

CITY OF LAGUNA BEACH
Laguna Beach, California

Comprehensive Annual Financial Report

Year Ended June 30, 2011

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CITY OF LAGUNA BEACH, CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

CITY COUNCIL:

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

Laura Parisi, City Treasurer

Martha Anderson, City Clerk

John Pietig, City Manager

**Prepared By:
Finance Department**

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Comprehensive Annual Financial Report

Year Ended June 30, 2011

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INTRODUCTORY SECTION

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December 30, 2011

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, 2011. 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, 2011, 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, 2011, 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.

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, fire protection, marine safety, street and park maintenance, and general administrative services). 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, an available fund balance of 10% of appropriations has been appropriated 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.

In an increasingly interconnected world, global events have had a profound impact on the U.S. economy. Fiscal Year 2010-11 was plagued by global economic instability, a natural disaster in Japan, the European financial crises, a sputtering US economy, debt ceiling drama and stubbornly high jobless rates. The net result was consistent consumer uncertainty and extraordinary volatility across all markets.

While not immune to the effects of the recession, Laguna Beach continued to fare relatively well during the recession due in part to strong governance, disciplined fiscal decisions and strong underlying tax base. This year the City's property taxes increased slightly and the sales taxes and transient occupancy taxes increased approximately 5% over prior fiscal year.

Long-term financial planning. The City of Laguna Beach is in a better financial position than most cities in California. The City has reduced salary and benefit costs by \$840,000 over the last two years and done so without layoffs or significant reductions in services. The City Council has also established

the required 10% fund balance reserve of \$4.6 million and an additional \$4 million Recession Smoothing Account to address future economic impacts.

Unfortunately, over the next several years, the City will continue to be presented with significant budget challenges. Along with many other local governments, Laguna Beach will be faced with balancing modest revenue growth against increasing operating costs, retirement costs and the unpredictable State actions. Long-term cost saving measures, such as a second tier retirement formulas for new employees and employee pension cost sharing, may become necessary to meet those challenges.

Still, plans for capital improvements are underway for projects such as a new Lifeguard Headquarters, a new Main Beach Lift Station, replacement of the Rockledge Lift Station, and completion of Heisler Park and Animal Shelter renovations. The costs of the improvements are estimated at \$10.8 million. The City has funded these projects over the last several years; therefore, it is not necessary to borrow funds to cover project costs. The City's general obligation bonds were paid in full in September 2011. This ended a twenty year property tax levy which will provide some property relief to property owners in fiscal year 2012.

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 13 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: On December 24, 2010, the City Council of the City of Laguna Beach proclaimed the existence of a local emergency caused by a series of storms between December 17, 2010 and January 4, 2011 that resulted in flooding. These storms caused destruction and damage to public infrastructure, numerous businesses and homes. The cost of the emergency repair and permanent restoration to public facilities is approximately \$2.5 million.

On January 26, 2011 President Obama issued a major disaster declaration for the severe winter storms that occurred during between December 17, 2010 through January 4, 2011. This declaration allowed for

public assistance from Federal Emergency Management Agency (FEMA) and California Emergency Management Agency (CALEMA).

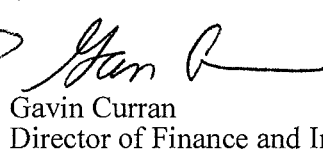
As of June 30, 2011, to help offset the cost of repairs, the City of Laguna Beach expects to receive reimbursement from FEMA and CALEMA in the amount of \$1,638,300, insurance reimbursement of \$228,700, and \$328,300 from the Department of Transportation Federal Highway Administration.


Acknowledgements

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

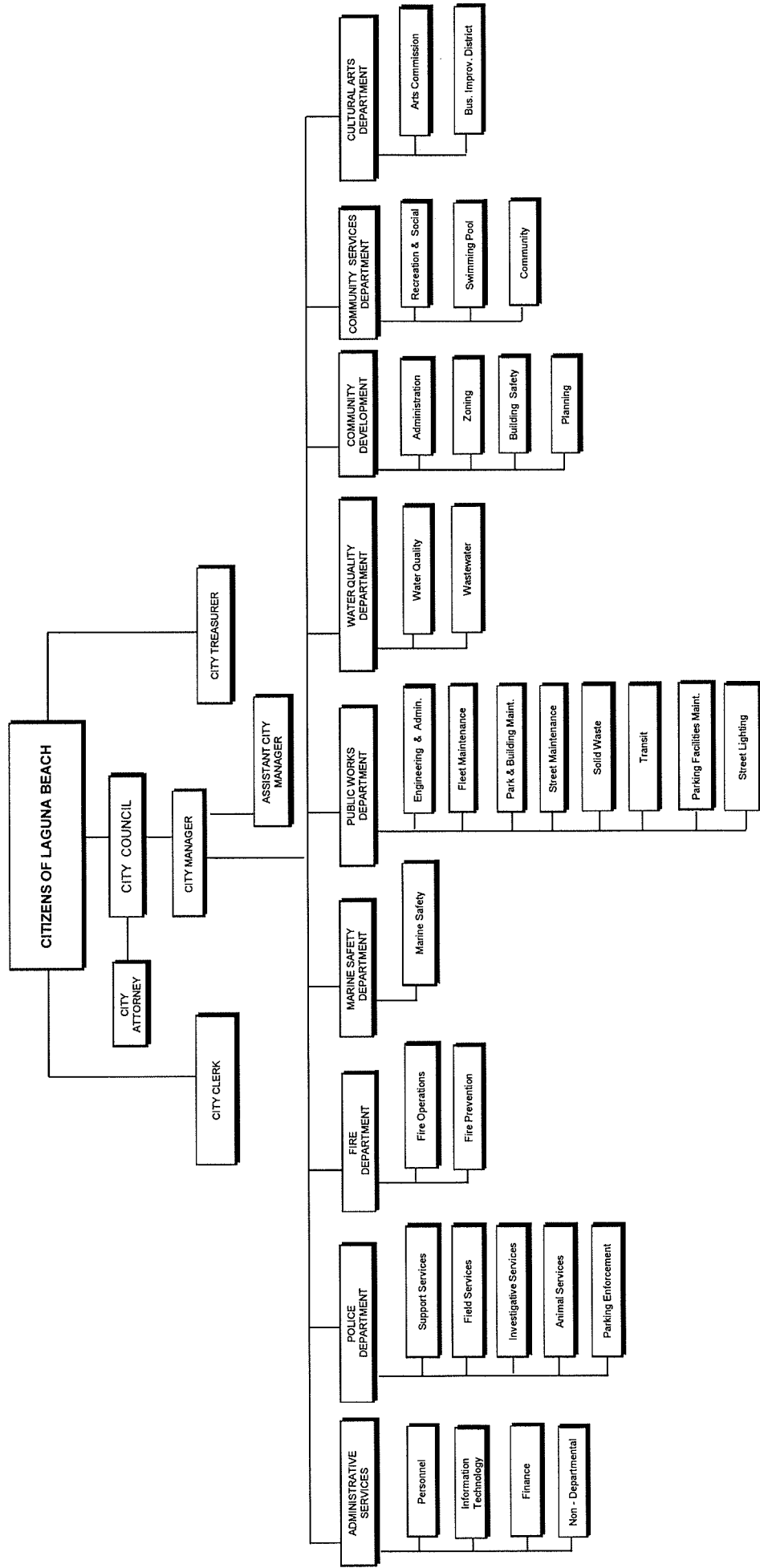
Respectfully submitted,


John Pietig
City Manager


Gavin Curran
Director of Finance and Information Technology


Nancy Pauley
Finance Officer

CITY OF LAGUNA BEACH Organizational Chart



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FINANCIAL SECTION

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Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Honorable Mayor and 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, 2011, 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, 2010 and, in our report dated December 13 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, 2011, 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, 2011, 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.

Honorable Mayor and City Council
City of Laguna Beach, California
Page Two

As described further in notes 1 and 13 to the financial statements, the accompanying financial statements reflect certain changes in the reporting fund types and fund balance classifications for governmental funds due to the implementation of GASB Statement No. 54.

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 30, 2011 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.

Mayor D. Hanna, M.C.A.

Irvine, California
December 30, 2011

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, 2011. 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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
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	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 74.6	71.1	1.2	1.4	75.8	72.5
Capital Assets	327.3	321.3	3.0	2.6	330.3	323.9
Total Assets	<u>401.9</u>	<u>392.4</u>	<u>4.2</u>	<u>4.0</u>	<u>406.1</u>	<u>396.4</u>
Long-Term Debt Outstanding	11.6	13.5	-	-	11.6	13.5
Other Liabilities	6.5	7.5	0.8	1.3	7.3	8.8
Total Liabilities	<u>18.1</u>	<u>21.0</u>	<u>0.8</u>	<u>1.3</u>	<u>18.9</u>	<u>22.3</u>
Net Assets						
Invested in Capital Assets, Net of Debt	321.9	312.6	3.1	2.6	325.0	315.2
Restricted	5.2	6.7	-	-	5.2	6.7
Unrestricted	56.7	51.9	0.3	0.1	57.0	52.0
Total Net Assets	<u>\$ 383.8</u>	<u>371.2</u>	<u>3.4</u>	<u>2.7</u>	<u>387.2</u>	<u>373.9</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 \$387.2 million as of June 30, 2011.

The largest portion of the City's net assets, \$325 million (84%) 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 16% 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 \$5.2 million (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$57 million (15%) 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 \$10.7 million during the current fiscal year. The net assets of governmental activities increased by \$9.9 million and business-type activities had an increase of \$730 thousand.

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

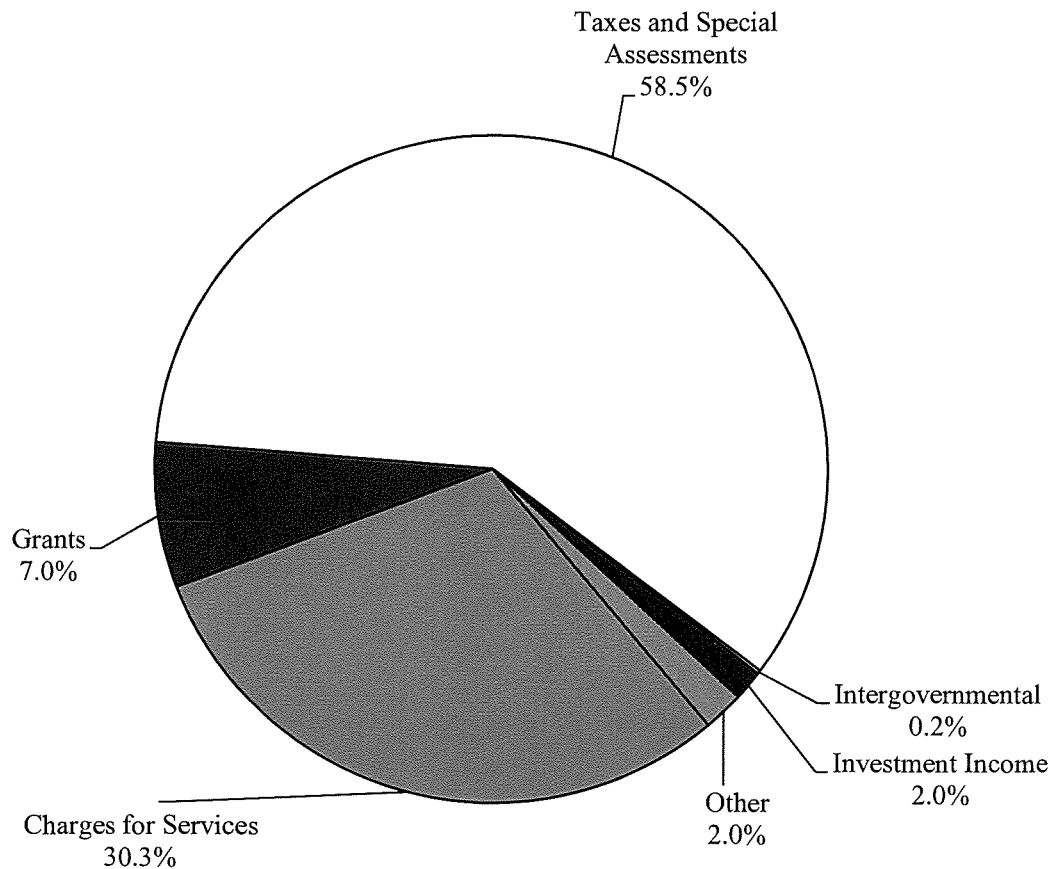
Table 2
Changes in Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for Services	\$ 21,251	20,387	323	313	21,574	20,700
Operating Grants/Contributions	3,930	3,192	1,637	1,156	5,567	4,348
Capital Grants/Contributions	1,002	75	394	-	1,396	75
General Revenues						
Taxes and special assessments	41,345	40,246	-	-	41,345	40,246
Intergovernmental	123	81	-	-	123	81
Rental income	445	421	-	-	445	421
Investment income	1,028	1,332	2	19	1,030	1,351
Miscellaneous revenues	874	348	-	4	874	352
Gain (loss) on sale/disposal of capital assets	44	-		2	44	2
Total Revenues	<u>70,042</u>	<u>66,082</u>	<u>2,356</u>	<u>1,494</u>	<u>72,398</u>	<u>67,576</u>
Expenses:						
General Government	4,292	4,252	-	-	4,292	4,252
Community development	3,686	3,615	-	-	3,686	3,615
Public safety	26,365	25,352	-	-	26,365	25,352
Public works	14,337	20,707	-	-	14,337	20,707
Recreation and social services	4,677	4,268	-	-	4,677	4,268
Sewer service operating costs	5,700	5,674	-	-	5,700	5,674
Interest and fiscal charges	188	290	-	-	188	290
Municipal transit			2,450	2,459	2,450	2,459
Total Expenses	<u>59,245</u>	<u>64,158</u>	<u>2,450</u>	<u>2,459</u>	<u>61,695</u>	<u>66,617</u>
Increase in Net Assets Before Transfers	10,797	1,924	(94)	(965)	10,703	959
Transfers	(824)	(469)	824	469	-	-
Increase in Net Assets	9,973	1,455	730	(496)	10,703	959
Net Assets-Beginning, Restated	<u>373,897</u>	<u>369,761</u>	<u>2,675</u>	<u>3,171</u>	<u>376,572</u>	<u>372,932</u>
Net Assets-Ending	<u>\$ 383,870</u>	<u>371,216</u>	<u>3,405</u>	<u>2,675</u>	<u>387,275</u>	<u>373,891</u>

The City's total revenues were \$72.4 million while the total expenditures were \$61.6 million. Property taxes were the City's largest revenue source at \$27.8 million (38% of total revenues and 39.7% of governmental revenues). Transient lodging taxes at \$7.1 million (10% of total revenues and 10.1% governmental revenues) and sales tax also at \$3.4 million (4.6% 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 and transient lodging and sales taxes have experienced a 5% increases over prior fiscal year.

Governmental activities. The governmental activities' increase in net assets of \$9.9 million accounted for 93% 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 7.2% of the total cost of governmental activities. Charges for services offset 21% of the cost of providing these services.

Community development expenditures were 6.28% of the total cost of governmental activities and charges for services offset 61% of the cost of providing these services.

Public safety expenses comprised the largest component of governmental activities in terms of cost 44.5% this past year. Charges for services, operating and capital grants and contributions offset 9% of the cost of providing these services.

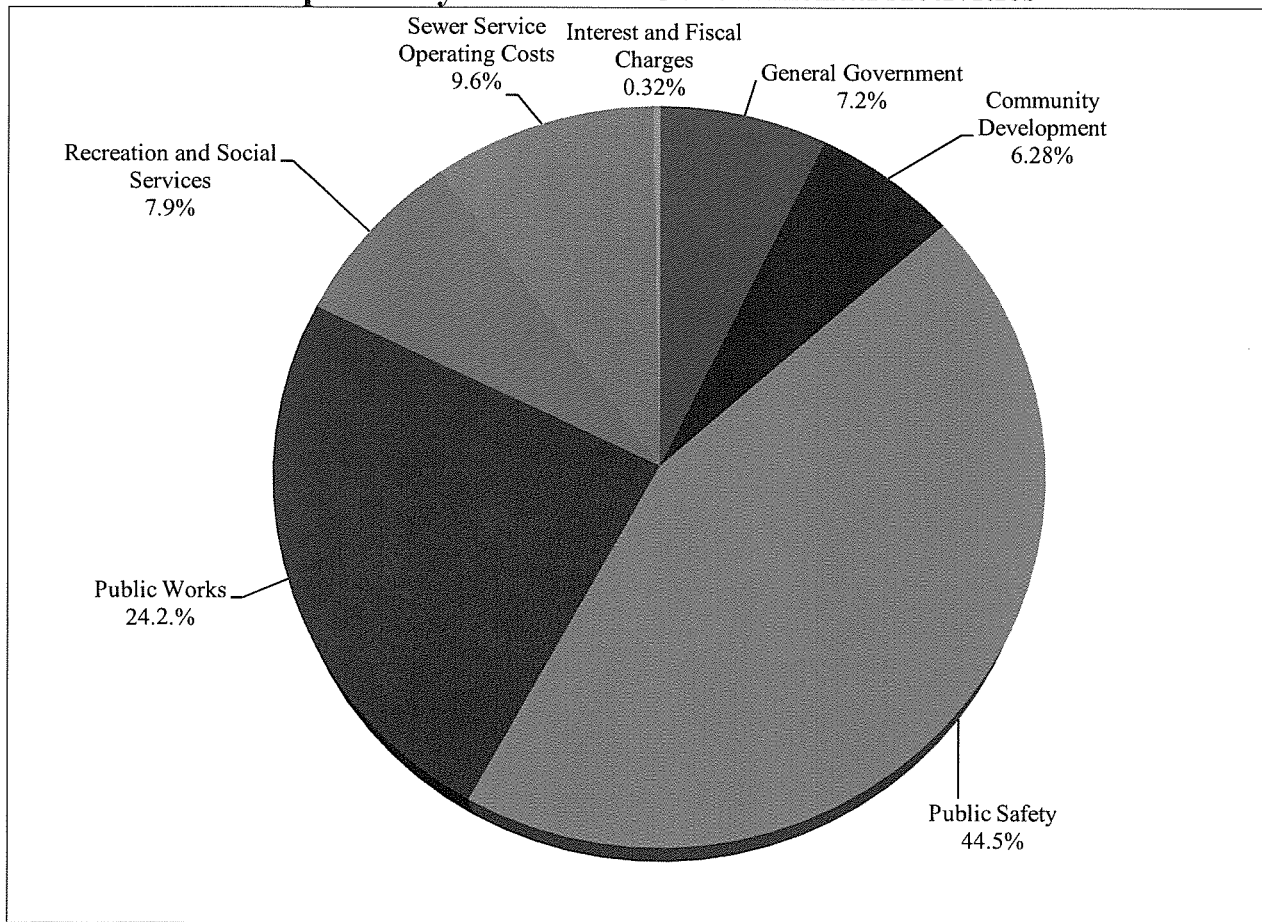
Public Works was the second largest governmental activity representing 24.2% of the total cost of governmental activities. Charges for services and operating grants and contributions helped to offset 78% of the cost of these activities.

Recreation and social services expenditures were 7.9% of the total cost of governmental activities. Charges for services, operating grants and contributions offset 71% of the cost of providing these services.

Sewer service operating costs were 9.6% 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 costs were .3% 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 an increase in net assets of \$730 thousand. The 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 increase in net assets consisted of funding for purchase of four new trolleys which were purchased in fiscal year 2010-11.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

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

As of June 30, 2011, the governmental funds reported combined ending fund balances of \$41.4 million, an increase of \$3.67 million in comparison with the prior year. The City has \$2.2 million (5.3%) in fund balance classified as nonspendable to indicate it cannot be readily converted to cash; \$11 million (26.6%) in restricted fund balance to indicate that it has an externally imposed restriction on the money may be spent; \$6.1 million (14.7%) in committed fund balance to indicate that the City Council committed how the money will be spent; \$19.5 million (47.1%) in assigned fund balance to indicate that the City Council has an assigned purpose or intent for how the money should be spent; and \$2.6 million (6.3%) in unassigned fund balance to indicate that it is the residual balance not otherwise restricted.

The fund balance of the City's General Fund increased by \$4.9 million during the fiscal year ending June 30, 2011. Reasons for significant changes in the revenues and expenditures of the City's General Fund from the prior year is as follows:

- Overall, revenues increased \$3.1 million over the prior fiscal year. Sales and use taxes, transient occupancy taxes increased by \$714,000 compared to the prior year. Parking revenue increased \$811 thousand and grant revenue increased \$1.6 million.
- Overall expenditures decreased \$891 million compared to the prior year. This was due to operational savings in all City departments and planned personnel and operational deductions in the streets division.

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

The Gas Tax Fund has a total negative fund balance of \$1,240,670 which was due to a street slurry seal and rehabilitation project, completed on December 20, 2010. Future Gas Tax revenue is expected to offset this negative balance.

The Disaster Contingency Fund has a total fund balance of \$5.8 million which is used exclusively for (a) repair of public facilities and (b) the emergency protection of public and private property and lives during natural or manmade disasters. This funding is from the accumulation of a voter approved temporary ½ cent sales tax that was in effect for the period of July, 2006 through June, 2009.

The General Obligation Bonds Debt Service Fund had a total fund balance of \$1.7 million, all of which is reserved for future debt service payments. The final debt service payment was made September 2011.

The Capital Projects Fund, that accounts for assessment district undergrounding capital projects, had a total fund balance of \$1 million, of which approximately 100% was reserved and/or designated for projects. The net decrease in fund balance of \$491 thousand was primarily due to the completion of construction costs related to 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 \$372 thousand. The total increase in net assets for the fund was \$730 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 \$20.8 million and major items can be briefly summarized as follows:

- \$18.4 million increase in the budget for prior year carry over appropriations.
- \$700 thousand increase for capital equipment additions and replacement.
- \$501 thousand increase for additional funding for main beach sewer lift station project.

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

- Total revenues were \$1.5 million above final budgeted revenues for the year ended June 30, 2011 due to continued growth in the economy. Some of the significant factors contributing to this favorable variance includes increases in property taxes, sales and use taxes, transient lodging taxes, and building construction taxes.
- Total expenditures were under the budgeted amount by \$17.6 million, mostly as a result of capital projects not yet completed or deferred to next fiscal year. The remaining budget for these capital projects is included with the carry over appropriations. 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			
	2011	2010	2011	2010	2011	2010
Land	\$ 80,278,754	80,258,754	196,106	196,106	80,474,860	80,454,860
Buildings and Improvements	30,904,327	32,173,394	1,697,894	1,761,888	32,602,221	33,935,282
Office Equipment & Machinery	1,538,558	1,663,075	4,970	5,914	1,543,528	1,668,989
Furniture and Fixtures	1,276,846	939,047	-	-	1,276,846	939,047
Equipment Machinery & Tools	1,046,667	1,166,834	-	-	1,046,667	1,166,834
Sewer Plant and Lines	38,915,344	39,374,776	-	-	38,915,344	39,374,776
Automotive Equipment	2,507,260	2,795,627	1,134,532	457,811	3,641,792	3,253,438
Infrastructure	164,504,081	162,760,919	-	-	164,504,081	162,760,919
Construction in Progress	6,376,136	2,888,961	-	198,906	6,376,136	3,087,867
Total	\$ 327,347,973	324,021,387	3,033,502	2,620,625	330,381,475	326,642,012

The major change to the capital assets during the year ended June 30, 2011 were the purchase of four new Trolleys, addition of sewer improvements, major street rehabilitation project, north laguna alley rehabilitation 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 Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 1,565,000	3,055,000	-	-	1,565,000	3,055,000
Installment Agreement	5,382,492	5,723,651	-	-	5,382,492	5,723,651
Net OPEB Liability	168,691	102,441			168,691	102,441
Total	\$ 7,116,183	8,881,092	-	-	7,116,183	8,881,092

The City's total debt decreased by \$1.7 million (24.8%) 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, 2011
(With Comparative Totals for June 30, 2010)

	Governmental Activities	Business-type Activities	Totals	
			2011	2010
<u>Assets</u>				
Cash and investments (note 2)	55,258,610	822,776	56,081,386	54,716,182
Receivables:				
Taxes	3,153,948	153,638	3,307,586	2,902,382
Accounts	117,342	2,505	119,847	683,406
Interest	19,418	-	19,418	33,915
Intergovernmental	2,761,951	146,174	2,908,125	519,397
Notes	983,671	-	983,671	1,018,848
Prepays	10,267,007	50,996	10,318,003	10,258,341
Inventory	47,085	-	47,085	52,575
Property held for investment	2,032,253	-	2,032,253	2,032,253
Capital assets, not being depreciated (note 5)	86,654,890	196,106	86,850,996	83,542,727
Capital assets, net of depreciation (note 5)	<u>240,693,083</u>	<u>2,837,396</u>	<u>243,530,479</u>	<u>240,419,828</u>
 Total assets	 <u>401,989,258</u>	 <u>4,209,591</u>	 <u>406,198,849</u>	 <u>396,179,854</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	2,389,155	105,212	2,494,367	2,967,775
Interest payable	26,083	-	26,083	122,388
Retentions payable	-	-	-	350,469
Due to other government agencies	19,077	-	19,077	58,989
Unearned revenue	79,139	675,226	754,365	1,599,710
Noncurrent liabilities (note 11):				
Due within one year	4,044,587	23,216	4,067,803	3,610,631
Due in more than one year	<u>11,561,515</u>	<u>-</u>	<u>11,561,515</u>	<u>13,577,983</u>
 Total liabilities	 <u>18,119,556</u>	 <u>803,654</u>	 <u>18,923,210</u>	 <u>22,287,945</u>
<u>Net assets</u>				
Invested in capital assets, net of related debt	321,965,481	3,033,502	324,998,983	315,183,904
Restricted for:				
Capital projects	4,987,073	-	4,987,073	6,543,702
Other purposes	209,004	-	209,004	202,404
Unrestricted	<u>56,708,144</u>	<u>372,435</u>	<u>57,080,579</u>	<u>51,961,899</u>
 Total net assets	 <u>383,869,702</u>	 <u>3,405,937</u>	 <u>387,275,639</u>	 <u>373,891,909</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Statement of Activities
Year Ended June 30, 2011
(With Comparative Totals For Year Ended June 30, 2010)

	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 4,291,832	890,306	-	-	890,306
Community development	3,686,004	2,246,036	-	-	2,246,036
Public safety	26,364,923	1,725,333	541,176	-	2,266,509
Public works	14,336,928	6,994,344	3,192,046	1,002,303	11,188,693
Recreation and social services	4,676,679	3,311,914	7,228	-	3,319,142
Sewer service operating costs	5,700,769	6,082,856	189,766	-	6,272,622
Interest and fiscal charges	187,964	-	-	-	-
Total governmental activities	59,245,099	21,250,789	3,930,216	1,002,303	26,183,308
Business-type activities:					
Municipal transit	2,450,265	323,428	1,637,397	393,174	2,353,999
Total business-type activities	2,450,265	323,428	1,637,397	393,174	2,353,999
Total primary government	\$ 61,695,364	21,574,217	5,567,613	1,395,477	28,537,307

General revenues:
Taxes and special assessments
Intergovernmental, unrestricted
Rental income
Investment income, unrestricted
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,
as restated (Note 23)

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	
		2011	2010
(3,401,526)	-	(3,401,526)	(3,306,743)
(1,439,968)	-	(1,439,968)	(1,091,240)
(24,098,414)	-	(24,098,414)	(22,535,333)
(3,148,235)	-	(3,148,235)	(12,335,127)
(1,357,537)	-	(1,357,537)	(1,485,419)
571,853	-	571,853	540,198
(187,964)	-	(187,964)	(290,473)
<u>(33,061,791)</u>	<u>-</u>	<u>(33,061,791)</u>	<u>(40,504,137)</u>
-	(96,266)	(96,266)	(989,172)
-	(96,266)	(96,266)	(989,172)
<u>(33,061,791)</u>	<u>(96,266)</u>	<u>(33,158,057)</u>	<u>(41,493,309)</u>
41,345,111	-	41,345,111	40,246,290
122,551	-	122,551	80,813
445,491	-	445,491	420,678
1,028,790	2,496	1,031,286	1,351,477
43,879	-	43,879	2,302
874,012	-	874,012	352,120
(823,900)	823,900	-	-
<u>43,035,934</u>	<u>826,396</u>	<u>43,862,330</u>	<u>42,453,680</u>
9,974,143	730,130	10,704,273	960,371
<u>373,895,559</u>	<u>2,675,807</u>	<u>376,571,366</u>	<u>372,931,538</u>
<u>\$ 383,869,702</u>	<u>3,405,937</u>	<u>387,275,639</u>	<u>373,891,909</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.

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:

ASSESSMENT DISTRICTS FUND – 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, 2011
 (With Comparative Totals For June 30, 2010)

		Special Revenue	
<u>Assets</u>	<u>General</u>	<u>Gas Tax</u>	<u>Disaster Contingency</u>
Cash and investments	\$ 35,384,882	851,805	5,857,868
Receivables:			
Taxes	1,009,256	-	-
Accounts	117,342	-	-
Interest	19,418	-	-
Intergovernmental	1,581,492	70,437	-
Notes	348,000	-	-
Due from other funds (note 4)	1,110,022	-	-
Prepays	50,377	-	-
Inventory	47,085	-	-
Advances to other funds (note 4)	1,360,000	-	-
Property held for investment	-	-	-
	<u>\$ 41,027,874</u>	<u>922,242</u>	<u>5,857,868</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,171,067	102,912	-
Retentions payable	-	-	-
Due to other funds (note 4)	-	-	-
Due to other government agencies	19,077	-	-
Deferred revenue	79,139	-	-
Advances from other funds (note 4)	8,000,000	2,060,000	-
	<u>10,269,283</u>	<u>2,162,912</u>	<u>-</u>
Fund balances (deficit) (note 13):			
Nonspendable	1,457,462	-	-
Restricted	4,731,971	-	-
Committed	234,988	-	5,857,868
Assigned	19,511,838	-	-
Unassigned	4,822,332	(1,240,670)	-
	<u>30,758,591</u>	<u>(1,240,670)</u>	<u>5,857,868</u>
	<u>\$ 41,027,874</u>	<u>922,242</u>	<u>5,857,868</u>

See accompanying notes to basic financial statements.

<u>Debt Service</u> <u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Capital Projects</u> <u>Assessment</u> <u>Districts</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u>	
			<u>2011</u>	<u>2010</u>
1,717,732	1,109,488	593,345	45,515,120	44,965,308
15,075	-	10,892	1,035,223	969,178
-	-	-	117,342	269,790
-	-	-	19,418	33,915
-	-	1,110,022	2,761,951	519,397
-	-	-	348,000	348,000
-	-	-	1,110,022	38,195
-	-	791,384	841,761	46,524
-	-	-	47,085	52,575
-	-	2,500,000	3,860,000	3,860,000
-	-	354,444	354,444	354,444
<u>1,732,807</u>	<u>1,109,488</u>	<u>5,360,087</u>	<u>56,010,366</u>	<u>51,457,326</u>
-	10,628	24,003	2,308,610	2,685,886
-	-	-	-	350,469
-	-	1,110,022	1,110,022	38,195
-	-	-	19,077	58,989
-	-	944,018	1,023,157	447,881
-	-	-	10,060,000	10,060,000
<u>-</u>	<u>10,628</u>	<u>2,078,043</u>	<u>14,520,866</u>	<u>13,641,420</u>
-	-	791,384	2,248,846	4,313,543
1,732,807	1,098,860	3,434,678	10,998,316	5,488,250
-	-	-	6,092,856	5,925,939
-	-	-	19,511,838	20,409,487
-	-	(944,018)	2,637,644	1,678,687
<u>1,732,807</u>	<u>1,098,860</u>	<u>3,282,044</u>	<u>41,489,500</u>	<u>37,815,906</u>
<u>1,732,807</u>	<u>1,109,488</u>	<u>5,360,087</u>	<u>56,010,366</u>	<u>51,457,326</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, 2011

Fund balances of governmental funds	\$	41,489,500
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		421,973,229
Accumulated depreciation		(97,159,355)
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.		
		9,158,423
Long term debt from the General Long Term Debt Account Group that have not been included in the governmental fund activity.		
General obligation bonds		(1,565,000)
Loan payable		(5,382,492)
Accrued interest payable for the current portion of interest due on debt service has not been reported in the governmental funds.		
		(26,083)
Receivable amounts that were earned in the audit period but not collected within the availability period have not been reported in the governmental funds.		
		3,062,743
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.		
		<u>12,318,737</u>
Net assets of governmental activities	\$	<u><u>383,869,702</u></u>

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, 2011
(With Comparative Totals For Year Ended June 30, 2010)

	General	Special Revenue	
		Gas Tax	Disaster Contingency
Revenues:			
Taxes	\$ 39,011,833	261,916	-
Licenses and permits	990,966	-	-
Fines and penalties	1,217,101	-	-
Investment income	929,076	-	91,697
Rental	445,491	-	-
Intergovernmental	2,671,742	1,172,831	-
Charges for services	13,056,488	-	-
Parking meters, lots and permits	4,891,228	-	-
Development tax	680,391	-	-
Other	1,158,662	50,000	-
Total revenues	65,052,978	1,484,747	91,697
Expenditures:			
Current:			
General government	3,991,706	-	-
Community development	3,531,828	-	-
Public safety	24,676,244	-	-
Public works	9,821,342	-	-
Recreation and social services	4,003,836	-	-
Sewer service operating costs	4,009,715	-	-
Capital expenditures	7,866,382	1,381,765	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	509,928	-	-
Total expenditures	58,410,981	1,381,765	-
Excess (deficiency) of revenues over (under) expenditures	6,641,997	102,982	91,697
Other financing sources (uses):			
Transfers in (note 14)	514,987	-	-
Transfers out (note 14)	(2,278,185)	(514,987)	-
Issuance of loan	-	-	-
Advance payments of PERS obligation	-	-	-
Sale of land and equipment	5,050	-	-
Total other financing sources (uses)	(1,758,148)	(514,987)	-
Net change in fund balances	4,883,849	(412,005)	91,697
Fund balances (deficit), beginning of year, as restated (note 23)	25,874,742	(828,665)	5,766,171
Fund balances (deficit), end of year	\$ 30,758,591	(1,240,670)	5,857,868

See accompanying notes to basic financial statements.

<u>Debt Service</u> General Obligation Bonds	<u>Capital Projects</u> Capital Projects	Nonmajor Governmental Funds	Totals	
			2011	2010
1,289,676	-	1,114,893	41,678,318	40,986,641
-	-	-	990,966	924,040
-	-	57,169	1,274,270	1,483,462
18,463	21,992	3,239	1,064,467	1,361,432
-	-	-	445,491	420,678
4,382	-	129,372	3,978,327	3,228,921
-	-	-	13,056,488	12,693,018
-	-	-	4,891,228	4,080,151
-	-	-	680,391	39,804
-	19,589	144,642	1,372,893	1,047,961
<u>1,312,521</u>	<u>41,581</u>	<u>1,449,315</u>	<u>69,432,839</u>	<u>66,266,108</u>
-	-	-	3,991,706	3,901,637
-	-	-	3,531,828	3,482,651
-	-	-	24,676,244	24,681,583
-	-	275,771	10,097,113	11,070,780
-	-	-	4,003,836	4,196,800
-	-	-	4,009,715	4,093,162
-	518,106	1,293,987	11,060,240	9,377,939
1,490,000	-	-	1,490,000	1,425,000
115,500	-	-	625,428	697,523
<u>1,605,500</u>	<u>518,106</u>	<u>1,569,758</u>	<u>63,486,110</u>	<u>62,927,075</u>
<u>(292,979)</u>	<u>(476,525)</u>	<u>(120,443)</u>	<u>5,946,729</u>	<u>3,339,033</u>
-	4,396	19,359	538,742	6,087,140
-	(19,359)	(4,396)	(2,816,927)	(6,803,929)
-	-	-	-	152,486
-	-	-	-	(9,956,355)
-	-	-	5,050	956
-	(14,963)	14,963	(2,273,135)	(10,519,702)
(292,979)	(491,488)	(105,480)	3,673,594	(7,180,669)
<u>2,025,786</u>	<u>1,590,348</u>	<u>3,387,524</u>	<u>37,815,906</u>	<u>44,996,575</u>
<u>1,732,807</u>	<u>1,098,860</u>	<u>3,282,044</u>	<u>41,489,500</u>	<u>37,815,906</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, 2011

Net change in fund balances - total governmental funds \$ 3,673,594

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	7,208,349
Depreciation expense	(3,610,449)

Net pension asset is amortized over the PERS actuarial amortization period. (797,932)

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. 1,831,159

Accrued interest for debt service. This is the net change in accrued interest for the current period. 96,305

Receivable amounts that were earned in the audit period but not collected within the availability period have not been reported in the governmental funds. 1,162,726

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. 410,391

Change in net assets of governmental activities \$ 9,974,143

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, 2011
(With Comparative Totals For June 30, 2010)

	Business Type	Governmental Activities	Totals	
	Municipal Transit	Internal Service Funds	2011	2010
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 822,776	9,743,490	10,566,266	9,750,874
Receivables:				
Accounts	2,505	-	2,505	413,616
Intergovernmental	146,174	-	146,174	-
Taxes	153,638	-	153,638	33,187
Prepays	50,996	266,823	317,819	255,462
Total current assets	<u>1,176,089</u>	<u>10,010,313</u>	<u>11,186,402</u>	<u>10,453,139</u>
Noncurrent assets:				
Advances to other funds (note 4)	-	6,200,000	6,200,000	6,200,000
Notes receivable	-	635,671	635,671	670,848
Property held for investment	-	1,677,809	1,677,809	1,677,809
Capital assets, not being depreciated	196,106	-	196,106	395,012
Capital assets, net of depreciation	<u>2,837,396</u>	<u>2,534,099</u>	<u>5,371,495</u>	<u>5,031,026</u>
Total noncurrent assets	<u>3,033,502</u>	<u>11,047,579</u>	<u>14,081,081</u>	<u>13,974,695</u>
Total assets	<u>4,209,591</u>	<u>21,057,892</u>	<u>25,267,483</u>	<u>24,427,834</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and accrued liabilities	105,212	80,545	185,757	264,415
Compensated absences due within one year (note 11)	-	721,759	721,759	988,983
Insurance claims payable due within one year	-	1,407,356	1,407,356	1,377,381
Unearned revenue	675,226	-	675,226	1,151,829
Total current liabilities	<u>780,438</u>	<u>2,209,660</u>	<u>2,990,098</u>	<u>3,782,608</u>
Non-current liabilities:				
Compensated absences (note 11)	23,216	3,076,975	3,100,191	2,744,743
Insurance claims payable (note 7)	-	3,283,829	3,283,829	3,213,889
Net OPEB liability (note 12)	-	168,691	168,691	102,441
Total noncurrent liabilities	<u>23,216</u>	<u>6,529,495</u>	<u>6,552,711</u>	<u>6,061,073</u>
Total liabilities	<u>803,654</u>	<u>8,739,155</u>	<u>9,542,809</u>	<u>9,843,681</u>
<u>Net assets</u>				
Net assets:				
Invested in capital assets	3,033,502	2,534,099	5,567,601	5,426,038
Unrestricted	372,435	9,784,638	10,157,073	9,158,115
Total net assets	<u>\$ 3,405,937</u>	<u>12,318,737</u>	<u>15,724,674</u>	<u>14,584,153</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, 2011
(With Comparative Totals For Year Ended June 30, 2010)

	Business Type	Governmental Activities	Totals	
	Municipal Transit	Internal Service Funds	2011	2010
Operating revenues:				
Passenger revenues	\$ 323,428	-	323,428	313,847
Vehicle rentals	-	1,075,692	1,075,692	1,041,277
Employee benefits charges	-	701,000	701,000	733,600
Insurance charges	-	5,601,310	5,601,310	5,640,695
Total operating revenues	<u>323,428</u>	<u>7,378,002</u>	<u>7,701,430</u>	<u>7,729,419</u>
Operating expenses:				
Personnel services	1,231,365	-	1,231,365	1,167,021
Contractual services	209,853	-	209,853	227,206
Materials and supplies	375,704	-	375,704	487,496
Administration	314,541	-	314,541	246,858
Employee benefits	-	1,078,561	1,078,561	981,489
Insurance claims and premiums	-	6,753,706	6,753,706	6,386,030
Depreciation	318,802	628,458	947,260	1,149,960
Total operating expenses	<u>2,450,265</u>	<u>8,460,725</u>	<u>10,910,990</u>	<u>10,646,060</u>
Operating income (loss)	<u>(2,126,837)</u>	<u>(1,082,723)</u>	<u>(3,209,560)</u>	<u>(2,916,641)</u>
Nonoperating revenues (expenses):				
Investment income	2,496	-	2,496	57,075
Intergovernmental	1,637,397	-	1,637,397	1,155,687
Gain (loss) on disposal of capital assets	-	38,829	38,829	(22,566)
Other	-	-	-	4,148
Total nonoperating revenues (expenses)	<u>1,639,893</u>	<u>38,829</u>	<u>1,678,722</u>	<u>1,194,344</u>
Income (loss) before capital contributions and transfers	(486,944)	(1,043,894)	(1,530,838)	(1,722,297)
Capital contributions and transfers:				
Transfers in (note 14)	823,900	1,454,285	2,278,185	716,789
Capital grants	393,174	-	393,174	-
Total capital contributions and transfers	<u>1,217,074</u>	<u>1,454,285</u>	<u>2,671,359</u>	<u>716,789</u>
Change in net assets	730,130	410,391	1,140,521	(1,005,508)
Net assets at beginning of year	<u>2,675,807</u>	<u>11,908,346</u>	<u>14,584,153</u>	<u>15,589,661</u>
Net assets at end of year	<u>\$ 3,405,937</u>	<u>12,318,737</u>	<u>15,724,674</u>	<u>14,584,153</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2011
(With Comparative Totals For Year Ended June 30, 2010)

	Business Type	Governmental Activities	Totals	
	Municipal Transit	Internal Service Funds	2011	2010
Cash flows from operating activities:				
Cash received from customers	\$ 720,525	-	720,525	626,700
Cash received from user departments	-	7,392,016	7,392,016	7,089,007
Cash payments to suppliers for goods and services	(944,405)	(6,709,978)	(7,654,383)	(7,616,773)
Cash payments to employees for services	(1,270,908)	(929,829)	(2,200,737)	(1,902,901)
 Net cash provided by (used for) operating activities	 <u>(1,494,788)</u>	 <u>(247,791)</u>	 <u>(1,742,579)</u>	 <u>(1,803,967)</u>
Cash flows from noncapital financing activities:				
Operating grant proceeds received	1,287,343	-	1,287,343	1,468,340
Cash received from other funds	823,900	1,454,285	2,278,185	716,789
Cash paid to other funds	-	-	-	(5,200,000)
Repayments received on notes receivable	-	35,177	35,177	29,726
 Net cash provided by (used for) noncapital financing activities	 <u>2,111,243</u>	 <u>1,489,462</u>	 <u>3,600,705</u>	 <u>(2,985,145)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(731,679)	(352,393)	(1,084,072)	(648,527)
Proceeds from sale of capital assets	-	38,842	38,842	2,302
 Net cash provided by (used for) capital and related financing activities	 <u>(731,679)</u>	 <u>(313,551)</u>	 <u>(1,045,230)</u>	 <u>(646,225)</u>
Cash flows from investing activities:				
Interest received	2,496	-	2,496	57,075
 Net cash provided by (used for) investing financing activities	 <u>2,496</u>	 <u>-</u>	 <u>2,496</u>	 <u>57,075</u>
 Net increase (decrease) in cash and cash equivalents	 (112,728)	 928,120	 815,392	 (5,378,262)
Cash and cash equivalents at beginning of year	<u>935,504</u>	<u>8,815,370</u>	<u>9,750,874</u>	<u>15,129,136</u>
Cash and cash equivalents at end of year	<u>\$ 822,776</u>	<u>9,743,490</u>	<u>10,566,266</u>	<u>9,750,874</u>

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	2011	2010
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (2,126,837)	(1,082,723)	(3,209,560)	(2,916,641)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	318,802	628,458	947,260	1,149,960
Miscellaneous income	-	-	-	4,148
Gain (loss) on disposal of capital assets	-	38,829	38,829	(24,868)
(Increase) decrease in accounts receivable	397,097	14,014	411,111	(401,871)
(Increase) decrease in prepaids	(50,996)	(11,361)	(62,357)	(7,926)
(Increase) decrease in other assets	-	(43,593)	(43,593)	-
Increase (decrease) in accounts payable and accrued liabilities	(38,596)	(40,062)	(78,658)	(63,088)
Increase (decrease) in compensated absences payable	5,742	82,482	88,224	254,400
Increase (decrease) in net OPEB liability	-	66,250	66,250	46,949
Increase (decrease) in insurance claims payable	-	99,915	99,915	154,970
 Net cash provided by (used for) operating activities	 \$ (1,494,788)	 (247,791)	 (1,742,579)	 (1,803,967)

Noncash capital, financing, and investing activities

There were no significant noncash capital, financing, or investing activities during the year ended June 30, 2011.

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
 Agency Funds
 Statement of Fiduciary Assets and Liabilities
 June 30, 2011
 (With Comparative Totals For June 30, 2010)

	Totals	
	2011	2010
<u>Assets</u>		
Cash and investments (note 2)	\$ 3,321,544	4,313,193
Investments with fiscal agent (note 2)	1,188,811	1,348,499
Receivables:		
Taxes	31,744	25,137
Accounts	4,235	5,612
Intergovernmental	6,008	7,665
Total assets	\$ 4,552,342	5,700,106
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$ 43,520	33,623
Deposits	1,802,937	2,343,765
Due to bondholders	2,705,885	3,322,718
Total liabilities	\$ 4,552,342	5,700,106

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

Year Ended June 30, 2011

(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 nonspendable fund balance amounts.

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.

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.

Assessment Districts 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.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

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

(c) Fund Classifications, (Continued)

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 are recorded in the general, special revenue and capital projects funds to represent purchase orders, contracts and other commitments. Encumbrances at year end are reported as restricted, committed, or assigned fund balance depending on the resources that have been identified to fund the applicable encumbrance.

(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.

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

(f) Advances to Other Funds

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

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

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

(g) Inventory

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

(h) 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.

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

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

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

(i) Capital Assets, (Continued)

	<u>Years</u>
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) Fund Equity

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

Due to the implementation of GASB No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. Prior year amounts have been restated to reflect the component designations required by GASB No. 54.

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

Nonspendable Fund Balance

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

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

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

(k) Fund Equity, (Continued)

Spendable Fund Balance

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by legal requirements imposed by other governments, external resource providers, or creditors. City Council imposed restrictions do not create restricted fund balance unless the legal document that initially authorized the revenue (associated with that portion of fund balance) also included language that specified the limited use for which the authorized revenues were to be expended.

Committed Fund Balance – this includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (for example, resolution, ordinance, minutes action, etc.) that it employed to previously commit those amounts. If the Council action that limits the use of the funds was separate from the action that initially created the revenues that form the basis for the fund balance, then the resultant fund balance is considered to be committed, not restricted. The City considers a resolution, an ordinance, or a minutes action to constitute a formal action of City Council for the purposes of establishing committed fund balance.

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

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

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

(l) General Fund Balance Policy

It is the policy of the City to maintain a minimum reserve for unforeseen emergencies or catastrophic impacts upon the city, and whenever fiscally possible and financially prudent, to maintain a greater target reserve. The minimum reserve of the General Fund is 10% of General Fund operating expenditures.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

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

(m) 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, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$56,081,386
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	3,321,544
Investments with fiscal agent	<u>1,118,811</u>
Total cash and investments	<u>\$60,591,741</u>

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand (petty cash and change funds)	\$ 25,950
Deposits with financial institutions	893,141
Investments	<u>59,672,650</u>
Total cash and investments	<u>\$60,591,741</u>

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

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

<u>Investment Types Authorized by State Law</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	Yes	5 years	25%	None
U.S. Treasury Obligations	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	25%	None
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	No	N/A	15%	None
Money Market Mutual Funds	No	N/A	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	10%
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.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

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

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

<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	\$39,543,450	-	2,000,000	37,543,450
State investment pool	19,042,014	19,042,014	-	-
Held by bond fiscal agent:				
State investment pool	<u>1,087,186</u>	<u>1,087,186</u>	<u>-</u>	<u>-</u>
Total	<u>\$59,672,650</u>	<u>20,129,200</u>	<u>2,000,000</u>	<u>37,543,450</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*	\$39,543,450	N/A	39,543,450	-	-
State investment pool	19,042,014	N/A	-	-	19,042,014
Held by bond fiscal agent:					
State investment pool	<u>1,087,186</u>	N/A	<u>-</u>	<u>-</u>	<u>1,087,186</u>
Total	<u>\$59,672,650</u>		<u>39,543,450</u>	<u>-</u>	<u>20,129,200</u>

* Subsequent to June 20, 2011, Standard & Poor's (S&P) downgraded United States Government Sponsored Agency Securities and Treasury Notes from AAA to AA+.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Bank	Federal agency securities	\$17,000,000
Federal Home Loan Bank	Federal agency securities	6,997,950
Federal Home Loan Mortgage Corporation	Federal agency securities	4,550,000
Federal National Mortgage Association	Federal agency securities	10,995,500

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy requires that all investment transactions be conducted on a delivery-versus-payment (DVP) basis. The City's investment policy also requires that an independent, third party custodian designated by the Treasurer hold all securities. For all executed transactions, the third party custodian is required to issue a safekeeping receipt to the City that lists the specific instrument, rate, maturity and other information pertinent to the transaction.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% 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.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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.

(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, 2011 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	<u>\$1,110,022</u>

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

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(4) Interfund Activity, (Continued)

<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>
		(a) <u>2,060,000</u>
Internal Service Funds	General Fund	5,500,000
Non- Major Governmental Funds	General Fund	<u>2,500,000</u>
		(b) <u>8,000,000</u>
		<u>\$10,060,000</u>

- (a) The City has authorized the interfund borrowing listed 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 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, 2011 was as follows:

	<u>Balance at July 1, 2010*</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2011</u>
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 80,258,754	20,000	-	80,278,754
Construction in progress	<u>2,888,961</u>	<u>6,023,700</u>	<u>(2,536,525)</u>	<u>6,376,136</u>
Total capital assets, not depreciated	<u>83,147,715</u>	<u>6,043,700</u>	<u>(2,536,525)</u>	<u>86,654,890</u>
Capital assets, being depreciated:				
Buildings and improvements	48,462,414	117,063	(1,625)	48,577,852
Office equipment & machinery	5,716,063	205,484	(104,411)	5,817,136
Furniture and fixtures	1,256,315	409,055	(42,500)	1,622,870
Equipment, machinery & tools	3,828,676	423,675	(230,125)	4,022,226
Sewer plant and lines	68,141,365	487,986	(290,155)	68,339,196
Automotive equipment	7,856,234	352,394	(315,530)	7,893,098
Infrastructure	<u>204,097,129</u>	<u>2,577,009</u>	<u>-</u>	<u>206,674,138</u>
Total capital assets, being depreciated	<u>339,358,196</u>	<u>4,572,666</u>	<u>(984,346)</u>	<u>342,946,516</u>
Less accumulated depreciation for:				
Buildings and improvements	(16,289,020)	(1,395,673)	11,168	(17,673,525)
Office equipment & machinery	(4,052,988)	(324,846)	99,256	(4,278,578)
Furniture and fixtures	(317,268)	(28,756)	-	(346,024)
Equipment, machinery & tools	(2,661,842)	(450,354)	136,637	(2,975,559)
Sewer plant and lines	(28,766,589)	(884,979)	227,716	(29,423,852)
Automotive equipment	(5,060,607)	(640,748)	315,517	(5,385,838)
Infrastructure	<u>(41,336,210)</u>	<u>(833,847)</u>	<u>-</u>	<u>(42,170,057)</u>
Total accumulated depreciation	<u>(98,484,524)</u>	<u>(4,559,203)</u>	<u>790,294</u>	<u>(102,253,433)</u>
Total capital assets being depreciated, net	<u>240,873,672</u>	<u>13,463</u>	<u>(194,052)</u>	<u>240,693,083</u>
Governmental activities capital assets, net	<u>\$324,021,387</u>	<u>6,057,163</u>	<u>(2,730,577)</u>	<u>327,347,973</u>

*Beginning Balance of Accumulated Depreciation has been restated see Footnote 23.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(5) Capital Assets, (Continued)

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2011</u>
Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 196,106	-	-	196,106
Construction in progress	<u>198,906</u>	<u>-</u>	<u>(198,906)</u>	<u>-</u>
Total capital assets, not depreciated	<u>395,012</u>	<u>-</u>	<u>(198,906)</u>	<u>196,906</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>2,639,974</u>	<u>930,585</u>	<u>(76,922)</u>	<u>3,493,567</u>
Total capital assets, being depreciated	<u>4,703,607</u>	<u>930,585</u>	<u>(76,922)</u>	<u>5,557,200</u>
Less accumulated depreciation for:				
Buildings and improvements	(188,784)	(63,170)	-	(251,954)
Office equipment and machinery	(105,547)	(944)	-	(106,491)
Furniture and fixtures	(1,500)	-	-	(1,500)
Automotive equipment	<u>(2,182,163)</u>	<u>(254,688)</u>	<u>76,992</u>	<u>(2,359,859)</u>
Total accumulated depreciation	<u>(2,477,994)</u>	<u>(318,802)</u>	<u>76,992</u>	<u>(2,719,804)</u>
Total capital assets being depreciated, net	<u>2,225,613</u>	<u>611,783</u>	<u>-</u>	<u>2,837,396</u>
Business-type capital assets, net	<u>\$2,620,625</u>	<u>611,783</u>	<u>(198,906)</u>	<u>3,033,502</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	\$ 213,191
Community development	77,256
Public safety	366,311
Public works	1,713,074
Recreation and social services	585,644
Sewer service operating costs	<u>1,603,727</u>
Total	<u>\$4,559,203</u>

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

Municipal Transit	<u>\$318,802</u>
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(6) Construction Commitments

As of June 30, 2011, budgeted funds committed for major capital projects included the following:

<u>Description</u>	<u>Project Budget</u>	<u>Expenditures To Date</u>	<u>Unexpended Balance</u>
Lifeguard Headquarters and Restroom	\$ 5,764,900	353,068	5,411,832
Metal Storm Drain Repair	1,200,000	1,092,831	107,169
Laguna Canyon Channel Rehabilitation	953,900	163,465	790,435
Animal Shelter Renovation	1,487,152	996,913	490,239
Heisler Park III	4,026,000	2,359,341	1,666,659
Village Entrance Project	528,371	267,676	260,695
Main Beach Life Station Reconstruction	2,249,950	322,814	1,927,136
Mar Vista Undergrounding	1,041,095	466,100	574,995
Cerritos Dunning Undergrounding	<u>3,028,204</u>	<u>2,432,248</u>	<u>595,956</u>
	<u>\$20,279,572</u>	<u>8,454,456</u>	<u>11,825,116</u>

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(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 13 member cities in Southern California, which was established to pool resources, share risks, purchase excess insurance, and share costs for professional risk management and claims administration. The coverage for general and auto liability extends to \$1,600,000 per occurrence with a \$20,000,000 annual aggregate. The coverage for workers' compensation extends to a limit of \$3,000,000. Member cities 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.

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 \$4,691,185 reported in the Insurance and Employee Benefits Internal Service Fund, at June 30, 2011, 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 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Beginning of year liability	\$ 4,591,270	4,436,300
Current year claims and changes in estimates	3,032,755	2,624,148
Claims payments	<u>(2,932,840)</u>	<u>(2,469,178)</u>
Insurance claims payable	<u>\$ 4,691,185</u>	<u>4,591,270</u>

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

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(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, 2011, contributions from property owners were \$1,813,999. At June 30, 2011, the unpaid principal assessments in the 1915 Bond Improvement Districts were \$8,573,248.

(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, 2011, 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 \$29,446 for the year ended June 30, 2011. The minimum future rental payments under this lease are as follows:

Year ending June 30:

2012	\$ 26,400
2013	26,400
2014	<u>15,400</u>
Total	<u>\$ 68,200</u>

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, 2011:

	<u>Balance at</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2011</u>	<u>Due within</u> <u>one year</u>	<u>Due beyond</u> <u>one year</u>
Governmental activities:						
General obligation bonds	\$ 3,055,000	-	(1,490,000)	1,565,000	1,565,000	-
I-Bank installment agreement	5,723,651	-	(341,159)	5,382,492	350,472	5,032,020
Net OPEB liability	102,441	150,000	(83,750)	168,691	-	168,691
Compensated absences	3,716,252	2,622,299	(2,539,817)	3,798,734	721,759	3,076,975
Insurance claims payable	<u>4,591,270</u>	<u>3,032,755</u>	<u>(2,932,840)</u>	<u>4,691,185</u>	<u>1,047,356</u>	<u>3,283,829</u>
Total long-term liabilities	<u>\$17,188,614</u>	<u>5,805,054</u>	<u>(7,387,566)</u>	<u>15,606,102</u>	<u>4,044,587</u>	<u>11,561,515</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, 2011, the outstanding balance is \$1,565,000.

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>Total</u>
2012	<u>\$1,565,000</u>	<u>39,125</u>	<u>1,604,125</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 Fund and bears interest at a rate of 2.73% per annum. As of June 30, 2011, 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, 2011, the outstanding principal amount was \$5,382,492.

(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 2010-11, plan members receiving benefits contributed \$83,750 (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

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(12) Post Employment Benefit Plan, (Continued)

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

Annual required contribution	\$150,000
Interest on net OPEB obligation	3,673
Adjustments to annual required contributions	<u>(3,673)</u>
Annual OPEB cost (expense)	150,000
Contributions made (including premiums paid)	<u>(83,750)</u>
Increase in net OPEB obligation	66,250
Net OPEB obligation-beginning of year	<u>102,441</u>
Net OPEB obligation-end of year	<u>\$168,691</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 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>
6/30/09	\$128,950	57%	\$ 55,492
6/30/10	128,950	64%	102,441
6/30/11	150,000	56%	168,691

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%

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(12) Post Employment Benefit Plan, (Continued)

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

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

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit with Service Pro-Rate method. The actuarial assumptions included a 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.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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%

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(13) Fund Balances (Deficit)

Fund balances and fund balances (deficit) available for new appropriations at June 30, 2011 were as follows:

	General Fund	Major Special Revenue Funds Gas Tax	Disaster Contingency Fund	Major Debt Service Fund	Major Capital Projects Fund	Nonmajor Governmental Funds	Total
Fund balances:							
Nonspendable:							
Inventory	\$ 47,085	-	-	-	-	-	47,085
Prepays	50,377	-	-	-	-	791,384	841,761
Advances to other funds	1,360,000	-	-	-	-	-	1,360,000
Subtotal	<u>1,457,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>791,384</u>	<u>2,248,846</u>
Restricted for:							
Debt service	-	-	-	1,732,807	-	-	1,732,807
Animal shelter	362,182	-	-	-	-	-	362,182
Sewer service	3,035,107	-	-	-	-	-	3,035,107
Parking in-lieu	108,803	-	-	-	-	-	108,803
Park in-lieu	24,152	-	-	-	-	-	24,152
Art in-lieu	127,742	-	-	-	-	-	127,742
Drainage	57,210	-	-	-	-	-	57,210
Housing in-lieu	668,775	-	-	-	-	-	668,775
Assessment Districts	-	-	-	-	1,098,860	-	1,098,860
Street lighting district	-	-	-	-	-	3,225,674	3,225,674
Public safety	-	-	-	-	-	209,004	209,004
Subtotal	<u>4,731,971</u>	<u>-</u>	<u>-</u>	<u>1,732,807</u>	<u>1,098,860</u>	<u>3,434,678</u>	<u>10,998,316</u>
Committed for:							
Solid waste	234,988	-	-	-	-	-	234,988
Repair of public facilities and natural disaster	-	-	5,857,868	-	-	-	5,857,868
Subtotal	<u>234,988</u>	<u>-</u>	<u>5,857,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,092,856</u>
Assigned to:							
Open space	31,468	-	-	-	-	-	31,468
Parking authority	4,861,557	-	-	-	-	-	4,861,557
Business improvement district	353,900	-	-	-	-	-	353,900
Litigation	319,600	-	-	-	-	-	319,600
City hall cabling project	130,000	-	-	-	-	-	130,000
Fuel modification program	144,000	-	-	-	-	-	144,000
Lifeguard headquarters	155,600	-	-	-	-	-	155,600
Other capital projects	12,468,713	-	-	-	-	-	12,468,713
Other purposes	1,047,000	-	-	-	-	-	1,047,000
Subtotal	<u>19,511,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,511,838</u>
Unassigned	4,822,332	(1,240,670)	-	-	-	(944,018)	2,637,644
Total fund balances	<u>\$30,758,591</u>	<u>(1,240,670)</u>	<u>5,857,868</u>	<u>1,732,807</u>	<u>1,098,860</u>	<u>3,282,044</u>	<u>41,489,500</u>

*Includes General, Sewer Service, 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)

(14) Interfund Transfers

Interfund transfers at June 30, 2011 consisted of the following:

<u>Transfers In</u>	<u>General Fund</u>	<u>Gas Tax</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
General Fund	\$ -	514,987	-	-	514,987
Capital Projects Municipal	-	-			4,396
Transit Fund	823,900	-	-	-	823,900
Nonmajor Governmental Funds	-	-	19,359	-	19,359
Internal Service Fund	<u>1,454,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,454,285</u>
	<u>\$ 2,278,185</u>	<u>514,987</u>	<u>19,359</u>	<u>4,396</u>	<u>2,816,927</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.

(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, 2010 (the most recent information available), SOCWA had total assets of \$56,682,443 total liabilities of \$6,460,529 and total equity of \$50,221,914. A separate financial report may be obtained from the South Orange County Wastewater Authority office.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(15) Sewage Treatment Facilities, (Continued)

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 paid \$1,480,620 and \$971,298 for its share of operating and capital costs, respectively, during the fiscal year ended June 30, 2011.

(16) Pension Plan (Defined Benefit)

Plan Description

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

Contributions

Miscellaneous and safety (police, fire, and lifeguards) participants are required to contribute 8% and 9%, respectively, of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and city contract with employee bargaining groups.

For each of the fiscal years shown below, the City has contributed at the actuarially determined rate provided by CalPERS' actuaries. Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2010 to June 30, 2011 has been determined by an actuarial valuation of the plan as of June 30, 2008. The City's covered payroll for PERS was \$27,611,895 for the year ended June 30, 2011, while the City's total payroll for all employees was \$21,081,320 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2011, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2010 to June 30, 2011.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

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

Three-Year Trend Information

Annual Pension Cost (Police)

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	30.139%	\$1,337,114	100%	-
6/30/10	30.369%*	1,122,833	100%	-
6/30/11	19.094%	879,977	100%	-

Annual Pension Cost (Fire)

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	29.940%	\$1,202,676	100%	-
6/30/10	29.180%*	999,389	100%	-
6/30/11	19.094%	820,731	100%	-

Annual Pension Cost (Lifeguards)

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	16.157%	\$124,702	100%	-
6/30/10	15.854%	110,173	100%	-
6/30/11	16.407%	101,901	100%	-

Annual Pension Cost (Miscellaneous)

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	9.048%	\$1,055,676	100%	-
6/30/10	9.200%	1,084,955	100%	-
6/30/11	12.015%	1,388,118	100%	-

*The rate changed to 18.229% in February 2010.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

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

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 2011 was \$27,611,895 and covered payroll was \$2,324,457. Both the City and covered employees made the required 3.75% contributions amounting to \$75,798 from each source, or \$151,596 in total. Vested funds can be withdrawn upon termination or retirement from the City.

In 2011, 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.

(17) Fund Deficits

The following funds reported a deficit in fund balance as of June 30, 2011:

	<u>Deficit Balance</u>
Major Special Revenue Fund:	
Gas Tax	(\$1,240,670)
Nonmajor Special Revenue Fund:	
December Storms 2010	(944,018)

The deficit reported in the Gas Tax Fund will be remedied as allocations from the State are received. The deficit reported in the December Storms 2010 Fund will be remedied as reimbursement requests are submitted and received from granting agencies.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(18) Excess of Expenditures Over Appropriations

Expenditures for the year ended June 30, 2011 exceeded appropriations in the following funds:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess over Appropriations</u>
General Fund:			
Administrative Services	\$2,127,200	2,377,657	(250,457)
Nonmajor Special Revenue Funds:			
December Storms 2010	-	1,181,750	(1,181,750)

Administrative Services expenditures are in excess of appropriations due to the gas tax exchange program with the Orange County Transportation Authority (OCTA). The expenditures are offset by transfers from the Gas Tax Fund. Expenditures for the December Storms 2010 Special Revenue fund will be reimbursed primarily by grants from the Federal Emergency Management Agency (FEMA), the Federal Highway Administration (FHWA), California Emergency Management (CALEMA), and insurance reimbursements. The City Council approved the appropriations on July 12, 2011.

(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	\$2,450,265
50% Limitation (Line 1x50%)	1,225,133

TDA Financial Need Limitation:

Total Operating Costs		2,450,265
Depreciation	(318,802)	
OCTA Operating Assistance	(76,453)	
Passenger Revenues	(194,147)	
Taxi Voucher Program	(19,231)	
Park and Ride	(110,050)	<u>(718,683)</u>
Financial Need		<u>\$1,731,582</u>
Lesser of "Financial Need" or "50% Limitation"		<u>\$1,225,132</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 \$226,915.

(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, 2011, the outstanding balance of the loans was \$635,671.

(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. The amount of disallowed cost, if any, that might be associated with this funding cannot be reasonably estimated.

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(23) Restatement of Fund Balance

During fiscal year 2011, the City combined its Sewer Services Fund with the General Fund for financial statement presentation as required under GASB 54. In addition, the City combined its Miscellaneous Grants Fund and the Bluebird Landslide Fund with the General Fund to be consistent with the City's budgetary practices.

The following schedules summarize the effects of the above-described restatements to the Fund Financial Statements

Governmental Funds:

	<u>General Fund</u>	<u>Sewer Services Fund</u>	<u>Nonmajor Governmental Funds</u>
Fund balance at beginning of year, as previously reported	\$ 23,277,763	2,522,039	3,462,464
Restatement to combine Sewer Services Fund with General Fund	2,522,039	(2,522,039)	-
Restatement to combine Bluebird Landslide Fund with General Fund	40,126	-	(40,126)
Restatement to combine Miscellaneous Grants Fund with General Fund	<u>34,814</u>	<u>-</u>	<u>(34,814)</u>
Fund balance at beginning of year, as restated	<u>\$ 25,874,742</u>	<u>-</u>	<u>3,387,524</u>

CITY OF LAGUNA BEACH

Notes to Basic Financial Statements

(Continued)

(23) Restatement of Fund Balance, (Continued)

During the year ended June 30, 2011, the City restated the beginning net assets of the Governmental Activities. This was done to reduce accumulated depreciation on infrastructure assets that were over depreciated.

Governmental Activities:

	<u>Governmental Activities</u>
Fund balance at beginning of year, as previously reported	\$ 371,216,102
Adjustment to accumulated depreciation	<u>2,679,457</u>
Fund balance at beginning of year, as restated	<u>\$ 373,895,559</u>

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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, 2011
 (With Comparative Totals For Year Ended June 30, 2010)

	Budgeted Amounts		Actual	Variance with	2010
	Original	Final		Final Budget	
				Positive/ (Negative)	Actual
Revenues:					
Taxes:					
Property taxes	\$ 24,774,000	24,774,000	25,566,967	792,967	25,351,969
Sales and use taxes	3,650,000	3,650,000	4,042,644	392,644	3,642,884
Transient lodging taxes	7,000,000	7,000,000	7,073,251	73,251	6,759,353
Franchise taxes	1,150,000	1,150,000	1,151,500	1,500	1,116,344
Business license taxes	800,000	800,000	810,366	10,366	857,094
Real property transfer taxes	200,000	200,000	367,105	167,105	404,638
Total taxes	<u>37,574,000</u>	<u>37,574,000</u>	<u>39,011,833</u>	<u>1,437,833</u>	<u>38,132,282</u>
Licenses and permits:					
Construction permits	848,000	848,000	964,281	116,281	900,270
Other	21,000	21,000	26,685	5,685	23,770
Total licenses and permits	<u>869,000</u>	<u>869,000</u>	<u>990,966</u>	<u>121,966</u>	<u>924,040</u>
Fines and penalties					
Vehicle codes	1,595,000	1,595,000	1,177,316	(417,684)	1,417,101
Other	48,000	48,000	39,785	(8,215)	57,628
Total fines and penalties	<u>1,643,000</u>	<u>1,643,000</u>	<u>1,217,101</u>	<u>(425,899)</u>	<u>1,474,729</u>
Investment income	<u>1,000,000</u>	<u>1,000,000</u>	<u>929,076</u>	<u>(70,924)</u>	<u>1,096,087</u>
Rental income	<u>433,000</u>	<u>433,000</u>	<u>445,491</u>	<u>12,491</u>	<u>420,678</u>
Intergovernmental	<u>1,118,600</u>	<u>3,787,385</u>	<u>2,671,742</u>	<u>(1,115,643)</u>	<u>1,502,143</u>
Charges for services:					
Sewer charges	6,095,000	6,095,000	6,082,856	(12,144)	5,932,460
Planning fees	992,000	992,000	1,014,539	22,539	1,127,105
Building department fees	200,000	200,000	294,112	94,112	331,337
Refuse service charges	1,969,000	1,969,000	2,012,473	43,473	1,913,220
Medical fees	80,000	80,000	105,928	25,928	126,150
Parks and recreation fees	2,666,000	2,666,000	2,621,358	(44,642)	2,717,020
Other	273,500	273,500	328,921	55,421	545,726
Total charges for services	<u>12,275,500</u>	<u>12,275,500</u>	<u>12,460,187</u>	<u>184,687</u>	<u>12,693,018</u>
Parking meters, lots and permits	<u>4,704,000</u>	<u>4,704,000</u>	<u>4,891,228</u>	<u>187,228</u>	<u>4,080,151</u>
Development tax:					
Building construction tax	-	-	675,391	675,391	29,151
Other	-	-	5,000	5,000	10,653
Total development tax	<u>-</u>	<u>-</u>	<u>680,391</u>	<u>680,391</u>	<u>39,804</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	2010
	Original	Final		Final Budget	
				Positive/ (Negative)	
Other:					
Reimbursed expenditures	290,000	290,000	712,047	422,047	343,620
Other	29,500	341,500	446,615	105,115	573,684
Total other	<u>319,500</u>	<u>631,500</u>	<u>1,158,662</u>	<u>527,162</u>	<u>917,304</u>
Total revenues	<u>59,936,600</u>	<u>62,917,385</u>	<u>64,456,677</u>	<u>1,539,292</u>	<u>61,280,236</u>
Expenditures:					
General government:					
City Council	62,900	62,900	51,974	10,926	63,642
City Manager	750,500	767,800	614,510	153,290	735,357
City Clerk	319,900	324,600	313,832	10,768	285,052
City Treasurer	138,700	138,600	134,407	4,193	162,352
City Attorney	585,000	820,000	499,326	320,674	365,513
Administrative services	<u>2,091,700</u>	<u>2,127,200</u>	<u>2,377,657</u>	<u>(250,457)</u>	<u>2,289,721</u>
Total general government	<u>3,948,700</u>	<u>4,241,100</u>	<u>3,991,706</u>	<u>249,394</u>	<u>3,901,637</u>
Community development	<u>3,652,000</u>	<u>3,725,500</u>	<u>3,531,828</u>	<u>193,672</u>	<u>3,482,651</u>
Public safety:					
Police protection	12,723,100	12,884,950	12,099,400	785,550	12,543,752
Fire protection	9,377,500	9,679,000	8,873,308	805,692	9,102,567
Marine safety	2,319,300	2,401,600	2,275,456	126,144	2,215,223
Parking enforcement	<u>876,100</u>	<u>876,100</u>	<u>831,779</u>	<u>44,321</u>	<u>820,041</u>
Total public safety	<u>25,296,000</u>	<u>25,841,650</u>	<u>24,079,943</u>	<u>1,761,707</u>	<u>24,681,583</u>
Public works	<u>10,683,300</u>	<u>10,878,400</u>	<u>9,821,342</u>	<u>1,057,058</u>	<u>10,768,494</u>
Recreation and social services	<u>4,015,100</u>	<u>4,448,313</u>	<u>4,003,836</u>	<u>444,477</u>	<u>4,196,800</u>
Sewer service operating costs	<u>4,119,900</u>	<u>4,169,211</u>	<u>4,009,715</u>	<u>159,496</u>	<u>4,093,162</u>
Capital expenditures	<u>6,179,200</u>	<u>25,477,986</u>	<u>7,866,382</u>	<u>17,611,604</u>	<u>7,071,548</u>
Debt service:					
Principal interest and fiscal charges	<u>531,000</u>	<u>531,000</u>	<u>509,928</u>	<u>21,072</u>	<u>510,571</u>
Total expenditures	<u>58,425,200</u>	<u>79,313,160</u>	<u>57,814,680</u>	<u>20,997,825</u>	<u>58,706,446</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,511,400</u>	<u>(16,395,775)</u>	<u>6,641,997</u>	<u>22,537,117</u>	<u>2,573,790</u>
Other financing sources (uses):					
Transfers in	-	15,000	514,987	499,987	2,056,172
Transfers out	(828,800)	(828,800)	(2,278,185)	(1,449,385)	(3,272,043)
Issuance of loan	-	1,953,500	-	(1,953,500)	152,486
Advance payments of PERS obligation	-	-	-	-	(9,956,355)
Sale of land and equipment	<u>3,000</u>	<u>1,164,800</u>	<u>5,050</u>	<u>(1,159,750)</u>	<u>956</u>
Total other financing sources (uses)	<u>(825,800)</u>	<u>2,304,500</u>	<u>(1,758,148)</u>	<u>(4,062,648)</u>	<u>(11,018,784)</u>
Net change in fund balances	685,600	(14,091,275)	4,883,849	18,474,469	(8,444,994)
Fund balances, beginning of year	<u>25,874,742</u>	<u>25,874,742</u>	<u>25,874,742</u>	-	<u>34,279,610</u>
Fund balances, end of year	<u>\$ 26,560,342</u>	<u>11,783,467</u>	<u>30,758,591</u>	<u>18,474,469</u>	<u>25,834,616</u>

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, 2011

(With Comparative Totals For Year Ended June 30, 2010)

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)	2010 Actual
	Original	Final			
Revenues:					
Taxes	\$ 275,000	275,000	261,916	(13,084)	261,179
Investment income	-	-	-	-	5,991
Intergovernmental	1,092,000	1,092,000	1,172,831	80,831	1,714,823
Other	-	-	50,000	50,000	50,000
Total revenues	<u>1,367,000</u>	<u>1,367,000</u>	<u>1,484,747</u>	<u>117,747</u>	<u>2,031,993</u>
Expenditures:					
Capital expenditures	<u>2,107,500</u>	<u>2,107,500</u>	<u>1,381,765</u>	<u>725,735</u>	<u>501,447</u>
Total expenditures	<u>2,107,500</u>	<u>2,107,500</u>	<u>1,381,765</u>	<u>725,735</u>	<u>501,447</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(740,500)</u>	<u>(740,500)</u>	<u>102,982</u>	<u>843,482</u>	<u>1,530,546</u>
Other financing sources (uses):					
Transfers in	-	36,000	-	(36,000)	1,400,000
Transfers out	<u>-</u>	<u>-</u>	<u>(514,987)</u>	<u>(514,987)</u>	<u>(700,918)</u>
Total other financing sources (uses)	<u>-</u>	<u>36,000</u>	<u>(514,987)</u>	<u>(550,987)</u>	<u>699,082</u>
Net change in fund balances	(740,500)	(704,500)	(412,005)	292,495	2,229,628
Fund balances (deficit), beginning of year	<u>(828,665)</u>	<u>(828,665)</u>	<u>(828,665)</u>	<u>-</u>	<u>(3,058,293)</u>
Fund balances (deficit), end of year	<u>\$ (1,569,165)</u>	<u>(1,533,165)</u>	<u>(1,240,670)</u>	<u>292,495</u>	<u>(828,665)</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, 2011
(With Comparative Totals For Year Ended June 30, 2010)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget	<u>2010 Actual</u>
	<u>Original</u>	<u>Budget</u>		<u>Positive/ (Negative)</u>	
Revenues:					
Investment income	\$ 150,000	150,000	91,697	(58,303)	171,305
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>91,697</u>	<u>(58,303)</u>	<u>171,305</u>
Other financing sources (uses):					
Transfers out	-	-	-	-	(2,497,428)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,497,428)</u>
Net change in fund balances	150,000	150,000	91,697	(58,303)	(2,326,123)
Fund balances, beginning of year	<u>5,766,171</u>	<u>5,766,171</u>	<u>5,766,171</u>	<u>-</u>	<u>8,092,294</u>
Fund balances, end of year	<u>\$ 5,916,171</u>	<u>\$ 5,916,171</u>	<u>5,857,868</u>	<u>(58,303)</u>	<u>5,766,171</u>

CITY OF LAGUNA BEACH

Note to Required Supplementary Information

Year Ended June 30, 2011

(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 \$20,862,960 were made in the General Fund and \$3,185,480 was made in the special revenue, capital projects, and debt service funds during the year.

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, 2011
 (With Comparative Totals for June 30, 2010)

<u>Assets</u>	<u>General</u>	<u>Sewer Service</u>	<u>Open Space</u>	<u>Capital Improvement</u>
Cash and investments	\$ 15,308,269	3,077,815	31,468	11,117,350
Receivables:				
Taxes	697,505	61,022	-	250,729
Accounts	68,842	-	-	9,874
Interest	19,418	-	-	-
Intergovernmental	82,639	-	-	1,498,853
Notes	-	-	-	-
Due from other funds	1,110,022	-	-	-
Prepays	50,377	-	-	-
Inventory	47,085	-	-	-
Advances to other funds	-	-	-	60,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 17,384,157</u>	<u>3,138,837</u>	<u>31,468</u>	<u>12,936,806</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,637,954	103,730	-	408,093
Retentions payable	-	-	-	-
Due to other government agencies	-	-	-	-
Deferred revenue	79,139	-	-	-
Advances from other funds	8,000,000	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>9,717,093</u>	<u>103,730</u>	<u>-</u>	<u>408,093</u>
Fund balances:				
Nonspendable	97,462	-	-	60,000
Restricted	362,182	3,035,107	-	-
Committed	234,988	-	-	-
Assigned	2,150,100	-	31,468	12,468,713
Unassigned	4,822,332	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>7,667,064</u>	<u>3,035,107</u>	<u>31,468</u>	<u>12,528,713</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 17,384,157</u>	<u>3,138,837</u>	<u>31,468</u>	<u>12,936,806</u>

Parking Authority	Parking In-Lieu	Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Totals	
						2011	2010
4,844,221	108,803	24,152	127,742	57,210	687,852	35,384,882	34,044,750
-	-	-	-	-	-	1,009,256	925,594
38,626	-	-	-	-	-	117,342	269,790
-	-	-	-	-	-	19,418	33,915
-	-	-	-	-	-	1,581,492	251,519
-	-	-	-	-	348,000	348,000	348,000
-	-	-	-	-	-	1,110,022	-
-	-	-	-	-	-	50,377	46,524
-	-	-	-	-	-	47,085	52,575
<u>1,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,360,000</u>	<u>1,360,000</u>
<u>6,182,847</u>	<u>108,803</u>	<u>24,152</u>	<u>127,742</u>	<u>57,210</u>	<u>1,035,852</u>	<u>41,027,874</u>	<u>37,332,667</u>
21,290	-	-	-	-	-	2,171,067	2,600,586
-	-	-	-	-	-	-	84,182
-	-	-	-	-	19,077	19,077	325,276
-	-	-	-	-	-	79,139	447,881
-	-	-	-	-	-	8,000,000	8,000,000
<u>21,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,077</u>	<u>10,269,283</u>	<u>11,457,925</u>
1,300,000	-	-	-	-	-	1,457,462	1,807,099
-	108,803	24,152	127,742	57,210	1,016,775	4,731,971	74,940
-	-	-	-	-	-	234,988	159,768
4,861,557	-	-	-	-	-	19,511,838	14,525,439
-	-	-	-	-	-	4,822,332	9,307,496
<u>6,161,557</u>	<u>108,803</u>	<u>24,152</u>	<u>127,742</u>	<u>57,210</u>	<u>1,016,775</u>	<u>30,758,591</u>	<u>25,874,742</u>
<u>6,182,847</u>	<u>108,803</u>	<u>24,152</u>	<u>127,742</u>	<u>57,210</u>	<u>1,035,852</u>	<u>41,027,874</u>	<u>37,332,667</u>

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CITY OF LAGUNA BEACH

General Fund

Consolidating Statement of Revenues, Expenditures and Changes in Fund Balances by Sub-Fund

Year Ended June 30, 2011

	<u>General</u>	<u>Sewer Service</u>	<u>Open Space</u>	<u>Capital Improvement</u>	<u>Parking Authority</u>
Revenues:					
Taxes	\$ 35,701,655	-	-	3,310,178	-
Licenses and permits	990,966	-	-	-	-
Fines and penalties	4,675	-	-	1,212,426	-
Investment income	918,630	-	-	-	-
Rental	445,491	-	-	-	-
Intergovernmental	792,232	-	-	1,879,510	-
Charges for services	6,375,581	6,082,856	-	1,750	-
Parking meters, lots and permits	-	-	-	-	4,891,228
Development tax	-	-	-	-	-
Other	580,461	189,766	-	363,435	-
Total revenues	<u>45,809,691</u>	<u>6,272,622</u>	<u>-</u>	<u>6,767,299</u>	<u>4,891,228</u>
Expenditures:					
Current:					
General government	3,991,706	-	-	-	-
Community development	3,531,828	-	-	-	-
Public safety	23,248,164	-	-	-	831,779
Public works	8,723,974	-	-	-	1,097,368
Recreation and social services	3,937,580	-	-	-	-
Sewer service operating costs	-	4,009,715	-	-	-
Capital expenditures	700,576	1,239,911	20,826	5,902,523	2,546
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	509,928	-	-	-
Total expenditures	<u>44,133,828</u>	<u>5,759,554</u>	<u>20,826</u>	<u>5,902,523</u>	<u>1,931,693</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,675,863</u>	<u>513,068</u>	<u>(20,826)</u>	<u>864,776</u>	<u>2,959,535</u>
Other financing sources (uses):					
Transfers in	1,214,987	-	15,000	56,400	-
Transfers out	(1,525,685)	-	-	-	(1,523,900)
Issuance of loan	-	-	-	-	-
Advance payments of PERS obligation	-	-	-	-	-
Sale of land and equipment	5,050	-	-	-	-
Total other financing sources (uses)	<u>(305,648)</u>	<u>-</u>	<u>15,000</u>	<u>56,400</u>	<u>(1,523,900)</u>
Net change in fund balances	1,370,215	513,068	(5,826)	921,176	1,435,635
Fund balances, beginning of year	<u>6,296,849</u>	<u>2,522,039</u>	<u>37,294</u>	<u>11,607,537</u>	<u>4,725,922</u>
Fund balances, end of year	<u>\$ 7,667,064</u>	<u>3,035,107</u>	<u>31,468</u>	<u>12,528,713</u>	<u>6,161,557</u>

Parking In-Lieu	Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Eliminations (1)	Totals	
						2011	2010
-	-	-	-	-	-	39,011,833	38,132,282
-	-	-	-	-	-	990,966	924,040
-	-	-	-	-	-	1,217,101	1,474,729
1,148	325	2,149	896	5,928	-	929,076	1,096,087
-	-	-	-	-	-	445,491	420,678
-	-	-	-	-	-	2,671,742	1,502,143
-	-	-	-	-	-	12,460,187	12,693,018
-	-	-	-	-	-	4,891,228	4,080,151
60,000	5,000	15,491	-	599,900	-	680,391	39,804
-	-	25,000	-	-	-	1,158,662	942,304
<u>61,148</u>	<u>5,325</u>	<u>42,640</u>	<u>896</u>	<u>605,828</u>	<u>-</u>	<u>64,456,677</u>	<u>61,305,236</u>
-	-	-	-	-	-	3,991,706	3,901,637
-	-	-	-	-	-	3,531,828	3,482,651
-	-	-	-	-	-	24,079,943	24,681,583
-	-	-	-	-	-	9,821,342	10,768,494
-	-	66,256	-	-	-	4,003,836	4,196,800
-	-	-	-	-	-	4,009,715	4,093,162
-	-	-	-	-	-	7,866,382	7,238,756
-	-	-	-	-	-	-	-
-	-	-	-	-	-	509,928	510,571
-	-	66,256	-	-	-	57,814,680	58,873,654
<u>61,148</u>	<u>5,325</u>	<u>(23,616)</u>	<u>896</u>	<u>605,828</u>	<u>-</u>	<u>6,641,997</u>	<u>2,431,582</u>
-	-	-	-	-	(771,400)	514,987	4,553,600
-	-	-	-	-	771,400	(2,278,185)	(3,472,043)
-	-	-	-	-	-	-	152,486
-	-	-	-	-	-	-	(9,956,355)
-	-	-	-	-	-	5,050	956
-	-	-	-	-	-	(1,758,148)	(8,721,356)
61,148	5,325	(23,616)	896	605,828	-	4,883,849	(6,289,774)
<u>47,655</u>	<u>18,827</u>	<u>151,358</u>	<u>56,314</u>	<u>410,947</u>	<u>-</u>	<u>25,874,742</u>	<u>32,164,516</u>
<u>108,803</u>	<u>24,152</u>	<u>127,742</u>	<u>57,210</u>	<u>1,016,775</u>	<u>-</u>	<u>30,758,591</u>	<u>25,874,742</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:

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.

Asset Forfeiture Fund

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

December Storms 2010 Fund

This fund is used to account for cost incurred for emergency repairs and permanent restoration related to Storms that occurred in December 2010. Funding sources for this fund are from the Federal Emergency Management Agency, the California Emergency Management Agency, the Federal Highway Administration, insurance reimbursements, and the General Fund.

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:

Assessment Districts

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

CITY OF LAGUNA BEACH
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2011
(With Comparative Totals for June 30, 2010)

	<u>Street Lighting</u>	<u>Asset</u>	<u>December</u>	<u>Totals</u>	
	<u>District</u>	<u>Forfeiture</u>	<u>Storms 2010</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>					
Cash and investments	\$ 384,341	209,004	-	593,345	535,918
Receivables:					
Taxes	10,892	-	-	10,892	15,321
Intergovernmental	-	-	1,110,022	1,110,022	-
Prepays	791,384	-	-	791,384	-
Advances to other funds	2,500,000	-	-	2,500,000	2,500,000
Property held for investment	354,444	-	-	354,444	354,444
	<u>\$ 4,041,061</u>	<u>209,004</u>	<u>1,110,022</u>	<u>5,360,087</u>	<u>3,405,683</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 24,003	-	-	24,003	18,159
Due to other government agencies	-	-	-	-	-
Due to other funds	-	-	1,110,022	1,110,022	-
Deferred revenue	-	-	944,018	944,018	-
	<u>24,003</u>	<u>-</u>	<u>2,054,040</u>	<u>2,078,043</u>	<u>18,159</u>
Fund balances (deficit):					
Nonspendable	791,384	-	-	791,384	2,854,444
Restricted	3,225,674	209,004	-	3,434,678	533,080
Unassigned	-	-	(944,018)	(944,018)	-
	<u>4,017,058</u>	<u>209,004</u>	<u>(944,018)</u>	<u>3,282,044</u>	<u>3,387,524</u>
Total liabilities and and fund balances	<u>\$ 4,041,061</u>	<u>209,004</u>	<u>1,110,022</u>	<u>5,360,087</u>	<u>3,405,683</u>

CITY OF LAGUNA BEACH
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2011
(With Comparative Totals For Year Ended June 30, 2010)

	Street Lighting District	Asset Forfeiture	December Storms 2010	Totals	
				2011	2010
Revenues:					
Taxes	\$ 1,114,893	-	-	1,114,893	1,117,787
Fines and penalties	-	57,169	-	57,169	8,733
Investment income	-	3,239	-	3,239	4,024
Intergovernmental	6,788	-	122,584	129,372	6,770
Other	29,494	-	115,148	144,642	209
Total revenues	1,151,175	60,408	237,732	1,449,315	1,137,523
Expenditures:					
Current:					
Public works	275,771	-	-	275,771	302,286
Capital expenditures	93,163	19,074	1,181,750	1,293,987	-
Total expenditures	368,934	19,074	1,181,750	1,569,758	302,286
Excess of revenues over (under) expenditures	782,241	41,334	(944,018)	(120,443)	835,237
Other financing sources (uses):					
Transfers in	19,359	-	-	19,359	-
Transfers out	(4,396)	-	-	(4,396)	(133,540)
Total other financing sources (uses)	14,963	-	-	14,963	(133,540)
Net change in fund balances	797,204	41,334	(944,018)	(105,480)	701,697
Fund balances, beginning of year	3,219,854	167,670	-	3,387,524	2,685,827
Fund balances (deficit), end of year	\$ 4,017,058	209,004	(944,018)	3,282,044	3,387,524

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, 2011
(With Comparative Totals For Year Ended June 30, 2010)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive/ (Negative)</u>	<u>2010 Actual</u>
Revenues:				
Taxes	\$ 1,106,000	1,114,893	8,893	1,117,787
Intergovernmental	6,500	6,788	288	6,770
Other	<u>-</u>	<u>29,494</u>	<u>29,494</u>	<u>209</u>
Total revenues	<u>1,112,500</u>	<u>1,151,175</u>	<u>38,675</u>	<u>1,124,766</u>
Expenditures:				
Current:				
Public works	1,111,600	275,771	835,829	302,286
Capital expenditures	<u>230,000</u>	<u>93,163</u>	<u>136,837</u>	<u>-</u>
Total expenditures	<u>1,341,600</u>	<u>368,934</u>	<u>972,666</u>	<u>302,286</u>
Excess of revenues over expenditures	<u>(229,100)</u>	<u>782,241</u>	<u>1,011,341</u>	<u>822,480</u>
Other financing sources (uses):				
Transfers in	-	19,359	19,359	-
Transfers out	<u>(4,396)</u>	<u>(4,396)</u>	<u>-</u>	<u>(133,540)</u>
Total other financing sources (uses)	<u>(4,396)</u>	<u>14,963</u>	<u>19,359</u>	<u>(133,540)</u>
Net change in fund balances	(233,496)	797,204	1,030,700	688,940
Fund balances, beginning of year	<u>3,219,854</u>	<u>3,219,854</u>	<u>-</u>	<u>2,530,914</u>
Fund balances, end of year	<u>\$ 2,986,358</u>	<u>4,017,058</u>	<u>1,030,700</u>	<u>3,219,854</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, 2011

(With Comparative Totals For Year Ended June 30, 2010)

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)	<u>2010 Actual</u>
Revenues:				
Fines and penalties	\$ -	57,169	57,169	8,733
Investment income	-	<u>3,239</u>	<u>3,239</u>	<u>4,024</u>
Total revenues	-	<u>60,408</u>	<u>60,408</u>	<u>12,757</u>
Expenditures:				
Capital expenditures	<u>20,000</u>	<u>19,074</u>	<u>926</u>	<u>-</u>
Total expenditures	<u>20,000</u>	<u>19,074</u>	<u>926</u>	<u>-</u>
Net change in fund balances	(20,000)	41,334	61,334	12,757
Fund balances, beginning of year	<u>167,670</u>	<u>167,670</u>	<u>-</u>	<u>154,913</u>
Fund balances, end of year	<u>\$ 147,670</u>	<u>209,004</u>	<u>61,334</u>	<u>167,670</u>

CITY OF LAGUNA BEACH

Non-Major Special Revenue Fund

December Storms 2010

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

Year Ended June 30, 2011

(With Comparative Totals For Year Ended June 30, 2010)

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)	<u>2010 Actual</u>
Revenues:				
Intergovernmental	\$ -	122,584	122,584	-
Other	-	<u>115,148</u>	<u>115,148</u>	-
Total revenues	-	<u>237,732</u>	<u>237,732</u>	-
Expenditures:				
Capital expenditures	-	<u>1,181,750</u>	<u>(1,181,750)</u>	-
Total expenditures	-	<u>1,181,750</u>	<u>(1,181,750)</u>	-
Excess of revenues over expenditures	-	(944,018)	(944,018)	-
Fund balances, beginning of year	-	-	-	-
Fund balances (deficit), end of year	<u>\$ -</u>	<u>(944,018)</u>	<u>(944,018)</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, 2011

(With Comparative Totals For Year Ended June 30, 2010)

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)	<u>2010 Actual</u>
Revenues:				
Taxes	\$ 1,044,000	1,289,676	245,676	1,475,393
Investment income	50,000	18,463	(31,537)	35,732
Intergovernmental	<u>6,000</u>	<u>4,382</u>	<u>(1,618)</u>	<u>5,185</u>
Total revenues	<u>1,100,000</u>	<u>1,312,521</u>	<u>212,521</u>	<u>1,516,310</u>
Expenditures:				
Debt service:				
Principal	1,490,000	1,490,000	-	1,425,000
Interest and fiscal charges	<u>120,500</u>	<u>115,500</u>	<u>5,000</u>	<u>186,952</u>
Total expenditures	<u>1,610,500</u>	<u>1,605,500</u>	<u>5,000</u>	<u>1,611,952</u>
Excess of revenues over (under) expenditures	(510,500)	(292,979)	217,521	(95,642)
Fund balances, beginning of year	<u>2,025,786</u>	<u>2,025,786</u>	<u>-</u>	<u>2,121,428</u>
Fund balances, end of year	<u>\$ 1,515,286</u>	<u>1,732,807</u>	<u>217,521</u>	<u>2,025,786</u>

CITY OF LAGUNA BEACH

Major Capital Projects Fund

Assessment Districts

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

Year Ended June 30, 2011

(With Comparative Totals For Year Ended June 30, 2010)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2010 Actual
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Investment income	\$ -	21,992	21,992	48,293
Other	<u>-</u>	<u>19,589</u>	<u>19,589</u>	<u>55,448</u>
Total revenues	<u>-</u>	<u>41,581</u>	<u>41,581</u>	<u>103,741</u>
Expenditures:				
Capital expenditures	<u>1,527,980</u>	<u>518,106</u>	<u>1,009,874</u>	<u>1,637,736</u>
Total expenditures	<u>1,527,980</u>	<u>518,106</u>	<u>1,009,874</u>	<u>1,637,736</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,527,980)</u>	<u>(476,525)</u>	<u>1,051,455</u>	<u>(1,533,995)</u>
Other financing sources:				
Transfers in	4,396	4,396	-	133,540
Transfers out	<u>-</u>	<u>(19,359)</u>	<u>(19,359)</u>	<u>-</u>
Total other financing sources	<u>4,396</u>	<u>(14,963)</u>	<u>(19,359)</u>	<u>133,540</u>
Net change in fund balances	(1,523,584)	(491,488)	1,032,096	(1,400,455)
Fund balances, beginning of year	<u>1,590,348</u>	<u>1,590,348</u>	<u>-</u>	<u>2,990,803</u>
Fund balances, end of year	<u>\$ 66,764</u>	<u>1,098,860</u>	<u>1,032,096</u>	<u>1,590,348</u>

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, 2011
(With Comparative Totals For June 30, 2010)

	<u>Insurance and</u> <u>Employee Benefits</u>	<u>Vehicle</u> <u>Replacement</u>	<u>Totals</u>	
			<u>2011</u>	<u>2010</u>
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 7,259,384	2,484,106	9,743,490	8,815,370
Receivables:				
Accounts	-	-	-	14,014
Prepays	<u>266,823</u>	<u>-</u>	<u>266,823</u>	<u>255,462</u>
Total current assets	<u>7,526,207</u>	<u>2,484,106</u>	<u>10,010,313</u>	<u>9,084,846</u>
Noncurrent assets:				
Advances to other funds	4,500,000	1,700,000	6,200,000	6,200,000
Notes receivable	462,926	172,745	635,671	670,848
Property held for investment	1,356,153	321,656	1,677,809	1,677,809
Capital assets, net of depreciation	<u>-</u>	<u>2,534,099</u>	<u>2,534,099</u>	<u>2,805,413</u>
Total noncurrent assets	<u>6,319,079</u>	<u>4,728,500</u>	<u>11,047,579</u>	<u>11,354,070</u>
Total assets	<u>13,845,286</u>	<u>7,212,606</u>	<u>21,057,892</u>	<u>20,438,916</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and accrued liabilities	80,545	-	80,545	120,607
Compensated absences due within one year	721,759	-	721,759	2,727,269
Insurance claims payable due within one year	<u>1,407,356</u>	<u>-</u>	<u>1,407,356</u>	<u>1,377,381</u>
Total current liabilities	<u>2,209,660</u>	<u>-</u>	<u>2,209,660</u>	<u>4,225,257</u>
Non-current liabilities:				
Compensated absences	3,076,975	-	3,076,975	988,983
Insurance claims payable	3,283,829	-	3,283,829	3,213,889
Net OPEB liability	<u>168,691</u>	<u>-</u>	<u>168,691</u>	<u>102,441</u>
Total non-current liabilities	<u>6,529,495</u>	<u>-</u>	<u>6,529,495</u>	<u>4,305,313</u>
Total liabilities	<u>8,739,155</u>	<u>-</u>	<u>8,739,155</u>	<u>8,530,570</u>
<u>Net Assets</u>				
Net assets:				
Invested in capital assets	-	2,534,099	2,534,099	2,805,413
Unrestricted	<u>5,106,131</u>	<u>4,678,507</u>	<u>9,784,638</u>	<u>9,102,933</u>
Total net assets	<u>\$ 5,106,131</u>	<u>7,212,606</u>	<u>12,318,737</u>	<u>11,908,346</u>

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended June 30, 2011
(With Comparative Totals For Year Ended June 30, 2010)

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2011	2010
Operating revenues:				
Vehicle rentals	\$ -	1,075,692	1,075,692	1,041,277
Employee benefits charges	701,000	-	701,000	733,600
Insurance charges	5,601,310	-	5,601,310	5,640,695
Total operating revenues	6,302,310	1,075,692	7,378,002	7,415,572
Operating expenses:				
Employee benefits	1,078,561	-	1,078,561	981,489
Insurance claims and premiums	6,753,706	-	6,753,706	6,386,030
Depreciation	-	628,458	628,458	819,835
Total operating expenses	7,832,267	628,458	8,460,725	8,187,354
Operating income (loss)	(1,529,957)	447,234	(1,082,723)	(771,782)
Nonoperating revenues (expenses):				
Investment income	-	-	-	38,010
Gain (loss) on disposal of capital assets	-	38,829	38,829	(24,868)
Other	-	-	-	145
Total nonoperating revenues (expenses)	-	38,829	38,829	13,287
Income (loss) before transfers	(1,529,957)	486,063	(1,043,894)	(758,495)
Transfers:				
Transfers in	1,454,285	-	1,454,285	247,889
Total transfers	1,454,285	-	1,454,285	247,889
Change in net assets	(75,672)	486,063	410,391	(510,606)
Net assets at beginning of year	5,181,803	6,726,543	11,908,346	12,418,952
Net assets at end of year	\$ 5,106,131	7,212,606	12,318,737	11,908,346

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2011
(With Comparative Totals for Year Ended June 30, 2010)

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2011	2010
Cash flows from operating activities:				
Cash received from user departments	\$ 6,316,324	1,075,692	7,392,016	7,401,860
Cash payments to suppliers for goods and services	(6,686,640)	(23,338)	(6,709,978)	(6,331,772)
Cash payments to employees for services	(929,829)	-	(929,829)	(675,524)
Net cash provided by (used for) operating activities	<u>(1,300,145)</u>	<u>1,052,354</u>	<u>(247,791)</u>	<u>394,564</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	1,454,285	-	1,454,285	247,889
Cash paid to other funds	-	-	-	(5,200,000)
Repayments received on notes receivable	18,786	16,391	35,177	29,726
Net cash provided by (used for) noncapital financing activities	<u>1,473,071</u>	<u>16,391</u>	<u>1,489,462</u>	<u>(4,922,385)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	(352,393)	(352,393)	(404,470)
Proceeds from sale of capital assets	-	38,842	38,842	-
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>(313,551)</u>	<u>(313,551)</u>	<u>(404,470)</u>
Cash flows from investing activities:				
Interest received	-	-	-	38,010
Net cash provided by (used for) investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,010</u>
Net increase (decrease) in cash and cash equivalents	172,926	755,194	928,120	(4,894,281)
Cash and cash equivalents at beginning of year	<u>7,086,458</u>	<u>1,728,912</u>	<u>8,815,370</u>	<u>13,709,651</u>
Cash and cash equivalents at end of year	<u>\$ 7,259,384</u>	<u>2,484,106</u>	<u>9,743,490</u>	<u>8,815,370</u>

(Continued)

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

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2011	2010
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (1,529,957)	447,234	(1,082,723)	(771,782)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	-	628,458	628,458	819,835
Miscellaneous income	-	-	-	145
Gain (loss) on disposal of capital assets	-	38,829	38,829	(24,868)
(Increase) decrease in accounts receivable	14,014	-	14,014	(13,857)
(Increase) decrease in prepaids	(11,361)	-	(11,361)	(7,926)
(Increase) decrease in other assets	-	(43,593)	(43,593)	-
Increase (decrease) in accounts payable and accrued liabilities	(21,488)	(18,574)	(40,062)	(67,918)
Increase (decrease) in compensated absences payable	82,482	-	82,482	259,016
Increase (decrease) in Net OPEB liability	66,250	-	66,250	46,949
Increase (decrease) in insurance claims payable	99,915	-	99,915	154,970
Net cash provided by (used for) operating activities	<u>\$ (1,300,145)</u>	<u>1,052,354</u>	<u>(247,791)</u>	<u>394,564</u>

Noncash capital, financing, and investing activities

There were no noncash capital, financing, or investing activities during the year ended June 30, 2011.

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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, 2011
 (With Comparative Totals For June 30, 2010)

	1911 Act Bonds	1915 Act Bonds	Deposits	Totals	
				2011	2010
<u>Assets</u>					
Cash and investments	\$ 20,739	1,473,327	1,827,478	3,321,544	4,313,193
Investments with fiscal agent	-	1,188,811	-	1,188,811	1,348,499
Receivables:					
Taxes	-	31,744	-	31,744	25,137
Accounts	-	-	4,235	4,235	5,612
Intergovernmental	-	-	6,008	6,008	7,665
Total assets	\$ 20,739	2,693,882	1,837,721	4,552,342	5,700,106
<u>Liabilities</u>					
Accounts payable and accrued liabilities	\$ 7,759	977	34,784	43,520	33,623
Deposits	-	-	1,802,937	1,802,937	2,343,765
Due to bondholders	12,980	2,692,905	-	2,705,885	3,322,718
Total liabilities	\$ 20,739	2,693,882	1,837,721	4,552,342	5,700,106

CITY OF LAGUNA BEACH
 Agency Funds
 Combining Statement of Changes in Fiduciary Assets and Liabilities
 June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<u>1911 Act Bonds</u>				
<u>Assets</u>				
Cash and Investments	\$ 12,980	20,739	12,980	20,739
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ -	7,759	-	7,759
Due to bondholders	12,980	-	-	12,980
Total liabilities	\$ 12,980	7,759	-	20,739
<u>1915 Act Bonds</u>				
<u>Assets</u>				
Cash and investments	\$ 1,938,202	1,473,327	1,938,202	1,473,327
Investments with fiscal agent	1,348,499	1,188,811	1,348,499	1,188,811
Receivables:				
Taxes	25,137	31,744	25,137	31,744
Total assets	\$ 3,311,838	2,693,882	3,311,838	2,693,882
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 2,100	977	2,100	977
Due to bondholders	3,309,738	2,692,905	3,309,738	2,692,905
Total liabilities	\$ 3,311,838	2,693,882	3,311,838	2,693,882
<u>Deposits</u>				
<u>Assets</u>				
Cash and investments	\$ 2,362,011	1,827,478	2,362,011	1,827,478
Receivables:				
Accounts	5,612	4,235	5,612	4,235
Intergovernmental	7,665	6,008	7,665	6,008
Total assets	\$ 2,375,288	1,837,721	2,375,288	1,837,721
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 31,523	34,784	31,523	34,784
Deposits	2,343,765	1,802,937	2,343,765	1,802,937
Total liabilities	\$ 2,375,288	1,837,721	2,375,288	1,837,721
TOTALS				
<u>Assets</u>				
Cash and investments	\$ 4,313,193	3,321,544	4,313,193	3,321,544
Investments with fiscal agent	1,348,499	1,188,811	1,348,499	1,188,811
Receivables:				
Taxes	25,137	31,744	25,137	31,744
Accounts	5,612	4,235	5,612	4,235
Intergovernmental	7,665	6,008	7,665	6,008
Total assets	\$ 5,700,106	4,552,342	5,700,106	4,552,342
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 33,623	43,520	33,623	43,520
Deposits	2,343,765	1,802,937	2,343,765	1,802,937
Due to bondholders	3,322,718	2,692,905	3,309,738	2,705,885
Total liabilities	\$ 5,700,106	4,539,362	5,687,126	4,552,342

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OTHER INFORMATION

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

	Fiscal Years			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 88,025,542	100,630,789	105,408,336	124,111,940
Restricted	10,032,695	8,324,762	9,726,623	10,449,060
Unrestricted	23,241,494	23,439,204	31,968,151	34,239,450
Total governmental activities	\$ 121,299,731	132,394,755	147,103,110	168,800,450
Business-type activities:				
Invested in capital assets, net of related debt	\$ 1,429,586	1,773,060	1,498,938	1,720,568
Unrestricted	23,050	23,051	714,920	265,839
Total business type activities	\$ 1,452,636	1,796,111	2,213,858	1,986,407
Primary Government:				
Invested in capital assets, net of related debt	\$ 89,455,128	102,403,849	106,907,274	125,832,508
Restricted	10,032,695	8,324,762	9,726,623	10,449,060
Unrestricted	23,264,544	23,462,255	32,683,071	34,505,289
Total business type activities	\$ 122,752,367	134,190,866	149,316,968	170,786,857

*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	2011
285,605,573	305,837,234	318,076,672	315,618,279	321,965,481
11,766,456	10,754,223	10,806,358	12,512,277	5,196,077
43,592,259	41,777,890	40,877,799	43,085,546	56,708,144
340,964,288	358,369,347	369,760,829	371,216,102	383,869,702
2,702,993	3,056,319	2,706,697	2,620,625	3,033,502
505,975	465,194	464,012	55,182	372,435
3,208,968	3,521,513	3,170,709	2,675,807	3,405,937
288,308,566	308,893,553	320,783,369	318,238,904	324,998,983
11,766,456	10,754,223	10,806,358	12,512,277	5,196,077
44,098,234	42,243,084	41,341,811	43,140,728	57,080,579
344,173,256	361,890,860	372,931,538	373,891,909	387,275,639

City of Laguna Beach
Changes in Net Assets
Last Eight Nine 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	2011
4,043,977	4,326,076	4,375,200	4,252,146	4,291,832
2,955,670	3,422,556	3,768,607	3,614,799	3,686,004
21,480,996	23,133,907	25,697,805	25,351,962	26,364,923
13,372,777	22,374,310	18,182,514	20,707,700	14,336,928
3,609,896	3,839,208	4,147,762	4,268,774	4,676,679
4,561,407	4,682,498	5,850,403	5,673,965	5,700,769
511,304	408,619	368,191	290,473	187,964
<u>50,536,027</u>	<u>62,187,174</u>	<u>62,390,482</u>	<u>64,159,819</u>	<u>59,245,099</u>
<u>1,857,979</u>	<u>2,183,550</u>	<u>2,318,378</u>	<u>2,458,706</u>	<u>2,450,265</u>
<u>1,857,979</u>	<u>2,183,550</u>	<u>2,318,378</u>	<u>2,458,706</u>	<u>2,450,265</u>
<u>52,394,006</u>	<u>64,370,724</u>	<u>64,708,860</u>	<u>66,618,525</u>	<u>61,695,364</u>
1,097,636	1,031,632	1,073,481	945,403	890,306
2,811,790	2,635,214	2,587,192	2,523,559	2,246,036
2,010,319	2,400,367	2,257,248	2,111,769	1,725,333
6,113,731	5,329,796	6,563,355	6,081,042	6,994,344
1,405,718	1,499,601	1,448,611	2,776,127	3,311,914
5,497,631	5,654,840	5,766,575	5,949,922	6,082,856
5,017,124	6,159,388	5,445,042	3,192,109	3,930,216
<u>15,865,514</u>	<u>7,300,066</u>	<u>1,083,774</u>	<u>75,751</u>	<u>1,002,303</u>
<u>39,819,463</u>	<u>32,010,904</u>	<u>26,225,278</u>	<u>23,655,682</u>	<u>26,183,308</u>
339,842	348,146	323,660	313,847	323,428
1,221,042	951,510	1,019,877	1,155,687	1,637,397
<u>1,223,950</u>	<u>862,200</u>	<u>9,496</u>	<u>-</u>	<u>393,174</u>
<u>2,784,834</u>	<u>2,161,856</u>	<u>1,353,033</u>	<u>1,469,534</u>	<u>2,353,999</u>
<u>42,604,297</u>	<u>34,172,760</u>	<u>27,578,311</u>	<u>25,125,216</u>	<u>28,537,307</u>
(10,716,564)	(30,176,270)	(36,165,204)	(40,504,137)	(33,061,791)
<u>926,855</u>	<u>(21,694)</u>	<u>(965,345)</u>	<u>(989,172)</u>	<u>(96,266)</u>
<u>(9,789,709)</u>	<u>(30,197,964)</u>	<u>(37,130,549)</u>	<u>(41,493,309)</u>	<u>(33,158,057)</u>

City of Laguna Beach
Changes in Net Assets
Last Nine 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	2011
21,284,138	23,447,241	25,525,587	26,973,472	27,766,596	27,799,676
3,623,610	3,924,620	4,074,094	3,427,084	3,206,617	3,356,309
918,602	1,112,853	1,149,419	1,163,049	697,446	948,251
7,900,582	8,661,017	8,741,413	7,856,964	6,759,353	7,073,251
5,144,450	5,823,284	6,638,617	5,759,315	1,816,278	2,167,624
171,850	144,395	111,385	85,458	74,043	115,763
952,890	1,646,417	1,952,936	1,768,663	1,332,412	1,028,790
912,165	1,042,577	551,766	754,080	775,565	1,365,120
-	595,802	302,575	(60,087)	-	5,050
(173,386)	(272,174)	(386,000)	(602,000)	(468,900)	(823,900)
40,734,901	46,126,032	48,661,792	47,125,998	41,959,410	43,035,934
-	19,532	13,197	10,377	19,065	2,496
-	4,000	4,000	1,764	4,003	-
-	-	-	-	2,302	-
173,386	272,174	386,000	602,400	468,900	823,900
173,386	295,706	403,197	614,541	494,270	826,396
40,908,287	46,421,738	49,064,989	47,740,539	42,453,680	43,862,330
21,697,340	35,409,468	18,485,522	10,960,794	1,455,273	9,974,143
(227,451)	1,222,561	381,503	(350,804)	(494,902)	730,130
21,469,889	36,632,029	18,867,025	10,609,990	960,371	10,704,273

City of Laguna Beach
Fund Balances of Governmental Funds
Last Nine 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	<u>\$ 19,655,094</u>	<u>14,856,520</u>	<u>21,279,786</u>	<u>30,296,413</u>
Gas Tax Fund				
Reserved	\$ 236,402	232,777	250,484	-
Unreserved	563,013	805,742	1,380,145	-
Total gas tax fund	<u>\$ 799,415</u>	<u>1,038,519</u>	<u>1,630,629</u>	<u>-</u>
Bluebird Landslide				
Reserved	\$ -	-	-	1,245,174
Unreserved	-	-	-	(8,394,353)
Total bluebird fund	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(7,149,179)</u>
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	<u>\$ 1,862,064</u>	<u>2,148,162</u>	<u>2,037,060</u>	<u>2,942,510</u>
General obligation bonds fund				
Reserved	\$ 1,761,187	1,866,023	2,014,063	2,174,147
Unreserved	-	-	-	-
Total general obligation bonds fund	<u>\$ 1,761,187</u>	<u>1,866,023</u>	<u>2,014,063</u>	<u>2,174,147</u>
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	<u>\$ 1,879,688</u>	<u>2,501,323</u>	<u>3,126,987</u>	<u>2,681,454</u>
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	<u>\$ 3,197,659</u>	<u>2,331,878</u>	<u>2,106,523</u>	<u>4,273,418</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

2007	2008	2009	2010	2011
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>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 Nine 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:			
Principal	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	2011
37,249,362	41,980,491	45,061,416	44,868,922	40,986,641	41,678,318
1,264,362	1,096,008	1,024,172	1,141,821	924,040	990,966
1,598,359	1,476,739	1,968,877	1,807,176	1,483,462	1,274,270
1,277,408	1,836,734	2,172,846	1,907,979	1,361,432	1,064,467
448,309	369,318	354,560	387,562	420,678	445,491
9,989,976	11,713,427	24,866,373	4,892,173	3,228,921	3,978,327
11,566,496	12,316,932	12,649,555	12,444,053	12,693,018	13,056,488
3,225,562	4,334,250	3,406,195	4,715,786	4,080,151	4,891,228
386,146	276,472	152,469	6,441	39,804	680,391
-	-	-	-	-	-
806,114	1,938,787	2,556,833	2,238,673	1,047,961	1,372,893
67,812,094	77,339,158	94,213,296	74,410,586	66,266,108	69,432,839
3,758,978	3,361,299	4,047,877	3,977,543	3,901,637	3,991,706
2,703,135	3,041,255	3,399,926	3,636,575	3,482,651	3,531,828
19,267,767	22,092,500	23,078,430	25,048,032	24,681,583	24,676,244
9,089,003	9,202,763	10,501,163	11,049,821	11,070,780	10,097,113
3,486,067	4,437,225	3,865,406	4,006,552	4,196,800	4,003,836
2,928,237	3,348,521	3,620,729	3,886,559	4,093,162	4,009,715
23,870,902	36,404,842	33,322,037	24,039,610	9,377,939	11,060,240
1,730,000	2,101,314	2,199,676	1,655,800	1,425,000	1,490,000
468,513	542,389	441,432	717,756	697,523	625,428
67,302,602	84,532,108	84,476,676	78,018,248	62,927,075	63,486,110
509,492	(7,192,950)	9,736,620	(3,607,662)	3,339,033	5,946,729
2,905,040	3,000,810	1,857,367	1,499,569	6,087,140	538,742
(2,651,632)	(3,346,660)	(2,465,695)	(2,101,969)	(6,803,929)	(2,816,927)
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	5,050
2,415,223	8,783,719	812,783	1,990,951	(10,519,702)	(2,273,135)
2,924,715	1,590,769	10,549,403	(1,616,711)	(7,180,669)	3,673,594
5.3%	5.8%	5.4%	4.6%	4.1%	4.2%

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
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%
2011	10,215,663,906	119,808,679	10,335,472,585	0.200%

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

	2002	2003	2004	2005	2006
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	0.0320	0.0291	0.0223	0.0197	0.0179
Unified School District Bonds	0.0376	0.0290	0.0202	0.0190	0.0172
South Coast Water District	0.0193	0.0166	0.0108	0.0098	0.0090
Metro Water District	0.0070	0.0067	0.0058	0.0052	0.0047
Orange County	-	-	-	-	-
Total Direct Rate	<u>\$ 1.09598</u>	<u>\$ 1.08129</u>	<u>\$ 1.05909</u>	<u>\$ 1.05370</u>	<u>\$ 1.04883</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>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
0.0179	0.0162	0.0152	0.0137
0.0172	0.0172	0.0154	0.0168
0.0090	0.0096	0.0093	0.0092
0.0047	0.0045	0.0043	0.0043
-	-	-	-
<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	2011			2002		
	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	\$ 171,468,096	1	1.66%			
Mission Hospital Regional Medical Cnt	76,688,527	2	0.74%			
Club Laguna Partnership	45,001,717	3	0.44%	\$ 38,399,547	2	0.76%
Kenneth J. Sullivan III Trust	35,421,982	4	0.34%			
Laguna Resort Property	32,879,499	5	0.32%			
Richard and Naelda Merritt	31,740,628	6	0.31%			
Nevills Neil D Trust	30,100,092	7	0.29%			
Serenita, LLC	29,928,900	8	0.29%			
Residential Property Investment LLC	23,440,969	9	0.23%			
Gary J. Daichendt Trust	22,821,714	10	0.22%			
Five Star Resort LLC				38,760,000	1	0.77%
PW Acquisitions XI				18,859,616	3	0.37%
O Hill Properties				18,625,149	4	0.37%
Cox Communications				16,249,188	5	0.32%
Ocean Point Limited				11,673,418	6	0.23%
Philiip J. Carroll				11,648,277	7	0.23%
Matthew Alcone Trust				10,617,988	8	0.21%
Stephen R. Rizzone				9,690,000	9	0.19%
Regency Associates Limited				9,521,779	10	0.19%
	<u>\$ 499,492,124</u>		<u>4.83%</u>	<u>\$ 184,044,962</u>		<u>3.65%</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
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%
2011	23,406,343	22,993,852	98.24%	412,491	23,406,343	100%

Source: Orange County Auditor Controller's Office

CITY OF LAGUNA BEACH
 Legal Debt Margin
 Last Ten Fiscal Years

	Fiscal Years			
	2002	2003	2004	2005
Assessed valuation	5,048,814,964	5,486,384,044	6,037,824,655	6,827,633,275
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,262,203,741	1,371,596,011	1,509,456,164	1,706,908,319
Debt limit percentage	15%	15%	15%	15%
Debt limit	189,330,561	205,739,402	226,418,425	256,036,248
Total net debt applicable to limit: General obligation bonds	<u>12,692,076</u>	<u>11,346,297</u>	<u>10,138,813</u>	<u>8,913,977</u>
Legal debt margin	<u>\$ 176,638,485</u>	<u>\$ 194,393,105</u>	<u>\$ 216,279,612</u>	<u>\$ 247,122,271</u>
Total debt applicable to the limit as a percentage of debt limit	6.7%	5.5%	4.5%	3.5%

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					
2006	2007	2008	2009	2010	2011
7,551,931,188	8,302,009,321	9,123,224,245	9,750,667,234	10,143,694,955	10,335,472,585
25%	25%	25%	25%	25%	25%
1,887,982,797	2,075,502,330	2,280,806,061	2,437,666,809	2,535,923,739	2,583,868,146
15%	15%	15%	15%	15%	15%
283,197,420	311,325,350	342,120,909	365,650,021	380,388,561	387,580,222
7,600,937	6,330,853	7,150,000	5,840,000	4,480,000	4,480,000
<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>	<u>\$ 383,100,222</u>
2.7%	2.0%	2.1%	1.6%	1.2%	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
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%
2010	25,354	\$ 1,917,193	\$ 75,617	7.1%

Source: HdL Coren & Cone

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

Function	Fiscal Years		
	2002	2003	2004
General Government	15.00	17.10	17.63
Public Safety	133.00	134.00	131.00
Public Works	66.00	69.00	54.00
Community Development	22.60	23.60	23.60
Recreational and Cultural	6.75	6.75	7.50
Water Quality	-	-	15.00
Total	<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	2011
17.63	18.03	18.03	18.03	18.03	18.03	18.03
131.75	132.00	133.00	135.00	134.00	134.00	132.60
56.00	56.00	56.00	56.00	57.00	55.00	54.00
24.00	24.00	26.00	26.00	29.00	28.00	27.00
7.50	7.50	7.50	7.50	7.65	7.65	7.75
15.00	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>	<u>254.38</u>

CITY OF LAGUNA BEACH
 Operating Indicators
 Last Ten Fiscal Years

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

Source: City Administrative Services Department

N/A - Not currently available.

Fiscal Years						
2005	2006	2007	2008	2009	2010	2011
1,997	1,823	N/A	1,337	1,296	1,411	2,163
9,934	7,089	N/A	3,718	7,292	6,624	7,176
38,149	43,653	39,659	53,863	48,148	39,108	35,688
2,454	2,446	N/A	N/A	N/A	N/A	N/A
709	714	N/A	N/A	N/A	N/A	N/A
8,504	8,504	8,504	8,504	8,504	8,504	8,504
2	2	2	2	2	2	2
4	4	4	4	4	4	4

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

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

Source: City Administrative Services Department

Fiscal Years					
2006	2007	2008	2009	2010	2011
1	1	1	1	1	1
4	4	4	4	4	4
93	93	93	93	93	93
1,241	1,241	1,241	1,241	1,241	1,241
3	3	3	3	3	3
17	17	17	17	17	17
47	47	47	47	47	47
12	12	12	12	12	12
95.00	95.00	95.00	95.00	95.00	95.00
78.00	78.00	78.00	78.00	78.00	78.00

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