

CITY OF LAGUNA BEACH, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

City Council:

Sue Kempf, Mayor
Alex Rounaghi, Mayor Pro Tem
Bob Whalen, Council Member
George Weiss, Council Member
Mark Orgill, Council Member

Laura Parisi, City Treasurer

Ann Marie McKay, City Clerk

Sean Joyce, Interim City Manager

Prepared by:
Finance Division

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Introductory Section

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March 29, 2024

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, 2023.

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 Eide Bailly 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, 2023, 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, 2023, 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 over 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, beaches, the sewer system and parking facilities; design and building of new infrastructure; 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 community development). 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), the Laguna Beach County Water District (a component unit of the City), and the Laguna Beach Financing Authority (a blended component unit of the City). The Water District is discretely presented in the City's financial statements because the City Council also serves as the board of the Water District. The Laguna Beach Financing Authority's financial information is reported within the City's financial statements because the City Council also serves as the board of the Financing Authority and management of the City also has operational responsibility for the Financing Authority. Additional information about these component units and the reporting entities 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 is in a strong financial position as it started the Fiscal Year 2022-23, with a positive net position and increasing revenues. The City's General Fund achieved a surplus at year-end due to property tax and transient occupancy tax exceeding revenue projections. Furthermore, property taxes are expected to increase as the City experiences a continued demand for housing and rises in housing prices. This is both a stable and the primary revenue source for the City. Looking forward, the City anticipates that the assessed property values and demand for lodging will continue to drive the growth of property tax and transient occupancy tax. The City also anticipates increased demand for planning and development activity resulting in higher Community Development fee revenues. However, the City remains cautiously optimistic as the likelihood of a mild recession in 2024 or 2025 is still a possibility.

Local economy. According to the UCLA Anderson Forecast, the national economy is forecasted to have slower growth through the fourth quarter of 2023. Heading into 2024, the Forecast predicts that the threat of an imminent recession has faded due to expansionary fiscal policy and continued consumer spending. The Forecast predicts that growth in the economy will be tempered as interest rates remain high and inflation rates only slightly recede.

For California, the UCLA Anderson Forecast also suggests the state economy will continue to grow faster than the U.S., but the difference will be small for the first time in several years due to military activity abroad, greater geopolitical risk, and the potential for interest rates to continue to disrupt current expansion. Interest rates remain high; however, continued demand for limited housing stock, coupled with state policies to induce new home homebuilding, suggests the beginning of a recovery in 2024. The employment picture in California remains in flux. There is some indication that there will be small but positive growth in employment during 2024, but the data is still mixed. California's labor force has been declining and the unemployment rate and been slowing increasing.

The outlook for Orange County is similar. According to the December 2023 Chapman University Forecast, the economy will not experience a recession but rather slow growth in 2024. Home sales are projected to continue to drop while the median home sales price continues to increase during rising interest rates. Housing values are expected to increase 3.5% next year and building permits are projected to drop by 13%. Job growth is expected to grow only by 0.6% in 2024, with taxable sales expected to fall 4% in 2024. Orange County has experienced economic challenges and uncertainties, but it remains resilient and continues to adapt to changing conditions.

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 actively engaged in many significant initiatives to address the priorities set by the City Council and in meeting the needs of its residents. Progress has been made on several of the City Council's priorities, including initiating construction on Fire Station 4 through the awarding of a contract for design services; implementing several workforce investment initiatives, such as coaching services and multiple training programs; assuming ownership of the South Laguna Beach properties from the County of Orange thereby taking responsibility for the operations of the beaches and properties; launching the Be Well OC program in Laguna Beach, providing mobile mental health and substance abuse services to the community; modernizing business practices through technology upgrades and cybersecurity enhancements; and commencing the Tyler ERP software implementation to significantly upgrade the Finance and Human Resources software systems, with the rollout scheduled to go live in two phases beginning in the summer of 2024. Furthermore, the City successfully completed the Diamond Street Underground Utility Assessment District project, continues to pursue the purchase of hybrid-electric vehicles, expanded on-demand microtransit service to serve additional neighborhoods in North and South Laguna, and has made additional improvements to City facilities and local infrastructure. These accomplishments underscore the City's commitment to progress and improving the quality of life of its residents.

The City continues to monitor the economy and the possibility of a recession. The City has maintained the General Fund reserves of 20% and continues to see growth in most major revenue sources, such as property tax and transient occupancy tax; however, sales tax has begun to show a correction since the significant growth achieved during the pandemic.

Future Work Program Initiatives. A complete list of priorities was approved by City Council on January 19, 2024. Many of the City Council's major priorities, projects, and programs include:

- Explore Revenue Enhancements
- Solar Panels on City Facilities
- Develop Funding Plan for Laguna Canyon Road Improvements
- Downtown Action Plan
- Artist Live/Work Affordable Housing
- Explore Com. Development Opportunities to Improve Customer Experience

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 \$91.1 million per the June 30, 2022 actuarial valuation report issued by CalPERS. However, CalPERS reported investment returns of 5.8% in FY 2022-23, which falls short of the discount rate of 6.8%, and may impact the UAL for the next actuarial valuation report.

Awards and Acknowledgements

Awards: The City has received the award for excellence in financial reporting for the past eight 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, 2023. This was the eighth 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 want to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

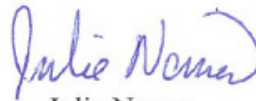
Respectfully submitted,



Sean Joyce
Interim City Manager



Gavin Curran
Assistant City Manager/CFO

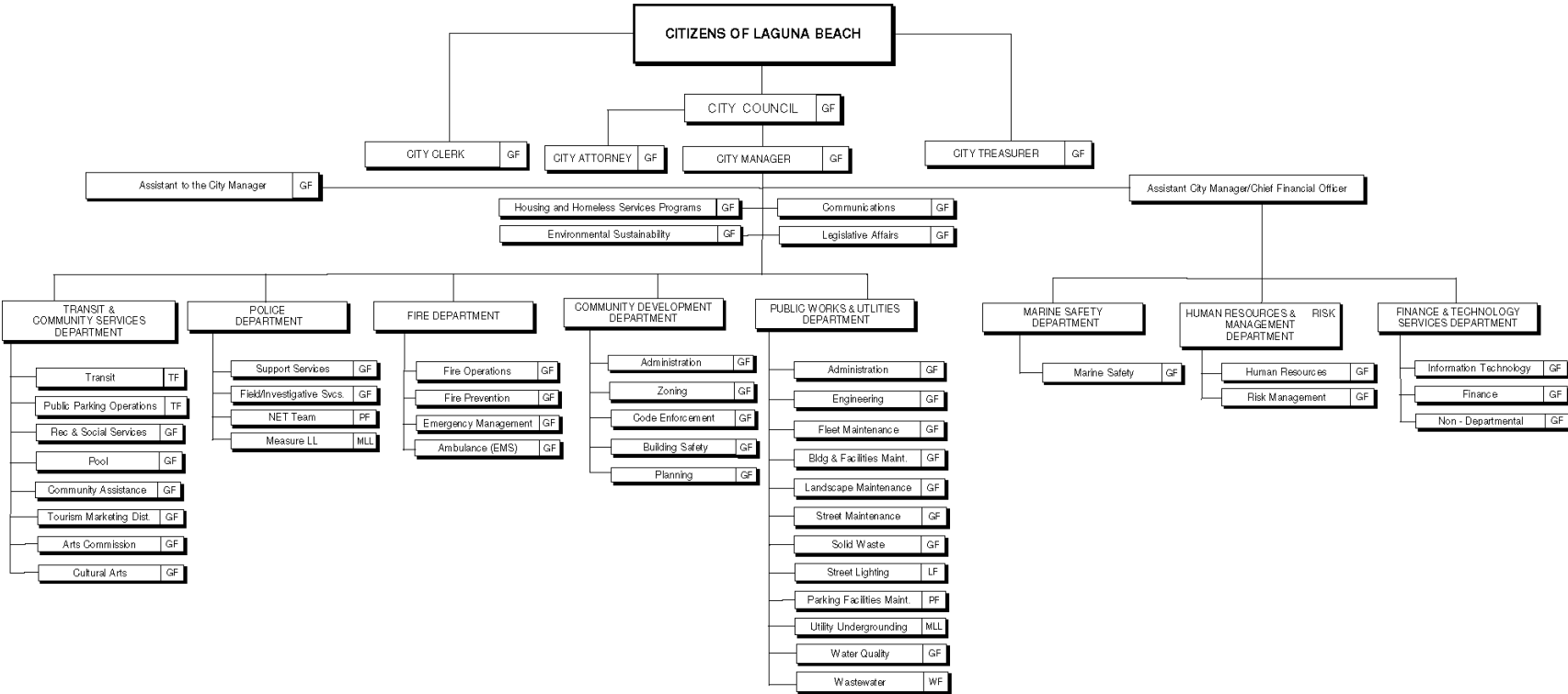


Julie Nemes
Director of Finance &
Technology Services



Shannon Espinoza
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, 2022

Christopher P. Morill

Executive Director/CEO

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Financial Section

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Independent Auditor's Report

To the Members of the City Council
City of Laguna Beach, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Laguna Beach, California, (City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Laguna Beach County Water District, which represent 100% of the assets, net position, and revenues of the aggregate discretely presented component unit as of June 30, 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the Laguna Beach County Water District are based solely on the report of the other auditors.

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Note 1 and 18 to the financial statements, the City has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Correction of Errors

As discussed in Note 18 to the financial statements, certain errors resulting in a misstatement of amounts previously reported as of June 30, 2022, were discovered during the current year. Accordingly, a restatement has been made to the Governmental Activities net position, Business-Type Activities net position, General Fund fund balance, Municipal Transit Fund net position, Insurance and Employee Benefits Internal Service Fund net position, and the Custodial Funds net position as of July 1, 2022, to correct the errors. Our opinions are not modified with respect to that matter.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability for the Safety Plan, schedule of changes in the net pension liability and related ratios for the Miscellaneous Plan, schedule of contributions for the Miscellaneous and Safety Plans, schedule of changes in total OPEB liability and related ratios, and budgetary comparison schedules for the General Fund and related notes, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, 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.

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

Laguna Hills, California
March 29, 2024

Management's Discussion and Analysis

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Laguna Beach (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. 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 custodial funds of the City – in which the City acts solely as a custodian 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.

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 unit	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 of 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

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.

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	
	(Restated)		(Restated)		(Restated)	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 170.4	\$ 154.0	\$ 15.1	\$ 14.8	\$ 185.5	\$ 168.8
Capital Assets	349.9	298.0	50.7	50.9	400.6	348.9
Total Assets	<u>520.3</u>	<u>452.0</u>	<u>65.8</u>	<u>65.7</u>	<u>586.1</u>	<u>517.7</u>
Deferred Outflows of Resources	<u>39.0</u>	<u>17.2</u>	<u>1.7</u>	<u>0.7</u>	<u>40.7</u>	<u>17.9</u>
Long-Term Debt Outstanding	111.1	54.3	19.7	18.8	130.8	73.1
Other Liabilities	<u>12.4</u>	<u>12.5</u>	<u>1.1</u>	<u>1.4</u>	<u>13.5</u>	<u>13.9</u>
Total Liabilities	<u>123.5</u>	<u>66.8</u>	<u>20.8</u>	<u>20.2</u>	<u>144.3</u>	<u>87.0</u>
Deferred Inflows of Resources	<u>7.5</u>	<u>29.2</u>	<u>0.2</u>	<u>1.4</u>	<u>7.7</u>	<u>30.6</u>
Net Position						
Net Investment in						
Capital Assets	337.0	297.3	43.2	45.9	380.2	343.2
Restricted	20.2	17.0	-	-	20.2	17.0
Unrestricted	<u>71.1</u>	<u>58.9</u>	<u>3.3</u>	<u>(1.1)</u>	<u>74.4</u>	<u>57.8</u>
Total Net Position	<u>\$ 428.3</u>	<u>\$ 373.2</u>	<u>\$ 46.5</u>	<u>\$ 44.8</u>	<u>\$ 474.8</u>	<u>\$ 418.0</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 \$474.8 million as of June 30, 2023.

The largest portion of the City's net position, \$380.2 million (80.1%), is 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 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 19.9% 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 \$20.2 million (4.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$74.4 million (15.7%) 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 \$56.8 million during the current fiscal year. The net position of governmental activities increased by \$55.1 million and business-type activities had an increase of \$1.7 million.

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

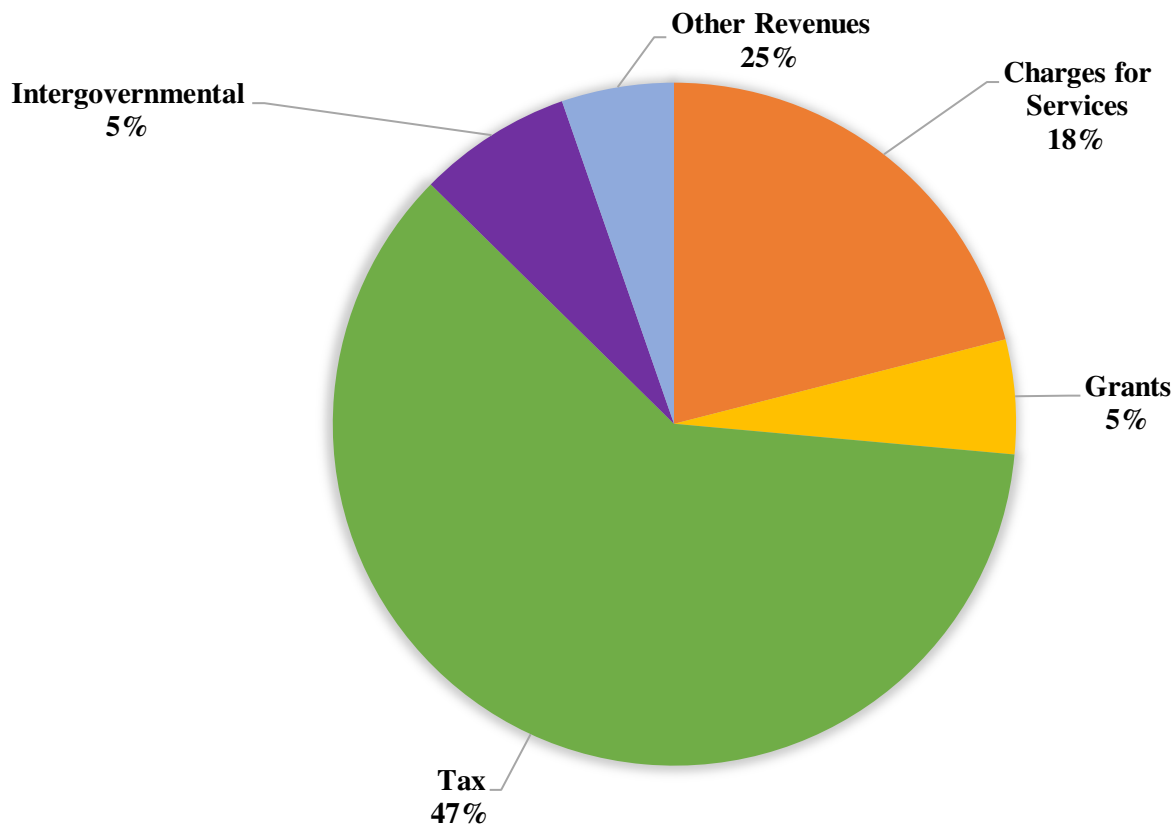
	Governmental Activities		Business-type Activities		Total	
	(Restated)		(Restated)		(Restated)	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues						
Charges for Services	\$26,857	\$23,883	\$10,254	\$9,765	\$37,111	\$33,648
Operating Grants/Contributions	7,841	6,024	2,832	3,886	10,673	9,910
Capital Grants/Contributions	2	6			2	6
General Revenues						
Taxes and special assessments	72,082	69,339			72,082	69,339
Intergovernmental	8,349	8,291			8,349	8,291
Investment income	(561)	(6,930)	399	28	(162)	(6,902)
Miscellaneous revenues	24,308	163	502	551	24,810	714
Gain (loss) on sale/disposal of capital assets	40	506	3	-	43	506
Contributed Land	15,153				15,153	-
Total Revenues	154,071	101,282	13,990	14,230	168,061	115,512
Expenses:						
General government	12,586	6,670			12,586	6,670
Community development	7,852	6,949			7,852	6,949
Public safety	44,939	37,893			44,939	37,893
Public works	25,618	25,805			25,618	25,805
Recreation and social services	6,597	3,919			6,597	3,919
Interest and fiscal charges	20	5			20	5
Municipal transit	-	-	4,996	4,076	4,996	4,076
Sewer Service	-	-	8,636	9,480	8,636	9,480
Total Expenses	97,612	81,241	13,632	13,556	111,244	94,797
Increase (Decrease) in Net Position						
Before Transfers	56,459	20,041	358	674	56,817	20,715
Transfers	(1,377)	(185)	1,377	185	-	-
Increase (Decrease) in Net Position	55,082	19,857	1,735	859	56,817	20,715
Net Position-Beginning	373,165	353,308	44,783	43,924	417,948	397,232
Net Position-Ending	\$428,247	\$373,165	\$46,518	\$44,783	\$474,765	\$417,948

The City’s total revenues were \$168.1 million while the total expenses were \$111.2 million. Excluding the one-time payment of \$23 million from the County of Orange for the transfer of South Laguna and the value of the transferred land amounting to \$15 million, Property taxes were the City’s largest revenue source at \$50.9 million (39.2% of total revenues and 43.9% of governmental revenues). Transient occupancy taxes at \$19.9 million (15.3% of total revenues and 17.2% governmental revenues) and sales taxes, at \$8.0 million (6.1% of total revenues and 6.9% of governmental revenues) were the second largest revenue sources for the City this past year. Property taxes increased approximately 8.4% resulting from a steady increase in secured taxes driven by higher demand in housing and higher property values. The City’s sales taxes slightly decreased from the prior year (less than 1%) and transient occupancy taxes (TOT) decreased by 6.0% as the City realizes a leveling out of the increases experienced from post-pandemic surges.

Governmental activities. The governmental activities’ increase in net position of \$55.1 million accounted for 97% of the total growth in net position for the City this past year. Revenues increased \$52.3 million compared to the prior year primarily due to a one-time payment from the County of Orange of \$23 million for the transfer of South Laguna beaches and the value of the transferred land amounting to \$15 million. The largest increases in reoccurring revenues came from property tax in the amount of \$4 million and \$2.1 million from community development fees. Other revenue increases included \$1.7 million for operating grants and \$1 million in ambulance program reimbursement revenues.

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 13% of the total cost of governmental activities. Charges for services offset 9% of the cost of providing these services.

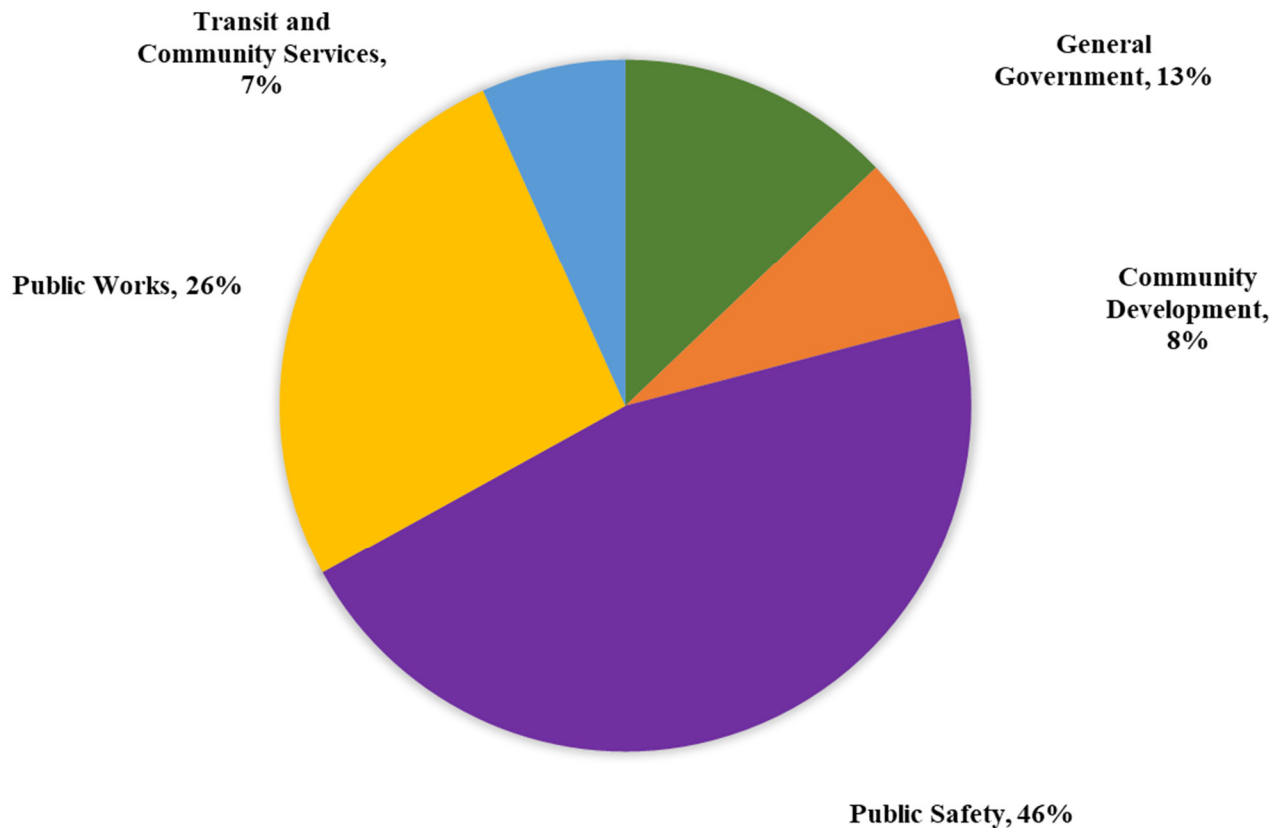
Community development expenditures were 8% of the total cost of governmental activities. Charges for services helped to offset 100% of the cost of these activities.

Public safety expenses comprised the largest component of governmental activities, approximately 46% of the total cost of governmental activities this past year. Charges for services, operating and capital grants, and contributions offset 16% of the cost of providing these services.

Public Works was the second largest governmental activity representing 26% of the total cost of governmental activities. Charges for services, operating and capital grants and contributions helped to offset 41% of the cost of these activities.

Transit and Community Services expenditures were 7% of the total cost of governmental activities. Charges for services, operating and capital grants and contributions offset 88% 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 an increase in net position of \$1.7 million. The expenses of the City’s business-type activity, the municipal transit system and sewer services, included costs incurred for capitalized assets that were funded by charges for services and operating and capital grants.

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, 2023, the governmental funds reported combined ending fund balances of \$130.6 million, an increase of \$19.5 million in comparison with the prior year. The City has \$6.5 million (5.0%) in fund balance classified as nonspendable to indicate it cannot be readily converted to cash; \$15.6 million (12.0%) in restricted fund balance to indicate that it has an externally imposed restriction on the money may be spent; \$10.1 million (7.7%) in committed fund balance to indicate that the City Council committed how the money will be spent; \$76.0 million (58.1%) in assigned fund balance to indicate that the City Council has an assigned purpose or intent for how the money should be spent; and \$22.4 million (17.2%) 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 \$17.4 million during the fiscal year ending June 30, 2023. Reasons for changes in the revenues and expenditures of the City's General Fund from the prior year include:

- Revenues increased by \$33.0 million compared to the prior year due to a one-time payment from the County of \$23 million for the transfer of South Laguna beaches. Property taxes increased \$4.0 million, along with Community Development fees increasing by \$2.1 million due to elevated development demand, including hotel redevelopment projects. Other revenue increases included \$1.7 million for operating grants and \$1 million in ambulance program reimbursement revenues. The increases were partially offset by a current year unrealized loss in investments of \$2.4 million.
- Expenditures increased by \$43.7 million compared to the prior year due to large capital purchases, such as the new Laguna Beach Community & Recreation Center, and the new Fire Station number four site.

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 \$2.8 million 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 increased by \$1.9 million due to the creation and bond proceeds of the new Diamond Street Assessment District.

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 \$3.4 million. For the Sewer Service Fund, the increase in unrestricted net position over last year is attributed to a 6% rate increase over five years, effective July 1, 2021. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGET

Differences between the original budget and the final amended budget of the General Fund totaled \$19 million, and significant items can be briefly summarized as follows:

- \$15.2 million increase for carryover appropriations, items appropriated in a prior fiscal year that have not yet been spent.
- \$2 million for the remaining American Rescue Plan Act funding for the acquisition of property for the Laguna Beach Community and Recreational Center.
- \$380 thousand to replace self-contained breathing apparatuses for the Fire Department.
- \$300 thousand towards the City’s Information Technology Master Plan.

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

- Total revenues were \$950 thousand above final budgeted revenues. The favorable variance is primarily from increased revenues in property taxes, transient occupancy taxes, and community development fees partially offset by an unrealized loss in investments and have already been addressed in the discussion of the City’s governmental funds.
- Total expenditures were under the budgeted amount by \$19.7 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.

CAPITAL ASSETS

	Capital Assets - Net of Depreciation					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2023	(Restated) 2022	2023	(Restated) 2022	2023	(Restated) 2022
Land	\$ 105,607,234	90,454,722	196,106	196,106	105,803,340	90,650,828
Buildings and Improvements	46,604,959	42,957,261	943,262	1,006,129	47,548,221	43,963,390
Office Equipment & Machinery	656,713	1,026,541	149,814	170,216	806,527	1,196,757
Furniture and Fixtures	2,007,968	2,073,998	28,017	32,238	2,035,985	2,106,236
Equipment Machinery & Tools	2,629,690	2,504,305	1,066,807	802,501	3,696,497	3,306,806
Sewer Plant and Lines	-	-	33,511,352	31,334,939	33,511,352	31,334,939
Capacity Rights	-	-	11,983,293	11,975,460	11,983,293	11,975,460
Automotive Equipment	4,647,293	3,235,271	1,425,415	1,757,143	6,072,708	4,992,414
Infrastructure	144,283,407	147,075,550	-	-	144,283,407	147,075,550
Right to Use Leased Assets	631,079	730,062	586,092	879,137	1,217,171	1,609,199
Right to Use Subscription IT Assets	717,353	15,760	26,594	-	743,947	15,760
Construction in Progress	42,044,925	7,961,513	787,017	2,729,096	42,831,942	10,690,609
Total	\$ 349,830,621	298,034,983	50,703,769	50,882,965	400,534,390	348,917,948

The major changes to the capital assets during the year ended June 30, 2023, were the purchase of the Laguna Beach Community and Recreation Center property, Library acquisition, and Zone 3 Street Slurry Seal Rehabilitation. 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 note 4 to the financial statements.

LONG-TERM DEBT

	Long-Term Liabilities					
	Governmental			Business-type		Total
	Activities			Activities		
	(Restated)		(Restated)		(Restated)	
2023	2022	2023	2022	2023	2022	
Lease Liabilities	\$ 639,509	766,519	599,351	-	1,238,860	766,519
SBITA Liabilities	598,163	15,760	22,512	888,047	620,675	903,807
Direct Borrowings	11,660,000	-	15,088,688	16,090,381	26,748,688	16,090,381
Total	\$ 12,897,672	782,279	15,710,551	16,978,428	28,608,223	17,760,707

The City's total debt increased by \$10.8 million (61%) during the current fiscal year. The outstanding debt is to help fund capital improvements to the City's sewer system. The increase 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 notes 6, 9, 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.

Basic Financial Statements

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Water District
Assets				
Cash and investments	\$ 151,120,320	\$ 5,353,453	\$ 156,473,773	\$ 17,702,323
Receivables				
Taxes	7,925,069	273,089	8,198,158	88,308
Accounts	943,059	924,138	1,867,197	1,655,937
Interest	289,949	360,118	650,067	143,716
Intergovernmental	295,113	59,520	354,633	-
Ibank installment agreement	-	8,173,606	8,173,606	-
Notes	652,634	-	652,634	-
Leases	1,324,407	-	1,324,407	4,889,059
Prepays	6,472,944	2,137	6,475,081	172,864
Inventory	52,118	-	52,118	421,245
Computer loans to employees	-	-	-	7,464
Property for housing program	1,342,000	-	1,342,000	-
Capital assets, not being depreciated	147,652,159	983,123	148,635,282	6,529,561
Capital assets, being depreciated	200,830,030	49,107,960	249,937,990	49,252,794
Right to use leased assets, net of accumulated amortization	631,079	586,092	1,217,171	-
Right to use subscription IT assets, net of accumulated amortization	717,353	26,594	743,947	-
Total assets	520,248,234	65,849,830	586,098,064	80,863,271
Deferred Outflows of Resources				
Deferred amounts related to pension plans	37,649,031	1,610,481	39,259,512	3,821,172
Deferred amounts related to OPEB	1,364,589	54,048	1,418,637	82,433
Total deferred outflows of resources	39,013,620	1,664,529	40,678,149	3,903,605
Liabilities				
Accounts payable	7,500,112	945,032	8,445,144	1,235,977
Accrued liabilities	1,132,101	-	1,132,101	169,467
Deposits	3,740,619	-	3,740,619	57,826
Interest payable	-	140,955	140,955	-
Noncurrent liabilities				
Due within one year				
Other long-term liabilities	3,870,803	1,052,577	4,923,380	109,431
Lease liabilities	129,801	295,939	425,740	-
Subscription IT liabilities	400,726	11,085	411,811	-
Total OPEB liability	396,965	16,541	413,506	-
Due in more than one year				
Other long-term liabilities	22,400,207	14,146,333	36,546,540	328,294
Lease liabilities	509,708	303,412	813,120	-
Subscription IT liabilities	197,437	11,427	208,864	-
Total OPEB liability	3,471,924	136,702	3,608,626	853,995
Net pension liability	79,768,564	3,741,999	83,510,563	8,527,998
Total liabilities	123,518,967	20,802,002	144,320,969	11,282,988
Deferred Inflows of Resources				
Deferred amounts related to leases	1,295,580	-	1,295,580	4,687,699
Deferred amounts related to pension plans	5,856,978	180,441	6,037,419	499,659
Deferred amounts related to OPEB plan	343,298	13,594	356,892	128,519
Total deferred inflows of resources	7,495,856	194,035	7,689,891	5,315,877
Net position				
Net investment in capital assets	336,932,949	43,166,824	380,099,773	55,782,355
Restricted for				
Capital projects	2,758,068	-	2,758,068	-
Parking in-lieu	992	-	992	-
Park in-lieu	86,644	-	86,644	-
Art in-lieu	310,735	-	310,735	-
Drainage	81,675	-	81,675	-
Housing in-lieu	857,168	-	857,168	-
Transportation infrastructure	1,834,161	-	1,834,161	-
Street lighting district	12,251,310	-	12,251,310	-
Street projects	1,898,569	-	1,898,569	-
Public safety	99,233	-	99,233	-
Unrestricted	71,135,527	3,351,498	74,487,025	12,385,656
Total net position	\$ 428,247,031	\$ 46,518,322	\$ 474,765,353	\$ 68,168,011

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

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	\$ 12,585,989	\$ 1,109,522	\$ 755,000	\$ -	\$ 1,864,522
Community development	7,852,297	8,830,579	262,739	-	9,093,318
Public safety	44,938,912	2,414,873	4,996,409	-	7,411,282
Public works	25,618,260	9,265,985	1,236,544	1,884	10,504,413
Transit and Community Services	6,596,624	5,235,988	590,866	-	5,826,854
Interest on long term debt	20,185	-	-	-	-
Total governmental activities	<u>97,612,267</u>	<u>26,856,947</u>	<u>7,841,558</u>	<u>1,884</u>	<u>34,700,389</u>
Business-Type Activities					
Municipal transit	4,996,037	135,733	2,546,571	-	2,682,304
Sewer service	8,635,589	10,118,172	285,645	-	10,403,817
Total business-type activities	<u>13,631,626</u>	<u>10,253,905</u>	<u>2,832,216</u>	<u>-</u>	<u>13,086,121</u>
Total primary government	<u>\$ 111,243,893</u>	<u>\$ 37,110,852</u>	<u>\$ 10,673,774</u>	<u>\$ 1,884</u>	<u>\$ 47,786,510</u>
Component Unit					
Water district	<u>\$ 16,386,553</u>	<u>\$ 11,346,506</u>	<u>\$ -</u>	<u>\$ 293,570</u>	<u>\$ 11,640,076</u>
General Revenues					
Taxes					
Transient occupancy tax					
Property tax					
Franchise tax					
Other					
Intergovernmental					
Intergovernmental revenue - sales tax and sales tax in-lieu					
Investment income (loss), net					
Contributed land					
Loss on disposal of capital assets					
Miscellaneous					
Transfers					
Total general revenues					
Change in Net Position					
Net Position, Beginning of Year, as restated					
Net Position, End of Year					

City of Laguna Beach, California
Statement of Activities (Continued)
Year Ended June 30, 2023

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Water District
\$ (10,721,467)	\$ -	\$ (10,721,467)	\$ -
1,241,021	-	1,241,021	-
(37,527,630)	-	(37,527,630)	-
(15,113,847)	-	(15,113,847)	-
(769,770)	-	(769,770)	-
(20,185)	-	(20,185)	-
<u>(62,911,878)</u>	<u>-</u>	<u>(62,911,878)</u>	<u>-</u>
-	(2,313,733)	(2,313,733)	-
-	1,768,228	1,768,228	-
<u>-</u>	<u>(545,505)</u>	<u>(545,505)</u>	<u>-</u>
<u>(62,911,878)</u>	<u>(545,505)</u>	<u>(63,457,383)</u>	<u>-</u>
			(4,746,477)
19,854,317	-	19,854,317	-
50,888,000	-	50,888,000	3,964,326
1,267,898	-	1,267,898	-
71,876	-	71,876	-
437,010	-	437,010	-
7,912,044	-	7,912,044	-
(560,953)	398,399	(162,554)	200,272
15,152,512	-	-	-
40,389	3,300	43,689	(69,045)
24,308,133	502,013	24,810,146	43,297
(1,376,792)	1,376,792	-	-
<u>117,994,434</u>	<u>2,280,504</u>	<u>120,274,938</u>	<u>4,138,850</u>
55,082,556	1,734,999	56,817,555	(607,627)
<u>373,164,475</u>	<u>44,783,323</u>	<u>417,947,798</u>	<u>68,775,638</u>
<u>\$ 428,247,031</u>	<u>\$ 46,518,322</u>	<u>\$ 474,765,353</u>	<u>\$ 68,168,011</u>

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Major Governmental Funds

General Fund

The General fund is used to account for resources which are dedicated to governmental operations of the City, and not required 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 Fund – The Assessment District Fund is used to account for assessment district utility undergrounding projects which are funded by property owners.

Non-Major 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 and a Debt Service Fund of the City.

City of Laguna Beach, California

Balance Sheet
 Governmental Funds
 June 30, 2023

	General	Capital Projects Assessment Districts	Non-major Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 114,479,156	\$ 2,834,444	\$ 9,592,746	\$ 126,906,346
Receivables			-	
Taxes	7,890,819	-	34,250	7,925,069
Accounts	735,776	-	95,568	831,344
Interest	289,949	-	-	289,949
Intergovernmental	153,732	-	141,381	295,113
Notes	341,920	-	-	341,920
Leases	1,324,407	-	-	1,324,407
Due from other funds	51,211	-	-	51,211
Prepays	4,084,767	-	2,388,177	6,472,944
Inventory	52,118	-	-	52,118
Total assets	\$ 129,403,855	\$ 2,834,444	\$ 12,252,122	\$ 144,490,421
Liabilities Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Account payable	\$ 7,009,810	\$ 6,861	\$ 98,680	\$ 7,115,351
Accrued liabilities	1,132,101	-	-	1,132,101
Deposits	3,671,104	69,515	-	3,740,619
Advances from other funds	565,537	-	-	565,537
Total liabilities	12,378,552	76,376	98,680	12,553,608
Deferred Inflows of Resources				
Leases	1,295,580	-	-	1,295,580
Total deferred inflows of resources	1,295,580	-	-	1,295,580
Fund Balances				
Nonspendable	4,136,885	-	2,388,177	6,525,062
Restricted	3,171,375	2,758,068	9,765,265	15,694,708
Committed	10,084,404	-	-	10,084,404
Assigned	75,974,344	-	-	75,974,344
Unassigned	22,362,715	-	-	22,362,715
Total fund balances	115,729,723	2,758,068	12,153,442	130,641,233
Total liabilities, deferred inflows of resources and fund balances	\$ 129,403,855	\$ 2,834,444	\$ 12,252,122	\$ 144,490,421

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

Fund Balance - Total Governmental Funds \$ 130,641,233

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 \$4,608,796 of internal service fund net capital assets.

Capital assets	500,260,160
Accumulated depreciation	(155,038,335)

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	(79,768,564)
Deferred outflows of resources related to pension	37,649,031
Deferred inflows of resources related to pension	(5,856,978)

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 and deferred inflows of resources related to OPEB 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	(3,868,889)
Deferred outflows of resources related to OPEB	1,364,589
Deferred inflows of resources related to OPEB	(343,298)

Other long term liabilities, including lease financing arrangements, lease liabilities, and IT subscription liabilities are not due and payable in the current period and, therefore, are not reported in funds.

Lease financing debt	(11,660,000)
Lease liabilities	(639,509)
Subscription IT liabilities	(598,163)

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.

16,105,754

Net Position of Governmental Activities \$ 428,247,031

City of Laguna Beach, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023

	General	Capital Projects Assessment Districts	Non-major Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 78,256,798	\$ -	\$ 2,691,228	\$ 80,948,026
Licenses and permits	2,826,974	-	-	2,826,974
Fines and forfeitures	937,908	-	-	937,908
Investment income (loss), net	(538,324)	13,595	114,938	(409,791)
Rental	493,254	-	-	493,254
Intergovernmental	2,797,067	-	4,676,830	7,473,897
Charges for services	12,044,994	-	-	12,044,994
Parking meters, lots, and permits	9,355,963	-	-	9,355,963
Development tax	139,310	-	-	139,310
Use of Money and Property	700,000	-	-	700,000
Other	22,680,365	1,700,645	-	24,381,010
Total revenues	129,694,309	1,714,240	7,482,996	138,891,545
Expenditures				
Current				
General government	8,915,025	-	-	8,915,025
Community development	7,774,107	-	-	7,774,107
Public safety	45,223,537	-	5,500	45,229,037
Public works	19,091,611	-	818,791	19,910,402
Transit and Community Services	5,971,105	-	-	5,971,105
Debt service				
Principal	440,195	-	-	440,195
Interest	20,185	-	-	20,185
Capital outlay	42,044,756	273,721	2,275,610	44,594,087
Total expenditures	129,480,521	273,721	3,099,901	132,854,143
Excess (Deficiency) of Revenues over (Under) Expenditures	213,788	1,440,519	4,383,095	6,037,402
Other Financing Sources (Uses)				
Transfers in	20,138,106	416,931	500,000	21,055,037
Transfers out	(3,827,320)	-	(16,342,107)	(20,169,427)
Proceeds from Debt Issuance	-	-	11,660,000	11,660,000
Subscriptions	895,588	-	-	895,588
Total other financing sources (uses)	17,206,374	416,931	(4,182,107)	13,441,198
Net Changes in Fund Balances	17,420,162	1,857,450	200,988	19,478,600
Fund Balances, Beginning of Year, as restated	98,309,561	900,618	\$11,952,454	111,162,633
Fund Balances, End of Year	\$ 115,729,723	\$ 2,758,068	\$ 12,153,442	\$ 130,641,233

City of Laguna Beach, California
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds to the Statement of Activities
 Governmental Funds
 Year Ended June 30, 2023

Net change in fund balances - total governmental funds	\$ 19,478,600
Amounts reported for governmental activities in the statement of activities are different because:	
<p>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 \$1,937,896 in net additions and \$732,621 in depreciation expense:</p>	
Depreciation and amortization expense, net of adjustments for deletions	(7,818,984)
Purchases of capital assets recorded in governmental funds	44,594,087
Contributed land	15,152,512
Expenditures classified in various functions are reclassified as capital additions	(1,535,601)
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:	
<p>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.</p>	
	1,030,450
<p>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 or resources and deferred inflows of resources.</p>	
	(184,655)
Debt service payment for principal payments are reported as expenditures in the governmental funds, but are not reported as expenses in the statement of activities.	
Lease principal payments	127,010
Subscription principal payments	313,185
The issuance of long-term debt provides current financial resources to governmental funds, but are not reported as revenues in the statement of activities.	
Lease financing debt	(11,660,000)
Subscription proceeds	(895,588)
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>(3,518,460)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 55,082,556</u></u>

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, California
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-Type Activities			Governmental
	Municipal Transit	Sewer Service	Total	Activities Internal Service Funds
Assets				
Current Assets				
Cash and investments	\$ 1,041,795	\$ 4,311,658	\$ 5,353,453	\$ 24,213,974
Receivables				
Taxes	110,209	162,880	273,089	-
Accounts	918,058	6,080	924,138	111,715
Interest Income	-	360,118	360,118	-
Intergovernmental	59,520	-	59,520	-
Total current assets	<u>2,129,582</u>	<u>4,840,736</u>	<u>6,970,318</u>	<u>24,325,689</u>
Noncurrent Assets				
Ibank installment agreement	-	8,173,606	8,173,606	-
Advances to other funds	-	-	-	565,537
Notes receivable	-	-	-	310,714
Prepays	534	1,603	2,137	-
Property for housing program	-	-	-	1,342,000
Capital assets, not being depreciated	196,106	787,017	983,123	-
Capital assets, being depreciated	2,429,037	46,678,923	49,107,960	4,608,796
Right to use leased assets, net of accumulated amortization	586,092	-	586,092	-
Right to use subscription IT assets, net of accumulated amortization	6,649	19,945	26,594	-
Total noncurrent assets	<u>3,218,418</u>	<u>55,661,094</u>	<u>58,879,512</u>	<u>6,827,047</u>
Total assets	<u>5,348,000</u>	<u>60,501,830</u>	<u>65,849,830</u>	<u>31,152,736</u>
Deferred Outflows of Resources				
Deferred amounts related to pensions	255,771	1,354,710	1,610,481	-
Deferred amounts related to OPEB	4,682	49,366	54,048	-
Total deferred outflows of resources	<u>260,453</u>	<u>1,404,076</u>	<u>1,664,529</u>	<u>-</u>
Liabilities				
Current Liabilities				
Accounts payable	480,106	464,926	945,032	384,761
Interest payable	1,977	138,978	140,955	-
Due to other funds	-	-	-	51,211
Compensated absences, due within one year	7,057	14,987	22,044	1,025,000
Insurance claims payable, due within one year	-	-	-	2,845,803
Lease liabilities, due within one year	295,939	-	295,939	-
Subscription IT liabilities, due within one year	2,771	8,314	11,085	-
Ibank installment agreements, due within one year	-	1,030,533	1,030,533	-
Total OPEB liability, due within one year	<u>1,489</u>	<u>15,052</u>	<u>16,541</u>	<u>-</u>
Total current liabilities	<u>789,339</u>	<u>1,672,790</u>	<u>2,462,129</u>	<u>4,306,775</u>
Noncurrent Liabilities				
Compensated absences	28,230	59,948	88,178	4,100,000
Insurance claims payable	-	-	-	6,640,207
Lease liabilities	303,412	-	303,412	-
Subscription IT liabilities	2,857	8,570	11,427	-
Ibank installment agreements	-	14,058,155	14,058,155	-
Total OPEB liability	<u>11,784</u>	<u>124,918</u>	<u>136,702</u>	<u>-</u>
Net pension liability	<u>562,203</u>	<u>3,179,796</u>	<u>3,741,999</u>	<u>-</u>
Total noncurrent liabilities	<u>908,486</u>	<u>17,431,387</u>	<u>18,339,873</u>	<u>10,740,207</u>
Total liabilities	<u>1,697,825</u>	<u>19,104,177</u>	<u>20,802,002</u>	<u>15,046,982</u>
Deferred Inflows of Resources				
Deferred amounts related to pensions	29,762	150,679	180,441	-
Deferred amounts related to OPEB	1,175	12,419	13,594	-
Total deferred inflows of resources	<u>30,937</u>	<u>163,098</u>	<u>194,035</u>	<u>-</u>
Net Position				
Net investment in capital assets	2,612,905	40,553,919	43,166,824	4,405,608
Unrestricted	<u>1,266,786</u>	<u>2,084,712</u>	<u>3,351,498</u>	<u>11,700,146</u>
Total net position	<u>\$ 3,879,691</u>	<u>\$ 42,638,631</u>	<u>\$ 46,518,322</u>	<u>\$ 16,105,754</u>

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

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
Operating Revenues				
Passenger revenues	\$ 135,733	\$ -	\$ 135,733	\$ -
Vehicle rental charges	-	-	-	1,282,997
Employee benefits charges	-	-	-	970,600
Insurance charges	-	-	-	11,679,423
Charges for service	-	10,118,172	10,118,172	-
Total operating revenues	<u>135,733</u>	<u>10,118,172</u>	<u>10,253,905</u>	<u>13,933,020</u>
Operating Expenses				
Personnel services	635,202	1,951,332	2,586,534	-
Contractual services	2,817,831	2,387,812	5,205,643	-
Materials and supplies	690,688	2,129,008	2,819,696	-
Administration	248,161	24,861	273,022	387,573
Employee benefits	-	-	-	1,477,791
Insurance claims and premiums	-	-	-	12,618,651
Depreciation and amortization	603,885	1,825,729	2,429,614	732,621
Total operating expenses	<u>4,995,767</u>	<u>8,318,742</u>	<u>13,314,509</u>	<u>15,216,636</u>
Operating Income (Loss)	(4,860,034)	1,799,430	(3,060,604)	(1,283,616)
Nonoperating Revenues (Expenses)				
Investment income	7,003	391,396	398,399	-
Intergovernmental	2,546,571	285,645	2,832,216	-
Interest expense	(270)	(316,847)	(317,117)	-
Gain on disposal of capital assets	-	3,300	3,300	27,558
Other revenue	61,041	440,972	502,013	-
Total nonoperating revenues (expenses)	<u>2,614,345</u>	<u>804,466</u>	<u>3,418,811</u>	<u>27,558</u>
Income (Loss) before Transfers	(2,245,689)	2,603,896	358,207	(1,256,058)
Transfers				
Transfers in	1,376,792	-	1,376,792	1,737,598
Transfers out	-	-	-	(4,000,000)
Total transfers	<u>1,376,792</u>	<u>-</u>	<u>1,376,792</u>	<u>(2,262,402)</u>
Change in Net Position	(868,897)	2,603,896	1,734,999	(3,518,460)
Net Position				
Net Position Beginning of Year, as Restated	4,748,588	40,034,735	44,783,323	\$19,624,214
Net Position, End of Year	<u>\$ 3,879,691</u>	<u>\$ 42,638,631</u>	<u>\$ 46,518,322</u>	<u>\$ 16,105,754</u>

City of Laguna Beach, California
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
Operating Activities				
Cash received from Customers	\$ 136,267	\$ 10,118,172	\$ 10,254,439	\$ -
Cash received from User Departments	-	-	-	13,538,086
Cash payments to Suppliers for Goods and Services	(3,709,060)	(4,340,678)	(8,049,738)	(11,041,136)
Cash payments to Employees for Services	(637,205)	(1,899,515)	(2,536,720)	(1,281,691)
Cash received from Insurance and Settlements	-	-	-	-
Net Cash Provided by (used for) Operating Activities	<u>(4,209,998)</u>	<u>3,877,979</u>	<u>(332,019)</u>	<u>1,215,259</u>
Noncapital Financing Activities				
Cash received from (paid to) Other Funds	1,376,792	(412,797)	963,995	1,737,601
Cash paid to Other Funds as an Advance	-	-	-	829,123
Cash transferred to other funds	-	-	-	(4,000,000)
Cash received from grant proceeds	2,852,467	649,520	3,501,987	-
Cash received from loan receivable	-	3,836,788	3,836,788	-
Cash received related to Housing Program	-	-	-	23,292
Net Cash Provided by (used for) Noncapital Financing Activities	<u>4,229,259</u>	<u>4,073,511</u>	<u>8,302,770</u>	<u>(1,409,984)</u>
Capital and Related Financing Activities				
Purchase of Capital Assets	-	(2,216,226)	(2,216,226)	(2,136,245)
Net proceeds from sale of Capital Assets	-	-	-	27,558
Cash paid for lease liabilities- principal portion	(288,697)	-	(288,697)	-
Cash paid for lease liabilities- interest portion	(18,695)	-	(18,695)	-
Cash paid for subscription liabilities- principal portion	(2,920)	(8,759)	(11,679)	-
Cash paid for subscription liabilities- interest portion	(563)	(1,691)	(2,254)	-
Principal paid on Long-term Debt	-	(1,001,692)	(1,001,692)	-
Interest paid on Long-term Debt	-	(380,186)	(380,186)	-
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>(310,875)</u>	<u>(3,608,554)</u>	<u>(3,919,429)</u>	<u>(2,108,687)</u>
Investing Activities				
Interest received	7,003	(31,278)	(24,275)	-
Net Cash Provided by (used for) Investing Financing Activities	<u>7,003</u>	<u>(31,278)</u>	<u>(24,275)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(284,611)	4,311,658	4,027,047	(2,303,412)
Cash and Cash Equivalents, Beginning of Year	1,326,406	-	1,326,406	26,517,386
Cash and Cash Equivalents, End of Year	<u>\$ 1,041,795</u>	<u>\$ 4,311,658</u>	<u>\$ 5,353,453</u>	<u>\$ 24,213,974</u>

City of Laguna Beach, California
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2023

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities				
Operating income (loss)	\$ (4,860,034)	\$ 1,799,430	\$ (3,060,604)	\$ (1,283,616)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	603,885	1,825,729	2,429,614	732,621
Cash received from Insurance and Settlements	-	-	-	-
Changes in Assets and Deferred Outflows of Resources				
(Increase) decrease in Accounts Receivable	-	-	-	(44,489)
(Increase) decrease in prepaids	(534)	(1,603)	(2,137)	-
(Increase) decrease in interest receivable	-	-	-	-
(Increase) decrease in Deferred Outflows of Resources related to Pensions	(165,781)	(828,907)	(994,688)	-
(Increase) decrease in Deferred Outflows of Resources related to OPEB	(785)	(8,274)	(9,059)	-
Changes in Liabilities and Deferred Inflows of Resources				
Increase (decrease) in Accounts Payables and Accrued Liabilities	44,682	304,637	349,319	143,913
Increase in Due to Other Funds	-	-	-	51,208
Increase (decrease) in Compensated Absences Payable	9,426	(16,631)	(7,205)	196,100
Increase (decrease) in Insurance Claims	-	-	-	1,419,522
Increase (decrease) in Total OPEB Liability	1,624	17,136	18,760	-
Increase (decrease) in Net Pension Liability	364,648	1,823,241	2,187,889	-
Increase (decrease) in Deferred Inflows of Resources related to Pensions	(206,920)	(1,034,600)	(1,241,520)	-
Increase (decrease) in Deferred Inflows of Resources related to OPEB	(209)	(2,179)	(2,388)	-
Net Cash Provided by (used for) Operating Activities	<u>\$ (4,209,998)</u>	<u>\$ 3,877,979</u>	<u>\$ (332,019)</u>	<u>\$ 1,215,259</u>
Non-Cash Investing, Capital, and Financing Activities				
Subscription liability for the acquisition of a right to use assets	<u>\$ (8,548)</u>	<u>\$ (25,643)</u>	<u>\$ (34,191)</u>	<u>\$ -</u>

City of Laguna Beach, California
 Statement of Fiduciary Net Position
 Fiduciary Funds-Custodial Funds
 June 30, 2023

	<u>Custodial Funds</u>
Assets	
Cash and investments	\$ 659,509
Investments with fiscal agent	461,501
Receivables	
Taxes	<u>11,264</u>
Total assets	<u>1,132,274</u>
Liabilities	
Accounts payable	<u>3,049</u>
Total liabilities	<u>3,049</u>
Net Position	
Restricted for	
Individuals, organizations, and other governments	<u>1,129,225</u>
Total net position	<u><u>\$ 1,129,225</u></u>

City of Laguna Beach, California
Statement of Changes in Fiduciary Net Position
Fiduciary Funds-Custodial Funds
Year Ended June 30, 2023

	<u>Custodial Funds</u>
Additions	
Special assessments	\$ 886,186
Proceeds from debt issuance	141,726
Investment income	<u>10,211</u>
Total additions	<u>1,038,123</u>
Deletions	
General and administrative	21,700
Debt service	<u>1,126,815</u>
Total deductions	<u>1,148,515</u>
Changes in Net Position	(110,392)
Net Position, Beginning of Year, as restated	<u>1,239,617</u>
Net Position, End of Year	<u><u>\$ 1,129,225</u></u>

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.

Blended Component Unit

The Laguna Beach Financing Authority (Financing Authority) was established pursuant to a Joint Exercise of Powers Agreement dated October 1, 2022, between the City and the California Statewide Communities Development Authority. The purpose of the Authority is to provide the financing necessary for the purchase or construction of various facilities or improvements through the issuance of debt. Although the Financing Authority is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Financing Authority and the management of the City has operational responsibility for the Financing Authority. The activities of the Financing Authority are recorded in the debt service fund. Separate Financial Statements of the Financing Authority are prepared and can be obtained at City Hall.

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.

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 another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as 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.

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.

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.

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 has designated this fund as a major fund.

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. The City has designated this fund as a major fund.

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.

Debt Service Fund - This fund accounts for the servicing of long-term debt.

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.

Custodial Fund - The Fiduciary fund is used to account for assets held by the City as an agent for improvement district 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, 2023 were as follows:

General Fund	\$ 3,409,332
Assessment Districts Capital Projects Fund	24,800
Nonmajor Governmental Funds	104,600
Internal Service Funds	189,700
Enterprise Funds	<u>17,300</u>
Total encumbrances	<u><u>\$ 3,745,732</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. Lease Receivables

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

G. 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.

H. 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.

I. Prepaids

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.

J. 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. These funds are held in custodial funds only.

K. 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.

Right to use leased assets are recognized at the lease commencement date and represent the City's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight line method.

Right to use subscription IT assets are recognized at the subscription commencement date and represent the City's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method.

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

Asset	Years
Storm Drains	40 years
Beach Stairways	30 years
Streets	50 years
Sidewalks	50 years
Sewer Line Relining	40 years
Sewer Lines	50 years
Nuisance Water Diversification Units	30 years
Buildings and Improvements	30 years
Office Equipment and Machines	5 years
Furniture and Fixtures	3 to 8 years
Equipment, Machinery, and Tools	3 to 8 years
Automotive Equipment	2 to 20 years
Right to Use Asset	Shorter of useful life or lease term/subscription term

L. 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.

M. 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.

N. Lease Liabilities

Lease liabilities represent the City’s obligation to make lease payments arising from leases. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the City.

O. Subscription Liabilities

Subscription liabilities represent the City's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by the City.

P. 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.

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.

Q. 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.

R. 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.

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.

S. 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 \$81,825,493 and the minimum reserve requirement was \$16,365,098. The City's General Fund (single fund, not combined) reported \$22,380,716 of unassigned fund balance as of June 30, 2023.

T. 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.

U. 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 assets 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 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 assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has the following item that qualifies for reporting in this category:

- Deferred inflows 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 inflows 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 5 years.
- Deferred inflows related to OPEB for differences between expected and actual experience. 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.
- Deferred inflows related to leases where the City is the lessor, which may be reported in the governmental funds statement of net position. These amounts are recognized on a straight line basis over the term of the lease.

V. 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.

W. New GASB Pronouncements

Implementation of GASB Statement No. 96

As of July 1, 2022, the City adopted GASB Statement No. 96, *Subscription- Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset -an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 18 and the additional disclosures required by this standard are included in Note 4 and 11.

X. 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.

Note 2 - Cash and Investments

Cash and Investments

Cash and investments of the primary government as of June 30, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and investments - Governmental Activities	\$ 151,120,320
Cash and investments - Business-type Activities	5,353,453
Statement of Fiduciary Assets and Liabilities	
Cash and investments	659,509
Investments with Fiscal Agent	461,501
Total cash and investments	\$ 157,594,783

Cash and investments as of June 30, 2023, consist of the following:

Cash on Hand (Petty Cash and Changed Funds)	\$ 7,600
Deposits with Financial Institutions	12,015,174
Investments	145,110,508
Investments Held by Bond Fiscal Agency	<u>461,501</u>
Total cash and investments	<u>\$ 157,594,783</u>

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>Authorized Investment Type</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage Amount 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.

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 Maturities (in Months)				Total
	12 months or less	13 to 24 Months	25 to 60 Months	More than 60 Months*	
Federal Agency Securities	\$ 5,899,900	\$ 4,750,990	\$ 73,338,194	\$ -	\$ 83,989,084
Municipal Bonds	1,468,800	4,406,683	2,327,318	-	8,202,801
Local Agency Investment Fund	30,363,717	-	-	-	30,363,717
Medium-Term Notes	5,931,587	4,779,130	3,373,856	-	14,084,573
Supranational	-	-	1,801,060	-	1,801,060
United States Treasury Bill	5,957,280	-	-	-	5,957,280
City Bonds*	-	-	-	711,993	711,993
Held by Bond Fiscal Agent					
Local Agency Investment Fund	461,501	-	-	-	461,501
Total	\$ 50,082,785	\$ 13,936,803	\$ 80,840,428	\$ 711,993	145,572,009

*City Council has approved the investment in the debt/bonds of Assessment Districts 13- 6, 14-1, and 15-2 in the amount of \$711,993, 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				Not Rated
		Legal Rating	AAA	AA	A	
Federal Agency Securities	\$ 83,989,084	N/A	\$ -	\$ 83,989,084	\$ -	\$ -
Municipal Bonds	8,202,801	A*	1,924,980	6,277,821	-	-
Local Agency Investment Fund	30,363,717	N/A	-	-	-	30,363,717
Medium-Term Notes	14,084,573	A	-	5,551,223	8,533,350	-
Supranational	1,801,060	AA	1,801,060	-	-	-
United States Treasury Bill	5,957,280	N/A	-	5,957,280	-	-
City Bonds*	711,993	N/A	-	-	-	711,993
Held by Bond Fiscal Agent						
Local Agency Investment Fund	461,501	N/A	-	-	-	461,501
Total	\$ 145,572,009		\$ 3,726,040	\$ 101,775,408	\$ 8,533,350	\$ 31,537,211

*City of Laguna Beach debt/bonds in the amount of \$711,993 are exempt from the minimum legal rating.

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 3% 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	\$ 51,992,484
Federal Home Loan Mortgage Corporation	Federal Agency Securities	13,699,170
Federal Farm Credit Bank	Federal Agency Securities	11,944,480

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 fair 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. As of June 30, 2023, all of the City's funds are held in accordance with these provisions.

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.

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, 2023:

	Fair Value	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
Investment Type (Subject to Hierarchy)				
Federal Agency Securities	\$ 83,989,084	\$ -	\$ 83,989,084	\$ -
Municipal Bonds	8,202,801	-	8,202,801	-
Medium-Term Notes	14,084,573	-	14,084,573	-
Supranational	1,801,060	-	1,801,060	-
United States Treasury Bill	5,957,280	-	5,957,280	-
City Bonds	711,993	-	-	711,993
Total subject to hierarchy	114,746,791	<u>\$ -</u>	<u>\$ 114,034,798</u>	<u>\$ 711,993</u>
Uncategorized (Not Subject to Hierarchy)				
Local Agency Investment Fund	30,363,717			
Held by Bond Fiscal Agent				
Local Agency Investment Fund	<u>461,501</u>			
Total investment portfolio	<u>\$ 145,572,009</u>			

Note 3 - Interfund Activity

Advances

Interfund balances at June 30, 2023, 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	<u>\$ 565,537</u>
		<u>\$ 565,537</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 2022-2023 was principal of \$829,123 and interest of \$27,955 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>
2023 - 2024	<u>\$ 565,537</u>
Total	<u>\$ 565,537</u>

Transfers

Interfund transfers at June 30, 2023 consisted of the following:

<u>Transfer In</u>	<u>Transfer Out</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	
General Fund	\$ -	\$ 16,138,106	\$ 4,000,000	\$ 20,138,106
Assessment District Capital Project Funds	212,930	204,001	-	416,931
Non-Major Governmental Funds	500,000	-	-	500,000
Municipal Transit Enterprise Fund	1,376,792	-	-	1,376,792
Internal Service Funds	<u>1,737,598</u>	<u>-</u>	<u>-</u>	<u>1,737,598</u>
Total	<u>\$ 3,827,320</u>	<u>\$ 16,342,107</u>	<u>\$ 4,000,000</u>	<u>\$ 24,169,427</u>

Transfers were used to:

1. Transfer from the General Fund of \$212,930 and the Street Lighting Fund of \$204,001 to the Capital Projects- Assessment District Fund for expenditures related to assessment district capital improvement projects.
2. Transfer from the General Fund and the General Fund (Capital Improvement) to the Housing Fund and the Gas Tax Fund in the amount of \$250,000 each for expenditures related to capital improvement projects.

3. Transfer from the General Fund (Parking) to the Municipal Transit Fund in the amount of \$1,376,792 to cover the balance of operating and capital expenditures not funded from grants or other revenues.
4. Transfer from the General Fund to the Vehicle Replacement Fund in the amount of \$134,460 for the principal payment of Side Fund Loan. Transfer from the General Fund to the Insurance and Employee Benefits Fund in the amount of \$507,191 for Side Fund Loan repayment and increases in compensated absences. Transfer from the General Fund to the Insurance and Employee Benefits Fund in the amount of \$795,947 to cover negative fund balance, Transfer from the General (Parking) Fund to the Vehicle Replacement Fund in the amount of \$300,000 for budget needs.
5. Transfer from the Debt Service Fund - Financing Authority to the General Fund (Capital Improvement Fund) related to Loan Proceeds for the purchase and restoration of St. Catherine's in the amount of \$11,660,000. Additionally, \$3,300,300 was transferred to the General Fund (Capital Improvement Fund) from the COVID-19 Fund for the purchase and restoration of St. Catherine's. The remaining transfers into the General Fund were to support government services.
6. Transfer from the Insurance and Employee Benefits and the Vehicle Replacement Fund to the Capital Improvement Fund related to Fire Station #4 in the amount of \$1,000,000 and for St. Catherine's Purchase in the amount of \$3,000,000.

Note 4 - Capital Assets

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

	(Restated) Balance at June 30, 2022	Additions	Deletions/ Transfers	Balance at June 30, 2023
Governmental Activities				
Capital assets, not depreciated				
Land	\$ 90,454,722	\$ 15,152,512	\$ -	\$ 105,607,234
Construction in progress	7,961,513	34,832,205	(748,793)	42,044,925
Total capital assets, not depreciated	<u>98,416,235</u>	<u>49,984,717</u>	<u>(748,793)</u>	<u>147,652,159</u>
Capital Assets, Being Depreciated				
Buildings and improvements	78,670,078	5,328,280	-	83,998,358
Office equipment and machinery	5,841,240	-	-	5,841,240
Furniture and fixtures	2,800,779	-	-	2,800,779
Equipment, machinery, and tools	7,292,320	580,547	(14,492)	7,858,375
Automotive equipment	9,885,751	2,136,246	(198,349)	11,823,648
Infrastructure	247,857,763	2,379,147	-	250,236,910
Total capital assets, being depreciated	<u>352,347,931</u>	<u>10,424,220</u>	<u>(212,841)</u>	<u>362,559,310</u>
Less Accumulated Depreciation for				
Buildings and improvements	(35,712,817)	(1,680,582)	-	(37,393,399)
Office equipment and machinery	(4,814,699)	(369,828)	-	(5,184,527)
Furniture and fixtures	(726,781)	(66,030)	-	(792,811)
Equipment, machinery, and tools	(4,788,015)	(455,162)	14,492	(5,228,685)
Automotive equipment	(6,650,480)	(534,271)	8,396	(7,176,355)
Infrastructure	(100,782,213)	(5,171,290)	-	(105,953,503)
Total accumulated depreciation	<u>(153,475,005)</u>	<u>(8,277,163)</u>	<u>22,888</u>	<u>(161,729,280)</u>
Total capital assets, being depreciated, net	<u>198,872,926</u>	<u>2,147,057</u>	<u>(189,953)</u>	<u>200,830,030</u>
Right to Use Leased Assets Being Amortized				
Right to use leased land	29,582	-	-	29,582
Right to use leased building	238,012	-	-	238,012
Right to use leased office equipment and machinery	69,753	-	-	69,753
Right to use leased automotive equipment	491,698	-	-	491,698
Total right to use leased assets being amortized	<u>829,045</u>	<u>-</u>	<u>-</u>	<u>829,045</u>
Less Accumulated Amortization for				
Right to use leased land	(10,431)	(10,431)	-	(20,862)
Right to use leased building	(31,374)	(31,374)	-	(62,748)
Right to use leased office equipment and machinery	(21,126)	(21,126)	-	(42,252)
Right to use leased automotive equipment	(36,052)	(36,052)	-	(72,104)
Total accumulated amortization	<u>(98,983)</u>	<u>(98,983)</u>	<u>-</u>	<u>(197,966)</u>
Total right to use leased assets, being amortized, net	<u>730,062</u>	<u>(98,983)</u>	<u>-</u>	<u>631,079</u>
Right to Use Subscription IT Assets, Being Amortized	15,760	909,763	-	925,523
Total right to use subscription it assets, being amortized	15,760	909,763	-	925,523
Less Accumulated Amortization for Right to Use Subscription IT Assets	-	(208,170)	-	(208,170)
Total accumulated amortization	-	(208,170)	-	(208,170)
Total right to use subscription it assets, being amortized, net	<u>15,760</u>	<u>701,593</u>	<u>-</u>	<u>717,353</u>
Governmental Activities Capital Assets, net	<u>\$ 298,034,983</u>	<u>\$ 52,734,384</u>	<u>\$ (938,746)</u>	<u>\$ 349,830,621</u>

During the fiscal year, the County of Orange transferred ownership of the County's beach properties located within City limits. The land was valued at \$15,152,512. In addition to the transfer of land, the County paid the City \$22 million dollars for the management and operations of the property. The revenue received is recorded as "other" revenue in the South Laguna sub-fund of the General fund.

City of Laguna Beach, California
Notes to Financial Statements
June 30, 2023

	Balance at July 01, 2022	Additions	Deletions/ Transfers	Balance at June 30, 2023
Municipal Transit Enterprise Fund				
Capital assets, not depreciated				
Land	\$ 196,106	\$ -	\$ -	\$ 196,106
Total capital assets, not depreciated	<u>196,106</u>	<u>-</u>	<u>-</u>	<u>196,106</u>
Capital Assets, Being Depreciated				
Buildings and improvements	1,948,393	-	-	1,948,393
Equipment, machinery, and tools	248,529	-	-	248,529
Automotive equipment	3,598,399	-	-	3,598,399
Total capital assets, being depreciated	<u>5,795,321</u>	<u>-</u>	<u>-</u>	<u>5,795,321</u>
Less Accumulated Depreciation for				
Buildings and improvements	(942,264)	(62,867)	-	(1,005,131)
Equipment, machinery, and tools	(94,542)	(22,319)	-	(116,861)
Automotive equipment	(2,020,538)	(223,754)	-	(2,244,292)
Total accumulated depreciation	<u>(3,057,344)</u>	<u>(308,940)</u>	<u>-</u>	<u>(3,366,284)</u>
Total capital assets, being depreciated, net	<u>2,737,977</u>	<u>(308,940)</u>	<u>-</u>	<u>2,429,037</u>
Right to Use Leased Assets Being Amortized				
Right to use leased automotive equipment	1,172,182	-	-	1,172,182
Total Right to Use Leased Assets Being Amortized	<u>1,172,182</u>	<u>-</u>	<u>-</u>	<u>1,172,182</u>
Less Accumulated Amortization for				
Right to use leased automotive equipment	(293,045)	(293,045)	-	(586,090)
Total Accumulated Amortization	<u>(293,045)</u>	<u>(293,045)</u>	<u>-</u>	<u>(586,090)</u>
Total right to use leased assets, being amortized, net	<u>879,137</u>	<u>(293,045)</u>	<u>-</u>	<u>586,092</u>
Right to Use Subscription IT Assets, Being Amortized				
Total Right to Use Subscription IT Assets, Being Amortized	-	8,548	-	8,548
Less Accumulated Amortization for Right to Use Subscription IT Assets				
Total Accumulated Amortization	-	(1,899)	-	(1,899)
Total Right to Use Subscription IT assets, being amortized, net	<u>-</u>	<u>6,649</u>	<u>-</u>	<u>6,649</u>
Municipal Transit Enterprise Fund Capital Assets, net	<u>\$ 3,813,220</u>	<u>\$ (595,336)</u>	<u>\$ -</u>	<u>\$ 3,217,884</u>

City of Laguna Beach, California
Notes to Financial Statements
June 30, 2023

	Balance at July 01, 2022	Additions	Deletions/ Transfers	Balance at June 30, 2023
Sewer Service Enterprise Fund				
Capital assets, not depreciated				
Construction in progress	\$ 2,729,096	\$ 705,484	\$ (2,647,563)	\$ 787,017
Total capital assets, not depreciated	<u>2,729,096</u>	<u>705,484</u>	<u>(2,647,563)</u>	<u>787,017</u>
Capital Assets, Being Depreciated				
Buildings and improvements	28,042	-	-	28,042
Office equipment and machinery	737,526	-	-	737,526
Furniture and fixtures	53,015	-	-	53,015
Equipment, machinery, and tools	1,090,779	349,067	-	1,439,846
Automotive equipment	1,515,511	-	-	1,515,511
Sewer plant and lines	56,783,935	3,247,328	-	60,031,263
Capacity rights	38,365,996	561,910	-	38,927,906
Total capital assets, being depreciated	<u>98,574,804</u>	<u>4,158,305</u>	<u>-</u>	<u>102,733,109</u>
Less Accumulated Depreciation for				
Buildings and improvements	(28,042)	-	-	(28,042)
Office equipment and machinery	(567,310)	(20,402)	-	(587,712)
Furniture and fixtures	(22,277)	(2,721)	-	(24,998)
Equipment, machinery, and tools	(440,765)	(63,942)	-	(504,707)
Automotive equipment	(1,336,229)	(107,974)	-	(1,444,203)
Sewer plant and lines	(25,448,996)	(1,070,915)	-	(26,519,911)
Capacity rights	(26,390,536)	(554,077)	-	(26,944,613)
Total accumulated depreciation	<u>(54,234,155)</u>	<u>(1,820,031)</u>	<u>-</u>	<u>(56,054,186)</u>
Total capital assets, being depreciated, net	<u>44,340,649</u>	<u>2,338,274</u>	<u>-</u>	<u>46,678,923</u>
Right to Use Subscription IT Assets, Being Amortized	-	25,643	-	25,643
Total right to use subscription it assets, being amortized	-	25,643	-	25,643
Less Accumulated Amortization for Right to Use Subscription IT Assets	-	(5,698)	-	(5,698)
Total accumulated amortization	-	(5,698)	-	(5,698)
Total right to use subscription it assets, being amortized, net	-	19,945	-	19,945
Sewer Service Enterprise Fund Capital Assets, net	<u>\$ 47,069,745</u>	<u>\$ 3,063,703</u>	<u>\$ (2,647,563)</u>	<u>\$ 47,485,885</u>

City of Laguna Beach, California
Notes to Financial Statements
June 30, 2023

	(Restated) Balance at July 01, 2022	Additions	Deletions/ Transfers	Balance at June 30, 2023
Total Business-Type Activities				
Capital assets, not depreciated				
Land	\$ 196,106	\$ -	\$ -	\$ 196,106
Construction in progress	2,729,096	705,484	(2,647,563)	787,017
Total capital assets, not depreciated	<u>2,925,202</u>	<u>705,484</u>	<u>(2,647,563)</u>	<u>983,123</u>
Capital Assets, Being Depreciated				
Buildings and improvements	1,976,435	-	-	1,976,435
Office equipment and machinery	737,526	-	-	737,526
Furniture and fixtures	53,015	-	-	53,015
Equipment, machinery, and tools	1,339,308	349,067	-	1,688,375
Automotive equipment	5,113,910	-	-	5,113,910
Sewer plant and lines	56,783,935	3,247,328	-	60,031,263
Capacity rights	38,365,996	561,910	-	38,927,906
Total capital assets being depreciated	<u>104,370,125</u>	<u>4,158,305</u>	<u>-</u>	<u>108,528,430</u>
Less Accumulated Depreciation for				
Buildings and improvements	(970,306)	(62,867)	-	(1,033,173)
Office equipment and machinery	(567,310)	(20,402)	-	(587,712)
Furniture and fixtures	(22,277)	(2,721)	-	(24,998)
Equipment, machinery, and tools	(535,307)	(86,261)	-	(621,568)
Automotive equipment	(3,356,767)	(331,728)	-	(3,688,495)
Sewer plant and lines	(25,448,996)	(1,070,915)	-	(26,519,911)
Capacity rights	(26,390,536)	(554,077)	-	(26,944,613)
Total accumulated depreciation	<u>(57,291,499)</u>	<u>(2,128,971)</u>	<u>-</u>	<u>(59,420,470)</u>
Total capital assets being depreciated, net	<u>47,078,626</u>	<u>2,029,334</u>	<u>-</u>	<u>49,107,960</u>
Right to Use Leased Assets Being Amortized				
Right to use leased automotive equipment	1,172,182	-	-	1,172,182
Total right to use leased assets being amortized	<u>1,172,182</u>	<u>-</u>	<u>-</u>	<u>1,172,182</u>
Less Accumulated Amortization for				
Right to use leased automotive equipment	(293,045)	(293,045)	-	(586,090)
Total accumulated amortization	<u>(293,045)</u>	<u>(293,045)</u>	<u>-</u>	<u>(586,090)</u>
Total right to use leased assets, being amortized, net	<u>879,137</u>	<u>(293,045)</u>	<u>-</u>	<u>586,092</u>
Right to Use Subscription IT Assets, Being Amortized	-	34,191	-	34,191
Total right to use subscription it assets, being amortized	<u>-</u>	<u>34,191</u>	<u>-</u>	<u>34,191</u>
Less Accumulated Amortization for Right to Use Subscription IT Assets	-	(7,597)	-	(7,597)
Total accumulated amortization	<u>-</u>	<u>(7,597)</u>	<u>-</u>	<u>(7,597)</u>
Total right to use subscription it assets, being amortized, net	<u>-</u>	<u>26,594</u>	<u>-</u>	<u>26,594</u>
Business Type activities capital assets, net	<u>\$ 50,882,965</u>	<u>\$ 2,468,367</u>	<u>\$ (2,647,563)</u>	<u>\$ 50,703,769</u>

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

General Government	\$ 329,463
Community Development	83,762
Public Safety	1,158,660
Public Works	6,350,340
Transit and Community Services	662,091
Total	<u>\$ 8,584,316</u>

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

Municipal Transit	\$ 603,885
Sewer Service	<u>1,825,729</u>
Total	<u>\$ 2,429,614</u>

Note 5 - Construction Commitments

As of June 30, 2023, 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	424,977	247,423
Jasmine St Storm Drain Design	2,342,800	2,255,681	87,119
Oriole Dr Storm Drain	100,000	22,718	77,282
Pearl Street Beach Access	1,831,800	1,809,973	21,827
Bluebird Cyn Ret Wall Install	3,493,000	1,715,227	1,777,773
Moss St Beach Access	1,338,800	275,594	1,063,206
Storm Drain-Bonita Way	100,000	53,680	46,320
Retaining Wall-Bluebird Cyn	207,500	192,571	14,929
Summit Dr Drain Construction	1,300,000	67,849	1,232,151
LCR Master Plan Utility Undergrounding	3,040,100	1,081,413	1,958,687
Alisos Av Storm Drain Constr.	451,600	105,269	346,331
Anita Beach Stairs Replacement	700,000	248,156	451,844
Slope Repair-862 Summit Dr	523,000	478,914	44,086
Storm Drain-Bolsa Way/St. Ann's	1,042,500	97,456	945,044
Ramona Alley Dec Paving	427,000	258,086	168,914
Tenant Improv-City Bldg	615,000	613,376	1,624
Repl Lights Riddle/Irvine Bowl	80,000	40,874	39,126
Parks Rehabilitation-Moulton, Alta, Lang	3,536,900	1,790,074	1,746,826
Downtown Bike Racks	17,200	2,586	14,614
Main Beach Park Renovation	1,025,900	225,309	800,591
Citywide Storm Damage Slope St	506,000	454,571	51,429
Bluebird Cyn Rehab Project	510,000	201,773	308,227
DeWitt Property Habitat Restoration	628,000	627,652	348
Zone 2 Street Slurry Seal/Reha	1,602,800	893,467	709,333
Zone 3 St Imprv Park/Thalia	250,000	184,661	65,339
Drainage Improv-Treetop Lane	90,600	12,296	78,304
Citywide Guard Rail Repairs	150,000	121,485	28,515
Drainage -Bent St Improv	100,000	2,523	97,477
TOW, Hobo Cyn & HS Sidewalk	350,000	295,859	54,141
Zone1 Street Slurry Seal/Rehab	471,400	166,157	305,243
Pipeline Rehab (Zone 5)	1,078,600	52,112	1,026,488
Citywide Parking Lot Rehab	189,600	132,429	57,171
Total	<u>\$ 30,732,500</u>	<u>\$ 16,689,752</u>	<u>\$ 14,042,748</u>

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 \$9,486,010 is reported in the Insurance and Employee Benefits Internal Service Fund, at June 30, 2023. Changes in the Insurance and Employee Benefits Internal Service Fund's claims liability amounts in fiscal years 2023 and 2022 were as follows:

	2023	2022
Beginning of Year Liability	\$ 8,066,488	\$ 7,919,533
Current Year Claims as Changes in Estimates	3,471,768	2,761,893
Claims Payments	(2,052,246)	(2,614,938)
Insurance Claims Payable	\$ 9,486,010	\$ 8,066,488

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

Note 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, 2023, special assessment debt outstanding was:

District	Principal Outstanding June 30, 2023
AD 09-1	\$ 2,755,000
RAD 12-1	135,000
AD 13-1	284,862
AD 13-6	140,000
RAD 14-3	156,045
AD 15-2	95,000
AD 13-2	1,420,000
AD 14-1	477,000
Total	\$ 5,462,907

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, 2023, 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, 2023, the City's covered payroll for employees participating in the plan was \$3,173,040. Employees made contributions of \$118,989 (3.75% of current covered payroll), which was matched by the employer in the same amount. Assets of the plan totaled \$1,363,765 at June 30, 2023.

Note 9 - 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, 2023:

	Restated Balance at July 01, 2022	Additions	Deletions/ Transfers	Balance at June 30, 2023	Due Within One Year	Due in More Than One Year
Governmental Activities						
Lease Liabilities	\$ 766,519	\$ -	\$ (127,010)	\$ 639,509	\$ 129,801	\$ 509,708
SBITA Liabilities	15,760	895,588	(313,185)	598,163	400,726	197,437
Lease financing arrangement	-	11,660,000	-	11,660,000	-	11,660,000
Compensated Absences	4,928,900	685,681	(489,581)	5,125,000	1,025,000	4,100,000
Insurance Claims Payable	8,066,488	3,471,768	(2,052,246)	9,486,010	2,845,803	6,640,207
Total governmental activities	\$ 13,777,667	\$ 16,713,037	\$ (2,982,022)	\$ 27,508,682	\$ 4,401,330	\$ 23,107,352
Business-Type Activities						
Municipal Transit Fund						
Lease Liabilities	\$ 888,047	\$ -	\$ (288,696)	\$ 599,351	\$ 295,939	\$ 303,412
SBITA Liabilities	-	8,548	(2,920)	5,628	2,771	2,857
Compensated Absences	25,862	9,562	(137)	35,287	7,057	28,230
Total municipal transit fund	913,909	18,110	(291,753)	640,266	305,767	334,499
Sewer Service Fund						
Compensated Absences	91,566	261	(16,892)	74,935	14,987	59,948
SBITA Liabilities	-	25,643	(8,759)	16,884	8,314	8,570
Direct Borrowings						
I-Bank Installment Agreement	955,523	-	(471,328)	484,195	484,195	-
I-Bank Installment Agreement	3,524,482	-	(169,405)	3,355,077	175,164	3,179,913
I-Bank Installment Agreement	4,110,376	-	(181,807)	3,928,569	188,079	3,740,490
I-Bank Installment Agreement	7,500,000	-	(179,153)	7,320,847	183,095	7,137,752
Total sewer service fund	16,181,947	25,904	(1,027,344)	15,180,507	1,053,834	14,126,673
Total business-type activities	\$ 17,095,856	\$ 44,014	\$ (1,319,097)	\$ 15,820,773	\$ 1,359,601	\$ 14,461,172

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. A description of the City's lease activity is described in Note 10. A description of the City's SBITA liabilities is described in Note 11.

Lease Financing Arrangement

In November 2022, the Authority entered into a lease financing arrangement in the amount of \$11,660,000 in order to secure funding for the purchase of property. Proceeds of the lease financing received by the Authority totaled \$11,660,000 and were transferred to the general fund as payment for the right to use the property. The Authority has leased back the property to the City for an amount of \$17,092,755, which will cover future principal and interest debt service payments of the Authority. The finance charge of the lease financing arrangement, including all fees and charges paid to third parties totaled \$160,000.

Interest on the Authority's debt is payable semiannually on July 1 and January 1 at a rate of 3.95%. Principal is payable in annual installments on July 1 ranging from \$420,000 to \$855,000. The debt matures on July 1, 2042. The annual debt service requirement for the lease financing arrangement outstanding as of June 30, 2023, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2024	\$ -	\$ 516,862	\$ 516,862
2025	420,000	452,275	872,275
2026	437,000	435,349	872,349
2027	455,000	417,732	872,732
2028	473,000	399,404	872,404
2029-2043	9,875,000	3,211,133	13,086,133
Total	<u>\$ 11,660,000</u>	<u>\$ 5,432,755</u>	<u>\$ 17,092,755</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, 2023, 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, 2023, the outstanding principal amount was \$484,195. Total revenue available from the Sewer Service Fund for debt service is \$10,118,172 and total debt service, including interest, was \$490,980.

The annual payment amounts required to retire the Sales Agreement as of June 30, 2023 are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2024	\$ 484,195	\$ 6,609	\$ 490,804
Total	<u>\$ 484,195</u>	<u>\$ 6,609</u>	<u>\$ 490,804</u>

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, 2023, \$4,000,000 of the loan proceeds were disbursed under the loan agreement. 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 10 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, 2023, the outstanding principal amount was \$3,355,077. Total revenue available from the Sewer Service Fund for debt service is \$10,118,172 and total debt service, including interest, was \$286,357.

The annual payment amounts required to retire the Sales Agreement as of June 30, 2023 are as follows:

Year Ending June 30:	Principal	Interest	Total Payment
2024	\$ 175,164	\$ 111,094	\$ 286,258
2025	181,120	105,037	286,157
2026	187,278	98,774	286,052
2027	193,645	92,299	285,944
2028	200,229	85,604	285,833
2029-2033	1,108,013	270,679	1,378,692
2034-2038	1,309,628	162,840	1,472,468
Total	<u>\$ 3,355,077</u>	<u>\$ 926,327</u>	<u>\$ 4,281,404</u>

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, 2023, \$3,782,394 of the loan proceeds were disbursed under the loan agreement, and accordingly, a receivable in the amount of \$673,606 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, 2020.

The City is not permitted prepay all or a portion of the outstanding principal until June 5, 2029, which is 10 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, 2023, the outstanding principal amount was \$3,928,569. Total revenue available from the Sewer Service Fund for debt service is \$10,118,172 and total debt service, including interest, was \$320,479.

The annual payment amounts required to retire the Sales Agreement as of June 30, 2023 are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2024	\$ 188,079	\$ 132,291	\$ 320,370
2025	194,568	125,691	320,259
2026	201,280	118,862	320,142
2027	208,224	111,798	320,022
2028	215,408	104,491	319,899
2029-2033	1,193,773	403,699	1,597,472
2034-2038	1,414,407	179,258	1,593,665
2039	312,830	5,396	318,226
Total	<u>\$ 3,928,569</u>	<u>\$ 1,181,486</u>	<u>\$ 5,110,055</u>

The City entered into a 30-year loan on June 1, 2022 from the I-Bank Installment Sale Agreement with the California Infrastructure and Economic Development Bank (CIEDB). The maximum loan amount is \$7,500,000 and will be utilized for the South Orange County Wastewater Authority Coastal Treatment Plant upgrades. The loan is secured by revenues generated by the Sewer Service Fund and bears interest at a rate of 2.20% 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 2051. As of June 30, 2023, none of the loan proceeds were disbursed under the loan agreement. Interest is due semiannually on February 1 and August 1 and principal is due annually on August 1, which will commence on August 1, 2022.

The City is not permitted prepay all or a portion of the outstanding principal until June 1, 2032, which is 10 years after the effective date.

As of June 30, 2023, the outstanding principal amount was \$7,320,847. Total revenue available from the Sewer Service Fund for debt service is \$10,118,172 and total debt service, including interest, was \$283,975.

The annual payment amounts required to retire the Sales Agreement as of June 30, 2023 are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2024	\$ 183,095	\$ 159,045	\$ 342,140
2025	187,123	154,972	342,095
2026	191,240	150,810	342,050
2027	195,447	146,557	342,004
2028	199,747	142,210	341,957
2029-2033	1,066,617	642,415	1,709,032
2034-2038	1,189,218	518,458	1,707,676
2039-2043	1,325,917	380,257	1,706,174
2044-2048	1,478,328	226,169	1,704,497
2049-2052	1,304,115	58,159	1,362,274
Total	<u>\$ 7,320,847</u>	<u>\$ 2,579,052</u>	<u>\$ 9,899,899</u>

Note 10 - Leases

Lessee Activities

As of June 30, 2022, the City had entered into various lease agreements as the lessee for the use of land, a building, various automotive equipment, and equipment, for terms ranging from four to seven years. The City is required to make principal and interest payments through February 2029. The lease agreements have interest rates of 2.46% based on the City's estimated incremental borrowing rate at the inception of the lease. As of June 30, 2023, the net right to use asset balance is \$1,217,171 and the value of the lease liability outstanding is \$1,238,860. The current year amortization and interest expense associated with the right to use assets were \$392,028 and \$35,414.

Remaining principal and interest payments on the leases are as follows:

Government Activities

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2024	\$ 129,801	\$ 14,207	\$ 144,008
2025	101,452	11,309	112,761
2026	102,480	8,795	111,275
2027	105,560	6,207	111,767
2028 - 2029	200,216	4,524	204,740
Total	<u>\$ 639,509</u>	<u>\$ 45,042</u>	<u>\$ 684,551</u>

Business Activities

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2024	\$ 295,939	\$ 10,875	\$ 306,814
2025	303,412	3,470	306,882
Total	<u>\$ 599,351</u>	<u>\$ 14,345</u>	<u>\$ 613,696</u>

Lessor Activities

The City has accrued a receivable for four land leases. The remaining receivable for these leases was \$1,324,407 for the year ended June 30, 2023. Deferred inflows related to these leases were \$1,295,580 as of June 30, 2023. Interest revenue recognized on these leases was \$38,393 for the year ended June 30, 2023. Principal receipts of \$139,297 were recognized during the fiscal year. The interest rate on the leases was 2.46%. Final receipt is expected is fiscal year 2049.

Note 11 - Subscription-Based Information Technology Arrangements (SBITAS)

As of June 30, 2023, the City has entered into various SBITA contracts for the use of software subscription services. As of June 30, 2023, the value of the subscription liability was \$620,675. The City is required to make principal and interest payments through 2025. The SBITA liabilities were valued using a discount rate of 3.23% based on the City’s incremental borrowing rate at the inception of the SBITAs. The total amount of right to use subscription assets, and the related accumulated amortization on right to use subscription assets was \$959,714 and \$215,767 as of June 30, 2023, respectively. Remaining principal and interest on SBITAS are as follows:

Fiscal Year:	Principal	Interest	Total Payment
2024	\$ 411,811	\$ 19,413	\$ 431,224
2025	208,864	10,112	218,976
	\$ 620,675	\$ 29,525	\$ 650,200

Note 12 - 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 2022-2023, age-adjusted premium benefits paid by the City totaled \$413,506.

Employees Covered

As of the June 30, 2023 measurement date, membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	74
Active employees	292
Total	366

Total OPEB Liability

The City's total OPEB liability of \$4,022,132 was measured as of June 30, 2023, was determined by an actuarial valuation as of July 1, 2022 rolled forward to June 30, 2023 using standard update procedures, and is included in the government-wide financial statements as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred Outflows - OPEB	\$ 1,364,589	\$ 54,048	\$ 1,418,637
Total OPEB Liability	\$ 3,868,889	\$ 153,243	\$ 4,022,132
Deferred Inflows - OPEB	\$ 343,298	\$ 13,594	\$ 356,892

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, 2022, 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, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.86%
Inflation	2.50%
Projected Salary Increases	3.00%
Healthcare Cost Trend Rates	5.20% for 2023 through 2034; 5.00% for 2035 through 2049; 4.50% for 2050 through 2065; and 4.00% for 2065 and later years
Mortality	(1)

(1) Mortality rates were based on the CalPERS mortality rates, in the most recent experience study, for CalPERS members. The actuarial assumptions used in the July 1, 2022 valuation were based on the results of the most recent applicable experience study and a review of plan experience during the period July 1, 2020 to June 30, 2022.

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 3.86% and was determined using the Fidelity AA Municipal Bond 20-Year High Grade rate index as of June 30, 2023.

Changes in Total OPEB Liability

The change in the total OPEB liability were as follows:

	<u>Increase (Decrease)</u> <u>Total OPEB Liability</u>
Balance at June 30, 2022 (Measurement Date)	\$ 3,529,702
Changes in the year:	
Service Cost	226,653
Interest on the Total OPEB Liability	152,258
Differences between Actual and Expected Experience	383,765
Changes in Assumptions	143,260
Benefit Payments	<u>(413,506)</u>
Net changes	<u>492,430</u>
Balance at June 30, 2023 (Measurement Date)	<u>\$ 4,022,132</u>

Change of Assumptions

The discount rate was raised from 3.69% to 3.86% and the inflation rate decreased from 2.75% to 2.50% from June 30, 2022, to June 30, 2023, respectively.

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:

	<u>One Percent Decrease (2.86%)</u>	<u>Discount Rate (3.86%)</u>	<u>One Percent Increase (4.86%)</u>
Total OPEB Liability	<u>\$4,312,333</u>	<u>\$4,022,132</u>	<u>\$3,754,775</u>

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	<u>\$3,635,415</u>	<u>\$4,022,132</u>	<u>\$4,480,336</u>

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$605,474. At June 30, 2023, 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	\$ 803,607	\$ -
Changes in Assumptions	<u>615,030</u>	<u>356,892</u>
Total	<u>\$ 1,418,637</u>	<u>\$ 356,892</u>

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>
2024	\$ 226,563
2025	226,563
2026	208,134
2027	121,236
2028	83,520
Thereafter	195,729

Note 13 - Fund Balances

Fund balances are classified as follows:

	General Fund*	Major Fund Assessment Districts Capital Projects Fund	Nonmajor Governmental Funds	Total
Fund Balances				
Nonspendable				
Inventory	\$ 52,118	\$ -	\$ -	\$ 52,118
Prepays	4,084,767	-	2,388,177	6,472,944
Total nonspendable	<u>4,136,885</u>	<u>-</u>	<u>2,388,177</u>	<u>6,525,062</u>
Restricted				
Parking In-Lieu	992	-	-	992
Park In-Lieu	86,644	-	-	86,644
Art In-Lieu	310,735	-	-	310,735
Drainage	81,675	-	-	81,675
Housing In-Lieu	857,168	-	-	857,168
Transportation Infrastructure	1,834,161	-	-	1,834,161
Street Lighting District	-	-	7,317,463	7,317,463
Gas Tax	-	-	1,898,569	1,898,569
Public Safety	-	-	99,233	99,233
Housing Fund	-	-	450,000	450,000
Assessment District Improvements	-	2,758,068	-	2,758,068
Total restricted	<u>3,171,375</u>	<u>2,758,068</u>	<u>9,765,265</u>	<u>15,694,708</u>
Committed				
Solid Waste	149,865	-	-	149,865
Measure LL	3,123,625	-	-	3,123,625
Repair of Public Facilities and Natural Disaster	6,810,914	-	-	6,810,914
Total Committed	<u>10,084,404</u>	<u>-</u>	<u>-</u>	<u>10,084,404</u>
Assigned				
General Government	2,447,300	-	-	2,447,300
Public Safety	815,700	-	-	815,700
Public Works	50,400	-	-	50,400
Open Space	914,770	-	-	914,770
Parking Authority	14,623,615	-	-	14,623,615
South Laguna	20,974,091	-	-	20,974,091
Capital Projects	36,148,468	-	-	36,148,468
Total assigned	<u>75,974,344</u>	<u>-</u>	<u>-</u>	<u>75,974,344</u>
Unassigned⁺	<u>22,362,715</u>	<u>-</u>	<u>-</u>	<u>22,362,715</u>
Total fund balances	<u>\$ 115,729,723</u>	<u>\$ 2,758,068</u>	<u>\$ 12,153,442</u>	<u>\$ 130,641,233</u>

* 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, South Laguna, Deposits, Disaster Contingency, Open Space, Parking Authority, Capital Improvement, and Measure LL.

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

Note 14 - 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, 2023, (the most recent information available), SOCWA had total assets and deferred outflows of resources of \$180,835,014, total liabilities and deferred inflows or resources of \$33,252,318, and total net position of \$147,582,696. 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 \$2,159,704 and \$561,910 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 15 - 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, 2023 is presented below:

	Safety Plan	Miscellaneous Plan	Total
Deferred Outflows - Pensions	\$ 26,517,224	\$ 12,742,288	\$ 39,259,512
Net Pension Liability	(51,344,026)	(32,166,537)	(83,510,563)
Deferred Inflows - Pensions	(4,639,727)	(1,397,692)	(6,037,419)
Pension Expense	5,611,150	4,150,467	9,761,617

Pension amounts are reported in the financial statements as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred Outflows - Pensions	\$ 37,649,031	\$ 1,610,481	\$ 39,259,512
Net Pension Liability	(79,768,564)	(3,741,999)	(83,510,563)
Deferred Inflows - Pensions	(5,856,978)	(180,441)	(6,037,419)
Pension Expense	9,371,152	390,465	9,761,617

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. PEPRAs 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, California

Notes to Financial Statements

June 30, 2023

The Plans' provisions and benefits in effect at the measurement date June 30, 2022, are summarized as follows:

	Safety - Police		
	Tier 1	Tier 2	Tier 3
Formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit Vesting Schedule	5 years service	5 years service	5 years 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%	13.000%
Required Employer Contribution Rates			
Normal Cost Rate	23.750%	21.840%	12.780%
Payment of Unfunded Liability	\$ 1,958,520	\$ 8,570	\$ 9,028
Employer Portion of Normal Cost	593,984	178,657	458,460
Total Contributions	<u>\$ 2,552,504</u>	<u>\$ 187,227</u>	<u>\$ 467,488</u>
	Safety - Fire		
	Tier 1	Tier 2	Tier 3
Formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit Vesting Schedule	5 years service	5 years service	5 years 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%	13.000%
Required Employer Contribution Rates			
Normal Cost Rate	23.750%	21.840%	12.780%
Payment of Unfunded Liability	\$ 1,597,862	\$ 16,031	\$ 6,471
Employer Portion of Normal Cost	764,050	221,881	229,897
Total Contributions	<u>\$ 2,361,912</u>	<u>\$ 237,912</u>	<u>\$ 236,368</u>

City of Laguna Beach, California

Notes to Financial Statements

June 30, 2023

	Safety - Lifeguard		
	Tier 1	Tier 2	Tier 3
Formula	3.0% @ 55	N/A	2.7% @ 57
Benefit Vesting Schedule	5 years service	N/A	5 years 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	13.000%
Required Employer Contribution Rates		N/A	
Normal Cost Rate	21.840%	N/A	12.780%
Payment of Unfunded Liability	\$ 170,118	N/A	\$ 2,241
Employer Portion of Normal Cost	81,068	N/A	115,852
Total Contributions	\$ 251,186	\$ -	\$ 118,093
	Tier 1	Tier 2	Tier 3
Applies to:	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 before April 2, 2012, Fire Safety employees hired on or before 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	
Hire Date		Prior to January 1, 2013	On or After January 1, 2013
Formula		2.5% @ 55	2.5% @ 62
Benefit Vesting Schedule		5 years service	5 years service
Benefit Payments		monthly for life	monthly for life
Retirement Age		55	62
Monthly Benefits, as a % of Eligible Compensation		2.5%	2.5%
Required Employee Contribution Rates		8%	7.25%
Required Employer Contribution Rates			
Normal Cost Rate		11.130%	7.250%
Payment of Unfunded Liability		\$ 2,729,410	\$ -
Employer Portion of Normal Cost		1,061,835	852,001
Total Contributions		\$ 3,791,245	\$ 852,001

Employees Covered

As of the June 30, 2022, measurement date, the following employees were covered by the benefit term for the Miscellaneous Plan:

	Miscellaneous
Inactive Employees or Beneficiaries	
Currently Receiving Benefits	251
Inactive Employees Entitled to but not yet Receiving Benefits	191
Active Employees	168
Total	610

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 \$6,287,267 for the Safety Plan and \$4,552,456 for the Miscellaneous Plan, including contributions by Safety Plans as follows, for the year ended June 30, 2023:

	Police	Safety Fire	Lifeguard	Total
Contributions - Employer	\$ 3,141,429	\$ 2,782,293	\$ 363,545	\$ 6,287,267

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, 2023, 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
Safety Plan	<u>\$ 51,344,026</u>

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, 2022, 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, 2021, rolled forward to June 30, 2022, using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for each Plan as of the measurement date ended June 30, 2021, and 2022, was as follows:

	Safety
Proportion - June 30, 2021	0.70594%
Proportion - June 30, 2022	<u>0.74719%</u>
Change - Increase (Decrease)	<u>0.04125%</u>

Actuarial Assumptions

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

	Safety		
	Police	Fire	Lifeguard
Valuation Date	June 30, 2021	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2022	June 30, 2022
Actuarial Cost Method	Entity-Age Normal Cost Method		
Actuarial Assumptions			
Discount Rate	6.90%	6.90%	6.90%
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 services
- (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 2.5% until Purchasing Power Protection of Allowance Floor on purchasing power applies, 2.50% thereafter.

	Miscellaneous
	Valuation Date
Measurement Date	June 30, 2022
Actuarial Cost Method	Entity-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	6.90%
Inflation	2.50%
Projected Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

- (1) Varies by entry age and services
- (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 2.5% until Purchasing Power Protection of 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 short-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) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Rate of Return 1 - 10 Years (b)</u>
Global equity - cap-weighted	30.00%	4.45%
Global equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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, 2022, using an annual actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown under the section Actuarial Assumptions within this note.

The total Net Pension Liability for the City's Miscellaneous Plan, using the measurement date of June 30, 2022, was \$32,166,537. The changes in the Net Pension Liability for the Miscellaneous Plan follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2021 (Measurement Date)	\$ 133,187,139	\$ 119,253,015	\$ 13,934,124
Changes in the Year			
Service Cost	2,968,921	-	2,968,921
Interest on the Total Pension Liability	9,223,908	-	9,223,908
Changes of Assumptions	4,094,768	-	4,094,768
Differences Between Actual and Expected Experience	(1,607,276)	-	(1,607,276)
Net Plan to Plan Resource Movement	-	2,598	(2,598)
Contribution - Employer	-	4,272,660	(4,272,660)
Contribution - Employee	-	1,235,119	(1,235,119)
Net Investment Income	-	(8,988,181)	8,988,181
Administrative Expenses	-	(74,288)	74,288
Benefit Payments, Including Refunds of Employee Contributions	(6,958,539)	(6,958,539)	-
Net Changes	7,721,782	(10,510,631)	18,232,413
Balance at June 30, 2022 (Measurement Date)	<u>\$ 140,908,921</u>	<u>\$ 108,742,384</u>	<u>\$ 32,166,537</u>

Pension Expense and Deferred Outflows and Inflows of Resources

Safety Plan

For the year ended June 30, 2023, the City recognized pension expense of \$5,611,150 for the Safety Plan. At June 30, 2023, 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	\$ 6,287,267	\$ -
Differences between Actual Contributions and Proportionate Share of Contributions and Changes in Proportions	-	(4,082,171)
Changes in Employer's Proportion	4,820,042	-
Net Differences between Projected and Actual Earnings on Plan Investments	8,107,940	-
Changes in Assumptions	5,177,032	-
Differences between Expected and Actual Experience	2,124,943	(557,556)
Total	\$ 26,517,224	\$ (4,639,727)

The amount of \$6,287,267, 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, 2024. 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:

Year Ending June 30:	Amount
2024	\$ 4,695,053
2025	3,810,169
2026	2,139,061
2027	4,945,947
Thereafter	-

Miscellaneous Plan

For the year ended June 30, 2023, the City recognized pension expense of \$4,150,467 for the Miscellaneous Plan. At June 30, 2023, 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	\$ 4,552,455	\$ -
Changes in Assumptions	2,729,845	-
Differences between Expected and Actual Experience	-	(1,397,693)
Net Differences between Projected and Actual Earnings on Plan Investments	5,459,988	-
Total	\$ 12,742,288	\$ (1,397,693)

The amount of \$4,552,455, 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, 2024. 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>
2023	\$ 1,378,596
2024	1,609,530
2025	372,702
2026	3,431,312
2027	-
Thereafter	-

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 (5.90%)	Current Discount Rate (6.90%)	One Percent Increase (7.90%)
Safety Plan's Proportionate Share of Collective Net Pension Liability	\$ 77,437,227	\$ 51,344,026	\$ 30,018,731
Miscellaneous Plan's Net Pension Liability	50,385,605	32,166,537	17,114,254

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

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		\$	4,995,767
Less: Depreciation			<u>(603,885)</u>
Net Operating Costs			4,391,882
50% Limitation			2,195,941

TDA Financial Need Limitation

Total Operating Costs			4,995,767
Depreciation	\$	(603,885)	
Project "V" Grant		(23,583)	
Park and Ride		<u>(95,149)</u>	<u>(722,617)</u>
Financial Need			<u>4,273,150</u>

Lesser of "Financial Need" or "50% Limitation"	\$		<u>2,195,941</u>
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TDA Allocation			1,553,056
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Under (Over) Allocation			642,885
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For the year ended June 30, 2023, the City recognized \$1,553,056 of revenues pursuant to the TDA requirements. This amount, along with \$993,515 of other grant revenues, is reflected within Intergovernmental revenues in the Municipal Transit Enterprise Fund.

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 provides assistance for those employees to reside in close proximity to their response area. The accompanying financial statements reflect the City’s purchase of two such properties in the amount of \$944,500 and one loan to an employee. The outstanding balance of the loan was \$310,714 for the year ended June 30, 2023. The balance of the loan is reported as part of Notes Receivables in the Vehicle Replacement Internal Service Fund.

Note 18 - Adoption of New Standard and Correction of Errors

As of July 1, 2022, the City adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset -an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Governmental Activities beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96. The restatement had zero net effect on beginning net position.

Additionally, a restatement was recorded to the governmental activities and Insurance and Employee Benefits Internal Service Fund beginning net position in the amount of \$401,653 to recognize revenues applicable to the year ended June 30, 2023, which were recognized in the previous fiscal year. The restatement reduced the prior year change in net position by \$401,653.

A restatement was recorded to the general fund beginning fund balance in the amount of \$130,507 to reduce a receivable that was received and not properly reduced in the prior fiscal year. The restatement reduced the prior year change in fund balance by \$130,507.

A restatement was made to the beginning net position of the Business Type Activities and the Municipal Transit fund in the amount of \$731,054 to reduce revenues recorded in the current year and correctly recognize them in the previous year. The restatement increased the prior year change in net position by \$731,054.

A restatement was recorded to the beginning net position of the custodial funds in the amount of \$40,397 to recognize revenues applicable to the year ended June 30, 2023, which were recognized in the previous fiscal year. The restatement decreased the prior year change in net position by \$40,397.

	Governmental Activities	Business-Type Activities	General Fund	Municipal Transit Fund	Internal Service Fund Insurance and Employee Benefits	Governmental Activities Internal Service Funds	Custodial Funds
Net Position/Fund Balance at July 1, 2022, as previously reported	\$ 373,696,635	\$ 44,052,269	\$ 98,440,068	\$ 4,017,534	\$ 1,947,706	\$ 20,025,867	\$ 1,280,014
Recognition of right to use subscription IT assets	15,760	-	-	-	-	-	-
Recognition of subscription IT liabilities	(15,760)	-	-	-	-	-	-
Correction of Error	(401,653)	-	-	-	(401,653)	(401,653)	-
Correction of Error	(130,507)	-	(130,507)	-	-	-	-
Correction of Error	-	-	-	-	-	-	(40,397)
Correction of Error	-	731,054	-	731,054	-	-	-
Net Position/Fund Balance, as restated	<u>\$ 373,164,475</u>	<u>\$ 44,783,323</u>	<u>\$ 98,309,561</u>	<u>\$ 4,748,588</u>	<u>\$ 1,546,053</u>	<u>\$ 19,624,214</u>	<u>\$ 1,239,617</u>

Note 19 - Subsequent Events

Laguna Beach City Manager Shohreh Dupuis has announced she will retire from the City, effective September 1, 2023, following a more than 33-year career in local government. Dupuis was appointed City Manager in June 2021 after serving as Assistant City Manager for five years.

Her decision comes as a result of a mutually agreed-upon separation agreement that was negotiated in response to a hostile workplace claim filed by Dupuis following a period of conflict with a City Councilmember. The agreement allowed the City to resolve all claims without costly and time-consuming litigation and represented responsible stewardship of public funds. The City made a settlement payment of \$223,077 to Dupuis on January 3, 2024.

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Required Supplementary Information

City of Laguna Beach, California
Schedule of Proportionate Share of the Net Pension Liability – Safety Plan
Last Ten Years*
Years Ended June 30,

Fiscal Year Ended	2023	2022	2021	2020	2019
Measurement Period	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Plan's Proportion of the Net Pension Liability	0.74719%	0.70594%	0.65263%	0.62871%	0.6522%
Plan's Proportionate Share of the Net Pension Liability	\$ 51,344,026	\$24,774,703	\$ 43,480,563	\$ 39,247,379	\$ 36,684,879
Plan's Covered Payroll	\$ 13,769,103	\$12,449,028	\$ 12,906,341	\$ 12,246,434	\$ 11,419,674
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	372.89%	199.01%	336.89%	320.48%	321.24%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	72.54%	77.73%	74.43%	75.26%	75.26%

Notes to Schedule

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 administration 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%.

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

City of Laguna Beach, California
Schedule of Proportionate Share of the Net Pension Liability – Safety Plan (Continued)
Last Ten Years*
Years Ended June 30,

Fiscal Year Ended	2018	2017	2016	2015
Measurement Period	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's Proportion of the Net Pension Liability	0.62430%	0.64676%	0.64916%	0.61018%
Plan's Proportionate Share of the Net Pension Liability	\$ 37,303,403	\$ 33,497,317	\$ 26,748,099	\$ 22,887,604
Plan's Covered Payroll	\$ 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	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	73.31%	74.06%	78.40%	79.82%

Notes to Schedule

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 administration 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%.

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

City of Laguna Beach, California
Schedule of Contributions – Safety Plan
Last Ten Years*
Years Ended June 30, 2023

	2023	2022	2021	2020	2019
Contractually Required Contribution (Actuarily Determined)	\$ 6,287,267	\$5,798,019	\$ 5,338,630	\$ 5,013,694	\$ 4,386,904
Contributions in Relation to the Actuarily Determined Contributions	<u>(6,287,267)</u>	<u>(5,798,019)</u>	<u>(5,338,630)</u>	<u>(5,013,694)</u>	<u>(5,107,904)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (721,000)</u>
Covered Payroll	\$ 14,724,579	\$ 13,769,103	\$ 12,449,028	\$ 12,906,341	\$ 12,246,434
Contributions as a Percentage of Covered Payroll	42.70%	42.03%	42.88%	38.85%	41.71%

Notes to Schedule

Valuation Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Methods and Assumptions Used to Determined 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	Fair Value
Inflation	2.500%	2.500%	2.500%	2.625%	2.750%
Salary Increase	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.00% (3)	7.00% (3)	7.00% (3)	7.25% (3)	7.375% (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 nine years are shown.

City of Laguna Beach, California
Schedule of Contributions – Safety Plan (Continued)
Last Ten Years*
Years Ended June 30, 2023

	2018	2017	2016	2015
Contractually Required Contribution (Actuarially Determined)	\$ 3,597,721	\$ 3,244,259	\$ 1,575,636	\$ 3,597,721
Contributions in Relation to the Actuarially Determined Contributions	<u>(4,639,721)</u>	<u>(4,445,511)</u>	<u>(4,132,300)</u>	<u>(4,639,721)</u>
Contribution Deficiency (Excess)	<u>\$ (1,042,000)</u>	<u>\$ (1,201,252)</u>	<u>\$ (2,556,664)</u>	<u>\$ (1,042,000)</u>
Covered Payroll	\$ 11,419,674	\$ 10,671,505	\$ 9,912,852	\$ 11,419,674
Contributions as a Percentage of Covered Payroll	40.63%	41.66%	41.69%	40.63%

Notes to Schedule

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

Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.750%	2.750%	2.750%	2.750%
Salary Increase	(2)	(2)	(2)	(2)
Investment Rate of Return	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)
Mortality	(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 nine years are shown.

City of Laguna Beach, California
Schedule of Changes in the Net Pension Liability and Related Ratios – Miscellaneous Plan
Last Ten Years*
Years Ended June 30, 2023

Fiscal Year Ended	2023	2022	2021	2020	2019
Measurement Period	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total Pension Liability					
Service Cost	\$ 2,968,921	\$ 2,826,929	\$ 2,691,515	\$ 2,730,589	\$ 2,510,806
Interest on Total Pension Liability	9,223,908	9,006,005	8,699,994	8,297,037	7,862,058
Differences between Actual and Expected Experience	(1,607,276)	(1,051,010)	376,773	1,028,702	118,415
Changes in Assumptions	4,094,768	-	-	-	(690,837)
Benefit Payments, including Refunds of Employee Contributions	<u>(6,958,539)</u>	<u>(6,380,886)</u>	<u>(5,875,794)</u>	<u>(5,622,361)</u>	<u>(5,233,328)</u>
Net Change in Total Pension Liability	7,721,782	4,401,038	5,892,488	6,433,967	4,567,114
Total Pension Liability, Beginning of Year	<u>133,187,139</u>	<u>128,786,101</u>	<u>122,893,613</u>	<u>116,459,646</u>	<u>111,892,532</u>
Total Pension Liability, End of Year (a)	<u>\$ 140,908,921</u>	<u>\$ 133,187,139</u>	<u>\$ 128,786,101</u>	<u>\$ 122,893,613</u>	<u>\$ 116,459,646</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$4,272,660	\$ 3,905,728	\$ 3,565,155	\$ 3,916,164	\$ 3,774,012
Contributions - Employee	1,235,119	1,165,079	1,135,925	1,259,992	1,091,222
Net Investment Income	(8,988,181)	22,268,683	4,696,099	5,900,000	7,082,777
Administrative Expenses	(74,288)	(98,288)	(133,934)	(63,743)	(376,408)
Net Plan to Plan Resource Movement	2,598	154	-	-	-
Benefit Payments	<u>(6,958,539)</u>	<u>(6,380,886)</u>	<u>(5,875,794)</u>	<u>(5,622,361)</u>	<u>(5,233,328)</u>
Net Change in Plan Fiduciary Net Position	(10,510,631)	20,860,470	3,387,451	5,390,052	6,338,275
Plan Fiduciary Net Position, Beginning of Year	<u>119,253,015</u>	<u>98,392,545</u>	<u>95,005,094</u>	<u>89,615,042</u>	<u>83,276,767</u>
Plan Fiduciary Net Position, End of Year (b)	<u>\$ 108,742,384</u>	<u>\$ 119,253,015</u>	<u>\$ 98,392,545</u>	<u>\$ 95,005,094</u>	<u>\$ 89,615,042</u>
Net Pension Liability, Ending (a) - (b)	<u>\$ 32,166,537</u>	<u>\$ 13,934,124</u>	<u>\$ 30,393,556</u>	<u>\$ 27,888,519</u>	<u>\$ 26,844,604</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.17%	89.54%	76.40%	77.31%	76.95%
Covered Payroll	\$ 15,311,611	\$ 15,473,063	\$ 14,548,732	\$ 14,419,732	\$ 12,884,604
Net Pension Liability as a Percentage of Covered Payroll	210.08%	90.05%	208.91%	193.41%	76.95%

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, 2018 to June 30, 2023:

There were no significant changes in assumptions.

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

City of Laguna Beach, California
Schedule of Changes in the Net Pension Liability and Related Ratios – Miscellaneous Plan (Continued)
Last Ten Years*
Years Ended June 30, 2023

Fiscal Year Ended	2018	2017	2016	2015
Measurement Period	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability				
Service Cost	\$ 2,418,551	\$ 2,020,384	\$ 1,936,830	\$ 2,113,319
Interest on Total Pension Liability	7,557,389	7,292,385	6,979,652	6,610,117
Differences between Actual and Expected Experience	(323,188)	(439,090)	61,932	-
Changes in Assumptions	6,050,977	-	(1,636,454)	-
Benefit Payments, including Refunds of Employee Contributions	<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	10,559,963	4,283,091	3,070,098	5,078,834
Total Pension Liability, Beginning of Year	<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>\$ 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	\$ 3,865,941	\$ 3,733,571	\$ 3,457,700	\$ 2,011,915
Contributions - Employee	1,011,086	1,051,923	943,694	1,240,843
Net Investment Income	8,459,926	405,106	1,666,511	11,013,027
Administrative Expenses	(111,020)	(45,489)	(84,037)	(83,334)
Benefit Payments	<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	8,082,167	554,523	1,712,006	10,537,849
Plan Fiduciary Net Position, Beginning of Year	<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>\$ 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>\$ 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	74.43%	74.21%	76.91%	77.60%
Covered Payroll	\$ 13,297,509	\$ 12,379,800	\$ 11,499,996	\$ 12,031,399
Net Pension Liability as a Percentage of Covered Payroll	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, 2018 to June 30, 2023:

There were no significant changes in assumptions.

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

City of Laguna Beach, California
Schedule of Contributions – Miscellaneous Plan
Last Ten Years*
Years Ended June 30, 2023

	2023	2022	2021	2020	2019
Contractually Required Contribution (Actuarily Determined)	\$ 4,552,455	\$ 4,271,997	\$ 3,905,847	\$ 3,565,431	\$ 3,217,470
Contributions in Relation to the Actuarily Determined Contributions	<u>(4,552,455)</u>	<u>(4,271,997)</u>	<u>(3,905,847)</u>	<u>(3,565,431)</u>	<u>(3,907,470)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (690,000)</u>
Covered Payroll	\$ 17,527,334	\$ 15,311,611	\$ 15,473,063	\$ 14,762,620	\$ 14,419,732
Contributions as a Percentage of Covered Payroll	25.97%	27.90%	25.24%	26.46%	27.10%

Notes to Schedule

Valuation Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Methods and Assumptions Used to Determined 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	Fair Value
Inflation	2.500%	2.500%	2.500%	2.625%	2.750%
Salary Increase	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.00% (3)	7.00% (3)	7.00% (3)	7.25% (3)	7.375% (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 nine years are shown.

City of Laguna Beach, California
Schedule of Contributions – Miscellaneous Plan (Continued)
Last Ten Years*
Years Ended June 30, 2023

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

Notes to Schedule

Valuation Date	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determined Contribution Rates:				
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	15 Year Smooth
Inflation	2.750%	2.750%	2.750%	2.750%
Salary Increase	(2)	(2)	(2)	(2)
Investment Rate of Return	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)
Mortality	(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 nine years are shown.

City of Laguna Beach, California

Schedule of Changes in the Total OPEB Liability and Related Ratios – Other Post Employment Benefit Plan

Last Ten Years*
Years Ended June 30, 2023

Fiscal Year Ended	2023	2022	2021	2020	2019	2018
Measurement Period	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Total OPEB Liability						
Service Cost	\$ 226,653	\$ 212,278	\$ 189,348	\$ 132,120	\$ 121,627	\$ 72,904
Interest on Total Pension Liability	152,258	78,800	97,113	91,200	93,555	72,208
Changes in Assumptions	143,260	(482,124)	539,085	197,388	169,739	-
Differenced between Expected and Actual Experience	383,765	-	418,569	-	549,200	-
Benefit Payments, including Refunds of Employee Contributions	(413,506)	(340,693)	(305,136)	(158,527)	(133,701)	(158,500)
Net Change in Total OPEB Liability	492,430	(531,739)	938,979	262,181	800,420	(13,388)
Total OPEB Liability, Beginning of Year	3,529,703	4,061,442	3,122,463	2,860,282	2,059,862	2,073,250
Total OPEB Liability, End of Year (a)	\$ 4,022,133	\$ 3,529,703	\$ 4,061,442	\$ 3,122,463	\$ 2,860,282	\$ 2,059,862
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered- Employee Payroll	\$ 33,364,200	\$ 30,734,420	\$ 30,826,492	\$ 32,214,300	\$ 31,151,981	\$ 29,131,464
Net Pension Liability as a Percentage of Covered- Employee Payroll	12.06%	11.48%	13.18%	9.69%	9.18%	7.07%

Notes to Schedule

No assets are accumulated in a trust.

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

June 30, 2018 to June 30, 2019:

The discount rate was lowered from 3.32% 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 2018 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.

June 30, 2021 to June 30, 2022:

The discount rate was raised from 1.92% to 3.69% from June 30, 2021 to June 30, 2022.

June 30, 2022 to June 30, 2023:

The discount rate was raised from 3.69% to 3.86% from June 30, 2022 to June 30, 2023. The inflation rate was lowered from 2.75% to 2.50% from June 30, 2022 to June 30, 2023.

* - Fiscal year 2018 was the 1st year of implementation; therefore, only six years are shown.

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

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 45,480,000	\$ 46,310,000	\$ 47,738,489	\$ 1,428,489
Sales and use taxes	7,325,000	7,325,000	7,329,237	4,237
Transient lodging taxes	8,794,000	8,794,000	9,876,421	1,082,421
Franchise taxes	1,166,000	1,166,000	1,267,898	101,898
Business license taxes	1,020,000	1,020,000	1,025,767	5,767
Total taxes	<u>63,785,000</u>	<u>64,615,000</u>	<u>67,237,812</u>	<u>2,622,812</u>
Licenses and Permits				
Construction Permits	2,073,000	2,073,000	2,764,051	691,051
Other	40,000	40,000	62,923	22,923
Total license and permits	<u>2,113,000</u>	<u>2,113,000</u>	<u>2,826,974</u>	<u>713,974</u>
Fines and Penalties	11,000	11,000	9,503	(1,497)
Investment Income, net	1,450,000	1,450,000	(691,662)	(2,141,662)
Rental	490,000	462,000	472,838	10,838
Intergovernmental	1,645,000	2,886,600	2,742,067	(144,533)
Charges for Services				
Planning and zoning fees	2,535,000	2,535,000	2,599,247	64,247
Building department fees	476,000	476,000	377,948	(98,052)
Refuse service charges	2,865,000	2,865,000	2,915,278	50,278
Parks and recreation fees	4,004,000	4,019,000	4,463,912	444,912
Other	435,000	2,042,100	1,571,226	(470,874)
Total charges for services	<u>10,315,000</u>	<u>11,937,100</u>	<u>11,927,611</u>	<u>(9,489)</u>
Parking Meters, Lots, and Permits	500	500	249	(251)
Development tax	157,500	157,500	-	(157,500)
Other				
Reimbursed expenditures	570,500	282,000	127,832	(154,168)
Miscellaneous	44,000	342,500	552,533	210,033
Total other	<u>614,500</u>	<u>624,500</u>	<u>680,365</u>	<u>55,865</u>
Total revenues	<u>80,581,500</u>	<u>84,257,200</u>	<u>85,205,757</u>	<u>948,557</u>

City of Laguna Beach, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –
General Fund (Continued)
Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Expenditures				
Current				
General government				
City Council	\$ 134,700	\$ 134,700	\$ 119,461	15,239
City Manager	2,240,700	2,014,835	1,742,644	272,191
City Clerk	447,000	538,400	491,994	46,406
City Treasurer	189,300	199,800	184,231	15,569
City Attorney	900,000	1,000,000	892,041	107,959
Administrative Services	6,513,200	11,752,696	5,484,654	6,268,042
Total general government	<u>10,424,900</u>	<u>15,640,431</u>	<u>8,915,025</u>	<u>6,725,406</u>
Community Development	8,233,700	8,901,716	7,770,714	1,131,002
Public Safety				
Police Protection	20,459,700	22,807,544	20,594,727	2,212,817
Fire Protection	16,569,500	20,251,106	17,463,006	2,788,100
Marine Safety	3,299,700	3,474,700	3,306,892	167,808
Total public safety	<u>40,328,900</u>	<u>46,533,350</u>	<u>41,364,625</u>	<u>5,168,725</u>
Public Works	17,180,840	19,757,595	15,473,600	4,283,995
Transit and Community Services	5,447,340	7,920,132	5,971,105	1,949,027
Debt Service				
Principal	-	-	430,065	(430,065)
Interest	-	-	19,835	(19,835)
Capital Outlay	958,500	2,827,802	1,880,524	947,278
Total expenditures	<u>82,574,180</u>	<u>101,581,026</u>	<u>81,825,493</u>	<u>19,755,533</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,992,680)	(17,323,826)	3,380,264	20,704,090
Other Financing Sources (Uses)				
Subscription	-	-	895,588	(895,588)
Transfers in	-	3,017,402	4,083,106	(1,065,704)
Transfers out	-	(9,362,930)	(8,500,528)	862,402
Total other financing sources (uses)	<u>-</u>	<u>(6,345,528)</u>	<u>(3,521,834)</u>	<u>(203,302)</u>
Net Changes in Fund Balance	(1,992,680)	(23,669,354)	(141,570)	20,500,788
Fund Balance, Beginning of Year, as restated	<u>28,865,114</u>	<u>28,865,114</u>	<u>28,865,114</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 26,872,434</u>	<u>\$ 5,195,760</u>	<u>\$ 28,723,544</u>	<u>\$ 20,500,788</u>

City of Laguna Beach, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –
General Fund (Continued)
Year Ended June 30, 2023

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.

	<u>General Fund</u>
Revenues and Other Financing Sources	
Revenues from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 85,205,757
<p>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:</p>	
Measure LL Fund	3,349,508
Capital Improvement Fund	8,716,605
Parking Authority Fund	9,355,723
Parking In-Lieu Fund	12
Park In-Lieu Fund	51,825
Art In-Lieu Fund	76,597
Drainage Fund	986
Housing In-Lieu Fund	3,334
Transportation Infrastructure Fund	716,504
South Laguna	22,134,961
Deposits Fund	299
Disaster Contingency Fund	82,198
	<u>82,198</u>
Total revenues from the financial statements	<u>\$ 129,694,309</u>
Transfer In from Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual	\$ 4,083,106
<p>Transfer In of the funds below are not inflows of budgetary resources in the General Fund and General Fund Sub-Funds for financial reporting purposes:</p>	
Open Space Fund	300,000
Capital Improvement Fund	24,360,000
Elimination of Transfers In within General Fund in accordance with GASB 54 Consolidation	(8,605,000)
Total transfer in from financial statements	<u>\$ 20,138,106</u>

City of Laguna Beach, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –
General Fund (Continued)
Year Ended June 30, 2023

	<u>General Fund</u>
Expenditures and Other Financing Uses	
Expenditures from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 81,825,493
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	2,555,910
Open Space Fund	33,287
Capital Improvement Fund	38,902,052
Parking Authority Fund	4,876,822
Park In-Lieu Fund	98,671
Housing In-Lieu Fund	27,095
South Laguna	1,160,870
Deposits Fund	321
	<u>321</u>
Total expenditures from the financial statements	<u>\$ 129,480,521</u>
Transfer Out from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ (8,500,528)
Transfers Out of the funds below are not outflows of budgetary resources in the General Fund and General Fund Sub-Funds for financial reporting purposes:	
Measure LL Fund	(1,300,000)
Capital Improvement Fund	(280,000)
Parking Authority Fund	(2,301,792)
Art In-Lieu Fund	(50,000)
Elimination of Transfers Out within General Fund in accordance with GASB 54 Consolidation	8,605,000
	<u>8,605,000</u>
Total transfers out from financial statements	<u>\$ (3,827,320)</u>

Note 1 - Budget Information

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, COVID-19, and Housing Nonmajor Special Revenue Funds and the following General Fund sub-funds: Parking In-Lieu, Park 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 \$13,184,105 were made in the General Fund.

The General fund expenditures exceeded appropriations for the year ended June 30, 2023 as follows:

	Final Budget	Actual Amounts	Variance
Debt Service			
Principal	-	430,065	(430,065)
Interest	-	19,835	(19,835)

The following funds had expenditures in excess of appropriations for the year ended June 30, 2023 as follows:

	Final Budget	Actual Amounts	Variance
Measure LL			
Public Works	\$ 499,800	\$ 905,513	\$ (405,713)
Capital Improvement			
Transfer out	250,000	\$ 280,000	(30,000)
Parking Authority Fund			
Debt Service			
Principal	-	10,130	(10,130)
Interest	-	350	(350)

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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, California
 General Fund- Consolidating Balance Sheet by Sub-Fund
 June 30, 2023

	General	Measure LL	Open Space	Capital Improvement	Parking Authority	Parking In-Lieu	Park In-Lieu	Art In-Lieu
Assets								
Cash and investments	\$ 26,235,511	\$ 2,359,750	\$ 914,770	\$ 35,580,349	\$ 14,894,020	\$ 992	\$ 86,644	\$ 310,735
Receivables								
Taxes	5,376,245	810,539	-	1,704,035	-	-	-	-
Accounts	589,554	-	-	99,558	38,018	-	-	-
Interest	289,949	-	-	-	-	-	-	-
Intergovernmental	153,732	-	-	-	-	-	-	-
Notes and loans	-	-	-	-	-	-	-	-
Leases	1,324,407	-	-	-	-	-	-	-
Due from other funds	51,211	-	-	-	-	-	-	-
Prepays	2,827,445	1,257,322	-	-	-	-	-	-
Inventory	52,118	-	-	-	-	-	-	-
Total assets	\$ 36,900,172	\$ 4,427,611	\$ 914,770	\$ 37,383,942	\$ 14,932,038	\$ 992	\$ 86,644	\$ 310,735
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
Accounts payable	\$ 5,119,068	\$ 46,664	\$ -	\$ 1,235,474	\$ 308,423	\$ -	\$ -	\$ -
Accrued liabilities	1,132,101	-	-	-	-	-	-	-
Deposits	64,342	-	-	-	-	-	-	-
Advances to other funds	565,537	-	-	-	-	-	-	-
Total liabilities	6,881,048	46,664	-	1,235,474	308,423	-	-	-
Deferred Inflows of Resources								
Leases	1,295,580	-	-	-	-	-	-	-
Total deferred inflows of resources	1,295,580	-	-	-	-	-	-	-
Fund Balances								
Nonspendable	2,879,563	1,257,322	-	-	-	-	-	-
Restricted	-	-	-	-	-	992	86,644	310,735
Committed	149,865	3,123,625	-	-	-	-	-	-
Assigned	3,313,400	-	914,770	36,148,468	14,623,615	-	-	-
Unassigned	22,380,716	-	-	-	-	-	-	-
Total fund balances (deficit)	28,723,544	4,380,947	914,770	36,148,468	14,623,615	992	86,644	310,735
Total liabilities, deferred inflows of resources and fund balances	\$ 36,900,172	\$ 4,427,611	\$ 914,770	\$ 37,383,942	\$ 14,932,038	\$ 992	\$ 86,644	\$ 310,735

City of Laguna Beach, California
 General Fund- Consolidating Balance Sheet by Sub-Fund (Continued)
 June 30, 2023

	Drainage	Housing In-Lieu	Transportation Infrastructure	South Laguna	Deposits	Disaster Contingency	Total
Assets							
Cash and investments	\$ 81,675	\$ 536,762	\$ 1,834,161	\$ 21,088,921	\$ 3,743,952	\$ 6,810,914	\$ 114,479,156
Receivables							
Taxes	-	-	-	-	-	-	7,890,819
Accounts	-	-	-	8,646	-	-	735,776
Interest	-	-	-	-	-	-	289,949
Intergovernmental	-	-	-	-	-	-	153,732
Notes and loans	-	341,920	-	-	-	-	341,920
Leases	-	-	-	-	-	-	1,324,407
Due from other funds	-	-	-	-	-	-	51,211
Prepays	-	-	-	-	-	-	4,084,767
Inventory	-	-	-	-	-	-	52,118
Total assets	<u>\$ 81,675</u>	<u>\$ 878,682</u>	<u>\$ 1,834,161</u>	<u>\$ 21,097,567</u>	<u>\$ 3,743,952</u>	<u>\$ 6,810,914</u>	<u>\$ 129,403,855</u>
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ 21,514	\$ -	\$ 123,476	\$ 155,191	\$ -	\$ 7,009,810
Accrued liabilities	-	-	-	-	-	-	1,132,101
Deposits	-	-	-	-	3,606,762	-	3,671,104
Advances to other funds	-	-	-	-	-	-	565,537
Total liabilities	<u>-</u>	<u>21,514</u>	<u>-</u>	<u>123,476</u>	<u>3,761,953</u>	<u>-</u>	<u>12,378,552</u>
Deferred Inflows of Resources							
Leases	-	-	-	-	-	-	1,295,580
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,295,580</u>
Fund Balances							
Nonspendable	-	-	-	-	-	-	4,136,885
Restricted	81,675	857,168	1,834,161	-	-	-	3,171,375
Committed	-	-	-	-	-	6,810,914	10,084,404
Assigned	-	-	-	20,974,091	-	-	75,974,344
Unassigned	-	-	-	-	(18,001)	-	22,362,715
Total fund balances (deficit)	<u>81,675</u>	<u>857,168</u>	<u>1,834,161</u>	<u>20,974,091</u>	<u>(18,001)</u>	<u>6,810,914</u>	<u>115,729,723</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 81,675</u>	<u>\$ 878,682</u>	<u>\$ 1,834,161</u>	<u>\$ 21,097,567</u>	<u>\$ 3,743,952</u>	<u>\$ 6,810,914</u>	<u>\$ 129,403,855</u>

City of Laguna Beach, California
 General Fund- Consolidating Schedule of Revenues, Expenditures, and Changes
 in Fund Balance Sheet by Sub-Fund
 June 30, 2023

	General	Measure LL	Open Space	Capital Improvement	Parking Authority	Parking In-Lieu	Park In-Lieu	Art In-Lieu
Revenues								
Taxes	\$ 67,237,812	\$ 3,306,053	\$ -	7,712,933	\$ -	\$ -	\$ -	\$ -
Licenses and permits	2,826,974	-	-	-	-	-	-	-
Fines and penalties	9,503	-	-	928,405	-	-	-	-
Investment income, net	(691,662)	43,455	-	861	-	12	1,825	4,163
Rental	472,838	-	-	-	-	-	-	-
Intergovernmental	2,742,067	-	-	-	-	-	50,000	5,000
Charges for services	11,927,611	-	-	2,530	-	-	-	-
Parking, meters, lots, and permits	249	-	-	-	9,355,723	-	-	-
Development tax	-	-	-	71,876	-	-	-	67,434
Use of money and property	-	-	-	-	-	-	-	-
Other	680,365	-	-	-	-	-	-	-
Total revenues	85,205,757	3,349,508	-	8,716,605	9,355,723	12	51,825	76,597
Expenditures								
Current								
General government	8,915,025	-	-	-	-	-	-	-
Community development	7,770,714	-	-	-	1,200	-	-	-
Public safety	41,364,625	1,382,064	-	-	1,766,823	-	-	-
Public works	15,473,600	905,513	-	77,846	2,532,938	-	-	-
Transit and Community Services	5,971,105	-	-	-	-	-	-	-
Debt service								
Principal	430,065	-	-	-	10,130	-	-	-
Interest	19,835	-	-	-	350	-	-	-
Capital outlay	1,880,524	268,333	33,287	38,824,206	565,381	-	98,671	-
Total expenditures	81,825,493	2,555,910	33,287	38,902,052	4,876,822	-	98,671	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,380,264	793,598	(33,287)	(30,185,447)	4,478,901	12	(46,846)	76,597
Other Financing Sources (Uses)								
Transfers in	4,083,106	-	300,000	24,360,000	-	-	-	-
Transfers out	(8,500,528)	(1,300,000)	-	(280,000)	(2,301,792)	-	-	(50,000)
Subscription	895,588	-	-	-	-	-	-	-
Total other financing sources (uses)	(3,521,834)	(1,300,000)	300,000	24,080,000	(2,301,792)	-	-	(50,000)
Net Change in Fund Balances	(141,570)	(506,402)	266,713	(6,105,447)	2,177,109	12	(46,846)	26,597
Fund Balances (Deficit), Beginning of Year, as restated	28,865,114	4,887,349	648,057	42,253,915	12,446,506	980	133,490	284,138
Fund Balances (Deficit), End of Year	\$ 28,723,544	\$ 4,380,947	\$ 914,770	\$ 36,148,468	\$ 14,623,615	\$ 992	\$ 86,644	\$ 310,735

City of Laguna Beach, California
 General Fund- Consolidating Schedule of Revenues, Expenditures, and Changes
 in Fund Balance Sheet by Sub-Fund (Continued)
 June 30, 2023

	Drainage	Housing In-Lieu	Transportation Infrastructure	South Laguna	Deposits	Disaster Contingency	Eliminations (1)	Total
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,256,798
Licenses and permits	-	-	-	-	-	-	-	2,826,974
Fines and penalties	-	-	-	-	-	-	-	937,908
Investment income, net	986	3,334	16,504	-	-	82,198	-	(538,324)
Rental	-	-	-	20,416	-	-	-	493,254
Intergovernmental	-	-	-	-	-	-	-	2,797,067
Charges for services	-	-	-	114,554	299	-	-	12,044,994
Parking, meters, lots, and permits	-	-	-	(9)	-	-	-	9,355,963
Development tax	-	-	-	-	-	-	-	139,310
Use of money and property	-	-	700,000	-	-	-	-	700,000
Other	-	-	-	22,000,000	-	-	-	22,680,365
Total revenues	986	3,334	716,504	22,134,961	299	82,198	-	129,694,309
Expenditures								
Current								
General government	-	-	-	-	-	-	-	8,915,025
Community development	-	2,193	-	-	-	-	-	7,774,107
Public safety	-	-	-	709,704	321	-	-	45,223,537
Public works	-	-	-	101,714	-	-	-	19,091,611
Transit and Community Services	-	-	-	-	-	-	-	5,971,105
Debt service								
Principal	-	-	-	-	-	-	-	440,195
Interest	-	-	-	-	-	-	-	20,185
Capital outlay								
	-	24,902	-	349,452	-	-	-	42,044,756
Total expenditures	-	27,095	-	1,160,870	321	-	-	129,480,521
Excess (Deficiency) of Revenues Over (Under) Expenditures	986	(23,761)	716,504	20,974,091	(22)	82,198	-	213,788
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	-	(8,605,000)	20,138,106
Transfers out	-	-	-	-	-	-	8,605,000	(3,827,320)
Subscription	-	-	-	-	-	-	-	895,588
Total other financing sources (uses)	-	-	-	-	-	-	-	17,206,374
Net Change in Fund Balances	986	(23,761)	716,504	20,974,091	(22)	82,198	-	17,420,162
Fund Balances (Deficit), Beginning of Year, as restated	80,689	880,929	1,117,657	-	(17,979)	6,728,716	-	98,309,561
Fund Balances (Deficit), End of Year	\$ 81,675	\$ 857,168	\$ 1,834,161	\$ 20,974,091	\$ (18,001)	\$ 6,810,914	\$ -	\$ 115,729,723

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

City of Laguna Beach, California
 General Fund Sub-Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Measure LL Fund
 Year Ended June 30, 2023

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
Revenues			
Taxes	\$ 3,108,000	\$ 3,306,053	\$ 198,053
Investment income, net	10,000	43,455	33,455
Total revenues	<u>3,118,000</u>	<u>3,349,508</u>	<u>231,508</u>
Expenditures			
Current			
Public safety	1,744,099	1,382,064	362,035
Public works	499,800	905,513	(405,713)
Capital outlay	558,500	268,333	290,167
Total expenditures	<u>2,802,399</u>	<u>2,555,910</u>	<u>246,489</u>
Excess of Revenues Over Expenditures	<u>315,601</u>	<u>793,598</u>	<u>477,997</u>
Other Financing Sources (Uses)			
Transfers out	<u>(2,300,000)</u>	<u>(1,300,000)</u>	<u>1,000,000</u>
Net Change in Fund Balance	(1,984,399)	(506,402)	1,477,997
Fund Balance, Beginning of Year	<u>4,887,349</u>	<u>4,887,349</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,902,950</u>	<u>\$ 4,380,947</u>	<u>\$ 1,477,997</u>

City of Laguna Beach, California
 General Fund Sub-Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Open Space Fund
 Year Ended June 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
Expenditures			
Capital outlay	<u>\$ 89,700</u>	<u>\$ 33,287</u>	<u>\$ 56,413</u>
Total expenditures	<u>89,700</u>	<u>33,287</u>	<u>56,413</u>
Excess of Revenues Over Expenditures	<u>(89,700)</u>	<u>(33,287)</u>	<u>56,413</u>
Other Financing Sources (Uses)			
Transfers in	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Net Change in Fund Balance	210,300	266,713	56,413
Fund Balance, Beginning of Year	<u>648,057</u>	<u>648,057</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 858,357</u></u>	<u><u>\$ 914,770</u></u>	<u><u>\$ 56,413</u></u>

City of Laguna Beach, California
 General Fund Sub-Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Capital Improvement Fund
 Year Ended June 30, 2023

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
Revenues			
Taxes	\$ 7,020,000	\$ 7,712,933	\$ 692,933
Fines and penalties	903,000	928,405	25,405
Investment income, net	-	861	861
Development tax	120,000	71,876	(48,124)
Lease Proceeds	11,500,000	-	(11,500,000)
Grants	314,700	-	(314,700)
Charges for services	1,000	2,530	1,530
Total revenues	<u>19,858,700</u>	<u>8,716,605</u>	<u>(11,142,095)</u>
Expenditures			
Current			
Public works	172,600	77,846	94,754
Capital outlay	78,834,518	38,824,206	40,010,312
Total expenditures	<u>79,007,118</u>	<u>38,902,052</u>	<u>40,105,066</u>
Excess of Revenues Over Expenditures	<u>(59,148,418)</u>	<u>(30,185,447)</u>	<u>28,962,971</u>
Other Financing Sources (Uses)			
Transfers in	13,900,000	24,360,000	10,460,000
Transfers out	(250,000)	(280,000)	(30,000)
Total other financing sources (uses)	<u>13,650,000</u>	<u>24,080,000</u>	<u>10,430,000</u>
Net Change in Fund Balance	(45,498,418)	(6,105,447)	39,392,971
Fund Balance, Beginning of Year	<u>42,253,915</u>	<u>42,253,915</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (3,244,503)</u></u>	<u><u>\$ 36,148,468</u></u>	<u><u>\$ 39,392,971</u></u>

City of Laguna Beach, California
 General Fund Sub-Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Parking Authority Fund
 Year Ended June 30, 2023

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
Revenues			
Parking meters, lots, and permits	\$ 10,970,400	\$ 9,355,723	\$ (1,614,677)
Expenditures			
Current			
Public safety	1,891,000	1,766,823	124,177
Public works	3,109,000	2,532,938	576,062
Debt service			
Principal	-	10,130	(10,130)
Interest	-	350	(350)
Capital outlay	5,858,900	565,381	5,293,519
Total expenditures	10,858,900	4,875,622	5,983,278
Excess of Revenues Over Expenditures	111,500	4,480,101	4,368,601
Other Financing Sources (Uses)			
Transfers out	3,112,500	2,301,792	(810,708)
Net Change in Fund Balance	3,224,000	6,781,893	3,557,893
Fund Balance, Beginning of Year	12,446,506	12,446,506	-
Fund Balance, End of Year	\$ 15,670,506	\$ 19,228,399	\$ 3,557,893

City of Laguna Beach, California
 General Fund Sub-Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Art In-Lieu Fund
 Year Ended June 30, 2023

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
Revenues			
Investment income, net	\$ -	\$ 4,163	\$ 4,163
Intergovernmental	-	5,000	5,000
Development tax	-	67,434	67,434
Total revenues	-	76,597	76,597
Other Financing Sources (Uses)			
Transfers out	(50,000)	(50,000)	-
Net Change in Fund Balance	(167,300)	26,597	193,897
Fund Balance, Beginning of Year	284,138	284,138	-
Fund Balance, End of Year	\$ 116,838	\$ 310,735	\$ 193,897

City of Laguna Beach, California
 General Fund Sub-Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Housing In-Lieu Fund
 Year Ended June 30, 2023

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
Revenues			
Investment income, net	\$ -	\$ 3,334	\$ 3,334
Expenditures			
Current			
Community Development	6,000	2,193	3,807
Capital outlay	63,700	24,902	38,798
Total expenditures	69,700	27,095	42,605
Excess of Revenues Over Expenditures	(69,700)	(23,761)	45,939
Net Change in Fund Balance	(69,700)	(23,761)	45,939
Fund Balance, Beginning of Year	880,929	880,929	-
Fund Balance, End of Year	\$ 811,229	\$ 857,168	\$ 45,939

City of Laguna Beach, California
 General Fund Sub-Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Transportation Infrastructure Fund
 Year Ended June 30, 2023

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
Revenues			
Investment income, net	\$ 1,000	\$ 16,504	\$ 15,504
Use of money and property	-	700,000	700,000
Total revenues	<u>1,000</u>	<u>716,504</u>	<u>715,504</u>
Excess of Revenues Over Expenditures	<u>1,000</u>	<u>716,504</u>	<u>715,504</u>
Net Change in Fund Balance	1,000	716,504	715,504
Fund Balance, Beginning of Year	<u>1,117,657</u>	<u>1,117,657</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,118,657</u>	<u>\$ 1,834,161</u>	<u>\$ 715,504</u>

City of Laguna Beach, California
 General Fund Sub-Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Disaster Contingency Fund
 Year Ended June 30, 2023

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
Revenues			
Investment income, net	\$ 100,000	\$ 82,198	\$ (17,802)
Net Change in Fund Balance	100,000	82,198	(17,802)
Fund Balance, Beginning of Year	6,728,716	6,728,716	-
Fund Balance, End of Year	\$ 6,828,716	\$ 6,810,914	\$ (17,802)

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 Project 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, California
Major Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Assessment Districts Fund
Year Ended June 30, 2023

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
Revenues			
Investment income, net	\$ -	\$ 13,595	\$ 13,595
Other	-	1,700,645	1,700,645
Total revenues	-	1,714,240	1,714,240
Expenditures			
Current			
Capital outlay	3,345,125	273,721	3,071,404
Excess of Revenues Over Expenditures	(3,345,125)	1,440,519	4,785,644
Other Financing Sources (Uses)			
Transfer in	(416,931)	416,931	833,862
Net Change in Fund Balance	(3,762,056)	1,857,450	5,619,506
Fund Balance, Beginning of Year	900,618	900,618	-
Fund Balance, End of Year	\$ (2,861,438)	\$ 2,758,068	\$ 5,619,506

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.

Housing Fund

This fund is used to account for revenue and expenditures committed to affordable housing programs.

Debt Service Fund is used to account for the servicing of long term debt. The City of Laguna Beach has one debt service fund, the Financing Authority.

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

	Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds	
	Gas Tax	Street Lighting District	Asset Forfeiture	COVID-19	Housing Fund		Finance Authority
Assets							
Cash and investments	\$ 1,717,261	\$ 7,326,252	\$ 99,233	\$ -	\$ 450,000	\$ -	\$ 9,592,746
Receivables							
Taxes	-	34,250	-	-	-	-	34,250
Accounts	95,568	-	-	-	-	-	95,568
Intergovernmental	141,381	-	-	-	-	-	141,381
Prepays	-	2,388,177	-	-	-	-	2,388,177
Total assets	\$ 1,954,210	\$ 9,748,679	\$ 99,233	\$ -	\$ 450,000	\$ -	\$ 12,252,122
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 55,641	\$ 43,039	\$ -	\$ -	\$ -	\$ -	\$ 98,680
Unearned revenues	-	-	-	-	-	-	-
Total liabilities	55,641	43,039	-	-	-	-	98,680
Fund Balances							
Nonspendable	-	2,388,177	-	-	-	-	2,388,177
Restricted	1,898,569	7,317,463	99,233	-	450,000	-	9,765,265
Total fund balances	1,898,569	9,705,640	99,233	-	450,000	-	12,153,442
Total liabilities and fund balances	\$ 1,954,210	\$ 9,748,679	\$ 99,233	\$ -	\$ 450,000	\$ -	\$ 12,252,122

City of Laguna Beach, California
Combining Statement of Revenues, Expenditure and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2023

	Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Gas Tax	Street Lighting District	Asset Forfeiture	COVID-19	Housing Fund	
Revenues						
Taxes	\$ 582,807	\$ 2,108,421	\$ -	\$ -	\$ -	\$ 2,691,228
Investment income, net	15,877	97,962	1,099	-	-	114,938
Intergovernmental	1,102,252	6,163	232,711	3,335,704	-	4,676,830
Rent	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	1,700,936	2,212,546	233,810	3,335,704	-	7,482,996
Expenditures						
Current						
Public safety	-	-	5,500	-	-	5,500
Public works	-	818,791	-	-	-	818,791
Capital outlay	1,928,363	347,247	-	-	-	2,275,610
Total expenditures	1,928,363	1,166,038	5,500	-	-	3,099,901
Excess of Revenues Over Expenditures	(227,427)	1,046,508	228,310	3,335,704	-	4,383,095
Other Financing Sources (Uses)						
Transfers in	250,000	-	-	-	250,000	500,000
Transfers out	-	(1,204,001)	(142,402)	(3,335,704)	-	(16,342,107)
Proceeds from Debt Issuance	-	-	-	-	-	11,660,000
Total other financing sources (uses)	250,000	(1,204,001)	(142,402)	(3,335,704)	250,000	(4,182,107)
Net Change in Fund Balance	22,573	(157,493)	85,908	-	250,000	200,988
Fund Balance, Beginning of Year	1,875,996	9,863,133	13,325	\$ -	200,000	11,952,454
Fund Balance, End of Year	\$ 1,898,569	\$ 9,705,640	\$ 99,233	\$ -	\$ 450,000	\$ 12,153,442

City of Laguna Beach, California
 Non-Major Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
 Gas Tax Fund
 Year Ended June 30, 2023

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
Revenues			
Taxes	\$ 455,000	\$ 582,807	\$ 127,807
Investment income, net	10,000	15,877	5,877
Intergovernmental	<u>1,187,000</u>	<u>1,102,252</u>	<u>(84,748)</u>
Total revenues	<u>1,652,000</u>	<u>1,700,936</u>	<u>48,936</u>
Expenditures			
Capital outlay	<u>3,882,701</u>	<u>1,928,363</u>	<u>1,954,338</u>
Excess of Revenues Over Expenditures	<u>(2,230,701)</u>	<u>(227,427)</u>	<u>2,003,274</u>
Other Financing Sources (Uses)			
Transfers in	<u>(250,000)</u>	<u>250,000</u>	<u>500,000</u>
Net Change in Fund Balance	(2,480,701)	22,573	2,503,274
Fund Balance, Beginning of Year	<u>1,875,996</u>	<u>1,875,996</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (604,705)</u>	<u>\$ 1,898,569</u>	<u>\$ 2,503,274</u>

City of Laguna Beach, California
 Non-Major Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
 Street Lighting District Fund
 Year Ended June 30, 2023

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
Revenues			
Taxes	\$ 2,019,000	\$ 2,108,421	\$ 89,421
Investment income, net	-	97,962	97,962
Intergovernmental	6,000	6,163	163
Total revenues	<u>2,025,000</u>	<u>2,212,546</u>	<u>187,546</u>
Expenditures			
Current			
Public works	770,000	818,791	(48,791)
Capital outlay	6,994,366	347,247	6,647,119
Total expenditures	<u>8,534,366</u>	<u>1,166,038</u>	<u>7,368,328</u>
Excess of Revenues Over Expenditures	<u>(6,509,366)</u>	<u>1,046,508</u>	<u>7,555,874</u>
Other Financing Sources (Uses)			
Transfers out	(1,204,001)	(1,204,001)	-
Total other financing sources (uses)	<u>(1,204,001)</u>	<u>(1,204,001)</u>	<u>-</u>
Net Change in Fund Balance	(7,713,367)	(157,493)	7,555,874
Fund Balance, Beginning of Year	9,863,133	9,863,133	-
Fund Balance, End of Year	<u>\$ 2,149,766</u>	<u>\$ 9,705,640</u>	<u>\$ 7,555,874</u>

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, California
Combining Statement of Net Position
Internal Service Funds
June 30, 2023

	<u>Insurance and Employee Benefits</u>	<u>Vehicle Replacement</u>	<u>Totals</u>
Assets			
Current Assets			
Cash and investments	\$ 13,405,278	\$ 10,808,696	\$ 24,213,974
Receivables			
Accounts	<u>111,715</u>	<u>-</u>	<u>111,715</u>
Total current assets	<u>13,516,993</u>	<u>10,808,696</u>	<u>24,325,689</u>
Noncurrent Assets			
Advances to other funds	-	565,537	565,537
Notes receivable	-	310,714	310,714
Property for housing program	1,342,000	-	1,342,000
Capital assets, net of depreciation	<u>-</u>	<u>4,608,796</u>	<u>4,608,796</u>
Total noncurrent assets	<u>1,342,000</u>	<u>5,485,047</u>	<u>6,827,047</u>
Total assets	<u>14,858,993</u>	<u>16,293,743</u>	<u>31,152,736</u>
Liabilities			
Current Liabilities			
Accounts payable	181,573	203,188	384,761
Due to other funds	51,211	-	51,211
Compensated absences, due within one year	1,025,000	-	1,025,000
Insurance claims payable, due within on year	<u>2,845,803</u>	<u>-</u>	<u>2,845,803</u>
Total current liabilities	<u>4,103,587</u>	<u>203,188</u>	<u>4,306,775</u>
Noncurrent Liabilities			
Compensated absences	4,100,000	-	4,100,000
Insurance claims payable	<u>6,640,207</u>	<u>-</u>	<u>6,640,207</u>
Total non-current liabilities	<u>10,740,207</u>	<u>-</u>	<u>10,740,207</u>
Total liabilities	<u>14,843,794</u>	<u>203,188</u>	<u>15,046,982</u>
Net Position			
Net investment in capital assets	-	4,405,608	4,405,608
Unrestricted	<u>15,199</u>	<u>11,684,947</u>	<u>11,700,146</u>
Total net position	<u>\$ 15,199</u>	<u>\$ 16,090,555</u>	<u>\$ 16,105,754</u>

City of Laguna Beach, California
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2023

	Insurance and Employee Benefits	Vehicle Replacement	Total
Operating Revenues			
Vehicle rental charges	\$ -	\$ 1,282,997	\$ 1,282,997
Employee benefit charges	970,600	-	970,600
Insurance charges	11,679,423	-	11,679,423
Total operating revenues	<u>12,650,023</u>	<u>1,282,997</u>	<u>13,933,020</u>
Operating Expenses			
Administration	387,573	-	387,573
Employee benefits	1,477,791	-	1,477,791
Insurance claims and premiums	12,618,651	-	12,618,651
Depreciation	-	732,621	732,621
Total operating expenses	<u>14,484,015</u>	<u>732,621</u>	<u>15,216,636</u>
Operating Income (Loss)	<u>(1,833,992)</u>	<u>550,376</u>	<u>(1,283,616)</u>
Nonoperating Revenues			
Gain on disposal of capital assets	-	27,558	27,558
Total nonoperating revenues	<u>-</u>	<u>27,558</u>	<u>27,558</u>
Transfers			
Transfers in	1,303,138	434,460	1,737,598
Transfers out	(1,000,000)	(3,000,000)	(4,000,000)
Total transfers	<u>303,138</u>	<u>(2,565,540)</u>	<u>(2,262,402)</u>
Change in Net Position	(1,530,854)	(1,987,606)	(3,518,460)
Net Position, Beginning of Year, as restated	<u>1,546,053</u>	<u>18,078,161</u>	<u>\$19,624,214</u>
Net Position, End of Year	<u>\$ 15,199</u>	<u>\$ 16,090,555</u>	<u>\$ 16,105,754</u>

City of Laguna Beach, California
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2023

	<u>Insurance and Employee Benefits</u>	<u>Vehicle Replacement</u>	<u>Total</u>
Operating Activities			
Cash received from user departments	\$ 12,255,089	\$ 1,282,997	\$ 13,538,086
Cash payments to suppliers for goods and services	(11,239,319)	198,183	(11,041,136)
Cash payments to employees for services	<u>(1,281,691)</u>	<u>-</u>	<u>(1,281,691)</u>
Net Cash Provided by (used for) Operating Activities	<u>(265,921)</u>	<u>1,481,180</u>	<u>1,215,259</u>
Non-Capital Financing Activities			
Cash received from other funds	1,303,141	434,460	1,737,601
Cash paid to other funds	(1,000,000)	(3,000,000)	(4,000,000)
Cash paid to other funds as an advance	694,660	134,463	829,123
Cash received related to housing program	<u>-</u>	<u>23,292</u>	<u>23,292</u>
Net Cash Provided by (used for) Noncapital Financing Activities	<u>997,801</u>	<u>(2,407,785)</u>	<u>(1,409,984)</u>
Capital and Related Financing Activities			
Purchase of capital assets	-	(2,136,245)	(2,136,245)
Proceeds from sale of capital assets	<u>-</u>	<u>27,558</u>	<u>27,558</u>
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>-</u>	<u>(2,108,687)</u>	<u>(2,108,687)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	731,880	(3,035,292)	(2,303,412)
Cash and Cash Equivalents at Beginning of Year	<u>12,673,398</u>	<u>13,843,988</u>	<u>26,517,386</u>
Cash and Cash Equivalents at End of Year	<u>\$ 13,405,278</u>	<u>\$ 10,808,696</u>	<u>24,213,974</u>
Reconciliation of operating income to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (1,833,992)	\$ 550,376	\$ (1,283,616)
Adjustments to reconcile operating income (loss) net cash provided by (used for) operating activities:			
Depreciation	-	732,621	732,621
Changes in Operating Assets and Liabilities			
Accounts receivable	(44,489)	-	(44,489)
Due To Other Funds	51,208	-	51,208
Accounts payable and accrued liabilities	(54,270)	198,183	143,913
Compensated absences payable	196,100	-	196,100
Insurance claims payable	<u>1,419,522</u>	<u>-</u>	<u>1,419,522</u>
Net Cash Capital Provided (Used by) Operating Activities	<u>\$ (265,921)</u>	<u>\$ 1,481,180</u>	<u>\$ 1,215,259</u>

Statistical Section

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FINANCIAL TRENDS

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

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive 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					Fiscal Years				
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
Net investment in capital assets	\$ 299,392,486	\$ 301,705,857	\$ 299,735,000	\$ 279,232,956	\$ 295,985,393	\$ 298,698,689	\$ 300,791,758	\$ 295,876,139	\$ 297,252,704	\$ 336,932,949
Restricted	7,223,908	9,559,633	15,943,397	12,576,083	12,897,272	15,221,830	17,340,349	19,030,697	16,998,298	20,178,555
Unrestricted	57,924,594	16,937,401	27,254,391	35,076,956	35,892,931	39,877,633	32,188,810	38,401,845	59,445,633	71,135,527
Total governmental activities	\$ 364,540,988	\$ 328,202,891	\$ 342,932,788	\$ 326,885,995	\$ 344,775,596	\$ 353,798,152	\$ 350,320,917	\$ 353,308,681	\$ 373,696,635	\$ 428,247,031
Business-type activities:										
Net investment in capital assets	\$ 43,758,305	\$ 42,452,562	\$ 45,461,137	\$ 39,751,055	\$ 41,056,246	\$ 41,503,006	\$ 42,514,260	\$ 43,975,072	\$ 45,914,932	\$ 43,166,824
Restricted	3,173,301	3,197,284	2,377,065	1,312,520	133,248	1,846,897	1,313,632	(375,007)	(1,862,663)	3,351,498
Total business type activities	\$ 46,931,606	\$ 45,649,846	\$ 47,838,202	\$ 41,063,575	\$ 41,189,494	\$ 43,349,903	\$ 43,827,892	\$ 43,600,065	\$ 44,052,269	\$ 46,518,322
Primary Government:										
Net investment in capital assets	\$ 343,150,791	\$ 344,158,419	\$ 345,196,137	\$ 318,984,011	337,041,639	340,201,695	343,306,018	339,851,211	343,167,636	380,099,773
Restricted	7,223,908	9,559,633	15,943,397	12,576,083	12,897,272	15,221,830	17,340,349	19,030,697	16,998,298	20,178,555
Unrestricted	61,097,895	20,134,685	29,631,456	36,389,476	36,026,179	41,724,530	33,502,442	38,026,838	57,582,970	74,487,025
Total business type activities	\$ 411,472,594	\$ 373,852,737	\$ 390,770,990	\$ 367,949,570	\$ 385,965,090	\$ 397,148,055	\$ 394,148,809	\$ 396,908,746	\$ 417,748,904	\$ 474,765,353

Data Source: City Records

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

	Fiscal Years					Fiscal Years				
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses:										
Governmental activities:										
General government	\$ 3,252,176	\$ 4,011,666	\$ 4,961,384	\$ 6,155,221	\$ 5,999,777	\$ 6,835,988	\$ 6,733,936	\$ 8,820,634	\$ 6,669,846	\$ 12,585,989
Community development	4,103,329	4,286,769	5,098,251	5,066,791	5,638,445	6,112,595	6,724,466	6,528,400	6,949,308	7,852,297
Public Safety	25,755,201	26,606,083	31,639,192	31,929,625	34,698,566	38,130,078	42,331,532	44,415,494	37,893,206	44,938,912
Public Works	16,320,422	18,085,062	20,779,294	26,449,618	25,566,306	24,793,130	25,733,663	29,837,540	25,805,189	25,618,260
Transit and Community Services	5,173,507	6,022,747	5,481,466	5,461,800	5,838,148	5,984,453	6,173,404	3,979,828	3,918,520	6,596,624
Sewer service operating costs	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-	-	5,104	20,185
Total governmental activities expenses	54,604,635	59,012,326	67,959,587	75,063,055	77,741,242	81,856,244	87,697,001	93,581,896	81,241,173	97,612,267
Business-type activities:										
Municipal transit	2,333,048	2,434,172	2,976,677	3,137,062	3,703,612	3,576,268	3,752,088	1,620,696	4,076,023	4,996,037
Sewer Service	5,636,354	7,569,442	5,963,003	6,720,112	8,381,044	8,542,329	8,785,885	8,911,039	9,122,113	8,635,589
Total business-type activities expenses	7,969,402	10,003,614	8,939,680	9,857,174	12,084,656	12,118,597	12,537,973	10,531,735	13,198,136	13,631,626
Total primary government expenses	\$ 62,574,037	\$ 69,015,940	\$ 76,899,267	\$ 84,920,229	\$ 89,825,898	\$ 93,974,841	\$ 100,234,974	\$ 104,113,631	\$ 94,439,309	\$ 111,243,893
Program revenues:										
Governmental activities:										
Charges for Services:										
General Government	\$ 981,002	\$ 1,015,049	\$ 1,002,599	\$ 1,104,868	\$ 1,095,550	\$ 1,239,001	\$ 1,161,133	\$ 1,271,664	\$ 1,182,906	\$ 1,109,522
Community development	3,204,521	3,167,128	3,773,050	4,033,486	3,620,227	3,622,776	3,000,391	3,807,099	6,740,911	8,830,579
Public safety	1,591,619	1,989,290	1,679,812	1,448,493	1,643,406	1,591,639	1,503,156	1,401,587	1,279,427	2,414,873
Public works	7,343,113	9,314,702	8,622,598	9,936,897	9,169,286	10,179,675	8,035,749	10,137,266	9,175,623	9,265,985
Recreation and social services	3,305,296	3,979,198	3,641,643	3,559,566	4,544,920	4,265,798	3,375,378	3,635,895	5,503,736	5,235,988
Sewer service operating costs	-	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions:										
Contributions:	1,971,819	2,764,891	1,849,916	1,823,585	2,154,138	2,092,295	2,688,591	4,869,731	6,155,540	7,841,558
Capital Grants and Contributions:	1,596,735	433,681	8,212,560	4,894,568	14,384,725	519,193	571,667	2,736,838	6,276	1,884
Total governmental activities program revenues	19,994,105	22,663,939	28,782,178	26,801,463	36,612,252	23,510,377	20,336,065	27,860,080	30,044,419	34,700,389
Business-type activities:										
Charges for Services:										
Municipal Transit	346,288	319,134	313,458	302,683	288,339	265,158	253,977	10,669	146,608	135,733
Sewer service	6,814,418	7,093,423	7,400,257	7,699,521	8,050,631	8,388,932	8,626,052	9,037,083	9,619,063	10,118,172
Operating Grants and Contributions:										
Contributions:	1,765,639	2,302,614	2,332,192	1,711,517	2,579,238	2,587,941	2,649,540	776,116	3,154,434	2,832,216
Capital Grants and Contributions:	851,923	555,307	-	-	-	-	-	-	-	-
Total business-type activities program revenues	9,778,268	10,270,478	10,045,907	9,713,721	10,918,208	11,242,031	11,529,569	9,823,868	12,920,105	13,086,121
Total primary government program revenues	29,772,373	32,934,417	38,828,085	36,515,184	47,530,460	34,752,408	31,865,634	37,683,948	42,964,524	47,786,510
Net revenues (expenses):										
Governmental activities	(34,610,530)	(36,348,387)	(39,177,409)	(48,261,592)	(41,128,990)	(58,345,867)	(67,360,936)	(65,721,816)	(51,196,754)	(62,911,878)
Business-type activities	1,808,866	266,864	1,106,227	(143,453)	(1,166,448)	(876,566)	(1,008,404)	(707,867)	(278,031)	(545,505)
Total net revenues (expenses)	\$ (32,801,664)	\$ (36,081,523)	\$ (38,071,182)	\$ (48,405,045)	\$ (42,295,438)	\$ (59,222,433)	\$ (68,369,340)	\$ (66,429,683)	\$ (51,474,785)	\$ (63,457,383)

Data Source: City Records

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

	Fiscal Years					Fiscal Years				
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 29,051,006	\$ 30,945,911	\$ 34,100,038	\$ 36,391,079	\$ 38,727,313	\$ 40,678,746	\$ 42,385,283	\$ 45,319,666	\$ 46,925,672	\$ 50,888,000
Sales Tax	4,230,239	4,602,679	5,345,953	6,000,084	6,124,970	6,581,928	5,583,948	6,023,953	7,980,085	7,912,044
Sales tax in-lieu	1,185,284	1,201,956	1,029,002	-	-	-	-	-	-	-
Transient occupancy taxes	9,366,183	9,872,378	10,754,654	12,670,071	14,708,047	14,649,273	11,939,790	15,252,045	21,111,332	19,854,317
Other taxes	2,147,742	2,233,271	1,372,912	1,418,582	1,360,102	1,316,999	1,315,766	1,440,672	1,299,318	1,339,774
Motor vehicle license fees, unrestricted	-	-	-	-	-	-	-	-	-	-
Investment Income	1,160,595	708,579	1,259,063	35,817	308,576	3,841,077	3,146,238	162,840	(6,944,519)	(560,953)
Other general revenue	1,002,476	1,172,011	1,059,699	964,459	576,925	798,075	497,166	539,907	473,495	24,745,143
Contributed Land	-	-	-	-	-	-	-	-	-	15,152,512
Gain on sale of assets	198,439	75,928	31,283	338,126	126,977	99,675	50,024	7,980	907,836	40,389
Transfers	(915,389)	(1,350,691)	(1,045,298)	(1,449,674)	(1,303,635)	(597,350)	(1,034,514)	-	(185,549)	(1,376,792)
Total governmental activities	\$ 47,426,575	\$ 49,462,022	\$ 53,907,306	\$ 56,368,544	\$ 60,629,275	\$ 67,368,423	\$ 63,883,701	\$ 68,747,063	\$ 71,567,670	\$ 117,994,434
Business-type activities										
Investment Income	\$ 3,819	\$ 25,464	\$ 36,734	\$ 18,087	\$ 17,193	\$ 14,099	\$ 218,267	\$ 32,221	\$ 27,690	\$ 398,399
Other general revenue	25,103	4,650	97	21,895	74,577	2,413,672	41,933	447,819	551,209	502,013
Gain or loss on sale of assets	-	(6,537)	-	-	15,138	11,854	191,679	-	-	3,300
Transfers	915,389	1,350,691	1,045,298	1,449,674	1,303,635	597,350	1,034,514	-	185,549	1,376,792
Total Business-type activities	\$ 944,311	\$ 1,374,268	\$ 1,082,129	\$ 1,489,656	\$ 1,410,543	\$ 3,036,975	\$ 1,486,393	\$ 480,040	\$ 764,448	\$ 2,280,504
Total Primary government	\$ 48,370,886	\$ 50,836,290	\$ 54,989,435	\$ 57,858,200	\$ 62,039,818	\$ 70,405,398	\$ 65,370,094	\$ 69,227,103	\$ 72,332,118	\$ 120,274,938
Changes in net position										
Governmental activities	\$ 12,816,045	\$ 13,113,635	\$ 14,729,897	\$ 8,106,952	\$ 19,500,285	\$ 9,022,556	\$ (3,477,235)	\$ 3,025,247	\$ 20,370,916	\$ 55,082,556
Business-type activities	2,753,177	1,641,132	2,188,356	1,346,203	244,095	2,160,409	477,989	(227,827)	486,417	1,734,999
Total primary government	\$ 15,569,222	\$ 14,754,767	\$ 16,918,253	\$ 9,453,155	\$ 19,744,380	\$ 11,182,965	\$ (2,999,246)	\$ 2,797,420	\$ 20,857,333	\$ 56,817,555

Data Source: City Records

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

	Fiscal Years					Fiscal Years				
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	146,990	115,089	115,607	51,539	1,490,158	2,496,535	4,271,059	4,234,245	4,575,511	4,136,885
Restricted	2,958,295	3,073,396	2,566,305	2,176,142	1,681,766	2,052,731	2,036,770	4,485,770	2,497,883	3,171,375
Committed	334,525	363,278	350,106	192,825	885,622	1,008,990	881,350	8,125,178	9,901,676	10,084,404
Assigned	23,734,527	29,467,522	36,008,155	40,163,871	38,308,560	36,410,273	38,537,450	43,909,845	56,695,495	75,974,344
Unassigned	13,420,963	16,308,063	18,240,858	20,942,863	21,282,064	27,530,330	23,406,015	26,195,065	24,769,503	22,362,715
Total general fund	<u>\$ 40,595,300</u>	<u>\$ 49,327,348</u>	<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>	<u>\$ 98,440,068</u>	<u>\$ 115,729,723</u>
All other governmental funds:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital project funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	2,190,000	-	-	-	598,904	2,330,719	2,388,177	2,388,177	2,388,177	2,388,177
Restricted	4,265,613	6,486,737	13,377,092	10,399,151	10,616,602	10,838,380	10,527,225	9,768,573	9,564,277	12,523,333
Committed	6,034,556	6,089,679	6,153,059	6,209,559	6,320,696	6,440,498	6,571,876	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(531,502)	(521,922)	-	-	-	-	(275,872)	-	-	-
Total all other governmental funds	<u>\$ 11,958,667</u>	<u>\$ 12,054,494</u>	<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>	<u>\$ 11,952,454</u>	<u>\$ 14,911,510</u>

Data Source: City Records

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

	Fiscal Years					Fiscal Years				
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues:										
Taxes and special assessments	\$ 46,861,756	\$ 49,740,077	\$ 53,422,115	\$ 57,209,543	\$ 61,759,702	\$ 64,132,553	\$ 61,825,816	\$ 69,133,106	\$ 78,349,304	\$ 80,948,026
License and permits	1,292,248	1,257,275	1,500,393	1,580,348	1,563,386	1,401,562	1,192,344	1,468,109	1,756,854	2,826,974
Fines and penalties	1,179,799	1,161,445	1,168,255	1,001,556	1,056,801	959,270	937,560	963,325	852,245	937,908
Investment income	1,159,549	715,521	1,256,302	35,817	302,357	3,840,142	3,346,784	285,554	(6,838,161)	(409,791)
Rental income	500,642	484,579	481,114	463,868	457,540	425,517	448,319	224,649	509,400	493,254
Intergovernmental	3,363,671	2,817,867	2,118,995	1,785,855	2,508,832	2,781,991	2,617,533	7,461,982	5,163,397	7,473,897
Charges for services	7,509,075	8,153,319	8,177,621	8,508,729	8,711,740	8,648,899	7,375,023	8,610,465	10,147,275	12,044,994
Parking meters, lots and permits	5,308,051	7,400,349	6,739,529	7,857,684	6,994,805	8,065,075	5,908,986	7,695,559	9,248,571	9,355,963
Development tax	254,370	271,927	185,949	310,117	178,875	263,291	153,783	210,061	543,014	139,310
Contributions from property owners	-	-	7,281,713	167,566	32,723	30,000	522,848	-	-	700,000
Other	802,838	1,556,022	957,974	644,607	618,968	844,320	491,842	415,662	2,552,863	24,381,010
Total Revenue	\$ 68,231,999	\$ 73,558,381	\$ 83,289,960	\$ 79,565,690	\$ 84,185,729	\$ 91,392,620	\$ 84,820,838	\$ 96,468,472	\$ 102,284,762	\$ 138,891,545
Expenditures										
Current:										
General government	\$ 3,701,265	\$ 4,598,623	\$ 5,330,478	\$ 5,851,668	\$ 5,795,153	\$ 6,425,030	\$ 6,129,597	\$ 8,423,726	\$ 8,263,231	\$ 8,915,025
Community development	4,034,924	4,445,514	5,041,256	5,065,752	5,598,168	5,884,065	6,245,015	6,343,820	6,871,566	7,774,107
Public Safety	25,170,727	27,014,412	30,647,342	30,351,932	34,592,292	35,904,287	37,746,979	40,198,725	40,650,348	45,229,037
Public works	12,292,930	11,867,474	12,839,368	14,049,840	16,005,447	16,154,021	15,804,282	18,559,030	19,619,827	19,910,402
Recreation and social services	4,581,842	4,902,441	4,889,196	4,770,513	5,305,605	5,309,727	5,376,302	3,295,223	3,296,584	5,971,105
Sewer service operating costs	-	-	-	-	-	-	-	-	-	-
Capital outlay	15,782,365	10,735,900	7,172,705	13,495,671	13,351,622	12,387,251	12,869,915	8,107,131	10,267,813	44,594,087
Debt service:										
Principal	-	-	-	-	-	-	-	-	60,518	440,195
Interest and fiscal charges	-	-	-	-	-	-	-	-	5,104	20,185
Total Expenditures	\$ 65,564,053	\$ 63,564,364	\$ 65,920,345	\$ 73,585,376	\$ 80,648,287	\$ 82,064,381	\$ 84,172,090	\$ 84,927,655	\$ 89,034,991	\$ 132,854,143
Excess (deficiency) of revenues over (under) expenditures	\$ 2,667,946	\$ 9,994,017	\$ 17,369,615	\$ 5,980,314	\$ 3,537,442	\$ 9,328,239	\$ 648,748	\$ 11,540,817	\$ 13,249,771	\$ 6,037,402
Other financing sources (uses):										
Transfer In	\$ 419,760	\$ 1,050,000	\$ 120,000	\$ 1,744,140	\$ 2,113,000	\$ 1,659,158	\$ 1,123,500	\$ 1,173,500	\$ 2,806,500	\$ 21,055,037
Transfer Out	(1,869,144)	(2,223,400)	(2,071,298)	(4,989,570)	(4,602,020)	(3,063,313)	(2,536,654)	(1,914,031)	(3,869,984)	(20,169,427)
Issuance of bond	-	-	-	584,993	-	-	-	-	-	11,660,000
Subscriptions	-	-	-	-	-	-	-	-	-	895,588
Sales of land and equipment	168,676	7,258	11,023	4,891	-	-	-	-	-	-
Total other financing sources (uses)	(1,280,708)	(1,166,142)	(1,940,275)	(2,655,546)	(2,489,020)	(1,404,155)	(1,413,154)	(740,531)	(1,063,484)	13,441,198
Net change in fund balances	\$ 1,387,238	\$ 8,827,875	\$ 15,429,340	\$ 3,324,768	\$ 1,048,422	\$ 7,924,084	\$ (764,406)	\$ 10,800,286	\$ 12,186,287	\$ 19,478,600
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.5%

Data Source: City Records

REVENUE CAPACITY

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

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive 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
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%
2022	17,247,579,495	108,116,223	17,355,695,718	1.574%
2023	18,497,292,210	118,580,829	18,615,873,039	1.785%

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: Orange County Assessor, MuniServices, LLC / Avenu Insights & Analytics

Source: 2022 and prior years, based on previously published ACFR Report.

(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			Fiscal Years						
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
City Direct Rates:										
City basic rate	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total City Direct Rate	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Overlapping Rates:										
City of Laguna Beach Bonds	-	-	-	-	-	-	-	-	-	-
Unified School District Bonds	0.0157	0.0146	0.0140	0.0137	0.0129	0.0129	0.0127	0.0101	0.0102	0.0097
South Coast Water District	0.0079	0.0072	0.0067	0.0021	-	-	-	-	-	-
Metro Water District	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035
Total Direct and overlapping Rate	\$ 1.02704	\$ 1.02530	\$ 1.02411	\$ 1.01928	\$ 1.01637	\$ 1.01635	\$ 1.01616	\$ 1.01362	\$ 1.01368	\$ 1.01321

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
Rates are not adjusted for ERAF
TRA 005-015 is represented.

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

Taxpayer	2023			2014		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
SHR MLB LLC	273,075,269	1	1.47%			
ICRE Laguna Club LLC	140,552,954	2	0.76%	120,800,000		1.08%
2585 Holdings LLC	70,000,000	3	0.38%			
Hometown Laguna Terrace LLC	64,482,429	4	0.35%			
HCI Laguna Owner L P	61,539,454	5	0.33%			
Aliso Creek Center LLC	59,360,665	6	0.32%			
Laguna Cove LLC	50,198,357	7	0.27%			
Dream Vista LLC	43,000,000	8	0.23%			
Warpinski Sally Tr	41,924,427	9	0.23%			
Gross Jeffrey	38,155,257	10	0.20%			
Laguna Beach Luxury Hotel				176,071,454	1	1.58%
Sullivan Kenneth J III				33,602,402	2	0.30%
Nevills Neil D				30,702,093	3	0.28%
Residential Property Investment				23,909,788	4	0.21%
Moore Leslie Joyce				23,613,315	5	0.21%
Daichendt Gary J				22,895,498	6	0.21%
Emerald Financial LLC				21,602,600	7	0.19%
Mission Hospial Regional Medic				20,859,668	8	0.19%
Bank JP Morgan Chase N Atr 111				20,807,448	9	0.19%
Loder Ronald K				20,432,908	10	0.18%
	<u>\$ 842,288,812</u>		<u>4.52%</u>	<u>\$ 394,497,174</u>		<u>4.62%</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
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%
2022	38,556,080	38,038,658	98.66%	517,422	38,556,080	100%
2023	41,519,233	40,986,079	98.72%	533,154	41,519,233	100%

Source: Orange County Auditor Controller's Office, MuniServices, LLC / Avenu Insights & Analytics
Source: 2021-22 and Prior Years: Based on previously published ACFR Report

DEBT CAPACITY

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

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive 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			Government	Percentage of Personal Income	Debt per Capita
	General Obligation Bonds	I-Bank Installment Agreement	Leases	Total Governmental Activities	I-Bank Installment Agreement	Leases	Total Business-type Activities			
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	0.49%	460
2020	-	-	-	-	10,163,699	-	-	10,163,699	0.46%	455
2021	-	-	-	-	9,388,760	-	-	9,388,760	0.39%	417
2022	-	-	766,519	766,519	16,090,380	888,047	16,978,427	17,744,946	0.64%	782
2023	-	-	12,897,672	12,897,672	15,088,688	621,863	15,710,551	28,608,223	0.89%	1,275

Data Source: City Records

CITY OF LAGUNA BEACH
Direct and Overlapping Debt
June 30, 2023

CITY OF LAGUNA BEACH

2022-23 Assessed Valuation: \$18,657,556,824

	Total Debt <u>6/30/2023</u>	<u>% Applicable (1)</u>	City's share of <u>Debt 6/30/23</u>
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 19,215,000	0.513%	\$ 98,573
Capistrano Unified School District School Facilities Improvement District No. 1	10,033,567	0.009	903
Laguna Beach Unified School District	12,050,000	72.843	8,777,582
City of Laguna Beach 1915 Act Bonds	5,586,907	100	5,586,907
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 14,463,965.00
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	\$ 451,165,000	2.574%	\$ 11,612,987
Orange County Board of Education Certificates of Participation	10,860,000	2.574	279,536
Capistrano Unified School District Certificates of Participation	21,360,000	0.006	1,282
City of Laguna Beach	11,660,000	100	11,660,000
Lease Liabilities	1,238,860	100	1,238,860 (3)
SBITA Liabilities	620,675	100	620,675 (3)
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 25,413,340
TOTAL DIRECT DEBT			\$ 13,519,535
TOTAL OVERLAPPING DEBT			\$ 26,357,770
COMBINED TOTAL DEBT			\$ 39,877,305 (2)

(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 non-bonded capital lease obligations.

(3) The amounts are represented at present value and are not borrowed monies.

Ratios to 2022-23 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.08%
Total Direct Debt (\$11,660,000)	0.06%
Combined Total Debt	0.20%

Source: Avenu Insights & Analytics
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	
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	8,955,639	6,637,186	2,318,454	587,979	190,133	297.96%
2021	9,530,242	6,509,854	3,020,387	774,940	422,250	252.29%
2022	10,411,318	7,523,271	2,888,047	949,315	358,260	220.87%
2023	10,118,172	6,493,013	3,625,159	1,001,693	316,847	274.94%

Data Source: City Records

CITY OF LAGUNA BEACH
 Legal Debt Margin
 Last Ten Fiscal Years

	Fiscal Years					Fiscal Years				
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Assessed valuation	11,181,201,735	11,895,671,535	12,700,905,363	13,582,283,549	14,410,004,305	15,256,688,946	15,961,370,800	16,714,819,565	17,355,695,718	18,615,873,039
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,795,300,434	2,973,917,884	3,175,226,341	3,395,570,887	3,602,501,076	3,814,172,237	3,990,342,700	4,178,704,891	4,338,923,930	4,653,968,260
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	419,295,065	446,087,683	476,283,951	509,335,633	540,375,161	572,125,835	598,551,405	626,805,734	650,838,589	698,095,239
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 419,295,065</u>	<u>\$ 446,087,683</u>	<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>	<u>\$ 650,838,589</u>	<u>\$ 698,095,239</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	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

Data Source: Orange County Assessor data, MuniServices, LLC

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

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

- Demographic and Economic Statistics
- Principal Employers

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive 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	Per Capita Income	Unemployment Rates
2014	<i>Not available</i>	<i>Not available</i>	75,460	<i>Not available</i>
2015	23,355	1,805,341,500	77,300	3.1%
2016	23,617	1,904,728,527	80,651	3.4%
2017	23,505	1,986,939,233	84,533	3.0%
2018	23,309	2,095,738,529	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%
2022	22,706	2,776,722,871	122,290	2.1%
2023	22,445	3,201,538,191	142,639	3.0%

Source: MuniServices, LLC / an Avenu Insights & Analytics Company, U.S. Census Bureau, 2010 American Community Survey 2021-22 and prior, previously published ACFR.

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 Seven Years Ago

Business Name	2021-22		2013-14	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Montage Laguna Beach Hotel**	602	4.89%	780	4.76%
Laguna Beach School District	351	2.85%	300	1.83%
Mission Hospital, Laguna Beach (1)	335	2.72%	565	3.45%
City of Laguna Beach***	314.7	2.56%	250	1.52%
Surf & Sand Resort**	260	2.11%	306	1.87%
Laguna College of Art & Design**	237	1.93%	225	1.37%
Las Brisas Restaurant**	180	1.46%	150	0.91%
Pacific Edge Hotel** (2)	113	0.92%	230	1.40%
Anneliese Schools	104	0.85%		
Mozambique Restaurant**	100	0.81%	130	0.79%
Whole Foods Market			86	0.52%
Total Top 10 Employers	2,597	21.11%	3,022	18.43%
Total City Labor Force (3)	12,300		16,400	

Source: MuniServices, LLC /Avenu Insights & Analytics
Source: 2014, based on previously published ACFR Report.
Results based on direct correspondence with city's local businesses.

**Includes full and part time

***Includes full time only

(1) Laguna Beach campus only.

(2) Count includes Hotel & Restaurants.

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

OPERATING INFORMATION

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

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

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

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

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

Function	Fiscal Years					Fiscal Years				
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government	17.63	17.63	18.73	18.73	20.23	20.23	22.68	22.68	25.68	33.68
Public Safety	132.60	135.00	136.00	136.00	149.00	150.00	150.00	151.00	150.00	180.00
Public Works	51.00	51.00	54.60	54.60	57.00	57.00	58.00	60.00	59.00	53.00
Community Development	27.00	28.00	30.00	30.00	32.00	32.00	35.00	33.00	37.00	44.00
Recreational and Cultural ⁽¹⁾	7.75	7.75	6.00	6.00	6.00	6.00	7.00	2.00	2.00	2.00
Water Quality	15.00	15.00	15.00	15.00	15.00	15.00	16.00	17.00	17.00	16.00
Transit & Community Services(1)										10.00
Total	<u>250.98</u>	<u>254.38</u>	<u>260.33</u>	<u>260.33</u>	<u>279.23</u>	<u>280.23</u>	<u>288.68</u>	<u>285.68</u>	<u>290.68</u>	<u>328.68</u>

Note:

(1) Newly created Department of Transit & Community Services in 2023.

Data Source: City Records

CITY OF LAGUNA BEACH
 Operating Indicators
 Last Ten Fiscal Years

	Fiscal Years			Fiscal Years						
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Custodial Arrests	1,694	2,093	2,125	2,113	2,102	2,133	1,710	1,236	1,111	920
Traffic Violations	5,300	5,923	3,794	3,372	6,716	4,153	3,463	3,018	2,776	1,875
Parking Violations	34,004	36,685	34,017	30,557	26,275	28,989	24,675	27,667	22,250	30,193
Fire Protection:										
Number of Calls Answered	3,375	3,447	N/A	3,562	3,325	3,554	3,712	3,713	3,821	3,913
Number of Inspections	1,021	1,384	N/A	982	1,155	1,587	562	1,842	1,375	678
Water Quality:										
Number of Service Connections	8,504	8,504	8,504	8,504	8,504	8,504	8,504	8,504	8,504	8,504
Daily Average Treatment in MGD (million gallons per day)	2	2	2	2	2	2	2	2	2	2
Maximum daily capacity of treatment plant in MGD	4	4	4	4	4	4	4	4	4	4

Data Source: City Records

N/A - Not currently available.

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

	Fiscal Years									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Public Works										
Streets (miles)	93	93	93	93	93	93	93	93	93	93
Streetlights	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,261
Culture and Recreation										
Community Centers	3	3	3	3	3	3	3	3	3	3
Parks	17	17	17	17	17	17	17	17	17	17
Park Acreage	47	47	47	47	47	47	47	47	47	47
Tennis Courts	12	12	12	12	12	12	12	12	12	12
Water Quality										
Miles of sanitary sewers	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00
Miles of storm drains	78.00	78.00	78.00	78.00	78.00	78.00	78.00	78.00	78.00	78.00

Data Source: City Records