

CITY OF LAGUNA BEACH
Laguna Beach, California

Comprehensive Annual Financial Report

Year Ended June 30, 2010

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CITY OF LAGUNA BEACH, CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

CITY COUNCIL:

Elizabeth Pearson, Mayor
Toni Iseman, Mayor Pro-Tem
Kelly Boyd, Council Member
Jane Egly, Council Member
Verna Rollinger, Council Member

Laura Parisi, City Treasurer

Martha Anderson, City Clerk

Kenneth Frank, City Manager

**Prepared By:
Finance Department**

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CITY OF LAGUNA BEACH

Comprehensive Annual Financial Report

Year Ended June 30, 2010

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INTRODUCTORY SECTION

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December 13, 2010

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, 2010. The financial statements accompanying this transmittal letter are for the primary government only and do not include any component units.

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 Mayer Hoffman McCain, P.C. 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, 2010, 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 unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2010, 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's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1927, is located in southwest Orange County, approximately 55 miles southeast of Los Angeles. The City currently occupies a land area of 8.84 square miles and serves a population of approximately 25,000. The City is home of the Pageant of the Masters and the Festival of the Arts. The City attracts approximately three million visitors annually due to its eight miles of coastline, the Mediterranean climate and the summer art festivals and pageants.

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

The City provides a full range of services, including police, fire and marine safety protection; maintenance of streets, parks, the sewer system and parking facilities; solid waste; transit operations; community development; recreational activities and cultural events; and administrative services.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City's manager in January. 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 council for review in April. The 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). The level of budgetary control, i.e. the level at which expenditures cannot legally exceed the appropriated amount, is established at the department level. Within the General Fund, an available fund balance of 10% of appropriations as a reserve for contingencies. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and major special revenue funds, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the general fund and major special revenue funds, this comparison is presented in the supplementary section of the accompanying financial statements.

Factors Affecting Financial Condition

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

Local economy. The City is a balanced community with commercial, retail, light industrial and residential areas. Over the past several years, the City's tax base has performed well under adverse circumstances which have helped the City weather the last recession and the slow economic growth. However, continued high unemployment, unfavorable business conditions and uncertainties in the housing market continue to negatively impact the local economy. The impact of this economic recession and now the prolonged economic recovery on the City of Laguna Beach has resulted in 22% decreases in sales tax and transient occupancy tax compared to just two years ago.

The City's property tax base continues to remain strong due to a relatively stable and increasing sale prices for homes in Laguna Beach. With the passage of proposition 1A and more recently proposition 22 it is much more difficult for State legislators to raid local government finances. Over the next 18 months the state of California will be facing a \$25 billion deficit. With such a seemingly insurmountable fiscal problem there is a risk that the State may still attempt to shift some of the burden to local governments.

Long-term financial planning. Over the next several years the City will be presented with budget challenges in revenues and rising employment retirement costs, but plans for a new life-guard headquarters, animal shelter renovations and Heisler Park redevelopment are underway. The costs of

the improvements are estimated at \$10.8 million. The City has funded for these projects over the past several years and therefore does not require debt service funds.

The City has long taken a conservative approach to forecasting revenues, often assuming a “worst case scenario.” This fiscal conservatism has created a stable finance base. As a result, even in a downturn, the City is able to maintain its services at a high level, while reducing expenses to accommodate reduced revenues. While the current recession is much deeper than expected and the recovery expected to take several years, the City Council has established a recession smoothing account with a balance of \$3.9 million to mitigate its impact.

Cash management policies and practices. Cash temporarily idle during the year was invested primarily in the State Local Agency Investment Fund and in securities of U.S. government agencies.

Cash management of the City is facilitated by the pooling of cash and investments, whereby the maximum rate of return and cash flow flexibility can be achieved while maintaining a high level of safety of principal. Interest earnings are allocated semi-annually to the various funds based on the average cash balance during the preceding six months. The City's investment transactions are conducted in conformance with internal investment policies and the State of California Government Code. The City Council has assigned the responsibility for investing to the elected City Treasurer.

Risk management. The City is a member of the California Insurance Pool Authority (CIPA). CIPA, a consortium of 12 cities, was established to pool resources, share risks, purchase excess insurance and share costs for professional risk management and claims administration. Member cities may be assessed the difference between funds available and the \$20 million annual aggregate coverage in proportion to their annual premiums in the event of an imminent shortfall of funds. Additional information regarding risk management can be found in the notes to the financial statements

Pension and other postemployment benefits. The City contributes to the California Public Employees Retirement System, an agent multiple-employer public employee defined benefit pension plan for its employees. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by this funding policy.

The City allows retirees to pay full premiums to the City for health insurance coverage.

Additional information regarding the City's pension arrangements and post employment benefits can be found in the notes to the financial statements.

Other factors affecting financial condition: During the fiscal year the City Council made an advance payment toward the City's retirement obligation for current safety employees. This payment of \$10 million is expected to save the City approximately \$4.3 million over the next 15 years.

Unfortunately, investments losses during the 2008 market downturn resulted in the funded status of the California Public Employees' Retirement System (CalPERS) dropping from 101% to 89%. To minimize the impact of the investment losses on city contributions CalPERS has implemented a method of phasing the losses over three years beginning in fiscal year 2011-12. The phasing method is expected to increase retirement costs for current employees of the City by approximately 20% over the next three years.

Acknowledgements

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

Respectfully submitted,



Kenneth Frank
City Manager

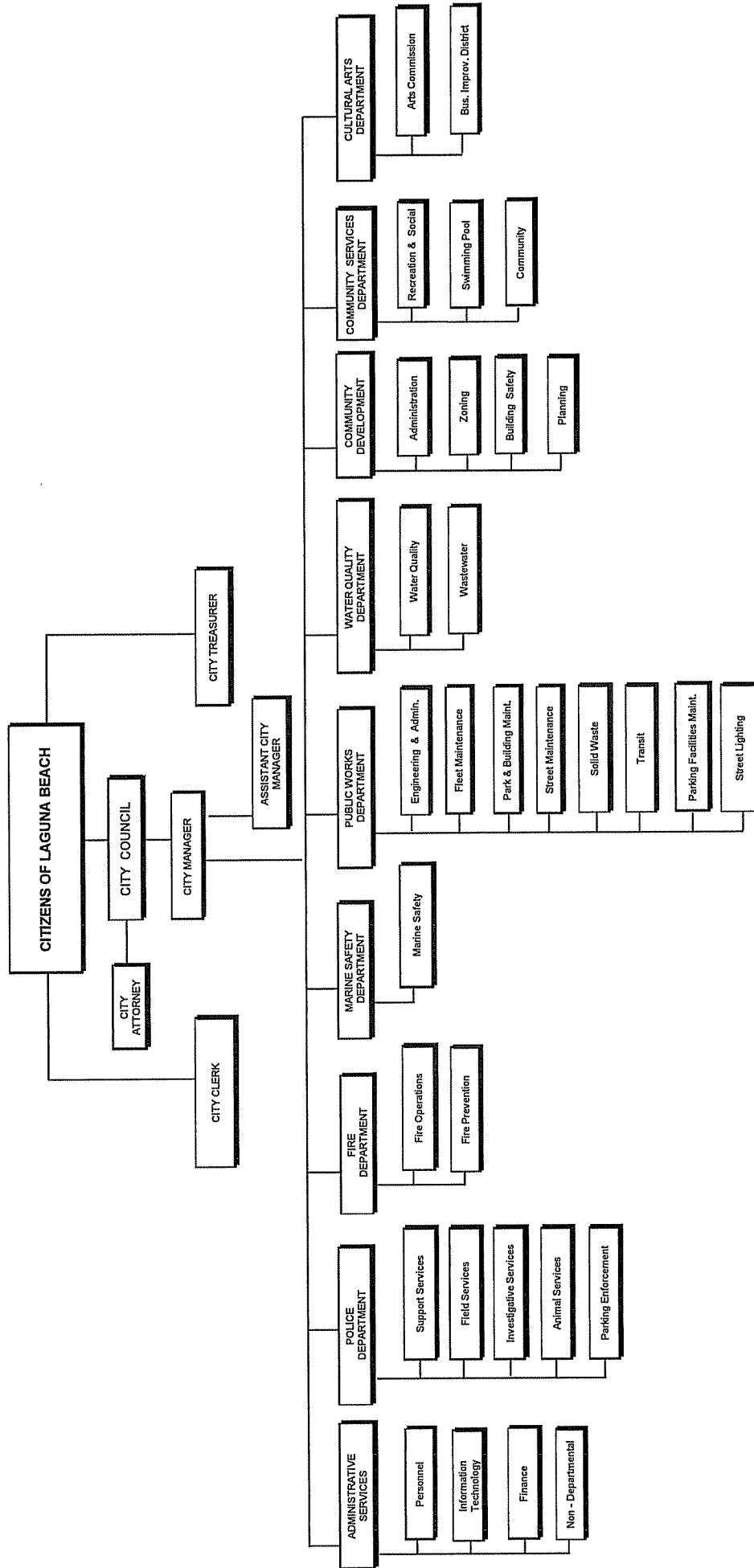


Gavin Curran
Director of Finance and Information Technology



Nancy Pauley
Finance Officer

CITY OF LAGUNA BEACH Organizational Chart



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FINANCIAL SECTION

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City Council
City of Laguna Beach, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Laguna Beach, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Laguna Beach. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City of Laguna Beach for the year ended June 30, 2009 and, in our report dated February 1, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Laguna Beach, California, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, of the City of Laguna Beach, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A primary government is a single legal entity that includes all funds, agencies, departments, and offices that are not legally separated from the primary government. Component units are other legally separate organizations for which the elected officials of the primary government are financially accountable, as defined by Government Accounting Standards Board Statement No. 14. Because the primary government financial statements do not include the financial data of the component units of the entire reporting entity as defined by Government Accounting Standards Board Statement No. 14, the primary government financial statements of the City of Laguna Beach, do not purport to, and do not, present fairly the financial position of the entire reporting entity of the City of Laguna Beach, California, as of June 30, 2010, and the changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.



City Council
City of Laguna Beach, California
Page Two

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement used and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laguna Beach's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and other information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and other information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2010 on our consideration of the City of Laguna Beach's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
December 13, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of Laguna Beach provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services, like public safety, were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the City's transit system.
 - Fiduciary fund statements provide information about the fiduciary relationships – like the agency funds of the City – in which the City acts solely as agent or trustee for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides additional financial and budgetary information.

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

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

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

Reporting the City as a Whole

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

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

In the Statement of Net Assets 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 this fund.

Reporting the City's Major Funds

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

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

Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets. 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 assets follows:

Table 1
Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 71.1	68.9	1.4	1.8	72.5	70.7
Capital Assets	321.3	324.0	2.6	2.7	323.9	326.7
Total Assets	<u>392.4</u>	<u>392.9</u>	<u>4.0</u>	<u>4.5</u>	<u>396.4</u>	<u>397.4</u>
Long-Term Debt Outstanding	13.5	12.7	-	-	13.5	12.7
Other Liabilities	7.5	10.5	1.3	1.3	8.8	11.8
Total Liabilities	<u>21.0</u>	<u>23.2</u>	<u>1.3</u>	<u>1.3</u>	<u>22.3</u>	<u>24.5</u>
Net Assets						
Invested in Capital Assets, Net of Debt	315.6	318.0	2.6	2.7	318.2	320.7
Restricted	12.5	11.1	-	-	12.5	11.1
Unrestricted	<u>43.1</u>	<u>40.6</u>	<u>0.1</u>	<u>0.5</u>	<u>43.2</u>	<u>41.1</u>
Total Net Assets	<u>\$ 371.2</u>	<u>369.7</u>	<u>2.7</u>	<u>3.2</u>	<u>373.9</u>	<u>372.9</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$373.9 million as of June 30, 2010.

The largest portion of the City's net assets, \$318.2 million (85%) are reflected in its investment in capital assets (e.g., land, street infrastructure, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt will be provided from future revenues and the remaining 15% of the City's net assets, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net assets of \$12.5 million (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$43.2 million (12%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's total net assets increased by \$960 thousand during the current fiscal year. The net assets of governmental activities increased by \$1.45 million and business-type activities had a decrease of \$495 thousand.

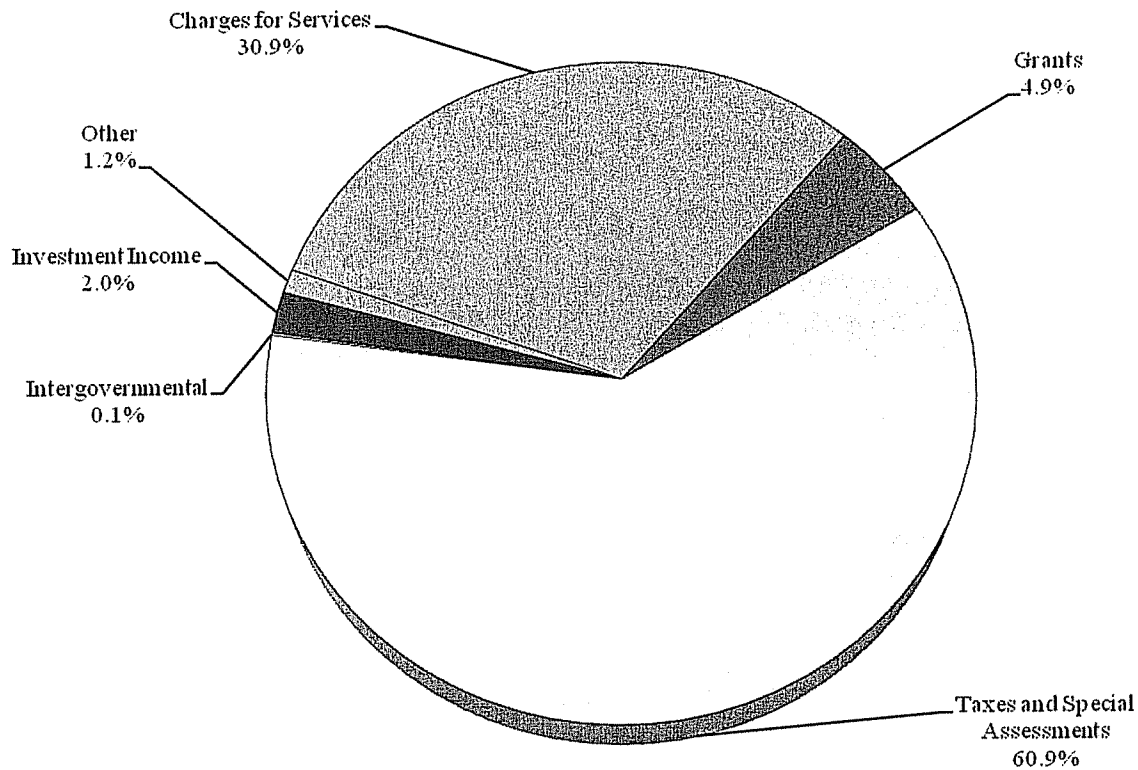
A summary of the government-wide statement of activities follows:

	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues						
Charges for Services	\$ 20,387	19,696	313	324	20,700	20,020
Operating Grants/Contributions	3,192	5,445	1,156	1,020	4,348	6,465
Capital Grants/Contributions	75	1,083	-	9	75	1,092
General Revenues						
Taxes and special assessments	40,246	45,180	-	-	40,246	45,180
Intergovernmental	81	92	-	-	81	92
Rental income	421	388	-	-	421	388
Investment income	1,332	1,769	19	10	1,351	1,779
Miscellaneous revenues	348	300	4	2	352	302
Gain (loss) on sale/disposal of capital assets	-	-	2	-	2	-
Total Revenues	<u>66,082</u>	<u>73,953</u>	<u>1,494</u>	<u>1,365</u>	<u>67,576</u>	<u>75,318</u>
Expenses:						
General Government	4,252	4,375	-	-	4,252	4,375
Community development	3,615	3,769	-	-	3,615	3,769
Public safety	25,352	25,698	-	-	25,352	25,698
Public works	20,707	18,182	-	-	20,707	18,182
Recreation and social services	4,268	4,148	-	-	4,268	4,148
Sewer service operating costs	5,674	5,850	-	-	5,674	5,850
Interest and fiscal charges	290	368	-	-	290	368
Municipal transit		-	2,459	2,318	2,459	2,318
Total Expenses	<u>64,158</u>	<u>62,390</u>	<u>2,459</u>	<u>2,318</u>	<u>66,617</u>	<u>64,708</u>
Increase in Net Assets Before Transfers	1,924	11,563	(965)	(953)	959	10,610
Transfers	<u>(469)</u>	<u>(602)</u>	<u>469</u>	<u>602</u>	<u>-</u>	<u>-</u>
Increase in Net Assets	1,455	10,961	(496)	(351)	959	10,610
Net Assets-Beginning	<u>369,761</u>	<u>358,800</u>	<u>3,171</u>	<u>3,522</u>	<u>372,932</u>	<u>362,322</u>
Net Assets-Ending	<u>\$ 371,216</u>	<u>369,761</u>	<u>2,675</u>	<u>3,171</u>	<u>373,891</u>	<u>372,932</u>

The City's total revenues were \$67.6 million while the total expenditures were \$66.6 million. Property taxes were the City's largest revenue source at \$27.7 million (41% of total revenues and 41.9% of governmental revenues). Transient lodging taxes at \$6.8 million (10% of total revenues and 10.3% of governmental revenues) and sales tax also at \$3.2 million (4.7% of total revenues and 4.8% of governmental revenues) were the second largest revenue sources for the City this past year. Property taxes have been steadily increasing from year to year while transient lodging and sales taxes have experienced decreases.

Governmental activities. The governmental activities' increase in net assets of \$1.4 million accounted for 100% of the total growth in net assets for the City this past year. The following graph depicts the major revenue sources of the City. It depicts very clearly the reliance on taxes and special assessments to fund governmental activities.

Revenues by Source – Governmental Activities



General government expenses (including City Council, City Manager, City Attorney, City Clerk, City Treasurer and Administrative Services) were 6.7% of the total cost of governmental activities. Charges for services offset 22% of the cost of providing these services.

Community development expenditures were 5.6% of the total cost of governmental activities and charges for services offset 69.9% of the cost of providing these services.

Public Safety expenses comprised the largest component of governmental activities in terms of cost 39.5% this past year. Charges for services, operating and capital grants and contributions offset 11% of the cost of providing these services.

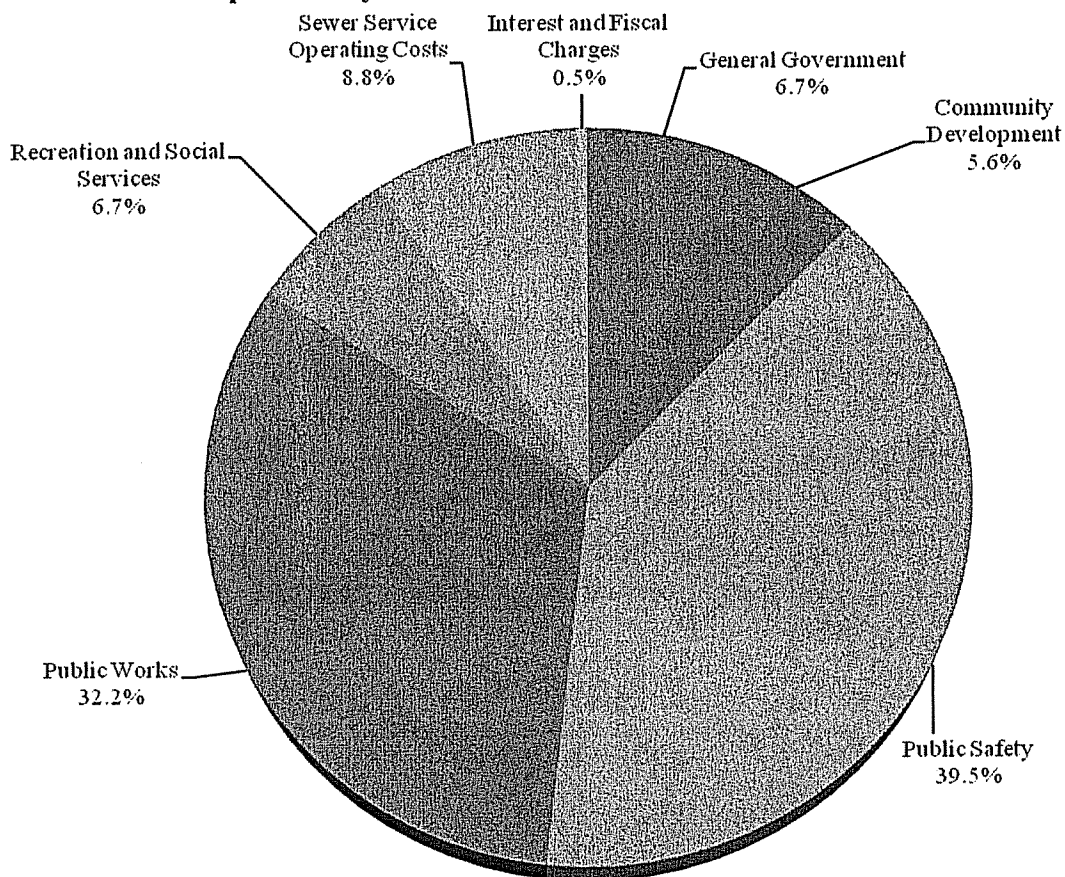
Public Works was the second largest governmental activity representing 32.2% of the total cost of governmental activities. Charges for services and operating grants and contributions helped to offset 40.4% of the cost of these activities.

Recreation and social services expenditures were \$4.2 million this past year, representing 6.7% of the total. Charges for services, operating grants and contributions offset 65% of the cost of providing these services.

Sewer service operating costs were \$5.6 million, representing 8.8% of the total cost of governmental activities. Charges for services, operating and capital grants and contributions offset 100% of expenses including costs incurred for capitalized assets.

Interest and fiscal charges on long term debt, at \$290 thousand, comprised .5% of the total cost of governmental activities with all costs offset by general tax revenues.

Expenses by Function – Governmental Activities



- **Business-type activities.** Business-type activities of the City had a decrease in net assets by \$494 thousand. The combined expenses of the City’s business-type activity (the municipal transit system) including costs incurred for capitalized assets were funded by charges for services and operating and capital grants. The majority of the decrease in net assets consisted of Transportation Development Funds in compliance with “50% Limitation” rule.

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 requirement. In particular, unreserved fund balance 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, 2010, the governmental funds reported combined ending fund balances of \$37.8 million, a decrease of \$7.1 million in comparison with the prior year. Approximately 45% of this total amount (\$16.9 million) constitutes undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period, for inventory, long term receivables, and other externally restricted balances (\$18.8 million), and 2) for debt service requirements (\$2.1 million).

The General Fund is the chief operating fund of the City. As of June 30, 2010, the undesignated fund balance of the General Fund is \$9.3 million, while total fund balance is \$23.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures.

The fund balance of the City's General Fund decreased by \$8.9 million during the fiscal year ending June 30, 2010. Reasons for significant changes in the revenues and expenditures of the City's General Fund from the prior year is as follows:

- Overall, revenues decreased \$4.3 million over the prior fiscal year. Decreases in sales and use taxes, transient occupancy taxes, business license tax decrease \$1.8 million compared to the prior year. Parking revenue decreased \$635 thousand and grant revenue decreased \$1.3 million.
- Overall expenditures decreased \$9.2 million compared to the prior year. The completion of several significant capital projects, such as the new City Community Center, resulted in a decrease of capital expenditures of \$8.8 million.
- During the fiscal year the City also made an advance payment of approximately \$10 million toward its CalPERS pension obligation. This action is recorded as other financing sources and uses within the City's General Fund.

The City has five other major funds: the Gas Tax Fund, the Disaster Contingency Fund, the Sewer Service Fund, the General Obligation Bonds Debt Service Fund and the Capital Projects Fund.

The Gas Tax Fund has a total negative fund balance of \$828,665 which was due to the street slurry seal and rehabilitation project. Future Gas Tax revenue is expected to offset this negative balance.

The Disaster Contingency Fund has a total fund balance of \$5.7 million which is used exclusively for (a) repair of public facilities and (b) the emergency protection of public and private property and lives during natural or manmade disasters. This funding is from the accumulation of voter approved temporary sales tax for the period of July, 2006 through June, 2009.

The Sewer Service Fund had a total fund balance of \$2.5 million, of which is mainly used for designated projects. The net increase in the Sewer Service Fund balance during the current year was \$413 thousand.

The General Obligation Bonds Debt Service Fund had a total fund balance of \$2 million, all of which is reserved for future debt service payments. The net decrease in fund balance during the current year in the General Obligation Bonds Debt Service Fund is \$95 thousand.

The Capital Projects Fund had a total fund balance of \$1.5 million, of which approximately 100% was reserved and/or designated for projects. The net decrease in fund balance of \$1.4 million was primarily due to the completion of construction costs related utility districts undergrounding projects.

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

Unrestricted net assets of the Municipal Transit Fund at the end of the fiscal year amounted to \$55 thousand. The total decrease in net assets for the fund was \$494 thousand. 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 \$24.7 million and major items can be briefly summarized as follows:

- \$10.1 million increase for the advance payment of the PERS obligation
- \$11.2 million increase in the budget for prior year carry over appropriations.
- \$861 thousand increase for the acquisition of property.

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

- Total revenues were \$1.1 million below final budgeted revenues for the year ended June 30, 2010 due to the poor economic climate. Some of the significant factors contributing to this unfavorable variance include decreases in sales and use taxes, transient lodging taxes, vehicle codes and grant revenues. There were several revenues that were over budget, such as property taxes, and real property transfer taxes.
- Total expenditures were under the budgeted amount by \$18.3 million, mostly as a result of capital projects not yet completed or deferred to next fiscal year. No City departments exceeded their approved operating budgeted amounts. Administrative Services expenditures were over the approved budget, but this is due to the gas tax exchange program with the Orange County Transportation Authority. The expenditures are offset by an operating transfer from the Gas Tax Fund.

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

Capital Assets - Net of Depreciation

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Land	\$ 80,258,754	79,116,049	196,106	196,106	80,454,860	79,312,155
Buildings and Improvements	31,430,167	31,998,473	1,761,888	1,825,058	33,192,055	33,823,531
Office Equipment & Machinery	1,663,075	1,822,980	5,914	8,277	1,668,989	1,831,257
Furniture and Fixtures	939,047	963,869	-	-	939,047	963,869
Equipment Machinery & Tools	1,166,834	1,297,175	-	-	1,166,834	1,297,175
Sewer Plant and Lines	37,527,699	38,165,896	-	-	37,527,699	38,165,896
Automotive Equipment	2,795,627	3,228,641	457,811	677,256	3,253,438	3,905,897
Infrastructure	162,671,766	157,471,402	-	-	162,671,766	157,471,402
Construction in Progress	2,888,961	9,961,910	198,906	-	3,087,867	9,961,910
Total	\$ 321,341,930	324,026,395	2,620,625	2,706,697	323,962,555	326,733,092

The major change to the capital assets during the year ended June 30, 2010 were the purchase of City properties, addition of sewer improvements, major street rehabilitation project, and city infrastructure. Unexpended construction commitments as of year-end are discussed in note 6 to the financial statements. Additional information on the City's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

	Long-Term Liabilities					
	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 3,055,000	4,480,000	-	-	3,055,000	4,480,000
Installment Agreement	5,723,651	5,949,723	-	-	5,723,651	5,949,723
Net OPEB Liability	102,441	55,492	-	-	102,441	55,492
Total	\$ 8,881,092	10,485,215	-	-	8,881,092	10,485,215

The City's total debt decreased by \$1.6 million (18%) during the current fiscal year. Standard & Poor's has assigned an "AAA" rating for the City's general obligation debt. Additional information on the City's long-term debt can be found in the notes to the accompanying financial statements.

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

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CITY OF LAGUNA BEACH
Statement of Net Assets
June 30, 2010
(With Comparative Totals for June 30, 2009)

	Governmental Activities	Business-type Activities	Totals	
			2010	2009
<u>Assets</u>				
Cash and investments (note 2)	\$ 53,780,678	935,504	54,716,182	61,640,973
Receivables:				
Taxes	2,869,195	33,187	2,902,382	4,238,168
Accounts	283,804	399,602	683,406	267,888
Interest	33,915	-	33,915	111,849
Intergovernmental	519,397	-	519,397	987,873
Notes	1,018,848	-	1,018,848	1,048,574
Other	-	-	-	3,310
Prepays	10,258,341	-	10,258,341	291,656
Inventory	52,575	-	52,575	48,090
Property held for investment	2,032,253	-	2,032,253	2,032,253
Capital assets, not being depreciated (note 5)	83,147,715	395,012	83,542,727	89,274,065
Capital assets, net of depreciation (note 5)	<u>238,194,215</u>	<u>2,225,613</u>	<u>240,419,828</u>	<u>237,459,027</u>
Total assets	<u>392,190,936</u>	<u>3,988,918</u>	<u>396,179,854</u>	<u>397,403,726</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	2,806,493	161,282	2,967,775	4,231,805
Interest payable	122,388	-	122,388	150,880
Retentions payable	350,469	-	350,469	228,861
Due to other government agencies	58,989	-	58,989	266,287
Unearned revenue	447,881	1,151,829	1,599,710	1,215,604
Noncurrent liabilities (note 11):				
Due within one year	3,610,631	-	3,610,631	5,704,974
Due in more than one year	<u>13,577,983</u>	<u>-</u>	<u>13,577,983</u>	<u>12,673,777</u>
Total liabilities	<u>20,974,834</u>	<u>1,313,111</u>	<u>22,287,945</u>	<u>24,472,188</u>
<u>Net assets</u>				
Invested in capital assets, net of related debt	315,618,279	2,620,625	318,238,904	320,783,369
Restricted for:				
Capital projects	12,309,873	-	12,309,873	10,649,567
Other purposes	202,404	-	202,404	156,791
Unrestricted	<u>43,085,546</u>	<u>55,182</u>	<u>43,140,728</u>	<u>41,341,811</u>
Total net assets	<u>\$ 371,216,102</u>	<u>2,675,807</u>	<u>373,891,909</u>	<u>372,931,538</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Statement of Activities
Year Ended June 30, 2010
(With Comparative Totals For Year Ended June 30, 2009)

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Total Program Revenues</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government	\$ 4,252,146	945,403	-	-	945,403
Community development	3,614,799	2,523,559	-	-	2,523,559
Public safety	25,351,962	2,111,769	704,860	-	2,816,629
Public works	20,707,700	6,081,042	2,215,780	75,751	8,372,573
Recreation and social services	4,268,774	2,776,127	7,228	-	2,783,355
Sewer service operating costs	5,673,965	5,949,922	264,241	-	6,214,163
Interest and fiscal charges	290,473	-	-	-	-
Total governmental activities	<u>64,159,819</u>	<u>20,387,822</u>	<u>3,192,109</u>	<u>75,751</u>	<u>23,655,682</u>
Business-type activities:					
Municipal transit	<u>2,458,706</u>	<u>313,847</u>	<u>1,155,687</u>	<u>-</u>	<u>1,469,534</u>
Total business-type activities	<u>2,458,706</u>	<u>313,847</u>	<u>1,155,687</u>	<u>-</u>	<u>1,469,534</u>
Total primary government	<u>\$ 66,618,525</u>	<u>20,701,669</u>	<u>4,347,796</u>	<u>75,751</u>	<u>25,125,216</u>

General revenues:
Taxes and special assessments
Intergovernmental, unrestricted
Rental income
Investment income
Gain on disposal of capital assets
Miscellaneous
Interfund transfers (note 14)

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets
Primary Government

Governmental Activities	Business-type Activities	Totals	
		2010	2009
(3,306,743)	-	(3,306,743)	(3,301,719)
(1,091,240)	-	(1,091,240)	(1,181,415)
(22,535,333)	-	(22,535,333)	(22,557,336)
(12,335,127)	-	(12,335,127)	(7,504,258)
(1,485,419)	-	(1,485,419)	(2,063,151)
540,198	-	540,198	810,866
<u>(290,473)</u>	<u>-</u>	<u>(290,473)</u>	<u>(368,191)</u>
<u>(40,504,137)</u>	<u>-</u>	<u>(40,504,137)</u>	<u>(36,165,204)</u>
<u>-</u>	<u>(989,172)</u>	<u>(989,172)</u>	<u>(965,345)</u>
<u>-</u>	<u>(989,172)</u>	<u>(989,172)</u>	<u>(965,345)</u>
<u>(40,504,137)</u>	<u>(989,172)</u>	<u>(41,493,309)</u>	<u>(37,130,549)</u>
40,246,290	-	40,246,290	45,179,876
80,813	-	80,813	91,958
420,678	-	420,678	387,562
1,332,412	19,065	1,351,477	1,779,040
-	2,302	2,302	-
348,117	4,003	352,120	302,103
<u>(468,900)</u>	<u>468,900</u>	<u>-</u>	<u>-</u>
<u>41,959,410</u>	<u>494,270</u>	<u>42,453,680</u>	<u>47,740,539</u>
1,455,273	(494,902)	960,371	10,609,990
<u>369,760,829</u>	<u>3,170,709</u>	<u>372,931,538</u>	<u>362,321,548</u>
<u>\$ 371,216,102</u>	<u>2,675,807</u>	<u>373,891,909</u>	<u>372,931,538</u>

See accompanying notes to basic financial statements.

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GOVERNMENTAL FUNDS

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

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

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues (other than expendable trusts and major capital projects) and the related expenditures which are legally required to be accounted for in a separate fund. The City of Laguna Beach has the following major Special Revenue Funds:

GAS TAX FUND - This fund is used to account for the gasoline tax revenues and Measure M sales taxes which are used for maintenance and improvements of City streets.

DIASTER CONTINGENCY FUND - This Fund is used exclusively for the repair of public facilities and the emergency protection of public and private property and lives during natural or manmade disasters.

SEWER SERVICE – The purpose of this fund is to account for sewer services provided to the residents in the northern portion of the City. An annual assessment is placed on each affected property owner's tax bill in an amount equal to the estimated cost for sewer service and administration. The City contracts with a joint powers authority for treatment of the sewage.

DEBT SERVICE FUND

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest. The City of Laguna Beach has the following major Debt Service Fund:

GENERAL OBLIGATION BONDS – This fund is used to account for the resources and payment of general obligation bond principal and interest from a general obligation ad valorem tax levy.

CAPITAL PROJECTS FUND

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. The City of Laguna Beach has the following major Capital Projects Fund:

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

NONMAJOR GOVERNMENTAL FUNDS

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

CITY OF LAGUNA BEACH
Governmental Fund Types
Balance Sheet
June 30, 2010
(With Comparative Totals For June 30, 2009)

<u>Assets</u>	General	Gas Tax	Special Revenue Disaster Contingency
Cash and investments	\$ 31,164,700	966,268	5,766,171
Receivables:			
Taxes	862,147	-	-
Accounts	269,790	-	-
Interest	33,915	-	-
Intergovernmental	168,428	267,878	-
Notes	348,000	-	-
Other	-	-	-
Due from other funds (note 4)	38,195	-	-
Prepays	46,524	-	-
Inventory	52,575	-	-
Advances to other funds (note 4)	1,360,000	-	-
Property held for investment	-	-	-
	<u>\$ 34,344,274</u>	<u>1,234,146</u>	<u>5,766,171</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,475,459	2,811	-
Retentions payable	84,182	-	-
Due to other funds (note 4)	-	-	-
Due to other government agencies	58,989	-	-
Deferred revenue	447,881	-	-
Advances from other funds (note 4)	8,000,000	2,060,000	-
	<u>11,066,511</u>	<u>2,062,811</u>	<u>-</u>
Fund balances (deficit) (note 13):			
Reserved	2,876,602	33,700	-
Unreserved:			
Designated, reported in:			
General fund	11,093,665	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Undesignated, reported in:			
General fund	9,307,496	-	-
Special revenue funds	-	(862,365)	5,766,171
Capital projects funds	-	-	-
	<u>23,277,763</u>	<u>(828,665)</u>	<u>5,766,171</u>
Total fund balances (deficit)			
	<u>\$ 34,344,274</u>	<u>1,234,146</u>	<u>5,766,171</u>

See accompanying notes to basic financial statements.

Sewer Service	Debt Service	Capital Projects	Nonmajor Governmental Funds	Totals	
	General Obligation Bonds	Capital Projects		2010	2009
2,551,077	1,997,523	1,654,678	864,891	44,965,308	46,511,837
63,447	28,263	-	15,321	969,178	1,872,040
-	-	-	-	269,790	256,143
-	-	-	-	33,915	111,849
-	-	-	83,091	519,397	987,873
-	-	-	-	348,000	348,000
-	-	-	-	-	3,310
-	-	-	-	38,195	1,855,706
-	-	-	-	46,524	44,120
-	-	-	-	52,575	48,090
-	-	-	2,500,000	3,860,000	3,800,000
-	-	-	354,444	354,444	354,444
<u>2,614,524</u>	<u>2,025,786</u>	<u>1,654,678</u>	<u>3,817,747</u>	<u>51,457,326</u>	<u>56,193,412</u>
92,485	-	64,330	50,801	2,685,886	3,882,212
-	-	-	266,287	350,469	228,861
-	-	-	38,195	38,195	1,855,706
-	-	-	-	58,989	266,287
-	-	-	-	447,881	163,771
-	-	-	-	10,060,000	4,800,000
<u>92,485</u>	<u>-</u>	<u>64,330</u>	<u>355,283</u>	<u>13,641,420</u>	<u>11,196,837</u>
179,675	2,025,786	321,180	2,854,444	8,291,387	10,647,393
-	-	-	-	11,093,665	6,889,627
895,000	-	-	-	895,000	63,950
-	-	618,700	-	618,700	1,050,140
-	-	-	-	9,307,496	20,411,066
1,447,364	-	-	608,020	6,959,190	3,993,736
-	-	650,468	-	650,468	1,940,663
<u>2,522,039</u>	<u>2,025,786</u>	<u>1,590,348</u>	<u>3,462,464</u>	<u>37,815,906</u>	<u>44,996,575</u>
<u>2,614,524</u>	<u>2,025,786</u>	<u>1,654,678</u>	<u>3,817,747</u>	<u>51,457,326</u>	<u>56,193,412</u>

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CITY OF LAGUNA BEACH
 Governmental Funds
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 June 30, 2010

Fund balances of governmental funds \$ 37,815,906

Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Capital assets	414,764,880
Accumulated depreciation	(96,228,363)

Net pension asset is an expenditure in the governmental funds when incurred. In the Statement of Net Assets, the payment is amortized over the PERS actuarial amortization period. 9,956,355

Long term debt from the General Long Term Debt Account Group that have not been included in the governmental fund activity.

General obligation bonds	(3,055,000)
Loan payable	(5,723,651)

Accrued interest payable for the current portion of interest due on debt service has not been reported in the governmental funds. (122,388)

Receivable amounts that were earned in the audit period but not collected within the availability period have not been reported in the governmental funds. 1,900,017

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 Assets. 11,908,346

Net assets of governmental activities \$ 371,216,102

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Governmental Fund Types
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2010
(With Comparative Totals For Year Ended June 30, 2009)

	Special Revenue		
	General	Gas Tax	Disaster Contingency
Revenues:			
Taxes	\$ 38,132,282	261,179	-
Licenses and permits	924,040	-	-
Fines and penalties	1,474,729	-	-
Investment income	1,096,065	5,991	171,305
Rental	420,678	-	-
Intergovernmental	1,206,176	1,714,823	-
Charges for services	6,760,558	-	-
Parking meters, lots and permits	4,080,151	-	-
Development tax	39,804	-	-
Other	653,085	50,000	-
Total revenues	54,787,568	2,031,993	171,305
Expenditures:			
Current:			
General government	3,901,637	-	-
Community development	3,482,651	-	-
Public safety	24,643,065	-	-
Public works	10,768,494	-	-
Recreation and social services	4,189,554	-	-
Sewer service operating costs	-	-	-
Capital expenditures	4,615,177	501,447	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	51,600,578	501,447	-
Excess (deficiency) of revenues over (under) expenditures	3,186,990	1,530,546	171,305
Other financing sources (uses):			
Transfers in (note 14)	1,025,172	1,400,000	-
Transfers out (note 14)	(3,147,789)	(700,918)	(2,497,428)
Issuance of loan	-	-	-
Advance payments of PERS obligation	(9,956,355)	-	-
Sale of land and equipment	956	-	-
Total other financing sources (uses)	(12,078,016)	699,082	(2,497,428)
Net change in fund balances	(8,891,026)	2,229,628	(2,326,123)
Fund balances (deficit), beginning of year	32,168,789	(3,058,293)	8,092,294
Fund balances (deficit), end of year	\$ 23,277,763	(828,665)	5,766,171

See accompanying notes to basic financial statements.

Sewer Service	Debt Service	Capital Projects	Nonmajor Governmental Funds	Totals	
	General Obligation Bonds	Capital Projects		2010	2009
-	1,475,393	-	1,117,787	40,986,641	44,868,922
-	-	-	-	924,040	1,141,821
-	-	-	8,733	1,483,462	1,807,176
22	35,732	48,293	4,024	1,361,432	1,907,979
-	-	-	-	420,678	387,562
-	5,185	-	302,737	3,228,921	4,892,173
5,932,460	-	-	-	12,693,018	12,444,053
-	-	-	-	4,080,151	4,715,786
-	-	-	-	39,804	6,441
264,219	-	55,448	25,209	1,047,961	2,238,673
<u>6,196,701</u>	<u>1,516,310</u>	<u>103,741</u>	<u>1,458,490</u>	<u>66,266,108</u>	<u>74,410,586</u>
-	-	-	-	3,901,637	3,977,543
-	-	-	-	3,482,651	3,636,575
-	-	-	38,518	24,681,583	25,048,032
-	-	-	302,286	11,070,780	11,049,821
-	-	-	7,246	4,196,800	4,006,552
4,093,162	-	-	-	4,093,162	3,886,559
2,332,358	-	1,637,736	291,221	9,377,939	24,039,610
-	1,425,000	-	-	1,425,000	1,655,800
510,571	186,952	-	-	697,523	717,756
<u>6,936,091</u>	<u>1,611,952</u>	<u>1,637,736</u>	<u>639,271</u>	<u>62,927,075</u>	<u>78,018,248</u>
<u>(739,390)</u>	<u>(95,642)</u>	<u>(1,533,995)</u>	<u>819,219</u>	<u>3,339,033</u>	<u>(3,607,662)</u>
1,000,000	-	133,540	2,528,428	6,087,140	1,499,569
-	-	-	(457,794)	(6,803,929)	(2,101,969)
152,486	-	-	-	152,486	2,586,128
-	-	-	-	(9,956,355)	-
-	-	-	-	956	7,223
<u>1,152,486</u>	<u>-</u>	<u>133,540</u>	<u>2,070,634</u>	<u>(10,519,702)</u>	<u>1,990,951</u>
413,096	(95,642)	(1,400,455)	2,889,853	(7,180,669)	(1,616,711)
<u>2,108,943</u>	<u>2,121,428</u>	<u>2,990,803</u>	<u>572,611</u>	<u>44,996,575</u>	<u>46,613,286</u>
<u>2,522,039</u>	<u>2,025,786</u>	<u>1,590,348</u>	<u>3,462,464</u>	<u>37,815,906</u>	<u>44,996,575</u>

CITY OF LAGUNA BEACH
 Governmental Funds
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ (7,180,669)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	2,611,131
Depreciation expense	(4,880,231)

Net pension asset is amortized over the PERS actuarial amortization period. 9,956,355

Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 1,803,558

Proceeds of debt is a revenue in the governmental funds, but an increase in long-term liabilities in the Statement of Net Assets. (152,486)

Accrued interest for debt service. This is the net change in accrued interest for the current period. 28,492

Receivable amounts that were earned in the audit period but not collected within the availability period have not been reported in the governmental funds. (220,271)

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 Assets. (510,606)

Change in net assets of governmental activities \$ 1,455,273

See accompanying notes to basic financial statements.

PROPRIETARY FUNDS

MAJOR ENTERPRISE FUNDS

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise – where the intent of the City Council is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

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

INTERNAL SERVICE FUNDS

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

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Net Assets
June 30, 2010
(With Comparative Totals For June 30, 2009)

	<u>Business Type</u>	<u>Governmental Activities</u>	<u>Totals</u>	
	<u>Municipal Transit</u>	<u>Internal Service Funds</u>	<u>2010</u>	<u>2009</u>
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 935,504	8,815,370	9,750,874	15,129,136
Receivables:				
Accounts	399,602	14,014	413,616	11,745
Taxes	33,187	-	33,187	345,840
Prepays	-	255,462	255,462	247,536
Total current assets	<u>1,368,293</u>	<u>9,084,846</u>	<u>10,453,139</u>	<u>15,734,257</u>
Noncurrent assets:				
Advances to other funds (note 4)	-	6,200,000	6,200,000	1,000,000
Notes receivable	-	670,848	670,848	700,574
Property held for investment	-	1,677,809	1,677,809	1,677,809
Capital assets, not being depreciated	395,012	-	395,012	196,106
Capital assets, net of depreciation	<u>2,225,613</u>	<u>2,805,413</u>	<u>5,031,026</u>	<u>5,731,369</u>
Total noncurrent assets	<u>2,620,625</u>	<u>11,354,070</u>	<u>13,974,695</u>	<u>9,305,858</u>
Total assets	<u>3,988,918</u>	<u>20,438,916</u>	<u>24,427,834</u>	<u>25,040,115</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and accrued liabilities	143,808	120,607	264,415	327,503
Compensated absences due within one year	17,474	2,727,269	2,744,743	2,749,359
Insurance claims payable due within one year	-	1,377,381	1,377,381	1,552,705
Unearned revenue	1,151,829	-	1,151,829	1,151,833
Total current liabilities	<u>1,313,111</u>	<u>4,225,257</u>	<u>5,538,368</u>	<u>5,781,400</u>
Non-current liabilities:				
Compensated absences (note 11)	-	988,983	988,983	729,967
Insurance claims payable (note 7)	-	3,213,889	3,213,889	2,883,595
Net OPEB liability (note 12)	-	102,441	102,441	55,492
Total noncurrent liabilities	<u>-</u>	<u>4,305,313</u>	<u>4,305,313</u>	<u>3,669,054</u>
Total liabilities	<u>1,313,111</u>	<u>8,530,570</u>	<u>9,843,681</u>	<u>9,450,454</u>
<u>Net assets</u>				
Net assets:				
Invested in capital assets	2,620,625	2,805,413	5,426,038	5,927,475
Unrestricted	55,182	9,102,933	9,158,115	9,662,186
Total net assets	<u>\$ 2,675,807</u>	<u>11,908,346</u>	<u>14,584,153</u>	<u>15,589,661</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended June 30, 2010
(With Comparative Totals For Year Ended June 30, 2009)

	Business Type	Governmental Activities	Totals	
	Municipal Transit	Internal Service Funds	2010	2009
Operating revenues:				
Passenger revenues	\$ 313,847	-	313,847	323,660
Vehicle rentals	-	1,041,277	1,041,277	1,004,582
Employee benefits charges	-	733,600	733,600	743,998
Insurance charges	-	5,640,695	5,640,695	5,738,176
Total operating revenues	<u>313,847</u>	<u>7,415,572</u>	<u>7,729,419</u>	<u>7,810,416</u>
Operating expenses:				
Personnel services	1,167,021	-	1,167,021	1,189,454
Contractual services	227,206	-	227,206	166,071
Materials and supplies	487,496	-	487,496	348,578
Administration	246,858	-	246,858	264,653
Employee benefits	-	981,489	981,489	689,274
Insurance claims and premiums	-	6,386,030	6,386,030	6,816,554
Depreciation	330,125	819,835	1,149,960	1,049,075
Other	-	-	-	11,408
Total operating expenses	<u>2,458,706</u>	<u>8,187,354</u>	<u>10,646,060</u>	<u>10,535,067</u>
Operating income (loss)	<u>(2,144,859)</u>	<u>(771,782)</u>	<u>(2,916,641)</u>	<u>(2,724,651)</u>
Nonoperating revenues (expenses):				
Investment income	19,065	38,010	57,075	51,176
Intergovernmental	1,155,687	-	1,155,687	1,019,877
Gain (loss) on disposal of capital assets	2,302	(24,868)	(22,566)	(67,310)
Other	4,003	145	4,148	2,471
Total nonoperating revenues (expenses)	<u>1,181,057</u>	<u>13,287</u>	<u>1,194,344</u>	<u>1,006,214</u>
Income (loss) before capital contributions and transfers	(963,802)	(758,495)	(1,722,297)	(1,718,437)
Capital contributions and transfers:				
Transfers in (note 14)	468,900	247,889	716,789	602,400
Capital grants	-	-	-	9,496
Total capital contributions and transfers	<u>468,900</u>	<u>247,889</u>	<u>716,789</u>	<u>611,896</u>
Change in net assets	(494,902)	(510,606)	(1,005,508)	(1,106,541)
Net assets at beginning of year	<u>3,170,709</u>	<u>12,418,952</u>	<u>15,589,661</u>	<u>16,696,202</u>
Net assets at end of year	<u>\$ 2,675,807</u>	<u>11,908,346</u>	<u>14,584,153</u>	<u>15,589,661</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2010
(With Comparative Totals For Year Ended June 30, 2009)

	Business Type	Governmental Activities	Totals	
	Municipal Transit	Internal Service Funds	2010	2009
Cash flows from operating activities:				
Cash received from customers	\$ 313,847	-	313,847	494,772
Cash received from user departments	-	7,417,220	7,417,220	7,501,816
Cash payments to suppliers for goods and services	(972,348)	(6,331,772)	(7,304,120)	(7,739,103)
Cash payments to employees for services	(1,227,377)	(675,524)	(1,902,901)	(1,681,982)
 Net cash provided by (used for) operating activities	 (1,885,878)	 409,924	 (1,475,954)	 (1,424,497)
 Cash flows from noncapital financing activities:				
Operating grant proceeds received	1,155,687	-	1,155,687	1,041,292
Cash received from other funds	468,900	247,889	716,789	602,400
Cash paid to other funds	-	(5,200,000)	(5,200,000)	(1,000,000)
Loan principal received	-	14,366	14,366	32,774
 Net cash provided by (used for) noncapital financing activities	 1,624,587	 (4,937,745)	 (3,313,158)	 676,466
 Cash flows from capital and related financing activities:				
Purchase of capital assets	(244,057)	(404,470)	(648,527)	(1,014,242)
Capital grant proceeds received	-	-	-	976,899
Proceeds from sale of capital assets	2,302	-	2,302	514,913
 Net cash provided by (used for) capital and related financing activities	 (241,755)	 (404,470)	 (646,225)	 477,570
 Cash flows from investing activities:				
Interest received	19,065	38,010	57,075	51,176
 Net cash provided by (used for) investing financing activities	 19,065	 38,010	 57,075	 51,176
 Net increase (decrease) in cash and cash equivalents	 (483,981)	 (4,894,281)	 (5,378,262)	 (219,285)
 Cash and cash equivalents at beginning of year	 1,419,485	 13,709,651	 15,129,136	 15,348,421
 Cash and cash equivalents at end of year	 \$ 935,504	 8,815,370	 9,750,874	 15,129,136

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH

Proprietary Funds

Statement of Cash Flows

(Continued)

	Business Type	Governmental Activities	Totals	
	Municipal Transit	Internal Service Funds	2010	2009
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (2,144,859)	(771,782)	(2,916,641)	(2,724,651)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	330,125	819,835	1,149,960	1,049,075
Miscellaneous income	4,003	145	4,148	2,471
Loss on disposal of capital assets	-	(24,868)	(24,868)	(67,310)
(Increase) decrease in accounts receivable	(388,014)	(13,857)	(401,871)	187,952
(Increase) decrease in notes receivable	-	15,360	15,360	-
(Increase) decrease in taxes receivable	312,653	-	312,653	(39,797)
(Increase) decrease in prepaids	-	(7,926)	(7,926)	(27,141)
Increase (decrease) in accounts payable and accrued liabilities	4,830	(67,918)	(63,088)	2,175
Increase (decrease) in compensated absences payable	(4,616)	259,016	254,400	140,176
Increase (decrease) in net OPEB liability	-	46,949	46,949	55,492
Increase (decrease) in insurance claims payable	-	154,970	154,970	(2,939)
 Net cash provided by (used for) operating activities	 \$ (1,885,878)	 409,924	 (1,475,954)	 (1,424,497)

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
 Agency Funds
 Statement of Fiduciary Assets and Liabilities
 June 30, 2010
 (With Comparative Totals For June 30, 2009)

	Totals	
	2010	2009
<u>Assets</u>		
Cash and investments (note 2)	\$ 4,313,193	5,439,110
Investments with fiscal agent (note 2)	1,348,499	1,416,536
Receivables:		
Accounts	13,277	7,857
Intergovernmental	25,137	45,312
Total assets	\$ 5,700,106	6,908,815
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$ 33,623	48,133
Deposits	2,343,765	2,437,487
Due to bondholders	3,322,718	4,423,195
Total liabilities	\$ 5,700,106	6,908,815

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

Year Ended June 30, 2010

(1) 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, marine safety, and ambulance), highways and streets, parks and recreation, public improvements, planning and zoning and general administrative service. The primary government financial statements do not include the financial activities of the component units of the City.

(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, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Government-wide Financial Statements, (Continued)

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, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

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

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 fund individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *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 30 days for most of its material revenues, except for property tax (60 days) and grants (180 days).

Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicles in lieu, 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. Other revenue items are considered to be measurable and available where 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.

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

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

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Governmental Funds, (Continued)

Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets.

Revenues, expenses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 which requires that local governments defer grant revenue that is not received within the "availability period". In the past, the industry practice for grants was to recognize revenue in the fiscal year in which the related expense was incurred. Therefore recognition of governmental fund type revenues represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

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

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

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Proprietary and Fiduciary Funds

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

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Proprietary and Fiduciary Funds, (Continued)

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

(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.

Gas Tax Fund - This fund is used to account for the gasoline tax revenues and Measure M sales taxes which are used for maintenance and improvements of City streets.

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

Sewer Service Fund – This special revenue fund is used to account for sewer services provided to the residents in the northern portion of the City. An annual assessment is placed on each affected property owner's tax bill in an amount equal to the estimated cost for sewer service and administration. The City contracts with a joint powers authority for treatment of the sewage.

General Obligation Bonds Fund – This debt service fund is used to account for the resources and payment of general obligation bond principal and interest from a general obligation ad valorem tax levy.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(c) Fund Classifications, (Continued)

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

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

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

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

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.

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

(d) Encumbrances

The City utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Under this system, encumbrances of the general, special revenue and capital projects funds - representing purchase orders, contracts and other commitments - are reported as reservations of fund balances at year-end. These reservations of fund balances do not constitute expenditures or liabilities and are reappropriated in the subsequent year.

(e) Cash and Investments

All cash and investments other than that held by fiscal agents are either held in savings accounts 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 in the accompanying balance sheet at fair value, except for nonparticipating investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(e) Cash and Investments, (Continued)

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains and losses realized upon the liquidation, maturity, or sale of investments.

(f) Advances to Other Funds

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

(g) Inventory

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

(h) Investments with Fiscal Agent

Certain proceeds from the issuance of debt, as well as certain resources set aside for the payment of debt, are classified as restricted assets on the balance sheet because their use is limited by applicable debt agreements. Certain agency fund resources are also restricted for improvement districts.

(i) Capital Assets

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

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

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(i) Capital Assets, (Continued)

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

	<u>Years</u>
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 30 years

(j) 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 Insurance and Employee Benefits Internal Service Fund.

(k) Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(I) Comparative Data

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

(2) Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$54,716,182
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	4,313,193
Investments with fiscal agent	<u>1,348,499</u>
 Total cash and investments	 <u>\$60,377,874</u>

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand (petty cash and change funds)	\$ 23,618
Deposits with financial institutions	2,413,701
Investments	<u>57,940,555</u>
 Total cash and investments	 <u>\$60,377,874</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.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy, (Continued)

<u>Investment Types Authorized by State Law</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment In One Issuer*</u>
Local City Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	25%	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	25%	None
Mutual Funds	Yes	N/A	15%	10%
Money Market Mutual Funds	No	N/A	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
Passbook savings accounts	Yes	N/A	25%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

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

Investments Authorized by Debt Agreements

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturing (in Months)</u>		
		<u>18 Months Or Less</u>	<u>19 to 24 Months</u>	<u>25 to 60 Months</u>
Federal agency securities	\$31,237,680	-	2,000,000	29,237,680
State investment pool	25,354,376	25,354,376	-	-
Held by bond fiscal agent:				
Money market funds	204,692	204,692	-	-
State investment pool	<u>1,143,807</u>	<u>1,143,807</u>	-	-
Total	<u>\$57,940,555</u>	<u>26,702,875</u>	<u>2,000,000</u>	<u>29,237,680</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Federal agency securities	\$31,237,680	N/A	31,237,680	-	-
State investment pool	25,354,376	N/A	-	-	25,354,376
Held by bond fiscal agent:					
Money market funds	204,692	A	-	204,692	-
State investment pool	<u>1,143,807</u>	N/A	-	-	<u>1,143,807</u>
Total	<u>\$57,940,555</u>		<u>31,237,680</u>	<u>204,692</u>	<u>26,498,183</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Bank	Federal agency securities	\$14,095,010
Federal Home Loan Bank	Federal agency securities	10,086,270
Federal Home Loan Mortgage Corporation	Federal agency securities	3,011,410
Federal National Mortgage Association	Federal agency securities	4,044,990

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

Investment in State Investment Pool

The City is a voluntary participant in the Local City Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California.

The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(3) 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. The City receives a share of this basic levy proportionate to what it received in the 1976 to 1978 period.

(4) Interfund Activity

Interfund balances at June 30, 2010 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	<u>\$ 38,195</u>

The interfund balance reflected above represents short-term borrowings of cash pending receipt of grant reimbursements and transfers from other funds.

<u>Advances to Other Funds</u>	<u>Advances From Other Funds</u>	<u>Amount</u>
General Fund	Gas Tax Fund	\$ 1,360,000
Internal Service Funds	Gas Tax Fund	<u>700,000</u>
		<u>2,060,000 (a)</u>
Internal Service Funds	General Fund	5,500,000
Non-Major Governmental Funds	General Fund	<u>2,500,000</u>
		<u>8,000,000 (b)</u>
		<u>\$10,060,000</u>

(a) The City has authorized the interfund advances listed above to be used for the operations of the Gas Tax Fund. The funds are expected to be repaid without interest within the next five years. The purpose of these advances was to fund a Citywide street resurfacing project.

(b) During 2010, the City authorized an interfund borrowing to fund the pay off of the City's side fund obligation associated with the City's safety pension plans. The funds are to be repaid to the General Fund annually in the amount of \$858,532 over a period of fourteen years.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(5) Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Balance at July 1, 2009</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2010</u>
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 79,116,049	1,142,705	-	80,258,754
Construction in progress	<u>9,961,910</u>	<u>1,721,80</u>	<u>(8,794,757)</u>	<u>2,888,961</u>
Total capital assets, not depreciated	<u>89,077,959</u>	<u>2,864,513</u>	<u>(8,794,757)</u>	<u>83,147,715</u>
Capital assets, being depreciated:				
Buildings and improvements	47,664,966	808,225	(10,777)	48,462,414
Office equipment & machinery	5,582,041	367,212	(233,190)	5,716,063
Furniture and fixtures	1,245,732	10,583	-	1,256,315
Equipment, machinery & tools	3,860,510	180,143	(211,977)	3,828,676
Sewer plant and lines	67,376,186	765,179	-	68,141,365
Automotive equipment	7,545,924	506,660	(196,350)	7,856,234
Infrastructure	<u>198,470,393</u>	<u>5,626,736</u>	<u>-</u>	<u>204,097,129</u>
Total capital assets, being depreciated	<u>331,745,752</u>	<u>8,264,738</u>	<u>(652,294)</u>	<u>339,358,196</u>
Less accumulated depreciation for:				
Buildings and improvements	(15,666,493)	(1,372,705)	6,951	(17,032,247)
Office equipment & machinery	(3,759,061)	(481,990)	188,063	(4,052,988)
Furniture and fixtures	(281,863)	(35,405)	-	(317,268)
Equipment, machinery & tools	(2,563,335)	(255,180)	156,673	(2,661,842)
Sewer plant and lines	(29,210,290)	(1,403,376)	-	(30,613,666)
Automotive equipment	(4,317,283)	(905,203)	161,879	(5,060,607)
Infrastructure	<u>(40,998,991)</u>	<u>(426,372)</u>	<u>-</u>	<u>(41,425,363)</u>
Total accumulated depreciation	<u>(96,797,316)</u>	<u>(4,880,231)</u>	<u>513,566</u>	<u>(101,163,981)</u>
Total capital assets being depreciated, net	<u>234,948,436</u>	<u>3,384,507</u>	<u>(138,728)</u>	<u>238,194,215</u>
Governmental activities capital assets, net	<u>\$324,026,395</u>	<u>6,249,020</u>	<u>(8,933,485)</u>	<u>321,341,930</u>

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(5) Capital Assets, (Continued)

	<u>Balance at July 1, 2009</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2010</u>
Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 196,106	-	-	196,106
Construction in progress	<u>-</u>	<u>198,906</u>	<u>-</u>	<u>198,906</u>
Total capital assets, not depreciated	<u>196,106</u>	<u>198,906</u>	<u>-</u>	<u>395,012</u>
Capital assets, being depreciated:				
Buildings and improvements	1,950,672	-	-	1,950,672
Office equipment and machinery	111,461	-	-	111,461
Furniture and fixtures	1,500	-	-	1,500
Automotive equipment	<u>2,624,780</u>	<u>45,147</u>	<u>(29,953)</u>	<u>2,639,974</u>
Total capital assets, being depreciated	<u>4,688,413</u>	<u>45,147</u>	<u>(29,953)</u>	<u>4,703,607</u>
Less accumulated depreciation for:				
Buildings and improvements	(125,614)	(63,170)	-	(188,784)
Office equipment and machinery	(103,184)	(2,363)	-	(105,547)
Furniture and fixtures	(1,500)	-	-	(1,500)
Automotive equipment	<u>(1,947,524)</u>	<u>(264,592)</u>	<u>29,953</u>	<u>(2,182,163)</u>
Total accumulated depreciation	<u>(2,177,822)</u>	<u>(330,125)</u>	<u>29,953</u>	<u>(2,477,994)</u>
Total capital assets being depreciated, net	<u>2,510,591</u>	<u>(284,978)</u>	<u>-</u>	<u>2,225,613</u>
Business-type capital assets, net	<u>\$2,706,697</u>	<u>(86,072)</u>	<u>-</u>	<u>2,620,625</u>

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(5) Capital Assets, (Continued)

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

General government	\$ 268,044
Community development	80,668
Public safety	295,989
Public works	2,317,237
Recreation and social services	9,344
Sewer service operating costs	<u>1,908,949</u>
Total	<u>\$4,880,231</u>

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

Municipal Transit	<u>\$330,125</u>
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(6) Construction Commitments

As of June 30, 2010, budgeted funds committed for major capital projects included the following:

	<u>Project Budget</u>	<u>Expenditures To Date</u>	<u>Unexpended Balance</u>
North Laguna Alley Rehabilitation	\$ 1,483,000	897,448	585,552
Lifeguard Headquarters and Restroom	3,469,890	324,990	3,144,900
Main Beach Boardwalk and Sidewalk	758,500	717,063	41,437
Third Street Hill Retaining Wall Replacement	523,200	286,339	236,861
Zimmerman Storm Drain	1,437,778	1,414,091	23,687
Metal Storm Drain Repair	1,000,000	196,860	803,140
Laguna Canyon Channel Rehabilitation	953,900	126,165	827,735
Animal Shelter Renovation	1,378,050	68,252	1,309,798
Heisler Park – Phase 3	4,050,000	45,900	4,004,100
Village Entrance Project	528,371	217,050	311,321
Street Rehabilitation Projects Design	6,100,607	5,351,153	749,454
Main Beach Life Station Rehabilitation	1,749,963	82,584	1,667,379
Bluebird SOCWA Rehabilitation	2,628,912	2,593,788	35,124

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(6) Construction Commitments, (Continued)

	<u>Project Budget</u>	<u>Expenditures To Date</u>	<u>Unexpended Balance</u>
Poplar/Lookout Undergrounding	1,154,233	1,046,325	107,908
Mar Vista Undergrounding	1,041,095	238,926	802,169
Cerritos Dunning Undergrounding	<u>3,028,204</u>	<u>2,409,384</u>	<u>618,820</u>
Total	<u>\$31,285,703</u>	<u>16,016,318</u>	<u>15,269,385</u>

(7) Risk Management

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

The City retains the risk of loss for general/auto liability claims of up to \$400,000 per occurrence and workers' compensation claims of up to \$300,000 per person per occurrence. Additionally, the City has retained risk of loss for employee 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, whether or not reported, in this fund. An estimate for incurred but not reported claims for 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 \$1,600,000 per occurrence with a \$20,000,000 annual aggregate. The coverage for workers' compensation extends to a limit of \$3,000,000. Member cities make payments to CIPA based on underwriting estimates and may be assessed the difference between funds available and the \$20,000,000 annual aggregate in proportion to their annual premium.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(7) Risk Management, (Continued)

All funds of the City participate in the risk management program and make payments to the Insurance and Employee Benefits Internal Service Fund based on estimates of the amounts needed to pay prior-year and current-year claims. The claims liability of \$4,591,270 reported in the Insurance and Employee Benefits Internal Service Fund, at June 30, 2010, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and amount of the loss can be reasonably estimated. Changes in the Insurance and Employee Benefits Internal Service Fund's claims liability amounts in fiscal years 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Beginning of year liability	\$ 4,436,300	4,440,318
Current year claims and changes in estimates	2,624,148	2,048,593
Claims payments	<u>(2,469,178)</u>	<u>(2,052,611)</u>
Insurance claims payable	<u>\$ 4,591,270</u>	<u>4,436,300</u>

For the past three fiscal years, claims paid did not significantly exceed the amount of applicable insurance coverage.

(8) Improvement Districts

Bonds issued for improvement districts are liabilities of the property owners and are secured by liens against the assessed property. The City is not liable for repayment, but is only acting as an agent to expend the project funds on behalf of the property owners and to collect principal and interest payments from property owners and remit such monies to the bondholders. During the fiscal year ended June 30, 2010, contributions from property owners were \$1,947,135. At June 30, 2010, the unpaid principal assessments in the 1915 Bond Improvement Districts were \$10,612,247.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(9) Deferred Compensation Plan

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

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

The City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. At June 30, 2010, the deferred compensation assets are held in a trust account and are not reflected on the City's balance sheet.

(10) Operating Lease

The City rents a community center under an operating lease that extends through January 31, 2014. Total expenditures under this lease were \$37,446 for the year ended June 30, 2010. The minimum future rental payments under this lease are as follows:

Year ending June 30:

2011	\$26,400
2012	26,400
2013	26,400
2014	<u>15,400</u>

Total \$94,600

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(11) Long-Term Liabilities

The following is a summary of the changes in the principal balance of long-term liabilities for the year ended June 30, 2010:

	<u>Balance at</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2010</u>	<u>Due within</u> <u>one year</u>	<u>Due beyond</u> <u>one year</u>
Governmental activities:						
General obligation bonds	\$ 4,480,000	-	(1,425,000)	3,055,000	1,490,000	1,565,000
I-Bank installment sale agreement	5,949,723	152,486	(378,558)	5,723,651	-	5,723,651
Net OPEB liability	55,492	128,950	(82,001)	102,441	-	102,441
Compensated absences	3,457,236	2,679,960	(2,420,944)	3,716,252	743,250	2,973,002
Insurance claims payable	<u>4,436,300</u>	<u>2,624,148</u>	<u>(2,469,178)</u>	<u>4,591,270</u>	<u>1,377,381</u>	<u>3,213,889</u>
Total long-term liabilities	<u>\$18,378,751</u>	<u>5,585,544</u>	<u>(6,775,681)</u>	<u>17,188,614</u>	<u>3,610,631</u>	<u>13,577,983</u>

General Obligation Bonds

On May 22, 2001, the City issued \$12,870,000 in General Obligation Bonds to refund its 1990 General Obligation Bonds. The principal is due annually on August 15 in amounts ranging from \$970,000 to \$1,565,000, commencing in 2002 and ending in 2011. Interest is payable semiannually on February 15 and August 15 of each year commencing February 15, 2002, at rates ranging from 4% to 5%. As of June 30, 2010, the outstanding balance is \$3,055,000.

The annual requirements to amortize all general obligation bonds outstanding are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$1,490,000	115,500	1,605,500
2012	<u>1,565,000</u>	<u>39,125</u>	<u>1,604,125</u>
Total	<u>\$3,055,000</u>	<u>154,625</u>	<u>3,209,625</u>

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(11) Long-Term Liabilities, (Continued)

I-Bank Installment Sale Agreement

On June 1, 2004, the City entered into an 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, which will be used for the City's Sewer Line Reconstruction, Line and Manhole Rehabilitation Project. The loan is secured by revenues generated by the Sewer Service Special Revenue Fund and bears interest at a rate of 2.73% per annum. As of June 30, 2010, 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 commencing on August 1, 2005. As of June 30, 2010, the outstanding principal amount was \$5,723,651.

(12) Post Employment Benefit Plan

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

City's Funding Policy: The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2009-10, plan members receiving benefits contributed \$82,001 (100% of total premiums) through their required contribution.

The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(12) Post Employment Benefit Plan, (Continued)

actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Annual required contribution	\$128,950
Interest on net OPEB obligation	3,673
Adjustments to annual required contributions	<u>(3,673)</u>
Annual OPEB cost (expense)	128,950
Contributions made (including premiums paid)	<u>(82,001)</u>
Increase in net OPEB obligation	46,949
Net OPEB obligation-beginning of year	<u>55,492</u>
Net OPEB obligation-end of year	<u><u>\$102,441</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/08	N/A	N/A	N/A
6/30/09	\$128,950	57%	\$ 55,492
6/30/10	128,950	64%	102,441

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(12) Post Employment Benefit Plan, (Continued)

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2008, was as follows:

Actuarial accrued liability (AAL)	\$ 1,047,047
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,047,047</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 19,511,621
UAAL as a percentage of covered payroll	5.4%

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

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

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

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(12) Post Employment Benefit Plan, (Continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Coverd Payroll (ba)/c)
6/30/06	N/A	N/A	N/A	N/A	N/A	N/A
6/30/07	N/A	N/A	N/A	N/A	N/A	N/A
6/30/08	\$0	\$1,047,047	\$1,047,047	0%	\$19,551,624	5.4%

(13) Fund Balances (Deficit)

Reserved fund balances and fund balances (deficit) available for new appropriations at June 30, 2010 were as follows:

	General	Gas Tax	Disaster Contingency	Sewer Service	Debt Service	Capital Projects	Nonmajor Governmental Funds	Totals
Reserved for:								
Inventories	\$ 52,575	-	-	-	-	-	-	52,575
Prepays	46,524	-	-	-	-	-	-	46,524
Advances to other funds	1,360,000	-	-	-	-	-	2,500,000	3,860,000
Notes receivable	348,000	-	-	-	-	-	-	348,000
Encumbrances	909,735	33,700	-	179,675	-	321,180	-	1,444,290
Solid waste	159,768	-	-	-	-	-	-	159,768
Property held for investment	-	-	-	-	-	-	354,444	354,444
Debt service	-	-	-	-	2,025,786	-	-	2,025,786
Subtotal	<u>2,876,602</u>	<u>33,700</u>	<u>-</u>	<u>179,675</u>	<u>2,025,786</u>	<u>321,180</u>	<u>2,854,444</u>	<u>8,291,387</u>
Unreserved:								
Designated:								
Reappropriations for continuing projects	11,093,665	-	-	895,000	-	618,700	-	12,607,365
Undesignated	<u>9,307,496</u>	<u>(862,365)</u>	<u>5,766,171</u>	<u>1,447,364</u>	<u>-</u>	<u>650,468</u>	<u>608,020</u>	<u>16,917,154</u>
Total	<u>\$23,277,763</u>	<u>(828,665)</u>	<u>5,766,171</u>	<u>2,522,039</u>	<u>2,025,786</u>	<u>1,590,348</u>	<u>3,462,464</u>	<u>37,815,906</u>

* Includes General, Open Space, Capital Improvement, Parking Authority, Parking In-Lieu, Park In-Lieu, Art In-Lieu, Drainage, and Housing In-Lieu Funds.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(13) Fund Balances (Deficit), (Continued)

Reserves for inventory, prepaids, notes receivables, solid waste, and property held for investment are established to show that certain assets are already committed to other purposes and are not available for discretionary expenditures.

Reserves for encumbrances represent commitments related to unperformed contracts for services and undelivered goods.

Reserves for debt service represent resources legally restricted to the payment of long-term debt principal and interest maturing in future years.

Unreserved-undesignated represents the fund balance remaining after reduction for reserved and designated fund balances.

(14) Interfund Transfers

Interfund transfers at June 30, 2010 consisted of the following:

	<u>Transfers Out</u>				
	General Fund	Gas Tax	Disaster Contingency	Nonmajor Governmental Funds	Totals
<u>Transfers In</u>					
General Fund	\$ -	700,918	-	324,254	1,025,172
Gas Tax	1,400,000	-	-	-	1,400,000
Sewer Service Funds	1,000,000	-	-	-	1,000,000
Capital Projects	-	-	-	133,540	133,540
Municipal Transit Fund	468,900	-	-	-	468,900
Nonmajor Governmental Funds	31,000	-	2,497,428	-	2,528,428
Internal Service Fund	<u>247,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,889</u>
	<u>\$ 3,147,789</u>	<u>700,918</u>	<u>2,497,428</u>	<u>457,794</u>	<u>6,803,929</u>

Transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) reimburse funds for expenditures incurred, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(15) Sewage Treatment Facilities

In March 1972, the City, five water districts and one sanitation district entered into a joint exercise of powers agreement which created the South Orange County Wastewater Authority (SOCWA), a public corporation. 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, 2009 (the most recent information available), SOCWA had total assets of \$50,941,546, total liabilities of \$4,892,815 and total equity of \$46,0481.

The City's share of ownership varies 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's share of costs to operate the sewage treatment facilities for fiscal year 2009 was \$2,539,580. A separate financial report may be obtained from the South Orange County Wastewater Authority office.

(16) Pension Plan (Defined Benefit)

Plan Description

The City of Laguna Beach contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained by writing to 400 "P" Street, Sacramento, California 95814.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(16) Pension Plan (Defined Benefit), (Continued)

Contributions and Funding Policy

Miscellaneous and safety participants are required to contribute 7% and 9%, respectively, of their annual covered salary. The City is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2010 for the Safety plan is 18.229%, for the Miscellaneous plan is 9.200% and for the Fire plan is 18.229% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by City Council in conjunction with applicable labor contracts. The City's contributions to the plans for the years ending June 30, 2008, 2009, and 2010 for the Safety plan were \$1,924,661, \$1,438,071, and \$1,256,567, respectively, for the Miscellaneous plan were \$1,014,350, \$1,056,904 and \$1,091,657, respectively and for the Fire plan were \$1,126,727, \$1,204,013 and \$1,000,701, respectively and were equal to the required contributions for each year.

Pension Plan (Defined Contribution)

The City provides pension benefits for all of its part-time employees through an agent multiple employer defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to participate from the date of employment. The City requires the employee to contribute 3.75% of the 7.5% required by the Federal Government. The City's contribution for each employee and interest allocated to the employee's account are fully vested immediately.

The City's total payroll in fiscal year 2010 was \$26,965,755 and covered payroll was \$2,100,080. Both the City and covered employees made the required 3.75% contributions amounting to \$78,753 from each source, or \$157,506 in total. Vested funds can be withdrawn upon termination or retirement from the City.

In 2010, the City made a payment to the California PERS pension system in the amount to pay off the City's side fund obligation associated with the City's pension plan. This payment created savings to the City with respect to future PERS contributions. This payment made by the General Fund of the City was financed by interfund borrowing by the General Fund from other funds of the City.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(17) Fund Deficits

The following fund reported a deficit in fund balance as of June 30, 2010:

	<u>Deficit Balance</u>
Major Special Revenue Fund:	
Gas Tax	(\$828,665)

These deficits will be remedied as grants are billed and received.

(18) Excess of Expenditures Over Appropriations

Expenditures for the year ended June 30, 2010 exceeded appropriations in the following funds:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess over Appropriations</u>
Bluebird Landslide Special Revenue Fund	\$ -	167,208	(167,208)

(19) Transportation Development Act

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

TDA 50% Limitation:

Total Operating Costs	\$2,458,706
50% Limitation (Line 1x50%)	1,229,353

TDA Financial Need Limitation:

Total Operating Costs		2,458,706
Depreciation Current	(330,125)	
OCTA Operating Assistance	(392,833)	
Passenger Revenues	(184,527)	
Taxi Voucher Program	(12,384)	
Park and Ride	(116,936)	<u>(736,478)</u>
Financial Need		<u>\$1,036,805</u>
Lesser of "Financial Need" or "50% Limitation"		<u>\$1,036,805</u>

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(20) Significant Operating Lease for Which the City is Lessor

For the period of October 1, 2001 through September 30, 2041, the City of Laguna Beach has leased to the Festival of Arts of Laguna Beach (an unrelated non-profit organization) parcels of land and related structures associated with the operation of certain community events relating to the arts. At all times throughout the term of this operating lease and at the termination of the lease, title to these assets remains with the City of Laguna Beach. The rental payment to be received by the City will be an amount equal to 3.5% of certain gross revenues relating to the use of the property without limitation (no maximum rental payment). In addition, the Festival of Arts of Laguna Beach will pay 6% of the gross revenues described above, which the City will deposit into a capital improvement fund. The money in the capital improvement fund is to be used solely for capital improvements to the premises being rented and debt associated with such improvements, and insurance premiums. All rentals are considered to be contingent upon the amount of gross revenues and the lease does not provide for minimum rental payments to be made to the City. The carrying amount of the land involved in this lease is \$405,040. The carrying amount of the structures and improvements being leased is \$1,022,667. These assets are recorded in the capital assets of the City of Laguna Beach. The land was originally donated to the City under the condition that if it is used for other than park and/or arts-related purposes, then title to the land would revert to the donor. Rental income associated with this lease has been recognized in the accompanying financial statements in the amount of \$231,108.

(21) Housing Program to Enhance Emergency Response

In order to enhance the ability of key personnel to respond to emergency situations within the community, the City is providing assistance for those employees to reside in close proximity to their response area. The accompanying financial statements reflect the City's investment in five such properties in the amount of \$2,032,252 and two loans to these respective employees. As of June 30, 2010, the outstanding balance of the loans was \$670,848.

(22) Grants 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.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAGUNA BEACH
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2010
(With Comparative Totals For Year Ended June 30, 2009)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>2009</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>	
				<u>Positive/ (Negative)</u>	
Revenues:					
Taxes:					
Property taxes	\$ 24,382,000	24,532,000	25,351,969	819,969	24,588,361
Sales and use taxes	3,900,000	3,900,000	3,642,884	(257,116)	4,286,577
Transient lodging taxes	7,400,000	7,400,000	6,759,353	(640,647)	7,856,964
Franchise taxes	1,167,000	1,167,000	1,116,344	(50,656)	1,187,477
Business license taxes	750,000	750,000	857,094	107,094	901,142
Real property transfer taxes	100,000	100,000	404,638	304,638	356,131
Total taxes	<u>37,699,000</u>	<u>37,849,000</u>	<u>38,132,282</u>	<u>283,282</u>	<u>39,176,652</u>
Licenses and permits:					
Construction permits	822,000	822,000	900,270	78,270	1,118,671
Other	18,000	18,000	23,770	5,770	23,150
Total licenses and permits	<u>840,000</u>	<u>840,000</u>	<u>924,040</u>	<u>84,040</u>	<u>1,141,821</u>
Fines and penalties					
Vehicle codes	1,770,000	1,770,000	1,417,101	(352,899)	1,770,721
Other	48,000	48,000	57,628	9,628	36,455
Total fines and penalties	<u>1,818,000</u>	<u>1,818,000</u>	<u>1,474,729</u>	<u>(343,271)</u>	<u>1,807,176</u>
Investment income	1,100,000	1,190,550	1,096,065	(94,485)	1,473,057
Rental income	410,000	410,000	420,678	10,678	387,562
Intergovernmental	2,960,000	2,968,200	1,206,176	(1,762,024)	2,489,946
Charges for services:					
Planning fees	1,082,000	1,082,000	1,127,105	45,105	1,215,657
Building department fees	191,000	191,000	331,337	140,337	292,626
Refuse service charges	1,869,000	1,869,000	1,913,220	44,220	1,784,352
Medical fees	80,000	80,000	126,150	46,150	93,498
Parks and recreation fees	1,410,000	2,710,000	2,717,020	7,020	1,367,012
Other	1,770,000	465,200	545,726	80,526	1,940,776
Total charges for services	<u>6,402,000</u>	<u>6,397,200</u>	<u>6,760,558</u>	<u>363,358</u>	<u>6,693,921</u>
Parking meters, lots and permits	3,610,000	3,632,850	4,080,151	447,301	4,715,786
Development tax:					
Building construction tax	-	-	29,151	29,151	1,861
Other	-	-	10,653	10,653	4,580
Total development tax	<u>-</u>	<u>-</u>	<u>39,804</u>	<u>39,804</u>	<u>6,441</u>

CITY OF LAGUNA BEACH

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
(Continued)

	Budgeted Amounts		Actual	Variance with	2009
	Original	Final		Final Budget	
				Positive/ (Negative)	
Other:					
Reimbursed expenditures	207,000	272,000	343,620	71,620	407,305
Other	11,000	539,000	309,465	(229,535)	742,229
Total other	218,000	811,000	653,085	(157,915)	1,149,534
Total revenues	55,057,000	55,916,800	54,787,568	(1,129,232)	59,041,896
Expenditures:					
General government:					
City Council	62,700	67,700	63,642	4,058	76,702
City Manager	722,800	753,300	735,357	17,943	778,259
City Clerk	293,400	293,075	285,052	8,023	312,036
City Treasurer	163,200	163,500	162,352	1,148	129,690
City Attorney	585,000	655,000	365,513	289,487	542,334
Administrative services	2,151,900	1,980,300	2,289,721	(309,421)	2,138,522
Total general government	3,979,000	3,912,875	3,901,637	11,238	3,977,543
Community development	3,665,100	3,778,745	3,482,651	296,094	3,636,575
Public safety:					
Police protection	12,904,700	13,145,900	12,505,234	640,666	12,535,819
Fire protection	9,393,300	9,592,620	9,102,567	490,053	9,418,916
Marine safety	2,355,100	2,435,493	2,215,223	220,270	2,286,994
Parking enforcement	864,000	864,000	820,041	43,959	763,263
Total public safety	25,517,100	26,038,013	24,643,065	1,394,948	25,004,992
Public works	10,503,300	11,389,880	10,768,494	621,386	10,741,508
Recreation and social services	3,939,800	4,617,865	4,189,554	428,311	3,991,552
Capital expenditures	7,555,400	20,010,581	4,615,177	15,395,404	13,488,446
Total expenditures	55,159,700	69,747,959	51,600,578	18,147,381	60,840,616
Excess (deficiency) of revenues over (under) expenditures	(102,700)	(13,831,159)	3,186,990	17,018,149	(1,798,720)
Other financing sources (uses):					
Transfers in	800,000	1,888,631	1,025,172	(863,459)	1,122,843
Transfers out	(2,823,500)	(3,893,203)	(3,147,789)	745,414	(961,199)
Advance payments of PERS obligation	-	(10,128,600)	(9,956,355)	172,245	-
Sale of land and equipment	3,000	2,314,828	956	(2,313,872)	7,223
Total other financing sources (uses)	(2,020,500)	(9,818,344)	(12,078,016)	(2,259,672)	168,867
Net change in fund balances	(2,123,200)	(23,649,503)	(8,891,026)	14,758,477	(1,629,853)
Fund balances, beginning of year	32,168,789	32,168,789	32,168,789	-	33,798,642
Fund balances, end of year	\$ 30,045,589	8,519,286	23,277,763	14,758,477	32,168,789

CITY OF LAGUNA BEACH

Major Special Revenue Fund

Gas Tax Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

	<u>Budgeted Amounts</u>			Variance with Final Budget	2009
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive/ (Negative)</u>	<u>Actual</u>
Revenues:					
Taxes	\$ 275,000	275,000	261,179	(13,821)	303,556
Investment income	-	-	5,991	5,991	45,098
Intergovernmental	881,000	881,000	1,714,823	833,823	1,358,431
Other	-	-	50,000	50,000	43,500
Total revenues	<u>1,156,000</u>	<u>1,156,000</u>	<u>2,031,993</u>	<u>875,993</u>	<u>1,750,585</u>
Expenditures:					
Capital expenditures	<u>1,260,900</u>	<u>1,260,900</u>	<u>501,447</u>	<u>759,453</u>	<u>4,659,952</u>
Total expenditures	<u>1,260,900</u>	<u>1,260,900</u>	<u>501,447</u>	<u>759,453</u>	<u>4,659,952</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(104,900)</u>	<u>(104,900)</u>	<u>1,530,546</u>	<u>1,635,446</u>	<u>(2,909,367)</u>
Other financing sources (uses):					
Transfers in	400,000	400,000	1,400,000	1,000,000	-
Transfers out	-	-	(700,918)	(700,918)	(1,047,000)
Total other financing sources (uses)	<u>400,000</u>	<u>400,000</u>	<u>699,082</u>	<u>299,082</u>	<u>(1,047,000)</u>
Net change in fund balances	295,100	295,100	2,229,628	1,934,528	(3,956,367)
Fund balances (deficit), beginning of year	<u>(3,058,293)</u>	<u>(3,058,293)</u>	<u>(3,058,293)</u>	-	898,074
Fund balances (deficit), end of year	<u>\$ (2,763,193)</u>	<u>(2,763,193)</u>	<u>(828,665)</u>	<u>1,934,528</u>	<u>(3,058,293)</u>

CITY OF LAGUNA BEACH
Major Special Revenue Fund
Disaster Contingency Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 Year Ended June 30, 2010
 (With Comparative Totals For Year Ended June 30, 2009)

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)	2009 Actual
	Original	Budget			
Revenues:					
Taxes	\$ -	-	-	-	2,756,385
Investment income	-	-	171,305	171,305	224,204
Total revenues	-	-	171,305	171,305	2,980,589
Excess of revenues over (under) expenditures	-	-	171,305	171,305	2,980,589
Other financing sources (uses):					
Transfers out	-	(4,000,000)	(2,497,428)	1,502,572	-
Total other financing sources (uses)	-	(4,000,000)	(2,497,428)	1,502,572	-
Net change in fund balances	-	(4,000,000)	(2,326,123)	1,673,877	2,980,589
Fund balances, beginning of year	8,092,294	8,092,294	8,092,294	-	5,111,705
Fund balances, end of year	\$ 8,092,294	\$ 4,092,294	5,766,171	1,673,877	8,092,294

CITY OF LAGUNA BEACH
Major Special Revenue Fund
Sewer Services Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2010
(With Comparative Totals For Year Ended June 30, 2009)

	Budgeted Amounts		Actual	Variance with	2009
	Original	Final		Final Budget Positive/ (Negative)	
Revenues:					
Investment income	\$ -	-	22	22	-
Intergovernmental	700,000	700,000	-	(700,000)	-
Charges for services	5,925,000	5,925,000	5,932,460	7,460	5,750,132
Other	19,000	72,000	264,219	192,219	893,972
Total revenues	6,644,000	6,697,000	6,196,701	(500,299)	6,644,104
Expenditures:					
Current:					
Sewer service operating costs	4,123,200	4,304,700	4,093,162	211,538	3,886,559
Capital expenditures	2,480,000	6,278,645	2,332,358	3,946,287	4,394,102
Debt service:					
Principal	-	-	-	-	295,800
Interest and fiscal charges	501,000	501,000	510,571	(9,571)	466,401
Total expenditures	7,104,200	11,084,345	6,936,091	4,148,254	9,042,862
Excess (deficiency) of revenues over (under) expenditures	(460,200)	(4,387,345)	(739,390)	3,647,955	(2,398,758)
Other financing sources (uses):					
Transfers in	1,000,000	1,000,000	1,000,000	-	25,000
Transfers out	-	-	-	-	(17,927)
Issuance of a loan	-	2,106,020	152,486	(1,953,534)	2,586,128
Total other financing sources (uses)	1,000,000	3,106,020	1,152,486	(1,953,534)	2,593,201
Net change in fund balances	539,800	(1,281,325)	413,096	1,694,421	194,443
Fund balances, beginning of year	2,108,943	2,108,943	2,108,943	-	1,914,500
Fund balances, end of year	\$ 2,648,743	827,618	2,522,039	1,694,421	2,108,943

CITY OF LAGUNA BEACH

Note to Required Supplementary Information

Year Ended June 30, 2010

(1) Budgetary Policy and Control

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

The City is required by ordinance to adopt an annual budget on or before June 30 for the ensuing fiscal year. 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 by motion 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, debt service, and capital projects funds; therefore, the legal level of budgetary control is at the department level.

Budget information is presented for the general and certain special revenue fund types. Budgeted revenue amounts represent the original budget modified by Council-authorized adjustments during the year which were contingent upon new or additional revenue sources. Budgeted expenditures amount represent original appropriations adjusted for supplemental appropriations during the year. Supplemental appropriations include carryover appropriations from the prior year. Supplemental budgetary appropriations of \$14,716,859 were made in the General Fund and \$4,147,353 was made in the special revenue, capital projects, and debt service funds during the year.

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SUPPLEMENTARY SCHEDULES

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GENERAL FUND

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

CITY OF LAGUNA BEACH
 General Fund
 Consolidating Balance Sheet by Sub-Fund
 June 30, 2010
 (With Comparative Totals for June 30, 2009)

<u>Assets</u>	<u>General</u>	<u>Open Space</u>	<u>Capital Improvement</u>	<u>Parking Authority</u>
Cash and investments	\$ 15,124,280	37,294	11,827,569	3,825,557
Receivables:				
Taxes	812,668	-	49,479	-
Accounts	194,646	-	14,515	60,629
Interest	33,915	-	-	-
Intergovernmental	49,220	-	119,208	-
Notes	-	-	-	-
Other	-	-	-	-
Due from other funds	38,195	-	-	-
Prepays	46,524	-	-	-
Inventory	52,575	-	-	-
Advances to other funds	-	-	60,000	1,300,000
Total assets	\$ 16,352,023	37,294	12,070,771	5,186,186
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,020,203	-	379,052	76,153
Retentions payable	-	-	84,182	-
Due to other government agencies	46,141	-	-	-
Deferred revenue	63,770	-	-	384,111
Advances from other funds	8,000,000	-	-	-
Total liabilities	10,130,114	-	463,234	460,264
Fund balances:				
Reserved for:				
Prepays	46,524	-	-	-
Inventory	52,575	-	-	-
Notes receivable	-	-	-	-
Advances to other funds	-	-	60,000	1,300,000
Encumbrances	131,600	-	772,635	-
Solid waste	159,768	-	-	-
Unreserved:				
Designated for:				
Reappropriations for continuing projects	1,631,685	-	9,448,330	-
Undesignated	4,199,757	37,294	1,326,572	3,425,922
Total fund balances	6,221,909	37,294	11,607,537	4,725,922
Total liabilities and fund balances	\$ 16,352,023	37,294	12,070,771	5,186,186

Parking In-Lieu	Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Totals	
					2010	2009
47,655	18,827	151,409	56,314	75,795	31,164,700	29,985,390
-	-	-	-	-	862,147	1,118,415
-	-	-	-	-	269,790	236,103
-	-	-	-	-	33,915	111,849
-	-	-	-	-	168,428	845,700
-	-	-	-	348,000	348,000	348,000
-	-	-	-	-	-	3,310
-	-	-	-	-	38,195	14,508
-	-	-	-	-	46,524	44,120
-	-	-	-	-	52,575	48,090
-	-	-	-	-	1,360,000	2,800,000
<u>47,655</u>	<u>18,827</u>	<u>151,409</u>	<u>56,314</u>	<u>423,795</u>	<u>34,344,274</u>	<u>35,555,485</u>
-	-	51	-	-	2,475,459	3,171,516
-	-	-	-	-	84,182	51,409
-	-	-	-	12,848	58,989	-
-	-	-	-	-	447,881	163,771
-	-	-	-	-	8,000,000	-
-	-	<u>51</u>	-	<u>12,848</u>	<u>11,066,511</u>	<u>3,386,696</u>
-	-	-	-	-	46,524	44,120
-	-	-	-	-	52,575	48,090
-	-	-	-	348,000	348,000	348,000
-	-	-	-	-	1,360,000	2,800,000
-	-	5,500	-	-	909,735	1,523,024
-	-	-	-	-	159,768	104,862
-	-	13,650	-	-	11,093,665	6,889,627
<u>47,655</u>	<u>18,827</u>	<u>132,208</u>	<u>56,314</u>	<u>62,947</u>	<u>9,307,496</u>	<u>20,411,066</u>
<u>47,655</u>	<u>18,827</u>	<u>151,358</u>	<u>56,314</u>	<u>410,947</u>	<u>23,277,763</u>	<u>32,168,789</u>
<u>47,655</u>	<u>18,827</u>	<u>151,409</u>	<u>56,314</u>	<u>423,795</u>	<u>34,344,274</u>	<u>35,555,485</u>

CITY OF LAGUNA BEACH

General Fund

Consolidating Statement of Revenues, Expenditures and Changes in Fund Balances by Sub-Fund
Year Ended June 30, 2010

	General	Open Space	Capital Improvement	Parking Authority
Revenues:				
Taxes	\$ 34,853,931	-	3,278,351	-
Licenses and permits	924,040	-	-	-
Fines and penalties	9,530	-	1,465,199	-
Investment income	1,087,365	-	-	-
Rental	420,678	-	-	-
Intergovernmental	702,030	-	504,146	-
Charges for services	6,758,898	-	1,660	-
Parking meters, lots and permits	-	-	-	4,080,151
Development tax	-	-	-	-
Other	650,085	-	-	-
Total revenues	<u>45,406,557</u>	<u>-</u>	<u>5,249,356</u>	<u>4,080,151</u>
Expenditures:				
Current:				
General government	3,901,637	-	-	-
Community development	3,482,651	-	-	-
Public safety	23,823,024	-	-	820,041
Public works	9,357,806	-	-	1,410,688
Recreation and social services	4,175,715	-	-	-
Capital expenditures	514,600	1,142,707	2,900,729	57,141
Total expenditures	<u>45,255,433</u>	<u>1,142,707</u>	<u>2,900,729</u>	<u>2,287,870</u>
Excess (deficiency) of revenues over (under) expenditures	151,124	(1,142,707)	2,348,627	1,792,281
Other financing sources (uses):				
Transfers in	1,824,871	861,602	161,130	-
Transfers out	(353,889)	-	(2,929,801)	(1,612,730)
Advance payments of PERS obligation	(9,956,355)	-	-	-
Sale of land and equipment	956	-	-	-
Total other financing sources (uses)	<u>(8,484,417)</u>	<u>861,602</u>	<u>(2,768,671)</u>	<u>(1,612,730)</u>
Net change in fund balances	<u>(8,333,293)</u>	<u>(281,105)</u>	<u>(420,044)</u>	<u>179,551</u>
Fund balances, beginning of year	14,555,202	318,399	12,027,581	4,546,371
Fund balances, end of year	<u>\$ 6,221,909</u>	<u>37,294</u>	<u>11,607,537</u>	<u>4,725,922</u>

Parking In-Lieu	Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Eliminations (1)	Totals	
						2010	2009
-	-	-	-	-	-	38,132,282	39,176,652
-	-	-	-	-	-	924,040	1,141,821
-	-	-	-	-	-	1,474,729	1,807,176
1,176	368	3,747	1,170	2,239	-	1,096,065	1,473,057
-	-	-	-	-	-	420,678	387,562
-	-	-	-	-	-	1,206,176	2,489,946
-	-	-	-	-	-	6,760,558	6,693,921
-	-	-	-	-	-	4,080,151	4,715,786
-	10,653	-	29,151	-	-	39,804	6,441
-	-	3,000	-	-	-	653,085	1,149,534
<u>1,176</u>	<u>11,021</u>	<u>6,747</u>	<u>30,321</u>	<u>2,239</u>	<u>-</u>	<u>54,787,568</u>	<u>59,041,896</u>
-	-	-	-	-	-	3,901,637	3,977,543
-	-	-	-	-	-	3,482,651	3,636,575
-	-	-	-	-	-	24,643,065	25,004,992
-	-	-	-	-	-	10,768,494	10,741,508
-	-	13,839	-	-	-	4,189,554	3,991,552
-	-	-	-	-	-	4,615,177	13,488,446
-	-	13,839	-	-	-	51,600,578	60,840,616
<u>1,176</u>	<u>11,021</u>	<u>(7,092)</u>	<u>30,321</u>	<u>2,239</u>	<u>-</u>	<u>3,186,990</u>	<u>(1,798,720)</u>
-	-	11,200	-	-	(1,833,631)	1,025,172	1,122,843
-	-	-	-	(85,000)	1,833,631	(3,147,789)	(961,199)
-	-	-	-	-	-	(9,956,355)	-
-	-	-	-	-	-	956	7,223
-	-	11,200	-	(85,000)	-	(12,078,016)	168,867
1,176	11,021	4,108	30,321	(82,761)	-	(8,891,026)	(1,629,853)
<u>46,479</u>	<u>7,806</u>	<u>147,250</u>	<u>25,993</u>	<u>493,708</u>	<u>-</u>	<u>32,168,789</u>	<u>33,798,642</u>
<u>47,655</u>	<u>18,827</u>	<u>151,358</u>	<u>56,314</u>	<u>410,947</u>	<u>-</u>	<u>23,277,763</u>	<u>32,168,789</u>

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

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NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues (other than expendable trusts and major capital projects) and the related expenditures which are legally required to be accounted for in a separate fund.

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

Bluebird Canyon Fund

This is used to account for costs incurred for emergency repairs and permanent restoration for Bluebird Canyon related to a landslide that occurred in June of 2005. Funding sources for this fund are from the Federal Emergency Management Agency, the California Office of Emergency Services, and the City's Disaster Contingency.

Street Lighting District Fund

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

Miscellaneous Grants Fund

This fund is used to account for grant programs such as the Community Development Block Grant, police grants such as Citizens Option for Public Safety and water quality grants.

Asset Forfeiture Fund

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

DEBT SERVICE FUND

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

The City of Laguna Beach has the following major Debt Service Fund:

General Obligation Bonds

This fund is used to account for the resources and payment of general obligation bond principal and interest from a general obligation ad valorem tax levy.

CAPITAL PROJECTS FUND

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

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

Capital Projects

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

CITY OF LAGUNA BEACH
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2010
(With Comparative Totals for June 30, 2009)

	<u>Bluebird Landslide</u>	<u>Street Lighting District</u>	<u>Miscellaneous Grants</u>
<u>Assets</u>			
Cash and investments	\$ 328,973	368,248	-
Receivables:			
Taxes	-	15,321	-
Intergovernmental	10,000	-	73,091
Advances to other funds	-	2,500,000	-
Property held for investment	-	354,444	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 338,973</u>	<u>3,238,013</u>	<u>73,091</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 32,560	18,159	82
Due to other government agencies	266,287	-	-
Due to other funds	-	-	38,195
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>298,847</u>	<u>18,159</u>	<u>38,277</u>
Fund balances (deficit):			
Reserved:			
Advances to other funds	-	2,500,000	-
Property held for investment	-	354,444	-
Unreserved:			
Designated for reappropriations for continuing projects	-	-	-
Undesignated	40,126	365,410	34,814
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>40,126</u>	<u>3,219,854</u>	<u>34,814</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and and fund balances	<u>\$ 338,973</u>	<u>3,238,013</u>	<u>73,091</u>

Asset Forfeiture	Totals	
	2010	2009
167,670	864,891	1,313,565
-	15,321	23,053
-	83,091	51,586
-	2,500,000	1,000,000
-	354,444	354,444
<u>167,670</u>	<u>3,817,747</u>	<u>2,742,648</u>
-	50,801	48,044
-	266,287	266,287
-	38,195	1,855,706
-	<u>355,283</u>	<u>2,170,037</u>
-	2,500,000	1,000,000
-	354,444	354,444
-	-	25,000
<u>167,670</u>	<u>608,020</u>	<u>(806,833)</u>
<u>167,670</u>	<u>3,462,464</u>	<u>572,611</u>
<u>167,670</u>	<u>3,817,747</u>	<u>2,742,648</u>

CITY OF LAGUNA BEACH
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2010
(With Comparative Totals For Year Ended June 30, 2009)

	<u>Bluebird Landslide</u>	<u>Street Lighting District</u>	<u>Miscellaneous Grants</u>
Revenues:			
Taxes	\$ -	1,117,787	-
Fines and penalties	-	-	-
Investment income	-	-	-
Intergovernmental	-	6,770	295,967
Other	<u>25,000</u>	<u>209</u>	<u>-</u>
 Total revenues	 <u>25,000</u>	 <u>1,124,766</u>	 <u>295,967</u>
Expenditures:			
Current:			
Public safety	-	-	38,518
Public works	-	302,286	-
Recreation and social services	-	-	7,246
Capital expenditures	<u>167,208</u>	<u>-</u>	<u>124,013</u>
 Total expenditures	 <u>167,208</u>	 <u>302,286</u>	 <u>169,777</u>
 Excess of revenues over (under) expenditures	 <u>(142,208)</u>	 <u>822,480</u>	 <u>126,190</u>
Other financing sources (uses):			
Transfers in	2,497,428	-	31,000
Transfers out	<u>(200,000)</u>	<u>(133,540)</u>	<u>(124,254)</u>
 Total other financing sources (uses)	 <u>2,297,428</u>	 <u>(133,540)</u>	 <u>(93,254)</u>
 Net change in fund balances	 2,155,220	 688,940	 32,936
 Fund balances (deficit), beginning of year	 <u>(2,115,094)</u>	 <u>2,530,914</u>	 <u>1,878</u>
 Fund balances, end of year	 <u>\$ 40,126</u>	 <u>3,219,854</u>	 <u>34,814</u>

Asset Forfeiture	Totals	
	2010	2009
-	1,117,787	1,073,669
8,733	8,733	-
4,024	4,024	4,151
-	302,737	189,214
-	25,209	58,648
<u>12,757</u>	<u>1,458,490</u>	<u>1,325,682</u>
-	38,518	43,040
-	302,286	308,313
-	7,246	15,000
-	291,221	650,755
<u>-</u>	<u>639,271</u>	<u>1,017,108</u>
<u>12,757</u>	<u>819,219</u>	<u>308,574</u>
-	2,528,428	351,726
-	(457,794)	(75,843)
<u>-</u>	<u>2,070,634</u>	<u>275,883</u>
12,757	2,889,853	584,457
<u>154,913</u>	<u>572,611</u>	<u>(11,846)</u>
<u>167,670</u>	<u>3,462,464</u>	<u>572,611</u>

CITY OF LAGUNA BEACH

Non-Major Special Revenue Fund

Bluebird Landslide Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals for Year Ended June 30, 2009)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2009 Actual
Revenues:				
Intergovernmental	\$ -	-	-	50,485
Other	-	25,000	25,000	20,000
Total revenues	-	25,000	25,000	70,485
Expenditures:				
Capital expenditures	-	167,208	(167,208)	650,755
Total expenditures	-	167,208	(167,208)	650,755
Excess (deficiency) of revenues over (under) expenditures	-	(142,208)	(142,208)	(580,270)
Other financing sources (uses):				
Transfers in	4,000,000	2,497,428	(1,502,572)	333,799
Transfers out	-	(200,000)	(200,000)	-
Total other financing sources (uses)	4,000,000	2,297,428	(1,702,572)	333,799
Net change in fund balances	4,000,000	2,155,220	(1,844,780)	(246,471)
Fund balances (deficit), beginning of year	(2,115,094)	(2,115,094)	-	(1,868,623)
Fund balances (deficit), end of year	<u>\$ 1,884,906</u>	<u>40,126</u>	<u>(1,844,780)</u>	<u>(2,115,094)</u>

CITY OF LAGUNA BEACH

Non-Major Special Revenue Fund

Street Lighting District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget <u>Positive/ (Negative)</u>	<u>2009 Actual</u>
Revenues:				
Taxes	\$ 1,106,000	1,117,787	11,787	1,073,669
Intergovernmental	6,000	6,770	770	6,500
Other	<u>-</u>	<u>209</u>	<u>209</u>	<u>202</u>
Total revenues	<u>1,112,000</u>	<u>1,124,766</u>	<u>12,766</u>	<u>1,080,371</u>
Expenditures:				
Current:				
Public works	336,500	302,286	34,214	308,313
Capital expenditures	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Total expenditures	<u>361,500</u>	<u>302,286</u>	<u>59,214</u>	<u>308,313</u>
Excess of revenues over expenditures	<u>750,500</u>	<u>822,480</u>	<u>71,980</u>	<u>772,058</u>
Other financing sources (uses):				
Transfers out	<u>(133,540)</u>	<u>(133,540)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(133,540)</u>	<u>(133,540)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	616,960	688,940	71,980	772,058
Fund balances, beginning of year	<u>2,530,914</u>	<u>2,530,914</u>	<u>-</u>	<u>1,758,856</u>
Fund balances, end of year	<u>\$ 3,147,874</u>	<u>3,219,854</u>	<u>71,980</u>	<u>2,530,914</u>

CITY OF LAGUNA BEACH

Non-Major Special Revenue Fund

Miscellaneous Grants Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)	<u>2009 Actual</u>
Revenues:				
Intergovernmental	\$ 274,503	295,967	21,464	132,229
Total revenues	<u>274,503</u>	<u>295,967</u>	<u>21,464</u>	<u>132,229</u>
Expenditures:				
Current:				
Public safety	43,275	38,518	4,757	43,040
Recreation and social services	7,228	7,246	(18)	15,000
Capital expenditures	<u>155,000</u>	<u>124,013</u>	<u>30,987</u>	<u>-</u>
Total expenditures	<u>205,503</u>	<u>169,777</u>	<u>35,726</u>	<u>58,040</u>
Excess of revenues over expenditures	<u>69,000</u>	<u>126,190</u>	<u>57,190</u>	<u>74,189</u>
Other financing sources (uses):				
Transfers in	31,000	31,000	-	17,927
Transfers out	<u>(100,000)</u>	<u>(124,254)</u>	<u>(24,254)</u>	<u>(75,843)</u>
Total other financing sources (uses)	<u>(69,000)</u>	<u>(93,254)</u>	<u>(24,254)</u>	<u>(57,916)</u>
Net change in fund balances	-	32,936	32,936	16,273
Fund balances (deficit), beginning of year	<u>1,878</u>	<u>1,878</u>	<u>-</u>	<u>(14,395)</u>
Fund balances, end of year	<u>\$ 1,878</u>	<u>34,814</u>	<u>32,936</u>	<u>1,878</u>

CITY OF LAGUNA BEACH

Non-Major Special Revenue Fund

Asset Forfeiture Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget <u>Positive/ (Negative)</u>	<u>2009 Actual</u>
Revenues:				
Fines and penalties	\$ -	8,733	8,733	-
Investment income	-	4,024	4,024	4,151
Other	-	-	-	38,446
Total revenues	<u>-</u>	<u>12,757</u>	<u>12,757</u>	<u>42,597</u>
Excess of revenues over expenditures	-	12,757	12,757	42,597
Fund balances, beginning of year	<u>154,913</u>	<u>154,913</u>	<u>-</u>	<u>112,316</u>
Fund balances, end of year	<u>\$ 154,913</u>	<u>167,670</u>	<u>12,757</u>	<u>154,913</u>

CITY OF LAGUNA BEACH

Major Debt Service Fund

General Obligation Bonds

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)	<u>2009 Actual</u>
Revenues:				
Taxes	\$ 1,564,000	1,475,393	(88,607)	1,558,660
Investment income	50,000	35,732	(14,268)	48,875
Intergovernmental	<u>6,000</u>	<u>5,185</u>	<u>(815)</u>	<u>5,828</u>
Total revenues	<u>1,620,000</u>	<u>1,516,310</u>	<u>(103,690)</u>	<u>1,613,363</u>
Expenditures:				
Debt service:				
Principal	1,425,000	1,425,000	-	1,360,000
Interest and fiscal charges	<u>190,700</u>	<u>186,952</u>	<u>3,748</u>	<u>251,355</u>
Total expenditures	<u>1,615,700</u>	<u>1,611,952</u>	<u>3,748</u>	<u>1,611,355</u>
Excess of revenues over (under) expenditures	4,300	(95,642)	(99,942)	2,008
Fund balances, beginning of year	<u>2,121,428</u>	<u>2,121,428</u>	<u>-</u>	<u>2,119,420</u>
Fund balances, end of year	<u>\$ 2,125,728</u>	<u>2,025,786</u>	<u>(99,942)</u>	<u>2,121,428</u>

CITY OF LAGUNA BEACH

Major Capital Projects Fund

Capital Projects

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2009 Actual
Revenues:				
Investment income	\$ -	48,293	48,293	112,594
Intergovernmental	-	-	-	848,754
Other	-	55,448	55,448	93,019
Total revenues	<u>-</u>	<u>103,741</u>	<u>103,741</u>	<u>1,054,367</u>
Expenditures:				
Capital expenditures	<u>2,212,943</u>	<u>1,637,736</u>	<u>575,207</u>	<u>846,355</u>
Total expenditures	<u>2,212,943</u>	<u>1,637,736</u>	<u>575,207</u>	<u>846,355</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,212,943)</u>	<u>(1,533,995)</u>	<u>678,948</u>	<u>208,012</u>
Other financing sources:				
Transfers in	<u>133,540</u>	<u>133,540</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>133,540</u>	<u>133,540</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(2,079,403)</u>	<u>(1,400,455)</u>	<u>678,948</u>	<u>208,012</u>
Fund balances, beginning of year	<u>2,990,803</u>	<u>2,990,803</u>	<u>-</u>	<u>2,782,791</u>
Fund balances, end of year	<u>\$ 911,400</u>	<u>1,590,348</u>	<u>678,948</u>	<u>2,990,803</u>

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INTERNAL SERVICE FUNDS

Insurance and Employee Benefits Fund

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

Vehicle Replacement Fund

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

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Net Assets
June 30, 2010
(With Comparative Totals For June 30, 2009)

	<u>Insurance and</u>	<u>Vehicle</u>	<u>Totals</u>	
	<u>Employee Benefits</u>	<u>Replacement</u>	<u>2010</u>	<u>2009</u>
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 7,086,458	1,728,912	8,815,370	13,709,651
Receivables:				
Accounts	14,014	-	14,014	157
Prepays	255,462	-	255,462	247,536
Total current assets	<u>7,355,934</u>	<u>1,728,912</u>	<u>9,084,846</u>	<u>13,957,344</u>
Noncurrent assets:				
Advances to other funds	4,500,000	1,700,000	6,200,000	1,000,000
Notes receivable	481,712	189,136	670,848	700,574
Property held for investment	1,356,153	321,656	1,677,809	1,677,809
Capital assets, net of depreciation	-	2,805,413	2,805,413	3,220,778
Total noncurrent assets	<u>6,337,865</u>	<u>5,016,205</u>	<u>11,354,070</u>	<u>6,599,161</u>
Total assets	<u>13,693,799</u>	<u>6,745,117</u>	<u>20,438,916</u>	<u>20,556,505</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and accrued liabilities	102,033	18,574	120,607	188,525
Compensated absences due within one year	2,727,269	-	2,727,269	2,727,269
Insurance claims payable due within one year	1,377,381	-	1,377,381	1,552,705
Total current liabilities	<u>4,206,683</u>	<u>18,574</u>	<u>4,225,257</u>	<u>4,468,499</u>
Non-current liabilities:				
Compensated absences	988,983	-	988,983	729,967
Insurance claims payable	3,213,889	-	3,213,889	2,883,595
Net OPEB liability	102,441	-	102,441	55,492
Total non-current liabilities	<u>4,305,313</u>	<u>-</u>	<u>4,305,313</u>	<u>3,669,054</u>
Total liabilities	<u>8,511,996</u>	<u>18,574</u>	<u>8,530,570</u>	<u>8,137,553</u>
<u>Net Assets</u>				
Net assets:				
Invested in capital assets	-	2,805,413	2,805,413	3,220,778
Unrestricted	5,181,803	3,921,130	9,102,933	9,198,174
Total net assets	<u>\$ 5,181,803</u>	<u>6,726,543</u>	<u>11,908,346</u>	<u>12,418,952</u>

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended June 30, 2010
(With Comparative Totals For Year Ended June 30, 2009)

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2010	2009
Operating revenues:				
Vehicle rentals	\$ -	1,041,277	1,041,277	1,004,582
Employee benefits charges	733,600	-	733,600	743,998
Insurance charges	5,640,695	-	5,640,695	5,738,176
Total operating revenues	6,374,295	1,041,277	7,415,572	7,486,756
Operating expenses:				
Employee benefits	981,489	-	981,489	689,274
Insurance claims and premiums	6,386,030	-	6,386,030	6,816,554
Depreciation	-	819,835	819,835	699,453
Other	-	-	-	11,408
Total operating expenses	7,367,519	819,835	8,187,354	8,216,689
Operating income (loss)	(993,224)	221,442	(771,782)	(729,933)
Nonoperating revenues (expenses):				
Investment income	28,177	9,833	38,010	40,799
Gain (loss) on disposal of capital assets	-	(24,868)	(24,868)	(67,310)
Other	-	145	145	707
Total nonoperating revenues (expenses)	28,177	(14,890)	13,287	(25,804)
Income (loss) before transfers	(965,047)	206,552	(758,495)	(755,737)
Transfers:				
Transfers in	247,889	-	247,889	-
Total transfers	247,889	-	247,889	-
Change in net assets	(717,158)	206,552	(510,606)	(755,737)
Net assets at beginning of year	5,898,961	6,519,991	12,418,952	13,174,689
Net assets at end of year	\$ 5,181,803	6,726,543	11,908,346	12,418,952

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2010
(With Comparative Totals For Year Ended June 30, 2009)

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2010	2009
Cash flows from operating activities:				
Cash received from user departments	\$ 6,375,798	1,041,422	7,417,220	7,501,816
Cash payments to suppliers for goods and services	(6,322,443)	(9,329)	(6,331,772)	(6,896,132)
Cash payments to employees for services	(675,524)	-	(675,524)	(495,892)
Net cash provided by (used for) operating activities	(622,169)	1,032,093	409,924	109,792
Cash flows from noncapital financing activities:				
Cash received from other funds	247,889	-	247,889	-
Cash paid to other funds	(4,500,000)	(700,000)	(5,200,000)	(1,000,000)
Loan principal received	-	14,366	14,366	32,774
Net cash provided by (used for) noncapital financing activities	(4,252,111)	(685,634)	(4,937,745)	(967,226)
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	(404,470)	(404,470)	(1,014,242)
Proceeds from sale of capital assets	-	-	-	514,913
Net cash provided by (used for) capital and related financing activities	-	(404,470)	(404,470)	(499,329)
Cash flows from investing activities:				
Interest received	28,177	9,833	38,010	40,799
Net cash provided by (used for) investing activities	28,177	9,833	38,010	40,799
Net increase (decrease) in cash and cash equivalents	(4,846,103)	(48,178)	(4,894,281)	(1,315,964)
Cash and cash equivalents at beginning of year	11,932,561	1,777,090	13,709,651	15,025,615
Cash and cash equivalents at end of year	\$ 7,086,458	1,728,912	8,815,370	13,709,651

(Continued)

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Cash Flows
(Continued)

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2010	2009
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (993,224)	221,442	(771,782)	(729,933)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	-	819,835	819,835	699,453
Miscellaneous income	-	145	145	707
Loss on disposal of capital assets	-	(24,868)	(24,868)	(67,310)
(Increase) decrease in accounts receivable	(13,857)	-	(13,857)	16,840
(Increase) decrease in notes receivable	15,360	-	15,360	-
(Increase) decrease in prepaids	(7,926)	-	(7,926)	(27,141)
Increase (decrease) in accounts payable and accrued liabilities	(83,457)	15,539	(67,918)	27,812
Increase (decrease) in compensated absences payable	259,016	-	259,016	137,890
Increase (decrease) in Net OPEB liability	46,949	-	46,949	55,492
Increase (decrease) in insurance claims payable	154,970	-	154,970	(4,018)
	<u>154,970</u>	<u>-</u>	<u>154,970</u>	<u>(4,018)</u>
Net cash provided by (used for) operating activities	\$ <u>(622,169)</u>	<u>1,032,093</u>	<u>409,924</u>	<u>109,792</u>

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AGENCY FUNDS

1911 Act Bonds Fund

The City Treasurer of the City of Laguna Beach acts as the agent for the bondholders. The City Treasurer receives the monies for assessments and disburses the monies collected to the bondholders.

1915 Act Bonds Fund

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

Deposits Fund

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

CITY OF LAGUNA BEACH
 Agency Funds
 Combining Statement of Fiduciary Assets and Liabilities
 June 30, 2010
 (With Comparative Totals For June 30, 2009)

	1911 Act Bonds	1915 Act Bonds	Deposits	Totals	
				2010	2009
<u>Assets</u>					
Cash and investments	\$ 12,980	1,938,202	2,362,011	4,313,193	5,439,110
Investments with fiscal agent	-	1,348,499	-	1,348,499	1,416,536
Receivables:					
Accounts	-	-	13,277	13,277	7,857
Intergovernmental	-	25,137	-	25,137	45,312
	-	25,137	-	25,137	45,312
Total assets	\$ 12,980	3,311,838	2,375,288	5,700,106	6,908,815
 <u>Liabilities</u>					
Accounts payable and accrued liabilities	\$ -	2,100	31,523	33,623	48,133
Deposits	-	-	2,343,765	2,343,765	2,437,487
Due to bondholders	12,980	3,309,738	-	3,322,718	4,423,195
Total liabilities	\$ 12,980	3,311,838	2,375,288	5,700,106	6,908,815

CITY OF LAGUNA BEACH
 Agency Funds
 Combining Statement of Changes in Fiduciary Assets and Liabilities
 June 30, 2010

	Balance	Additions	Deletions	Balance
	July 1, 2009			June 30, 2010
<u>1911 Act Bonds</u>				
<u>Assets</u>				
Cash and Investments	\$ 13,724	12,980	13,724	12,980
<u>Liabilities</u>				
Due to bondholders	\$ 13,724	12,980	13,724	12,980
<u>1915 Act Bonds</u>				
<u>Assets</u>				
Cash and investments	\$ 2,955,452	1,938,202	2,955,452	1,938,202
Investments with fiscal agent	1,416,536	1,348,499	1,416,536	1,348,499
Receivables:				
Intergovernmental	45,312	25,137	45,312	25,137
Total assets	\$ 4,417,300	3,311,838	4,417,300	3,311,838
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 7,829	2,100	7,829	2,100
Due to bondholders	4,409,471	3,309,738	4,409,471	3,309,738
Total liabilities	4,417,300	3,311,838	4,417,300	3,311,838
<u>Deposits</u>				
<u>Assets</u>				
Cash and investments	\$ 2,469,934	2,362,011	2,469,934	2,362,011
Receivables:				
Accounts	7,857	13,277	7,857	13,277
Total assets	\$ 2,477,791	2,375,288	2,477,791	2,375,288
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 40,304	31,523	40,304	31,523
Deposits	2,437,487	2,343,765	2,437,487	2,343,765
Total liabilities	\$ 2,477,791	2,375,288	2,477,791	2,375,288
TOTALS				
<u>Assets</u>				
Cash and investments	\$ 5,439,110	4,313,193	5,439,110	4,313,193
Investments with fiscal agent	1,416,536	1,348,499	1,416,536	1,348,499
Receivables:				
Accounts	7,857	13,277	7,857	13,277
Intergovernmental	45,312	25,137	45,312	25,137
Total assets	\$ 6,908,815	5,700,106	6,908,815	5,700,106
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 48,133	33,623	48,133	33,623
Deposits	2,437,487	2,343,765	2,437,487	2,343,765
Due to bondholders	4,423,195	3,322,718	4,423,195	3,322,718
Total liabilities	\$ 6,908,815	5,700,106	6,908,815	5,700,106

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OTHER INFORMATION

City of Laguna Beach
Net Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Years		
	2003	2004	2005
Governmental activities:			
Invested in capital assets, net of related debt	\$ 88,025,542	\$ 100,630,789	\$ 105,408,336
Restricted	10,032,695	8,324,762	9,726,623
Unrestricted	23,241,494	23,439,204	31,968,151
Total governmental activities	<u>\$ 121,299,731</u>	<u>\$ 132,394,755</u>	<u>\$ 147,103,110</u>
Business-type activities:			
Invested in capital assets, net of related debt	\$ 1,429,586	1,773,060	\$ 1,498,938
Unrestricted	23,050	23,051	714,920
Total business type activities	<u>\$ 1,452,636</u>	<u>1,796,111</u>	<u>\$ 2,213,858</u>
Primary Government:			
Invested in capital assets, net of related debt	\$ 89,455,128	\$ 102,403,849	\$ 106,907,274
Restricted	10,032,695	8,324,762	9,726,623
Unrestricted	23,264,544	23,462,255	32,683,071
Total business type activities	<u>\$ 122,752,367</u>	<u>\$ 134,190,866</u>	<u>\$ 149,316,968</u>

*The City of Laguna Beach implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available*

Fiscal Years				
2006	2007	2008	2009	2010
\$ 124,111,940	\$ 285,605,573	\$ 305,837,234	\$ 318,076,672	\$ 315,618,279
10,449,060	11,766,456	10,754,223	10,806,358	12,512,277
34,239,450	43,592,259	41,777,890	40,877,799	43,085,546
<u>\$ 168,800,450</u>	<u>\$ 340,964,288</u>	<u>\$ 358,369,347</u>	<u>\$ 369,760,829</u>	<u>\$ 371,216,102</u>
\$ 1,720,568	\$ 2,702,993	\$ 3,056,319	\$ 2,706,697	\$ 2,620,625
265,839	505,975	465,194	464,012	55,182
<u>\$ 1,986,407</u>	<u>\$ 3,208,968</u>	<u>\$ 3,521,513</u>	<u>\$ 3,170,709</u>	<u>\$ 2,675,807</u>
\$ 125,832,508	\$ 288,308,566	\$ 308,893,553	\$ 320,783,369	\$ 318,238,904
10,449,060	11,766,456	10,754,223	10,806,358	12,512,277
34,505,289	44,098,234	42,243,084	41,341,811	43,140,728
<u>\$ 170,786,857</u>	<u>\$ 344,173,256</u>	<u>\$ 361,890,860</u>	<u>\$ 372,931,538</u>	<u>\$ 373,891,909</u>

City of Laguna Beach
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Years			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
General government	\$ 3,124,084	\$ 2,904,607	\$ 4,294,820	\$ 3,921,931
Community development	2,337,716	2,355,274	2,382,329	2,668,812
Public Safety	16,112,020	16,049,217	18,193,401	18,864,927
Public Works	16,998,409	13,172,223	11,063,217	21,427,184
Recreation and social services	2,895,627	2,851,119	3,164,928	3,415,130
Sewer service operating costs	3,551,289	3,147,888	3,924,249	3,484,183
Interest on long-term debt	1,344,024	968,961	518,189	521,755
Total governmental activities expenses	<u>46,363,169</u>	<u>41,449,289</u>	<u>43,541,133</u>	<u>54,303,922</u>
Business-type activities:				
Municipal transit	\$ 1,289,289	\$ 1,453,091	\$ 1,677,468	\$ 1,664,811
Total business-type activities expenses	<u>\$ 1,289,289</u>	<u>\$ 1,453,091</u>	<u>\$ 1,677,468</u>	<u>\$ 1,664,811</u>
Total primary government expenses	<u>\$ 47,652,458</u>	<u>\$ 42,902,380</u>	<u>\$ 45,218,601</u>	<u>\$ 55,968,733</u>
Program revenues:				
Governmental activities:				
Charges for Services:				
General Government	\$ 763,533	\$ 895,538	\$ 954,161	\$ 985,885
Community development	1,728,284	2,317,751	2,680,048	2,775,360
Public safety	1,575,897	1,685,647	1,877,297	2,050,919
Public works	5,176,964	4,410,512	5,523,490	4,893,227
Recreation and social services	1,154,832	1,204,292	1,145,857	1,217,894
Sewer service operating costs	4,542,347	4,997,882	5,091,637	5,328,527
Operating Grants and Contributions:	2,491,136	2,445,247	2,804,549	3,716,412
Capital Grants and Contributions:	5,147,937	909,854	2,453,596	14,298,137
Total governmental activities program revenues	<u>\$ 22,580,930</u>	<u>\$ 18,866,723</u>	<u>\$ 22,530,635</u>	<u>\$ 35,266,361</u>
Business-type activities				
Charges for Services:				
Municipal Transit	\$ 160,217	\$ 184,466	\$ 223,662	\$ 325,015
Operating Grants and Contributions:	973,931	1,085,797	1,201,453	881,047
Capital Grants and Contributions:	668,724	526,303	450,000	57,912
Total business-type activities program revenues	<u>\$ 1,802,872</u>	<u>\$ 1,796,566</u>	<u>\$ 1,875,115</u>	<u>\$ 1,263,974</u>
Total primary government program revenues	<u>\$ 24,383,802</u>	<u>\$ 20,663,289</u>	<u>\$ 24,405,750</u>	<u>\$ 36,530,335</u>
Net revenues (expenses):				
Governmental activities	\$ (23,782,239)	\$ (22,582,566)	\$ (21,010,498)	\$ (19,037,561)
Business-type activities	513,583	343,475	197,647	(400,837)
Total net revenues (expenses)	<u>\$ (23,268,656)</u>	<u>\$ (22,239,091)</u>	<u>\$ (20,812,851)</u>	<u>\$ (19,438,398)</u>

Fiscal Years			
2007	2008	2009	2010
\$ 4,043,977	\$ 4,326,076	\$ 4,375,200	\$ 4,252,146
2,955,670	3,422,556	3,768,607	3,614,799
21,480,996	23,133,907	25,697,805	25,351,962
13,372,777	22,374,310	18,182,514	20,707,700
3,609,896	3,839,208	4,147,762	4,268,774
4,561,407	4,682,498	5,850,403	5,673,965
511,304	408,619	368,191	290,473
<u>50,536,027</u>	<u>62,187,174</u>	<u>62,390,482</u>	<u>64,159,819</u>
\$ 1,857,979	\$ 2,183,550	\$ 2,318,378	\$ 2,458,706
\$ 1,857,979	\$ 2,183,550	\$ 2,318,378	\$ 2,458,706
\$ 52,394,006	\$ 64,370,724	\$ 64,708,860	\$ 66,618,525
\$ 1,097,636	\$ 1,031,632	\$ 1,073,481	\$ 945,403
2,811,790	2,635,214	2,587,192	2,523,559
2,010,319	2,400,367	2,257,248	2,111,769
6,113,731	5,329,796	6,563,355	6,081,042
1,405,718	1,499,601	1,448,611	2,776,127
5,497,631	5,654,840	5,766,575	5,949,922
5,017,124	6,159,388	5,445,042	3,192,109
15,865,514	7,300,066	1,083,774	75,751
<u>39,819,463</u>	<u>32,010,904</u>	<u>26,225,278</u>	<u>23,655,682</u>
\$ 339,842	\$ 348,146	\$ 323,660	\$ 313,847
1,221,042	951,510	1,019,877	1,155,687
1,223,950	862,200	9,496	-
<u>2,784,834</u>	<u>2,161,856</u>	<u>1,353,033</u>	<u>1,469,534</u>
\$ 42,604,297	\$ 34,172,760	\$ 27,578,311	\$ 25,125,216
\$ (10,716,564)	\$ (30,176,270)	\$ (36,165,204)	\$ (40,504,137)
926,855	(21,694)	(965,345)	(989,172)
<u>\$ (9,789,709)</u>	<u>\$ (30,197,964)</u>	<u>\$ (37,130,549)</u>	<u>\$ (41,493,309)</u>

City of Laguna Beach
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Years		
	2003	2004	2005
General Revenues and other changes in net assets:			
Governmental activities:			
Taxes:			
Property taxes	\$ 14,987,265	\$ 16,295,123	\$ 19,355,411
Sales Tax	3,714,249	3,757,472	3,153,636
Sales tax in-lieu	-	-	910,621
Transient occupancy taxes	3,694,378	6,770,614	7,251,883
Other taxes	3,093,474	3,425,828	3,197,487
Motor vehicle license fees, unrestricted	1,416,513	1,073,809	266,988
Investment Income	1,035,339	866,479	790,686
Other general revenue	1,113,806	1,450,806	987,200
Gain on sale of assets	-	37,459	25,041
Transfers	(27,738)	-	(220,100)
Total governmental activities	<u>\$ 29,027,286</u>	<u>\$ 33,677,590</u>	<u>\$ 35,718,853</u>
Business-type activities			
Investment Income	\$ -	\$ -	\$ -
Other general revenue	-	-	-
Gain or loss on sale of assets	(9,403)	-	-
Transfers	27,738	-	220,100
Total Business-type activities	<u>\$ 18,335</u>	<u>\$ -</u>	<u>\$ 220,100</u>
Total Primary government	<u>\$ 29,045,621</u>	<u>\$ -</u>	<u>\$ 35,938,953</u>
Changes in net assets			
Governmental activities	\$ 5,245,047	\$ 11,095,024	\$ 14,708,355
Business-type activities	531,918	343,475	417,747
Total primary government	<u>\$ 5,776,965</u>	<u>\$ 11,438,499</u>	<u>\$ 15,126,102</u>

*The City of Laguna Beach implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available*

Fiscal Years				
2006	2007	2008	2009	2010
\$ 21,284,138	\$ 23,447,241	\$ 25,525,587	\$ 26,973,472	\$ 27,766,596
3,623,610	3,924,620	4,074,094	3,427,084	3,206,617
918,602	1,112,853	1,149,419	1,163,049	697,446
7,900,582	8,661,017	8,741,413	7,856,964	6,759,353
5,144,450	5,823,284	6,638,617	5,759,315	1,816,278
171,850	144,395	111,385	85,458	74,043
952,890	1,646,417	1,952,936	1,768,663	1,332,412
912,165	1,042,577	551,766	754,080	775,565
-	595,802	302,575	(60,087)	-
(173,386)	(272,174)	(386,000)	(602,000)	(468,900)
<u>\$ 40,734,901</u>	<u>\$ 46,126,032</u>	<u>\$ 48,661,792</u>	<u>\$ 47,125,998</u>	<u>\$ 41,959,410</u>
\$ -	\$ 19,532	\$ 13,197	\$ 10,377	\$ 19,065
-	4,000	4,000	1,764	4,003
-	-	-	-	2,302
173,386	272,174	386,000	602,400	468,900
<u>\$ 173,386</u>	<u>\$ 295,706</u>	<u>\$ 403,197</u>	<u>\$ 614,541</u>	<u>\$ 494,270</u>
<u>\$ 40,908,287</u>	<u>\$ 46,421,738</u>	<u>\$ 49,064,989</u>	<u>\$ 47,740,539</u>	<u>\$ 42,453,680</u>
\$ 21,697,340	\$ 35,409,468	\$ 18,485,522	\$ 10,960,794	\$ 1,455,273
(227,451)	1,222,561	381,503	(350,804)	(494,902)
<u>\$ 21,469,889</u>	<u>\$ 36,632,029</u>	<u>\$ 18,867,025</u>	<u>\$ 10,609,990</u>	<u>\$ 960,371</u>

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

	Fiscal Years			
	2003	2004	2005	2006
General Fund:				
Reserved	\$ 2,631,536	\$ 1,762,179	\$ 1,965,077	\$ 10,917,199
Unreserved	17,023,558	13,094,341	19,314,709	19,379,214
Total general fund	\$ 19,655,094	\$ 14,856,520	\$ 21,279,786	\$ 30,296,413
Gas Tax Fund				
Reserved	\$ 236,402	\$ 232,777	\$ 250,484	\$ -
Unreserved	563,013	805,742	1,380,145	-
Total gas tax fund	\$ 799,415	\$ 1,038,519	\$ 1,630,629	\$ -
Bluebird Landslide				
Reserved	\$ -	\$ -	\$ -	\$ 1,245,174
Unreserved	-	-	-	(8,394,353)
Total bluebird fund	\$ -	\$ -	\$ -	\$ (7,149,179)
Sewer service fund				
Reserved	\$ 697,135	\$ 75,373	\$ 2,382,349	\$ 1,167,486
Unreserved	1,164,929	2,072,789	(345,289)	1,775,024
Total sewer service fund	\$ 1,862,064	\$ 2,148,162	\$ 2,037,060	\$ 2,942,510
General obligation bonds fund				
Reserved	\$ 1,761,187	\$ 1,866,023	\$ 2,014,063	\$ 2,174,147
Unreserved	-	-	-	-
Total general obligation bonds fund	\$ 1,761,187	\$ 1,866,023	\$ 2,014,063	\$ 2,174,147
Capital projects fund				
Reserved	\$ 1,461,671	\$ 353,459	\$ 1,025,874	\$ -
Unreserved	418,017	2,147,864	2,101,113	2,681,454
Total capital projects fund	\$ 1,879,688	\$ 2,501,323	\$ 3,126,987	\$ 2,681,454
All other governmental funds				
Reserved	\$ 1,553,324	\$ 1,324,428	\$ 1,104,444	\$ 410,780
Unreserved, reported in:				
Special revenue funds	1,644,335	1,007,450	1,002,079	3,862,638
Capital project funds	-	-	-	-
Total all other governmental funds	\$ 3,197,659	\$ 2,331,878	\$ 2,106,523	\$ 4,273,418

*The City of Laguna Beach implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available*

Fiscal Years

2007	2008	2009	2010
\$ 15,920,632	\$ 8,211,027	\$ 4,868,096	\$ 2,876,602
21,006,455	25,156,927	27,300,693	20,401,161
<u>\$ 36,927,087</u>	<u>\$ 33,367,954</u>	<u>\$ 32,168,789</u>	<u>\$ 23,277,763</u>
\$ -	\$ -	\$ -	\$ 33,700
-	898,074	(3,058,293)	(862,365)
<u>\$ -</u>	<u>\$ 898,074</u>	<u>\$ (3,058,293)</u>	<u>\$ (828,665)</u>
\$ -	\$ -	\$ -	\$ -
(14,203,915)	(1,868,623)	(2,115,094)	5,766,171
<u>\$ (14,203,915)</u>	<u>\$ (1,868,623)</u>	<u>\$ (2,115,094)</u>	<u>\$ 5,766,171</u>
\$ 533,047	\$ -	\$ 990,875	\$ 179,675
3,110,897	1,914,500	1,118,068	2,342,364
<u>\$ 3,643,944</u>	<u>\$ 1,914,500</u>	<u>\$ 2,108,943</u>	<u>\$ 2,522,039</u>
\$ 2,077,176	\$ 2,119,420	\$ 2,121,428	\$ 2,025,786
-	-	-	-
<u>\$ 2,077,176</u>	<u>\$ 2,119,420</u>	<u>\$ 2,121,428</u>	<u>\$ 2,025,786</u>
\$ -	\$ -	\$ -	\$ 321,180
4,427,423	2,782,791	2,990,803	1,269,168
<u>\$ 4,427,423</u>	<u>\$ 2,782,791</u>	<u>\$ 2,990,803</u>	<u>\$ 1,590,348</u>
\$ 729,639	\$ 354,444	\$ 2,666,994	\$ 2,854,444
3,108,178	3,649,247	8,113,005	608,020
-	2,782,791	-	-
<u>\$ 3,837,817</u>	<u>\$ 6,786,482</u>	<u>\$ 10,779,999</u>	<u>\$ 3,462,464</u>

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

	Fiscal Years		
	2003	2004	2005
Revenues:			
Taxes and special assessments	\$ 24,645,650	\$ 27,674,519	\$ 33,632,030
License and permits	882,545	998,849	1,189,531
Fines and penalties	1,171,368	1,284,874	1,529,719
Investment income	1,120,290	960,226	932,572
Rental income	400,928	403,376	450,735
Intergovernmental	4,227,651	3,577,569	2,924,122
Charges for services	9,383,066	10,871,092	11,282,059
Parking meters, lots and permits	3,449,024	2,805,707	3,862,436
Development tax	627,812	372,123	356,855
Contributions from property owners	4,012,814	358,686	578,739
Other	572,059	677,375	547,486
Total Revenue	<u>\$ 50,493,207</u>	<u>\$ 49,984,396</u>	<u>\$ 57,286,284</u>
Expenditures			
Current:			
General government	\$ 2,881,158	\$ 2,930,520	\$ 4,181,073
Community development	2,283,465	2,490,925	2,416,040
Public Safety	15,646,840	16,758,061	18,641,992
Public works	8,468,281	8,426,182	8,584,263
Recreation and social services	2,847,479	3,039,009	3,230,652
Sewer service operating costs	2,785,101	2,848,097	3,389,582
Capital expenditures	22,180,636	10,216,779	6,865,535
Debt service:			
Principle	1,425,000	9,286,834	1,660,000
Interest and fiscal charges	613,869	992,687	543,296
Total Expenditures	<u>\$ 59,131,829</u>	<u>\$ 56,989,094</u>	<u>\$ 49,512,433</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (8,638,622)	\$ (7,004,698)	\$ 7,773,851
Other financing sources (uses):			
Transfer In	\$ 1,013,001	\$ 2,397,537	\$ 1,557,042
Transfer Out	(1,214,051)	(1,809,812)	(3,581,690)
Issuance of bond	-	-	1,627,140
Issuance of loan	-	-	69,357
Advance payments of PERS obligation	-	-	-
Developer loan	8,707,000	-	-
Sales of land and equipment	5,198	3,991	6,923
Total other financing sources (uses)	<u>8,511,148</u>	<u>591,716</u>	<u>(321,228)</u>
Net change in fund balances	<u>\$ (127,474)</u>	<u>\$ (6,412,982)</u>	<u>\$ 7,452,623</u>
Debt service as a percentage of noncapital expenditures	5.8%	28.2%	5.4%

The City of Laguna Beach implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available

Fiscal Years

	2006	2007	2008	2009	2010
\$	37,249,362	\$ 41,980,491	\$ 45,061,416	\$ 44,868,922	\$ 40,986,641
	1,264,362	1,096,008	1,024,172	1,141,821	924,040
	1,598,359	1,476,739	1,968,877	1,807,176	1,483,462
	1,277,408	1,836,734	2,172,846	1,907,979	1,361,432
	448,309	369,318	354,560	387,562	420,678
	9,989,976	11,713,427	24,866,373	4,892,173	3,228,921
	11,566,496	12,316,932	12,649,555	12,444,053	12,693,018
	3,225,562	4,334,250	3,406,195	4,715,786	4,080,151
	386,146	276,472	152,469	6,441	39,804
	-	-	-	-	-
	806,114	1,938,787	2,556,833	2,238,673	1,047,961
\$	<u>67,812,094</u>	<u>\$ 77,339,158</u>	<u>\$ 94,213,296</u>	<u>\$ 74,410,586</u>	<u>\$ 66,266,108</u>

\$	3,758,978	\$ 3,361,299	\$ 4,047,877	\$ 3,977,543	\$ 3,901,637
	2,703,135	3,041,255	3,399,926	3,636,575	3,482,651
	19,267,767	22,092,500	23,078,430	25,048,032	24,681,583
	9,089,003	9,202,763	10,501,163	11,049,821	11,070,780
	3,486,067	4,437,225	3,865,406	4,006,552	4,196,800
	2,928,237	3,348,521	3,620,729	3,886,559	4,093,162
	23,870,902	36,404,842	33,322,037	24,039,610	9,377,939
	1,730,000	2,101,314	2,199,676	1,655,800	1,425,000
	468,513	542,389	441,432	717,756	697,523
\$	<u>67,302,602</u>	<u>\$ 84,532,108</u>	<u>\$ 84,476,676</u>	<u>\$ 78,018,248</u>	<u>\$ 62,927,075</u>

\$	509,492	\$ (7,192,950)	\$ 9,736,620	\$ (3,607,662)	\$ 3,339,033
\$	2,905,040	\$ 3,000,810	\$ 1,857,367	\$ 1,499,569	\$ 6,087,140
	(2,651,632)	(3,346,660)	(2,465,695)	(2,101,969)	(6,803,929)
	524,543	2,269,830	584,539	-	-
	1,632,928	2,071,567	534,000	2,586,128	152,486
	-	-	-	-	(9,956,355)
	-	-	-	-	-
	4,344	4,788,172	302,572	7,223	956
	2,415,223	8,783,719	812,783	1,990,951	(10,519,702)
\$	<u>2,924,715</u>	<u>\$ 1,590,769</u>	<u>\$ 10,549,403</u>	<u>\$ (1,616,711)</u>	<u>\$ (7,180,669)</u>

5.3%

5.8%

5.4%

4.6%

4.1%

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
2001	4,472,147,085	75,997,407	4,548,144,492	0.147%
2002	4,975,476,933	73,338,031	5,048,814,964	0.146%
2003	5,410,641,646	75,742,398	5,486,384,044	0.146%
2004	5,945,977,936	91,846,719	6,037,824,655	0.146%
2005	6,670,751,744	156,881,531	6,827,633,275	0.146%
2006	7,462,406,353	89,524,835	7,551,931,188	0.146%
2007	8,209,054,191	92,955,130	8,302,009,321	0.146%
2008	9,035,861,459	87,362,786	9,123,224,245	0.146%
2009	9,647,441,774	103,225,460	9,750,667,234	0.146%
2010	10,043,507,598	100,187,357	10,143,694,955	0.146%

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 Auditor Controller's Office

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
City Direct Rates:					
City basic rate	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total City Direct Rate	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Overlapping Rates:					
City of Laguna Beach Bonds	0.0372	0.0320	0.0291	0.0223	0.0197
Unified School District Bonds	-	0.0376	0.0290	0.0202	0.0190
South Coast Water District	0.0216	0.0193	0.0166	0.0108	0.0098
Metro Water District	0.0088	0.0070	0.0067	0.0058	0.0052
Orange County	-	-	-	-	-
Total Direct Rate	<u>\$ 1.06760</u>	<u>\$ 1.09598</u>	<u>\$ 1.08129</u>	<u>\$ 1.05909</u>	<u>\$ 1.05370</u>

NOTE:

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

Source: Orange County Auditor Controller's Office

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
0.0179	0.0179	0.0162	0.0152	0.0137
0.0172	0.0172	0.0172	0.0154	0.0168
0.0090	0.0090	0.0096	0.0093	0.0092
0.0047	0.0047	0.0045	0.0043	0.0043
-	-	-	-	-
<u>\$ 1.04883</u>	<u>\$ 1.04883</u>	<u>\$ 1.04756</u>	<u>\$ 1.04421</u>	<u>\$ 1.04406</u>

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

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Laguna Beach Luxury Hotel	\$ 174,306,163	1	1.72%			
Club Laguna Partnership	45,334,152	2	0.45%	\$ 37,646,615	2	0.83%
Kenneth J. Sullivan III Trust	32,072,222	3	0.32%			
Richard and Naelda Merritt	31,741,505	4	0.31%			
Nevills Neil D Trust	30,171,600	5	0.30%			
Laguna Resort Property	29,347,755	6	0.29%			
Ira H. Rosenblatt Trust Belle Mare Trust	25,000,000	7	0.25%			
Residential Property Investment LLC	23,496,657	8	0.23%			
Gary J. Daichendt Trust	22,875,933	9	0.23%			
Gregory J. Burden Trust	22,169,279	10	0.22%			
Five Star Resort LLC				38,000,000	1	0.84%
PW Acquisitions XI				18,589,844	3	0.41%
O Hill Properties				18,234,272	4	0.40%
Cox Communications				16,528,369	5	0.36%
Ocean Point Limited				11,444,528	6	0.25%
Phillip J. Carroll				11,419,880	7	0.25%
Matthew Alcone Trust				10,233,589	8	0.23%
Regency Associates Limited				9,335,080	9	0.21%
Duane R. Roberts Trust				9,321,016	9	0.20%
	<u>\$ 436,515,266</u>		<u>4.30%</u>	<u>\$ 180,753,193</u>		<u>3.97%</u>

Source: HdL Coren & Cone

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collections within the Fiscal Year of Levy		Collection in Subsequent Years	Total Collection to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2001	10,760,392	10,543,374	97.98%	217,018	10,760,392	100%
2002	11,938,774	11,686,447	97.89%	252,327	11,938,774	100%
2003	12,895,845	12,655,796	98.14%	240,049	12,895,845	100%
2004	14,215,094	14,006,384	98.53%	208,710	14,215,094	100%
2005	16,207,471	16,492,734	101.76%	285,263	16,777,997	104%
2006	18,222,850	17,817,435	97.78%	405,415	18,222,850	100%
2007	19,684,235	18,984,179	96.44%	700,056	19,684,235	100%
2008	21,536,874	20,677,967	96.01%	858,906	21,536,873	100%
2009	22,533,278	21,703,512	96.32%	829,766	22,533,278	100%
2010	20,988,144	20,435,935	97.37%	552,209	20,988,144	100%

Source: Orange County Auditor Controller's Office

CITY OF LAGUNA BEACH
 Legal Debt Margin
 Last Ten Fiscal Years

	Fiscal Years			
	2001	2002	2003	2004
Assessed valuation	4,548,144,492	5,048,814,964	5,486,384,044	6,037,824,655
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,137,036,123	1,262,203,741	1,371,596,011	1,509,456,164
Debt limit percentage	15%	15%	15%	15%
Debt limit	170,555,418	189,330,561	205,739,402	226,418,425
Total net debt applicable to limit:				
General obligation bonds	<u>13,362,089</u>	<u>12,692,076</u>	<u>11,346,297</u>	<u>10,138,813</u>
Legal debt margin	<u>\$ 157,193,329</u>	<u>\$ 176,638,485</u>	<u>\$ 194,393,105</u>	<u>\$ 216,279,612</u>
Total debt applicable to the limit as a percentage of debt limit	7.8%	6.7%	5.5%	4.5%

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

Note:

Source: City Administrative Services Department

Fiscal Years

2005	2006	2007	2008	2009	2010
6,827,633,275	7,551,931,188	8,302,009,321	9,123,224,245	9,750,667,234	10,143,694,955
25%	25%	25%	25%	25%	25%
1,706,908,319	1,887,982,797	2,075,502,330	2,280,806,061	2,437,666,809	2,535,923,739
15%	15%	15%	15%	15%	15%
256,036,248	283,197,420	311,325,350	342,120,909	365,650,021	380,388,561
<u>8,913,977</u>	<u>7,600,937</u>	<u>6,330,853</u>	<u>7,150,000</u>	<u>5,840,000</u>	<u>4,480,000</u>
<u>\$ 247,122,271</u>	<u>\$ 275,596,483</u>	<u>\$ 304,994,497</u>	<u>\$ 334,970,909</u>	<u>\$ 359,810,021</u>	<u>\$ 375,908,561</u>
3.5%	2.7%	2.0%	2.1%	1.6%	1.2%

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

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Income	Unemployment Rates
2000	23,727	\$ 1,356,963	\$ 57,191	2.5%
2001	24,010	\$ 1,387,199	\$ 57,776	2.9%
2002	24,312	\$ 1,408,748	\$ 57,945	3.6%
2003	24,572	\$ 1,451,529	\$ 59,072	3.5%
2004	24,755	\$ 1,520,498	\$ 61,422	3.1%
2005	24,844	\$ 1,582,252	\$ 63,687	2.7%
2006	24,879	\$ 1,668,235	\$ 67,054	2.5%
2007	24,921	\$ 1,726,808	\$ 69,291	2.8%
2008	24,998	\$ 1,745,071	\$ 69,808	3.8%
2009 *	25,175	\$ 1,716,641	\$ 68,188	6.6%

Source: HdL Coren & Cone

* Data for 2010 is not available.

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

Function	Fiscal Years			
	2001	2002	2003	2004
General Government	15.00	15.00	17.10	17.63
Public Safety	132.00	133.00	134.00	131.00
Public Works	55.00	66.00	69.00	54.00
Community Development	21.40	22.60	23.60	23.60
Recreational and Cultural	6.75	6.75	6.75	7.50
Water Quality	-	-	-	15.00
Total	<u>230.15</u>	<u>243.35</u>	<u>250.45</u>	<u>248.73</u>

Source: City Administrative Services Department

Fiscal Years					
2005	2006	2007	2008	2009	2010
17.63	18.03	18.03	18.03	18.03	18.03
131.75	132.00	133.00	135.00	134.00	134.00
56.00	56.00	56.00	56.00	57.00	55.00
24.00	24.00	26.00	26.00	29.00	28.00
7.50	7.50	7.50	7.50	7.65	7.65
15.00	15.00	15.00	15.00	15.00	15.00
<u>251.88</u>	<u>252.53</u>	<u>255.53</u>	<u>257.53</u>	<u>260.68</u>	<u>257.68</u>

CITY OF LAGUNA BEACH
 Operating Indicators
 Last Ten Fiscal Years

	Fiscal Years			
	2001	2002	2003	2004
Police				
Custodial Arrests	1,441	2,467	2,936	3,358
Traffic Violations	11,020	8,519	6,945	579
Parking Violations	48,697	42,496	43,786	38,335
Fire Protection:				
Number of Calls Answered	2,090	2,309	2,432	2,432
Number of Inspections	299	500	709	709
Water Quality:				
Number of Service Connections	7,838	7,838	8,504	8,504
Daily Average Treatment in gallons	2	2	2	2
Maximum daily capacity of treatment plant in gallons	4	4	4	4

Source: City Administrative Services Department

N/A - Not currently available.

Fiscal Years

2005	2006	2007	2008	2009	2010
1,997	1,823	N/A	1,337	1,296	1,411
9,934	7,089	N/A	3,718	7,292	6,624
38,149	43,653	39,659	53,863	48,148	39,108
2,454	2,446	N/A	N/A	N/A	N/A
709	714	N/A	N/A	N/A	N/A
8,504	8,504	8,504	8,504	8,504	N/A
2	2	2	2	2	N/A
4	4	4	4	4	N/A

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

	Fiscal Years				
	2001	2002	2003	2004	2005
Police					
Stations	1	1	1	1	1
Fire:					
Fire Stations	4	4	4	4	4
Public Works					
Streets (miles)	93	93	93	93	93
Streetlights	1,241	1,241	1,241	1,241	1,241
Culture and Recreation					
Community Centers	3	3	3	3	3
Parks	16	16	17	17	17
Park Acreage	57	60	47	47	47
Tennis Courts	12	12	12	12	12
Water Quality					
Miles of sanitary sewers	95.00	95.00	95.00	95.00	95.00
Miles of storm drains	78.00	78.00	78.00	78.00	78.00

Source: City Administrative Services Department

Fiscal Years				
2006	2007	2008	2009	2010
1	1	1	1	1
4	4	4	4	4
93	93	93	93	93
1,241	1,241	1,241	1,241	1,241
3	3	3	3	3
17	17	17	17	17
47	47	47	47	47
12	12	12	12	12
95.00	95.00	95.00	95.00	95.00
78.00	78.00	78.00	78.00	78.00

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