

CITY OF LAGUNA BEACH, CALIFORNIA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

CITY OF LAGUNA BEACH, CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

City Council:

Elizabeth Pearson, Mayor
Bob Whalen, Mayor Pro Tem
Toni Iseman, Council Member
Kelly Boyd, Council Member
Steve Dicterow, Council Member

Laura Parisi, City Treasurer

Lisette Chel-Walker, City Clerk

John Pietig, City Manager

**Prepared by:
Finance Department**

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INTRODUCTORY SECTION



December 29, 2014

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, 2014.

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

The City's financial statements have been audited by Vavrinek, Trine, Day & CO., LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2014, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The City of Laguna Beach, incorporated in 1927, is located in southwest Orange County, approximately 55 miles southeast of Los Angeles. The City currently occupies a land area of 8.84 square miles and serves a population of approximately 23,000. The City is home of the Pageant of the Masters and the Festival of

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

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

Within the General Fund, an available fund balance of at least 15% of appropriations has been established 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.

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

Also, effective this year, the City's Sewer Service Fund, which accounts for the activity of wastewater collection, is reported as an enterprise fund (refer to Footnote 2 of the notes to the financial statements). The Sewer Service Fund was previously reported as part of the General Fund.

Factors Affecting Financial Condition

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

Local economy. According to the UCLA Anderson Forecast, the national economy is likely to grow at a 3% pace during the next year as consumer spending is expected to improve and the unemployment rate falls to an anticipated 5%. For California, the news is also upbeat. Steady gains in employment are anticipated through 2016, as growth from construction, automobiles and business investment, along with higher consumer demand, continues to power the state's economy. California's unemployment rate is also expected to continue to decline, likely falling to 5.3% by the end of 2016 according to the UCLA Anderson Economic Forecast, just slightly higher than the projected national unemployment rate. Orange County also shows reasons for optimism. According to the Chapman University Economic Forecast, office and industrial vacancy rates are returning to levels not seen since the early 2000s, unemployment sits at about 5% and residential construction is improving. Job growth in Orange County is expected to grow by 2.6% for 2015.

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

Long-term financial planning. The biennial budget serves as the foundation for the City of Laguna Beach financial planning and control and allows the City Council to prioritize City expenditures. Appropriations for operating expenditures shall be balanced in relation to current revenue sources. When significant uncertainty exists concerning revenue volatility or threatening/pending obligations, the City Council and City Manager reserve the right to impose any special fiscal control measures, including personnel hiring freezes, and other spending controls, whenever circumstances warrant. The City Council may authorize the use of contingency reserves (set at 15% of the General Fund Operating Budget) as set forth by City policy.

Over the past several years, the City of Laguna Beach tax base has performed well under adverse circumstances which have helped the City weather the last recession. However, while the local economy improves the cost of providing City services, and the demand for additional services, is also increasing. Laguna Beach will continue to be faced with balancing gradual revenue growth against increasing operating costs, retirement costs and healthcare costs. That said, the City's fiscal conservatism has created a stable financial base. As a result, even in a downturn, the City of Laguna Beach is able to maintain its services at a high level, while reducing expenses to accommodate reduced revenues. The City's fiscal discipline has allowed it to prepare a balanced budget and improve reserves.

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, a cost-sharing 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.

In April 2013, the CalPERS Board approved a new actuarial method raising employer retirement rates roughly 50% over five years beginning in Fiscal Year 2015-16. Recently negotiated increases in employee retirement contributions are expected to offset a portion of this increase. In June 2013, the Municipal Employees Association and management employees both agreed to higher employee contributions toward pension costs and placed limits on vacation and sick leave. Over the next three years, ending June 30, 2016, the Municipal Employees Association agreement is expected to save the City \$140,000 and the change to management salaries and benefits is expected to save the City \$175,000. Furthermore, in early 2014, the City entered into agreements with the Police Employees Association and Fire Association that also included higher employee contributions to pension costs and placed limits on vacation and sick leave. The City is expected to save roughly \$200,000 over the next three years as a result of those agreements.

Additionally, in May 2014, the City Council approved paying roughly \$1 million annual above the required CalPERS contribution toward the City's unfunded pension liability with the expectation of increasing this amount to \$1.4 million by Fiscal Year 2014-15. This action is expected to save the City \$12 million over the next 26 years and fully fund the miscellaneous pension plan four years earlier than originally estimated by CalPERS.

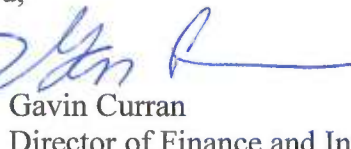
Finally, the City allows employees that retire after ten years of service with the City the option to enroll in the City's health care plan. However, retirees are required to pay the full premium for the City health insurance coverage. Additional information regarding the City's pension arrangements and post-employment benefits can be found in the notes to the financial statements.

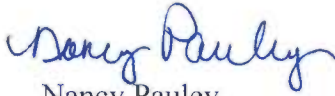
Acknowledgements

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

Respectfully submitted,

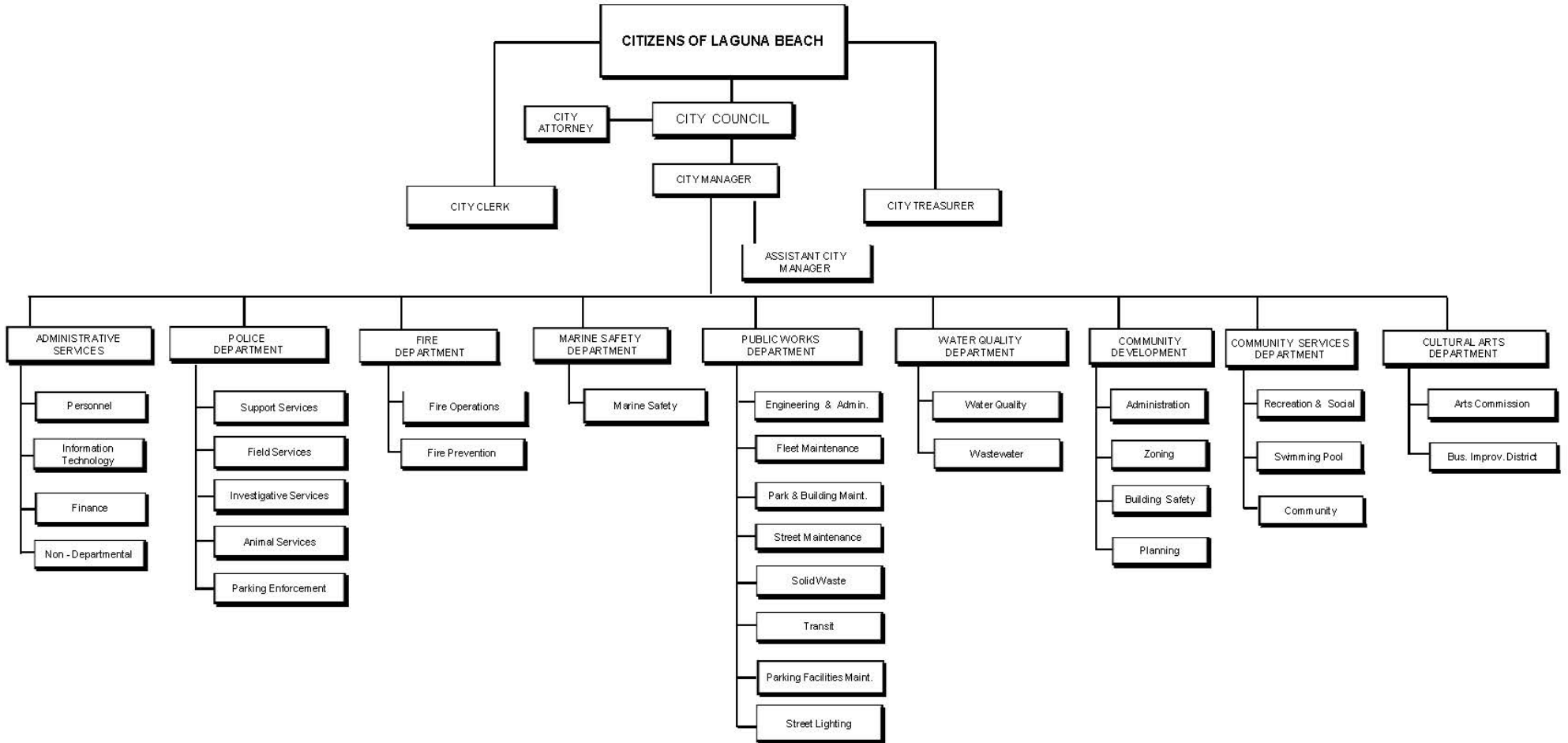

John Pietig
City Manager


Gavin Curran
Director of Finance and Information Technology


Nancy Pauley
Finance Officer

CITY OF LAGUNA BEACH

Organizational Chart



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the City Council
City of Laguna Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Laguna Beach, California, (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Laguna Beach County Water District, which is 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the discretely presented component unit.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Laguna Beach County Water District (the "District"), which represent 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the discretely component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2, the City reported the Sewer Service Fund as a major enterprise fund, effective July 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and schedules of funding progress on pages 4 through 13 and 67 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The consolidating general fund financial statements, combining and individual nonmajor fund financial statements, and budgetary comparison schedules (supplementary information) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Prior-Year Comparative Information

We have previously audited the City's 2013 financial statements, and we expressed an unmodified audit opinion on the financial statements in our report dated December 13, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Laguna Hills, California
December 29, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Laguna Beach Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2014. This analysis should be read in conjunction with the Transmittal Letter at the front of this report and the accompanying Basic Financial Statements.

Using the Accompanying Financial Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Reporting the City as a Whole

The accompanying government-wide financial statements include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and 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 position 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 position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

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

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

It should be noted that effective fiscal year 2013-14, the City's Sewer Service Fund, which accounts for the activity of wastewater collection, is reported as Business-type activity and was previously reported as a Governmental Activity.

Reporting the City's Major Funds

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

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

Reporting the City's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Table 1
Net Position
(in Millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 76.2	\$ 76.9	\$ 3.6	\$ 1.2	\$ 79.8	\$ 78.1
Capital Assets	299.4	333.6	48.1	2.6	347.5	336.2
Total Assets	375.6	410.5	51.7	3.8	427.3	414.3
Long-Term Debt Outstanding	5.3	10.8	3.9	0.1	9.2	10.9
Other Liabilities	5.7	6.3	0.8	0.7	6.5	7.0
Total Liabilities	11.0	17.1	4.7	0.8	15.7	17.9
Net Position						
Net Investment in Capital Assets	299.4	328.9	43.8	2.6	343.2	331.5
Restricted	7.2	6.4	-	-	7.2	6.4
Unrestricted	57.9	58.1	3.1	0.4	61.0	58.5
Total Net Position	\$ 364.5	\$ 393.4	\$ 46.9	\$ 3.0	\$ 411.4	\$ 396.4

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$411.4 million as of June 30, 2014.

The largest portion of the City's net position, \$343.2 million (83%) 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 17% of the City's net position, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position of \$7.2 million (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$61.0 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 position for the City as a whole, as well as the governmental activities. For the City's business-type activities, the balance was also positive and there were no restrictions on net position.

The City's total net position increased by \$15.5 million. For Fiscal Year 2013-14, the City began reporting the Sewer Service Activity as Business-Type Activity. The Activity has previously been reported as part of the Governmental Activities. This change caused the beginning net position of governmental activities to decrease by \$41.1 million and business-type activities to increase by \$41.1 million.

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

Table 2
Changes in Net Position
(in thousands)

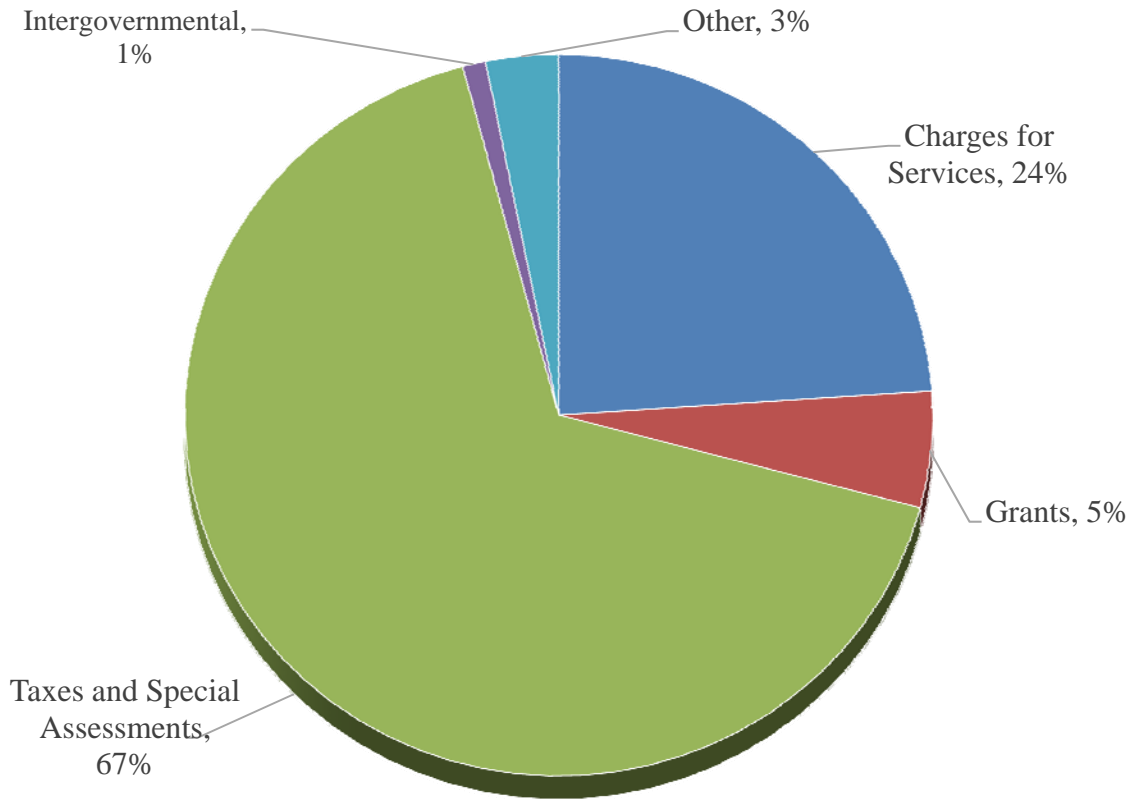
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for Services	\$ 16,426	22,653	7,161	327	23,587	22,980
Operating Grants/Contributions	1,972	2,024	1,766	1,304	3,738	3,328
Capital Grants/Contributions	1,596	131	852	-	2,448	131
General Revenues						
Taxes and special assessments	45,980	43,237	-	-	45,980	43,237
Intergovernmental	206	211	-	-	206	211
Rental income	501	428	-	-	501	428
Investment income	1,161	(70)	4	-	1,165	(70)
Miscellaneous revenues	296	326	25	-	321	326
Gain on sale/disposal of capital assets	198	272	-	-	198	272
Total Revenues	68,336	69,212	9,808	1,631	78,144	70,843
Expenses:						
General government	3,252	4,773	-	-	3,252	4,773
Community development	4,103	3,827	-	-	4,103	3,827
Public safety	25,755	24,695	-	-	25,755	24,695
Public works	16,320	12,424	-	-	16,320	12,424
Recreation and social services	5,174	4,788	-	-	5,174	4,788
Sewer service operating costs	-	5,520	-	-	-	5,520
Interest and fiscal charges	-	129	-	-	-	129
Municipal transit	-	-	2,333	2,148	2,333	2,148
Sewer Service	-	-	5,636	-	5,636	-
Total Expenses	54,604	56,156	7,969	2,148	62,573	58,304
Increase (Decrease) in Net Position						
Before Transfers	13,732	13,056	1,839	(517)	15,571	12,539
Transfers	(915)	(343)	915	343	-	-
Increase (Decrease) in Net Position	12,817	12,713	2,754	(174)	15,571	12,539
Net Position-Beginning-as restated	351,724	380,665	44,178	3,207	395,902	383,872
Net Position-Ending	\$ 364,541	393,378	46,932	3,033	411,473	396,411

The City's total revenues were \$78 million while the total expenditures were \$62.5 million. Property taxes were the City's largest revenue source at \$29 million (37.1% of total revenues and 42.4% of governmental revenues). Transient lodging taxes at \$9.5 million (12.1% of total revenues and 13.9% governmental revenues) and sales taxes, including sales tax-in-lieu at \$5.0 million (6.4% of total revenues and 7.3% of governmental revenues) were the second largest revenue sources for the City this past year.

Property taxes have increased approximately 5.5%. The City's sales taxes increased approximately 5.9% and transient lodging taxes have increased approximately 11.8% over prior fiscal year.

Governmental activities. The governmental activities' increase in net position of \$12.8 million accounted for 100% of the total growth in net position for the City this past year. The following graph depicts the major revenue sources of the City. It depicts very clearly the reliance on taxes and special assessments to fund governmental activities.

Revenues by Source – Governmental Activities



General government expenses (including City Council, City Manager, City Attorney, City Clerk, City Treasurer and Administrative Services) were 6% of the total cost of governmental activities. Charges for services offset 30% of the cost of providing these services.

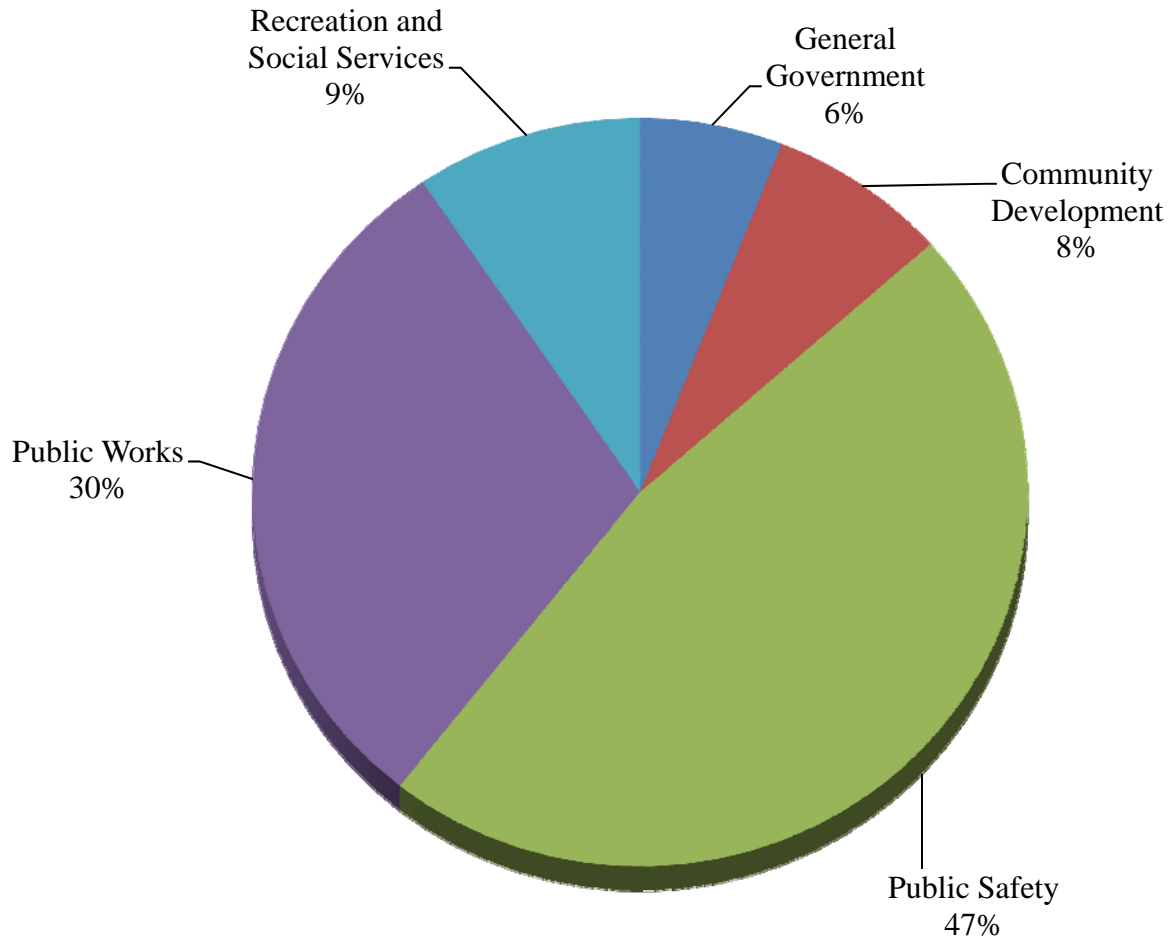
Community development expenditures were 8% of the total cost of governmental activities and charges for services, operating and capital grants and contributions offset 79% of the cost of providing these services.

Public safety expenses comprised the largest component of governmental activities in terms of cost 47% 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 30% of the total cost of governmental activities. Charges for services and operating grants and contributions helped to offset 61% of the cost of these activities.

Recreation and social services expenditures were 9% of the total cost of governmental activities. Charges for services, operating grants and contributions offset 65% of the cost of providing these services.

Expenses by Function – Governmental Activities



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

Business-type activities. Business-type activities of the City had an increase in net position of \$2.7 million. The expenses of the City's business-type activity, the municipal transit system and sewer services, included costs incurred for capitalized assets that were funded by charges for services and operating and capital grants. The majority of the increase in net position of \$2.7 consisted of the purchase of capital assets, including three trolleys, and capital improvement projects in the sewer service fund.

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. It should be noted that effective fiscal year 2013-14, the City's Sewer Service Fund, which accounts for the activity of wastewater collection, is reported as an Enterprise Fund, and was previously reported as part of the General Fund.

As of June 30, 2014, the governmental funds reported combined ending fund balances of \$52.5 million, an increase of \$1.5 million in comparison with the prior year. The City has \$2.3 million (4.4%) in fund balance classified as nonspendable to indicate it cannot be readily converted to cash; \$7.2 million (13.7%) in restricted fund balance to indicate that it has an externally imposed restriction on the money may be spent; \$6.4 million (12.1%) in committed fund balance to indicate that the City Council committed how the money will be spent; \$23.7 million (45.2%) in assigned fund balance to indicate that the City Council has an assigned purpose or intent for how the money should be spent; and \$12.9 million (24.5%) 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 \$2.2 million during the fiscal year ending June 30, 2014. Reasons for changes in the revenues and expenditures of the City's General Fund from the prior year are described below. However, it should be noted that in the financial statements comparative totals for year ended June 30, 2013, sewer service revenue and expenditures are included in General Fund totals (see Footnote 2 for additional information regarding the Sewer Service Fund reported as an Enterprise Fund effective July 1, 2013). For the changes described below, sewer service revenues and expenditures have been removed from the prior year 2013 General Fund totals, resulting in a revised revenue total for the fiscal year ended June 30, 2013 of \$59,522,448, and a revised expenditure total of \$52,248,684:

- Revenues increased by \$6.1 million with \$1.5 million resulting from property taxes. Sales and use taxes and transient occupancy taxes increased by \$1.3 million compared to the prior year.
- Overall, expenditures increased \$10.6 million compared to the prior year. This was due a \$9 million increase in expenditures for planned capital improvement projects and property acquisitions. Those projects included a new Lifeguard Headquarters facility, the purchase of a new office building for City staff, and the purchase of land used for vehicle parking in the City's downtown.

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

The Disaster Contingency Fund has a total fund balance of \$6.0 million, an increase of \$0.1 million compared to the prior year, which is used exclusively for (a) repair of public facilities and (b) the emergency protection of public and private property and lives during natural or manmade disasters. This funding is from the accumulation of a voter approved temporary ½ cent sales tax that was in effect for the period of July, 2006 through June, 2009.

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

Unrestricted net position of the Municipal Transit Fund and Sewer Service Fund at the end of the fiscal year amounted to \$3.1 million. The total increase in net position for the enterprise funds was \$43.8. This increase was due to the restatement of the City's Sewer Service Fund, which had previously been reported as part of the General Fund. 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 \$27.6 million and major items can be briefly summarized as follows:

- \$19.4 million increase in the budget for prior year carry over appropriations.
- Adding \$1.4 million for the 800 MHZ Communication system increasing the ongoing reserve for this project to \$3.4 million.
- Adding \$1.3 million to the remediation and restoration of the Water Tank Ravine Burn Site, a debris field created by heavy rains during December 2010 from what was once a private refuse collection and incineration area that began activities in the 1940's or 1950's and continued for approximately 20 years.

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

- Total revenues were \$5.1 million above final budgeted revenues for the year ended June 30, 2014. The favorable variance includes increases in property taxes, sales and use taxes, transient lodging taxes, planning fees, investment interest, construction permits, parks and recreations fees, and parking fees.
- Total expenditures were under the budgeted amount by \$27.4 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 carryover appropriations. The Police Assets Forfeiture funds exceeded the budget by \$8,241. While assets forfeiture funds were available and the purchase of a police vehicle was approved by the City Council, the funds were formally appropriated as part of the Fiscal Year 2014-15 budget changes.

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

CAPITAL ASSETS

	Capital Assets - Net of Depreciation					
	Governmental		Business-Type		Total	
	Activities		Activities			
		2013		2013		
	2014	as restated	2014	as restated	2014	2013
Land	\$ 87,340,522	82,110,354	196,106	196,106	87,536,628	82,306,460
Buildings and Improvements	35,122,881	29,697,275	1,512,690	1,576,642	36,635,571	31,273,917
Office Equipment & Machinery	1,717,263	1,782,055	31,438	36,638	1,748,701	1,818,693
Furniture and Fixtures	1,402,156	1,322,493	47,679	40,047	1,449,835	1,362,540
Equipment Machinery & Tools	1,279,206	678,340	377,126	387,719	1,656,332	1,066,059
Sewer Plant and Lines	-	-	39,959,734	38,786,892	39,959,734	38,786,892
Automotive Equipment	1,886,236	2,195,709	2,261,487	1,369,615	4,147,723	3,565,324
Infrastructure	166,735,110	163,872,046	-	-	166,735,110	163,872,046
Construction in Progress	3,909,112	7,897,479	3,674,156	4,308,867	7,583,268	12,206,346
Total	\$ 299,392,486	289,555,751	48,060,416	46,702,526	347,452,902	336,258,277

The major changes to the capital assets during the year ended June 30, 2014, were the purchase of land at 725 Laguna Canyon Road, the purchase of an four unit office building located at 479 Ocean Avenue, the completion of a new Lifeguard Headquarters Building; Broadway Streetscape; Retaining Wall at Mermaid Street; City Hall Energy Efficient Air Conditioning Replacement; Purchase of New and Replacement Parking Meters; Six new Trolleys and Rockledge Lift Station Replacement. 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	
	2014	2013 as restated	2014	2013 as restated	2014	2013
Installment Agreement	\$ -		4,302,111	4,671,980	4,302,111	4,671,980
Net OPEB Liability	287,351	253,536	-	-	287,351	253,536
Total	\$ 287,351	253,536	4,302,111	4,671,980	4,589,462	4,925,516

The City's total debt decreased by \$336 thousand (6.8%) during the current fiscal year. 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

CITY OF LAGUNA BEACH
Statement of Net Position
June 30, 2014
(With Comparative Totals for June 30, 2013)

	Primary Government				Component Unit
	Governmental Activities	Business-type Activities	Totals		Water District
			2014	2013	
ASSETS					
Cash and investments (note 3)	\$ 69,387,439	\$ 2,717,559	\$ 72,104,998	\$ 68,848,272	\$ 10,817,757
Receivables:					
Taxes	3,489,898	85,665	3,575,563	3,853,767	41,547
Accounts	400,101	104,143	504,244	710,131	1,974,201
Interest	33,133	-	33,133	9,263	36,326
Intergovernmental	174,504	657,604	832,108	528,101	-
Notes	870,749	-	870,749	911,935	8,223,823
Prepays	57,588	49,600	107,188	1,107,210	120,805
Inventory	89,402	-	89,402	45,004	144,157
Computer loans to employees	-	-	-	-	10,625
Property held for investment	1,677,809	-	1,677,809	2,032,253	-
Capital assets, not being depreciated (note 5)	91,249,634	3,870,262	95,119,896	94,505,589	3,015,107
Capital assets, net of depreciation (note 5)	208,142,852	44,190,154	252,333,006	241,752,686	44,314,975
Total Assets	<u>375,573,109</u>	<u>51,674,987</u>	<u>427,248,096</u>	<u>414,304,211</u>	<u>68,699,323</u>
LIABILITIES					
Accounts payable and accrued liabilities	3,507,031	357,851	3,864,882	3,875,959	1,212,106
Interest payable	-	-	-	53,533	-
Deposits	14,500	-	14,500	10,500	34,952
Due to other government agencies	5,995	-	5,995	31,896	-
Unearned revenue	492,510	29,849	522,359	661,267	-
Noncurrent liabilities (note 11):					
Due within one year	1,672,386	390,680	2,063,066	2,432,181	73,843
Due in more than one year	5,339,699	3,965,001	9,304,700	10,828,589	869,153
Total Liabilities	<u>11,032,121</u>	<u>4,743,381</u>	<u>15,775,502</u>	<u>17,893,925</u>	<u>2,190,054</u>
NET POSITION					
Net investment in capital assets	299,392,486	43,758,305	343,150,791	331,586,295	47,330,082
Restricted for:					
Capital projects	6,279,841	-	6,279,841	4,383,102	-
Other purposes	944,067	-	944,067	3,445,002	-
Unrestricted	57,924,594	3,173,301	61,097,895	56,995,887	19,179,187
Total Net Position	<u>\$ 364,540,988</u>	<u>\$ 46,931,606</u>	<u>\$ 411,472,594</u>	<u>\$ 396,410,286</u>	<u>\$ 66,509,269</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Statement of Activities
Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 3,252,176	\$ 981,002	\$ -	\$ -	\$ 981,002
Community development	4,103,329	3,204,521	19,800	18,338	3,242,659
Public safety	25,755,201	1,591,619	826,716	18,000	2,436,335
Public works	16,320,422	7,343,113	1,076,803	1,560,397	9,980,313
Recreation and social services	5,173,507	3,305,296	48,500	-	3,353,796
Sewer service operating costs	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Governmental Activities	<u>54,604,635</u>	<u>16,425,551</u>	<u>1,971,819</u>	<u>1,596,735</u>	<u>19,994,105</u>
Business-type activities:					
Municipal transit	2,333,048	346,288	1,765,639	575,000	2,686,927
Sewer service	5,636,354	6,814,418	-	276,923	7,091,341
Total Business-type Activities	<u>7,969,402</u>	<u>7,160,706</u>	<u>1,765,639</u>	<u>851,923</u>	<u>9,778,268</u>
Total Primary Government	<u>\$ 62,574,037</u>	<u>\$ 23,586,257</u>	<u>\$ 3,737,458</u>	<u>\$ 2,448,658</u>	<u>\$ 29,772,373</u>
Component units:					
Water District	\$ 12,007,901	\$ 9,216,801	\$ -	\$ -	\$ 9,216,801
Total Component Units	<u>\$ 12,007,901</u>	<u>\$ 9,216,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,216,801</u>

General revenues:
Taxes
Intergovernmental
Rental income
Investment income, net
Gain on disposal of capital assets
Miscellaneous
Total General Revenues

Transfers (note 14)

Change in net position

Net Position at Beginning of Year, as restated

Net Position at End of Year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government				Component Unit
Governmental Activities	Business-type Activities	Totals		Water District
		2014	2013	
\$ (2,271,174)	\$ -	\$ (2,271,174)	\$ (3,867,243)	\$ -
(860,670)	-	(860,670)	(1,095,525)	-
(23,318,866)	-	(23,318,866)	(22,315,278)	-
(6,340,109)	-	(6,340,109)	(3,551,387)	-
(1,819,711)	-	(1,819,711)	(1,536,964)	-
-	-	-	1,147,607	-
-	-	-	(129,382)	-
<u>(34,610,530)</u>	<u>-</u>	<u>(34,610,530)</u>	<u>(31,348,172)</u>	<u>-</u>
-	353,879	353,879	(517,868)	-
-	1,454,987	1,454,987	-	-
<u>-</u>	<u>1,808,866</u>	<u>1,808,866</u>	<u>(517,868)</u>	<u>-</u>
<u>(34,610,530)</u>	<u>1,808,866</u>	<u>(32,801,664)</u>	<u>(31,866,040)</u>	<u>-</u>
				<u>(2,791,100)</u>
				<u>(2,791,100)</u>
45,980,454	-	45,980,454	43,237,854	2,311,298
205,666	-	205,666	211,181	-
500,642	-	500,642	427,341	420,516
1,160,595	3,819	1,164,414	(70,016)	614,757
198,439	-	198,439	271,698	-
296,168	25,103	321,271	326,144	-
<u>48,341,964</u>	<u>28,922</u>	<u>48,370,886</u>	<u>44,404,202</u>	<u>3,346,571</u>
<u>(915,389)</u>	<u>915,389</u>	<u>-</u>	<u>-</u>	<u>-</u>
12,816,045	2,753,177	15,569,222	12,538,162	555,471
<u>351,724,943</u>	<u>44,178,429</u>	<u>395,903,372</u>	<u>383,872,124</u>	<u>65,953,798</u>
<u>\$ 364,540,988</u>	<u>\$ 46,931,606</u>	<u>\$ 411,472,594</u>	<u>\$ 396,410,286</u>	<u>\$ 66,509,269</u>

See accompanying notes to basic financial statements.

GOVERNMENTAL FUNDS

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The General fund, which is required to be classified as a major fund, is used to account for resources 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt services or capital projects.

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

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

NONMAJOR GOVERNMENTAL FUNDS

These funds constitute all other governmental funds that do not meet the criteria to be a major fund, which are the 10% test of assets, liabilities, deferred inflows and outflows, 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 and Capital Projects Funds of the City.

CITY OF LAGUNA BEACH
Governmental Fund Types
Balance Sheet
June 30, 2014
(With Comparative Totals for June 30, 2013)

	General	Special Revenue Disaster Contingency	Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 46,022,016	\$ 6,034,556	\$ 4,968,238
Receivables:			
Taxes	3,400,844	-	14,299
Accounts	376,055	-	-
Interest	33,133	-	-
Intergovernmental	109,303	-	65,201
Notes	348,000	-	-
Due from other funds (note 4)	463,493	-	-
Prepays	57,588	-	-
Inventory	89,402	-	-
Advances to other funds (note 4)	-	-	2,190,000
Property held for investment	-	-	-
	<u>\$ 50,899,834</u>	<u>\$ 6,034,556</u>	<u>\$ 7,237,738</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 3,106,029	\$ -	\$ 145,634
Due to other funds (note 4)	-	-	463,493
Deposits	-	-	14,500
Due to other government agencies	5,995	-	-
Unearned revenue	492,510	-	-
Advances from other funds (note 4)	6,700,000	-	690,000
	<u>10,304,534</u>	<u>-</u>	<u>1,313,627</u>
Fund balances (deficit) (note 13):			
Nonspendable	146,990	-	2,190,000
Restricted	2,958,295	-	4,265,613
Committed	334,525	6,034,556	-
Assigned	23,734,527	-	-
Unassigned	13,420,963	-	(531,502)
	<u>40,595,300</u>	<u>6,034,556</u>	<u>5,924,111</u>
Total Fund Balances	<u>\$ 50,899,834</u>	<u>\$ 6,034,556</u>	<u>\$ 7,237,738</u>
Total Liabilities and Fund Balances	<u>\$ 50,899,834</u>	<u>\$ 6,034,556</u>	<u>\$ 7,237,738</u>

See accompanying notes to basic financial statements.

<u>Totals - Governmental Funds</u>	
<u>2014</u>	<u>2013</u>

\$ 57,024,810	\$ 56,024,144
---------------	---------------

3,415,143	1,251,207
-----------	-----------

376,055	669,082
---------	---------

33,133	9,263
--------	-------

174,504	144,179
---------	---------

348,000	348,000
---------	---------

463,493	106,747
---------	---------

57,588	1,071,335
--------	-----------

89,402	45,004
--------	--------

2,190,000	2,190,000
-----------	-----------

-	354,444
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<u>\$ 64,172,128</u>	<u>\$ 62,213,405</u>
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\$ 3,251,663	\$ 3,573,379
--------------	--------------

463,493	106,747
---------	---------

14,500	10,500
--------	--------

5,995	31,896
-------	--------

492,510	64,782
---------	--------

7,390,000	7,390,000
-----------	-----------

<u>11,618,161</u>	<u>11,177,304</u>
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2,336,990	3,660,783
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7,223,908	6,407,834
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6,369,081	6,291,058
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23,734,527	27,537,506
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12,889,461	7,138,920
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<u>52,553,967</u>	<u>51,036,101</u>
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<u>\$ 64,172,128</u>	<u>\$ 62,213,405</u>
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See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2014

Fund balances of governmental funds	\$ 52,553,967
Amounts reported for governmental activities in the Statement of Net Position are difference because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	
Capital assets	378,378,290
Accumulated depreciation	(80,900,775)
Certain long term assets are not available in the governmental funds.	74,755
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds must be added to the Statement of Net Position.	14,434,751
Net Position of Governmental Activities	\$ 364,540,988

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	General	Special Revenue Disaster Contingency	Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 45,263,827	\$ -	\$ 1,597,929
Licenses and permits	1,292,248	-	-
Fines and penalties	1,086,847	-	92,952
Investment income, net	1,108,764	49,857	928
Rental	500,642	-	-
Intergovernmental	2,577,929	-	785,742
Charges for services	7,509,075	-	-
Parking meters, lots and permits	5,308,051	-	-
Development tax	254,370	-	-
Other	731,066	-	71,772
Total Revenues	<u>65,632,819</u>	<u>49,857</u>	<u>2,549,323</u>
Expenditures:			
Current:			
General government	3,701,265	-	-
Community development	4,034,924	-	-
Public safety	25,170,727	-	-
Public works	11,022,264	-	1,270,666
Recreation and social services	4,581,842	-	-
Sewer service operating costs	-	-	-
Capital expenditures	14,324,981	-	1,457,384
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	<u>62,836,003</u>	<u>-</u>	<u>2,728,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,796,816</u>	<u>49,857</u>	<u>(178,727)</u>
Other financing sources (uses):			
Transfers in (note 14)	378,500	-	41,260
Transfers out (note 14)	(1,192,055)	-	(677,089)
Sale of land and equipment	168,676	-	-
Total Other Financing Sources (Uses)	<u>(644,879)</u>	<u>-</u>	<u>(635,829)</u>
Net Change in Fund Balances	2,151,937	49,857	(814,556)
Fund Balances, Beginning of Year, as restated	<u>38,443,363</u>	<u>5,984,699</u>	<u>6,738,667</u>
Fund Balances, End of Year	<u>\$ 40,595,300</u>	<u>\$ 6,034,556</u>	<u>\$ 5,924,111</u>

See accompanying notes to basic financial statements.

<u>Totals - Governmental Funds</u>	
<u>2014</u>	<u>2013</u>
\$ 46,861,756	\$ 43,929,172
1,292,248	1,052,041
1,179,799	1,341,961
1,159,549	(70,016)
500,642	427,341
3,363,671	2,121,486
7,509,075	13,603,713
5,308,051	5,384,197
254,370	433,526
802,838	652,921
<u>68,231,999</u>	<u>68,876,342</u>
3,701,265	4,014,084
4,034,924	3,751,468
25,170,727	24,336,927
12,292,930	10,958,046
4,581,842	4,216,980
-	3,950,183
15,782,365	8,974,111
-	360,040
-	132,459
<u>65,564,053</u>	<u>60,694,298</u>
<u>2,667,946</u>	<u>8,182,044</u>
419,760	1,697,131
(1,869,144)	(2,614,936)
168,676	254,582
<u>(1,280,708)</u>	<u>(663,223)</u>
1,387,238	7,518,821
<u>51,166,729</u>	<u>43,517,280</u>
<u>\$ 52,553,967</u>	<u>\$ 51,036,101</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$ 1,387,238
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period.	
Depreciation expense	(3,908,815)
Purchases of capital assets recorded in governmental funds	14,210,746
Net effect of various transactions involving capital assets (i.e. sales, retirements)	(57,486)
Revenues collected after period of availability and earned in the prior fiscal period on the government wide Statement of Activities.	(94,369)
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the internal service funds must be added to the Statement of Net Position.	1,278,731
Change in net position of governmental activities	\$ 12,816,045

See accompanying notes to basic financial statements.

PROPRIETARY FUNDS

MAJOR ENTERPRISE FUNDS

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

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

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

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

INTERNAL SERVICE FUNDS

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

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Net Position
June 30, 2014
(With Comparative Totals for June 30, 2013)

	Business-Type Activities		
	Municipal Transit	Sewer Service	2014 Total
ASSETS			
Current assets:			
Cash and investments	\$ 50,565	\$ 2,666,994	\$ 2,717,559
Receivables:			
Accounts	9,454	94,689	104,143
Intergovernmental	657,604	-	657,604
Taxes	-	85,665	85,665
Prepays	49,600	-	49,600
Total Current Assets	<u>767,223</u>	<u>2,847,348</u>	<u>3,614,571</u>
Noncurrent assets:			
Advances to other funds (note 4)	-	-	-
Notes receivable	-	-	-
Property held for investment	-	-	-
Capital assets, not being depreciated	196,106	3,674,156	3,870,262
Capital assets, net of depreciation	<u>3,379,236</u>	<u>40,810,918</u>	<u>44,190,154</u>
Total Noncurrent Assets	<u>3,575,342</u>	<u>44,485,074</u>	<u>48,060,416</u>
Total Assets	<u>4,342,565</u>	<u>47,332,422</u>	<u>51,674,987</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	95,163	262,688	357,851
Compensated absences due within one year	2,386	8,328	10,714
Insurance claims payable due within one year	-	-	-
I Bank Installment Agreement due within one year	-	379,966	379,966
Unearned revenue	29,849	-	29,849
Total Current Liabilities	<u>127,398</u>	<u>650,982</u>	<u>778,380</u>
Non-current liabilities:			
Compensated absences (note 11)	9,545	33,311	42,856
Insurance claims payable (note 7)	-	-	-
I Bank Installment Agreement (note 11)	-	3,922,145	3,922,145
Net OPEB liability (note 12)	-	-	-
Total Noncurrent Liabilities	<u>9,545</u>	<u>3,955,456</u>	<u>3,965,001</u>
Total Liabilities	<u>136,943</u>	<u>4,606,438</u>	<u>4,743,381</u>
NET POSITION			
Net Position			-
Net investment in capital assets	3,575,342	40,182,963	43,758,305
Unrestricted	<u>630,280</u>	<u>2,543,021</u>	<u>3,173,301</u>
Total Net Position	<u>\$ 4,205,622</u>	<u>\$ 42,725,984</u>	<u>\$ 46,931,606</u>

See accompanying notes to basic financial statements.

Governmental Activities	Business-Type Activities	Governmental Activities
Internal Service Funds	2013 Municipal Transit	2013 Internal Service Funds
\$ 12,362,629	\$ 726,417	\$ 12,097,711
24,046	8,302	32,747
-	383,922	-
-	-	-
-	35,875	-
<u>12,386,675</u>	<u>1,154,516</u>	<u>12,130,458</u>
5,200,000	-	5,200,000
522,749	-	563,935
1,677,809	-	1,677,809
45,697	196,106	7,218
<u>1,869,274</u>	<u>2,445,972</u>	<u>2,683,583</u>
<u>9,315,529</u>	<u>2,642,078</u>	<u>10,132,545</u>
<u>21,702,204</u>	<u>3,796,594</u>	<u>22,263,003</u>
255,368	85,007	217,573
689,960	3,557	872,971
982,426	-	1,185,784
-	-	-
-	661,267	-
<u>1,927,754</u>	<u>749,831</u>	<u>2,276,328</u>
2,759,842	14,228	3,491,886
2,292,326	-	2,766,828
-	-	-
<u>287,531</u>	<u>-</u>	<u>253,536</u>
<u>5,339,699</u>	<u>14,228</u>	<u>6,512,250</u>
<u>7,267,453</u>	<u>764,059</u>	<u>8,788,578</u>
1,914,971	2,642,078	2,690,801
<u>12,519,780</u>	<u>390,457</u>	<u>10,783,624</u>
<u>\$ 14,434,751</u>	<u>\$ 3,032,535</u>	<u>\$ 13,474,425</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	Business- Type Activities		
	Municipal Transit	Sewer Service	2014 Total
Operating revenues:			
Passenger revenues	\$ 346,288	\$ -	\$ 346,288
Vehicle rentals	-	-	-
Employee benefits charges	-	-	-
Insurance charges	-	-	-
Charges for services	-	6,814,418	6,814,418
Total Operating Revenues	<u>346,288</u>	<u>6,814,418</u>	<u>7,160,706</u>
Operating expenses:			-
Personnel services	1,289,160	1,401,236	2,690,396
Contractual services	222,139	1,912,367	2,134,506
Materials and supplies	362,600	1,009,196	1,371,796
Administration	261,452	6,661	268,113
Employee benefits	-	-	-
Insurance claims and premiums	-	-	-
Depreciation	197,697	1,184,398	1,382,095
Total Operating Expenses	<u>2,333,048</u>	<u>5,513,858</u>	<u>7,846,906</u>
Operating Income (Loss)	<u>(1,986,760)</u>	<u>1,300,560</u>	<u>(686,200)</u>
Nonoperating revenues (expenses):			-
Investment income	3,819	-	3,819
Intergovernmental	1,765,639	276,923	2,042,562
Interest expense	-	(122,496)	(122,496)
Gain on disposal of capital assets	-	-	-
Other revenue	-	25,103	25,103
Total Nonoperating Revenues (Expenses)	<u>1,769,458</u>	<u>179,530</u>	<u>1,948,988</u>
Income (Loss) before contributions and transfers	<u>(217,302)</u>	<u>1,480,090</u>	<u>1,262,788</u>
Capital Contributions	575,000	-	575,000
Transfers in (note 14)	815,389	100,000	915,389
Change in Net Position	<u>1,173,087</u>	<u>1,580,090</u>	<u>2,753,177</u>
Net Position at Beginning of Year, as restated	<u>3,032,535</u>	<u>41,145,894</u>	<u>44,178,429</u>
Net Position at End of Year	<u>\$ 4,205,622</u>	<u>\$ 42,725,984</u>	<u>\$ 46,931,606</u>

See accompanying notes to basic financial statements.

Governmental Activities	Business- Type Activities	Governmental Activities
Internal Service Funds	2013 Municipal Transit	2013 Internal Service Funds
\$ -	\$ 326,723	\$ -
1,235,712	-	1,107,704
812,000	-	790,300
6,180,286	-	5,944,293
-	-	-
<u>8,227,998</u>	<u>326,723</u>	<u>7,842,297</u>
-	1,183,697	-
-	149,379	-
-	337,422	-
127,688	285,746	120,537
764,796	-	964,708
6,013,371	-	6,657,711
607,170	192,474	649,861
<u>7,513,025</u>	<u>2,148,718</u>	<u>8,392,817</u>
<u>714,973</u>	<u>(1,821,995)</u>	<u>(550,520)</u>
-	-	-
-	1,304,127	-
-	-	-
29,763	-	-
-	-	17,116
<u>29,763</u>	<u>1,304,127</u>	<u>17,116</u>
<u>744,736</u>	<u>(517,868)</u>	<u>(533,404)</u>
-	-	-
<u>533,995</u>	<u>343,400</u>	<u>574,405</u>
1,278,731	(174,468)	41,001
<u>13,156,020</u>	<u>3,207,003</u>	<u>13,433,424</u>
<u>\$ 14,434,751</u>	<u>\$ 3,032,535</u>	<u>\$ 13,474,425</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	Business-Type Activities		
	Municipal Transit	Sewer Service	2014 Total
Cash flows from operating activities:			
Cash received from customers	\$ 345,136	\$ 6,719,729	\$ 7,064,865
Cash received from user departments	-	-	-
Cash payments to suppliers for goods and services	(849,760)	(3,093,872)	(3,943,632)
Cash payments to employees for services	(1,295,014)	(1,436,223)	(2,731,237)
Net cash provided by (used for) operating activities	<u>(1,799,638)</u>	<u>2,189,634</u>	<u>389,996</u>
Cash flows from noncapital financing activities:			
Operating grant proceeds received	422,296	264,997	687,293
Cash received from other funds	815,389	100,000	915,389
Cash received from operating grants - TDA	1,013,242	-	1,013,242
Cash received for payment on advance to other funds	-	-	-
Repayments received on notes receivable	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>2,250,927</u>	<u>364,997</u>	<u>2,615,924</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(1,130,960)	(1,609,025)	(2,739,985)
Cash received for advance of capital grants	-	-	-
Proceeds from sale of capital assets	-	-	-
Principal and interest paid on long-term debt	-	(492,365)	(492,365)
Net cash provided by (used for) capital and related financing activities	<u>(1,130,960)</u>	<u>(2,101,390)</u>	<u>(3,232,350)</u>
Cash flows from investing activities:			
Cash received related to other revenue	-	25,103	25,103
Interest received	3,819	-	3,819
Net cash provided by (used for) investing financing activities	<u>3,819</u>	<u>25,103</u>	<u>28,922</u>
Net increase (decrease) in cash and cash equivalents	(675,852)	478,344	(197,508)
Cash and cash equivalents at beginning of year	<u>726,417</u>	<u>2,188,650</u>	<u>2,915,067</u>
Cash and cash equivalents at end of year	<u>\$ 50,565</u>	<u>\$ 2,666,994</u>	<u>\$ 2,717,559</u>

See accompanying notes to basic financial statements.

Governmental Activities	Business- Type Activities	Governmental Activities
Internal Service Funds	2013 Municipal Transit	2013 Internal Service Funds
\$ -	\$ 285,739	\$ -
8,261,166	-	7,818,501
(6,805,591)	(771,336)	(7,033,470)
(1,569,230)	(1,184,888)	(964,708)
<u>(113,655)</u>	<u>(1,670,485)</u>	<u>(179,677)</u>
-	1,304,126	-
533,995	343,400	574,405
-	86,267	-
-	-	10,000
41,186	-	32,632
<u>575,181</u>	<u>1,733,793</u>	<u>617,037</u>
(226,371)	-	(283,204)
-	575,000	-
29,763	-	17,116
<u>-</u>	<u>-</u>	<u>-</u>
<u>(196,608)</u>	<u>575,000</u>	<u>(266,088)</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	-	-
264,918	638,308	171,272
<u>12,097,711</u>	<u>88,109</u>	<u>11,926,439</u>
<u>\$ 12,362,629</u>	<u>\$ 726,417</u>	<u>\$ 12,097,711</u>

(Continued)

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 20, 2013)
(Continued)

	Business-Type Activities		
	Municipal Transit	Sewer Service	2014 Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (1,986,760)	\$ 1,300,560	\$ (686,200)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	197,697	1,184,398	1,382,095
(Increase) decrease in accounts receivable	(1,152)	(94,689)	(95,841)
(Increase) in prepaids	(13,725)	-	(13,725)
(Increase) in other assets	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	10,156	(165,648)	(155,492)
Increase (decrease) in compensated absences payable	(5,854)	(34,987)	(40,841)
Increase in net OPEB liability	-	-	-
(Decrease) in insurance claims payable	-	-	-
Net cash provided by (used for) operating activities	<u>\$ (1,799,638)</u>	<u>\$ 2,189,634</u>	<u>\$ 389,996</u>

Noncash investing, capital, and financing activities

There were no significant noncash investing, capital, and financing activities for the year ended June 30, 2014.

See accompanying notes to basic financial statements.

<u>Governmental Activities Internal Service Funds</u>	<u>Business- Type Activities 2013 Municipal Transit</u>	<u>Governmental Activities 2013 Internal Service Funds</u>
\$ 714,973	\$ (1,821,995)	\$ (550,520)
607,170	192,474	649,861
8,701	342,938	(23,796)
-	(2,511)	-
-	(383,922)	-
37,795	3,721	(323,171)
(838,429)	(1,190)	211,103
33,995	-	34,840
<u>(677,860)</u>	<u>-</u>	<u>(177,994)</u>
<u>\$ (113,655)</u>	<u>\$ (1,670,485)</u>	<u>\$ (179,677)</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2014
(With Comparative Totals for June 30, 2013)

	2014	2013
ASSETS		
Cash and investments (note 3)	\$ 3,371,476	\$ 3,194,732
Investments with fiscal agent (note 3)	598,248	596,859
Receivables:		
Taxes	41,068	15,675
Accounts	4,234	4,235
Intergovernmental	7,444	7,254
Total Assets	\$ 4,022,470	\$ 3,818,755
LIABILITIES		
Accounts payable and accrued liabilities	\$ 50,632	\$ 34,010
Deposits	2,362,751	2,273,740
Due to bondholders	1,609,087	1,511,005
Total Liabilities	\$ 4,022,470	\$ 3,818,755

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Discretely Presented Component Unit

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

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

B. Basis of Accounting and Measurement Focus

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

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

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

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

B. Basis of Accounting and Measurement Focus (Continued)

Government-wide Financial Statements

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

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

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, 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.

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

Fund Financial Statements

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

CITY OF LAGUNA BEACH, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

B. Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements (Continued)

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

Governmental Funds

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

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

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

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

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Funds (Continued)

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

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

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

Proprietary and Fiduciary Funds

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

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

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

C. Fund Classifications

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

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

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

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

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

Sewer Service Fund – This fund is used to account for the operations of the City's sewer services. All activities necessary to provide such service are accounted for in this fund. Effective July 1, 2013, the City has reclassified this fund as a major enterprise fund. See Note 2 for prior period adjustment related to this reclassification.

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

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

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

D. Encumbrances

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

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

E. Cash and Investments

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

Investments are reported at fair value (generally based on quoted market prices). The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The California Local Agency Investment Fund is not insured or collateralized. The Fund is subject to regulatory oversight by the State of California Treasurer, although it is not registered with the SEC.

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

F. Advances to Other Funds

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

G. Inventory

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

H. Investments with Fiscal Agent

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

I. Capital Assets

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

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

I. Capital Assets (Continued)

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

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

J. Property Taxes

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

K. Compensated Absences

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

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

L. Fund Equity

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

Nonspendable Fund Balance:

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

Spendable Fund Balance:

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

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

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

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

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

M. General Fund Balance Policy

It is the policy of the City to maintain a minimum reserve in unassigned fund balance for unforeseen emergencies or catastrophic impacts upon the city, and whenever fiscally possible and financially prudent, to maintain a greater target reserve. The minimum reserve of the General Fund is 15% of General Fund operating expenditures (single fund, not combined General Fund). Total expenditures were \$46,492,071 and minimum reserve requirement was \$6,973,811. The City's General Fund (single fund, not combined) reported \$13,420,963 of unassigned fund balance as of June 30, 2014.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

N. Grant and Allocations

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

O. Comparative Data

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

P. New GASB Pronouncements

Effective in Future Years

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014, or the 2014-2015 fiscal year. The City has not determined the effect on the financial statements.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to establish reporting standards related to government combinations and disposals of government operations. The Statement is effective for periods beginning after December 15, 2013, or the 2014-2015 fiscal year. The City has not determined the effect on the financial statements.

GASB Statement No. 71 – In November 2013, GASB issued statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- An Amendment of GASB Statement No. 68*. This statement addresses an issue relating to amounts associated with contributions made by a government employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement is not effective until June 30, 2015. The City has not determined the effect on the financial statements.

CITY OF LAGUNA BEACH, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 – RESTATEMENTS

The City’s Sewer Service Fund has previously been reported as part of the General Fund. Effective July 1, 2013, the City now reports this fund as a major enterprise fund. Additionally, the City is reporting an accrual for the 4th quarter Transient Occupancy Tax (TOT) and Business Improvement District (BID) revenues within the General Fund. Upon restatement, the City reported the following adjustments to beginning fund balance and net position:

	Governmental Activities	Business Type Activities	Sewer Service Fund	General Fund	ISF Insurance & Employee Benefits Fund	ISF Vehicle Replacement Fund
Beginning of year as, as previously reported Net Position/Fund Balance	\$ 393,377,751	\$ 3,032,535	\$ 1,887,586	\$ 38,312,735	\$ 5,177,523	\$ 8,296,902
Effect of reclassing the Sewer Service Fund from a Governmental Fund to an Enterprise Fund	(41,145,894)	41,145,894	39,258,308	(1,887,586)	76,626	(395,031)
Amount by which the prior period was (overstated)/understated related to accrual of April-June (Q2) TOT and BID revenues.	(506,914)	-	-	2,018,214	-	-
Beginning of year as, as restated Net Position/Fund balance	<u>\$ 351,724,943</u>	<u>\$ 44,178,429</u>	<u>\$ 41,145,894</u>	<u>\$ 38,443,363</u>	<u>\$ 5,254,149</u>	<u>\$ 7,901,871</u>

NOTE 3 – CASH AND INVESTMENTS

Cash and investments of the primary government as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments

 Governmental Activities \$ 69,387,439

 Business-Type Activities 2,717,559

Statement of Fiduciary Assets and Liabilities:

Cash and investments 3,371,476

Cash and investments held by fiscal agent 598,248

 Total cash and investments \$ 76,074,722

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand (petty cash and change funds) \$ 3,618

Deposits with financial institutions 1,129,428

Investments 74,941,676

 Total cash and investments \$ 76,074,722

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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

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

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

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

Investments Authorized by Debt Agreements

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

Disclosures Relating to Interest Rate Risk

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

CITY OF LAGUNA BEACH, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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

Investment Type	Total	Remaining Maturity (in Months)		
		18 Month Or Less	19 to 24 Months	25 to 60 Months
Federal Agency Securities	\$ 44,064,960	\$ 248,000	\$ -	\$ 43,816,960
Local Municipal Bonds	1,005,840	-	-	1,005,840
State Investment Pool	17,331,812	17,331,812	-	-
Certificates of Deposit	6,755,944	2,752,963	1,248,346	2,754,635
Medium-Term Notes	5,184,873	2,026,060	1,042,580	2,116,233
Held by bond fiscal agent:				
State Investment Pool	598,247	598,247	-	-
Total	<u>\$ 74,941,676</u>	<u>\$ 22,957,082</u>	<u>\$ 2,290,926</u>	<u>\$ 49,693,668</u>

Disclosures Relating to Credit Risk

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

Investment Type	Total	Minimum Legal Rating	Exempt from Disclosure	S&P Rating as of Year End			
				AAA	AA	A	Not Rated
Federal Agency Securities	\$ 44,064,960	N/A	\$ -	\$ -	\$ 44,064,960	\$ -	\$ -
Local Municipal Bonds	1,005,840	A	-	-	-	1,005,840	-
State Investment Pool	17,331,812	N/A	-	-	-	-	17,331,812
Certificates of Deposit	6,755,944	N/A	6,755,944	-	-	-	-
Medium-Term Notes	5,184,873	A	-	1,002,570	2,065,460	2,116,843	-
Held by bond fiscal agent:							
State Investment Pool	598,247	N/A	-	-	-	-	598,247
Total	<u>\$ 74,941,676</u>		<u>\$ 6,755,944</u>	<u>\$ 1,002,570</u>	<u>\$ 46,130,420</u>	<u>\$ 3,122,683</u>	<u>\$ 17,930,059</u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal agency securities	\$ 12,964,880
Federal Home Loan Bank	Federal agency securities	11,930,280
Federal National Mortgage Association	Federal agency securities	8,953,900
Federal Home Loan Mortgage Corporation	Federal agency securities	6,973,910

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. The City has \$1,207,120 in excess of FDIC Insurance. This amount is collateralized by the bank as described above.

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

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.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investment in State Investment Pool (Continued)

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.

NOTE 4 – INTERFUND ACTIVITY

Interfund balances at June 30, 2014 consisted of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Non-Major Governmental Funds	(a) \$ 463,493
Advances to Other Funds	Advances from Other Funds	Amount
Non-Major Governmental Funds	Non-Major Governmental Funds	\$ 690,000
		(b) 690,000
Internal Service Fund	General Fund	4,500,000
Internal Service Fund	General Fund	700,000
Non-Major Governmental Funds	General Fund	1,500,000
		(c) 6,700,000
		\$ 7,390,000

- (a) The General Fund has provided a temporary subsidy to the Assessment District Fund for negative cash flows.
- (b) The City has authorized the interfund borrowing listed for the operations of the Gas Tax Fund. The funds are expected to be paid without interest within the next two years. The purpose of these advances was to fund a Citywide street resurfacing project.
- (c) During 2010, the City authorized an interfund borrowing to fund the pay off of the City's side fund obligation associated with the City's safety pension plans. The funds are to be repaid annually in the amount of \$857,078 over a period of fourteen years at an interest rate of 2.75%. The amount paid in FY 2013-2014 was principal \$647,521 and interest \$209,557 and is not recorded on the Statement of Activities. The principal payment schedule from the general fund is as follows:

Year	Payment Amount
2014 - 2015	\$ 665,554
2015 - 2016	684,090
2016 - 2017	703,141
2017 - 2018	722,723
2018-2019	742,850
2021-2024	3,181,642
	\$ 6,700,000

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance at July 1, 2013, as restated	Additions	Deletions/ Transfers	Balance at June 30, 2014
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 82,110,354	\$ 5,230,168	\$ -	\$ 87,340,522
Construction in progress	7,897,479	2,915,722	(6,904,089)	3,909,112
Total Capital Assets, Not Depreciated	<u>90,007,833</u>	<u>8,145,890</u>	<u>(6,904,089)</u>	<u>91,249,634</u>
Capital assets, being depreciated:				
Buildings and improvements	50,146,798	6,915,098	(231,222)	56,830,674
Office equipment and machinery	5,657,666	257,061	(506,934)	5,407,793
Furniture and fixtures	1,705,327	110,786	(21,774)	1,794,339
Equipment, machinery and tools	4,515,624	1,081,481	(150,514)	5,446,591
Automotive equipment	7,397,552	196,832	(462,112)	7,132,272
Infrastructure	208,431,980	3,999,978	-	212,431,958
Total Capital Assets Being Depreciated	<u>277,854,947</u>	<u>12,561,236</u>	<u>(1,372,556)</u>	<u>289,043,627</u>
Less accumulated depreciation for:				
Buildings and improvements	(20,449,523)	(1,473,214)	214,944	(21,707,793)
Office equipment and machinery	(3,875,611)	(317,635)	502,716	(3,690,530)
Furniture and fixtures	(382,834)	(24,454)	15,105	(392,183)
Equipment, machinery and tools	(3,837,284)	(450,294)	120,193	(4,167,385)
Automotive equipment	(5,201,843)	(506,305)	462,112	(5,246,036)
Infrastructure	(44,559,934)	(1,136,914)	-	(45,696,848)
Total Accumulated Depreciation	<u>(78,307,029)</u>	<u>(3,908,816)</u>	<u>1,315,070</u>	<u>(80,900,775)</u>
Total Capital Assets Being Depreciated, Net	<u>199,547,918</u>	<u>8,652,420</u>	<u>(57,486)</u>	<u>208,142,852</u>
Governmental Activities Capital Assets, Net	<u>\$ 289,555,751</u>	<u>\$ 16,798,310</u>	<u>\$ (6,961,575)</u>	<u>\$ 299,392,486</u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Balance at July 1, 2013	Additions	Deletions/ Transfers	Balance at June 30, 2014
Municipal Transit Fund:				
Capital assets, not depreciated:				
Land	\$ 196,106	\$ -	\$ -	\$ 196,106
Total Capital Assets, Not Depreciated	<u>196,106</u>	<u>-</u>	<u>-</u>	<u>196,106</u>
Capital assets, being depreciated:				
Buildings and improvements	1,950,672	-	(2,279)	1,948,393
Office equipment and machinery	51,146	-	-	51,146
Furniture and fixtures	1,500	-	-	1,500
Equipment, machinery and tools	27,963	-	-	27,963
Automotive equipment	3,464,199	1,130,960	-	4,595,159
Total Capital Assets Being Depreciated	<u>5,495,480</u>	<u>1,130,960</u>	<u>(2,279)</u>	<u>6,624,161</u>
Less accumulated depreciation for:				
Buildings and improvements	(378,294)	(63,016)	2,279	(439,031)
Office equipment and machinery	(47,727)	-	-	(47,727)
Furniture and fixtures	(1,500)	-	-	(1,500)
Equipment, machinery and tools	(27,963)	-	-	(27,963)
Automotive equipment	(2,594,023)	(134,680)	-	(2,728,703)
Total Accumulated Depreciation	<u>(3,049,507)</u>	<u>(197,696)</u>	<u>2,279</u>	<u>(3,244,924)</u>
Total Capital Assets Being Depreciated, Net	<u>2,445,972</u>	<u>933,264</u>	<u>-</u>	<u>3,379,236</u>
Municipal Transit Fund Capital Assets, Net	<u>\$ 2,642,078</u>	<u>\$ 933,264</u>	<u>\$ -</u>	<u>\$ 3,575,342</u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Balance at July 1, 2013, as restated	Additions	Deletions/ Transfers	Balance at June 30, 2014
Sewer Service Fund:				
Capital assets, not depreciated:				
Construction in progress	\$ 4,308,867	\$ 222,608	\$ (857,319)	\$ 3,674,156
Total Capital Assets, Not Depreciated	<u>4,308,867</u>	<u>222,608</u>	<u>(857,319)</u>	<u>3,674,156</u>
Capital assets, being depreciated:				
Buildings and improvements	28,042	-	-	28,042
Office equipment and machinery	460,767	-	(5,315)	455,452
Furniture and fixtures	41,446	9,995	-	51,441
Equipment, machinery and tools	500,789	23,379	(34,662)	489,506
Automotive equipment	965,880	-	-	965,880
Sewer plant and lines	70,133,965	2,210,362	-	72,344,327
Total Capital Assets Being Depreciated	<u>72,130,889</u>	<u>2,243,736</u>	<u>(39,977)</u>	<u>74,334,648</u>
Less accumulated depreciation for:				
Buildings and improvements	(23,778)	(936)	-	(24,714)
Office equipment and machinery	(427,548)	(5,200)	5,315	(427,433)
Furniture and fixtures	(1,399)	(2,363)	-	(3,762)
Equipment, machinery and tools	(113,070)	(33,972)	34,662	(112,380)
Automotive equipment	(466,441)	(104,408)	-	(570,849)
Sewer plant and lines	(31,347,073)	(1,037,520)	-	(32,384,593)
Total Accumulated Depreciation	<u>(32,379,309)</u>	<u>(1,184,399)</u>	<u>39,977</u>	<u>(33,523,731)</u>
Total Capital Assets Being Depreciated, Net	<u>39,751,580</u>	<u>1,059,337</u>	<u>-</u>	<u>40,810,917</u>
Sewer Service Fund Capital Assets, Net	<u>\$ 44,060,447</u>	<u>\$ 1,281,945</u>	<u>\$ (857,319)</u>	<u>\$ 44,485,073</u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Balance at July 1, 2013, as restated	Additions	Deletions/ Transfers	Balance at June 30, 2014
Total Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 196,106	\$ -	\$ -	\$ 196,106
Construction in progress	4,308,867	222,608	(857,319)	3,674,156
Total Capital Assets, Not Depreciated	<u>4,504,973</u>	<u>222,608</u>	<u>(857,319)</u>	<u>3,870,262</u>
Capital assets, being depreciated:				
Buildings and improvements	1,978,714	-	(2,279)	1,976,435
Office equipment and machinery	511,913	-	(5,315)	506,598
Furniture and fixtures	42,946	9,995	-	52,941
Equipment, machinery and tools	528,752	23,379	(34,662)	517,469
Automotive equipment	4,430,079	1,130,960	-	5,561,039
Sewer plant and lines	70,133,965	2,210,362	-	72,344,327
Total Capital Assets Being Depreciated	<u>77,626,369</u>	<u>3,374,696</u>	<u>(42,256)</u>	<u>80,958,809</u>
Less accumulated depreciation for:				
Buildings and improvements	(402,072)	(63,952)	2,279	(463,745)
Office equipment and machinery	(475,275)	(5,200)	5,315	(475,160)
Furniture and fixtures	(2,899)	(2,363)	-	(5,262)
Equipment, machinery and tools	(141,033)	(33,972)	34,662	(140,343)
Automotive equipment	(3,060,464)	(239,088)	-	(3,299,552)
Sewer plant and lines	(31,347,073)	(1,037,520)	-	(32,384,593)
Total Accumulated Depreciation	<u>(35,428,816)</u>	<u>(1,382,095)</u>	<u>42,256</u>	<u>(36,768,655)</u>
Total Capital Assets Being Depreciated, Net	<u>42,197,553</u>	<u>1,992,601</u>	<u>-</u>	<u>44,190,154</u>
Business-type Activities Capital Assets, Net	<u>\$ 46,702,526</u>	<u>\$ 2,215,209</u>	<u>\$ (857,319)</u>	<u>\$ 48,060,416</u>

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

General government	\$ 237,633
Community development	68,405
Public safety	584,474
Public works	2,426,639
Recreation and social services	591,665
Total	<u>\$ 3,908,816</u>

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

Municipal transit	\$ 197,696
Sewer service	1,184,399
Total	<u>\$ 1,382,095</u>

CITY OF LAGUNA BEACH, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 – CONSTRUCTION COMMITMENTS

As of June 30, 2014, contract commitments for major capital projects included the following:

Description	Project Contract	Expenditures To Date	Unexpended Balance
Burn Dump Resotation	\$ 1,300,000	\$ 534,208	\$ 765,792
Storm Drain-Anita Street/Seaview Street	800,000	18,522	781,478
Storm Drain-Temple Hills Drive	1,415,000	107,623	1,307,377
Retaining Wall-Alta Vista Way	1,200,000	147,994	1,052,006
Stairs Replacement - Thalia and Beach	500,000	112,503	387,497
Lifeguard Headquarters and Restroom	7,112,890	6,392,090	720,800
Laguna Canyon Channel Rehabilitation	636,042	175,242	460,800
Creek Erosion Protection	849,000	210,670	638,330
Parks Rehabilitation-Moulton, Alta, Lang	2,200,000	164,725	2,035,275
Village Entrance Project	10,447,500	6,803,673	3,643,827
Street Slurry Seal/Rehabilitation	2,400,000	1,092,838	1,307,162
Third Street/Loma Terrace Sewer	1,537,500	256,106	1,281,394
	\$ 30,397,932	\$ 16,016,194	\$ 14,381,738

NOTE 7 – RISK MANAGEMENT

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

The City retains the risk of loss for general/auto liability claims of up to \$400,000 per occurrence and workers' compensation claims of up to \$300,000 per person per occurrence. Additionally, the City has retained risk of loss for employee 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' CIPA premiums are based on actuarial reports and underwriting estimates and are calculated based on the member cities' individual experience and exposure for a particular program. Members may be charged assessments if losses exceed the amount of premium collected.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 – RISK MANAGEMENT (CONTINUED)

All funds of the City participate in the risk management program and make payments to the Insurance and Employee Benefits Internal Service Fund based on estimates of the amounts needed to pay prior-year and current-year claims. A claims liability of \$3,274,752 is reported in the Insurance and Employee Benefits Internal Service Fund, at June 30, 2014. Changes in the Insurance and Employee Benefits Internal Service Fund's claims liability amounts in fiscal years 2014 and 2013 were as follows:

	2014	2013
Beginning of year liability	\$ 3,952,612	\$ 4,130,606
Current year claims and changes in estimates	1,395,341	2,081,314
Claims payments	(2,073,201)	(2,259,308)
Insurance claims payable	\$ 3,274,752	\$ 3,952,612

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

NOTE 8 – IMPROVEMENT DISTRICTS

Bonds issued for improvement districts are liabilities of the property owners and are secured by liens against the assessed property. The City is not liable for repayment, but is only acting as an agent to expend the project funds on behalf of the property owners and to collect principal and interest payments from property owners and remit such monies to the bondholders. At June 30, 2014, the unpaid principal assessments in the 1915 Bond Improvement Districts were \$5,267,309.

NOTE 9 – DEFERRED COMPENSATION PLAN

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

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

The City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. At June 30, 2014, the deferred compensation assets are not reflected in the City's financial statement.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 – OPERATING LEASE

The City rents a community center under an operating lease that extends through January 31, 2019. Total expenditures under this lease were \$26,400 for the year ended June 30, 2014. The minimum future rental payments under this lease are as follows:

Year Ending June 30:		
2015	\$	26,400
2016		26,400
2017		26,400
2018		26,400
2019		26,400
Total	\$	132,000

NOTE 11 – LONG-TERM LIABILITIES

The following is a summary of the changes in the principal balance of long-term liabilities for the year ended June 30, 2014:

	Balance at July 1, 2013, as restated	Additions	Deletions	Balance at June 30, 2014	Due within One year	Due beyond One year
Governmental activities:						
Net OPEB liability	\$ 253,536	\$ 33,815	\$ -	\$ 287,351	\$ -	\$ 287,351
Compensated absences	4,288,231	1,993,152	(2,831,401)	3,449,982	689,960	2,760,022
Insurance claims payable	3,952,612	1,395,341	(2,073,201)	3,274,752	982,426	2,292,326
Total Governmental activities	\$ 8,494,379	\$ 3,422,308	\$ (4,904,602)	\$ 7,012,085	\$ 1,672,386	\$ 5,339,699
	Balance at July 1, 2013, as restated	Additions	Deletions	Balance at June 30, 2014	Due within One year	Due beyond One year
Business-type Activities:						
Transit Fund:						
Compensated absences	\$ 17,785	\$ 20,101	\$ (25,955)	\$ 11,931	\$ 2,386	\$ 9,545
Total Transit Fund	17,785	20,101	(25,955)	11,931	2,386	9,545
Sewer Service Fund:						
Compensated absences	76,626	103,843	(138,830)	41,639	8,328	33,311
I-Bank installment agreement	4,671,980	-	(369,869)	4,302,111	379,966	3,922,145
Total Sewer Service Fund	4,748,606	103,843	(508,699)	4,343,750	388,294	3,955,456
Total Business-type Activities	\$ 4,766,391	\$ 123,944	\$ (534,654)	\$ 4,355,681	\$ 390,680	\$ 3,965,001

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

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11 – LONG-TERM LIABILITIES (CONTINUED)

I-Bank Installment Sale Agreement

The City entered into a twenty-year loan on June 1, 2014 from the I-Bank Installment Sale Agreement with the California Infrastructure and Economic Development Bank (CIEDB). The agreement was amended on August 1, 2005 to increase the maximum loan amount to \$7,000,000, which was 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. Repayment of the loan is payable solely from Sewer Service user charges. The revenues are pledged for the total debt service until the year 2033. As of June 30, 2014, all of the \$7,000,000 loan proceeds have been disbursed under the loan agreement, and accordingly interest is due semiannually on February 1 and August 1 which commenced on August 1, 2005. Principal is due annually on August 1 which commenced on August 1, 2006. As of June 30, 2014, the outstanding principal amount was \$4,302,111. Total revenue available for debt service was \$6,814,418 and total debt service, including interest, was \$492,365.

The annual payment amounts required to retire the Sales Agreement as of June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2015	\$ 379,966	\$ 112,261	\$ 492,227
2016	390,339	101,746	492,085
2017	400,996	90,945	491,941
2018	411,943	79,848	491,791
2019	423,189	68,448	491,637
2020 - 2024	2,295,678	160,052	2,455,730
	<u>\$ 4,302,111</u>	<u>\$ 613,300</u>	<u>\$ 4,915,411</u>

NOTE 12 – POST EMPLOYMENT BENEFIT PLAN

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

City's Funding Policy: The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2013-14, plan members receiving benefits contributed \$116,951 (100% of total premiums) through their required contribution.

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

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 – POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

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

Annual required contribution	\$	153,301
Interest on net OPEB obligation		12,677
Adjustments to annual required contributions		<u>(15,212)</u>
Annual OPEB cost (expense)		150,766
Contributions made (including premiums paid)		<u>(116,951)</u>
Increase in net OPEB obligation		33,815
Net OPEB obligation - beginning of year		<u>253,536</u>
Net OPEB obligation - end of year	\$	<u><u>287,351</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 150,762	67%	\$ 218,696
6/30/2013	150,021	76%	253,536
6/30/2014	150,766	78%	287,351

Funded Status and Funded Progress. The funded status of the plan as of June 30, 2012, was as follows:

Actuarial accrued liability (AAL)		\$ 1,346,828
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)		<u>\$ 1,346,828</u>
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)		20,159,361
UAAL as a percentage of covered payroll		6.7%

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 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% 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% initially, reduced by decrements of 1% per year to an ultimate rate of 5% 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% per year.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13 – FUND BALANCES (DEFICIT)

Fund balances are classified as follows:

	General Fund*	Major Special Revenue Fund Disaster Contingency Fund	Nonmajor Governmental Funds	Total
Fund balances:				
Nonspendable:				
Inventory	\$ 89,402	\$ -	\$ -	\$ 89,402
Prepays	57,588	-	-	57,588
Advances to other funds	-	-	2,190,000	2,190,000
Total Nonspendable	<u>146,990</u>	<u>-</u>	<u>2,190,000</u>	<u>2,336,990</u>
Restricted for:				
Parking in-lieu	112,133	-	-	112,133
Park in-lieu	367,462	-	-	367,462
Art in-lieu	224,424	-	-	224,424
Drainage	67,663	-	-	67,663
Housing in-lieu	686,613	-	-	686,613
Transportation infrastructure	1,500,000	-	-	1,500,000
Street lighting district	-	-	3,434,319	3,434,319
Gas tax	-	-	658,909	658,909
Public safety	-	-	172,385	172,385
Subtotal	<u>2,958,295</u>	<u>-</u>	<u>4,265,613</u>	<u>7,223,908</u>
Committed for:				
Solid waste	334,525	-	-	334,525
Repair of public facilities and natural disaster	-	6,034,556	-	6,034,556
Total Committed	<u>334,525</u>	<u>6,034,556</u>	<u>-</u>	<u>6,369,081</u>
Assigned to:				
Open space	207,907	-	-	207,907
Parking authority	5,923,994	-	-	5,923,994
Capital projects	13,952,626	-	-	13,952,626
800 MHZ Communications System	3,400,000	-	-	3,400,000
Other purposes	250,000	-	-	250,000
Subtotal	<u>23,734,527</u>	<u>-</u>	<u>-</u>	<u>23,734,527</u>
Unassigned [†]	<u>13,420,963</u>	<u>-</u>	<u>(531,502)</u>	<u>12,889,461</u>
Total Fund Balance	<u>\$ 40,595,300</u>	<u>\$ 6,034,556</u>	<u>\$ 5,924,111</u>	<u>\$ 52,553,967</u>

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

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

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 14 – INTERFUND TRANSFERS

Interfund transfers at June 30, 2014 consisted of the following:

Transfers In	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 378,500	\$ 378,500
Non-Major Governmental Fund	41,260	-	41,260
Transit Fund	516,800	298,589	815,389
Sewer Fund	100,000	-	100,000
Internal Service Fund	533,995	-	533,995
	<u>\$ 1,192,055</u>	<u>\$ 677,089</u>	<u>\$ 1,869,144</u>

Transfers are used to:

1. Transfer from Nonmajor Governmental Fund to the General Fund for capital expenditures related to the Gainsborough slope repair.
2. Transfer from the General Fund to the Nonmajor Governmental Fund to close out the December Storms 2010 fund.
3. Transfer from the General Fund to the Transit Fund in the amount of \$516,800 to cover balance of expenditures not funded from grants or other revenue.
4. Transfer from the Nonmajor Governmental Fund to the Transit Fund in the amount of \$298,589 for OCTA Measure M2 Funding for the purchase of three trolleys.
5. Transfer from General Fund to the Sewer Fund for the Measure M2 Environmental Cleanup grant program.
6. Transfer from General Fund to the Internal Service Fund for the following purposes: 1) \$500,000 for unexpected increase in insurance claims, and 2) \$33,995 for the OPEB Liability.

NOTE 15 – SEWAGE TREATMENT FACILITIES

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

CITY OF LAGUNA BEACH, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 15 – SEWAGE TREATMENT FACILITIES (CONTINUED)

The governing board is comprised of one member from each participating agency and is responsible for the selection of management and for the budgeting and financial management of the Agency. As of June 30, 2013, (the most recent information available), SOCWA had total assets of \$63,631,893, total liabilities of \$4,879,281 and total equity of \$58,752,612. A separate financial report may be obtained from the South Orange County Wastewater Authority, 31592 West Street, Laguna Beach, California 92651.

The City's share of ownership varies by year depending upon the purchased capacities of each subsystem. Each member is responsible for its share of maintenance and operations costs proportional to its purchased capacity which is billed to each member by SOCWA. Sewer service charges are assessed to fund these and other operating costs. The City paid \$1,796,716 and \$1,228,000 for its share of operating and capital costs, respectively, during the fiscal year ended June 30, 2014.

NOTE 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 for the safety participants and a single employer public employee defined benefit pension plan for miscellaneous employees. 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 CalPERS. Copies of CalPERS' annual financial report may be obtained by writing to 400 "P" Street, Sacramento, California 95814.

The City of Laguna Beach now has three tiers of retirement formulae:

Employee Group	Tier 1	Tier 2	Tier 3
Applies to	All Non-Safety Employees, All Safety Lifeguard Employees, Police Safety Employees hired on or before April 2, 2012, and Fire Safety Employees hired on or before October 3, 2011	Police Safety Employee hired on or after April 3, 2012, and Fire Safety Employees hired on or after October 4, 2011 (or laterals from other CalPERS agencies who meet certain requirements)	New CalPERS covered employees hired after January 1, 2013 (mandated by AB340, the Public Employees Pension Reform Act (PEPRA))
Miscellaneous Formulae	2.5% @ 55	N/A	2% @ 62
Safety Formulae (Police and Police Management)	3% @ 50	3% @ 55	2.7% @ 57
Safety Formulae (Fire and Fire Management)	3% @ 50	3% @ 55	2.7% @ 57
Safety Formulae (Lifeguard and Lifeguard Management)	3% @ 55	N/A	2.7% @ 57

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 16 – PENSION PLAN (DEFINED BENEFIT) (CONTINUED)

Contributions

Tier 1 and Tier 2 participants are required to contribute 8% (9% for safety employees), Tier 3 participants are required to contribute 6.25% (11.5% for safety employees) of their covered payroll.

By the end of Fiscal Year 2013-14, Tier 1 miscellaneous employees were contributing 2% (including those in the Police Association) of the required 8% of annual salary, Police and Fire safety management were contributing 3%, Police Association safety employees were contributing 2%, and Fire Association Employees were contributing 8.5%. Tier 2 participants were contributing 9% of their annual covered salary. Benefit provisions and all other requirements are established by State statues 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, 2013 to June 30, 2014, has been determined by an actuarial valuation of the plan as of June 30, 2011. The City's covered payroll for PERS was \$21,105,847 for the year ended June 30, 2014, while the City's total payroll expense for all employees was \$26,026,952 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2014, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2013 to June 30, 2014.

Annual Pension Cost

For the fiscal year ended June 30, 2014, the City's annual pension cost (employer contribution) was equal to the City's required and actual contributions. For all plans, the required contribution was determined as part of an actuarial valuation performed as of June 30, 2011 using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3% living adjustments. Both (a) and (b) included an inflation component of 2.75%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a period not to exceed 30 years.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 16 – PENSION PLAN (DEFINED BENEFIT) (CONTINUED)

As of June 30, the plans' funded status and funded progress is as follows:

	Accrued Liability	Market Value of Assets	Plan's Share of Pool's Unfunded Liability	Covered Payroll	Plan's Share of Pool's Unfunded Liability to Covered Payroll	Funded Ratio
Safety - Fire						
3% @ 50	\$ 48,192,475	\$ 37,360,600	\$ 10,831,875	\$ 3,732,478	34%	78%
3% @ 55	113,185	91,214	21,971	406,836	1852%	81%
2.7% @ 57	31	45	(14)	60,895	-434964%	145%
Safety - Police						
3% @ 50	58,493,732	45,346,517	13,147,215	4,544,512	35%	78%
3% @ 55	1,529	1,232	297	52,983	17839%	81%
2.7% @ 57	8,130	11,932	(3,802)	62,772	-1651%	147%
Safety - Lifeguard						
3% @ 55	5,045,697	4,066,242	979,455	654,218	67%	81%
Miscellaneous						
Misc.	84,272,146	62,223,785	22,048,361	11,680,970	189%	74%

Note: Effective April 17, 2013, CalPERS will no longer use an actuarial value of assets and will use the market value of assets.

Three-Trend Information

Annual Pension Cost (Fire)

Fiscal Year	Employer Contribution Rate	Employer Contribution	Percentage Contributed	Net Pension Obligation
6/30/2012	24.112%	\$ 1,004,674	100%	\$ -
6/30/2013	24.706%	997,235	100%	-
6/30/2014	26.149%	1,064,206	100%	-

Annual Pension Cost (Police)

Fiscal Year	Employer Contribution Rate	Employer Contribution	Percentage Contributed	Net Pension Obligation
6/30/2012	24.112%	\$ 1,085,577	100%	\$ -
6/30/2013	24.706%	1,086,869	100%	-
6/30/2014	26.149%	1,215,173	100%	-

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 16 – PENSION PLAN (DEFINED BENEFIT) (CONTINUED)

Three-Trend Information (Continued)

Annual Pension Cost (Lifeguards)

Fiscal Year	Employer Contribution Rate	Employer Contribution	Percentage Contributed	Net Pension Obligation
6/30/2012	21.252%	\$ 135,890	100%	\$ -
6/30/2013	20.990%	135,936	100%	-
6/30/2014	21.669%	143,687	100%	-

Annual Pension Cost (Miscellaneous)

Fiscal Year	Employer Contribution Rate	Employer Contribution	Percentage Contributed	Net Pension Obligation
6/30/2012	15.258%	\$ 1,753,211	100%	\$ -
6/30/2013	15.514%	1,783,852	100%	-
6/30/2014	17.255%	1,995,511	100%	-

Pension Plan (Defined Contribution)

Pursuant to City Council Resolution No. 94-067, the City provides pension benefits for all its part-time employees through an agent multiple employer defined contribution plan administered by the Public Agency Retirement System (PARS) pursuant to the requirements of Section 11332 of the Social Security Act. The City Council has the authority for establishing and amending the plan's provisions per the Resolution. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to the plan, and the City Council resolved to match the employees' contributions of 3.75%. The City's contributions for each employee (and interest earned by the accounts) are fully vested immediately.

NOTE 17 – FUND DEFICITS

The following funds reported a deficit in fund balance as of June 30, 2014:

	<u>Deficit Balance</u>
Nonmajor Capital Projects Fund:	
Assessment Districts	\$ (531,502)

The deficit reported in the Assessment District Fund will be remedied as contributions from property owners are received.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 18 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures for the year ended June 30, 2014 exceeded appropriations in the following funds:

	Final Budget	Actual	Excess Over Appropriations
Asset Forfeiture Fund:			
Capital Expenditures	\$ 50,400	\$ 58,641 (1)	\$ (8,241)

(1) The Police Assets Forfeiture funds exceeded the budget by \$8,241. While asset forfeiture funds were available and the purchase of a police vehicle was approved by City Council, the funds were formally appropriated as part of the fiscal year 2014-15 budget changes.

NOTE 19 – 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 \$250,239.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 20 – TRANSPORTATION DEVELOPMENT ACT

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

TDA 50% Limitation		
Total Operating Costs		\$ 2,333,048
Less: Depreciation		<u>(197,697)</u>
Net Operating Costs		2,135,351
50% Limitation		1,067,676
TDA Financial Need Limitation:		
Total Operating Costs		\$ 2,333,048
Depreciation	\$ (197,697)	
OCTA Operating Assistance	(206,614)	
Passenger Revenues	(211,393)	
Taxi Voucher Program	(18,206)	
Park and Ride	<u>(116,687)</u>	<u>(750,597)</u>
Financial Need		<u>1,582,451</u>
Lesser of "Financial Need" or "50% Limitation"		<u>\$ 1,067,676</u>
TDA Allocation		1,067,676
Under (Over) allocation		-

For the year ended June 30, 2014, the City recognized \$1,067,676 revenues pursuant to the TDA requirements, which was equal to the limit of \$1,067,676. This amount, along with \$697,963 of other grant revenues, is reflected within Intergovernmental revenues in the Transit fund. The remaining \$29,849 received during the year under TDA was reported as unearned revenue as of June 30, 2014, to be recognized in future periods. Additionally, the City recognized \$575,000 in capital grant contributions under TDA, which was previously unearned.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 21 – RELATED PARTIES

Housing Program to Enhance Emergency Response

In order to enhance the ability of key personnel to respond to emergency situations within the community, the City is providing assistance for those employees to reside in close proximity to their response area. The accompanying financial statements reflect the City's investment in four such properties in the amount of \$1,677,809 and two loans to these respective employees. The outstanding balance of the loans was \$515,249 and \$563,935, for fiscal years ending June 30, 2014 and 2013, respectively. The balance of the loans are reported in the Internal Service Funds Statement of Net Position.

One of the City's property held for investment in the amount of \$354,444 was sold in November 2013. The net gain of \$146,249 was reflected in the general fund as other revenue.

NOTE 22 – CONTINGENCIES

Heritage Fields Project

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

Pursuant to the Agreement, in January 2014, the City received a payment in the amount of \$1,500,000 from HFET. The City recorded this payment in the General Fund (within the Transportation Infrastructure subfund). The Agreement contains a schedule for additional payments; those payments will be made as the homes are built by HFET. The original Heritage Fields Project, approved in 2011, included approvals from the City of Irvine to build 4,894 dwelling units. Construction of these previously approved units has recently commenced. The Agreement's payment schedule refers to dwelling units built after the previously approved 4,894 units have been built.

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, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	Budgeted Amounts		Actual	Variance with	2013
	Original	Final		Final Budget Positive/ (Negative)	
Revenues:					
Taxes:					
Property taxes	\$ 26,526,000	\$ 27,060,000	\$ 27,819,529	\$ 759,529	\$ 26,361,342
Sales and use taxes	4,940,000	4,940,000	5,042,551	102,551	4,757,873
Transient lodging taxes	8,760,000	8,760,000	9,547,431	787,431	8,537,050
Franchise taxes	1,145,000	1,145,000	1,223,462	78,462	1,171,669
Business license taxes	840,000	840,000	929,481	89,481	872,652
Real property transfer taxes	400,000	400,000	692,699	292,699	720,559
Other	-	-	8,674	8,674	-
Total Taxes	42,611,000	43,145,000	45,263,827	2,118,827	42,421,145
Licenses and permits:					
Construction permits	921,000	921,000	1,268,860	347,860	1,025,859
Other	21,000	21,000	23,388	2,388	26,182
Total Licenses and Permits	942,000	942,000	1,292,248	350,248	1,052,041
Fines and penalties					
Vehicle codes	1,225,000	1,225,000	1,061,921	(163,079)	1,291,596
Other	41,000	41,000	24,926	(16,074)	35,340
Total Fines and Penalties	1,266,000	1,266,000	1,086,847	(179,153)	1,326,936
Investment income					
Investment interest	575,000	575,000	538,058	(36,942)	526,630
Unrealized gains/(losses)	-	-	570,706	570,706	(656,758)
Investment Income, net	575,000	575,000	1,108,764	533,764	(130,128)
Rental income	439,800	454,200	500,642	46,442	427,341
Intergovernmental	811,500	1,834,536	2,577,929	743,393	1,007,019
Charges for services:					
Sewer charges	-	-	-	-	6,588,390
Planning fees	1,010,000	1,120,000	1,512,908	392,908	1,152,907
Building department fees	225,000	225,000	293,196	68,196	293,883
Refuse service charges	2,000,000	2,000,000	2,017,846	17,846	2,027,799
Medical fees	103,000	103,000	124,795	21,795	94,279
Parks and recreation fees	1,343,500	3,031,500	3,230,951	199,451	3,129,885
Other	2,015,200	295,200	329,379	34,179	316,570
Total Charges for Services	6,696,700	6,774,700	7,509,075	734,375	13,603,713
Parking meters, lots and permits	4,818,200	4,818,200	5,308,051	489,851	5,384,197
Development tax:					
Building construction tax	180,000	180,000	254,370	74,370	433,526
Other					
Reimbursed expenditures	305,000	400,850	335,567	(65,283)	474,745
Other	30,000	105,830	395,499	289,669	110,303
Total Other	335,000	506,680	731,066	224,386	585,048
Total Revenues	58,675,200	60,496,316	65,632,819	5,136,503	66,110,838

See accompanying note to required supplementary information.

CITY OF LAGUNA BEACH
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
(Continued)

	Budgeted Amounts		Actual	Final Budget	2013
	Original	Final		Positive/ (Negative)	Actual
Expenditures:					
General government:					
City Council	\$ 63,800	\$ 65,600	\$ 57,187	\$ 8,413	\$ 59,001
City Manager	733,900	750,900	723,175	27,725	690,861
City Clerk	307,000	307,800	286,129	21,671	312,897
City Treasurer	151,300	150,700	150,696	4	148,041
City Attorney	585,000	885,000	567,716	317,284	445,229
Administrative services	2,452,100	2,793,200	1,916,362	876,838	2,358,055
Total General Government	4,293,100	4,953,200	3,701,265	1,251,935	4,014,084
Community development	3,909,800	4,396,050	4,034,924	361,126	3,751,468
Public safety:					
Police protection	13,301,300	16,813,838	12,860,924	3,952,914	12,579,832
Fire protection	9,375,800	9,791,000	9,007,557	783,443	8,577,994
Marine safety	2,429,000	2,509,800	2,406,326	103,474	2,304,153
Parking enforcement	916,600	916,600	895,920	20,680	874,948
Total Public Safety	26,022,700	30,031,238	25,170,727	4,860,511	24,336,927
Public works	11,294,000	11,875,050	11,022,264	852,786	10,704,288
Recreation and social services	4,379,400	5,260,550	4,581,842	678,708	4,216,980
Sewer service operating costs	-	-	-	-	3,950,183
Capital expenditures	12,682,500	33,707,998	14,324,981	19,383,017	8,106,168
Debt service:					
Principal	-	-	-	-	360,040
Interest and fiscal charges	-	-	-	-	132,459
Total Debt Service	-	-	-	-	492,499
Total Expenditures	62,581,500	90,224,086	62,836,003	27,388,083	59,572,597
Excess (deficiency) of revenues over (under) expenditures	(3,906,300)	(29,727,770)	2,796,816	32,524,586	6,538,241
Other financing sources (uses):					
Transfers in	-	378,500	378,500	-	509,731
Transfers out	(791,800)	(1,391,800)	(1,192,055)	199,745	(2,105,205)
Sale of land and equipment	3,000	3,000	168,676	165,676	254,582
Total Other Financing Sources (uses)	(788,800)	(1,010,300)	(644,879)	365,421	(1,340,892)
Net Change in Fund Balances	(4,695,100)	(30,738,070)	2,151,937	32,890,007	5,197,349
Fund balances, Beginning of Year , as restated	38,443,363	38,443,363	38,443,363	-	33,115,386
Fund Balances, End of Year	\$ 33,748,263	\$ 7,705,293	\$ 40,595,300	\$ 32,890,007	\$ 38,312,735

See accompanying note to required supplementary information.

CITY OF LAGUNA BEACH
Major Special Revenue Fund
Disaster Contingency Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with	<u>2013</u>
	<u>Original</u>	<u>Budget</u>		Final Budget	
				Positive/ (Negative)	
Revenues:					
Investment income	\$ 70,000	\$ 70,000	\$ 49,857	\$ (20,143)	\$ 55,166
Total Revenues	<u>70,000</u>	<u>70,000</u>	<u>49,857</u>	<u>(20,143)</u>	<u>55,166</u>
Net Change in Fund Balances	70,000	70,000	49,857	(20,143)	55,166
Fund Balances, Beginning of Year	<u>5,984,699</u>	<u>5,984,699</u>	<u>5,984,699</u>	<u>-</u>	<u>5,929,533</u>
Fund Balances, End of Year	<u>\$ 6,054,699</u>	<u>\$ 6,054,699</u>	<u>\$ 6,034,556</u>	<u>\$ (20,143)</u>	<u>\$ 5,984,699</u>

See accompanying note to required supplementary information.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
6/30/2007	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2008	\$ -	\$ 1,047,047	\$ 1,047,047	0.0%	\$ 19,511,621	5.4%
6/30/2012	-	1,346,828	1,346,828	0.0%	20,159,361	6.7%

See accompanying note to required supplementary information.

CITY OF LAGUNA BEACH
Miscellaneous Retirement Plan - Normal
Schedule of Funding Progress

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets*	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL As a % of Payroll
6/30/2011	\$ 76,911,997	\$ 62,585,557	\$ 14,326,440	81%	\$ 11,442,146	125%
6/30/2012	80,291,956	66,214,802	14,077,154	83%	11,480,202	123%
6/30/2013	84,272,146	62,223,785	22,048,361	74%	11,680,970	189%

* Beginning with the 6/30/2013 valuation, Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

See accompanying note to required supplementary information.

CITY OF LAGUNA BEACH

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014**

NOTE 1 – BUDGETARY POLICY AND CONTROL

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

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

Budget information is presented for the general and certain special revenue fund types. Budgeted revenue amounts represent the original budget modified by Council-authorized adjustments during the year which were contingent upon new or additional revenue sources. Budgeted expenditures amounts represent original appropriations adjusted for supplemental appropriations during the year. Supplemental appropriations include carryover appropriations from the prior year. Supplemental budgetary appropriations of \$27,642,586 were made in the General Fund.

SUPPLEMENTARY SCHEDULES

GENERAL FUND

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

CITY OF LAGUNA BEACH
General Fund
Consolidating Balance Sheet by Sub-Fund
June 30, 2014
(With Comparative Totals for June 30, 2013)

ASSETS	<u>General</u>	<u>Open Space</u>	<u>Capital Improvement</u>	<u>Parking Authority</u>	<u>Parking In-Lieu</u>
Cash and investments	\$ 22,966,905	\$ 207,907	\$ 14,398,241	\$ 5,809,673	\$ 112,133
Receivables:					
Taxes	3,400,844	-	-	-	-
Accounts	218,483	-	72,932	84,640	-
Interest	33,133	-	-	-	-
Intergovernmental	21,510	-	87,793	-	-
Notes	-	-	-	-	-
Due from other funds	463,493	-	-	-	-
Prepays	57,588	-	-	-	-
Inventory	89,402	-	-	-	-
Advances to other funds	-	-	-	567,979	-
Total Assets	<u><u>\$ 27,251,358</u></u>	<u><u>\$ 207,907</u></u>	<u><u>\$ 14,558,966</u></u>	<u><u>\$ 6,462,292</u></u>	<u><u>\$ 112,133</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,361,222	\$ -	\$ 606,340	\$ 115,467	\$ -
Due to other government agencies	-	-	-	-	-
Deferred revenue	69,679	-	-	422,831	-
Advances from other funds	7,267,979	-	-	-	-
Total Liabilities	<u><u>9,698,880</u></u>	<u><u>-</u></u>	<u><u>606,340</u></u>	<u><u>538,298</u></u>	<u><u>-</u></u>
Fund balances:					
Nonspendable	146,990	-	-	567,979	-
Restricted	-	-	-	-	112,133
Committed	334,525	-	-	-	-
Assigned	3,650,000	207,907	13,952,626	5,356,015	-
Unassigned	13,420,963	-	-	-	-
Total Fund Balances	<u><u>17,552,478</u></u>	<u><u>207,907</u></u>	<u><u>13,952,626</u></u>	<u><u>5,923,994</u></u>	<u><u>112,133</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 27,251,358</u></u>	<u><u>\$ 207,907</u></u>	<u><u>\$ 14,558,966</u></u>	<u><u>\$ 6,462,292</u></u>	<u><u>\$ 112,133</u></u>

Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Transportation Infrastructure	Eliminations (1)	Totals	
						2014	2013
\$ 367,462	\$ 247,424	\$ 67,663	\$ 344,608	1,500,000	\$ -	\$ 46,022,016	\$ 46,025,884
-	-	-	-	-	-	3,400,844	1,237,751
-	-	-	-	-	-	376,055	626,994
-	-	-	-	-	-	33,133	9,263
-	-	-	-	-	-	109,303	80,046
-	-	-	348,000	-	-	348,000	348,000
-	-	-	-	-	-	463,493	106,747
-	-	-	-	-	-	57,588	84,212
-	-	-	-	-	-	89,402	45,004
-	-	-	-	-	(567,979)	-	-
<u>\$ 367,462</u>	<u>\$ 247,424</u>	<u>\$ 67,663</u>	<u>\$ 692,608</u>	<u>\$ 1,500,000</u>	<u>\$ (567,979)</u>	<u>\$ 50,899,834</u>	<u>\$ 48,563,901</u>
\$ -	\$ 23,000	\$ -	\$ -	\$ -	\$ -	\$ 3,106,029	\$ 3,454,488
-	-	-	5,995	-	-	5,995	31,896
-	-	-	-	-	-	492,510	64,782
-	-	-	-	-	(567,979)	6,700,000	6,700,000
-	23,000	-	5,995	-	(567,979)	10,304,534	10,251,166
-	-	-	-	-	(567,979)	146,990	129,216
367,462	224,424	67,663	686,613	1,500,000	-	2,958,295	3,317,856
-	-	-	-	-	-	334,525	306,359
-	-	-	-	-	567,979	23,734,527	27,272,289
-	-	-	-	-	-	13,420,963	7,287,015
<u>367,462</u>	<u>224,424</u>	<u>67,663</u>	<u>686,613</u>	<u>1,500,000</u>	<u>-</u>	<u>40,595,300</u>	<u>38,312,735</u>
<u>\$ 367,462</u>	<u>\$ 247,424</u>	<u>\$ 67,663</u>	<u>\$ 692,608</u>	<u>\$ 1,500,000</u>	<u>\$ (567,979)</u>	<u>\$ 50,899,834</u>	<u>\$ 48,563,901</u>

**CITY OF LAGUNA BEACH
General Fund**

**Consolidating Statement of Revenues, Expenditures and Changes in Fund Balances by Sub-Fund
Year Ended June 30, 2014**

	General	Open Space	Capital Improvement	Parking Authority	Parking In-Lieu
Revenues:					
Taxes	\$ 40,835,199	\$ -	\$ 4,419,954	\$ -	\$ -
Licenses and permits	1,292,248	-	-	-	-
Fines and penalties	12,775	-	1,074,072	-	-
Investment income, net	1,100,214	-	-	-	927
Rental	500,642	-	-	-	-
Intergovernmental	769,855	-	308,074	-	-
Charges for services	7,506,800	-	2,275	-	-
Parking meters, lots and permits	2,019	-	-	5,306,032	-
Development tax	-	-	111,766	-	-
Other	641,608	-	18,640	818	-
Total Revenues	52,661,360	-	5,934,781	5,306,850	927
Expenditures:					
Current:					
General government	3,701,265	-	-	-	-
Community development	3,884,132	-	-	-	-
Public safety	24,274,807	-	-	895,920	-
Public works	9,430,280	-	-	1,591,984	-
Recreation and social services	4,530,831	-	-	-	-
Sewer service operating costs	-	-	-	-	-
Capital expenditures	670,756	2,918	6,162,312	7,488,995	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	46,492,071	2,918	6,162,312	9,976,899	-
Excess (deficiency) of revenues over (under) expenditures	6,169,289	(2,918)	(227,531)	(4,670,049)	927
Other financing sources (uses):					
Transfers in	777,000	-	708,500	2,500,000	-
Transfers out	(863,995)	-	(2,718,260)	(1,216,800)	-
Sale of land and equipment	168,380	-	-	296	-
Total Other Financing Sources (Uses)	81,385	-	(2,009,760)	1,283,496	-
Net Change in Fund Balances	6,250,674	(2,918)	(2,237,291)	(3,386,553)	927
Fund Balances, Beginning of Year, as restated	11,301,804	210,825	16,189,917	9,310,547	111,206
Fund Balances, End of Year	\$ 17,552,478	\$ 207,907	\$ 13,952,626	\$ 5,923,994	\$ 112,133

Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Transportation Infrastructure	Eliminations (1)	Totals	
						2014	2013
\$ -	\$ -	8,674	\$ -	\$ -	\$ -	\$ 45,263,827	\$ 42,421,145
-	-	-	-	-	-	1,292,248	1,052,041
-	-	-	-	-	-	1,086,847	1,326,936
2,602	1,517	516	2,988	-	-	1,108,764	(130,128)
-	-	-	-	-	-	500,642	427,341
-	-	-	-	1,500,000	-	2,577,929	1,007,019
-	-	-	-	-	-	7,509,075	13,603,713
-	-	-	-	-	-	5,308,051	5,384,197
88,341	54,263	-	-	-	-	254,370	433,526
-	70,000	-	-	-	-	731,066	585,048
<u>90,943</u>	<u>125,780</u>	<u>9,190</u>	<u>2,988</u>	<u>1,500,000</u>	<u>-</u>	<u>65,632,819</u>	<u>66,110,838</u>
-	-	-	-	-	-	3,701,265	4,014,084
-	-	-	150,792	-	-	4,034,924	3,751,468
-	-	-	-	-	-	25,170,727	24,336,927
-	-	-	-	-	-	11,022,264	10,704,288
-	51,011	-	-	-	-	4,581,842	4,216,980
-	-	-	-	-	-	-	3,950,183
-	-	-	-	-	-	14,324,981	8,106,168
-	-	-	-	-	-	-	360,040
-	-	-	-	-	-	-	132,459
<u>-</u>	<u>51,011</u>	<u>-</u>	<u>150,792</u>	<u>-</u>	<u>-</u>	<u>62,836,003</u>	<u>59,572,597</u>
<u>90,943</u>	<u>74,769</u>	<u>9,190</u>	<u>(147,804)</u>	<u>1,500,000</u>	<u>-</u>	<u>2,796,816</u>	<u>6,538,241</u>
-	-	-	-	-	(3,607,000)	378,500	509,731
-	-	-	-	-	3,607,000	(1,192,055)	(2,105,205)
-	-	-	-	-	-	168,676	254,582
-	-	-	-	-	-	(644,879)	(1,340,892)
<u>90,943</u>	<u>74,769</u>	<u>9,190</u>	<u>(147,804)</u>	<u>1,500,000</u>	<u>-</u>	<u>2,151,937</u>	<u>5,197,349</u>
<u>276,519</u>	<u>149,655</u>	<u>58,473</u>	<u>834,417</u>	<u>-</u>	<u>-</u>	<u>38,443,363</u>	<u>33,115,386</u>
<u>\$ 367,462</u>	<u>\$ 224,424</u>	<u>\$ 67,663</u>	<u>\$ 686,613</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 40,595,300</u>	<u>\$ 38,312,735</u>

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

NONMAJOR FUNDS

SPECIAL REVENUE

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

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

Gas Tax Fund

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

Street Lighting District Fund

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

Asset Forfeiture Fund

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

December Storms 2010 Fund

This fund is used to account for costs 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.

CAPITAL PROJECTS FUND

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

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

Assessment Districts

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

CITY OF LAGUNA BEACH
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014
(With Comparative Totals for June 30, 2013)

	Special Revenue			
	Gas Tax	Street Lighting District	Asset Forfeiture	December Storms 2010
ASSETS				
Cash and investments	\$ 1,350,878	\$ 3,440,975	\$ 172,385	\$ -
Receivables:				
Taxes	-	14,299	-	-
Accounts	-	-	-	-
Intergovernmental	65,201	-	-	-
Prepays	-	-	-	-
Advances to other funds	-	2,190,000	-	-
Property held for investment	-	-	-	-
Total Assets	<u>\$ 1,416,079</u>	<u>\$ 5,645,274</u>	<u>\$ 172,385</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 67,170	\$ 20,955	\$ -	\$ -
Due to other funds	-	-	-	-
Deposits	-	-	-	-
Advances from other funds	690,000	-	-	-
Total Liabilities	<u>757,170</u>	<u>20,955</u>	<u>-</u>	<u>-</u>
Fund balances (deficit):				
Nonspendable	-	2,190,000	-	-
Restricted	658,909	3,434,319	172,385	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>658,909</u>	<u>5,624,319</u>	<u>172,385</u>	<u>-</u>
Total Liabilities and and Fund Balances	<u>\$ 1,416,079</u>	<u>\$ 5,645,274</u>	<u>\$ 172,385</u>	<u>\$ -</u>

Capital Projects

<u>Assessment Districts</u>	<u>Totals - Non-major Governmental Funds</u>	
	<u>2014</u>	<u>2013</u>
\$ 4,000	\$ 4,968,238	\$ 4,013,561
-	14,299	13,456
-	-	42,088
-	65,201	64,133
-	-	987,123
-	2,190,000	2,190,000
-	-	354,444
<u>\$ 4,000</u>	<u>\$ 7,237,738</u>	<u>\$ 7,664,805</u>
\$ 57,509	\$ 145,634	\$ 118,891
463,493	463,493	106,747
14,500	14,500	10,500
-	690,000	690,000
<u>535,502</u>	<u>1,313,627</u>	<u>926,138</u>
-	2,190,000	3,531,567
-	4,265,613	3,089,978
-	-	265,217
<u>(531,502)</u>	<u>(531,502)</u>	<u>(148,095)</u>
<u>(531,502)</u>	<u>5,924,111</u>	<u>6,738,667</u>
<u>\$ 4,000</u>	<u>\$ 7,237,738</u>	<u>\$ 7,664,805</u>

CITY OF LAGUNA BEACH
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	Special Revenue Fund			
	Gas Tax	Street Lighting District	Asset Forfeiture	December Storms 2010
Revenues:				
Taxes	\$ 372,972	\$ 1,224,957	\$ -	\$ -
Fines and penalties	-	-	92,952	-
Investment income	-	-	928	-
Intergovernmental	772,971	6,520	-	6,251
Other	-	-	-	65,772
Total Revenues	<u>1,145,943</u>	<u>1,231,477</u>	<u>93,880</u>	<u>72,023</u>
Expenditures:				
Current:				
Public works	-	1,270,666	-	-
Capital expenditures	1,009,336	-	58,641	-
Total Expenditures	<u>1,009,336</u>	<u>1,270,666</u>	<u>58,641</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>136,607</u>	<u>(39,189)</u>	<u>35,239</u>	<u>72,023</u>
Other financing sources (uses):				
Transfers in	-	-	-	41,260
Transfers out	(298,589)	-	-	(378,500)
Total Other Financing Sources (Uses)	<u>(298,589)</u>	<u>-</u>	<u>-</u>	<u>(337,240)</u>
Net Change in Fund Balances	(161,982)	(39,189)	35,239	(265,217)
Fund Balances (Deficit), Beginning of Year	<u>820,891</u>	<u>5,663,508</u>	<u>137,146</u>	<u>265,217</u>
Fund Balances (Deficit), End of Year	<u><u>\$ 658,909</u></u>	<u><u>\$ 5,624,319</u></u>	<u><u>\$ 172,385</u></u>	<u><u>\$ -</u></u>

Capital Projects

Assessment Districts	Totals - Non-major Governmental Funds	
	2014	2013
\$ -	\$ 1,597,929	\$ 1,508,027
-	92,952	15,025
-	928	4,946
-	785,742	1,114,467
6,000	71,772	67,873
<u>6,000</u>	<u>2,549,323</u>	<u>2,710,338</u>
-	1,270,666	253,758
389,407	1,457,384	867,943
<u>389,407</u>	<u>2,728,050</u>	<u>1,121,701</u>
<u>(383,407)</u>	<u>(178,727)</u>	<u>1,588,637</u>
-	41,260	1,187,400
-	(677,089)	(509,731)
-	(635,829)	677,669
(383,407)	(814,556)	2,266,306
(148,095)	6,738,667	4,472,361
<u>\$ (531,502)</u>	<u>\$ 5,924,111</u>	<u>\$ 6,738,667</u>

CITY OF LAGUNA BEACH
Nonmajor Special Revenue Funds
Gas Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2013 Actual
Revenues:				
Taxes	\$ 375,000	\$ 372,972	\$ (2,028)	\$ 357,880
Investment income	-	-	-	-
Intergovernmental	711,000	772,971	61,971	1,107,547
Other	10,000	-	(10,000)	50,000
Total Revenues	<u>1,096,000</u>	<u>1,145,943</u>	<u>49,943</u>	<u>1,515,427</u>
Expenditures:				
Capital expenditures	2,316,500	1,009,336	1,307,164	59,094
Total Expenditures	<u>2,316,500</u>	<u>1,009,336</u>	<u>1,307,164</u>	<u>59,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,220,500)</u>	<u>136,607</u>	<u>1,357,107</u>	<u>1,456,333</u>
Other financing sources (uses):				
Transfers out	<u>(318,000)</u>	<u>(298,589)</u>	<u>19,411</u>	<u>(505,056)</u>
Total Other Financing Sources (Uses)	<u>(318,000)</u>	<u>(298,589)</u>	<u>19,411</u>	<u>(505,056)</u>
Net Change in Fund Balances	(1,538,500)	(161,982)	1,376,518	951,277
Fund Balances (Deficit), Beginning of Year	820,891	820,891	-	(130,386)
Fund Balances (Deficit), End of Year	<u>\$ (717,609)</u>	<u>\$ 658,909</u>	<u>\$ 1,376,518</u>	<u>\$ 820,891</u>

CITY OF LAGUNA BEACH
Nonmajor Special Revenue Funds
Street Lighting District Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2013 Actual
Revenues:				
Taxes	\$ 1,093,900	\$ 1,224,957	\$ 131,057	\$ 1,150,147
Intergovernmental	6,700	6,520	(180)	6,589
Other	-	-	-	7,849
Total Revenues	<u>1,100,600</u>	<u>1,231,477</u>	<u>130,877</u>	<u>1,164,585</u>
Expenditures:				
Current:				
Public works	1,355,900	1,270,666	85,234	253,758
Capital expenditures	60,000	-	60,000	-
Total Expenditures	<u>1,415,900</u>	<u>1,270,666</u>	<u>145,234</u>	<u>253,758</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(315,300)</u>	<u>(39,189)</u>	<u>276,111</u>	<u>910,827</u>
Other financing sources (uses):				
Transfers out	-	-	-	(20,000)
Net Change in Fund Balances	(315,300)	(39,189)	276,111	890,827
Fund Balances, Beginning of Year	5,663,508	5,663,508	-	4,772,681
Fund Balances, End of Year	<u>\$ 5,348,208</u>	<u>\$ 5,624,319</u>	<u>\$ 276,111</u>	<u>\$ 5,663,508</u>

CITY OF LAGUNA BEACH
Nonmajor Special Revenue Funds
Asset Forfeiture Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2013 Actual
Revenues:				
Fines and penalties	\$ -	\$ 92,952	\$ 92,952	\$ 15,025
Investment income	-	928	928	2,184
Total Revenues	-	93,880	93,880	17,209
Expenditures:				
Capital expenditures	50,400	58,641	(8,241)	123,704
Total Expenditures	50,400	58,641	(8,241)	123,704
Net Change in Fund Balances	(50,400)	35,239	85,639	(106,495)
Fund Balances, Beginning of Year	137,146	137,146	-	243,641
Fund Balances, End of Year	\$ 86,746	\$ 172,385	\$ 85,639	\$ 137,146

CITY OF LAGUNA BEACH
Nonmajor Special Revenue Funds
December Storms 2010
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2013 Actual
Revenues:				
Intergovernmental	\$ -	\$ 6,251	\$ 6,251	\$ 331
Other	-	65,772	65,772	-
Total Revenues	<u>-</u>	<u>72,023</u>	<u>72,023</u>	<u>331</u>
Expenditures:				
Capital expenditures	5,000	-	5,000	146,180
Total Expenditures	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>146,180</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,000)</u>	<u>72,023</u>	<u>77,023</u>	<u>(145,849)</u>
Other financing sources (uses):				
Transfer in	-	41,260	41,260	-
Transfers out	-	(378,500)	(378,500)	1,060,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>(337,240)</u>	<u>(337,240)</u>	<u>1,060,000</u>
Net change in fund balances	(5,000)	(265,217)	(260,217)	914,151
Fund Balances (Deficit), Beginning of Year	<u>265,217</u>	<u>265,217</u>	<u>-</u>	<u>(648,934)</u>
Fund Balances (Deficit), End of Year	<u>\$ 260,217</u>	<u>\$ -</u>	<u>\$ (260,217)</u>	<u>\$ 265,217</u>

CITY OF LAGUNA BEACH
Nonmajor Capital Projects Fund
Assessment Districts
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2013 Actual
Revenues:				
Investment income	\$ -	\$ -	\$ -	\$ 2,762
Other	630,000	6,000	(624,000)	10,024
Total Revenues	<u>630,000</u>	<u>6,000</u>	<u>(624,000)</u>	<u>12,786</u>
Expenditures:				
Capital expenditures	986,253	389,407	596,846	538,965
Total Expenditures	<u>986,253</u>	<u>389,407</u>	<u>596,846</u>	<u>538,965</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(356,253)</u>	<u>(383,407)</u>	<u>(27,154)</u>	<u>(526,179)</u>
Other financing sources:				
Transfers in	-	-	-	147,400
Net Change in Fund Balances	(356,253)	(383,407)	(27,154)	(378,779)
Fund Balances (Deficit), Beginning of Year	<u>(148,095)</u>	<u>(148,095)</u>	<u>-</u>	<u>230,684</u>
Fund Balances (Deficit), End of Year	<u><u>\$ (504,348)</u></u>	<u><u>\$ (531,502)</u></u>	<u><u>\$ (27,154)</u></u>	<u><u>\$ (148,095)</u></u>

INTERNAL SERVICES FUNDS

Insurance and Employee Benefits Fund

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

Vehicle Replacement Fund

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

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Net Position
June 30, 2014
(With Comparative Totals for June 30, 2013)

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2014	2013
ASSETS				
Current assets:				
Cash and investments	\$ 6,822,473	\$ 5,540,156	\$ 12,362,629	\$ 12,097,711
Receivables:				
Accounts	24,046	-	24,046	32,747
Total Current Assets	<u>6,846,519</u>	<u>5,540,156</u>	<u>12,386,675</u>	<u>12,130,458</u>
Noncurrent assets:				
Advances to other funds	4,500,000	700,000	5,200,000	5,200,000
Notes receivable	404,510	118,239	522,749	563,935
Property held for investment	1,356,153	321,656	1,677,809	1,677,809
Capital assets, not being depreciated	-	45,697	45,697	7,218
Capital assets, net of depreciation	-	1,869,274	1,869,274	2,683,583
Total Noncurrent Assets	<u>6,260,663</u>	<u>3,054,866</u>	<u>9,315,529</u>	<u>10,132,545</u>
Total Assets	<u>13,107,182</u>	<u>8,595,022</u>	<u>21,702,204</u>	<u>22,263,003</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	220,522	34,846	255,368	217,573
Compensated absences due within one year	689,960	-	689,960	872,971
Insurance claims payable due within one year	982,426	-	982,426	1,185,784
Total Current Liabilities	<u>1,892,908</u>	<u>34,846</u>	<u>1,927,754</u>	<u>2,276,328</u>
Non-current liabilities:				
Compensated absences	2,759,842	-	2,759,842	3,491,886
Insurance claims payable	2,292,326	-	2,292,326	2,766,828
Net OPEB liability	287,531	-	287,531	253,536
Total Non-Current Liabilities	<u>5,339,699</u>	<u>-</u>	<u>5,339,699</u>	<u>6,512,250</u>
Total Liabilities	<u>7,232,607</u>	<u>34,846</u>	<u>7,267,453</u>	<u>8,788,578</u>
NET POSITION				
Net Position				
Net investment in capital assets	-	1,914,971	1,914,971	2,690,801
Unrestricted	5,874,575	6,645,205	12,519,780	10,783,624
Total Net Position	<u>\$ 5,874,575</u>	<u>\$ 8,560,176</u>	<u>\$ 14,434,751</u>	<u>\$ 13,474,425</u>

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2014	2013
Operating revenues:				
Vehicle rentals	\$ -	\$ 1,235,712	\$ 1,235,712	\$ 1,107,704
Employee benefits charges	812,000	-	812,000	790,300
Insurance charges	6,180,286	-	6,180,286	5,944,293
Total Operating Revenues	<u>6,992,286</u>	<u>1,235,712</u>	<u>8,227,998</u>	<u>7,842,297</u>
Operating expenses:				
Administration	127,688	-	127,688	120,537
Employee benefits	764,796	-	764,796	964,708
Insurance claims and premiums	6,013,371	-	6,013,371	6,657,711
Depreciation	-	607,170	607,170	649,861
Total Operating Expenses	<u>6,905,855</u>	<u>607,170</u>	<u>7,513,025</u>	<u>8,392,817</u>
Operating Income (Loss)	<u>86,431</u>	<u>628,542</u>	<u>714,973</u>	<u>(550,520)</u>
Nonoperating revenues (expenses):				
Gain (loss) on disposal of capital assets	-	29,763	29,763	17,116
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>29,763</u>	<u>29,763</u>	<u>17,116</u>
Income (Loss) Before Transfers	86,431	658,305	744,736	(533,404)
Transfers:				
Transfers in	<u>533,995</u>	<u>-</u>	<u>533,995</u>	<u>574,405</u>
Change in Net Position	620,426	658,305	1,278,731	41,001
Net Position at Beginning of Year, as restated	<u>5,254,149</u>	<u>7,901,871</u>	<u>13,156,020</u>	<u>13,433,424</u>
Net Position at End of Year	<u>\$ 5,874,575</u>	<u>\$ 8,560,176</u>	<u>\$ 14,434,751</u>	<u>\$ 13,474,425</u>

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2014	2013
Cash flows from operating activities:				
Cash received from user departments	\$ 7,000,987	\$ 1,260,179	\$ 8,261,166	\$ 7,818,501
Cash payments to suppliers for goods and services	(6,805,591)	-	(6,805,591)	(7,033,470)
Cash payments to employees for services	(1,569,230)	-	(1,569,230)	(964,708)
Net cash provided by (used for) operating activities	<u>(1,373,834)</u>	<u>1,260,179</u>	<u>(113,655)</u>	<u>(179,677)</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	533,995	-	533,995	574,405
Cash received for payment on advance to other funds	-	-	-	10,000
Repayments received on notes receivable	22,634	18,552	41,186	32,632
Net cash provided by (used for) noncapital financing activities	<u>556,629</u>	<u>18,552</u>	<u>575,181</u>	<u>617,037</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	(226,371)	(226,371)	(283,204)
Proceeds from sale of capital assets	-	29,763	29,763	17,116
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>(196,608)</u>	<u>(196,608)</u>	<u>(266,088)</u>
Net increase (decrease) in cash and cash equivalents	(817,205)	1,082,123	264,918	171,272
Cash and cash equivalents at beginning of year	<u>7,639,678</u>	<u>4,458,033</u>	<u>12,097,711</u>	<u>11,926,439</u>
Cash and cash equivalents at end of year	<u>\$ 6,822,473</u>	<u>\$ 5,540,156</u>	<u>\$ 12,362,629</u>	<u>\$ 12,097,711</u>

(Continued)

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)
(Continued)

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2014	2013
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 86,431	\$ 628,542	\$ 714,973	\$ (550,520)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	-	607,170	607,170	649,861
(Increase) decrease in accounts receivable	8,701	-	8,701	(23,796)
Increase (decrease) in accounts payable and accrued liabilities	13,328	24,467	37,795	(323,171)
Increase (decrease) in compensated absences payable	(838,429)	-	(838,429)	211,103
Increase (decrease) in Net OPEB liability	33,995	-	33,995	34,840
Increase (decrease) in insurance claims payable	(677,860)	-	(677,860)	(177,994)
	<u>(677,860)</u>	<u>-</u>	<u>(677,860)</u>	<u>(177,994)</u>
Net cash provided by (used for) operating activities	<u>\$ (1,373,834)</u>	<u>\$ 1,260,179</u>	<u>\$ (113,655)</u>	<u>\$ (179,677)</u>

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, 2014
(With Comparative Totals for June 30, 2013)

	1911 Act	1915 Act	Deposits	Totals	
	Bonds	Bonds		2014	2013
ASSETS					
Cash and investments	\$ -	\$ 970,772	\$ 2,400,704	\$ 3,371,476	\$ 3,194,732
Investments with fiscal agent	-	598,248	-	598,248	596,859
Receivables:					
Taxes	-	41,068	-	41,068	15,675
Accounts	-	-	4,234	4,234	4,235
Intergovernmental	-	-	7,444	7,444	7,254
Total Assets	<u>\$ -</u>	<u>\$ 1,610,088</u>	<u>\$ 2,412,382</u>	<u>\$ 4,022,470</u>	<u>\$ 3,818,755</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ -	\$ 1,001	\$ 49,631	\$ 50,632	\$ 34,010
Deposits	-	-	2,362,751	2,362,751	2,273,740
Due to bondholders	-	1,609,087	-	1,609,087	1,511,005
Total Liabilities	<u>\$ -</u>	<u>\$ 1,610,088</u>	<u>\$ 2,412,382</u>	<u>\$ 4,022,470</u>	<u>\$ 3,818,755</u>

CITY OF LAGUNA BEACH
Agency Funds
Combining Statement of Changes in Fiduciary Assets and Liabilities
Year Ended June 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<u>1911 Act Bonds</u>				
<u>Assets</u>				
Cash and Investments	\$ 12,980	\$ -	\$ 12,980	\$ -
<u>Liabilities</u>				
Due to bondholders	\$ 12,980	\$ 12,980	\$ 25,960	\$ -
Total Liabilities	<u>\$ 12,980</u>	<u>\$ 12,980</u>	<u>\$ 25,960</u>	<u>\$ -</u>
<u>1915 Act Bonds</u>				
<u>Assets</u>				
Cash and investments	\$ 885,991	\$ 970,772	\$ 885,991	\$ 970,772
Investments with fiscal agent	596,859	598,248	596,859	598,248
Receivables:				
Taxes	15,675	41,068	15,675	41,068
Total Assets	<u>\$ 1,498,525</u>	<u>\$ 1,610,088</u>	<u>\$ 1,498,525</u>	<u>\$ 1,610,088</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ -	\$ 1,001	\$ -	\$ 1,001
Due to bondholders	1,498,525	1,609,087	1,498,525	1,609,087
Total Liabilities	<u>\$ 1,498,525</u>	<u>\$ 1,610,088</u>	<u>\$ 1,498,525</u>	<u>\$ 1,610,088</u>
<u>Deposits</u>				
<u>Assets</u>				
Cash and investments	\$ 2,295,761	\$ 2,400,704	\$ 2,295,761	\$ 2,400,704
Receivables:				
Accounts	4,235	4,234	4,235	4,234
Intergovernmental	7,254	7,444	7,254	7,444
Total Assets	<u>\$ 2,307,250</u>	<u>\$ 2,412,382</u>	<u>\$ 2,307,250</u>	<u>\$ 2,412,382</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 33,510	\$ 49,631	\$ 33,510	\$ 49,631
Deposits	2,273,740	2,362,751	2,273,740	2,362,751
Total Liabilities	<u>\$ 2,307,250</u>	<u>\$ 2,412,382</u>	<u>\$ 2,307,250</u>	<u>\$ 2,412,382</u>
TOTALS				
<u>Assets</u>				
Cash and investments	\$ 3,194,732	\$ 3,371,476	\$ 3,194,732	\$ 3,371,476
Investments with fiscal agent	596,859	598,248	596,859	598,248
Receivables:				
Taxes	15,675	41,068	15,675	41,068
Accounts	4,235	4,234	4,235	4,234
Intergovernmental	7,254	7,444	7,254	7,444
Total Assets	<u>\$ 3,818,755</u>	<u>\$ 4,022,470</u>	<u>\$ 3,818,755</u>	<u>\$ 4,022,470</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 33,510	\$ 50,632	\$ 33,510	\$ 50,632
Deposits	2,273,740	2,362,751	2,273,740	2,362,751
Due to bondholders	1,511,505	1,622,067	1,524,485	1,609,087
Total Liabilities	<u>\$ 3,818,755</u>	<u>\$ 4,035,450</u>	<u>\$ 3,831,735</u>	<u>\$ 4,022,470</u>

STATISTICAL SECTION

FINANCIAL TRENDS

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

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

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

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

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

	Fiscal Years			
	2005	2006	2007	2008
Governmental activities:				
Invested in capital assets, net of related debt	\$ 105,408,336	\$ 124,111,940	\$ 285,605,573	\$ 305,837,234
Restricted	9,726,623	10,449,060	11,766,456	10,754,223
Unrestricted	31,968,151	34,239,450	43,592,259	41,777,890
Total governmental activities	\$ 147,103,110	\$ 168,800,450	\$ 340,964,288	\$ 358,369,347
Business-type activities:				
Invested in capital assets, net of related debt	\$ 1,498,938	\$ 1,720,568	\$ 2,702,993	\$ 3,056,319
Unrestricted	714,920	265,839	505,975	465,194
Total business type activities	\$ 2,213,858	\$ 1,986,407	\$ 3,208,968	\$ 3,521,513
Primary Government:				
Invested in capital assets, net of related debt	\$ 106,907,274	\$ 125,832,508	\$ 288,308,566	\$ 308,893,553
Restricted	9,726,623	10,449,060	11,766,456	10,754,223
Unrestricted	32,683,071	34,505,289	44,098,234	42,243,084
Total business type activities	\$ 149,316,968	\$ 170,786,857	\$ 344,173,256	\$ 361,890,860

Data Source: City Records

Fiscal Years

2009	2010	2011	2012	2013	2014
\$ 318,076,672	\$ 315,618,279	\$ 321,965,481	\$ 324,225,923	\$ 328,944,217	\$ 299,392,486
10,806,358	12,512,277	5,196,077	5,869,787	4,421,951	7,223,908
40,877,799	43,085,546	56,708,144	50,569,411	60,011,983	57,924,594
<u>\$ 369,760,829</u>	<u>\$ 371,216,102</u>	<u>\$ 383,869,702</u>	<u>\$ 380,665,121</u>	<u>\$ 393,378,151</u>	<u>\$ 364,540,988</u>
\$ 2,706,697	\$ 2,620,625	\$ 3,033,502	\$ 2,834,551	\$ 2,642,078	\$ 43,758,305
464,012	55,182	372,435	372,452	408,379	3,173,301
<u>\$ 3,170,709</u>	<u>\$ 2,675,807</u>	<u>\$ 3,405,937</u>	<u>\$ 3,207,003</u>	<u>\$ 3,050,457</u>	<u>\$ 46,931,606</u>
\$ 320,783,369	\$ 318,238,904	\$ 324,998,983	\$ 327,060,474	\$ 331,586,295	\$ 343,150,791
10,806,358	12,512,277	5,196,077	5,869,787	4,421,951	7,223,908
41,341,811	43,140,728	57,080,579	50,941,863	60,420,362	61,097,895
<u>\$ 372,931,538</u>	<u>\$ 373,891,909</u>	<u>\$ 387,275,639</u>	<u>\$ 383,872,124</u>	<u>\$ 396,428,608</u>	<u>\$ 411,472,594</u>

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

	Fiscal Years			
	2005	2006	2007	2008
Expenses:				
Governmental activities:				
General government	\$ 4,294,820	\$ 3,921,931	\$ 4,043,977	\$ 4,326,076
Community development	2,382,329	2,668,812	2,955,670	3,422,556
Public Safety	18,193,401	18,864,927	21,480,996	23,133,907
Public Works	11,063,217	21,427,184	13,372,777	22,374,310
Recreation and social services	3,164,928	3,415,130	3,609,896	3,839,208
Sewer service operating costs	3,924,249	3,484,183	4,561,407	4,682,498
Interest on long-term debt	518,189	521,755	511,304	408,619
Total governmental activities expenses	43,541,133	54,303,922	50,536,027	62,187,174
Business-type activities:				
Municipal transit	\$ 1,677,468	\$ 1,664,811	\$ 1,857,979	\$ 2,183,550
Sewer Service	-	-	-	-
Total business-type activities expenses	\$ 1,677,468	\$ 1,664,811	\$ 1,857,979	\$ 2,183,550
Total primary government expenses	\$ 45,218,601	\$ 55,968,733	\$ 52,394,006	\$ 64,370,724
Program revenues:				
Governmental activities:				
Charges for Services:				
General Government	\$ 954,161	\$ 985,885	\$ 1,097,636	\$ 1,031,632
Community development	2,680,048	2,775,360	2,811,790	2,635,214
Public safety	1,877,297	2,050,919	2,010,319	2,400,367
Public works	5,523,490	4,893,227	6,113,731	5,329,796
Recreation and social services	1,145,857	1,217,894	1,405,718	1,499,601
Sewer service operating costs	5,091,637	5,328,527	5,497,631	5,654,840
Operating Grants and Contributions:	2,804,549	3,716,412	5,017,124	6,159,388
Capital Grants and Contributions:	2,453,596	14,298,137	15,865,514	7,300,066
Total governmental activities program revenues	\$ 22,530,635	\$ 35,266,361	\$ 39,819,463	\$ 32,010,904
Business-type activities				
Charges for Services:				
Municipal Transit	\$ 223,662	\$ 325,015	\$ 339,842	\$ 348,146
Sewer service	-	-	-	-
Operating Grants and Contributions:	1,201,453	881,047	1,221,042	951,510
Capital Grants and Contributions:	450,000	57,912	1,223,950	862,200
Total business-type activities program revenues	\$ 1,875,115	\$ 1,263,974	\$ 2,784,834	\$ 2,161,856
Total primary government program revenues	\$ 24,405,750	\$ 36,530,335	\$ 42,604,297	\$ 34,172,760
Net revenues (expenses):				
Governmental activities	\$ (21,010,498)	\$ (19,037,561)	\$ (10,716,564)	\$ (30,176,270)
Business-type activities	197,647	(400,837)	926,855	(21,694)
Total net revenues (expenses)	\$ (20,812,851)	\$ (19,438,398)	\$ (9,789,709)	\$ (30,197,964)

Data Source: City Records

Fiscal Years					
2009	2010	2011	2012	2013	2014
\$ 4,375,200	\$ 4,252,146	\$ 4,291,832	\$ 4,658,171	\$ 4,773,294	\$ 3,252,176
3,768,607	3,614,799	3,686,004	3,991,867	3,826,827	4,103,329
25,697,805	25,351,962	26,364,923	26,937,061	24,694,999	25,755,201
18,182,514	20,707,700	14,336,928	13,913,687	12,424,315	16,320,422
4,147,762	4,268,774	4,676,679	5,004,329	4,787,756	5,173,507
5,850,403	5,673,965	5,700,769	6,063,835	5,519,819	-
368,191	290,473	187,964	211,810	129,382	-
<u>62,390,482</u>	<u>64,159,819</u>	<u>59,245,099</u>	<u>60,780,760</u>	<u>56,156,392</u>	<u>54,604,635</u>
\$ 2,318,378	\$ 2,458,706	\$ 2,450,265	\$ 2,233,496	\$ 2,148,718	\$ 2,333,048
-	-	-	-	-	5,636,354
<u>\$ 2,318,378</u>	<u>\$ 2,458,706</u>	<u>\$ 2,450,265</u>	<u>\$ 2,233,496</u>	<u>\$ 2,148,718</u>	<u>\$ 7,969,402</u>
<u>\$ 64,708,860</u>	<u>\$ 66,618,525</u>	<u>\$ 61,695,364</u>	<u>\$ 63,014,256</u>	<u>\$ 58,305,110</u>	<u>\$ 62,574,037</u>
\$ 1,073,481	\$ 945,403	\$ 890,306	\$ 882,761	\$ 906,051	\$ 981,002
2,587,192	2,523,559	2,246,036	2,195,031	2,731,302	3,204,521
2,257,248	2,111,769	1,725,333	1,752,556	1,797,519	1,591,619
6,563,355	6,081,042	6,994,344	6,295,258	7,428,761	7,343,113
1,448,611	2,776,127	3,311,914	3,050,630	3,200,792	3,305,296
5,766,575	5,949,922	6,082,856	6,308,982	6,588,390	-
5,445,042	3,192,109	3,930,216	1,961,730	2,024,308	1,971,819
<u>1,083,774</u>	<u>75,751</u>	<u>1,002,303</u>	<u>878,382</u>	<u>131,497</u>	<u>1,596,735</u>
<u>\$ 26,225,278</u>	<u>\$ 23,655,682</u>	<u>\$ 26,183,308</u>	<u>\$ 23,325,330</u>	<u>\$ 24,808,620</u>	<u>\$ 19,994,105</u>
\$ 323,660	\$ 313,847	\$ 323,428	\$ 318,205	\$ 326,723	\$ 346,288
-	-	-	-	-	6,814,418
1,019,877	1,155,687	1,637,397	1,321,121	1,322,049	1,765,639
9,496	-	393,174	-	-	851,923
<u>\$ 1,353,033</u>	<u>\$ 1,469,534</u>	<u>\$ 2,353,999</u>	<u>\$ 1,639,326</u>	<u>\$ 1,648,772</u>	<u>\$ 9,778,268</u>
<u>\$ 27,578,311</u>	<u>\$ 25,125,216</u>	<u>\$ 28,537,307</u>	<u>\$ 24,964,656</u>	<u>\$ 26,457,392</u>	<u>\$ 29,772,373</u>
\$ (36,165,204)	\$ (40,504,137)	\$ (33,061,791)	\$ (37,455,430)	\$ (31,347,772)	\$ (34,610,530)
(965,345)	(989,172)	(96,266)	(594,170)	(499,946)	1,808,866
<u>\$ (37,130,549)</u>	<u>\$ (41,493,309)</u>	<u>\$ (33,158,057)</u>	<u>\$ (38,049,600)</u>	<u>\$ (31,847,718)</u>	<u>\$ (32,801,664)</u>

(continued)

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

	Fiscal Years			
	2005	2006	2007	2008
General Revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	\$ 19,355,411	\$ 21,284,138	\$ 23,447,241	\$ 25,525,587
Sales Tax	3,153,636	3,623,610	3,924,620	4,074,094
Sales tax in-lieu	910,621	918,602	1,112,853	1,149,419
Transient occupancy taxes	7,251,883	7,900,582	8,661,017	8,741,413
Other taxes	3,197,487	5,144,450	5,823,284	6,638,617
Motor vehicle license fees, unrestricted	266,988	171,850	144,395	111,385
Investment Income	790,686	952,890	1,646,417	1,952,936
Other general revenue	987,200	912,165	1,042,577	551,766
Gain on sale of assets	25,041	-	595,802	302,575
Transfers	(220,100)	(173,386)	(272,174)	(386,000)
Total governmental activities	<u>\$ 35,718,853</u>	<u>\$ 40,734,901</u>	<u>\$ 46,126,032</u>	<u>\$ 48,661,792</u>
Business-type activities				
Investment Income	\$ -	\$ -	\$ 19,532	\$ 13,197
Other general revenue	-	-	4,000	4,000
Gain or loss on sale of assets	-	-	-	-
Transfers	220,100	173,386	272,174	386,000
Total Business-type activities	<u>\$ 220,100</u>	<u>\$ 173,386</u>	<u>\$ 295,706</u>	<u>\$ 403,197</u>
Total Primary government	<u>\$ 35,938,953</u>	<u>\$ 40,908,287</u>	<u>\$ 46,421,738</u>	<u>\$ 49,064,989</u>
Changes in net position				
Governmental activities	\$ 14,708,355	\$ 21,697,340	\$ 35,409,468	\$ 18,485,522
Business-type activities	417,747	(227,451)	1,222,561	381,503
Total primary government	<u>\$ 15,126,102</u>	<u>\$ 21,469,889</u>	<u>\$ 36,632,029</u>	<u>\$ 18,867,025</u>

Data Source: City Records

Fiscal Years

2009	2010	2011	2012	2013	2014
\$ 26,973,472	\$ 27,766,596	\$ 27,799,676	\$ 26,553,228	\$ 27,498,818	\$ 29,051,006
3,427,084	3,206,617	3,356,309	3,825,793	3,989,812	4,230,239
1,163,049	697,446	948,251	979,382	1,125,941	1,185,284
7,856,964	6,759,353	7,073,251	7,904,562	8,537,050	9,366,183
5,759,315	1,816,278	2,167,624	2,311,061	2,086,233	2,147,742
85,458	74,043	115,763	-	-	-
1,768,663	1,332,412	1,028,790	739,632	(70,016)	1,160,595
754,080	775,565	1,365,120	1,576,053	964,666	1,002,476
(60,087)	-	5,050	70,207	271,698	198,439
(602,000)	(468,900)	(823,900)	(391,300)	(343,400)	(915,389)
<u>\$ 47,125,998</u>	<u>\$ 41,959,410</u>	<u>\$ 43,035,934</u>	<u>\$ 43,568,618</u>	<u>\$ 44,060,802</u>	<u>\$ 47,426,575</u>
\$ 10,377	\$ 19,065	\$ 2,496	\$ 3,936	\$ -	\$ 3,819
1,764	4,003	-	-	-	25,103
-	2,302	-	-	-	-
602,400	468,900	823,900	391,300	343,400	915,389
<u>\$ 614,541</u>	<u>\$ 494,270</u>	<u>\$ 826,396</u>	<u>\$ 395,236</u>	<u>\$ 343,400</u>	<u>\$ 944,311</u>
<u>\$ 47,740,539</u>	<u>\$ 42,453,680</u>	<u>\$ 43,862,330</u>	<u>\$ 43,963,854</u>	<u>\$ 44,404,202</u>	<u>\$ 48,370,886</u>
\$ 10,960,794	\$ 1,455,273	\$ 9,974,143	\$ 6,113,188	\$ 12,713,030	\$ 12,816,045
(350,804)	(494,902)	730,130	(198,934)	(156,546)	2,753,177
<u>\$ 10,609,990</u>	<u>\$ 960,371</u>	<u>\$ 10,704,273</u>	<u>\$ 5,914,254</u>	<u>\$ 12,556,484</u>	<u>\$ 15,569,222</u>

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

	Fiscal Years			
	2005	2006	2007	2008
General Fund:				
Reserved	\$ 4,347,426	\$ 12,084,685	\$ 16,453,679	\$ 8,211,027
Unreserved	18,969,420	21,154,238	24,117,352	27,071,427
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>23,316,846</u>	<u>33,238,923</u>	<u>40,571,031</u>	<u>35,282,454</u>
All other governmental funds				
Reserved	4,394,865	3,830,101	2,806,815	2,473,864
Unreserved, reported in:				
Special revenue funds	2,382,224	(4,531,715)	(11,095,737)	2,678,698
Capital project funds	2,101,113	2,681,454	4,427,423	5,565,582
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 8,878,202</u>	<u>\$ 1,979,840</u>	<u>\$ (3,861,499)</u>	<u>\$ 10,718,144</u>

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

Fiscal Years					
2009	2010	2011	2012	2013	2014
\$ 5,858,971	\$ 3,056,277	\$ -	\$ -	\$ -	\$ -
28,418,761	22,743,525	-	-	-	-
-	-	1,457,462	103,726	129,616	146,990
-	-	4,731,971	3,526,976	3,317,856	2,958,295
-	-	234,988	306,539	306,359	334,525
-	-	19,511,838	20,962,498	27,272,289	23,734,527
-	-	4,822,332	8,215,647	6,781,959	13,420,963
<u>34,277,732</u>	<u>25,799,802</u>	<u>30,758,591</u>	<u>33,115,386</u>	<u>37,808,079</u>	<u>40,595,300</u>
4,788,422	5,235,110	-	-	-	-
2,939,618	5,511,826	-	-	-	-
2,990,803	1,269,168	-	-	-	-
-	-	791,384	791,384	3,531,567	2,190,000
-	-	6,266,345	10,385,155	3,595,034	4,265,613
-	-	5,857,868	-	5,984,699	6,034,556
-	-	-	-	265,217	-
-	-	(2,184,688)	(774,645)	(148,095)	(531,502)
<u>\$ 10,718,843</u>	<u>\$ 12,016,104</u>	<u>\$ 10,730,909</u>	<u>\$ 10,401,894</u>	<u>\$ 13,228,422</u>	<u>\$ 11,958,667</u>

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

	Fiscal Years			
	2005	2006	2007	2008
Revenues:				
Taxes and special assessments	\$ 33,632,030	\$ 37,249,362	\$ 41,980,491	\$ 45,061,416
License and permits	1,189,531	1,264,362	1,096,008	1,024,172
Fines and penalties	1,529,719	1,598,359	1,476,739	1,968,877
Investment income	932,572	1,277,408	1,836,734	2,172,846
Rental income	450,735	448,309	369,318	354,560
Intergovernmental	2,924,122	9,989,976	11,713,427	24,866,373
Charges for services	11,282,059	11,566,496	12,316,932	12,649,555
Parking meters, lots and permits	3,862,436	3,225,562	4,334,250	3,406,195
Development tax	356,855	386,146	276,472	152,469
Contributions from property owners	578,739	-	-	-
Other	547,486	806,114	1,938,787	2,556,833
Total Revenue	<u>\$ 57,286,284</u>	<u>\$ 67,812,094</u>	<u>\$ 77,339,158</u>	<u>\$ 94,213,296</u>
Expenditures				
Current:				
General government	\$ 4,181,073	\$ 3,758,978	\$ 3,361,299	\$ 4,047,877
Community development	2,416,040	2,703,135	3,041,255	3,399,926
Public Safety	18,641,992	19,267,767	22,092,500	23,078,430
Public works	8,584,263	9,089,003	9,202,763	10,501,163
Recreation and social services	3,230,652	3,486,067	4,437,225	3,865,406
Sewer service operating costs	3,389,582	2,928,237	3,348,521	3,620,729
Capital expenditures	6,865,535	23,870,902	36,404,842	33,322,037
Debt service:				
Principal	1,660,000	1,730,000	2,101,314	2,199,676
Interest and fiscal charges	543,296	468,513	542,389	441,432
Total Expenditures	<u>\$ 49,512,433</u>	<u>\$ 67,302,602</u>	<u>\$ 84,532,108</u>	<u>\$ 84,476,676</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 7,773,851	\$ 509,492	\$ (7,192,950)	\$ 9,736,620
Other financing sources (uses):				
Transfer In	\$ 1,557,042	\$ 2,905,040	\$ 3,000,810	\$ 1,857,367
Transfer Out	(3,581,690)	(2,651,632)	(3,346,660)	(2,465,695)
Issuance of bond	1,627,140	524,543	2,269,830	584,539
Issuance of loan	69,357	1,632,928	2,071,567	534,000
Advance payments of PERS obligation	-	-	-	-
Sales of land and equipment	6,923	4,344	4,788,172	302,572
Total other financing sources (uses)	<u>(321,228)</u>	<u>2,415,223</u>	<u>8,783,719</u>	<u>812,783</u>
Net change in fund balances-as restated	<u>\$ 7,452,623</u>	<u>\$ 2,924,715</u>	<u>\$ 1,590,769</u>	<u>\$ 10,549,403</u>
Debt service as a percentage of noncapital expenditures	5.4%	5.3%	5.8%	5.4%

Data Source: City Records

Fiscal Years						
2009	2010	2011	2012	2013	2014	
\$ 44,868,922	\$ 40,986,641	\$ 41,678,318	\$ 41,653,733	\$ 43,929,172	\$ 46,861,756	
1,141,821	924,040	990,966	975,884	1,052,041	1,292,248	
1,807,176	1,483,462	1,274,270	1,283,698	1,341,961	1,179,799	
1,907,979	1,361,432	1,064,467	739,628	(70,016)	1,159,549	
387,562	420,678	445,491	419,641	427,341	500,642	
4,892,173	3,228,921	3,978,327	3,469,505	2,121,486	3,363,671	
12,444,053	12,693,018	13,056,488	12,987,838	13,603,713	7,509,075	
4,715,786	4,080,151	4,891,228	4,276,533	5,384,197	5,308,051	
6,441	39,804	680,391	183,704	433,526	254,370	
-	-	-	-	-	-	
2,238,673	1,047,961	1,372,893	900,815	652,921	802,838	
<u>\$ 74,410,586</u>	<u>\$ 66,266,108</u>	<u>\$ 69,432,839</u>	<u>\$ 66,890,979</u>	<u>\$ 68,876,342</u>	<u>\$ 68,231,999</u>	
\$ 3,977,543	\$ 3,901,637	\$ 3,991,706	\$ 4,071,235	\$ 4,014,084	\$ 3,701,265	
3,636,575	3,482,651	3,531,828	3,600,452	3,751,468	4,034,924	
25,048,032	24,681,583	24,676,244	24,419,318	24,336,927	25,170,727	
11,049,821	11,070,780	10,097,113	10,671,049	10,958,046	12,292,930	
4,006,552	4,196,800	4,003,836	4,049,299	4,216,980	4,581,842	
3,886,559	4,093,162	4,009,715	4,062,448	3,950,183	-	
24,039,610	9,377,939	11,060,240	10,745,569	8,974,111	15,782,365	
1,655,800	1,425,000	1,490,000	1,915,472	360,040	-	
717,756	697,523	625,428	181,283	132,459	-	
<u>\$ 78,018,248</u>	<u>\$ 62,927,075</u>	<u>\$ 63,486,110</u>	<u>\$ 63,716,125</u>	<u>\$ 60,694,298</u>	<u>\$ 65,564,053</u>	
\$ (3,607,662)	\$ 3,339,033	\$ 5,946,729	\$ 3,174,854	\$ 8,182,044	\$ 2,667,946	
\$ 1,499,569	\$ 6,087,140	\$ 538,742	\$ 987,270	\$ 1,697,131	\$ 419,760	
(2,101,969)	(6,803,929)	(2,816,927)	(2,446,370)	(2,614,936)	(1,869,144)	
-	-	-	459,263	-	-	
2,586,128	152,486	-	-	-	-	
-	(9,956,355)	-	-	-	-	
7,223	956	5,050	12,109	254,582	168,676	
<u>1,990,951</u>	<u>(10,519,702)</u>	<u>(2,273,135)</u>	<u>(987,728)</u>	<u>(663,223)</u>	<u>(1,280,708)</u>	
<u>\$ (1,616,711)</u>	<u>\$ (7,180,669)</u>	<u>\$ 3,673,594</u>	<u>\$ 2,187,126</u>	<u>\$ 7,518,821</u>	<u>\$ 1,387,238</u>	
4.6%	4.1%	4.2%	4.1%	1.0%	0.0%	

REVENUE CAPACITY

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

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

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

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

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

Fiscal Year Ended June 30	Secured	Unsecured	Taxable Assessed Value	Total Direct Tax Rate
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%
2012	10,367,538,945	100,795,035	10,468,333,980	0.000%
2013	10,595,888,864	85,133,532	10,681,022,396	0.000%
2014	11,089,216,359	91,985,376	11,181,201,735	0.000%

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited the property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Orange County Auditor Controller's Office

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City Direct Rates:				
City basic rate	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total City Direct Rate	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Overlapping Rates:				
City of Laguna Beach Bonds	0.0197	0.0179	0.0179	0.0162
Unified School District Bonds	0.0190	0.0172	0.0172	0.0172
South Coast Water District	0.0098	0.0090	0.0090	0.0096
Metro Water District	0.0052	0.0047	0.0047	0.0045
Orange County	-	-	-	-
Total Direct Rate	<u>\$ 1.05370</u>	<u>\$ 1.04883</u>	<u>\$ 1.04883</u>	<u>\$ 1.04756</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>	<u>\$ 1.0000</u>
\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
0.0152	0.0137	0.0119	-	-	-
0.0154	0.0168	0.1580	0.1601	0.1694	0.0157
0.0093	0.0092	0.0091	0.0082	0.0082	0.0079
0.0043	0.0043	0.0037	0.0037	0.0035	0.0035
-	-	-	-	-	-
<u>\$ 1.04421</u>	<u>\$ 1.04406</u>	<u>\$ 1.18267</u>	<u>\$ 1.17200</u>	<u>\$ 1.18110</u>	<u>\$ 1.02704</u>

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

Taxpayer	2014			2005		
	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	\$ 176,071,454	1	1.57%			
ICRE Laguna Club LLC	120,800,000	2	1.08%			
Iconicviews Company LLC	33,602,402	3	0.30%			
Serenita, LLC	31,372,494	4	0.28%			
Neil D Nevills Trust	30,702,093	5	0.27%			
Residential Property Investment LLC	23,909,788	6	0.21%			
Leslie Joyce Moore Trust	23,613,315	7	0.21%			
Mission Hospital Regional Medical Center	22,057,942	8	0.20%			
David W. Wilson Trust	21,891,937	9	0.20%			
Gregory J. Burden	21,615,605	10	0.19%			
Laguna Beach Luxury Hotel				157,721,376	1	2.31%
Laguna Beach Resorts LLC				143,281,483	2	2.10%
Club Laguna Partnership				40,696,770	3	0.60%
Laguna Hotels L.P.				20,008,601	4	0.29%
Gary J. Daichendt Trust				19,802,414	5	0.29%
David Merage Trust				14,000,000	6	0.21%
Nariman Yousefi				12,597,641	7	0.18%
Villa Laguna LLC				12,502,135	8	0.18%
Ted Tomasek Trust				12,343,835	9	0.18%
Cox Communications Orange				11,727,525	10	0.17%
	<u>\$ 505,637,030</u>		<u>4.52%</u>	<u>\$ 444,681,780</u>		<u>6.51%</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
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%
2012	23,537,933	23,164,514	98.41%	373,417	23,537,931	100%
2013	24,298,820	23,997,150	98.76%	301,670	24,298,820	100%
2014	25,875,981	25,580,108	98.86%	295,873	25,875,981	100%

Source: Orange County Auditor Controller's Office

DEBT CAPACITY

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

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

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

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

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

Fiscal Year Ended June 30	Governmental Activities			Total Governmental Activities	Business-type Activities	Primary Primary Government	Percentage of Personal Income	Debt per Capita
	General Obligation Bonds	I-Bank Installment Agreement	Capital Leases		I-Bank Installment Agreement			
2005	9,615,000	69,357	1,925,000	11,609,357	-	11,609,357	7.34%	469
2006	8,405,000	1,702,285	1,405,000	11,512,285	-	11,512,285	6.90%	463
2007	7,150,000	3,467,538	865,000	11,482,538	-	11,482,538	6.65%	461
2008	5,840,000	3,686,862	290,000	9,816,862	-	9,816,862	5.63%	393
2009	4,480,000	5,949,723	-	10,429,723	-	10,429,723	6.08%	414
2010	3,055,000	5,723,651	-	8,778,651	-	8,778,651	4.58%	346
2011	1,565,000	5,382,492	-	6,947,492	-	6,947,492	3.63%	274
2012	-	5,032,020	-	5,032,020	-	5,032,020	2.70%	219
2013	-	4,671,980	-	4,671,980	-	4,671,980	2.59%	201

*2014 data not available
 Data Source: City Records

CITY OF LAGUNA BEACH
Direct and Overlapping Debt
June 30, 2014

2013-14 Assessed Valuation: \$11,178,194,203

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt <u>6/30/2014</u>	<u>% Applicable (1)</u>	City's share of <u>Debt 6/30/14</u>
Metropolitan Water District	\$132,275,000	0.51%	\$677,248
Capistrano Unified School District Facilities Improvement District No. 1	35,109,930	0.011	3,862
Laguna Beach Unified School District	28,470,000	72.938	20,765,449
City of Laguna Beach 1915 Act Bonds	4,697,951	100	4,697,951
South Coast County Water District	1,920,000	37.469	719,405
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$26,863,915
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	\$145,476,000	2.53%	\$3,676,179
Orange County Pension Obligation Bonds	32,195,288	2.527	813,575
Orange County Board of Education Certificates of Participation	15,500,000	2.527	391,685
Municipal Water District of Orange County Water Facilities Corporation	7,775,000	3.026	235,272
Capistrano Unified School District Certificates of Participation	18,245,000	0.007	1,277
City of Laguna Beach	0	100	0
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$5,117,988
Less: MWDOC Water Facilities Corporation (100% self-supporting)			<u>235,272</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$4,882,716
 TOTAL DIRECT DEBT			 \$0
TOTAL GROSS OVERLAPPING DEBT			\$31,981,903
TOTAL NET OVERLAPPING DEBT			\$31,746,631
 GROSS COMBINED TOTAL DEBT			 \$31,981,903
NET COMBINED TOTAL DEBT			\$31,746,631

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

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

Ratios to 2013-14 Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt	0.24%
Total Direct Debt	0.00%
Gross Combined Total Debt	0.29%
Net Combined Total Debt	0.28%

AB:(\$475)

Source: California Municipal Statistics, Inc.

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

Fiscal Year Ended June 30	I-Bank Installment Agreement			Debt Service		Coverage
	Operating Revenues	Less Operating Expenses	Net Available Revenue	Principal	Interest	
2005	5,188,708	3,389,582	1,799,126	495,000	86,168	309.57%
2006	5,323,530	2,928,237	2,395,293	520,000	58,885	413.78%
2007	5,826,273	3,348,521	2,477,752	846,314	181,083	241.17%
2008	6,699,165	3,620,729	3,078,436	889,676	132,426	301.19%
2009	6,644,104	3,886,559	2,757,545	295,800	466,401	361.79%
2010	6,196,701	4,093,162	2,103,539	332,092	478,479	259.51%
2011	6,272,622	4,009,715	2,262,907	341,159	168,769	443.77%
2012	6,878,503	4,062,448	2,816,055	350,472	142,158	571.64%
2013	6,667,426	3,950,183	2,717,243	360,040	132,459	551.73%
2014	6,814,418	5,513,858	1,300,560	369,869	122,496	264.15%

Data Source: City Records

CITY OF LAGUNA BEACH
 Legal Debt Margin
 Last Ten Fiscal Years

	Fiscal Years			
	2005	2006	2007	2008
Assessed valuation	7,551,931,188	8,302,009,321	9,123,224,245	9,750,667,234
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,887,982,797	2,075,502,330	2,280,806,061	2,437,666,809
Debt limit percentage	15%	15%	15%	15%
Debt limit	283,197,420	311,325,350	342,120,909	365,650,021
Total net debt applicable to limit:				
General obligation bonds	<u>10,138,813</u>	<u>8,913,977</u>	<u>7,600,937</u>	<u>6,330,853</u>
Legal debt margin	<u>\$ 273,058,607</u>	<u>\$ 302,411,373</u>	<u>\$ 334,519,972</u>	<u>\$ 359,319,168</u>
Total debt applicable to the limit as a percentage of debt limit	3.6%	2.9%	2.2%	1.7%

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

Note:

Data Souce: City Records

Fiscal Years					
2009	2010	2011	2012	2013	2014
10,143,694,955	10,335,472,585	10,468,333,980	10,595,888,864	10,681,022,396	11,181,201,735
25%	25%	25%	25%	25%	25%
2,535,923,739	2,583,868,146	2,617,083,495	2,648,972,216	2,670,255,599	2,795,300,434
15%	15%	15%	15%	15%	15%
380,388,561	387,580,222	392,562,524	397,345,832	400,538,340	419,295,065
7,150,000	5,840,000	4,480,000	1,565,000	-	-
<u>\$ 373,238,561</u>	<u>\$ 381,740,222</u>	<u>\$ 388,082,524</u>	<u>\$ 395,780,832</u>	<u>\$ 400,538,340</u>	<u>\$ 419,295,065</u>
1.9%	1.5%	1.1%	0.4%	0.0%	0.0%

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

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

- Demographic and Economic Statistics
- Principal Employers

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

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

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Income	Unemployment Rates
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%
2011	22,966	1,914,147	83,347	6.4%
2012	23,105	1,860,923	80,542	4.1%
2013	23,225	1,802,399	77,606	3.6%

*2014 data not available

Source: HdL Coren & Cone

CITY OF LAGUNA BEACH
Principal Employers
Last Fiscal Year

Business Name	2013-14	
	Number of Employees	Percent of Total Employment (%)
Montage Laguna Beach	780	4.76%
Mission Hospital Laguna Beach*	565	3.45%
Surf & Sand Resort	306	1.87%
Laguna Beach Unified School District*	300	1.83%
City of Laguna Beach**	250	1.52%
Pacific Edge Hotel***	230	1.40%
Laguna College of Art & Design	225	1.37%
Las Brisas Restaurant	150	0.91%
Mozambique	130	0.79%
Whole Foods Market	86	0.52%
Hotel Laguna	79	0.48%
230 Forest Restaurant	34	0.21%
Total Top 10 Employers	3,135	19.12%

Total City Labor Force (1)

16,400

Source: MuniServices, LLC

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

Unless otherwise noted, count includes full and part time.

* Estimates from prior economic development information

**Includes full time only

***Includes 2 restaurants on property

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

OPERATING INFORMATION

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

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

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

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

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

Function	Fiscal Years			
	2005	2006	2007	2008
General Government	17.63	18.03	18.03	18.03
Public Safety	131.75	132.00	133.00	135.00
Public Works	56.00	56.00	56.00	56.00
Community Development	24.00	24.00	26.00	26.00
Recreational and Cultural	7.50	7.50	7.50	7.50
Water Quality	15.00	15.00	15.00	15.00
Total	<u>251.88</u>	<u>252.53</u>	<u>255.53</u>	<u>257.53</u>

Data Souce: City Records

Fiscal Years					
2009	2010	2011	2012	2013	2014
18.03	18.03	18.03	17.63	17.63	17.63
134.00	134.00	132.60	132.50	132.50	132.60
57.00	55.00	54.00	51.00	50.00	51.00
29.00	28.00	27.00	26.50	26.50	27.00
7.65	7.65	7.75	7.75	7.75	7.75
15.00	15.00	15.00	15.00	15.00	15.00
<u>260.68</u>	<u>257.68</u>	<u>254.38</u>	<u>250.38</u>	<u>249.38</u>	<u>250.98</u>

CITY OF LAGUNA BEACH
 Operating Indicators
 Last Ten Fiscal Years

	Fiscal Years			
	2005	2006	2007	2008
Police				
Custodial Arrests	1,997	1,823	N/A	1,337
Traffic Violations	9,934	7,089	N/A	3,718
Parking Violations	38,149	43,653	39,659	53,863
Fire Protection:				
Number of Calls Answered	2,454	2,446	2,607	2,613
Number of Inspections	709	714	800	850
Water Quality:				
Number of Service Connections	8,504	8,504	8,504	8,504
Daily Average Treatment in gallons	2	2	2	2
Maximum daily capacity of treatment plant in gallons	4	4	4	4

Data Souce: City Records

N/A - Not currently available.

Fiscal Years					
2009	2010	2011	2012	2013	2014
1,296	1,411	2,163	1,527	2,176	1,694
7,292	6,624	7,176	5,855	6,138	5,300
48,148	39,108	35,688	38,553	40,050	34,004
2,894	3,052	3,080	3,413	3,311	3,375
900	950	1,035	1,620	1,650	1,021
8,504	8,504	8,504	8,504	8,504	8,504
2	2	2	2	2	2
4	4	4	4	4	4

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

	Fiscal Years			
	2005	2006	2007	2008
Police				
Stations	1	1	1	1
Fire:				
Fire Stations	4	4	4	4
Public Works				
Streets (miles)	93	93	93	93
Streetlights	1,241	1,241	1,241	1,241
Culture and Recreation				
Community Centers	3	3	3	3
Parks	17	17	17	17
Park Acreage	47	47	47	47
Tennis Courts	12	12	12	12
Water Quality				
Miles of sanitary sewers	95.00	95.00	95.00	95.00
Miles of storm drains	78.00	78.00	78.00	78.00

Data Source: City Records

Fiscal Years					
2009	2010	2011	2012	2013	2014
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