)	-
(65,721,816)	-	(65,721,816)	-
-	(855,736)	(855,736)	-
-	147,869	147,869	-
-	(707,867)	(707,867)	-
(65,721,816)	(707,867)	(66,429,683)	-
			(3,179,099)
15,252,045	-	15,252,045	-
45,319,666	-	45,319,666	3,466,727
1,252,083	-	1,252,083	-
188,589	-	188,589	-
331,880	-	331,880	-
6,023,953	-	6,023,953	-
162,840	32,221	195,061	148,362
7,980	-	7,980	1,597,514
208,027	447,819	655,846	-
68,747,063	480,040	69,227,103	5,212,603
3,025,247	(227,827)	2,797,420	2,033,504
350,283,434	43,827,892	394,111,326	67,927,506
<u>\$ 353,308,681</u>	<u>\$ 43,600,065</u>	<u>\$ 396,908,746</u>	<u>\$ 69,961,010</u>

See accompanying Notes to Basic Financial Statements.

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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.

CAPITAL PROJECTS FUNDS

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 major Capital Projects Fund:

ASSESSMENT DISTRICTS FUNDS - Assessment District Funds are used to account for assessment district utility undergrounding projects which are funded by property owners.

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% test of assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures for the governmental funds and the 5% 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 Funds of the City.

**CITY OF LAGUNA BEACH
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

	General	Capital Projects Assessment Districts	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 85,722,236	\$ 942,225	\$ 8,926,184	\$ 95,590,645
Receivables:				
Taxes	8,093,399	23,448	25,069	8,141,916
Accounts	739,682	-	74,582	814,264
Interest	19,836	-	-	19,836
Intergovernmental	133,283	-	136,760	270,043
Notes	346,947	-	101,749	448,696
Prepays	4,144,006	-	2,388,177	6,532,183
Inventory	90,239	-	-	90,239
	<u>\$ 99,289,628</u>	<u>\$ 965,673</u>	<u>\$ 11,652,521</u>	<u>\$ 111,907,822</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 4,395,873	\$ 33,921	\$ 387,023	\$ 4,816,817
Accrued Liabilities	2,194,859	-	-	2,194,859
Deposits	2,996,222	40,500	-	3,036,722
Unearned Revenue	20,575	-	-	20,575
Advances from Other Funds	2,201,318	-	-	2,201,318
Total Liabilities	<u>11,808,847</u>	<u>74,421</u>	<u>387,023</u>	<u>12,270,291</u>
 DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	530,678	-	-	530,678
 FUND BALANCES				
Nonspendable	4,234,245	-	2,388,177	6,622,422
Restricted	4,485,770	891,252	8,877,321	14,254,343
Committed	8,125,178	-	-	8,125,178
Assigned	43,909,845	-	-	43,909,845
Unassigned	26,195,065	-	-	26,195,065
Total Fund Balances	<u>86,950,103</u>	<u>891,252</u>	<u>11,265,498</u>	<u>99,106,853</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 99,289,628</u>	<u>\$ 965,673</u>	<u>\$ 11,652,521</u>	<u>\$ 111,907,822</u>

See accompanying Notes to Basic Financial Statements.

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**CITY OF LAGUNA BEACH
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Fund Balances - Total Governmental Funds	\$ 99,106,853
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity. This amount does not include \$3,467,231 of internal service fund net capital assets:

Capital Assets	432,665,906
Accumulated Depreciation	(139,225,710)

The net pension liability applicable to City governmental activities is not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the statement of net position as the changes in these amounts effect only the government-wide statements for governmental activities:

Net Pension Liability	(70,344,877)
Deferred Outflows of Resources Related to Pension	14,468,840
Deferred Inflows of Resources Related to Pension	(356,780)

The OPEB liability applicable to City governmental activities is not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources related to pensions are only reported in the statement of net position as the changes in these amounts effect only the government-wide statements for governmental activities:

Total OPEB Liability	(3,830,433)
Deferred Outflows of Resources Related to OPEB	1,341,200

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	530,678
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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>18,953,004</u>
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Net Position of Governmental Activities	<u><u>\$ 353,308,681</u></u>
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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, 2021**

	General	Capital Projects Assessment Districts	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 66,741,431	\$ -	\$ 2,391,675	\$ 69,133,106
Licenses and Permits	1,468,109	-	-	1,468,109
Fines and Penalties	963,325	-	-	963,325
Investment Income, Net	174,488	6,101	104,965	285,554
Rental	224,649	-	-	224,649
Intergovernmental	6,218,657	23,448	1,219,877	7,461,982
Charges for Services	8,610,465	-	-	8,610,465
Parking Meters, Lots, and Permits	7,695,559	-	-	7,695,559
Development Tax	210,061	-	-	210,061
Other	410,662	5,000	-	415,662
Total Revenues	<u>92,717,406</u>	<u>34,549</u>	<u>3,716,517</u>	<u>96,468,472</u>
EXPENDITURES				
Current:				
General Government	8,423,726	-	-	8,423,726
Community Development	6,343,820	-	-	6,343,820
Public Safety	40,198,725	-	-	40,198,725
Public Works	17,817,484	-	741,546	18,559,030
Recreation and Social Services	3,295,223	-	-	3,295,223
Capital Outlay	5,351,331	1,020,344	1,735,456	8,107,131
Total Expenditures	<u>81,430,309</u>	<u>1,020,344</u>	<u>2,477,002</u>	<u>84,927,655</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,287,097	(985,795)	1,239,515	11,540,817
OTHER FINANCING SOURCES (USES)				
Transfers In	736,500	437,000	-	1,173,500
Transfers Out	(740,531)	-	(1,173,500)	(1,914,031)
Total Other Financing Sources (Uses)	<u>(4,031)</u>	<u>437,000</u>	<u>(1,173,500)</u>	<u>(740,531)</u>
NET CHANGE IN FUND BALANCES	11,283,066	(548,795)	66,015	10,800,286
Fund Balances - Beginning of Year, as Restated	<u>75,667,037</u>	<u>1,440,047</u>	<u>11,199,483</u>	<u>88,306,567</u>
FUND BALANCES - END OF YEAR	<u>\$ 86,950,103</u>	<u>\$ 891,252</u>	<u>\$ 11,265,498</u>	<u>\$ 99,106,853</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 DECEMBER 31, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ 10,800,286

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. This does not include internal service fund activity of \$314,174 in net additions and \$727,732 in depreciation expense:

Depreciation Expense	(7,934,084)
Purchases of Capital Assets Recorded in Governmental Funds	3,626,016
Gain on Sale of Capital Assets	(3,302)

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 expenditures reported in the governmental funds includes the annual required contributions and excess payments. In the statement of activities, pension expense includes the change in the net pension liability, and the related change in pension amounts for deferred outflows of resources and deferred inflows of resources.	(3,888,180)
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OPEB expenditures reported in the governmental funds includes the insurance premiums paid. In the statement of activities, OPEB expense includes the change in the total OPEB liability, and the related changes in OPEB amounts for deferred outflows of resources and deferred inflows of resources.	(209,930)
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Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	138,671
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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.	<u>495,770</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 3,025,247</u></u>
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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, 2021**

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
ASSETS				
CURRENT ASSETS				
Cash and Investments	\$ 1,570,357	\$ 1,384,511	\$ 2,954,868	\$ 23,689,751
Receivables:				
Taxes	-	143,285	143,285	-
Accounts	8,310	-	8,310	93,127
Intergovernmental	96,049	-	96,049	-
Total Current Assets	<u>1,674,716</u>	<u>1,527,796</u>	<u>3,202,512</u>	<u>23,782,878</u>
NONCURRENT ASSETS				
Ibank Installment Agreement	-	5,402,142	5,402,142	-
Advances to Other Funds	-	-	-	2,201,318
Notes Receivable	-	-	-	354,753
Property for Housing Program	-	-	-	1,743,653
Capital Assets, Not Being Depreciated	196,106	3,263,220	3,459,326	-
Capital Assets, Net of Depreciation	4,395,315	41,720,096	46,115,411	3,467,231
Total Noncurrent Assets	<u>4,591,421</u>	<u>50,385,458</u>	<u>54,976,879</u>	<u>7,766,955</u>
 Total Assets	 6,266,137	 51,913,254	 58,179,391	 31,549,833
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amounts Related to Pensions	108,343	617,567	725,910	-
Deferred Amounts Related to OPEB	14,375	66,481	80,856	-
Total Deferred Outflows of Resources	<u>122,718</u>	<u>684,048</u>	<u>806,766</u>	<u>-</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	102,308	650,187	752,495	297,397
Interest Payable	-	143,863	143,863	-
Compensated Absences, due Within One Year	4,681	20,592	25,273	875,980
Insurance Claims Payable, due Within One Year	-	-	-	2,375,860
Capital Lease Obligations, due Within One Year	282,627	-	282,627	-
Ibank Installment Agreements, due Within One Year	-	798,380	798,380	-
Total OPEB Liability, due Within One Year	3,051	14,341	17,392	-
Total Current Liabilities	<u>392,667</u>	<u>1,627,363</u>	<u>2,020,030</u>	<u>3,549,237</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAGUNA BEACH
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION (CONTINUED)
 JUNE 30, 2021**

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
LIABILITIES (CONTINUED)				
NONCURRENT LIABILITIES				
Compensated Absences	\$ 18,727	\$ 82,368	\$ 101,095	\$ 3,503,919
Insurance Claims Payable	-	-	-	5,543,673
Capital Lease Obligations	913,828	-	913,828	-
Ibank Installment Agreements	-	8,590,380	8,590,380	-
Total OPEB Liability	37,942	175,675	213,617	-
Net Pension Liability	526,744	3,002,498	3,529,242	-
Total Noncurrent Liabilities	<u>1,497,241</u>	<u>11,850,921</u>	<u>13,348,162</u>	<u>9,047,592</u>
 Total Liabilities	 1,889,908	 13,478,284	 15,368,192	 12,596,829
DEFERRED INFLOWS OF RESOURCES				
Deferred Amounts Related to Pensions	<u>2,672</u>	<u>15,228</u>	<u>17,900</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	3,394,966	40,580,106	43,975,072	3,446,851
Unrestricted	<u>1,101,309</u>	<u>(1,476,316)</u>	<u>(375,007)</u>	<u>15,506,153</u>
 Total Net Position	 <u>\$ 4,496,275</u>	 <u>\$ 39,103,790</u>	 <u>\$ 43,600,065</u>	 <u>\$ 18,953,004</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, 2021**

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
OPERATING REVENUES				
Passenger Revenues	\$ 10,669	\$ -	\$ 10,669	\$ -
Vehicle Rentals	-	-	-	1,637,066
Employee Benefits Charges	-	-	-	911,500
Insurance Charges	-	-	-	10,492,336
Charges for Services	-	9,037,083	9,037,083	-
Total Operating Revenues	<u>10,669</u>	<u>9,037,083</u>	<u>9,047,752</u>	<u>13,040,902</u>
OPERATING EXPENSES				
Personnel Services	440,879	1,859,484	2,300,363	-
Contractual Services	211,133	2,473,605	2,684,738	-
Materials and Supplies	171,532	2,169,165	2,340,697	-
Administration	222,024	7,599	229,623	281,566
Employee Benefits	-	-	-	1,352,033
Insurance Claims and Premiums	-	-	-	10,895,559
Depreciation	543,888	1,917,079	2,460,967	727,732
Total Operating Expenses	<u>1,589,456</u>	<u>8,426,932</u>	<u>10,016,388</u>	<u>13,256,890</u>
OPERATING INCOME (LOSS)	(1,578,787)	610,151	(968,636)	(215,988)
NONOPERATING REVENUES (EXPENSES)				
Investment Income	8,707	23,514	32,221	-
Intergovernmental	754,291	21,825	776,116	-
Interest Expense	(31,240)	(484,107)	(515,347)	-
Loss on Disposal of Capital Assets	-	-	-	(81,076)
Other Revenue	-	447,819	447,819	-
Total Nonoperating Revenues (Expenses)	<u>731,758</u>	<u>9,051</u>	<u>740,809</u>	<u>(81,076)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTED CAPITAL	(847,029)	619,202	(227,827)	(297,064)
TRANSFERS				
Transfers In	-	-	-	740,531
Total Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>740,531</u>
CONTRIBUTED CAPITAL FROM GENERAL FUND	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,303</u>
CHANGE IN NET POSITION	(847,029)	619,202	(227,827)	495,770
Net Position - Beginning of Year	<u>5,343,304</u>	<u>38,484,588</u>	<u>43,827,892</u>	<u>18,457,234</u>
NET POSITION - END OF YEAR	<u>\$ 4,496,275</u>	<u>\$ 39,103,790</u>	<u>\$ 43,600,065</u>	<u>\$ 18,953,004</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAGUNA BEACH
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 2,359	\$ 9,036,995	\$ 9,039,354	\$ -
Cash Received from User Departments	-	-	-	13,016,525
Cash Payments to Suppliers for Goods and Services	(546,562)	(4,343,094)	(4,889,656)	(11,722,743)
Cash Payments to Employees for Services	(424,528)	(1,805,047)	(2,229,575)	(1,163,713)
Net Cash Provided (Used) by Operating Activities	(968,731)	2,888,854	1,920,123	130,069
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grant Proceeds Received	1,410,096	-	1,410,096	-
Cash Received from Insurance and Settlements	-	447,819	447,819	-
Cash Received from Other Funds	-	-	-	740,531
Cash Paid to Other Funds as an Advance	-	-	-	(715,198)
Cash Received from Operating Grants - TDA	1,427,676	21,825	1,449,501	-
Cash Received from Loan Receivable	-	1,668,349	1,668,349	-
Cash Received Related to Housing Program	-	-	-	18,546
Net Cash Provided by Noncapital Financing Activities	2,837,772	2,137,993	4,975,765	43,879
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	-	(4,810,785)	(4,810,785)	(253,800)
Proceeds from Sale of Capital Assets	-	-	-	16,987
Payments on Capital Lease Obligations	(276,151)	-	(276,151)	-
Principal Paid on Long-Term Debt	-	(774,939)	(774,939)	-
Interest Paid on Long-Term Debt	(31,240)	(422,251)	(453,491)	-
Net Cash Used by Capital and Related Financing Activities	(307,391)	(6,007,975)	(6,315,366)	(236,813)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	8,707	23,514	32,221	-
Net Cash Provided by Investing Activities	8,707	23,514	32,221	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,570,357	(957,614)	612,743	(62,865)
Cash and Cash Equivalents - Beginning of Year	-	2,342,125	2,342,125	23,752,616
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,570,357</u>	<u>\$ 1,384,511</u>	<u>\$ 2,954,868</u>	<u>\$ 23,689,751</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAGUNA BEACH
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 YEAR ENDED JUNE 30, 2021**

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (1,578,787)	\$ 610,151	\$ (968,636)	\$ (215,988)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	543,888	1,917,079	2,460,967	727,732
Changes in Assets and Deferred Outflows of Resources:				
(Increase) Decrease in Accounts Receivable	(8,310)	17,405	9,095	(24,377)
(Increase) Decrease in Taxes Receivable	-	(17,493)	(17,493)	-
(Increase) Decrease in Deferred Outflows of Resources Related to Pensions	(16,083)	(90,450)	(106,533)	-
(Increase) Decrease in Deferred Outflows of Resources Related to OPEB	(7,231)	(33,516)	(40,747)	-
Changes in Liabilities and Deferred Inflows of Resources:				
Increase (Decrease) in Accounts Payable and Accrued Liabilities	58,127	307,275	365,402	(871,090)
Increase (Decrease) in Unearned Revenue	-	-	-	-
Increase (Decrease) in Compensated Absences Payable	2,166	4,329	6,495	188,320
Increase (Decrease) in Insurance Claims	-	-	-	325,472
Increase (Decrease) in Total OPEB Liability	9,477	43,930	53,407	-
Increase (Decrease) in Net Pension Liability	37,075	165,833	202,908	-
Increase (Decrease) in Deferred Inflows of Resources Related to Pensions	(9,053)	(35,689)	(44,742)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (968,731)</u>	<u>\$ 2,888,854</u>	<u>\$ 1,920,123</u>	<u>\$ 130,069</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Contribution from the General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,303</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAGUNA BEACH
 FIDUCIARY FUNDS - CUSTODIAL FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2021**

	Custodial Funds
ASSETS	
Cash and Investments	\$ 845,872
Investments with Fiscal Agent	406,146
Receivables:	
Taxes	12,393
Interest	24
Intergovernmental	399
Total Assets	1,264,834
LIABILITIES	
Accounts Payable	3,049
Total Liabilities	3,049
NET POSITION	
Restricted for:	
Individuals, Organizations, and Other Governments	1,261,785
Total Net Position	\$ 1,261,785

See accompanying Notes to Basic Financial Statements.

**CITY OF LAGUNA BEACH
 FIDUCIARY FUNDS - CUSTODIAL FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED JUNE 30, 2021**

	<u>Custodial Funds</u>
ADDITIONS	
Special Assessments	\$ 1,888,433
Investment Income	11,308
Total Additions	<u>1,899,741</u>
DEDUCTIONS	
General and Administrative	53,068
Debt Service	2,045,039
Total Deductions	<u>2,098,107</u>
CHANGES IN NET POSITION	(198,366)
Net Position - Beginning of Year	<u>1,460,151</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,261,785</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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 District's 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. There is no financial benefit or burden relationship between the City and the District, as the City does not have access to District resources, nor is the City legally obligated to assume debt of the District. Further management of the City does not have operating responsibilities for the District. Therefore, the District is presented as a discretely presented component unit.

B. Basis of Accounting and Measurement Focus

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

- Government-wide financial statements
- Fund financial statements
- Notes to 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
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

**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. The effect of interfund activity has been removed from these statements. 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 Water 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
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

**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 funds 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.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Funds (Continued)

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 fund balance. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Noncurrent 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. Premiums received on debt issuances are reported as *other financing sources* while discounts on debt issuance are reported as *other financing uses*. Amounts paid to reduce long-term indebtedness are reported as fund expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Proprietary and Fiduciary Funds

The City’s enterprise 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 and fiduciary 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.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary and Fiduciary Funds (Continued)

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. Nonoperating 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.

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.

Assessment Districts Capital Projects Fund - This fund is used to account for assessment district utility undergrounding projects which are funded by property owners of the assessment district. Revenues include contributions from property owners restricted for projects within the Assessment District and interest earned on such funds.

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

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:

Special Revenue Funds - The 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.

Internal Service Funds - 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.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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

C. Fund Classifications (Continued)

Custodial Funds - Various fiduciary funds are used to account for assets held by the City as an agent for bondholders and property owners.

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 within the 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, 2021 were as follows:

General Fund	\$ 2,339,940
Assessment Districts Capital Projects Fund	9,600
NonMajor Governmental Funds	<u>632,000</u>
Total Encumbrances	<u><u>\$ 2,981,540</u></u>

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. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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, when reported in the General Fund or within restricted fund balance for other governmental funds.

CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

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. Prepays

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements and are recorded as expenditures during the periods benefited.

I. 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 they are held by an agent and their use is limited by applicable debt agreements.

J. 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 acquisition value at the date of the contribution. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of three years or more.

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

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 and the proprietary fund 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.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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

J. Capital Assets (Continued)

The ranges of lives used for depreciation for each fixed asset class are as follows:

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

K. 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% of full market value (at time of purchase) and can increase the property tax value base no more than 2% per year.

L. 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 and Sewer Service Enterprise Fund, and the Insurance and Employee Benefits Internal Service Fund. The majority of sick leave is paid out at a rate of one hour for every two hours banked and, therefore, is recorded at 50% of the total leave balance. Vacation accruals have no such limitations and are recorded at 100% of the total leave balance.

M. Net Position

Net position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net position is divided into three categories. These categories apply only to net position, which is determined only at the government-wide level, proprietary funds, and fiduciary funds and are described below.

CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

M. Net Position (Continued)

Net Investment in Capital Assets - describes the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets and capital-related payables.

Restricted - describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter.

Unrestricted - describes the portion of net position which is not restricted as to use.

N. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied, however it is at the Council's discretion.

O. Fund Balances

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 prepaid amounts and inventory) or legally or contractually required to be maintained intact (such as endowments).

Spendable Fund Balances

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. Restrictions may effectively be changed or lifted only with the consent of resource providers.

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.

CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

O. Fund Balances (Continued)

Spendable Fund Balances (Continued)

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) restricted, committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Council.

P. 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% 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%. Total expenditures were \$71,933,782 and the minimum reserve requirement was \$14,386,756. The City's General Fund (single fund, not combined) reported \$26,206,015 of unassigned fund balance as of June 30, 2021.

Q. 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.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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

R. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pensions for differences between expected and actual experience, changes of assumptions, and differences between actual contributions and proportionate share of contributions and changes in proportion. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to pensions resulting from the net differences between projected and actual earnings on investments of the pension plans fiduciary net position. These amounts are amortized over five years.
- Deferred outflows related to OPEB for differences between expected and actual experience and changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plans.

In addition to liabilities, the statement of net position and governmental funds balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has the following item that qualifies for reporting in this category:

- Deferred inflows from unavailable revenues, which arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable from the following sources: transient occupancy taxes, charges for services, and grants. These amounts are deferred and recognized as an inflow in the period that the amounts become available.
- Deferred inflows related to pensions changes of assumptions, and differences between actual contributions and proportionate share of contributions and changes in proportion. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

S. 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.

T. New GASB Pronouncements

GASB 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The City adopted this standard in the current fiscal year. Implementation of GASB 84 resulted in the following: (1) reclassification of the previously reported Deposit agency fund to the General Fund since these activities no longer meet the definition of fiduciary activities, which resulted in (2) a restatement of beginning net position of the governmental activities and fund balance of the general fund, see Note 19.

U. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS

Cash and Investments

Cash and investments of the primary government as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments - Governmental Activities	\$ 119,280,396
Cash and Investments - Business-Type Activities	2,954,868
Statement of Fiduciary Assets and Liabilities:	
Cash and Investments	845,872
Investments with Fiscal Agent	406,146
Total Cash and Investments	<u>\$ 123,487,282</u>

Cash and investments as of June 30, 2021 consist of the following:

Cash on Hand (Petty Cash and Change Funds)	\$ 5,600
Deposits with Financial Institutions	12,189,654
Cash Held by Bond Fiscal Agent	4,151
Investments	110,885,882
Investments Held by Bond Fiscal Agent	401,995
Total Cash and Investments	<u>\$ 123,487,282</u>

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 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.

<u>Investment Types Authorized by State Law or the City's Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer*</u>
Municipal Bonds**	5 Years	25%	5%
U.S. Treasury Obligations	5 Years	None	None
Federal Agency Securities	5 Years	None	None
Banker's Acceptances	180 Days	25%	None
Commercial Paper	270 Days	25%	3%
Certificates of Deposit	5 Years	25%	\$250,000
Medium-Term Corporate Notes	5 Years	25%	3%
Bank Deposits	N/A	25%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000
Supranational Securities	5 Years	5%	None

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

** Includes City of Laguna Beach debt/bonds and may be authorized by City Council in excess of five years.

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 directed by the City Treasurer.

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
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk (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	Remaining Maturity (in Months)				Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	Over 60 Months*	
Federal Agency Securities	\$ 1,002,030	\$ 1,000,130	\$ 60,372,003	\$ 1,949,512	\$ 64,323,675
Municipal Bonds	717,001	-	7,269,846	-	7,986,847
Local Agency Investment Fund	22,006,721	-	-	-	22,006,721
Medium-Term Notes	2,541,555	2,053,740	9,110,764	-	13,706,059
Supranational	-	-	1,976,580	-	1,976,580
City bonds*	-	-	-	886,000	886,000
Held by Bond Fiscal Agent:					
Local Agency Investment Fund	401,995	-	-	-	401,995
Total	\$ 26,669,302	\$ 3,053,870	\$ 78,729,193	\$ 2,835,512	\$ 111,287,877

*City Council has approved the investment in the debt/bonds of Assessment Districts 13-6, 14-1, and 15-2 in the amount of \$886,000, which have maturities in excess of five years and are nonnegotiable.

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	Not			
			AAA	AA	A	Rated
Federal Agency Securities	\$ 64,323,675	N/A	\$ -	\$ 64,323,675	\$ -	\$ -
Municipal Bonds	7,986,847	A*	1,145,307	6,841,540	-	-
Local Agency Investment Fund	22,006,721	N/A	-	-	-	22,006,721
Medium-Term Notes	13,706,059	A	-	4,460,389	9,245,670	-
Supranational	1,976,580	AA	1,976,580	-	-	-
City bonds*	886,000	N/A	-	-	-	886,000
Held by Bond Fiscal Agent:						
Local Agency Investment Fund	401,995	N/A	-	-	-	401,995
Total	\$ 111,287,877		\$ 3,121,887	\$ 75,625,604	\$ 9,245,670	\$ 23,294,716

*City of Laguna Beach debt/bonds in the amount of \$886,000 are exempt from the minimum legal rating.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

Concentration credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. The investment policy of the City contains a 2% limitation on the amount that can be invested in any one issuer of Commercial Paper or Medium-Term Notes and a 5% limitation on the amount that can be invested in any one issuer of Municipal Bonds. The City has no investments in excess of these limitations.

Investments in any one issuer (other than external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Amount
Federal Home Loan Bank	Federal Agency Securities	\$ 41,508,135
Federal Home Loan Mortgage Corporation	Federal Agency Securities	11,904,510

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 and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

For investments identified herein as held by bond trustee, the City Treasurer 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
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 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 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 and is limited to the account balance. 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 Securities and Exchange Commission. Deposits and withdrawals to and from LAIF are made on the basis of \$1 and not at fair value. According, under the fair value hierarchy, the investment with LAIF is uncategorized.

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets and liabilities through corroboration with market data (the market approach), and Level 3 inputs are significant unobservable inputs. Federal agency securities, municipal bonds, medium-term notes, and supranational, classified in Level 2 of the fair value hierarchy, are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The City has the following recurring fair value measurements as of June 30, 2021:

	Fair Value	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
Investment Type (Subject to Hierarchy):				
Federal Agency Securities	\$ 64,323,675	\$ -	\$ 64,323,675	\$ -
Municipal Bonds	7,986,847	-	7,986,847	-
Medium-Term Notes	13,706,059	-	13,706,059	-
Supranational	1,976,580	-	1,976,580	-
City bonds	886,000	-	-	886,000
Total Subject to Hierarchy	<u>88,879,161</u>	<u>\$ -</u>	<u>\$ 87,993,161</u>	<u>\$ 886,000</u>
Uncategorized (Not Subject to Hierarchy)				
Local Agency Investment Fund	22,006,721			
Held by Bond Fiscal Agent:				
Local Agency Investment Fund	401,995			
Total Investment Portfolio	<u>\$ 111,287,877</u>			

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 INTERFUND ACTIVITY

Advances

Interfund balances at June 30, 2021 consisted of the following:

<u>Advances to Other Funds (Receivable)</u>	<u>Advances from Other Funds (Payable)</u>	<u>Amount</u>
Internal Service Fund	General Fund	\$ 1,501,318
Internal Service Fund	General Fund	700,000
Total		<u>\$ 2,201,318</u>

During 2010, the City authorized an interfund borrowing to fund the payoff 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 14 years at an interest rate of 2.75%. The amount paid in fiscal year 2020-2021 was principal of \$784,802 and interest of \$72,276 and was eliminated on the Statement of Activities. The principal payment schedule from the general fund is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021 - 2022	\$ 806,858
2022 - 2023	829,123
2023 - 2024	565,337
Total	<u>\$ 2,201,318</u>

Transfers

Interfund transfers at June 30, 2021 consisted of the following:

<u>Transfer In</u>	<u>Transfers Out</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	
General Fund	\$ -	\$ 736,500	\$ -	\$ 736,500
Assessment Districts Capital Projects Fund	-	437,000	-	437,000
Internal Service Funds	740,531	-	-	740,531
Total	<u>\$ 740,531</u>	<u>\$ 1,173,500</u>	<u>\$ -</u>	<u>\$ 1,914,031</u>

Transfers were used to:

1. Transfer from the Street Lighting Fund Special Revenue Nonmajor Fund to the General Fund in the amount of \$736,500 for expenditures related to the Utility Undergrounding Project.
2. Transfer from the Street Lighting Fund Special Revenue Nonmajor Fund to the Assessment District Capital Projects Fund in the amount of \$437,000 for the formation of Assessment Districts 2014-2 and 2021-1.
3. Transfer from the General Fund to the Internal Service Funds in the amount of \$440,531 to cover the increase in Compensated Absences and \$300,000 for future vehicle replacement.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 CAPITAL ASSETS

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

	Balance at July 1, 2020	Additions	Deletions/ Transfers	Balance at June 30, 2021
<u>Governmental Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 90,454,722	\$ -	\$ -	\$ 90,454,722
Construction in Progress	24,967,662	74,426	(18,486,614)	6,555,474
Total Capital Assets, Not Depreciated	115,422,384	74,426	(18,486,614)	97,010,196
Capital Assets, Being Depreciated:				
Buildings and Improvements	77,391,885	1,100,940	-	78,492,825
Office Equipment and Machinery	5,874,295	178,034	(231,583)	5,820,746
Furniture and Fixtures	2,555,333	80,209	-	2,635,542
Equipment, Machinery, and Tools	6,763,574	327,946	(120,062)	6,971,458
Automotive Equipment	9,358,260	314,174	(233,844)	9,438,590
Infrastructure	221,266,292	20,351,076	-	241,617,368
Total Capital Assets, Being Depreciated	323,209,639	22,352,379	(585,489)	344,976,529
Less Accumulated Depreciation for:				
Buildings and Improvements	(31,758,010)	(2,276,102)	-	(34,034,112)
Office Equipment and Machinery	(4,077,124)	(522,713)	229,805	(4,370,032)
Furniture and Fixtures	(600,760)	(60,485)	-	(661,245)
Equipment, Machinery, and Tools	(4,008,536)	(447,580)	118,538	(4,337,578)
Automotive Equipment	(5,349,310)	(727,731)	135,781	(5,941,260)
Infrastructure	(91,107,866)	(4,627,205)	-	(95,735,071)
Total Accumulated Depreciation	(136,901,606)	(8,661,816)	484,124	(145,079,298)
Total Capital Assets, Being Depreciated, Net	186,308,033	13,690,563	(101,365)	199,897,231
Governmental Activities Capital Assets, net	<u>\$ 301,730,417</u>	<u>\$ 13,764,989</u>	<u>\$ (18,587,979)</u>	<u>\$ 296,907,427</u>

CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance at July 1, 2020	Additions	Deletions/ Transfers	Balance at June 30, 2021
<u>Municipal Transit Enterprise Fund</u>				
Capital Assets, not Depreciated:				
Land	\$ 196,106	\$ -	\$ -	\$ 196,106
Total Capital Assets, not Depreciated	196,106	-	-	196,106
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,948,393	-	-	1,948,393
Furniture and Fixtures	1,500	-	-	1,500
Equipment, Machinery, and Tools	247,029	-	-	247,029
Automotive Equipment	5,318,583	-	-	5,318,583
Total Capital Assets, Being Depreciated	7,515,505	-	-	7,515,505
Less Accumulated Depreciation for:				
Buildings and Improvements	(816,529)	(62,868)	-	(879,397)
Equipment, Machinery, and Tools	(49,902)	(22,320)	-	(72,222)
Automotive Equipment	(1,709,871)	(458,700)	-	(2,168,571)
Total Accumulated Depreciation	(2,576,302)	(543,888)	-	(3,120,190)
Total Capital Assets, Being Depreciated, Net	4,939,203	(543,888)	-	4,395,315
Municipal Transit Enterprise Fund Capital Assets, Net	<u>\$ 5,135,309</u>	<u>\$ (543,888)</u>	<u>\$ -</u>	<u>\$ 4,591,421</u>

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance at July 1, 2020	Additions	Deletions/ Transfers	Balance at June 30, 2021
<u>Sewer Service Enterprise Fund</u>				
Capital Assets, not Depreciated:				
Construction in Progress	\$ 194,129	\$ 3,069,091	\$ -	\$ 3,263,220
Total Capital Assets, not Depreciated	194,129	3,069,091	-	3,263,220
Capital Assets, Being Depreciated:				
Buildings and Improvements	28,042	-	-	28,042
Office Equipment and Machinery	721,374	16,152	-	737,526
Furniture and Fixtures	53,015	-	-	53,015
Equipment, Machinery, and Tools	772,220	-	-	772,220
Automotive Equipment	1,515,511	-	-	1,515,511
Sewer Plant and Lines	55,274,044	-	-	55,274,044
Capacity Rights	33,891,251	1,725,542	-	35,616,793
Total Capital Assets, Being Depreciated	92,255,457	1,741,694	-	93,997,151
Less Accumulated Depreciation for:				
Buildings and Improvements	(28,042)	-	-	(28,042)
Office Equipment and Machinery	(515,716)	(30,193)	-	(545,909)
Furniture and Fixtures	(16,835)	(2,721)	-	(19,556)
Equipment, Machinery, and Tools	(340,506)	(50,362)	-	(390,868)
Automotive Equipment	(1,119,327)	(108,873)	-	(1,228,200)
Sewer Plant and Lines	(23,340,027)	(1,051,049)	-	(24,391,076)
Capacity Rights	(24,999,523)	(673,881)	-	(25,673,404)
Total Accumulated Depreciation	(50,359,976)	(1,917,079)	-	(52,277,055)
Total Capital Assets, Being Depreciated, Net	41,895,481	(175,385)	-	41,720,096
Sewer Service Enterprise Fund Capital Assets, Net	<u>\$ 42,089,610</u>	<u>\$ 2,893,706</u>	<u>\$ -</u>	<u>\$ 44,983,316</u>

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance at July 1, 2020	Additions	Deletions/ Transfers	Balance at June 30, 2021
<u>Total Business-Type Activities</u>				
Capital Assets, not Depreciated:				
Land	\$ 196,106	\$ -	\$ -	\$ 196,106
Construction in Progress	194,129	3,069,091	-	3,263,220
Total Capital Assets, not Depreciated	390,235	3,069,091	-	3,459,326
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,976,435	-	-	1,976,435
Office Equipment and Machinery	721,374	16,152	-	737,526
Furniture and Fixtures	54,515	-	-	54,515
Equipment, Machinery, and Tools	1,019,249	-	-	1,019,249
Automotive Equipment	6,834,094	-	-	6,834,094
Sewer Plant and Lines	55,274,044	-	-	55,274,044
Capacity Rights	33,891,251	1,725,542	-	35,616,793
Total Capital Assets, Being Depreciated	99,770,962	1,741,694	-	101,512,656
Less Accumulated Depreciation for:				
Buildings and Improvements	(844,571)	(62,868)	-	(907,439)
Office Equipment and Machinery	(515,716)	(30,193)	-	(545,909)
Furniture and Fixtures	(16,835)	(2,721)	-	(19,556)
Equipment, Machinery, and Tools	(390,408)	(72,682)	-	(463,090)
Automotive Equipment	(2,829,198)	(567,573)	-	(3,396,771)
Sewer Plant and Lines	(23,340,027)	(1,051,049)	-	(24,391,076)
Capacity Rights	(24,999,523)	(673,881)	-	(25,673,404)
Total Accumulated Depreciation	(52,936,278)	(2,460,967)	-	(55,397,245)
Total Capital Assets, Being Depreciated, Net	46,834,684	(719,273)	-	46,115,411
Business-Type Activities				
Capital Assets, Net	<u>\$ 47,224,919</u>	<u>\$ 2,349,818</u>	<u>\$ -</u>	<u>\$ 49,574,737</u>

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

General Government	\$ 353,960
Community Development	93,816
Public Safety	1,144,533
Public Works	6,389,521
Recreation and Social Services	<u>679,986</u>
Total	<u><u>\$ 8,661,816</u></u>

Depreciation expense was charged to the following functions of business-type activities in the statement of activities:

Municipal Transit	\$ 543,888
Sewer Service	<u>1,917,079</u>
Total	<u><u>\$ 2,460,967</u></u>

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 CONSTRUCTION COMMITMENTS

As of June 30, 2021, contract commitments for major capital projects included the following:

Description	Project Contract	Expenditures to Date	Unexpended Balance
South Coast Highway Sidewalk Design	\$ 1,960,000	\$ 1,784,984	\$ 175,016
Riddle Field Park Renovation	672,400	106,827	565,573
Jasmine St Storm Drain Design	1,370,600	211,671	1,158,929
Oriole Dr Storm Drain	100,000	22,718	77,282
Pearl Street Beach Access	1,831,775	1,794,533	37,242
Bluebird Cyn Ret Wall Install	50,000	39,247	10,753
Moss St Beach Access	250,000	111,141	138,859
Storm Drain-Bonita Way	100,000	40,790	59,210
Retaining Wall-Bluebird Cyn	100,000	4,493	95,507
Summit Dr Drain Construction	715,500	63,000	652,500
LCR Master Plan Utility Undergrounding	3,040,100	849,868	2,190,232
Alisos Av Storm Drain Constr.	200,000	100,745	99,255
Anita Beach Stairs Replacement	700,000	79,761	620,239
Slope Repair-862 Summit Dr	494,250	242,272	251,978
Storm Drain-Bolsa Way/St. Ann's	150,000	87,502	62,499
Ramona Alley Dec Paving	100,000	77,647	22,353
Tenant Improv-City Bldg	600,000	370,817	229,183
Repl Lights Riddle/Irvine Bowl	80,000	40,874	39,126
Parks Rehabilitation-Moulton, Alta, Lang	3,536,900	1,785,214	1,751,686
Downtown Bike Racks	17,200	2,586	14,614
Main Beach Park Renovation	100,000	24,034	75,966
Citywide Storm Damage Slope St	200,000	18,994	181,006
Bluebird Cyn Rehab Project	300,000	189,173	110,827
DeWitt Property Habitat Restoration	625,000	613,470	11,530
Zone 2 Street Slurry Seal/Reha	410,000	22,194	387,806
Citywide Guard Rail Repairs	100,000	1,472	98,528
Drainage -Bent St Improv	100,000	2,523	97,477
TOW, Hobo Cyn & HS Sidewalk	350,000	273,235	76,765
Zone1 Street Slurry Seal/Rehab	471,400	166,157	305,243
Total	<u>\$ 18,725,125</u>	<u>\$ 9,127,941</u>	<u>\$ 9,597,185</u>

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 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 12 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 \$3,000,000 self-insured retention with a \$43,000,000 annual aggregate. The coverage for workers' compensation extends to a limit of \$2,000,000. 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.

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 \$7,919,533 is reported in the Insurance and Employee Benefits Internal Service Fund, at June 30, 2021. Changes in the Insurance and Employee Benefits Internal Service Fund's claims liability amounts in fiscal years 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Beginning of Year Liability	\$ 7,594,061	\$ 7,614,963
Current Year Claims as Changes in Estimates	2,769,393	2,205,172
Claims Payments	<u>(2,443,921)</u>	<u>(2,226,074)</u>
Insurance Claims Payable	<u>\$ 7,919,533</u>	<u>\$ 7,594,061</u>

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.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 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 and 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. As of June 30, 2021, special assessment debt outstanding was:

District	Principal Outstanding June 30, 2021
AD 09-1	\$ 3,335,000
RAD 12-1	420,000
AD 13-1	382,764
AD 13-6	175,000
RAD 14-3	440,811
AD 15-2	119,000
AD 14-2	592,000
Total	\$ 5,464,575

NOTE 8 OTHER EMPLOYEE BENEFITS

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 makes no contributions to the plan and 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, 2021, the deferred compensation assets are not reflected in the City's financial statement.

Defined Contribution Plan

The City has established a defined contribution plan administered through a private administrator known as Public Agency Retirement System ("PARS") for all of its part-time employees, pursuant to the requirements of section 11332 of the Social Security Act. All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, and the City matches the employees' contributions of 3.75%. The City's contributions for each employee are fully vested immediately. For the year ended June 30, 2021, the City's covered payroll for employees participating in the plan was \$2,362,667. Employees made contributions of \$88,600 (3.75% of current covered payroll), which was matched by the employer in the same amount. Assets of the plan totaled \$1,558,730.63 at June 30, 2021.

CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 OPERATING LEASE

The City rents a community center, Legion Hall, under an operating lease that extends through January 31, 2023. Total expenditures under this lease were \$32,547 for the year ended June 30, 2021. The minimum future rental payments under this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 33,035
2023	33,530
Total	<u>\$ 66,565</u>

NOTE 10 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, 2021:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Governmental Activities:						
Compensated Absences	\$ 4,191,579	\$ 2,983,127	\$ (2,794,807)	\$ 4,379,899	\$ 875,980	\$ 3,503,919
Insurance Claims Payable	7,594,061	2,769,393	(2,443,921)	7,919,533	2,375,860	5,543,673
Total Governmental Activities	<u>\$ 11,785,640</u>	<u>\$ 5,752,520</u>	<u>\$ (5,238,728)</u>	<u>\$ 12,299,432</u>	<u>\$ 3,251,840</u>	<u>\$ 9,047,592</u>
Business-Type Activities:						
Municipal Transit Fund:						
Capital Leases	\$ 1,472,606	\$ -	\$ (276,151)	\$ 1,196,455	\$ 282,627	\$ 913,828
Compensated Absences	21,242	2,767	(601)	23,408	4,681	18,727
Total Municipal Transit Fund	<u>1,493,848</u>	<u>2,767</u>	<u>(276,752)</u>	<u>1,219,863</u>	<u>287,308</u>	<u>932,555</u>
Sewer Service Fund:						
Compensated Absences	98,631	133,905	(129,576)	102,960	20,592	82,368
<i>Direct Borrowings:</i>						
I-Bank Installment Agreement	1,860,936	-	(446,610)	1,414,326	458,803	955,523
I-Bank Installment Agreement	3,846,763	-	(158,447)	3,688,316	163,834	3,524,482
I-Bank installment Agreement	4,456,000	-	(169,882)	4,286,118	175,743	4,110,375
Total Sewer Service Fund	<u>10,262,330</u>	<u>133,905</u>	<u>(904,515)</u>	<u>9,491,720</u>	<u>818,972</u>	<u>8,672,748</u>
Total Business-Type Activities	<u>\$ 11,756,178</u>	<u>\$ 136,672</u>	<u>\$ (1,181,267)</u>	<u>\$ 10,711,583</u>	<u>\$ 1,106,280</u>	<u>\$ 9,605,303</u>

For long-term liabilities, such as insurance claims payable and compensated absences, the general fund, municipal transit enterprise fund, sewer service enterprise fund, and internal service funds have been used in prior years to liquidate such amounts.

Capital Leases

The City entered into capital leases with Wells Fargo for the purchase of eight propane trolleys for a total of \$1,720,184. The trolleys serve as security for the required lease payments. Rental payments commence on August 31, 2019 and end on July 31, 2025 with monthly payments totaling \$25,616 and an annual interest rate of 2.32%. At the expiration of the lease term, the City may purchase the trolleys at a price equal to the then fair market value of the equipment or renew the lease for the then fair market rental value of the equipment. Should the lease be terminated early, a set fee, depending on the date of early termination, is required in addition to returning the trolleys.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 LONG-TERM LIABILITIES (CONTINUED)

Capital Leases (Continued)

Capital assets under these leases have a cost of \$1,720,184 and accumulated depreciation of \$215,039 as of June 30, 2021.

Future payment required under the capital leases are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2022	\$ 282,627	\$ 24,765	\$ 307,392
2023	289,254	18,138	307,392
2024	296,037	11,355	307,392
2025	302,979	4,413	307,392
2026	25,558	56	25,614
Total	<u>\$ 1,196,455</u>	<u>\$ 58,727</u>	<u>\$ 1,255,182</u>

I-Bank Installment Sale Agreement

The City entered into a 20-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% 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, 2021, 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, 2021, the outstanding principal amount was \$1,414,326. Total revenue available from the Sewer Service Fund for debt service is \$9,037,083 and total debt service, including interest, was \$491,318.

The annual payment amounts required to retire the Sales Agreement as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2022	\$ 458,803	\$ 32,348	\$ 491,151
2023	471,328	19,652	490,980
2024	484,195	6,609	490,804
Total	<u>\$ 1,414,326</u>	<u>\$ 58,609</u>	<u>\$ 1,472,935</u>

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 LONG-TERM LIABILITIES (CONTINUED)

I-Bank Installment Sale Agreement (Continued)

The City entered into a 20-year loan on June 1, 2018 from the I-Bank Installment Sale Agreement with the California Infrastructure and Economic Development Bank (CIEDB). The maximum loan amount is \$4,000,000 and will be utilized for the City's Sewer System Collection and Treatment Facility Rehabilitation and Replacements Project. The loan is secured by revenues generated by the Sewer Service Fund and bears interest at a rate of 3.40% per annum, including amounts that have not yet been disbursed. Additionally, there is an annual fee due on August 1 of each year equal to 0.30% of the outstanding principal. Repayment of the loan is payable solely from Sewer Service user charges. The revenues are pledged for the total debt service until the year 2038. As of June 30, 2021, \$1,639,446 of the loan proceeds were disbursed under the loan agreement, and accordingly, a receivable in the amount of \$2,360,554 is recorded in the Sewer Service Enterprise Fund. Interest is due semiannually on February 1 and August 1 and principal is due annually on August 1, which commenced on August 1, 2019.

The City is not permitted prepay all or a portion of the outstanding principal until June 1, 2028, which is ten years after the effective date. After the 10-year period, the prepayment amount is 102%, 101%, and 100% for the tenth year, eleventh year, and remaining years, respectively.

As of June 30, 2021, the outstanding principal amount was \$3,688,316. Total revenue available from the Sewer Service Fund for debt service is \$9,037,083 and total debt service, including interest, was \$286,543.

The annual payment amounts required to retire the Sales Agreement as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2022	\$ 163,834	\$ 122,618	\$ 286,452
2023	169,405	116,953	286,358
2024	175,164	11,095	186,259
2025	181,120	105,038	286,158
2026	187,278	98,775	286,053
2027 - 2031	1,036,344	392,223	1,428,567
2032 - 2036	1,224,916	200,444	1,425,360
2037 - 2039	550,255	18,865	569,120
Total	<u>\$ 3,688,316</u>	<u>\$ 1,066,011</u>	<u>\$ 4,754,327</u>

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 LONG-TERM LIABILITIES (CONTINUED)

I-Bank Installment Sale Agreement (Continued)

The City entered into a 20-year loan on June 5, 2019 from the I-Bank Installment Sale Agreement with the California Infrastructure and Economic Development Bank (CIEDB). The maximum loan amount is \$4,456,000 and will be utilized for the City's Coastal Treatment Plan Facility Improvements Project. The loan is secured by revenues generated by the Sewer Service Fund and bears interest at a rate of 3.45% per annum, including amounts that have not yet been disbursed. Additionally, there is an annual fee due on August 1 of each year equal to 0.30% of the outstanding principal. Repayment of the loan is payable solely from Sewer Service user charges. The revenues are pledged for the total debt service until the year 2039. As of June 30, 2021, \$1,414,412 of the loan proceeds were disbursed under the loan agreement, and accordingly, a receivable in the amount of \$3,041,588 is recorded in the Sewer Service Enterprise Fund. Interest is due semiannually on February 1 and August 1 and principal is due annually on August 1, which will commence on August 1, 2020.

The City is not permitted prepay all or a portion of the outstanding principal until June 5, 2029, which is ten years after the effective date. After the 10-year period, the prepayment amount is 102%, 101%, and 100% for the 10th year, 11th year, and remaining years, respectively.

As of June 30, 2021, the outstanding principal amount was \$4,286,118. Total revenue available from the Sewer Service Fund for debt service is \$9,037,083 and total debt service, including interest, was \$419,328.

The annual payment amounts required to retire the Sales Agreement as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2022	\$ 175,743	\$ 144,839	\$ 320,582
2023	181,807	138,672	320,479
2024	188,079	132,291	320,370
2025	194,568	125,691	320,259
2026	201,280	118,862	320,142
2027 - 2031	1,115,480	483,350	1,598,830
2032 - 2036	1,321,644	273,630	1,595,274
2037 - 2039	907,517	47,672	955,189
Total	<u>\$ 4,286,118</u>	<u>\$ 1,465,007</u>	<u>\$ 5,751,125</u>

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 OTHER POSTEMPLOYMENT BENEFIT PLAN

Plan Description

The City administers a single-employer defined benefit plan which provides medical and dental insurance benefits to eligible retirees and their dependents in accordance with various labor agreements. The City does not pay any of the cost of retiree health benefits; however, eligible retirees and their dependents are permitted to participate in the City's medical insurance plan until eligible for Medicare, typically at age 65. Once eligible, coverage under the City plan ceases. The medical plans consist of two Cigna options (HMO and PPO) and the dental benefits are provided through DeltaCare HMO and a self-insured Delta Dental PPO.

Employees who have completed at least three years of service with the City and have coverage immediately prior to retirement are eligible to retire and participate in the City's healthcare plans by paying premiums identical to those charged for the City's active employees. For employees hired on or after July 1, 2013 (January 1, 2014 for Police), the three year service requirement has been increased to ten years. Spouses and eligible dependent children of retirees may also be covered at the retiree's expense. All of the City's Memoranda of Understanding (MOU) specify the ability to elect self-paid retiree medical coverage, and this benefit has been extended to self-paid dental coverage as well.

While the City does not directly contribute toward the cost of premiums for retirees, the ability to obtain coverage at an active employee rate constitutes a significant economic benefit to the retirees, called an "implicit subsidy" under GASB 75. The inclusion of the retirees increases the City's overall health insurance rates.

The benefits and contribution requirements of the City and plan members are established and may be amended by City Council. The City has not established an irrevocable trust for the purpose of holding assets accumulated for plan benefits and funds the plan on a pay-as-you-go basis (i.e. as medical insurance premiums become due). For fiscal year 2020-2021, age-adjusted premium benefits paid by the City totaled \$305,136.

Employees Covered

As of the June 30, 2021 measurement date, membership consisted of the following:

Inactive Employees or Beneficiaries Currently Receiving Benefits	64
Active Employees	<u>270</u>
Total	<u><u>334</u></u>

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

Total OPEB Liability

The City's total OPEB liability of \$4,061,442 was measured as of June 30, 2021, was determined by an actuarial valuation as of July 1, 2020 rolled forward to June 30, 2021 using standard update procedures, and is included in the government-wide financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred Outflows - OPEB	<u>\$ 1,341,200</u>	<u>\$ 80,856</u>	<u>\$ 1,422,056</u>
Total OPEB Liability:			
Due Within One Year	\$ 287,744	\$ 17,392	\$ 305,136
Due in More than One Year	<u>3,542,689</u>	<u>213,617</u>	<u>3,756,306</u>
Total OPEB Liabilities	<u>\$ 3,830,433</u>	<u>\$ 231,009</u>	<u>\$ 4,061,442</u>

The general fund, municipal transit enterprise fund, and sewer service enterprise fund have been used in prior years to liquidate the total OPEB liability.

Actuarial Assumptions and Other Inputs

The total OPEB liability as of the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	1.92%
Inflation	2.75%
Projected Salary Increase	3.00%
Healthcare Cost Trend Rates	5.20% for 2021 through 2049; 5.00% for 2050 through 2064; and 4.00% for 2065 and later years
Mortality	(1)

- (1) Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

The discount rate utilized is based on whether the plan assets are projected to be sufficient to make future payments. Since there are no plan assets held in trust, the discount rate was based on a high-quality 20-year tax-exempt general obligation municipal bond yield or index rate. "High quality" is defined as being rated AA or higher (or an equivalent rating). The municipal bond rate utilized was 1.92% and was determined using the Fidelity AA Municipal Bond 20-Year High Grade rate index as of June 30, 2021.

Changes in Total OPEB Liability

The change in the total OPEB liability were as follows:

	Increase (Decrease) Total OPEB Liability
Balance at June 30, 2020 (Measurement Date)	\$ 3,122,463
Changes in the Year:	
Service Cost	189,348
Interest on the Total OPEB Liability	97,113
Differences Between Actual and Expected Experience	418,569
Changes in Assumptions	539,085
Benefit Payments	<u>(305,136)</u>
Net Changes	<u>938,979</u>
Balance at June 30, 2021 (Measurement Date)	<u>\$ 4,061,442</u>

Change of Assumptions

The discount rate was lowered from 2.45% to 1.92% and the inflation rate was lowered from 3.00% to 2.75% from June 30, 2020, to June 30, 2021, respectively. The healthcare trend rate for the June 30, 2020, was 5.80% for 2020 decreasing by decrements of 0.10% annually until the final rate of 5.00% in 2028 and later years. The healthcare trend rate for the June 30, 2021, was 5.20% for 2021 through 2049; 5.00% for 2050 through 2064 and 4.00% for 2065 and later years.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate for the Plan, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate:

	One Percent Decrease (0.92%)	Discount Rate (1.92%)	One Percent Increase (2.92%)
Total OPEB Liability	\$ 4,375,391	\$ 4,061,442	\$ 3,777,643

Sensitivity of the Total OPEB Liability to Changes in Medical Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using medical trend rates that are one-percentage point lower or one-percentage point higher:

	One Percent Decrease (4.20% Decreasing to 3.00%)	Healthcare Cost Trend Rates (5.20% Decreasing to 4.00%)	One Percent Increase (6.20% Decreasing to 5.00%)
Total OPEB Liability	\$ 3,686,133	\$ 4,061,442	\$ 4,500,976

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the City recognized OPEB expense of \$527,726. At June 30, 2021, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 702,876	\$ -
Change in Assumptions	719,180	-
Total	\$ 1,422,056	\$ -

The above amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 241,265
2023	241,265
2024	241,265
2025	241,265
2026	222,836
Thereafter	234,160

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 FUND BALANCES

Fund balances are classified as follows:

	General Fund*	Major Fund		Total
		Assessment Districts Capital Projects Fund	Nonmajor Governmental Funds	
Fund Balances:				
Nonspendable:				
Inventory	\$ 90,239	\$ -	\$ -	\$ 90,239
Prepays	4,144,006	-	2,388,177	6,532,183
Total Nonspendable	4,234,245	-	2,388,177	6,622,422
Restricted:				
Parking In-Lieu	970	-	-	970
Park In-Lieu	693,111	-	-	693,111
Art In-Lieu	206,878	-	-	206,878
Drainage	79,885	-	-	79,885
Housing In-Lieu	907,598	-	-	907,598
Transportation Infrastructure	2,597,328	-	-	2,597,328
Street Lighting District	-	-	6,934,122	6,934,122
Gas Tax	-	-	1,934,169	1,934,169
Public Safety	-	-	9,030	9,030
Assessment District Improvements	-	891,252	-	891,252
Total Restricted	4,485,770	891,252	8,877,321	14,254,343
Committed:				
Solid Waste	33,324	-	-	33,324
Measure LL	1,430,207	-	-	1,430,207
Repair of Public Facilities and Natural Disaster	6,661,647	-	-	6,661,647
Total Committed	8,125,178	-	-	8,125,178
Assigned:				
General Government	1,054,350	-	-	1,054,350
Public Safety	114,100	-	-	114,100
Public Works	180,740	-	-	180,740
Recreation and Social Services	19,900	-	-	19,900
Open Space	372,328	-	-	372,328
Parking Authority	9,196,425	-	-	9,196,425
Capital Projects	32,972,002	-	-	32,972,002
Total Assigned	43,909,845	-	-	43,909,845
Unassigned*	26,195,065	-	-	26,195,065
Total Fund Balance	\$ 86,950,103	\$ 891,252	\$ 11,265,498	\$ 99,106,853

* For financial statement reporting the City has included the following sub-funds 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, Capital Improvements, and Measure LL.

+ See footnote 1P for the General Fund Balance Reserve Policy.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13 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.

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, 2020, (the most recent information available), SOCWA had total assets and deferred outflows of resources of \$173,349,807, total liabilities and deferred inflows or resources of \$33,219,841, and total net position of \$140,129,966. A separate financial report may be obtained from the South Orange County Wastewater Authority, 34156 Del Obispo Street, Dana Point, California 92629.

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 \$2,363,187 and \$1,725,542 for its share of operating and capital costs, respectively, during the fiscal year.

Working in partnership with SOCWA, in prior years the City expanded capacity in certain treatment plants and constructed a pumping station. The City's participation in these projects has been capitalized through sewer plant and lines and capacity rights in the City's sewer funds.

NOTE 14 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, 2021 is presented below:

	Safety Plan	Miscellaneous Plan	Total
Deferred Outflows - Pensions	\$ 9,823,890	\$ 5,370,860	\$ 15,194,750
Net Pension Liability	(43,480,563)	(30,393,556)	(73,874,119)
Deferred Inflows - Pensions	(331,503)	(43,177)	(374,680)
Pension Expense	8,552,517	4,631,496	13,184,013

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension amounts are reported in the financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred Outflows - Pensions	\$ 14,468,840	\$ 725,910	\$ 15,194,750
Net Pension Liability	(70,344,877)	(3,529,242)	(73,874,119)
Deferred Inflows - Pensions	(356,780)	(17,900)	(374,680)

General Information about the Pension Plans

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.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least five years of services. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for nonduty disability benefits after five 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. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Public Employee's Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. These PEPRA members in pooled plans are reflected in the new Miscellaneous and Safety risk pools created by the CalPERS Board in response to the passage of PEPRA, beginning with the June 30, 2013, risk-pool valuations.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

The Plans' provisions and benefits in effect at the measurement date June 30, 2020, 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 Eligible Compensation	3.0%	3.0%	2.7%
Required Employee Contribution Rates	9%	9%	11.500%
Required Employer Contribution Rates:			
Normal Cost Rate	23.674%	21.746%	13.044%
Payment of Unfunded Liability	\$ 1,413,539	\$ 2,604	\$ 2,959
Employer Portion of Normal Cost	763,492	187,630	293,422
Total Contributions	<u>\$ 2,177,031</u>	<u>\$ 190,234</u>	<u>\$ 296,381</u>

	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 Eligible Compensation	3.0%	3.0%	2.7%
Required Employee Contribution Rates	9%	9%	11.500%
Required Employer Contribution Rates:			
Normal Cost Rate	23.674%	21.746%	13.044%
Payment of Unfunded Liability	\$ 1,158,216	\$ 5,665	\$ 3,368
Employer Portion of Normal Cost	878,567	191,181	138,252
	<u>\$ 2,036,783</u>	<u>\$ 196,846</u>	<u>\$ 141,620</u>

	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 Eligible Compensation	3.0%	N/A	2.7%
Required Employee Contribution Rates	9%	N/A	11.500%
Required Employer Contribution Rates:			
Normal Cost Rate	21.746%	N/A	13.044%
Payment of Unfunded Liability	\$ 115,727	N/A	\$ 1,443
Employer Portion of Normal Cost	117,499	N/A	65,066
	<u>\$ 233,226</u>	<u>\$ -</u>	<u>\$ 66,509</u>

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

Applies to:	Tier 1	Tier 2	Tier 3
	Police Safety employees hired on or before April 2, 2012, Fire Safety employees hired on or before October 3, 2011, and Lifeguard Safety employees hired before January 1, 2013	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))

	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	2.5%	2%
Required Employee Contribution Rates	8%	6.25%
Required Employer Contribution Rates		
Normal Cost Rate	11.574%	6.25%
Payment of Unfunded Liability	\$ 2,173,851	\$ -
Employer Portion of Normal Cost	1,083,950	648,046
Total Contributions	\$ 3,257,801	\$ 648,046

Employees Covered

As of the June 30, 2020, measurement date, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	Miscellaneous
Inactive Employees or Beneficiaries	
Currently Receiving Benefits	243
Inactive Employees Entitled to but not yet Receiving Benefits	182
Active Employees	171
Total	596

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

Contributions to the pension plans totaled \$5,338,630 for the Safety Plan and \$3,905,847 for the Miscellaneous Plan, including contributions by Safety Plans as follows, for the year ended June 30, 2021:

	Safety			
	Police	Fire	Lifeguard	Total
Contributions - Employer	\$ 2,663,646	\$ 2,375,249	\$ 299,735	\$ 5,338,630

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, 2021, the City 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 <hr style="border-top: 1px solid black;"/>
Safety Plan	<hr style="border-top: 1px solid black;"/> \$ 43,480,563 <hr style="border-top: 1px solid black;"/>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)**

Proportionate Share of Net Pension Liability - Safety Plan (Continued)

The City's proportionate share of the net pension liability for each Plan as of the measurement date ended June 30, 2019, and 2020, was as follows:

	<u>Safety</u>
Proportion - June 30, 2019	0.62871%
Proportion - June 30, 2020	0.65263%
Change - Increase (Decrease)	0.02392%

Actuarial Assumptions

The total pension liability was based on the following actuarial assumptions:

	Safety		
	Police	Fire	Lifeguard
Valuation Date	June 30, 2019	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method		
Actuarial Assumptions:			
Discount Rate	7.15%	7.15%	7.15%
Inflation	2.50%	2.50%	2.50%
Salary Increases	(1)	(1)	(1)
Mortality Rate Table	(2)	(2)	(2)
Post Retirement Benefit Increase	(3)	(3)	(3)

(1) Varies by entry age and service

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) The less of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)**

Actuarial Assumptions (Continued)

	Miscellaneous
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

- (1) Varies by entry age and service.
- (2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.
- (3) The less of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

Long-Term Expected Rate of Return

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

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

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)**

Long-Term Expected Rate of Return (Continued)

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

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

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

Discount Rate

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

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, 2020, using an annual actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, 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.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)**

Changes in the Net Pension Liability - Miscellaneous Plan (Continued)

The total Net Pension Liability for the City's Miscellaneous Plan, using the measurement date of June 30, 2020, was \$30,393,556. The changes in the Net Pension Liability for the Miscellaneous Plan follows:

Miscellaneous Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2019 (Measurement Date)	\$ 122,893,613	\$ 95,005,094	\$ 27,888,519
Changes in the Year:			
Service Cost	2,691,515	-	2,691,515
Interest on the Total Pension Liability	8,699,994	-	8,699,994
Differences Between Actual and Expected Experience	376,773	-	376,773
Contribution - Employer	-	3,565,155	(3,565,155)
Contribution - Employee	-	1,135,925	(1,135,925)
Net Investment Income	-	4,696,099	(4,696,099)
Administrative Expenses	-	(133,934)	133,934
Benefit Payments, Including Refunds of Employee Contributions	(5,875,794)	(5,875,794)	-
Net Changes	5,892,488	3,387,451	2,505,037
Balance at June 30, 2020 (Measurement Date)	\$ 128,786,101	\$ 98,392,545	\$ 30,393,556

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)**

Pension Expense and Deferred Outflows and Inflows of Resources

Safety Plan

For the year ended June 30, 2021, the City recognized pension expense of \$8,552,517 for the Safety Plan. At June 30, 2021, 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	\$ 5,338,630	\$ -
Differences Between Actual Contributions and Proportionate Share of Contributions and Changes in Proportions	168,547	(186,668)
Net Differences Between Projected and Actual Earnings on Plan Investments	945,016	-
Change in Assumptions	-	(144,835)
Differences Between Expected and Actual Experience	3,371,697	-
Total	\$ 9,823,890	\$ (331,503)

The amount of \$5,338,630, reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 1,106,766
2023	1,516,260
2024	1,057,224
2025	473,507
2026	-
Thereafter	-

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)**

Pension Expense and Deferred Outflows and Inflows of Resources (Continued)

Miscellaneous Plan

For the year ended June 30, 2021, the City recognized pension expense of \$4,631,496 for the Miscellaneous Plan. At June 30, 2021, 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	\$ 3,905,847	\$ -
Change in Assumptions	-	(43,177)
Differences Between Expected and Actual Experience	640,015	-
Net Differences Between Projected and Actual Earnings on Plan Investments	824,998	-
Total	\$ 5,370,860	\$ (43,177)

The amount of \$3,905,847, reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2022	\$ 61,266
2023	450,000
2024	502,906
2025	407,664
2026	-
Thereafter	-

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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 one-percentage point lower or one-percentage point higher than the current rate:

	One Percent Decrease (6.15%)	Current Discount Rate (7.15%)	One Percent Increase (8.15%)
Safety Plan's Proportionate Share of Collective Net Pension Liability	\$ 66,575,671	\$ 43,480,563	\$ 24,528,842
Miscellaneous Plan's Net Pension Liability	46,700,455	30,393,556	16,840,470

Pension Plan Fiduciary Net Position

Detailed information about each pension plans' fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

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

NOTE 15 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 nonprofit 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 payments to be received by the City will be an amount equal to 3.5% 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% of the gross revenues described above, which the Festival of Arts deposits in a fund they maintain. The money they deposit in this 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 \$15,779,516 with a cost of \$19,399,882 and accumulated depreciation of \$3,620,366. These assets are recorded in the capital assets of the City of Laguna Beach.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 15 SIGNIFICANT OPERATING LEASE FOR WHICH THE CITY IS LESSOR (CONTINUED)

The assets include buildings and improvements contributed from the lessee in fiscal year 2016-2017 and 2017-2018 totaling \$4,130,872 and \$14,235,142, respectively. 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 \$1,971.

NOTE 16 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		\$	1,896,847
Less: Depreciation			<u>(543,888)</u>
Net Operating Costs			1,352,959
50% Limitation			676,480

TDA Financial Need Limitation:

Total Operating Costs			1,896,847
Depreciation	\$	(543,888)	
Passenger Revenues		(1,626)	
Project "V" Grant		(14,469)	
Park and Ride		<u>(9,043)</u>	<u>(569,026)</u>
Financial Need			<u>1,327,821</u>
Lesser of "Financial Need" or "50% Limitation"		\$	<u>676,480</u>

TDA Allocation 662,282

Under (Over) Allocation 14,198

For the year ended June 30, 2021, the City recognized \$662,282 of revenues pursuant to the TDA requirements, which was more than the limit of \$538,404. This was caused by the decreased utilization of transit from the pandemic. This amount, along with \$569,026 of other grant revenues, is reflected within Intergovernmental revenues in the Municipal Transit Enterprise Fund.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 17 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 purchase of three such properties in the amount of \$1,743,653 and two loans to these respective employees. The outstanding balance of the loans was \$456,502, for the year ended June 30, 2021. The balances of the loans are reported as part of Notes Receivables in the Street Lighting District Special Revenue Fund (Nonmajor Governmental Fund) and the Internal Service Funds.

NOTE 18 CONTINGENCIES

COVID-19

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

The City's operations are heavily dependent on the ability to raise sales taxes, property taxes and transient occupancy taxes and assess business licenses, developer fees and construction permits. Additionally, access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued adverse impact on economic and market conditions, triggering a period of global economic slowdown. The outbreak could also have other potential impacts, including disruptions or restrictions on employees' ability to work. As such, this may hinder the liability for the City to meet the needs of its constituents. The City cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time.

**CITY OF LAGUNA BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 19 RESTATEMENT

	Governmental Activities Total
Net position at July 1, 2020, as originally reported	\$ 350,320,917
Implementation of GASB Statement No. 84, <i>Fiduciary Activities</i> , to move the previously reported Deposits fiduciary fund to the General Fund since this fund no longer meets the definition of a fiduciary activity.	(37,483)
Net position at July 1, 2020, as restated	\$ 350,283,434

	General Fund
Fund balance at July 1, 2020, as originally reported	\$ 69,132,644
Reclassification of the formerly classified Disaster Contingency Special Revenue Fund as a fund of the General Fund since this fund holds amounts committed by City Council that are not legally restricted	6,571,876
Implementation of GASB Statement No. 84, <i>Fiduciary Activities</i> , to move the previously reported Deposits fiduciary fund to the General Fund since this fund no longer meets the definition of a fiduciary activity.	(37,483)
Fund balance at July 1, 2020, as restated	\$ 75,667,037

Prior to the implement of GASB 84, it was not permissible to show net position in a custodial fund. Due to the implementation of GASB 84, *Fiduciary Activities*, the custodial funds now show a beginning equity of \$1,460,151.

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF LAGUNA BEACH
SAFETY PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS***

Fiscal Year Ended	2021	2020
Measurement Period	June 30, 2020	June 30, 2019
Plan's Proportion of the Net Pension Liability	0.65263%	0.62871%
Plan's Proportionate Share of the Net Pension Liability	\$ 43,480,563	\$ 39,247,379
Plan's Covered Payroll	\$ 12,906,341	\$ 12,246,434
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	336.89%	320.48%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.43%	75.26%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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

There were no changes in assumptions.

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

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

From fiscal year June 30, 2018 to June 30, 2021:

There were no significant changes in assumptions.

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

**CITY OF LAGUNA BEACH
SAFETY PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)
LAST TEN FISCAL YEARS***

Fiscal Year Ended	2019	2018	2017	2016	2015
Measurement Period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's Proportion of the Net Pension Liability	0.62522%	0.62430%	0.64676%	0.64916%	0.61018%
Plan's Proportionate Share of the Net Pension Liability	\$ 36,684,879	\$ 37,303,403	\$ 33,497,317	\$ 26,748,099	\$ 22,887,604
Plan's Covered Payroll	\$ 11,419,674	\$ 10,671,505	\$ 9,912,852	\$ 9,480,126	\$ 9,282,035
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	321.24%	349.56%	337.92%	282.15%	246.58%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	73.31%	74.06%	78.40%	79.82%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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

There were no changes in assumptions.

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

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

From fiscal year June 30, 2018 to June 30, 2021:

There were no significant changes in assumptions.

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

See accompanying Notes to Required Supplementary Information.

**CITY OF LAGUNA BEACH
SAFETY PLAN
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS***

	<u>2021</u>	<u>2020</u>
Contractually Required Contribution (Actuarially Determined)	\$ 5,338,630	\$ 5,013,694
Contributions in Relation to the Actuarially Determined Contributions	<u>(5,338,630)</u>	<u>(5,013,694)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 12,449,028	\$ 12,906,341
Contributions as a Percentage of Covered Payroll	42.88%	38.85%

Notes to Schedule:

Valuation Date	6/30/2018	6/30/2017
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value
Inflation	2.500%	2.625%
Salary Increases	(2)	(2)
Investment Rate of Return	7.00% (3)	7.25% (3)
Retirement Age	(4)	(4)
Mortality	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) 50 years (3%@50), 55 years (3%@55), and 57 years (2.7%@57)**
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

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

**CITY OF LAGUNA BEACH
SAFETY PLAN
SCHEDULE OF CONTRIBUTIONS (CONTINUED)
LAST TEN FISCAL YEARS***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 4,386,904	\$ 3,597,721	\$ 3,244,259	\$ 1,875,636	\$ 2,538,981
Contributions in Relation to the Actuarially Determined Contributions	<u>(5,107,904)</u>	<u>(4,639,721)</u>	<u>(4,445,511)</u>	<u>(4,132,300)</u>	<u>(2,538,981)</u>
Contribution Deficiency (Excess)	<u>\$ (721,000)</u>	<u>\$ (1,042,000)</u>	<u>\$ (1,201,252)</u>	<u>\$ (2,256,664)</u>	<u>\$ -</u>
Covered Payroll	\$ 12,246,434	\$ 11,419,674	\$ 10,671,505	\$ 9,912,852	\$ 9,480,126
Contributions as a Percentage of Covered Payroll	41.71%	40.63%	41.66%	41.69%	26.78%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) 50 years (3%@50), 55 years (3%@55), and 57 years (2.7%@57)**
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

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

**CITY OF LAGUNA BEACH
MISCELLANEOUS PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS***

Fiscal Year Ended Measurement Period	2021 June 30, 2020	2020 June 30, 2019
Total Pension Liability:		
Service Cost	\$ 2,691,515	\$ 2,730,589
Interest on Total Pension Liability	8,699,994	8,297,037
Differences Between Actual and Expected Experience	376,773	1,028,702
Changes in Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(5,875,794)	(5,622,361)
Net Change in Total Pension Liability	5,892,488	6,433,967
Total Pension Liability - Beginning of Year	122,893,613	116,459,646
Total Pension Liability - End of Year (a)	\$ 128,786,101	\$ 122,893,613
Plan Fiduciary Net Position:		
Contributions - Employer	\$ 3,565,155	\$ 3,916,164
Contributions - Employee	1,135,925	1,259,992
Net Investment Income	4,696,099	5,900,000
Administrative Expenses	(133,934)	(63,743)
Benefit Payments	(5,875,794)	(5,622,361)
Net Change in Plan Fiduciary Net Position	3,387,451	5,390,052
Plan Fiduciary Net Position - Beginning of Year	95,005,094	89,615,042
Plan Fiduciary Net Position - End of Year (b)	\$ 98,392,545	\$ 95,005,094
Net Pension Liability - Ending (a) - (b)	\$ 30,393,556	\$ 27,888,519
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.40%	77.31%
Covered Payroll	\$ 14,862,746	\$ 14,419,732
Net Pension Liability as a Percentage of Covered Payroll	204.49%	193.41%

Notes to Schedule:

Benefit Changes: There were no changes in benefits.

Changes in Assumptions:

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

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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

There were no changes in assumptions.

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

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

From fiscal year June 30, 2018 to June 30, 2021:

There were no significant changes in assumptions.

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

See accompanying Notes to Required Supplementary Information.

**CITY OF LAGUNA BEACH
MISCELLANEOUS PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED
RATIOS (CONTINUED)
LAST TEN FISCAL YEARS***

Fiscal Year Ended Measurement Period	2019 <u>June 30, 2018</u>	2018 <u>June 30, 2017</u>	2017 <u>June 30, 2016</u>	2016 <u>June 30, 2015</u>	2015 <u>June 30, 2014</u>
Total Pension Liability:					
Service Cost	\$ 2,510,806	\$ 2,418,551	\$ 2,020,384	\$ 1,936,830	\$ 2,113,319
Interest on Total Pension Liability	7,862,058	7,557,389	7,292,385	6,979,652	6,610,117
Differences Between Actual and Expected Experience	118,415	(323,188)	(439,090)	61,932	-
Changes in Assumptions	(690,837)	6,050,977	-	(1,636,454)	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(5,233,328)</u>	<u>(5,143,766)</u>	<u>(4,590,588)</u>	<u>(4,271,862)</u>	<u>(3,644,602)</u>
Net Change in Total Pension Liability	4,567,114	10,559,963	4,283,091	3,070,098	5,078,834
Total Pension Liability - Beginning of Year	<u>111,892,532</u>	<u>101,332,569</u>	<u>97,049,478</u>	<u>93,979,380</u>	<u>88,900,546</u>
Total Pension Liability - End of Year (a)	<u>\$ 116,459,646</u>	<u>\$ 111,892,532</u>	<u>\$ 101,332,569</u>	<u>\$ 97,049,478</u>	<u>\$ 93,979,380</u>
Plan Fiduciary Net Position:					
Contributions - Employer	\$ 3,774,012	\$ 3,865,941	\$ 3,733,571	\$ 3,457,700	\$ 2,011,915
Contributions - Employee	1,091,222	1,011,086	1,051,923	943,694	1,240,843
Net Investment Income	7,082,777	8,459,926	405,106	1,666,511	11,013,027
Administrative Expenses	(376,408)	(111,020)	(45,489)	(84,037)	(83,334)
Benefit Payments	<u>(5,233,328)</u>	<u>(5,143,766)</u>	<u>(4,590,588)</u>	<u>(4,271,862)</u>	<u>(3,644,602)</u>
Net Change in Plan Fiduciary Net Position	6,338,275	8,082,167	554,523	1,712,006	10,537,849
Plan Fiduciary Net Position - Beginning of Year	<u>83,276,767</u>	<u>75,194,600</u>	<u>74,640,077</u>	<u>72,928,071</u>	<u>62,390,222</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 89,615,042</u>	<u>\$ 83,276,767</u>	<u>\$ 75,194,600</u>	<u>\$ 74,640,077</u>	<u>\$ 72,928,071</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 26,844,604</u>	<u>\$ 28,615,765</u>	<u>\$ 26,137,969</u>	<u>\$ 22,409,401</u>	<u>\$ 21,051,309</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.95%	74.43%	74.21%	76.91%	77.60%
Covered Payroll	\$ 12,558,017	\$ 13,297,509	\$ 12,379,800	\$ 11,499,996	\$ 12,031,399
Net Pension Liability as a Percentage of Covered Payroll	213.76%	215.20%	211.13%	194.86%	174.97%

Notes to Schedule:

Benefit Changes: There were no changes in benefits.

Changes in Assumptions:

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

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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

There were no changes in assumptions.

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

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

From fiscal year June 30, 2018 to June 30, 2021:

There were no significant changes in assumptions.

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

See accompanying Notes to Required Supplementary Information.

**CITY OF LAGUNA BEACH
MISCELLANEOUS PLAN
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS***

	<u>2021</u>	<u>2020</u>
Contractually Required Contribution (Actuarially Determined)	\$ 3,905,847	\$ 3,565,431
Contributions in Relation to the Actuarially Determined Contributions	<u>(3,905,847)</u>	<u>(3,565,431)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 14,762,620	\$ 14,862,746
Contributions as a Percentage of Covered Payroll	26.46%	23.99%

Notes to Schedule:

Valuation Date	6/30/2018	6/30/2017
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value
Inflation	2.500%	2.625%
Salary Increases	(2)	(2)
Investment Rate of Return	7.00% (3)	7.25% (3)
Retirement Age	(4)	(4)
Mortality	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) 50 years (3%@50), 55 years (3%@55), and 57 years (2.7%@57)**
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

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

See accompanying Notes to Required Supplementary Information.

**CITY OF LAGUNA BEACH
MISCELLANEOUS PLAN
SCHEDULE OF CONTRIBUTIONS (CONTINUED)
LAST TEN FISCAL YEARS***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 3,217,470	\$ 2,767,304	\$ 2,665,941	\$ 2,337,304	\$ 2,057,700
Contributions in Relation to the Actuarially Determined Contributions	<u>(3,907,470)</u>	<u>(3,767,304)</u>	<u>(3,865,941)</u>	<u>(3,737,304)</u>	<u>(3,457,700)</u>
Contribution Deficiency (Excess)	<u>\$ (690,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ (1,200,000)</u>	<u>\$ (1,400,000)</u>	<u>\$ (1,400,000)</u>
Covered Payroll	\$ 14,419,732	\$ 12,558,017	\$ 13,297,509	\$ 12,379,800	\$ 11,499,996
Contributions as a Percentage of Covered Payroll	27.10%	30.00%	29.07%	30.19%	30.07%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed
(2) Depending on age, service, and type of employment
(3) Net of pension plan investment expense, including inflation
(4) 50 years (3%@50), 55 years (3%@55), and 57 years (2.7%@57)**
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

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

See accompanying Notes to Required Supplementary Information.

**CITY OF LAGUNA BEACH
OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS***

Fiscal year ended	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Measurement date	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Total OPEB Liability:				
Service cost	\$ 189,348	\$ 132,120	\$ 121,627	\$ 72,904
Interest	97,113	91,200	93,555	72,208
Changes of assumptions	539,085	197,388	169,739	-
Differences between expected and actual experience	418,569	-	549,200	-
Benefit payments, including refunds of employee contributions	<u>(305,136)</u>	<u>(158,527)</u>	<u>(133,701)</u>	<u>(158,500)</u>
Net Change in Total OPEB Liability	938,979	262,181	800,420	(13,388)
Total OPEB Liability - Beginning of Year	<u>3,122,463</u>	<u>2,860,282</u>	<u>2,059,862</u>	<u>2,073,250</u>
Total OPEB Liability - End of Year (a)	<u>\$ 4,061,442</u>	<u>\$ 3,122,463</u>	<u>\$ 2,860,282</u>	<u>\$ 2,059,862</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.00%	 0.00%	 0.00%	 0.00%
 Covered-employee payroll	 \$ 30,826,492	 \$ 32,214,300	 \$ 31,151,981	 \$ 29,131,464
 Total OPEB liability as percentage of covered-employee payroll	 13.18%	 9.69%	 9.18%	 7.07%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

June 30, 2018 to June 30, 2019:

The discount rate was lowered from 3.62% to 3.13% from June 30, 2018 to June 30, 2019. The inflation rate was lowered from 4.00% to 3.00% from June 30, 2018 to June 30, 2019. The healthcare trend rate for June 30, 2018 was 6% decreasing to 5% in 2017 and later years. The healthcare trend rate for the June 30, 2019 was 5.9% for 2019 decreasing by decrements of 0.10% annually until the final rate of 5.00% in 2028 and later years.

June 30, 2019 to June 30, 2020:

The discount rate was lowered from 3.13% to 2.45% from June 30, 2019 to June 30, 2020.

June 30, 2020 to June 30, 2021:

The discount rate was lowered from 2.45% to 1.92% from June 30, 2020 to June 30, 2021. The inflation rate was lowered from 3.00% to 2.75% from June 30, 2020 to June 30, 2021. The healthcare trend rate for the June 30, 2020 was 5.80% for 2020 decreasing by decrements of 0.10% annually until the final rate of 5.00% in 2028 and later years. The healthcare trend rate for the June 30, 2021 was 5.20% for 2021 through 2049; 5.00% for 2050 through 2064 and 4.00% for 2065 and later years.

* Fiscal year 2018 was the first year of implementation; therefore, only four years are shown.

See accompanying Notes to Required Supplementary Information.

**CITY OF LAGUNA BEACH
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property Taxes	\$ 40,927,000	\$ 41,134,000	\$ 42,191,474	\$ 1,057,474
Sales and Use Taxes	4,280,000	4,780,000	5,579,441	799,441
Transient Lodging Taxes	4,655,000	6,705,000	8,661,773	1,956,773
Franchise Taxes	1,250,000	1,250,000	1,252,083	2,083
Business License Taxes	750,000	850,000	1,111,145	261,145
Total Taxes	<u>51,862,000</u>	<u>54,719,000</u>	<u>58,795,916</u>	<u>4,076,916</u>
Licenses and Permits:				
Construction Permits	1,093,000	1,386,000	1,432,755	46,755
Other	29,000	30,000	35,354	5,354
Total Licenses and Permits	<u>1,122,000</u>	<u>1,416,000</u>	<u>1,468,109</u>	<u>52,109</u>
Fines and Penalties	16,000	16,000	5,500	(10,500)
Investment Income, Net	1,325,000	1,325,000	(50,918)	(1,375,918)
Rental	187,000	187,000	224,649	37,649
Intergovernmental	1,609,300	4,239,950	3,671,428	(568,522)
Charges for Services:				
Planning and Zoning Fees	1,338,000	1,631,000	1,810,865	179,865
Building Department Fees	308,000	364,000	464,855	100,855
Refuse Service Charges	2,307,000	2,307,000	2,296,960	(10,040)
Medical Fees	106,000	106,000	4,024	(101,976)
Parks and Recreation Fees	2,437,000	2,383,000	3,373,735	990,735
Other	429,000	440,000	569,006	129,006
Total Charges for Services	<u>6,925,000</u>	<u>7,231,000</u>	<u>8,519,445</u>	<u>1,288,445</u>
Parking Meters, Lots, and Permits	500	500	379	(121)
Other:				
Reimbursed Expenditures	345,000	345,000	196,736	(148,264)
Miscellaneous	54,000	101,000	206,169	105,169
Total Other	<u>399,000</u>	<u>446,000</u>	<u>402,905</u>	<u>(43,095)</u>
Total Revenues	63,445,800	69,580,450	73,037,413	3,456,963

See accompanying Notes to Required Supplementary Information.

**CITY OF LAGUNA BEACH
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES:				
Current:				
General government:				
City Council	\$ 122,900	\$ 127,900	\$ 113,204	\$ 14,696
City Manager	905,400	905,400	901,366	4,034
City Clerk	447,600	447,600	425,328	22,272
City Treasurer	175,200	175,200	174,128	1,072
City Attorney	800,000	900,000	796,130	103,870
Administrative Services	3,561,300	9,649,765	6,013,570	3,636,195
Total General Government	<u>6,012,400</u>	<u>12,205,865</u>	<u>8,423,726</u>	<u>3,782,139</u>
Community Development	5,965,700	7,182,900	6,281,743	901,157
Public Safety:				
Police Protection	18,625,100	21,538,000	19,488,263	2,049,737
Fire Protection	13,123,500	21,207,550	15,376,780	5,830,770
Marine Safety	3,495,700	3,516,700	3,487,004	29,696
Total Public Safety	<u>35,244,300</u>	<u>46,262,250</u>	<u>38,352,047</u>	<u>7,910,203</u>
Public Works	15,457,600	17,074,700	14,933,938	2,140,762
Recreation and Social Services	1,800,800	3,715,000	3,102,056	612,944
Capital Outlay	<u>525,000</u>	<u>1,525,500</u>	<u>840,272</u>	<u>685,228</u>
Total Expenditures	<u>65,005,800</u>	<u>87,966,215</u>	<u>71,933,782</u>	<u>16,032,433</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,560,000)	(18,385,765)	1,103,631	19,489,396
OTHER FINANCING SOURCES (USES)				
Transfers In	-	1,696,750	1,696,750	-
Transfers Out	-	(135,250)	(575,781)	(440,531)
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,561,500</u>	<u>1,120,969</u>	<u>(440,531)</u>
NET CHANGE IN FUND BALANCE	(1,560,000)	(16,824,265)	2,224,600	19,048,865
Fund Balance - Beginning of Year	<u>27,379,074</u>	<u>27,379,074</u>	<u>27,379,074</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 25,819,074</u>	<u>\$ 10,554,809</u>	<u>\$ 29,603,674</u>	<u>\$ 19,048,865</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF LAGUNA BEACH
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2021**

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 Balance - Budget and Actual	\$ 73,037,413
Revenues of the funds below are not inflows of budgetary resources in the General Fund's legally adopted budget, but are revenues of the General Fund for financial reporting purposes:	
Measure LL Fund	2,541,475
Capital Improvement Fund	6,561,387
Parking Authority Fund	7,740,180
Parking In-Lieu Fund	13
Park In-Lieu Fund	9,340
Art In-Lieu Fund	32,879
Drainage Fund	1,077
Housing In-Lieu Fund	87,169
Transportation Infrastructure Fund	2,521,525
Deposits Fund	95,177
Disaster Contingency Fund	89,771
Total Revenues from the Financial Statements	\$ 92,717,406
Transfers In from Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	\$ 1,696,750
Transfers In of the funds below are not inflows of budgetary resources in the General Fund's legally adopted budget, but are transfers amongst the General Fund and General Fund Sub-Funds for financial reporting purposes:	
Elimination of Transfers In Within General Fund in Accordance with GASB 54 Consolidation	(960,250)
Total Transfers In from Financial Statements	\$ 736,500

See accompanying Notes to Required Supplementary Information.

**CITY OF LAGUNA BEACH
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2021**

	General Fund
Expenditures and Other Financing Uses	
Expenditures from Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	\$ 71,933,782
Expenditures of the funds below are not outflows of budgetary resources in the General Fund's legally adopted budget, but are expenditures of the General Fund for financial reporting purposes:	
Measure LL Fund	1,699,056
Open Space Fund	59,459
Capital Improvement Fund	4,371,388
Parking Authority Fund	3,094,977
Art In-Lieu Fund	193,167
Housing In-Lieu Fund	9,836
Deposit Fund	68,644
Total Expenditures from Financial Statements	\$ 81,430,309
Transfers Out from Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	\$ 575,781
Transfers Out of the funds below are not outflows of budgetary resources in the General Fund's legally adopted budget, but are transfers amongst the General Fund and General Fund Sub-Funds for financial reporting purposes:	
Measure LL Fund	300,000
Parking Authority Fund	825,000
Elimination of Transfers Out Within General Fund in Accordance with GASB 54 Consolidation	(960,250)
Total Transfers Out from Financial Statements	\$ 740,531

See accompanying Notes to Required Supplementary Information.

CITY OF LAGUNA BEACH
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

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, special revenue, and capital projects funds except for the Asset Forfeiture and COVID-19 Nonmajor Special Revenue Funds and the following General Fund sub-funds: Parking In-Lieu, Drainage, and Deposits. 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 a 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 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 for the General Fund and the fund level for special revenue and capital projects funds.

Budget information is presented for the general and certain special revenue and capital project 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 expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Supplemental appropriations include carryover appropriations from the prior year. Supplemental budgetary appropriations of \$22,960,415 were made in the General Fund.

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SUPPLEMENTARY INFORMATION

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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, 2021**

ASSETS	General	Measure LL	Open Space	Capital Improvement	Parking Authority	Parking In-Lieu
Cash and Investments	\$ 29,179,600	\$ 652,038	\$ 382,401	\$ 32,082,983	\$ 9,513,048	\$ 970
Receivables:						
Taxes	5,524,693	831,023	-	1,737,683	-	-
Accounts	508,061	-	-	215,017	13,718	-
Interest	19,836	-	-	-	-	-
Intergovernmental	133,283	-	-	-	-	-
Notes	-	-	-	-	-	-
Prepays	1,905,006	2,228,764	-	-	10,236	-
Inventory	90,239	-	-	-	-	-
Total Assets	\$ 37,360,718	\$ 3,711,825	\$ 382,401	\$ 34,035,683	\$ 9,537,002	\$ 970
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 2,861,094	\$ 46,543	\$ 10,073	\$ 954,770	\$ 329,741	\$ -
Accrued Liabilities	2,194,859	-	-	-	-	-
Deposits	64,342	-	-	-	-	-
Unearned Revenue	19,975	-	-	-	600	-
Advances from Other Funds	2,201,318	-	-	-	-	-
Total Liabilities	7,341,588	46,543	10,073	954,770	330,341	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	415,456	6,311	-	108,911	-	-
FUND BALANCES						
Nonspendable	1,995,245	2,228,764	-	-	10,236	-
Restricted	-	-	-	-	-	970
Committed	33,324	1,430,207	-	-	-	-
Assigned	1,369,090	-	372,328	32,972,002	9,196,425	-
Unassigned	26,206,015	-	-	-	-	-
Total Fund Balances	29,603,674	3,658,971	372,328	32,972,002	9,206,661	970
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 37,360,718	\$ 3,711,825	\$ 382,401	\$ 34,035,683	\$ 9,537,002	\$ 970

See accompanying Notes to Supplementary Information.

**CITY OF LAGUNA BEACH
GENERAL FUND
CONSOLIDATING BALANCE SHEET BY SUB-FUND (CONTINUED)
JUNE 30, 2021**

Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Transportation Infrastructure	Deposits	Disaster Contingency	Total
\$ 693,111	\$ 210,122	\$ 79,885	\$ 560,651	\$ 2,597,328	\$ 3,108,452	\$ 6,661,647	\$ 85,722,236
-	-	-	-	-	-	-	8,093,399
-	-	-	-	-	2,886	-	739,682
-	-	-	-	-	-	-	19,836
-	-	-	-	-	-	-	133,283
-	-	-	346,947	-	-	-	346,947
-	-	-	-	-	-	-	4,144,006
-	-	-	-	-	-	-	90,239
<u>\$ 693,111</u>	<u>\$ 210,122</u>	<u>\$ 79,885</u>	<u>\$ 907,598</u>	<u>\$ 2,597,328</u>	<u>\$ 3,111,338</u>	<u>\$ 6,661,647</u>	<u>\$ 99,289,628</u>
\$ -	\$ 3,244	\$ -	\$ -	\$ -	\$ 190,408	\$ -	\$ 4,395,873
-	-	-	-	-	-	-	2,194,859
-	-	-	-	-	2,931,880	-	2,996,222
-	-	-	-	-	-	-	20,575
-	-	-	-	-	-	-	2,201,318
-	3,244	-	-	-	3,122,288	-	11,808,847
-	-	-	-	-	-	-	530,678
-	-	-	-	-	-	-	4,234,245
693,111	206,878	79,885	907,598	2,597,328	-	-	4,485,770
-	-	-	-	-	-	6,661,647	8,125,178
-	-	-	-	-	-	-	43,909,845
-	-	-	-	-	(10,950)	-	26,195,065
<u>693,111</u>	<u>206,878</u>	<u>79,885</u>	<u>907,598</u>	<u>2,597,328</u>	<u>(10,950)</u>	<u>6,661,647</u>	<u>86,950,103</u>
<u>\$ 693,111</u>	<u>\$ 210,122</u>	<u>\$ 79,885</u>	<u>\$ 907,598</u>	<u>\$ 2,597,328</u>	<u>\$ 3,111,338</u>	<u>\$ 6,661,647</u>	<u>\$ 99,289,628</u>

See accompanying Notes to Supplementary Information.

**CITY OF LAGUNA BEACH
GENERAL FUND
CONSOLIDATING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES BY SUB-FUND
YEAR ENDED JUNE 30, 2021**

	General	Measure LL	Open Space	Capital Improvement	Parking Authority	Parking In-Lieu
REVENUES						
Taxes	\$ 58,795,916	\$ 2,529,553	\$ -	\$ 5,415,962	\$ -	\$ -
Licenses and Permits	1,468,109	-	-	-	-	-
Fines and Penalties	5,500	-	-	957,825	-	-
Investment Income, Net	(50,918)	11,922	-	939	-	13
Rental	224,649	-	-	-	-	-
Intergovernmental	3,671,428	-	-	2,229	45,000	-
Charges for Services	8,519,445	-	-	3,600	-	-
Parking Meters, Lots, and Permits	379	-	-	-	7,695,180	-
Development Tax	-	-	-	180,832	-	-
Other	402,905	-	-	-	-	-
Total Revenues	<u>73,037,413</u>	<u>2,541,475</u>	<u>-</u>	<u>6,561,387</u>	<u>7,740,180</u>	<u>13</u>
EXPENDITURES						
Current:						
General Government	8,423,726	-	-	-	-	-
Community Development	6,281,743	-	-	-	-	-
Public Safety	38,352,047	1,047,804	-	-	792,307	-
Public Works	14,933,938	531,252	-	140,073	2,212,221	-
Recreation and Social Services	3,102,056	-	-	-	-	-
Capital Outlay	840,272	120,000	59,459	4,231,315	90,449	-
Total Expenditures	<u>71,933,782</u>	<u>1,699,056</u>	<u>59,459</u>	<u>4,371,388</u>	<u>3,094,977</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,103,631	842,419	(59,459)	2,189,999	4,645,203	13
OTHER FINANCING SOURCES (USES)						
Transfers In	1,696,750	-	-	-	-	-
Transfers Out	(575,781)	(300,000)	-	-	(825,000)	-
Total Other Financing Sources (Uses)	<u>1,120,969</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>(825,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	2,224,600	542,419	(59,459)	2,189,999	3,820,203	13
Fund Balances - Beginning of Year, as Restated	<u>27,379,074</u>	<u>3,116,552</u>	<u>431,787</u>	<u>30,782,003</u>	<u>5,386,458</u>	<u>957</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 29,603,674</u></u>	<u><u>\$ 3,658,971</u></u>	<u><u>\$ 372,328</u></u>	<u><u>\$ 32,972,002</u></u>	<u><u>\$ 9,206,661</u></u>	<u><u>\$ 970</u></u>

See accompanying Notes to Supplementary Information.

**CITY OF LAGUNA BEACH
GENERAL FUND
CONSOLIDATING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES BY SUB-FUND (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Transportation Infrastructure	Deposits	Disaster Contingency	Eliminations (1)	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,741,431
-	-	-	-	-	-	-	-	1,468,109
-	-	-	-	-	-	-	-	963,325
9,340	3,650	1,077	87,169	21,525	-	89,771	-	174,488
-	-	-	-	-	-	-	-	224,649
-	-	-	-	2,500,000	-	-	-	6,218,657
-	-	-	-	-	87,420	-	-	8,610,465
-	-	-	-	-	-	-	-	7,695,559
-	29,229	-	-	-	-	-	-	210,061
-	-	-	-	-	7,757	-	-	410,662
9,340	32,879	1,077	87,169	2,521,525	95,177	89,771	-	92,717,406
-	-	-	-	-	-	-	-	8,423,726
-	-	-	-	-	62,077	-	-	6,343,820
-	-	-	-	-	6,567	-	-	40,198,725
-	-	-	-	-	-	-	-	17,817,484
-	193,167	-	-	-	-	-	-	3,295,223
-	-	-	9,836	-	-	-	-	5,351,331
-	193,167	-	9,836	-	68,644	-	-	81,430,309
9,340	(160,288)	1,077	77,333	2,521,525	26,533	89,771	-	11,287,097
-	-	-	-	-	-	-	(960,250)	736,500
-	-	-	-	-	-	-	960,250	(740,531)
-	-	-	-	-	-	-	-	(4,031)
9,340	(160,288)	1,077	77,333	2,521,525	26,533	89,771	-	11,283,066
683,771	367,166	78,808	830,265	75,803	(37,483)	6,571,876	-	75,667,037
<u>\$ 693,111</u>	<u>\$ 206,878</u>	<u>\$ 79,885</u>	<u>\$ 907,598</u>	<u>\$ 2,597,328</u>	<u>\$ (10,950)</u>	<u>\$ 6,661,647</u>	<u>\$ -</u>	<u>\$ 86,950,103</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
MEASURE LL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 2,075,000	\$ 2,529,553	\$ 454,553
Investment Income, Net	10,000	11,922	1,922
Total Revenues	<u>2,085,000</u>	<u>2,541,475</u>	<u>456,475</u>
EXPENDITURES			
Current:			
Public Safety	1,203,300	1,047,804	155,496
Public Works	326,600	531,252	(204,652)
Capital Outlay	130,000	120,000	10,000
Total Expenditures	<u>1,659,900</u>	<u>1,699,056</u>	<u>(39,156)</u>
EXCESS OF REVENUES OVER EXPENDITURES	425,100	842,419	417,319
OTHER FINANCING USES			
Transfers Out	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	125,100	542,419	417,319
Fund Balance - Beginning of Year	<u>3,116,552</u>	<u>3,116,552</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 3,241,652</u></u>	<u><u>\$ 3,658,971</u></u>	<u><u>\$ 417,319</u></u>

See accompanying Notes to Supplementary Information.

**CITY OF LAGUNA BEACH
GENERAL FUND SUB-FUND
OPEN SPACE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Total Revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Capital Outlay	238,700	59,459	179,241
Total Expenditures	238,700	59,459	179,241
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(238,700)	(59,459)	179,241
Fund Balance - Beginning of Year	431,787	431,787	-
FUND BALANCE - END OF YEAR	\$ 193,087	\$ 372,328	\$ 179,241

See accompanying Notes to Supplementary Information.

**CITY OF LAGUNA BEACH
GENERAL FUND SUB-FUND
CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 4,000,000	\$ 5,415,962	\$ 1,415,962
Fines and Penalties	898,000	957,825	59,825
Investment Income, Net	-	939	939
Intergovernmental	232,990	2,229	(230,761)
Charges for Services	1,000	3,600	2,600
Development Tax	120,000	180,832	60,832
Total Revenues	<u>5,251,990</u>	<u>6,561,387</u>	<u>1,309,397</u>
EXPENDITURES			
Current:			
Public Works	5,216,600	140,073	5,076,527
Capital Outlay	<u>30,467,790</u>	<u>4,231,315</u>	<u>26,236,475</u>
Total Expenditures	<u>35,684,390</u>	<u>4,371,388</u>	<u>31,313,002</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(30,432,400)	2,189,999	32,622,399
Fund Balance - Beginning of Year	<u>30,782,003</u>	<u>30,782,003</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 349,603</u>	<u>\$ 32,972,002</u>	<u>\$ 32,622,399</u>

See accompanying Notes to Supplementary Information.

**CITY OF LAGUNA BEACH
GENERAL FUND SUB-FUND
PARKING AUTHORITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 45,000	\$ 45,000	\$ -
Parking Meters, Lots, and Permits	7,350,000	7,695,180	345,180
Total Revenues	<u>7,395,000</u>	<u>7,740,180</u>	<u>345,180</u>
EXPENDITURES			
Current:			
Public Safety	1,042,000	792,307	249,693
Public Works	2,468,000	2,212,221	255,779
Capital Outlay	3,267,600	90,449	3,177,151
Total Expenditures	<u>6,777,600</u>	<u>3,094,977</u>	<u>3,682,623</u>
EXCESS OF REVENUES OVER EXPENDITURES	617,400	4,645,203	4,027,803
OTHER FINANCING USES			
Transfers Out	<u>(2,121,000)</u>	<u>(825,000)</u>	<u>1,296,000</u>
NET CHANGE IN FUND BALANCE	(1,503,600)	3,820,203	5,323,803
Fund Balance - Beginning of Year	<u>5,386,458</u>	<u>5,386,458</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 3,882,858</u></u>	<u><u>\$ 9,206,661</u></u>	<u><u>\$ 5,323,803</u></u>

See accompanying Notes to Supplementary Information.

**CITY OF LAGUNA BEACH
GENERAL FUND SUB-FUND
ART IN-LIEU FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Income, Net	\$ -	\$ 3,650	\$ 3,650
Intergovernmental	100,000	-	(100,000)
Development Tax	-	29,229	29,229
Total Revenues	<u>100,000</u>	<u>32,879</u>	<u>(67,121)</u>
EXPENDITURES			
Current:			
Recreation and Social Services	<u>318,300</u>	<u>193,167</u>	<u>125,133</u>
Total Expenditures	<u>318,300</u>	<u>193,167</u>	<u>125,133</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(218,300)	(160,288)	58,012
Fund Balance - Beginning of Year	<u>367,166</u>	<u>367,166</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 148,866</u></u>	<u><u>\$ 206,878</u></u>	<u><u>\$ 58,012</u></u>

See accompanying Notes to Supplementary Information.

**CITY OF LAGUNA BEACH
GENERAL FUND SUB-FUND
HOUSING IN-LIEU FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Income, Net	\$ -	\$ 87,169	\$ 87,169
Total Revenues	<u>-</u>	<u>87,169</u>	<u>87,169</u>
EXPENDITURES			
Capital Outlay	100,000	9,836	90,164
Total Expenditures	<u>100,000</u>	<u>9,836</u>	<u>90,164</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(100,000)	77,333	177,333
Fund Balance - Beginning of Year	<u>830,265</u>	<u>830,265</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 730,265</u>	<u>\$ 907,598</u>	<u>\$ 177,333</u>

See accompanying Notes to Supplementary Information.

**CITY OF LAGUNA BEACH
GENERAL FUND SUB-FUND
TRANSPORTATION INFRASTRUCTURE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Income, Net	\$ 1,000	\$ 21,525	\$ 20,525
Intergovernmental	1,500,000	2,500,000	1,000,000
Total Revenues	<u>1,501,000</u>	<u>2,521,525</u>	<u>1,020,525</u>
NET CHANGE IN FUND BALANCE	1,501,000	2,521,525	1,020,525
Fund Balance - Beginning of Year	<u>75,803</u>	<u>75,803</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,576,803</u>	<u>\$ 2,597,328</u>	<u>\$ 1,020,525</u>

See accompanying Notes to Supplementary Information.

**CITY OF LAGUNA BEACH
GENERAL FUND SUB-FUND
DISASTER CONTINGENCY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Income, Net	\$ 100,000	\$ 89,771	\$ (10,229)
EXPENDITURES	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	100,000	89,771	(10,229)
Fund Balance - Beginning of Year	6,571,876	6,571,876	-
FUND BALANCE - END OF YEAR	<u>\$ 6,671,876</u>	<u>\$ 6,661,647</u>	<u>\$ (10,229)</u>

See accompanying Notes to Supplementary Information.

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MAJOR 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 Capital Projects Fund:

Assessment District

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

**CITY OF LAGUNA BEACH
MAJOR CAPITAL PROJECTS FUND
ASSESSMENT DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Income, Net	\$ -	\$ 6,101	\$ 6,101
Intergovernmental	-	23,448	23,448
Other	-	5,000	5,000
Total Revenues	-	34,549	34,549
EXPENDITURES			
Current:			
Public Works	7,000	-	7,000
Capital Outlay	2,329,920	1,020,344	1,309,576
Total Expenditures	2,336,920	1,020,344	1,316,576
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,336,920)	(985,795)	1,351,125
OTHER FINANCING SOURCES			
Transfers In	437,000	437,000	-
NET CHANGE IN FUND BALANCE	(1,899,920)	(548,795)	1,351,125
Fund Balance - Beginning of Year	1,440,047	1,440,047	-
FUND BALANCE - END OF YEAR	\$ (459,873)	\$ 891,252	\$ 1,351,125

See accompanying Notes to Supplementary Information.

NONMAJOR FUNDS

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 nonmajor 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.

COVID-19 Fund

This fund is used to account for the restricted revenue received from FEMA, state CARES Act, and County CARES Act for the response to COVID-19.

**CITY OF LAGUNA BEACH
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021**

ASSETS	Special Revenue Funds				Total Nonmajor Governmental Funds
	Gas Tax	Street Lighting District	Asset Forfeiture	COVID-19	
Cash and Investments	\$ 2,018,420	\$ 6,898,734	\$ 9,030	\$ -	\$ 8,926,184
Receivables:					
Taxes	-	25,069	-	-	25,069
Accounts	74,582	-	-	-	74,582
Interest	-	-	-	-	-
Intergovernmental	136,760	-	-	-	136,760
Notes	-	101,749	-	-	101,749
Prepays	-	2,388,177	-	-	2,388,177
Total Assets	\$ 2,229,762	\$ 9,413,729	\$ 9,030	\$ -	\$ 11,652,521
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 295,593	\$ 91,430	\$ -	\$ -	\$ 387,023
Total Liabilities	295,593	91,430	-	-	387,023
FUND BALANCES					
Nonspendable	-	2,388,177	-	-	2,388,177
Restricted	1,934,169	6,934,122	9,030	-	8,877,321
Total Fund Balances	1,934,169	9,322,299	9,030	-	11,265,498
Total Liabilities and Fund Balances	\$ 2,229,762	\$ 9,413,729	\$ 9,030	\$ -	\$ 11,652,521

**CITY OF LAGUNA BEACH
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
YEAR ENDED JUNE 30, 2021**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Gas Tax	Street Lighting District	Asset Forfeiture	COVID-19	
REVENUES					
Taxes	\$ 444,512	\$ 1,947,163	\$ -	\$ -	\$ 2,391,675
Investment Income, Net	26,720	78,123	122	-	104,965
Intergovernmental	937,579	6,426	-	275,872	1,219,877
Total Revenues	<u>1,408,811</u>	<u>2,031,712</u>	<u>122</u>	<u>275,872</u>	<u>3,716,517</u>
EXPENDITURES					
Current:					
Public Works	-	741,546	-	-	741,546
Capital Outlay	1,660,906	74,550	-	-	1,735,456
Total Expenditures	<u>1,660,906</u>	<u>816,096</u>	<u>-</u>	<u>-</u>	<u>2,477,002</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(252,095)	1,215,616	122	275,872	1,239,515
OTHER FINANCING USES					
Transfers Out	-	(1,173,500)	-	-	(1,173,500)
NET CHANGE IN FUND BALANCE	(252,095)	42,116	122	275,872	66,015
Fund Balance - Beginning of Year	<u>2,186,264</u>	<u>9,280,183</u>	<u>8,908</u>	<u>(275,872)</u>	<u>11,199,483</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,934,169</u>	<u>\$ 9,322,299</u>	<u>\$ 9,030</u>	<u>\$ -</u>	<u>\$ 11,265,498</u>

**CITY OF LAGUNA BEACH
NONMAJOR SPECIAL REVENUE FUND
GAS TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 390,000	\$ 444,512	\$ 54,512
Investment Income, Net	10,000	26,720	16,720
Intergovernmental	958,000	937,579	(20,421)
Total Revenues	<u>1,358,000</u>	<u>1,408,811</u>	<u>50,811</u>
EXPENDITURES			
Capital Outlay	<u>3,600,000</u>	<u>1,660,906</u>	<u>1,939,094</u>
Total Expenditures	<u>3,600,000</u>	<u>1,660,906</u>	<u>1,939,094</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,242,000)	(252,095)	1,989,905
Fund Balance - Beginning of Year	<u>2,186,264</u>	<u>2,186,264</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (55,736)</u>	<u>\$ 1,934,169</u>	<u>\$ 1,989,905</u>

**CITY OF LAGUNA BEACH
NONMAJOR SPECIAL REVENUE FUND
STREET LIGHTING DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 1,816,000	\$ 1,947,163	\$ 131,163
Investment Income, Net	-	78,123	78,123
Intergovernmental	6,000	6,426	426
Total Revenues	<u>1,822,000</u>	<u>2,031,712</u>	<u>209,712</u>
EXPENDITURES			
Current:			
Public Works	1,053,300	741,546	311,754
Capital Outlay	3,999,200	74,550	3,924,650
Total Expenditures	<u>5,052,500</u>	<u>816,096</u>	<u>4,236,404</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,230,500)	1,215,616	4,446,116
OTHER FINANCING SOURCES (USES)			
Transfers In	784,800	-	(784,800)
Transfers Out	(1,173,500)	(1,173,500)	-
Total Other Financing Sources (Uses)	<u>(388,700)</u>	<u>(1,173,500)</u>	<u>(784,800)</u>
NET CHANGE IN FUND BALANCE	(3,619,200)	42,116	3,661,316
Fund Balance - Beginning of Year	<u>9,280,183</u>	<u>9,280,183</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,660,983</u>	<u>\$ 9,322,299</u>	<u>\$ 3,661,316</u>

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.

The City of Laguna Beach has the following Internal Service 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, 2021**

	Insurance and Employee Benefits	Vehicle Replacement	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 11,495,345	\$ 12,194,406	\$ 23,689,751
Receivables:			
Accounts	93,127	-	93,127
Total Current Assets	11,588,472	12,194,406	23,782,878
Noncurrent Assets:			
Advances to Other Funds	1,501,318	700,000	2,201,318
Notes Receivable	-	354,753	354,753
Property for Housing Program	1,743,653	-	1,743,653
Capital Assets, Net of Depreciation	-	3,467,231	3,467,231
Total Noncurrent Assets	3,244,971	4,521,984	7,766,955
Total Assets	14,833,443	16,716,390	31,549,833
LIABILITIES			
Current Liabilities			
Accounts Payable and Accrued Liabilities	277,017	20,380	297,397
Compensated Absences, Due Within One Year	875,980	-	875,980
Insurance Claims Payable, Due Within One Year	2,375,860	-	2,375,860
Total Current Liabilities	3,528,857	20,380	3,549,237
Noncurrent Liabilities:			
Compensated Absences	3,503,919	-	3,503,919
Insurance Claims Payable	5,543,673	-	5,543,673
Total Noncurrent Liabilities	9,047,592	-	9,047,592
Total Liabilities	12,576,449	20,380	12,596,829
NET POSITION			
Net Investment in Capital Assets	-	3,446,851	3,446,851
Unrestricted	2,256,994	13,249,159	15,506,153
Total Net Position	\$ 2,256,994	\$ 16,696,010	\$ 18,953,004

**CITY OF LAGUNA BEACH
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2021**

	<u>Insurance and Employee Benefits</u>	<u>Vehicle Replacement</u>	<u>Total</u>
OPERATING REVENUES			
Vehicle Rentals	\$ -	\$ 1,637,066	\$ 1,637,066
Employee Benefits Charges	911,500	-	911,500
Insurance Charges	10,492,336	-	10,492,336
Total Operating Revenues	<u>11,403,836</u>	<u>1,637,066</u>	<u>13,040,902</u>
OPERATING EXPENSES			
Administration	281,566	-	281,566
Employee Benefits	1,352,033	-	1,352,033
Insurance Claims and Premiums	10,895,559	-	10,895,559
Depreciation	-	727,732	727,732
Total Operating Expenses	<u>12,529,158</u>	<u>727,732</u>	<u>13,256,890</u>
OPERATING INCOME (LOSS)	(1,125,322)	909,334	(215,988)
NONOPERATING REVENUES			
Loss on Disposal of Capital Assets or Property	-	(81,076)	(81,076)
Total Nonoperating Revenues	<u>-</u>	<u>(81,076)</u>	<u>(81,076)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTED CAPITAL	(1,125,322)	828,258	(297,064)
TRANSFERS			
Transfers in	440,531	300,000	740,531
CONTRIBUTED CAPITAL FROM GENERAL FUND	<u>-</u>	<u>52,303</u>	<u>52,303</u>
CHANGE IN NET POSITION	(684,791)	1,180,561	495,770
Net Position - Beginning of Year	<u>2,941,785</u>	<u>15,515,449</u>	<u>18,457,234</u>
NET POSITION - END OF YEAR	<u>\$ 2,256,994</u>	<u>\$ 16,696,010</u>	<u>\$ 18,953,004</u>

**CITY OF LAGUNA BEACH
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

	Insurance and Employee Benefits	Vehicle Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from User Departments	\$ 11,379,459	\$ 1,637,066	\$ 13,016,525
Cash Payments to Suppliers for Goods and Services	(11,722,743)	-	(11,722,743)
Cash Payments to Employees for Services	(1,163,713)	-	(1,163,713)
Net Cash Provided (Used) by Operating Activities	(1,506,997)	1,637,066	130,069
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash Received from Other Funds	440,531	300,000	740,531
Cash Paid to Other Funds as an Advance	(715,198)	-	(715,198)
Cash Received Related to Housing Program	-	18,546	18,546
Net Cash Provided (Used) by Noncapital Financing Activities	(274,667)	318,546	43,879
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	-	(253,800)	(253,800)
Proceeds from Sale of Capital Assets	-	16,987	16,987
Net Cash Used by Capital and Related Financing Activities	-	(236,813)	(236,813)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,781,664)	1,718,799	(62,865)
Cash and Cash Equivalents - Beginning of Year	13,277,009	10,475,607	23,752,616
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 11,495,345	\$ 12,194,406	\$ 23,689,751

**CITY OF LAGUNA BEACH
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

	Insurance and Employee Benefits	Vehicle Replacement	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (1,125,322)	\$ 909,334	\$ (215,988)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	-	727,732	727,732
Changes in Operating Assets and Liabilities:			
Accounts Receivable	(24,377)	-	(24,377)
Accounts Payable and Accrued Liabilities	(871,090)	-	(871,090)
Compensated Absences Payable	188,320	-	188,320
Insurance Claims Payable	325,472	-	325,472
Net Cash Provided (Used) by Operating Activities	\$ (1,506,997)	\$ 1,637,066	\$ 130,069
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contribution from the General Fund	\$ -	\$ 52,303	\$ 52,303

STATISTICAL SECTION

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FINANCIAL TRENDS

This section of the City of Laguna Beach's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The statistical information presented herein is unaudited.

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			
	2012	2013	2014	2015
Governmental activities:				
Net investment in capital assets	\$ 324,225,923	\$ 328,944,217	\$ 299,392,486	\$ 301,705,857
Restricted	5,869,787	4,421,951	7,223,908	9,559,633
Unrestricted	50,569,411	60,011,983	57,924,594	16,937,401
Total governmental activities	<u>\$ 380,665,121</u>	<u>\$ 393,378,151</u>	<u>\$ 364,540,988</u>	<u>\$ 328,202,891</u>
Business-type activities:				
Net investment in capital assets	\$ 2,834,551	\$ 2,642,078	\$ 43,758,305	\$ 42,452,562
Unrestricted	372,452	408,379	3,173,301	3,197,284
Total business type activities	<u>\$ 3,207,003</u>	<u>\$ 3,050,457</u>	<u>\$ 46,931,606</u>	<u>\$ 45,649,846</u>
Primary Government:				
Net investment in capital assets	\$ 327,060,474	\$ 331,586,295	\$ 343,150,791	\$ 344,158,419
Restricted	5,869,787	4,421,951	7,223,908	9,559,633
Unrestricted	50,941,863	60,420,362	61,097,895	20,134,685
Total business type activities	<u>\$ 383,872,124</u>	<u>\$ 396,428,608</u>	<u>\$ 411,472,594</u>	<u>\$ 373,852,737</u>

Data Source: City Records

**CITY OF LAGUNA BEACH
NET POSITION BY COMPONENT (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

Fiscal Years					
2016	2017	2018	2019	2020	2021
\$ 299,735,000	\$ 279,232,956	\$ 295,985,393	\$ 298,698,689	\$ 300,791,758	\$ 295,876,139
15,943,397	12,576,083	12,897,272	15,221,830	17,340,349	19,030,697
27,254,391	35,076,956	35,892,931	39,877,633	32,188,810	38,401,845
<u>\$ 342,932,788</u>	<u>\$ 326,885,995</u>	<u>\$ 344,775,596</u>	<u>\$ 353,798,152</u>	<u>\$ 350,320,917</u>	<u>\$ 353,308,681</u>
\$ 45,461,137	\$ 39,751,055	\$ 41,056,246	\$ 41,503,006	\$ 42,514,260	\$ 43,975,072
2,377,065	1,312,520	133,248	1,846,897	1,313,632	(375,007)
<u>\$ 47,838,202</u>	<u>\$ 41,063,575</u>	<u>\$ 41,189,494</u>	<u>\$ 43,349,903</u>	<u>\$ 43,827,892</u>	<u>\$ 43,600,065</u>
\$ 345,196,137	\$ 318,984,011	337,041,639	340,201,695	343,306,018	339,851,211
15,943,397	12,576,083	12,897,272	15,221,830	17,340,349	19,030,697
29,631,456	36,389,476	36,026,179	41,724,530	33,502,442	38,026,838
<u>\$ 390,770,990</u>	<u>\$ 367,949,570</u>	<u>\$ 385,965,090</u>	<u>\$ 397,148,055</u>	<u>\$ 394,148,809</u>	<u>\$ 396,908,746</u>

**CITY OF LAGUNA BEACH
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Years			
	2012	2013	2014	2015
Expenses:				
Governmental activities:				
General government	\$ 4,658,171	\$ 4,773,294	\$ 3,252,176	\$ 4,011,666
Community development	3,991,867	3,826,827	4,103,329	4,286,769
Public Safety	26,937,061	24,694,999	25,755,201	26,606,083
Public Works	13,913,687	12,424,315	16,320,422	18,085,062
Recreation and social services	5,004,329	4,787,756	5,173,507	6,022,747
Sewer service operating costs	6,063,835	5,519,819	-	-
Interest on long-term debt	211,810	129,382	-	-
Total governmental activities expenses	<u>60,780,760</u>	<u>56,156,392</u>	<u>54,604,635</u>	<u>59,012,326</u>
Business-type activities:				
Municipal transit	2,233,496	2,148,718	2,333,048	2,434,172
Sewer Service	-	-	5,636,354	7,569,442
Total business-type activities expenses	<u>2,233,496</u>	<u>2,148,718</u>	<u>7,969,402</u>	<u>10,003,614</u>
Total primary government expenses	<u>\$ 63,014,256</u>	<u>\$ 58,305,110</u>	<u>\$ 62,574,037</u>	<u>\$ 69,015,940</u>
Program revenues:				
Governmental activities:				
Charges for Services:				
General Government	\$ 882,761	\$ 906,051	\$ 981,002	\$ 1,015,049
Community development	2,195,031	2,731,302	3,204,521	3,167,128
Public safety	1,752,556	1,797,519	1,591,619	1,989,290
Public works	6,295,258	7,428,761	7,343,113	9,314,702
Recreation and social services	3,050,630	3,200,792	3,305,296	3,979,198
Sewer service operating costs	6,308,982	6,588,390	-	-
Operating Grants and Contributions:	1,961,730	2,024,308	1,971,819	2,764,891
Capital Grants and Contributions:	878,382	131,497	1,596,735	433,681
Total governmental activities program revenues	<u>23,325,330</u>	<u>24,808,620</u>	<u>19,994,105</u>	<u>22,663,939</u>
Business-type activities				
Charges for Services:				
Municipal Transit	318,205	326,723	346,288	319,134
Sewer service	-	-	6,814,418	7,093,423
Operating Grants and Contributions:	1,321,121	1,322,049	1,765,639	2,302,614
Capital Grants and Contributions:	-	-	851,923	555,307
Total business-type activities program revenues	<u>1,639,326</u>	<u>1,648,772</u>	<u>9,778,268</u>	<u>10,270,478</u>
Total primary government program revenues	<u>24,964,656</u>	<u>26,457,392</u>	<u>29,772,373</u>	<u>32,934,417</u>
Net revenues (expenses):				
Governmental activities	(37,455,430)	(31,347,772)	(34,610,530)	(36,348,387)
Business-type activities	(594,170)	(499,946)	1,808,866	266,864
Total net revenues (expenses)	<u>\$ (38,049,600)</u>	<u>\$ (31,847,718)</u>	<u>\$ (32,801,664)</u>	<u>\$ (36,081,523)</u>

Data Source: City Records

**CITY OF LAGUNA BEACH
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

Fiscal Years					
2016	2017	2018	2019	2020	2021
\$ 4,961,384	\$ 6,155,221	\$ 5,999,777	\$ 6,835,988	\$ 6,733,936	\$ 8,820,634
5,098,251	5,066,791	5,638,445	6,112,595	6,724,466	6,528,400
31,639,192	31,929,625	34,698,566	38,130,078	42,331,532	44,415,494
20,779,294	26,449,618	25,566,306	24,793,130	25,733,663	29,837,540
5,481,466	5,461,800	5,838,148	5,984,453	6,173,404	3,979,828
-	-	-	-	-	-
-	-	-	-	-	-
<u>67,959,587</u>	<u>75,063,055</u>	<u>77,741,242</u>	<u>81,856,244</u>	<u>87,697,001</u>	<u>93,581,896</u>
2,976,677	3,137,062	3,703,612	3,576,268	3,752,088	1,620,696
<u>5,963,003</u>	<u>6,720,112</u>	<u>8,381,044</u>	<u>8,542,329</u>	<u>8,785,885</u>	<u>8,911,039</u>
<u>8,939,680</u>	<u>9,857,174</u>	<u>12,084,656</u>	<u>12,118,597</u>	<u>12,537,973</u>	<u>10,531,735</u>
<u>\$ 76,899,267</u>	<u>\$ 84,920,229</u>	<u>\$ 89,825,898</u>	<u>\$ 93,974,841</u>	<u>\$ 100,234,974</u>	<u>\$ 104,113,631</u>
\$ 1,002,599	\$ 1,104,868	\$ 1,095,550	\$ 1,239,001	\$ 1,161,133	\$ 1,271,664
3,773,050	4,033,486	3,620,227	3,622,776	3,000,391	3,807,099
1,679,812	1,448,493	1,643,406	1,591,639	1,503,156	1,401,587
8,622,598	9,936,897	9,169,286	10,179,675	8,035,749	10,137,266
3,641,643	3,559,566	4,544,920	4,265,798	3,375,378	3,635,895
-	-	-	-	-	-
1,849,916	1,823,585	2,154,138	2,092,295	2,688,591	4,869,731
<u>8,212,560</u>	<u>4,894,568</u>	<u>14,384,725</u>	<u>519,193</u>	<u>571,667</u>	<u>2,736,838</u>
<u>28,782,178</u>	<u>26,801,463</u>	<u>36,612,252</u>	<u>23,510,377</u>	<u>20,336,065</u>	<u>27,860,080</u>
313,458	302,683	288,339	265,158	253,977	10,669
7,400,257	7,699,521	8,050,631	8,388,932	8,626,052	9,037,083
2,332,192	1,711,517	2,579,238	2,587,941	2,649,540	776,116
-	-	-	-	-	-
<u>10,045,907</u>	<u>9,713,721</u>	<u>10,918,208</u>	<u>11,242,031</u>	<u>11,529,569</u>	<u>9,823,868</u>
<u>38,828,085</u>	<u>36,515,184</u>	<u>47,530,460</u>	<u>34,752,408</u>	<u>31,865,634</u>	<u>37,683,948</u>
(39,177,409)	(48,261,592)	(41,128,990)	(58,345,867)	(67,360,936)	(65,721,816)
<u>1,106,227</u>	<u>(143,453)</u>	<u>(1,166,448)</u>	<u>(876,566)</u>	<u>(1,008,404)</u>	<u>(707,867)</u>
<u>\$ (38,071,182)</u>	<u>\$ (48,405,045)</u>	<u>\$ (42,295,438)</u>	<u>\$ (59,222,433)</u>	<u>\$ (68,369,340)</u>	<u>\$ (66,429,683)</u>

**CITY OF LAGUNA BEACH
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Years			
	2012	2013	2014	2015
General Revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 26,553,228	\$ 27,498,818	\$ 29,051,006	\$ 30,945,911
Sales Tax	3,825,793	3,989,812	4,230,239	4,602,679
Sales tax in-lieu	979,382	1,125,941	1,185,284	1,201,956
Transient occupancy taxes	7,904,562	8,537,050	9,366,183	9,872,378
Other taxes	2,311,061	2,086,233	2,147,742	2,233,271
Motor vehicle license fees, unrestricted	-	-	-	-
Investment Income	739,632	(70,016)	1,160,595	708,579
Other general revenue	1,576,053	964,666	1,002,476	1,172,011
Gain on sale of assets	70,207	271,698	198,439	75,928
Transfers	(391,300)	(343,400)	(915,389)	(1,350,691)
Total governmental activities	<u>\$ 43,568,618</u>	<u>\$ 44,060,802</u>	<u>\$ 47,426,575</u>	<u>\$ 49,462,022</u>
Business-type activities				
Investment Income	\$ 3,936	\$ -	\$ 3,819	\$ 25,464
Other general revenue	-	-	25,103	4,650
Gain or loss on sale of assets	-	-	-	(6,537)
Transfers	391,300	343,400	915,389	1,350,691
Total Business-type activities	<u>\$ 395,236</u>	<u>\$ 343,400</u>	<u>\$ 944,311</u>	<u>\$ 1,374,268</u>
Total Primary government	<u>\$ 43,963,854</u>	<u>\$ 44,404,202</u>	<u>\$ 48,370,886</u>	<u>\$ 50,836,290</u>
Changes in net position				
Governmental activities	\$ 6,113,188	\$ 12,713,030	\$ 12,816,045	\$ 13,113,635
Business-type activities	(198,934)	(156,546)	2,753,177	1,641,132
Total primary government	<u>\$ 5,914,254</u>	<u>\$ 12,556,484</u>	<u>\$ 15,569,222</u>	<u>\$ 14,754,767</u>

Data Source: City Records

**CITY OF LAGUNA BEACH
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

Fiscal Years					
2016	2017	2018	2019	2020	2021
\$ 34,100,038	\$ 36,391,079	\$ 38,727,313	\$ 40,678,746	\$ 42,385,283	\$ 45,319,666
5,345,953	6,000,084	6,124,970	6,581,928	5,583,948	6,023,953
1,029,002	-	-	-	-	-
10,754,654	12,670,071	14,708,047	14,649,273	11,939,790	15,252,045
1,372,912	1,418,582	1,360,102	1,316,999	1,315,766	1,440,672
-	-	-	-	-	-
1,259,063	35,817	308,576	3,841,077	3,146,238	162,840
1,059,699	964,459	576,925	798,075	497,166	539,907
31,283	338,126	126,977	99,675	50,024	7,980
<u>(1,045,298)</u>	<u>(1,449,674)</u>	<u>(1,303,635)</u>	<u>(597,350)</u>	<u>(1,034,514)</u>	<u>-</u>
<u>\$ 53,907,306</u>	<u>\$ 56,368,544</u>	<u>\$ 60,629,275</u>	<u>\$ 67,368,423</u>	<u>\$ 63,883,701</u>	<u>\$ 68,747,063</u>
\$ 36,734	\$ 18,087	\$ 17,193	\$ 14,099	\$ 218,267	\$ 32,221
97	21,895	74,577	2,413,672	41,933	447,819
-	-	15,138	11,854	191,679	-
<u>1,045,298</u>	<u>1,449,674</u>	<u>1,303,635</u>	<u>597,350</u>	<u>1,034,514</u>	<u>-</u>
<u>\$ 1,082,129</u>	<u>\$ 1,489,656</u>	<u>\$ 1,410,543</u>	<u>\$ 3,036,975</u>	<u>\$ 1,486,393</u>	<u>\$ 480,040</u>
<u>\$ 54,989,435</u>	<u>\$ 57,858,200</u>	<u>\$ 62,039,818</u>	<u>\$ 70,405,398</u>	<u>\$ 65,370,094</u>	<u>\$ 69,227,103</u>
\$ 14,729,897	\$ 8,106,952	\$ 19,500,285	\$ 9,022,556	\$ (3,477,235)	\$ 3,025,247
<u>2,188,356</u>	<u>1,346,203</u>	<u>244,095</u>	<u>2,160,409</u>	<u>477,989</u>	<u>(227,827)</u>
<u>\$ 16,918,253</u>	<u>\$ 9,453,155</u>	<u>\$ 19,744,380</u>	<u>\$ 11,182,965</u>	<u>\$ (2,999,246)</u>	<u>\$ 2,797,420</u>

**CITY OF LAGUNA BEACH
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Years			
	2012	2013	2014	2015
General Fund:				
Nonspendable	\$ 103,726	\$ 129,616	\$ 146,990	\$ 115,089
Restricted	3,526,976	3,317,856	2,958,295	3,073,396
Committed	306,539	306,359	334,525	363,278
Assigned	20,962,498	27,272,289	23,734,527	29,467,522
Unassigned	8,215,647	6,781,959	13,420,963	16,308,063
Total general fund	<u>\$ 33,115,386</u>	<u>\$ 37,808,079</u>	<u>\$ 40,595,300</u>	<u>\$ 49,327,348</u>
All other governmental funds:				
Nonspendable	\$ 791,384	\$ 3,531,567	\$ 2,190,000	\$ -
Restricted	10,385,155	3,595,034	4,265,613	6,486,737
Committed	-	5,984,699	6,034,556	6,089,679
Assigned	-	265,217	-	-
Unassigned	(774,645)	(148,095)	(531,502)	(521,922)
Total all other governmental funds	<u>\$ 10,401,894</u>	<u>\$ 13,228,422</u>	<u>\$ 11,958,667</u>	<u>\$ 12,054,494</u>

Data Source: City Records

The City implemented GASB 54 in Fiscal Year 2010-2011

**CITY OF LAGUNA BEACH
 FUND BALANCES OF GOVERNMENTAL FUNDS (CONTINUED)
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

Fiscal Years					
2016	2017	2018	2019	2020	2021
\$ 115,607	\$ 51,539	\$ 1,490,158	\$ 2,496,535	\$ 4,271,059	\$ 4,234,245
2,566,305	2,176,142	1,681,766	2,052,731	2,036,770	4,485,770
350,106	192,825	885,622	1,008,990	881,350	8,125,178
36,008,155	40,163,871	38,308,560	36,410,273	38,537,450	43,909,845
18,240,858	20,942,863	21,282,064	27,530,330	23,406,015	26,195,065
<u>\$ 57,281,031</u>	<u>\$ 63,527,240</u>	<u>\$ 63,648,170</u>	<u>\$ 69,498,859</u>	<u>\$ 69,132,644</u>	<u>\$ 86,950,103</u>
\$ -	\$ -	\$ 598,904	\$ 2,330,719	\$ 2,388,177	\$ 2,388,177
13,377,092	10,399,151	10,616,602	10,838,380	10,527,225	9,768,573
6,153,059	6,209,559	6,320,696	6,440,498	6,571,876	-
-	-	-	-	-	-
-	-	-	-	(275,872)	-
<u>\$ 19,530,151</u>	<u>\$ 16,608,710</u>	<u>\$ 17,536,202</u>	<u>\$ 19,609,597</u>	<u>\$ 19,211,406</u>	<u>\$ 12,156,750</u>

**CITY OF LAGUNA BEACH
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Years			
	2012	2013	2014	2015
Revenues:				
Taxes and special assessments	\$ 41,653,733	\$ 43,929,172	\$ 46,861,756	\$ 49,740,077
License and permits	975,884	1,052,041	1,292,248	1,257,275
Fines and penalties	1,283,698	1,341,961	1,179,799	1,161,445
Investment income	739,628	(70,016)	1,159,549	715,521
Rental income	419,641	427,341	500,642	484,579
Intergovernmental	3,469,505	2,121,486	3,363,671	2,817,867
Charges for services	12,987,838	13,603,713	7,509,075	8,153,319
Parking meters, lots and permits	4,276,533	5,384,197	5,308,051	7,400,349
Development tax	183,704	433,526	254,370	271,927
Contributions from property owners	-	-	-	-
Other	900,815	652,921	802,838	1,556,022
Total Revenue	<u>\$ 66,890,979</u>	<u>\$ 68,876,342</u>	<u>\$ 68,231,999</u>	<u>\$ 73,558,381</u>
Expenditures				
Current:				
General government	\$ 4,071,235	\$ 4,014,084	\$ 3,701,265	\$ 4,598,623
Community development	3,600,452	3,751,468	4,034,924	4,445,514
Public Safety	24,419,318	24,336,927	25,170,727	27,014,412
Public works	10,671,049	10,958,046	12,292,930	11,867,474
Recreation and social services	4,049,299	4,216,980	4,581,842	4,902,441
Sewer service operating costs	4,062,448	3,950,183	-	-
Capital outlay	10,745,569	8,974,111	15,782,365	10,735,900
Debt service:				
Principal	1,915,472	360,040	-	-
Interest and fiscal charges	181,283	132,459	-	-
Total Expenditures	<u>\$ 63,716,125</u>	<u>\$ 60,694,298</u>	<u>\$ 65,564,053</u>	<u>\$ 63,564,364</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 3,174,854	\$ 8,182,044	\$ 2,667,946	\$ 9,994,017
Other financing sources (uses):				
Transfer In	\$ 987,270	\$ 1,697,131	\$ 419,760	\$ 1,050,000
Transfer Out	(2,446,370)	(2,614,936)	(1,869,144)	(2,223,400)
Issuance of bond	459,263	-	-	-
Issuance of loan	-	-	-	-
Advance payments of PERS obligation	-	-	-	-
Sales of land and equipment	12,109	254,582	168,676	7,258
Total other financing sources (uses)	<u>(987,728)</u>	<u>(663,223)</u>	<u>(1,280,708)</u>	<u>(1,166,142)</u>
Net change in fund balances	<u>\$ 2,187,126</u>	<u>\$ 7,518,821</u>	<u>\$ 1,387,238</u>	<u>\$ 8,827,875</u>
Debt service as a percentage of noncapital expenditures	4.1%	1.0%	0.0%	0.0%

Data Source: City Records

**CITY OF LAGUNA BEACH
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (CONTINUED)
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

Fiscal Years					
2016	2017	2018	2019	2020	2021
\$ 53,422,115	\$ 57,209,543	\$ 61,759,702	\$ 64,132,553	\$ 61,825,816	\$ 69,133,106
1,500,393	1,580,348	1,563,386	1,401,562	1,192,344	1,468,109
1,168,255	1,001,556	1,056,801	959,270	937,560	963,325
1,256,302	35,817	302,357	3,840,142	3,346,784	285,554
481,114	463,868	457,540	425,517	448,319	224,649
2,118,995	1,785,855	2,508,832	2,781,991	2,617,533	7,461,982
8,177,621	8,508,729	8,711,740	8,648,899	7,375,023	8,610,465
6,739,529	7,857,684	6,994,805	8,065,075	5,908,986	7,695,559
185,949	310,117	178,875	263,291	153,783	210,061
7,281,713	167,566	32,723	30,000	522,848	
957,974	644,607	618,968	844,320	491,842	415,662
<u>\$ 83,289,960</u>	<u>\$ 79,565,690</u>	<u>\$ 84,185,729</u>	<u>\$ 91,392,620</u>	<u>\$ 84,820,838</u>	<u>\$ 96,468,472</u>
\$ 5,330,478	\$ 5,851,668	\$ 5,795,153	\$ 6,425,030	\$ 6,129,597	\$ 8,423,726
5,041,256	5,065,752	5,598,168	5,884,065	6,245,015	6,343,820
30,647,342	30,351,932	34,592,292	35,904,287	37,746,979	40,198,725
12,839,368	14,049,840	16,005,447	16,154,021	15,804,282	18,559,030
4,889,196	4,770,513	5,305,605	5,309,727	5,376,302	3,295,223
-	-	-	-	-	-
7,172,705	13,495,671	13,351,622	12,387,251	12,869,915	8,107,131
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 65,920,345</u>	<u>\$ 73,585,376</u>	<u>\$ 80,648,287</u>	<u>\$ 82,064,381</u>	<u>\$ 84,172,090</u>	<u>\$ 84,927,655</u>
\$ 17,369,615	\$ 5,980,314	\$ 3,537,442	\$ 9,328,239	\$ 648,748	\$ 11,540,817
\$ 120,000	\$ 1,744,140	\$ 2,113,000	\$ 1,659,158	\$ 1,123,500	\$ 1,173,500
(2,071,298)	(4,989,570)	(4,602,020)	(3,063,313)	(2,536,654)	(1,914,031)
-	584,993	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11,023	4,891	-	-	-	-
<u>(1,940,275)</u>	<u>(2,655,546)</u>	<u>(2,489,020)</u>	<u>(1,404,155)</u>	<u>(1,413,154)</u>	<u>(740,531)</u>
<u>\$ 15,429,340</u>	<u>\$ 3,324,768</u>	<u>\$ 1,048,422</u>	<u>\$ 7,924,084</u>	<u>\$ (764,406)</u>	<u>\$ 10,800,286</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

REVENUE CAPACITY

This section of the City of Laguna Beach's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The statistical information presented herein is unaudited.

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 Payors
- 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
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	1.619%
2016	12,610,347,675	90,557,688	12,700,905,363	1.518%
2017	13,479,921,599	102,361,950	13,582,283,549	1.647%
2018	14,298,272,576	111,731,729	14,410,004,305	1.607%
2019	15,137,859,516	118,829,430	15,256,688,946	1.450%
2020	15,826,807,669	134,563,131	15,961,370,800	1.343%
2021	16,616,689,613	98,129,952	16,714,819,565	1.407%

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 MuniServices, LLC

(1.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices.

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

**CITY OF LAGUNA BEACH
DIRECT AND OVERLAPPING PROPERTY TAX RATES⁽¹⁾
(RATE PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS**

	Fiscal Years			
	2012	2013	2014	2015
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	-	-	-	-
Unified School District Bonds	0.1601	0.1694	0.0157	0.0146
South Coast Water District	0.0082	0.0082	0.0079	0.0072
Metro Water District	0.0037	0.0035	0.0035	0.0035
Total Direct and overlapping Rate	<u>\$ 1.17200</u>	<u>\$ 1.18110</u>	<u>\$ 1.02704</u>	<u>\$ 1.02530</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: County Auditor/Controller data, MuniServices, LLC / Avenu Insights & Analytics

Source: 2013-14 and prior, previously published CAFR Reports

Rates are not adjusted for ERAF

TRA 005-015 is represented.

**CITY OF LAGUNA BEACH
 DIRECT AND OVERLAPPING PROPERTY TAX RATES⁽¹⁾ (CONTINUED)
 (RATE PER \$100 OF ASSESSED VALUE)
 LAST TEN FISCAL YEARS**

Fiscal Years					
2016	2017	2018	2019	2020	2021
\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
-	-	-	-	-	-
0.0140	0.0137	0.0129	0.0129	0.0127	0.0101
0.0067	0.0021	-	-	-	-
0.0035	0.0035	0.0035	0.0035	0.0035	0.0035
<u>\$ 1.02411</u>	<u>\$ 1.01928</u>	<u>\$ 1.01637</u>	<u>\$ 1.01635</u>	<u>\$ 1.01616</u>	<u>\$ 1.01362</u>

**CITY OF LAGUNA BEACH
PRINCIPAL PROPERTY TAXPAYORS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2021			2012		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Andy Bang LLC	300,442,628	1	1.80%			
Icre Laguna Club LLC	136,527,975	2	0.82%			
Gross William H	69,450,218	3	0.42%			
Hometown Laguna Terrace LLC	62,569,847	4	0.37%			
HCI Laguna Owner L P	59,714,169	5	0.36%			
Aliso Creek Center LLC	57,600,000	6	0.34%			
Laguna Cove LLC	48,709,447	7	0.29%			
Warpinski Sally Tr The	40,680,928	8	0.24%			
E W Merritt Farms Hotel Laguna LLC	38,583,606	9	0.23%			
Iconicviews Company LLC	36,989,566	10	0.22%			
Laguna Beach Luxury Hotel				169,379,167	1	1.62%
Mission Hospial Regional Medic				68,821,672	2	0.66%
Club Laguna Partnership				45,315,896	3	0.43%
Sullivan Kenneth J Iii				36,457,651	4	0.35%
Serenita LLC				30,154,264	5	0.29%
Nevills Neil D				30,100,092	6	0.29%
Residential Property Investmen				23,440,969	7	0.22%
Daichendt Gary J				22,986,560	8	0.22%
Emerald Financial LLC				20,070,962	9	0.19%
Bank, JP Morgan Chase N A				19,999,470	10	0.19%
	<u>\$ 851,268,384</u>		<u>5.09%</u>	<u>\$ 466,726,703</u>		<u>4.52%</u>

Source: Orange County Assessor data, MuniServices, LLC

**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
2012	23,406,343	22,993,852	98.24%	412,491	23,406,343	100%
2013	23,537,933	23,164,514	98.41%	373,417	23,537,931	100%
2014	24,298,820	23,997,150	98.76%	301,670	24,298,820	100%
2015	25,875,981	25,580,108	98.86%	295,873	25,875,981	100%
2016	27,900,487	27,711,235	99.32%	189,252	27,900,487	100%
2017	30,033,469	29,609,936	98.59%	423,533	30,033,469	100%
2018	31,851,921	31,494,680	98.88%	357,241	31,851,921	100%
2019	33,892,536	33,355,336	98.41%	537,200	33,892,536	100%
2020	35,447,181	34,968,629	98.65%	478,553	35,447,181	100%
2021	37,292,568	36,921,667	99.01%	370,901	37,292,568	100%

*Source: Orange County Auditor Controller's Office, MuniServices, LLC
2014-15 and Prior Years Previous CAFR Reports*

DEBT CAPACITY

This section of the City of Laguna Beach's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The statistical information presented herein is unaudited.

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			Business-type Activities			Percentage of Personal Income	Debt per Capita
	General Obligation Bonds	I-Bank Installment Agreement	Capital Leases	Total Governmental Activities	I-Bank Installment Agreement	Primary Government		
2012	-	5,032,020	-	5,032,020	-	5,032,020	0.27%	218
2013	-	4,671,980	-	4,671,980	-	4,671,980	0.26%	201
2014	-	-	-	-	4,302,111	4,302,111	0.24%	185
2015	-	-	-	-	3,922,145	3,922,145	0.22%	168
2016	-	-	-	-	3,531,805	3,531,805	0.19%	150
2017	-	-	-	-	3,130,810	3,130,810	0.16%	133
2018	-	-	-	-	6,718,867	6,718,867	0.32%	288
2019	-	-	-	-	10,751,678	10,751,678	0.53%	460
2020	-	-	-	-	10,163,699	10,163,699	0.50%	455
2021	-	-	-	-	9,388,760	9,388,760	0.39%	417

Data Source: City Records

**CITY OF LAGUNA BEACH
DIRECT AND OVERLAPPING DEBT
JUNE 30, 2021**

2020-21 Assessed Valuation: \$16,834,395,462

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt</u> <u>6/30/2021</u>	<u>% Applicable (1)</u>	<u>City's share of</u> <u>Debt 6/30/21</u>
Metropolitan Water District	\$26,830,000	0.516%	\$138,443
Capistrano Unified School District School Facilities Improvement District No. 1	16,013,396	0.010	1,601
Laguna Beach Unified School District	15,920,000	72.907	11,613,640
City of Laguna Beach 1915 Act Bonds	5,464,576	100	5,464,576
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$17,218,260</u>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	\$381,885,000	2.556%	\$9,806,807
Orange County Pension Obligation Bonds	485,318,204	2.556	12,462,971
Orange County Board of Education Certificates of Participation	12,310,000	2.556	316,121
Capistrano Unified School District Certificates of Participation	25,160,000	0.007	1,761
City of Laguna Beach	0	100	0
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$22,587,660</u>
 TOTAL DIRECT DEBT			 \$0
TOTAL OVERLAPPING DEBT			<u>\$39,805,920</u>
 COMBINED TOTAL DEBT			 <u>\$39,805,920 (2)</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 2019-20 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.10%
Total Direct Debt	0.00%
Combined Total Debt	0.24%

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	
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%
2016	7,400,257	4,467,494	2,932,763	390,339	101,746	595.99%
2017	7,699,521	4,888,192	2,811,329	400,996	90,945	571.48%
2018	8,050,631	6,644,252	1,406,379	411,943	79,848	285.97%
2019	8,388,932	6,315,367	2,073,565	423,189	157,227	357.25%
2020	8,626,052	6,637,183	1,988,869	587,979	190,133	255.60%
2021	9,530,242	6,509,854	3,020,388	774,940	422,250	252.29%

Data Source: City Records

**CITY OF LAGUNA BEACH
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

	Fiscal Years			
	2012	2013	2014	2015
Assessed valuation	10,468,333,980	10,681,022,396	11,181,201,735	11,895,671,535
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,617,083,495	2,670,255,599	2,795,300,434	2,973,917,884
Debt limit percentage	15%	15%	15%	15%
Debt limit	392,562,524	400,538,340	419,295,065	446,087,683
Total net debt applicable to limit:				
General obligation bonds	1,565,000	-	-	-
Legal debt margin	<u>\$ 390,997,524</u>	<u>\$ 400,538,340</u>	<u>\$ 419,295,065</u>	<u>\$ 446,087,683</u>
Total debt applicable to the limit as a percentage of debt limit	0.4%	0.0%	0.0%	0.0%

Note:

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.

Data Source: Orange County Assessor data, MuniServices, LLC

**CITY OF LAGUNA BEACH
LEGAL DEBT MARGIN (CONTINUED)
LAST TEN FISCAL YEARS**

Fiscal Years					
2016	2017	2018	2019	2020	2021
12,700,905,363	13,582,283,549	14,410,004,305	15,256,688,946	15,961,370,800	16,714,819,565
25%	25%	25%	25%	25%	25%
3,175,226,341	3,395,570,887	3,602,501,076	3,814,172,237	3,990,342,700	4,178,704,891
15%	15%	15%	15%	15%	15%
476,283,951	509,335,633	540,375,161	572,125,835	598,551,405	626,805,734
-	-	-	-	-	-
<u>\$ 476,283,951</u>	<u>\$ 509,335,633</u>	<u>\$ 540,375,161</u>	<u>\$ 572,125,835</u>	<u>\$ 598,551,405</u>	<u>\$ 626,805,734</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

DEMOGRAPHIC AND ECONOMIC INFORMATION

This section of the City of Laguna Beach's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The statistical information presented herein is unaudited.

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
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%
2016	23,617	1,904,729	80,651	3.4%
2017	23,505	1,986,939	84,533	3.0%
2018	23,309	2,095,738	89,911	3.0%
2019	23,358	2,215,201,245	94,837	2.2%
2020	22,343	2,203,830,404	98,636	12.0%
2021	22,495	2,394,973,815	106,467	6.8%

Source: MuniServices, LLC / an Avenu Insights & Analytics Company, U.S. Census Bureau, 2010 American Community Survey 2013-14 and prior, previously published CAFR.

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

- 1.) Population Projections are provided by the California Department of Finance Projections
- 2.) Income Data is provided by the U.S. Census Bureau, 2010 American Community Survey
- 3.) Median Age reflects the U.S. Census data estimation table
- 4.) Student Enrollment reflects the total number of students enrolled in the Laguna Beach Unified School District.
- 5.) Unemployment Data is provided by the EDD's Bureau of Labor Statistics Department

**CITY OF LAGUNA BEACH
PRINCIPAL EMPLOYERS
CURRENT YEAR AND FIVE YEARS AGO**

Business Name	2020-21		2013-14	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Montage Laguna Beach Hotel**	518	4.39%	780	4.76%
Laguna Beach School District	334	2.83%	300	1.83%
Mission Hospital, Laguna Beach (1)	291	2.47%	565	3.45%
Surf & Sand Resort**	265	2.25%	306	1.87%
City of Laguna Beach***	261	2.21%	250	1.52%
Laguna College of Art & Design**	214	1.81%	225	1.37%
Las Brisas Restaurant**	174	1.47%	150	0.91%
Pacific Edge Hotel** (2)	114	0.97%	230	1.40%
Mozambique Restaurant**	107	0.91%	130	0.79%
Anneliese Schools	103	0.87%		
Whole Foods Market			86	0.52%
Total Top 10 Employers	2,381	20.18%	3,022	18.43%
 Total City Labor Force (3)	 11,800		 16,400	

Source: MuniServices, LLC /Avenu Insights & Analytics
Source: 2014, previously published ACFR. Historical data unavailable.
Results based on direct correspondence with city's local businesses.
**Includes full and part time
***Includes full time only
(1) Count 291 is for just the Laguna Beach campus only.
(2) Count includes both Hotel & Restaurants.
(3) 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 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 unaudited.

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 EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Years			
	2012	2013	2014	2015
General Government	17.63	17.63	17.63	17.63
Public Safety	132.50	132.50	132.60	135.00
Public Works	51.00	50.00	51.00	51.00
Community Development	26.50	26.50	27.00	28.00
Recreational and Cultural ⁽¹⁾	7.75	7.75	7.75	7.75
Water Quality	15.00	15.00	15.00	15.00
Total	<u>250.38</u>	<u>249.38</u>	<u>250.98</u>	<u>254.38</u>

Note:

(1) Full time positions in Recreational were transferred to Public Works and Marine Safety

Data Source: City Records

**CITY OF LAGUNA BEACH
 FULL-TIME EMPLOYEES BY FUNCTION (CONTINUED)
 LAST TEN FISCAL YEARS**

Fiscal Years					
2016	2017	2018	2019	2020	2021
18.73	18.73	20.23	20.23	22.68	22.68
136.00	136.00	149.00	150.00	150.00	151.00
54.60	54.60	57.00	57.00	58.00	60.00
30.00	30.00	32.00	32.00	35.00	33.00
6.00	6.00	6.00	6.00	7.00	2.00
15.00	15.00	15.00	15.00	16.00	17.00
<u>260.33</u>	<u>260.33</u>	<u>279.23</u>	<u>280.23</u>	<u>288.68</u>	<u>285.68</u>

**CITY OF LAGUNA BEACH
OPERATING INDICATORS
LAST TEN FISCAL YEARS**

	Fiscal Years			
	2012	2013	2014	2015
Police				
Custodial Arrests	1,527	2,176	1,694	2,093
Traffic Violations	5,855	6,138	5,300	5,923
Parking Violations	38,553	40,050	34,004	36,685
Fire Protection:				
Number of Calls Answered	3,413	3,311	3,375	3,447
Number of Inspections	1,620	1,650	1,021	1,384
Water Quality:				
Number of Service Connections	8,504	8,504	8,504	8,504
Daily Average Treatment in MGD (million gallons per day)	2	2	2	2
Maximum daily capacity of treatment plant in MGD	4	4	4	4

(1) Drops in numbers are directly attributed to the Covid closures beginning on March 17, 2020.

Data Source: City Records

N/A - Not currently available.

**CITY OF LAGUNA BEACH
OPERATING INDICATORS (CONTINUED)
LAST TEN FISCAL YEARS**

Fiscal Years					
2016	2017	2018	2019	2020	2021
2,125	2,113	2,102	2,133	1,710	1,236
3,794	3,372	6,716	4,153	3,463	3,018
34,017	30,557	26,275	28,989	24,675	27,667
N/A	3,562	3,325	3,554	3,712	3,713
N/A	982	1,155	1,587	562	1,842
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			
	2012	2013	2014	2015
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

**CITY OF LAGUNA BEACH
CAPITAL ASSET STATISTICS BY FUNCTION (CONTINUED)
LAST TEN FISCAL YEARS**

Fiscal Years					
2016	2017	2018	2019	2020	2021
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

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