

CITY OF LAGUNA BEACH, CALIFORNIA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

CITY OF LAGUNA BEACH, CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

City Council:

Steve Dicterow, Mayor
Toni Iseman, Mayor Pro Tem
Kelly Boyd, Council Member
Bob Whalen, Council Member
Rob Zur Schmiede, 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 27, 2016

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, 2016.

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, 2016, 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, 2016, 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 six million visitors annually due to its eight miles of coastline, the Mediterranean climate and the summer art festivals and pageants.

The City has operated under the council-manager form of government since 1944. Policy-making and legislative authority are vested in a City Council consisting of the mayor and four other council members. The City Council is responsible, 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. City council members serve four-year staggered terms, with new members elected every two years. The mayor is elected by the city council on an annual basis.

The City of Laguna Beach is a full service city providing its residents and visitors with a full range of services including general governance; police, fire and marine safety protection; maintenance of streets, parks, the sewer system and parking facilities; solid waste; transit operations; community development; recreational activities and cultural 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 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 City Council for review in May. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget by June 30th, the close of the City's fiscal year. The budget is organized by department (e.g., police, fire protection, marine safety, 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 20% of appropriations has been established as a reserve for contingencies. Budget-to-actual comparisons are provided in this financial 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.

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 2 % to 2.5% range during the next two years due to continued gains in the consumer and housing sectors along with a rebound in capital spending. Moreover, the anticipated unemployment rate is expected to decline and fall within the 4.8% to 5% range. For California, the news is also upbeat. Steady gains in employment, payroll, real personal income, and home building are anticipated through 2018. Additionally, California's unemployment rate is also expected to continue to decline, likely falling to 5.4% by the end of

2018 according to the UCLA Anderson Economic Forecast, essentially the same as the national unemployment rate. The outlook for Orange County is a little less optimistic. According to the June 2016 Chapman University Forecast, a softening economy characterized by a loss of high-paying jobs has darkened the economic picture. For 2016, job growth in Orange County is expected to grow by 2.5% in mostly in low-paying industries.

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, sales and use, 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.

The City ended FY 2015-2016 on a positive note with revenue exceeding the prior year revenue for all major revenue sources. The City's largest revenue source, property tax, experienced a 10.2% increase over the prior fiscal year due to continued improvement in the local housing market and better than expected receipts in supplemental and prior year property taxes. Transient occupancy taxes (TOT), the City's second largest revenue source, experienced an increase of 8.9% over the prior year due to an increase in visitors and the reopening of a hotel. Sales tax revenue, the third largest revenue source, experienced an increase of 9.8% from the prior year; however a majority of the increase is related to the final payment of the State of California "Triple Flip" keeping the expected sales tax growth in the next year for the City unchanged at 2%. These results contributed to the City completing FY 2015-2016 in good financial health. Total General Fund operating revenues exceeded operating expenditures by \$9.8 million; however, this amount is before transfers and budget carryovers (funds that have been obligated but not yet spent).

Long-term financial planning. The City's 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 20% 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 revenue base supporting City services, 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. The City's fiscal discipline has allowed it to prepare a balanced budget and improve reserves.

Summary of Current Year Accomplishments. Significant progress has been made on several of the City Council priorities including: implementation of strategies developed as part of the downtown parking management plan, fuel modification expansion, and the success of the off-season weekend and neighborhood trolley services. Other successes include implementation of a Short-Term Lodging moratorium, completion of a community survey, newly redesigned and enhanced City website, Open for Business Workshops, and continued strategy to pay down the unfunded pension liability for miscellaneous, management, and safety employees which will help stabilize the impact of increasing pension costs.

The City Council also continues to incorporate prudent reserves in the budget to mitigate current and future risks.

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

- Municipal Transit System Improvements
- Parking Management
- Village Entrance Project
- Sewage System Improvements and Financing
- Downtown Specific Plan Review/Civic Art District Expansion
- Review of Laguna Canyon Area
- Complete Implementation of Design Review Task Force Recommendations
- Acquire Land for Public Uses
- Wayfinding signage
- Unfunded Pension Costs
- Utility Undergrounding
- Community Based Policing
- Measure LL increasing the Transient Occupancy Tax rate paid by tourists from 10% to 12%

Awards and Acknowledgements

Awards: The City has prepared a comprehensive annual financial report for fiscal year ended June 30, 2015. The City has received the award for excellence in financial reporting.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Laguna Beach for its comprehensive annual financial report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



John Pietig
City Manager



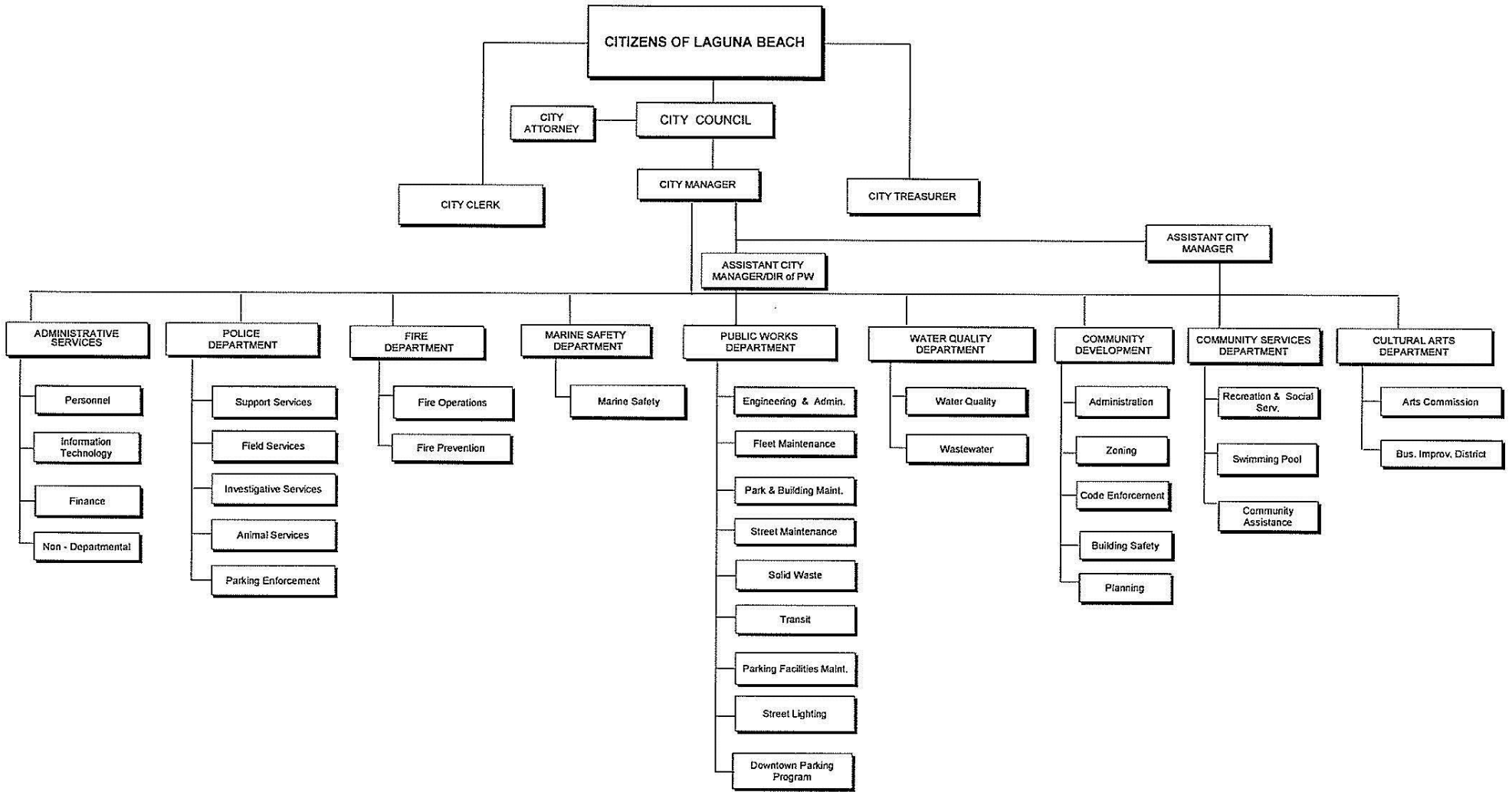
Gavin Curran
Director of Finance and Information Technology



Nancy Pauley
Finance Officer

CITY OF LAGUNA BEACH

Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Laguna Beach
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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 the City of Laguna Beach, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Laguna Beach County Water District (District), which represents 100 percent of the assets, net position, and revenues of the discretely presented 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, 2016, 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 discussed in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statement No. 67, No. 68, and No. 73*, as of July 1, 2015. 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 (pages 4 through 13), budgetary comparison information (pages 73 through 76 and page 82), schedule of proportionate share of the net pension liability for the safety plan (page 77), schedule of changes in the net pension liability and related ratios for the miscellaneous plan (page 79), schedules of contributions (pages 78 and 80), and schedule of funding progress (page 81) 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, individual general fund sub-fund budgetary comparison schedules, 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, individual general fund sub-fund budgetary comparison schedules, and 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, based on our audit 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 2015 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information in our report dated December 23, 2015. The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2015, from which such summarized information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2016, 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 27, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Laguna Beach (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. Our intent is to assist the reader of these financial statements in better understanding the impact of financial decisions made by the City. This analysis will focus on the significant changes in an effort to explain the City's overall financial condition. Please read it in conjunction with the accompanying transmittal letter at the front of this report, and the basic financial statements, which follow this section.

Using the Accompanying Financial Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services, like public safety, were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the City's 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

	Fund Statements			
	<u>Government-wide 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 and economic resources focus
Type of asset/liability information	All assets, liabilities, and deferred inflows/outflows of resources, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's fiduciary funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid.

Reporting the City as a Whole

The accompanying government-wide financial statements include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, liabilities, and deferred inflows and outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All 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 position – the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources – as one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads and facilities, to assess the overall health of the City.

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

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

Reporting the City's Major Funds

The fund financial statements provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, City Council establishes many other funds to help it control and manage money for 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	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 103.8	\$ 84.9	\$ 5.5	\$ 6.9	\$ 109.3	\$ 91.8
Capital Assets	299.7	301.7	49.0	46.4	348.7	348.1
Total Assets	403.5	386.6	54.5	53.3	458.0	439.9
Deferred Outflows of Resources	7.5	5.7	0.4	0.4	7.9	6.1
Long-Term Debt Outstanding	54.2	47.9	5.9	6.1	60.1	54.0
Other Liabilities	9.3	4.5	1.0	1.3	10.3	5.8
Total Liabilities	63.5	52.4	6.9	7.4	70.4	59.8
Deferred Inflows of Resources	4.6	11.8	0.2	0.6	4.8	12.4
Net Position						
Net Investment in						
Capital Assets	299.7	301.7	45.5	42.4	345.2	344.1
Restricted	15.9	9.6	-	-	15.9	9.6
Unrestricted	27.3	16.9	2.3	3.2	29.6	20.1
Total Net Position	\$ 342.9	\$ 328.2	\$ 47.8	\$ 45.6	\$ 390.7	\$ 373.8

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets plus deferred outflows exceeded liabilities plus deferred inflows by approximately \$390.7 million as of June 30, 2016.

The largest portion of the City's net position, \$345.2 million (88%) 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 12% 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 \$15.9 million (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$29.6 million (8%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's total net position increased by \$16.9 million during the current fiscal year. The net position of governmental activities increased by \$14.7 million and business-type activities had an increase of \$2.2 million.

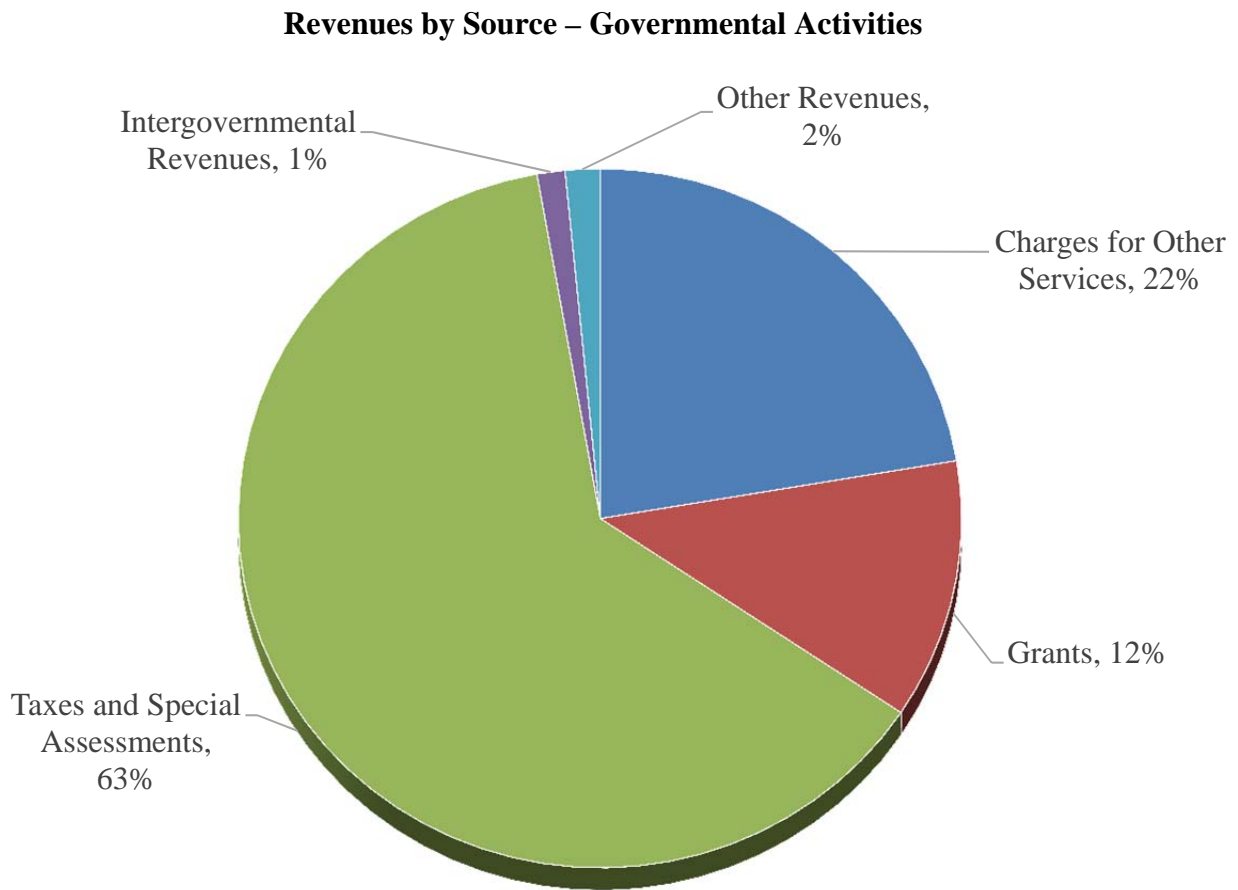
A summary of the government-wide statement of activities follows:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for Services	\$ 18,720	19,465	7,714	7,413	26,434	26,878
Operating Grants/Contributions	1,850	2,765	2,069	2,303	3,919	5,068
Capital Grants/Contributions	8,213	434	-	555	8,213	989
General Revenues						
Taxes and special assessments	52,603	48,956			52,603	48,956
Intergovernmental	206	205	-	-	206	205
Rental income	481	485	-	1	481	486
Investment income	1,259	709	37	25	1,296	734
Miscellaneous revenues	372	382	263	4	635	386
Gain (loss) on sale/disposal of capital assets	31	76	-	(6)	31	70
Total Revenues	<u>83,735</u>	<u>73,477</u>	<u>10,083</u>	<u>10,295</u>	<u>93,818</u>	<u>83,772</u>
Expenses:						
General government	4,962	4,012	-	-	4,962	4,012
Community development	5,098	4,286	-	-	5,098	4,286
Public safety	31,639	26,606	-	-	31,639	26,606
Public works	20,779	18,085	-	-	20,779	18,085
Recreation and social services	5,482	6,023	-	-	5,482	6,023
Municipal transit	-	-	2,977	2,434	2,977	2,434
Sewer Service	-	-	5,963	7,569	5,963	7,569
Total Expenses	<u>67,960</u>	<u>59,012</u>	<u>8,940</u>	<u>10,003</u>	<u>76,900</u>	<u>69,015</u>
Transfers	<u>(1,045)</u>	<u>(1,351)</u>	<u>1,045</u>	<u>1,351</u>	<u>-</u>	<u>-</u>
Changes in Net Position	14,730	13,114	2,188	1,643	16,918	14,757
Net Position-Beginning	<u>328,203</u>	<u>315,089</u>	<u>45,650</u>	<u>44,008</u>	<u>373,853</u>	<u>359,097</u>
Net Position-Ending	<u>\$ 342,933</u>	<u>328,203</u>	<u>47,838</u>	<u>45,651</u>	<u>390,771</u>	<u>373,854</u>

The City's total revenues were \$93.8 million while the total expenditures were \$76.9 million. Property taxes were the City's largest revenue source at \$34.1 million (36.3% of total revenues and 41% of governmental revenues). Transient lodging taxes at \$10.8 million (11.5% of total revenues and 13% governmental revenues) and sales taxes, including sales tax-in-lieu at \$6.4 million (6.8% of total revenues and 8% of governmental revenues) were the second largest revenue sources for the City this past year. Property taxes have increased approximately 10.2% due in part to higher than expected increases in supplemental taxes. The City's sales taxes increased approximately 9.8% with the majority of the increase related to the final payment of the State of California "Triple Flip", and transient lodging taxes have increased approximately 8.9% over prior fiscal year.

Governmental activities. The governmental activities' increase in net position of \$14.7 million activity accounted for 87% 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.



General government expenses (including City Council, City Manager, City Attorney, City Clerk, City Treasurer and Administrative Services) were 7% of the total cost of governmental activities. Charges for services offset 20% of the cost of providing these services.

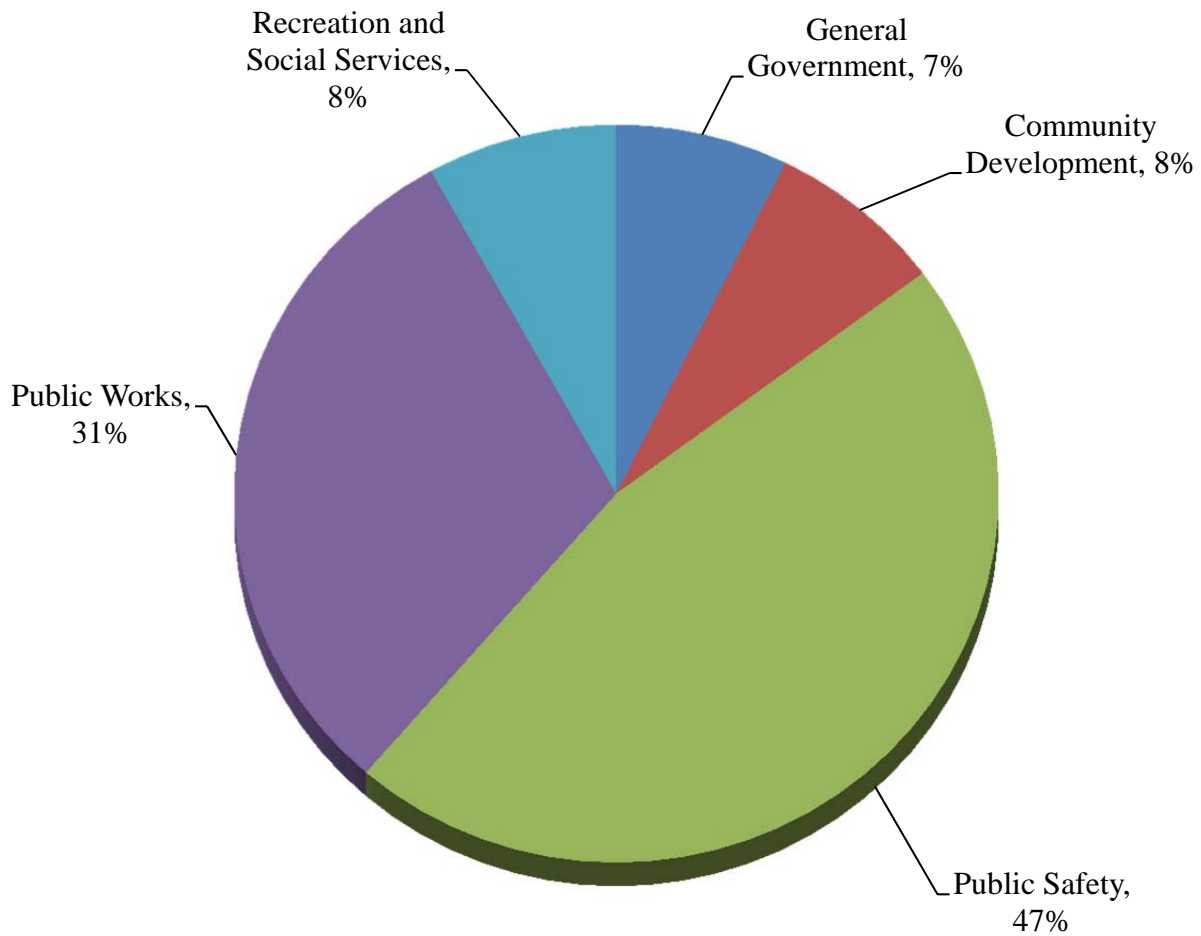
Community development expenditures were 8% of the total cost of governmental activities. Charges for services and operating grants and contributions helped to offset 74% of the cost of these activities.

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 5% of the cost of providing these services.

Public Works was the second largest governmental activity representing 31% of the total cost of governmental activities. Charges for services and operating grants and contributions helped to offset 41% of the cost of these activities.

Recreation and social services expenditures were 8% of the total cost of governmental activities. Charges for services, operating grants and contributions offset 66% 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 new 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 \$2.2 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 \$2.2 million consisted of a reduction in depreciation expenses due to assets being fully depreciated in fiscal year 2015-16.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of June 30, 2016, the governmental funds reported combined ending fund balances of \$76.8 million, an increase of \$15.4 million in comparison with the prior year. The City has \$115 thousand (0.15%) in fund balance classified as nonspendable to indicate it cannot be readily converted to cash; \$15.9 million (20.8%) in restricted fund balance to indicate that it has an externally imposed restriction on the money may be spent; \$6.5 million (8.5%) in committed fund balance to indicate that the City Council committed how the money will be spent; \$36 million (46.9%) in assigned fund balance to indicate that the City Council has an assigned purpose or intent for how the money should be spent; and \$18.2 million (23.8%) 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 \$7.9 million during the fiscal year ending June 30, 2016. In addition, reasons for changes in the revenues and expenditures of the City's General Fund from the prior year include:

- Revenues increased by \$2.6 million compared to the prior year, with \$2.2 million resulting from property taxes.
- Expenditures increased \$2.7 million compared to the prior year primarily due to additional payments made to the California Public Employees Retirement System (CalPERS) toward the City's net pension liability and expenditures related to the 800 MHZ Orange County Countywide Communication System (CCCS).

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

The Disaster Contingency Fund has a total fund balance of \$6.2 million which is used exclusively for (a) repair of public facilities and (b) the emergency protection of public and private property and lives during natural or manmade disasters. This funding is from the accumulation of a voter approved temporary ½ cent sales tax that was in effect for the period of July, 2006 through June, 2009.

The Assessment District Fund, a Capital Projects Fund, has a total fund balance of \$4.9 million which is used to account for assessment utility undergrounding projects which are funded by property owners of the assessment district. Revenues include contributions from property owners restricted for projects within the Assessment District and interest earned on such funds.

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 \$2.4 million. 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 \$13.1 million and major items can be briefly summarized as follows:

- \$6.9 million increase in the budget for prior year carry over appropriations
- Transfer \$2.8 million as a temporary reserve toward the repair of possible storm related damage
- Adding \$500 thousand to Legal Fees
- Adding \$300 thousand toward the purchase of Open Land Space
- Adding \$300 thousand for Implementation of Police Department Strategic Plan
- Adding \$321 thousand for purchase of Replacement Capital Equipment
- Adding \$250 thousand annually for each organization, the Laguna Beach Museum of Art and the Laguna Beach Playhouse, setting aside for four years on a matching fund basis.

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

- Total revenues were \$4.1 million above final budgeted revenues for the year ended June 30, 2016. The favorable variance includes increases in property taxes, sales and use taxes, transient lodging taxes, investment income, and planning fees.
- Total expenditures were under the budgeted amount by \$8.3 million, mostly as a result of special programs, capital equipment, and capital projects not yet completed or deferred to next fiscal year. The remaining budget for these capital projects is included with the carryover appropriations.

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 Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 87,547,881	87,542,481	196,106	196,106	87,743,987	87,738,587
Buildings and Improvements	31,868,304	33,003,955	1,384,795	1,448,735	33,253,099	34,452,690
Office Equipment & Machinery	3,232,588	2,033,916	72,172	34,931	3,304,760	2,068,847
Furniture and Fixtures	1,729,694	1,546,344	47,066	48,196	1,776,760	1,594,540
Equipment Machinery & Tools	1,132,877	1,267,960	324,082	360,111	1,456,959	1,628,071
Sewer Plant and Lines	-	-	31,693,010	32,658,849	31,693,010	32,658,849
Capacity Rights	-	-	7,564,365	-	7,564,365	-
Automotive Equipment	2,977,971	2,345,207	2,497,469	2,828,103	5,475,440	5,173,310
Infrastructure	164,661,087	164,517,507	-	-	164,661,087	164,517,507
Construction in Progress	6,584,598	9,448,487	5,213,877	1,235,312	11,798,475	10,683,799
Total	\$ 299,735,000	301,705,857	48,992,942	38,810,343	348,727,942	340,516,200

The major changes to the capital assets during the year ended June 30, 2016, were completion of the Retaining Wall at Alta Vista Way; Storm Drains at Temple Hills; replacement of a street sweeper and a four wheel loader; purchase of new radios for the 800 MHZ Countrywide Communications System. Unexpended construction commitments as of year-end are discussed in note 5 to the financial statements. Additional information on the City’s capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

	Long-Term Debt					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Installment Agreement	\$ -	-	3,531,805	3,922,145	3,531,805	3,922,145
Total	\$ -	-	3,531,805	3,922,145	3,531,805	3,922,145

The City’s total debt decreased by \$390 thousand (9.9%) during the current fiscal year. Additional information on the City’s long-term liabilities, including net pension liability, OPEB liability, compensated absences, and claims payable, can be found in the notes 10, 11, and 15 in the accompanying financial statements.

Contacting the City’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the 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, 2016
(With Comparative Totals for June 30, 2015)

	Primary Government				Component Unit
	Governmental Activities	Business-type Activities	Totals		Water District
			2016	2015	
ASSETS					
Cash and investments	\$ 93,580,415	\$ 4,263,859	\$ 97,844,274	\$ 82,759,223	\$ 19,107,160
Receivables:					
Taxes	5,259,498	40,114	5,299,612	3,711,041	36,866
Accounts	594,530	186,095	780,625	756,315	1,496,814
Interest	39,714	-	39,714	48,183	80,708
Intergovernmental	268,123	970,016	1,238,139	1,665,374	-
Notes	1,455,278	-	1,455,278	1,035,637	229,730
Prepays	70,973	24,623	95,596	115,193	125,895
Inventory	49,534	-	49,534	55,496	192,047
Computer loans to employees	-	-	-	-	7,833
Property for housing program	2,475,309	-	2,475,309	1,677,809	-
Capital assets, not being depreciated	94,132,479	5,409,983	99,542,462	98,422,386	4,858,075
Capital assets, net of depreciation	<u>205,602,521</u>	<u>43,582,959</u>	<u>249,185,480</u>	<u>249,658,178</u>	<u>45,474,751</u>
Total Assets	<u>403,528,374</u>	<u>54,477,649</u>	<u>458,006,023</u>	<u>439,904,835</u>	<u>71,609,879</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts related to pensions	<u>7,456,834</u>	<u>453,346</u>	<u>7,910,180</u>	<u>6,161,481</u>	<u>469,593</u>
LIABILITIES					
Accounts payable and accrued liabilities	5,979,270	621,309	6,600,579	4,360,994	890,141
Deposits	14,500	-	14,500	14,500	53,047
Due to other government agencies	42,796	-	42,796	42,796	-
Unearned revenue	597,561	-	597,561	984,995	-
Noncurrent liabilities:					
Due within one year	2,627,826	412,458	3,040,284	1,931,186	710,298
Due in more than one year	7,709,266	3,176,660	10,885,926	8,554,894	3,587,167
Net pension liability	<u>46,482,939</u>	<u>2,674,561</u>	<u>49,157,500</u>	<u>43,938,913</u>	<u>3,586,114</u>
Total Liabilities	<u>63,454,158</u>	<u>6,884,988</u>	<u>70,339,146</u>	<u>59,828,278</u>	<u>8,826,767</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts related to pensions	<u>4,598,262</u>	<u>207,805</u>	<u>4,806,067</u>	<u>12,385,301</u>	<u>815,338</u>
NET POSITION					
Net investment in capital assets	299,735,000	45,461,137	345,196,137	344,158,419	47,232,826
Restricted for:					
Capital projects	4,963,033	-	4,963,033	9,048,471	-
Other purposes	10,980,364	-	10,980,364	511,162	-
Unrestricted	<u>27,254,391</u>	<u>2,377,065</u>	<u>29,631,456</u>	<u>20,134,685</u>	<u>15,204,541</u>
Total Net Position	<u>\$ 342,932,788</u>	<u>\$ 47,838,202</u>	<u>\$ 390,770,990</u>	<u>\$ 373,852,737</u>	<u>\$ 62,437,367</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Statement of Activities
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Program Revenues				Total Program Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 4,961,384	\$ 1,002,599	\$ -	\$ -	\$ 1,002,599
Community development	5,098,251	3,773,050	-	-	3,773,050
Public safety	31,639,192	1,679,812	1,183,165	9,976	2,872,953
Public works	20,779,294	8,622,598	548,601	8,202,584	17,373,783
Recreation and social services	5,481,466	3,641,643	118,150	-	3,759,793
Total Governmental Activities	<u>67,959,587</u>	<u>18,719,702</u>	<u>1,849,916</u>	<u>8,212,560</u>	<u>28,782,178</u>
Business-type activities:					
Municipal transit	2,976,677	313,458	1,896,791	-	2,210,249
Sewer service	5,963,003	7,400,257	172,837	-	7,573,094
Total Business-type Activities	<u>8,939,680</u>	<u>7,713,715</u>	<u>2,069,628</u>	<u>-</u>	<u>9,783,343</u>
Total Primary Government	<u>\$ 76,899,267</u>	<u>\$ 26,433,417</u>	<u>\$ 3,919,544</u>	<u>\$ 8,212,560</u>	<u>\$ 38,565,521</u>
Component units:					
Water District	<u>\$ 12,148,271</u>	<u>\$ 8,648,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,648,507</u>

General revenues:
Taxes:
 Sales tax & sales tax in-lieu
 Transient occupancy tax
 Property tax
 Franchise tax
 Other
Intergovernmental
Rental income
Investment income, net
Gain on disposal of capital assets
Miscellaneous
 Total General Revenues

Transfers

 Change in net position

Net Position at Beginning of Year

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
		2016	2015	
\$ (3,958,785)	\$ -	\$ (3,958,785)	\$ (2,996,617)	\$ -
(1,325,201)	-	(1,325,201)	(894,388)	-
(28,766,239)	-	(28,766,239)	(23,582,825)	-
(3,405,511)	-	(3,405,511)	(7,125,118)	-
(1,721,673)	-	(1,721,673)	(1,749,440)	-
<u>(39,177,409)</u>	<u>-</u>	<u>(39,177,409)</u>	<u>(36,348,387)</u>	<u>-</u>
-	(766,428)	(766,428)	(64,638)	-
-	<u>1,610,091</u>	<u>1,610,091</u>	<u>331,502</u>	<u>-</u>
-	843,663	843,663	266,864	-
<u>(39,177,409)</u>	<u>843,663</u>	<u>(38,333,746)</u>	<u>(36,081,523)</u>	<u>-</u>
				<u>(3,499,764)</u>
6,374,955	-	6,374,955	5,804,635	-
10,754,654	-	10,754,654	9,872,378	-
34,100,038	-	34,100,038	30,945,911	2,641,162
1,287,006	-	1,287,006	1,239,653	-
85,906	-	85,906	1,093,881	-
206,120	-	206,120	204,726	-
481,114	-	481,114	485,119	395,354
1,259,063	36,734	1,295,797	734,043	473,665
31,283	-	31,283	69,391	-
372,465	262,661	635,126	386,553	-
<u>54,952,604</u>	<u>299,395</u>	<u>55,251,999</u>	<u>50,836,290</u>	<u>3,510,181</u>
<u>(1,045,298)</u>	<u>1,045,298</u>	<u>-</u>	<u>-</u>	<u>-</u>
14,729,897	2,188,356	16,918,253	14,754,767	10,417
<u>328,202,891</u>	<u>45,649,846</u>	<u>373,852,737</u>	<u>359,097,970</u>	<u>62,426,950</u>
<u>\$ 342,932,788</u>	<u>\$ 47,838,202</u>	<u>\$ 390,770,990</u>	<u>\$ 373,852,737</u>	<u>\$ 62,437,367</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 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 to fund the cost of an emergency response during natural or manmade disasters. Funds are restricted based on temporary sales tax increases, approved by the voters.

CAPITAL PROJECTS FUNDS

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

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

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

NONMAJOR GOVERNMENTAL FUNDS

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

CITY OF LAGUNA BEACH
Governmental Fund Types
Balance Sheet
June 30, 2016
(With Comparative Totals for June 30, 2015)

	<u>General</u>	<u>Special Revenue Disaster Contingency</u>	<u>Capital Projects Assessment Districts</u>
ASSETS			
Cash and investments	\$ 61,596,986	\$ 6,153,059	\$ 6,415,530
Receivables:			
Taxes	5,248,081	-	-
Accounts	581,030	-	-
Interest	39,714	-	-
Intergovernmental	189,743	-	-
Notes	348,000	-	-
Prepays	66,073	-	-
Inventory	49,534	-	-
Advances to other funds	-	-	-
Total Assets	<u>\$ 68,119,161</u>	<u>\$ 6,153,059</u>	<u>\$ 6,415,530</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 4,279,401	\$ -	\$ 1,437,997
Deposits	-	-	14,500
Due to other government agencies	42,796	-	-
Unearned revenue	597,561	-	-
Advances from other funds	5,918,372	-	-
Total Liabilities	<u>10,838,130</u>	<u>-</u>	<u>1,452,497</u>
Fund balances:			
Nonspendable	115,607	-	-
Restricted	2,566,305	-	4,963,033
Committed	350,106	6,153,059	-
Assigned	36,008,155	-	-
Unassigned	18,240,858	-	-
Total Fund Balances	<u>57,281,031</u>	<u>6,153,059</u>	<u>4,963,033</u>
Total Liabilities and Fund Balances	<u>\$ 68,119,161</u>	<u>\$ 6,153,059</u>	<u>\$ 6,415,530</u>

See accompanying notes to basic financial statements.

Nonmajor Governmental Funds	Governmental Funds Totals	
	2016	2015
\$ 6,689,615	\$ 80,855,190	\$ 65,582,464
11,417	5,259,498	3,623,883
-	581,030	508,457
-	39,714	48,183
78,380	268,123	324,558
190,337	538,337	555,155
-	66,073	59,593
-	49,534	55,496
1,500,000	1,500,000	1,670,000
<u>\$ 8,469,749</u>	<u>\$ 89,157,499</u>	<u>\$ 72,427,789</u>
\$ 55,690	\$ 5,773,088	\$ 3,231,194
-	14,500	14,500
-	42,796	42,796
-	597,561	984,995
-	5,918,372	6,772,462
<u>55,690</u>	<u>12,346,317</u>	<u>11,045,947</u>
-	115,607	115,089
8,414,059	15,943,397	9,560,133
-	6,503,165	6,452,957
-	36,008,155	29,467,522
-	18,240,858	15,786,141
<u>8,414,059</u>	<u>76,811,182</u>	<u>61,381,842</u>
<u>\$ 8,469,749</u>	<u>\$ 89,157,499</u>	<u>\$ 72,427,789</u>

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, 2016

Fund balances of governmental funds	\$ 76,811,182
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	382,112,150
Accumulated depreciation	(85,313,179)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds	
Net pension liability	(46,482,939)
Deferred outflows of resources related to pensions	7,456,834
Deferred inflows of resources related to pensions	(4,598,262)
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds must be added to the Statement of Net Position.	
	<u>12,947,002</u>
Net Position of Governmental Activities	<u><u>\$ 342,932,788</u></u>

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, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	<u>General</u>	<u>Special Revenue Disaster Contingency</u>	<u>Capital Projects Assessment Districts</u>
Revenues:			
Taxes	\$ 51,606,668	\$ -	\$ -
Licenses and permits	1,500,393	-	-
Fines and penalties	1,082,844	-	-
Investment income, net	1,170,572	63,380	15,033
Rental	481,114	-	-
Intergovernmental	1,596,042	-	-
Charges for services	8,177,621	-	-
Parking meters, lots and permits	6,739,529	-	-
Development tax	185,949	-	-
Contributions from property owners	-	-	7,281,713
Other	934,383	-	23,591
Total Revenues	<u>73,475,115</u>	<u>63,380</u>	<u>7,320,337</u>
Expenditures:			
Current:			
General government	5,330,478	-	-
Community development	5,041,256	-	-
Public safety	30,647,342	-	-
Public works	12,481,858	-	-
Recreation and social services	4,889,196	-	-
Capital outlay	<u>5,276,027</u>	<u>-</u>	<u>1,835,382</u>
Total Expenditures	<u>63,666,157</u>	<u>-</u>	<u>1,835,382</u>
Excess of revenues over expenditures	<u>9,808,958</u>	<u>63,380</u>	<u>5,484,955</u>
Other financing sources (uses):			
Transfers in	120,000	-	-
Transfers out	(1,986,298)	-	-
Sale of land and equipment	<u>11,023</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,855,275)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	7,953,683	63,380	5,484,955
Fund Balances (deficit), Beginning of Year	<u>49,327,348</u>	<u>6,089,679</u>	<u>(521,922)</u>
Fund Balances, End of Year	<u>\$ 57,281,031</u>	<u>\$ 6,153,059</u>	<u>\$ 4,963,033</u>

See accompanying notes to basic financial statements.

Nonmajor Governmental Funds	Governmental Funds Totals	
	2016	2015
\$ 1,815,447	\$ 53,422,115	\$ 49,740,077
-	1,500,393	1,257,275
85,411	1,168,255	1,161,445
7,317	1,256,302	715,521
-	481,114	484,579
522,953	2,118,995	2,817,867
-	8,177,621	8,153,319
-	6,739,529	7,400,349
-	185,949	271,927
-	7,281,713	-
-	957,974	1,556,022
<u>2,431,128</u>	<u>83,289,960</u>	<u>73,558,381</u>
-	5,330,478	4,598,623
-	5,041,256	4,445,514
-	30,647,342	27,014,412
357,510	12,839,368	11,867,474
-	4,889,196	4,902,441
<u>61,296</u>	<u>7,172,705</u>	<u>10,735,900</u>
<u>418,806</u>	<u>65,920,345</u>	<u>63,564,364</u>
<u>2,012,322</u>	<u>17,369,615</u>	<u>9,994,017</u>
-	120,000	1,050,000
(85,000)	(2,071,298)	(2,223,400)
-	11,023	7,258
<u>(85,000)</u>	<u>(1,940,275)</u>	<u>(1,166,142)</u>
1,927,322	15,429,340	8,827,875
<u>6,486,737</u>	<u>61,381,842</u>	<u>52,553,967</u>
<u>\$ 8,414,059</u>	<u>\$ 76,811,182</u>	<u>\$ 61,381,842</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, 2016

Net change in fund balances - total governmental funds	\$ 15,429,340
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	(3,787,005)
Purchases of capital assets recorded in governmental funds	1,323,060
Net effect of various transactions involving capital assets (i.e. sales, retirements)	(142,246)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Pension expense reported on government wide statement of activities	(3,582,030)
Governmental funds report expenditures for retirement contributions whereas these amounts are reported as deferred outflows of resources on the statement of net position	7,421,128
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the internal service funds must be added to the Statement of Net Position.	
	<u>(1,932,350)</u>
Change in net position of governmental activities	<u><u>\$ 14,729,897</u></u>

See accompanying notes to basic financial statements.

PROPRIETARY FUNDS

MAJOR ENTERPRISE FUNDS

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

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

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

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

INTERNAL SERVICE FUNDS

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

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Net Position
June 30, 2016
(With Comparative Totals for June 30, 2015)

	Business-Type Activities		
	Municipal Transit	Sewer Service	2016 Total
ASSETS			
Current assets:			
Cash and investments	\$ 580,304	\$ 3,683,555	\$ 4,263,859
Receivables:			
Accounts	1,874	184,221	186,095
Intergovernmental	970,016	-	970,016
Taxes	-	40,114	40,114
Prepays	24,623	-	24,623
Total Current Assets	<u>1,576,817</u>	<u>3,907,890</u>	<u>5,484,707</u>
Noncurrent assets:			
Advances to other funds	-	-	-
Notes receivable	-	-	-
Property for housing program	-	-	-
Capital assets, not being depreciated	196,106	5,213,877	5,409,983
Capital assets, net of depreciation	3,430,420	40,152,539	43,582,959
Total Noncurrent Assets	<u>3,626,526</u>	<u>45,366,416</u>	<u>48,992,942</u>
Total Assets	<u>5,203,343</u>	<u>49,274,306</u>	<u>54,477,649</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	75,558	377,788	453,346
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	115,536	505,773	621,309
Compensated absences due within one year	1,581	9,881	11,462
Insurance claims payable due within one year	-	-	-
I Bank Installment Agreement due within one year	-	400,996	400,996
Total Current Liabilities	<u>117,117</u>	<u>916,650</u>	<u>1,033,767</u>
Non-current liabilities:			
Compensated absences	6,328	39,523	45,851
Insurance claims payable	-	-	-
I Bank Installment Agreement	-	3,130,809	3,130,809
Net OPEB liability	-	-	-
Net Pension liability	385,609	2,288,952	2,674,561
Total Noncurrent Liabilities	<u>391,937</u>	<u>5,459,284</u>	<u>5,851,221</u>
Total Liabilities	<u>509,054</u>	<u>6,375,934</u>	<u>6,884,988</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	34,634	173,171	207,805
NET POSITION			
Net Position			
Net investment in capital assets	3,626,526	41,834,611	45,461,137
Unrestricted	1,108,687	1,268,378	2,377,065
Total Net Position	<u>\$ 4,735,213</u>	<u>\$ 43,102,989</u>	<u>\$ 47,838,202</u>

See accompanying notes to basic financial statements.

Governmental Activities	Business-Type Activities	Governmental Activities
Internal Service Funds	2015 Total	2015 Internal Service Funds
\$ 12,725,225	\$ 5,239,495	\$ 11,937,264
13,500	173,852	74,006
-	1,340,816	-
-	87,158	-
4,900	55,600	-
<u>12,743,625</u>	<u>6,896,921</u>	<u>12,011,270</u>
4,418,372	-	5,102,462
916,941	-	480,482
2,475,309	-	1,677,809
-	1,431,418	-
2,936,029	44,943,289	2,300,695
<u>10,746,651</u>	<u>46,374,707</u>	<u>9,561,448</u>
<u>23,490,276</u>	<u>53,271,628</u>	<u>21,572,718</u>
-	412,536	-
206,182	946,410	183,390
724,746	10,792	656,610
1,903,080	-	873,445
-	390,339	-
<u>2,834,008</u>	<u>1,347,541</u>	<u>1,713,445</u>
2,908,985	43,167	2,626,439
4,440,521	-	2,038,039
-	3,531,806	-
359,760	-	315,443
-	2,511,619	-
<u>7,709,266</u>	<u>6,086,592</u>	<u>4,979,921</u>
<u>10,543,274</u>	<u>7,434,133</u>	<u>6,693,366</u>
-	600,185	-
2,936,029	42,452,562	2,300,695
10,010,973	3,197,284	12,578,657
<u>\$ 12,947,002</u>	<u>\$ 45,649,846</u>	<u>\$ 14,879,352</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, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Business- Type Activities		
	Municipal Transit	Sewer Service	2016 Total
Operating revenues:			
Passenger revenues	\$ 313,458	\$ -	\$ 313,458
Vehicle rentals	-	-	-
Employee benefits charges	-	-	-
Insurance charges	-	-	-
Charges for services	-	7,400,257	7,400,257
Total Operating Revenues	<u>313,458</u>	<u>7,400,257</u>	<u>7,713,715</u>
Operating expenses:			
Personnel services	1,686,329	1,245,199	2,931,528
Contractual services	172,640	2,198,632	2,371,272
Materials and supplies	441,486	1,012,652	1,454,138
Administration	369,368	11,011	380,379
Employee benefits	-	-	-
Insurance claims and premiums	-	-	-
Depreciation	306,854	1,399,232	1,706,086
Total Operating Expenses	<u>2,976,677</u>	<u>5,866,726</u>	<u>8,843,403</u>
Operating Income (Loss)	<u>(2,663,219)</u>	<u>1,533,531</u>	<u>(1,129,688)</u>
Nonoperating revenues (expenses):			
Investment income	1,034	35,700	36,734
Intergovernmental	1,896,791	172,837	2,069,628
Interest expense	-	(96,277)	(96,277)
Gain (Loss) on disposal of capital assets	-	-	-
Other revenue	97	262,564	262,661
Total Nonoperating Revenues (Expenses)	<u>1,897,922</u>	<u>374,824</u>	<u>2,272,746</u>
Income (Loss) before contributions and transfers	<u>(765,297)</u>	<u>1,908,355</u>	<u>1,143,058</u>
Transfers in	655,184	390,114	1,045,298
Transfers out	-	-	-
Total Transfers	<u>655,184</u>	<u>390,114</u>	<u>1,045,298</u>
Change in Net Position	(110,113)	2,298,469	2,188,356
Net Position at Beginning of Year	<u>4,845,326</u>	<u>40,804,520</u>	<u>45,649,846</u>
Net Position at End of Year	<u>\$ 4,735,213</u>	<u>\$ 43,102,989</u>	<u>\$ 47,838,202</u>

See accompanying notes to basic financial statements.

Governmental Activities	Business- Type Activities	Governmental Activities
Internal Service Funds	2015 Total	2015 Internal Service Funds
\$ -	\$ 319,135	\$ -
1,408,487	-	1,227,599
660,250	-	654,400
7,815,551	-	7,025,929
-	7,093,423	-
<u>9,884,288</u>	<u>7,412,558</u>	<u>8,907,928</u>
-	2,559,492	-
-	2,228,758	-
-	1,338,244	-
162,862	257,435	143,711
1,107,890	-	767,236
10,842,929	-	6,878,531
629,217	3,512,753	565,228
<u>12,742,898</u>	<u>9,896,682</u>	<u>8,354,706</u>
<u>(2,858,610)</u>	<u>(2,484,124)</u>	<u>553,222</u>
-	25,464	-
-	2,605,707	-
-	(106,933)	-
20,260	(6,537)	68,670
-	256,864	-
<u>20,260</u>	<u>2,774,565</u>	<u>68,670</u>
<u>(2,838,350)</u>	<u>290,441</u>	<u>621,892</u>
941,000	1,350,691	450,000
(35,000)	-	(627,291)
<u>906,000</u>	<u>1,350,691</u>	<u>(177,291)</u>
(1,932,350)	1,641,132	444,601
14,879,352	44,008,714	14,434,751
<u>\$ 12,947,002</u>	<u>\$ 45,649,846</u>	<u>\$ 14,879,352</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Business-Type Activities		
	Municipal Transit	Sewer Service	2016 Total
Cash flows from operating activities:			
Cash received from customers	\$ 316,298	\$ 7,385,271	\$ 7,701,569
Cash received from user departments	-	-	-
Cash payments to suppliers for goods and services	(1,570,885)	(2,619,420)	(4,190,305)
Cash payments to employees for services	(1,735,520)	(1,462,902)	(3,198,422)
Net cash provided by (used for) operating activities	<u>(2,990,107)</u>	<u>3,302,949</u>	<u>312,842</u>
Cash flows from noncapital financing activities:			
Operating grant proceeds received	1,152,483	172,837	1,325,320
Cash received from (paid to) other funds	655,184	390,114	1,045,298
Cash received from operating grants - TDA	1,115,108	-	1,115,108
Cash received for payment on advance to other funds	-	-	-
Loans made for housing program	-	-	-
Cash received related to housing program	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>2,922,775</u>	<u>562,951</u>	<u>3,485,726</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	-	(4,324,321)	(4,324,321)
Proceeds from sale of capital assets	-	-	-
Purchase of property for housing program	-	-	-
Principal and interest paid on long-term debt	-	(486,617)	(486,617)
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>(4,810,938)</u>	<u>(4,810,938)</u>
Cash flows from investing activities:			
Interest received	<u>1,034</u>	<u>35,700</u>	<u>36,734</u>
Net cash provided by (used for) investing financing activities	<u>1,034</u>	<u>35,700</u>	<u>36,734</u>
Net increase (decrease) in cash and cash equivalents	(66,298)	(909,338)	(975,636)
Cash and cash equivalents at beginning of year	<u>646,602</u>	<u>4,592,893</u>	<u>5,239,495</u>
Cash and cash equivalents at end of year	<u>\$ 580,304</u>	<u>\$ 3,683,555</u>	<u>\$ 4,263,859</u>

See accompanying notes to basic financial statements.

<u>Governmental Activities Internal Service Funds</u>	<u>Business- Type Activities 2015 Total</u>	<u>Governmental Activities 2015 Internal Service Funds</u>
\$ -	\$ 7,343,389	\$ -
9,890,114	-	8,976,679
(7,501,102)	(2,997,694)	(7,576,199)
<u>(712,891)</u>	<u>(2,782,727)</u>	<u>(906,077)</u>
1,676,121	1,562,968	494,403
-	853,134	-
906,000	1,173,400	(177,291)
-	1,039,511	-
684,090	-	97,538
(472,000)	-	-
<u>35,541</u>	<u>-</u>	<u>42,267</u>
1,153,631	3,066,045	(37,486)
(1,264,551)	(1,649,752)	(950,952)
20,260	4,110	68,670
(797,500)	-	-
<u>-</u>	<u>(486,899)</u>	<u>-</u>
(2,041,791)	(2,132,541)	(882,282)
-	25,464	-
-	25,464	-
787,961	2,521,936	(425,365)
<u>11,937,264</u>	<u>2,717,559</u>	<u>12,362,629</u>
<u>\$ 12,725,225</u>	<u>\$ 5,239,495</u>	<u>\$ 11,937,264</u>

(Continued)

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 20, 2015)
(Continued)

	Business-Type Activities		
	Municipal Transit	Sewer Service	2016 Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (2,663,219)	\$ 1,533,531	\$ (1,129,688)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	306,854	1,399,232	1,706,086
Pension Expense	34,171	144,057	178,228
Other income	97	262,564	262,661
(Increase) decrease in accounts receivable	2,743	(14,986)	(12,243)
(Increase) decrease in taxes receivable	-	47,044	47,044
(Increase) in prepaids	30,977		30,977
Payments related to deferred outflows for contributions subsequent to measurement date	(74,746)	(373,730)	(448,476)
Increase (decrease) in accounts payable and accrued liabilities	(618,368)	293,267	(325,101)
Increase (decrease) in compensated absences payable	(8,616)	11,970	3,354
Increase in net OPEB liability	-	-	-
Increase (Decrease) in insurance claims payable	-	-	-
Net cash provided by (used for) operating activities	<u>\$ (2,990,107)</u>	<u>\$ 3,302,949</u>	<u>\$ 312,842</u>

See accompanying notes to basic financial statements.

<u>Governmental Activities</u> Internal Service Funds	<u>Business- Type Activities</u> 2015 Total	<u>Governmental Activities</u> 2015 Internal Service Funds
\$ (2,858,610)	\$ (2,484,124)	\$ 553,222
629,217	3,512,753	565,228
-	188,912	-
-	246,217	-
60,506	(69,709)	(49,960)
-	(1,493)	-
(4,900)	(6,000)	-
-	(412,536)	-
22,792	588,559	(71,978)
350,682	389	(166,753)
44,317	-	27,912
3,432,117	-	(363,268)
<u>\$ 1,676,121</u>	<u>\$ 1,562,968</u>	<u>\$ 494,403</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2016
(With Comparative Totals for June 30, 2015)

	2016	2015
ASSETS		
Cash and investments	\$ 3,765,633	\$ 3,351,070
Investments with fiscal agent	741,061	294,812
Receivables:		
Taxes	14,472	14,811
Accounts	4,235	4,235
Intergovernmental	7,991	7,561
Total Assets	\$ 4,533,392	\$ 3,672,489
LIABILITIES		
Accounts payable and accrued liabilities	\$ 65,202	\$ 57,893
Deposits	2,821,927	2,489,712
Due to bondholders	1,646,263	1,124,884
Total Liabilities	\$ 4,533,392	\$ 3,672,489

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

B. Basis of Accounting and Measurement Focus

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

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

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

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.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

B. Basis of Accounting and Measurement Focus (Continued)

Government-wide Financial Statements (Continued)

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

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, liabilities, and deferred inflows/outflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

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

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

Fund Financial Statements

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

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about the major 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.

CITY OF LAGUNA BEACH, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

B. Basis of Accounting and Measurement Focus (Continued)

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.

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.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

B. Basis of Accounting and Measurement Focus (Continued)

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, liabilities (whether current or noncurrent), and deferred inflows/outflows of resources associated with their activity are included. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

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

C. Fund Classifications

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

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

Disaster Contingency Special Revenue 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. Revenue sources include the temporary restricted sales tax increase approved by voters and interest earned on such funds. The City has elected to present this fund as a major fund.

Assessment Districts Capital Projects Fund - This fund is used to account for assessment district utility undergrounding projects which are funded by property owners of the assessment district. Revenues include contributions from property owners restricted for projects within the Assessment District and interest earned on such funds. Effective July 1, 2015, the City has reclassified this fund as a major governmental fund.

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

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

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.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

C. Fund Classifications (Continued)

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 within the restricted, committed, or assigned fund balance depending on the resources that have been identified to fund the applicable encumbrance. The total encumbrances outstanding as of June 30, 2016 were \$2,124,100.

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. 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. Fair Value Measurements

As of July 1, 2015 the City adopted Governmental Accounting Standards Board (“GASB”) Statement No. 72, *Fair Value Measurements and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes, applying fair value to certain investments and disclosures related to all fair value measurements. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

G. Advances to Other Funds

Long-term interfund advances are recorded as a receivable and as nonspendable fund balance by the advancing governmental fund, when reported in the General Fund or within restricted fund balance for other governmental funds.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

H. Inventory

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

I. 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.

J. Capital Assets

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

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

Capital assets used in operations are depreciated over their estimated useful lives. The City uses the straight-line method in the government-wide financial statements 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 20 years

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

K. Property Taxes

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

L. Compensated Absences

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

M. 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.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

N. General Fund Balance Policy

It is the policy of the City to maintain a minimum reserve in unassigned fund balance for unforeseen emergencies or catastrophic impacts upon the City, and whenever fiscally possible and financially prudent, to maintain a greater target reserve. The minimum reserve of the General Fund is 10 percent of General Fund operating expenditures (single fund, not combined General Fund) per the City's municipal code. However, the City Council has established a policy of a higher minimum reserve of 20 percent. Total expenditures were \$56,687,647 and the minimum reserve requirement was \$11,337,529. The City's General Fund (single fund, not combined) reported \$18,240,858 of unassigned fund balance as of June 30, 2016.

O. 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.

P. 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, and does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2015, from which such summarized information was derived. Certain minor reclassifications of prior year data have been made in order to enhance its comparability with current year figures. Such information

Q. Deferred Outflows and Inflows of Resources

The City reports deferred outflows and inflows of resources. A deferred outflow of resources is a consumption of net position or fund balance by the government that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position or fund balance by the government that is applicable to a future period. The City reports deferred outflows and inflows of resources related to pensions on the government-wide statement of net position and the proprietary funds statement of net position, under the full accrual basis of accounting. Refer to Note 15 for items identified as deferred inflows and outflows related to pensions.

R. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees Retirement System (CalPERS) plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF LAGUNA BEACH, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

S. New GASB Pronouncements

Adopted in the Current Year

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this statement is to clarify the definition of fair value, establish general principles for measuring fair value, and enhancing disclosures about fair value measurements. The Statement is effective for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. This pronouncement was implemented effective July 1, 2015.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The Statement is effective for the periods beginning after June 15, 2015, or the 2015-2016 fiscal year. This pronouncement was implemented effective July 1, 2015.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of the Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective for the reporting periods beginning after June 15, 2016, or the 2016-2017 fiscal year. This pronouncement was implemented effective July 1, 2015.

Effective in Future Years

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The requirements of the Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, except for certain provisions applicable beginning after June 15, 2015. For the provisions effective June 30, 2016 there was no material impact to the City. For the provisions effective subsequent to FY 15-16 the City has not determined the effect of the statement.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of the Statement is to address the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated. The Statement is effective for periods beginning after June 15, 2016, or the 2016-2017 fiscal year. The pronouncement is applicable to OPEB plans.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

S. New GASB Pronouncements (Continued)

Effective in Future Years (Continued)

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017, or the 2017-2018 fiscal year. The City has not determined the effect of the statement.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Statement requires state and local governments to disclose information about tax abatement agreements. The Statement is effective for the periods beginning after December 15, 2015, or the 2016-2017 fiscal year. The City has not determined the effect of the statement.

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement amends the scope and applicability of GASB Statement No. 68 to exclude certain types of cost-sharing multiple employer plans. The Statement is effective for the periods beginning after December 15, 2015, or the 2016-2017 fiscal year. The City has not determined the effect of the statement.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Statement establishes additional note disclosure requirements for qualifying external investment pools that require measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Both the qualifying external investment pools and their participants are required to disclose information about any limitations or restrictions on participant withdrawals. The Statement is effective for the periods beginning after June 15, 2015, except for the provisions in paragraph 18, 19, 23-26, and 40, which are effective for reporting periods beginning after December 15, 2015. For the provisions effective June 30, 2016 there was no material impact to the City. For the provisions effective subsequent to FY 15-16 the City has not determined the effect of the statement.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Statement is effective for the reporting periods beginning after June 15, 2016, or the 2016-2017 fiscal year. The City has not determined the effect of the statement.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

S. New GASB Pronouncements (Continued)

Effective in Future Years (Continued)

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016, or the 2017-2018 fiscal year. The City has not determined the effect of the statement.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government’s AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-2019 fiscal year. The City has not determined its effect of the statement.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments of the primary government as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	
Governmental Activities	\$ 93,580,415
Business-Type Activities	4,263,859
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	3,765,633
Investments with fiscal agent	741,061
Total cash and investments	<u><u>\$ 102,350,968</u></u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2016 consist of the following:

Cash on hand (petty cash and change funds)	\$	15,400
Deposits with financial institutions		2,856,950
Investments		99,478,618
Total cash and investments		\$ 102,350,968

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	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Municipal Bonds	5 years	25%	5%
City of Laguna Beach Debt/Bonds	5 years***	5%	5%
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Banker's Acceptances	180 days	25%	None
Commerical Paper	270 days	25%	5%
Negotiable Certificates of Deposit	5 years	25%	None**
Medium-Term Notes	5 years	25%	5%
Bank Deposits	N/A	25%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$50,000,000
Supranational Securities	5 years	5%	None

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

**Allowed up to FDIC limit

*** May be authorized by City Council in excess of 5 years

Investments Authorized by Debt Agreements

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

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Total	Remaining Maturity (in Months)		
		18 Month Or Less	19 to 24 Months	25 to 60 Months
Federal Agency Securities	\$ 48,795,455	\$ 9,011,320	\$ 3,665,387	\$ 36,118,748
Municipal Bonds	3,890,488	1,001,880	-	2,888,608
Local Agency Investment Fund	27,138,534	27,138,534	-	-
Certificates of Deposit	12,548,721	6,751,318	1,257,660	4,539,743
Medium-Term Notes	5,675,531	1,115,106	1,004,300	3,556,125
Held by bond fiscal agent:				
Local Agency Investment Fund	1,429,889	1,429,889	-	-
Total	<u>\$ 99,478,618</u>	<u>\$ 46,448,047</u>	<u>\$ 5,927,347</u>	<u>\$ 47,103,224</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	S&P Rating as of Year End		
			AA	A	Not Rated
Federal Agency Securities	\$ 48,795,455	N/A	\$ 48,795,455	\$ -	\$ -
Municipal Bonds	3,890,488	A	3,890,488	-	-
Local Agency Investment Fund	27,138,534	N/A	-	-	27,138,534
Certificates of Deposit	12,548,721	N/A	-	-	12,548,721
Medium-Term Notes	5,675,531	A	3,550,355	2,125,176	-
Held by bond fiscal agent:					
Local Agency Investment Fund	1,429,889	N/A	-	-	1,429,889
Total	<u>\$ 99,478,618</u>		<u>\$ 56,236,298</u>	<u>\$ 2,125,176</u>	<u>\$ 41,117,144</u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The investment policy of the City contains a 5 percent 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 percent or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal agency securities	\$ 15,151,309
Federal Home Loan Bank	Federal agency securities	13,598,536
Federal National Mortgage Association	Federal agency securities	11,022,670
Federal Home Loan Mortgage Corporation	Federal agency securities	9,022,940

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 percent 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 percent of the secured public deposits. The City has \$2,968,267 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.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2016 consist of the following:

Cash on hand (petty cash and change funds)	\$	15,400
Deposits with financial institutions		2,856,950
Investments		99,478,618
Total cash and investments		\$ 102,350,968

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	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Municipal Bonds	5 years	25%	5%
City of Laguna Beach Debt/Bonds	5 years***	5%	5%
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Banker's Acceptances	180 days	25%	None
Commerical Paper	270 days	25%	5%
Negotiable Certificates of Deposit	5 years	25%	None**
Medium-Term Notes	5 years	25%	5%
Bank Deposits	N/A	25%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$50,000,000
Supranational Securities	5 years	5%	None

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

**Allowed up to FDIC limit

*** May be authorized by City Council in excess of 5 years

Investments Authorized by Debt Agreements

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

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 – INTERFUND ACTIVITY

Interfund balances at June 30, 2016 consisted of the following:

<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>	<u>Amount</u>
Internal Service Fund	General Fund	\$ 3,718,372
Internal Service Fund	General Fund	700,000
Non-Major Governmental Funds	General Fund	1,500,000
		<u>\$ 5,918,372</u>

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 percent. The amount paid in FY 2015-2016 was principal of \$684,090 and interest of \$172,988 and was eliminated on the Statement of Activities. The principal payment schedule from the general fund is as follows:

<u>Year</u>	<u>Payment Amount</u>
2016 - 2017	\$ 703,141
2017 - 2018	722,723
2018 - 2019	742,850
2019 - 2020	763,538
2020 - 2024	2,986,120
Total	<u>\$ 5,918,372</u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance at July 1, 2015	Additions	Deletions/ Transfers	Balance at June 30, 2016
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 87,542,481	\$ 5,400	\$ -	\$ 87,547,881
Construction in progress	9,448,487	1,977,521	(4,841,410)	6,584,598
Total Capital Assets, Not Depreciated	<u>96,990,968</u>	<u>1,982,921</u>	<u>(4,841,410)</u>	<u>94,132,479</u>
Capital assets, being depreciated:				
Buildings and improvements	57,183,559	481,732	(124,247)	57,541,044
Office equipment and machinery	6,078,858	1,691,139	(486,784)	7,283,213
Furniture and fixtures	1,964,805	221,889	(8,807)	2,177,887
Equipment, machinery and tools	5,818,538	355,087	(231,373)	5,942,252
Automotive equipment	7,600,569	1,272,231	(635,440)	8,237,360
Infrastructure	213,487,464	1,424,022	-	214,911,486
Total Capital Assets Being Depreciated	<u>292,133,793</u>	<u>5,446,100</u>	<u>(1,486,651)</u>	<u>296,093,242</u>
Less accumulated depreciation for:				
Buildings and improvements	(24,179,604)	(1,617,383)	124,247	(25,672,740)
Office equipment and machinery	(4,044,942)	(444,811)	439,128	(4,050,625)
Furniture and fixtures	(418,461)	(32,632)	2,900	(448,193)
Equipment, machinery and tools	(4,550,578)	(409,168)	150,371	(4,809,375)
Automotive equipment	(5,255,362)	(631,786)	627,759	(5,259,389)
Infrastructure	(48,969,957)	(1,280,442)	-	(50,250,399)
Total Accumulated Depreciation	<u>(87,418,904)</u>	<u>(4,416,222)</u>	<u>1,344,405</u>	<u>(90,490,721)</u>
Total Capital Assets Being Depreciated, Net	<u>204,714,889</u>	<u>1,029,878</u>	<u>(142,246)</u>	<u>205,602,521</u>
Governmental Activities Capital Assets, Net	<u>\$ 301,705,857</u>	<u>\$ 3,012,799</u>	<u>\$ (4,983,656)</u>	<u>\$ 299,735,000</u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Balance at July 1, 2015	Additions	Deletions/ Transfers	Balance at June 30, 2016
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	1,948,393	-	-	1,948,393
Office equipment and machinery	59,145	-	-	59,145
Furniture and fixtures	1,500	-	-	1,500
Equipment, machinery and tools	27,963	-	-	27,963
Automotive equipment	5,169,804	-	-	5,169,804
Total Capital Assets Being Depreciated	<u>7,206,805</u>	<u>-</u>	<u>-</u>	<u>7,206,805</u>
Less accumulated depreciation for:				
Buildings and improvements	(502,051)	(63,005)	-	(565,056)
Office equipment and machinery	(47,727)	(1,604)	-	(49,331)
Furniture and fixtures	(1,500)	-	-	(1,500)
Equipment, machinery and tools	(27,963)	-	-	(27,963)
Automotive equipment	(2,890,289)	(242,245)	-	(3,132,534)
Total Accumulated Depreciation	<u>(3,469,530)</u>	<u>(306,854)</u>	<u>-</u>	<u>(3,776,384)</u>
Total Capital Assets Being Depreciated, Net	<u>3,737,274</u>	<u>(306,854)</u>	<u>-</u>	<u>3,430,420</u>
Municipal Transit Fund Capital Assets, Net	<u>\$ 3,933,380</u>	<u>\$ (306,854)</u>	<u>\$ -</u>	<u>\$ 3,626,526</u>

CITY OF LAGUNA BEACH, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2016</u>
Sewer Service Fund:				
Capital assets, not depreciated:				
Construction in progress	\$ 1,235,312	\$ 4,272,809	\$ (294,244)	\$ 5,213,877
Total Capital Assets, Not Depreciated	<u>1,235,312</u>	<u>4,272,809</u>	<u>(294,244)</u>	<u>5,213,877</u>
Capital assets, being depreciated:				
Buildings and improvements	28,042	-	-	28,042
Office equipment and machinery	455,452	44,061	-	499,513
Furniture and fixtures	53,015	-	-	53,015
Equipment, machinery and tools	507,681	-	-	507,681
Automotive equipment	1,119,437	-	-	1,119,437
Sewer plant and lines	75,755,842	301,695	(29,678,016)	46,379,521
Capacity rights	-	-	29,678,016	29,678,016
Total Capital Assets Being Depreciated	<u>77,919,469</u>	<u>345,756</u>	<u>-</u>	<u>78,265,225</u>
Less accumulated depreciation for:				
Buildings and improvements	(25,649)	(935)	-	(26,584)
Office equipment and machinery	(431,939)	(5,216)	-	(437,155)
Furniture and fixtures	(4,819)	(1,130)	-	(5,949)
Equipment, machinery and tools	(147,570)	(36,029)	-	(183,599)
Automotive equipment	(570,849)	(88,389)	-	(659,238)
Sewer plant and lines	(35,532,628)	(1,267,533)	22,113,651	(14,686,510)
Capacity rights	-	-	(22,113,651)	(22,113,651)
Total Accumulated Depreciation	<u>(36,713,454)</u>	<u>(1,399,232)</u>	<u>-</u>	<u>(38,112,686)</u>
Total Capital Assets Being Depreciated, Net	<u>41,206,015</u>	<u>(1,053,476)</u>	<u>-</u>	<u>40,152,539</u>
Sewer Service Fund Capital Assets, Net	<u>\$ 42,441,327</u>	<u>\$ 3,219,333</u>	<u>\$ (294,244)</u>	<u>\$ 45,366,416</u>

CITY OF LAGUNA BEACH, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2016</u>
Total Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 196,106	\$ -	\$ -	\$ 196,106
Construction in progress	1,235,312	4,272,809	(294,244)	5,213,877
Total Capital Assets, Not Depreciated	<u>1,431,418</u>	<u>4,272,809</u>	<u>(294,244)</u>	<u>5,409,983</u>
Capital assets, being depreciated:				
Buildings and improvements	1,976,435	-	-	1,976,435
Office equipment and machinery	514,597	44,061	-	558,658
Furniture and fixtures	54,515	-	-	54,515
Equipment, machinery and tools	535,644	-	-	535,644
Automotive equipment	6,289,241	-	-	6,289,241
Sewer plant and lines	75,755,842	301,695	(29,678,016)	46,379,521
Capacity rights	-	-	29,678,016	29,678,016
Total Capital Assets Being Depreciated	<u>85,126,274</u>	<u>345,756</u>	<u>-</u>	<u>85,472,030</u>
Less accumulated depreciation for:				
Buildings and improvements	(527,700)	(63,940)	-	(591,640)
Office equipment and machinery	(479,666)	(6,820)	-	(486,486)
Furniture and fixtures	(6,319)	(1,130)	-	(7,449)
Equipment, machinery and tools	(175,533)	(36,029)	-	(211,562)
Automotive equipment	(3,461,138)	(330,634)	-	(3,791,772)
Sewer plant and lines	(35,532,628)	(1,267,533)	22,113,651	(14,686,510)
Capacity rights	-	-	(22,113,651)	(22,113,651)
Total Accumulated Depreciation	<u>(40,182,984)</u>	<u>(1,706,086)</u>	<u>-</u>	<u>(41,889,070)</u>
Total Capital Assets Being Depreciated, Net	<u>44,943,289</u>	<u>(1,360,330)</u>	<u>-</u>	<u>43,582,959</u>
Business-type Activities Capital Assets, Net	<u>\$ 46,374,707</u>	<u>\$ 2,912,479</u>	<u>\$ (294,244)</u>	<u>\$ 48,992,942</u>

The City transferred \$7,564,365 of net capitalized assets from Sewer plant and lines to Capacity rights, related to capital payments made to South Orange County Wastewater Authority (SOCWA) which includes \$29,678,016 of original cost, less \$22,113,651 of accumulated depreciation. These amounts were remitted to SOCWA to satisfy the City's obligation related to capacity rights at joint facilities, and the transfer results in no effect on the financial statements.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 – CAPITAL ASSETS (CONTINUED)

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

General government	\$ 260,712
Community development	56,995
Public safety	928,993
Public works	2,577,252
Recreation and social services	592,270
Total	<u>\$ 4,416,222</u>

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

Municipal transit	\$ 306,854
Sewer service	1,399,232
Total	<u>\$ 1,706,086</u>

NOTE 5 – CONSTRUCTION COMMITMENTS

As of June 30, 2016, contract commitments for major capital projects included the following:

Description	Project Contract	Expenditures To Date	Unexpended Balance
Burn Dump Restoration	\$ 4,759,908	\$ 3,884,644	\$ 875,264
Storm Drain-Anita Street/Seaview Street	1,485,000	121,014	1,363,986
Retaining Wall-Alta Vista Way	1,600,000	1,423,964	176,036
Temple Hills Pedestrian Improvements	678,100	56,011	622,089
Right Turn Lane-Coast and Broadway	1,440,000	184,711	1,255,289
Fire Road Access-Top of the World	735,100	169,925	565,175
Stairs Replacement - Thalia and Beach	750,000	202,305	547,695
South Main Beach Restroom Design	700,000	85,532	614,468
Lifeguard Headquarters and Restroom	7,112,890	6,949,190	163,700
Laguna Canyon Channel Rehabilitation	2,136,042	175,342	1,960,700
Creek Erosion Protection	1,249,000	277,208	971,792
Renovation of High School Tennis Courts	965,000	912,444	52,556
Parks Rehabilitation-Moulton, Alta, Lang	4,055,000	1,701,030	2,353,970
Village Entrance Project	13,821,772	7,405,564	6,416,208
Street Slurry Seal/Rehabilitation	3,980,200	2,476,905	1,503,295
Third Street/Loma Terrace Sewer	3,274,000	2,898,341	375,659
	<u>\$ 48,742,012</u>	<u>\$ 28,924,130</u>	<u>\$ 19,817,882</u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 – RISK MANAGEMENT

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

The City retains the risk of loss for general/auto liability claims of up to \$400,000 per occurrence and workers' compensation claims of up to \$300,000 per person per occurrence. Additionally, the City has retained risk of loss for employee PPO dental insurance claims. The City is fully insured for medical claims. The City has established the Insurance and Employee Benefits Internal Service Fund to account for and finance these uninsured risks of loss, and liabilities are accrued when incurred, including estimates for incurred but not reported (IBNR) loss, in this fund. An estimate for incurred but not reported claims for PPO dental coverage has not been accrued because management believes the liability for incurred but not recorded claims would be immaterial to the financial statements.

The City is also a member of the California Insurance Pool Authority (CIPA), a public entity risk pool consisting of 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 \$3,000,000 per occurrence with a \$33,000,000 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.

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 \$6,343,601 is reported in the Insurance and Employee Benefits Internal Service Fund, at June 30, 2016. Changes in the Insurance and Employee Benefits Internal Service Fund's claims liability amounts in fiscal years 2016 and 2015 were as follows:

	2016	2015
Beginning of year liability	\$ 2,911,484	\$ 3,274,752
Current year claims and changes in estimates	7,481,661	2,617,794
Claims payments	(4,049,544)	(2,981,062)
Insurance claims payable	\$ 6,343,601	\$ 2,911,484

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

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – IMPROVEMENT DISTRICTS

Bonds issued for improvement districts are liabilities of the property owners and are secured by liens against the assessed property. The City is not liable for repayment, 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. As of June 30, 2016, special assessment debt outstanding was:

District	Principal Outstanding 6/30/2016
AD 09-1	\$ 5,345,000
RAD 12-1	1,720,000
AD 13-1	635,987
RAD 14-3	1,694,876
Totals	\$ 9,395,863

NOTE 8 – 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, 2016, the deferred compensation assets are not reflected in the City's financial statement.

NOTE 9 – OPERATING LEASE

The City rents a community center, Legion Hall, under an operating lease that extends through January 31, 2019. Total expenditures under this lease were \$26,400 for the year ended June 30, 2016. The minimum future rental payments under this lease are as follows:

Year Ending June 30:	
2017	\$ 26,400
2018	26,400
2019	26,400
Total	\$ 79,200

CITY OF LAGUNA BEACH, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 – LONG-TERM LIABILITIES

The following is a summary of the changes in the principal balance of long-term liabilities for the year ended June 30, 2016:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016	Due within One year	Due beyond One year
Governmental activities:						
Net OPEB liability	\$ 315,443	\$ 44,317	\$ -	\$ 359,760	\$ -	\$ 359,760
Compensated absences	3,283,049	1,510,203	(1,159,521)	3,633,731	724,746	2,908,985
Insurance claims payable	2,911,484	7,481,661	(4,049,544)	6,343,601	1,903,080	4,440,521
Total Governmental activities	<u>\$ 6,509,976</u>	<u>\$ 9,036,181</u>	<u>\$ (5,209,065)</u>	<u>\$ 10,337,092</u>	<u>\$ 2,627,826</u>	<u>\$ 7,709,266</u>
Business-type Activities:						
Transit Fund:						
Compensated absences	\$ 16,524	7,601	\$ (16,216)	\$ 7,909	\$ 1,581	\$ 6,328
Total Transit Fund	<u>16,524</u>	<u>7,601</u>	<u>(16,216)</u>	<u>7,909</u>	<u>1,581</u>	<u>6,328</u>
Sewer Service Fund:						
Compensated absences	37,434	18,921	(6,951)	49,404	9,881	39,523
I-Bank installment agreement	3,922,145	-	(390,340)	3,531,805	400,996	3,130,809
Total Sewer Service Fund	<u>3,959,579</u>	<u>18,921</u>	<u>(397,291)</u>	<u>3,581,209</u>	<u>410,877</u>	<u>3,170,332</u>
Total Business-type Activities	<u>\$ 3,976,103</u>	<u>\$ 26,522</u>	<u>\$ (413,507)</u>	<u>\$ 3,589,118</u>	<u>\$ 412,458</u>	<u>\$ 3,176,660</u>

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

I-Bank Installment Sale Agreement

The City entered into a twenty-year loan on June 1, 2004 from the I-Bank Installment Sale Agreement with the California Infrastructure and Economic Development Bank (CIEDB). The agreement was amended on August 1, 2005 to increase the maximum loan amount to \$7,000,000, for the City's Sewer Line Reconstruction, Line and Manhole Rehabilitation Project. The loan is secured by revenues generated by the Sewer Service Fund and bears interest at a rate of 2.73 percent 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, 2016, 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, 2016 the outstanding principal amount was \$3,531,805. Total revenue available for debt service was \$7,400,257 and total debt service, including interest, was \$492,085.

The annual payment amounts required to retire the Sales Agreement as of June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2017	\$ 400,996	\$ 90,945	\$ 491,941
2018	411,943	79,848	491,791
2019	423,189	68,448	491,637
2020	434,742	56,738	491,480
2021	446,610	44,707	491,317
2022 - 2024	1,414,325	58,609	1,472,934
	<u>\$ 3,531,805</u>	<u>\$ 399,295</u>	<u>\$ 3,931,100</u>

CITY OF LAGUNA BEACH, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11 – OTHER 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 3 or more years of service with the City; 10 years for new hires) and their dependents in accordance with various labor agreements. The City does not pay any of the cost of health benefits; however, eligible retirees and their dependents are permitted to participate in the City's medical insurance plan until eligible for Medicare, typically at age 65. Once eligible, coverage under the City plan ceases. 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 2015-16, age-adjusted premiums contributed by the City totaled \$123,254.

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

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded 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	\$	173,196
Interest on net OPEB obligation		12,618
Adjustments to annual required contributions		(18,243)
Annual OPEB cost (expense)		167,571
Contributions made (including premiums paid)		(123,254)
Increase in net OPEB obligation		44,317
Net OPEB obligation - beginning of year		315,443
Net OPEB obligation - end of year		\$ 359,760

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 150,766	78%	\$ 287,351
6/30/2015	168,072	83%	315,443
6/30/2016	167,571	74%	359,760

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 – OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

Funded Status and Funded Progress. The funded status of the plan as of the most recent valuation date (July 1, 2014) is as follows:

Actuarial accrued liability (AAL)	\$ 1,634,753
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,634,753</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	21,450,536
UAAL as a percentage of covered payroll	7.6%

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 4 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements of 1 percent per year to an ultimate rate of 5 percent after the third year. The general inflation rate assumed was 4% per year. The UAAL is being amortized as a level percentage of projected payroll over 30 years. It is assumed the City's payroll will increase 3 percent per year.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 – FUND BALANCES

Fund balances are classified as follows:

	General Fund*	Major Special Revenue Fund Disaster Contingency Fund	Major Capital Projects Fund Assessment District Fund	Nonmajor Governmental Funds	Total
Fund balances:					
Nonspendable:					
Inventory	\$ 49,534	\$ -	\$ -	\$ -	\$ 49,534
Prepays	66,073	-	-	-	66,073
Total Nonspendable	<u>115,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,607</u>
Restricted for:					
Parking in-lieu	896	-	-	-	896
Park in-lieu	430,831	-	-	-	430,831
Art in-lieu	215,240	-	-	-	215,240
Drainage	68,991	-	-	-	68,991
Housing in-lieu	637,897	-	-	-	637,897
Transportation infrastructure	1,212,450	-	-	-	1,212,450
Street lighting district	-	-	-	6,845,130	6,845,130
Gas tax	-	-	-	1,335,475	1,335,475
Public safety	-	-	-	233,454	233,454
Assessment district improvements	-	-	4,963,033	-	4,963,033
Subtotal	<u>2,566,305</u>	<u>-</u>	<u>4,963,033</u>	<u>8,414,059</u>	<u>15,943,397</u>
Committed for:					
Solid waste	350,106	-	-	-	350,106
Repair of public facilities and natural disaster	-	6,153,059	-	-	6,153,059
Total Committed	<u>350,106</u>	<u>6,153,059</u>	<u>-</u>	<u>-</u>	<u>6,503,165</u>
Assigned to:					
Open space	800,163	-	-	-	800,163
Parking authority	12,763,796	-	-	-	12,763,796
Capital projects	22,444,196	-	-	-	22,444,196
Subtotal	<u>36,008,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,008,155</u>
Unassigned [†]	<u>18,240,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,240,858</u>
Total Fund Balance	<u>\$ 57,281,031</u>	<u>\$ 6,153,059</u>	<u>\$ 4,963,033</u>	<u>\$ 8,414,059</u>	<u>\$ 76,811,182</u>

*For financial statement reporting the City has included the following subfunds 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 1N for the General Fund Balance Reserve Policy.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 – INTERFUND TRANSFERS

Interfund transfers at June 30, 2016 consisted of the following:

Transfers In	Transfers Out			Total
	General Fund	Internal Service Funds	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 35,000	\$ 85,000	\$ 120,000
Sewer Fund	390,114	-	-	390,114
Municipal Transit Fund	655,184	-	-	655,184
Internal Service Fund	941,000	-	-	941,000
	<u>\$ 1,986,298</u>	<u>\$ 35,000</u>	<u>\$ 85,000</u>	<u>\$ 2,106,298</u>

Transfers are used to:

1. Transfers from the Internal Service Fund to the General Fund in the amount of \$35,000 were for capital improvement expenditures related to City owned property.
2. Transfers from the General Fund to the Sewer Fund for the following expenditures: 1) \$114 were for expenditures related to part-time salary increases, 2) \$200,000 were for expenditures related to the design page of the Bluebird Canyon Outlet and Diversion Structure Rehab Project 3) \$190,000 were for expenditures related to Loma Terrace Sewer Relocation Project.
3. Transfers from the General Fund to the Municipal Transit Fund were for the following: 1) \$20,584 were for expenditure related to part –time salary increases, 2) \$534,600 to cover the balance of operating and capital expenses not funded from grants and other revenues, 3) \$100,000 were for expenditures related to the residential trolley program.
4. Transfer from the General Fund to the Internal Service Funds were for the following: 1) \$406,000 to fund the increase in Insurance Claims submitted to the City, 2) \$500,000 for future vehicle replacement cost, 3) \$35,000 were for expenditures related to capital improvement expenditures related to City owned property.
5. Transfer from the Street Lighting District Fund (Nonmajor) to the General Fund in the amount of \$85,000 for expenditures related to a Public Works Director Consultant.

NOTE 14 – SEWAGE TREATMENT FACILITIES

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

CITY OF LAGUNA BEACH, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 14 – 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, 2015, (the most recent information available), SOCWA had total assets of \$70,752,652, total liabilities of \$15,973,811 and total equity of \$54,778,841. A separate financial report may be obtained from the South Orange County Wastewater Authority, 34156 Del Obispo Street, Dana Point, California 92629.

The City's share of ownership varies by year depending upon the purchased capacities of each subsystem. Each member is responsible for its share of maintenance and operations costs proportional to its purchased capacity which is billed to each member by SOCWA. Sewer service charges are assessed to fund these and other operating costs. The City paid \$1,990,299 and \$1,563,513 for its share of operating and capital costs, respectively, during the fiscal year.

NOTE 15 – DEFINED BENEFIT PENSION PLANS

The City of Laguna Beach participates in the California Public Employees Retirement System (CalPERS), a pension plan available to all qualified employees. The Safety Plan is a cost-sharing multiple employer defined benefit pension plan. The Miscellaneous Plan is an agent multiple employer defined benefit pension plan. A summary of pension amounts for the City's plans at June 30, 2016 is presented below:

	Safety Plan	Miscellaneous Plan	Total
Deferred Outflows- Pensions	\$ 4,132,300	\$ 3,777,880	\$ 7,910,180
Net Pension Liability	(26,748,099)	(22,409,401)	(49,157,500)
Deferred Inflows- Pensions	(3,074,362)	(1,731,705)	(4,806,067)
Pension Expense	2,283,820	1,476,438	3,760,258

Plan Descriptions –All qualified permanent and probationary employees are eligible to participate in the City's Safety (Police, Fire, and Lifeguard) Employee Pension Plan (Safety Plan), a cost sharing multiple employer defined benefit pension plan, or the City's Miscellaneous Plan, an agent-multiple-employer defined benefit pension plan, both administered by CalPERS. The CalPERS Safety Plan consists of safety pools (referred to as "risk pools"), which are comprised of individual employer safety rate plans. The risk pools are included within the Public Employees' Retirement Fund C (PERF C). For the Miscellaneous Plan, CalPERS acts as a common investment and administrative agent for its participating member employers, and are included within Public Employees' Retirement Fund A (PERF A). Benefit provisions under the Plans are established by State statute and may be amended by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information. These reports can be found on the CalPERS website.

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF LAGUNA BEACH, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 15 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

The Plans’ provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Safety - Police		
	Tier 1	Tier 2	Tier 3
Formula	3% @ 50	3% @ 55	2.7 @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	55	57
Monthly benefits, as a % of annual salary	3.0%	3.0%	2.7%
Required employee contribution rates	9%	9%	11.153%
Required employer contribution rates	18.524%	16.523%	11.153%

	Safety - Fire		
	Tier 1	Tier 2	Tier 3
Formula	3% @ 50	3% @ 55	2.7 @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	55	57
Monthly benefits, as a % of annual salary	3.0%	3.0%	2.7%
Required employee contribution rates	9%	9%	11.153%
Required employer contribution rates	18.524%	16.523%	11.153%

	Safety - Lifeguard		
	Tier 1	Tier 2	Tier 3
Formula	3% @ 55	N/A	2.7 @ 57
Benefit vesting schedule	5 years of service	N/A	5 years of service
Benefit payments	monthly for life	N/A	monthly for life
Retirement age	55	N/A	57
Monthly benefits, as a % of annual salary	3.0%	N/A	2.7%
Required employee contribution rates	9%	N/A	11.153%
Required employer contribution rates	16.523%	N/A	11.153%

	Tier 1	Tier 2	Tier 3
Applies to:	Lifeguard Safety employees hired before January 1, 2013, Police Safety employees hired on or before April 2, 2012, and Fire Safety employees hired on or before October 3, 2011	Police Safety employees hired on or after April 2, 2012, and Fire Safety employees hired on or after October 3, 2011 (or laterals from other CalPERS agencies who meet certain requirements	New CalPERS covered employees hired after January 1, 2013 (mandated by AB 340, the Public Employees Pension Reform Act (PEPRA)

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of annual salary	2.5%	2%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	18.632%	6.25%

Employees Covered –As of June 30, 2014, the most recent valuation, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	191
Inactive employees entitled to but not yet receiving benefits	118
Active employees	145
Total	454

Contributions – Section 20814(c) of the California Public Employees’ Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. For the year-ended June 30, 2016, the City paid 3 percent of the Miscellaneous employees’ required contributions (for those hired before January 1, 2013). Further, from July 1, 2015 through December 31, 2015, the City paid 4 percent of the Safety-Police Tier 1 employees’ required contributions. Beginning January 1, 2016, the employees paid the entire employee contributions.

Contributions to the pension plans totaled \$ 4,132,300 for the Safety Plan and \$ 3,737,304 for the Miscellaneous Plan, including contributions by Safety tier as follows, for the year ended June 30, 2016:

	Safety			Total
	Police	Fire	Lifeguard	
Contributions - employer	\$ 2,098,245	\$ 1,830,430	\$ 203,625	\$ 4,132,300

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Proportionate Share of Net Pension Liability - Safety Plan

As of June 30, 2016, the City reported a net pension liability for its proportionate share of the collective net pension liability of the Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Safety Plan	\$ 26,748,099

The City’s net pension liability for the Plan was measured as the proportionate share of the collective net pension liability of the cost-sharing plan. The net pension liability of the Plan was measured as of June 30, 2015 and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, and rolled forward to June 30, 2015 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers. The City’s proportionate share of the collective net pension liability of the Plan as of June 30, 2014 and 2015 were as follows:

	Safety
Proportion - June 30, 2014	0.36782%
Proportion - June 30, 2015	0.38969%
Change - Increase (Decrease)	0.02187%

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions for both Plans.

	Police	Safety Fire	Lifeguard
Valuation Date	June 30, 2014	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method		
Actuarial Assumptions:			
Discount Rate	7.65%	7.65%	7.65%
Inflation	2.75%	2.75%	2.75%
Projected Salary Increase	Varies by Entry Age and Service		
Investment Rate of Return	7.5% (1)	7.5% (1)	7.5% (1)
Mortality	Derived using CalPERS' Membership Data for all Funds		

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.5% (1)
Mortality	Derived using CalPERS' Membership Data for all Funds

(1) Net of pension plan investment and administrative expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

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

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent for each Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City’s contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 68 calculations through at least 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changes their methodology.

CITY OF LAGUNA BEACH, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 15 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected 7.65 percent rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Based on the expected benefit payments of the Public Employees’ Retirement Fund, CalPERS indicated that a 19 year horizon was ideal in determining the level equivalent discount rate assumption. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are the same for each Plan. These geometric rates of return are net of administrative expenses and are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return 1- 10 Years (a)	Long-Term Expected Real Rate of Return 11+ Years (b)
Global Equity	51%	5.25%	5.71%
Global Debt Securities	19%	0.99	2.43
Inflation Assets	6%	0.45	3.36
Private Equity	10%	6.83	6.95
Real Estate	10%	4.50	5.13
Infrastructure and Forestland	2%	4.50	5.09
Liquidity	2%	(0.55)	(1.05)
Total	<u>100%</u>		

(a) An expected inflation rate of 2.5% used for this period

(b) An expected inflation rate of 3.0% used for this period

Changes in the Net Pension Liability – Miscellaneous Plan

The City’s net pension liability for the Miscellaneous Plan was measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Miscellaneous Plan was measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown under the section *Actuarial Assumptions* within this note.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

The total Net Pension Liability for the City’s Miscellaneous Plan as of June 30, 2016 was \$ 22,409,401. The changes in the Net Pension Liability for the Plan follows:

Miscellaneous Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2015	\$ 93,979,380	\$ 72,928,071	\$ 21,051,309
Changes in the year:			
Service Cost	1,936,830	-	1,936,830
Interest on the total pension liability	6,979,652	-	6,979,652
Differences between actual and expected experience	61,932		61,932
Changes in assumptions	(1,636,454)		(1,636,454)
Contribution - employer	-	3,457,700	(3,457,700)
Contribution - employee	-	943,694	(943,694)
Net Investment Income	-	1,666,511	(1,666,511)
Administrative expenses		(84,037)	84,037
Benefit payments, including refunds of employee contributions	(4,271,862)	(4,271,862)	-
Net changes	<u>3,070,098</u>	<u>1,712,006</u>	<u>1,358,092</u>
Balance at June 30, 2016	<u>\$ 97,049,478</u>	<u>\$ 74,640,077</u>	<u>\$ 22,409,401</u>

Pension Expense and Deferred Outflows and Inflows of Resources

Safety Plan:

For the year ended June 30, 2016, the City recognized pension expense of \$2,283,820 for the Safety Plan. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,132,300	\$ -
Differences between actual contributions and proportionate share of contributions and changes in proportions	-	430,191
Net differences between projected and actual earnings on plan investments	-	777,207
Changes in assumptions	-	1,533,539
Difference between expected and actual experience	-	333,425
Total	<u>\$ 4,132,300</u>	<u>\$ 3,074,362</u>

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

The amount of \$4,132,300, reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Differences between projected and actual investment earnings are amortized on a 5-year straight line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits. As of the June 30, 2015 measurement date, the expected average remaining service lifetime is 3.8 years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	
2017	\$ (1,050,364)
2018	(1,030,400)
2019	(799,296)
2020	(194,302)
Total	<u>\$ (3,074,362)</u>

Miscellaneous Plan:

For the year ended June 30, 2016, the City recognized pension expense of \$1,476,438 for the Miscellaneous Plan. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,737,304	\$ -
Changes of Assumptions	-	1,072,160
Difference between actual and expected experience	40,576	-
Net differences between projected and actual earnings on plan investments	-	659,545
Total	<u>\$ 3,777,880</u>	<u>\$ 1,731,705</u>

The amount of \$3,737,304, reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Differences between projected and actual investment earnings are amortized on a 5-year straight line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits. As of the June 30, 2015 measurement date, the expected average remaining service lifetime is 2.9 years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	
2017	\$ (1,022,230)
2018	(967,938)
2019	(479,290)
2020	778,329
Total	<u>\$ (1,691,129)</u>

CITY OF LAGUNA BEACH, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 15 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Safety Plan's proportionate share of collective net pension liability	\$ 43,674,601	\$ 26,748,099	\$ 12,827,892
Miscellaneous Plan's net pension liability	34,830,701	22,409,401	12,073,292

Pension Plan Fiduciary Net Position – Detailed information about each pension plans’ fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 16 – 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 percent 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 percent 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 \$243,777.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 17 – 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		\$ 2,976,677
Less: Depreciation		<u>(306,854)</u>
Net Operating Costs		2,669,823
50% Limitation		1,334,912
TDA Financial Need Limitation:		
Total Operating Costs		\$ 2,976,677
Depreciation	\$ (306,854)	
OCTA Operating Assistance	(190,027)	
Passenger Revenues	(192,826)	
Taxi Voucher Program	(2,290)	
Project "V" Grant	(519,242)	
Park and Ride	<u>(118,342)</u>	<u>(1,329,581)</u>
Financial Need		<u>1,647,096</u>
Lesser of "Financial Need" or "50% Limitation"		<u>\$ 1,334,912</u>
TDA Allocation		1,115,108
Under (Over) allocation		219,804

For the year ended June 30, 2016, the City recognized \$1,115,108 of revenues pursuant to the TDA requirements, which was less than the limit of \$1,334,912. This amount, along with \$781,683 of other grant revenues, is reflected within Intergovernmental revenues in the Municipal Transit fund.

NOTE 18 – RELATED PARTIES

Housing Program to Enhance Emergency Response

In order to enhance the ability of key personnel to respond to emergency situations within the community, the City is providing assistance for those employees to reside in close proximity to their response area. The accompanying financial statements reflect the City's purchase of five such properties in the amount of \$2,475,309 and four loans to these respective employees. The outstanding balance of the loans was \$1,099,778, for fiscal years ending June 30, 2016. The balances of the loans are reported as part of Notes Receivables in the General Fund, Street Lighting District Special Revenue Fund and the Internal Service Funds.

CITY OF LAGUNA BEACH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 19 – 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.

The Agreement contains a schedule of 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.

Five Lagunas Project

In May 2016, the City entered into a similar agreement (Agreement Regarding Infrastructure Improvements/Municipal Services) with Merlone Geier Management, LLC, and MGP Fund X Laguna Hills, LLC (Merlone Geier), developers of a commercial and residential project located in Laguna Hills, California. The agreement calls for installment payments to the City in the amount of \$1,000,000 to fund the improvements to municipal services, roadway, traffic, and parking conditions within the Laguna Beach City limits. The improvement will address the efficient management of traffic along the El Toro/SR 133 Corridor.

The agreement contains a schedule of payments; with one initial payment received during the fiscal year ended June 30, 2016 in the amount of \$333,333. The remaining amount shall be paid to the City as the residential units are constructed by Merlone Geier up to 938 dwelling units to be constructed.

The payment schedule is set to be paid within 30 days after receipt of the Certificate of Occupancy for the following:

Number of Units	Payment
620 residential dwelling units	\$ 333,333
938 residential dwelling units	333,333

In June 2016 the City submitted a written request to Merlone Geier to provide a faithful performance bond in the initial amount of \$666,667. The City received the performance bond in July 2016; the amount of the Security Bond shall be reduced automatically with each payment of an installment of the Merlone Geier Funding Contribution.

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, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)	2015 Actual
	Original	Final			
Revenues:					
Taxes:					
Property taxes	\$ 29,731,000	\$ 30,651,000	\$ 31,857,792	\$ 1,206,792	29,639,358
Sales and use taxes	5,397,000	5,397,000	5,957,449	560,449	5,408,004
Transient lodging taxes	6,100,000	6,100,000	6,499,639	399,639	5,361,905
Franchise taxes	1,180,000	1,180,000	1,235,986	55,986	1,239,653
Business license taxes	900,000	900,000	956,482	56,482	993,300
Total Taxes	<u>43,308,000</u>	<u>44,228,000</u>	<u>46,507,348</u>	<u>2,279,348</u>	<u>42,642,220</u>
Licenses and permits:					
Construction permits	1,309,000	1,309,000	1,474,055	165,055	1,223,680
Other	19,000	19,000	26,338	7,338	33,595
Total Licenses and Permits	<u>1,328,000</u>	<u>1,328,000</u>	<u>1,500,393</u>	<u>172,393</u>	<u>1,257,275</u>
Fines and penalties					
Other	11,000	11,000	22,570	11,570	14,650
Investment Income, net	603,000	603,000	1,152,300	549,300	639,826
Rental income	460,000	460,000	481,114	21,114	484,579
Intergovernmental	545,100	775,150	1,137,087	361,937	1,107,066
Charges for services:					
Planning fees	1,522,000	1,522,000	1,873,471	351,471	1,544,808
Building department fees	341,000	341,000	366,472	25,472	302,569
Refuse service charges	2,000,000	2,015,000	2,034,519	19,519	2,013,901
Medical fees	103,000	103,000	99,729	(3,271)	130,186
Parks and recreation fees	1,340,000	3,394,300	3,418,678	24,378	3,799,616
Other	2,392,000	352,000	383,334	31,334	360,924
Total Charges for Services	<u>7,698,000</u>	<u>7,727,300</u>	<u>8,176,203</u>	<u>448,903</u>	<u>8,152,004</u>
Parking meters, lots and permits	1,500	1,500	2,044	544	2,331
Other					
Reimbursed expenditures	290,000	290,000	569,034	279,034	758,497
Other	25,000	338,468	364,708	26,240	407,548
Total Other	<u>315,000</u>	<u>628,468</u>	<u>933,742</u>	<u>305,274</u>	<u>1,166,045</u>
Total Revenues	<u>54,269,600</u>	<u>55,762,418</u>	<u>59,912,801</u>	<u>4,150,383</u>	<u>55,465,996</u>

(Continued)

See accompanying notes to 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, 2016
(With Comparative Totals for Year Ended June 30, 2015)
(Continued)

	Budgeted Amounts		Actual	Final Budget	2015 Actual
	Original	Final		Positive/ (Negative)	
Expenditures:					
General government:					
City Council	\$ 77,200	\$ 80,348	\$ 68,905	\$ 11,443	\$ 62,492
City Manager	664,000	872,300	821,192	51,108	773,138
City Clerk	341,900	378,300	342,505	35,795	342,884
City Treasurer	161,000	196,540	199,284	(2,744)	155,971
City Attorney	635,000	1,398,900	1,017,010	381,890	688,322
Administrative services	3,241,100	3,952,884	2,881,582	1,071,302	2,575,816
Total General Government	5,120,200	6,879,272	5,330,478	1,548,794	4,598,623
Community development	4,866,100	5,604,220	5,041,256	562,964	4,445,514
Public safety:					
Police protection	14,573,500	18,102,796	16,142,645	1,960,151	14,325,509
Fire protection	11,104,100	11,721,466	10,934,945	786,521	9,291,881
Marine safety	2,631,200	2,781,094	2,612,813	168,281	2,466,194
Total Public Safety	28,308,800	32,605,356	29,690,403	2,914,953	26,083,584
Public works	10,728,000	11,857,778	10,524,852	1,332,926	9,527,672
Recreation and social services	4,858,100	5,811,344	4,865,537	945,807	4,877,316
Capital expenditures	946,500	2,205,495	1,235,121	970,374	914,993
Total Expenditures	54,827,700	64,963,465	56,687,647	8,275,818	50,447,702
Excess (deficiency) of revenues over (under) expenditures	(558,100)	(9,201,047)	3,225,154	12,426,201	5,018,294
Other financing sources (uses):					
Transfers in	740,000	765,000	915,000	150,000	765,000
Transfers out	(200,000)	(4,662,600)	(4,125,036)	537,564	(4,662,600)
Sale of land and equipment	3,000	3,000	11,023	8,023	7,258
Total Other Financing Sources (uses)	543,000	(3,894,600)	(3,199,013)	695,587	(3,890,342)
Net Change in Fund Balances	(15,100)	(13,095,647)	26,141	13,121,788	1,127,952
Fund balances, Beginning of Year	18,680,430	18,680,430	18,680,430	-	17,552,478
Fund Balances, End of Year	\$ 18,665,330	\$ 5,584,783	\$ 18,706,571	\$ 13,121,788	\$ 18,680,430

(Continued)

See accompanying notes to 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, 2016
(With Comparative Totals for Year Ended June 30, 2015)
(Continued)

The following schedule shows the Schedule of Revenues, Expenditures and Changes in Fund Balance reconciliation between the budgetary basis and GAAP basis for the General Fund:

	General Fund
Revenues and Other Financing Sources	
Revenues from Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual	\$ 59,912,801
Revenues of the funds below are not inflows of budgetary resources in the General fund legally adopted budget, but are revenues of the General fund for financial reporting purposes:	
Capital Improvement Fund	6,423,560
Parking Authority Fund	6,738,126
Parking In-Lieu Fund	739
Park In-Lieu Fund	22,919
Art In-Lieu Fund	32,914
Drainage Fund	710
Housing In-Lieu Fund	4,720
Transportation Infrastructure Fund	338,626
Total Revenues from the Financial Statements	\$ 73,475,115
Transfers In & Sale of Land and Equipment from Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual	\$ 926,023
Transfers In of the funds below are not inflows of budgetary resources in the General fund legally adopted budget, but are transfers amongst the General fund and General fund subfunds for financial reporting purposes:	
General Fund	
Open Space Fund	600,000
Capital Improvement Fund	3,473,280
Parking Authority Fund	116,338
Elimination of Transfers within General Fund in accordance with GASB 54 consolidation	(4,984,618)
Total Transfers In & Sale of Land and Equipment from the Financial Statements	\$ 131,023
Expenditures and Other Financing Uses	
Expenditures and Other Financing Uses from Schedule of Revenues, Expenditures and Changes in Fund Balances	\$ 60,812,683
Expenditures and Other Financing Uses of the funds below are not outflows of budgetary resources in the General fund legally adopted budget, but are expenditures of the General fund for financial reporting purposes:	
Open Space Fund	7,344
Capital Improvement Fund	3,836,684
Parking Authority Fund	5,072,643
Parking In-Lieu Fund	113,000
Art In-Lieu Fund	66,939
Housing In-Lieu Fund	200,000
Transportation Infrastructure Fund	527,780
Elimination of Transfers Out within General Fund in accordance with GASB 54 consolidation.	(4,984,618)
Total Expenditures and Other Financing Uses from the Financial Statements	\$ 65,652,455

See accompanying notes 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, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Budgeted Amounts		Actual	Variance with	2015
	Original	Final		Final Budget Positive/ (Negative)	
Revenues:					
Investment income	\$ 45,000	\$ 45,000	\$ 63,380	\$ 18,380	\$ 55,123
Net Change in Fund Balances	45,000	45,000	63,380	18,380	55,123
Fund Balances, Beginning of Year	6,089,679	6,089,679	6,089,679	-	6,034,556
Fund Balances, End of Year	<u>\$ 6,134,679</u>	<u>\$ 6,134,679</u>	<u>\$ 6,153,059</u>	<u>\$ 18,380</u>	<u>\$ 6,089,679</u>

See accompanying notes to required supplementary information.

CITY OF LAGUNA BEACH
Safety Plan
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Years*
Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>
Proportion of the collective net pension liability	0.38969%	0.36782%
Proportionate share of the collective net pension liability	\$ 26,748,099	\$ 22,887,604
Covered payroll**	\$ 9,480,126	\$ 9,282,035
Proportionate share of the collective net pension liability as a percentage of covered payroll	282.15%	246.58%
Plan fiduciary net position as a percentage of the total pension liability	78.40%	79.82%
Measurement Period	June 30, 2015	June 30, 2014

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

**The City adopted GASB Statement No. 82, Pension Issues - An Amendment of GASB Staetments No. 67, No. 68, and No. 73. As a result, amounts have been restated to show covered payroll based on pensionable earnings.

Changes of Assumptions: The discount rate was revised from 7.50% to 7.65% during the measurement period ending June 30, 2015 to be in accordance with GASB 68 paragraph 68.

See accompanying notes to required supplementary information.

CITY OF LAGUNA BEACH
Safety Plan
Schedule of Contributions
Last Ten Years*
Year Ended June 30, 2016

	2016	2015
Actuarially determined contributions	\$ 1,875,636	\$ 2,538,981
Contributions in relation to the actuarially determined contribution	(4,132,300)	(2,538,981)
Contribution deficiency (excess)	\$ (2,256,664)	\$ -
 Covered payroll**	 \$ 9,912,852	 \$ 9,480,126
 Contributions as a percentage of covered payroll	 41.69%	 26.78%

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

**The City adopted GASB Statement No. 82, Pension Issues - An Amendment of GASB Staetments No. 67, No. 68, and No. 73. As a result, amounts have been restated to show covered payroll based on pensionable earnings.

See accompanying notes to required supplementary information.

CITY OF LAGUNA BEACH
Miscellaneous Plan
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Ten Years*
As of June 30, 2016

	2016	2015
Total Pension Liability		
Service cost	\$ 1,936,830	\$ 2,113,319
Interest on the total pension liability	6,979,652	6,610,117
Differences between actual and expected experience	61,932	-
Changes in assumptions	(1,636,454)	-
Benefit payments, including refunds of employee contributions	(4,271,862)	(3,644,602)
Net change in total pension liability	3,070,098	5,078,834
Total pension liability- beginning	93,979,380	88,900,546
Total pension liability- ending (a)	\$ 97,049,478	\$ 93,979,380
 Plan fiduciary net position		
Contributions- employer	\$ 3,457,700	\$ 2,011,915
Contributions- employee	943,694	1,240,843
Net investment income	1,666,511	11,013,027
Administrative expenses	(84,037)	(83,334)
Benefit payments	(4,271,862)	(3,644,602)
Net change in plan fiduciary net position	1,712,006	10,537,849
Plan fiduciary net position- beginning	72,928,071	62,390,222
Plan fiduciary net position- ending (b)	\$ 74,640,077	\$ 72,928,071
 Net pension liability- ending (a) - (b)	\$ 22,409,401	\$ 21,051,309
 Plan fiduciary net position as a percentage of the total pension liability	76.91%	77.60%
 Covered payroll**	\$ 11,425,937	\$ 11,349,084
 Net pension liability as percentage of covered payroll	196.13%	185.49%
 Measurement Period	June 30, 2015	June 30, 2014

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

**The City adopted GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. As a result, amounts have been restated to show covered payroll based on pensionable earnings.

Changes of Assumptions: The discount rate was revised from 7.50% to 7.65% during the measurement period ending June 30, 2015 to be in accordance with GASB 68 paragraph 68.

See accompanying notes to required supplementary information.

CITY OF LAGUNA BEACH
Miscellaneous Plan
Schedule of Contributions
Last Ten Years*
As of June 30, 2016

	2016	2015
Actuarially determined contributions	\$ 2,337,304	\$ 2,057,700
Contributions in relation to the actuarially determined contribution	(3,737,304)	(3,457,700)
Contribution deficiency (excess)	\$ (1,400,000)	\$ (1,400,000)
 Covered payroll**	 \$ 12,231,617	 \$ 11,425,937
 Contributions as a percentage of covered payroll	 30.55%	 30.26%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contribution for fiscal year 2015-16 were from the June 30, 2014 valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Asset valuation method	Market value
Inflation	2.75%
Salary increases	3.3% to 14.20% depending on Age, Service, and type of employment
Investment Rate of Return	7.50%
Retirement age	50-70, depending on
Mortality	Based on CalPERS Experience Study

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

**The City adopted GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. As a result, amounts have been restated to show covered payroll based on pensionable earnings.

See accompanying notes 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 Accrued 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
7/1/2008	\$ -	\$ 1,047,047	\$ 1,047,047	0.0%	\$ 19,511,621	5.4%
7/1/2011	-	1,346,828	1,346,828	0.0%	20,159,361	6.7%
7/1/2014	-	1,634,753	1,634,753	0.0%	21,450,536	7.6%

See accompanying notes to required supplementary information.

CITY OF LAGUNA BEACH

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

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 \$25,454,600 were made in the General Fund.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures for the year ended June 30, 2016, exceeded appropriations in the following funds:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Over Appropriations</u>
General Fund	\$ 196,540	\$ 199,284	\$ (2,744)

City Treasurer expenditures are in excess of appropriations due to higher than expected cost in the coin collection and counting services.

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, 2016
(With Comparative Totals for June 30, 2015)

ASSETS	<u>General</u>	<u>Open Space</u>	<u>Capital Improvement</u>	<u>Parking Authority</u>	<u>Parking In-Lieu</u>
Cash and investments	\$ 23,751,722	\$ 807,507	\$ 21,659,855	\$ 13,116,801	\$ 896
Receivables:					
Taxes	4,501,880	-	746,201	-	-
Accounts	250,824	-	206,063	124,143	-
Interest	39,714	-	-	-	-
Intergovernmental	189,743	-	-	-	-
Notes	-	-	-	-	-
Prepays	66,073	-	-	-	-
Inventory	49,534	-	-	-	-
Total Assets	<u>\$ 28,849,490</u>	<u>\$ 807,507</u>	<u>\$ 22,612,119</u>	<u>\$ 13,240,944</u>	<u>\$ 896</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 3,975,186	\$ 7,344	\$ 167,923	\$ 128,948	\$ -
Due to other government agencies	-	-	-	-	-
Deferred revenue	249,361	-	-	348,200	-
Advances from other funds	5,918,372	-	-	-	-
Total Liabilities	<u>10,142,919</u>	<u>7,344</u>	<u>167,923</u>	<u>477,148</u>	<u>-</u>
Fund balances:					
Nonspendable	115,607	-	-	-	-
Restricted	-	-	-	-	896
Committed	350,106	-	-	-	-
Assigned	-	800,163	22,444,196	12,763,796	-
Unassigned	18,240,858	-	-	-	-
Total Fund Balances	<u>18,706,571</u>	<u>800,163</u>	<u>22,444,196</u>	<u>12,763,796</u>	<u>896</u>
Total Liabilities and Fund Balances	<u>\$ 28,849,490</u>	<u>\$ 807,507</u>	<u>\$ 22,612,119</u>	<u>\$ 13,240,944</u>	<u>\$ 896</u>

Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Transportation Infrastructure	Totals	
					2016	2015
\$ 430,831	\$ 215,240	\$ 68,991	\$ 332,693	\$ 1,212,450	\$ 61,596,986	\$ 54,185,151
-	-	-	-	-	5,248,081	3,610,709
-	-	-	-	-	581,030	508,457
-	-	-	-	-	39,714	48,183
-	-	-	-	-	189,743	255,455
-	-	-	348,000	-	348,000	348,000
-	-	-	-	-	66,073	59,593
-	-	-	-	-	49,534	55,496
<u>\$ 430,831</u>	<u>\$ 215,240</u>	<u>\$ 68,991</u>	<u>\$ 680,693</u>	<u>\$ 1,212,450</u>	<u>\$ 68,119,161</u>	<u>\$ 59,071,044</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,279,401	\$ 3,015,503
-	-	-	42,796	-	42,796	42,796
-	-	-	-	-	597,561	82,935
-	-	-	-	-	5,918,372	6,602,462
-	-	-	42,796	-	10,838,130	9,743,696
-	-	-	-	-	115,607	115,089
430,831	215,240	68,991	637,897	1,212,450	2,566,305	3,073,396
-	-	-	-	-	350,106	363,278
-	-	-	-	-	36,008,155	29,467,522
-	-	-	-	-	18,240,858	16,308,063
<u>430,831</u>	<u>215,240</u>	<u>68,991</u>	<u>637,897</u>	<u>1,212,450</u>	<u>57,281,031</u>	<u>49,327,348</u>
<u>\$ 430,831</u>	<u>\$ 215,240</u>	<u>\$ 68,991</u>	<u>\$ 680,693</u>	<u>\$ 1,212,450</u>	<u>\$ 68,119,161</u>	<u>\$ 59,071,044</u>

CITY OF LAGUNA BEACH
General Fund
Consolidating Schedules of Revenues, Expenditures and Changes in Fund Balances by Sub-Fund
Year Ended June 30, 2016

	General	Open Space	Capital Improvement	Parking Authority	Parking In-Lieu
Revenues:					
Taxes	\$ 46,507,348	\$ -	\$ 5,099,320	\$ -	\$ -
Licenses and permits	1,500,393	-	-	-	-
Fines and penalties	22,570	-	1,060,274	-	-
Investment income, net	1,152,300	-	-	-	739
Rental	481,114	-	-	-	-
Intergovernmental	1,137,087	-	125,622	-	-
Charges for services	8,176,203	-	1,418	-	-
Parking meters, lots and permits	2,044	-	-	6,737,485	-
Development tax	-	-	136,926	-	-
Other	933,742	-	-	641	-
Total Revenues	59,912,801	-	6,423,560	6,738,126	739
Expenditures:					
Current:					
General government	5,330,478	-	-	-	-
Community development	5,041,256	-	-	-	-
Public safety	29,690,403	-	-	956,939	-
Public works	10,524,852	-	-	1,929,226	-
Recreation and social services	4,865,537	-	-	-	-
Sewer service operating costs	-	-	-	-	-
Capital outlay	1,235,121	7,344	3,646,684	386,878	-
Total Expenditures	56,687,647	7,344	3,646,684	3,273,043	-
Excess (deficiency) of revenues over (under) expenditures	3,225,154	(7,344)	2,776,876	3,465,083	739
Other financing sources (uses):					
Transfers in	915,000	600,000	3,473,280	116,338	-
Transfers out	(4,125,036)	-	(190,000)	(1,799,600)	(113,000)
Sale of land and equipment	11,023	-	-	-	-
Total Other Financing Sources (Uses)	(3,199,013)	600,000	3,283,280	(1,683,262)	(113,000)
Net Change in Fund Balances	26,141	592,656	6,060,156	1,781,821	(112,261)
Fund Balances, Beginning of Year	18,680,430	207,507	16,384,040	10,981,975	113,157
Fund Balances, End of Year	\$ 18,706,571	\$ 800,163	\$ 22,444,196	\$ 12,763,796	\$ 896

Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Transportation Infrastructure	Eliminations (1)	Totals	
						2016	2015
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,606,668	\$ 48,036,893
-	-	-	-	-	-	1,500,393	1,257,275
-	-	-	-	-	-	1,082,844	1,144,170
4,420	2,390	710	4,720	5,293	-	1,170,572	651,228
-	-	-	-	-	-	481,114	484,579
-	-	-	-	333,333	-	1,596,042	2,086,561
-	-	-	-	-	-	8,177,621	8,153,319
-	-	-	-	-	-	6,739,529	7,400,349
18,499	30,524	-	-	-	-	185,949	271,927
-	-	-	-	-	-	934,383	1,353,649
<u>22,919</u>	<u>32,914</u>	<u>710</u>	<u>4,720</u>	<u>338,626</u>	<u>-</u>	<u>73,475,115</u>	<u>70,839,950</u>
-	-	-	-	-	-	5,330,478	4,598,623
-	-	-	-	-	-	5,041,256	4,445,514
-	-	-	-	-	-	30,647,342	27,014,412
-	-	-	-	27,780	-	12,481,858	11,416,458
-	23,659	-	-	-	-	4,889,196	4,902,441
-	-	-	-	-	-	-	-
-	-	-	-	-	-	5,276,027	8,564,312
<u>-</u>	<u>23,659</u>	<u>-</u>	<u>-</u>	<u>27,780</u>	<u>-</u>	<u>63,666,157</u>	<u>60,941,760</u>
<u>22,919</u>	<u>9,255</u>	<u>710</u>	<u>4,720</u>	<u>310,846</u>	<u>-</u>	<u>9,808,958</u>	<u>9,898,190</u>
-	-	-	-	-	(4,984,618)	120,000	450,000
-	(43,280)	-	(200,000)	(500,000)	4,984,618	(1,986,298)	(1,623,400)
-	-	-	-	-	-	11,023	7,258
<u>-</u>	<u>(43,280)</u>	<u>-</u>	<u>(200,000)</u>	<u>(500,000)</u>	<u>-</u>	<u>(1,855,275)</u>	<u>(1,166,142)</u>
<u>22,919</u>	<u>(34,025)</u>	<u>710</u>	<u>(195,280)</u>	<u>(189,154)</u>	<u>-</u>	<u>7,953,683</u>	<u>8,732,048</u>
<u>407,912</u>	<u>249,265</u>	<u>68,281</u>	<u>833,177</u>	<u>1,401,604</u>	<u>-</u>	<u>49,327,348</u>	<u>40,595,300</u>
<u>\$ 430,831</u>	<u>\$ 215,240</u>	<u>\$ 68,991</u>	<u>\$ 637,897</u>	<u>\$ 1,212,450</u>	<u>\$ -</u>	<u>\$ 57,281,031</u>	<u>\$ 49,327,348</u>

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

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Open Space Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2015 Actual
Expenditures:				
Capital expenditures	\$ 145,000	\$ 7,344	\$ 137,656	\$ 400
Other financing sources (uses):				
Transfers in	600,000	600,000	-	-
Net Change in Fund Balances	455,000	592,656	137,656	(400)
Fund Balances, Beginning of Year	207,507	207,507	-	207,907
Fund Balances, End of Year	<u>\$ 662,507</u>	<u>\$ 800,163</u>	<u>\$ 137,656</u>	<u>\$ 207,507</u>

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Capital Improvements Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2015 Actual
Revenues:				
Taxes	\$ 4,844,000	\$ 5,099,320	\$ 255,320	\$ 5,394,673
Fines and penalties	975,000	1,060,274	85,274	1,129,520
Intergovernmental	845,000	125,622	(719,378)	979,495
Charges for services	1,000	1,418	418	1,315
Development tax	120,000	136,926	16,926	203,311
Total Revenues	<u>6,785,000</u>	<u>6,423,560</u>	<u>(361,440)</u>	<u>7,708,314</u>
Expenditures:				
Capital outlay	<u>23,179,069</u>	<u>3,646,684</u>	<u>19,532,385</u>	<u>7,334,100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,394,069)</u>	<u>2,776,876</u>	<u>19,170,945</u>	<u>374,214</u>
Other financing sources (uses):				
Transfers in	3,473,280	3,473,280	-	5,104,000
Transfers out	<u>(190,000)</u>	<u>(190,000)</u>	<u>-</u>	<u>(3,046,800)</u>
Total Other Financing Sources (Uses)	<u>3,283,280</u>	<u>3,283,280</u>	<u>-</u>	<u>2,057,200</u>
Net Change in Fund Balances	<u>(13,110,789)</u>	<u>6,060,156</u>	<u>19,170,945</u>	<u>2,431,414</u>
Fund Balances, Beginning of Year	<u>16,384,040</u>	<u>16,384,040</u>	<u>-</u>	<u>13,952,626</u>
Fund Balances, End of Year	<u>\$ 3,273,251</u>	<u>\$ 22,444,196</u>	<u>\$ 19,170,945</u>	<u>\$ 16,384,040</u>

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Parking Authority Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2015 Actual
Revenues:				
Parking meters, lots and permits	\$ 6,064,000	\$ 6,737,485	\$ 673,485	\$ 7,398,018
Other	-	641	641	-
Total Revenues	<u>6,064,000</u>	<u>6,738,126</u>	<u>674,126</u>	<u>7,398,018</u>
Expenditures:				
Public safety	958,360	956,939	1,421	930,828
Public works	2,295,178	1,929,226	365,952	1,790,390
Capital outlay	6,946,400	386,878	6,559,522	314,819
Total Expenditures	<u>10,199,938</u>	<u>3,273,043</u>	<u>6,926,895</u>	<u>3,036,037</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,135,938)</u>	<u>3,465,083</u>	<u>7,601,021</u>	<u>4,361,981</u>
Other financing sources (uses):				
Transfers in	116,338	116,338	-	2,521,800
Transfers out	(2,047,800)	(1,799,600)	248,200	(1,825,800)
Total Other Financing Sources (Uses)	<u>(1,931,462)</u>	<u>(1,683,262)</u>	<u>248,200</u>	<u>696,000</u>
Net Change in Fund Balances	<u>(6,067,400)</u>	<u>1,781,821</u>	<u>7,849,221</u>	<u>5,057,981</u>
Fund Balances, Beginning of Year	<u>10,981,975</u>	<u>10,981,975</u>	<u>-</u>	<u>5,923,994</u>
Fund Balances, End of Year	<u><u>\$ 4,914,575</u></u>	<u><u>\$ 12,763,796</u></u>	<u><u>\$ 7,849,221</u></u>	<u><u>\$ 10,981,975</u></u>

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Parking In-Lieu Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2015 Actual
Revenues:				
Investment Income, net	\$ -	\$ 739	\$ 739	\$ 1,024
Other financing sources (uses):				
Transfers out	(113,000)	(113,000)	-	-
Net Change in Fund Balances	(113,000)	(112,261)	739	1,024
Fund Balances, Beginning of Year	113,157	113,157	-	112,133
Fund Balances, End of Year	\$ 157	\$ 896	\$ 739	\$ 113,157

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Park In-Lieu Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2015 Actual
Revenues:				
Investment income, net	\$ -	\$ 4,420	\$ 4,420	\$ 3,608
Development tax	-	18,499	18,499	36,842
Total Revenues	-	22,919	22,919	40,450
Fund Balances, Beginning of Year	407,912	407,912	-	367,462
Fund Balances, End of Year	\$ 407,912	\$ 430,831	\$ 22,919	\$ 407,912

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Art In-Lieu Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2015 Actual
Revenues:				
Investment income, net	\$ -	\$ 2,390	\$ 2,390	\$ 2,192
Development tax	-	30,524	30,524	31,774
Other	-	-	-	45,000
Total Revenues	-	32,914	32,914	78,966
Expenditures:				
Recreation and social services	38,400	23,659	14,741	25,125
Excess (deficiency) of revenues over (under) expenditures	(38,400)	9,255	47,655	53,841
Other financing sources (uses):				
Transfers out	(43,280)	(43,280)	-	(29,000)
Net Change in Fund Balances	(81,680)	(34,025)	47,655	24,841
Fund Balances, Beginning of Year	249,265	249,265	-	224,424
Fund Balances, End of Year	\$ 167,585	\$ 215,240	\$ 47,655	\$ 249,265

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Drainage Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2015 Actual
Revenues:				
Investment income, net	\$ -	\$ 710	\$ 710	\$ 618
Net Change in Fund Balances	-	710	710	618
Fund Balances, Beginning of Year	68,281	68,281	-	67,663
Fund Balances, End of Year	\$ 68,281	\$ 68,991	\$ 710	\$ 68,281

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Housing In-Lieu Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2015 Actual
Revenues:				
Investment income, net	\$ -	\$ 4,720	\$ 4,720	\$ 3,960
Other	-	-	-	142,604
Total Revenues	-	4,720	4,720	146,564
Expenditures:				
Community development	6,500	-	6,500	-
Excess (deficiency) of revenues over (under) expenditures	(6,500)	4,720	11,220	146,564
Other financing sources (uses):				
Transfers out	(200,000)	(200,000)	-	-
Total Other Financing Sources (Uses)	(200,000)	(200,000)	-	-
Net Change in Fund Balances	(206,500)	(195,280)	11,220	146,564
Fund Balances, Beginning of Year	833,177	833,177	-	686,613
Fund Balances, End of Year	<u>\$ 626,677</u>	<u>\$ 637,897</u>	<u>\$ 11,220</u>	<u>\$ 833,177</u>

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Transportation Infrastructure
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2015 Actual
Revenues:				
Investment income, net	\$ 15,000	\$ 5,293	\$ (9,707)	\$ -
Intergovernmental	-	333,333	333,333	-
Total Revenues	<u>15,000</u>	<u>338,626</u>	<u>323,626</u>	<u>-</u>
Expenditures:				
Public works	\$ 506,100	\$ 27,780	\$ 478,320	\$ 98,396
Excess (deficiency) of revenues over (under) expenditures	<u>(491,100)</u>	<u>310,846</u>	<u>801,946</u>	<u>(98,396)</u>
Other financing sources (uses):				
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(991,100)	(189,154)	801,946	(98,396)
Fund Balances, Beginning of Year	<u>1,401,604</u>	<u>1,401,604</u>	<u>-</u>	<u>1,500,000</u>
Fund Balances, End of Year	<u>\$ 410,504</u>	<u>\$ 1,212,450</u>	<u>\$ 801,946</u>	<u>\$ 1,401,604</u>

MAJOR CAPITAL PROJECTS FUND

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

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

Assessment District

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

CITY OF LAGUNA BEACH
Major Capital Projects Fund
Assessment Districts
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Budgeted Amounts		Actual	Variance with	2015
	Original	Final		Final Budget Positive/ (Negative)	
Revenues:					
Investment income, net	\$ -	\$ -	\$ 15,033	\$ 15,033	7,661
Contributions from property owners	-	5,355,000	7,281,713	1,926,713	-
Other	-	1,680,559	23,591	(1,656,968)	202,373
Total Revenues	-	7,035,559	7,320,337	284,778	210,034
Expenditures:					
Capital outlay	-	8,530,659	1,835,382	6,695,277	800,454
Excess (deficiency) of revenues over (under) expenditures	-	(1,495,100)	5,484,955	6,980,055	(590,420)
Other financing sources:					
Transfers in	-	-	-	-	600,000
Net Change in Fund Balances	-	(1,495,100)	5,484,955	6,980,055	9,580
Fund Balances (Deficit), Beginning of Year	(521,922)	(521,922)	(521,922)	-	(531,502)
Fund Balances (Deficit), End of Year	\$ (521,922)	\$ (2,017,022)	\$ 4,963,033	\$ 6,980,055	\$ (521,922)

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.

CITY OF LAGUNA BEACH
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016
(With Comparative Totals for June 30, 2015)

	Special Revenue		
	Gas Tax	Street Lighting District	Asset Forfeiture
ASSETS			
Cash and investments	\$ 1,294,378	\$ 5,164,729	\$ 230,508
Receivables:			
Taxes	-	11,417	-
Intergovernmental	75,434	-	2,946
Notes	-	190,337	-
Advances to other funds	-	1,500,000	-
Total Assets	<u>\$ 1,369,812</u>	<u>\$ 6,866,483</u>	<u>\$ 233,454</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 34,337	\$ 21,353	\$ -
Advances from other funds	-	-	-
Total Liabilities	<u>34,337</u>	<u>21,353</u>	<u>-</u>
Fund balances:			
Restricted	<u>1,335,475</u>	<u>6,845,130</u>	<u>233,454</u>
Total Fund Balances	<u>1,335,475</u>	<u>6,845,130</u>	<u>233,454</u>
Total Liabilities and and Fund Balances	<u>\$ 1,369,812</u>	<u>\$ 6,866,483</u>	<u>\$ 233,454</u>

Non-Major Governmental Funds

Totals

2016	2015
\$ 6,689,615	\$ 4,884,550
11,417	13,174
78,380	69,103
190,337	207,155
1,500,000	1,670,000
\$ 8,469,749	\$ 6,843,982
\$ 55,690	\$ 187,245
-	170,000
55,690	357,245
8,414,059	6,486,737
8,414,059	6,486,737
\$ 8,469,749	\$ 6,843,982

CITY OF LAGUNA BEACH
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Special Revenue Fund		
	Gas Tax	Street Lighting District	Asset Forfeiture
Revenues:			
Taxes	\$ 417,506	\$ 1,397,941	\$ -
Fines and penalties	-	-	85,411
Investment income	5,329	-	1,988
Intergovernmental	516,383	6,570	-
Total Revenues	<u>939,218</u>	<u>1,404,511</u>	<u>87,399</u>
Expenditures:			
Current:			
Public works	-	357,510	-
Capital outlay	55,401	3,210	2,685
Total Expenditures	<u>55,401</u>	<u>360,720</u>	<u>2,685</u>
Excess of revenues over expenditures	<u>883,817</u>	<u>1,043,791</u>	<u>84,714</u>
Other financing sources (uses):			
Transfers out	-	(85,000)	-
Net Change in Fund Balances	883,817	958,791	84,714
Fund Balances, Beginning of Year	451,658	5,886,339	148,740
Fund Balances, End of Year	<u>\$ 1,335,475</u>	<u>\$ 6,845,130</u>	<u>\$ 233,454</u>

Non-Major Governmental Funds

Totals

	2016		2015
\$	1,815,447	\$	1,703,184
	85,411		17,275
	7,317		1,509
	<u>522,953</u>		<u>731,306</u>
	<u>2,431,128</u>		<u>2,453,274</u>
	357,510		451,016
	<u>61,296</u>		<u>1,371,134</u>
	<u>418,806</u>		<u>1,822,150</u>
	<u>2,012,322</u>		<u>631,124</u>
	<u>(85,000)</u>		<u>(600,000)</u>
	1,927,322		31,124
	<u>6,486,737</u>		<u>6,455,613</u>
\$	<u>8,414,059</u>	\$	<u>6,486,737</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, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2015 Actual
Revenues:				
Taxes	\$ 406,000	\$ 417,506	\$ 11,506	396,631
Investment income	-	5,329	5,329	-
Intergovernmental	544,000	516,383	(27,617)	724,823
Other	10,000	-	(10,000)	-
Total Revenues	<u>960,000</u>	<u>939,218</u>	<u>(20,782)</u>	<u>1,121,454</u>
Expenditures:				
Capital outlay	2,038,500	55,401	1,983,099	1,328,705
Net Change in Fund Balances	(1,078,500)	883,817	1,962,317	(207,251)
Fund Balances (Deficit), Beginning of Year	<u>451,658</u>	<u>451,658</u>	-	<u>658,909</u>
Fund Balances (Deficit), End of Year	<u>\$ (626,842)</u>	<u>\$ 1,335,475</u>	<u>\$ 1,962,317</u>	<u>\$ 451,658</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, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2015 Actual
Revenues:				
Taxes	\$ 1,280,100	\$ 1,397,941	\$ 117,841	1,306,553
Intergovernmental	6,000	6,570	570	6,483
Total Revenues	<u>1,286,100</u>	<u>1,404,511</u>	<u>118,411</u>	<u>1,313,036</u>
Expenditures:				
Current:				
Public works	2,439,700	357,510	2,082,190	451,016
Capital outlay	60,000	3,210	56,790	-
Total Expenditures	<u>2,499,700</u>	<u>360,720</u>	<u>2,138,980</u>	<u>451,016</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,213,600)</u>	<u>1,043,791</u>	<u>2,257,391</u>	<u>862,020</u>
Other financing sources (uses):				
Transfers out	(85,000)	(85,000)	-	(600,000)
Net Change in Fund Balances	(1,298,600)	958,791	2,257,391	262,020
Fund Balances, Beginning of Year	<u>5,886,339</u>	<u>5,886,339</u>	<u>-</u>	<u>5,624,319</u>
Fund Balances, End of Year	<u><u>\$ 4,587,739</u></u>	<u><u>\$ 6,845,130</u></u>	<u><u>\$ 2,257,391</u></u>	<u><u>\$ 5,886,339</u></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, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)	2015 Actual
Revenues:				
Fines and penalties	\$ -	\$ 85,411	\$ 85,411	17,275
Investment income	-	1,988	1,988	1,509
Total Revenues	-	87,399	87,399	18,784
Expenditures:				
Capital outlay	31,100	2,685	28,415	42,429
Net Change in Fund Balances	(31,100)	84,714	115,814	(23,645)
Fund Balances, Beginning of Year	148,740	148,740	-	172,385
Fund Balances, End of Year	\$ 117,640	\$ 233,454	\$ 115,814	\$ 148,740

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, 2016
(With Comparative Totals for June 30, 2015)

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2016	2015
ASSETS				
Current assets:				
Cash and investments	\$ 6,229,024	\$ 6,496,201	\$ 12,725,225	\$ 11,937,264
Receivables:				
Accounts	-	13,500	13,500	74,006
Prepays	4,900	-	4,900	-
Total Current Assets	6,233,924	6,509,701	12,743,625	12,011,270
Noncurrent assets:				
Advances to other funds	3,718,372	700,000	4,418,372	5,102,462
Notes receivable	836,994	79,947	916,941	480,482
Property for housing program	2,153,653	321,656	2,475,309	1,677,809
Capital assets, net of depreciation	-	2,936,029	2,936,029	2,300,695
Total Noncurrent Assets	6,709,019	4,037,632	10,746,651	9,561,448
Total Assets	12,942,943	10,547,333	23,490,276	21,572,718
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	107,305	98,877	206,182	183,390
Compensated absences due within one year	724,746	-	724,746	656,610
Insurance claims payable due within one year	1,903,080	-	1,903,080	873,445
Total Current Liabilities	2,735,131	98,877	2,834,008	1,713,445
Non-current liabilities:				
Compensated absences	2,908,985	-	2,908,985	2,626,439
Insurance claims payable	4,440,521	-	4,440,521	2,038,039
Net OPEB liability	359,760	-	359,760	315,443
Total Non-Current Liabilities	7,709,266	-	7,709,266	4,979,921
Total Liabilities	10,444,397	98,877	10,543,274	6,693,366
NET POSITION				
Net Position				
Net investment in capital assets	-	2,936,029	2,936,029	2,300,695
Unrestricted	2,498,546	7,512,427	10,010,973	12,578,657
Total Net Position	\$ 2,498,546	\$ 10,448,456	\$ 12,947,002	\$ 14,879,352

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Insurance and Employee	Vehicle	Totals	
	Benefits	Replacement	2016	2015
Operating revenues:				
Vehicle rentals	\$ -	\$ 1,408,487	\$ 1,408,487	\$ 1,227,599
Employee benefits charges	660,250	-	660,250	654,400
Insurance charges	7,815,551	-	7,815,551	7,025,929
Total Operating Revenues	<u>8,475,801</u>	<u>1,408,487</u>	<u>9,884,288</u>	<u>8,907,928</u>
Operating expenses:				
Administration	162,862	-	162,862	143,711
Employee benefits	1,107,890	-	1,107,890	767,236
Insurance claims and premiums	10,842,929	-	10,842,929	6,878,531
Depreciation	-	629,217	629,217	565,228
Total Operating Expenses	<u>12,113,681</u>	<u>629,217</u>	<u>12,742,898</u>	<u>8,354,706</u>
Operating Income (Loss)	<u>(3,637,880)</u>	<u>779,270</u>	<u>(2,858,610)</u>	<u>553,222</u>
Nonoperating revenues (expenses):				
Gain (loss) on disposal of capital assets	-	20,260	20,260	68,670
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>20,260</u>	<u>20,260</u>	<u>68,670</u>
Income (Loss) Before Transfers	<u>(3,637,880)</u>	<u>799,530</u>	<u>(2,838,350)</u>	<u>621,892</u>
Transfers:				
Transfers in	406,000	535,000	941,000	450,000
Transfers out	<u>(35,000)</u>	<u>-</u>	<u>(35,000)</u>	<u>(627,291)</u>
Total Transfers	<u>371,000</u>	<u>535,000</u>	<u>906,000</u>	<u>(177,291)</u>
Change in Net Position	<u>(3,266,880)</u>	<u>1,334,530</u>	<u>(1,932,350)</u>	<u>444,601</u>
Net Position at Beginning of Year	<u>5,765,426</u>	<u>9,113,926</u>	<u>14,879,352</u>	<u>14,434,751</u>
Net Position at End of Year	<u>\$ 2,498,546</u>	<u>\$ 10,448,456</u>	<u>\$ 12,947,002</u>	<u>\$ 14,879,352</u>

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 30, 2015)

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2016	2015
Cash flows from operating activities:				
Cash received from user departments	\$ 8,505,858	\$ 1,384,256	\$ 9,890,114	\$ 8,976,679
Cash payments to suppliers for goods and services	(7,501,102)	-	(7,501,102)	(7,576,199)
Cash payments to employees for services	(712,891)	-	(712,891)	(906,077)
Net cash provided by (used for) operating activities	<u>291,865</u>	<u>1,384,256</u>	<u>1,676,121</u>	<u>494,403</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	406,000	535,000	941,000	450,000
Cash provided to other funds	(35,000)	-	(35,000)	(627,291)
Cash received for payment on advance to other funds	684,090	-	684,090	97,538
Loans made for housing program	(472,000)	-	(472,000)	-
Cash received related to housing program	16,194	19,347	35,541	42,267
Net cash provided by (used for) noncapital financing activities	<u>599,284</u>	<u>554,347</u>	<u>1,153,631</u>	<u>(37,486)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	(1,264,551)	(1,264,551)	(950,952)
Proceeds from sale of capital assets	-	20,260	20,260	68,670
Purchase of property for housing program	(797,500)	-	(797,500)	-
Net cash provided by (used for) capital and related financing activities	<u>(797,500)</u>	<u>(1,244,291)</u>	<u>(2,041,791)</u>	<u>(882,282)</u>
Net increase (decrease) in cash and cash equivalents	93,649	694,312	787,961	(425,365)
Cash and cash equivalents at beginning of year	<u>6,135,375</u>	<u>5,801,889</u>	<u>11,937,264</u>	<u>12,362,629</u>
Cash and cash equivalents at end of year	<u>\$ 6,229,024</u>	<u>\$ 6,496,201</u>	<u>\$ 12,725,225</u>	<u>\$ 11,937,264</u>

(Continued)

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals for Year Ended June 30, 2015)
(Continued)

	Insurance and Employee Benefits	Vehicle Replacement	Totals	
			2016	2015
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (3,637,880)	\$ 779,270	\$ (2,858,610)	\$ 553,222
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	-	629,217	629,217	565,228
Gain (loss) on disposal of capital assets	-	-	-	-
(Increase) decrease in accounts receivable	30,057	30,449	60,506	(49,960)
(Increase) decrease in prepaids	(4,900)	-	(4,900)	-
Increase (decrease) in accounts payable and accrued liabilities	77,472	(54,680)	22,792	(71,978)
Increase (decrease) in compensated absences payable	350,682	-	350,682	(166,753)
Increase (decrease) in Net OPEB liability	44,317	-	44,317	27,912
Increase (decrease) in insurance claims payable	3,432,117	-	3,432,117	(363,268)
Net cash provided by (used for) operating activities	<u>\$ 291,865</u>	<u>\$ 1,384,256</u>	<u>\$ 1,676,121</u>	<u>\$ 494,403</u>

AGENCY FUNDS

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, 2016
(With Comparative Totals for June 30, 2015)

	1915 Act		Totals	
	Bonds	Deposits	2016	2015
ASSETS				
Cash and investments	\$ 890,730	\$ 2,874,903	\$ 3,765,633	\$ 3,351,070
Investments with fiscal agent	741,061	-	741,061	294,812
Receivables:				
Taxes	14,472	-	14,472	14,811
Accounts	-	4,235	4,235	4,235
Intergovernmental	-	7,991	7,991	7,561
Total Assets	<u>\$ 1,646,263</u>	<u>\$ 2,887,129</u>	<u>\$ 4,533,392</u>	<u>\$ 3,672,489</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 65,202	\$ 65,202	\$ 57,893
Deposits	-	2,821,927	2,821,927	2,489,712
Due to bondholders	1,646,263	-	1,646,263	1,124,884
Total Liabilities	<u>\$ 1,646,263</u>	<u>\$ 2,887,129</u>	<u>\$ 4,533,392</u>	<u>\$ 3,672,489</u>

CITY OF LAGUNA BEACH
Agency Funds
Combining Statement of Changes in Fiduciary Assets and Liabilities
Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<u>1915 Act Bonds</u>				
<u>Assets</u>				
Cash and investments	\$ 815,261	\$ 3,725,493	\$ 3,650,024	\$ 890,730
Investments with fiscal agent	294,812	1,210,181	763,932	741,061
Receivables:				
Taxes	14,811	9,477	9,816	14,472
Total Assets	\$ 1,124,884	\$ 4,945,151	\$ 4,423,772	\$ 1,646,263
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Due to bondholders	1,124,884	4,945,151	4,423,772	1,646,263
Total Liabilities	\$ 1,124,884	\$ 4,945,151	\$ 4,423,772	\$ 1,646,263
<u>Deposits</u>				
<u>Assets</u>				
Cash and investments	\$ 2,535,809	\$ 2,306,696	\$ 1,967,602	\$ 2,874,903
Receivables:				
Accounts	4,235	-	-	4,235
Intergovernmental	7,561	7,991	7,561	7,991
Total Assets	\$ 2,547,605	\$ 2,314,687	\$ 1,975,163	\$ 2,887,129
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 57,893	\$ 1,266,671	\$ 1,259,362	\$ 65,202
Deposits	2,489,712	1,779,652	1,447,437	2,821,927
Total Liabilities	\$ 2,547,605	\$ 3,046,323	\$ 2,706,799	\$ 2,887,129
TOTALS				
<u>Assets</u>				
Cash and investments	\$ 3,351,070	\$ 6,032,189	\$ 5,617,626	\$ 3,765,633
Investments with fiscal agent	294,812	1,210,181	763,932	741,061
Receivables:				
Taxes	14,811	9,477	9,816	14,472
Accounts	4,235	-	-	4,235
Intergovernmental	7,561	7,991	7,561	7,991
Total Assets	\$ 3,672,489	\$ 7,259,838	\$ 6,398,935	\$ 4,533,392
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 57,893	\$ 1,266,671	\$ 1,259,362	\$ 65,202
Deposits	2,489,712	1,779,652	1,447,437	2,821,927
Due to bondholders	1,124,884	4,945,151	4,423,772	1,646,263
Total Liabilities	\$ 3,672,489	\$ 7,991,474	\$ 7,130,571	\$ 4,533,392

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			
	2007	2008	2009	2010
Governmental activities:				
Net investment in capital assets	\$ 285,605,573	\$ 305,837,234	\$ 318,076,672	\$ 315,618,279
Restricted	11,766,456	10,754,223	10,806,358	12,512,277
Unrestricted	43,592,259	41,777,890	40,877,799	43,085,546
Total governmental activities	<u>\$ 340,964,288</u>	<u>\$ 358,369,347</u>	<u>\$ 369,760,829</u>	<u>\$ 371,216,102</u>
Business-type activities:				
Net investment in capital assets	\$ 2,702,993	\$ 3,056,319	\$ 2,706,697	\$ 2,620,625
Unrestricted	505,975	465,194	464,012	55,182
Total business type activities	<u>\$ 3,208,968</u>	<u>\$ 3,521,513</u>	<u>\$ 3,170,709</u>	<u>\$ 2,675,807</u>
Primary Government:				
Net investment in capital assets	\$ 288,308,566	\$ 308,893,553	\$ 320,783,369	\$ 318,238,904
Restricted	11,766,456	10,754,223	10,806,358	12,512,277
Unrestricted	44,098,234	42,243,084	41,341,811	43,140,728
Total business type activities	<u>\$ 344,173,256</u>	<u>\$ 361,890,860</u>	<u>\$ 372,931,538</u>	<u>\$ 373,891,909</u>

Data Source: City Records

Fiscal Years

2011	2012	2013	2014	2015	2016
\$ 321,965,481	\$ 324,225,923	\$ 328,944,217	\$ 299,392,486	\$ 301,705,857	\$ 299,735,000
5,196,077	5,869,787	4,421,951	7,223,908	9,559,633	15,943,397
56,708,144	50,569,411	60,011,983	57,924,594	16,937,401	27,254,391
<u>\$ 383,869,702</u>	<u>\$ 380,665,121</u>	<u>\$ 393,378,151</u>	<u>\$ 364,540,988</u>	<u>\$ 328,202,891</u>	<u>\$ 342,932,788</u>
\$ 3,033,502	\$ 2,834,551	\$ 2,642,078	\$ 43,758,305	\$ 42,452,562	\$ 45,461,137
372,435	372,452	408,379	3,173,301	3,197,284	2,377,065
<u>\$ 3,405,937</u>	<u>\$ 3,207,003</u>	<u>\$ 3,050,457</u>	<u>\$ 46,931,606</u>	<u>\$ 45,649,846</u>	<u>\$ 47,838,202</u>
\$ 324,998,983	\$ 327,060,474	\$ 331,586,295	\$ 343,150,791	\$ 344,158,419	\$ 345,196,137
5,196,077	5,869,787	4,421,951	7,223,908	9,559,633	15,943,397
57,080,579	50,941,863	60,420,362	61,097,895	20,134,685	29,631,456
<u>\$ 387,275,639</u>	<u>\$ 383,872,124</u>	<u>\$ 396,428,608</u>	<u>\$ 411,472,594</u>	<u>\$ 373,852,737</u>	<u>\$ 390,770,990</u>

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

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

Data Source: City Records

Fiscal Years

2011	2012	2013	2014	2015	2016
\$ 4,291,832	\$ 4,658,171	\$ 4,773,294	\$ 3,252,176	\$ 4,011,666	\$ 4,961,384
3,686,004	3,991,867	3,826,827	4,103,329	4,286,769	5,098,251
26,364,923	26,937,061	24,694,999	25,755,201	26,606,083	31,639,192
14,336,928	13,913,687	12,424,315	16,320,422	18,085,062	20,779,294
4,676,679	5,004,329	4,787,756	5,173,507	6,022,747	5,481,466
5,700,769	6,063,835	5,519,819	-	-	-
187,964	211,810	129,382	-	-	-
<u>59,245,099</u>	<u>60,780,760</u>	<u>56,156,392</u>	<u>54,604,635</u>	<u>59,012,326</u>	<u>67,959,587</u>
\$ 2,450,265	\$ 2,233,496	\$ 2,148,718	\$ 2,333,048	\$ 2,434,172	\$ 2,976,677
-	-	-	5,636,354	7,569,442	5,963,003
<u>\$ 2,450,265</u>	<u>\$ 2,233,496</u>	<u>\$ 2,148,718</u>	<u>\$ 7,969,402</u>	<u>\$ 10,003,614</u>	<u>\$ 8,939,680</u>
<u>\$ 61,695,364</u>	<u>\$ 63,014,256</u>	<u>\$ 58,305,110</u>	<u>\$ 62,574,037</u>	<u>\$ 69,015,940</u>	<u>\$ 76,899,267</u>
\$ 890,306	\$ 882,761	\$ 906,051	\$ 981,002	\$ 1,015,049	\$ 1,002,599
2,246,036	2,195,031	2,731,302	3,204,521	3,167,128	3,773,050
1,725,333	1,752,556	1,797,519	1,591,619	1,989,290	1,679,812
6,994,344	6,295,258	7,428,761	7,343,113	9,314,702	8,622,598
3,311,914	3,050,630	3,200,792	3,305,296	3,979,198	3,641,643
6,082,856	6,308,982	6,588,390	-	-	-
3,930,216	1,961,730	2,024,308	1,971,819	2,764,891	1,849,916
1,002,303	878,382	131,497	1,596,735	433,681	8,212,560
<u>\$ 26,183,308</u>	<u>\$ 23,325,330</u>	<u>\$ 24,808,620</u>	<u>\$ 19,994,105</u>	<u>\$ 22,663,939</u>	<u>\$ 28,782,178</u>
\$ 323,428	\$ 318,205	\$ 326,723	\$ 346,288	\$ 319,134	\$ 313,458
-	-	-	6,814,418	7,093,423	7,400,257
1,637,397	1,321,121	1,322,049	1,765,639	2,302,614	2,069,628
393,174	-	-	851,923	555,307	-
<u>\$ 2,353,999</u>	<u>\$ 1,639,326</u>	<u>\$ 1,648,772</u>	<u>\$ 9,778,268</u>	<u>\$ 10,270,478</u>	<u>\$ 9,783,343</u>
<u>\$ 28,537,307</u>	<u>\$ 24,964,656</u>	<u>\$ 26,457,392</u>	<u>\$ 29,772,373</u>	<u>\$ 32,934,417</u>	<u>\$ 38,565,521</u>
\$ (33,061,791)	\$ (37,455,430)	\$ (31,347,772)	\$ (34,610,530)	\$ (36,348,387)	\$ (39,177,409)
(96,266)	(594,170)	(499,946)	1,808,866	266,864	843,663
<u>\$ (33,158,057)</u>	<u>\$ (38,049,600)</u>	<u>\$ (31,847,718)</u>	<u>\$ (32,801,664)</u>	<u>\$ (36,081,523)</u>	<u>\$ (38,333,746)</u>

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

	Fiscal Years			
	2007	2008	2009	2010
General Revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	\$ 23,447,241	\$ 25,525,587	\$ 26,973,472	\$ 27,766,596
Sales Tax	3,924,620	4,074,094	3,427,084	3,206,617
Sales tax in-lieu	1,112,853	1,149,419	1,163,049	697,446
Transient occupancy taxes	8,661,017	8,741,413	7,856,964	6,759,353
Other taxes	5,823,284	6,638,617	5,759,315	1,816,278
Motor vehicle license fees, unrestricted	144,395	111,385	85,458	74,043
Investment Income	1,646,417	1,952,936	1,768,663	1,332,412
Other general revenue	1,042,577	551,766	754,080	775,565
Gain on sale of assets	595,802	302,575	(60,087)	-
Transfers	(272,174)	(386,000)	(602,000)	(468,900)
Total governmental activities	<u>\$ 46,126,032</u>	<u>\$ 48,661,792</u>	<u>\$ 47,125,998</u>	<u>\$ 41,959,410</u>
Business-type activities				
Investment Income	\$ 19,532	\$ 13,197	\$ 10,377	\$ 19,065
Other general revenue	4,000	4,000	1,764	4,003
Gain or loss on sale of assets	-	-	-	2,302
Transfers	272,174	386,000	602,400	468,900
Total Business-type activities	<u>\$ 295,706</u>	<u>\$ 403,197</u>	<u>\$ 614,541</u>	<u>\$ 494,270</u>
Total Primary government	<u>\$ 46,421,738</u>	<u>\$ 49,064,989</u>	<u>\$ 47,740,539</u>	<u>\$ 42,453,680</u>
Changes in net position				
Governmental activities	\$ 35,409,468	\$ 18,485,522	\$ 10,960,794	\$ 1,455,273
Business-type activities	1,222,561	381,503	(350,804)	(494,902)
Total primary government	<u>\$ 36,632,029</u>	<u>\$ 18,867,025</u>	<u>\$ 10,609,990</u>	<u>\$ 960,371</u>

Data Source: City Records

Fiscal Years					
2011	2012	2013	2014	2015	2016
\$ 27,799,676	\$ 26,553,228	\$ 27,498,818	\$ 29,051,006	\$ 30,945,911	\$ 34,100,038
3,356,309	3,825,793	3,989,812	4,230,239	4,602,679	5,345,953
948,251	979,382	1,125,941	1,185,284	1,201,956	1,029,002
7,073,251	7,904,562	8,537,050	9,366,183	9,872,378	10,754,654
2,167,624	2,311,061	2,086,233	2,147,742	2,233,271	1,372,912
115,763	-	-	-	-	-
1,028,790	739,632	(70,016)	1,160,595	708,579	1,259,063
1,365,120	1,576,053	964,666	1,002,476	1,172,011	1,059,699
5,050	70,207	271,698	198,439	75,928	31,283
(823,900)	(391,300)	(343,400)	(915,389)	(1,350,691)	(1,045,298)
<u>\$ 43,035,934</u>	<u>\$ 43,568,618</u>	<u>\$ 44,060,802</u>	<u>\$ 47,426,575</u>	<u>\$ 49,462,022</u>	<u>\$ 53,907,306</u>
\$ 2,496	\$ 3,936	\$ -	\$ 3,819	\$ 25,464	\$ 36,734
-	-	-	25,103	4,650	262,661
-	-	-	-	(6,537)	-
823,900	391,300	343,400	915,389	1,350,691	1,045,298
<u>\$ 826,396</u>	<u>\$ 395,236</u>	<u>\$ 343,400</u>	<u>\$ 944,311</u>	<u>\$ 1,374,268</u>	<u>\$ 1,344,693</u>
<u>\$ 43,862,330</u>	<u>\$ 43,963,854</u>	<u>\$ 44,404,202</u>	<u>\$ 48,370,886</u>	<u>\$ 50,836,290</u>	<u>\$ 55,251,999</u>
\$ 9,974,143	\$ 6,113,188	\$ 12,713,030	\$ 12,816,045	\$ 13,113,635	\$ 14,729,897
730,130	(198,934)	(156,546)	2,753,177	1,641,132	2,188,356
<u>\$ 10,704,273</u>	<u>\$ 5,914,254</u>	<u>\$ 12,556,484</u>	<u>\$ 15,569,222</u>	<u>\$ 14,754,767</u>	<u>\$ 16,918,253</u>

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

	Fiscal Years			
	2007	2008	2009	2010
General Fund:				
Reserved	\$ 16,453,679	\$ 8,211,027	\$ 5,858,971	\$ 3,056,277
Unreserved	24,117,352	27,071,427	28,418,761	22,743,525
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>40,571,031</u>	<u>35,282,454</u>	<u>34,277,732</u>	<u>25,799,802</u>
All other governmental funds				
Reserved	2,806,815	2,473,864	4,788,422	5,235,110
Unreserved, reported in:				
Special revenue funds	(11,095,737)	2,678,698	2,939,618	5,511,826
Capital project funds	4,427,423	5,565,582	2,990,803	1,269,168
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ (3,861,499)</u>	<u>\$ 10,718,144</u>	<u>\$ 10,718,843</u>	<u>\$ 12,016,104</u>

Data Source: City Records

The City implemented GASB 54 in Fiscal Year 2010-2011

Fiscal Years					
2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,457,462	103,726	129,616	146,990	115,089	115,607
4,731,971	3,526,976	3,317,856	2,958,295	3,073,396	2,566,305
234,988	306,539	306,359	334,525	363,278	350,106
19,511,838	20,962,498	27,272,289	23,734,527	29,467,522	36,008,155
<u>4,822,332</u>	<u>8,215,647</u>	<u>6,781,959</u>	<u>13,420,963</u>	<u>16,308,063</u>	<u>18,240,858</u>
<u>30,758,591</u>	<u>33,115,386</u>	<u>37,808,079</u>	<u>40,595,300</u>	<u>49,327,348</u>	<u>57,281,031</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
791,384	791,384	3,531,567	2,190,000	-	-
6,266,345	10,385,155	3,595,034	4,265,613	6,486,737	13,377,092
5,857,868	-	5,984,699	6,034,556	6,089,679	6,153,059
-	-	265,217	-	-	-
<u>(2,184,688)</u>	<u>(774,645)</u>	<u>(148,095)</u>	<u>(531,502)</u>	<u>(521,922)</u>	<u>-</u>
<u>\$ 10,730,909</u>	<u>\$ 10,401,894</u>	<u>\$ 13,228,422</u>	<u>\$ 11,958,667</u>	<u>\$ 12,054,494</u>	<u>\$ 19,530,151</u>

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

	Fiscal Years			
	2007	2008	2009	2010
Revenues:				
Taxes and special assessments	\$ 41,980,491	\$ 45,061,416	\$ 44,868,922	\$ 40,986,641
License and permits	1,096,008	1,024,172	1,141,821	924,040
Fines and penalties	1,476,739	1,968,877	1,807,176	1,483,462
Investment income	1,836,734	2,172,846	1,907,979	1,361,432
Rental income	369,318	354,560	387,562	420,678
Intergovernmental	11,713,427	24,866,373	4,892,173	3,228,921
Charges for services	12,316,932	12,649,555	12,444,053	12,693,018
Parking meters, lots and permits	4,334,250	3,406,195	4,715,786	4,080,151
Development tax	276,472	152,469	6,441	39,804
Contributions from property owners	-	-	-	-
Other	1,938,787	2,556,833	2,238,673	1,047,961
Total Revenue	<u>\$ 77,339,158</u>	<u>\$ 94,213,296</u>	<u>\$ 74,410,586</u>	<u>\$ 66,266,108</u>
Expenditures				
Current:				
General government	\$ 3,361,299	\$ 4,047,877	\$ 3,977,543	\$ 3,901,637
Community development	3,041,255	3,399,926	3,636,575	3,482,651
Public Safety	22,092,500	23,078,430	25,048,032	24,681,583
Public works	9,202,763	10,501,163	11,049,821	11,070,780
Recreation and social services	4,437,225	3,865,406	4,006,552	4,196,800
Sewer service operating costs	3,348,521	3,620,729	3,886,559	4,093,162
Capital outlay	36,404,842	33,322,037	24,039,610	9,377,939
Debt service:				
Principal	2,101,314	2,199,676	1,655,800	1,425,000
Interest and fiscal charges	542,389	441,432	717,756	697,523
Total Expenditures	<u>\$ 84,532,108</u>	<u>\$ 84,476,676</u>	<u>\$ 78,018,248</u>	<u>\$ 62,927,075</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (7,192,950)	\$ 9,736,620	\$ (3,607,662)	\$ 3,339,033
Other financing sources (uses):				
Transfer In	\$ 3,000,810	\$ 1,857,367	\$ 1,499,569	\$ 6,087,140
Transfer Out	(3,346,660)	(2,465,695)	(2,101,969)	(6,803,929)
Issuance of bond	2,269,830	584,539	-	-
Issuance of loan	2,071,567	534,000	2,586,128	152,486
Advance payments of PERS obligation	-	-	-	(9,956,355)
Sales of land and equipment	4,788,172	302,572	7,223	956
Total other financing sources (uses)	<u>8,783,719</u>	<u>812,783</u>	<u>1,990,951</u>	<u>(10,519,702)</u>
Net change in fund balances	<u>\$ 1,590,769</u>	<u>\$ 10,549,403</u>	<u>\$ (1,616,711)</u>	<u>\$ (7,180,669)</u>
Debt service as a percentage of noncapital expenditures	5.8%	5.4%	4.6%	4.1%

Data Source: City Records

Fiscal Years

	2011	2012	2013	2014	2015	2016
\$	41,678,318	\$ 41,653,733	\$ 43,929,172	\$ 46,861,756	\$ 49,740,077	\$ 53,422,115
	990,966	975,884	1,052,041	1,292,248	1,257,275	1,500,393
	1,274,270	1,283,698	1,341,961	1,179,799	1,161,445	1,168,255
	1,064,467	739,628	(70,016)	1,159,549	715,521	1,256,302
	445,491	419,641	427,341	500,642	484,579	481,114
	3,978,327	3,469,505	2,121,486	3,363,671	2,817,867	2,118,995
	13,056,488	12,987,838	13,603,713	7,509,075	8,153,319	8,177,621
	4,891,228	4,276,533	5,384,197	5,308,051	7,400,349	6,739,529
	680,391	183,704	433,526	254,370	271,927	185,949
	-	-	-	-	-	7,281,713
	1,372,893	900,815	652,921	802,838	1,556,022	957,974
\$	<u>69,432,839</u>	<u>\$ 66,890,979</u>	<u>\$ 68,876,342</u>	<u>\$ 68,231,999</u>	<u>\$ 73,558,381</u>	<u>\$ 83,289,960</u>
\$	3,991,706	\$ 4,071,235	\$ 4,014,084	\$ 3,701,265	\$ 4,598,623	\$ 5,330,478
	3,531,828	3,600,452	3,751,468	4,034,924	4,445,514	5,041,256
	24,676,244	24,419,318	24,336,927	25,170,727	27,014,412	30,647,342
	10,097,113	10,671,049	10,958,046	12,292,930	11,867,474	12,839,368
	4,003,836	4,049,299	4,216,980	4,581,842	4,902,441	4,889,196
	4,009,715	4,062,448	3,950,183	-	-	-
	11,060,240	10,745,569	8,974,111	15,782,365	10,735,900	7,172,705
	1,490,000	1,915,472	360,040	-	-	-
	625,428	181,283	132,459	-	-	-
\$	<u>63,486,110</u>	<u>\$ 63,716,125</u>	<u>\$ 60,694,298</u>	<u>\$ 65,564,053</u>	<u>\$ 63,564,364</u>	<u>\$ 65,920,345</u>
\$	5,946,729	\$ 3,174,854	\$ 8,182,044	\$ 2,667,946	\$ 9,994,017	\$ 17,369,615
\$	538,742	\$ 987,270	\$ 1,697,131	\$ 419,760	\$ 1,050,000	\$ 120,000
	(2,816,927)	(2,446,370)	(2,614,936)	(1,869,144)	(2,223,400)	(2,071,298)
	-	459,263	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	5,050	12,109	254,582	168,676	7,258	11,023
	(2,273,135)	(987,728)	(663,223)	(1,280,708)	(1,166,142)	(1,940,275)
\$	<u>3,673,594</u>	<u>\$ 2,187,126</u>	<u>\$ 7,518,821</u>	<u>\$ 1,387,238</u>	<u>\$ 8,827,875</u>	<u>\$ 15,429,340</u>
	4.2%	4.1%	1.0%	0.0%	0.0%	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
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	1.000%
2013	10,595,888,864	85,133,532	10,681,022,396	1.000%
2014	11,089,216,359	91,985,376	11,181,201,735	1.000%
2015	11,785,221,890	110,449,645	11,895,671,535	1.619%
2016	12,610,347,675	90,557,688	12,700,905,363	1.518%

NOTE:

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

Source: 2013-14 and prior, Prior Published CAFR

2014-15 Orange County Assessor and Miniseries, LLC

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

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

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

	Fiscal Years			
	2007	2008	2009	2010
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	0.0179	0.0162	0.0152	0.0137
Unified School District Bonds	0.0172	0.0172	0.0154	0.0168
South Coast Water District	0.0090	0.0096	0.0093	0.0092
Metro Water District	0.0047	0.0045	0.0043	0.0043
Total Direct Rate	<u>\$ 1.04883</u>	<u>\$ 1.04756</u>	<u>\$ 1.04421</u>	<u>\$ 1.04406</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

Fiscal Years

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</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
0.0119	-	-	-	-	-
0.1580	0.1601	0.1694	0.0157	0.0146	0.0140
0.0091	0.0082	0.0082	0.0079	0.0072	0.0067
<u>0.0037</u>	<u>0.0037</u>	<u>0.0035</u>	<u>0.0035</u>	<u>0.0035</u>	<u>0.0035</u>
<u><u>\$ 1.18267</u></u>	<u><u>\$ 1.17200</u></u>	<u><u>\$ 1.18110</u></u>	<u><u>\$ 1.02704</u></u>	<u><u>\$ 1.02530</u></u>	<u><u>\$ 1.02411</u></u>

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

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Shr Mlb Llc	\$ 172,625,849	1	1.36%			
Icre Laguna Club Llc	124,282,119	2	0.98%			
Hometown Laguna Terrace Llc	57,136,690	3	0.45%			
Mission Hospital Regional	40,502,414	4	0.32%			
Warpinski Joseph	36,464,285	5	0.29%			
Iconicviews Company Llc	33,659,340	6	0.27%			
Serenita Llc	32,144,591	7	0.25%			
Allen Russell G	31,457,692	8	0.25%			
Crystal Cove Cliffs Llc	30,896,635	9	0.24%			
Scandia Realty Group Llp	28,752,561	10	0.23%			
Laguna Beach Luxury Hotel				159,356,869	1	1.92%
Club Laguna Partnership				42,340,919	2	0.51%
Nevills Neil D Tr				29,580,000	3	0.36%
Aliso Creek Properties				28,997,181	4	0.35%
Daichendt Gary J Tr				18,682,029	5	0.23%
Laguna Hotels L P				18,662,200	6	0.22%
Regency Associates Ltd				14,847,744	7	0.18%
Merage David Tr				14,565,598	8	0.18%
Emerald Financial Llc				13,966,000	9	0.17%
Tomasek Ted Tr				13,662,631	10	0.16%
	<u>\$ 587,922,176</u>		<u>4.63%</u>	<u>\$ 354,661,171</u>		<u>5.19%</u>

Source: MuniServices, LLC

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collections within the Fiscal Year of Levy		Collection in Subsequent Years	Total Collection to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
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%
2015	27,630,335	27,321,360	98.88%	308,975	27,630,335	100%
2016	30,056,175	29,368,525	97.71%	687,651	30,056,176	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			Business-type Activities		Primary Government	Percentage of Personal Income	Debt per Capita
	General Obligation Bonds	I-Bank Installment Agreement	Capital Leases	Total Governmental Activities	I-Bank Installment Agreement			
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	-	-	-	-	4,302,111	4,302,111	2.59%	185
2015	-	-	-	-	3,922,145	3,922,145	2.59%	169
2016	-	-	-	-	3,531,805	3,531,805	2.59%	152

Data Source: City Records

CITY OF LAGUNA BEACH
Direct and Overlapping Debt
June 30, 2016

CITY OF LAGUNA BEACH

2015-16 Assessed Valuation: \$12,752,212,336

	Total Debt	6/30/2016	% Applicable (1)	City's share of Debt 6/30/16
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>				
Metropolitan Water District	\$92,865,000		0.52%	\$482,898
Capistrano Unified School District School Facilities Improvement District No. 1	29,882,520		0.01	2,988
Laguna Beach Unified School District	26,090,000		72.952	19,033,177
South Coast County Water District	810,000		36.866	298,615
City of Laguna Beach 1915 Act Bonds	9,395,862		100	9,395,862
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT				\$29,213,540
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>				
Orange County General Fund Obligations	\$124,614,000		2.56%	\$3,183,888
Orange County Pension Obligation Bonds	353,417,858		2.555	9,029,826
Orange County Board of Education Certificates of Participation	14,840,000		2.555	379,162
Municipal Water District of Orange County Water Facilities Corporation	2,770,000		3.049	84,457
Capistrano Unified School District Certificates of Participation	15,320,000		0.007	1,072
City of Laguna Beach	0		100	0
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT				\$12,678,405
Less: MWDOC Water Facilities Corporation (100% self-supporting)				84,457
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT				\$12,593,948
TOTAL DIRECT DEBT				\$0
TOTAL GROSS OVERLAPPING DEBT				\$41,891,945
TOTAL NET OVERLAPPING DEBT				\$41,807,488
GROSS COMBINED TOTAL DEBT				\$41,891,945
NET COMBINED TOTAL DEBT				\$41,807,488

(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 2015-16 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.23%
Total Direct Debt	0.00%
Gross Combined Total Debt	0.33%
Net Combined Total Debt	0.33%

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	
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	4,329,460	2,484,958	369,869	122,496	504.70%
2015	7,093,423	4,219,617	2,873,806	379,966	112,261	583.84%
2016	7,400,257	4,467,494	2,932,763	390,339	101,746	595.99%

Data Source: City Records

CITY OF LAGUNA BEACH
 Legal Debt Margin
 Last Ten Fiscal Years

	Fiscal Years			
	2007	2008	2009	2010
Assessed valuation	9,750,667,234	10,143,694,955	10,335,472,585	10,468,333,980
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,437,666,809	2,535,923,739	2,583,868,146	2,617,083,495
Debt limit percentage	15%	15%	15%	15%
Debt limit	365,650,021	380,388,561	387,580,222	392,562,524
Total net debt applicable to limit: General obligation bonds	7,600,937	6,330,853	7,150,000	5,840,000
Legal debt margin	\$ 358,049,084	\$ 374,057,708	\$ 380,430,222	\$ 386,722,524
Total debt applicable to the limit as a percentage of debt limit	2.1%	1.7%	1.8%	1.5%

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

Note:

Data Source: Orange County Assessor data, MuniServices, LLC

Fiscal Years					
2011	2012	2013	2014	2015	2016
10,681,022,396	11,089,216,359	10,681,022,396	11,181,201,735	11,895,671,535	12,700,905,363
25%	25%	25%	25%	25%	25%
2,670,255,599	2,772,304,090	2,670,255,599	2,795,300,434	2,973,917,884	3,175,226,341
15%	15%	15%	15%	15%	15%
400,538,340	415,845,613	400,538,340	419,295,065	446,087,683	476,283,951
4,480,000	1,565,000	-	-	-	-
<u>\$ 396,058,340</u>	<u>\$ 414,280,613</u>	<u>\$ 400,538,340</u>	<u>\$ 419,295,065</u>	<u>\$ 446,087,683</u>	<u>\$ 476,283,951</u>
1.1%	0.4%	0.0%	0.0%	0.0%	0.0%

DEMOGRAPHIC AND ECONOMIC INFORMATION

This section of the City of Laguna Beach's Comprehensive Annual Financial Report (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
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	<i>Not available</i>	<i>Not available</i>	75,460	<i>Not available</i>
2015	23,355	1,805,342	77,300	3.1%
2016	23,617	1,904,729	80,651	3.4%

Source: MuniServices, LLC, U.S. Census Bureau, 2010 American Community Survey

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

- 1.) Population Projections are provided by the California Department of Finance Projections.*
- 2.) Income Data is provided by the U.S. Census Bureau, 2010 American Community Survey.*
- 3.) Unemployment Data is provided by the EDD's Bureau of Labor Statistics Department*
- 4.) Median Age reflects the U.S. Census data estimation Table.*

CITY OF LAGUNA BEACH
Principal Employers
Last Fiscal Year

Business Name	2015-16	
	Number of Employees	Percent of Total Employment (%)
Mission Hospital Laguna Beach	2,500	19.69%
Montage Laguna Beach	730	5.75%
Laguna Beach School District	350	2.76%
City of Laguna Beach*	260	2.05%
Laguna College of Art & Design	241	1.90%
Surf & Sand Resort*	240	1.89%
Pacific Edge Hotel**	198	1.56%
Las Brisas Restaurant*	186	1.46%
Hotel Laguna*	123	0.97%
Mozambique*	95	0.75%
Total Top 10 Employers	4,923	19.08%
 Total City Labor Force (1)	 12,700	

Source: MuniServices, LLC

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

Unless otherwise noted, count includes full and part time.

*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			
	2007	2008	2009	2010
General Government	18.03	18.03	18.03	18.03
Public Safety	133.00	135.00	134.00	134.00
Public Works	56.00	56.00	57.00	55.00
Community Development	26.00	26.00	29.00	28.00
Recreational and Cultural	7.50	7.50	7.65	7.65
Water Quality	15.00	15.00	15.00	15.00
Total	<u>255.53</u>	<u>257.53</u>	<u>260.68</u>	<u>257.68</u>

Data Source: City Records

Fiscal Years					
2011	2012	2013	2014	2015	2016
18.03	17.63	17.63	17.63	17.63	18.73
132.60	132.50	132.50	132.60	135.00	136.00
54.00	51.00	50.00	51.00	51.00	54.60
27.00	26.50	26.50	27.00	28.00	30.00
7.75	7.75	7.75	7.75	7.75	6.00
15.00	15.00	15.00	15.00	15.00	15.00
<u>254.38</u>	<u>250.38</u>	<u>249.38</u>	<u>250.98</u>	<u>254.38</u>	<u>260.33</u>

CITY OF LAGUNA BEACH
 Operating Indicators
 Last Ten Fiscal Years

	Fiscal Years			
	2007	2008	2009	2010
Police				
Custodial Arrests	N/A	1,337	1,296	1,411
Traffic Violations	N/A	3,718	7,292	6,624
Parking Violations	39,659	53,863	48,148	39,108
Fire Protection:				
Number of Calls Answered	2,607	2,613	2,894	3,052
Number of Inspections	800	850	900	950
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 Source: City Records

N/A - Not currently available.

Fiscal Years

2011	2012	2013	2014	2015	2016
2,163	1,527	2,176	1,694	2,093	2,125
7,176	5,855	6,138	5,300	5,923	3,794
35,688	38,553	40,050	34,004	36,685	34,017
3,080	3,413	3,311	3,375	3,447	N/A
1,035	1,620	1,650	1,021	1,384	N/A
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			
	2007	2008	2009	2010
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

2011	2012	2013	2014	2015	2016
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